307– ALTERNATIVE PAYMENT MODEL INITIATIVE – STRATEGIES AND PERFORMANCE-BASED PAYMENTS INCENTIVE

EFFECTIVE DATES: 10/01/17, 10/01/18, 10/01/19

APPROVAL DATES: 09/05/19, 03/19/20

I. PURPOSE

This Policy applies to Acute Care (Contract Year End CYE 2018), ACC, ALTCS E/PD, Children's Rehabilitative Services (CRS) (CYE 2018), DES/DDD (DDD), and RBHA Contractors. This Policy establishes requirements for the Alternative Payment Model (APM) Initiative–Strategies and Performance-Based Payments Incentive. 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 APM Strategies.

II. DEFINITIONS

ALTERNATIVE PAYMENT MODEL STRATEGIES (IN LAN-APM CATEGORY ORDER)

A model which aligns payments between payers and providers to incentivize quality, health outcomes, and value over volume to achieve the goals of better care, smarter spending, and healthier people.

The APM Strategies discussed in this initiative originate from the Learning Action Network APM Framework (LAN-APM) which include the following categories and strategies:

1. Fee-For-Service – No Link to Quality & Value.
2. Fee-For-Service – Link to Quality & Value (Foundational Payments for Infrastructure & Operations, Pay for Reporting, Pay for Performance).
3. APMs Built on Fee-For-Service Architecture (APMs with Shared Savings, APMs with Shared Savings and Downside Risk).
4. Population Based Payment (Condition-Specific Population-Based Payment, Comprehensive Population-Based Payment, Integrated Finance & Delivery Systems).

FEE-FOR-SERVICE – NO LINK TO QUALITY & VALUE (LAN-APM CATEGORY 1)

BLOCK PURCHASE PAYMENT ARRANGEMENT METHODOLOGY

A current payment arrangement methodology where a contracted amount for a block of services is divided by 12 and paid in monthly installments to the provider. Payment has no relation to quality, outcomes, or efficiency. (LAN-APM Category 1)

This strategy, when not linked to quality and value as described in LAN-APM Categories 2, 3, and 4, shall not be counted toward the minimum qualifying criteria specified under Section on Contractor Responsibilities.

FEE-FOR-SERVICE (NO LINK TO QUALITY AND VALUE)

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. (LAN-APM Category 1)

This strategy, when not linked to quality and value as described in LAN-APM Categories 2, 3, and 4, shall not be counted toward the minimum qualifying criteria specified under Section on Contractor Responsibilities.

FEE-FOR-SERVICE – LINK TO QUALITY & VALUE (LAN-APM CATEGORY 2)

FOUNDATIONAL PAYMENTS FOR INFRASTRUCTURE & OPERATIONS

Purchasing strategy in which payments are made for infrastructure investments that can improve the quality of patient care, even though payment rates are not adjusted in accordance with performance on quality metrics. Examples include care coordination, case management, and care management fees and payments for health information technology investments. (LAN-APM Category 2A)

This strategy shall not be counted toward the minimum qualifying criteria specified under Section of Contractor Responsibilities.

PAY FOR PERFORMANCE

Purchasing strategy in which providers are rewarded for performing well on quality metrics. It can also include penalties for providers who do not perform well on quality metrics. In this strategy, specific providers are responsible for the cost and quality associated with a particular set of procedures or services. Payments are not subject to rewards or penalties for provider performance against aggregate cost targets, but may account for performance on a more limited set of utilization measures.(LAN-APM Category 2C)

PAY FOR REPORTING	Purchasing strategy in which providers/physicians are rewarded with bonus payments for reporting quality data or penalties for not reporting quality data. (LAN-APM Category 2B) **This strategy can be counted toward the minimum qualifying criteria specified under Section on Contractor Responsibilities only upon pre-approval by AHCCCS for expansion to services/service providers/ provider types not traditionally utilized for APM arrangements.**

APMS BUILT ON FEE-FOR-SERVICE ARCHITECTURE (LAN-APM CATEGORY 3)

