



**Department of
Medicaid**

John R. Kasich, Governor
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Total Cost of Care

Shared Savings Methodology

Total Cost of Care Shared Savings Methodology

- **Overview of shared savings**
- Examples of practice-level TCOC calculations
 1. Lowest TCOC eligibility determination
 2. Self-improvement eligibility determination

Overview of Shared Savings Payments in CPC

- **Annual retrospective payment** based on total cost of care (TCOC)
- **Activity requirements and quality and efficiency metrics must be met** for the CPC practice to receive this payment
- CPC practice must have **60,000 member months** to calculate TCOC
- CPC practice may receive **either or both** of two payments:

Definition

Paying entity

1

**Total Cost of Care
RELATIVE TO PEERS**

Payment **based on a practice achieving a low total cost of care** relative to other eligible CPC practices

ODM pays (in all cases)

2

**Total Cost of Care
RELATIVE TO SELF**

Payment based on a **practice's improvement on total cost of care** for their attributed patients, **compared to their own baseline** total cost of care

MCPs pay (except for fee for service members, for whom ODM pays)

To be eligible for shared savings payments, practices must meet minimum size and metric performance requirements

Minimum size

PMPM

All practices meeting requirements are eligible

Shared savings

Practices must have had >60,000 attributed member-months during the performance period

Requirements

8 activity requirements¹

- *Same-day appointments*
- *24/7 access to care*
- *Risk stratification*
- *Population management*
- *Team-based care management*
- *Follow up after hospital discharge*
- *Tracking of follow up tests and specialist referrals*
- *Patient experience*

Must pass 100%

4 Efficiency measures²

- *ED visits*
- *Inpatient admissions for ambulatory sensitive conditions*
- *Generic dispensing rate of select classes*
- *Behavioral health related inpatient admits*

Must pass 50%

20 Clinical Measures

- *Clinical measures aligned with CMS/AHIP core standards for PCMH*

Must pass 50%

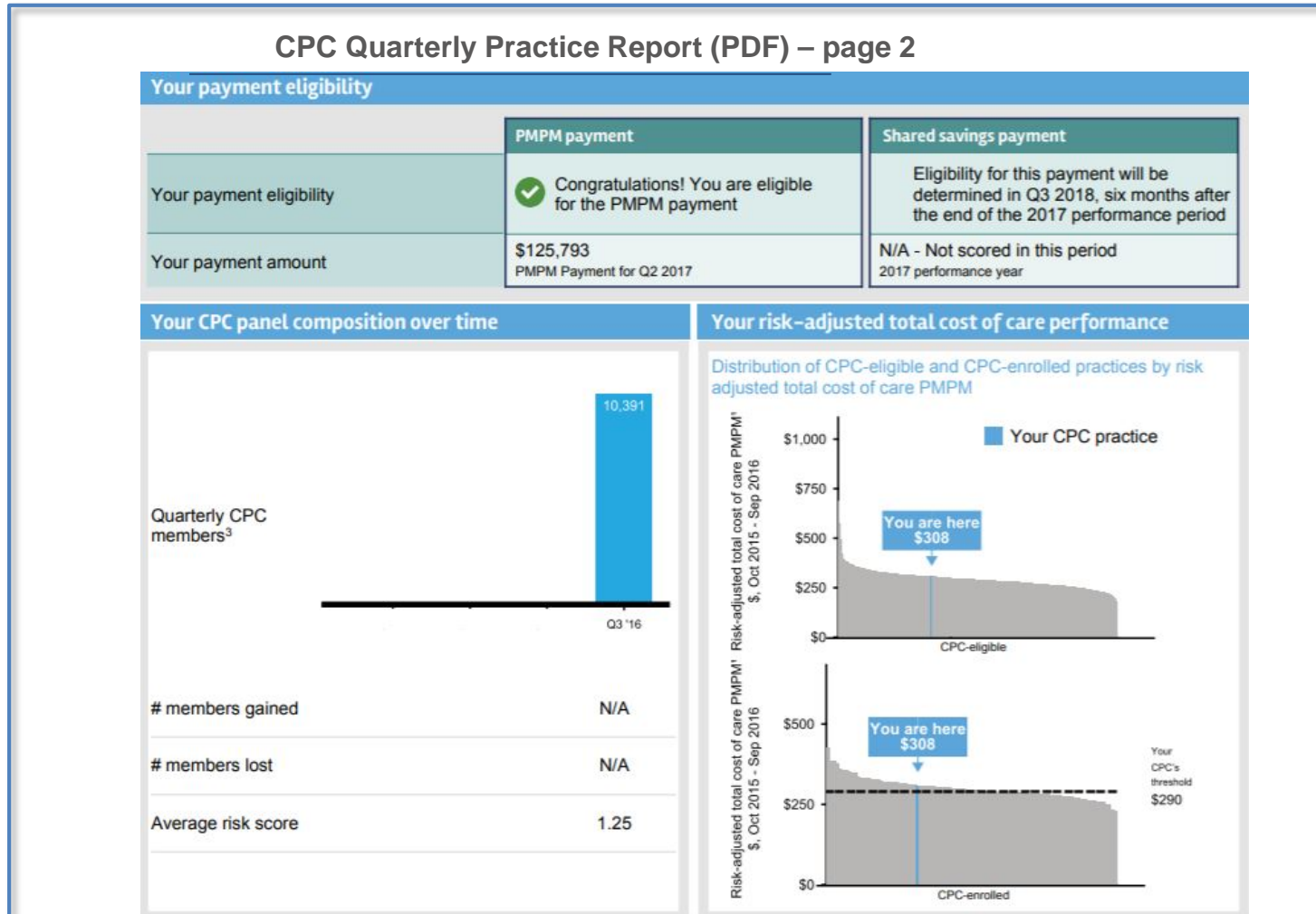
Shared Savings payments are calculated retrospectively in the year following the performance period



