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

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DATE: March 8, 2023

ALL PLAN LETTER 23-003
SUPERSEDES 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 Payment Program 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, and a revised CalAIM proposal on January 8, 2021, and submitted waiver applications to the Centers for Medicare and Medicaid Services (CMS) on June 30, 2021.[3] CMS approved the CalAIM Section 1115 demonstration and CalAIM Section 1915(b) waiver on December 29, 2021, both effective through December 31, 2026.

CalAIM's Enhanced Care Management (ECM) and Community Supports programs launched January 1, 2022, requiring significant new investments in care management capabilities; ECM and Community Supports infrastructure; information technology (IT) and data exchange; and workforce capacity across MCPs, city and county agencies, Providers, and other community-based organizations (CBOs). Welfare and Institutions Code (WIC) section 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

[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/calaim
[3] For waiver materials submitted to and approved by 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.

components of CalAIM, including the ECM and Community Supports programs.[4] The 2021-22 California State Budget allocated a total of $1.5 billion for incentive payments to MCPs.

Effective January 1, 2022, DHCS implemented 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 federal approvals, or as otherwise deemed appropriate by DHCS. As designed, while CalAIM incentive payments are intended to complement and expand ECM and Community Supports, the incentive payments will also be based on quality and performance improvements and reporting in areas such as Long-Term Services and Supports and other cross-delivery system metrics. The goal of The CalAIM Incentive Payment Program is to drive change at the MCP and Provider levels 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.

The CalAIM Incentive Payment Program period is expected to be effective from January 1, 2022, to June 30, 2024, with payments being made at designated intervals between April 2022 through December 2024. The CalAIM Incentive Payment Program period is 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).

MCP Submission	Measurement Period	PY	MCP Submission Due

[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.

Submission 1	Not applicable	PY 1	January 31, 2022
Submission 2-A	January 1 – June 30, 2022	PY 1	September 1, 2022
Submission 2-B	July 1 – December 31, 2022	PY 1	March 1, 2023
Submission 3	January 1 – June 30, 2023	PY 2	September 1, 2023
Submission 4	July 1 – December 31, 2023	PY 2	March 1, 2024
Submission 5	January 1 – June 30, 2024	PY 3	September 1, 2024

POLICY:
Participating MCPs must comply with the policy requirements outlined in Appendix A for PY 1 and in Appendix B for PYs 2 and 3 of the incentive program to earn CalAIM incentive payments for the applicable PY. CalAIM incentive payments are in addition to the MCPs' actuarially sound capitation rates.

MCPs that elect to participate in the CalAIM Incentive Payment Program must meet the requirements outlined in the applicable Reporting Template to earn the CalAIM incentive payments. The Reporting Templates can be found on the ECM and Community Supports website.[6]

MCP Performance and Payment
DHCS will determine the maximum amount of incentive payments that each MCP is eligible to earn based on factors established by DHCS. Each MCP may earn up to its allocated amount based on achievement of specified measures and the successful completion of other requirements as outlined below, subject to the requirement of 42 CFR section 438.6(b)(2) that incentive payments may not exceed five percent of the approved capitation payments attributable to the enrollees or services covered by the incentive arrangement.

Each MCP payment will be based on the achievement of measures outlined in the applicable Reporting Template. MCPs are required to submit information pertaining to the mandatory measures, and can select among additional optional measures, as applicable, to be eligible to earn up to their full payment allocation. DHCS will evaluate each MCP's submissions and make incentive payments that are proportional to the number of points earned per measure in accordance with the applicable Reporting Template. MCPs are not eligible to earn points for measures that are not applicable to the MCP during the measurement period.
DHCS does not direct how MCPs spend their earned incentive payments. In order to meet the goals of the program, achieve the measures, and support capacity and infrastructure development, DHCS anticipates participating MCPs will make strategic

[6] The Reporting Templates can be found at: https://www.dhcs.ca.gov/Pages/ECMandILOS.aspx (DHCS will post Reporting Templates to the website as finalized).

investments in, and direct appropriate resources to, ECM and Community Supports Providers, local partners, and other Providers. MCPs can make ECM and Community Supports Provider investments in any manner and using any resources deemed appropriate, including but not limited to, dollars earned from the incentive program.

