Alabama Medicaid Agency – Regional Care Organization Program

Section 1115 Demonstration Annual Report to the Centers for Medicare & Medicaid Services

Five-year Demonstration: April 1, 2017 – March 31, 2022

Reporting Period: April 1, 2016 – March 31, 2017

Date Submitted to CMS: June 27, 2017

Table of Contents

I. Introduction

On February 9, 2016, the Centers for Medicare & Medicaid Services (CMS) approved Alabama's five-year 1115 demonstration waiver for the implementation of a Regional Care Organization (RCO) program, which aims to improve the delivery of care and health benefits of its beneficiaries by moving from a fee-for-service delivery system to enrollment in managed care under locally-administered provider-based RCOs. Additional information regarding the RCO program can be found on Alabama Medicaid's website and in Alabama's 1115 demonstration waiver proposal.

Pursuant to CMS's Special Terms and Conditions (STCs), Alabama is required to provide the following monitoring/progress reports to CMS:

- *Quarterly Progress Reports* (STC 38 - Quarterly Progress Reports*)* - The purpose of the quarterly report is to inform CMS of significant demonstration activity related to the RCO program from the time of approval through completion of the 1115 demonstration waiver. The reports are due to CMS 60 days after the end of each quarter.
- *Annual Demonstration Report* (STC 40 – Demonstration Annual Report) – The purpose of the annual report is to provide an update regarding operations/activities throughout the demonstration year (DY), annual expenditures for the RCO population with administrative costs reported separately, annual enrollment reports, and a status update regarding RCO performance on the Designated State Health Program (DSHP) targets. A draft of the annual demonstration report is due 90 days after the end of each demonstration year. Within 30 days of receipt of comments from CMS, a final annual report must be submitted for the DY to CMS.

This annual demonstration report summarizes the RCO program's development and implementation activities for the period from April 1, 2016 through March 31, 2017. Please note that the Alabama Medicaid Agency (AMA) has not included appendices as part of this annual demonstration report submission. As the RCO program is not operational, there is no data to support the appendices at this time. Appendices will be included in future reports as the RCO program commences and data becomes available.

State Contact Information:

Dr. Robert Moon
Chief Medical Officer and Deputy Commissioner, Health Systems
Alabama Medicaid Agency
501 Dexter Avenue
Montgomery, AL 36104
Phone: 334-242-5619
Email: robert.moon@medicaid.alabama.gov

II. Operational Development

The Operational Development section will discuss key demonstration issues, achievements, HIT progress, and updates regarding AMA's enrollment of Medicaid beneficiaries into the RCO program.

Key Operational Issues - Identify all significant program developments/issues/problems that have occurred in the current period and how AMA will address them. Include a summary of any sanctions and corrective action plans issued to the RCOs.

Readiness Review
During the reporting period, AMA and its contractor conducted readiness review activities with the probationary RCOs (P-RCOs). The original 11 P-RCOs completed and submitted a Readiness Assessment Tool, which outlined 357 contract requirements to be reviewed as part of readiness review.

AMA conducted desk reviews based on the documentation submitted by the P-RCOs and identified whether each element was complete, pending or incomplete. The reviewers evaluated documents for completeness and compliance with the RCO Contract and State and Federal requirements.

After completion of the desk reviews, AMA conducted site visits with the P-RCOs. The site visits allowed for:

- A review of the P-RCO key systems as described in their desk review documents
- Face-to-face discussions with P-RCO operational staff to confirm status of key activities
- A tour of P-RCO facilities

Upon completion of the desk reviews and site visits, AMA identified deficiencies for each P-RCO and developed corrective action plans to resolve those deficiencies. Throughout the reporting period, AMA reviewed each P-RCO's progress in completing their respective corrective action plans and conducted weekly technical assistance calls with each P-RCO to assist them in addressing identified deficiencies.

RCO Program Delay
On May 9, 2016, AMA announced that it would delay the October 1, 2016 RCO program start-date, due to a shortfall in State funding appropriated for Medicaid for the 2017 fiscal year.

To address the program delay, AMA submitted a waiver amendment to CMS in December 2016. The waiver amendment requested to amend the STCs to delay the RCO program implementation date from October 1, 2016 to October 1, 2017, and to change the demonstration time period from April 1, 2016 through March 31, 2021 to April 1, 2017 through March 31, 2022. On March 30, 2017, CMS approved Alabama's request to delay RCO implementation and extend the demonstration by one year. AMA has been in discussions with CMS regarding additional waiver amendment requests and has discussed these requests on bi-weekly calls with CMS. One of these waiver amendment requests is to delay implementation of the RCO program in Regions B, D, and E until 2018.

