Alabama Medicaid Transformation Update

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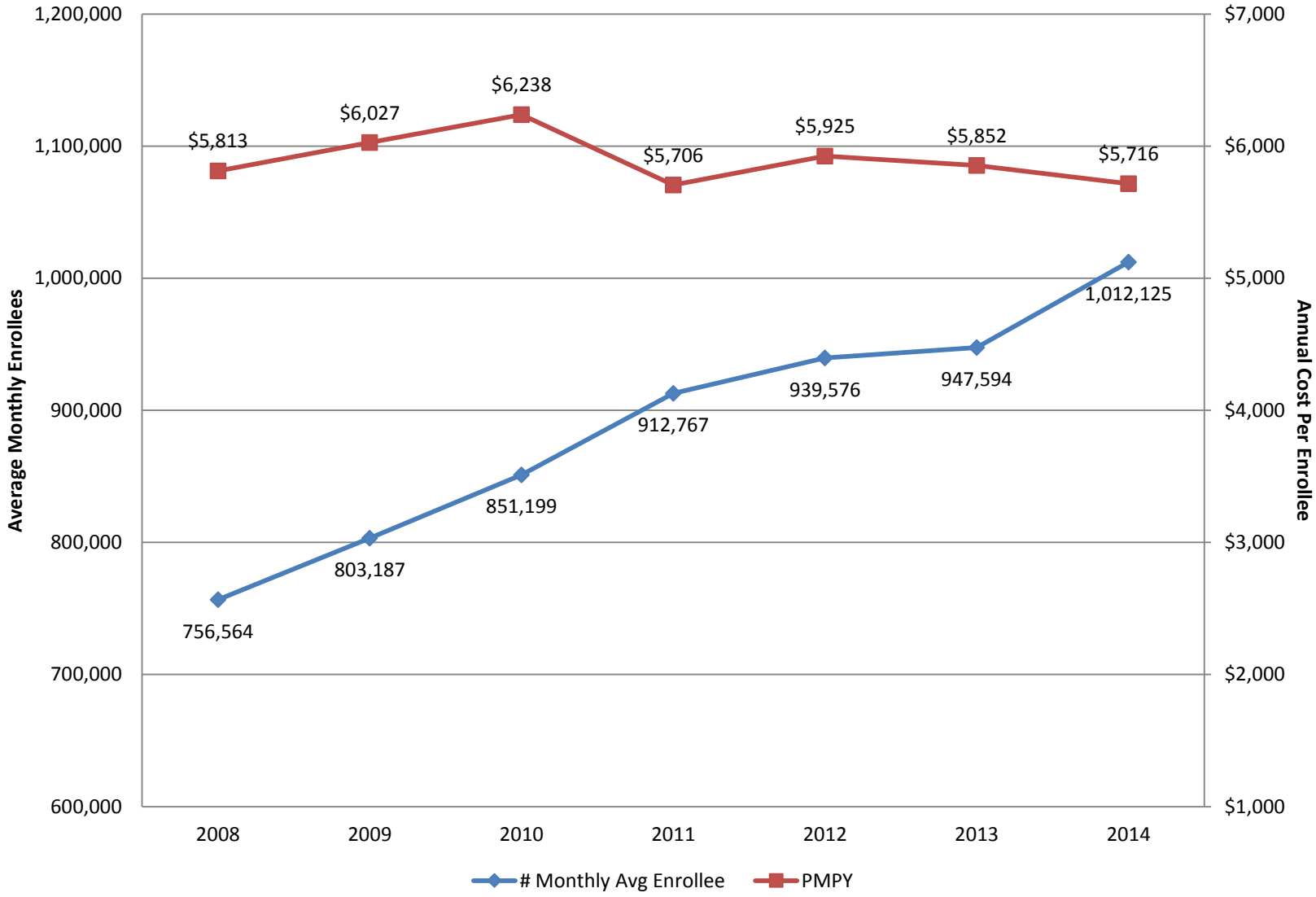
The Impact of Medicaid on Alabama Citizens

- **Medicaid provides coverage for:**
  - 53% of all Alabama deliveries
  - 43% of all Alabama children
  - 60% of nursing home residents
- **The loss of the $6 Billion investment into Alabama's Health Care System would result in:**
  - Closure of Rural Hospitals
  - Closure of Nursing Homes
  - Closure of Children's Hospital
  - Loss of Physicians
- **Loss of health care infrastructure impacts ALL health care consumers**

