INVITED COMMENTARY

What We’re Learning About Medicaid Transformation

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Each state’s health care transformation journey is unique. But common lessons are emerging from Medicaid’s work to advance an integrated, person-centered care model and align financial incentives with value and quality. These lessons shed light on the path for states beginning a new chapter in their own transformation.

Medicaid directors are leaders in the national effort to move the health care system toward a more integrated, person-centered care model, and aligning financial incentives with value and quality. The fragmented and mis-aligned incentives of fee-for-service payment to providers are no longer viable. Transforming the health care system is necessary for Medicaid to deliver on its mission of providing health and long-term care coverage to millions of Americans, including eligible low-income adults, children, pregnant women, elderly adults, and people with disabilities.

At the National Association of Medicaid Directors (a nonprofit, freestanding association representing the 56 state and territorial Medicaid leaders) we are seeing this health system transformation sweep the nation. Each year, our Medicaid Operations Survey shows that delivery system and payment reform is a top priority for Medicaid directors [1, 2]. In this work, Medicaid programs are pushing the boundaries of what it means to provide health care services, moving away from being claims processors to being sophisticated purchasers of health.

Given the size and magnitude of the shift that is happening in Medicaid (and in health care more broadly), growing pains are inevitable. This work is challenging each of us in the health care sector to do business differently, including states, providers, and plans. But through these growing pains, we are seeing states and communities begin to achieve success: creating a health care system that provides more patient-centered, high-quality, high-value care.

Each state’s transformation journey is unique; as the old maxim goes, “all health care is local.” But there are common themes and lessons emerging from this work. These lessons can shed light on the path for states and communities that are beginning a new chapter in their own delivery system and payment reform efforts.

The foundation for health system transformation is a strong partnership between states, providers, consumers, and plans. Building this partnership requires all parties to work from a common set of goals, setting aside preconceptions, past experiences, and existing paradigms and thinking in new and creative ways. Partnership may seem simple, but it is often one of the most challenging tasks of health system transformation. It requires an investment of time and a willingness to listen. It can be messy. But it sets all parties up for success and creates a conduit for course corrections along the way.

Medicaid programs are leveraging public/private partnerships to advance transformation. Medicaid agencies are contracting with managed care organizations (MCOs), accountable care organizations (ACOs), and other similar entities to improve health care and outcomes. States are partnering with these entities and capitalizing on their capacity to improve care delivery and flexibility to innovate. This is not privatization. States are deploying this model as a partnership where the Medicaid agency is at the helm, setting the vision and direction for the MCOs or ACOs, creating clear guardrails while allowing these entities to be innovative and holding them accountable for delivering high-quality health care [3-5].

Medicaid agencies need to be appropriately resourced for this work. Transforming Medicaid agencies from claims processors to sophisticated purchasers of health requires new capacity and skill sets. Medicaid agencies must retrain and bring on board new staff with expertise in developing and overseeing complex contracts. It also requires Medicaid agencies to develop sophisticated data governance and data analytics tools to underpin the transformation at the agency, plan, and provider levels. Medicaid’s partners have an important role to play in making sure the agency has the resources it needs to be successful in this work.

Behavioral health integration is key to transformation. In nearly all delivery system and payment reform initiatives in Medicaid, behavioral health integration is a central component of the work. To improve health outcomes and contain costs, states must break down the historical silos between physical and behavioral health and treat the mind along with the body.

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the body. Behavioral health integration is not just co-location of providers. Integration must happen at three levels of the delivery system: at the state agency level by improving coordination between Medicaid and behavioral health authorities; at the health plan level by creating a seamless experience for beneficiaries (for example, by bringing behavioral and physical health services under the purview of the same health plans); and at the provider level by improving communication and coordination between physical and behavioral health providers (for example, through health home initiatives or co-location of providers).

Medicaid is pushing the bounds of a traditional health care program to address social determinants of health. But it will take time to figure out Medicaid’s ideal role. While access to high-quality medical care is critical, research shows that social and environmental factors and the behaviors...
that emerge as a result of those factors have a significant influence on a person's health. An unmet resource need, like housing or food insecurity, can significantly and negatively impact health and well-being as well as increase health care utilization and costs [6, 7]. Addressing those needs can potentially improve health and lower health care costs. But as a health care program, there are limits to Medicaid's role in addressing social service and support needs. States and communities will need to work together to get clear on what the "sweet spot" is for Medicaid (including where Medicaid can impact outcomes, what activities are cost effective, and what is allowable under federal rules) and the roles and responsibilities of other state agencies and community-based organizations.

**Health system transformation is a marathon, not a sprint.** Lasting transformation occurs through a series of incremen-
tal changes: some steps are large, some are small. Medicaid programs recognize the importance of moving this work forward carefully and deliberately and avoiding unintended consequences. For this work to be successful, Medicaid and its partners—including providers, consumer groups, plans, and community organizations—need to stay the course and keep their collective sights on the goal of creating a more patient-centered, value-based health care delivery system.

Medicaid programs have an imperative to lead health system transformation, and they are advancing this work in a thoughtful and meaningful way. While mistakes and missteps are inevitable, Medicaid leaders are learning from
them and making course corrections along the way in collaboration with their community partners. Most importantly, Medicaid programs are starting to see the impact of this work on the health and well-being of the 70 million beneficiaries that the Medicaid program serves and realizing the promise of health system transformation. NCMJ

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