



# Hospital Quality Incentive Program

State Fiscal Year 2016-2017

# Existing Quality Programs

- The Department of Human Services (DHS) Approach to Quality
  - Broad-based quality program consistent across all aspects of the Medicaid HealthChoices Managed Care program
  - Builds off of existing programs:
    - Managed Care Organization Pay for Performance (P4P)
    - Provider P4P within HealthChoices Physical Health (PH)
    - Integrated Care Program for both PH and Behavioral Health Managed Care Programs
  - Moves away from a volume-driven system to a system focused on value and population health

# CMS Focus on Quality

- CMS final Medicaid managed care regulations (“Mega Reg”) published on May 6, 2016 strengthened CMS’s focus on quality within the Medicaid managed care delivery system.
- The regulation supports initiatives that are focused on value-based purchasing models to improve quality and outcomes for beneficiaries served through managed care plans.
- The regulation also supports the alignment of managed care requirements across publicly-funded programs and the commercial market.
- DHS quality initiatives are aligned with the CMS quality goals.

# Future DHS Quality Initiatives

- Over the next three calendar years (CYs), DHS has set targets for the medical portion of the capitation and maternity care revenue that must be expended through value based purchasing arrangements with providers
  - CY 2017 – 7.5%
  - CY 2018 – 15%
  - CY 2019 – 30%
- Qualifying arrangements can be those that are aligned with other programs and include provider P4P, patient centered medical homes, shared savings, and bundled or global payment arrangements
- The qualifying arrangements that will be applied to the CY targets will be re-evaluated in each calendar year

# Hospital Quality Incentive Program

- Focus on Preventable Events
  - Preventable Admissions
  - PA Medical Assistance Physical Health HealthChoices admissions
  - Identified using 3M Population-focused Preventable Software
- Aligns with programs implemented by other payers
- Measurements include
  - Incremental improvement in reducing preventable admissions, and
  - Achieving the 25<sup>th</sup> or 50<sup>th</sup> percentile benchmark of the CY 2015 statewide preventable event rate
- Incentive, not a penalty

# Incremental Improvement Measure

- Incremental improvement
  - Compares a hospital's performance to itself
  - Calendar Year (CY) 2015 as the baseline
  - CY 2016 as the performance period
  - Each hospital will be measured on incremental improvement based on the difference of CY 2015 percent of overall PA Medical Assistance managed care events that were preventable minus the CY 2016 percent of overall PA Medical Assistance managed care events that were preventable

$$\frac{\text{CY 2015 Preventable Events}}{\text{CY 2015 Total Events}} - \frac{\text{CY 2016 Preventable Events}}{\text{CY 2016 Total Events}} = \text{Incremental Improvement}$$

# Incremental Improvement Reward

Each hospital has the ability to earn incremental incentive payments based on the following sliding scale

Incremental Improvement	Percent Payout
$\geq 3$ Percentage Point Improvement	100%
$\geq 2$ and $< 3$ Percentage Point Improvement	90%
$\geq 1$ and $< 2$ Percentage Point Improvement	80%
$\geq 0.5$ and $< 1$ Percentage Point Improvement	70%

# Incremental Improvement – Eligibility

Table 1

Hospital A		
Calendar Year	Total Events	Preventable Events
2015	3,782	489
2016	4,401	423

Example is for  
Illustrative Purposes  
Only

Calculate Incremental Improvement for Hospital A

$$\frac{\text{CY 2015 Preventable Events}}{\text{CY 2015 Total Events}} - \frac{\text{CY 2016 Preventable Events}}{\text{CY 2016 Total Events}} = \text{Incremental Improvement}$$

$$\frac{489}{3,782} - \frac{423}{4,401} = 3.3\% \text{ improvement}$$

Events are defined as acute inpatient admissions to acute care hospitals that were paid by a PA Physical Health MCO

# Incremental Improvement - Payment

Table 1

Hospital A		
Calendar Year	Total Events	Preventable Events
2015	3,782	489
2016	4,401	423

Table 2

All Qualifying Hospitals (for this measure)	
Calendar Year	Total Events*
2016	143,000

\*as adjusted by each qualifying hospital's percent payout in order to spend all available funding for this measure