Reporting

- For Performance Year 1, practices receive preliminary TCOC information on the quarterly report posted in Q2 of the year after the performance period. This calculation is preliminary, based on 3 months of claims run out.
- Annual Reports are typically delivered in Q3 after the performance period. This report includes final determination of any total cost of care shared savings payments, based on 6 months of claims run out.

CPC Quarterly Practice Reports include information about shared savings – page 2 shows eligibility and preliminary performance relative to peers



CPC Quarterly Practice Reports include information about shared savings – page 13 shows preliminary performance relative to self

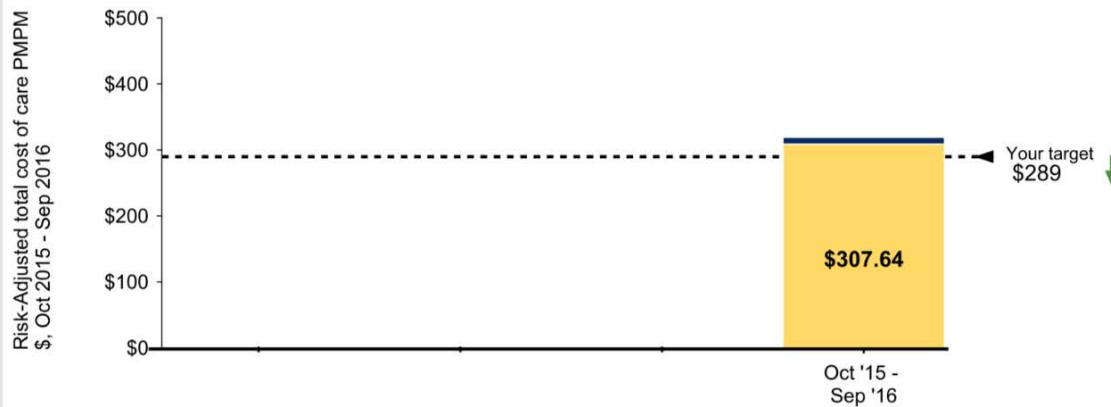
CPC Quarterly Practice Report (PDF) – page 13

Measures Tied to Payment

- Performance meeting threshold
- Performance not meeting threshold
- 75th percentile for CPC-eligible practices
- ↓ Eligible for shared savings

Total cost of care performance tied to payment

Performance of your CPC practice – Informational only



Relative to peers: TCOC is calculated for each practice and then adjusted for differences in risk profiles across practices

Detail follows

	<u>Objective</u>	<u>What it's applied to</u>	<u>How it's calculated</u>
<p>Calculate TCOC for each CPC practice</p>	<ul style="list-style-type: none"> To determine total spend for each CPC practice within the time frame (e.g., performance year) 	<ul style="list-style-type: none"> Performance year TCOC calculations across practices 	<ul style="list-style-type: none"> Total spend for attributed population based on: <ul style="list-style-type: none"> Adjudicated (medical, Rx) claims Received quarterly PMPM payments Excludes spend at patient- and service-level (see P8)
<p>Risk adjustment</p>	<ul style="list-style-type: none"> To account for differences in risk profile of patient panels across practices within the time frame (e.g., performance year) 	<ul style="list-style-type: none"> Performance year TCOC calculations across practices 	<ul style="list-style-type: none"> Members in each practice assigned a 3M CRG PMPM TCOC payments across CRG is compared to average PMPM TCOC (across all CRGs) Risk score is calculated at the practice level to compare practice-specific risk to average Risk adjusted TCOC calculated as TCOC / risk score

TCOC for baseline and performance years are set based on the point-in-time attribution dates that occurred during that calendar year

The member panel used for TCOC is based on the 4 quarters of point-in-time attribution that occurred during the performance period, not the patient panels used to calculate the PMPMs distributed during the program year

