



**Alabama Medicaid Transformation**

Regional Care Organizations as a Vehicle for Change

May 2014



***Regional Care Organizations as a Strategy for Medicaid Reform***

- The state of Alabama has established a new system of healthcare financing and service delivery for a subset of Medicaid recipients
- The goal is to improve care and reduce cost that would otherwise be incurred through the existing fee-for-service system
- 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



## ***Regional Care Organizations as a Strategy for Medicaid Reform***

- **Delivery Model Reforms**
  - Mandatory enrollment in a care management entity
  - Medical/health home model for Medicaid recipients
  - Include most Medicaid recipients
  - Manage physical and behavioral health services
  - Connection with the health information exchange
- **Provider Reimbursement Reforms**
  - Implement value-based purchasing strategies
  - Enhance coverage and payments for targeted services to enhance access



## ***What's in the Law?***

**Recap:**

- Law enacted during 2013 Legislative Session; changes made by 2014 Legislature
- Dental and long term care carved out for now
- Long term care and dental 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



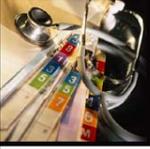
## ***Modifications in 2014 Revision***

- **Change in governing board**
  - Board actions no longer require consent of at least one primary care physician
  - Primary care physicians previously selected by caucus of county boards of health, now selected by MASA
- **Allows creation of executive committee**
  - Executive committee limited to implementing governing board policy
  - Primary care physician must be a member of all committees
  - All risk-bearing classes given a seat on executive committee
- **Establishes reimbursement floor**
- **Creates provider standards committee at RCO level**
  - Must be 60% physician membership
  - Metrics subject to review of Q/A committee



## ***Modifications in 2014 Revision***

- Establishes extensive provider grievance process
- Requires Medicaid consider provider input in renewal decisions
- Assures Medicaid right to review all contracts
- Allows one entity to have a majority of the governing board only if no other entity offers to bear risk



### ***Agency is on schedule to comply with law***

- **10/1/13** – Medicaid established RCO regions
- **10/1/14** – RCO governing boards approved by Medicaid
- **4/1/15** – RCOs must prove they have an adequate provider network
  - Rules to define will follow probationary RCO rules
- **10/1/15** - RCO must meet solvency requirements
  - Rules to define will follow probationary RCO rules
- **10/1/16** - RCO must demonstrate ability to provide services under a risk contract (RCOs start bearing risk) no later than this date



### ***Progress Toward Reform***

- Regions established
- New rules filed
- 1115 waiver is being drafted
- Quality Assurance Committee working on metrics
- *One Health Record*® pilot project approved
  - East Alabama pilot project to test benefits of EHR and HIE data exchange for patients and providers
- Covered services and populations identified
- Working with actuary
- Implementation vendor under contract



## Regions Established

**Regional Care Organization Districts**  
Effective October 1, 2013



**Regions drawn with these considerations:**

- Honor existing referral patterns
- Keep health systems together when possible
- Allow more than one RCO per region



## Rules Filed

- **Final rules – Administrative Code Chapter 62**
  - Certificate to Collaborate with other Entities, Individuals or RCOs
  - Active Supervision of Collaborations
  - Citizens’ Advisory Committee
  - Active Supervision of Organizations with Probationary Certification
  - Contract for Case Management services with Probationary RCOs
- **Emergency rules filed May 2, 2014**
  - Governing Board of Directors
  - Probationary Certification of Organizations Seeking to Become Regional Care Organizations
  - Conflict of Interest Policy



## Collaboration Rules and Reporting

- The state has determined that it is in the public interest for providers, individuals, and other community entities to cooperate in the formation and operation of the RCO's.
- A collaboration certificate is required of all collaborators with specific standards for reporting covered activities.
- Collaborators include individuals and organizations (business entities)
  - Many are providers desiring only to contract with RCO organizations
- Online process for application and reporting

**Apply for a Certificate to Collaborate**  
 Each person or entity who is operating or may operate as a RCO Collaborator shall possess a certificate (Certificate to Collaborate) issued by the Alabama Medicaid Agency qualifying such person or entity to collaborate as set forth in Section 22-6-163 of the Alabama Code.

To apply for a certificate to collaborate as an RCO Collaborator, you must first create a profile in the Agency's online system and then submit your application through the portal.

