

The image is a composite graphic. The top portion shows a close-up of a silver stethoscope resting on a surface. Below this, a black horizontal band contains the main title and subtitle in white text. The bottom portion of the image shows a medical chart with several colorful tabs (green, blue, orange, red) labeled with numbers and letters. A pair of glasses is also visible, resting on the chart. The overall theme is medical and healthcare.

Alabama Medicaid Transformation

Regional Care Organizations
as a Vehicle for Change

May 15, 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?

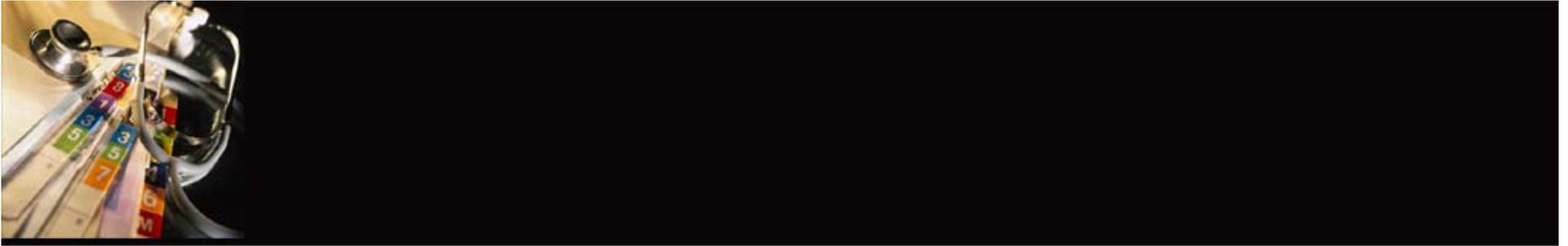
Recap:

- 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

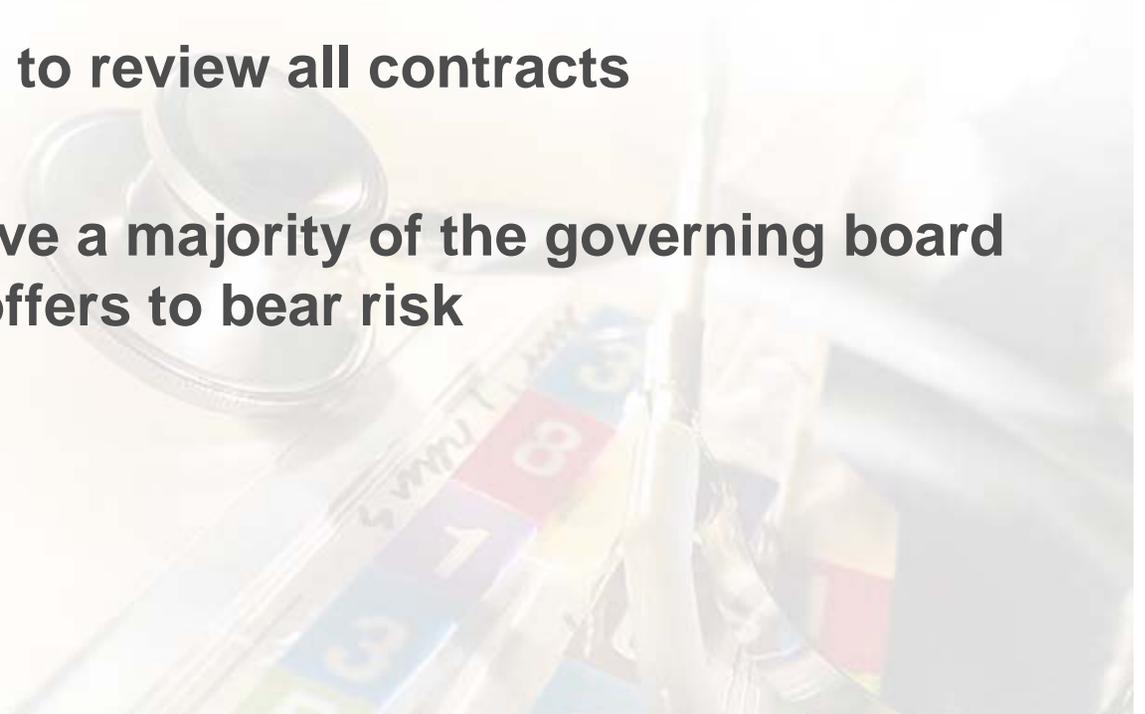


Modifications in 2014 revision

- **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



- **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
- 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
- 1115 waiver is being drafted
- Working with actuary
- Implementation vendor under contract