Point-in-time attribution dates for 2017 performance year

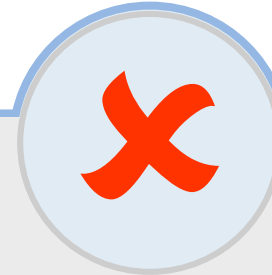
	<u>Point-in-time attribution dates for <i>PMPM</i> payments</u>	<u>Point-in-time attribution dates for <i>shared savings</i> payments</u>
Q1 2017	Sept 1, 2016	Mar 1, 2017
Q2 2017	Dec 1, 2016	June 1, 2017
Q3 2017	Mar 1, 2017	Sept 1, 2017
Q4 2017	June 1, 2017	Dec 1, 2017

To calculate baseline and performance year total cost of care, certain CPC members and services are excluded

Inclusions



Exclusions



Patients

- All adults and pediatrics
- All behavioral health members including SPMI
- Members with exclusively dental or vision TPL coverage

- Duals (included as operationally feasible, priority for MyCare)
- Members with limited benefits (e.g., family planning)
- All other members with TPL coverage

Services- triggered

- All non-excluded medical and prescription spend including:
 - Case management
 - DME
 - Home health
 - First 90 days of LTC
- Quarterly Ohio CPC PMPMs

- Waiver
- Currently underutilized services (dental, vision, transportation)
- All spend for members:
 - With a NICU¹ stay
 - With > 90 days of LTC claims
 - That are outliers within each risk band (top and bottom 1%)
 - With at least one ICF/IID visit

¹ Defined as those who utilize nursery level 3 or 4 services during first year of life

Risk-adjustment detail



- Members are assigned to 1 of 44 Clinical Risk Groups (CRGs)
- Some exclusions take place here for members not incorporated into the risk score calculation (e.g. high and low cost outliers within a CRG when applicable and other members not included in TCOC calculation)
- Each CRG’s average total cost of care for non-excluded CPC patients is calculated

- Risk-scores are calculated for each CRG based on the ratio of the actual average total PMPM cost in that CRG category versus the average total PMPM of all CPC members

Example risk score calculation

CRG	Statewide Members	Average PMPM, members in CRG		Average PMPM, total CPC members	Risk Score
1	1,000	\$150	/	\$220	= 0.68
2	500	\$250	/	\$220	= 1.14
3	200	\$400	/	\$220	= 1.82

- Member-level risk scores are summed to the practice level, based on attributed members
- Weighted based on member months enrolled in Medicaid

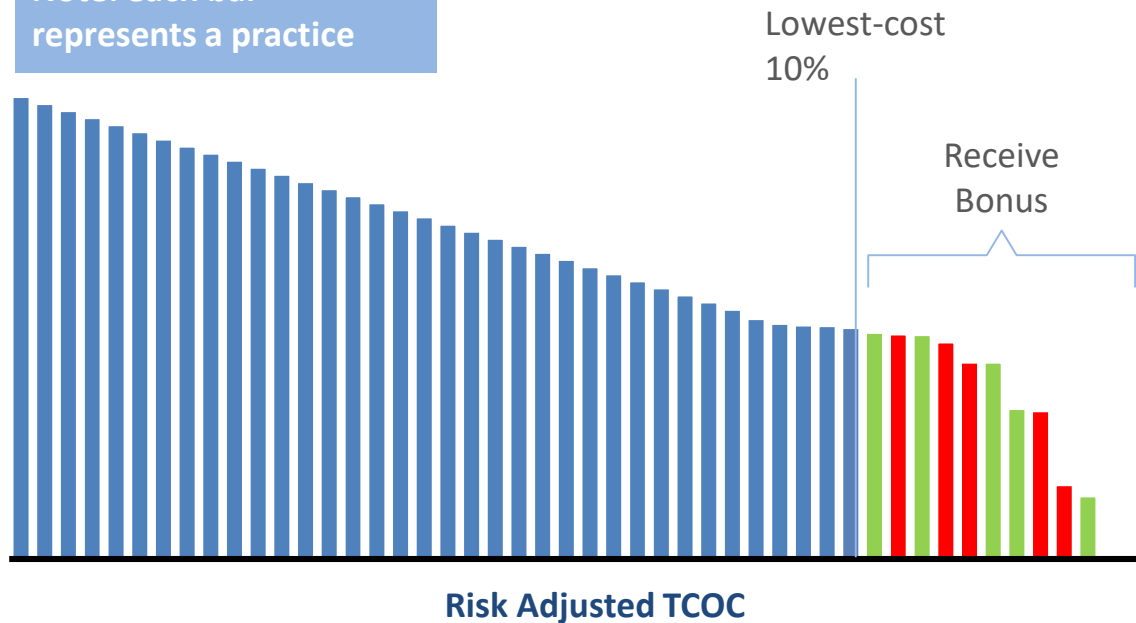
Risk scores are recalculated for each year to account for changes in relative costs between CRGs that may occur over time

Relative to peers: practices are ranked based on risk adjusted TCOC

Shared savings payment based on total cost of care (TCOC) relative to peers

Distribution of enrolled CPC Practices

Note: each bar represents a practice



- Not in lowest 10% TCOC
- Lowest 10% TCOC and meeting requirements (getting shared savings)
- Lowest 10% TCOC but not meeting requirements (not getting shared savings)

