



Office of the Director

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April 23, 2012

The Honorable Peter Courtney, Co-Chair
The Honorable Bruce Hanna, Co-Chair
The Honorable Arnie Roblan, Co-Chair
State Emergency Board
900 Court Street NE
H-178 State Capitol
Salem, OR 97301-4048

Re: Update on Health System Transformation and Coordinated Care Organizations

Dear Co-Chairpersons:

Nature of Request

In 2011, the Oregon Legislature created the Oregon Integrated and Coordinated Health Care System through HB 3650. The change was in response to escalating costs due in large part to an inefficient health care system. For example, research shows that about 80 percent of health care costs come from 20 percent of patients, many of whom have chronic illnesses. Without coordinated care, many of these patients end up in hospitals or acute care that could have been prevented.

Under the new system, Coordinated Care Organizations (CCO) will replace today's system of Managed Care Organizations, Mental Health Organizations, and eventually Dental Care Organizations for Medicaid/Oregon Health Plan patients. Through CCOs we can improve how care is delivered, with a focus on improved wellness and prevention and integration of behavioral and physical health care. We will move today's fragmented and inefficient health care delivery system to one that is more coordinated, more patient-centered, and more affordable for the state.

CCOs are local health entities that will deliver health care and coverage for people eligible for Oregon Health Plan, the state Medicaid program, including people

covered by both Medicare and Medicaid. CCOs will be accountable for health outcomes of the population they serve. They will have one budget that grows at a fixed rate for mental, physical and ultimately dental care. CCOs will bring forward new models of care that are patient-centered and team-focused. They will have flexibility within the budget to deliver defined outcomes. And they will be governed by a partnership between health care providers, community members, and stakeholders in the health systems that have financial responsibility and risk.

SB 1580 (2012) authorized OHA to move forward with implementing CCOs, including seeking necessary federal permission for CCO implementation. The bill also called for quarterly reports on progress. This is the first of those reports.

Agency Action

Waiver and Federal Funding Request

Since the passage of SB 1580, OHA has been busy working toward CCO implementation. Nearly every week has included a combination of webinars and informational meetings, various stakeholder and community meetings, and public comment periods on the major steps toward implementing CCOs.

On March 1, the federal waiver request was submitted to the Center for Medicare and Medicaid Services (CMS). The waiver request was two fold and included:

1. A request to amend Oregon's current Medicaid waiver to allow for providing Medicaid services through CCOs; and
2. A request for a federal financial investment into the new delivery system to help with the transition to CCOs.

OHA requested that the federal government utilize the state designated health programs (DSHP) option to match state dollars used for health services which are not currently matched. The program allows unmatched state funds to receive a temporary federal match to support local innovation. The request was made for a five year period.

OHA has been in very regular, often daily, conversations with CMS regarding the requests. The conversations have been productive and positive; OHA is hoping for a decision on the federal funds before May Legislative Days and a decision on the waiver request soon after.

Medicaid-Medicare Proposal

OHA has continued to work with stakeholders and CMS on a proposal to integrate Medicaid and Medicare in CCOs for dually eligible individuals. OHA held a month long public comment period on a draft proposal and expects to submit the final proposal to CMS on May 4th. OHA received a significant amount of feedback that in order to ensure that Medicare integration is successful, organizations need more time to focus on becoming a CCO first and then integrate in Medicare. As a result, and in accordance with stakeholder feedback, OHA is proposing a target date of January 1, 2014 for Medicare integration.

Temporary Administrative Rules and Request for Applications

In March, draft temporary administrative rules for CCOs and a draft of the request for applications for CCOs were posted for public comment. Later in the month, the temporary administrative rules were filed and the formal request for applications went live. Each step has included opportunities for public comment, including a number of webinars for the public and potential applicants, written public comment periods, and statewide meetings. Hundreds of people have joined the various opportunities to learn about the application process and submit feedback. One webinar alone had more than 600 participants. Over the next few months, OHA will be convening a rules advisory committee and working on permanent rules for CCOs, which will be filed this summer.

Letters of Intent and Applications

OHA is planning four waves of CCO implementation in 2012: August 1, September 1, October 1 and November 1. Each wave has its own corresponding application timeline; however, letters of intent were due April 2nd for all organizations considering applying to be a CCO in 2012 regardless of when they intend to apply. OHA received 47 letters of intent across the state. Every part of the state has at least one organization considering applying to be a CCO. The letters are non-binding placeholders. In several areas OHA received letters from some organizations that indicated that they may be partnering with each other to submit a single application, but at this time were submitting individual letters of intent until more of the details could be worked out.

The timeline for the first wave of applications for CCOs is as follow:

April 30 Technical application due

May 14	Financial application due
May 28	Certification awards announced
August 1	Contract effective and CCO begins operation

All information regarding CCO implementation is being posted on a central website:
<http://cco.health.oregon.gov>.

Since the end of Legislative Session, OHA has hosted three webinar-based information sessions on CCO implementation with more than 1,100 participants, and five webinars specific to potential applicants with approximately 650 participants. Note, this is total participants and likely includes people who attended multiple webinars. In addition, OHA staff have attended more than 35 other public or stakeholder meetings to discuss CCO implementation. In addition, we have hosted public comment periods on the administrative rules, request for applications and draft CCO contract, and the dually eligibles demonstration project proposal. Two webinars are scheduled this week specifically for counties.

Action Requested

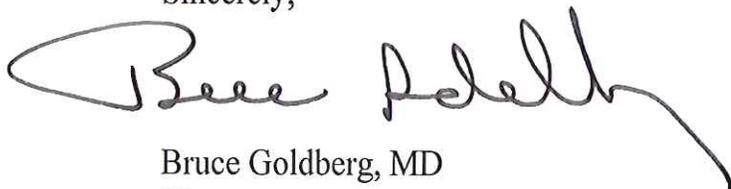
Accept this report.

Legislation Affected

This update relates to HB 3650 (2011) and SB 1580 (2012). Any changes in federal funds limitation for the Oregon Health Authority, would require amendments to OHA's 2011-13 budget in SB 5529 (2011), as amended by SB 5701 (2012).

Please do not hesitate to call me with any questions.

Sincerely,



Bruce Goldberg, MD
Director