State of California—Health and Human Services Agency
Department of Health Care Services

WILL LIGHTBOURNE
DIRECTOR

GAVIN NEWSOM
GOVERNOR

DRAFT FOR PUBLIC COMMENT

DATE: Month Day, Year

ALL PLAN LETTER 21-XXX

TO: ALL MEDI-CAL MANAGED CARE HEALTH PLANS[1]

SUBJECT: CALIFORNIA ADVANCING AND INNOVATING MEDI-CAL INCENTIVE PAYMENT PROGRAM

PURPOSE:
The purpose of this All Plan Letter (APL) is to provide Medi-Cal managed care health plans (MCP) with guidance on the incentive payments linked to the Enhanced Care Management (ECM) and In Lieu of Services (ILOS) programs implemented by the California Advancing and Innovating Medi-Cal (CalAIM) intitiative.

BACKGROUND:
CalAIM is a multi-year Department of Health Care Services' (DHCS) initiative to improve the quality of life and health outcomes of the Medi-Cal managed care population through the implemention of broad delivery system, program and payment reform across the Medi-Cal program.[2] DHCS formally released its CalAIM proposal on October 29, 2019, with continued refinement since. DHCS postponed the planned implementation of the CalAIM initiative due to the COVID-19 public health emergency. Implementation of the CalAIM initiative was originally scheduled for January 1, 2021.

CalAIM's ECM and ILOS programs will launch January 1, 2022, requiring significant new investments in care management capabilities, ECM and ILOS infrastructure, information technology (IT) and data exchange, and workforce capacity across MCPs, city and county agencies, providers and other community-based organizations. Welfare and Institutions Code Section 14184.207, which was codified pursuant to Assembly Bill (AB) 133 (Chapter 143, Statutes of 2021), directs DHCS to make incentive payments associated with the implementation of components of CalAIM, including the ECM and

[1] This APL does not apply to Prepaid Ambulatory Health Plans.
[2] For more information on CalAIM, please see the CalAIM webpage at: https://www.dhcs.ca.gov/provgovpart/Pages/CalAIM.aspx

Managed Care Quality and Monitoring Division
1501 Capitol Avenue, P.O. Box 997413, MS 4410
Sacramento, CA 95899-7413
Phone (916) 449-5000 Fax (916) 449-5005
www.dhcs.ca.gov

ILOS programs.[3] The 2021-22 California State Budget allocated $300 million for incentive payments to MCPs for State Fiscal Year (SFY) 2021-22, $600 million for SFY 2022-23, and $600 million for SFY 2023-24.

Effective January 1, 2022, DHCS will implement the CalAIM Incentive Payment Program consistent with federal regulations.[4] DHCS designed the CalAIM Incentive Payment Program with input from various stakeholders. As designed, the CalAIM incentive payments are intended to:

- Build appropriate and sustainable ECM and ILOS capacity;
- Drive MCP investment in necessary delivery system infrastructure;
- Incentivize MCP take-up of ILOS;
- Bridge current silos across physical and behavioral health care service delivery;
- Reduce health disparities and promote health equity, and;
- Achieve improvements in quality performance.

The incentive program period is expected to be implemented from January 1, 2022 to June 30, 2024. The program period will be split between three distinct Program Years (PY):

- PY 1 (January 1, 2022 to December 31, 2022);
- PY 2 (January 1, 2023 to December 31, 2023), and;
- PY 3 (January 1, 2024 to June 30, 2024).

POLICY:
Participating MCPs must comply with the policy requirements outlined in Appendix A (See Appendix A below) for PY 1 of the incentive program to receive incentive payments for that PY. Requirements for PYs 2 and 3 will be incorporated in a future revision of this APL.The incentive payments will be in addition to the MCPs' actuarially sound capitation rates.

DHCS Oversight
DHCS will monitor the timeliness of MCP submissions, as well as the content of the reports, and request revisions for incomplete submissions, as needed. DHCS will send confirmation of approved submissions, as well as revision requests for incomplete submissions, to MCPs electronically.

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[3] AB 133 can be found at:
https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202120220AB133
State law is searchable at: https://leginfo.legislature.ca.gov/faces/home.xhtml
[4] See 42 Code of Federal Regulations (CFR) Section 438.6(b). The CFR is searchable at:
https://www.ecfr.gov/cgi-bin/ECFR?page=browse

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If the requirements contained in this APL, including any updates or revisions to this APL, necessitate a change in an MCP's policies and procedures (P&Ps), the MCP must submit its updated P&Ps to its Managed Care Operations Division (MCOD) contract manager within 90 days of the release of this APL. If an MCP determines that no changes to its P&Ps are necessary, the MCP must submit an email confirmation to its MCOD contract manager within 90 days of the release of this APL, stating that the MCP's P&Ps have been reviewed and no changes are necessary. The email confirmation must include the title of this APL as well as the applicable APL release date in the subject line.

