

Episode Based Payments. Incentives to pay for the value of medical care provided to Medicaid recipients.

**Purpose:** Medicaid has established Ohio-specific Episode-Based Payments. Episode-Based Payments:

1. Support Ohio's shift to value-based purchasing by rewarding high-quality care and outcomes;
2. Encourage clinical effectiveness;
3. Encourage referral to providers who deliver high-quality care, when provider referrals are necessary;
4. Use episode-based data to evaluate the costs and quality of care delivered and to apply incentive payments; and
5. Establish Principal Accountable Providers (PAPs) for defined episodes of care.

Complete details including technical information regarding specific quality and reporting metrics, performance thresholds and incentive payments are available at the Ohio Medicaid payment innovation website available at: [www.medicaid.ohio.gov](http://www.medicaid.ohio.gov) and are effective for the performance period beginning January 1, 2016.

**Notice:** Except in cases of emergency as defined in division (G) of section 119.03 of the Ohio Revised Code, providers will receive at least 30 days written notice of changes to Episode Based Payments.

**Episodes:** An "episode" is a defined group of related Medicaid covered services provided to a specific patient over a specific period of time. The characteristics of an episode will vary according to the medical condition for which a patient has been treated. Detailed descriptions and definitions for each episode are found in the Ohio Medicaid payment innovation website located at [www.medicaid.ohio.gov](http://www.medicaid.ohio.gov).

**PAPs:** A PAP is the provider who is held accountable for both the quality and cost of care delivered to a patient for an entire episode. The State, in consultation with clinical experts, designates a PAP based on factors such as decision making responsibilities, influence over other providers, and episode expenditures.

**Payments:** Subject to the incentive payments described below, providers, including PAPs, deliver care to eligible beneficiaries and are paid in accordance with the Medicaid reimbursement methodology in effect on the date of service.

**Thresholds:** Thresholds are the upper and lower incentive benchmarks for an episode of care and are established and published prior to the beginning of a performance period. Thresholds may be reviewed annually by the State using historical data that is at a minimum, two years prior to the performance period, in order to account for updates to the episode definitions or changes in practice patterns.

The acceptable benchmark is the specific dollar value for each episode such that a provider with an average risk-adjusted reimbursement above the dollar value incurs a negative incentive payment. For each episode, this value is set based on historical performance such that ten percent of episode-specific, Medicaid PAPs are above the acceptable threshold.

The commendable benchmark is the specific dollar value for each episode such that a provider with an average risk-adjusted reimbursement below the dollar value is eligible for a positive incentive payment if all quality metrics linked to the incentive payment are met. This value is set at a level such that the balance of positive and negative incentive payments are budget neutral to the State.

The positive incentive limit (PIL) is a level set to avoid incentivizing care delivery at a cost that could compromise quality. PAPs below the PIL are still eligible for positive incentive payments, contingent upon meeting quality targets. Positive incentive payments are reduced based on the difference between the PIL and a PAP's average risk-adjusted episode reimbursement. The PIL is set at a level equivalent to the average of the five lowest episodes based on risk-adjusted reimbursement that pass the quality metrics linked to positive incentive payments.

**Episode Risk Adjustment:** For each PAP, risk adjustments are applied to enable comparison of a PAP's performance relative to the performance of other PAPs in a way that takes patient health risk factors and other health complications into consideration. Risk adjustments are episode-specific as described on the Ohio Medicaid payment innovation website available at [www.medicaid.ohio.gov](http://www.medicaid.ohio.gov).

**Incentive Payments:** Episode Based Payments promote efficient and economic care utilization by making incentive payments based on the aggregate valid and paid claims across a PAP's episodes of care ending during the twelve month performance period specified for the episode. After the conclusion of the full performance period, eligibility for a positive or negative incentive payment is determined on an annual basis. Payments are made no earlier than six months after the end of the performance period and equal fifty percent of the difference between the average adjusted episode expenditures and the applicable threshold as described below. The fifty percent risk sharing percentage applies equally to both positive and negative incentive payments. Because the incentive payments are based on aggregated and averaged claims data for a particular performance period, payments cannot be attributed to specific provide claims. Performance reports will be sent to providers on a quarterly basis.

**Positive Incentive Payments:** If the PAP's average risk-adjusted episode reimbursement is lower than the commendable threshold and the PAP meets the quality requirements established by Medicaid for a given episode type, Medicaid will issue an incentive payment to the PAP. This incentive payment will be based on the difference between the PAP's average risk-adjusted episode reimbursement and the commendable threshold. Each PAP that is eligible for a positive incentive

payment and meets the performance requirements set out in this section shall receive any earned performance payment no later than 180 days after provider receipt of its prior year performance report.

**Negative Incentive Payments:** If the PAP's average risk-adjusted episode reimbursement is higher than the acceptable threshold, the PAP will incur a negative incentive payment. The negative incentive payment will be based on the difference between the PAP's average risk-adjusted episode reimbursement and the acceptable threshold. Each PAP that incurs a negative incentive payment shall have future payments withheld in the amount of the negative incentive payment no later than 180 days after provider receipt of its prior year performance report.

**No Incentive Payments:** If the average risk-adjusted episode reimbursement is between the acceptable and commendable thresholds, the PAP will not incur a positive or a negative incentive payment.

**Episodes:** Effective for those specific episodes with an end date on or after January 1, 2016, the defined scope of services within the following episodes of care are subject to incentive adjustments. Definitions and additional information about each episode are available on the Ohio Medicaid payment innovation website available at [www.medicaid.ohio.gov](http://www.medicaid.ohio.gov).

Perinatal  
Asthma  
Chronic Obstructive Pulmonary Disease

Effective for those specific episodes with an end date on or after January 1, 2017, the defined scopes of services within the following episode(s) of care are subject to incentive adjustments:

Cholecystectomy  
Upper Respiratory Infection  
Urinary Tract Infection  
Gastrointestinal Bleed  
Esophagogastroduodenoscopy  
Colonoscopy