

The image is a composite graphic. The top portion shows a close-up of a silver stethoscope resting on a surface, with a blurred background of medical equipment. The bottom portion features a medical chart with several colorful tabs (green, blue, orange, red) labeled with numbers and letters like '5', '3', '7', '4', '6', and 'M'. A pair of glasses is placed over the chart. The text is overlaid on a black rectangular background on the right side of the image.

Alabama Medicaid Transformation

Regional Care Organizations
as a Vehicle for Change

October 2014



Regional Care Organizations as a Vehicle for Medicaid Reform

- The strategy is to establish a capitated managed care system through regional care organizations (RCOs)
- An RCO is a corporate entity established under state law that is governed by a Board of Directors representing providers, the public and investors
- RCOs modify the delivery of services
 - Mandatory enrollment in a care management entity
 - Medical/health home model for Medicaid recipients
 - Include most Medicaid recipients
 - Manage physical and behavioral health services



What's in the Law?

Recap:

- Law enacted during 2013 Legislative Session; modified in 2014 legislative session
- Dental & long term care excluded with evaluations due 10/1/15
- Anti-trust / collaboration requirements
- Board composition outlined
- Timeline for implementation
- Medicaid will enroll recipients into RCOs
 - Recipient choice or assignment if no choice is made
- Quality Assurance Committee required



Agency is on schedule to comply with law

- **10/1/13** – Medicaid established RCO regions
- **10/1/14** – RCO governing boards must be approved by Medicaid or Medicaid must determine progress is being made in the region and make a decision on probationary certification by **1/01/15**
- **4/1/15** – RCOs must prove they have an adequate provider network
- **10/1/15** - RCO must meet solvency requirements
 - Rules to define will follow probationary RCO rules
- **10/1/16** - RCO must begin to bear risk under an executed risk bearing contract



Progress Toward Reform

- Regions established
 - Rules filed
 - Quality Assurance Committee working on metrics
 - Covered services and populations identified
 - 1115 waiver submitted
 - Selected critical decisions made
 - Significant decisions remain
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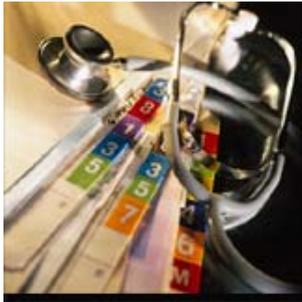


Rules Development

- **Final Rules – Administrative Code Chapter 62**

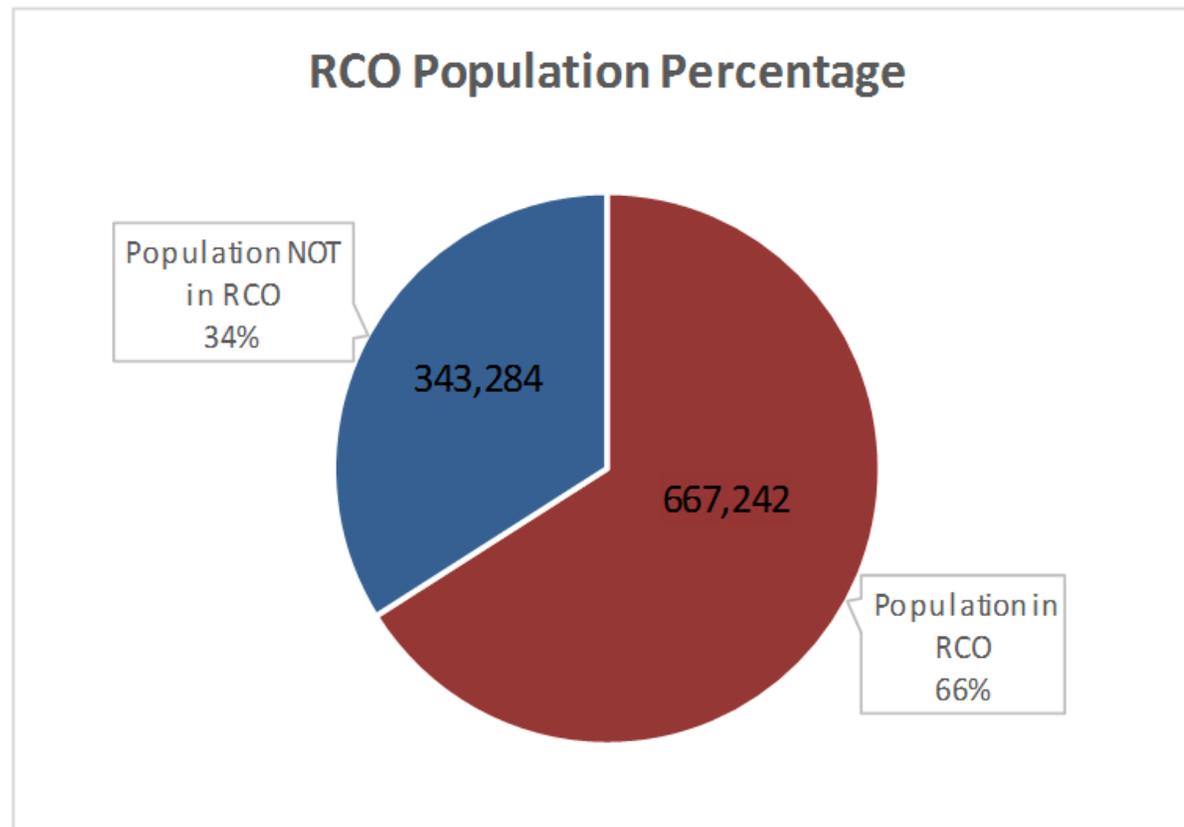
- Certificate to Collaborate with other Entities, Individuals or RCOs
- Active Supervision of Collaborations
- Governing Board of Directors*
- Citizens' Advisory Committee
- Probationary Certification of Organizations seeking to become RCOs
- Active Supervision of Organizations with Probationary Certification
- Contract for Case Management Services with Probationary RCOs
- Conflict of Interest Policy for Directors and Officers of RCOs
- Provider Standards Committee
- Minimum Fee-for-Service Reimbursement Rates
- Provider Contract Disputes
- Service Delivery Network Requirements*
- Quality Assurance Committee
- Quality Assurance Process
- Right to Terminate Certificates of Probationary and Fully Certified RCOs

