SHARED SAVINGS PAYMENT DEFINITION AND METHODOLOGY

Total cost of care (TCOC).

- Calculation of non-risk-adjusted TCOC: The TCOC for the baseline period and the performance period will be calculated by ODM retrospectively, using fee-for-service claims data and encounter data from the managed care organizations. Total cost of care is calculated by summing the total fee-for-service claims and managed care encounters for the CPC entity's attributed members during the relevant period (i.e. baseline year or performance period). The cost in the baseline and performance periods will include the cost of the core services for the population attributed to the CPC entity, in addition to PMPM payments made to practices included in a CPC entity. The services included in the TCOC measurement for the baseline year and performance period will be identical.
- Calculation of risk-adjusted TCOC: Risk-adjusted TCOC for a CPC entity is calculated by dividing the CPC entity's TCOC by the average risk score of the population attributed to the CPC entity, as determined by 3M CRG's risk-adjustment tool described above.
- Core Services: Services included in the base year, performance period and target TCOC are:
  All non-excluded medical and prescription expenditures including: case management, durable medical equipment, home health, all long-term care expenditures for members with fewer than 90 consecutive days in LTC.
- Excluded Services: Services not included in the base year, performance period and target TCOC are:
  - Waiver services;
  - Currently underutilized services as determined by the state (initially to include dental, vision, and transportation);
  - All expenditures for members with a Neonatal Intensive Care Unit (NICU) day (Nursery 3 and 4) that are outliers within each risk band (top and bottom 1%); and
  - LTC expenditures for members with at least 90 consecutive days of LTC claims.

Shared savings payments:

There are two types of shared savings payments: payment based on self-improvement and payment for practices with the lowest TCOC. All CPC practices within the CPC entity must meet the activity requirements, clinical quality and efficiency metrics (described in the “definitions and calculations applicable to payment methodologies” section on the ODM website) to receive either type of shared savings payment. CPC entities may receive either type of shared savings payment alone, or both types of shared savings payment. CPC entities must have at least 60,000 Medicaid member months over the performance period in order to be eligible for either type of shared savings payment.

Payment based on self-improvement

- <u>Definition</u>: Shared savings payments are annual retrospective payments that may be made to a CPC entity for saving on the TCOC of their attributed population. The components of this calculation are outlined below.
- <u>Calculation of savings percentage</u>: The savings percentage for a CPC entity is as follows: ([average risk-adjusted TCOC for the population attributed to the CPC practice in the baseline year]- [average risk-adjusted TCOC for the population attributed to the CPC practice in the performance period]) / [average risk-adjusted TCOC for the population attributed to the CPC practice in the baseline year]. If the savings percentage is greater than or equal to 1%, the CPC entity is eligible for the payment based on self-improvement. If it is less than 1%, no payment based on based on self-improvement will be made.
- <u>Calculation of savings amount:</u> The savings amount is calculated as follows: [savings percentage] * [CPC entity’s non-risk-adjusted TCOC in the performance period].
- <u>Calculation of gainsharing percentage</u>: If the savings amount, as calculated above, is positive, the CPC entity receives a percentage of this savings amount as a lump-sum payment from ODM. This percentage is called the gainsharing percentage, and is determined as follows:
  - CPC entities receive 65% of the savings amount for their practice (as calculated above) if they either have average risk-adjusted TCOC below a specific threshold set based on the TCOC

        performance of all enrolled CPC practices, and/or are a participant in CPC+ Track 2;
    - All other CPC entities receive 50% of the total savings amount for their practice (as calculated above).
  - <u>Overall calculation of shared savings amount paid to CPC entities</u>: Shared savings payments are annual retrospective payments that may be made to a CPC entity for saving on the TCOC of their attributed population. The shared savings payment is calculated as follows: [CPC entity's savings percentage] * [CPC entity's non-risk-adjusted TCOC in the performance period] * [gainsharing percentage]. This calculation is conducted annually for each CPC entity's performance over the entire performance period. One payment is then made to the CPC entity for each year-long performance period. This means that if the average risk-adjusted TCOC in the performance period is lower than the average risk-adjusted total cost of care in the baseline year, and the savings percentage is greater than or equal to 1%, a CPC entity receives a lump-sum payment based on this difference.
  - <u>Payments made by ODM</u>: While the determination of the baseline risk-adjusted TCOC includes both fee-for-service and managed care enrollees, the payment that ODM makes to CPC entities for its fee-for-service patients will be the share of the shared savings payment described above, pro-rated based on risk-adjusted member months for FFS members. Shared savings payments will be made no more than 9 months after the end of the performance period (to allow for 6 months of data run out and 3 months of data processing).
- **Payment for practices with the lowest TCOC:** The 10% of enrolled CPC entities with the lowest average risk-adjusted TCOC will receive a bonus payment from ODM. This payment will be a lump sum amount calculated and paid annually. This payment will be calculated by multiplying the number of members attributed to the CPC entity during the performance period by $5. This amount will be updated annually.