

## **Attachment Q**

### **Medicaid Managed Care Entity/ACO Performance-Based Payment Mechanisms**

#### **1. Overview**

Over the prior demonstration, the Commonwealth shifted payments to risk-based alternative payment models focused on accountability for quality, integration and total cost of care. Similarly, Massachusetts implemented Medicaid managed care directed payments aligned with the goals of the Commonwealth's delivery system reforms by holding hospitals accountable for quality and care integration.

The Commonwealth will continue these successful alternative payment models during the current demonstration by directing Medicaid Managed Care Entities/Accountable Care organizations (MMCE/ACO) to administer performance improvement initiatives and/or fee schedule requirements for hospitals as described below ("MMCE/ACO payment mechanism"). In addition to being critical to the delivery system reform goals shared by the Commonwealth and CMS, these performance improvement initiatives and fee schedule requirements are integral to the Commonwealth's overall financing of activities authorized under the demonstration, and are compliant with requirements for payments made under 42 CFR 438.6(c)

This Attachment Q is intended to describe a common understanding between the Commonwealth and CMS on a framework for implementing these state directed payments. The attachment does not prohibit the Commonwealth from modifying the payment amounts or the performance measures to best meet its needs and submitting such revisions through the CMS managed care directed payment review and approval process; such changes shall not require an amendment to the demonstration.

#### **2. General Requirements**

The MMCE/ACO payment mechanisms described below, which the Commonwealth agrees to establish, shall be implemented through MMCE/ACO contracts consistent with this Attachment in order to meet the requirements of 42 CFR 438.6(c).

#### **3. Description of the Payment Mechanisms**

The Commonwealth intends to direct MMCE/ACOs to administer the following MMCE/ACO payments:

- a. **Clinical Quality Incentive for Acute Hospitals (DY 28 – DY 32):** For participating private in-state acute hospitals, the Commonwealth will direct MMCE/ACOs to make payments based on clinical quality performance.
- b. **Hospital Quality Incentive (DY 28 – DY 32):** The Commonwealth will direct MMCE/ACOs to make payments to non-federal, non-state-owned public hospitals based on hospital quality performance.
- c. **Hospital Performance Improvement Initiative (DY 28 – DY 32):** The Commonwealth will direct MMCE/ACOs to make payments to hospital systems affiliated with the state-owned medical school based on hospital quality performance.
- d. **Integrated Care Incentive (DY 28 – DY 32):** In the event that primary care providers employed by or affiliated with Cambridge Health Alliance participate in the Commonwealth's Accountable Care Partnership Plan model, the Commonwealth will direct

that MMCE/ACO to make payments to non-federal, non-state-owned public hospitals based on the accountable care performance of such hospitals' owned or affiliated primary care providers.

- e. **Behavioral Health Quality Incentive (DY 28 – DY 32):** The Commonwealth will direct the Commonwealth's single Prepaid Inpatient Health Plan (PIHP) to make payments to non-federal, non-state-owned public hospitals in its network based on behavioral health quality performance.
- f. **Professional Services Performance Improvement Initiative (DY 28 – DY 32):** The Commonwealth will direct MMCE/ACO to make payments to hospital systems affiliated with the state-owned medical school based on performance tied to physician services.
- g. **Rate Add-on for Acute Hospitals (DY 28 – DY 32):** The Commonwealth will direct MMCE/ACOs to make a rate add-on payment to all contracted in-state acute hospitals.

