In compliance with the Americans with Disabilities Act, this document is available in alternate formats such as Braille, large print, audio recordings, Web-based communications and other electronic formats. To request an alternate format, please send an e-mail to dhsalt@state.or.us or call 503-378-3486 (voice) or 503-378-3523 (TTY) to arrange for the alternative format.

April 5, 2012

RFA 3402

Addendum #5

1. This is Addendum # 5 to Request for Application (RFA) 3402, Coordinated Care Organizations (CCOs).

2. RFA #3402 is hereby amended as follows:

a. Appendix E is amended per Attachment 1 to this Addendum 5, which is hereby incorporated into the RFA with this reference; new language is bold and underlined, and deleted language is stricken through.

b. Appendix F is amended per Attachment 2 to this Addendum 5, which is hereby incorporated into the RFA with this reference; new language is bold and underlined, and deleted language is stricken through.

c. Attachment 8, Table F-2 "Estimated Costs and Capitation Rates" spreadsheet, is replaced in its entirety with Attachment 3 to this Addendum 5.

3. All other terms, provisions, and conditions of this RFA remain unchanged.

ATTACHMENT 1

APPENDIX E – Financial Reporting and Solvency Questionnaire

This Appendix consists of the following sections:

Section 1: Financial Organization
Section 2: Demonstration of Financial Solvency
Section 3: Demonstration of Ability to Achieve the Financial Goals

For background and further information, see Chapter 8 of the CCO Implementation Proposal, "Financial Reporting Requirements to Ensure Against Risk of Insolvency."

Section 1 - Financial Organization

E.1.1. Corporate Organization and Structure

E.1.1.a. Provide a certified copy of the Applicant's articles of incorporation**, or other similar legal entity charter document,** as filed with the Oregon Secretary of State **or other corporate chartering office**.

E.1.1.b. Provide listing of ownership or sponsorship, including the percentage Control each owner has over the organization.

E.1.1.c. Provide a description of any licenses the corporation possesses.

E.1.1.d. If Applicant is a current MCO, describe any organization changes that will occur to conduct operations as a CCO. Please delineate between current MCO service areas and proposed CCO service areas.

E.1.1.e. Provide a description of any administrative service or management contracts with other parties where the Applicant is the provider of the services under the contract. Affiliate contracts are excluded in this item and should be included under item E.1.2.b.

E.1.2. Corporate Affiliations, Transactions, Arrangements

E.1.2.a. Provide a chart or listing presenting the identities of and interrelationships between the parent, the Applicant, affiliated insurers and reporting entities, and other Affiliates. For each, identify the corporate structure, two –character state abbreviation of the state of domicile, Federal Employer's Identification

Number and NAIC code for insurers, Schedule Y of the NAIC Annual Statement Blank—Health is acceptable.

When interrelationships are a 50/50% ownership, footnote any voting rights preferences that one of the entities may have.

E.1.2.b. Provide a description of any expense arrangements with a parent or Affiliate organization. Provide detail of the amounts paid under such arrangements for the last two years. Provide footnotes to the operational budget when budgeted amounts include payments to Affiliates for services under such agreements.

E.1.3. General Questions

E.1.2.a. Is Applicant deferring submission of any supporting documents, tables, or data that are part of its Technical Application until its readiness review under Section 6.7.1? Please list all deferred submission documents.

E.1.2.b. Describe Applicant's demonstrated experience and capacity for:

- Managing financial risk and establishing financial reserves
- Meeting the minimum financial requirements for restricted reserves and net worth in OAR 410-141-3350.

Section 2: Demonstration of Financial Solvency

The following standard applies as of the CCO's Medicaid effective date and/or the CCO's Medicare/Medicaid Alignment Demonstration effective date:

THE APPLICANT SHALL PROVIDE EVIDENCE OF SOLVENCY, INCORPORATE SPECIFIC PROVISIONS AGAINST INSOLVENCY, COMMENSURATE WITH ENROLLMENT (BOTH MEDICAID AND MEDICARE) AND LEVEL OF RISK ASSUMED; DEMONSTRATE FINANCIAL MANAGEMENT ABILITY; AND GENERATE PERIODIC FINANCIAL REPORTS AND MAKE THEM AVAILABLE TO OHA FOR REVIEW BY DCBS AND OHA.

