STATE MEDICAID Operations Survey

Seventh Annual Survey of Medicaid Directors

November 2019

NAMD
National Association of Medicaid Directors

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Acknowledgements

The National Association of Medicaid Directors (NAMD) thanks its members for their time and thoughtful insight in responding to this survey, and the significant contributions of their staff. We recognize that this survey requires a substantial amount of time and effort, and that there are always numerous demands on their time. NAMD greatly appreciates their ongoing commitment to this survey. NAMD also thanks the President, President Elect, and Immediate Past President of its Board of Directors, respectively, Kate McEvoy (Connecticut), Beth Kidder (Florida), and Judy Mohr Peterson (Hawaii), for their guidance on the survey and resulting report. Last but not least, NAMD thanks Dawn Cutler for helping administer the survey tool, analyze the resulting data, and write the findings of this report.

Executive Summary

Established in 2011, the National Association of Medicaid Directors (NAMD) is an independent, non-profit professional organization for Medicaid Directors. Its vision is to ensure better care and improved health, at lower cost, for the over 70 million individuals served by Medicaid. NAMD's mission is to support Medicaid Directors as they administer the program in cost-effective, efficient, and visionary ways to enable individuals served by Medicaid to achieve their best health and to thrive in their communities.

Each year, NAMD administers its Operations Survey to Medicaid Directors and presents the information collected in an annual Operations Survey Report. Capturing information from 46 state Medicaid Directors in FY2018, this year's report reveals four key take-aways from the survey results:

1. **The median tenure for Medicaid Directors has trended down from last year's survey, from 28 to 21 months.** While some of the factors that influence Director tenure are beyond its reach, NAMD has robust programming to enhance the skills and capacity of both Directors and their leadership teams. These activities support successful performance by Directors, effective succession planning, development of the bench, and the effective transfer of knowledge.

2. **Risk-based managed care remains the prevalent means for administering Medicaid programs nationwide, across populations.** That said, there is a broad range of means of implementing these arrangements, with growing emphasis on value-based payment approaches and attention to social determinants of health.

3. **Medicaid Directors recognize the importance of developing and refining their leadership skills, as a means of achieving strategic aims in their roles.** Team development, effective communication, and setting a strategic vision were identified by Directors as top priorities.

4. **Directors continue to prioritize delivery system and payment reform, behavioral health integration, and Medicaid Management Information Systems (MMIS) as top strategic priorities.** Strategic sustainability—defined as a proactive and affirmative approach to sustainability that helps to avoid blunt cuts to Medicaid benefits, rates, or eligibility during economic downturns—is a new element captured in NAMD's survey and is also a top priority of Directors.

While NAMD recognizes that some of the factors that influence Director tenure are beyond its reach, it has also identified specific means of enhancing the skills and capacity of both Directors and their leadership teams.

While NAMD recognizes that some of the factors that influence Director tenure are beyond its reach, it has also identified specific means of enhancing the skills and capacity of both Directors and their leadership teams. These activities are intended to support successful performance by Directors, effective succession planning, development of the bench, and effective knowledge transfer. Specifically:

- NAMD has leveraged its unique expertise and connection with Medicaid Directors to launch an extensive, multi-faceted leadership portfolio that is supported in part through foundation sponsorship. This includes: 1) regular cycles of New Director Orientations; 2) team-based intensive group training; 3) individualized, state-focused support through the Senior Strategic Advisor consultant; and 4) a leadership newsletter and maintenance of a library of leadership materials.
- NAMD convenes an annual workshop on best practices in risk-based managed care and an ongoing affinity group through which states that use that model have the opportunity to discuss best practices and engage on federal rule making.
- NAMD has partnered with diverse thought leaders to sponsor targeted workgroups among states in support of value-based payment approaches and strategic partnership (e.g., with health centers). These efforts recognize that states are at different stages of interest, readiness and maturation with alternate payment mechanisms.
- NAMD is also considering the best means of equipping Medicaid Directors on core competency topics, including, but not limited to, State Plan and waiver authority and Medicaid financing.

Introduction

Medicaid was created in 1965 as a federal and state program to support the medical costs of low-income individuals. The Medicaid program has continually evolved in size and scope, today serving as a principal insurer for individuals with a complex array of health care and social needs, including pregnant women, elderly adults, people with disabilities, and children. Medicaid provides health insurance coverage for over 70 million individuals[1,*]—representing more than 20% of the population. Medicaid spending grew 2.9% to $581.9 billion in 2017, or 17% of national health expenditures.[2] Medicaid is the principal provider of long-term care coverage, covering 45% of non-elderly adults with disabilities, and more than 60% of residents in nursing homes.[3] Together with the Children's Health Insurance Program (CHIP), it also covers 48%[4] of children with special health care needs, ranging from Down Syndrome to Autism to emotional trauma.[5]

At the helm of the program are 56 state Medicaid Directors, who are the individuals responsible for administering the program in the 50 states, the District of Columbia, and the five U.S. territories.[†] Because they are accountable for up to 30% of state budgets, Medicaid Directors are acutely focused on managing the costs, quality, and growth of the program.[6] As such, they work to provide high-quality health care to millions of vulnerable individuals, as well as proper, transparent, and accountable stewardship of taxpayer dollars.

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Each year, NAMD administers its Operations Survey to Medicaid Directors and presents the information collected in an annual Operations Survey report. Now in its seventh year, the Annual Operations Survey report provides a look into Medicaid operations from the Medicaid Director's perspective. Past reports are available on the NAMD website here.[7]

Methodology

Between January and April of 2019, 46 Directors completed the survey tool for Medicaid operations in FY2018.[‡] The states were asked to answer the questions based on their individual state fiscal year. Divided into five sections, the survey contained 40 questions, many of which required qualitative description. While 46 states submitted the survey, not every Director answered every question. The number of Directors who completed each survey question has been noted throughout the report as the "n" value.

NAMD's Operations Survey does not capture information regarding Medicaid budget, eligibility and enrollment, or benefits, as this information is collected in the Kaiser Family Foundation and Health Management Associates (HMA)'s annual Medicaid Budget Survey report, developed in collaboration with NAMD. The most recent of these reports—*Results from a 50-State Medicaid Budget Survey for State Fiscal Years 2018 and 2019*—can be found here.[8]

* **Note on Medicaid enrollment:** As of April 2019, 72,380,727 individuals were enrolled in Medicaid and CHIP in the 51 states that reported enrollment data for April 2019. 65,743,387 individuals were enrolled in Medicaid and 6,637,340 individuals were enrolled in CHIP (CMS April 2019 Medicaid and CHIP Application, Eligibility Determinations, and Enrollment Report).

† **Note on U.S. territories:** Data from the five U.S. territories—American Samoa, Guam, the Northern Mariana Islands, Puerto Rico, and the Virgin Islands—are not included in this report.

‡ **Note on state fiscal years:** For all but four states, state fiscal year 2018 ran from July 1, 2017 through June 30, 2018. Alabama and Michigan's fiscal year 2018 ran from October 1, 2017–September 30, 2018; New York's fiscal year ran from April 1, 2017–March 31, 2018; and Texas's fiscal year ran from September 1, 2017–August 31, 2018.

Further, because of their distinct status and important needs, NAMD issued a targeted survey to the five U.S. territories—American Samoa, Guam, the Northern Mariana Islands, Puerto Rico, and the Virgin Islands—results of which are found here.