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, CBOs, correctional partners, housing continuum, and others, in their efforts to achieve the measures.

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 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 contractually required 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.[7] These requirements must be communicated by each MCP to all Subcontractors and Network Providers.

Reporting Requirements

The Reporting Templates will specify the requirements for MCP reporting. The Reporting Templates may be submitted electronically according to the instructions in the Reporting Templates.

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

[7] 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. APLs are searchable at: https://www.dhcs.ca.gov/formsandpubs/Pages/AllPlanLetters.aspx

Sincerely,

Original Signed by Dana Durham

Dana Durham, Chief
Managed Care Quality and Monitoring Division

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

Payment Allocations

DHCS will make incentive payments up to $600 million for PY 1 in two payments, with up to $300 million in each of Payments 1 and 2. DHCS followed a uniform allocation methodology that considered MCP Member enrollment/revenue and Whole Person Care/Health Homes Program participation to determine the maximum amount of CalAIM incentive payments that each MCP is eligible to earn.

Point Allocations

Each measure in the applicable Reporting Template is assigned to a Program Priority Area. The maximum points each MCP is eligible to earn is initially allocated as follows, although actual point earnings may differ:

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

The remaining 30 percent is allocated according to the MCP's selection, subject to review and approval by DHCS, and as indicated in the MCP's submitted Gap-Filling Plan, to 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 percent of the eligible 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 percent to the MCP's selected Program Priority Area (i.e., by allocating points from another priority area). MCPs will be required to submit this request in writing with the applicable Needs Assessment or Progress Reporting Template, and DHCS has discretion to approve or disapprove the proposed approach for each MCP upon review of the applicable Reporting Template.

MCPs are eligible to earn PY 1 points for Community Supports Provider Capacity Building and Take-Up (Priority Area 3) if they offered Community Supports beginning in January 2022 or July 2022. MCPs that did not offer Community Supports in PY 1 are not eligible to earn 30 percent of their maximum payment allocation tied to Community Supports Provider Capacity Building and Community Supports Take-Up.

Requirements for Submission 1

MCPs were required to submit Submission 1, using the Needs Assessment and Gap-Filling Plan Templates, by January 31, 2022.

- Needs Assessment: MCPs were required to submit data and provide baseline information pertaining to:
    1. Delivery System Infrastructure
    2. ECM Provider Capacity Building
    3. Community Supports Provider Capacity Building and Community Supports Take-Up
- Gap-Filling Plan: MCPs were required to 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 were evaluated based on the set of measures they submitted as part of their Needs Assessment and Gap-Filling Plan to determine acceptance of Submission 1. Points for each measure were either credited in full, or not credited, unless the measure is noted as having a tiered evaluation approach. For the measures that are evaluated using a tiered approach, MCPs received 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 received either full or no credit for the measures.

MCPs that fail to demonstrate a minimum level of effort in subsequent reporting submissions, as determined by DHCS, must work with DHCS on a corrective action plan (CAP) aimed at improving results and performance on the measures. DHCS will consider the extent of investments made by MCPs in ECM and Community Supports provider capacity and infrastructure in accordance with their Gap-Filling Plan when determining whether the MCP has demonstrated a minimum level of effort.

Requirements for Payment 1 and Payment 2

DHCS issued Payment 1 to MCPs in April 2022 on an interim basis, based on DHCS' review and acceptance of Submission 1. MCPs must demonstrate progress on activities outlined in their Gap-Filling Plan to fully earn Payment 1. DHCS will evaluate MCPs' progress and performance based on their results and achievement of measures documented in the Submission 2-A and Submission 2-B Progress Reporting Templates.

MCPs will earn Payment 1 and Payment 2 based on their total points achieved across Submission 2-A and Submission 2-B. Targets will either be pay-for-reporting or pay-for-

performance, in accordance with the specified measures as outlined in the applicable Progress Reporting Template.

