

Alabama Medicaid's Regional Care Organizations

What are Regional Care Organizations?

Regional Care Organizations (RCOs) are locally-led managed care organizations that will ultimately provide healthcare services to most Alabama Medicaid recipients at an established cost under the supervision and approval of the Alabama Medicaid Agency.

State legislation passed in 2013 and updated in 2014 created the new managed care structure to enable Medicaid to move away from a volume-based, fee-for-service environment to a payment system that incentivizes the delivery of quality health care and improved health outcomes.

Under the new structure, Alabama Medicaid will enter into contracts with RCOs to provide certain covered services for Medicaid patients at a set cost. The new system of care is based on a recommendation from the Alabama Medicaid Advisory Commission, created by Governor Robert Bentley in October of 2012 to address ways to improve Medicaid's financial stability while also providing high-quality patient care.

How are RCOs different from commercial managed care?

RCOs are uniquely Alabama entities. By state law, they are non-profit entities, incorporated in Alabama. They are governed by a board which includes both risk-bearing (12) and non-risk-bearing (8) members.

Risk bearers contribute cash, capital or other assets to the RCO. Non risk-bearing members include statutorily required appointments of five medical professionals who provide care to Medicaid recipients in the region in which the RCO operates. Three must be primary care physicians, including one from a federally-qualified health center (FQHC), one optometrist and one pharmacist. The board must also include a business executive who works in the region and is nominated by a Chamber of Commerce in the region. The Citizens' Advisory Committee chair also serves on the governing board as does a CAC member who represents either Alabama Arise or a group that is part of the Disabilities Leadership Coalition of Alabama.

State law also requires each RCO to have a Citizens' Advisory Committee to advise RCOs on ways they may be more efficient in providing quality care to Medicaid recipients. The CAC is to be inclusive and reflect the demographics and diversity of the region.

Why is a federal waiver needed to implement RCOs?

Section 1115 Waivers are used to approve experimental, pilot or demonstration projects that promote the objectives of the Medicaid program by giving states additional flexibility to design and improve their programs in order to demonstrate and evaluate new policy approaches. On May 30, 2014, Alabama applied for a Section 1115 Demonstration Waiver to provide the funding needed to support the transition to RCOs.

In September 2014, Alabama was one of three states selected by the National Governors' Association to receive technical assistance aimed at helping states use Medicaid to transform the delivery of services.

What does the federal government require of the state?

More than 40 pages of Special Terms and Conditions accompanied the federal approval of Alabama's proposed RCO system. However, one of the key requirements is that the cost to the federal government of providing Medicaid coverage to Alabamians through RCOs, including money for transition pools and supplemental payments to RCOs, must not exceed what the Centers for Medicare and Medicaid Services (CMS) estimates the federal government would have paid for Medicaid coverage for those same people under Alabama's current Medicaid system.

CMS's approval of Alabama's proposed RCO system, and its permission for Alabama to spend supplemental federal money to help develop the system, are effective April 1, 2016, through March 31, 2021.

When will RCOs start?

Implementation of full-risk Regional Care Organizations is slated to begin on October 1, 2016. At that time, Alabama Medicaid will pay a set monthly amount to each RCO which in turn will be responsible for paying for all RCO-covered services.

What services will be provided through the RCOs?

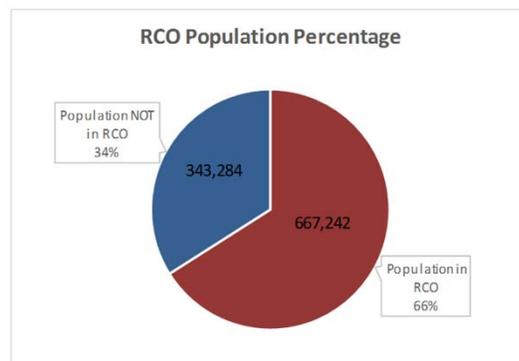
Most physical and behavioral health services now covered by Medicaid will be RCO-covered services as well. Some of the services to be covered by RCOs include hospital inpatient and outpatient care, emergency room services, primary and specialty medical care, services provided by a federally-qualified health center or rural health clinic, lab and radiology services, mental/behavioral health, eye care, maternity care and transportation.

