I. PURPOSE

This Policy applies ACC and ALTCS E/PD Contractors for dates of service from October 1, 2019, through September 30, 2022. It is AHCCCS’ intent, beginning on October 1, 2022, that this Policy will also apply to SMI 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

For the Purposes of this Policy:

**ADJUSTMENT FACTOR**
A factor that ensures that the total Withhold amount for each Performance Measure (PM) equals the total of the Earned Withhold and the QMP Incentive payment amounts for each PM. This factor is applied to the Performance Rank Score and varies by the different PMs and the number of Contractors meeting the minimum performance standard for CYE 2020 and the NCQA Medicaid mean for CYE 2021 and after.

**COMBINED PERFORMANCE SCORE**
The computation that adds the Performance Measure Score and Performance Rank Score used to determine the Contractor’s Earned Withhold and the QMP Incentive payment.

**EARNED WITHHOLD**
Amounts returned to the Contractor, by PM, based on the results of the Combined Performance Score, not to exceed 100% of each Contractor’s Withhold.

**MEASUREMENT YEAR**
January 1 through December 31.

**MINIMUM PERFORMANCE STANDARD (MPS)**
The minimum standard established by the AHCCCS Quality Improvement Team for each PM that is used in calculating the Performance Measure Score for CYE 2020. Should the MPS of the PMs listed in this Policy differ from the MPS listed in the Contract, the terms of the Contract prevail. In some years, the MPS will only be listed in the Contract.

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1 A new ACOM Policy 306 is under development.
| **NATIONAL COMMITTEE FOR QUALITY ASSURANCE (NCQA) MEDICAID MEAN** | The national average published by the National Committee for Quality Assurance (NCQA) for each PM that is used in calculating the Performance Measure Score beginning October 1, 2020. The NCQA Medicaid Mean is published in the Fall following the end of the Measurement Year. NCQA publishes the results in its State of Health Care Quality Report. |
| **PERFORMANCE MEASURE SCORE** | This score measures the Contractor’s performance relative to the Minimum Performance Standards established by the AHCCCS Quality Improvement Team prior to October 1, 2020, and the NCQA Medicaid Mean after October 1, 2020, for each PM. |
| **PERFORMANCE MEASURES (PM)** | Health care quality measures utilized by the AHCCCS Quality Improvement Team. Subsets of these measures were selected for use in this Policy. Should the description or calculation of these subsets of PMs listed in this Policy differ from those PMs listed in the Contract, the terms of the Contract prevail. The PMs shall be calculated on a calendar year basis by the Contractor and validated by the AHCCCS External Quality Review Organization (EQRO). |
| **PERFORMANCE RANK SCORE** | This score measures the ranking within each line of business of the Contractor’s Performance Measure Score for each PM relative to other Contractors’ Performance Measure Score. |
ACC: Prospective capitation payments, prior to adjustments for the Health Insurance Provider Fee payment, made to the Contractor 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 for CYE 2020, any directed payments specified in 42 CFR 438.6(c) 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 the Contractor 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 as specified in 42 CFR 438.6(c) paid on a quarterly or annual lump sum basis.

**QUALITY MEASURE PERFORMANCE INCENTIVE (QMP INCENTIVE)**

Amounts earned over and above the capitation rates, by PM, based on the results of the Combined Performance Score (not all Contractors may receive an QMP Incentive payment).

**QUALITY MEASURE PERFORMANCE INCENTIVE POOL (QMP INCENTIVE POOL)**

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

**RANK FACTOR**

A factor applied in the calculation of Contractor’s Combined Performance Score based on the rank of the Contractor for the Performance Rank Score.

**SCALING FACTOR**

A factor applied in the calculation of Contractor’s Combined Performance Score for the Performance Measurement Score.

**WITHHOLD**

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

Additional definitions are located on the AHCCCS website at: [AHCCCS Contract and Policy Dictionary](http://www.ahcccs.gov).
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 specified in ACOM Policy 307. Failure to meet or certify to meeting the criteria in a particular Measurement Year shall disqualify the Contractor from any Earned Withhold and QMP Incentive payment for that year. However, the Contractor’s Withhold amount shall 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 specified in ACOM Policy 307.