P-RCOs Exit the Program
During the reporting period, Alabama Care Plan, Care Network of Alabama, Gulf Coast Regional Care Organization, and five related Alabama Healthcare Advantage organizations notified AMA that they will not seek full certification as an RCO in any of the RCO regions. The exit of these P-RCOs leaves two P-RCOs in Region A (Alabama Community Care – Region A and My Care Alabama) and one P-RCO in Region C (Alabama Community Care – Region C). AMA developed an application process to allow existing P-RCOs to serve the affected regions. In March 2017, both Alabama Community Care – Region A and My Care Alabama provided

written notice of their interest in serving beneficiaries in Regions B, D, and E. In April 2017, AMA notified Alabama Community Care and My Care Alabama that the process to expand to additional regions was on hold, pending discussions with CMS regarding a waiver amendment to delay RCO implementation in Regions B, D, and E until 2018.

Key Achievements - Identify all significant achievements that have occurred in the current period.

RCO Contract
AMA met regularly with the CMS managed care team regarding the RCO Contract during the reporting period. AMA also updated the RCO Contract based on the new federal Medicaid managed care regulations. CMS reviewed the RCO Contract against the CMS contract checklist and readiness gates and provided informal approval of the RCO Contract, pending review of the final RCO capitation rates.

Medicaid Management Information Systems
AMA performed several "pilot tests" with various entities, including the Enrollment Broker, P-RCOs, and the Fiscal Agent. These tests were used to simulate production to help ensure seamless transition on October 1, 2017.

Integrated Provider System (IPS) Program
AMA conducted planning and stakeholder education for the IPS program. In addition, AMA held a training for providers in July 2016 regarding an interim IPS application submission date and IPS resources. These activities are discussed in more detail in Section VI of this report.

RCO Capitation Rates
On February 22, 2017, AMA provided P-RCOs with their Final Regional Capitation Rates. AMA offered to answer P-RCO-specific Capitation Rate questions through AMA's RCO Portal and continues to hold bi-weekly RCO question and answer meetings to address any P-RCO questions related to RCO program implementation.

Monitoring Process
AMA initiated several activities related to RCO monitoring activities:

- Began to develop over 40 standard operating procedures (SOPs) that will be used across AMA to monitor the RCOs performance and compliance to contract requirements.
- Provided the P-RCOs with 14 standardized reporting templates in January 2017. AMA continues to revise these templates and add new templates as it continues to develop its monitoring process and approach.
- Began to develop RCO reporting dashboards that will be used to summarize and compare RCO performance and compliance. Dashboards are expected to be finalized in May 2017.
- AMA held trainings for staff regarding new roles and responsibilities regarding RCO monitoring activities. Trainings will continue until RCO go-live.
- AMA began to develop an approach for use of Microsoft SharePoint to support RCO monitoring activities and report submissions.

Health Information Technology (HIT) Standards – Updates regarding HIT activities and achievement of HIT standards in the current period.

On April 27, 2016, AMA issued an Intent to Award Notice to Cognosante LLC for the Alabama Health Information Exchange (HIE) Development and Operation RFP. This contract was approved by the Legislative Oversight Committee and signed by the Governor in June 2016. During August and September, AMA, in conjunction with the State's fiscal agent, performed UAT with the remaining P-RCOs' third party administrators (TPAs). In addition, AMA performed "pilot" testing with Enrollment Broker, Fiscal Agent, and P-RCOs. As part of this testing, RCOs continued to test their encounter claims.

Enrollment – Updates regarding beneficiary enrollment in the current period. See **Appendix A** of this report for a summary of AMA's beneficiary enrollment into the RCO program.

Due to the delay in the RCO program, AMA did not enroll beneficiaries into RCOs during the reporting period, and therefore AMA has not completed Appendix A. As described above, AMA conducted systems testing with its enrollment broker during the reporting period to prepare for enrollment of beneficiaries into RCOs.

Encounter Data – Summarize any issues, activities or findings related to the collection and verification of encounter data for the RCOs:

As the RCO program is not operational, RCOs have not yet submitted encounter data. In March 2016, connectivity was tested between P-RCOs and Medicaid by having the P-RCOs submit 837s to Medicaid's Fiscal Agent. The Fiscal Agent responded with 277CA and 999/TA1 files upon 837 receipt. Throughout the reporting period, P-RCOs tested encounter claims. Their testing region will remain open through readiness testing (and afterwards). In addition, AMA provided clarification to the P-RCOs on encounter standards.

