INCENTIVE PROGRAM FOR SAFETY-NET HOSPITALS

Per H.B. 1, 84th Legislature, Regular Session, 2015,

Article II, Special Provisions Sec. 59(b)

Matthew FERRARA, *HHSC Quality*

Rachel BUTLER, *HHSC Actuarial Services*

June 1, 2016

Presentation Outline

1. *Overview of legislation and intent*

2. *Refresh on existing hospital Potentially Preventable Readmissions and Complications (PPR / PPC) component*

3. *Overview of metrics, model, & methods for safety-net hospital incentive program*

4. *HHSC expectations and Managed Care Organization (MCO) role*

5. *Questions*

1. Overview of Legislation and Intent

- H.B. 1, 84th Legislature, Regular Session, 2015, Article II, Special Provisions Sec. 59(b)

- Contingency for HB 7 and Safety-Net Hospitals

  HHSC shall expend $64,347,000 in interagency contracts, $150,378,593 in All Funds in fiscal year 2016 and $64,346,999 in interagency contracts, $148,641,716 in All Funds in fiscal year 2017 to provide increases in Medicaid inpatient provider rates. The Health and Human Services Commission shall develop a methodology to implement such increases to target the state's safety-net hospitals, including those hospitals that treat high percentages of Medicaid and low income uninsured patients. Total reimbursement for each hospital shall not exceed its hospital specific limit. However, HHSC shall expend ten percent of these funds to provide additional increases to safety-net hospitals above which exceed existing quality metrics, which may result in exceeding the hospital specific limit. To the extent possible, ***HHSC shall ensure, that any funds included in Medicaid managed care capitation rates are distributed by the managed care organizations to the hospitals.*** *The expenditure of funds identified in this rider that are not used for targeted increases to Medicaid inpatient provider rates shall require prior written approval by the Legislative Budget Board.*

2. Refresh on Existing Hospital PPR/PPC Component

- Fee-for-Service (FFS) reimbursement adjustments (reductions) to hospitals based on PPR and PPC rates in excess of established thresholds:
  - *PPR — 1% to 2% reduction of inpatient claims (based on high rates)*
  - *PPC — 2% to 2.5% reduction of inpatient claims (based on high rates)*
  - *Re-calculated annually*
- Hospital adjustments are also made in each MCO's experience data and adjustments are then made to MCO capitation rates

3. Overview of Metrics, Model, & Methods

- Metrics: Because HHSC has processes and methods in place for measuring hospital performance of PPRs and PPCs
  - HHSC is leveraging this infrastructure, with some adaptations
- Goal: *A simple, transparent method that harmonizes with existing, penalty-based PPR/PPC programs*
  - Same datasets - same periods
  - Limited pool of funds ($15,000,000 per year)
  - Limited pool of hospitals
  - Need for a process that ensures HHSC works within funds available, ensures fairness, and is appropriately scaled

3. Overview of Metrics, Model, & Methods, *continued*

- Split pool in half: 50% for PPR incentives, 50% for PPC incentives
- Establish criteria for eligibility for each pool:
  - *Non-rural, non-state-owned, Disproportionate Share Hospital (DSH) eligible*
  - *High volume*
  - *Performance at least 10% better than state average, and no penalty for PPR or PPC*
- Allocate a base incentive amount for each eligible hospital (~$100,000)
- After base allocation, calculate a variable allocation based on relative performance and relative size (among eligible group of hospitals)

3. Overview of Metrics, Model, & Methods, *continued*

- Relative Performance: *based on hospital's actual to expected ratios compared to group average*
- Relative Size*: *based on hospital's inpatient claims paid compared to group average*
- Performance-Size Composite: *hospital's relative performance score X relative size score = final relative score*
- Total Allocation for each eligible hospital for each metric:

$$\frac{\textbf{Hospital's final relative score}}{\textbf{Total sum of relative scores for all eligible hospitals}} \times \text{Funds pool after distribution of base allocations for eligible group} = \textbf{Hospital's Variable Allocation} + \text{Hospital's Base Allocation} = \textbf{Hospital's Total Allocation}$$

* Note: *The size is capped to ensure monies are spread more evenly among eligible hospitals.*

3. Overview of Metrics, Model, & Methods, *continued*

50%	Amount:	Amount After Base:	
SFY 16 **PPC** *Incentive (Adjust as needed):*	**$7,518,930**	**$4,924,899**	▶ ELIGIBLE FOR PPC INCENTIVE USING THIS METHOD: (n =26 hospitals)

	(A)	SIZE FACTORS			PERFORMANCE FACTORS			INCENTIVE COMPUTATION		
	34.5%	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
HOSPITAL	*Base allocation (Adjust as needed):*	OVERALL SIZE: TOTAL PAID FFS & MCO MEDICAID	SIZE ADJUSTMENT	SIZE CAP	A / E RATIO	RELATIVE PERFORMANCE	PERFORMANCE ADJUSTMENT	FINAL ADJUSTMENT	EARNED INCENTIVE AMOUNT	EARNED INCENTIVE AMOUNT AS PERCENT OF TOTAL PAID FFS & MCO MEDICAID
EXPLANATORY NOTES >		*[Reported value for SFY]*	*[Size (B) compared to the average size of this group; average = $51,005,858]*	*IF (C) IS >2.00, then adjustment is capped at 2.00*	*[Reported value for SFY]*	*(F) = 1.00 - (E)*	*[Relative performance (F) compared to the average relative performance of this group; average = 0.34]*	*(H) = (D) * (G)*	*(I) = amount after base * (H / sum of all H) + A*	*(J) = (I) / (B)*
1	$99,770	$3,367,843	0.07	0.07	0.86	0.14	0.42	0.03	$109,430	3.2%
2	$99,770	$2,240,634	0.04	0.04	0.84	0.16	0.48	0.02	$107,115	4.8%
3	$99,770	$9,416,589	0.18	0.18	0.14	0.86	2.57	0.47	$265,685	2.8%

3. Overview of Metrics, Model, & Methods, *continued*

- Similar to PPR / PPC reductions:
  - On an annual basis, and using the same dataset used for PPR / PPC reductions
  - FFS incentives will be paid to eligible hospitals based on criteria (steps laid out in previous slide)
  - Hospital adjustments are made to MCO capitation rates
  - Calculated annually: for example, FY14 data used to establish penalties and incentives for FY16, FY15 for FY17, etc.

4. HHSC Expectations and MCO Role

- Per expectations laid out in legislation, MCOs to pay the hospitals identified by HHSC the incentives that are built into their capitation rates
- Language added to Uniform Managed Care Contract (UMCC)
- Lists will be provided to MCOs
- Eligible hospitals will be notified

5. Questions?

PPR and PPC Rules:

http://texreg.sos.state.tx.us/public/readtac$ext.ViewTAC?tac_view=5&ti=1&pt=15&ch=354&sch=A&div=35&rl=Y

HHSC Quality Website:

http://www.hhsc.state.tx.us/hhsc_projects/ECI/index.shtml

Email:

MCD_PPR_PPC@hhsc.state.tx.us