



Medicaid RCOs: Better care, better health, lower costs

Background

Under the Medicaid reform plan approved by the Alabama Legislature in 2013, regional care organizations (RCOs) will manage patient care to improve efficiency, accountability and health outcomes. Federal approval of the plan in February 2016 was a huge vote of confidence in Alabama's ability to achieve these goals. Below are short answers to basic questions about RCOs:

What are RCOs?

- RCOs (regional care organizations) are networks of doctors, hospitals and other health providers serving Medicaid patients in each of five new Medicaid regions.
- As community-based nonprofit organizations, RCOs are governed by boards representing a broad range of health care stakeholders and assisted by citizens' advisory committees reflecting the diversity of the patients served in each region.
- By law, Alabama Arise and the Disabilities Leadership Coalition of Alabama nominate consumer representatives for each RCO's citizens' advisory committee.

How are RCOs different from traditional Medicaid?

- The new plan changes Medicaid from a system that rewards volume of medical services to one that rewards better care and cost savings.
- Currently, Medicaid patients seek health care on their own, without case management, and Medicaid reimburses providers for services rendered. Under the new plan, RCOs will receive a "capitation payment," or flat yearly amount, to manage and provide appropriate, quality care for each patient they serve.
- Through case management, RCOs will work with patients to make sure they receive timely preventive and primary care, comply with doctors' orders, keep chronic conditions under control and avoid expensive emergency room visits.
- RCOs emphasize the right care, at the right time, in the right setting.

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What does this mean for Medicaid patients?

- The RCO system builds upon Alabama’s successful Patient Care Network model, giving each Medicaid patient a primary care physician.
- Better access to primary care means better coordination of medical services, better management of chronic conditions and better tracking of patients’ health progress.
- Patients now will have a “home base” for all their health care needs.

How will RCOs impact the General Fund budget?

- The capitated payment to RCOs will make the Medicaid budget more predictable.
- The RCOs – not the state – will bear the financial risk for the cost of providing health care to Medicaid patients in that region.
- As patients receive better coordinated and more efficient care, RCOs will “bend the Medicaid cost curve,” reducing long-term growth in the program’s budget.

What is the future of Medicaid in Alabama?

- Medicaid is the cornerstone of the health care system on which we all depend.
- RCOs are an important investment in Medicaid. With this approved reform, Alabama can move forward with its plan to enhance care coordination and bend the cost curve.
- By properly investing in Medicaid and the RCO model, the Legislature can take the final steps in the reform process it began in 2013.

What’s next?

- Health care providers and advocates are working with the Legislature to ensure that Medicaid’s budget is adequate to seize this unique opportunity for achieving better health care, better outcomes and lower costs.
- After two years of design and development, RCOs are on track to begin operation by Oct. 1, 2016.