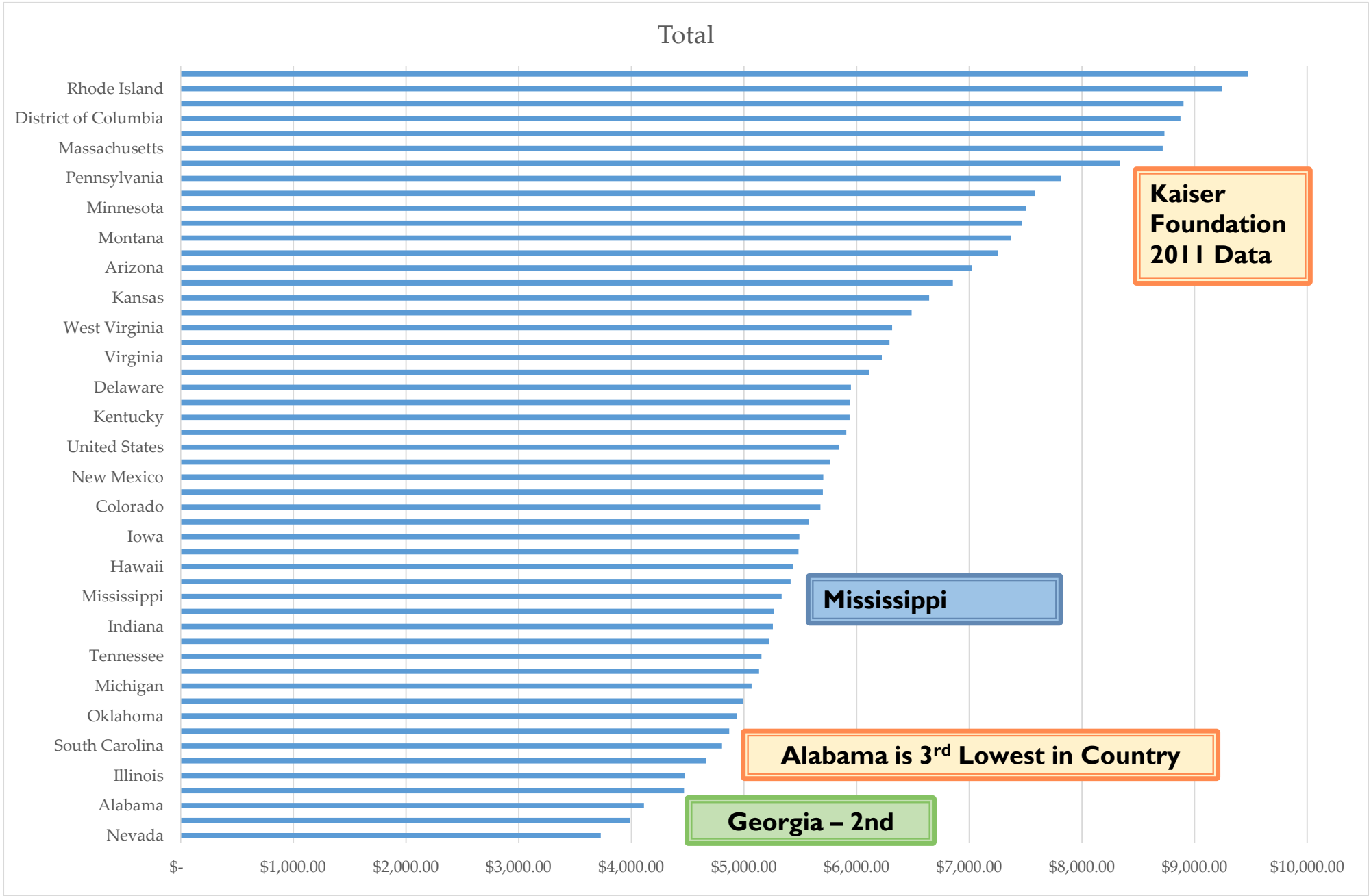
Medicaid Cost Drivers

- Enrollment
- Inflation
- Benefit Package
- Federal Match Rate (FMAP)

