

# Alabama Medicaid Sustainability Plan June 21, 2016

## 1. Overview

In accordance with CMS's Special Terms and Conditions (STCs) requirement 33, the Alabama Medicaid Agency (AMA) submitted a sustainability plan within 90 days of approval on how AMA will ensure that no more Designated State Health Programs (DSHP) funding will be needed to support Regional Care Organizations (RCOs) after the five-year demonstration period. The investments that AMA makes with DSHP funding are intended to expedite the move to managed care and transform the manner in which care is delivered and coordinated so that the result is permanent, embedded and sustainable clinical transformation and delivery system improvement that benefits all patients and not just Medicaid beneficiaries.

## 2. RCO Program Objectives and Funding

AMA is implementing a Medicaid transformation approach that will use local, non-profit, provider-led organizations as the change agents for delivering accountable care, which will establish better care delivered at the right time, in the right place and for the right cost. RCOs will be responsible for coordinating and managing the total cost of care for enrolled Medicaid beneficiaries. The RCO program will use a managed care approach involving full capitated risk and value based purchasing elements, including Transition Pool funding and a quality measure withhold program to foster delivery system innovation, improvement and clinical transformation. Specifically, the RCO program will meet the following objectives:

1. Improved prevention and management of chronic disease
2. Improved access to and care coordination of health services
3. Improved birth outcomes
4. Healthcare delivery system financial efficiency

### ***Using the DSHP Funding to Build Infrastructure and Support Clinical Improvements***

The RCOs will create the infrastructure, staffing, expertise and relationships with providers and community organizations to provide the foundation necessary to achieve the RCO program objectives. The freed-up State dollars through DSHP and the time-limited Transition Pool approved through the 1115 demonstration will support this infrastructure development and will provide financial assistance to prepare AMA, RCOs and providers to operate in a managed care environment. Within the Transition Pool, there are two funding pools:

1. RCO Sub-Pool
2. Integrated Provider System (IPS) Program

***The RCO Sub-Pool*** will assist RCOs in developing infrastructure that is challenging for these new organizations to finance before the initiation of capitation payments. Once the RCOs develop adequate infrastructure in the early years of the demonstration program, capitation

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payments will support the RCOs' ongoing administrative and operational costs, without requiring additional federal investment through DSHP funding.

***The IPS Program*** will provide support to providers, through provider-developed and RCO-sponsored projects, to achieve at least one of the four RCO program objectives listed above. AMA selected the RCO program objective areas because they were found to be among the highest cost drivers in the State and reflected areas where Alabama performed poorly compared to other states. As part of the IPS project application process, participating providers and RCOs will describe how their proposed IPS project will improve quality, contribute to achievement of the RCO program objectives, create savings, and sustain these improvements beyond the IPS funding period. AMA will select only those IPS projects that demonstrate they can have a sustainable impact on the Medicaid population. AMA will evaluate IPS project sustainability by considering how the IPS project incorporates the following elements necessary for sustainability:

- Cultural assimilation, or the ability to maintain the learnings and approaches from the IPS project and incorporate them into daily work activities to sustain positive program outcomes beyond the period of IPS funding
- Ongoing performance measurement that supports the objectives of the IPS project
- Economic continuation, or the ability to staff and finance the level of effort needed to support the continuation of the IPS project beyond the period of IPS funding
- Organization leadership support, or how the RCO and provider organization(s) involved in the IPS project will demonstrate a commitment to supporting the benefits of the project during the IPS funding period and beyond

AMA will also analyze the IPS project's sustainability budget to understand the project's projected net savings (or net costs) post full-implementation. In addition, during the IPS application review process, AMA will evaluate the return on investment of each IPS project based on a calculation of the projected savings and/or increased revenue from implementing the IPS project divided by the total IPS project costs. This information will support the selection of the most impactful projects.

AMA expects that the IPS projects will increase the readiness of a broad range of Medicaid providers to collaborate with RCOs to better manage their patient populations. Medicaid providers will also be better able to take on greater risk and accountability for future patients' costs and outcomes.

By implementing sustainable IPS projects in all regions of the State, AMA expects that there will be a significant impact on key quality indicators. In particular, the demonstration incentivizes providers, RCOs and the State to partner to achieve the following milestones in demonstration year (DY) 1 and 2 and significant improvements over baseline for targets in DY 3 and DY 4:

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1. **DY1 Target:** At least one fully risk-bearing RCO that can accept capitation payments in each region
2. **DY2 Target:** RCOs demonstrate All Patient Refined Diagnostic Related Group (APR-DRG) hospital payment, or similar approved payment methodology, is implemented
3. **DY3 Targets:**
  - Increase well-child visits by 7.22 percentage points from the current baseline for children ages 3-6
  - Increase well-care visits for adolescents age 12-21 by 4.8 percentage points from current baseline
4. **DY4 Targets:**
  - Reduce the rate of ambulatory care-sensitive condition admissions by 9.0 percentage points from current baseline
  - 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

AMA expects that focused attention to achieving each of these milestones and targets will have a demonstrable impact on future Medicaid costs by encouraging more appropriate use of health care resources and slowing the Medicaid expenditure rates in future years.

