

STATE: MINNESOTA

ATTACHMENT 3.1-A

Effective: January 1, 2013

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Approved: 8/22/13

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- §1905(t)(3)(E), which provides for an enrollees right to terminate enrollment, does not apply to this project;
- §1905(t)(3)(F), which requires compliance with § 1932, is applicable to this project as follows:
 - §1903(d)(1), which provides for protections against fraud and abuse, is met in that all providers participating in HCDS are enrolled in the Medical Assistance and bound by the rules of the program;
 - §1932(d)(2), which includes restrictions on marketing by managed care entities, requires the state to monitor marketing efforts on the part of HCDS entities; and
 - §1932(e)(4) requires the States to retain the ability to terminate the contract with the HCDS entities for failure to meet the terms of the contract.

Qualified HCDS demonstration provider organizations are those that have submitted successful responses to the Department's request for proposals and are under contract with the State to participate in this demonstration, ending three years following the implementation date of the contract.

The State will notify Medical Assistance beneficiaries of the program, including a description of how personal information will be used, and payment incentives, through an annual mailing by May 1 ~~in the first quarter~~ of each performance year, to those enrollees who are attributed to the HCDS entity at that point in time.

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Health Care Delivery Systems (HCDS) Demonstration, Payment Adjustment.

Payment for HCDS services includes a payment, made at the end of each participation year, for qualified HCDS demonstration providers that have agreed to participate for the purpose of improving clinical quality and patient experience, and achieving efficiencies across the total cost of care for a broad spectrum of outpatient and inpatient care as a common financial and organization entity. Payment is distributed to participating providers through the demonstration provider entity.

"Participation year" is the first twelve-month period of participation in the HCDS program by an HCDS entity, and each twelve-month period thereafter. "Base year" is the twelve-month period immediately preceding the first participation year.

Payment is limited by the HCDS' performance for the participation year against identified quality measures, and these quality measures are reflective of the services provided by the HCDS providers, for medical assistance enrolled patients attributed to the delivery system for the participation year. The payment for the year is based on the difference ~~in excess of 2%~~ between the annual expected or target total cost of care (TCOC) and the actual, realized TCOC for the core services, plus the TCOC for additional services agreed upon by the Department and the HCDS demonstration provider, for the population attributed to the demonstration provider. Gain-sharing will occur only if the HCDS provider achieves a 2% or greater savings between the target total cost of care and the actual, realized total cost of care. Payment will be different between virtual and integrated delivery models. Payment for virtual delivery models includes gain-sharing only, and payment for integrated models includes both gain-sharing and loss-sharing. For integrated models, pPayment can be positive or negative. The determination of both the base and the target TCOC includes both fee-for-service and managed care enrollees, but the

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payment under this section of the state plan includes only the amount related to the providers' ratio of gain/loss for fee-for-service enrollees to the total Medicaid population attributed to the demonstration provider. Final payments/recoveries will be made no more than 15 months after all necessary data is received in final form.

Attribution, covered population, exclusions, population limits.

For both the base year and for the participation year, the Department will attribute fee-for-service patients to the HCDS provider retrospectively, using fee-for-service paid claims data.

Risk score. For both the base year and the participation year, the Department will calculate a risk score based on diagnoses for the participation year for the population attributed to the HCDS demonstration provider. The target TCOC will be adjusted based on the increase or decrease in the risk of the attributed populations between the base year and the participation year.

Total cost of care. The TCOC for the base period and the measurement period will be calculated by the Department retrospectively, using fee-for-service claims data and encounter data from the managed care organizations. The cost in the base and participation years will include the cost of the core services and any other additional services jointly agreed upon between the Department and the demonstration provider, for the population attributed to the demonstration provider. The

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services included in the TCOC measurement for the base year and measurement year will be identical. The total cost of care will not include individual annual claims costs in excess of a catastrophic threshold of at least ~~\$100,000~~\$50,000.

The target TCOC will be developed using the base year TCOC plus expected trend, which will be the expected trend for the aggregate Minnesota Health Care Programs with appropriate adjustments for services not included in the base TCOC and incorporating actual HCDS program trend as appropriate and methodologically sound.

Gain and Loss-Sharing. For the virtual model, no loss-sharing occurs. For all three participation years, the HCDS provider shares any gains, meaning any savings in excess from ~~of the~~ ~~minimum performance threshold of 98% of the~~ expected total cost of care, and reduced by the results from the quality measures, is shared equally between the state and the provider. For the integrated model, the effect of the performance measures on the gain-sharing payment is the same as for the virtual model. Loss-sharing and gain-sharing between the state and the demonstration providers is as follows:

Year 1: gain-sharing only, in excess of the performance threshold (2% savings), shared equally between the State and the demonstration provider.

Year 2: the provider must accept some risk for losses ~~in excess of 2%~~ (actual cost above target TCOC), in addition to the potential for shared gains ~~above 2%.~~ There is no minimum amount loss-sharing threshold that the provider must accept, but the ratio of gain-sharing to loss-sharing thresholds must be two to one. All gains and losses are shared evenly with the State.

