Schedule 13

Funding Request for the FY 2017-18 Budget Cycle

Department of Health Care Policy and Financing

Request Title

R-11 Vendor Transitions

Dept. Approval By: Josh Block 11/1/16

OSPB Approval By: 10/28/16

___ Supplemental FY 2016-17

X Change Request FY 2017-18

___ Budget Amendment FY 2017-18

Summary Information	Fund	FY 2016-17 Initial Appropriation	FY 2016-17 Supplemental Request	FY 2017-18 Base Request	FY 2017-18 Change Request	FY 2018-19 Continuation
Total of All Line Items Impacted by Change Request	Total	$6,853,876,662	$0	$6,788,779,370	$2,598,458	$0
	FTE	400.3	0.0	400.6	0.0	0.0
	GF	$1,955,207,891	$0	$1,957,977,876	$929,629	$0
	CF	$709,039,078	$0	$682,114,901	$369,600	$0
	RF	$6,805,694	$0	$6,806,592	$0	$0
	FF	$4,182,823,999	$0	$4,141,880,001	$1,299,229	$0

Line Item Information	Fund	FY 2016-17 Initial Appropriation	FY 2016-17 Supplemental Request	FY 2017-18 Base Request	FY 2017-18 Change Request	FY 2018-19 Continuation
01. Executive Director's Office, (A) General Administration - Personal Services	Total	$29,707,221	$0	$29,750,823	$26,448	$0
	FTE	400.3	0.0	400.6	0.0	0.0
	GF	$10,211,448	$0	$10,339,935	$13,224	$0
	CF	$2,994,337	$0	$2,946,007	$0	$0
	RF	$1,564,801	$0	$1,565,699	$0	$0
	FF	$14,936,635	$0	$14,899,182	$13,224	$0
01. Executive Director's Office, (D) Eligibility Determinations and Client Services - Customer Outreach	Total	$5,904,846	$0	$6,135,435	$472,010	$0
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	$2,556,675	$0	$2,637,660	$236,005	$0
	CF	$336,621	$0	$336,621	$0	$0
	RF	$0	$0	$0	$0	$0
	FF	$3,011,550	$0	$3,161,154	$236,005	$0

	Total	**$6,818,264,595**	**$0**	**$6,752,893,112**	**$2,100,000**	**$0**
	FTE	0.0	0.0	0.0	0.0	0.0
02. Medical Services Premiums - Medical and LT Care Services for Medicaid Eligible Indvdls	GF	$1,942,439,768	$0	$1,945,000,281	$680,400	$0
	CF	$705,708,120	$0	$678,832,273	$369,600	$0
	RF	$5,240,893	$0	$5,240,893	$0	$0
	FF	$4,164,875,814	$0	$4,123,819,665	$1,050,000	$0

CF Letternote Text Revision Required?	Yes X	No ____	**If Yes, see attached fund source detail.**
RF Letternote Text Revision Required?	Yes ____	No X	
FF Letternote Text Revision Required?	Yes ____	No X	
Requires Legislation?	Yes ____	No X	
Type of Request?	Department of Health Care Policy and Financing Prioritized Request		
Interagency Approval or Related Schedule 13s: None			

Cost and FTE

- The Department requests $2,598,458 total funds, including $929,629 General Fund, $369,600 cash funds, and $1,299,229 federal funds in FY 2017-18 for vendor transition costs due to the required reprocurement of contractor-delivered services, including contracts for the Accountable Care Collaborative, the enrollment broker, and the Medicaid managed care ombudsman services.

Current Program

- The Accountable Care Collaborative (ACC) Program promotes improved health for members by delivering care in an increasing seamless way. It is easier for members and providers to navigate and makes smarter use of every dollar spent. The program has demonstrated a net return on investment while simultaneously improving health outcomes. Seven Regional Care Collaborative Organizations (RCCOs) provide management of primary care medical providers for Medicaid.
- Five regional Behavioral Health Organizations (BHOs) are managed care entities that provide comprehensive behavioral health services to Medicaid members in Colorado.
- The enrollment broker, an independent facilitator, conducts a variety of activities to assist eligible Medicaid clients choose available health plan options and providers, as well as providing notices required by the Centers for Medicare and Medicaid Services (CMS).
- The Medicaid managed care Ombudsman provides advocacy and assistance to members who are experiencing difficulty with their health plans.