Key Take-Aways

Examining 46 Medicaid programs in FY2018, the survey identified four key take-aways:

1. **The median tenure for Medicaid Directors has trended down from last year's survey, from 28 to 21 months.** While some of the factors that influence Director tenure are beyond its reach, NAMD has robust programming to enhance the skills and capacity of both Directors and their leadership teams. These activities support successful performance by Directors, effective succession planning, development of the bench, and the effective transfer of knowledge.

2. **Risk-based managed care remains the prevalent means for administering Medicaid programs nationwide, across populations.** That said, there is a broad range of means of implementing these arrangements, with growing emphasis on value-based payment approaches and attention to social determinants of health.

3. **Medicaid Directors recognize the importance of developing and refining their leadership skills, as a means of achieving strategic aims in their roles.** Team development, effective communication, and setting a strategic vision were identified by Directors as top priorities.

4. **Directors continue to prioritize delivery system and payment reform, behavioral health integration, and Medicaid Management Information Systems (MMIS) as top strategic priorities.** Strategic sustainability—defined as a proactive and affirmative approach to sustainability that helps to avoid blunt cuts to Medicaid benefits, rates, or eligibility during economic downturns—is a new element captured in NAMD's survey and is also a top priority of Directors.

As the national association representing the Medicaid Directors, NAMD has created resources and supports to enhance the skills and capacity of both Directors and their leadership teams. These activities are intended to support successful performance by Directors, effective succession planning, development of the bench, and effective knowledge transfer.

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Organization of This Report

The remainder of this report is organized in the following sections:

- **Medicaid in the Context of State Government:** Where are Medicaid agencies situated within state government in FY2018? To whom does the Medicaid Director report?
- **Characteristics of the Medicaid Director Position:** What is the Medicaid Director tenure and salary? What knowledge is most critical to know when stepping into the Medicaid Director role?
- **Medicaid Leadership, Teams, and Relationships:** What skills are most critical for Medicaid leadership? Who comprises a senior Medicaid leadership team?
- **Strategic Priorities of Medicaid Directors:** What policy or operational issues are Medicaid Directors prioritizing to provide access to high-quality health care and support services in fiscally responsible, sustainable ways?

SECTION 1

Medicaid in the Context of State Government

Medicaid was established as part of the Social Security Amendments of 1965, creating a healthcare program financed by both the state and federal government. Federal law (§1902(a) of the Social Security Act) mandates that a single agency must administer the program, and states have broad authority to tailor operations, structural composition, and organizational responsibilities to best fit their state's needs. Information from this year's Operations Survey, like previous surveys, reflects the variety of ways that Medicaid agencies are structured.

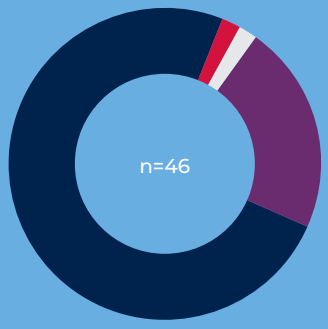
Medicaid's Position Within State Government

As illustrated in **Figure 1**, in FY2018, 34 Medicaid agencies (74%) were structured as a division or a sub-division within a larger umbrella agency, while 10 agencies surveyed (22%) were structured as a standalone state agency. One agency (2%) reported that Medicaid was a sub-division within a division in a standalone agency, and one agency (2%) reported that the Medicaid agency reported to a board of directors.

Like the variations in the agency's position within government, Medicaid Directors report to a variety of leaders within the state. As noted in **Figure 2**, in FY2018, 29 Directors (63%) reported to the Governor's cabinet-level leader (i.e. secretary of health or commissioner, or someone who reports to the Governor), while nine (20%) reported to someone who reports to one of the governor's cabinet-level leaders. Seven Directors (15%) reported directly to the Governor, and one Director (2%) reported to another entity listed as "other" in the chart.

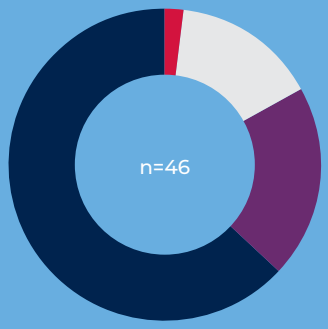
There was an almost even split between Medicaid Directors who were political appointees versus those who were civil servants/career executives. Twenty-two Directors

Figure 1. Breakdown of Medicaid Agency Position Within State Government



- **22%** Medicaid is its own standalone agency
- **74%** Medicaid is a division of a standalone agency (e.g. within a larger health/human services agency)
- **2%** Medicaid is a sub-division within a division in a standalone agency
- **2%** Other

Figure 2. Who Medicaid Directors Report to in the State Government



- **63%** A cabinet-level leader (e.g. secretary of health or commissioner)
- **20%** Someone who reports to a cabinet-level leader
- **15%** The governor
- **2%** Other

(48%) reported that they were a political appointee, and 24 (52%) reported that they were civil servants/career executives. All but one of the political appointees required confirmation, with 13 Directors (65%) being confirmed by their governor, four (20%) by their legislature, and three (15%) by both.

Medicaid's Programmatic Areas and Services

In this year's Operations Survey, Medicaid Directors were asked to identify the populations and services not under the Medicaid agency's authority. Although state Medicaid directors have responsibility for an extensive scope of work, it is not typical for directors to have responsibility for public health, foster care, intellectual disability (ID) services, substance use disorder (SUD) services, aging services, or behavioral health. Somewhat more typical is some responsibility for services to people with physical disability and eligibility and enrollment. By contrast, it is very typical for CHIP to be under the authority of Medicaid Directors.

Medicaid Directors were also asked to report on the extent to which various types of leadership positions were located within the Medicaid agency. **(Figure 4)** This effort is complicated by the heterogeneity of structures across states. Some states identify these positions as distinct, others situate these roles within positions with other responsibilities, and others may not have these roles at all. Further, some positions (e.g., SUD or ID director positions) are more typically located in a sister department than within the Medicaid agency.

For more than 50% of the states, the Children's Health Insurance Program (CHIP) Director (39, 86%), Program Integrity Director (30, 67%), Eligibility and Enrollment Director (30, 67%), Chief Financial Officer/Budget Director for Medicaid (30, 67%), and Communications Director for Medicaid (23, 51%) resided within the Medicaid agency. As noted above, other positions, primarily in SUD and intellectual and developmental disabilities, were less likely to be within the Medicaid agency. One state reported having an Inspector General specific to the Medicaid agency.

