**DATE:** April 6, 2015

**TO:** Representative Nick Zerwas

**FROM:** Dan Newman

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**SUBJECT:** Home and Community Based Services (HCBS) Innovation Pool proposal

Several questions have come up regarding the operation of the governor’s proposed HCBS Innovation Pool, or HIP, and the role of the pool in moving Minnesota toward providing services in the most integrated settings. We would like to take this opportunity to address those questions.

Under the proposal, there will be a competitive request for proposals (RFP), open to any qualified provider or group of providers.  Selection criteria will include factors such as the population to be served, the outcomes to be achieved, how those outcomes will be measured, and how the project will support lasting system change.

The Innovation Pool will test how we can use outcome-based payments to incent system change.  For example, a provider might receive one payment for successfully placing a person in competitive employment, another payment when they remain in that job for three months, and a final payment when they are competitively employed for a year.  A similar payment stream could be used to incent both helping people find a home of their own and supporting them to stay in their home.  The more successful a provider is in developing processes and approaches that support community integration, the more they will benefit from the incentive payment model.

As a result of these demonstrations the state, local agencies, providers and people receiving services will learn more about creating effective system change.

As part of the ongoing transformation of HCBS services, DHS is developing new services to promote integration in the community.  Through the RFP process and demonstration projects we will learn what additional supports beyond what is typically provided are necessary to support community integration outcomes.  The incentive payment will cover those costs and inform future pay for performance rate methodologies.  While we do have expectations that service providers are helping people live more integrated lives, and to support those who want to work and live more independently to do so, the fact is that many providers need some type of support to make organizational changes and develop new ways of doing business.  The Innovation Pool will test new methods of incentivizing these changes.