- **Proposed update filed in September 2014*



Covered Populations

Approximately two-thirds of Medicaid population are projected to enroll in RCOs:





Populations

- **Covered populations**
 - Aged, blind & disabled recipients
 - Breast and Cervical Cancer Treatment Program participants
 - Recipients of Medicaid for Low Income Families (MLIF)
 - SOBRA children and adults
- **Excluded populations**
 - Medicare/dual eligibles
 - Foster children
 - Hospice patients
 - ICF-MR recipients
 - Nursing home/institutional recipients
 - Plan 1st and unborn recipients
 - Home and Community-Based Services waiver recipients





Covered Services

- Some of the services to be covered by RCO:
 - Hospital inpatient and outpatient care
 - Emergency Room
 - Primary and Specialty Care
 - FQHCs/RHCs
 - Lab / Radiology
 - Mental/Behavioral Health/Substance Abuse
 - Pharmacy
 - Eye Care
 - Maternity
- Long term care and dental services are excluded now





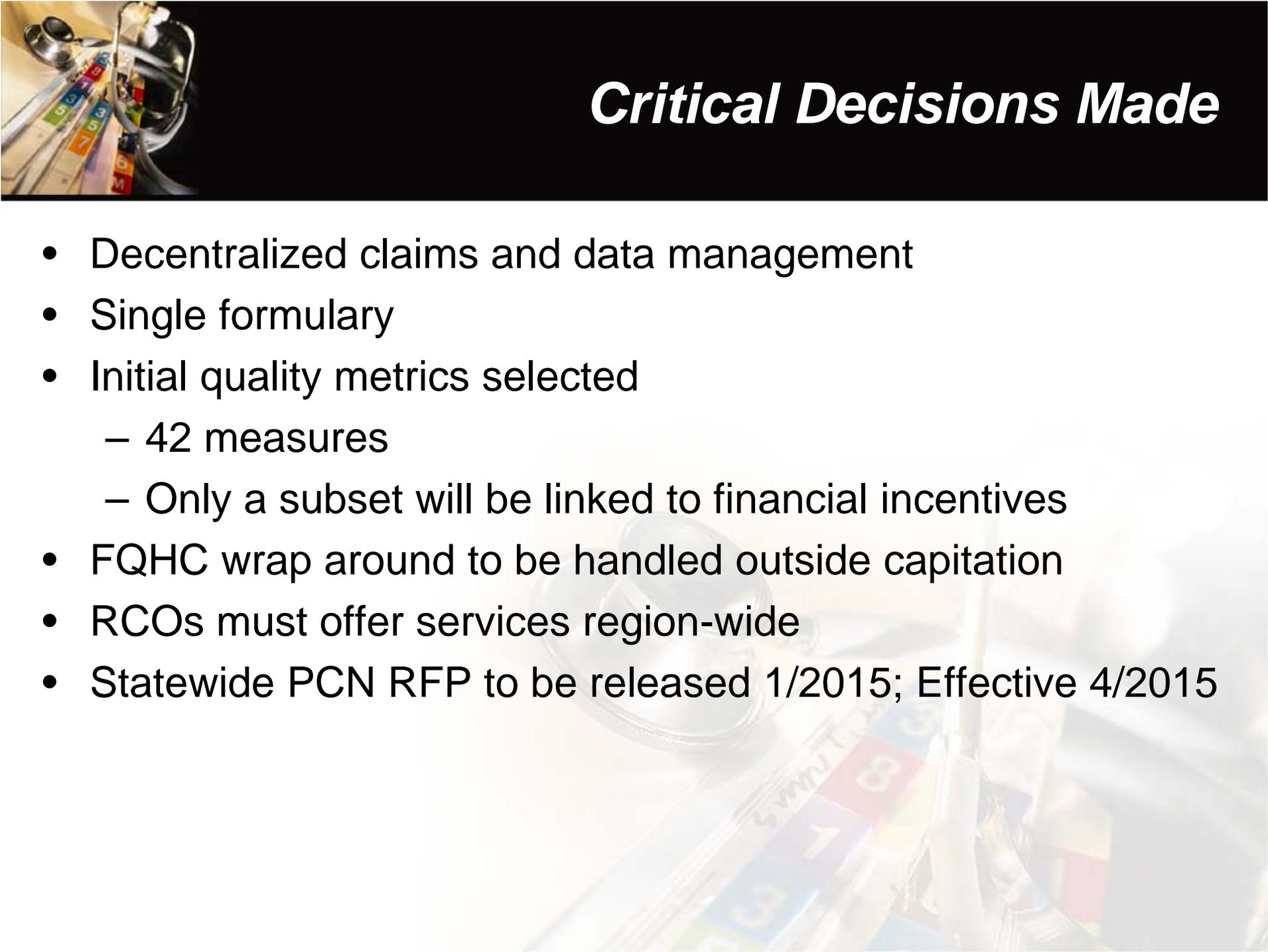
Transition of Primary Care Networks to RCOs

- Medicaid currently has funded four primary care networks (PCNs) that provide a level of managed care in 21 counties
- Enhanced federal funding is available to expand that program statewide
- As a transition step, Medicaid is continuing to explore using probationary RCOs to facilitate expansion
- This action would give Medicaid and the RCOs an opportunity to develop strategies to improve care and analytical capabilities
- Would accelerate the development of an adequate provider network



1115 Waiver

- **Financial success for Alabama's RCO effort depends on federal approval** of an 1115 waiver which will inject additional funds needed for investment in reform.
