# Table of Contents

**State/Territory Name: Ohio**

**State Plan Amendment (SPA) #: 20-0004**

This file contains the following documents in the order listed:

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-26-12
Baltimore, Maryland 21244-1850

CENTERS FOR MEDICARE & MEDICAID SERVICES
CENTER FOR MEDICAID & CHIP SERVICES

**Financial Management Group**

April 1, 2020

Maureen Corcoran, Director
Ohio Department of Medicaid
50 West Town Street, Suite 400
Columbus, Ohio 43215

RE: Ohio State Plan Amendment (SPA) 20-0004

Dear Ms. Corcoran:

We have reviewed the proposed amendment to Attachments 4.19-A and 4.19B of your Medicaid State plan submitted under transmittal number 20-0004 titled "Value-Based Purchasing: Episode-Based Payments."

We conducted our review of your submittal according to the statutory requirements at sections 1902(a)(2), 1902(a)(13), 1902(a)(30), 1903(a), and 1923 of the Social Security Act and the implementing Federal regulations at 42 CFR 447 Subpart C. We have found that the proposed reimbursement methodology complies with applicable requirements and therefore have approved them with an effective date of January 1, 2020. We are enclosing the CMS-179 and the amended approved plan pages.

If you have any questions, please contact Fredrick Sebree at Fredrick.sebree@cms.hhs.gov.

Sincerely,

[redacted]

Kristin Fan
Director

cc:
Fredrick Sebree
Deborah Benson

| TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL<br><br>FOR: CENTERS FOR MEDICARE AND MEDICAID SERVICES | 1. TRANSMITTAL NUMBER: **20-004** | 2. STATE **OHIO** |
|---|---|---|
| | 3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID) | |
| TO: REGIONAL ADMINISTRATOR<br>CENTERS FOR MEDICARE & MEDICAID SERVICES<br>DEPARTMENT OF HEALTH AND HUMAN SERVICES | 4. PROPOSED EFFECTIVE DATE<br>**January 1, 2020** | |

5. TYPE OF PLAN MATERIAL *(Check One)*:

☐ NEW STATE PLAN ☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN ☒ **AMENDMENT**

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT *(Separate Transmittal for each amendment)*

| 6. FEDERAL STATUTE/REGULATION CITATION:<br>Section 1115A(b)(2)(B)(xi) of the Social Security Act | 7. FEDERAL BUDGET IMPACT:<br>a. FFY 2020 $0<br>b. FFY 2021 $0 |
|---|---|
| 8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:<br><br>Supplement 1 to Attachment 4.19-A, Pages 1-3<br>Supplement 1 to Attachment 4.19-A, Page 4 (new)<br><br>Supplement 2 to Attachment 4.19-B, Pages 1-3<br>Supplement 2 to Attachment 4.19-B, Page 4 (new) | 9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*:<br>Supplement 1 to Attachment 4.19-A, Pages 1-3 (TN 19-003)<br><br>Supplement 2 to Attachment 4.19-B, Pages 1-3 (TN 19-003)<br><br>Attachment 4.19-B, Suppl. 1 to Item 6-d-(2), Page 1 of 1 (TN 19-003) Removed |

10. SUBJECT OF AMENDMENT: Value-Based Purchasing: Episode-Based Payments

11. GOVERNOR'S REVIEW *(Check One)*:

☐ GOVERNOR'S OFFICE REPORTED NO COMMENT
☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL
☒ OTHER, AS SPECIFIED:
**The State Medicaid Director is the Governor's designee**

| 12. SIGNATURE OF STATE AGENCY OFFICIAL: [redacted] | 16. RETURN TO:<br><br>**Carolyn Humphrey**<br>**Ohio Department of Medicaid**<br>**P.O. BOX 182709**<br>**Columbus, Ohio 43218** |
|---|---|
| 13. TYPED NAME: **MAUREEN M. CORCORAN** | |
| 14. TITLE: **STATE MEDICAID DIRECTOR** | |
| 15. DATE SUBMITTED: February 7, 2020 | |

**FOR REGIONAL OFFICE USE ONLY**

| 17. DATE RECEIVED: 2/7/2020 | 18. DATE APPROVED: 04/01/20 |
|---|---|

PLAN APPROVED – ONE COPY ATTACHED

| 19. EFFECTIVE DATE OF APPROVED MATERIAL: 1/1/2020 | 20. SIGNATURE OF REGIONAL OFFICIAL: [redacted] |
|---|---|
| 21. TYPED NAME: Kristin Fan | 22. TITLE: Director, FMG |

23. REMARKS:

Instructions on Back

FORM CMS-179 (07-92)

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 and are effective for the performance period beginning January 1, 2020.

**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.

**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 is 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.

**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 50% of the difference between the average adjusted episode expenditures and the applicable threshold as described below. The 50% 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 provider 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.

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 episodes(s) of care are subject to incentive adjustments:

Cholecystectomy
Upper Respiratory Infection
Urinary Tract Infection
Gastrointestinal Bleed
Esophagogastroduodenoscopy
Colonoscopy

Effective for those specific episodes with an end date on or after January 1, 2019, the defined scopes of services within the following episodes(s) of care are subject to incentive adjustments:

Dental Tooth Extraction
Headache
Low Back Pain
Neonatal (low-risk)
Otitis Media
Pediatric Acute Lower Respiratory Infection
Skin and Soft Tissue Infections

Effective for those specific episodes with an end date on or after January 1, 2020, the defined scopes of services within the following episodes(s) of care are subject to incentive adjustments:

Ankle Sprain/Fracture
Shoulder Sprain/Fracture
Wrist Sprain/Fracture
Knee Sprain/Fracture
Knee Arthroscopy
Femur/Pelvis Fracture Procedure
Neonatal (moderate-risk)

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