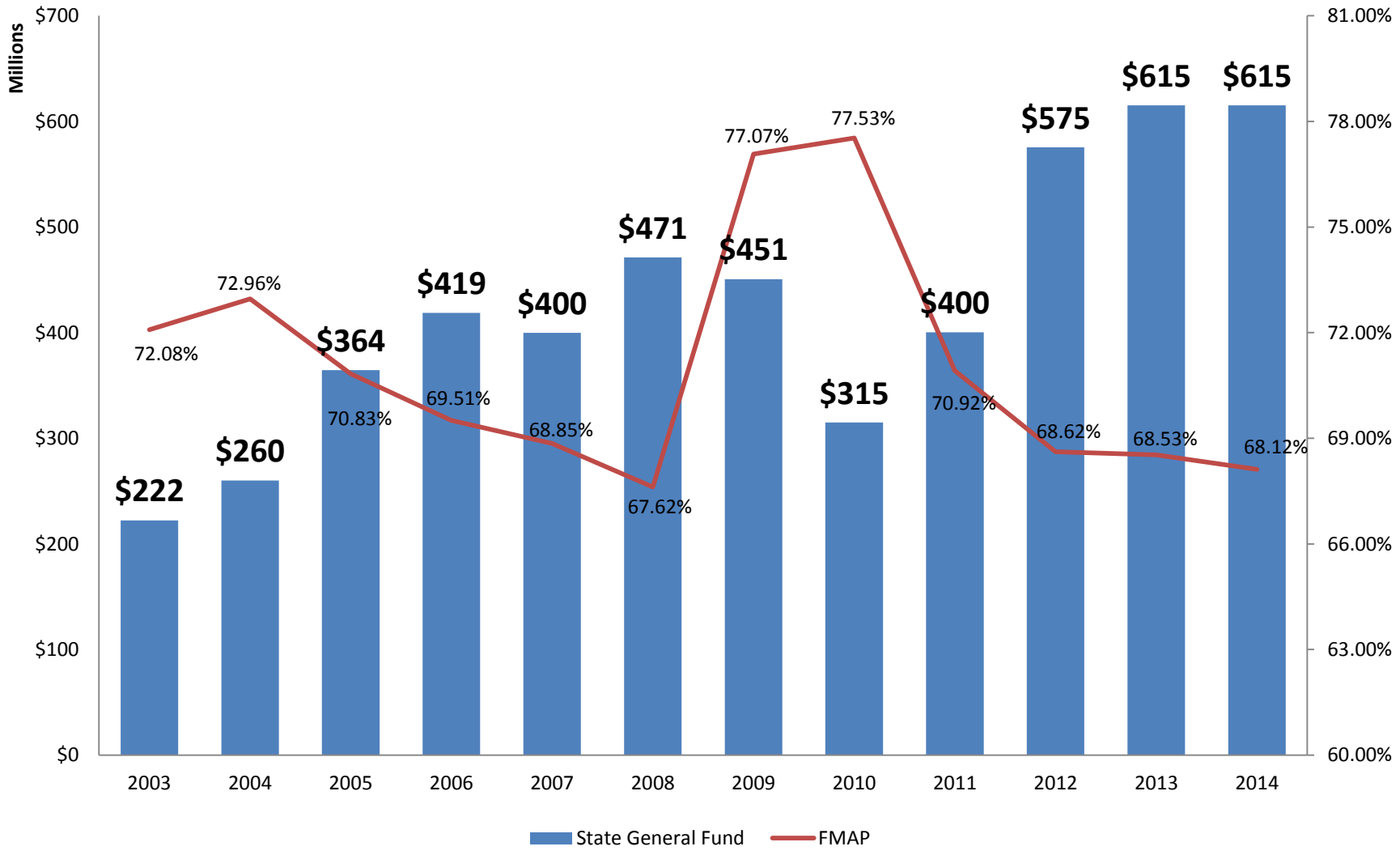
Eligibility and Annual Cost Per Enrollee 2008-2014