Earned Withhold and QMP Incentive payments shall be made to the Contractor based on relative Contractor performance for the Measurement Year, as calculated by the Contractor and validated by the AHCCCS External Quality Review Organization (EQRO) on selected PMs, as specified in Attachment A. Each PM is allocated a percentage of the total Withhold funds available for disbursement as specified in Attachment A. Each PM shall be considered independently of other PMs, such that a Contractor can obtain an Earned Withhold and QMP Incentive payment on any or all the PMs.

The Combined Performance Score used to determine the Earned Withhold and QMP Incentive payments is based on two factors: Contractor’s Performance Measure Score, and Performance Rank Score, as specified in Attachment B. The Combined Performance Score first determines payments based on the Performance Measure Score. The balance of Withhold funds allocated to the PM 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. For CYE 2021, AHCCCS will only use the Performance Rank Score to calculate the Combined Performance Score, due to the ongoing COVID-19 Public Health Emergency that will impact performance measure results during this period.

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 PMs from year-to-year, may be employed in future Measurement Years.

AHCCCS reserves the right to eliminate a particular PM for use in this Policy. In such a case, AHCCCS will select primary and secondary PMs for each line of business. The secondary PMs will be used to replace primary PMs if for any reason a primary PM cannot be calculated for the Measurement Year. AHCCCS will select which secondary PMs will replace the primary PMs in these instances.
AHCCCS reserves the right to exclude a particular Contractor from one or more PMs used in this Policy based on insufficient population for the denominator of the PM 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 PM, provided that the Contractor has met and certified to meeting the qualifying criteria under APM strategies as specified in ACOM Policy 307. AHCCCS reserves the right to remove and return the Withhold amount for that PM, even if the Contractor did not meet or certify to meet the APM strategies qualifying criteria specified in ACOM Policy 307.

In instances where a Contractor has one or more nonreportable PMs, AHCCCS will exclude the Contractor’s applicable PMs from the calculation, but the Contractor’s applicable Withhold amounts will not be returned to the Contractor. A nonreportable PM results when a Contractor is unable to meet the validation requirements for a PM and the PM is assessed by the EQRO as a ‘Do Not Report’ rate instead of a reportable rate. In instances where a Contractor utilizes administrative methodologies to calculate a PM that allows for calculations via hybrid methodologies, AHCCCS will use the Contractor’s administrative PM rate for determining the Contractor’s Earned Withhold and QMP Incentive payment.

AHCCCS reserves the right to eliminate all PMs used in this Policy should federal funding not be available for payment or for other reasons determined by AHCCCS. In such a case, AHCCCS will remove and return each Contractor's Withhold amounts. For circumstances in which the Contractor’s Performance Measure Score and/or Performance Rank Score and/or data are impacted by external factors that result in invalid data and/or outcomes that are not representative of actual Contractor performance, as determined by AHCCCS, AHCCCS may implement alternatives to the current PM withhold/incentive calculation. For example, during a Public Health Emergency (PHE), Contractor’s performance on specific PMs may be negatively impacted by external factors and, therefore, the calculation may not result in an outcome that appropriately reflects actual Contractor performance in that environment. As another example, there may be CMS or NCQA driven changes to PMs. In such circumstances or other similar circumstances, AHCCCS may consider implementing an alternative calculation that accounts for such factors in a manner that allows a more appropriate measure of Contractor performance. For example, AHCCCS may consider suspending PMs, transitioning to alternative PMs, substituting prior year performance if available, measuring performance for a portion of the year, removing the Performance Measure Score or Performance Rank Score and/or designating an alternative performance measurement methodology. If an alternative is selected, AHCCCS intends to implement it in a manner that is consistent with the intent of the original PM to the extent feasible.

