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DEPARTMENT OF HEALTH AND HUMAN SERVICES

Centers for Medicare & Medicaid Services

[CMS-5523-N]

Medicare Program; Funding in Support of the Pennsylvania Rural Health Model - Cooperative Agreement

AGENCY: Centers for Medicare & Medicaid Services (CMS), Department of Health and Human Services (HHS).

ACTION: Notice.

SUMMARY: This notice announces the issuance of the January 12, 2017 single-source cooperative agreement funding opportunity announcement to begin the Pennsylvania Rural Health Model's implementation activities, titled "Funding in Support of the Pennsylvania Rural Health Model Cooperative Agreement" (the "Funding Opportunity"). This Funding Opportunity is available solely to the Commonwealth of Pennsylvania acting through the Pennsylvania Department of Health (the "Commonwealth"). This Funding Opportunity provides the Commonwealth with necessary start-up funding for the Model and is open to the Pennsylvania Department of Health, and, once established, the Rural Health Redesign Center (RHRC) (or in the event that the RHRC is not established, the Pennsylvania Department of Health).

DATES: The project period of the initial award, in the amount of \$10 million, to the Pennsylvania Department of Health will be 12 months from the date of award. The project period of the second award, in the amount of \$15 million, to the RHRC, or to the Pennsylvania Department of Health if the RHRC has not been established, will be 36 months from the date of award. The performance period of the Pennsylvania Rural

Health Model began on January 13, 2017, and will conclude on December 31, 2023.

FOR FURTHER INFORMATION CONTACT:

Stephen Cha, (410) 786-1876.

SUPPLEMENTARY INFORMATION:

I. Background

The Pennsylvania Rural Health Model (the “Model”) is a new Centers for Medicare & Medicaid Services (CMS) alternative payment model designed to improve health and health care in rural Pennsylvania. Specifically, the Model seeks to increase rural Pennsylvanians’ access to high-quality care and improve their health, while also reducing the growth of hospital expenditures across payers, including Medicare fee-for-service, and increasing the financial viability of the State’s rural hospitals to ensure continued access to care facilities. The Model will test whether the deliberate care delivery transformation of participating rural hospitals, including critical access hospitals (CAHs), in conjunction with population-based payments to those hospitals (in the form of prospective hospital global budgets for participating payers) improves health outcomes and quality of care for the Commonwealth’s rural residents, reduces the growth of hospital expenditures across payers, and improves the financial viability of participant rural hospitals to maintain access to care for the Commonwealth’s rural residents. Participation in the model is voluntary for hospitals and payers; and CMS and the Commonwealth will collaborate to achieve participation sufficient to meet the hospital participation and payer participation scale targets in the Model. This Model is being tested by the Center for Medicare and Medicaid Innovation (the “Innovation Center”)

using the authority of the Secretary of the Department of Health and Human Services (the “Secretary”) in section 1115A of the Social Security Act (the Act).

CMS believes that states can be critical partners of the federal government and other health care payers to facilitate the design, implementation, and evaluation of community-centered health systems that can deliver significantly improved cost, quality, and population health performance results for all state residents, including Medicare, Medicaid, and Children’s Health Insurance Program (CHIP) beneficiaries. States have policy and regulatory authorities, as well as ongoing relationships with commercial health care payers, health plans, and health care providers that can accelerate delivery system reform. CMS has previously partnered with states to accelerate delivery system reform through initiatives such as the State Innovation Models (SIM) initiative. SIM provides state-based health care transformation efforts with funding to test the ability of states to utilize policy and regulatory levers to advance multi-payer health care payment and delivery system reform models.

On January 13, 2017, CMS and the Commonwealth entered into the Pennsylvania Rural Health Model Agreement (the “State Agreement”) to implement the Pennsylvania Rural Health Model. The performance period of the Model began on January 13, 2017 and will end on December 31, 2023. As part of the Model, the Commonwealth commits to achieving population health outcomes, access and quality targets, financial targets, and rural hospital participation and payer participation scale targets, as defined in the State Agreement. The Commonwealth intends to legislatively authorize and, through the Pennsylvania Department of Health, establish the RHRC to operate certain aspects of the Model.

The Funding Opportunity offers up to a total of \$25 million in funding to the Commonwealth over a 4-year period, with an initial award to the Pennsylvania Department of Health, and a second award to the RHRC (or to the Pennsylvania Department of Health, if the RHRC is not established in time). The Pennsylvania Department of Health will have the opportunity to apply for the initial award with a project period of one year (one 12-month budget period) from the date of the award. Then the RHRC, if established in time, will have the opportunity to apply for the second award with a project period of 36 months from the date of the award, comprised of three 12-month budget periods. In the event that the RHRC is not established in time, the Pennsylvania Department of Health can apply again as the second award applicant.

II. Provisions of the Notice

The Funding Opportunity offers \$10 million in start-up funding to the Pennsylvania Department of Health to begin the Model's implementation activities, including Model operations, global budget administration, data analytics, technical assistance, quality assurance, and to establish the RHRC (if authorized to do so by Pennsylvania's legislature), to which the Pennsylvania Department of Health may delegate the Model's implementation activities once the RHRC is established. The Funding Opportunity also provides the RHRC (or the Pennsylvania Department of Health, if the RHRC is not established in time) with the opportunity to apply for an additional \$15 million to continue implementation activities under the Model. In the event that the RHRC is not established in time, the Pennsylvania Department of Health can apply as the second applicant for the additional \$15 million to continue implementation activities under the Model.

As set forth in the State Agreement, the Commonwealth commits to achieving population health outcomes, access and quality targets, financial targets, and rural hospital participation and payer participation scale targets. CMS and the Commonwealth aim to transform the rural hospital care delivery system to address community health needs, achieve financial sustainability for rural hospitals, and achieve savings or budget neutrality for payers participating in the Model. Payers and rural hospitals can choose to participate in the Model, and CMS and the Commonwealth expect to work closely together to achieve participation sufficient to meet the hospital participation and payer participation scale targets. Additionally, CMS and the Commonwealth aim for this Model to deliver meaningful improvements in the health of the Commonwealth's rural population by transforming the relationships between and among care delivery and public health systems across the Commonwealth. CMS and the Commonwealth believe the Model can help rural hospitals to succeed, in part by transitioning hospital payments from fee-for-service to, prospective hospital global budgets for participating payers. More information about the Pennsylvania Rural Health Model can be found at:

<https://innovation.cms.gov/initiatives/pa-rural-health-model/>.

The Funding Opportunity is open solely to the Pennsylvania Department of Health and to the RHRC (once established). The Pennsylvania Department of Health is uniquely positioned as the initial applicant under the Funding Opportunity based on its existing knowledge of the Model; authority and role in administering the Model; and its existing partnerships and collaborations with Pennsylvania health care providers, payers, and community-based stakeholders. The RHRC (once established) will also be uniquely

positioned to meet the goals of the Model (as outlined in the State Agreement), as it will be established specifically to provide implementation support for the Model.

III. Collection of Information Requirements

This document does not impose information collection requirements, that is, reporting, recordkeeping or third-party disclosure requirements. Consequently, there is no need for review by the Office of Management and Budget under the authority of the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 et seq.).

CMS-5523-N

Dated: April 10, 2017.

Seema Verma,

Administrator,

Centers for Medicare & Medicaid Services.

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