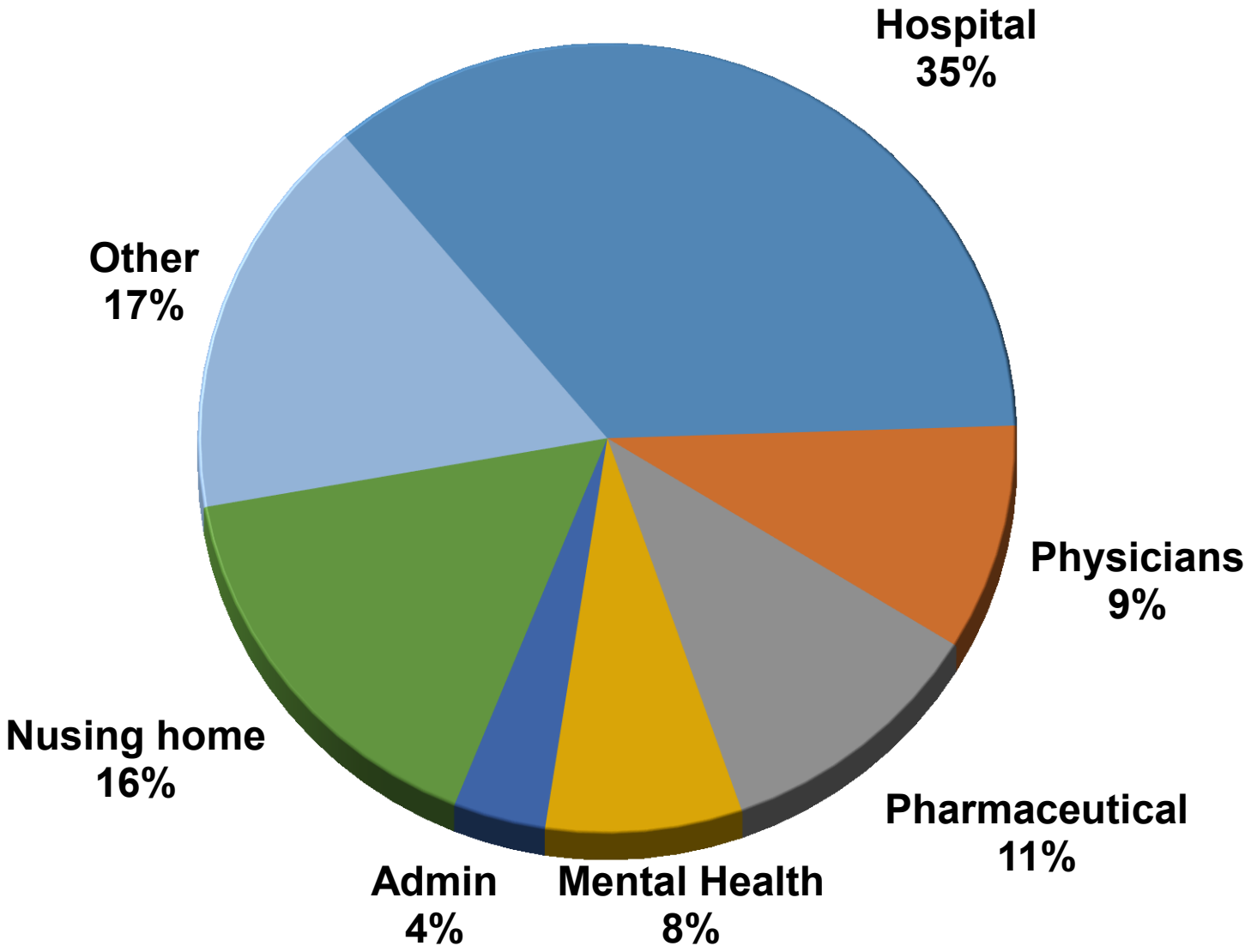
Alabama's Per Member Cost



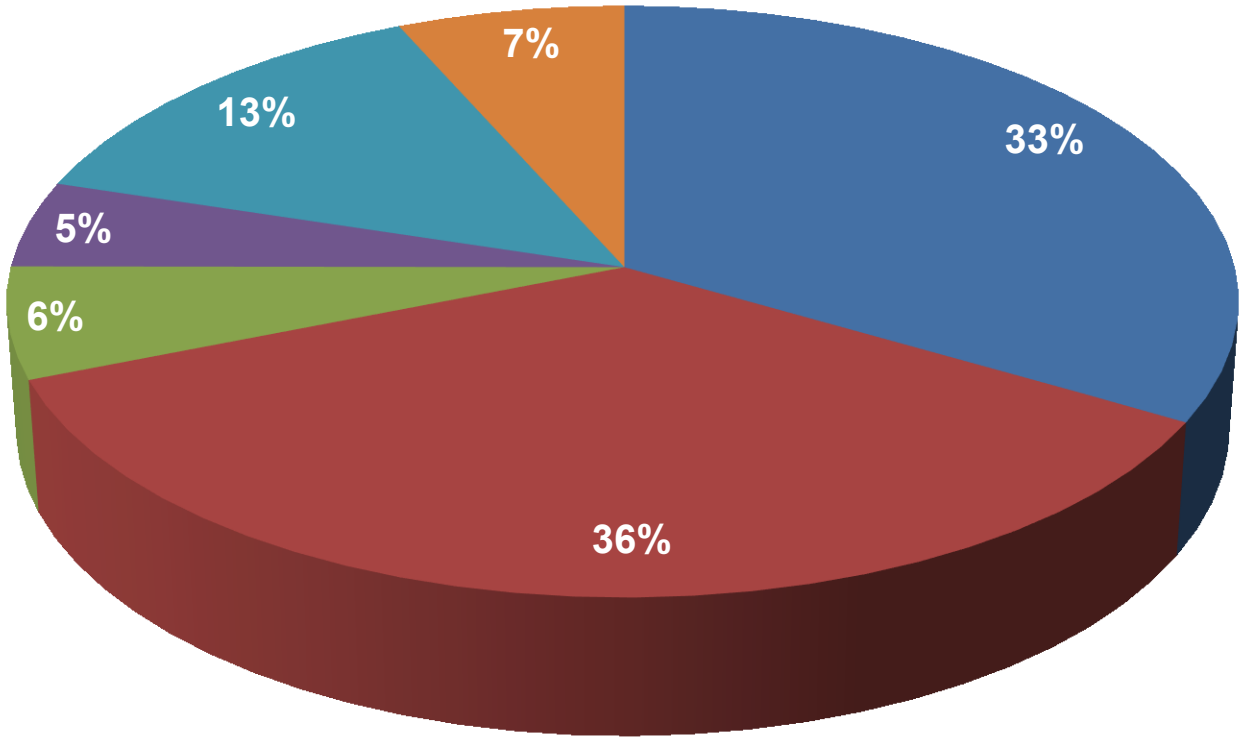
FMAP – A Major Driver of Cost



Medicaid Expenditures – FY 2014



FY 14 Budget – Sources of State Share



- General Fund $615 Million
- Hospital (Tax, IGT, CPE) $656 Million
- Provider Taxes (NH & Rx) $112 Million
- Drug Rebates $87 Million
- Other Agency IGT $250 Million
- Other $123 Million

Total State Share Approx. $1.84 Billion

Summary of Current Financial System

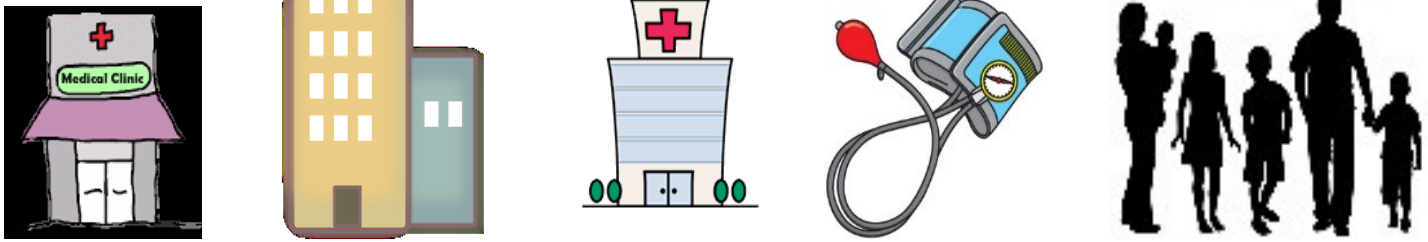
- No state funds in hospital program
- Reductions in hospital utilization do not reduce state burden
- About 1/3 of state match provided by General Fund
- About 1/3 of nursing home cost funded by NH provider tax
- >1/3 of pharmacy cost paid by provider tax/drug rebates
- Almost all mental health cost paid by transfers from DMH
- Provider taxes for hospitals and nursing homes are near maximum levels
- Alabama has converted 2:1 match into 9:1 match for Medicaid's General Fund appropriation

Why is Medicaid Reform Needed?

