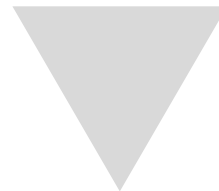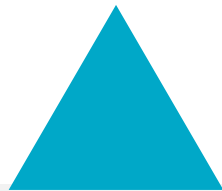# PCMH+ SHARED SAVINGS CALCULATION

PROVIDER COLLABORATIVE

August 3, 2017

COST CALCULATION

Risk-Adjusted Prior Year Costs

Risk-Adjusted Performance Year Costs

Expected Performance Year Costs

MSR

Savings Cap

Individual Savings Pool

Challenge Pool

COST CALCULATION- RISK SCORES

- Risk scores are calculated for each individual and are then aggregated for each Participating Entity (PE). Only the risk scores of members assigned to each PE are used for the aggregation.

- The prior year costs and the performance year costs are derived from individual members that are assigned to each PE. The claims are based on the dates of service for each year.

- A retrospective risk adjustment methodology is applied (using DST's CareAnalyzer risk stratification tool) for the prior year costs and then again for the performance year costs.

COST CALCULATION- RISK ADJUSTED COSTS

Prior Year

- The risk-adjusted prior year costs are derived from claims with 2016 dates of service for both the Comparison Group (CG) and each PE on a per-member basis.

Performance Year

- The risk-adjusted performance year costs are derived from claims for 2017 dates of service for both the CG and for each PE on a per-member basis.

- For participating FQHCs, the Care Coordination Add-On payment is included in the performance year total cost.

COST CALCULATION- EXPECTED PERFORMANCE YEAR COST

- The expected cost trend is derived from the CG's risk adjusted per-member costs as seen in the formula below.

- $Expected\ Cost\ Trend = (\ 2017\ PMPY\ cost_{CG}\ /\ 2016\ PMPY\ cost_{CG}\ ) - 1$

- The 2017 per-member expected cost for each PE is calculated as seen in the formula below.

- $2017\ Expected\ PMPY\ Cost_{PE} =$
  $2016\ PMPY\ Cost_{PE} \times (1 + Expected\ Cost\ Trend)$

- PEs are not required to share in losses and if a PE's actual cost is higher than the expected cost, the funding for the Individual Savings Pool will be $0.

COST CALCULATION

- The Total PE Savings are calculated below:

- $$\text{\# of Assigned Members} \times (\text{Expected PMPY Cost}_{PE} - \text{Actual PMPY Cost}_{PE}) = \text{Total PE Savings}$$

- The Total PE Savings are subject to the following adjustments:
  - Minimum Savings Rate of 2%
  - 10% Cap
  - 50% Shared with the State

- After the Total PE Savings are adjusted, the remaining savings constitute the PE's Individual Savings Pool.

SHARED SAVINGS

Each PE will receive a Shared Savings Payment based on the calculation below:

$$Shared\ Savings\ Payment = Individual\ Savings\ Pool \times Aggregate\ Quality\ Score$$

QUALITY MEASURE (QM) DATA

- QM data is rolled up for each FQHC and Advanced Network. The same QM data that is used for the DSS PCMH program will be used for PCMH+. QM data based solely on PCMH+ participating members is not currently available.

- The QM data is used to develop the Absolute, Improve and Maintain components of quality scoring.

- The CG consists of large FQHCs and PCMH practices that are not participating in PCMH+.

QUALITY MEASURES- ABSOLUTE QUALITY

Absolute Quality Benchmark

Absolute quality benchmarks were derived from the CG's calendar year 2015 QM results.*

PE QM Results

Each PE's 2017 data year quality scores will be scored against the benchmarks developed from the CG.

*All nine PCMH+ scoring measures were derived from the 2015 data year results with the exception of the PCMH CAHPS quality measure. The PCMH CAHPS measure uses a 2016 data year for the benchmark.

QUALITY MEASURES- IMPROVE QUALITY

Comparison Group

- For each quality measure, the improvement percentage will be measured as the 2017 data year score divided by the 2016 data year score minus one.

- The average of the CG's improvement for each measure is used to develop the improve quality scoring scale.

Participating Entities

- Each PE will have an improvement percentage for each quality measure.

- The improvement percentage is calculated as the 2017 data year score divided by the 2016 data year score minus one.

