

FOR DISCUSSION

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Department of Health
and Human Services

*Maine People Living
Safe, Healthy and Productive Lives*

Office of MaineCare Services: Maine Accountable Communities Initiative

Shared Savings Methodology

February 26, 2014



Agenda

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Welcome & Introductions

Accountable Communities
Implementation Status Update

Accountable Communities Implementation Timeline

Methodology Review Sessions

- February: Savings Assessment Methodology
- March: Quality Framework, Reporting, Contracting

Federal & State Authority

- Nov- Feb: ~ Bi-weekly discussions with CMS
- Feb 28: State Plan Amendment submission to CMS
- Seeking approval for Emergency Rulemaking

Contracting

- March/ April: Negotiations

Implementation

- May 1: Implementation

Change Resulting from CMS Negotiations

- CMS raised the bar for scrutiny of program parameters following approval of Minnesota ACO SPA
 - CMS concerned regarding potential payments to smaller AC's for savings based on random variation vs “actual” savings
- The Department increased Minimum Savings Rate for smaller AC's (1000 – 4,999 attributed members) from 2% to 2.5%
- CMS pushed for further safety measures, including mandated “pooling” of smaller providers and/or further increases to the MSR.
 - The Department pushed back, citing:
 - The importance of incenting a wide base of providers to improve care coordination and implement system changes through a shift to value-based payment.
 - The importance of smaller ACs to serve Maine's more rural counties, which often are among the counties with the poorest health factors and outcomes
 - The role its quality framework plays in reducing the likelihood and size of any savings payments resulting from random variation.
 - The actual dollar amount of any savings paid out on the basis of random variation would be extremely small, especially compared to total program costs.



**State & Partner Roles in Shared Savings
Methodology & Assessment**

State & Partner Roles in Shared Savings Methodology & Assessment

DHHS/ Office of MaineCare Services

- Review and approval of methodology, TCOC amounts & payments
- Provide claims, care management fee payment and enrollment data
- Policy decisions

Deloitte

- Contract with State to develop and test methodology
- Calculate benchmark per member per month (PMPM) “total cost of care” (TCOC) amounts for each AC

Maine Health Management Coalition Foundation

- Conduct quarterly TCOC reporting
- Calculate performance PMPM TCOC
- Assess shared savings

USM Muskie School

- Provide consultation and technical assistance to State, Deloitte and MHMC-F



**Background on
Shared Savings
Methodology**

Background on Shared Savings Methodology

The MaineCare Accountable Communities (“AC”) program aims to promote better coordination, higher quality, and greater efficiency of care through implementation of a shared savings methodology.

What is Shared Savings

- A shared savings methodology typically comprises four important concepts:
 - Total cost of care (TCOC) PMPM benchmark and care quality metrics
 - Provider payment incentives for improved care quality and more efficient care
 - A performance period to monitor changes
 - An evaluation to determine cost savings achieved in performance period and assess improvements of care quality

Goal of Shared Savings Methodology

- Shared savings methodology shall encourage care coordination and practice transformation activities
- Shared savings methodology shall incorporate reasonable parameters to ensure that incentive payments are based on true savings, and not random data volatility
- Shared savings methodology shall improve care quality

A Shared Savings Methodology is a means to promote higher quality and more efficient care

**Maine's Two Shared Savings
Models**

Maine's Two Shared Savings Models

ACs can choose to participate under Model 1, a one-sided shared savings only model, or Model 2 a two-sided shared savings and losses model.

