I. PURPOSE

This Policy applies to Acute Care (CYE18), ACC, and ALTCS E/PD Contractors. The purpose of the AHCCCS Alternative Payment Model (APM) Initiative – Withhold and Quality Measure Performance (QMP) Incentive 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 APM strategies.

II. DEFINITIONS

**ADJUSTMENT FACTOR**
A factor that ensures that the total Withhold amount by QMPM equals the total of the Earned Withhold and the QMP Incentive payment amounts 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.

**COMBINED PERFORMANCE SCORE**
The computation which adds the Performance Measure Score and Performance Rank Score to determine the Contractors’ Earned Withhold and the QMP Incentive payments.

**EARNED WITHHOLD**
Amounts returned to Contractors, by QMPM, based on the results of the combined performance score, not to exceed 100% of each Contractor’s Withhold.

**ENCOUNTER**
For the purposes of this Policy, all encounters shall be in an adjudicated and approved status.

**MEASUREMENT YEAR**
The period for which this Policy applies, which shall be 10/1 through 9/30.

**PERFORMANCE MEASURE SCORE**
This score measures the Contractor’s performance relative to the minimum performance standards established by AHCCCS Quality Improvement for each QMPM.

**PERFORMANCE RANK SCORE**
This score measures the ranking of the Contractor’s performance for each QMPM.
**PREMIUM TAX**

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**

Acute Care (CYE 2018), ACC: Prospective capitation payments, prior to adjustments for the Health Insurance Provider Fee payment, made to Contractors on a monthly basis which includes medical expense, reinsurance offset, administration, risk/contingency and premium tax, and any subsequent amendments thereof. For purposes of this Policy, Prospective Gross Capitation is exclusive of Delivery Supplemental, KidsCare, APSI for CYE 2018 and CYE 2019 (see ACOM Policy 325) and any directed payments paid on a quarterly or annual lump sum basis and State Only Transplant payments.

ALTCS E/PD: Prospective capitation payments, prior to adjustments for Nursing Facility enhanced payments and Health Insurance Provider 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 any directed payments paid on a quarterly or annual lump sum basis and for CYE 2018 Acute Care only payments. Acute Care Only is the enrollment status of a member who is otherwise financially and medically eligible for ALTCS but who 1) refuses Home and Community Based Services (HCBS) offered by the case manager; 2) has made an uncompensated transfer that makes him or her ineligible; 3) resides in a setting in which Long Term Care Services and Supports (LTSS) cannot be provided; or 4) has equity value in a home that exceeds $552,000. These ALTCS enrolled members are eligible to receive acute medical services but not eligible to receive LTC institutional, alternative residential, or HCBS.

**QUALITY MANAGEMENT PERFORMANCE MEASURES (QMPM)**

Health care quality measures utilized by AHCCCS Quality Improvement. Subsets of these measures were selected for use in this Policy. Should the description or calculation of these subsets of performance measures listed in this Policy differ from those performance measures listed in the Contract, the terms of the Contract prevail.
The minimum standard established by AHCCCS Quality Improvement for each QMPM and used in calculating the performance measure score. Should the minimum performance standards of the QMPMs listed in this Policy differ from the minimum performance standards of the performance measures listed in the Contract, the terms of the Contract prevail.

Amounts earned over and above the capitation rates, by QMPM, based on the results of the combined performance score (not all Contractors may receive an incentive payment).

The fund source for the QMP Incentive payment, calculated as the difference between the total Withhold amount and the total QMP Earned Withhold.

A factor applied in the calculation of Contractor’s combined performance score based on the rank of the Contractor for the performance rank score.

A factor applied in the calculation of Contractor’s combined performance score for the performance measurement score.

A specified percentage of all Contractors’ Prospective Gross Capitation payments that will be withheld via a recoupment after the completion of the contract year.

III. Policy

A. General

In order to qualify for an Earned Withhold and/or QMP Incentive payment, the Contractor shall meet the APM strategies qualifying criteria as described in ACOM Policy 307. Failure to meet or certify to meeting the criteria in a particular Measurement Year will disqualify the Contractor from any Earned Withhold and QMP Incentive payment for that year. However, the Contractor’s Withhold amount will still be assessed and included to fund the Earned Withhold and QMP Incentive payments to all other Contractors. AHCCCS reserves the right to include new Contractors in the Earned Withhold and QMP Incentive payment even if they did not meet or certify to meet the APM strategies qualifying criteria described in ACOM 307.

Earned Withhold and QMP Incentive payments will be made to Contractors based on relative Contractor performance for the Measurement Year, as determined by AHCCCS Quality Improvement, on selected QMPMs, –refer to Attachment A. Each QMPM is allocated a percentage of the total Withhold funds available for disbursement, refer to Attachment B for the percent of Withhold amount by QMPM. Each measure will be
considered independently of other measures, such that a Contractor can obtain an Earned Withhold and QMP Incentive payment on any or all of the QMPMs.