Problem or Opportunity

- The Department lacks sufficient resources to carry out key functions to successfully transition services to new vendors due to the reprocurement of the ACC providers, the enrollment broker, and the Medicaid managed care ombudsman contracts. Services could be seriously delayed or disrupted without significant coordinated efforts to transition administrative duties from one vendor to another.

Consequences of the Problem

- If this request is not approved, members may experience delayed or absent services, longer processing periods, or be forced to resubmit data, leading to poorer outcomes and higher costs. In some cases, it may violate federal law (e.g. 42 CFR § 438.206) if covered services are not available and accessible to enrollees.

Proposed Solution

- The Department requests one-time funding to allow for transitional overlap between vendors to avoid negative impacts on enrollment and service delivery for Medicaid enrollees. The Department will return the funding if it is determined that is not needed for the transition.
- Vendors would be required to submit a transition plan as part of the competitive bidding process.
- The incoming vendors would be able to transition into the contractual obligations with assistance from the outgoing vendors, with minimal or no impact on members and service delivery.

Department Priority: ***R-11***
Request Detail: ***Vendor Transitions***

Summary of Incremental Funding Change for FY 2017-18	Total Funds	General Fund
Vendor Transitions	$2,598,458	$929,629

Problem or Opportunity:

The Department does not have sufficient resources to successfully transition vendor services resulting from the reprocurement of the contracts for the Accountable Care Collaborative (ACC), the enrollment broker, and the Medicaid managed care ombudsman programs to assure that the vendor transition does not negatively affect enrollment and service delivery for Medicaid members. It has been the Department's recent experience that failing to provide a transition period has resulted in disruption of services and additional expenses incurred by the State. One example of a transition that did not include transition funding was the Department's non-emergent medical transportation broker in January 2013. As a result, individuals enrolled in Medicaid were unable to arrange for transportation, creating a barrier to access health care services. A seamless transition between vendors is critical to ensure services to Medicaid members are not affected. As such, the Department anticipates transition funding is needed to ensure service delivery is not impacted.

Accountable Care Collaborative Phase II

In 2009, the General Assembly approved a budget action authorizing the Medicaid Value-Based Care Coordination Initiative, now known as the Accountable Care Collaborative (ACC) Program. Contracts for the Regional Care Collaborative Organizations (RCCOs), which are central to the ongoing operations of the program, are set to expire June 30, 2018. The Department is committed to creating a high-performing health care delivery system that is cost-effective, delivers quality services, and improves member health; the current bifurcated system of care results in lack of responsibility for whole person care.

The new procurement of the ACC vendor contracts presents an important opportunity to make significant improvements in the Medicaid delivery system by increasing accountability for whole-person care. The Department will implement an integrated approach to the management of both physical and behavioral health services. In the ACC Phase II, the Department will no longer have separate systems responsible for physical health and behavioral health. As of July 1, 2018, one entity in each of seven regions, the Regional Accountability Entity (RAE), will be responsible for duties currently performed by the RCCOs and BHOs in their region. This major system change is a complex undertaking which will require the RAE to provide administrative oversight of the delivery of physical health services, pay for and deliver behavioral health

services under a capitated payment, and ensure coordination of whole-person care for members. The RAE contract will shape the future of the Medicaid delivery system in Colorado; therefore, a successful reprocurement incorporating program elements that improve member experience and drive future quality outcomes and cost efficiencies in the Medicaid program is critically important. However, the Department lacks sufficient resources to carry out key functions that would ensure a successful procurement process that moves the ACC program forward. Specifically, the Department has identified that additional resources are needed to support the vendor transition. Member services are at risk of being seriously delayed or disrupted without significant coordinated efforts to transition administrative duties from one vendor system to the other. An overlap in contract periods between the RCCO/BHO vendors and the RAE vendors will afford the new vendors the opportunity to establish, test, and implement essential administrative functions to support the new system of care while the current vendors provide a critical safety net of services to assure that no gap or disruption in services to members is experienced. Without additional support through the vendor transition process, progress already achieved under the ACC and BHO program could be jeopardized, both in terms of cost efficiencies and member outcomes.

