



Alabama Approved for Statewide Medicaid Managed Care

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Alabama Governor Robert Bentley announced on February 9, 2016, that the State has been granted a waiver pursuant to Section 1115 of the Social Security Act (1115 waiver), authorizing Alabama to change the delivery of Medicaid from a traditional fee-for-service model to a regional based managed care system, called a regional care organization (RCO).¹ The 1115 waiver follows three years of planning and negotiation with the Centers for Medicare and Medicaid Services (CMS). Alabama has slated full implementation of the RCOs to begin on October 1, 2016, assuming Alabama legislators appropriately fund the RCO plan.² Should the RCO go into effect, Alabama Medicaid “will pay a set monthly amount to each RCO which in turn will be responsible for paying for all RCO-covered services.”³

Section 1115 of the Social Security Act gives the Secretary of Health and Human Services (HHS) the “authority to approve experimental, pilot, or demonstration projects that promote the objectives of the Medicaid and CHIP programs.”⁴ The waiver program allows states to have “additional flexibility to design and improve their programs” and provides HHS a way to “evaluate policy approaches such as: expanding eligibility to individuals who are not otherwise Medicaid or CHIP eligible; providing services not typically covered by Medicaid; or using innovative service delivery systems that improve care, increase efficiency, and reduce costs.”⁵ Alabama hopes the RCOs will accomplish the latter.

Alabama legislation was passed in 2013, and later updated in 2014, creating the non-profit, state-incorporated RCOs, enabling “Medicaid to move away from a volume-based, fee-for-service environment to a payment system that incentivizes the delivery of quality health care and improved health outcomes.”⁶ The State is divided into five regions with 11 probationary RCOs.⁷ To receive full implementation status, RCOs must show that “they have a sufficient number of providers and provider types,” “can meet the financial solvency and other financial requirements,” and pass a “readiness review period during which the state will determine if [the RCO is] able to provide services and fulfill the obligations of a risk contract.”⁸

To ensure quality care is being provided to Medicaid beneficiaries, Alabama law requires the creation of a Quality Assurance Committee, which has approved 42 quality measures to monitor RCO performance.

Forty-one of these measures are nationally recognized, allowing officials to “compare [Alabama’s] performance to other states and national benchmarks.”⁹

1 “Federal Officials OK change to Alabama Medicaid program,” <http://www.wvtm13.com/news/Federal-officials-OK-change-to-Alabama-Medicaid-program/37904862>, accessed February 27, 2016.

2 “State Senate approves budget without new money for Medicaid,” <http://www.washingtontimes.com/news/2016/feb/25/state-senate-approves-budget-without-new-money-for/>, accessed February 28, 2016.

3 Alabama Medicaid’s Regional Care Organizations, http://medicaid.alabama.gov/documents/2.0_Newsroom/2.7_Topics_Issues/2.7.3_RCOs/2.7.3_RCO_Fact_Sheet_2-9-16.pdf, accessed February 27, 2016

4 Section 1115 Demonstrations, <https://www.medicaid.gov/medicaid-chip-program-information/by-topics/waivers/1115/section-1115-demonstrations.html>, accessed February 27, 2016.

5 *Id.*

6 Alabama Medicaid’s Regional Care Organizations, 2/9/16, http://medicaid.alabama.gov/documents/2.0_Newsroom/2.7_Topics_Issues/2.7.3_RCOs/2.7.3_RCO_Fact_Sheet_2-9-16.pdf, accessed February 28, 2016.

7 *Id.*

8 *Id.*

9 *Id.*

The 1115 waiver will provide Alabama with up to an estimated \$748 million in federal dollars over five years: \$328 million to assist with transitioning to the RCOs during the first three years, and \$420 million for potential supplemental “payments to RCOs, to support work by hospitals, doctors or other providers to further improve health-care access and outcomes.”¹⁰

According to a January 13, 2016, review of state Medicaid expansion plans, 26 states were expanding coverage via traditional Medicaid, 17 were not expanding coverage, 6 were expanding coverage via alternative plans, and 2 were considering expansion.¹¹ Alabama was listed as 1 of the 2 considering expansion, while Georgia remains one of the 17 not expanding coverage.

¹⁰ *Id.*

¹¹ “Where the states stand on Medicaid expansion,” <https://www.advisory.com/daily-briefing/resources/primers/medicaidmap>, accessed February 27, 2016.

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