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SECTION 1115 DEMONSTRATION CLOSE OUT REPORT Project Number 11-W-00299/4

- A. Executive Summary** – A summary of the demonstration, including the implementation and operationalization of the demonstration. Also summarize recommendations and lessons learned.

On February 9, 2016, the Centers for Medicare & Medicaid Services (CMS) approved Alabama's five-year Transformation 1115 demonstration waiver for the implementation of a Regional Care Organization program (Program), which aimed to improve the delivery of care and health benefits of its beneficiaries by moving from a fee-for-service delivery system to enrollment into locally-administered, provider-based Regional Care Organizations (RCO).

On March 30, 2017, CMS approved an amendment to the 1115 demonstration waiver to delay implementation and extend the demonstration by one year.

Prior to the implementation of the Demonstration, the State of Alabama announced on July 27, 2017, the termination of the RCO program in favor of pursuing a more flexible alternative which builds off the Agency's current case management structure as a more cost-efficient mechanism to improve recipients' health outcomes.

- B. General Background Information about the Demonstration** – In this section, the state should include basic information about the demonstration, such as:
- 1) The name of the demonstration, approval date of the demonstration, and period of time the demonstration was active.
 - 2) The issues that the state was trying to address with its section 1115 demonstration and/or expenditure authorities, how the state became aware of the issue, the magnitude of the issue, and why the state selected this course of action to address the issues.
 - 3) A brief description of the demonstration and history of the implementation, including any amendments, extension, renewal, or expansion of, the demonstration;
 - 4) Describe why the state is ending the demonstration.

CMS approved Alabama Medicaid's Transformation 1115 Demonstration on February 9, 2016. The intent of the waiver was to improve care coordination and outcomes and ensure the long-term sustainability of Alabama's Medicaid program. Objectives were to:

- *Address fragmentation in the State's delivery system*
- *Improve beneficiary outcomes*
- *Support quality care and protect and further improve access to health care providers*
- *Increase transparency and fairness in the Medicaid reimbursement system.*

On March 30, 2017, CMS approved an amendment to the 1115 demonstration waiver to delay implementation and extend the demonstration by one year.

On July 27, 2017, the State announced the termination of the 1115 demonstration waiver without ever implementing the program. The announcement by Alabama Medicaid Commissioner Azar read in part: "That in light of known federal administration changes and potential congressional adjustments, the Alabama Medicaid Agency will pursue an alternative to the Regional Care Organization (RCO) initiative to transform the Medicaid delivery system. Moving forward, the State will work with the Centers for Medicare and Medicaid Services (CMS) to create a flexible program which builds off the Agency's current case management structure as a more cost-efficient mechanism to improve recipients' healthcare outcomes."

C. Implementation of the Demonstration – Discuss what happened in the demonstration, both in terms of successes and challenges.

- 1) Operational Summary of the demonstration- describe the operational and policy developments as they arose.
- 2) Successes- Describe the successes, achievements, and positive outcomes of the demonstration. Also describe innovative activities and/or promising practices that were implemented.
- 3) Challenges- Describe the challenges, problems, barriers, limitations, undesired outcomes, and how each issue was addressed. Discuss the extent to which the problems were related to demonstration implementation (this may include external challenges as well). Provide a rationale, if applicable.
- 4) Opportunities for Improvement- Describe any opportunities for improving the policy within and/or implementation of the demonstration.

Not applicable. The program was never implemented.

D. Transition Plan – Provide a description of how continued coverage for each population under the demonstration was addressed - whether through a transition to another Medicaid eligibility category, or referral to other coverage/programs (please describe).

Not applicable. The program was never implemented.

E. Assessment of the Demonstration Impact – Describe the impact of the demonstration on beneficiaries in terms of their participation and their utilization of healthcare services. This can be accomplished by providing descriptive data (percentages, frequencies, proportions) compiled from the Monitoring reports (such as the quarterly and annual monitoring reports). Be sure to also describe any limitations in the data. This should include:

- Enrollment numbers charted over time, including the rates of coverage/uninsured;
- Utilization and cost data and trends over time;
- Health Outcome measures (as reported in monitoring reports) charted over time.

Not applicable. The program was never implemented.

F. Budget Neutrality – Provide an updated budget neutrality spreadsheet with actual expenditures based on claims paid (can be claims paid as of a certain date).

Not applicable. The program was never implemented.

H. Recommendations and Lessons Learned – This section of the close-out report involves the transfer of knowledge. Specifically, the “opportunities” for future or revised demonstrations to inform Medicaid policymakers, advocates, and stakeholders is just as significant as identifying current successful strategies.

- 1) What lessons were learned as a result of the demonstration?
- 2) What would you recommend to other states which may be interested in implementing a similar approach?

Lessons learned:

- *The 1115 Demonstration (RCO Project) provided a good base to proceed in a different direction: maintaining the structure for care coordination of all recipients while remaining cost effective.*
- *Taking a holistic approach in patient care is important in addressing health disparities.*

Recommendations:

- *Engage with stakeholders, such as hospitals, physicians, and consumer groups as a team to address the needs of Medicaid recipients in a comprehensive manner.*

I. Conclusions – Briefly summarize the information provided within the close-out report.

CMS approved the 1115 Demonstration (Project Number 11-@-00299/4) on February 9, 2016. An amendment was approved March 30, 2017 to delay the Demonstration by one year. On July 27, 2017, the Agency announced the end of the Demonstration, having never implemented the program.



Stephanie McGee Azar
Commissioner