MCPs are responsible for ensuring that their Subcontractors and Network Providers comply with all applicable state and federal laws and regulations, contract requirements, and other DHCS guidance, including APLs and Policy Letters.[5] These requirements must be communicated by each MCP to all Subcontractors and Network Providers.

If you have any questions regarding this APL, please contact your MCOD Contract Manager and/or your Capitated Rates Development Division Rate Liaison.

Sincerely,

Bambi Cisneros, Acting Chief
Managed Care Quality and Monitoring Division

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[5] For more information on Subcontractors and Network Providers, including the definition and applicable requirements, see APL 19-001, and any subsequent APLs on this topic.

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Appendix A
Program Year 1 (dates of service between January 1, 2022 to December 31, 2022)

Policy

MCPs that elect to participate in the CalAIM Incentive Payment Program must meet the requirements outlined in the Reporting Template to qualify for the incentive payments. The incentive payments will be in addition to the MCPs' actuarially sound capitation rates. The Reporting Template can be found on the ECM and ILOS website.[6]

MCP Payment Allocation

DHCS will distribute up to the total funding for PY 1, $600 million, among eligible MCPs in two payments: Payment 1 and Payment 2. DHCS determined the maximum amount of incentive payments that each MCP is eligible to earn based on a range of factors, including MCP member enrollment/revenue and Whole Person Care/Health Homes Program participation in the counties in which they operate. Each MCP may earn up to its allocated amount based on the successful completion of the requirements for the two payments as outlined below.

Each MCP payment will be based on the successful completion of measures outlined in the Reporting Template. MCPs are required to submit information pertaining to the mandatory measures, and can select among additional optional measures, to earn up to their full payment allocation. DHCS will evaluate each MCP's submissions and make incentive payments proportional to the number of points earned per measure (as specified in the Reporting Template). DHCS will also monitor the timeliness and content of MCP submissions and request revisions for incomplete submissions as needed during the review timeframe.

Each measure in the Reporting Template is assigned to a Program Priority Area. The maximum amount of incentive payments that each MCP is eligible to earn is initially allocated as follows, though actual earnings may differ:

1. Minimum of 20% is tied to Delivery System Infrastructure (Priority Area 1) measures;
2. Minimum of 20% is tied to ECM Provider Capacity Building (Priority Area 2) measures, and;
3. Minimum of 30% is tied to ILOS Provider Capacity Building and Take-Up (Priority Area 3) measures.

The remaining 30% is allocated according to the MCP's selection, subject to approval by DHCS, and as indicated in the MCP's submitted Gap-Filling Plan (detailed below) to one or more Program Priority Areas. DHCS will evaluate the MCP on its submission for

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[6] The Reporting Template can be found at: https://www.dhcs.ca.gov/enhancedcaremanagementandinlieuofservices (DHCS will post the reporting template to the ECM/ILOS website once finalized)

all measures in the selected Program Priority Area and award the remaining 30% of the payment accordingly. DHCS may, at its sole discretion, consider granting exceptions in limited cases where the MCP makes a compelling request to DHCS to allocate more than 30% (i.e., by allocating dollars from another priority area) at the MCP's request. MCPs will be required to submit this request with the Reporting Template. DHCS must ultimately approve the approach for each MCP upon review of the Reporting Template.

Requirements for Payment 1

MCPs must submit a Gap/Need Assessment and Gap-Filling Plan, using the Reporting Template, in the fall of 2021.[7] DHCS will issue Payment 1 to MCPs as early as February 2022, subject to DHCS' acceptance of the Gap Assessment and Gap-Filling Plan submissions.

- Gap/Need Assessment: MCPs must submit data and provide baseline information pertaining to:
    1. Delivery System Infrastructure
    2. ECM Provider Capacity Building
    3. ILOS Provider Capacity Building and ILOS Take-Up
- Gap-Filling Plan: MCPs must submit a written narrative outlining their implementation approach to address the gaps and needs identified through the data submitted in their assessments and additional criteria outlined by DHCS in the Reporting Template.

