

**315 CYE 15 – ACUTE PROGRAM PAYMENT REFORM INITIATIVE**

EFFECTIVE DATE: 10/01/14

REVISION DATE: 06/19/14, 11/20/14

Staff responsible for policy: DHCM Finance and DHCM Clinical Quality Management (CQM)

**I. PURPOSE**

This Policy applies to all Acute Care Contractors excluding Children’s Rehabilitation Services (CRS), Department of Child Safety/Comprehensive Medical and Dental Program (DCS/CMDP), and the Maricopa Integrated RBHA. The AHCCCS Payment Reform Initiative (PRI) applies to dates of service effective on and after October 1, 2014 and is based on Quality Management Performance Measures (QMPMs) utilized by the AHCCCS Clinical Quality Management (CQM) Unit as described in this Policy. The purpose of this initiative is to encourage Contractor activity in the area of quality improvement, particularly those initiatives that are conducive to improved health outcomes and cost savings, and those related to child and adolescent health, by aligning the incentives of the Contractor and provider through shared savings payment arrangements.

**II. DEFINITIONS**

<b>ADJUSTMENT FACTOR</b>	A factor applied in the calculation of the quality distribution that ensures that the total quality contribution amount by QMPM equals the total quality distribution amount by QMPM. This factor is applied to the performance rank score and varies by the different QMPMs and number of Contractors meeting the minimum standards.
<b>MEASUREMENT YEAR</b>	The period for which the PRI Policy applies which shall be 10/1 through 9/30.
<b>PERFORMANCE MEASURE SCORE</b>	One of the two scores used in calculating the quality distribution. This score is based on the Contractor’s performance relative to the minimum performance standards established by CQM.
<b>PERFORMANCE RANK SCORE</b>	One of the two scores used in calculating the quality distribution. This score is based on a pure ranking of the Contractor’s performance.
<b>PREMIUM TAX</b>	The premium tax is equal to the tax imposed pursuant to A.R.S. §36-2905 for all payments made to Contractors for the contract year.

<b>PROSPECTIVE GROSS CAPITATION</b>	Prospective capitation payments made to Contractors on a monthly basis which includes medical expense, reinsurance offset, administration, risk/contingency and premium tax, and any subsequent amendments thereof.
<b>QUALITY CONTRIBUTION</b>	A specified percentage of all Contractors' Prospective Gross Capitation payments that will be assessed through a reconciliation process to fund the PRI.
<b>QUALITY MANAGEMENT PERFORMANCE MEASURES</b>	Health care quality measures utilized by CQM. Subsets of these measures were selected for use in the PRI. See highlighted rows in Attachment A.
<b>QUALITY MANAGEMENT MEASUREMENT REPORT</b>	The report issued by CQM annually which includes results by Contractor on QMPMs.
<b>QUALITY MANAGEMENT MINIMUM PERFORMANCE STANDARD</b>	The minimum standard established by CQM for each QMPM and used in calculating the performance measure score.
<b>QUALITY DISTRIBUTION</b>	Amounts returned to Contractors, by QMPM, based on the results of the performance measure score and the performance rank score.
<b>RANK FACTOR</b>	A factor applied in the calculation of Contractor's quality distribution amount based on the rank of the Contractor for the performance rank score.
<b>SCALING FACTOR</b>	A factor applied in the calculation of Contractor's quality distribution amount for the performance measurement score.
<b>SHARED-SAVINGS ARRANGEMENT</b>	A written contract between a contractor and provider designed to achieve cost savings and quantifiable improved outcomes, which in the event of savings, are shared between the contractor and the provider.

### **III. POLICY**

#### **A. GENERAL**

In order to qualify for a quality distribution, the Contractor must meet the minimum shared savings qualifying criteria in C.2. and certify as described in C.3. Failure to meet or certify to this minimum in a particular measurement year will disqualify the Contractor from any quality distributions for that year. However, the Contractor's quality contribution used in the reconciliation described below will still be assessed and included to fund quality distributions to all other Contractors.

Quality distributions will be made to Contractors based on relative Contractor performance for the measurement year, as determined by CQM, on selected Quality Management Performance Measures (QMPMs - see Attachment A). Each QMPM is allocated a percentage of the total quality contribution funds available for distribution; see Attachment B for the percent of contribution by QMPM. Each measure will be considered independently of other measures, such that a Contractor can earn distributions on any or all of the QMPMs.

The quality distribution formula is based on two factors: Contractors' performance relative to minimum performance standards established by CQM (i.e. performance measure score); and Contractors' rankings on QMPMs (i.e. performance rank score), as illustrated in Attachment B. The quality distribution formula first determines payments based on the performance measure score. The balance of quality contribution funds allocated to the QMPM is then distributed based on the performance rank score. The adjustment factor is applied to the performance rank score to ensure that the total quality distributions equal the total quality contributions. Due to Federal requirements, the maximum distribution across all QMPMs made to any Contractor will be limited to five percent of annual prospective gross capitation attributable to the Acute PRI.

Modifications to the quality distribution formula, and additional methods for determining quality distributions, including quality distributions based on improvement in measures from year-to-year, may be considered in future measurement years.