III. Regional Care Organization Compliance/Performance

AMA's Managed Care Division will review monthly, quarterly and annual reports submitted by the RCOs which will cover a wide range of topics. These reports require RCOs to provide information on care coordination, quality management, utilization management and finance and solvency using standardized reporting templates and instructions. In addition to analyzing the reports and following up with RCOs, the Managed Care Division meets with RCOs on a quarterly basis to discuss operational issues, share performance results, and identify opportunities for improvement based on data and reporting. These meetings will promote transparency of RCO performance, foster shared learning, and create an opportunity to discuss program trends and leading practices. The quarterly meetings will have standing agenda items on important program topics and focus on identifying issues, strategies, approaches or concerns that may impact multiple RCOs or the program overall.

Performance - Describe any RCO issues impacting the RCO program's ability to meet the goals of the demonstration, or any negative impacts to enrollee access, quality of care or beneficiary rights, as well as interventions taken to address these issues:

AMA has not identified any issues with the remaining P-RCOs impacting the RCO program's ability to meet the goals of the demonstration or resulting in any other negative impacts. AMA remains in close contact with the P-RCOs, meeting with them regularly to discuss updates and questions. As described previously, because there are no longer any P-RCOs in Regions B, D, and E, AMA is in discussions with CMS regarding delaying the implementation of the RCO program in these three regions.

Network Adequacy – AMA monitors RCO provider networks against the network standards, as defined in the RCO Contract. RCOs are required to submit geographic access reports on a quarterly basis. These reports detail the number of providers in the RCO provider network, by provider type and the percentage of the beneficiary population with access to providers within the distance requirements, by provider category. RCOs are also required to submit their complete provider file to AMA on a quarterly basis. This section provides an update regarding the RCO program's compliance with AMA's and CMS's network adequacy requirements, including the interventions taken for any RCOs that are not compliant with the network adequacy requirements. See **Appendix D** of this report for a summary of the RCOs' network adequacy.

During the reporting period, all P-RCOs submitted reports on their service delivery networks to AMA on a quarterly basis. AMA will continue to evaluate RCO network adequacy to determine RCO readiness, both prior to the RCO program start date and on at least an annual basis after program operations begin. As of February 28, 2017, each P-RCO either met the 90 percent network adequacy through direct provider contracting or via an AMA-approved waiver. As the RCO program is not operational, AMA has not completed Appendix D.

Financial Solvency – Describe the RCO program's financial performance and any concerns regarding the RCO's financial solvency in the current period:

AMA developed the Final Solvency and Financial Reserve Requirements template. AMA will post the template during the second quarter of calendar year 2017 for each P-RCO to submit their final solvency execution before awarding full RCO certification.
The RCO program's expanded Health Home program celebrated its second anniversary at the end of March 2017. The P-RCOs operating as Health Homes have submitted quarterly reports (which include financial information) each quarter and there have not been any significant issues.

Quality Measures – There are 42 RCO quality measures, all of which were selected by the Regional Care Organization Quality Assurance (QA) Committee. Of the 42 quality measures, ten are related to AMA's quality withhold program and four are tied to DSHP targets. These quality measures evaluate performance across multiple categories, such as inpatient care, maternity/infant mortality, mental health/behavioral health, access to care and patient safety.

The RCOs are required to submit interim quality reports after six months, nine months, and twelve months of performance each calendar year. These interim quality reports are not meant to provide validated quality measure rates; rather they indicate to AMA whether the RCOs are able to pull data and whether their measure performance is moving in the right direction. For each quality measure, AMA indicates to the RCOs through the standardized reporting template whether the RCOs must report the measure each quarter, whether the measure is optional, or whether the measure should not be reported (e.g., some measures cannot be reported because they are tied to annual surveys). The RCOs are also required to submit annual quality measure calculations to AMA which will be validated by AMA's External Quality Review Organization (EQRO) and discussed in the EQRO's annual report. This section should describe the RCO program's overall quality measure performance. See **Appendix E** of this report for a summary of the RCOs' quality measure performance.

As the RCO program is not operational, the RCOs have not had the opportunity to calculate or report on RCO quality measures. Therefore, AMA has not completed Appendix E.

Partnerships with Other State Agencies - Describe any partnerships that the RCOs entered into with other state agencies:

The P-RCOs have participated in workgroups facilitated by AMA with state agencies to develop policies and plan implementation. These agencies included Alabama Department of Rehabilitation Services, Alabama Department of Mental Health and Alabama Department of Public Health.