MCPs are eligible to earn Payment 1 for ILOS Provider Capacity (Priority Area 3), if offering ILOS beginning in January 2022 or July 2022. MCPs that do not offer ILOS in Calendar Year 2022 will not be eligible to earn the 30% of their maximum payment allocation tied to ILOS Provider Capacity Building and ILOS Take-Up.

Payment 1 will be issued initially as an interim payment. MCPs must demonstrate progress on activities outlined in the Gap-Filling Plan to fully meet the requirements for Payment 1. DHCS will evaluate MCPs based on their results and achievement of process measures outlined in the Gap/Need Assessment and Gap-Filling Plan. MCPs that fail to demonstrate a minimum level of effort, as determined by DHCS and outlined in the Reporting Template, must work with DHCS on a corrective action plan (CAP) aimed at improving results and performance on the process measures. DHCS may, at its sole discretion, require MCPs that fail to follow the CAP and meet the minimum level of effort to return to DHCS all or a portion of Payment 1, in an amount determined by DHCS. DHCS may offset the amount the MCP is required to return against capitation payments.

Requirements for Payment 2

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[7] DHCS will establish specific submission deadlines in future communication to MCPs.

MCPs must meet subsequent submission requirements using the Reporting Template in the summer of 2022 to demonstrate overall progress and performance against targets linked to achievement of the Gap-Filling Plan.[8] Targets will either be individualized, pay for reporting, or noted with specific evaluation criteria in the Reporting Template, in accordance with the specified measures. For measures with individualized targets, a minimum target will be set for each MCP based on the information provided by the MCP in the Gap/Need Assessment and Gap-Filling Plan. The targets must be reviewed and approved by DHCS. The achievement of these targets will result in Payment 2.

Reporting Requirements

The Reporting Template will specify the requirements for MCP reporting. For MCPs operating in more than one county, the MCP must submit data pertaining to the quantitative measures for each county in which it operates and elects to participate in the incentive program. MCPs may submit one narrative for their Gap/Need Assessment and Gap-Filling Plan that pertains to all the counties in which they operate; however, the Gap/Need Assessment and Gap-Filling Plan must address gaps, needs, and strategies for each county individually. The data sources specified in the Reporting Template must be used for collecting and reporting data. The Reporting Template may be submitted electronically to CalAIMECMILOS@dhcs.ca.gov with a cc: to the MCP's assigned MCOD Contract Manager.

Payment and Other Financial Provisions

In addition to Payment 1 and Payment 2, MCPs that qualify will be eligible to earn a payment at the end of PY 1 through the incentive payment program's high performance pool. If a MCP does not meet all the requirements for Payment 1 or does not meet all the requirements for Payment 2, (i.e., does not earn up to its full payment allocation), DHCS will reallocate the unearned dollars to a high performance pool that can be earned by qualifying MCPs in the state.

MCPs must meet minimum requirements to be eligible to earn high performance pool dollars, including:

- Report on all mandatory requirements for the Gap-Filling Plan;
- Offer at least three ILOS, and;
- Demonstrate a minimum level of effort to implement their Gap-Filling Plan (i.e., are not placed on a CAP).

Eligible MCPs will receive payments from the high performance pool based on their performance against their individualized targets for each of their quantitative requirements reported as part of the submission for Payment 2.

Program Priority Areas and Domains

[8] DHCS will establish specific submission deadlines in future communication to MCPs.

DHCS focused PY 1 funding priorities on capacity building, infrastructure, ILOS take-up, and quality.

Priority Area	Domain
1. Delivery System Infrastructure	**1A.** Purchase or upgrade of ECM and ILOS IT systems including certified Electronic Health Record technology, care management document systems, closed-loop referral, billing systems/services, and onboarding/enhancements to health information exchange capabilities
2. ECM Provider Capacity Building	**2A.** Building/expanding ECM Provider networks and compliance and oversight capabilities to ensure Populations of Focus within a county can be effectively served
	2B. Hiring and training of ECM care managers, care coordinators, community health workers and supervisors with necessary training to ensure core competencies to support ECM requirements
3. ILOS Provider Capacity Building and ILOS Take-Up	**3A.** Offering ILOS, expanding reach of ILOS offered
	3B. Building/expanding ILOS Provider networks and compliance and oversight capabilities to ensure Populations of Focus within a county can be effectively served
	3C. Hiring and training ILOS Provider support staff, workflow redesign and training
4. Quality	**4A.** Reporting of baseline data ("Pay for Reporting" only in PY 1) to inform quality outcome measures to be collected in future PYs.

Additional measures will be released for PYs 2 and 3. Future measures will align with the corresponding ECM Populations of Focus, including an emphasis on pediatric-specific measures.

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