DHCS will require MCPs that fail to achieve Submission 2-A and Submission 2-B measures to return a portion or all of Payment 1 to DHCS. The amount to be returned by the MCP for Payment 1, and the amount to be paid to the MCP for Payment 2, will be commensurate to the total points achieved by the MCP for Submission 2-A and Submission 2-B. DHCS may offset the amount the MCP is required to return for Payment 1 against the amount earned for Payment 2 or against the MCP's monthly capitation payments.

Program Priority Areas and Domains

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

Priority Area	Domain
1. Delivery System Infrastructure	**1A.** Purchase or upgrade of ECM and Community Supports 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
3. Community Supports Provider Capacity Building and Community Supports Take-Up	**3A.** Offering Community Supports, expanding reach of Community Supports offered
	3B. Building/expanding Community Supports 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 Provider support staff, workflow redesign and training

4. Quality and Emerging CalAIM Priorities	**4A.** Reporting of baseline data to inform quality outcome measures to be collected in future PYs

Appendix B
Program Years 2-3 (dates of service from January 1, 2023, to June 30, 2024)

Payment Allocations

DHCS will make incentive payments up to $600 million for PY 2 and up to $300 million for PY 3 in three payments: up to $300 million in each of Payments 3, 4, and 5. DHCS will follow a uniform allocation methodology to determine the maximum amount of incentive payments that each MCP is eligible to earn for PY 2 and PY 3. The allocation methodology will consider MCP Member enrollment/revenue, Whole Person Care/Health Homes Program participation, and/or other factors selected by DHCS.

Point Allocations

Each measure in the applicable Reporting Template is assigned to a Program Priority Area below. The maximum points each MCP is eligible to earn within each Program Priority Area is initially allocated as identified in the applicable Reporting Template, although actual point earnings may differ.

1. Delivery System Infrastructure (Priority Area 1) measures;
2. ECM Provider Capacity Building (Priority Area 2) measures;
3. Community Supports Provider Capacity Building and Take-Up (Priority Area 3) measures; and
4. Quality and Emerging CalAIM Priorities (Priority Area 4) measures.

Requirements for Payments 3, 4, and 5

MCPs must meet submission requirements outlined in the applicable Reporting Templates to demonstrate performance based on targets set in the Reporting Template. Targets will either be pay-for-reporting or pay-for-performance, in accordance with the specified measures. Pay-for-performance measures will be either individualized quantitative targets, set using a uniform methodology across all MCPs, or noted with specific evaluation criteria. The achievement of these reporting or performance targets will result in payment.

MCP Classes

Given the expected upcoming MCP changes occurring in January 2024, which include county plan model changes, the MCP Procurement, and the expansion of direct contracting with Kaiser Foundation Health Plan, participating MCPs will be categorized in classes. These classes, in certain scenarios, will dictate the measures or terms of performance/payment that apply. The classes are only applicable for Submissions 4 and 5 and are as follows:

1. Exiting MCPs (Submission 4 only);
2. Entering MCPs (Submission 5 only);
3. Incumbent MCPs in counties with procurement transitions;

4. Incumbent MCPs in counties with no procurement transitions; and
5. Alternative health care service plans, as defined in WIC section 14197.11 (Submission 5 only)

Program Priority Areas and Domains

DHCS focused PY 2 and PY 3 funding priorities on capacity building, infrastructure, quality, and emerging CalAIM initiatives.

Priority Area	Domain
1. Delivery System Infrastructure	**1A.** Purchase or upgrade of ECM and Community Supports 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
3. Community Supports Provider Capacity Building and Community Supports Take-Up	**3A.** Offering Community Supports, expanding reach of Community Supports offered
	3B. Building/expanding Community Supports 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 Provider support staff, workflow redesign and training
4. Quality and Emerging CalAIM Priorities	**4A.** Reporting of baseline data to inform quality outcome measures to be collected in future PYs
	4B. Measure achievement of quality outcome measures
	4C. Implementation of upcoming CalAIM initiatives and collaboration among MCPs