The specific measurements enumerated below are not intended to be considered in isolation from each other or to be comprehensive. When considered as a whole (and with additional information, as appropriate), they provide a basis for demonstrating general financial solvency and identifying changes to be addressed. ~~The standards in (i) apply to a current MCO converting to a CCO and to a newly formed CCO; (ii) apply to existing insurers and newly formed insurers.~~

E.2. Applicable Measurement Standard

Indicate which of the following measurement standards applies to Applicant:

- **Does Applicant seek to convert one or more current MCOs to a CCO? If so, the measurement standard in E.2.1 applies, and Applicant furnishes the responses requested in E.2.1.**

- **Does Applicant seek certification as a newly formed CCO (i.e. not converting from a current MCO)? If so, the measurement standard in E.2.2 applies, and Applicant furnishes the responses requested in E.2.2.**

- **Is Applicant an existing or newly formed insurer? If so, the measurement standard in E.2.3 applies, and Applicant furnishes the responses requested in E.2.3.**

If Applicant is uncertain whether it is a current MCO converting to a CCO or a newly formed CCO, Applicant should seek a determination from OHA well before the Financial Application deadline.

E.2.1. Measurement Standard—Applies to MCO~~s~~ converting to CCO ~~and newly formed CCO~~

To identify if an entity can demonstrate the necessary financial solvency and ability to manage a plan financially, an entity must show that sufficient financial resources are available to provide the needed developmental and operational capital and that an adequate staffing plan is in place to operate the plan effectively.

Financial Solvency Minimum Standard

E.2.1.a. Applicant shall establish and maintain restricted reserve funds **required by its MCO contract(s), Exhibit G, Section 7. The restricted reserves must be in place before terminating the Applicant's current MCO contract(s) to beginning operations as a CCO (restricted reserves previously held by an MCO may, with consent of OHA, be transferred to the CCO),** ~~per OAR 410-141-3350(A). The restricted reserves must be in place before terminating the Applicant's current MCO contract to beginning operations as a CCO (restricted reserves previously held by an MCO may, with consent of OHA, be transferred to the CCO),~~ and

E.2.1.b. **Applicant shall maintain a level of net worth as required by its MCO contract(s), Exhibit G, Section 8. If the Applicant has a net worth less than the calculated minimum requirement, the Applicant's net worth must be increased to an amount greater than or equal to the minimum requirement prior to the award of a Contract under this RFA.**

Required Response

E.2.1.c. **Provide current financial statements of the Applicant entity that demonstrates that the Applicant currently possess funds equal to the financial solvency minimum standard. The financial statements should be prepared using the standards and forms required under its MCO Contract(s), Exhibit G. In addition, provide the most recent audited financial statements of the Applicant entity, if available (GAAP basis is acceptable). If capitalization of the Applicant has not yet occurred, please describe when start-up capitalization will occur and prepare the required financial statements on a "pro forma" basis, using Table E-1: Pro Forma Projections for the First Five Years. Additionally, provide contractual verification of all owners of entity, stipulating the degree to which each owner's resources are available to cover the entity's developmental costs and potential operational losses. If any other entity (such as an Affiliate, a state or local government agency, or a reinsurer, but not including contracting providers) will guarantee the CCO's ultimate financial risk, in full or in part, please furnish a copy of the guarantee documents.**

E.2.1.d. **Provide a developmental budget delineating all expenses prior to beginning operation using Table E-2: Monthly Developmental Budget.**

If the resources required to develop the CCO business are less than 10% of the applying entity's current net worth, you may provide written assurances that current operating funds will be sufficient to cover the developmental expenses.

E.2.1.e. **Provide an operational budget covering the initial two years of operation using Table E-3: Monthly Operational Budget as a model.**

The budget should factor in projected utilization levels by key categories of service, and projected expenditures reflecting Health Systems Transformation responsibilities required by HB 3650 and any alternative payment methodologies implemented. A separate worksheet presenting this detail may be used, but the financial results should be included in the operational budget.

If the resources required to fund provision of services are anticipated to be less than or equal to a 10% increase of the Applicant's current health services expenses, you may provide written assurances that your current operating funds will be sufficient to cover the increase in operating expenses. Be sure to examine the per Member per month increase difference between the transformation/Demonstration/Members and your current MCO Members (if any).