Bonus for lowest-cost practices

- Practices with the 10% lowest TCOC across all enrolled Ohio CPC practices (i.e., 111 practices in 2017) receive a **bonus payment regardless of whether or not they save over their own baseline**
- Practices must meet shared savings requirements (i.e., 60k+ member months) to receive bonus payment
- This payment may be **in addition to shared savings payments** for self-improvement, if applicable
- The 10% threshold is determined at the end of the performance period, and is based on TCOC from the performance year

The Relative to self calculation measures performance against the practice's own baseline from a previous year

For 2017, each CPC practice's performance on total cost of care is compared to the practice's baseline performance from 2015 to determine whether shared savings were achieved, with adjustments to account for:

- Differences in risk mix (across years, across practices)
- Changes in program across years (reimbursement fee schedule, drug prices)



*Baseline costs
(2015)*

Total cost of care (TCOC) calculated based on patients attributed in CY2015

*Performance
year costs
(2017)*

TCOC used to measure performance for patients attributed in CY2017

Relative to self: shared savings is calculated for each Ohio CPC and then adjusted for differences in risk profiles and changes in the Medicaid program across time

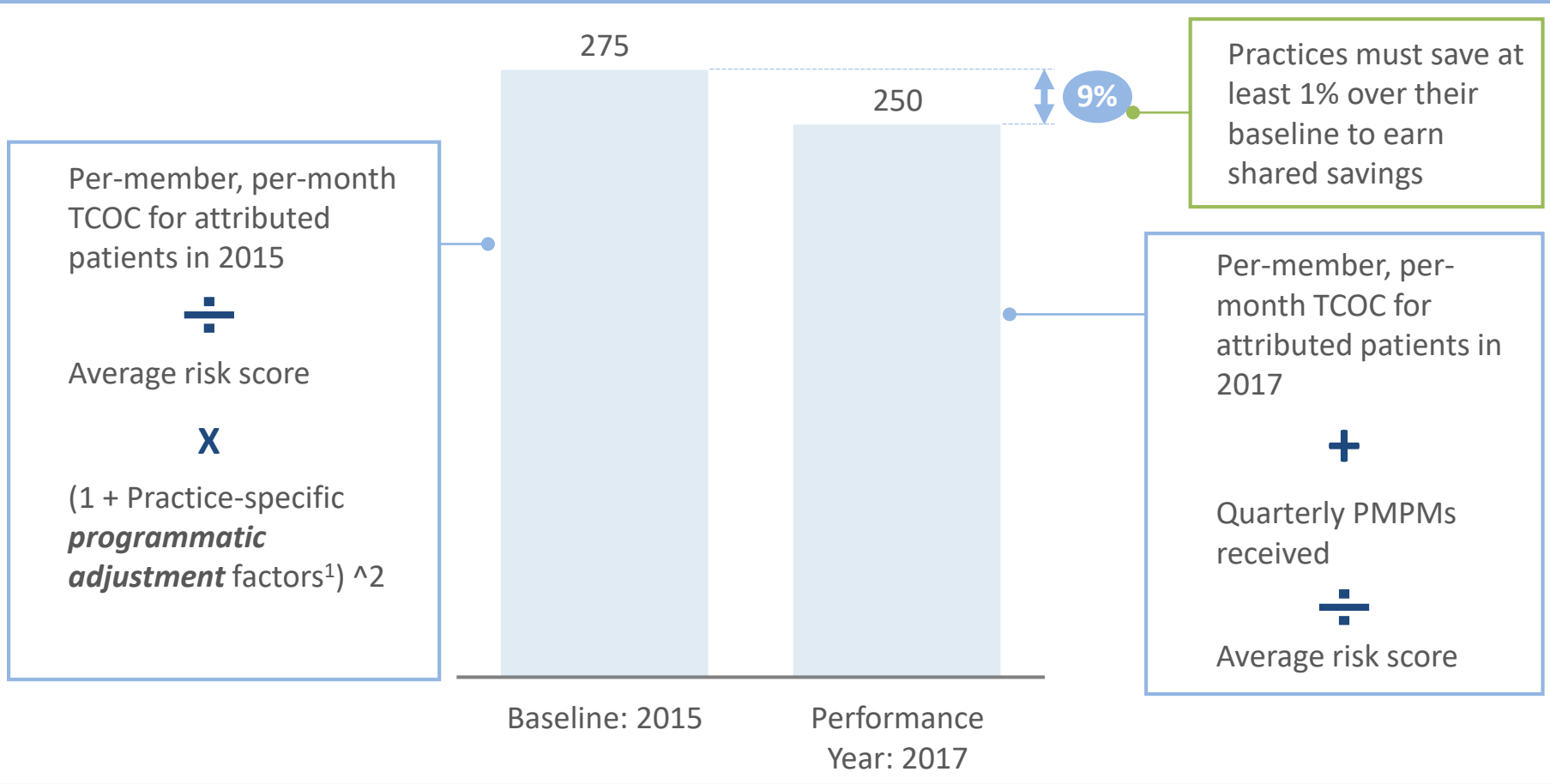
- Same steps as Relative to peers calculation
- Only used in Relative to self calculation