QUALITY MEASURES- MAINTAIN QUALITY

- If a PE's 2017 data year score is greater than or equal to its 2016 data year score, the PE would receive a full point for that measure.

$$\boxed{2017\ \text{Score}} \geq \boxed{2016\ \text{Score}} = \bigcirc 1\ \text{point}$$
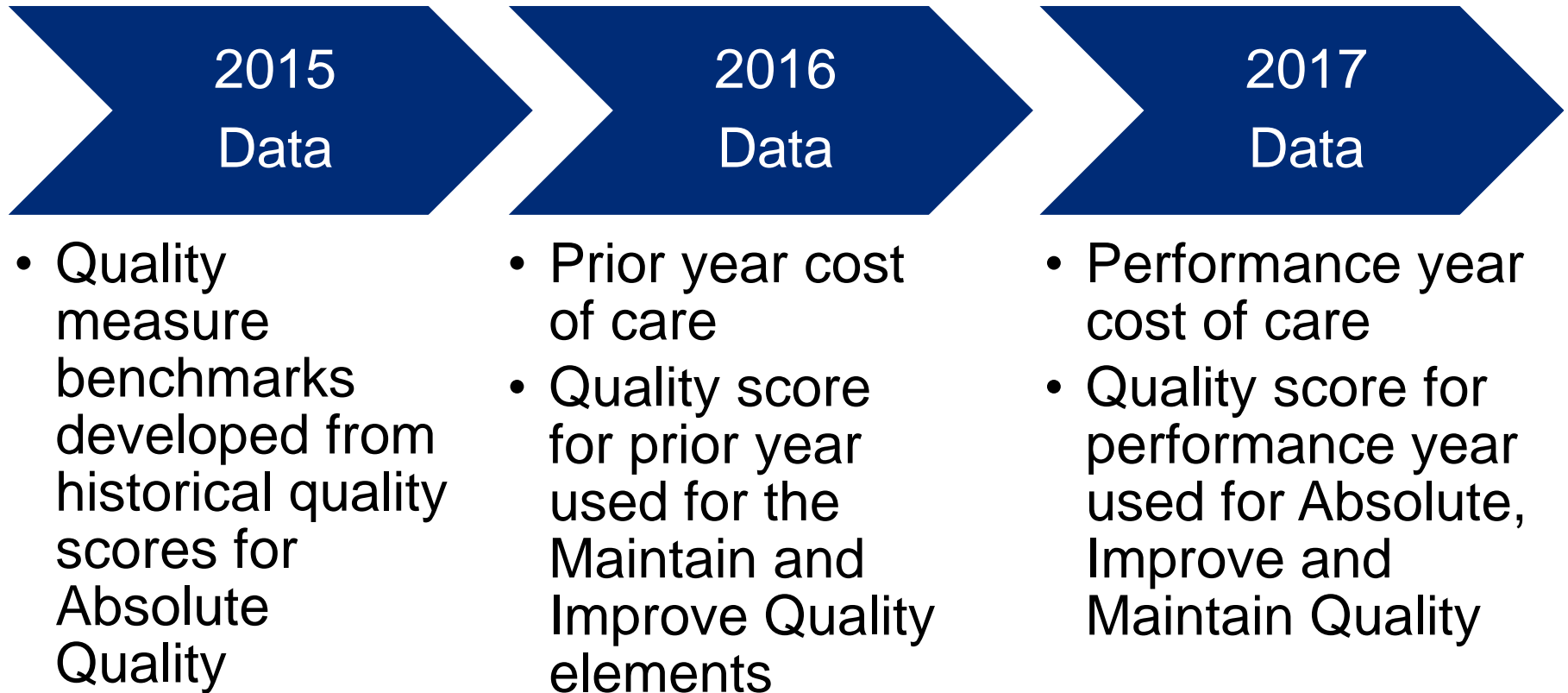
CHALLENGE POOL FUNDING

- If a PE does not claim the entire amount of its Individual Savings Pool, the remaining savings will move to the Challenge Pool. The Challenge Pool will consist of all savings not claimed in the Individual Savings Pools less total program losses.

- $Remaining\ Savings\ for\ Challenge\ Pool\ Funding = Individual\ Savings\ Pool\ Amount \times (1 - Final\ Quality\ Score)$

- $Challenge\ Pool\ Funding = \sum Remaining\ Savings\ Challenge\ Pool\ Funding - \sum Losses$

- The Challenge Pool will distribute and exhaust all remaining savings not claimed in the Individual Pools.

CHALLENGE POOL DISTRIBUTION

- Performance on a set of challenge measures will inform the challenge pool payment through the use of a member-weighted distribution by PCMH+ PEs.

- For each quality measure, when a PE achieves at or above the median score of all PEs, the PE will receive a portion of the challenge pool in a member-weighted distribution. The amount of the Challenge Pool each PE will receive is shown in the formula below.

- $Challenge\ Pool\ Funding \times \dfrac{\#\ of\ Members \times \#\ of\ measures\ at\ or\ above\ median}{\sum_{All\ PEs}(\#\ of\ Members \times \#\ of\ measures\ at\ or\ above\ median)}$

DATA SOURCE TIMELINE

2015 Data

- Quality measure benchmarks developed from historical quality scores for Absolute Quality

2016 Data

- Prior year cost of care
- Quality score for prior year used for the Maintain and Improve Quality elements

2017 Data

- Performance year cost of care
- Quality score for performance year used for Absolute, Improve and Maintain Quality