APMS WITH SHARED SAVINGS	Purchasing strategy where providers share in a portion of the savings they generate against a cost target or by meeting utilization targets, if quality targets are met. However, providers do not need to compensate payers for a portion of the losses that result when cost or utilization targets are not met. In this strategy multiple providers may be responsible for the cost and quality associated with a particular set of procedures or services. (LAN-APM Category 3A)
APMS WITH SHARED SAVINGS AND DOWNSIDE RISK	Purchasing strategy where providers share in a portion of the savings they generate against a cost target or by meeting utilization targets, if quality targets are met. Payers recoup from providers a portion of the losses that result when cost or utilization targets are not met. In this strategy, multiple providers may be responsible for the cost and quality associated with a particular set of procedures or services. This strategy includes episode-based payments for procedures and comprehensive payments with upside and downside risk. (LAN-APM Category 3B)

POPULATION BASED PAYMENT (LAN-APM CATEGORY 4)

CONDITION-SPECIFIC POPULATION-BASED PAYMENT	Purchasing strategy of prospective, population-based payments, for all care delivered by particular types of clinicians structured in a manner that encourages providers to deliver well-coordinated, high-quality, person-centered care within a defined scope of practice. This strategy includes per member per month payments, payments for specialty services, such as oncology or mental health, and bundled payments for the comprehensive treatment of specific conditions. (LAN-APM Category 4A)

COMPREHENSIVE POPULATION-BASED PAYMENT	Purchasing strategy of prospective, population-based payments, covering all of an individual's health care needs, structured in a manner that encourages providers to deliver well-coordinated, high-quality, person-centered care within a comprehensive collection of care. This strategy includes global budgets or full/percent of premium payments which encompasses a broad range of financing and delivery system arrangements, in which payers and providers are organizationally distinct.(LAN-APM Category 4B)
ENCOUNTER	For the purposes of this Policy, all encounters shall be in an adjudicated and approved status.
INTEGRATED FINANCE & DELIVERY SYSTEMS	Purchasing strategy of prospective, population-based payments structured in a manner that encourages providers to deliver well-coordinated, high-quality, person-centered care within a highly integrated finance and delivery system. This strategy includes global budgets or full/percent of premium payments in integrated systems. (LAN-APM Category 4C)
PERFORMANCE BASED PAYMENT	A payment from a Contractor to a provider upon successful completion or expectation of successful completion of contracted goals/measures in accordance with the APM 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. Performance Based Payments shall not include per member per month (PMPM) or other amounts for provider care coordination, case management, care management, or other infrastructure costs.
PREMIUM TAX	The tax imposed pursuant to A.R.S. §36-2905 and A.R.S. §36-2944.01 for all payments made to Contractors for the Contract year.

III. POLICY

A. GENERAL REQUIREMENTS

The Contractor shall meet the APM Strategies qualifying criteria in Section on Contractor Responsibilities for LAN-APM target requirements and sub-requirements for LAN-APM Categories 3 and 4 and APM Contracts with Integrated Providers (for RBHA Contractors and Acute Care Contractors Affiliated with a RBHA Contractor

for CYE 18 only), and certify as specified in the Section on Contractor Responsibilities.

Refer to Attachment A for the LAN-APM Strategies.

Failure to meet or certify to meeting the criteria in a particular contract year will result in:

1. Disqualification of Acute Care (CYE 18), ACC and ALTCS E/PD Contractors from any Earned Withhold or Quality Measure Performance Incentive Payments discussed in ACOM Policy 306. AHCCCS reserves the right to include new Contractors in the Earned Withhold and QMP Incentive payment specified in ACOM 306 even if they did not meet or certify to meet the APM strategies qualifying criteria.

