

**318 CYE 16 – ARIZONA LONG TERM CARE SYSTEM ELDERLY AND PHYSICAL  
DISABILITY PROGRAM VALUE-BASED PURCHASING INITIATIVE**

EFFECTIVE DATE: 10/01/15

REVISION DATE: 06/11/15

STAFF RESPONSIBLE FOR POLICY: DHCM FINANCE AND DHCM CLINICAL QUALITY MANAGEMENT  
(CQM)

**I. PURPOSE**

This Value-Based Purchasing (VBP) Initiative Policy applies to all Arizona Long Term Care System Elderly and Physical Disability Program Contractors. 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, by aligning the incentives of the Contractor and provider through VBP strategies.

**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 VBP Initiative 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.

**PROSPECTIVE GROSS  
CAPITATION**

Prospective capitation payments, prior to adjustments for Nursing Facility enhanced payments and Health Insurance Fee payments, made to Contractors on a monthly basis which includes medical expense, reinsurance offset, share of cost offset, administration, case management, risk/contingency and premium tax, and any subsequent amendments thereof. For purposes of this policy, Prospective Gross Capitation is exclusive of Acute Care only payments.

**QUALITY MANAGEMENT  
PERFORMANCE MEASURES**

Health care quality measures utilized by CQM. Subsets of these measures were selected for use in the VBP Initiative.

**QUALITY MANAGEMENT  
MEASUREMENT REPORT**

The report issued by CQM annually which includes results by Contractor on QMPMs.

**QUALITY MANAGEMENT  
MINIMUM PERFORMANCE  
STANDARD**

The minimum standard established by CQM for each QMPM and used in calculating the performance measure score.

**QUALITY CONTRIBUTION**

A specified percentage of all Contractors' Prospective Gross Capitation payments that will be assessed through a reconciliation process to fund the VBP Initiative.

**QUALITY DISTRIBUTION**

Amounts returned to Contractors, by QMPM, based on the results of the performance measure score and the performance rank score.

**RANK FACTOR**

A factor applied in the calculation of Contractor's quality distribution amount based on the rank of the Contractor for the performance rank score.

**SCALING FACTOR**

A factor applied in the calculation of Contractor's quality distribution amount for the performance measurement score.

**VALUE-BASED  
PURCHASING PAYMENT  
PER VALUE-BASED  
PURCHASING CONTRACT**

A payment from a Contractor to a provider upon successful completion or expectation of successful completion of contracted goals/measures in accordance with the VBP strategy selected for the contract. This is a non-encounterable payment and does not reflect payment for a direct medical service to a member. This payment will typically occur after the completion of the contract period, but could include quarterly or semi-annual payments if contract terms specify such payments in recognition of successful performance measurement.

**VALUE-BASED  
PURCHASING  
STRATEGIES**

A model which aligns payment more directly to the quality and efficiency of care provided, by rewarding providers for their measured performance across the dimensions of quality.

VBP strategies for this initiative may include any combination of Primary Care Incentives (PC), Performance-Based Contracts (PB), Bundled/Episode Payments (BE), Shared Savings (SS), Shared Risk (SR) and Capitation + Performance-Based Contracts (CP) purchasing strategies as defined below, in order from least to greatest provider financial risk. See Attachment A to view the continuum of VBP strategies.

**FEE-FOR-SERVICE**

Purchasing strategy in which providers receive a negotiated or payer-specified payment rate for every unit of service they deliver without regard to quality, outcomes or efficiency.

**This strategy shall not be counted towards the minimum qualifying criteria outlined under C.2. in order to be eligible for quality distribution under this policy.**

**PRIMARY CARE  
INCENTIVES**

Purchasing strategy in which providers/physicians are rewarded with bonus payments for meeting certain performance measures for quality and/or cost. It can also include disincentives, such as eliminating payments for negative consequences of care (i.e. medical errors) or for increased costs and is typically paid in addition to fee-for-service payments. Also known as Pay for Performance or P4P.

**PERFORMANCE-  
BASED CONTRACTS**

Purchasing strategy in which a portion of the provider's total potential payment is tied to a provider's performance on cost-efficiency and quality performance measures. While providers may still be paid fee-for-service for a portion of their payments, they may also be paid a bonus or have payments withheld. The bonus is not paid unless the provider meets cost-efficiency and/or quality targets.

**BUNDLED/EPISODE  
PAYMENTS**

Purchasing strategy in which the provider is reimbursed on the basis of expected costs for clinically defined episodes that may involve several practitioner types, several settings of care and several services or procedures over time. The provider receives a lump sum for all health services delivered for a single episode of care. An example is payment to obstetricians for the ongoing management of pregnancy, delivery and postpartum care.

**SHARED SAVINGS**

Purchasing strategy which provides an incentive for providers or provider entities to reduce unnecessary health care spending for a defined population of patients, or for an episode of care, by offering providers a percentage of any realized net savings (e.g. upside risk only). “Savings” can be measured as the difference between expected and actual cost in a given measurement year, for example. Shared savings programs can be based on a fee-for-service purchasing system. Shared savings can be applied to some or all of the services that are expected to be used by a patient population and vary based on provider performance.

**SHARED RISK**

Purchasing strategy in which payer and provider share upside and downside risk against an agreed-upon budget after meeting quality and experience thresholds. Refers to arrangements in which providers accept some financial liability for not meeting specified financial or quality targets. Examples include loss of bonus; baseline revenue loss; or loss for costs exceeding global or capitation payments; withholds that are retained and adjustments to fee schedules. For the purposes of data collection, shared risk programs that include shared savings should only be included in the shared risk category (e.g. includes both upside and downside risk). Shared risk programs can be based on a fee-for-service purchasing system.