AHCCCS reserves the right to eliminate a particular measure from the PRI. In such a case, AHCCCS will remove each Contractor's quality contribution amount for that measure.

AHCCCS reserves the right to exclude a particular Contractor from one or more measures of the PRI based on insufficient population for the denominator of the measure to provide for a credible statistic or other reasons determined by AHCCCS. In such a case, AHCCCS will remove the Contractor's quality contribution amount for that measure, provided that the Contractor has met and certified to the minimum payments requirement under Shared Savings Arrangements stipulated in C.2 and C.3 of this Policy.

Quality distributions to Contractors will be funded by assessing one percent of Prospective Gross Capitation (quality contribution) exclusive of Delivery Supplemental, KidsCare and State Only Transplant payments.

The methods and procedures used for data sources, validation and tabulation of results will be described in the AHCCCS QMPM Report for the measurement year. Risk adjustment methods for the QMPMs will be considered and utilized, if deemed to be appropriate.

## **B. AHCCCS RESPONSIBILITIES**

1. Quality contributions and quality distributions will be settled through a reconciliation performed annually on a contract year basis.

2. Between one and three months after the AHCCCS QMPM Report for the measurement year has been issued, AHCCCS shall tabulate results of the PRI and reconcile the contribution from and distribution to Contractors.

The quality contribution may be adjusted, if necessary, for the elimination of a particular measure from the PRI or the elimination of a Contractor from a particular measure as indicated above.

The full amount of the quality contribution will be distributed among Contractors based on performance on the quality measures, unless otherwise noted in this Policy. The quality distribution by QMPM will be calculated as follows (see Attachment B for an example):

Q= Quality Contribution

S = Scaling Factor

CMeasure = Contractor's QMPM Result

MinStd = Quality Management Minimum Performance Standard

A = Adjustment Factor

R = Rank Factor

Performance Measure Score:

If equal to or above MinStd, then  $Q * S * ([CMeasure - MinStd]/MinStd)$

If below minimum standard, then zero

Performance Rank Score:  $A * Q * R$

Quality Distribution: Performance Measure Score + Performance Rank Score

3. Through the reconciliation, the total quality distribution will be subtracted from the net quality contribution to establish the amount due to or due from the Contractor. The difference will be adjusted for premium tax. See Attachment D for example.

AHCCCS will provide the Contractor with the reconciliation and written notice of the deadline for review and comment by the Contractor. Upon completion of the review period, AHCCCS will evaluate Contractor comments and address any issues as warranted.

Any amount due to or due from the Contractor as a result of the reconciliation will be paid or recouped through a future monthly capitation payment.

### **C. CONTRACTOR RESPONSIBILITIES**

1. Contractors will adhere to all requirements of the AMPM, Chapter 900, Policy 970.
2. A minimum of 10 percent of the value of total prospective payments under all contracts executed with health care providers must be governed by shared-savings arrangements for the measurement year. AHCCCS expects the minimum value threshold to grow each year. Written contracts shall be executed no later than February 1.

3. The Contractor will certify to AHCCCS that this minimum will be met by submitting both an executed copy and an electronic copy in an Excel format:
  - a. an initial Payment Reform Initiative Shared Savings Arrangement Certification as provided in Attachment C to the DHCM Finance Manager within 60 days of the start of the measurement year.
  - b. a final Payment Reform Initiative Shared Savings Arrangement Certification as provided in Attachment C to the DHCM Finance Manager due 180 days after the end of the measurement year.

In the case of differences between the executed copy and electronic template submissions, the executed copies will prevail.

AHCCCS reserves the right to request an audit of the Certifications included in Attachment C.

#### **IV. REFERENCES**

- Acute Care Contract, Section D
- AMPM Chapter 900
- Attachment A, Acute Contractor Quality Management Performance Measure Standards
- Attachment B, Payment Reform Initiative (PRI) Quality Distribution Example
- Attachment C, Payment Reform Initiative (PRI) Shared Savings Arrangement Certification
- Attachment D, Payment Reform Initiative (PRI) Reconciliation Example
- A.R.S. 36-2905

**ATTACHMENT A, ACUTE CONTRACTOR QUALITY MANAGEMENT PERFORMANCE MEASURE  
STANDARDS**

**SEE THE ACOM WEBPAGE FOR ATTACHMENT A OF THIS POLICY**

**ATTACHMENT B, PAYMENT REFORM INITIATIVE (PRI) QUALITY DISTRIBUTION EXAMPLE**

**SEE THE ACOM WEBPAGE FOR ATTACHMENT B OF THIS POLICY**

**ATTACHMENT C, PAYMENT REFORM INITIATIVE (PRI) SHARED SAVINGS ARRANGEMENT  
CERTIFICATION**

**SEE THE ACOM WEBPAGE FOR ATTACHMENT C OF THIS POLICY**



**ATTACHMENT D, PAYMENT REFORM INITIATIVE (PRI) RECONCILIATION EXAMPLE**

**SEE THE ACOM WEBPAGE FOR ATTACHMENT D OF THIS POLICY**