	Objective	What it's applied to	How it's calculated
Calculate TCOC for each year	<ul style="list-style-type: none"> ▪ To determine total spend for each CPC practice within the time frame (e.g., performance year) 	<ul style="list-style-type: none"> ▪ Baseline and performance year TCOC calculations 	<ul style="list-style-type: none"> ▪ Total spend for attributed population based on: <ul style="list-style-type: none"> ▪ Adjudicated (medical, Rx) claims ▪ Received quarterly PMPM payments ▪ Excludes spend at patient- and service-level
Risk adjustment	<ul style="list-style-type: none"> ▪ To account for differences in risk profile of patient panels across practices within the time frame (e.g., performance year) 	<ul style="list-style-type: none"> ▪ Baseline and performance year TCOC calculations 	<ul style="list-style-type: none"> ▪ Members in each practice assigned a 3M CRG ▪ PMPM TCOC payments across CRG is compared to average PMPM TCOC (across all CRGs) ▪ Risk score is calculated at the practice level to compare practice-specific risk to average ▪ Risk adjusted TCOC calculated as TCOC / risk score
Programmatic adjustments¹	<ul style="list-style-type: none"> ▪ To account for differences in the Medicaid program across time frames (e.g., baseline year vs. performance year) when using baseline data to determine performance year TCOC targets 	<ul style="list-style-type: none"> ▪ Only baseline year TCOC calculations used to determine performance year targets 	<ul style="list-style-type: none"> ▪ Baseline TCOC is multiplied by practice-level adjustment factor accounting for changes in: <ul style="list-style-type: none"> — Reimbursement schedule — Managed care efficiencies captured in MCP rates — Drug price changes ▪ Performance year PMPM TCOC compared to baseline PMPM TCOC x adjustment factor

¹ Programmatic adjustments do not account for inflation in healthcare costs.

Relative to self: practices must beat their own baselines from an earlier year, to receive a self-improvement payout

Risk-adjusted PMPM total cost of care



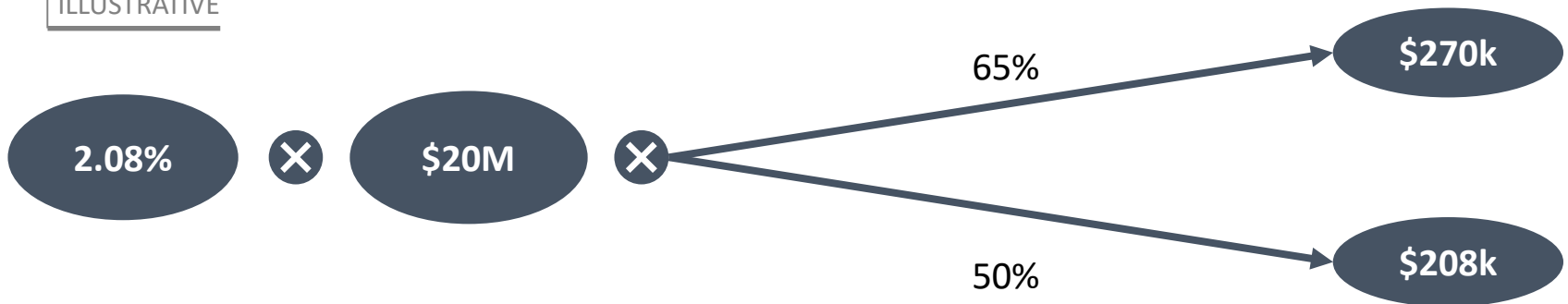
1 Programmatic adjustments do not account for inflation in healthcare costs.

Relative to self: For practices that save money over their baseline, self-improvement payout amounts are calculated

Calculation: shared savings payment

Shared Savings %	TCOC across practice	Gain sharing %	Shared savings
% of shared savings over the risk adjusted baseline TCC	Total non-risk adjusted TCOC for a participating CPC practice	<ul style="list-style-type: none"> Practices in CPC+ Track 2 or with baseline TCOC below \$3,100¹ PMPY (\$258 PMPM) are eligible for 65% gain sharing rates All other CPC practices receive a 50% gain sharing rate 	Total shared savings to be disbursed in fall 2018

ILLUSTRATIVE



¹ Based on TCOC of lowest 10% of practices in baseline 2015 (based on analysis of claims data paid through late 2016). This figure will be calculated for each performance year using data from the relevant baseline year.

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- Overview of shared savings
- Examples of practice-level TCOC calculations
 1. Lowest TCOC eligibility determination
 2. Self-improvement eligibility determination

Example: Practice A's per member, per month total cost of care

In 2015...