E.2.1.f. **Provide a monthly staffing plan for the last three months of the CCO developmental or planning budget and the initial three years of the CCO may furnish written assurances that your current staffing level will be sufficient to cover providing services to the anticipated increase in Members and effectively administering the CCO.**

E.2.1.g. **Provide pro forma balance sheet, income statement (p&l) and cash flow schedules reflecting anticipated assets, capital, revenue, expense, and cash flow using Table E-1: Pro Forma Projections for the First Five Years. The pro forma financial statements should reflect corporate-wide activity. The pro forma financial statements should reflect the conversion to Statutory Accounting Principles and the minimum capital and surplus requirements in OAR 410-141-3350(B)(1)-(3) beginning January 1, 2014. The amounts and expenses included in the monthly staffing budgets from E.2.6.a above should be included in and reconcile to the projected pro forma financial statements. The pro forma projections are to include projection of risk-based capital as calculated using the NAIC risk-based capital forecasting package. Provide an analysis of the capital requirements to cover the expenses of developing and operating the start-up entity or expansion, and the first five years of operations, including documentation of capital sources. This analysis should supplement the pro forma financial statements to form an overall account of**

the projected required capital for the CCO's development and first five years of operation.

E.2.2. Measurement Standard—Applies to newly formed CCO

To identify if an entity can demonstrate the necessary financial solvency and ability to manage a plan financially, an entity must show that sufficient financial resources are available to provide the needed developmental and operational capital and that an adequate staffing plan is in place to operate the plan effectively.

Financial Solvency Minimum Standard

E.2.2.a. **Applicant shall establish and maintain restricted reserve funds per OAR 410-141-3350(A). The restricted reserves must be in place before terminating the Applicant's current MCO contract to beginning operations as a CCO (restricted reserves previously held by an MCO may, with consent of OHA, be transferred to the CCO), and**

E.2.2.b. Applicant shall maintain, at all times, a level of net worth, per OAR 410-141-3350 (B) and (C). If the Applicant has a net worth less than the calculated minimum requirement, the Applicant's net worth must be increased to an amount greater than or equal to the minimum requirement prior to the award of a Contract under this RFA.

E.2.2.c. An Applicant must also have sufficient working capital above the minimum, as required by OAR 410-141-3350(D), in order to maintain the minimum net worth requirement at all times.

Required Response

E.2.2.d. Provide current financial statements of the Applicant entity that demonstrates that the Applicant currently possess funds equal to the financial solvency minimum standard. The financial statements should be prepared using Statutory Accounting Procedures as described in OAR 410-141-3340(6) using the format set forth in Table E-1: Pro Forma Projections for the First Five Years. In addition, provide the most recent audited financial statements of the Applicant entity, if available (GAAP basis is acceptable). If capitalization of the Applicant has not yet occurred, please describe when start-up capitalization will occur and prepare the required financial statements

on a "pro forma" basis, using Table E-1: Pro Forma Projections for the First Five Years. Additionally, provide contractual verification of all owners of entity, stipulating the degree to which each owner's resources are available to cover the entity's developmental costs and potential operational losses. If any other entity (such as an Affiliate, a state or local government agency, or a reinsurer, but not including contracting providers) will guarantee the CCO's ultimate financial risk, in full or in part, please furnish a copy of the guarantee documents.

E.2.2.e. Provide a developmental budget delineating all expenses prior to beginning operation using Table E-2: Monthly Developmental Budget.

If the resources required to develop the CCO business are less than 10% of the applying entity's current net worth, you may provide written assurances that current operating funds will be sufficient to cover the developmental expenses.

E.2.2.f. Provide an operational budget covering the initial two years of operation using Table E-3: Monthly Operational Budget as a model.

The budget should factor in projected utilization levels by key categories of service, and projected expenditures reflecting ~~HST~~ **Health Systems Transformation** responsibilities required by HB 3650 and any alternative payment methodologies implemented. A separate worksheet presenting this detail may be used, but the financial results should be included in the operational budget.

If the resources required to fund provision of services are anticipated to be less than or equal to a 10% increase of the Applicant's current health services expenses, you may provide written assurances that your current operating funds will be sufficient to cover the increase in operating expenses. Be sure to examine the per Member per month increase difference between the transformation/Demonstration/Members and your current MCO Members (if any).

E.2.2.g. Provide a monthly staffing plan for the last three months of the CCO developmental or planning budget and the initial three years of the CCO operational budget using Attachment 8, Table E-4: Monthly Staffing Plan as a model. Express the staffing requirements in Full-Time-Equivalents (FTEs).