Figure 3. Populations and Services Not Under Medicaid Director's Authority

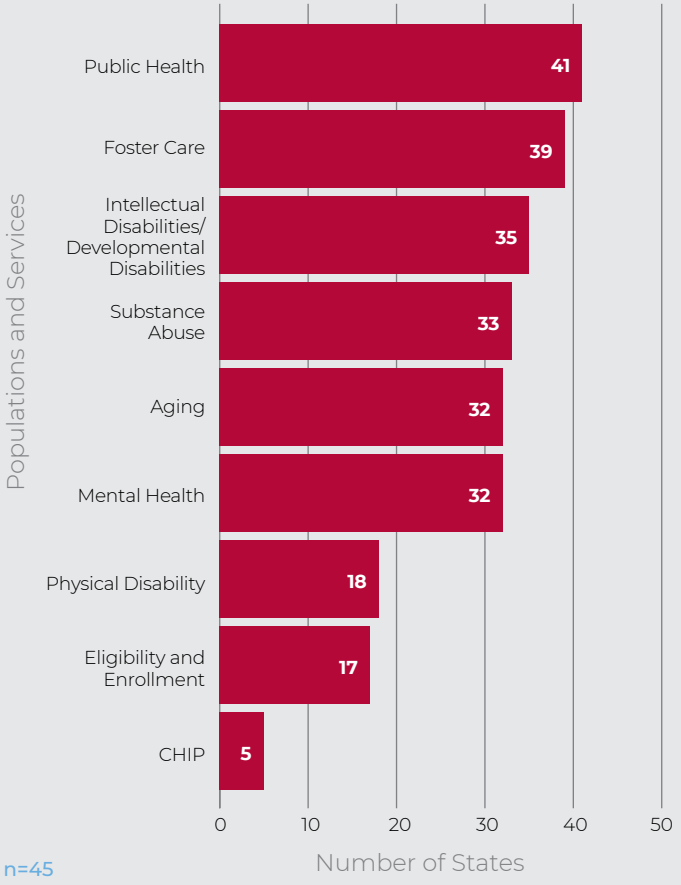
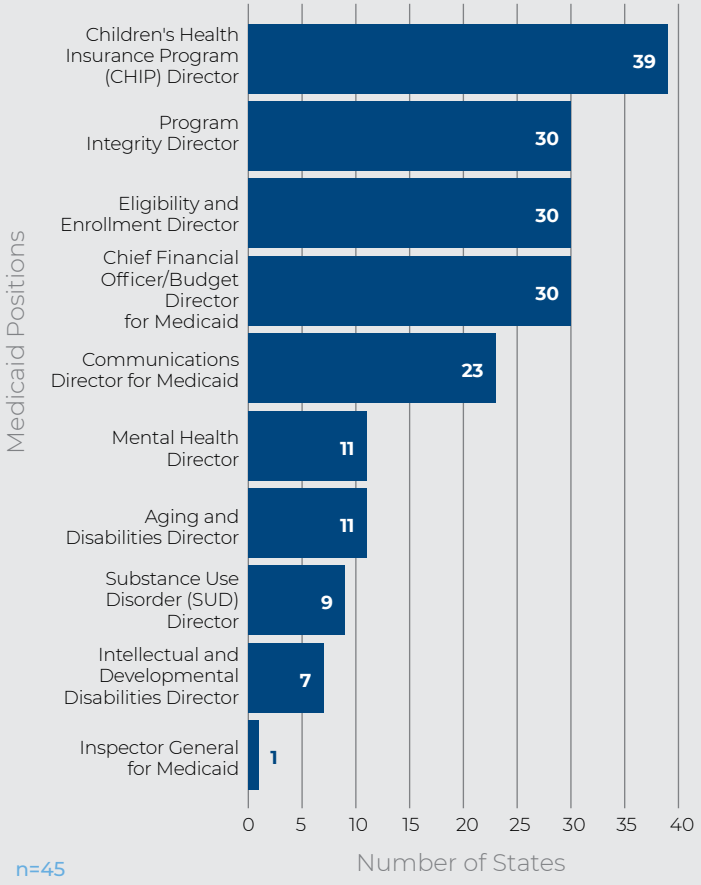


Figure 4. Senior Leadership Positions Within the Medicaid Agency



SECTION 2

Characteristics of the Medicaid Director Position

Medicaid Directors are a diverse group of individuals with an array of past experiences, interests, and expertise. While their titles vary by state, Medicaid Directors serve as the CEOs of the largest public health insurance program in their state. Each Medicaid Director can be responsible for, on average, up to 30% of the state budget,[9] and for developing and communicating the strategic vision for the agency. In every year's Operations Survey, NAMD asks questions to better understand the Medicaid Director position across the country.

Medicaid Director Tenure and Past Experience

The median tenure for Medicaid Directors trended down from last year's survey, from 28 to 21 months. **(Figure 5)** Twenty-eight Directors were in their position for 24 months or less. **(Figure 6)** This reflects a number of factors, including, but not limited to, turnover of political administrations, changes in program priorities, salary, private sector opportunities, and burnout.

As of March 2019, 12 Directors (26%) had previously served as an interim or acting Director, and three (7%) were currently serving as an interim or acting Director. The median time spent as acting or interim Director was four months. The indeterminacy of interim appointments can make setting, communicating and executing a vision for the program challenging.

While NAMD recognizes that some of the factors that influence Director tenure are beyond its reach, it has also identified specific means of enhancing the skills and capacity of both Directors and their leadership teams. These activities are intended to support successful performance by Directors, effective succession planning, development of the bench, and effective transfer of knowledge.

Figure 5. Medicaid Director Tenure Over Time

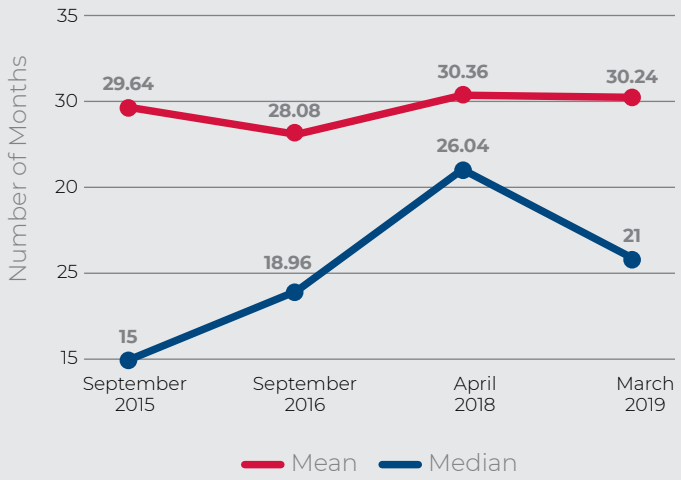


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Figure 6. Medicaid Director Tenure as of March 2019

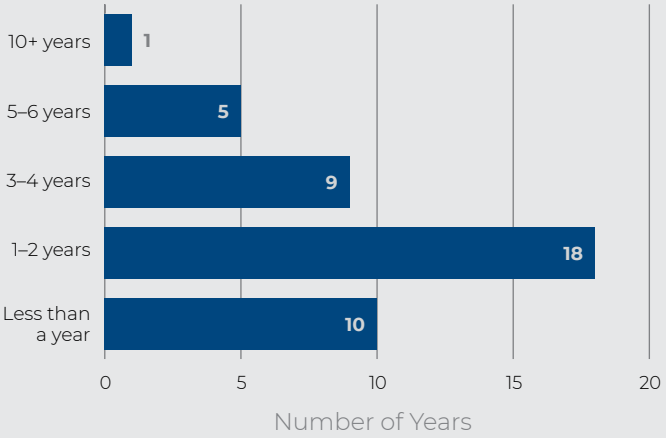

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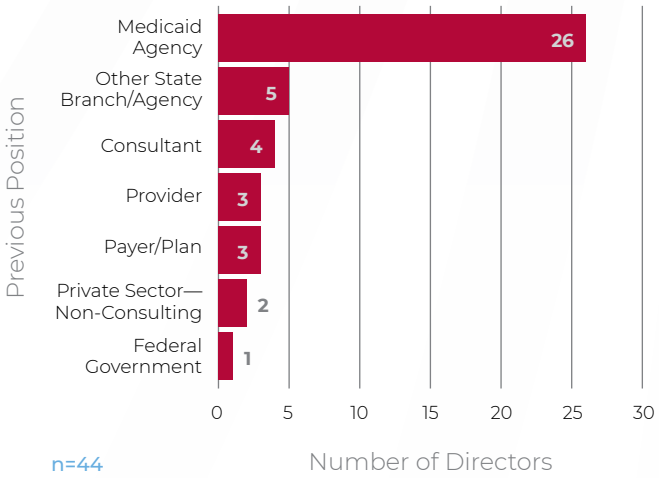
Figure 7. Medicaid Director's Previous Position