- Patient care is often fragmented
- Overutilization of emergency rooms
- Payments are based on volume and visits vs. outcomes and quality
- Perception Medicaid spending is out of control

Regional Care Organizations (RCOs)

- RCOs are locally-led managed care organizations that will provide services for Medicaid enrollees at an established cost when the program is implemented in October 2016.



Certified RCOs will assume the risk of managing the full cost of covered Medicaid services and care coordination for most Medicaid recipients

Populations

- **Covered populations**
  - Aged, blind, and disabled recipients
  - Breast and Cervical Cancer Treatment Program participants
  - Recipients of Medicaid for Low Income Families (MLIF)
  - SOBRA children and adults

- **Excluded populations**
  - Medicare/dual eligibles
  - Foster children
  - Hospice patients
  - ICF-MR recipients
  - Nursing home/institutional recipients
  - Plan 1st and unborn recipients
  - Home and Community-Based Services waiver recipients

Agency on Schedule to Comply with Law

- 10/1/13 – RCO regions established by Medicaid
- 10/1/14 – RCO governing boards must be approved by Medicaid or Medicaid must determine progress is being made in the region and make a decision on probationary certification by 1/01/15
- 4/1/15 – RCOs must prove they have an adequate provider network
- 10/1/15 - RCO must meet financial solvency requirements
- 10/1/16 - RCO must begin to bear risk under an executed risk bearing contract