2. Assessment of sanctions for CRS (through CYE 18), RBHA, and DDD Contractors and DDD Subcontracted Health Plans up to a maximum of the amounts listed in the table below:

CONTRACTOR	MAXIMUM SANCTION AMOUNT
CRS (CYE 18)	$250,000
Maricopa County RBHA	$600,000
South RBHA	$400,000
North RBHA	$200,000
Affiliated Acute Contractor and RBHA (CYE 18)	$250,000
DDD Subcontracted Health Plans	$50,000

B. CONTRACTOR RESPONSIBILITIES

1. A minimum percentage of total Title XIX/XXI payments (both APM and non-APM, whether contracted or non-contracted), shall be governed by APM Strategies for the Contract year, according to the table below

LAN-APM TARGET REQUIREMENTS							
CYE	ACUTE/ ACC [1]	ALTCS E/PD (E/PD MA-DSNP[2])	CRS CYE 18 [1]	RBHA SMI-INTEGRATED [1]	RBHA NON-INTEGRATED	DDD SUBCONTRACTED HEALTH PLANS [1]	DDD LTSS
CYE 18	50%	35% / 35%	50%	25%	10%	20%	5%
CYE 19	50%	50% / 50%	N/A	35%	20%	35%	10%
CYE 20	60%	60%/60%	N/A	50%	25%	50%	20%

[1] A minimum of 25 percent of the percentage requirement noted above shall be with an organization that includes Primary Care Providers (PCPs).
[2] Relative to the MA-DSNP contract for ALTCS E/PD Duals, should a Contractor's MA-DSNP contract serve AHCCCS populations other than ALTCS E/PD Dual members, the Contractor shall split out their MA-DSNP populations served to prove that they have met the minimum percentage requirements for the ALTCS/EPD MA-DSNP population. Contractors may count both aligned and non-aligned members in their ALTCS E/PD MA-DSNP population.

2. AHCCCS intends that the minimum value threshold will grow each year according to the schedule below:

LAN-APM TARGET REQUIREMENTS (ANTICIPATED)						
CYE	ACC	ALTCS E/PD	RBHA		DDD	
		(E/PD/ MA-DSNP)	SMI-INTEGRATED	NON-INTEGRATED	SUBCONTRACTED HEALTH PLANS	LTSS
CYE 21 Anticipated	70%	70%/70%	60%	25%	60%	35%

3. APM Strategies for this initiative may not include:
   a. Block Purchase Payment Arrangement Methodology with no link to quality and value,
   b. Fee-For-Service Strategy with no link to quality and value (LAN-APM Category 1), or
   c. Foundational Payments for Infrastructure & Operations strategy (LAN-Category 2A).

APM Strategies that incorporate the Pay for Reporting strategy (LAN-APM Category 2B) will be considered by AHCCCS to meet the qualifying criteria on case by case basis and prior approval is required:

AHCCCS will only consider approval of LAN-APM Category 2B for expansion to services/service providers/provider types not traditionally utilized for APM arrangements.

AHCCCS expects to consider approval only on a short-term basis.

APM Strategies utilized shall meet the definitions provided under Section II. APM Strategies shall be designed to achieve cost savings and quantifiable improved outcomes.

For ALTCS E/PD Contractors: Inclusion of payments for Room and Board for members residing in Nursing Facilities (which are included in per diem payments and not separately identifiable) is permissible when computing the percentage of total payments that are governed by APM Strategies.

Effective for CYE 19, Contractors shall maintain a minimum percentage for usage of APM Strategies in LAN-APM Categories 3 and 4 listed in the table below of total Title XIX/XXI payments governed by all APM Strategies.

SUB-REQUIREMENT FOR LAN-APM CATEGORIES 3 AND 4						
CYE	ACC	ALTCS/E/PD	RBHA		DDD	
		(E/PD/ MA-DSNP)	SMI-INTEGRATED	NON-INTEGRATED	SUBCONTRACTED HEALTH PLANS	LTSS
CYE 19	40%	25%/25%	10%	10%	40%	5%
CYE 20	50%	35%/35%	20%	20%	50%	10%

4. AHCCCS intends that the required percentage of APM Strategies in LAN-APM Category 3 and Category 4 of total Title XIX/XXI payments governed by all APM Strategies grow each year according to the schedule below:

SUB-REQUIREMENT FOR LAN-APM CATEGORIES 3 AND 4 (ANTICIPATED)						
CYE	ACC	ALTCS/E/PD	RBHA		DDD	
		(E/PD/ MA-DSNP)	SMI-INTEGRATED	NON-INTEGRATED	SUBCONTRACTED HEALTH PLANS	LTSS
CYE 21 Anticipated	60%	45%/45%	30%	30%	60%	15%

Failure to attest to the sub-requirement for LAN-APM Categories 3 and 4 qualifying criteria, through the APM Strategies Certification as provided in Attachment B, in a particular Contract year will result in sanctions up to a maximum of $250,000.