The majority of Medicaid Directors (26, 59%) held positions within their own—or another—state's Medicaid agency before becoming Medicaid Director. **(Figure 7)** Five Directors (12%) reported coming from a different branch or agency within the state, and one Director (2%) came from the federal government. Twelve Directors (27%) came from the private sector.

Many Directors noted that the initial period of onboarding is very hectic, encompassing the Medicaid operational learning curve, organizational culture, legislative demands and session, and often a lack of resources. Because of the steep learning curve, and because so many Directors come from within a Medicaid agency—their own or another state's—NAMD supports orientation of new Directors in several ways. For example, NAMD holds two orientations each year for new Directors. Faculty are seasoned Directors who share advice on a variety of topics, from managing time with stakeholders, to developing and executing a strategic vision, to building an effective team, to the impact of the Medicaid Director position "as a lifestyle, rather than a job." Directors are encouraged to bring their "second-in-command," typically a deputy director or chief of staff, to the orientation which elevates and reinforces that partnership.

New Directors are encouraged to join smaller cohorts of Directors by geographic regions who talk regularly about common issues and challenges. Podcasts targeting new Directors and orientation packets are additional available tools.

NAMD also supports development of the Director's senior leaders. Not only is the Director's bench critical for his/her success, but a senior leader often ascends to the Director position. NAMD convenes an affinity group for deputy directors to discuss how to manage "up, out, and down," how to resolve conflict, how to influence internal and external stakeholders, and how to quickly and effectively on-board a new Medicaid Director, among other topics.

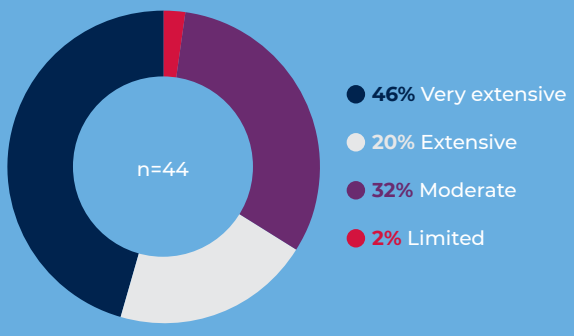
NAMD supports a network specifically for Medicaid Chief Financial Officers (CFOs). This group meets regularly to discuss strategies for sustaining the Medicaid program through value-based payment approaches.

Most Medicaid Directors report that when they became Director, their knowledge and expertise in Medicaid was either very extensive (20, 46%) or extensive (9, 20%). The remaining Directors reported having only moderate (14, 32%) or limited knowledge (1, 2%). **(Figure 8)**

When asked what information would have been most helpful to know about the position when they started, Directors reported the following:

- Knowledge of Centers for Medicare and Medicaid Services (CMS) waivers and authorities;
- Understanding of the financial aspects of Medicaid;
- Familiarity with the Medicaid agency structure and functions; and
- Understanding of the internal processes of a Medicaid agency.

Figure 8. Director Knowledge of Medicaid Before Becoming Director



NAMD is considering the best means for equipping Medicaid Directors on core competency topics, including, but not limited to, State Plan and waiver authority and Medicaid financing. In recent years, NAMD and CMS have co-hosted a "Getting To Know CMS" session at NAMD's member meetings, which has become a high-attendance event.

Medicaid Director Salary

In FY2018, the salaries of Medicaid Directors averaged approximately $145,000 **(Figure 9)**, a slight trend down from $155,000 in 2017.

Thirty-nine percent of Directors (17) reported that their salaries were set by a state employee pay scale. An equal number of Directors reported that their salary was either negotiated with the office that hires state employees (12, 27%), or was set by the Governor, Secretary or agency head (12, 27%). Three Directors (7%) reported that their salary was set by the state legislature.

Medicaid Director Job Expectations

NAMD asked Directors about the various external expectations and pressures they experienced in their positions. **(Figure 10)** The majority of Directors reported increased scrutiny from the state legislature, increased expectations for engaging with stakeholders, and increased political pressure and visibility.