#### 4. General Methodology Linking Payment Mechanisms to Utilization/Delivery of Services

The Commonwealth shall include in its MMCE/ACO contracts payment mechanisms consistent with the following approach:

- a. The Commonwealth will specify the maximum allowable payment amount that it will direct each MMCE/ACO to pay to one or more designated classes of hospitals during the MMCE/ACO contract year.
- b. The maximum payment amount earned by a specific hospital will be equal to the total amount directed to the designated class multiplied by the proportion of the class's total managed Medicaid Gross Patient Service Revenue ("Medicaid GPSR") or other measure of utilization and delivery of services through managed care, for which the specific hospital's Medicaid managed care GPSR, or other measure of managed care-delivered services, accounts during the MMCE/ACO contract year. For performance improvement initiatives under 42 CFR 438.6(c)(1)(ii), a hospital will earn its maximum payment amount only if it achieves full quality performance as set forth in the corresponding state directed payment preprint. Note that, for the Rate add-on for Acute Hospitals, payment will be based on managed care inpatient discharges and outpatient episodes, not GPSR.
- c. The Commonwealth will calculate periodic lump sum payments that MMCE/ACOs will be directed to pay to specific hospitals. The periodic lump sum payments will be calculated based on:
  - i. The Commonwealth's projection of each hospital's Medicaid managed care GPSR, or other measure of utilization and delivered services through managed care during the MMCE/ACO contract year;
  - ii. For performance improvement initiatives, each hospital's expected performance (based on prior year or other data);
  - iii. A target for the MMCE/ACO to pay a percentage greater than 50% of each hospital's expected earned payments in advance of a final reconciliation after the MMCE/ACO contract year.
- d. Within seven days prior to each scheduled lump sum payment described above, the Commonwealth shall make a payment to each MMCE/ACO that is directed to make a payment to hospitals. The Commonwealth's payment to each MMCE/ACO shall be equal to the sum of all payments that the MMCE/ACO is directed to make. The Commonwealth may use any permissible source, including intergovernmental transfers, as the source of the non-federal share for MMCE/ACO payments.
- e. Following the MMCE/ACO contract year, actual Medicaid managed care GPSR, or other

measure of utilization and delivered services, for each hospital and performance under each contract as applicable will be determined and the actual payment amount earned by hospitals will be calculated.

- f. Final reconciliation: Based on the difference between the periodic lump sum amounts paid to hospitals during the MMCE/ACO contract year and the actual amount earned, MMCE/ACOs will be directed to make a final reconciliation payment to hospitals. In the event that the lump sum payments made by the MMCE/ACO to a hospital during the MMCE/ACO contract year exceeded the total actual amount earned, the hospital will remit the excess payment to the MMCE/ACO as part of the final reconciliation. For the Rate Add-on for Acute Hospitals, any amount remitted by a hospital to a MMCE/ACO as part of the reconciliation shall in turn be remitted by the MMCE/ACO to the Commonwealth.

## **5. Performance Measures and Evaluation Plan**

As required under 42 CFR 438.6(c)(2)(i)(D), the Commonwealth shall have a plan to evaluate the extent to which the payment mechanisms achieve the goals and objectives identified in the managed care quality strategy. The Commonwealth may include process, improvement, outcomes, system transformation, and innovative measures and indicators that are consistent with the Commonwealth's delivery system reforms and quality strategy. For the performance improvement initiatives, as a matter of general principle, where practicable, the Commonwealth will utilize measures drawn from nationally vetted and endorsed measure sets (e.g., National Quality Forum, National Committee for Quality Assurance, the Joint Commission, etc.) or measures in wide use across Medicare and Medicaid quality initiatives (e.g., the Medicaid Child and Adult Core Set Measures, CMS Core Quality Measures Collaborative measure sets, Health Home measure sets, Behavioral Health Clinic measure sets, and Merit-based Incentive Payment System and Alternative Payment Model measures, etc.).

For performance improvement initiatives, each participating hospital's performance, under each payment mechanism, shall be measured against approved benchmarks and a score for each measure or group of measures will be calculated according to a methodology to be defined by EOHHS and approved by CMS. Benchmarks for any individual performance measure may be set either on the basis of absolute performance standards or improvement targets for individual hospitals. Scores will be summed, with or without weighting, across all measures or groups of measures in order to calculate an overall performance score between 0 and 100 percent. Under the MMCE/ACO payment mechanism, each hospital's performance score shall be multiplied by that hospital's maximum payment amount in order to calculate the actual payment earned by the hospital.