	Model I: Shared Savings Only	Model II: Shared Savings and Losses
Minimum Attributed Members	<ul style="list-style-type: none"> 1,000 	<ul style="list-style-type: none"> 2,000
Minimum Savings/Loss Rate (MSR)	<ul style="list-style-type: none"> -2.5% for Population Size of 1,000 to 4,999 -2.0% for Population Size of 5,000+ 	<ul style="list-style-type: none"> +/-2.5% for Population Size of 1,000 to 4,999 +/-2.0% for Population Size of 5,000+
Maximum Shared Savings Rate	<ul style="list-style-type: none"> Up to 50% back to first dollar Actual shared savings rate dependent on quality scores 	<ul style="list-style-type: none"> Up to 60% back to first dollar Actual shared savings rate dependent on quality scores
Performance Payment Cap	<ul style="list-style-type: none"> 10% of Benchmark PMPM TCOC 	<ul style="list-style-type: none"> 15% of Benchmark PMPM TCOC
Shared Loss Rate	<ul style="list-style-type: none"> No Downside Risk 	<ul style="list-style-type: none"> 40%-60% (Equals 1 – shared savings rate with a 60% cap, and actual shared loss rate is dependent on quality scores)
Loss Recoupment Cap	<ul style="list-style-type: none"> No Downside Risk 	<ul style="list-style-type: none"> Year 1: No Downside Risk Year 2: Risk capped at 5% of Benchmark PMPM TCOC Year 3: Risk capped at 10% of Benchmark PMPM TCOC
Claim Cap	<ul style="list-style-type: none"> \$50,000 for Population Size of 1,000 to 1,999 \$200,000 for Population Size of 2,000 to 4,999 \$500,000 for Population Size of 5,000 + 	<ul style="list-style-type: none"> \$50,000 for Population Size of 1,000 to 1,999 \$200,000 for Population Size of 2,000 to 4,999 \$500,000 for Population Size of 5,000 +

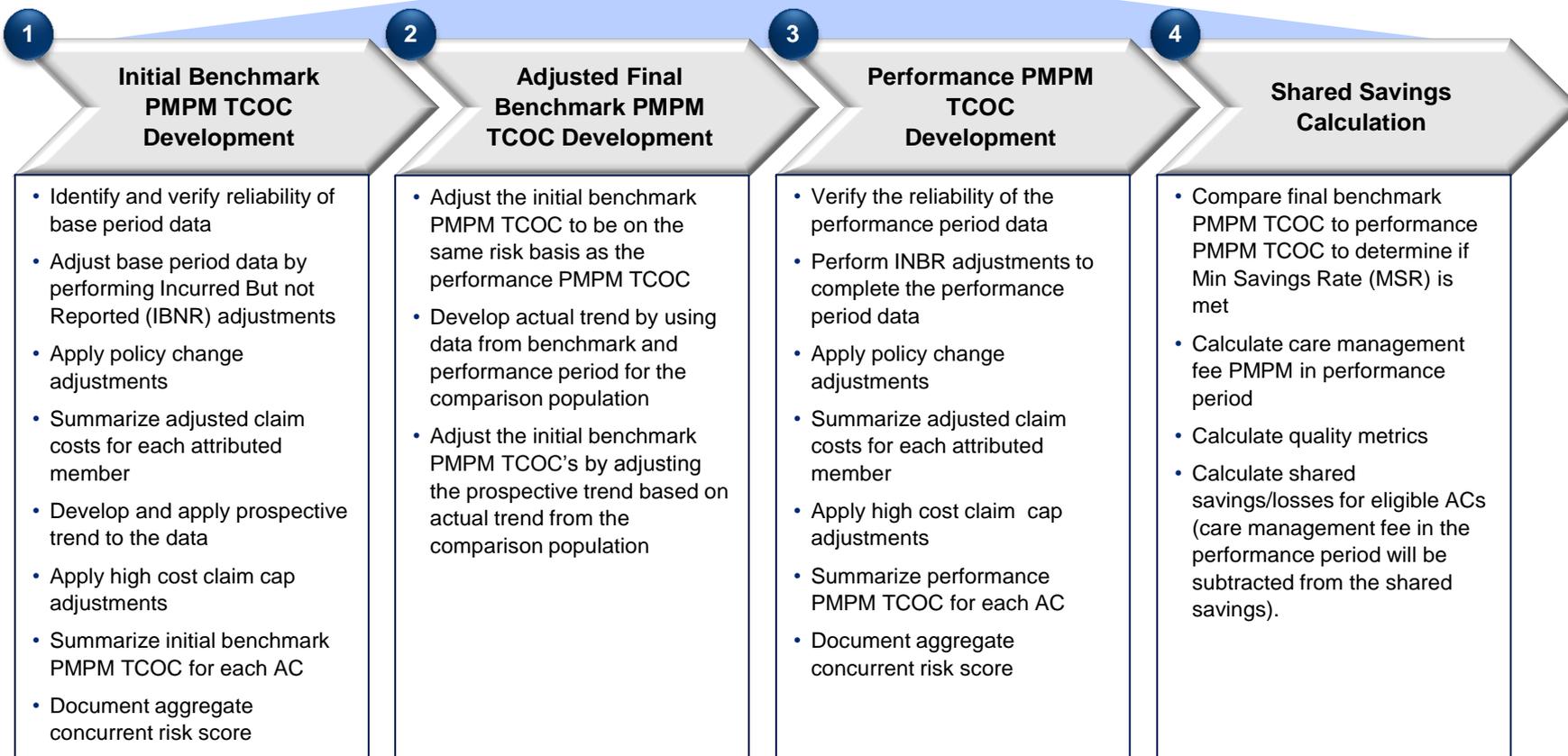
ACs that choose to become accountable for shared losses under Model II will have the opportunity to receive a greater portion of shared savings