Figure 9. Medicaid Director Salaries in 2018

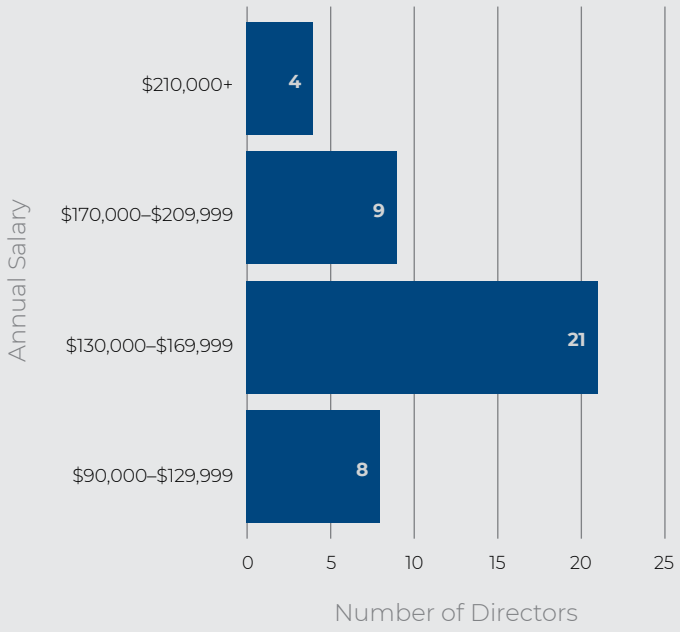


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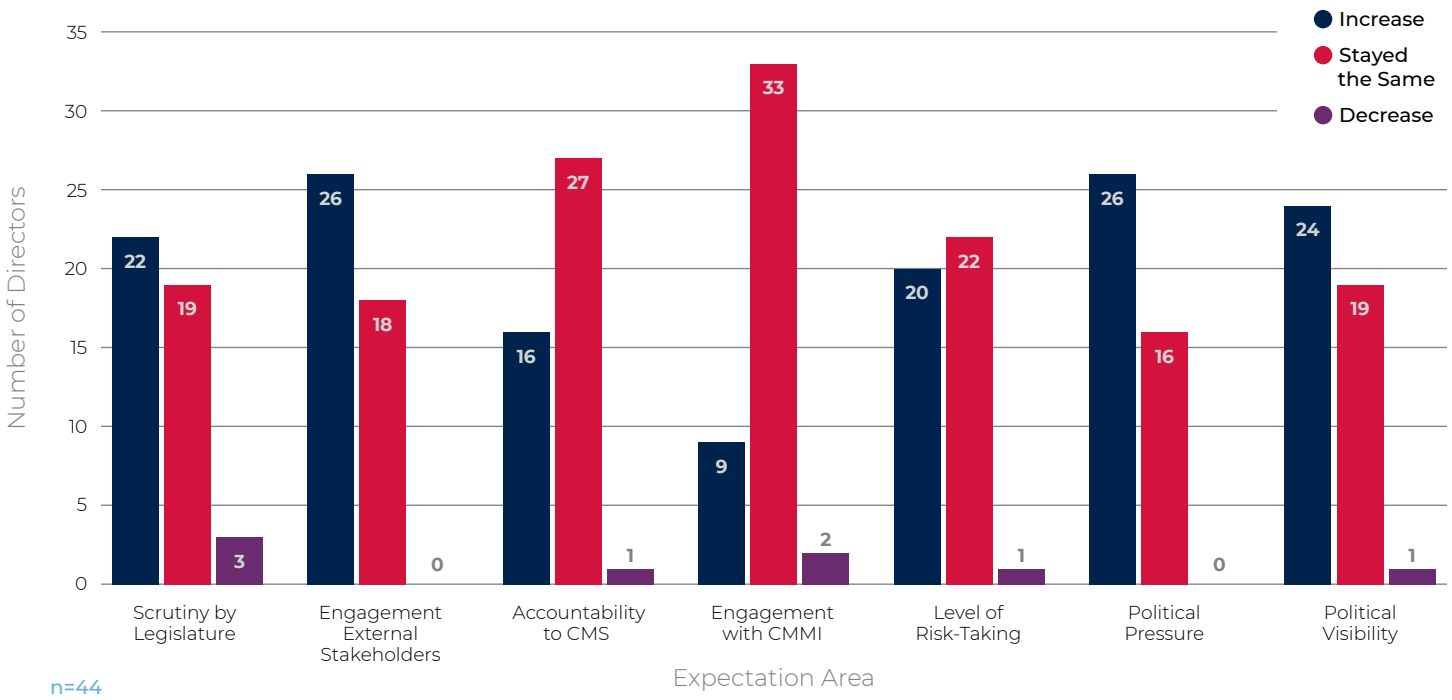
Figure 10. Expectations of the Medicaid Director in FY2018



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SECTION 3

Medicaid Leadership and Team Development

Medicaid Directors administer the largest entitlement program in arguably the most complex and dysfunctional sector of our society: the health care sector. To succeed in this work the Director must have the mindset and skill set of a public leader, understand the needs of the individuals served by Medicaid, and have technical knowledge about health care delivery systems and health care financing.

Historically, investment in leadership development in Medicaid agencies has been limited, particularly when compared to the private sector, which invests heavily in these skills. Directors recognize the importance of developing and refining their leadership skills as a means of achieving the strategic aims of their roles. As an association, NAMD is continuously looking for ways to meet member needs and support the overarching success of Medicaid. In response to the relative dearth of leadership development supports, in the last two years, NAMD has developed member services in a leadership portfolio. NAMD's purpose is to democratize support to all 56 Medicaid Directors and their senior teams, as these individuals ensure continuity of success when Medicaid Director turnover does occur.

Medicaid Director Leadership Skills for Success

When asked which skills are most critical to successfully lead a Medicaid program, Medicaid Directors listed three

Figure 11. Leadership Skills Directors Find Most Critical for Success

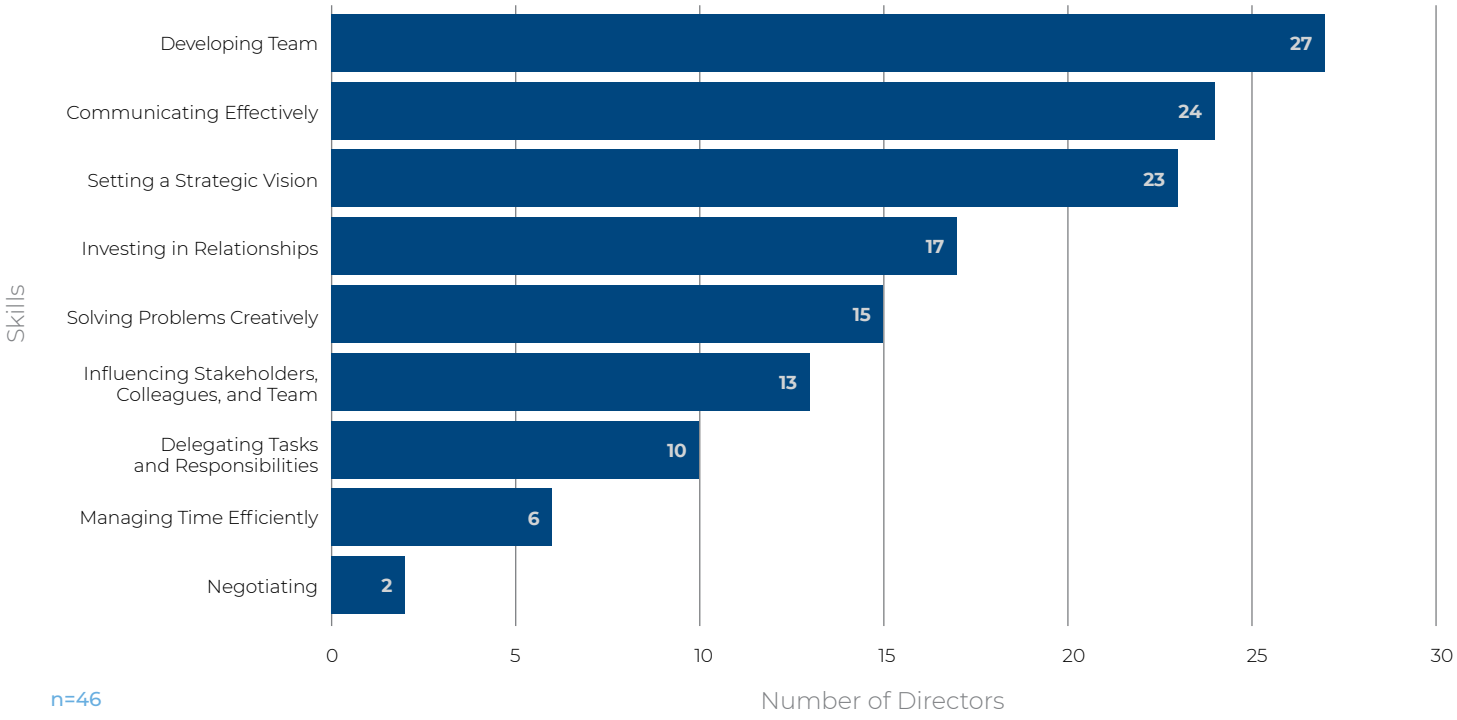
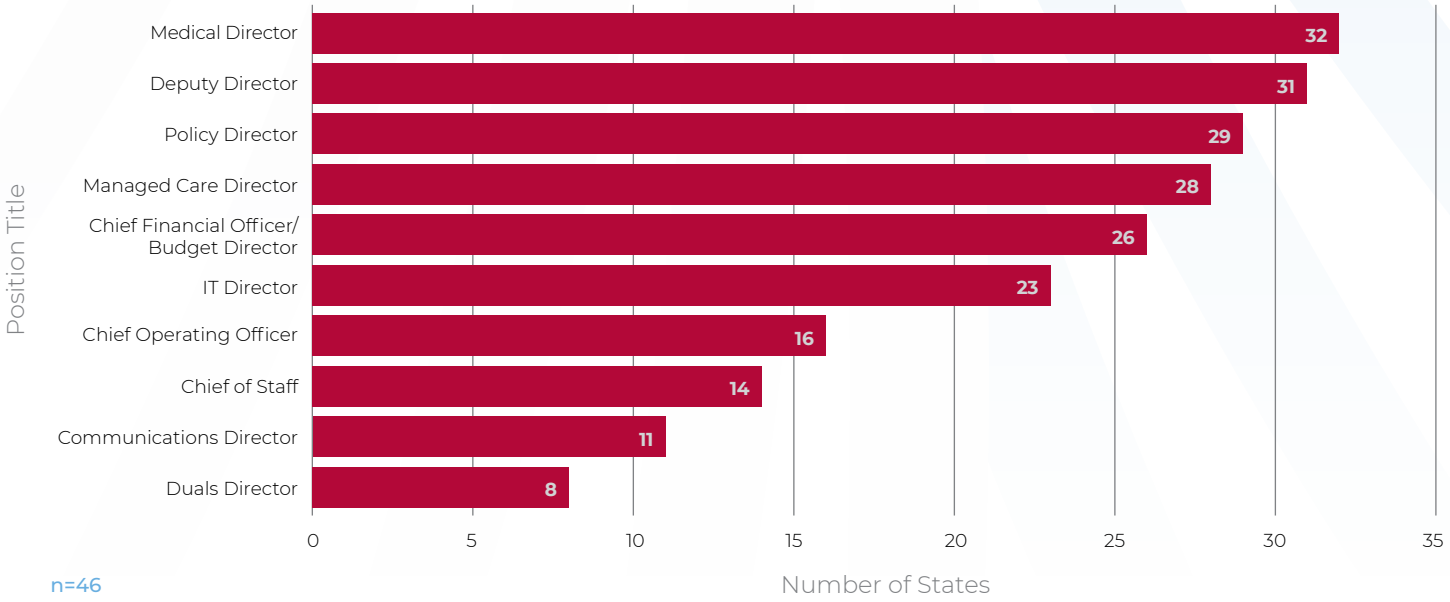