- 70k members were attributed to Practice A for 6+ months and not excluded from TCOC
 - These members had a total of 825k member months
- Spend for these 70k members was \$375,000,000
- \$22M was excluded due to service exclusions
- ... resulting in \$353,000,000 in TCOC

In 2017...

- 100k members were attributed to Practice A for 6+ months and not excluded from TCOC
 - These members had a total of 1.1M member months
- Spend for these 100k members was \$390,000,000
- \$20M was excluded due to service exclusions
- ... resulting in \$370,000,000 in TCOC

Example: Combining Practice A's costs, risk scores, and adjustment factors, we calculate a baseline cost of \$277.88 in 2015 and performance year cost of \$293.26 in 2017

<p><i>Baseline costs (2015)</i></p>	<p>Per-member, per-month TCOC <div style="text-align: center;">÷</div> <p>Average risk score <div style="text-align: center;">×</div> <p>(1 + practice-specific programmatic adjustment factors) ^2</p> </p></p>	<p>\$353,000,000 TCOC / 825,000 member months = \$ 427.87 <div style="text-align: center;">÷</div> <p>Avg. risk score of 1.5 = \$ 285.25 <div style="text-align: center;">×</div> <p>(1 + adjustment factor of -1.3%) ^2 = Baseline costs of \$277.88</p> </p></p>	<p>Refers to composite base adjustment factor calculated to be practice-specific and applied annually</p>
<p><i>Performance year costs (2017)</i></p>	<p>Per-member, per-month TCOC <div style="text-align: center;">+</div> <p>Quarterly PMPMs received <div style="text-align: center;">÷</div> <p>Average risk score</p> </p></p>	<p>\$370,000,000 TCOC / 1,100,000 member months = \$ 336.36 <div style="text-align: center;">+</div> <p>\$ 975,000 in PMPMs (Avg. \$ 0.89 PMPM) received = \$ 337.25 <div style="text-align: center;">÷</div> <p>Avg. risk score of 1.15 = Performance year costs of \$ 293.26</p> </p></p>	

Example: Practice B's per member, per month total cost of care

In 2015...

- 50k members were attributed to Practice B for 6+ months and not excluded from TCOC
 - These members had a total of 600k member months
- Spend for these 50k members was \$175,000,000
- \$15M was excluded due to service exclusions
- ... resulting in \$160,000,000 in TCOC

In 2017...

- 70k members were attributed to Practice B for 6+ months and not excluded from TCOC
 - These members had a total of 800k member months
- Spend for these 70k members was \$180,000,000
- \$20M was excluded due to service exclusions
- ... resulting in \$160,000,000 in TCOC

Example: Combining Practice B's costs, risk scores, and adjustment factors, we calculate a baseline cost of \$388.17 in 2015 and performance year cost of \$366.60 in 2017

<p><i>Baseline costs (2015)</i></p>	<p>Per-member, per-month TCOC</p> <p>÷</p> <p>Average risk score</p> <p>×</p> <p>(1 + practice-specific programmatic adjustment factors) ^2</p>	<p>\$160,000,000 TCOC / 600,000 member months = \$ 266.66</p> <p>÷</p> <p>Avg. risk score of 0.7 = \$ 380.94</p> <p>×</p> <p>(1 + adjustment factor of 0.9%) ^2 =</p> <p>Baseline costs of \$388.17</p>	<p>Refers to composite base adjustment factor calculated to be practice-specific and applied annually</p>
<p><i>Performance year costs (2017)</i></p>	<p>Per-member, per-month TCOC</p> <p>+</p> <p>Quarterly PMPMs received</p> <p>÷</p> <p>Average risk score</p>	<p>\$160,000,000 TCOC / 800,000 member months = \$ 200</p> <p>+</p> <p>\$ 1,300,000 in PMPMs (Avg. \$ 1.63 PMPM) received = \$ 201.63</p> <p>÷</p> <p>Avg. risk score of 0.55=</p> <p>Performance year costs of \$ 366.60</p>	

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Example: Practice A falls in lowest 10% of risk-adjusted TCOC and qualifies for payment based on performance relative to peers

