



FORUM SESSION

## Transforming Payment and Health Care Delivery: Early Reports from the State Innovation Model (SIM) Initiative

APRIL 18, 2014

If states are in fact laboratories, as the metaphor goes, then the State Innovation Model (SIM) initiative, administered by CMMI (the Center for Medicare & Medicaid Innovation) within the Centers for Medicare & Medicaid Services (CMS), is quite the health care experiment. The initiative aims to foster state planning, designing, and testing of new payment and delivery models in an effort to “improve health, improve health care, and lower costs for a state’s citizens through a sustainable model of multi-payer payment and delivery reform.”<sup>1</sup> SIM provides a framework and vehicle for states to build on previous reform efforts and to test a number of payment and delivery transformation tools authorized by the Patient Protection and Affordable Care Act of 2010 (ACA), such as Medicaid health homes, or promoted by CMMI, such as accountable care organizations and bundled payments for episodes of care. Together these efforts strive to improve health and pay for value in health care—not volume—at a time when there is wide agreement that state and federal budgets are dominated by health care spending.

In July 2012, CMMI announced two types of competitive funding available to states; states could apply for funding to “design” a health care innovation plan or they could apply for funding to “test” models in an already developed health care innovation plan. Six states (Arkansas, Maine, Massachusetts, Minnesota, Oregon, and Vermont) received “model testing” awards of between \$33 and \$45 million each to test strategies, such as the Medicare shared savings accountable care organizations, other shared savings/shared risk arrangements like coordinated care organizations, and patient-centered medical homes, over a period of 42 months.<sup>2</sup> To varying degrees, all model testing states are working with both public and private payers. Three states (Colorado, New

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York, and Washington) applied for model testing funding, but instead received between \$1 and \$2 million each to further refine their state health care innovation plans over six months. Sixteen states (California, Connecticut, Delaware, Hawaii, Idaho, Illinois, Iowa, Maryland, Michigan, New Hampshire, Ohio, Pennsylvania, Rhode Island, Tennessee, Texas, and Utah) applied for and received between \$750,000 and \$3 million each in “model design” awards to develop a state health care innovation plan over a six-month period. It is expected that some of these 19 states will receive follow-on testing funding after their initial six-month design or refinement phase, but CMMI has not yet announced a second model testing competition.

This Forum session will explore the goals and general experience from the SIM effort to date, including the six model testing states’ payment and delivery reform strategies, effects of the first 12 months of implementation, common and individual state challenges, and potential solutions. While efforts in all six states will be noted, the initiatives of Arkansas<sup>3</sup> and Vermont<sup>4</sup> will be explored in greater detail.

**SPEAKERS**

**Karen Murphy, PhD, RN**, directs the state innovations group within the Center for Medicare & Medicaid Innovation at CMS. In that capacity she oversees the SIM initiative, for which she provided an overview. **Anya Rader Wallack, PhD**, directs the Vermont SIM effort. She discussed the state’s efforts that led to their SIM work, the key components of Vermont’s SIM effort, progress to date, and continuing challenges and opportunities. **Dawn Zekis, MPS**, is the director of health care innovation within the Arkansas Department of Human Services. In that capacity she oversees the Arkansas SIM effort, which focuses in particular on bundling payments for episodes of care. **Christopher F. Koller, MDiv, MPPM**, is president of the Milbank Memorial Fund. He served as the Rhode Island health insurance commissioner for eight years before joining the Fund. He talked about his experience applying for and partially implementing Rhode Island’s SIM model design award as well as his perspective on the effects of SIM in the six testing states on the basis of the Fund’s role convening SIM states.

**KEY QUESTIONS**

- What are the models being tested by each of the six states? What types of activities do the testing grant funds support?

- What public and private payers are working with each of the six states, and to what extent? What can SIM testing states reasonably achieve in multi-payer reform, given states' limited direct leverage with Medicare and self-insured employers in particular?
- What challenges are testing states most commonly facing? Engaging multiple payers and providers? Accessing and analyzing cost and quality data?
- Is the 42-month testing grant time frame reasonable given the lofty goals of the program? How will the transformation efforts be sustained beyond the grant period?
- CMMI has been praised for its collaboration with other parts of CMS, as well as with other federal agencies such as the Centers for Disease Control and Prevention, the Substance Abuse and Mental Health Services Administration, and the Office of the National Coordinator for Health Information Technology to support states in their efforts. Are there areas where CMMI could improve to maximize state success?

## FOR MORE INFORMATION

See the Milbank Memorial Fund, "Preparing for Multi-Payer Health Care Transformation: Common Issues from SIM Test States," January 2014, [www.milbank.org/uploads/documents/papers/Preparing\\_for\\_Multi-Payer\\_Health\\_Care\\_Transformation.pdf](http://www.milbank.org/uploads/documents/papers/Preparing_for_Multi-Payer_Health_Care_Transformation.pdf); and Sharon Silow-Carroll and JoAnn Lamphere, "State Innovation Models: Early Experiences and Challenges of an Initiative to Advance Broad Health System Reform," The Commonwealth Fund, Issue Brief, September 2013, [www.commonwealthfund.org/~media/Files/Publications/Issue%20Brief/2013/Sep/1706\\_SilowCarroll\\_state\\_innovation\\_models\\_ib1.pdf](http://www.commonwealthfund.org/~media/Files/Publications/Issue%20Brief/2013/Sep/1706_SilowCarroll_state_innovation_models_ib1.pdf).

## ENDNOTES

1. Center for Medicare & Medicaid Innovation, "State Innovation Models: Funding for Model Design and Testing Assistance," p. 1, [http://innovation.cms.gov/Files/x/StateInnovation\\_FOA.pdf](http://innovation.cms.gov/Files/x/StateInnovation_FOA.pdf).
2. A brief summary of each state's plan is available at <http://innovation.cms.gov/initiatives/State-Innovations-Model-Testing/index.html>.
3. Geoffrey Cowley, "One state's health care revolution," MSNBC, March 6, 2014, [www.msnbc.com/msnbc/one-states-health-care-revolution](http://www.msnbc.com/msnbc/one-states-health-care-revolution).
4. Vermont.gov, "Gov. Shumlin: Vermont Receives \$45 Million Grant for Health Care Reform," press release, February 25, 2013, [www.vermont.gov/portal/government/article.php?news=4143](http://www.vermont.gov/portal/government/article.php?news=4143).