

# **Alabama Medicaid Agency – Regional Care Organization Program**

Section 1115 Progress Report to the  
Centers for Medicare & Medicaid Services

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

Reporting Period: January 1, 2017 – March 31, 2017

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### 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 program (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 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. Additional information regarding the 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 a quarterly monitoring/progress report 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 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.

This quarterly progress report summarizes the Program's development and implementation activities for the period from January 1, 2017 through March 31, 2017. Please note that the Alabama Medicaid Agency (AMA) has not included appendices as part of this quarterly progress report submission. Due to the delay in the Program, there is no data to support the appendices at this time. Appendices will be included in future reports as the Program commences and data becomes available.

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### II. Operational Development

The Operational Development section will discuss key demonstration issues, achievements, Health Information Technology (HIT) progress, and updates regarding AMA's enrollment of Medicaid beneficiaries into the 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.

#### **Eligible Responder Process**

Alabama Healthcare Advantage, a probationary certified RCO (P-RCO) that had formed in all five RCO regions, notified AMA on February 28, 2017 that it will not seek full certification as an RCO in any of the RCO regions. The exit of Alabama Healthcare Advantage in these regions leaves two P-RCOs in Region A (Alabama Community Care – Region A and My Care Alabama) and one

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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 to become an Eligible Responder in Regions B, D, and E. In April 2017, AMA notified Alabama Community Care and My Care Alabama that the Eligible Responder process was on hold, pending discussions with CMS regarding a waiver amendment to delay RCO implementation in Regions B, D, and E until 2018.

#### **Waiver Amendment**

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.

#### **Readiness Assessment**

During the reporting period, AMA and its contractor continued readiness review activities with the remaining three P-RCOs. The activities for this quarter focused on managing corrective action plans that were issued to each P-RCO in response to deficiencies identified during the evaluation of the Readiness Assessment Tool, desk reviews, and site visits conducted in previous quarters. AMA conducted weekly technical assistance calls with the P-RCOs to assist them in addressing identified deficiencies that resulted in the corrective action plans.

#### **Quality Withhold Program**

AMA initiated discussions with CMS regarding the proposed RCO Quality Withhold Program's compliance with the Medicaid Managed Care Final Rule, issued in April 2016. CMS guidance to AMA is to maintain an actuarially sound withhold program. As such, the only adjustment AMA is making to the RCO Quality Withhold program is removal of component 3 – bonus payments to high performing RCOs. These bonus payments were initially structured as distributions of unearned withhold monies from other RCOs.

#### **Pilot Testing**

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.

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

#### **Waiver Amendment**

As discussed above, on March 30, 2017, CMS approved Alabama's waiver amendment to delay RCO implementation and extend the demonstration by one year.

#### **RCO Capitation Rates**

On February 22, 2017, AMA provided P-RCOs with their Final Regional Capitation Rates and followed up with an in-person meeting on February 27, 2017 at the Medicaid Office in

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Montgomery. The meeting included P-RCO staff and their respective actuaries. AMA also 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 during this quarter 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. All AMA SOPs are expected to be finalized in May.
- 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. AMA anticipates sharing final reporting templates with the P-RCOs in May 2017.
- 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 how it will use 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.

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 Program.

Due to the delay in the Program, AMA did not enroll beneficiaries into RCOs during the reporting period, and therefore AMA has not completed Appendix A.

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

P-RCOs continued to test encounter claims. Their testing region will remain open through readiness testing (and afterwards). AMA provided clarification to the P-RCOs on encounter standards.

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

P-RCOs submitted service delivery network reports to AMA on February 28, 2017 to demonstrate whether they met 90 percent of the provider-specific network criteria. Each P-RCO either met the 90 percent network adequacy through direct provider contracting or via an AMA-approved waiver. As the Program is not operational, AMA has not completed Appendix D.

Financial Solvency – Describe the 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 early next quarter for each P-RCO to submit their final solvency execution before awarding full RCO certification.

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The RCO program's expanded Health Home program celebrated its second anniversary at the end of March 2017. Quarterly reporting and monitoring of the Health Home program continues and there were no significant issues to be noted during the quarter.

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. 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 Program's overall quality measure performance. See **Appendix E** of this report for a summary of the RCOs' quality measure performance.

Due to the delay in the Program, the P-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:

There has been no change with other State Agencies during this reporting period. With a goal of integrated care and seamless care coordination, some of the P-RCOs have developed relationships with numerous state agencies and community organizations, including Alabama Department of Mental Health, Alabama Department of Public Health, and Children's Rehabilitation Centers. Additionally, the P-RCOs have participated in workgroups facilitated by AMA with state agencies (including Alabama Department of Rehabilitation Services and Alabama Department of Mental Health) to develop policies and plan implementation.

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

Due to the delay in the Program, there were no grievances, appeals or fair hearings related to the Program during the reporting period.

Other Compliance Requirements – Provide an update regarding other 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.

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There are no additional updates. 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 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 resubmitted an updated demonstration evaluation design to CMS in December 2016, along with the waiver amendment. In February 2017, AMA received a list of questions from CMS. AMA completed the responses to CMS' questions and submitted an updated version of the evaluation design along with the 1115 amendment request.

### 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 qualifying for federal matching funds under the 1115 demonstration waiver. The unencumbered state dollars through DSHP will support the infrastructure development and will provide financial assistance to prepare AMA, P-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



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3	<ul style="list-style-type: none"> <li>a. Increase well-child visits by 7.22 percentage points from the current baseline for children ages 3-6</li> <li>b. Increase well-care visits for adolescents age 12-21 by 4.8 percentage points from current baseline</li> </ul>
4	<ul style="list-style-type: none"> <li>a. Reduce the rate of ambulatory care-sensitive condition admissions by 9.0 percentage points from current baseline</li> <li>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</li> </ul>

**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 not currently 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 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, 2017.
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 P-RCO-sponsored projects, to achieve the 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

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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.

There are no performance or progress updates from P-RCOs and participating providers since the Program is delayed and the IPS program has yet to be launched. However, 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 2016.

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 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												
<b>TBD - Include Other Providers</b>												
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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.

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DY	Quarter	# Projects		% of Projects		Total Payments Awarded <sup>(1)</sup>
		Total Projects	Met Payment Criteria	Meeting Payment Criteria	Payment Criteria	
1	Q1: MM-MM					
	Q2: MM-MM					
	Q3: MM-MM					
	Q4: MM-MM					
<b>Total DY 1</b>		-	-	-	-	\$ -
2	Q1: MM-MM					
	Q2: MM-MM					
	Q3: MM-MM					
	Q4: MM-MM					
<b>Total DY 2</b>		-	-	-	-	\$ -
3	Q1: MM-MM					
	Q2: MM-MM					
	Q3: MM-MM					
	Q4: MM-MM					
<b>Total DY 3</b>		-	-	-	-	\$ -
<b>Total DY 1-3</b>		-	-	-	-	\$ -
<b>Note</b>						
(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 did not hold a public forum this reporting period. AMA held a public forum on September 21, 2016 which satisfied the annual requirement. AMA continued to answer stakeholder questions about the Program through a central inbox and through various stakeholder meetings.