
August 20, 2026

Sally Kozak, Deputy Secretary
Office of Medical Assistance Programs
Commonwealth of Pennsylvania, Department of Human Services
625 Forster Street, Room 515
Harrisburg, PA 17120

Dear Sally Kozak:

In accordance with 42 CFR 438.6(c), the Centers for Medicare & Medicaid Services (CMS) has reviewed and is approving Pennsylvania's submission of a proposal for a state directed payment (SDP) under Medicaid managed care plan contract(s). The proposal was received by CMS on June 23, 2026, and a final revised preprint was received on July 6, 2026. The proposal has a control name of PA_VBP_NF2_Amend_20250101-20251231.

CMS has completed our review of the following Medicaid managed care SDP(s):

- Quality Payment/Pay for Performance (Category 2 APM, or similar) and Performance Improvement Initiative amendment for nursing facility services for the rating period covering January 1, 2025 through December 31, 2025, incorporated in the capitation rates through a separate payment term amount up to \$15,000,000.

This letter satisfies the regulatory requirement in 42 CFR 438.6(c)(2) for SDPs described in 42 CFR 438.6(c)(1). This letter pertains only to the actions identified above and does not apply to other actions currently under CMS's review. This letter does not constitute approval of any specific Medicaid financing mechanism used to support the non-federal share of expenditures associated with these actions. All relevant federal laws and regulations apply. CMS reserves its authority to enforce requirements in the Social Security Act and the applicable implementing regulations.

The state is required to submit contract action(s) and related capitation rates that include all SDPs, including those that do not require written prior approval as specified in 42 CFR 438.6(c)(2)(i). Additionally, all SDPs must be addressed in the applicable rate certifications. CMS recommends that states share this letter and the preprint(s) with the certifying actuary. Documentation of all SDPs must be included in the initial rate certification as outlined in Section I, Item 4, Subsection D, of the [Medicaid Managed Care Rate Development Guide](#). The state and its actuary must ensure all documentation outlined in the Medicaid Managed Care Rate Development Guide is included in the initial rate certification. Failure to provide all required documentation in the rate certification will cause delays in CMS review.

Approval of this SDP proposal for the applicable rating period does not preclude CMS from requesting additional materials from the state, revision to the SDP proposal design, or any other modifications to the proposal for this rating period or future rating periods, if CMS determines that such modifications are required for the state to meet relevant federal requirements.

CMS approval of this SDP preprint is conditioned on the state's continued compliance with Medicaid program integrity requirements, including 42 CFR 438 and 42 CFR 455. The state must ensure that the state and its managed care plans appropriately support program integrity activities, including the prevention, detection, investigation, referral, and resolution of fraud, waste, and abuse through appropriate staffing, oversight, controls, data, analytics, reporting, audits, and other actions. The state is responsible for monitoring all aspects of the managed care program, including the performance of every managed care plan related to program integrity as required in 42 CFR 438.66(b)(9). Any material changes to managed care plans' program integrity responsibilities must be clearly effectuated through the state's managed care contracts submitted to CMS for review and approval in accordance with 42 CFR 438.3(a).

Based on CMS's preliminary determination, the SDP proposal with the control name of PA_VBP_NF2_Renewal_20250101-20251231 likely qualified for the temporary grandfathering period in section 71116(b) of the Working Families Tax Cut (WFTC) legislation (Public Law 119-21). CMS acknowledges that this determination is preliminary in nature and policies will be finalized as part of notice and comment rulemaking. CMS will enforce all federal requirements, including section 71116, and CMS's assessment may be revised if further information is identified that alters the initial assessment.

Until the phase down required by section 71116 begins, the total dollar amount of \$15,000,000 for the grandfathered SDP named PA_VBP_NF2_Renewal_20250101-20251231 submitted on 12/18/2024 (as specified in item 4 of the applicable SDP preprint form) cannot increase and a state cannot increase this total dollar amount under any change or revision to the grandfathered SDP, including an amendment to the SDP, or subsequent renewal SDP for a future rating period. For rating periods beginning on or after January 1, 2028, grandfathered SDPs must comply with the specified phase down requirements.

If you have any questions concerning this letter, please contact StateDirectedPayment@cms.hhs.gov.