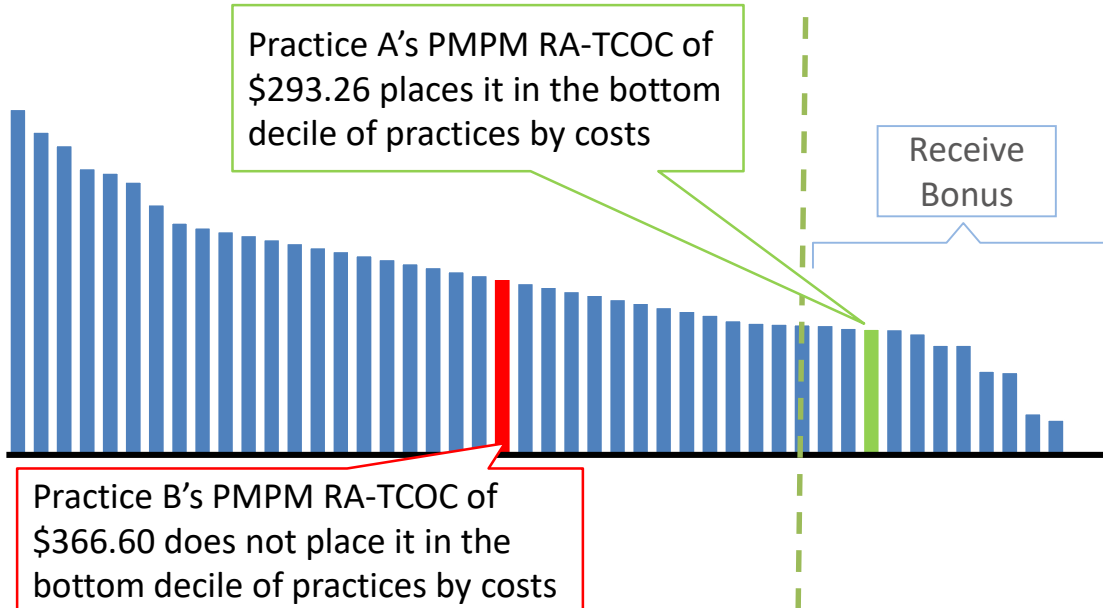
Shared savings payment based on total cost of care (TCOC) relative to peers

Risk Adjusted
Total Cost of Care

Lowest-cost 10% across
all Ohio CPC practices

**Detail on Practice A bonus
payment calculation:**

- Practice A's PMPM risk-adjusted TCOC of \$293.26 is in the bottom decile of costs among enrolled CPC practices
- Practice A has 80,000 eligible member-months during the performance period
- $80,000 / 12 = 6,666$ annualized members
- $6,666 \text{ members} * \$5 \text{ per member bonus} = \mathbf{\$33,333}$ **bonus payment for payment relative to peers**