If the staffing resources required to provide services to Members are anticipated to be less than or equal to a 10% increase of current staffing, you may furnish written assurances that your current staffing level will be sufficient to cover providing services to the anticipated increase in Members and effectively administering the CCO.

E.2.2.h. Provide pro forma balance sheet, income statement (p&l) and cash flow schedules reflecting anticipated assets, capital, revenue, expense, and cash flow using Table E-1: Pro Forma Projections for the First Five Years. The pro forma financial statements should reflect corporate-wide activity. Pro forma financial statements should be prepared using Statutory Accounting Principles. The amounts and expenses included in the monthly staffing budgets from ~~D~~**E**.2.1.g above should be included in and reconcile to the projected pro forma financial statements. The pro forma projections are to include projection of risk-based capital as calculated using the NAIC risk-based capital forecasting package. Provide an analysis of the capital requirements to cover the expenses of developing and operating the start-up entity or expansion, and the first five years of operations, including documentation of capital sources. This analysis should supplement the pro forma financial statements to form an overall account of the projected required capital for the CCO's development and first five years of operation

E.2.3. Measurement Standard (Applies to Existing and Newly Formed Insurers)

Demonstration of financial solvency is satisfied if the Applicant CCO possesses an Oregon Certificate of Authority issued by DCBS with the authorization class of health or health care services.

Required Response

E.2.3.a. The certificate of authority must be issued to the corporate Legal Entity that is applying for the CCO Contract. Provide a copy of the certificate of authority issued by DCBS. Provide the insurer's NAIC code and if a member of a holding company system, the name of the holding company system and the NAIC group number. OHA and DCBS will utilize the insurer's most recent financial statements on file with DCBS to verify financial condition for purposes of the Application process.

E.2.3.b. Provide quarterly developmental budget delineating any additional expenses the insurer will incur to fulfill its obligations as a CCO. See required response E.2.**2**~~1~~.e above for instructions.

E.2.3.c. Provide quarterly operational expenses the insurer will incur to fulfill its obligations as a CCO. See required response E.2.**2**~~1~~.f above for instructions.

E.2.3.d. Provide monthly staffing plan related to fulfillment of the insurer's CCO operations. See required response E.2.**2**~~1~~.g above for instructions.

E.2.3.e. Provide pro forma financial statements as outlined in E.2.**2**~~1~~.h above. The pro forma financial statements should reflect corporate-wide activity.

Section 3 - Demonstration of Ability to Achieve the Financial Goals

E.3.1. General Questions Relating to Financial Management

E.3.1.a. Describe how the Applicant uses best practices in the management of finances, contracts, claims processing, payment functions and provider network administration.

E.3.1.b. Provide information relating to assets and financial and risk management capabilities, including:

- Access to capital and ability to generate capital growth to fulfill restricted reserve and net worth requirements;
- Risk management measures;
- Delegated risk; risk sharing arrangements. Provide copy of risk-sharing contract, or term sheets for such arrangements. Describe the extent to which these arrangements reduce the risk borne by the CCO;
- Reinsurance and stop loss. Provide a copy of the reinsurance policy or terms sheet. Describe the extent to which the reinsurance or stop loss policy will reduce the risk borne by the CCO; and
- Development of adequate Incurred but not Reported (IBNR) and unpaid claims reserves given the CCOs expected Enrollment level and its mix of covered lives/rate category. This actuarial determination should reflect health systems responsibilities required by HB 3650 as well as the effects of alternative payment methodologies implemented by the CCO in its

payments to hospitals, physician groups, or other providers and risk-sharing arrangements:

- Claims payment,
- Participation in the All Payer All Claims reporting program,
- Internal auditing and financial performance monitoring, and
- Administrative cost allocation across books of business (including Medicaid, Medicare, and commercial). Describe in detail any cost allocation arrangements with Affiliates.

ATTACHMENT 2

APPENDIX F – Global Budget Questionnaire

This Appendix consists of the following sections and tables (table are in a separate document):

Section 1: General Questions on Global Budgeting
Section 2: Coordinated Care Organization (CCO) Cost Estimate Procedures
Table F-1: Medicaid Program and Services for Inclusion in the CCO Global Budget
Table F-2: Estimated Costs and Capitation Rates spreadsheet

For background and further information, see Chapter 6 of the CCO Implementation Proposal, "Global Budget Methodology." See Appendix E for information regarding the three-way contracts with CMS for blended Medicare and Medicaid funding for dually eligible individuals and the timeline on which that process will proceed.