Grievances, Appeals and Fair Hearings – Provide an update regarding the grievances, appeals and fair hearings for the RCO program:

There were no grievances, appeals or fair hearings related to the RCO program during the reporting period.

Other Compliance Requirements – Provide an update regarding other RCO program requirements, not already discussed above, under 42 CFR Part 438 and the RCO Contract with AMA. In addition, describe any state statutory requirements (i.e., governance and organizational relationships) that an RCO failed to adhere to.

All P-RCOs have submitted quarterly active supervision reports providing updates on their governance and organizational relationships and bi-annual collaborator reports providing updates on P-RCO development progress and negotiations.

IV. Demonstration Evaluation

AMA is required to develop an evaluation design per STC 62, 64, and 65. The purpose of the evaluation design is to determine the outcomes of AMA's transformation from fee-for-service care to the RCO program for designated demonstration beneficiaries, providers, RCO entities,

market areas and public expenditures. The design will assess each goal and hypothesis in accordance with the CMS approved evaluation design and the 1115 demonstration waiver.

AMA contracted with the University of Alabama who partnered with the Institute for Rural Health Research (IRHR) to develop the evaluation design approach and to monitor results through quarterly and annual reports. AMA submitted a draft demonstration evaluation design to CMS on June 10, 2016. AMA received comments and edits back from CMS on the initial draft evaluation design on July 29, 2016. After several rounds of revisions, AMA submitted an updated version of the evaluation design in February 2017.

V. Designated State Health Program Expenditures

DSHPs are state-funded health care programs serving low-income and uninsured individuals in Alabama that are not otherwise eligible for federal matching funds. As stated in section XII of the STCs, CMS approved six DSHPs as matchable under the 1115 demonstration waiver. The freed-up state dollars through DSHP will support the infrastructure development and will provide financial assistance to prepare AMA, RCOs and providers to operate in a managed care environment. AMA may claim federal financial participation (FFP) for the following state programs:

a. Department of Mental Health – Outpatient Mental Illness Community Programs
b. Department of Rehabilitation Services – Treatment of Hemophilia patients not eligible for Medicaid
c. Department of Senior Services – SenioRX Prescription Drug Assistance
d. Department of Youth Services – Community Diversion Program
e. Department of Public Health – Disease Prevention and Control Program
f. Jefferson County Indigent Care Fund Program

The table below describes the quality targets and metrics that the state is required to meet in order for AMA to qualify for DSHP funding. DSHP funding will be reduced if these targets are not met.

DY	DSHP Targets
1	At least one fully risk-bearing RCO that can accept capitation payments in each region and AMA provides data for DSHP quality targets for DY2-DY4
2	RCOs demonstrate APR-DRG hospital payment, or similar AMA and CMS approved payment methodology, is implemented
3	a. Increase well-child visits by 7.22 percentage points from the current baseline for children ages 3-6 b. Increase well-care visits for adolescents age 12-21 by 4.8 percentage points from current baseline
4	a. Reduce the rate of ambulatory care-sensitive condition admissions by 9.0 percentage points from current baseline b. Increase percentage of deliveries that received a prenatal care visit in the first trimester or within 42 days of enrollment by 16.0 percentage points from the current baseline

DSHP Funding – Provide an update regarding AMA's DSHP funding. See **Appendix G** for a summary of AMA's DSHP funding by quarter.

AMA has not claimed any DSHP funding to date and therefore has not completed Appendix G.

DSHP Targets (Annual Report Only) – Describe AMA's progress towards meeting the DSHP targets identified in the table above:

Target	Progress Update
DY 1 - At least one RCO can accept capitation payments in each region	As discussed above, there are currently two P-RCOs in Region A and one P-RCO in Region C. There are currently no P-RCOs in Regions B, D, and E. AMA is in discussions with CMS regarding delaying the implementation of the RCO program in these three regions and adjusting the DSHP targets for each of the DYs in this table.
DY 1 - AMA provides data for DSHP quality targets for DY2-DY4	AMA has calculated the baseline for the DSHP quality targets and these baselines are included in STC 76.
DY 2 – APR-DRGs or other approved payment method is implemented	The APR-DRG payment methodology implementation is currently planned for October 1, 2018.
DY 3 - Increase well-child visits	No updates for current reporting period.
DY 3 - Increase well-care visits for adolescents	No updates for current reporting period.
DY 4 - Reduce the rate of ambulatory care-sensitive condition admissions	No updates for current reporting period.
DY 4 - Increase percentage of deliveries that received a prenatal care visit	No updates for current reporting period.