**Steps to
Calculate Shared Savings**

Steps to Shared Savings Calculation

Main steps to calculate shared savings are listed below.

Shared Savings Calculation Steps



Timing of Performance Year 1 Shared Savings Calculation

Timing of Performance Year 1 Shared Savings Calculation

The timeline for the shared savings calculation in performance year 1 is discussed below.

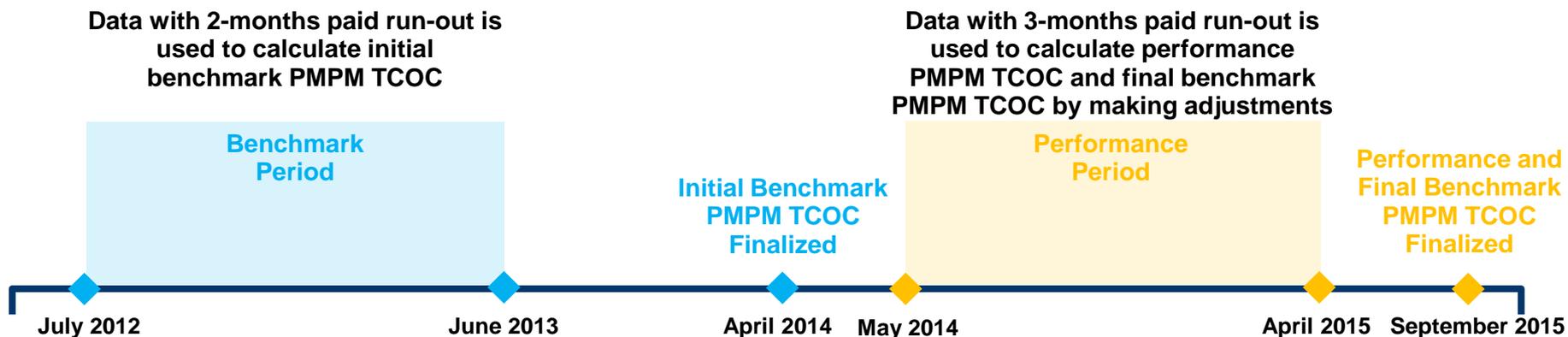
Initial Benchmark PMPM TCOC Development

- State Fiscal Year 2013 (July 2012 – June 2013) data with 2-month run-out will be used for benchmark PMPM TCOC development.
- Initial benchmark PMPM TCOC development is estimated to be finalized in April 2014.

Performance and Adjusted Final Benchmark PMPM TCOC Development:

- 12 months of performance period (anticipated to be May 2014 – April 2015) data with 3-month run-out will be used to calculate the performance PMPM TCOC.
- The Final Benchmark PMPM TCOC will be calculated by adjusting the initial benchmark PMPM TCOC for health status and actual trend
- Performance and the final benchmark PMPM TCOC is estimated to be finalized in September 2015

Performance Year 1 Timeline:



Rebasing

- Benchmark PMPM TCOCs will only be rebased after the initial 3 year test period
- The Benchmark PMPM TCOC for Performance Years 2 and 3 will be adjusted for policy, trend, and risk adjustment

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Development and Data Considerations

