



## State Innovation Models Round Two Frequently Asked Questions

### What is the State Innovation Models initiative?

The State Innovation Models initiative tests the ability of state governments to accelerate health transformations using regulatory and policy levers to improve health, improve care and lower costs for the state's citizens, including Medicare, Medicaid and Children's Health Insurance Program beneficiaries. State Innovation Models encourage states to develop sustainable models of multi-payer payment and delivery reform.

State Innovation Models will leverage federal and state resources to support states in the design of State Health Care Innovation Plans and partner with states to implement and test these plans. More broadly, lessons from State Innovation Models will be used to accelerate innovations in the Medicare, Medicaid and Children's Health Insurance programs, as well as commercial payers to identify best practices in state-led transformation that are potentially scalable to all states.

Multi-payer payment and delivery models offer the opportunity to accelerate health transformation. These efforts are designed to reduce reliance on payment methodologies based on volume and encourage movement toward payment based on outcomes, by reinforcing the expectation that providers and payers must be engaged in order to create meaningful delivery and payment system reforms.

The Centers for Medicaid & Medicare Services (CMS) view states as strong partners in transforming health care because they serve as a payer for a large percentage of health care services for their employees and residents, have broad regulatory authority over health care providers and payers, have the ability to convene multiple parties to improve statewide health delivery systems, and oversee public health, social, and educational services. In addition, states are close to the actual delivery of care in their state, enabling the support of accountable and value-based health care initiatives.

The State Innovation Models initiative is designed specifically for states that are prepared for or committed to planning, designing, testing, and supporting the evaluation of new payment and service delivery models in the context of larger health system transformation. As previously noted, CMS is interested in state-sponsored models that also have the potential to improve

quality of care while lowering costs for Medicare, Medicaid, and the Children's Health Insurance Program beneficiaries.

## **What is a State Health Care Innovation Plan?**

A State Health Care Innovation Plan is a detailed plan that describes the strategies and methods a state will use to transform the structure and performance of the state's entire health system. The plan must use tools and policy levers available to states to improve health, improve care and lower costs for the state's citizens, including Medicare, Medicaid and Children's Health Insurance Program beneficiaries. States applying for Model Test cooperative agreement awards must submit State Health Care Innovation Plans, which will be evaluated based on the enumerated criteria in the official funding opportunity announcement.

## **Who can apply for the State Innovation Models Round Two solicitation?**

State governor's offices (except State Innovation Models Round One Model Test awardees), United States Territories governors' offices (American Samoa, Guam, Northern Mariana Islands, Puerto Rico, and the Virgin Islands), and the mayor's office of the District of Columbia are eligible to apply. Only one application from a governor per state will be permitted for either a Model Design or a Model Test award. For Round Two, a state may propose that an outside organization focused on quality and state delivery system transformation, such as a non-profit affiliated with the State Department of Health or a public-private partnership supported by the governor's office, receive and administer funds through a Model Design or Model Test cooperative agreement award. Under such an approach, the governor's office must provide a justification for the request and an attestation that the state will actively participate in all activities described in its proposal.

## **Can states that received awards under Round One apply for Round Two?**

Round One Model Design states may apply for Round Two Model Test awards, as well as Round Two Model Design awards, should they need more time and resources to complete their state innovation plans before becoming Model Test states. States currently engaged in a Round One Model Test award with CMS are NOT eligible to apply for additional funding in Round Two. A state cannot receive multiple Round Two Model Design or Model Test awards, nor can a state receive both a Round Two Model Design award and a Round Two Model Test award.

## **How much funding is available for the State Innovation Models Round Two awards?**

Up to 12 states will be chosen for state-sponsored Model Testing awards and up to 15 states will be chosen for state-sponsored Model Design awards. Up to \$730 million is available in funding, including \$30 million for Model Design and \$700 million for Model Test.

## **How much funding is available to each State?**

CMS will fund up to 12 Model Test states with approximately \$20-100 million grants per state, with funding based on the size of the state population and the scope of the transformation proposal. Additionally, CMS will provide up to \$2 million per state for up to 15 Model Design cooperative agreements to design new State Health Care Innovation Plans or refine existing plans developed in Round One.

## **Other than the governor, what role can state government officials play in the State Innovation Models initiative?**

CMS encourages all state officials to participate and engage in the design and implementation of State Innovation Models. This includes, but not limited to health officials, insurance commissioners, attorneys general, state legislators, and other elected officials.

## **Do non-profit organizations or interested parties outside of state governments have a role in the State Innovation Models?**

For Round Two, a state may propose that an outside organization focused on quality and state delivery system transformation, such as a non-profit affiliated with the State Department of Health or a public-private partnership supported by the governor's office, receive and administer funds through a Model Design or Model Test award. The governor's office must submit such requests in writing to CMS with its letter of intent and include a justification for the request and an attestation that the state will actively participate in all activities described in its proposal.