**CAPITATION +  
PERFORMANCE-  
BASED CONTRACTS**

Purchasing strategy in which a provider or group of providers are reimbursed a set amount for each enrolled person assigned to them, rather than paying providers for individual services. Providers or groups of providers are expected to assume a certain level of financial risk under a capitated payment system. The provider is responsible for the quality, cost and experience outcomes of specific population of patients and receives payments based on per member per month, rather than fee-for-service. To be considered as a value based purchasing strategy, payment adjustments must be made based on measured performance and patient risk. It is intended to promote efficient and high quality care and coordination among providers for population health management.

**III. POLICY****A. GENERAL**

In order to qualify for a quality distribution, the Contractor must meet the VBP strategies qualifying criteria for both the EPD contract and the Medicare Advantage Duals Special Needs Plan (MA-DSNP) spend as it pertains to the ALTCS/EPD members in C.2., and certify as described in C.3. Failure to meet or certify to meeting the criteria these minimums 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 under the ALTCS EPD Contract for the measurement year, as determined by CQM, on selected Quality Management Performance Measures (QMPMs - see highlighted rows Attachment B). Each QMPM is allocated a percentage of the total quality contribution funds available for distribution; see Attachment C 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 C. 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 contribution. 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 ALTCS/EPD VBP Initiative.

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 VBP Initiative. 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 VBP Initiative 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 meeting the qualifying criteria under VBP strategies 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).

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 VBP Initiative 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 VBP Initiative 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 C 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.
4. The difference computed in B.3. shall be adjusted by adding the total of all VBP payments per VBP contracts certified by the Contractor attributed to the period of October 1, 2015 through September 30, 2016, and submitted to AHCCCS in the final Attachment E as prescribed in C.3.

AHCCCS shall test the total amount due to/from the Contractor to ensure that the Federal limit of 5% of annual prospective gross capitation is met. Any amount in excess of the limit shall be reduced to bring the final due to/from within the Federal requirement.

5. The result computed in B.4 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. Contractor requirement to meet minimum VBP strategies qualifying criteria:
  - a. Relative to the EPD contract, a minimum of 15 percent of the value of total prospective payments, VBP and non-VBP, contracted and non-contracted, must be governed by VBP strategies for the measurement year. AHCCCS expects the minimum value threshold to grow each year.
  - b. Relative to the MA-DSNP contract for ALTCS/EPD Duals, a minimum of 15 percent of the value of total payments, VBP and non-VBP, contracted and non-contracted, must be governed by VBP strategies for the measurement year. AHCCCS expects the minimum value threshold to grow each year.

Strategies for this initiative may include any combination of the VBP strategies defined in Section II with the exception of the Fee-For-Service Strategy. Strategies utilized must meet the definitions provided under Section II. Strategies must be designed to achieve cost savings and quantifiable improved outcomes.

The Contractor shall be responsible for identifying which strategy applies to each VBP contract and whether each contract applies to a limited cost of care, where the provider can only impact direct and limited costs attributed to members, or the total cost of care attributed to members. For example, a contract with a transportation provider which rewards the provider for improvement in on-time pick-ups would count as a limited cost of care contract since the provider has no impact on the members' total medical costs and only directly affects transportation expense. Alternatively, a contract with a PCP which rewards the provider for reducing total medical expenses attributed to members, including those not directly provided by the PCP, would count as a total cost of care contract.

The same dollars shall not be counted under multiple contracts.

Additionally, one contract shall not be counted under multiple strategies.

The Contractor may use quality measures other than the measures identified in Attachment B as part of its VBP strategies.

In order to count towards meeting the qualifying criteria, strategies shall be evidenced by written contracts executed no later than February 1 of each measurement year, and shall

- only be counted for the time period in the measurement year for which contract is in effect.
3. The Contractor shall certify to AHCCCS that these requirements will be met by submitting both an executed copy and an electronic copy in an Excel format:
    - a. An initial VBP Strategies Certification as provided in Attachment E to the DHCM Finance Manager within 60 days of the start of the measurement year.
    - b. A final VBP Strategies Certification as provided in Attachment E to the DHCM Finance Manager due 180 days after the end of the measurement year.

NOTE: Attachment E contains two tabs. Both tabs must be submitted with the executed copy and the electronic copy in accordance with 3.a. and 3.b.

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

AHCCCS reserves the right to require an audit of the Certifications included in Attachment E.

#### **IV. REFERENCES**

- ALTCS/EPD Contract, Section D
- Attachment A, ALTCS/EPD Program Value-Based Purchasing (VBP) Strategies
- Attachment B, ALTCS/EPD Contractor Quality Management Performance Measures
- Attachment C, ALTCS/EPD Program Value-Based Purchasing (VBP) Quality Distribution Example
- Attachment D, ALTCS/EPD Program Value-Based Purchasing (VBP) Reconciliation Example
- Attachment E, ALTCS/EPD Program Value-Based Purchasing (VBP) Strategies Certification
- AMPM Chapter 900
- A.R.S. §36-2905



**ATTACHMENT A, ALTCS/EPD PROGRAM VALUE-BASED PURCHASING (VBP) STRATEGIES**

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

**ATTACHMENT B, ALTCS/EPD CONTRACTOR QUALITY MANAGEMENT PERFORMANCE MEASURES**

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

**ATTACHMENT C, ALTCS/EPD PROGRAM VALUE-BASED PURCHASING (VBP) QUALITY  
DISTRIBUTION EXAMPLE**

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

**ATTACHMENT D, ALTCS/EPD PROGRAM VALUE-BASED PURCHASING (VBP) RECONCILIATION  
EXAMPLE**

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

**ATTACHMENT E, ALTCS/EPD PROGRAM VALUE-BASED PURCHASING (VBP) STRATEGIES  
CERTIFICATION**

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