Sincerely,

John Giles
Director, Managed Care Group
Center for Medicaid and CHIP Services

Section 438.6(c) Preprint

42 C.F.R. § 438.6(c) provides States with the flexibility to implement delivery system and provider payment initiatives under MCO, PIHP, or PAHP Medicaid managed care contracts (i.e., state directed payments). 42 C.F.R. § 438.6(c)(1) describes types of payment arrangements that States may use to direct expenditures under the managed care contract. Under 42 C.F.R. § 438.6(c)(2)(ii), contract arrangements that direct an MCO's, PIHP's, or PAHP's expenditures under paragraphs (c)(1)(i) through (c)(1)(ii) and (c)(1)(iii)(B) through (D) must have written approval from CMS prior to implementation and before approval of the corresponding managed care contract(s) and rate certification(s). This preprint implements the prior approval process and must be completed, submitted, and approved by CMS before implementing any of the specific payment arrangements described in 42 C.F.R. § 438.6(c)(1)(i) through (c)(1)(ii) and (c)(1)(iii)(B) through (D). Please note, per the 2020 Medicaid and CHIP final rule at 42 C.F.R. § 438.6(c)(1)(iii)(A), States no longer need to submit a preprint for prior approval to adopt minimum fee schedules using State plan approved rates as defined in 42 C.F.R. § 438.6(a).

Submit all state directed payment preprints for prior approval to:
StateDirectedPayment@cms.hhs.gov.

SECTION I: DATE AND TIMING INFORMATION

1. Identify the State's managed care contract rating period(s) for which this payment arrangement will apply (for example, July 1, 2020 through June 30, 2021):
January 1, 2025 – December 31, 2025
2. Identify the State's requested start date for this payment arrangement (for example, January 1, 2021). *Note, this should be the start of the contract rating period unless this payment arrangement will begin during the rating period.* January 1, 2025
3. Identify the managed care program(s) to which this payment arrangement will apply:
Community HealthChoices (CHC)
4. Identify the estimated **total dollar amount** (federal and non-federal dollars) of this state directed payment: **\$15.00 million**

- a. Identify the estimated federal share of this state directed payment: **\$8.26 million**
- b. Identify the estimated non-federal share of this state directed payment: **\$6.74 million**

Please note, the estimated total dollar amount and the estimated federal share should be described for the rating period in Question 1. If the State is seeking a multi-year approval (which is only an option for VBP/DSR payment arrangements (42 C.F.R. § 438.6(c)(1)(i)-(ii))), States should provide the estimates per rating period. For amendments, states should include the change from the total and federal share estimated in the previously approved preprint.

5. Is this the initial submission the State is seeking approval under 42 C.F.R. § 438.6(c) for this state directed payment arrangement? ☐ Yes ☒ No

6. If this is not the initial submission for this state directed payment, please indicate if:
- a. ☒ The State is seeking approval of an amendment to an already approved state directed payment.
 - b. ☐ The State is seeking approval for a renewal of a state directed payment for a new rating period.
 - i. If the State is seeking approval of a renewal, please indicate the rating periods for which previous approvals have been granted:
 - c. Please identify the types of changes in this state directed payment that differ from what was previously approved.
 - ☐ Payment Type Change
 - ☐ Provider Type Change
 - ☒ Quality Metric(s) / Benchmark(s) Change
 - ☐ Other; please describe:
- ☐ No changes from previously approved preprint other than rating period(s).
7. ☒ Please use the checkbox to provide an assurance that, in accordance with 42 C.F.R. § 438.6(c)(2)(ii)(F), the payment arrangement is not renewed automatically.

SECTION II: TYPE OF STATE DIRECTED PAYMENT

8. In accordance with 42 C.F.R. § 438.6(c)(2)(ii)(A), describe in detail how the payment arrangement is based on the utilization and delivery of services for enrollees covered under the contract. The State should specifically discuss what must occur in order for the provider to receive the payment (e.g., utilization of services by managed care enrollees, meet or exceed a performance benchmark on provider quality metrics).

The Nursing Facility (NF) Quality Incentive is a pay for performance incentive program. NFs will earn points for meeting performance requirements for Medicaid services provided during the performance year (Calendar Year 2025). Final incentive payments will depend upon total value of points earned during the performance year. Final payments will be made once the performance year ends and performance for Medicaid enrollees is determined. The MDS and Medicare Part A claims is for entire NF population (Medicare, commercial, private pay and MA) and not limited to Medicaid population.

To limit the payments required under this payment arrangement to CHC Medicaid services on behalf of CHC participants, the Department will make an adjustment to apply a facility-specific CHC Medicaid statistic, the CHC Medicaid Occupancy percentage (CHC MA Occupancy %), when determining the final nursing facility payment amounts. This adjustment is detailed in the response to question 21.

- a. ☒ Please use the checkbox to provide an assurance that CMS has approved the federal authority for the Medicaid services linked to the services associated with the SDP (i.e., Medicaid State plan, 1115(a) demonstration, 1915(c) waiver, etc.).
- b. Please also provide a link to, or submit a copy of, the authority document(s) with initial submissions and at any time the authority document(s) has been renewed/revised/updated.

