Alabama Medicaid Agency – Regional Care Organization Program

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

Five-year Demonstration: April 1, 2016 – March 31, 2021

Reporting Period: July 1, 2016 – September 30, 2016

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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 (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 quarterly progress report summarizes the RCO program's development and implementation activities for the period from July 1, 2016 through September 30, 2016. Please note that the Alabama Medicaid Agency (AMA) has not included appendices as part of this quarterly progress 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.

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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.

Probationary RCOs (P-RCOs) Exit the Program
Three P-RCOs, Alabama Care Plan, Care Network of Alabama and Gulf Coast Regional Care Organization, notified AMA in October and November of 2016 that they will not seek full certification as an RCO. The exit of these P-RCOs leaves one P-RCO in regions B, D and E. AMA is developing an application process to allow RCOs to serve the affected regions.

Readiness Review
During the reporting period, AMA and its contractor continued readiness review activities with the remaining eight 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.

Program Delay
As previously reported, on May 9, 2016, AMA announced that it would delay the October 1, 2016 Program start-date, due to a shortfall in State funding appropriated for Medicaid for the 2017 fiscal year. The State secured funding for the Program during a special session of the legislature in September 2016 and therefore AMA and stakeholders are working towards a revised start date in 2017.
AMA will keep CMS apprised of RCO readiness and contracting activities during the biweekly phone calls. AMA anticipates a concurrent go-live for implementation of the All Patient Refined Diagnosis Related Group (APR-DRG) payment methodology. AMA notified CMS in May 2016 that it plans to seek an amendment to the STCs for its 1115 demonstration based on the revised Program start date. AMA has made frequent requests to CMS for guidance regarding the amendment process and continues to wait for CMS's response to these inquiries.

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

As discussed above, AMA continued Readiness Review activities during the reporting period. In addition, AMA completed the following key achievements:

- **RCO Contract.** AMA updated the RCO Contract based on the new federal Medicaid managed care regulations.
- **Medicaid Management Information Systems.** During the reporting period, AMA completed user acceptance testing (UAT) of the member subsystem and portions of the managed care processing subsystem.
- **Integrated Provider System (IPS) Program.** AMA held a training for providers in July 2016 regarding an interim IPS application submission date and IPS resources. Providers were encouraged to submit an interim IPS application to P-RCOs in October 2016 to continue the IPS application development process and allow for the P-RCOs to provide feedback to providers regarding their initial IPS applications. During this quarter, AMA also updated the IPS Protocols and IPS timeline based on a new go-live date.

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

During August and September, the Agency in conjunction with the State's fiscal agent performed UAT with the remaining P-RCO's third party administrators (TPAs).

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 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:

We are identifying issues with the P-RCOs, and are working to improve encounter data quality. During the next phase of readiness (beginning in January 2017), P-RCOs will have to demonstrate encounters. Currently, we have a UAT region open so that P-RCOs can continue testing encounters in preparation for readiness. We have had several dedicated calls with each P-RCO to discuss encounter data issues.

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 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.

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.

P-RCOs continued to develop their service delivery networks during this quarter, preparing to submit their service delivery network reports to AMA on October 31st. As the 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:

There was no financial activity during the reporting period related to the Program.

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.

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 RCO 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 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.

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 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 resubmitted an updated demonstration evaluation design to CMS in September 2016. AMA has not received further comments from CMS on the evaluation design document.

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 is currently at least one P-RCO in each region.
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	AMA has postponed implementation of the APR-DRG payment methodology, due to the delay in the start date of the Program. The APR-DRG payment methodology was originally scheduled to be implemented October 1, 2016, concurrent with the start of the Program and is now planned for Q3 or Q4 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.

Target	Progress Update
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.

AMA developed an updated timeframe for the IPS program. There are no performance or progress updates from P-RCOs and participating providers since the RCO program is delayed and the IPS program has yet to be launched. However, providers and P-RCOs continue to collaborate to develop IPS projects. AMA has requested each P-RCO's policies and procedures regarding their IPS Work plan selection methodology.

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 Workplan as a participating provider; however, only providers with an executed contract with a P-RCO will be eligible to receive payments in the IPS program.

	# of Providers											
	DY 1 (XX - XX)				DY 2 (XX - XX)				DY 3 (XX - XX)			
Provider Type	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 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 Program, potential conflict of interest within the Program and potential increased financial pressure on providers; the commenter also proposed alternatives to the Program for consideration

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