



ROBERT BENTLEY
Governor

Alabama Medicaid Agency

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P.O. Box 5624
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STEPHANIE MCGEE AZAR
Acting Commissioner

PUBLIC NOTICE

SUBJECT: NOTICE OF INTENT TO SUBMIT SECTION 1115 DEMONSTRATION PROPOSAL

Pursuant to 42 C.F.R. § 431.408, the Alabama Medicaid Agency (Medicaid) notifies the public that it intends to submit a Section 1115 Demonstration proposal to the Centers for Medicare and Medicaid Services (CMS). A copy of the proposed Demonstration proposal is available at:

http://medicaid.alabama.gov/CONTENT/2.0_newsroom/2.7.3_Regional_Care_Organizations.aspx. It is also available upon request for public review at each county office of the Department of Human Resources and the State Office of the Alabama Medicaid Agency.

Written comments concerning the 1115 Demonstration proposal should be submitted on or before April 4, 2014 to the following e-mail address:

publiccomment@medicaid.alabama.gov or mailed to: Administrative Secretary, Alabama Medicaid Agency, 501 Dexter Avenue, P.O. Box 5624, Montgomery, Alabama 36103-5624.

Demonstration Description, Goals and Objectives

Medicaid is seeking approval of a Section 1115 Demonstration Project to implement a new care delivery model that will improve upon and ensure the long-term sustainability of Alabama’s Medicaid program. This new care delivery model will build upon the services provided through the current Maternity Care Program; Patient 1st, the primary care case management program (PCCM); and the Patient Care Networks (PCNs) of Alabama, Health Home Program.

Medicaid will implement the following strategies to enable the State to improve care coordination, access to care, and health outcomes for the beneficiaries eligible for the Demonstration, while reducing costs and transitioning the State’s Medicaid system from utilization-driven reimbursement to one that focuses on value over volume:

- A delivery system through which risk bearing, provider-based regional care organizations (RCOs) will be paid on a capitated basis to provide the following to the Demonstration Populations:
 - The full scope of Medicaid benefits, including primary, acute, behavioral, maternal, pharmacy and post-acute services.



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- Care coordination, including improved coordination of physical and behavioral health services.
- A medical home that provides a primary medical provider (PMP) to provide and arrange for beneficiaries' health care needs and a health home, building upon the current Health Home program, for individuals with chronic conditions.
- Transition from a volume-based, fee-for-service (FFS) reimbursement system to a capitated payment system that incentivizes the delivery of quality health outcomes.
- Transition of the current hospital payment system to one providing incentive payments to RCOs and to hospitals to improve and reform the health care delivery system in the State.

Medicaid plans to contract with regionally-based RCOs that will cover five geographical regions statewide, and will implement such contracts using a phased approach. Medicaid will use a phased approach to implementing the program statewide by October 2016; and will therefore continue administering the Maternity Care Program, as well as Patient 1st and the PCN Programs in regions until RCOs are operational. These programs will be phased out as RCOs are operational in each region, although RCOs will be required to maintain at least the same level of program services as currently provided through these programs.

When statewide, this Demonstration will serve approximately 654,000 Medicaid beneficiaries (the Demonstration Populations), including approximately 113,000 aged, blind and disabled individuals. Depending on an individual's Medicaid eligibility category, he or she will be mandatorily enrolled, or have the option to enroll or continue to receive services through the FFS delivery system.

Benefit Coverage

The Demonstration will not reduce the benefits currently offered to individuals through the Medicaid program.



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Eligibility Requirements

Provider-based, community-led RCOs will manage and coordinate care for the Demonstration Populations. The Demonstration will exclude PACE participants, children in foster care, dually eligible beneficiaries, and individuals residing in long term care facilities or utilizing home- and community-based waiver services. Medicaid is not requesting to expand to new populations through this Demonstration. The applicable Medicaid eligibility categories for these Demonstration Populations are detailed in the Demonstration proposal available at

http://medicaid.alabama.gov/CONTENT/2.0_newsroom/2.7.3_Regional_Care_Organizations.aspx.

Cost Sharing

Medicaid is not proposing any changes to current Medicaid State Plan cost sharing requirements.