In order to be selected for funding, states must demonstrate wide-reaching stakeholder participation from patients, businesses, insurers, providers and consumer advocates, among others. CMS encourages individuals and groups with an interest in promoting health care reform at the state level to participate in the process of Model Design and implementation.

## **Can a state apply for both the Model Design award and the Model Test award?**

No. States may apply for only one type of cooperative agreement award offered in Round Two funding opportunity announcement.

## **What types of competitive awards can states apply for?**

States can apply for either Model Design or Model Testing cooperative agreement awards.

1. Model Design funding will provide financial and technical support to states to develop and expand a multi-payer payment and delivery system reform model in the form of a State Health Care Innovation Plan.

2. Model Test funding will provide financial and technical support to implement fully developed plans for state-wide transformation

## **What are the differences in the application process for state applicants versus non-state and/or public-private partnership applicants?**

All applicants, regardless of type, must submit a non-binding letter of intent to apply. Entities which do not submit a letter of intent by this deadline will be ineligible to apply. Letters of intent submitted by *state* applicants may be from the governor's office, or alternatively, from a Senior State Health Official. However, public-private partnerships or private entities must submit a letter of intent from the governor's office, as described below. A letter of intent template for use by state applicants can be found on the State Innovation Model's website: [innovation.cms.gov/initiatives/state-innovations](http://innovation.cms.gov/initiatives/state-innovations). All letters of intent should be submitted via email to [leah.nash@cms.hhs.gov](mailto:leah.nash@cms.hhs.gov) by June 6, 2014. (15 calendar days after publication of the funding opportunity announcement).

As stated in the funding opportunity announcement, a state may propose that an outside organization may receive and administer funds through a Model Design or Model Test Award. The outside organization must be focused on quality and state delivery system transformation. As part of their application, an outside organization or a public-private partnership must submit: (1) a non-binding letter of intent from the governor's office, and (2) an official request from the governor's office, consisting of a justification for the request and an attestation that the state will actively participate in all activities described in its proposal. These two documents (letter of intent from the governor's office and official justification consisting of justification and attestation from the governor's office) should be submitted via e-mail to [leah.nash@cms.hhs.gov](mailto:leah.nash@cms.hhs.gov) by June 6, 2014 (15 calendar days after publication of the funding opportunity announcement).

## **Which type of applicant needs to submit a governor's letter of endorsement?**

All applicants, regardless of type, must submit a governor's letter of endorsement in addition to the letter of intent. This document should be a letter from the governor (or mayor, if from the District of Columbia) endorsing the project and identifying the title of the project, the principal contact person and the major partners, departments, and organizations collaborating on the project. The original, signed letter should be sent to Gabriel Nah by the application due date of July 21, 2014, and a copy of the signed letter must be uploaded with the application. All applicants should send an original, signed governor's letter of endorsement to:

Gabriel Nah  
Grants Management Specialist  
Office of Acquisitions and Grants Management

Centers for Medicare and Medicaid Services  
U.S. Department of Health and Human Services  
Mailstop #7700 Bethesda  
5600 Fishers Lane  
Rockville, MD 20857

### **What elements should a State's Health Care Innovation Plan include?**

A State Health Care Innovation Plan should include several key elements, such as the state's goals, description of the healthcare environment within the state, report on the design process deliberations, health system design and performance objectives, and payment and delivery models that will improve quality, reduce costs, reduce health disparities and address social, economic, and behavioral determinants of health. The State Health Care Innovation Plan must address health information technology and workforce development. The State Health Care Innovation Plan should also include a financial analysis of proposed changes, a plan for evaluation, and a roadmap for health system transformation.

Additionally, State Health Care Innovation Plans should document how the state will use its full executive and legislative authority to support health system transformation. Additional weight will be given to Model Testing proposals that integrate community health and community prevention activities in their multi-payer models. For more information on State Health Care Innovation Plans, please refer to the funding opportunity announcement.

### **What is the length of the State Innovation Models award?**

States receiving Model Design awards will have twelve months from the funding award date to complete their State Health Care Innovation Plans. The period of performance and budget period for Model Design will be one year.

The 48-month performance period for Model Test will be divided into four budget periods, with an initial budget period of twelve months for pre-implementation work followed by three budget periods of 12 months each.

### **Are states required to submit a letter of intent in order to apply?**

Yes, states are required to submit a non-binding letter of intent in order to apply for Round Two of State Innovation Models. Letters of intent must be submitted no later than 15 days after the date of the funding opportunity announcement, which June 6, 2014.

## **When are applications due?**

Applications for both Model Design and Model Testing awards are due no later than July 21, 2014, at 5:00 PM Eastern Daylight Time.