For the rate add-on, the state may use utilization-based measurement to evaluate the payment arrangement.

The Commonwealth will submit the evaluation plan and performance measures to CMS for approval through the submission of state directed payment preprints under 438.6(c).

## **6. MMCE/ACO vehicles and Anticipated Payment Amounts**

The scheduled maximum dollar amounts directed to designated classes of providers under each of the MMCE/ACO payments mechanisms are:

## Attachment Q

| #   | Payment Title  | MMCE/<br>ACO<br>vehicle  | Hospital Class  | Maximum MMCE/ACO incentive payment to designated hospital class, by demonstration year (\$ millions) |       |       |       |       |
|-----|--|--|---|--|-------|-------|-------|-------|
|     |  |  |   | DY 28  | DY 29 | DY 30 | DY 31 | DY 32 |
| 1*  | Clinical Quality Incentive for Acute Hospitals               | MMCOs, ACOs and PIHP   | All participating private in-state acute hospitals              | 118  | 118   | 118   | 118   | 118   |
| 2   | Hospital Quality Incentive                                   | MMCOs  | Non-federal, non-state-owned public hospitals                   | 134  | 134   | 134   | 134   | 134   |
| 3   | Hospital Performance Improvement Initiative                  | MMCOs  | Hospital systems affiliated with the state-owned medical school | 125  | 125   | 125   | 125   | 125   |
| 4   | Integrated care Incentive                                    | Accountable care partnership plans affiliated with Cambridge Health Alliance           | Non-federal, non-state-owned public hospitals in network        | 124  | 124   | 124   | 124   | 124   |
| 5   | Behavioral health Quality Incentive                          | PIHP   | Non-federal, non-state-owned public hospitals in network        | 60   | 60    | 60    | 60    | 60    |
| 6   | Performance Improvement Initiative for Professional Services | ACO plan partnered with hospital system affiliated with the state-owned medical school | Hospital systems affiliated with the state-owned medical school | 75   | 75    | 75    | 75    | 75    |
| 7** | Rate Add-on for Acute Hospitals                              | MMCOs, ACOs and PIHP   | All contracted in-state acute hospitals                         | 306  | 334   | 226   | 226   | 226   |

\*1 reflects estimated payment per year for the Clinical Quality Incentive through managed care vehicles. Total payment through both managed care and FFS vehicles is \$250 million per year, however the actual portion paid per year through managed care will be based on managed care utilization only.

\*\*7 reflects estimated payment for the Rate add-on for acute hospitals through managed care vehicles. Total anticipated payment through both managed care and FFS vehicles is as follows: DY 28, \$650 million; DY 29, \$710 million; DY 30, \$480 million; DY 31, \$480 million; DY 32, \$480 million. The actual portion paid per year through managed care will be based on managed care utilization only.

The Commonwealth may propose an increase or decrease of 20 percent of the maximum payment amounts listed in the table above. The payments will be incorporated as a component of the MMCE/ACO capitation amounts and are therefore subject to CMS approval under the review and approval process described in the next section.

## **7. CMS Review and Approval**

The Commonwealth shall submit to CMS for approval any payment mechanisms that direct payments as described in 42 CFR 438.6(c) in a format and template as specified by CMS. Such submission shall include the payment amounts and the performance measures and scoring benchmarks. In addition, the Commonwealth shall clearly identify the specific goals and objectives described in the Commonwealth's managed care quality strategy that the incentive payment mechanism is designed to achieve. Materials submitted for approval shall be consistent with this Attachment in order to meet the requirements of 42 CFR 438.6 and may be submitted for approval prior to the contract and rate certification submission under 42 CFR 438.3 and 42 CFR 438.7. CMS will provide written approval for all payment mechanisms.