### ***Enhancing Care Coordination to Drive Quality and Financial Efficiency***

In addition to the investments and incentives specific to the Transition Pool, the ongoing use of care coordination and medical home/health home tenets that are central to the RCO program will drive quality improvements and decrease the rate of expenditure growth for Medicaid in the long-term. Specifically, these investments will result in an enhancement in the use of primary and ambulatory appropriate care and better management of care transitions. This will ultimately reduce costs related to preventable admissions, readmissions and emergency department utilization. We expect these efforts to rationalize care delivery to the most efficient and appropriate care setting to reduce medical costs for patients in future years.

### ***Focusing on Quality Measurement to Reward Improvements***

AMA's quality measure reporting requirements and Quality Withhold Program will further encourage sustained health care delivery improvements. Through the Quality Withhold Program, AMA will withhold 2.5 percent of each RCO's total capitation payments, and will release the funds back to the RCO if it meets quality targets. This process will encourage stakeholders – AMA, RCOs, providers and others – to work together to achieve improvements for Medicaid beneficiaries. The results will be an increased focus on care coordination, communication across provider settings and adherence to clinical standards.

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### 3. AMA's Sustainability Action Plan

AMA intends to rigorously monitor the progress and impact of the various IPS funded projects and the RCO program overall. Based on the above RCO program components (i.e., RCO sub-pool, IPS program, RCO care coordination activities, quality measurement program), AMA will conduct the activities outlined below to gauge if the program is operating efficiently and improving clinical, operational and financial outcomes. Each of these monitoring activities will contribute to ensuring that efforts are resulting in improvement and progress and that no additional DSHP funding will be needed to support RCOs after the five-year demonstration period:

1. **IPS Status Reports.** AMA will review quarterly IPS work plan status reports submitted by RCOs to monitor that the IPS projects demonstrate progress, as measured by the approved project milestones, performance measures and related timeframes. AMA, or its designee, will review the IPS work plan status reports to monitor and track performance related to project milestones, budget expenditures, projected savings versus actual savings, and performance measures. This review will also include an assessment of progress and challenges identified in each status report, and an evaluation as to whether any modifications to the IPS project approach are necessary to accelerate progress. AMA staff will work collaboratively with RCOs and participating providers to proactively identify strategies to improve milestone progress and measure performance. If it is determined that an IPS project is not meeting its established goals, AMA may suspend or terminate future payments for these projects.
2. **IPS Learning Collaboratives.** In partnership with AMA, RCOs will be responsible for developing learning collaboratives to provide training and education on topics related to IPS work plans/projects and facilitate peer-to-peer learning. The learning collaboratives will be especially valuable in sharing leading practices and lessons learned for similar IPS projects across RCO regions. The primary audience for the learning collaboratives is Medicaid providers who are participating in the RCO program.
3. **Evaluation Design.** In accordance with STC 62 and 64, AMA will develop an evaluation design to measure the results of the RCO program during and after the demonstration period. AMA will use this document as a roadmap to assess progress in achieving RCO program objectives and program savings, which will help ensure that AMA will not require DSHP funding beyond the demonstration period.

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4. **Quarterly and Annual Reporting to CMS.** In accordance with STC 38 and 40, AMA will submit quarterly progress reports and annual reports to CMS throughout the duration of the demonstration period. These reports will help both AMA and CMS assess that the RCO program is on track and identify challenges and key achievements. In addition, in accordance with STC 42, AMA will submit quarterly financial reports, which will help both AMA and CMS assess demonstration expenditure trends and actual savings as compared to expected savings.
5. **RCO Quality Measure Reporting.** AMA contractually requires that RCOs submit annual, quality performance data that has been audited by the AMA-contracted external quality review organization. AMA will closely evaluate the trends and implications of these performance data including attention to the DSHP accountability measures.
6. **Managed Care Monitoring Process.** AMA's Managed Care Division will review and monitor monthly, quarterly and annual reports submitted by the RCOs which will cover a wide range of topics. Many of these reports impact and provide an indication of the financial sustainability of the RCO program such as care coordination, quality management, utilization management and finance and solvency reports. In addition to analyzing the reports and following up with RCOs when there are issues, the Managed Care Division will meet with RCOs on a quarterly basis to discuss operations 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.
7. **Actuarially Sound Rates.** AMA will work with its actuarial consultant to develop actuarially sound capitation rates that reflect the savings generated by the RCO program and ensure that the rates are established in a manner that supports a successful and sustainable program.
8. **Performance-based Contracting.** As the RCO program evolves, AMA will refine its performance-based contracts with RCOs, including quality reporting and withhold programs, to incentivize improvements in the areas of greatest importance to the State. RCOs may, in turn, use innovative contracting arrangements and alternative

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payment methods with their network providers, to increase the accountability of providers in delivering Medicaid services.