 - 1115 Waiver is a federal program used to test new ways to deliver and pay for Medicaid health care services
 - Designed to improve care, increase efficiency and reduce cost
- **Use of 1115 federal investment**
 - RCO Investments
 - Quality of Care Pool
 - Provider Transformation Payment Transition Pool
- **Next steps:**
 - Formal waiver submitted to CMS – May 30, 2014
 - Waiver negotiations – Ongoing
 - Alabama selected for NGA Medicaid Policy Academy



Critical Decisions Made

- Decentralized claims and data management
- Single formulary
- Initial quality metrics selected
 - 42 measures
 - Only a subset will be linked to financial incentives
- FQHC wrap around to be handled outside capitation
- RCOs must offer services region-wide
- Statewide PCN RFP to be released 1/2015; Effective 4/2015



Pending Decisions

- Final capitation rate
- Out-of-state providers
- Patient allocation methodology
- Reinsurance and stop loss coverage
- How to handle pharmacy
- Resolution of governance issues



Current Status of Interest

- **12 Applications for Probationary Certification Submitted**
 - 2 in B, D, E
 - 3 in A and C

Regional Care Organization Districts
Effective October 1, 2013





Critical Success Factors...

- **State funding must meet current operational needs.**
 - General Fund
 - Maintain current hospital funding model
- **Medicaid must demonstrate that RCO, full risk strategy is less costly than current system.**
 - Actuarially sound rates
 - Must be approved by CMS
- **CMS must approve 1115 Waiver with Designated State Health Program (DSHP) matching** and approve the resulting federal funds for the transformation with acceptable conditions.
- **Probationary RCOs must transition to operationally effective entities** that can accept risk/capitation.