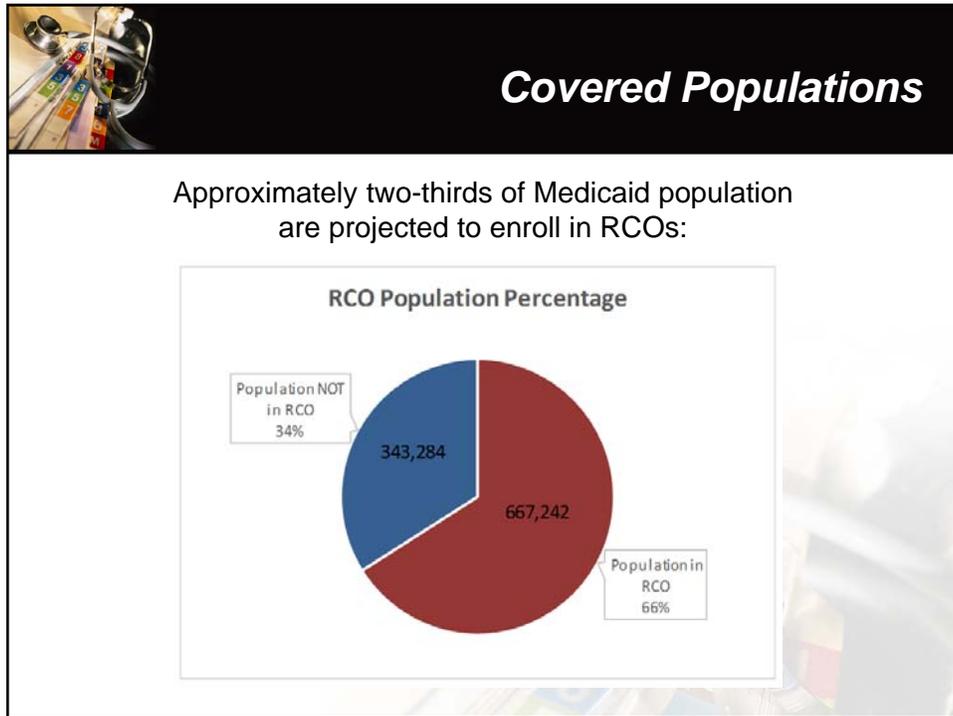
[Click to Apply](#)

Questions? [Click here to email Medicaid](#)  
 Telephone Assistance: (334) 353-4121

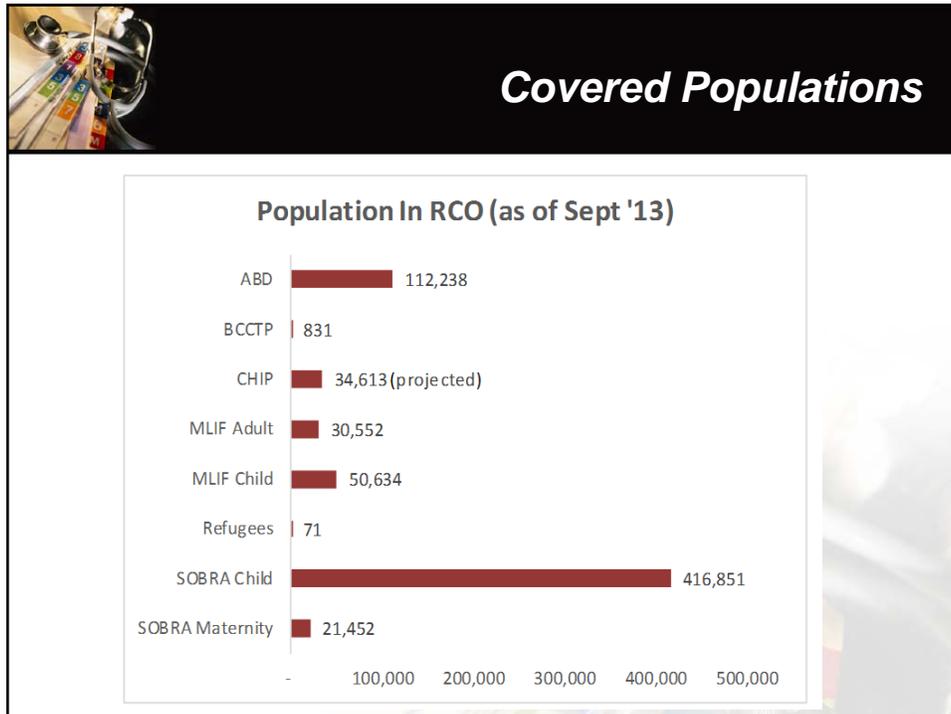


## Timeline for Probationary RCOs

- **Probationary RCOs**
  - Agency working to implement changes required by 2014 law
  - Probationary RCO applications
    - Accepted May 12 to August 1, 2014
    - Online portal for application process
  - Final date for probationary certification – September 30, 2014
  - Statewide expansion of health home – January 1, 2015



- ## 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 1<sup>st</sup> 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



## ***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 that:
  - 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:
  - Public comment period ended April 4; 400+ comments
  - Formal waiver submitted to CMS – May 2014
  - Waiver negotiations - ???



## Critical Success Factors...

- State funding must meet current operational needs.
- 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.



## Questions? Comments?

<http://www.medicaid.alabama.gov>



**RCO Web Page:**

- Collaboration information
  - Applying for Certificate
  - Reporting of Activities
- Links to proposed and final rules
- District map
- 1115 waiver concept paper
- QA Committee activity and webinars
- Legislation
- Presentations