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

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DATE: October 27, 2021

ALL PLAN LETTER 21-016

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 Community Supports (In Lieu of Services [ILOS]) programs implemented by the California Advancing and Innovating Medi-Cal (CalAIM) initiative.

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 implementation of broad delivery system, program and payment reforms across the Medi-Cal program.[2] DHCS formally released its CalAIM proposal on October 29, 2019, with continued refinement since. Implementation of the CalAIM initiative was originally scheduled for January 1, 2021, but DHCS postponed the planned implementation of the CalAIM initiative due to the COVID-19 public health emergency. DHCS released a revised CalAIM proposal on January 8, 2021, and submitted waiver applications to the Centers for Medicare & Medicaid Services (CMS) on June 30, 2021.[3]

CalAIM's ECM and Community Supports (ILOS) programs will launch January 1, 2022, requiring significant new investments in care management capabilities, ECM and Community Supports (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

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[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.
[3] For waiver materials sumitted to CMS, please see the CalAIM 1115 Demonstration and 1915(b) Waiver webpage at: https://www.dhcs.ca.gov/provgovpart/Pages/CalAIM-1115-and-1915b-Waiver-Renewals.aspx.

14184.207, which was codified pursuant to Assembly Bill (AB) 133 (Chapter 143, Statutes of 2021), directs DHCS to make incentive payments to qualifying MCPs that meet milestones and metrics associated with the implementation of components of CalAIM, including the ECM and Community Supports (ILOS) programs.[4] 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.[5] DHCS designed the CalAIM Incentive Payment Program with input from various stakeholders, and may make subsequent changes to the program to the degree required to obtain required federal approvals. As designed, the CalAIM incentive payments are intended to complement and expand ECM and Community Supports (ILOS) in the following ways:

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

The incentive program period is expected to be effective 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 required for the incentive program, as well as the content of the reports, and request revisions for incomplete

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[4] 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.
[5] See 42 Code of Federal Regulations (CFR) Section 438.6(b)(2). The CFR is searchable at:
https://www.ecfr.gov/cgi-bin/ECFR?page=browse.

submissions, as needed. DHCS will send confirmation of approved submissions, as well as revision requests for incomplete submissions, to MCPs electronically.

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.[6] 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,

Original Signed by Dana Durham

Dana Durham, Chief
Managed Care Quality and Monitoring Division

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[6] 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.

Appendix A
Program Year 1 (dates of service from 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 Community Supports (ILOS) website.[7]

MCP Payment Allocation
DHCS will distribute up to the total funding for PY 1, $600 million, among eligible MCPs in two payments: up to $300 million in Payment 1 and up to $300 million in Payment 2. DHCS determined and shared the maximum amount of incentive payments that each MCP is eligible to earn for PY 1 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 Community Supports (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) of

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[7] 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).

one or more Program Priority Areas. DHCS will evaluate the MCP on its submission for 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% to the MCP's selected Program Priority Area (i.e., by allocating dollars from another priority area). MCPs will be required to submit this request with the Reporting Template, and DHCS has discretion to approve or disapprove the proposed approach for each MCP upon review of the Reporting Template.

DHCS expects MCPs to work closely with all applicable local partners including, but not limited to, county social services, county behavioral health, public healthcare systems, county/local public health jurisdictions, community based organizations (CBOs), correctional partners, housing continuum and others, in their efforts to achieve the measures. In order to meet the goals of the program and achieve the measures, DHCS anticipates participating MCPs will maximize the investment and flow of incentive funding to ECM and Community Supports (ILOS) providers to support capacity and infrastructure.

Requirements for Payment 1
MCPs must submit a Needs Assessment and Gap-Filling Plan, using the Reporting Template, in December 2021.[8] DHCS will issue Payment 1 to MCPs as early as February 2022, subject to DHCS' acceptance of the Needs Assessment and Gap-Filling Plan submissions.

- Needs Assessment: MCPs must submit data and provide baseline information pertaining to:
    1. Delivery System Infrastructure
    2. ECM Provider Capacity Building
    3. Community Supports (ILOS) Provider Capacity Building and Community Supports (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 Needs Assessment and additional criteria outlined by DHCS in the Reporting Template.

MCPs will be evaluated based on the set of measures they submit as part of their Needs Assessment and Gap-Filling Plan. Each measure will either be earned in full, or not earned, unless the measure is noted as having a tiered evaluation approach. For the measures that are evaluated using a tiered approach, MCPs may earn the specified number of points within each tier for having completed the activity associated with each tier, as detailed in the Measure Set and Reporting Template. All other measures do not use a tiered approach and MCPs will achieve either full or no credit for the measures.

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

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

MCPs that fail to demonstrate a minimum level of effort, as determined by DHCS using a standard set of parameters across all MCPs, must work with DHCS on a corrective action plan (CAP) aimed at improving results and performance on the process measures. DHCS will consider the extent of investments made by MCPs in ECM and Community Supports (ILOS) provider capacity and infrastructure in accordance with their Gap-Filling Plan when determining whether the MCP has demonstrated a minimum level of effort. 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 a portion or all of Payment 1, in an amount determined by DHCS. The portion of funds to be returned by the MCP will be determined based upon the level of effort (below the required minimum) demonstrated by the MCP, as determined by DHCS using a standard set of parameters across all MCPs. DHCS may offset the amount the MCP is required to return against capitation payments.

Requirements for Payment 2
MCPs must meet subsequent submission requirements using the Reporting Template in the fall of 2022 to demonstrate overall progress and performance against targets linked to achievement of the Gap-Filling Plan.[9] Targets will either be individualized, pay for reporting, or noted with specific evaluation criteria in the Reporting Template, in accordance with the specified measures. Each measure will either be earned in full, or not earned. For measures with individualized targets, a minimum target will be set for each MCP based on the information provided by the MCP in the Needs 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 Needs Assessment and Gap-Filling Plan that pertains to all the counties in which they operate; however, the

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

Needs 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 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 Community Supports (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
DHCS focused PY 1 funding priorities on capacity building, infrastructure, Community Supports (ILOS) take-up, and quality.

Priority Area	Domain
1. Delivery System Infrastructure	**1A.** Purchase or upgrade of ECM and Community Supports (ILOS) IT systems including certified Electronic Health Record technology, care management document systems, closed-loop referral systems, claims, invoicing or billing systems/services, data analytics systems to identify and populations 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

Priority Area	Domain
3. Community Supports (ILOS) Provider Capacity Building and Community Supports (ILOS) Take-Up	**3A.** Offering Community Supports (ILOS), expanding reach of Community Supports (ILOS) offered
	3B. Building/expanding Community Supports (ILOS) Provider networks and compliance and oversight capabilities to ensure Populations of Focus within a county can be effectively served
	3C. Hiring and training Community Supports (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.