Enrollment Broker Contract

The enrollment broker is an independent facilitator that serves as a link between the managed care delivery system and Medicaid enrollees. Enrollment broker services include member outreach and education; developing, translating, producing and sending informational and enrollment materials; processing member enrollments and disenrollments; operating a customer contact center; maintaining systems and system interfaces; and reporting on activities. The contract reprocurement would occur in FY 2016-17, with a new contract becoming effective January 1, 2018 and operations beginning March 1, 2018.

Much of the enrollment broker's work is dependent upon the new Medicaid Management Information System (MMIS), which would include extracting information on a regular basis to build lists of eligible Medicaid enrollees and maintaining a database. The new contractor would need time to build, implement, and test an interface that would communicate with the Department's MMIS before beginning operations. The new MMIS would provide access to a larger quantity of data and analytics; streamline processes to make the Department more efficient; and reduce the potential for fraud, waste, and abuse. Therefore, establishing the interface with the new system is a vital step in the transition and is anticipated to benefit the work done by the enrollment broker to a much greater degree than the current system.

Medicaid Managed Care Ombudsman

The Ombudsman for Medicaid managed care assists BHO and RCCO members with a grievance, appeal or other issue related to their mental and medical health care. The Ombudsman is independent from all of the health care plans. When a person has a problem or concern, the Ombudsman works with both the person and the provider to find a solution that works for everyone; responds to and resolves complaints; and makes referrals to other agencies, such as state health insurance programs, assistant programs, and programs providing legal aid. The contract would be reprocured during FY 2016-17, with a new contract effective July 1, 2017 and operations beginning September 1, 2017. It is important for the current vendor to complete the work they started with current issues where possible, while the new vendor trains and takes on new cases to effectively transition the responsibilities of the Ombudsman. However, there are not sufficient funds within

the current appropriation for a two-month overlap of contracts of the incumbent and new vendor to facilitate a smooth transition.

Poor handling of vendor transitions could have severe consequences, such as major disruptions for members and providers. Without sufficient transition funding, the Department cannot assure a seamless transition between vendors, which is critical to ensure services to Medicaid members are not negatively affected. As such, the Department anticipates transition funding is needed to ensure service delivery is not impacted.

Proposed Solution:

The Department requests one-time funding for $2,598,458 total funds, comprised of $929,629 General Fund, $369,600 cash funds, and $1,299,229 federal funds in FY 2017-18 for costs associated with the vendor transitions due to contract reprocurement of the ACC, enrollment broker, and Medicaid managed care ombudsman program.

As a best practice to maintain a seamless transition for Medicaid members, the Department would need to overlap contract periods, as the outgoing vendor closes out its work and the incoming vendor ramps up. The overlap in vendor contracts would aid the current and incoming vendors in completing key transition functions before the new vendor begins service provision, so that members do not experience disruptions in care. Transition planning would be a factor in the Request for Proposals (RFPs) for new vendors and would be included in the contracts as applicable. The Department experienced recent success with similar transition funding awarded for the transition of the northeast BHO region. Funding was provided for the BHO transition tasks related to customer service and outreach. The Department did not experience any significant issues related to the BHO transition and attributes much of the success to the proactive approach taken with the approved funding.