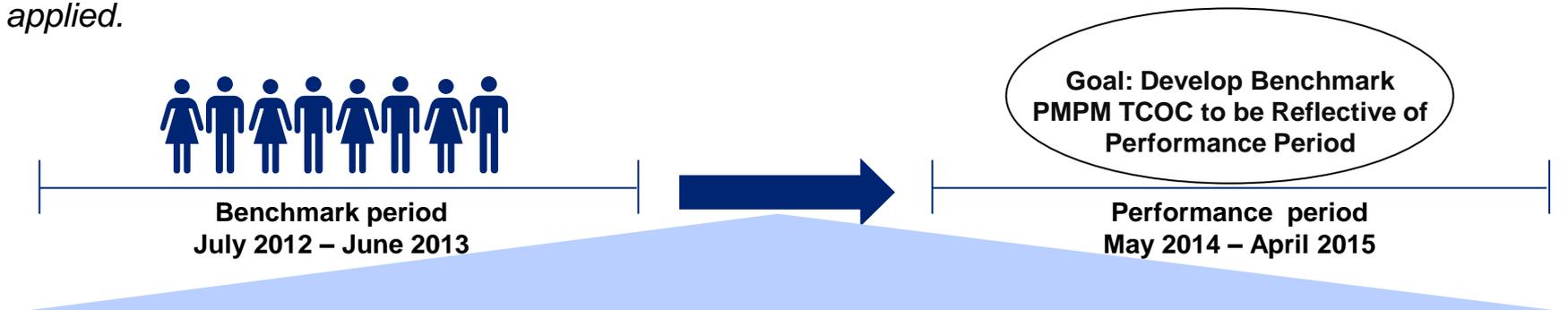
Initial Benchmark PMPM TCOC Development



Development and Data Considerations

Initial Benchmark PMPM TCOC Development

Initial benchmark PMPM TCOC is developed using Medicaid claims data with various adjustments applied.



- 1 Benchmark Period Base Data:**
- Data with incurred dates between 7/1/2012 and 6/30/2013 and paid through 8/31/2013 will be used
 - Data checks will be completed
 - Only Medicaid specific claim costs for fully Medicaid eligible members will be used (including the dual population)
 - Only core and optional services, if applicable, will be included in the base data
 - Only claim costs for members attributed to each AC will be used

Adjustments

	Items	Description
2	Step 1: Policy Change Adjustments	Policy change adjustments are made to account for rate, benefit or eligibility changes that occur after the base period in order to bring base data to the effective period
3	Step 2: Completion Factor Adjustments	Completion factor adjustments account for any claims that may still be outstanding in the base data
4	Step 3: Prospective Trend Adjustments	Prospective trend will be applied to project the base data in the benchmark period to the performance period based on projected utilization and unit cost.
5	Step 4: Claim Cap Adjustments	Claim cap adjustments smooth any potential volatility as a result of an abnormal distribution of catastrophic claims

Note: Aggregate risk score is documented for each AC in the benchmark period

In order to calculate the initial benchmark PMPM TCOC, the following formula is applied:

$$\text{Initial Benchmark PMPM TCOC} = (\text{1} \times \text{2} \times \text{3} \times \text{4}) \text{ with an adjustment of } \text{5}$$

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Development and Data Considerations

Adjusted Final Benchmark PMPM TCOC

Development

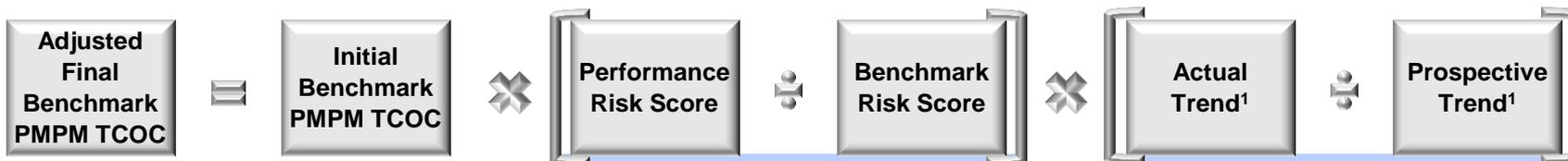


Development and Data Considerations

Adjusted Final Benchmark PMPM TCOC Development

At the end of the performance period, the initial benchmark PMPM TCOC is modified with the below adjustments to develop the final benchmark PMPM TCOC.

Adjusted Final Benchmark PMPM TCOC Development



¹ Actual Trend Adjustment is still being finalized.

