



COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF PUBLIC WELFARE
HARRISBURG, PENNSYLVANIA 17105-2675

JOAN L. ERNEY, J. D.
DEPUTY SECRETARY FOR MENTAL HEALTH

TELEPHONE NUMBER
(717) 787-6443

Dear [Commissioner]:

The Commonwealth of Pennsylvania's Department of Public Welfare (DPW), Office of Mental Health and Substance Abuse Services (OMHSAS) announced its intent to expand the HealthChoices behavioral health managed care (HC) program statewide in early January, 2006. At that time, OMHSAS distributed a "White Paper" to the general public describing the history of the program, the proposed expansion plan and zone configuration. As noted in the "White Paper" DPW intended to expand Behavioral Health HealthChoices through two state held contracts and offer the "right of first opportunity" to three counties. After extensive feedback from consumers, advocates and the affected counties, DPW has decided to permit all counties to exercise the "right of first opportunity" to manage the behavioral health contract provided they can meet the requirements and timeframes outlined in Attachment 1 to this correspondence.

Counties may choose the "the right of first opportunity" or be included in a contract that will result from a DPW Request for Proposals (RFP) that includes all counties that do not choose the right of first opportunity to manage the program (Option 1). This contract will be managed directly and in partnership with county government

The county must submit a response no later than the close of business February 22, 2006 informing DPW whether the county proposes to exercise the right of first opportunity and can meet the requirements and timeframes outlined. The county response must be prepared in accordance with the enclosed Response Format (see Attachment 2).

Options

Option 1: DPW Contract with a managed care organization (MCO): A county that is not interested in assuming the financial risk for the HC program or is unable to implement a plan in time for program start-up can choose this option. Under this option, OMHSAS will competitively select a licensed MCO from those qualified MCOs that respond to the HC RFP issued by OMHSAS. DPW will contract directly with the MCO

and will be responsible to monitor performance of the contract. The county will participate as a partner with DPW in contract oversight and program development.

Option 2: County Accepts the “right of first opportunity.” Under this option, the county has several choices as to the program model, level of risk and financial arrangement as described below: A county proposing to exercise the “right of first opportunity” must select which program model it prefers.

a) County Operated with County Employees: A county may manage the program directly through its county employees. The county would be required to respond to an RFP detailing how it will meet the required fiscal and program standards for the HC program.

b) County Contract with Subcontractor: The county may subcontract for program management services. In this case the county is required to select its subcontractor through a competitive process (as required by the Center for Medicare and Medicaid Services (CMS) and the HC Waiver) and the selected subcontractor must meet applicable licensing requirements established by the Commonwealth Departments of Health and Insurance. If the subcontract arrangement is for the provision of administrative services (an Administrative Services Organization (ASO) vendor), then by definition, the county must assume full risk for the program. If the selected subcontractor is a Behavioral Health Managed Care Organization (BH-MCO) that is licensed by the Departments of Health and Insurance to operate in the Commonwealth of Pennsylvania, the county may pass the risk onto the BH-MCO.

Under either arrangement, the county will be required to submit a completed response to an RFP detailing how the county and subcontractor would meet the required fiscal and programmatic requirements for the HC program

c) Multi-County Entity With or Without a Subcontractor: A county may choose to align with other non-HC counties in order to collaboratively manage the program. Under this arrangement the Multi-County Entity (or quasi-governmental entity with appropriate authority to act on behalf of the counties) would be required to sign a single contract. The county(ies) are required to select their subcontractor through a competitive process (as required by the CMS and the HC Waiver) and the selected subcontractor must meet applicable licensing requirements established by the Commonwealth Departments of Health and Insurance. In addition, a single capitation rate for each rating group will be developed covering all of the counties in the Multi-County Entity. In this contract with DPW, the Multi-County Entity would be held to the same HC program requirements as counties entering into individual county contracts with the Department. The participating counties will not be required to be contiguous and the Department will permit Multi-County Entities consisting of counties in different non-HC zones.

Effective upon release of the HC RFP, all questions or request for information must be sent in writing to the Project Officer, Scott Liddick at sciddick@state.pa.us.

Thank you for your interest in and commitment to improving Pennsylvania's public mental health and drug and alcohol behavioral health service system. This correspondence is also being electronically transmitted to your human services staff including the County MH/MR Administrator, Single County Authority, and Human Services Administrator.

Sincerely,

A handwritten signature in black ink, appearing to read "Joan L. Erney, J.D.", with a stylized flourish at the end.

Joan L. Erney, J.D.

Attachments (2)

Attachment 1: Implementation Timeframe and Requirements

Implementation Timeframes

- County letter of intent due to DPW – February 22, 2006
- DPW Request for proposals issued - July 2006
- Proposals due to DPW – September 2006
- Implementation July 1, 2007

Requirements

- Counties selecting Option 1 must inform DPW of their preferred option and need not provide additional information. DPW will consult with those counties regarding the procurement process for the DPW contract with a BH-MCO.