1. Global Budget Methodology

CCO global budgets are designed to cover the broadest range of funded services for the most beneficiaries possible. **At the outset of CCO implementation, all services currently provided by FCHPs, MHOs and, if applicable, DCOs are included. Over time, global budgets will**~~The construction of global budgets start with the assumption that all Medicaid funding associated with a CCO's enrolled population is included. Global budgets~~ include services that are currently provided ~~under Medicaid managed care in addition to Medicaid programs and services that have been provided~~ outside of the managed care system. **Additionally, OHA is pursuing a CMS demonstration that would allow CCO global budgets to include Medicare funding to blend with their Medicaid funding to care for individuals eligible for both programs. After the development of an initial baseline of quality and outcome data, OHA will develop a quality incentive component to the global budget methodology to reward CCOs for improved health care outcomes and controlling costs.** This inclusive approach enables CCOs to fully integrate and coordinate services and achieve economies of scale and scope. The global budget approach also allows CCOs maximum flexibility to dedicate resources towards the most efficient forms of care.

As funding allows, quality incentives will be incorporated into the global budget methodology to reward CCOs for improving health outcomes in order to increasingly pay for quality of care rather than quantity of care.

The overall global budget strategy will hold CCOs accountable for costs but not enrollment growth. This strategy suggests an overall budgeting process that builds off of the current capitation rate methodology, but also includes a broader array of Medicaid services and programs. CCO global budgets **may** ~~will be~~ comprise~~d~~ of two major components: capitated and **supplemental**~~non-capitated~~. The capitated portion will include funding for all services that can be disbursed to CCOs in a prospective per Member per month payment **and on a full-risk basis**. Initially, the capitated portion

should include all services currently provided by physical health, behavioral health, and, by 2014 if not before, DCOs. The **supplemental** ~~non-capitated~~ portion of the global budget calculation **may** ~~will~~ be **used to transition into CCO Covered Services additional** ~~for~~ programs and services that are currently provided outside of managed care. **These additional programs or services may also be paid for on a capitated but partial risk basis before transitioning to traditional full-risk capitation** ~~The CCO will receive payment and be accountable for the provision of those services~~.

2. Populations Included in Global Budget Calculations

With very few exceptions, all Medicaid populations in Oregon are to be enrolled in CCOs and paid under the global budget methodology. OHA will enroll as many of the remaining eligible individuals (who are currently in fee-for-service) into a CCO as possible, with the exception of those specifically exempted by federal or State law.

3. Service/Program Inclusion and Alignment

One of the primary goals of the global budget concept is to allow CCOs flexibility to invest in care that may decrease costs and achieve better and more equitable outcomes. The more programs, services and funding streams that are included in CCO global budgets, the more flexibility and room for innovation exists for CCOs to provide comprehensive, culturally and linguistically appropriate, person-centered care. In addition, leaving necessary care outside of the global budget creates conflicting incentives where the action of payers outside of the CCO, who have little reason to contribute to CCO efficiencies, may have undue impact on costs and outcomes within the CCO.

~~With respect to the remaining 13 percent of non-LTC Medicaid expenditures, exceptions to service or program inclusion in the global budgets should be minimal. However, consideration could be given to Applicant requests to postpone inclusion of one or more services or programs on the grounds that their inclusion would negatively impact health outcomes by reducing available funding, access or quality.~~ CCOs are strongly encouraged to develop strategic partnerships within their community in order to successfully manage comprehensive global budgets.

At the outset of CCO implementation, CCOs may choose whether to provide specific programs or services, and thus whether these services would be paid through global budgets. These services include

- **dental care currently provided by DCOs, which must be included by July 1, 2014**
- **residential chemical dependency treatment, which must be included by July 1, 2013**
- **other services listed as optional in Table F-1.**

In the case of services that are ~~postponed or~~ excluded from CCO global budgets, it is anticipated that Applicants will enter into shared accountability arrangements for the cost

and health outcomes of these services in order to ensure that incentives are aligned in a manner that facilitates optimal coordination. Mental health drugs and DHS Medicaid-funded LTC services are excluded from CCO global budgets. As described in the Accountability questionnaire, these and other exclusions from CCO global budgets weaken incentives for coordinated care, which must be addressed.