Risk Adjustment

- Benchmark PMPM TCOC and performance PMPM TCOC should be on the same risk basis so that they are comparable and do not create artificial savings or losses.
- The aggregate risk score will be calculated for each AC in both the benchmark period and performance period.
- The adjustment factor of **performance aggregate risk score / benchmark aggregate risk score** will be applied to the initial benchmark PMPM TCOC.

Actual Trend Adjustment

- Trend accuracy is important in the shared savings calculation to prevent artificial savings or losses.
- The **prospective trend** (developed in the initial benchmark PMPM TCOC development) **will be adjusted based on actual trend** from a comparison population to increase trend accuracy.
- The comparison population is defined as the population group who are attributable based on the attribution methodology but don't get attributed to the participating ACs. This group can be used to determine the cost growth that would have occurred in the absence of the new care model.

Adjustments to the initial benchmark PMPM TCOC will ensure consistency between the benchmark and performance period PMPM TCOCs

Development and Data Considerations

Performance PMPM TCOC Development



Development and Data Considerations

Performance PMPM TCOC Development

The Performance PMPM TCOC is developed using Medicaid claims data with various adjustments applied.



Performance period
May 2014 – April 2015

1	Performance Period Base Data:	Adjustments	
		Items	Description
<ul style="list-style-type: none"> Data with incurred date between 5/1/2014 and 4/31/2015 and run-out through 7/31/2013 will be used 	2	Step 1: Policy Change Adjustment	Policy change adjustments account for any rate, eligibility or benefit changes that occur mid performance year
<ul style="list-style-type: none"> Data validation will be completed Only Medicaid specific claim costs for fully Medicaid eligible members will be used (including the dual population) 	3	Step 2: Completion Factor Adjustment	Completion factor adjustment accounts for any claims that may still be outstanding in the base data
<ul style="list-style-type: none"> Only core and optional services will be included in the base data Only claim costs for attributed members to each AC will be used 	4	Step 3: Claim Cap Adjustment	Claim cap adjustment smooth any potential volatility as a result of an abnormal distribution of catastrophic claims
<p>Note: Aggregate risk score is documented for each AC in the performance period</p>			

In order to calculate the performance PMPM TCOC , the following formula is applied:

$$\text{Performance PMPM TCOC} = (\text{1} \times \text{2} \times \text{3}) \text{ with an adjustment of } \text{4}$$

Development and Data Considerations

Shared Savings Calculation



Development and Data Considerations

Shared Savings Calculation Formulae

After the final benchmark PMPM TCOC and performance PMPM TCOC are calculated, the below formulae are used to calculate the shared savings for each AC.

Step 1

Calculate Performance Ratio and Compare Against MSR



If Performance Ratio calculated is positive and less than MSR (or negative and greater than – MSR), AC is not eligible for shared savings/losses.

Step 2

Calculate Care Management PMPM in the Performance Period¹



¹ Care Management PMPM is only taken into consideration when there is a savings.

Step 3

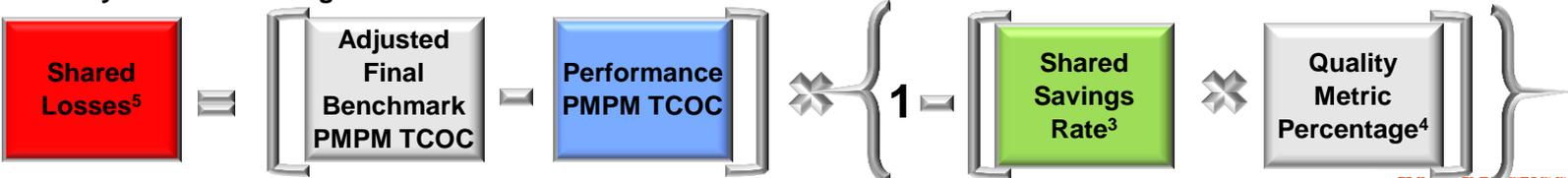
Calculate Shared Savings/Losses for ACs



² Shared Savings are subject to performance payment cap based on benchmark PMPM TCOC.

³ Shared Savings Rate is 50% for Model 1 and 60% for Model 2.

⁴ Quality Metric Percentage calculation will be covered in future webinars.



⁵ Shared Losses are subject to loss recoupment cap based on benchmark PMPM TCOC.