If the request is not approved, delays and disruptions in services could lead to poorer and unacceptable outcomes for members and higher costs for the State. Specifically, the vendors may not have the financial capacity to complete key tasks associated with the transition process prior to the handoff of responsibility for service provision. A seamless transition of the programs between vendors would be improbable should the Department not be able to provide for an overlapping transition period due to lack of funding.

Accountable Care Collaborative Phase II

The vendor transition functions that will occur during the transition period include knowledge transfer between vendors; establishing infrastructure for data collection and exchanges, billing and reimbursement; testing of system compatibility; demonstration of adherence to security protocols; hiring and training new staff; development and distribution of materials; member and provider notifications and education; and setup of provider agreements and networks.

All prospective vendors will be required to submit a transition plan in their proposal addressing their specific need. The vendor proposals will include their estimated administrative costs related to the transition activities they anticipate performing. The new vendor will be responsible for leading, coordinating, and implementing the transition plan, with assistance from the Department. The goal is for the new vendor to demonstrate to

the Department, prior to handover of service provision, that operations are ready to begin and services can be rendered.

Enrollment Broker

While the new vendor prepares for operations between January 1, 2018 and February 28, 2018, the outgoing vendor would continue providing outreach and education; developing, translating, producing and sending informational and enrollment materials; processing member enrollments and disenrollments; operating a customer contact center; maintaining systems and system interfaces; and reporting on activities. The new vendor would receive transfer information from the current vendor; develop, implement, and test the infrastructure for data collection and exchanges with the MMIS; test system compatibilities against the MMIS for encounter submissions and enrollment and disenrollment capabilities; test system capabilities with e-mail, instant messaging, and texting platforms; coordinate systems for billing and reimbursement purposes; set up facilities and a customer contact center; hire and train new staff; create a business continuity plan; create a communications plan; demonstrate adherence to security protocols and HIPAA compliance; develop policies and procedures for all systems and functions necessary to administer the contract effectively and that align with state requirements; and, develop, design and produce member materials. Allowing for the completion of these activities prior to service provision is critical before the incoming vendor begins full operations approximately March 1, 2018.

Medicaid Managed Care Ombudsman

The Department anticipates the transition between the new vendor and the outgoing vendor to be complete between July 1, 2017 and August 31, 2017. The process would be gradual with the new vendor taking on more of the workload in a systematic progression. There would be a great amount of knowledge transfer during this period as the incumbent vendor transitions functions of the Ombudsman to the new vendor. The outgoing vendor would complete work current issues while the new vendor trains and takes on the new cases. The new vendor would begin full operations September 1, 2017.

Anticipated Outcomes:

The request is in line with the Department's mission of improving health care access and outcomes for the people served by the Department while demonstrating sound stewardship of financial resources. By mitigating disruptions in services between outgoing and incoming vendors, the Department is ensuring those who are eligible for Medicaid have access to needed services, which ultimately leads to better health outcomes and reduced medical costs.

The Department's intent is to ensure the readiness of the new vendors to assume responsibilities of the three programs included in the request through a coordinated vendor transition period. If the request were funded, the incoming vendors would be able to transition into their contractual obligations with assistance from the Department and in cooperation and collaboration with the outgoing vendor. This would allow for optimal health care and outcomes for the members to be maintained during the transition period. Providing resources for early preparation, adequate education and training, and proper testing of new systems while the current vendors are continuing services would mitigate potential problems during the transition.

Diminishing interruptions between outgoing BHO and RCCO vendors and the incoming RAE vendors will minimize the delays and disruption in services that Medicaid members may experience, leading to greater health outcomes.

Assumptions and Calculations:

Detailed calculations for this request are included in the attached addendum. The total incremental request of $2,598,458 is shown on table 1.1.

The Department assumes that funding is needed to facilitate an effective and efficient transition between vendors resulting from the reprocurement of contracts for the ACC Phase II, enrollment broker, and Medicaid managed care ombudsman contracts. The funding is critical to assure that new vendors are able to be fully operational when handoff and acceptance of the program occurs. The Department will return any funding that is not needed for the transition due to the reprocurement of these contracts. A summary of the incremental request by line item is found on table 1.1 and by component on tables 2.1, 2.2 and 2.3.