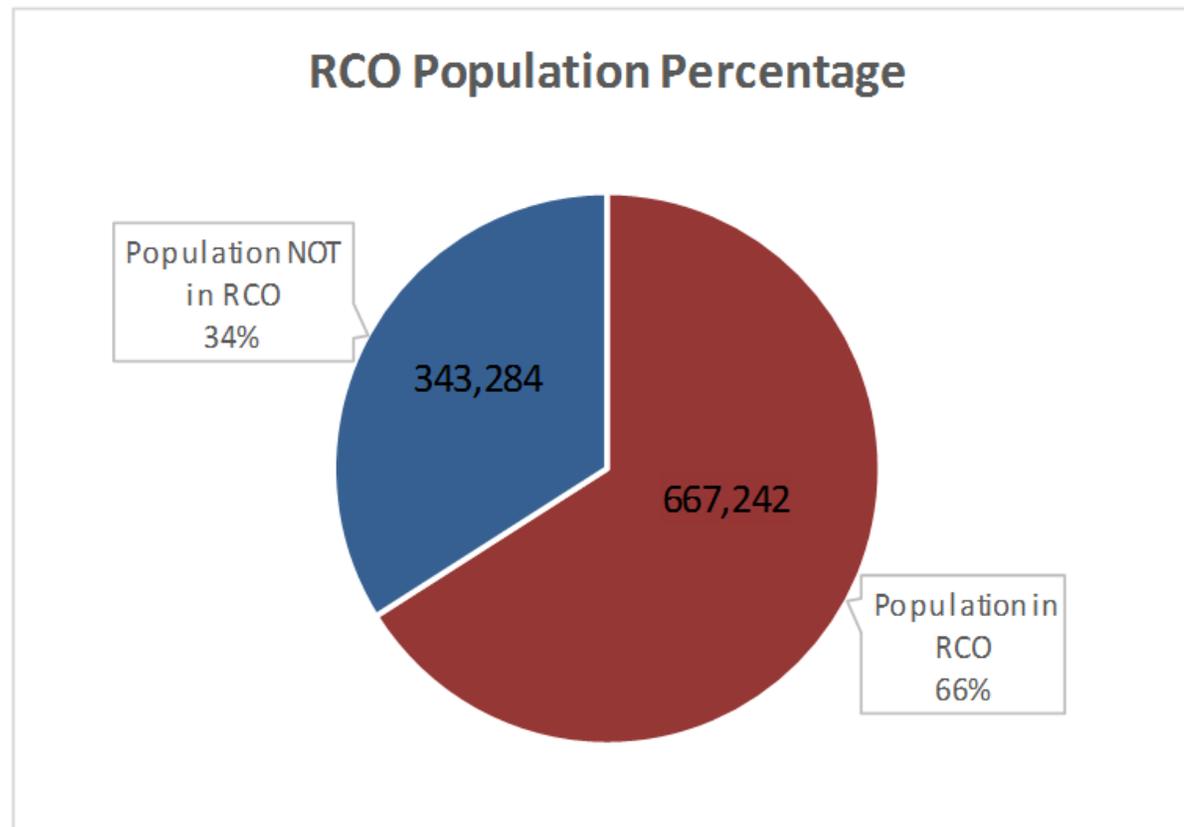
Rules Development

- **Chapter Final Rules – Administrative Code 62**
 - Certificate to Collaborate with other Entities, Individuals or RCOs
 - Active Supervision of Collaboration
 - Citizen’s Advisory Committee
 - Active Supervision of Probationary RCOs
 - Contract for Case Management Services with Probationary RCOs
- **Emergency Rules filed May 2 ; Proposed Final Rules end of May**
 - Governing Board of Directors
 - Probationary Certification of Organizations seeking to become RCOs
 - Conflict of Interest Policy
- **Rules under Development**
 - Provider Standards Committee
 - Service Delivery Network Requirements
 - Provider Contract Disputes
 - Minimum Fee-for-Service Reimbursement Rates



