



INSIGHTS FROM THE BDO CENTER FOR HEALTHCARE EXCELLENCE & INNOVATION

# THE FUTURE OF INTEGRATED CARE IN NEW YORK STATE'S MEDICAID PROGRAM

By Courtney Marcin & Saira Khan

The State of New York is [seeking a four-year extension/renewal](#) of its Delivery System Reform Incentive Payment (DSRIP) program from the Centers for Medicare and Medicaid Services (CMS) as of September 17, 2019, hoping to build upon the success of DSRIP 1.0.

The goal? To gain more time—and money—for value-based payment (VBP) arrangements to mature, incorporate additional initiatives that are aligned with Federal and State goals, and further engage providers in DSRIP efforts. NY would not be the first state to receive waiver extensions, as both Texas and California have received additional funding to build upon previous waivers.

In an era of unprecedented transformation and complexity, healthcare providers are getting squeezed. Healthcare organizations are being called on to do more for less, and to achieve better health outcomes while grappling with a realignment of finance, capital and clinical delivery activities.

As we approach the end of DY5, the question of whether the State will deliver the \$8 billion program extension is producing a lot of uncertainty for effected providers, while generating tangible excitement within New York State's health care delivery system.

The questions remain: In what form will these programs be allowed to continue, and will the result be more tangible impacts on statewide Medicaid spending? Even with the introduction of Medicaid focused reform, per-recipient Medicaid costs continue to grow at a rate greater than inflation and create continued budget pressures. Could this extension be one solution?

## DSRIP 1.0: THE SUCCESSES AND CHALLENGES

Planning for the DSRIP program in NY began, for most, in the fall of 2014, when many could not predict how the five years would play out. DSRIP programs, which are part of Section 1115 Medicaid waiver safety net care programs, use an incentive-based payment structure to fund projects focused on meeting the "Triple Aim":

1) improving quality; 2) population health; and 3) achieving value and financial sustainability.

The State of New York and CMS reached an agreement that allowed NY to invest \$8 billion of the \$17.1 billion in federal savings produced by the Medicaid Redesign Team (MRT) reforms for comprehensive Medicaid delivery and payment reform, with the primary goal of reducing avoidable hospital use by 25% over five years. Between 2014-2019, New York's DSRIP program involved 25 Performing Provider Systems (PPS)—regional networks of providers serving Medicaid patients throughout the state—who implemented 259 innovative projects that spanned across system transformation, clinical improvement and population health improvement.

According to NY, the measurable outcomes to date include:

- ▶ 21% reduction in Potentially Preventable Admissions (PPAs)
- ▶ 17% reduction in Potentially Preventable Readmissions (PPRs)
- ▶ 14% reduction in per member per year cost for the last four measurement years or savings of more than \$500 million
- ▶ Over 60% of NY Medicaid managed care dollars are contracted under a VBP model

### **DSRIP CONTINUED SUCCESS: THE RISK OF NO EXTENSION**

According to the State, DSRIP 1.0's integrated delivery networks informed meaningful collaboration which led to the development of innovative service models. These models resulted in PPSs surpassing performance targets and galvanizing further partnership in pilot VBP arrangements.

However, while these DSRIP VBP arrangements have been successful, more investment and time is needed to allow the maturation of these arrangements to realize additional quality improvements and cost savings.

Given the significant investment to date, it would be inefficient to miss the opportunity of leveraging and capitalizing on the relationships, workflows and infrastructure developed during DSRIP 1.0, which may cease in many cases without a new funding source, as VBP arrangements are not yet sufficient to cover the costs of these programs.

### **PREPARING FOR DSRIP 2.0: A FOCUS ON CBO AND MCO PARTNERSHIPS**

Current Medicaid VBP arrangements are built primarily around primary care providers, and do not sufficiently incorporate, incentivize and fund behavioral health, post-acute and other social and community support capabilities.

DSRIP 2.0 aims to focus on high value projects that are aligned with federal priorities which include: substance use disorder (SUD) treatment and the opioid crisis; serious mental illness and severe emotional disturbance (SMI/SED); social determinants of health; primary care improvement and value-driving payment models.

While it is not clear on how NY will implement these new strategies, DSRIP 2.0 offers the opportunity for more impactful partnerships with non-traditional community health and social service providers within VBP agreements. The State has already incorporated stakeholder feedback in the waiver, granting, "additional flexibility in the operational structure," for DSRIP 2.0, where funding will be aligned to the, "best future management structure for a given region/market." The guidance addresses the formation of Value-Driving Entities (VDEs) with partnership and control to be granted to four groups: PPSs or PPS subsets, other providers, community-based organizations (CBOs) and managed care organizations (MCOs). DSRIP 2.0 will require the organizational and governance participation of MCOs and CBOs in these new entities. This new approach allows room to change the current PPS structure to produce more meaningful results—allowing provider organizations not fully engaged in DSRIP 1.0, or who did not see the benefit of DSRIP dollars, another chance to be a part of meaningful change.

For providers in this category, conversations are initiating on how to develop new partnerships and thoughtfully engage with MCOs.

Like DSRIP 1.0, 2.0 projects will require focused interventions that target high-need and high-cost populations. NY is calling specific attention to populations and delivery system gaps not fully addressed in DSRIP 1.0, including: maternal mortality, children's population health, and long-term care reform. At minimum, success will be dependent on collaborative yet innovative partnerships, deep stakeholder engagement and community buy-in as well as successful partnerships with MCOs. The State of New York is currently receiving public comments on the proposed waiver extension and will submit the application to CMS on November 27, 2019.

*For more information on DSRIP 2.0, please reach out to Cortney Marcin, Managing Director, BDO's Center for Healthcare Excellence and Innovation, at [cmarcin@bdo.com](mailto:cmarcin@bdo.com).*

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