The image is a composite. The top portion shows a close-up of a silver stethoscope resting on a surface, with a blurred medical chart in the background. The bottom portion shows a stethoscope resting on a medical chart with several colorful tabs (green, blue, orange, red) labeled with numbers and letters. The text is overlaid on the right side of the bottom portion.

The State Of Medicaid in Alabama

Snapshot of a Transition

*Dr. Robert Moon
Alabama Medicaid Agency*

November 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



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
- 



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*



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

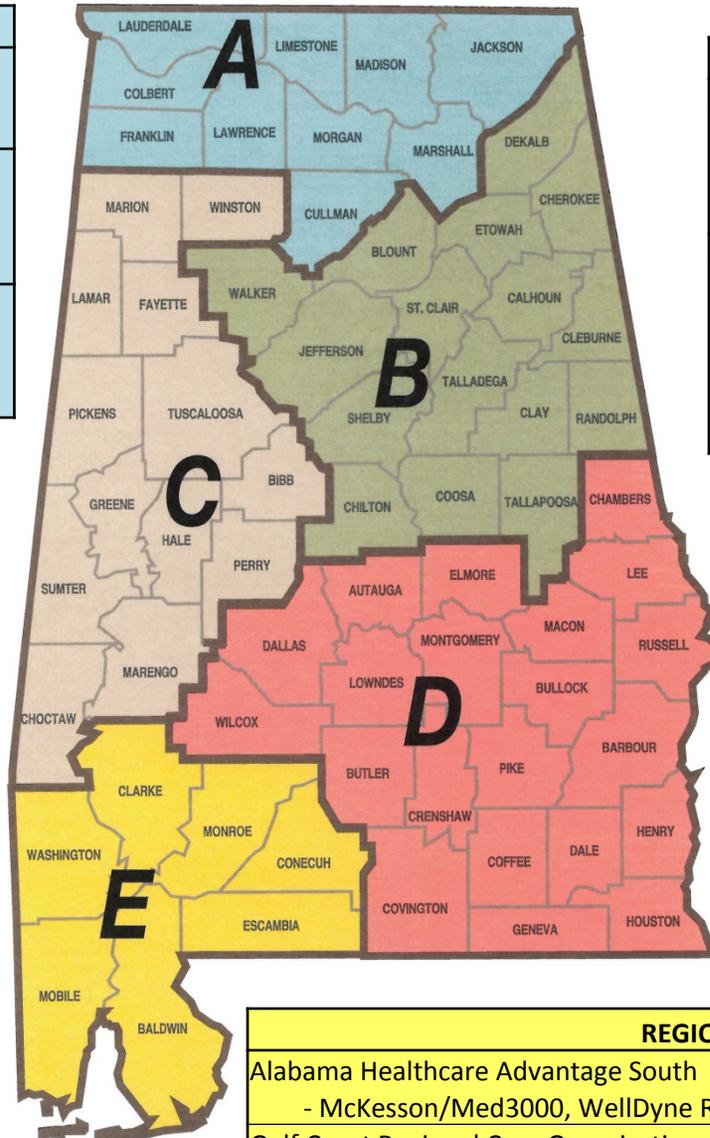
- Decentralized claims and data management
- Single formulary
- Initial quality metrics selected
 - 42 measures
 - Only a subset will be linked to financial incentives
- FQHC wrap around to be handled outside capitation
- RCOs must offer services region-wide
- Statewide PCN RFP released 1/2015; Effective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

REGIONAL CARE ORGANIZATION

Probationary RCO Applicants (RCO Name and Contributing Entities)

REGION A
Alabama Community Care - Region A - Sentara - Huntsville Hospital System
Alabama Healthcare Advantage North - McKesson/Med3000 - WellDyne Rx - Individual Investors
My Care Alabama - Healthcare Business Solutions, LLC (Wholly-owned by BCBS) - North Alabama RCO Holding Co, LLC

REGION C
Alabama Community Care - Region C - Sentara - Huntsville Hospital System - DCH Health System - Whatley Health Services - Mental Health Retardation Board of Bibb, Pickens and Tuscaloosa Counties - University of AL/Capstone Health Services Foundation
Alabama Healthcare Advantage West - McKesson/Med3000 - WellDyne Rx - Individual Investors



REGION B
Alabama Care Plan - UAB Health Systems - St Vincents Health System - Triton Health Systems
Alabama Healthcare Advantage East - McKesson/Med3000 - WellDyne Rx - Ball Health Services - Anniston EMS - Individual Investors

REGION D
Care Network of Alabama - East Alabama Health Care Authority - East Alabama Medical Center - Triton Health Systems - Health Care Authority for Baptist Health - Houston County Health Care Authority - Univ of Ala Board of Trustees for UAB
Alabama Healthcare Advantage - McKesson/Med3000 - WellDyne Rx - Jackson Hospital - Individual Investors

REGION E
Alabama Healthcare Advantage South - McKesson/Med3000, WellDyne Rx, Individual Investors
Gulf Coast Regional Care Organization - USA HealthCare Management LLC, AltaPoint Health Care Systems



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





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.