4. ~~Global Budget Development~~

~~The overall global budget strategy will hold Contractor accountable for costs but not Enrollment growth. This strategy suggests an overall budgeting process that builds off of the current capitation rate methodology, but also includes a broader array of Medicaid services and/or programs. Contractor's 1st year global budgets will include two Medicaid components:~~

- ~~A capitated portion that includes the per Member per month payments for services currently provided through the OHP physical health plans, MHOs and, if included, DCOs; and~~
- ~~An add-on component to the capitated portion for the remaining Medicaid services or programs not currently included in Capitation Payments.~~

~~After the development of an initial baseline of quality and outcome data, OHA will develop a quality incentive component to the global budget methodology to reward Contractor for improved health care outcomes and Controlling costs.~~

~~5.~~ Capitated Portion of the Global Budget Methodology

At least initially, the capitated portion CCO capitation rate setting would combine the information provided by Applicants with a method similar to the lowest cost estimate approach OHA took in setting rates for the first year of the 2011-13 biennium. This approach provides a key role for Applicants in determining appropriate rates and potential efficiencies that can be realized under a transformed delivery system tailored to meet the needs of the community it serves.

More specifically, in order to establish rates, OHA will gather estimated costs that utilize the most reliable cost data from Applicants in order to produce a base cost while addressing actuarial soundness, CCO viability, and access to appropriate care. This cost data will indicate the lowest rate an Applicant can accept in its "base region," based on current population, geographic coverage and Benefit Package (the "CCO Base Cost Template" referenced above). OHA will use the CCO Base Cost Template as the foundation for the Contractor's capitation rates. If Applicant proposes to operate in geographic areas where it has have little or no experience, state actuaries will use a population-based risk adjustment methodology based on the currently used Chronic Illness and Disability Payment System (CDPS), to develop the rates in these new areas.

It is anticipated that initial CCO global budget amounts be established **through calendar year 2013**~~for one year~~, but that stakeholders and OHA will explore the possibility of

establishing global budgets that could be enacted on a biennial or multi-year basis thereafter. For subsequent years, stakeholders have indicated support for continuing to adjust payments to CCOs based on Member risk profiles under the current CDPS process. ~~Stakeholders have encouraged OHA to investigate the possibility of including pharmacy data and expanded demographic data into CDPS.~~

Applicants will submit base costs to OHA on the schedule shown in Table F-2. OHA's Actuarial Services Unit will be available for technical assistance and work closely with Applicants to help them prepare and submit their base cost estimates. ~~If a potential CCO declines to provide a base cost template, OHPB does not recommend certifying a capitation rate for the CCO or issuing the CCO a contract.~~

The Applicant's submitted rates will be reviewed by OHA's actuary and assessed for reasonableness based on documentation that the Applicant is capable of:

- Attaining identified efficiencies without endangering its financial solvency;
- Providing adequate access to services for its enrollees; and
- Meet**ing** all necessary federal standards, including but not limited to explanatory notes detailing planned actions, such as initiatives to increase efficiency.

OHA's Actuary will assess actuarial soundness at the CCO and area level, and will confer with the Applicant regarding any questions or issues that need to be resolved. Additional calculations may be required to ensure that CCO rates in aggregate meet the 2011-13 legislatively approved budget.

5~~6~~. ~~Non-capitated or~~ "~~s~~**S**upplemental" portion of the Global Budget Methodology

~~As previously stated, the OHPB recommended approach to global budgets starts with the assumption that all Medicaid funding associated with a CCO's enrolled population is included.~~ The **supplemental**~~non-capitated~~ portion of the global budget calculation will encompass programs and services that are currently provided outside of managed care. ~~The CCO will now receive payment and be accountable for the provision of those services.~~

Given that~~However,~~ it may not be feasible or optimal to initially wrap all Medicaid services that have been traditionally outside of managed care capitation into a per Member per month payment calculation. This may be the case when communities provide the state matching funds for certain Medicaid services. New financing arrangements between the state, Contractor, and county will be needed to ensure the ability to match local funds is not compromised. In other cases, there may not be adequate experience to comfortably base a per Member per month calculation, at least initially. **In these instances, supplemental payments may be made on a fee-for-service basis or through a partial-risk arrangement (e.g., risk corridor based on anticipated costs).**

As ~~the~~ CCO**s** develop~~s~~ and more experience is gained with the global budget, the breadth

of funding incorporated into the capitated portion of the global budgets may expand.