Calculate Incentive Payment for Hospital A

Example is for  
Illustrative Purposes  
Only

$$\frac{\text{CY 2016 Total Events}_{\text{Hospital A}}}{\text{CY 2016 Total Events}_{\text{All Qualifying Hospitals}}} * \text{Percent Payout} * \text{Available Funding} = \text{Incentive Payment}$$

$$\frac{4,401}{143,000} * 1.0 * \$12,500,000 = \$384,703$$

# Benchmark Measure

- Benchmark
  - Compares a hospital's performance to statewide benchmarks
  - Statewide 25<sup>th</sup> and 50<sup>th</sup> percentile benchmarks based on CY 2015 baseline
  - Based on CY 2016 performance, each hospital has the ability to earn a benchmark incentive payment by meeting or exceeding the CY 2015 statewide preventable event percentage for the 25<sup>th</sup> and 50<sup>th</sup> percentile.

$$\frac{\text{CY 2016 PA MA Preventable Events}}{\text{CY 2016 PA MA Total Events}} = \text{Preventable Event statistic}$$

# Benchmark Reward

Each hospital has the ability to earn benchmark incentive payments based the following sliding scale

	At or below 25 <sup>th</sup> Percentile	At or below 50 <sup>th</sup> Percentile
CY 2015 Preventable Event Benchmark Percentage*	10.2%	14.0%
Percent Payout	100%	90%

\*Illustrative, not actual CY 2015 benchmarks

# Benchmark – Eligibility

Table 1

Hospital A		
Calendar Year	Total Events	Preventable Events
2015	3,782	489
2016	4,401	423

Example is for  
Illustrative Purposes  
Only

Calculate Benchmark Preventable Event Statistic for Hospital A

$$\frac{\text{CY 2016 PA MA Preventable Events}}{\text{CY 2016 PA MA Total Events}} = \text{Preventable Event \% Statistic}$$

$$\frac{423}{4,401} = 9.6\% \text{ preventable statistic}$$

Events are defined as acute inpatient admissions to acute care hospitals that were paid by a PA Physical Health MCO

# Benchmark - Payment

Table 1

Hospital A		
Calendar Year	Total Events	Preventable Events
2015	3,782	489
2016	4,401	423

Table 3

All Qualifying Hospitals (for this measure)	
Calendar Year	Total Events*
2016	125,000

\*as adjusted by each qualifying hospital's percent payout in order to spend all available funding for this measure

Calculate Incentive Payment for Hospital A

Example is for  
Illustrative Purposes  
Only

$$\frac{\text{CY 2016 Total Events}_{\text{Hospital A}}}{\text{CY 2016 Total Events}_{\text{All Qualifying Hospitals}}} * \text{Percent Payout} * \text{Available Funding} = \text{Incentive Payment}$$

$$\frac{4,401}{125,000} * 1.0 * \$12,500,000 = \$440,100$$

# Incentive Payment

- Hospitals can qualify for both the Incentive Improvement and Benchmark measures.
- Using the illustrative example for Hospital A

Incremental Improvement \$ 384,703

 Benchmark \$ 440,100

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Total \$ 824,803

- The total amount allocated for the State Fiscal Year (SFY) 2016-17 Quality Initiative, \$25 million, will be paid out.

# Incentive Payment and Timeline

- Payment is based on CY 2016 performance compared to CY 2015 as a baseline.
- Payments are targeted to be processed in September 2017 to allow for 6-month claim lag and analysis.
- The total amount of \$25 million for SFY 2016-2017 will be paid to qualifying acute care hospitals through the Physical Health HealthChoices plans with the contractual requirement to pay to hospitals the entire \$25 million designated for this initiative.

# Next Steps

- Hospitals should
  - Provide feedback to HAP by July 20, 2016
  - Continue to submit timely and accurate claim information to MCOs
- DHS will
  - Consider comments received by July 20, 2016
  - Share CY 2015 statistics for benchmark measures
  - Review, analyze and calculate incentive payments based on CY 2016 encounter data
  - Review MCO quality incentive payments to ensure the entire \$25 million was paid to hospitals

# Questions and Comments

Please forward all questions and  
comments by July 20, 2016 to:

The Hospital & Healthsystem  
Association of Pennsylvania (HAP)

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