## **How much involvement will CMS have in the State Innovation Model?**

The State Innovation Model initiative is administered through cooperative agreements. CMS requires substantial involvement in the Round Two Model Test and Model Design cooperative agreements. CMS reserves the right to require amendment of the state's Model Design or Model Test proposals following award selection, including for the purposes of integrating new best practices around successful health transformation.

Continued disbursement of State Innovation Models funding over the performance period of the award is conditional on the state meeting specified Model Design and Model Test progress benchmarks, which will be outlined in the terms and conditions of the cooperative agreement.

## **Can states use State Innovation Models funding to supplant funding levels for other activities?**

No. States cannot use State Innovation Models funding to supplant existing Federal, state, local, or private funding of infrastructure or services. This includes the non-federal share for Medicaid service and administrative expenditures. However, states may use funding in a coordinated manner to complement existing efforts to enhance the broader transformation of the delivery system.

## **What are the allowable uses of State Innovation Models funding?**

State Innovation Models initiative funds may be used by states to develop and implement State Health Care Innovation Plans. Allowable costs associated with Model Design cooperative agreement awards could include:

- State staff costs to engage in model design;
- Staff participation in relevant learning collaboratives and workshops and other relevant learning and diffusion opportunities;
- Investments in state data collection, analysis capacity, and cost and utilization pattern analysis;
- Consumer and provider engagement and focus group costs;
- Actuarial modeling;
- Performance measure development and evidence-based improvement research;

- Business process analysis and requirement system analysis;
- Policy, legal and regulatory research to address legislative and legal frameworks for models;
- Planning and convening for creating a statewide all-payer data-base;
- Planning work relating to public health programs including the state's Healthy People 2020 plan and meeting goals for the National Quality Strategy and/or National Prevention Strategy; and
- Model Design costs, including:
  - Model scope development,
  - Theory of action development,
  - Target population research,
  - Setting performance targets,
  - Financial analysis and analysis of health care trend impacts,
  - Budget planning, or
  - Travel to State Innovation Models initiative workshop and conferences.

Allowable costs associated with Model Test awards could include:

- Technical resources necessary to implement new models;
- Model performance data collection, analysis, and reporting cost;
- Data center costs, and system information processing associated with the model testing;
- Provider costs for data collection;
- Coordination with CMS Innovation Center rapid cycle evaluation, and costs for collecting and preparing data for Innovation Center evaluator and/or state evaluator;
- Staff resources associated with model management and project management;
- Simulation and modeling cost;
- Data management system cost;
- Health information exchange cost associated with the model;
- Infrastructure costs to build or expand telemedicine system;
- Web and internet collaborative learning and communication cost;
- Project management and reporting cost;
- Business operation associated with the model;
- Model contract management and administration;
- Building a statewide all-payer database;
- Impact model evaluation data collection, reporting, beneficiary and provider survey data, and other costs associated with final model evaluation;
- Costs of certified electronic health records technology/applications to support the state's health transformation plan for providers ineligible for the Medicare/Medicaid Electronic Health Records Incentive Programs;
- On a limited, case-by-case basis, provider payments for performance-based shared savings; and
- Other activities necessary to implement the overall State Health Care Innovation Plan that will further the testing of payment and service delivery models and improve outcomes for Medicare, Medicaid and Children's Health Insurance Program beneficiaries.

## **What are the prohibited uses of State Innovation Models funding?**

State Innovation Models funds shall not be used:

- To match any other Federal funds, including federal funds associated with service and program costs that initiate through the State Innovation Model.
- To provide services, equipment, or support that are the legal responsibility of another party under Federal or state law (e.g., vocational rehabilitation, criminal justice, foster care, or civil rights law). Such legal responsibilities include, but are not limited to, modifications of a workplace or other reasonable accommodations that are a specific obligation of the employer or other party.
- To supplant existing Federal state, local or private funding of infrastructure or services.
- To be used by local entities to satisfy state matching requirements.
- To pay for the use of specific components, devices, equipment or personnel that are not integrated into the entire service delivery and payment model proposal.
- To lobby or advocate for changes in Federal and/or state law or regulations.

## **Do applicants need to have a Central Contracting Registration number and Data Universal Numbering System number in place before submitting an application?**

Yes. The State Innovation Models application must be submitted through <http://www.grants.gov>. A Central Contracting Registration (CCR) and Data Universal Numbering System (DUNS) number is required to complete the application process. CMS encourages all organizations to register in the CCR and obtain a DUNS number as soon as possible. Organizations must have a CCR and DUNS number in place in order to submit an application. CMS recommends allowing at least two weeks to complete the Grants.gov application process. For more information about the application process through Grants.gov, the CCR, and/or DUNS number, please refer to the funding opportunity announcement.

## **When does CMS anticipate announcing awards for Round Two?**

CMS expects to announce which states are being awarded cooperative agreements for Model Test and Model Design awards Fall 2014.