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Year 3: the provider must accept some risk for losses ~~in excess of 2%~~, in addition to the potential for shared gains ~~above 2%~~. There is no minimum amount loss-sharing threshold that the provider must accept, but the ratio of gain-sharing to loss-sharing thresholds must be must be symmetrical. Gains and losses are shared between the demonstration provider and the State at negotiated proportions and may not be shared evenly.

Quality and Patient Experience Measures. As noted above, gain-sharing payments will be affected by quality and patient experience measures. For year 1, the measure for reporting data in accordance with requirements will have a 25% effect on the shared savings payments, meaning that 25% of the dollar amount saved shall be reducible by the percentile score calculated for this measure. For year 2, the quality and patient experience measures will have a 25% effect on the shared savings payments. For year 3, the quality and patient experience measures will have a 50% effect.

For all three years, the state will notify HCDS entities, prior to the participation year, of the minimum attainment threshold and upper threshold scores that will result in the maximum reduction or zero reduction in the shared savings payment, by publishing the methodology on the DHS website prior to January 1 of each participation year. The measures are developed by Minnesota Community Measurement, and incorporated by reference into Minnesota Rules, Parts 4654.0100 to 4654.0800. The measures are posted on the Minnesota Department of Health website, and are updated once per year. The current measures are at: <http://www.health.state.mn.us/healthreform/measurement/adoptedrul e/index.html>. The updates will be incorporated into this demonstration as they occur. The measures that are in effect in this rule on the first day of each participation year will be the

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measures that are used for that participation year. The HCDS demonstration allows for some substitution of measures as appropriate for the population and upon DHS approval. In addition, some measures that are not applicable to the population may not be used in measuring quality in this demonstration. The state will calculate an overall quality score for each HCDS by assigning points to each measure, calculating a composite quality score for each measure category (e.g. clinical, patient experience) and assigning a weight to each measure category. The percentage of total points earned is multiplied by the shared savings amount subject to quality in the applicable participation year. The thresholds for each measure will be applied consistently amongst participating HCDS entities.

Attribution methodology: populations excluded. For purposes of both the base year and the participation year TCOC and other performance measures, attribution of patients occurs at the beginning and the end of the year using retrospective claims data. Participants will be attributed to one HCDS provider at a time. Attribution will be done using a hierarchical process as follows:

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1. Participants actively participating in care coordination through a certified health care home (see item 5a of Attachments 3.1-A and 3.1-B).
2. Participants for whom a plurality of their evaluation and management visits/encounters are with a primary care physician participating in the HCDS demonstration;
3. For the integrated models only, participants for whom a plurality of their evaluation and management visits / encounters are with a demonstration-participating non-primary care physician;

Participants will be attributed to the HCDS demonstration provider whether enrolled in managed care or fee-for-service. Attributed participants will be treated as a common risk pool for purpose of the total cost of care calculation and the payment model. The amount of payment made to the demonstration provider for its fee-for-service patients will be the pro-rated share of the risk/gain payment described above.

The following populations are excluded from participation in the HCDS demonstration and therefore are not included in the attribution process:

1. People eligible for medical assistance due to blindness or disability;
2. People for whom payment data is incomplete due to third party liability, including those with cost-effective

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3. employer-sponsored private health plan coverage and those with private HMO coverage;
4. Qualified Medicare Beneficiaries who are not otherwise receiving medical assistance services;
5. Non-citizens receiving only emergency Medical Assistance;
6. Persons eligible for Medical Assistance on a spend-down basis;
7. Persons enrolled in the specialty Medical Assistance managed care product entitled the Minnesota Senior Care Plus program.

Core Services. Services included in the base year, participation year and target TCOC are:

Physician services; nurse midwife; nurse practitioner;
Child & Teen Check-up (EPSDT); public health nurse; rural health clinic; federally qualified health center; laboratory; radiology; chiropractic; pharmacy; vision; podiatry; physical therapy; speech therapy; occupational therapy; audiology; mental health; chemical dependency; outpatient hospital; ambulatory surgical center; inpatient hospital; anesthesia; hospice; home health (excluding personal care assistant services); and private duty nursing.

Monitoring and Reporting. The Department will monitor HCDS entities in Year One and will report to CMS, no later than 45 days after the end of the second and fourth quarters of the first demonstration year, regarding the targeted reviews of claims data, including HEDIS measures, for the purpose of ensuring

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that appropriate care is being delivered, and ensuring that potential problems are identified early. These reports will also include status updates regarding the progress of care delivery transformation, as discovered via various monitoring efforts including: participation in HCDS learning collaboratives; data gathered as part of the state enforcement of health care home requirements; and tracking the progress of HCDS entities' analysis of utilization and ACG output data from the state as well as their own clinical data; and updates on the progress of expansion and formation of relationships and coordination with community partners.