Annual Enrollment and Annual Expenditures

Historical Enrollment

	Member Months				
	SFY08	SFY09	SFY10	SFY11	SFY12
RCO Membership	4,170,100	5,896,321	6,446,468	6,989,438	7,250,671
Annual Growth		41.4%	9.3%	8.4%	3.7%

Projected Enrollment

	Member Months				
	SFY15	SFY16	SFY17	SFY18	SFY19
RCO Membership	7,386,082	7,431,990	7,478,297	7,525,010	7,572,141
Annual Growth	0.6%	0.6%	0.6%	0.6%	0.6%



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Historical Expenditures

	Dollars					
	SFY08	SFY09	SFY10	SFY11	SFY12	TOTAL
RCO Expenditure	\$ 1,434,189,662	\$ 1,911,939,472	\$ 2,070,539,412	\$ 2,375,597,696	\$ 2,446,130,256	\$ 10,238,396,498
Annual Growth		33.3%	8.3%	14.7%	3.0%	

Current Projected Expenditures and Savings

	Dollars					
	SFY15	SFY16	SFY17	SFY18	SFY19	TOTAL
RCO Without Waiver Costs	\$ 2,803,135,731	\$ 2,935,755,106	\$ 3,075,863,079	\$ 3,223,987,463	\$ 3,380,570,271	\$ 15,419,311,649
Annual Growth	4.6%	4.7%	4.8%	4.8%	4.9%	
RCO With Waiver Costs	\$ 2,994,318,386	\$ 3,035,932,204	\$ 3,063,653,314	\$ 3,113,890,402	\$ 3,189,979,182	\$ 15,397,773,487
Annual Growth	7.0%	1.4%	0.9%	1.6%	2.4%	
TOTAL WAIVER SAVINGS	\$ (191,182,655)	\$ (100,177,098)	\$ 12,209,765	\$ 110,097,061	\$ 190,591,089	\$ 21,538,162

Hypotheses and Evaluation Parameters

Medicaid proposes to test the following through the Alabama Section 1115 Demonstration:

- Integrating services and eliminating the current silos between physical health services and behavioral health services will improve quality in covered Medicaid services.
- Providing statewide care coordination services to Medicaid beneficiaries through an RCO model will result in improved health outcomes when compared with the health outcomes recorded under the current FFS delivery system.
- Providing statewide care coordination services to Medicaid beneficiaries through an RCO model will improve appropriate utilization of hospital and emergency department services when compared to utilization under the current FFS delivery system.
- Holding RCOs to outcome and performance measures, and tying measures to meaningful financial incentives, will improve results on outcome and performance measures when compared to the current FFS delivery system.
- Contracting with locally-led RCOs will do the following:
 - Better engage providers in solving cross-cutting health system issues such as how to coordinate and work with PMPs to establish standards of care.



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- Assist providers in effectively managing more costly and complex beneficiaries.
- Better utilize claims and other data to identify beneficiaries most likely to benefit from intervention and to provide feedback to providers regarding care patterns and interventions.

Medicaid will submit to CMS an evaluation design for the Demonstration no later than 120 days after CMS' approval of the Demonstration. Medicaid's evaluation design will:

- Test the Demonstration hypotheses.
- Describe specific outcome measures that will be used in evaluating the impact of each Demonstration-related program during the period of approval.
- Detail the data sources and sampling methodologies for assessing these outcomes.
- Describe how the effects of all Demonstration-related programs will be isolated from other initiatives occurring in the State.
- Discuss Medicaid's plan for reporting to CMS on the identified outcome measures and the content of those reports.

Medicaid will submit the final evaluation design to CMS no later than 60 days after receiving comments on the draft evaluation design from CMS. Medicaid will submit progress reports in quarterly and annual Demonstration reports, and submit a draft final evaluation report within 120 days of the expiration of the Demonstration.

Waiver Authority Sought

Medicaid seeks waivers of provisions of Section 1902 and costs not otherwise matchable under Section 1903 that include, but are not limited to the below. Medicaid will work with CMS to finalize the full list of requested waivers and costs not otherwise matchable.

Waivers

- Section 1902(a)(1) (state wideness) to enable the State to use a phased approach to implementation of the RCO model statewide. The State anticipates that RCOs will form and be operational in some regions more quickly than in others.