Figure 12. Senior Leadership Team Members



top skills: developing a team, communicating effectively, and setting a strategic vision. **(Figure 11)**

Given the complexity of the day-to-day activities of a Medicaid Director, it is not surprising that while Directors identified these skills as most crucial, they also reported that developing their team and setting a strategic vision are some of the most challenging tasks they face. Carving out the time to do long-range strategic planning and staff development can be a challenge given that the day-to-day tasks of running a Medicaid agency are both varied and time intensive.

Medicaid Senior Leadership Team

To better understand the composition of Medicaid agency senior leadership teams, Directors were asked to list who reported directly to them, and who they considered to be members of their leadership bench. Over half of Medicaid Directors reported having the following individuals as part of their senior leadership team: Medical Director, Deputy Director, Policy Director, Managed Care Director, Chief Financial Officer, and Information Technology (IT) Director. **(Figure 12)** Capturing this information is again complicated by the heterogeneity of position descriptions and titles across states.

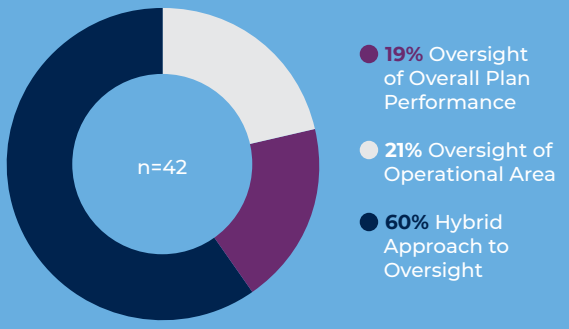
Many Directors also have senior leadership positions related to program integrity and compliance as well as delivery system innovation. For some agencies, these are the responsibilities of a policy director, for example.

Medicaid Managed Care Teams and Experience

Risk-based managed care remains the most prevalent means of administering Medicaid programs nationwide, across populations. In 2018, 39 state Medicaid programs reported having comprehensive risk-based managed care organizations (MCOs), with 33 of those states having 75% or more of Medicaid members enrolled in MCOs.[10]

Given the prominence of the MCO delivery system in Medicaid, Directors recognize the critical importance of effective agency oversight of health plans. Directors were asked how they structure their agency teams to oversee managed care contracts. **(Figure 13)**

Figure 13. Medicaid Team Structures that Oversee Managed Care Plans



- Nine Directors (21%) reported that each state team member was accountable for oversight of an operational area for all or several MCOs. For example, one person would monitor financial information across all plans. Another staff person would oversee quality performance across all plans.
- Eight Directors (19%) reported that one person was assigned oversight of all operational areas for one plan.
- Finally, the majority of Directors (25, 60%) reported that their team used a hybrid approach; the oversight team comprised staff who were generalists supplemented with subject matter experts, as needed.

Managed care plan procurements occur every few years, with the timeframe varying by state. As employees turn over, teams change, and new positions are filled, the amount of procurement experience a team and its leadership has varies. This year's Operations Survey asked Directors whether they—either as Director or in a previous role in the Medicaid agency—had been through a Medicaid managed care procurement before. Sixteen Directors (36%) reported not having been through a managed care procurement before. Six Directors (13%) reported having been through only one, 14 (31%) reported having been through only a few, and nine Directors (20%) reported having been through several procurements. **(Figure 14)**

When asked about their team's experience with managed care procurements, ten Directors (22%) reported that the next managed care procurement would be a new experience for most of the team. Eighteen Directors (40%) reported that their team had a moderate and varied amount of experience with procurements. Five Directors (11%) reported that their team was experienced in the process, and 12 (27%) reported their team had been through major managed care procurements before, was confident about the process as a result, and knew how to effectively leverage each other as a team—an ideal position for a state team. **(Figure 15)**

In part because of the variation in experience across states, Medicaid Directors and their teams have an annual opportunity to participate in NAMD's in-person workshops on managed care procurement and oversight strategies. Directors who are seasoned in these efforts serve as faculty, and participants learn about and discuss a broad array of topics including, but not limited to: proposal development and evaluation, the readiness review process, performance measurement, state team organization for oversight, and leveraging plans to advance value-based purchasing or social determinants of health, among other topics.