Accountable Care Collaborative Phase II Transition

The incremental request of $2,100,000 ($680,400 General Fund) for this component is shown on table 2.3. The Department assumes that the new RAE vendors will need a five-month transition period because of the complexity of the transition from the current bifurcated physical and behavioral health care system with the BHOs and RCCOs to an integrated system under the new RAEs. The Department has determined that there will be seven regions and one RAE per region under the ACC Phase II integration. The Department has estimated that an average of $300,000 per RAE may be needed in FY 2017-18 to effectively transition to the new RAE system (see table 3). In FY 2013-14, the Department was awarded $200,000 per BHO for transition tasks, which proved instrumental to the success of setting up necessary infrastructure in order to become a fully functioning BHO by the contract start-up date. The Department is anticipating that transition functions will be much more complex with the integration of the RCCO and BHO contracts into one RAE contract per region. Therefore, the Department is estimating that the $300,000 per region proposed in this request would adequately support this complex transition. The vendors will be required, as part of the request for proposals process, to identify the resources they need to adequately assume service delivery responsibilities. The percentage of the Hospital Provider Fee Cash Funds attributed to this request is based on the Department's FY 2017-18 caseload projections.

Enrollment Broker Transition

The incremental request of $472,010 ($236,005 General Fund) for this component is shown on table 2.2. The Department assumes that the new enrollment broker vendor would need a two-month period to complete startup activities needed for a smooth transition. Using the FY 2016-17 contract expenditure estimates for base operating functions, the Department has determined in table 4, the average monthly cost and multiplied this amount by two months to estimate the costs of maintaining the current vendor an additional two months until handover and acceptance of the program by the new vendor at the end of the transition period could be achieved. The vendors will be required, as part of the request for proposals process, to identify the resources they need to adequately assume service delivery responsibilities.

Medicaid Managed Care Ombudsman Transition

The incremental request of $26,448 ($13,224 General Fund) for this component, shown on table 2.1. The Department assumes that the new Medicaid managed care ombudsman vendor would need a two-month transition period. The Department proposes to extend the current vendors' contract an additional two months so that the current vendor could continue service provision during this transition period. In table 5, the Department has determined the average monthly cost by using FY 2016-17 projected monthly expenditures multiplied by two months to determine the total cost of maintaining the current vendor an additional two months in FY 2017-18 until the new vendor is prepared to fully assume responsibilities of the program.

Table 1.1
FY 2017-18 Summary by Line Item

Row	Line Item	Total Funds	FTE	General Fund	General Fund Exempt	Cash Funds	Reappropriated Funding	Federal Funds	Source
(1) Executive Director's Office; (A) General Administration; Personal Services									
A	FY 2017-18 Base Request	$29,750,823	400.6	$10,339,935	$0	$2,946,007	$1,565,699	$14,899,182	Nov. 1, 2016 Base Request
B	FY 2017-18 Estimated Expenditures	$29,777,271	0.0	$10,353,159	$0	$2,946,007	$1,565,699	$14,912,406	Row A + Table 2.1 Row A
C	**Incremental Change**	**$26,448**	**400.6**	**$13,224**	**$0**	**$0**	**$0**	**$13,224**	**Row B - Row A**
(1) Executive Director's Office; (D) Eligibility Determination and Client Services; Customer Outreach									
D	FY 2017-18 Base Request	$6,135,435	0.0	$2,637,660	$0	$336,621	$0	$3,161,154	Nov. 1, 2016 Base Request
E	Projected FY 2017-18 Expenditures	$6,607,445	0.0	$2,873,665	$0	$336,621	$0	$3,397,159	Row A + Table 2.2 Row A
F	**Incremental Change**	**$472,010**	**0.0**	**$236,005**	**$0**	**$0**	**$0**	**$236,005**	**Row E - Row D**
(2) Medical Services Premiums; Medical and Long-Term Care Services for Medicaid Eligible Individuals									
G	FY 2017-18 Base Request	$6,752,893,112	0.0	$1,945,000,281	$0	$678,832,273	$5,240,893	$4,123,819,665	Nov. 1, 2016 Base Request
H	Projected FY 2017-18 Expenditures	$6,754,993,112	0.0	$1,945,680,681	$0	$679,201,873	$5,240,893	$4,124,869,665	Row A + Table 2.3 Row A
I	**Incremental Change**	**$2,100,000**	**0.0**	**$680,400**	**$0**	**$369,600**	**$0**	**$1,050,000**	**Row H - Row G**
J	**Total Incremental Request**	**$2,598,458**	**400.6**	**$929,629**	**$0**	**$369,600**	**$0**	**$1,299,229**	**Row C + Row F + Row I**