Community HealthChoices (PA-10), 1915(b) Waiver,
https://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Waivers/Downloads/PA_Community-HealthChoices_PA-10.pdf

9. Please select the general type of state directed payment arrangement the State is seeking prior approval to implement. (Check all that apply and address the underlying questions for each category selected.)

- a. ☒ **VALUE-BASED PAYMENTS / DELIVERY SYSTEM REFORM:** In accordance with 42 C.F.R. § 438.6(c)(1)(i) and (ii), the State is requiring the MCO, PIHP, or PAHP to implement value-based purchasing models for provider reimbursement, such as alternative payment models (APMs), pay for performance arrangements, bundled payments, or other service payment models intended to recognize value or outcomes over volume of services; or the State is requiring the MCO, PIHP, or PAHP to participate in a multi-payer or Medicaid-specific delivery system reform or performance improvement initiative.

If checked, please answer all questions in Subsection IIA.

- b. ☐ **FEE SCHEDULE REQUIREMENTS:** In accordance with 42 C.F.R. § 438.6(c)(1)(iii)(B) through (D), the State is requiring the MCO, PIHP, or PAHP to adopt a minimum or maximum fee schedule for network providers that provide a particular service under the contract; or the State is requiring the MCO, PIHP, or PAHP to provide a uniform dollar or percentage increase for network providers that provide a particular service under the contract. **[Please note, per the 2020 Medicaid and CHIP final rule at 42 C.F.R. § 438.6(c)(1)(iii)(A), States no longer need to submit a preprint for prior approval to adopt minimum fee schedules using State plan approved rates as defined in 42 C.F.R. § 438.6(a).]**

If checked, please answer all questions in Subsection IIB.

SUBSECTION IIA: VALUE-BASED PAYMENTS (VBP) / DELIVERY SYSTEM REFORM (DSR):

This section must be completed for all state directed payments that are VBP or DSR. This section does not need to be completed for state directed payments that are fee schedule requirements.

10. Please check the type of VBP/DSR State directed payment the State is seeking prior approval for. *Check all that apply; if none are checked, proceed to Section III.*

- ☒ Quality Payment/Pay for Performance (Category 2 APM, or similar)
☐ Bundled Payment/Episode-Based Payment (Category 3 APM, or similar)
☐ Population-Based Payment/Accountable Care Organization (Category 4 APM, or similar)
☐ Multi-Payer Delivery System Reform
☐ Medicaid-Specific Delivery System Reform
☒ Performance Improvement Initiative
☐ Other Value-Based Purchasing Model

- 11.** Provide a brief summary or description of the required payment arrangement selected above and describe how the payment arrangement intends to recognize value or outcomes over volume of services. If “other” was checked above, identify the payment model. The State should specifically discuss what must occur in order for the provider to receive the payment (e.g., meet or exceed a performance benchmark on provider quality metrics).

The performance incentive program has six quality metrics using: 1) five clinical measures (based on MDS) and; 2) one utilization measure (based on Medicare Part A claims data). Points are awarded for achieving statewide benchmark goals and incremental improvements.

Incremental improvement points will not be awarded for the Percentage of long-stay residents who received an antipsychotic medication measure because CMS replaced the existing measure with a respecified measure that incorporates additional data effective with the January 2026 refresh. This may result in incremental data that is not appropriately comparable to the data from previous years.

- 12.** In Table 1 below, identify the measure(s), baseline statistics, and targets that the State will tie to provider performance under this payment arrangement (provider performance measures). Please complete all boxes in the row. To the extent practicable, CMS encourages states to utilize existing, validated, and outcomes-based performance measures to evaluate the payment arrangement, and recommends States use the [CMS Adult and Child Core Set Measures](#) when applicable. If the state needs more space, please use Addendum Table 1.A and check this box: ☒

TABLE 1: Payment Arrangement Provider Performance Measures

Measure Name and NQF # (if applicable)	Measure Steward/ Developer ¹	Baseline ² Year	Baseline ² Statistic	Performance Measurement Period ³	Performance Target	Notes ⁴
<i>Example: Percent of High-Risk Residents with Pressure Ulcers – Long Stay</i>	<i>CMS</i>	<i>CY 2018</i>	<i>9.23%</i>	<i>Year 2</i>	<i>8%</i>	<i>Example notes</i>
a.						
b.						
c.						
d.						
e.						