Due to the COVID-19 PHE, AHCCCS will suspend all PMs for CYE 2020. Therefore, the Withhold is suspended and there shall be no calculation of the Earned Withhold or QMP Incentive for CYE 2020. For CYE 2021, AHCCCS will only use the Performance Rank Score to calculate the Combined Performance Score, due to the ongoing COVID-19 Public Health Emergency that will impact performance measure results during this period.
The Withhold is equal to one percent of Prospective Gross Capitation for the contract year end associated with the Measurement Year.

The technical methods of collection and analysis are summarized in the External Quality Review (EQR) Annual Report that includes PMs for the associated Measurement Year. Risk adjustment methods for the PMs shall be considered and utilized, if deemed appropriate.

AHCCCS will review the PMs on an annual basis and may add to, modify, or replace the PMs or MPSs (if prior to October 1, 2020) listed in Attachment A to align AHCCCS PMs 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 PMs 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 will recoup the full amount of the Withhold from each Contractor.

   Following AHCCCS' EQRO validation of the Contractor's PM rates, AHCCCS will tabulate the Combined Performance Score for each PM by Contractor.

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

   The full amount of the Withhold will be distributed among Contractors based on performance on the PM, unless otherwise noted in this Policy. The Combined Performance Score by PM will be calculated as shown below (refer to Attachment B for an example). For CYE 2021, AHCCCS will only use the Performance Rank Score to calculate the Combined Performance Score, due to the ongoing COVID-19 Public Health Emergency that will impact performance measure results during this period.

   \[
   \begin{align*}
   W & = \text{Withhold amount} \\
   S & = \text{Scaling Factor} \\
   \text{CMeasure} & = \text{Contractor’s PM Result} \\
   \text{MinStd} & = \text{MPS (prior to October 1, 2020) or NCQA Medicaid Mean} \\
   A & = \text{Adjustment Factor} \\
   R & = \text{Rank Factor} \\
   \end{align*}
   \]

   Performance Measure Score:
   If equal to or above MinStd, then \( W \times S \times \left( \frac{\text{CMeasure} - \text{MinStd}}{\text{MinStd}} \right) \)
   If below MinStd, then zero

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

   Combined Performance Score: Performance Measure Score + Performance Rank Score
2. Calculation of the Earned Withhold: The Earned Withhold will be calculated by comparing the Combined Performance Score by Contractor by PM to the Withhold by Contractor by PM. If the Combined Performance Score by Contractor by PM is greater than the Withhold by Contractor by PM, then the Contractor has earned 100% of their Withhold by PM. If the Combined Performance Score by Contractor by PM is less than the Withhold by Contractor by PM, then the Contractor’s Earned Withhold by Contractor by PM is equal to the Combined Performance Score by Contractor by PM. The Contractor may earn an amount less than or equal to the Contractor’s Withhold by PM in accordance with Federal regulation.

3. 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.

4. Calculation of the QMP Incentive payment: The QMP Incentive will be calculated by comparing the Combined Performance Score by Contractor by PM to the Earned Withhold by PM. If the Earned Withhold amount by PM 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 PM is greater than the Earned Withhold amount, the difference between the Earned Withhold and the Combined Performance Score by PM will be considered the QMP Incentive payment and will be due to the Contractor.

5. Due to Federal requirements, the maximum QMP Incentive payment across all PMs made to any Contractor by line of business will be limited to five percent of annual all capitation funding. (Refer to Attachment C for example.) AHCCCS will test the total amount of QMP Incentive payments across all PMs due to the Contractor to ensure that the Federal limit of five percent of all capitation funding. 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 five percent limit, thus the test of the five percent limit will include both the QMP Incentive payments included in this Policy, and the Performance Based Payment incentive specified in ACOM Policy 307.

6. The results computed, in this section, for the Earned Withhold and QMP Incentive payment will be adjusted as an addition or subtraction for Premium Tax, depending on whether the result computed is a payment or a recoupment. Refer to Attachment C for example.

AHCCCS will provide the Contractor with the components used for 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 the Contractor will be paid through a lump sum payment. Any amount due from the Contractor will be recouped through a future monthly capitation payment.