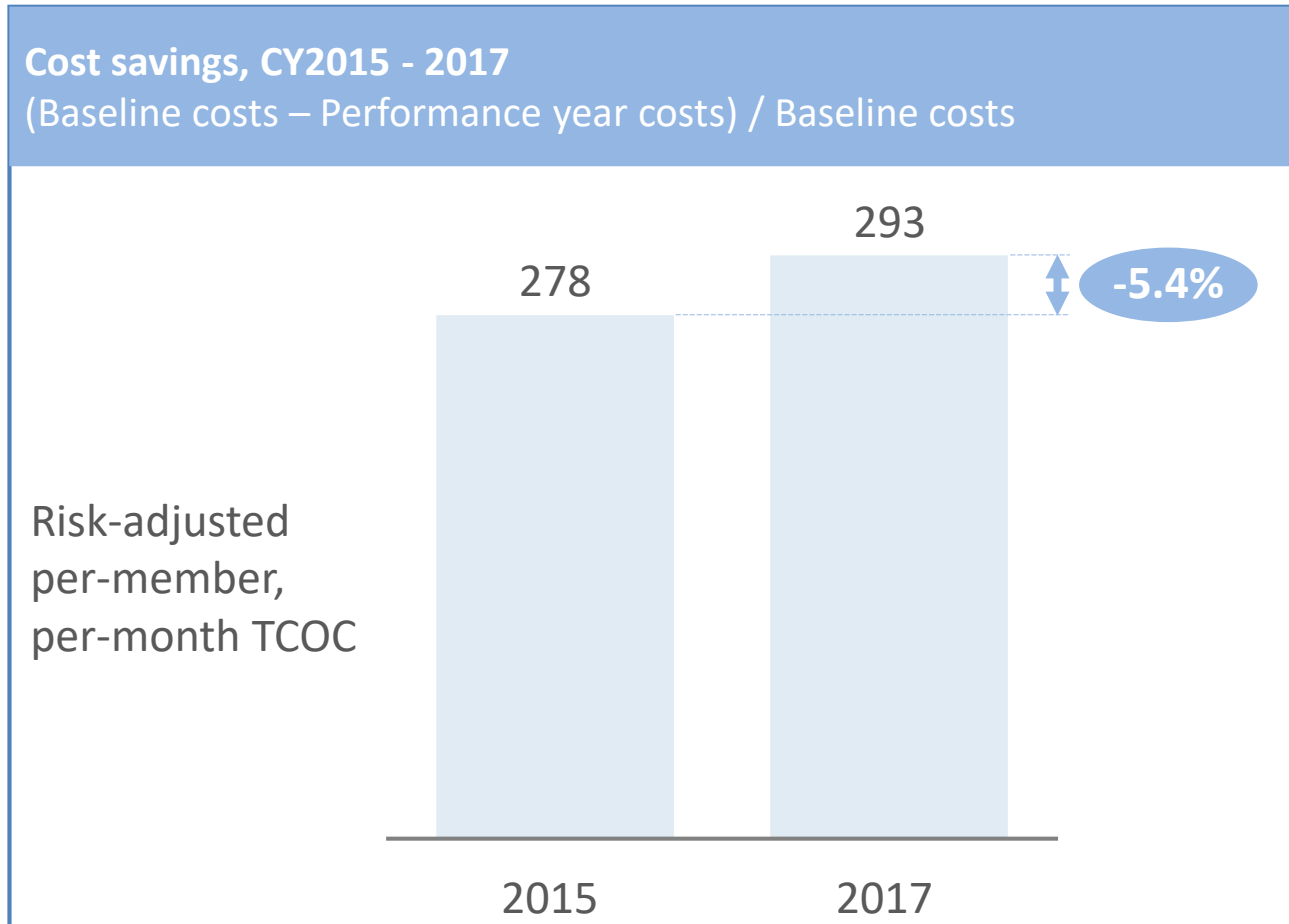


Payment relative to peers is paid by ODM, with total outlays capped at \$1M

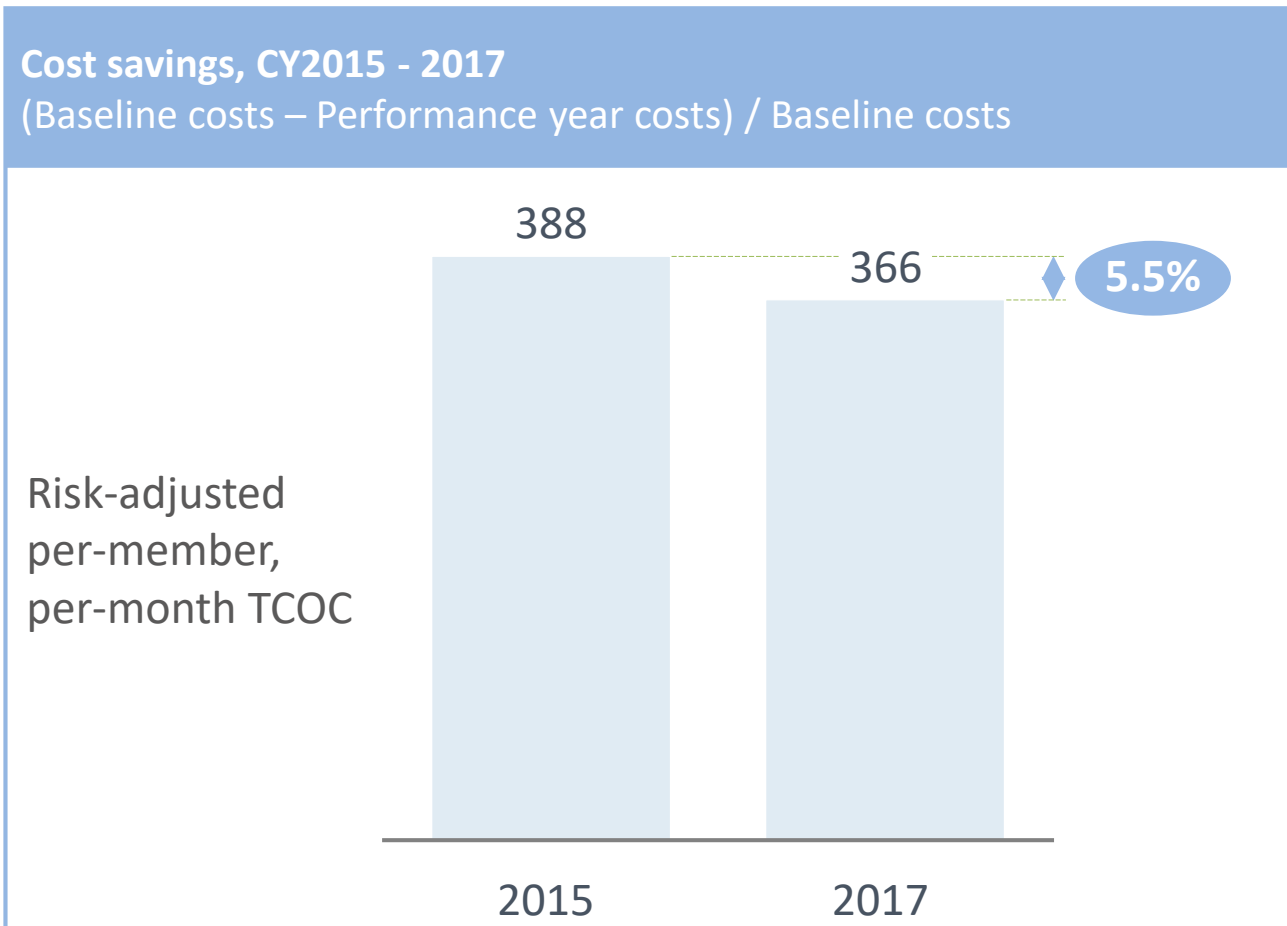
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Example: Practice A did not save money, so does not qualify for shared savings based on performance relative to self



Example: Practice B achieved cost savings of 5.5% and qualifies for shared savings based on performance relative to self



Example: Practice B would qualify for shared savings based on performance relative to self