Development and Data Considerations

Shared Savings Calculation Example 1 (Illustrative)

Below is Example 1 for the shared savings calculation.

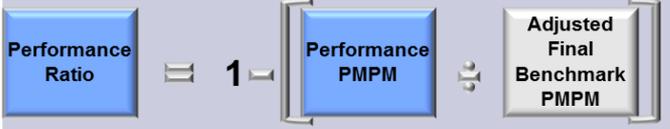
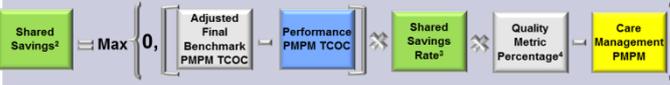
Example 1 – Model I Year 1 for AC with population size of 2,000

Benchmark Period Data:

- Adjusted Final Benchmark PMPM TCOC: \$500

Performance Period Data:

- Performance PMPM TCOC: \$485
- Performance Care Management Fee: \$80,000
- Assumed Quality Score: 80%
- Performance Member Months: 16,000

Step	Description	Formula	Calculation	Comment
1	Calculate Performance Ratio and compare against MSR	 $\text{Performance Ratio} = 1 - \frac{\text{Performance PMPM}}{\text{Adjusted Final Benchmark PMPM}}$	$1 - (\$485 / \$500) = 3\%$	The Performance Ratio is greater than the MSR = 2.5%
2	Calculate Care Management PMPM in the Performance Period	 $\text{Care Management PMPM} = \frac{\text{Performance Care Management Total Fee}}{\text{Performance Member Months}}$	$\$80,000 / 16,000 = \5	The Care Management PMPM is \$5
3	Calculate Shared Savings/Losses for ACs	 $\text{Shared Savings} = \text{Max} \left\{ 0, \left(\text{Adjusted Final Benchmark PMPM TCOC} - \text{Performance PMPM TCOC} \right) \times \text{Quality Metric Percentage} - \text{Care Management PMPM} \right\}$	$\text{Max} \{ 0, (\$500 - \$485) * 50\% * 80\% - \$5 \} = \1	AC achieves savings of \$1 PMPM

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Development and Data Considerations

Shared Savings Calculation Example 2 (Illustrative)

Below is Example 2 for the shared savings calculation.

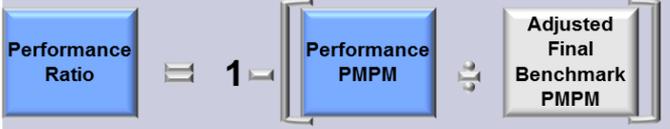
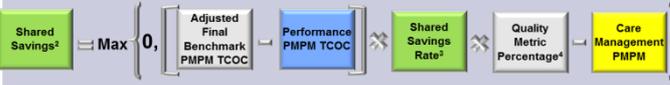
Example 2 – Model I Year 1 for AC with population size of 5,000

Benchmark Period Data:

- Adjusted Final Benchmark PMPM TCOC: \$500

Performance Period Data:

- Performance PMPM TCOC: \$490
- Performance Care Management Fee: \$200,000
- Assumed Quality Score: 80%
- Performance Member Months: 40,000

Step	Description	Formula	Calculation	Comment
1	Calculate Performance Ratio and compare against MSR	 $\text{Performance Ratio} = 1 - \frac{\text{Performance PMPM}}{\text{Adjusted Final Benchmark PMPM}}$	$1 - (\$490 / \$500) = 2\%$	The Performance Ratio is equal to the MSR = 2%
2	Calculate Care Management PMPM in the Performance Period	 $\text{Care Management PMPM} = \frac{\text{Performance Care Management Total Fee}}{\text{Performance Member Months}}$	$\$200,000 / 40,000 = \5	The Care Management PMPM is \$5
3	Calculate Shared Savings/Losses for ACs	 $\text{Shared Savings} = \text{Max} \left\{ 0, \left(\text{Adjusted Final Benchmark PMPM TCOC} - \text{Performance PMPM TCOC} \right) \times \text{Quality Metric Percentage} - \text{Care Management PMPM} \right\}$	$\text{Max} \{ 0, (\$500 - \$490) * 50\% * 80\% - \$5 \} = \0	AC achieves savings of \$0 PMPM

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Questions?