Figure 14. Has the Medicaid Director Been Through a Managed Care Procurement

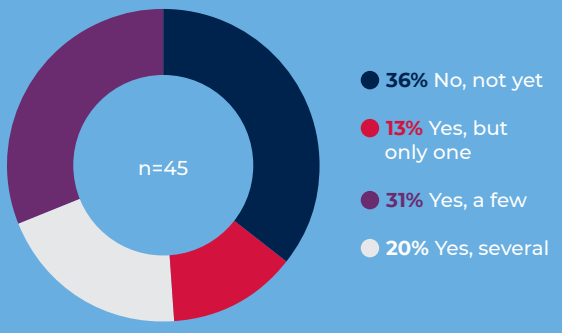
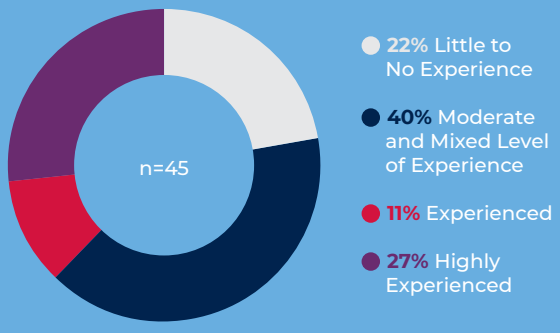


Figure 15. How Experienced is the Director's Team in Conducting Managed Care Procurement



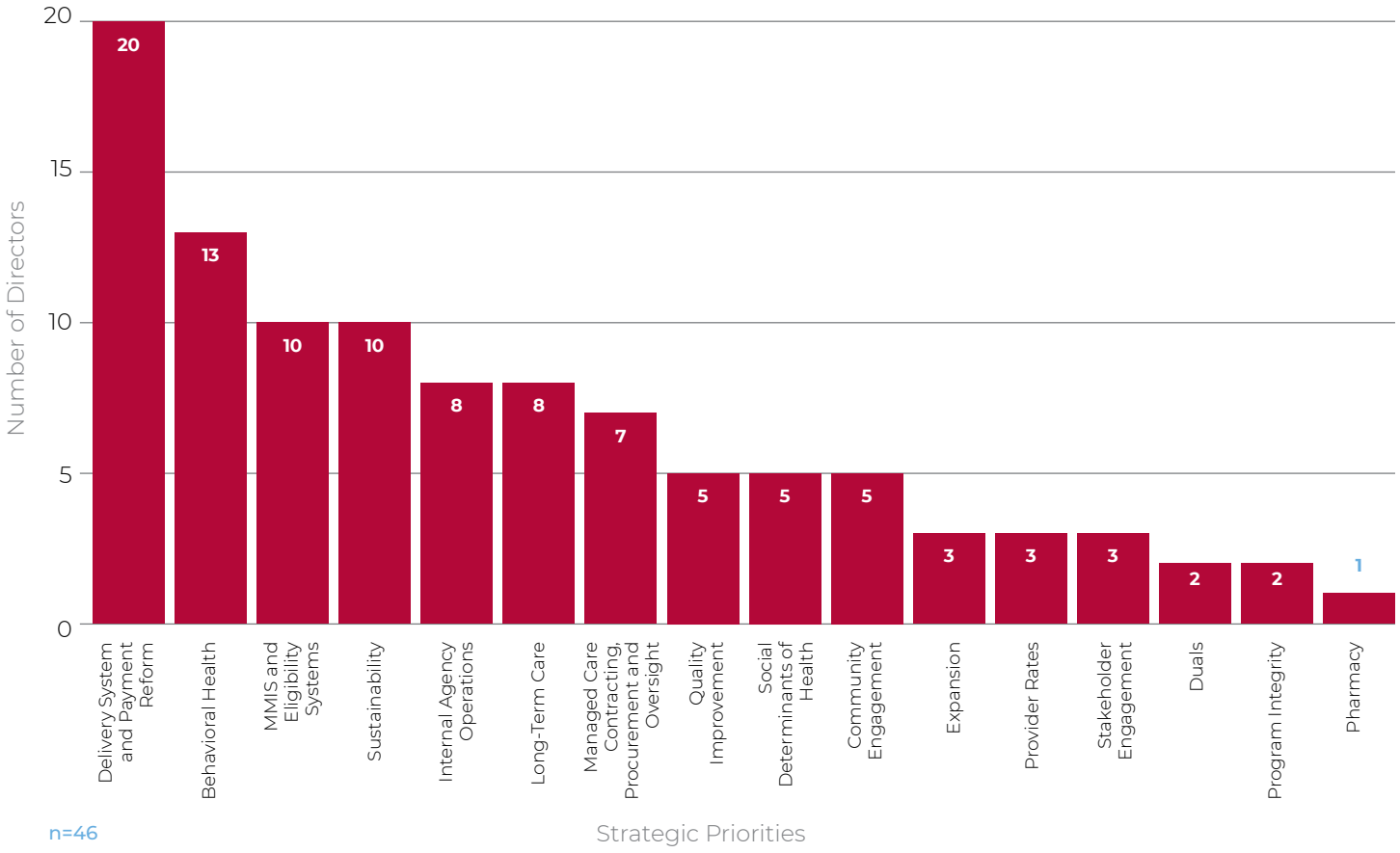
SECTION 4

Medicaid Directors' Strategic Priorities

Strategic vision—for an entire Medicaid program as well as specific strategic initiatives—is a must-have skill for a Medicaid Director. In 2018, the NAMD staff and board of directors created a resource to help Directors step back from the day-to-day operations and have the support of a trusted colleague—and former Medicaid Director—to help them think proactively about their program and team. After a national call for applications, NAMD contracted with a Senior Strategic Advisor to work with Directors and their senior teams to design and implement strategic plans for either the entire Medicaid program or specific strategic initiatives. This work has included one-on-one support to several states in the first six months of the Strategic Advisor effort, as well as podcasts and webinars available to all states. A toolkit on strategic priority setting and strategic management will be forthcoming.

As part of this year's Operations Survey, Directors reported 16 unique strategic priorities, again underscoring the inherent variation of the program across the country.

Figure 16. Medicaid Directors' Strategic Priorities



Consistent with last year's data, top priorities were: 1) delivery system and payment reform; 2) behavioral health reforms, including integration with medical care and managed care; and 3) Medicaid Management Information System (MMIS) and eligibility systems implementation and operations. These priorities are multi-year, transformative efforts that require sustained effort, staff, and financial resources. Additionally, this year Directors reported strategic sustainability as a top priority.

Each area is described in more detail below.

1 Delivery System and Payment Reform

In line with previous years' data, 20 Directors cited delivery system and payment reform as a top priority. **(Figure 16)** While delivery system reform aims to improve the value of care by realigning incentives and rewarding performance, state health transformation efforts exist along a continuum. Some states have very advanced initiatives that are in their third or fourth iteration, while others are just beginning this work. Nevertheless, all these states are testing new innovations, building on the successes of other states, and learning as they go. States along this full continuum of delivery system and payment reform need to be supported in this work. Below are some examples of reforms being implemented:

- Value-based purchasing arrangements with Medicaid providers, where provider reimbursement is linked to performance on health care costs and quality;
- Primary care transformation; and
- Multi-payer delivery system and payment reform initiatives.

2 Behavioral Health Reform

Over the past decade, Medicaid has become the largest payer of mental health services in the country, and one of the largest payers of SUD services.[11] By breaking down the silos between mental health and SUD services and integrating them with physical health care, Medicaid is changing the way health care is delivered in the United States. These changes are happening at the state agency, health plan, and provider levels, and requires a multi-year investment, strong vision, and skilled leadership to succeed. Consistent with previous years' data, many Directors in NAMD's FY2018 Operations Survey (13) identified behavioral health reform as one of their top strategic priorities. **(Figure 16)**

The behavioral health reforms cited by Directors for the coming year were complex and wide-ranging, reflecting states' unique socio-economic, political, and public health contexts as well as the diversity of behavioral health challenges present in the Medicaid population. They included:

- Carving in behavioral health services into comprehensive managed care contracts;
- Redesigning outpatient behavioral health treatment; and
- Implementing the full continuum of substance use disorder services through Section 1115 waivers.