Covered Populations

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





Populations

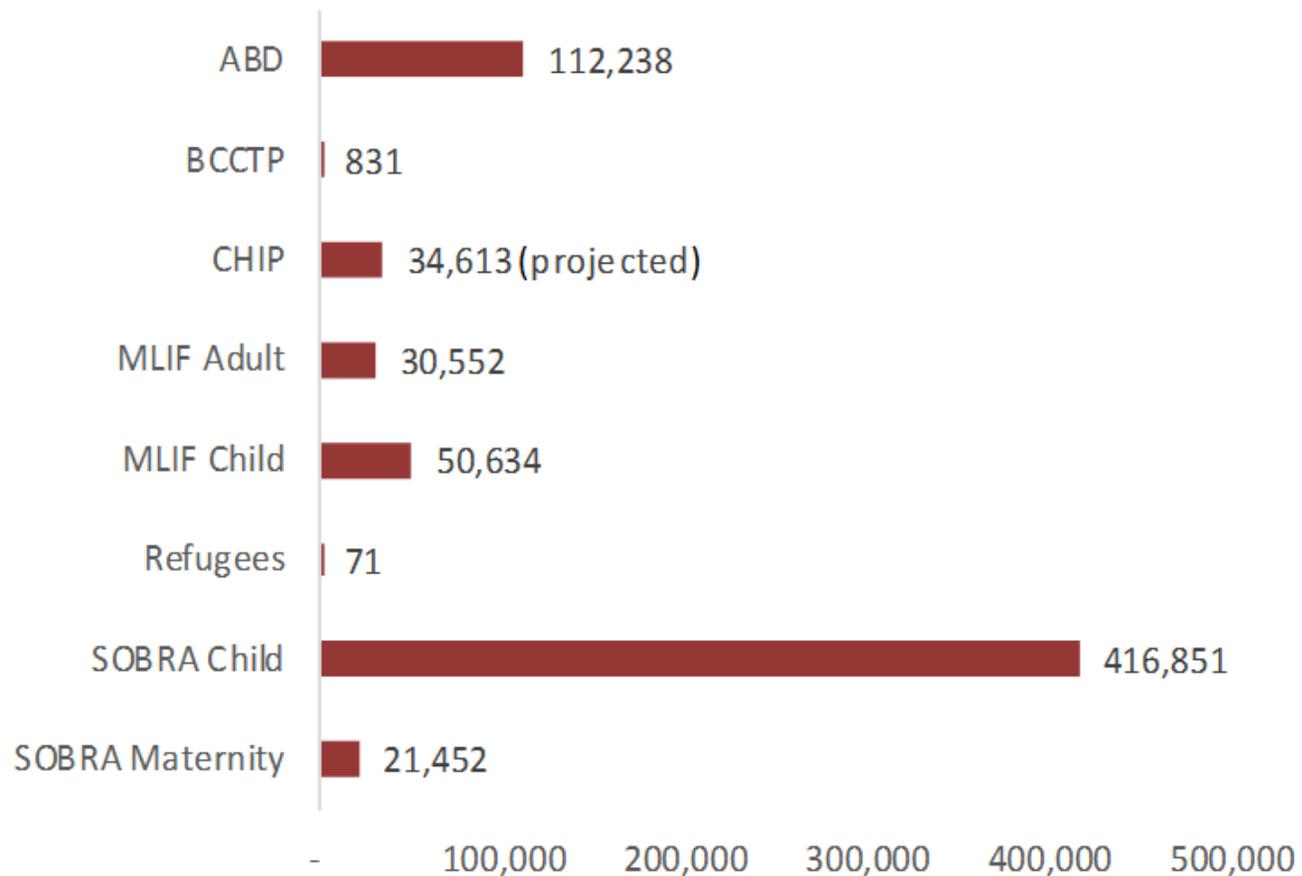
- **Covered populations**
 - Aged, blind & disabled recipients
 - Breast and Cervical Cancer Treatment Program participants
 - Recipients of Medicaid for Low Income Families (MLIF)
 - SOBRA children and adults
- **Excluded populations**
 - Medicare/dual eligibles
 - Foster children
 - Hospice patients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





Covered Populations

Population In RCO (as of Sept '13)





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 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 – likely to take 6 – 18 mths



1115 Waiver Challenges

- Defining acceptable Designated State Health Program Expenditures (DSHP)
 - Achieving budget neutrality and managing risk
 - Maintaining hospital funding system
 - APR-DRG
 - Provider tax / IGTs
 - Managing waiver conditions
 - State incentives
 - Performance targets
- 



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>

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Medicaid Pharmacy Commission submits final report to Governor

New rules proposed to support move to RCOs, comply with state law

Agency contracts with vendor for RCO implementation support

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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