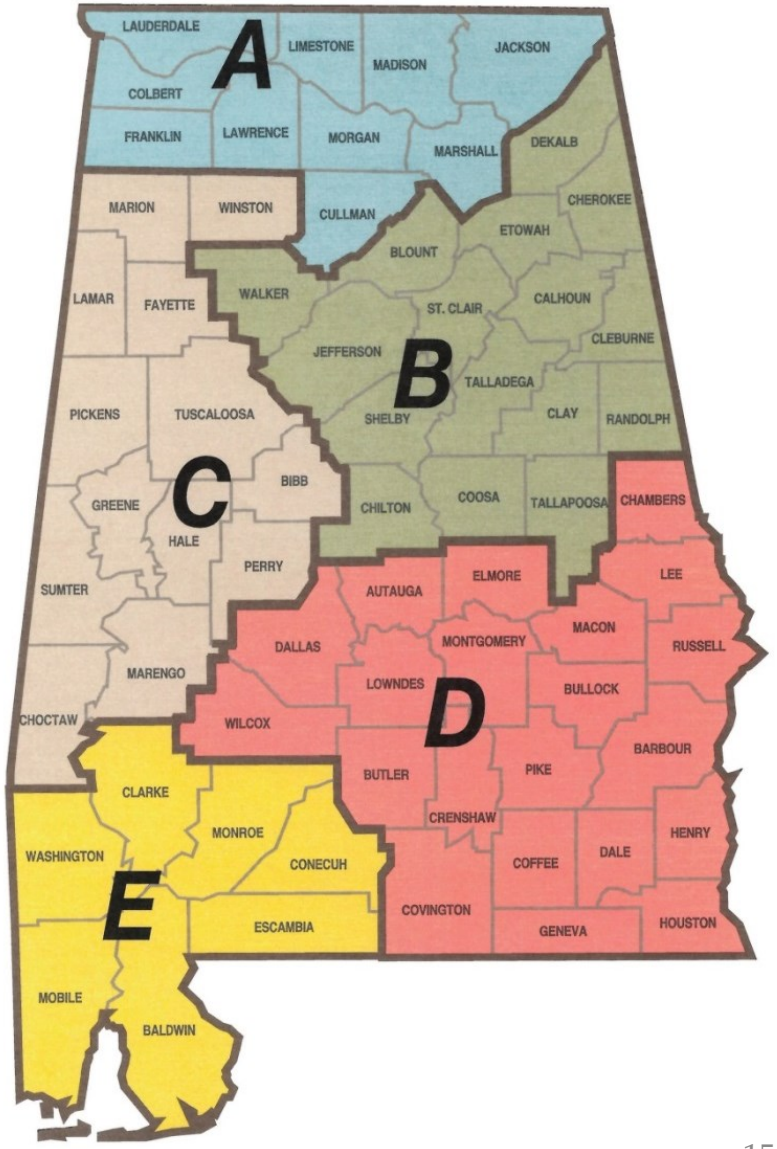
Update: Regional Care Organizations

- Draft Contract on the street – 12/17/14
- Comment Period for Contract – 2/1/15 – 3/1/15
- 11 Probationary Certificates Issued – 12/31/14
- Probationary RCOs now begin process toward full certification
  - Network Adequacy Requirement deadline 4/1/15
    - RCOs seeking LOIs for RCO networks
    - Primary care doctors, core specialists and certain facilities
  - Demonstrate financial solvency by 10/1/15
  - Readiness Review required before full certification

Health Home Program and RCO Regions

- Health Homes and RCOs use the same regions defined by law

Region	Probationary RCOs
A	• Alabama Community Care – Region A • Alabama Healthcare Advantage North • My Care Alabama
B	• Alabama Care Plan • Alabama Healthcare Advantage East
C	• Alabama Community Care – Region C • Alabama Healthcare Advantage West
D	• Care Network of Alabama • Alabama Healthcare Advantage
E	• Alabama Healthcare Advantage South • Gulf Coast Regional Care Organization



Rules Development

- **Final Rules – Administrative Code Chapter 62**
  - Certificate to Collaborate with other Entities, Individuals, or RCOs
  - Active Supervision of Collaborations
  - Governing Board of Directors
  - Citizens' Advisory Committee
  - Probationary Certification of Organizations seeking to become RCOs
  - Active Supervision of Organizations with Probationary Certification
  - Contract for Case Management Services with Probationary RCOs
  - Conflict of Interest Policy for Directors and Officers of RCOs
  - Provider Standards Committee
  - Minimum Fee-for-Service Reimbursement Rates
  - Provider Contract Disputes
  - Service Delivery Network Requirements
  - Quality Assurance Committee
  - Quality Assurance Process
  - Right to Terminate Certificates of Probationary and Fully Certified RCOs

Update: RCO Rules Development

Rules published 1/30/15; Comment Period through 3/9/15

Financial Rules

- Solvency and Financial Requirements for Regional Care Organizations
- Financial Reporting and Audit Requirements
- Hazardous Financial Condition and Insolvency

Other Administrative Rules

- Requirements for Full Certification of Regional Care Organizations
- Grievances and Fair Hearings of Regional Care Organizations
- Information Requirements for Enrollees and Potential Enrollees
- Readiness Assessment Requirements

Update: Health Home Program

- Health Home Program to expand statewide 4/1/15
  - Interim step toward RCOs accepting full risk
  - Built on successes of Patient Care Networks
  - Benefits:
    - Facilitate Network Development
    - Provide Resources to Probationary RCOs
    - Accelerate Probationary RCOs to take capitation
    - Ensures RCOs ability to manage patients
- RFP for Health Home issued - 12/29/14
- Award Expected - 2/11/15
- Only Probationary RCOs offered option to respond to Health Home RFP

Potential Waiver Dollars (DSRIP)

- CMS clear on funding to be based on objectives/outcomes
- Indication now that early funding may be based on process; later based on outcomes actually achieved
- May vary based on importance of particular stages
- State will be at financial risk for failure to obtain goals
- Flow of dollars will be tied to objectives
- Projects must be tied to sustainability – funding is not meant to be forever

Future Activities

- Contract terms and conditions/final contract development
- Quality Metrics
  - Ongoing discussion on withholds
- Rules to come out on enrollee grievances
- LTC workgroup underway
- Dental workgroup - planned for late spring/early summer

Critical Success Factors for Medicaid Transformation

- State funding must meet current operational needs
  - General Fund
  - Maintain current hospital funding model
- Medicaid must demonstrate that RCO, full risk strategy is less costly than current system
  - Actuarially sound rates
  - CMS must approve
- CMS must approve 1115 Waiver with Designated State Health Program (DSHP) matching and approve the resulting federal funds for the transformation with acceptable conditions.
- Probationary RCOs must transition to operationally effective entities that can accept risk/capitation

Future Vision: Covering the Working Poor

- Private sector solution
- Tied to work or job training for non-disabled adults
- Co-pays and premium sharing