6~~7~~. Quality Incentive Payments

CCO global budget payments will be connected to quality metrics for both clinical processes and health outcomes. An incentive structure will be developed during ~~in~~ the first year of CCO operation **in conjunction with**~~by~~ the Metric and Scoring Committee. During the first year of operation, metrics will be utilized to ensure adequate CCO performance for all programs or funding streams in the global budget and to create a data baseline. After the initial period, metrics will be used to determine exceptional performers who would qualify for incentive rewards. Incentive design will include shared savings approaches that do not penalize CCOs for successfully lowering costs.

Section 1 - General Questions Regarding Global Budgeting

F.1.1. Applicant must describe its demonstrated experience and capacity for operating within a fixed global budget.

F.1.2. Can the Applicant provide, on a full risk basis, all services currently provided by Medicaid physical health, mental health, and, by 2014 if not before, dental care MCO?

F.1.3. Will the Applicant have the necessary relationships, processes and systems in place to be able to provide the non-emergent medical transportation benefit to Members by January 1, 2013?

F.1.4. When does the Applicant anticipate providing Dental Services on a full risk contract?

F.1.5. Can the Applicant provide, under full risk contract, all programs and services outlined in Attachment 8, Table F-1 **for inclusion in global budgets as of the requested Medicaid effective date**?

F.1.6. Which **of the optional** programs and services **outlined in Table F-1 for inclusion in global budgets as of the requested Medicaid effective date** can the Applicant provide**, if any** ~~in Attachment 8, Table F-1~~?

F.1.7. What flexibility and room for innovation will Applicant need in order to invest in care that may decrease costs and achieve better outcomes?

F.1.8. Does Applicant anticipate the need to subcontract a portion of the health care delivery system? If so, please describe.

F.1.9. Please submit lowest cost estimates, following the instructions and with a completed Base Cost Template in Attachment 8, Table F-2 using internal cost data that is representative of a minimum base population, for 1st year global budgets to include: Per Member per month payments for services currently provided through the OHP physical health plans, MHOs and, if included, DCOs.

Section 2 - Coordinated Care Organization (CCO) Cost Estimate Procedures

The CCO Cost Estimate Template is attached to the RFA as Table F-2. This Template will allow the Applicants to begin development of their 2012-13 Contract Year Base Cost Estimate. Using their existing data Applicants will complete the template for their base cost areas. This Base Cost Template will be used to develop the basis of the CCO Capitation Rate. Using a risk adjustment methodology, OHA Actuarial Services Unit (ASU) will adjust the base cost for the expansion areas and expansion populations. Then using Applicant's submitted costs and encounter data, ASU will calculate adjustments for certain select services such as Maternity Case Rates that will be used to develop a comprehensive CCO Capitation Rate. The Applicants will then have an opportunity to review these rates and methodologies as part of the Contract negotiation process.

The RFA requires Applicants to submit letters of intent that stipulate the areas that they wish to cover and their expected enrolled capacity. Once the letter of intent is submitted, ASU encourages Applicants to submit Steps 1-3 in the Cost Template. These steps comprise the basic cost and enrollment functions of the template, and completion of these sections will allow ASU to update the CCO Templates with Applicant specific expansion area and population risk adjustment profiles. In the event that multiple CCO's apply for the same service area, a standard algorithm will be applied to estimate an appropriate division of the enrollable population. This may or may not reflect the final approved population; however, this will allow OHA and the Applicant to make general assumptions about the associated risk of the population in question.

Once the CCO Templates are updated, ASU will return the Templates to the Applicant within 5 working days so the Applicant may continue the RFA Application Process. Starting the first week in April and continuing through the financial Application deadline ASU will host weekly technical meetings open to all Applicants to provide technical assistance and answer questions. All questions and responses will be posted to the RFA Website and available to all Applicants. Upon request and subject to staff availability ASU will also schedule and conduct one on one technical assistance meetings with potential Applicants. All questions and responses that do not divulge proprietary information will be part of the RFA process and posted accordingly.

Attachment 3
Table F-2: Estimated Costs and Capitation Rates spreadsheet
(Separate Document)