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- Section 1902(a)(17) (comparability) to permit the State to exclude from the Demonstration:
 - Beneficiaries within the same eligibility categories as the Demonstration Populations who are eligible and enrolled in home- and community-based services waivers. These beneficiaries will remain in the FFS delivery system for all State Plan and home- and community-based waiver services.
 - Beneficiaries in the following eligibility categories: PACE participants, children in foster care, dually eligible beneficiaries, and individuals residing in long term care facilities or utilizing home- and community-based waiver services.
- Section 1902(a)(23)(A) (freedom of choice) to enable the State to mandate enrollment of certain beneficiaries in the Demonstration Populations in risk-based RCOs, as well as to limit them to one RCO in regions where only one RCO operates. Beneficiaries will retain the right to choose between RCOs in regions where more than one RCO participates.

Because of the rural nature of the State, it is estimated some regions may only include one RCO to be actuarially sound. Therefore, Medicaid is requesting rural exception from choice of RCOs in accordance with 42 CFR 438.52 in all Regions. All beneficiaries enrolled in RCOs will maintain choice of at least two PMPs and will be able to obtain the services of providers outside of an RCO's network in accordance with 42 CFR 438.52(b)(2)(ii).

- Section 1902(a)(13) and (a)(30) (rate setting/payment methodologies) to permit the State to implement a value-based purchasing strategy based on the use of withholds and incentives.

Costs Not Otherwise Matchable

- Expenditures to provide federal matching payments to a number of state-only programs. These include programs funded entirely by the State that provide services such as adult day care, outpatient substance abuse treatment and outpatient care for the mentally ill who are not eligible for Medicaid.
- Expenditures to pay transition payments and Delivery System Reform Incentive Payments to RCOs, hospitals and other providers.



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Comments and Public Input Process

Medicaid conducted an inclusive process in analyzing Medicaid redesign options and developing the Demonstration design as outlined in the Demonstration proposal now posted for comments. Governor Bentley convened a multi-stakeholder Medicaid Advisory Commission charged with providing recommendations to improve the Alabama Medicaid program that would curb the growth trajectory of the Medicaid program and improve the quality and type of care provided to Medicaid beneficiaries.

The Commission brought together a large and diverse group of representatives to review and develop its recommendations. Entities or organizations included: executive officers of state agencies, cabinet-level leaders, State Senators and Representatives, insurance companies, consumer advocates, medical providers, and professional organizations. These professional organizations represented the hospitals, physicians, pharmacy, nurses, primary and rural health clinics, hospice, and nursing homes. The recommendations of the Commission, which align with Medicaid's overall goals for the Medicaid program, became the building blocks for a comprehensive Medicaid reform plan described in this 1115 Demonstration proposal. This reform plan was also passed by the Alabama Legislature and signed into Law by Governor Bentley in May 2014. Additional examples of the public input that Medicaid has conducted in the development of this program include:

- A series of regional public meetings for physicians, hospitals, professional associations, and other interested parties to learn more about Alabama Medicaid's progress in implementing RCOs and to provide participants with an opportunity to ask questions and provide comments.
- A letter by certified mail and through e-mail provided to the Tribal Chairman of the Poarch Creek Band Indian Tribe on October 22, 2013 notifying the tribe of the 1115 Demonstration proposal and requesting comments and concerns within 30 days of receipt of letter. No comments or concerns were received.

As required by federal regulation, Medicaid is now opening a formal 30-day comment period and directs interested parties to http://medicaid.alabama.gov/CONTENT/2.0_newsroom/2.7.3_Regional_Care_Organizations.aspx.

Comments will be accepted for consideration on or before April 4, 2014. Medicaid will hold two public meetings to solicit comments on the Demonstration proposal:

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March 13th at 10:00 am
Alabama Medicaid Agency
501 Dexter Avenue
Montgomery, AL 36104

March 18th at 10:00 am
Birmingham Botanical Gardens
2612 Lane Park Rd.
Birmingham, AL 35223

Medicaid will provide teleconference access for the March 13th meeting at the Alabama Medicaid Agency. Please see the Medicaid website at http://medicaid.alabama.gov/CONTENT/2.0_newsroom/2.7.3_Regional_Care_Organizations.aspx for dial-in information.

A handwritten signature in cursive script, reading "Stephanie McGee Azar", written over a horizontal line.

Stephanie McGee Azar
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