Table 1.2
FY 2017-18 Cash Funds Summary of Request

				FY 2017-18		
Row	**Line Item**	**Cash Fund**	**FTE**	**Spending Authority**	**Total Estimated Funding Need**	**Incremental Request**
A	(2) Medical Services Premiums; Medical and Long-Term Care Services for Medicaid Eligible Individuals	Hospital Provider Fee Cash Fund	0.0	$0	$369,600	$369,600
B	**Total Cash Funds**		**0.0**	**$0**	**$369,600**	**$369,600**

Table 2.1 Summary by Component and Fund Split
FY 2017-18 Ombudsman Vendor Transition

Row	Description	Total Funds	FTE	General Fund	Cash Fund	Federal Funds	FFP	Source
A	(1) Executive Director's Office; (A) General Administration; Personal Services	$26,448	0.0	$13,224	$0	$13,224	50.00%	Table 5 Row D

Table 2.2 Summary by Component and Fund Split
FY 2017-18 Enrollment Broker Vendor Transition

Row	Description	Total Funds	FTE	General Fund	Cash Fund	Federal Funds	FFP	Source
A	(1) Executive Director's Office; (D) Eligibility Determination and Client Services; Customer Outreach	$472,010	0.0	$236,005	$0	$236,005	50.00%	Table 4 Row D

Table 2.3 Summary by Component and Fund Split
FY 2017-18 ACC Phase II Vendor Transition

Row	Description	Total Funds	FTE	General Fund	Hospital Provider Fee Cash Fund(1)	Federal Funds	FFP	Source
A	(2) Medical Services Premiums	$2,100,000	0.0	$680,400	$369,600	$1,050,000	50.00%	Table 3 Row C

(1) The amount of Hospital Provider Fee Cash Funds is determined based on the R-1 caseload percentage share of HPF populations.

Table 3 Accountable Care Collaborative Phase II Vendor Transition Cost			
Row	**Item**	**Amount**	**Source/Calculation**
A	Number of RAE	7	The Department will contract with one RAE per each of the seven Regions under the ACC Phase 2.0.
B	Average Estimated Cost Per RAE	$300,000	Department Estimate
C	**Total Estimated Transition Cost**	**$2,100,000**	**Row A * Row B**

Table 4 Enrollment Broker Vendor Transition Cost			
Row	**Description**	**Amount**	**Source/Calculation**
A	Estimated Annual Base Operating Costs	$2,832,060	Based on FY 2016-17 Base Operating Expenses
B	Average Monthly Cost	$236,005	Row A / 12
C	Number of Transition Months	2	Department Estimate
D	**Total Estimated Transition Cost**	**$472,010**	**Row B * Row C**

Table 5 Ombudsman Vendor Transition Cost			
Row	**Item**	**Amount**	**Source/Calculation**
A	FY 2016-17 Ombudsman Base Costs	$158,688	FY 2016-17 Estimated Costs
B	Average Monthly Cost	$13,224	Row A / 12
C	Number of Transition Months	2	Department Estimate
D	**Total Estimated Transition Cost**	**$26,448**	**Row B * Row C**