- Baseline data must be added after the first year of the payment arrangement
- If state-developed, list State name for Steward/Developer.
- If this is planned to be a multi-year payment arrangement, indicate which year(s) of the payment arrangement that performance on the measure will trigger payment.
- If the State is using an established measure and will deviate from the measure steward’s measure specifications, please describe here. Additionally, if a state-specific measure will be used, please define the numerator and denominator here.

13. For the measures listed in Table 1 above, please provide the following information:

- a.** Please describe the methodology used to set the performance targets for each measure.

The performance targets are set based on 2025 statewide NF performance by quartile for clinical and utilization measures. Points are awarded relative to hitting specific targets for each metric. NFs can earn between 0 and 2 points per measure based on their 2025 performance.

DHS used published statewide and national benchmarks in establishing benchmarks. The incentive payment will be based on rewarding points for achieving statewide benchmark goals and incremental improvement based on the Governor's Healthcare Reform Recommendations.

(<https://www.governor.pa.gov/wp-content/uploads/2021/01/IHRC-HCR-Recommendations.pdf>)

- b.** If multiple provider performance measures are involved in the payment arrangement, discuss if the provider must meet the performance target on each measure to receive payment or can providers receive a portion of the payment if they meet the performance target on some but not all measures?

Providers can earn payments for each specific quality metric independent on performance of other metrics.

- c.** For state-developed measures, please briefly describe how the measure was developed?

The Department will establish CY 2025 statewide benchmark goals for clinical and utilization measures listed in Table 1 Part A. NFs will be rewarded for incremental improvement from the CY 2022 (base year) to CY 2024 results for clinical and utilization measures listed in Table 1 Part B.

Measures were developed using the statewide 50th percentile from MDS and claims data. Please note that all measures use the total NF population.

14. Is the State seeking a multi-year approval of the state directed payment arrangement?

☐ Yes ☒ No

- a. If this payment arrangement is designed to be a multi-year effort, denote the State's managed care contract rating period(s) the State is seeking approval for.
- b. If this payment arrangement is designed to be a multi-year effort and the State is **NOT** requesting a multi-year approval, describe how this application's payment arrangement fits into the larger multi-year effort and identify which year of the effort is addressed in this application.

N/A

15. Use the checkboxes below to make the following assurances:

- a. ☒ In accordance with 42 C.F.R. § 438.6(c)(2)(iii)(A), the state directed payment arrangement makes participation in the value-based purchasing initiative, delivery system reform, or performance improvement initiative available, using the same terms of performance, to the class or classes of providers (identified below) providing services under the contract related to the reform or improvement initiative.
- b. ☒ In accordance with 42 C.F.R. § 438.6(c)(2)(iii)(B), the payment arrangement makes use of a common set of performance measures across all of the payers and providers.
- c. ☒ In accordance with 42 C.F.R. § 438.6(c)(2)(iii)(C), the payment arrangement does not set the amount or frequency of the expenditures.
- d. ☒ In accordance with 42 C.F.R. § 438.6(c)(2)(iii)(D), the payment arrangement does not allow the State to recoup any unspent funds allocated for these arrangements from the MCO, PIHP, or PAHP.

SUBSECTION IIB: STATE DIRECTED FEE SCHEDULES:

This section must be completed for all state directed payments that are fee schedule requirements. This section does not need to be completed for state directed payments that are VBP or DSR.

16. Please check the type of state directed payment for which the State is seeking prior approval. Check all that apply; if none are checked, proceed to Section III.

- a. ☐ Minimum Fee Schedule for providers that provide a particular service under the contract *using rates other than State plan approved rates*¹ (42 C.F.R. § 438.6(c)(1)(iii)(B))
- b. ☐ Maximum Fee Schedule (42 C.F.R. § 438.6(c)(1)(iii)(D))
- c. ☐ Uniform Dollar or Percentage Increase (42 C.F.R. § 438.6(c)(1)(iii)(C))

¹ Please note, per the 2020 Medicaid and CHIP final rule at 42 C.F.R. § 438.6(c)(1)(iii)(A), States no longer need to submit a preprint for prior approval to adopt minimum fee schedules that use State plan approved rates as defined in 42 C.F.R. § 438.6(a).

17. If the State is seeking prior approval of a fee schedule (options a or b in Question 16):

- a.** Check the basis for the fee schedule selected above.
 - i.** ☐ The State is proposing to use a fee schedule based on the **State-plan approved rates** as defined in 42 C.F.R. § 438.6(a). ²
 - ii.** ☐ The State is proposing to use a fee schedule based on the **Medicare or Medicare-equivalent rate**.
 - iii.** ☐ The State is proposing to use a fee schedule based on an **alternative fee schedule established by the State**.
 - 1.** If the State is proposing an alternative fee schedule, please describe the alternative fee schedule (e.g., 80% of Medicaid State-plan approved rate)
- b.** Explain how the state determined this fee schedule requirement to be reasonable and appropriate.