Counties selecting Option 2, the “right of first opportunity” utilizing any program model must demonstrate readiness by meeting the following requirements:

- A county choosing to subcontract with a BH-MCO must have selected a managed care vendor by July 2006 in a competitive selection process that meets the county procurement requirements. This timeframe is necessary in order to prepare a proposal in response to the HC RFP that will be issued in July 2006 with proposals due in September 2006.
- Counties that issued an RFP and selected a managed care vendor must demonstrate that the initial HC RFP issued and vendor selected remains valid and in compliance with the county procurement requirements if it intends to proceed using the original selection process. An explanation of the status of the procurement process and an authorized legal opinion affirming compliance with the county procurement requirements must be provided to DPW.
- If the county intends to reprocur a managed care vendor, an outline of the timeframe and process that will be used to reprocur and select a BH-MCO subcontractor by July 2006 must be provided to DPW with this submission.
- The county must demonstrate it can be ready to implement the HC program on July 1, 2007 and have all governance structures in place.
- An individual county that does not have a minimum of 10,000 HC members must enter into a subcontract with a BH-MCO that already covers or will cover at least 10,000 HC members.
- A county joinder or proposal for a multi-county grouping of non-HC counties must be willing to establish a Multi-County Entity (or quasi-governmental entity with appropriate authority to act on behalf of the counties) and enter into a single contract with DPW.

- DPW is not considering proposals in which a county wishes to join with an existing HC county(ies) contract due to the implementation schedule. This does not preclude a sub-contractual agreement with an existing 501(c) (3) HC oversight entity for administrative or programmatic services.
- The county or the BH-MCO must agree to accept a two-month delay in the receipt of capitation payments. The county must explain how it will fund operational costs, both administrative and medical costs, incurred during this timeframe and continue to meet the HC requirements for timely claims payment to providers. It is anticipated that the capitation payments that were delayed would be paid at the time of the DPW/County HC Agreement termination. DPW requires the county to provide sufficient information and documentation to enable DPW to conclude whether resources have been and/or are committed to providing the expected funds.
- The county must explain how it will fund development and start up costs, including amounts and sources of funds. DPW requires the county to provide sufficient information and documentation to enable DPW to conclude whether resources have been and/or are committed to providing the expected funds.
- The county (or its at risk BH-MCO) must have in place a minimum amount of equity equal to the greater of 5% of annual capitation, or \$250,000, which can be phased in over the first four quarters of the program. If the county is using the county-operated BH-MCO model, it must set aside these funds in a Restricted Reserve Account, which is established by municipal ordinance or similar authority.
- The county (or it's BH-MCO) must have in place, prior to implementation, an approved insolvency protection arrangement that is, at a minimum, equal to two months' worth of paid claims, or capitation revenue, in the absence of paid claims history. The insolvency requirement can be met using various financial instruments but must be pre-approved by DPW. A written description of how the County(ies) will meet the minimum equity and insolvency requirement must be provided.
- The Commonwealth will be instituting a "risk corridor" for the first two years of the HC Agreement. The risk corridor allows for a payment or a recoupment of funds in the event that the behavioral health treatment costs incurred fall outside of a predetermined medical expense corridor. The risk corridor also allows for an interim payment to be made (after six months) at DPW's discretion.

Attachment 2: Response Format

The response to this Letter of Interest is separated into two sections. Respondents are to format their response as follows:

Section I Transmittal Letter

This letter must specifically state which one of the four Options the county wishes to pursue. Counties submitting as a joinder or multi-county response must indicate so in this section and identify the participating counties. All County Commissioners must sign the transmittal letter.

NOTE: Counties electing to be part of the DPW-BH-MCO contract and not assume risk for the HC program (Option 1) need only submit a letter indicating the county's decision.

Section II Overview

Overview of Program Model

This section should contain a focused description showing how the county intends to implement the program including its rationale for the particular management option (Option 2, a, b, or c). The description should include general information about the program management structure the county will establish and a description of the organizational relationship between the managed care program, county governance, and the county MH/MR and county drug and alcohol programs. The section should also provide information about the total number of MA eligibles to be served.

Counties choosing a county joinder or multi-county proposal, should describe how the counties will establish a Multi-County Entity (or quasi-governmental entity with appropriate authority to act on behalf of the counties) and confirm the counties will enter into a single contract with DPW.

The response should demonstrate the planning, work products, governance structures, etc. that have been established and demonstrate knowledge of the program and readiness to operate within the established timeframes.

Procurement Process

This section should describe the county's competitive process to procure a BH-MCO. The county must demonstrate that the initial HC RFP issued and vendor selected remains valid and in compliance with county procurement requirements if it intends to proceed using the original selection process. An explanation of the status of the procurement process and an authorized legal opinion affirming that the original selection process is in compliance with the county procurement requirements must be provided. If the county intends to reprocure a managed care vendor the county must

submit an outline of the timeframe and competitive process that will be used to reprocur and select a BH-MCO subcontractor by July 2006. The procurement process must be in compliance with the county's procurement requirements.

Financial Requirements

This section should indicate if the county or BH-MCO is able to accept a two-month delayed capitation payment. Explain how it will fund operational costs, both administrative and medical costs incurred during this timeframe, and ensure provider payment will continue to meet HC standards for timely claims payment.

Explain how the county will fund development and start-up costs, including amounts and sources of funds. Please provide enough information and documentation to enable DPW to conclude whether resources have been and/or are committed to proving the expected funds.

Describe how the county(ies) will meet the minimum equity and insolvency requirements.

Implementation Timeframes

This section should provide a general outline of the major activities that must be completed to meet the implementation deadline of July 1, 2007. The summary should demonstrate the county's readiness and knowledge of the HC requirements.

It is understood that respondents may not have full details of their plan and processes available. The purpose of this Letter of Interest is to provide as much detail as is available to allow DPW to assess whether the county can meet the requirements outlined to accept the county right of first opportunity. The response should be no longer than six typewritten pages and must be submitted by February 22, 2006 to:

Scott Liddick, Project Officer
Department of Public Welfare
Office of Mental Health and Substance Abuse Services
P.O. Box 2675, Room 239
Beechmont Bldg.
Harrisburg, Pennsylvania 17105