

Washington State Department of Social and Health Services

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REPORT TO THE LEGISLATURE

DSHS Report on Status of WA Cares Demonstration Waiver 2022

RCW 50B.04.130(3)

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Background

In 2019, the Washington State Legislature passed House Bill 1087, creating the nation's first Long-Term Services and Supports Trust Program, which was signed by the Governor and codified in RCW Chapter 50B.04. The program, now named WA Cares Fund, is designed to provide affordable long-term care coverage to Washingtonians through a social insurance model like Social Security. Working Washingtonians will begin paying premiums and earning coverage on July 1, 2023 and benefits will be available to people who meet the contribution requirements and need assistance with activities of daily living starting July 1, 2026. WA Cares provides up to \$36,500 in flexible benefits, which can be used for in-home care, care in a residential setting, nursing home care, and family caregiver supports. The lifetime benefit amount is projected to increase annually with inflation. In the 2020 and 2021 legislative sessions, changes to the program were made, including improvements to coverage and an extended timeline for implementation.

WA Cares Fund is projected to provide substantial savings by way of future cost off-sets for the state budget due to delaying or diverting people from Medicaid long-term services and supports. WA Cares is also projected to reduce the growth in Medicare utilization and expenditure. In other demonstration projects implemented by Washington State where Medicare funds were saved (such as the Health Home demonstration), WA has reached an agreement with the federal Centers for Medicare and Medicaid Services (CMS) that has resulted in millions of dollars in payments back to Washington from the savings achieved to the Medicare program. With Medicaid demonstration waivers, such as the Medicaid Transformation Demonstration (1115 waiver), agreements with CMS have provided additional matching funds to relieve the state of all or a portion of its shared obligation when implementing innovative models that show promise to improve outcomes for participants. As directed by the Legislature, the state has begun negotiations with CMS seeking a new agreement to allow Washington State to share in the future savings generated in Medicare and in the federal match for Medicaid long-term services and supports due to the operation of WA Cares Fund.

Report Description

This report serves the purpose of updating the Office of Financial Management and the appropriate legislative committees on the status of the Demonstration Waiver negotiations as required in RCW 50B.04.130.

The Long-Term Services and Supports Trust Program statute RCW 50B.04.130 requires the Department of Social and Health Services to:

- 1) Seek access to Medicare data from the federal centers for Medicare and Medicaid services to analyze the potential savings in Medicare expenditures due to the operation of the program;
- 2) Apply for a demonstration waiver from the federal centers for Medicare and Medicaid services to allow for the state to share in the savings generated in the federal match for Medicaid long-term services and supports and Medicare due to the operation of the program;
- 3) Submit a report, in compliance with RCW 43.01.036, on the status of the waiver to the office of financial management and the appropriate committees of the legislature by December 1, 2022.

Status Report

Washington is the first state to successfully negotiate a data sharing agreement with Medicare to support ongoing analysis of post-acute care costs, including Medicare skilled nursing facility, inpatient rehabilitation, other inpatient, and home health services. Data was obtained in 2020 and the Department of Social and Health Services began analysis of the potential savings in Medicare expenditures achieved by providing Medicaid funded long-term services and supports.

In May 2022, DSHS Research and Data Analysis Division (RDA) published findings from Washington State on Medicare post-acute care savings from Medicaid-paid long-term services and supports. The analysis examines Medicare payments for post-acute care, including Medicare skilled nursing facility, inpatient rehabilitation, other inpatient, and home health services after a hospital stay. These post-acute care expenditures are the fastest-growing component of Medicare spending. Medicaid pays for Long-Term Services and Supports, including in-home, residential, nursing home services. These services may reduce Medicare post-acute costs through two channels. First, long-term services and supports may substitute for Medicare post-acute care. Second, the need for post-acute care may be reduced due to beneficial health effects of long-term services and supports. RDA finds that, after controlling for other factors, for each \$1,000 dollars spent on Medicaid-paid LTSS in the year after an acute hospital stay, Medicare expenditures are reduced by: \$208 for elders and \$254 for adults receiving in-home personal care services, and \$246 for elders and \$126 for adults receiving community residential services (e.g., services in an adult family home or assisted living facility). These findings suggest that long-term services and supports funded through WA Cares Fund benefits are likely to generate substantial savings for Medicare.

The Department of Social and Health Services is also working with the Office of the State Actuary and Milliman to provide analysis on the financial impact to the Washington Medicaid program due to WA Cares Fund. Analysis was completed November 5, 2021, prior to the legislature enacting an 18-month delay and other changes to coverage. In their report, Milliman estimates annual Medicaid program

savings due to the creation of the WA Cares Fund will be approximately \$70 million in 2025, increasing to \$140 million in 2035, \$410 million in 2050, and \$2.1 billion in 2095. These figures include future expenditures in both federal and general-fund state dollars. These savings or cost off-sets are the result of delaying or diverting people from Medicaid long-term services and supports. These estimates will be revised in 2023 based on new program coverage and timing of implementation.

Both reports were shared with the Centers for Medicare and Medicaid Services (CMS) and discussions began in early 2022 with an official point of contact assigned by CMS on August 5, 2022. Washington State has established regular monthly meetings with CMS to further develop potential approaches for sharing in the savings generated in Medicare and in the federal match for Medicaid long-term services and supports due to the operation of WA Cares Fund. Agency leadership from the Department of Social and Health Services' Aging and Long-Term Support Administration and Health Care Authority attend these meetings to provide updates on any new legislative, budgetary, or operational updates. The meetings are also intended to explore possibilities related to an approach to shared federal savings that will be achieved through WA Cares program implementation.

DSHS Contact: Bea Rector, Assistant Secretary, Aging and Long-Term Support Administration.

Appendices

Appendix A. DSHS Research and Data Analysis Division. (2022). *Medicare Post-Acute Care Savings from Medicaid-Paid Long-Term Services and Supports*. <https://www.dshs.wa.gov/ffa/rda/research-reports/medicare-post-acute-care-savings-medicaid-paid-long-term-services-and-supports>

Appendix B. Milliman. (2021). *WA Cares Fund Savings for the Medicaid Program*. https://leg.wa.gov/osa/additionalservices/Documents/Report02-WA.Cares.Fund.Medicaid.Savings_20211105.pdf