The Contractor shall be responsible for identifying which strategy applies to each APM 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 APM strategies.

The Contractor may use quality measures other than the measures identified in ACOM Policy 306 as part of the Contractor's APM strategies.

In order to count toward meeting the qualifying criteria, APM Strategies shall be evidenced by written contracts. For those contracts executed prior to February 1 of each Contract year, AHCCCS shall count the APM Strategies for the time period in the Contract year for which the Contract is in effect. For those contracts executed after February 1 of each Contract year, AHCCCS shall count the value of the APM Strategies for the time period from the execution date forward for which the Contract is in effect.

5. The Contractor shall certify to AHCCCS that these requirements will be met by submitting Attachment B as an executed PDF copy, an electronic copy in an Excel format, and through the Structured Payment File specified in Section on Structured Payment File and Post Adjudicated/Post Submitted File and as follows:
   a. An initial APM Strategies Certification as provided in Attachment B as specified in Contract,
   b. An interim APM Strategies Certification as provided in Attachment B as specified in Contract, and
   c. A final APM Strategies Certification as provided in Attachment B as specified in Contract.

   The Contractor shall report the performance-based payments on an accrual basis. When reporting performance-based payments on the APM Strategies Certification, the Contractor shall appropriately allocate performance-based payments between the lines of business when these payments to providers impact multiple lines of business. The Contractor shall not include in the APM Strategies Certification performance-based payments paid using MA-DSNP funding or for the MA-DSNP population. The Contractor shall include in the APM Strategies Certification the upside risk/shared savings amounts in the reporting of performance-based payments, as well as deductions/recoupments from providers for downside risk.

   For ALTCS E/PD and RBHA Contractors: Attachment B contains two tabs to be submitted as an executed PDF copy and an electronic Excel copy as listed below in accordance with Section B for APM Strategies Certification.

CONTRACTOR	POPULATIONS	
ALTCS–E/PD	E/PD	MA-DSNP
RBHA	SMI-Integrated	Non-Integrated

DDD shall pass down the APM requirements to DDD Subcontracted Health Plans and submit the APM Strategies Certifications on behalf of the DDD Subcontracted Health Plans.

In the case of differences between the executed PDF copy and electronic Excel template submissions, the executed copies will prevail.
Failure to certify to the APM Strategies qualifying criteria in a particular Contract year will result in disqualification from the provisions of ACOM Policy 306 or the application of sanctions listed in section on General Requirements.

AHCCCS reserves the right to request an audit of the Certifications included in Attachment B. The Contractor, upon the request of AHCCCS, will provide documentation of APM contracts and payments to providers, including supporting calculations, for performance based payments.

6. For CYE 18, Acute Care Contractors Affiliated with a RBHA Contract, and RBHA Contractors:
   a. In addition to those requirements specified in section on Contractor Responsibilities for LAN-APM target requirements, an Acute Care Contractor Affiliated with an entity that holds a RBHA Contract, and the RBHA Contractor, shall also enter into at least two APM contracts with integrated providers who offer physical and behavioral health clinical integration, for aligned members who are not already integrated under the Acute or RBHA Contract, but who receive their acute care or behavioral health services from affiliated entities, e.g. children, non-dual adults with GMH/SA needs, non-integrated adults with SMI. Contracts executed under this requirement may be used to fulfill the APM Strategies qualifying criteria under section on Contractor Responsibilities for LAN-APM target requirements,
   b. The Contractor shall certify to AHCCCS that this requirement will be met by completing and submitting the comporting section in Attachment B. The Contractor shall submit Attachment B as specified in section on Contractor Responsibilities for APM Strategies Certification requirements above,
   c. Failure to attest to the APM Strategies qualifying criteria, through the APM Strategies Certification as provided in Attachment B, in a particular Contract year will result in sanctions up to a maximum of $250,000, and
   d. AHCCCS reserves the right to request an audit of the APM Strategies Certifications included in Attachment B. The Contractor, upon request of AHCCCS, will provide documentation of APM contracts and payments to providers, including supporting calculations, for performance based payments.

