

OFFICE OF THE GOVERNOR



STATE CAPITOL
MONTGOMERY, ALABAMA 36130

ROBERT BENTLEY
GOVERNOR

STATE OF ALABAMA

Alabama Medicaid Transformation RCO Program Approved for 1115 Waiver

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MONTGOMERY—Governor Robert Bentley on Tuesday announced the Alabama Medicaid Agency’s regional care organization plan, to provide medical care to most Alabamians on Medicaid, has been approved by the Centers for Medicare and Medicaid Services (CMS). Reforming Medicaid by increasing efficiency and improving patient care has been a long-term goal for Governor Bentley.

Governor Bentley established the [Alabama Medicaid Advisory Commission](#) in October of 2012 to evaluate the financial stability of the Alabama Medicaid Agency. [Legislation passed in 2013](#) built on the Commission’s work and implemented a managed care structure. Governor Bentley, members of the Alabama Legislature, staff at the Alabama Medicaid Agency and many health-care professionals have worked since the legislation was passed to [implement RCO’s in 5 regions](#) across the state. The RCOs are designed to provide medical care to 650,000 Alabamians who receive full Medicaid benefits.

“Together with the Alabama Legislature, we have made significant progress in the way the Alabama Medicaid Agency operates, making it more effective and efficient,” Governor Robert Bentley said. “I appreciate the Centers for Medicare and Medicaid Services for approving Alabama’s plan to use regional care organizations and the National Governors Association for its help during the process. This is a significant step in our efforts to transform the delivery of services to Medicaid patients. I will work closely with members of the Alabama Legislature in the 2016 Regular Session to ensure the Medicaid RCO model is adequately funded so we can continue our efforts in Medicaid transformation.”

On May 30, 2014, Alabama applied for a Section 1115 Demonstration Waiver to provide the funding needed to support the transition to RCOs. Section 1115 waivers are used to approve experimental, pilot or demonstration projects that promote the objectives of the Medicaid program by giving states added flexibility to design improved state programs. In its approval, CMS has provided federal money to help start and improve Alabama’s RCO system.

CMS agreed to provide up to \$328 million in federal money over three years to help RCOs start up and pay for projects that could boost access to medical care, improve its quality and reduce its cost. In addition, Alabama could qualify for up to an additional \$420 million in federal money over a five year period to further support Alabama's Medicaid transformation process. In total, Alabama could receive up to \$748 million in federal money over five years to help start and improve its RCO program.

“Since the concept of the Regional Care Organizations was approved by the Legislature nearly three years ago, Medicaid's leadership and staff have been collaborating with our stakeholders, the Centers for Medicare and Medicaid Services, the National Governors Association and others to develop a system that blends fiscal accountability with the opportunity to create an innovative healthcare system for Alabama,” Alabama Medicaid Agency Commissioner Stephanie Azar said. “Today's announcement gives a clear signal that others share our vision for a transformed healthcare system.”

“Alabama took bold steps towards improving healthcare in our state with our plan for regional care organizations and today's announcement proves our efforts are paying off,” Alabama House Speaker Mike Hubbard (R-Auburn) said. “This investment could lead to a more streamlined and localized system, produce better outcomes, and save millions of taxpayer dollars in the long-term.”

“The Federal government has determined that Alabama has been innovative with our plan to transition to regional care organizations,” Senate President Pro Tempore Del Marsh (R-Anniston) said. “Over time it will save the taxpayers millions of dollars and will serve as a potential modal for states as an alternative to expanding Medicaid.”

In September 2014, [NGA selected Alabama](#) to participate in a project to design and achieve statewide health care transformation. Alabama was selected because it proposed a cutting-edge approach to realigning economic incentives and improving the quality and efficiency of health care. Through the project, the NGA Center for Best Practices worked closely with Gov. Bentley and his leadership team to help get the state's Medicaid proposal approved.

“This waiver is a shining example of how states innovate each and every day to improve the lives of their citizens,” NGA Executive Director and CEO Scott Pattison said. “Many other states can now use Alabama's cutting-edge approach to figure out what works—and what doesn't—as they look to improve their own health care delivery.”

The five-year agreement with CMS begins April 1. In the next 30 days, Governor Bentley will finalize the 1115 agreement with CMS. Certain terms and conditions apply in order for the state to receive the money, and Governor Bentley will work with the Alabama Legislature, which passed the RCO legislation, to ensure the requirements are met.

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