VI. Integrated Provider System Program

The IPS program will provide support to providers, through provider-developed and RCO-sponsored projects, to achieve the RCO program objectives and the DSHP targets. Per STC 84, RCOs are required to submit quarterly IPS project status reports to AMA. The status reports will track progress for each IPS project according to approved project milestones, performance measures and related timeframes. IPS funding will also be distributed based on the IPS status reports. AMA will closely monitor the RCOs and participating providers to ensure that IPS project goals are met.

IPS Project Updates – Provide an update regarding IPS project performance and progress that occurred in the current period.

During the reporting period, AMA held a number of trainings with P-RCOs and providers regarding the IPS program and its requirements. AMA also invited P-RCOs to submit letters of intent for IPS projects, so that AMA could better understand the level of interest in the IPS program and ensure that the types of IPS projects being considered were in line with AMA's

objectives for the program. AMA received over 600 letters of intent for IPS projects in a number of topic areas, including improving access to care, integrating physical health and behavioral health and constructing new health care facilities. Following review of the letters of intent, AMA developed and posted guidance on its website regarding the types of IPS projects that AMA was not likely to approve.

During the reporting period, AMA also developed and posted the IPS application and IPS Protocols on its website. Due to the delay in the start date of the RCO program, AMA also postponed the due date for submissions of IPS applications.

Providers and P-RCOs continue to collaborate to develop IPS projects. Each P-RCO submitted policies and procedures regarding their IPS work plan selection methodology to AMA in December 2016. AMA provided feedback to each P-RCO in response to their selection methodology. The P-RCOs submitted updated selection methodologies to AMA in March 2017.

Summary of Participating Providers - The table below summarizes the number of providers by provider type that meet the eligibility requirements to participate in the IPS program:

AMA has not completed this table, as AMA has not awarded IPS funding to providers. Therefore, there is not a count of participating providers in the IPS program. Any Medicaid provider that has a pending contract with at least one P-RCO will be eligible to apply to submit an IPS work plan as a participating provider; however, only providers with an executed contract with the RCO will be eligible to receive payments in the IPS program.

Provider Type	# of Providers											
	DY 1 (XX - XX)				DY 2 (XX - XX)				DY 3 (XX - XX)			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Hospitals												
Federally Qualified Health Centers (FQHCs)												
Community Mental Health Centers (CMHCs)												
Primary Medical Providers (PMPs)												
Specialists												
TBD - Include Other Providers												
Total	0	0	0	0	0	0	0	0	0	0	0	0

IPS Projects Meeting Payment Milestones - The table below summarizes the number of IPS projects that have met the payment criteria and the total IPS funding that has been awarded to date.

AMA has not completed the table below, as AMA has not awarded IPS funding.

DY	Quarter	Total Projects	# Projects Met Payment Criteria	% of Projects Meeting Payment Criteria	Total Payments Awarded [1]
1	Q1: MM-MM				
	Q2: MM-MM				
	Q3: MM-MM				
	Q4: MM-MM				
Total DY 1		-	-		$ -
2	Q1: MM-MM				
	Q2: MM-MM				
	Q3: MM-MM				
	Q4: MM-MM				
Total DY 2		-	-		$ -
3	Q1: MM-MM				
	Q2: MM-MM				
	Q3: MM-MM				
	Q4: MM-MM				
Total DY 3		-	-		$ -
Total DY 1-3		-	-		$ -

Note
(1) The IPS funding limits are as follows: DY 1 = $137,500,000; DY 2 = $93,750,000; DY 3 = $46,875,000.

VII. Public Feedback

Post Award Forum - Per STC 11, AMA is required to provide the public with an opportunity to provide meaningful comments on the progress of this demonstration. AMA must conduct this outreach activity within six months of the demonstration's implementation, and annually thereafter. A summary of the public comments received, for the period in which the public forum was held, is discussed below:

AMA held a public forum on September 21, 2016. AMA notified stakeholders of the public forum through announcements on the AMA website and through the Medicaid Matters newsletter. During the public forum, AMA provided an update on the 1115 waiver demonstration, including the plan to move the implementation date from October 1, 2016 to mid to late 2017. AMA provided a summary of the progress that has been achieved thus far and discussed the next steps in the RCO program.

During the public forum, AMA received remarks from two commenters regarding:

- The development of an ombudsman program for individuals with disabilities
- Concerns from Children's of Alabama regarding the costs of the RCO program, potential conflict of interest within the RCO program and potential increased financial pressure on providers; the commenter also proposed alternatives to the RCO program for consideration

AMA is in regular dialogue with stakeholders regarding suggestions and concerns related to the RCO program.