7. AHCCCS will review the LAN-APM target requirements and sub-requirements for LAN-APM Categories 3 and 4 on an annual basis and may adjust percentages, or change the LAN APM strategies requirements (listed in section on Contractor Responsibilities), in subsequent years, as is in the best interest of the AHCCCS Program and/or the State. AHCCCS intends to notify the Contractor of the changes no less than two months prior to October 1 or the effective date.

C. AHCCCS RESPONSIBILITIES

1. The performance-based payments made by the Contractor to providers will be paid by AHCCCS through a lump sum payment. For DDD this payment is limited to Long Term Care services for HCBS providers. No performance-based payment incentive payments will be made for DDD Subcontracted Health Plans or for the E/PD/MA-DSNP population by AHCCCS. Upon receipt and review of the final APM Strategies Certification discussed in section on Contractor Responsibilities, AHCCCS will perform testing of the performance-based payment amounts reported by the

Contractor prior to payment of the incentive, including review of Contractor documentation of APM contracting and payments to providers for performance-based payments, including the performance-based payments calculations and allocation by line of business. The performance-based payment incentive will be adjusted for premium tax.

AHCCCS reserves the right to perform a look-back and true-up of the previous year's performance-based payments accrual in a subsequent year's payment.

2. For any APM contract that is effective for a period other than the measurement year, AHCCCS will allow performance-based payments to be included in the year to which the lump sum performance-based payments incentive is attributable. For example, a contract effective from April 1, 201X to March 31, 201Y will have six months (April 1, 201X – September 30, 201X) in the 201X lump sum payment and six months (October 1, 201X – March 31, 201Y) in the 201Y lump sum payment.

   The Contractor is not required to meet the APM Strategies qualifying criteria in the section on Contractor Responsibilities for LAN-APM target requirements and sub-requirements for LAN-APM Categories 3 and 4 and APM Contracts with Integrated Providers (for RBHA Contractors and Acute Care Contractors Affiliated with a RBHA Contractor for CYE 18 only) in order for the performance-based payments incentive to be paid to the Contractor.

   AHCCCS will limit the performance-based payment incentive payment to the Contractor beginning in CYE 20 to .75% of medical payments (APM and non-APM contracted and non-contracted).

   AHCCCS shall test the total amount of performance-based payments incentive 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 performance-based payment incentives included in this Policy, and the Quality Measure Performance Incentive payments specified in ACOM Policy 306.

D. STRUCTURED PAYMENT FILE AND POST ADJUDICATED/POST SUBMITTED FILE

1. AHCCCS has developed a Structured Payment File to automate the APM Strategies Certification excel file. The Contractor shall submit the Structured Payment File annually. (See section on Contractor Responsibilities for APM Strategies Certification.) For details on the file layout and FTP submission process, refer to the AHCCCS Structured Payment Transmission User Manual https://azahcccs.gov/Resources/Downloads/OperationsReporting/StructuredPaymentTransmissionCompanionGuide.pdf.

2. In order to link encounters to the Structured Payment File, the Contractor shall add an APM Indicator to encounters paid under an APM contract. Refer to the AHCCCS Technical Interface Guidelines (TIG) - Post Adjudicated Structured Payment File for information on the APM Indicator.
   https://www.azahcccs.gov/Resources/Downloads/Contractor/Tables/PostAdjudicatedStructuredPaymentFileLayout.pdf.

   If the Contractor knows upfront that the encounter is tied to a member/provider under APM contract, the Contractor should include the APM Indicator in the original encounter submission.

   If the Contractor does not know upfront that the encounter is tied to a member/provider under APM contract, the Contractor shall add the APM Indicator to the adjudicated encounter via the Post Adjudicated/Post Submitted File. The Contractor may choose to only use the post adjudication adjustment process to add the APM Indicator to adjudicated encounters, if desired.

   All applicable encounters should have the APM Indicator included 270 days following the Contract year end.