The Combined Performance Score used to determine the Earned Withhold and QMP Incentive payments is based on two factors: Contractors’ performance relative to minimum performance standards established by AHCCCS Quality Improvement (i.e. Performance Measure Score), and Contractors’ rankings on QMPMs (i.e. Performance Rank Score), as illustrated in Attachment B. The Combined Performance Score first determines payments based on the Performance Measure Score. The balance of Withhold 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 Earned Withhold and QMP Incentive payment amounts equal the total Withhold amounts.

Modifications to the Combined Performance Score, its components, and additional methods for determining the Earned Withhold and QMP Incentive payments, including computations based on improvement in measures from year-to-year, may be considered in future Measurement Years.

AHCCCS reserves the right to eliminate a particular QMPM for use in this Policy. In such a case, AHCCCS will remove and return each Contractor's Withhold amount for that measure.

AHCCCS reserves the right to exclude a particular Contractor from one or more QMPMs used in this Policy 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 Withhold amount for that measure, provided that the Contractor has met and certified to meeting the qualifying criteria under APM strategies stipulated in ACOM Policy 307.

AHCCCS reserves the right to eliminate all QMPM measures used in this Policy should federal funding not be available for payment. In such a case, AHCCCS will remove and return each Contractor's Withhold amounts.

The Withhold is equal to one percent of Prospective Gross Capitation for the Measurement Year.

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 appropriate.

AHCCCS will review the QMPMs on an annual basis and may add to or replace the QMPMs, or change in any way the QMPMs or minimum performance standards listed in Attachment A, in subsequent years, to align AHCCCS performance measures across the various AHCCCS programs, to emphasize initiatives of importance to AHCCCS or in the
best interest of the AHCCCS Program and/or the State. AHCCCS intends to notify the Contractor of the change in QMPMs no less than two months prior to October 1 or the effective date.

B. AHCCCS RESPONSIBILITIES

1. After the completion of the contract year, AHCCCS shall recoup the full amount of the Withhold from each Contractor.

2. Between one and three months after the AHCCCS QMPM Report for the Measurement Year has been issued, AHCCCS shall tabulate the Combined Performance Score for each QMPM by Contractor.

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

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

   \[ W = \text{Withhold amount} \]
   \[ S = \text{Scaling Factor} \]
   \[ \text{CMeasure} = \text{Contractor’s QMPM Result} \]
   \[ \text{MinStd} = \text{Quality Management Minimum Performance Standard} \]
   \[ A = \text{Adjustment Factor} \]
   \[ R = \text{Rank Factor} \]

   Performance Measure Score:
   If equal to or above MinStd, then \( W * S * ([\text{CMeasure} – \text{MinStd}]/\text{MinStd}) \)
   If below minimum standard, then zero

   Performance Rank Score: \( A * W * R \)

   Combined Performance Score: Performance Measure Score + Performance Rank Score

3. Calculation of the Earned Withhold: The Earned Withhold will be calculated by comparing the Combined Performance Score by Contractor by QMPM to the Withhold by Contractor by QMPM. The Contractor may earn less than or equal to the Contractor’s Withhold by QMPM, the Contractor shall not earn greater than the Contractor’s Withhold by QMPM in accordance with Federal regulation.

4. The QMP Incentive Pool will be calculated by subtracting the total Earned Withhold payments for all Contractors from the total Withhold amount for all Contractors.
5. Calculation of the QMP Incentive Payment: The QMP Incentive will be calculated by comparing the Combined Performance Score by Contractor by QMPM to the Earned Withhold by QMPM. If the Earned Withhold amount by QMPM is equal to or less than the total Withhold, the Contractor will not receive a QMP Incentive payment. If the Combined Performance Score by Contractor by QMPM is greater than the Earned Withhold amount, the difference between the Earned Withhold and the Combined Performance Score by QMPM will be considered the QMP Incentive payment and will be due to the Contractor.

6. Due to Federal requirements, the maximum QMP Incentive payment across all QMPMs made to any Contractor by line of business will be limited to five percent of annual Prospective Gross Capitation. (Refer to Attachment C for example.) AHCCCS shall test the total amount of Quality Measure Performance Incentive payments across all QMPMs due to 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 payment within the Federal requirement. Federal regulation requires that all incentive payments combined shall not exceed this 5% limit, thus the test of the 5% limit will include both the Quality Measure Performance Incentive payments included in this Policy, and the performance-based payment incentives described in ACOM Policy 307.

7. The results computed in section B for the Earned Withhold and QMP Incentive Payment will be adjusted for Premium Tax. Refer to Attachment C for example.

AHCCCS will provide the Contractor with the Earned Withhold and QMP Incentive payment calculations 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 will be paid or recouped through a future monthly capitation payment.