3 Medicaid Management Information System (MMIS) and Eligibility Systems Implementation and Operations

As states advance delivery system and payment reform, continue to optimize data, and ensure strategic sustainability, a well-organized IT system is imperative to the success of the Medicaid program. Modernization of IT systems, including implementing the Medicaid Information Technology Architecture (MITA) framework, MMIS, and eligibility systems, has been a priority for several years, again because it is a complex, massive overhaul that is time and resource-intensive. Some examples of states' efforts on MMIS and eligibility systems are:

- Developing an overarching information technology strategy to support programmatic objectives in the modular MMIS procurement;
- Identifying certified and effective vendors for modular MMIS functions;
- Designing and implementing integrated eligibility systems across Medicaid and other human services; and
- Procuring or stabilizing new eligibility systems.

When asked how well Director's IT systems support their strategic priorities, 23 Directors (55%) said that the IT systems supported their strategic priorities and another seven (17%) said that they moderately supported their strategic priorities. The remaining 12 Directors (28%) stated that their IT systems did not support their strategic priorities. As Directors continue to make progress in modernizing their IT systems, Directors and their staff still require support from CMS, external contractors, and

others while they work to modernize IT systems and optimize the day-to-day functions of the program.

One specific challenge Medicaid agencies face when attempting to modernize their IT systems is working within state procurement requirements. State government contracts cover a vast range of goods and services, and contract amounts vary over different periods of time. State procurements related to Medicaid's massive contracts—for example, purchasing an information technology system—require a completely different strategy than other state contracts, and require an in-depth understanding of, and parameters within, state government.

The Operations Survey asked Directors if state procurement requirements were an impediment to this work. Over 50% of Directors (23) found state procurement requirements to be only a minimal impediment to their agency efforts to modernize their MMIS system, and an additional five Directors (11%) found it to be no impediment at all. However, 17 Directors still found the procurement requirements to be either the primary impediment to modernization (2, 4%) or one of the main barriers to modernization (15, 33%). **(Figure 17)** It appears there is still work to be done to support Directors in procurement efforts that can be highly complex and costly.

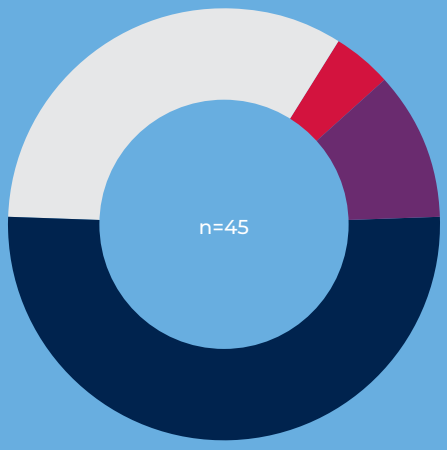
Finally, the Operations Survey also asked the Directors what they want to learn from fellow Directors around MMIS and eligibility systems implementation and operations. Some of the common responses were:

- How other states are incorporating MMIS modernization into strategic plans and priorities;
- How other states are managing their Advanced Planning Document (APD) process, both internally and with CMS, in light of the restructuring of CMS regional offices; and
- Whether modularity is still a priority for CMS.

4 Strategic Sustainability

As good stewards of tax payer dollars, Medicaid Directors prioritize strategic sustainability and the influencing factors they bring to managing program costs. As an entitlement program, Medicaid must provide coverage and a minimum set of benefits to all individuals who are eligible for the program. States must also operate within and balance their budgets on an annual basis. As such,

Figure 17. Do State Procurement Requirements Impede Director's Ability to Modernize MMIS



- **11%** They do not impede our progress at all.
- **51%** Their impediment is minimal.
- **34%** They are one of the main barriers to our ability to modernize.
- **4%** They are the primary impediment to modernization.

Medicaid Directors advance sustainability in proactive, thoughtful, and affirmative ways, including:

- Targeting investments to preventative medical and behavioral health care;
- Integrating physical and behavioral health care;
- Identifying and responding to social determinants of health;
- Designing and implementing value-based payment strategies;
- Modernizing provider reimbursement methodologies; and
- Using data to inform decision-making.

In this year's Survey, Medicaid Directors were asked questions for the first time about their strategic sustainability strategy. When asked whether the Medicaid agency had a formal cost/growth sustainability target for the Medicaid program, the majority of Directors (28, 62%)

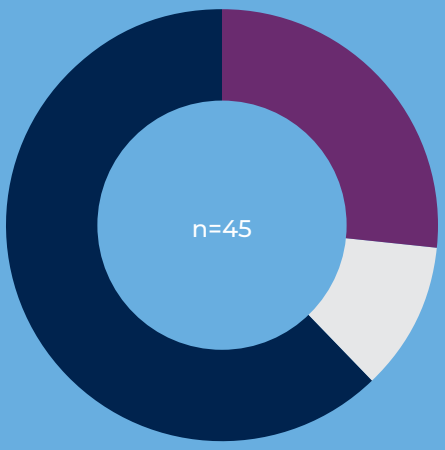
said that the agency used annual budget projections but did not have a separate performance target for cost/growth. Just over 25% of Directors (12, 27%) said that their agency had a separate performance target for cost growth, in addition to their annual budget projections, and five Directors (11%) said the agency was in the process of developing or establishing a separate performance target for cost growth. **(Figure 18)**

Directors reported developing budget targets in different ways. In some cases, the targets were informal and used to drive performance internally at the agency. In other cases, the targets were more formal, set by the state legislature, and reported on regularly. Examples of the targets included keeping growth:

- Under a certain percentage of the state's overall budget;
- At or under a fixed rate;
- Under the medical consumer price index; and/or
- Under national or regional averages for Medicaid spending.

NAMD has created a monthly opportunity for Medicaid CFOs to connect with each other and share strategies and challenges they face as they advance their Director's vision for a sustainable Medicaid program. This network is the first of its kind and is one example of how NAMD supports the development of well-informed and strategic Medicaid leadership teams.

Figure 18. Does the Medicaid Agency Have a Formal Cost-Growth or Sustainability Target



- **27%** The agency has a separate performance target for cost growth, in addition to their annual budget projections.
- **62%** The agency uses annual budget projections but does not have a separate performance target for cost growth.
- **11%** The agency is in the process of developing or establishing a separate performance target for cost growth.

Conclusion

As a former Medicaid Director puts it: "The position of a Medicaid Director is a lifestyle, not a job." It is indeed all encompassing for the 56 individuals who respond to the call, and the challenge of leading a Medicaid program cannot be overstated. NAMD's annual survey report aims to provide insights on this unique role and underscore some of the complexities Directors face today and how they approach them. This report also strives to describe some of the ways that NAMD supports Medicaid Directors and their teams through fostering state-to-state networking, supporting a federal-state partnership, operational programming, strategic planning supports, and leadership development—as they lead their states in delivering high-value care to Medicaid beneficiaries.

As the health care system continues to change and evolve, NAMD will continue to provide unique insights into the role of the Medicaid Director, their programs, and their teams in upcoming years.

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Endnotes

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