Excluded services include home and community-based waiver services (HCBS), targeted case management, nursing home care, pharmacy services, dental care and school-based services. A list of RCO-covered services is on the Agency's website.

Who will be required to participate in RCOs?

Approximately two-thirds of the Agency's recipients, or about 650,000 Alabama citizens, will receive their care via RCOs. Covered populations include aged, blind and disabled recipients, pregnant women and children under age 19 (formerly known as SOBRA recipients), and parent/caretaker relatives (formerly known as Medicaid for Low Income Families).

Foster children, people who have both Medicare and Medicaid, and those recipients who reside in a



nursing facility or receive long-term care services and supports such as HCBS waiver services, will continue to receive care via the current fee-for-service system. A list of Medicaid recipients who will be required to participate in RCOs is on the Agency's website.

How will this impact people now on Medicaid?

Medicaid recipients who are required to participate in the RCOs will be asked to choose an RCO for their health care during July and August 2016. At this time, there are at least two Probationary RCOs in each of the five regions. Medicaid recipients who do not select an RCO, will be assigned to one in their region based on past claims history and other factors. In all cases, recipients will have a 90-day period in which they can switch RCOs. After that, recipients will be able to change RCOs during an annual open enrollment period.

Will Medicaid recipients be able to keep their same doctor?

Helping Medicaid recipients choose a doctor is the responsibility of the RCO. Recipients will first go through an enrollment broker set up by Medicaid to help them choose their RCO. When they contact the enrollment broker (or are contacted by the enrollment broker), they will be given information about the RCOs with which their doctor has signed a contract. Recipients are not required to stay with the same doctor, however. If the recipient chooses an RCO that their previous doctor has not contracted with, they will need to select a new primary care physician.

Why are there five RCO regions and how were they chosen?

As required by state law, the state established regions that would ensure that there were a sufficient number of Medicaid recipients (as determined by an actuary) in each region. In developing the regions, state officials also sought to honor existing referral patterns, to keep health systems together when possible and to allow for more than one RCO in a region.



What steps is Medicaid taking to ensure that RCOs are able to provide and pay for the services needed by Medicaid recipients?

One of the most important responsibilities of the state is to ensure that RCOs are able to meet all legal requirements and comply with regulations developed to implement the law.

Currently, 11 organizations have been awarded probationary certification by the state, allowing them to work toward full implementation. Before full certification is awarded, each probationary RCO must demonstrate that they have a sufficient number of providers and provider types to provide RCO-covered services.

RCOs must also show that they can meet the financial solvency and other financial requirements. Once those milestones are met, RCOs will be subject to a readiness review period during which the state will determine if they are able to provide services and fulfill the obligations of a risk contract.

What will Medicaid do to make sure that the quality of care that is provided to Medicaid recipients is not diminished under RCOs?

State law required the formation of a state-level Quality Assurance Committee comprised of practicing healthcare professionals, 60 percent of which must be physicians. This group approved 42 quality measures that will be used for monitoring RCOs' performance, 10 of which will be incentivized under the new managed care system.

All but one of the 42 measures are nationally recognized and validated which will allow Alabama to compare its performance to other states and national benchmarks. The measures not only include metrics related to diabetes, asthma and well-child care, but mental and behavioral health, care coordination and if care is provided in the most appropriate location.

Additionally, RCOs must agree to certain stipulations in their contracts with Medicaid regarding the quality of care provided to Medicaid recipients.

How will Alabama Medicaid pay for the startup of the RCOs?

The state estimates that a total of up to \$748 million from the 1115 waiver approval will be available over five years for implementation-related expenses although the exact amount will depend on the federal matching rate for each year.

- Approximately \$328 million would be available in the first three years of the waiver for the transitioning to the RCOs. Approved transition pools would help RCOs start up and pay for projects that would boost access to medical care, improve quality and reduce cost.
- CMS officials also agreed that Alabama over five years could qualify for up to an additional \$420 million in federal money that could supplement payments to RCOs, to support work by hospitals, doctors or other providers to further improve health-care access and outcomes.

For more information:

- Alabama Medicaid Agency
www.medicaid.alabama.gov
- Regional Care Organizations / Health Homes / Collaboration / Meetings
http://medicaid.alabama.gov/CONTENT/2.0_newsroom/2.7.3_Regional_Care_Organizations.aspx