DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-01-16
Baltimore, Maryland 21244-1850

Center for Medicaid, CHIP and Survey & Certification
Children and Adults Health Programs Group

April 28, 2011

Ms. Elizabeth Dudek
Secretary
Florida Agency for Health Care Administration
2727 Mahan Drive, Mail Stop #1
Tallahassee, FL 32308

Dear Ms. Dudek:

We received your letter of March 29, 2011 in which you have provided notice of Florida's intent to expand the State's pilot managed care arrangements statewide. The letter refers to Special Term and Condition (STC) #24 in your current Demonstration related to activities anticipated in the second year of the Demonstration, and as such, is not relevant to the current situation. However, we fully understand that Florida is seeking to expand managed care statewide, including to individuals who have disabilities and the elderly. We also understand that in Florida, legislation is being considered to significantly expand managed care in the State by mandating the enrollment of Medicaid eligibles into Managed Care Organizations (MCOs) and Provider Service Networks (PSNs). However, to date, this legislation has not been enacted and we have no specifics from Florida about what it may be planning with regard to statewide implementation of managed care.

CMS is supportive of States moving forward with managed care, but we are always mindful of the importance of sound management and beneficiary protections. Given this situation and the fact the Demonstration expires on June 30, 2011, we want to notify you of our determination that we will not include authority to implement managed care statewide in this waiver renewal because we do not have details regarding the State's plan to implement this proposal. However, we will continue to work with you to renew the other parts of the Demonstration, subject to the changes we have discussed, including measures designed to address concerns that have been raised about access to care in the five county pilots. We remain available to work with the State of Florida as you outline the details of your proposal to implement managed care statewide. I am sure you can appreciate that we require a plan to review before the additional authority can be granted. We would, of course, consider an amendment to the Demonstration when the State has established an expansion plan. Such a plan will need to ensure that access to and quality of health care is ensured. In Florida, this has been a constant theme shared by beneficiaries, health care providers, advocates, and oversight entities since the implementation of the Florida Reform Demonstration. In light of the requirements in our managed care regulations, as well as the issues that have arisen over the course of the Demonstration, any amendment that you might propose to implement statewide managed care will need to address the following areas:

- **Quality** – Ensuring beneficiaries access to care that meets accepted quality standards;
- **Stability** – Minimizing the instances in which care is disrupted because beneficiaries have to change health plans due to the lack of a stable group of participating plans;
- **Transparency and Accountability** – Ensuring that payments to plans are properly used and that plans are held accountable for the funds they receive and the results they achieve; and
- **Evaluation** – Establishing the mechanisms (e.g. encounter data) to allow for real time evaluations of how well the plans are performing, allowing for corrections and improvements as needed.

The attached document outlines elements to be included and a framework for ensuring access to and quality of health is maintained under the State's Medicaid program. We hope these suggestions will help you as Florida considers whether and how to proceed and will facilitate your ability to move forward with an amendment after June 30th, should you decide to take that path.

My staff continues to work with the Agency for Health Care Administration to ensure that the remaining matters including the terms and conditions governing the five pilot counties, the LIP pool, and the issues that have been identified with respect to access to care under the current Demonstration can be resolved in a timely manner. We look forward to speaking with you and your staff soon so that we can resolve all outstanding matters as quickly as possible. We will be in touch to schedule a meeting, but in the meantime, please do not hesitate to contact me if you have questions regarding this letter.

Sincerely,

/s/

Richard Jensen
Director
Division of State Demonstrations and Waivers

Enclosure

cc: Jackie Glaze, Region IV ARA
Victoria Wachino, CAHPG Director

Florida Reform Demonstration
Suggestions on Implementation Plan
For a Managed Care Expansion
April 2011

The managed care program in the State will have to comply with the regulatory requirements for Medicaid managed care as specified in 42 CFR 438. Florida would need to submit an implementation plan as part of an amendment to the Demonstration. Approval of the implementation plan by CMS would be required as part of the amendment with possible additional approvals needed at different stages of implementation, depending on how the implementation evolves.

To ensure beneficiary protections, readiness, transparency and accountability, the implementation plan should include and address the following, which is standard for similar types of demonstration plans:

- A detailed implementation schedule for the geographic expansion and the inclusion of populations beyond the TANF-related and aged, blind and disabled (ABD) populations currently required to be covered under the Reform Demonstration.
- A description of procedures for transitioning individuals currently enrolled under the State's 1915(b) waiver program and MediPass (the State's primary care case management (PCCM) program) to the new system without loss of ongoing services.
- Plan selection policies to ensure stability among managed care organizations (MCOs) and Provider Services Network (PSNs), and minimize plan turnover. This would include:
  - A limit on the number of participating plans
  - Solvency
  - History of performance in Florida and elsewhere in the country
  - Conflict of interest policies
- Assurances that the State will follow standard State contracting procedures to enter into clear and comprehensive managed care contracts developed prior to procurement that are consistent with all Federal requirements, including:
  - Coverage of the full benefit package
  - Enrollment process including ensuring choice of plans and disenrollment policies
  - Grievance and appeals system
  - Actuarially sound capitation rates
- Network adequacy and access requirements supported by evidence based research and data, as well as a thorough and consistent oversight review for determining plan compliance with those requirements.
- A requirement that each MCO and PSN maintain a Medical Loss Ratio at a designated percent (to be determined) and provide documentation to the State and CMS to show ongoing compliance.
- Assurances that the Agency for Health Care Administration and the contracted plans are complying with all State laws.

- An updated quality strategy incorporating initiatives and activities pertinent to the Reform expansion
  - Health care system outcome goals
  - HEDIS and CAHPS measures
  - Quality Improvement Plan (QIP) for each of the health plans, some of which may be regional or statewide
  - External Quality Review
- Implementation of a standardized encounter data validation process for all contracted plans
- Use of all encounter data to monitor access and quality, and establish capitation rates.
- Managed care contracts that provide for an improved transition and continuity of care when enrollees are required to change plans (e.g. transition of enrollees under case management and those with complex medication needs, maintaining existing care relationships).
- Assurances of adequate choice when there are fewer than two plans in any urban county, including contracting on a regional basis where appropriate.
- An updated consumer choice and education program.
- A readiness review protocol in each county/region before enrollment. The review would ensure that the health plans are ready to begin operations as specified by the contracts. Review would include:
  - Ability to enroll members in the plan and assign them to an appropriate primary care provider
  - Communications with providers and members capabilities, including education of members
  - Provider contracts to assess network adequacy and amount of risk placed on individual providers
  - Ability to process claims, and forward enrollment and encounter data to the State
  - Case management capabilities
  - Ongoing and substantive consultation/involvement of community groups and advocacy organizations