18. If using a maximum fee schedule (option b in Question 16), please answer the following additional questions:

- a.** ☐ Use the checkbox to provide the following assurance: In accordance with 42 C.F.R. § 438.6(c)(1)(iii)(C), the State has determined that the MCO, PIHP, or PAHP has retained the ability to reasonably manage risk and has discretion in accomplishing the goals of the contract.
- b.** Describe the process for plans and providers to request an exemption if they are under contract obligations that result in the need to pay more than the maximum fee schedule.
- c.** Indicate the number of exemptions to the requirement:
 - i.** Expected in this contract rating period (estimate)
 - ii.** Granted in past years of this payment arrangement
- d.** Describe how such exemptions will be considered in rate development.

² Please note, per the 2020 Medicaid and CHIP final rule at 42 C.F.R. § 438.6(c)(1)(iii)(A), States no longer need to submit a preprint for prior approval to adopt minimum fee schedules that use State plan approved rates as defined in 42 C.F.R. § 438.6(a).

19. If the State is seeking prior approval for a uniform dollar or percentage increase (option c in Question 16), please address the following questions:

- a. Will the state require plans to pay a ☐ uniform dollar amount **or** a ☐ uniform percentage increase? (*Please select only one.*)
- b. What is the magnitude of the increase (e.g., \$4 per claim or 3% increase per claim?)
- c. Describe how will the uniform increase be paid out by plans (e.g., upon processing the initial claim, a retroactive adjustment done one month after the end of quarter for those claims incurred during that quarter).
- d. Describe how the increase was developed, including why the increase is reasonable and appropriate for network providers that provide a particular service under the contract

SECTION III: PROVIDER CLASS AND ASSESSMENT OF REASONABLENESS

20. In accordance with 42 C.F.R. § 438.6(c)(2)(ii)(B), identify the class or classes of providers that will participate in this payment arrangement by answering the following questions:

- a. Please indicate which general class of providers would be affected by the state directed payment (check all that apply):

- ☐ inpatient hospital service
- ☐ outpatient hospital service
- ☐ professional services at an academic medical center
- ☐ primary care services
- ☐ specialty physician services
- ☒ nursing facility services
- ☐ HCBS/personal care services
- ☐ behavioral health inpatient services
- ☐ behavioral health outpatient services
- ☐ dental services
- ☐ Other:

- b. Please define the provider class(es) (if further narrowed from the general classes indicated above).

Nursing facilities including Non-public and County nursing facilities :

Non-public nursing facility -

(i) A long-term care nursing facility, that is:

(A) Licensed by the Department of Health.

(B) Enrolled in the MA Program as a provider of nursing facility services.

(C) Owned by an individual, partnership, association or corporation and operated on a profit or nonprofit basis.

(ii) The term does not include intermediate care facilities for persons with an intellectual disability, Federal or State-owned long-term care nursing facilities, Veteran's homes, county nursing facility, or out-of-state nursing facilities.

County nursing facility—

(i) A long-term care nursing facility that is:

(A) Licensed by the Department of Health.

(B) Enrolled in the MA program as a provider of nursing facility services.

- c. Provide a justification for the provider class defined in Question 20b (e.g., the provider class is defined in the State Plan.) If the provider class is defined in the State Plan, please provide a link to or attach the applicable State Plan pages to the preprint submission. Provider classes cannot be defined to only include providers that provide intergovernmental transfers.

The provider class is defined in regulation. See 55 Pa. Code Chapter 1187.2 Definitions of Nursing Facility and County Nursing Facility.
<http://www.pacodeandbulletin.gov/Display/pacode?file=/secure/pacode/data/055/chapter1187/s1187.2.html>

21. In accordance with 42 C.F.R. § 438.6(c)(2)(ii)(B), describe how the payment arrangement directs expenditures equally, using the same terms of performance, for the class or classes of providers (identified above) providing the service under the contract.

Step #1 – Calculating the Value Per Incentive Points: The value per incentive point will be determined by dividing the total funding available (\$15 million) by the total incentive points earned for the performance year.

Step #2 – Calculating the CHC Adjusted Maximum Potential Point Value: Applying the CHC MA Occupancy % to the total points incentive earned will reduce the funding amount spent. As a result, this per point value will be inflated by a factor to spend the full \$15 million funding amount available in payments to qualifying nursing facilities. This will be the CHC adjusted maximum potential point value.

Step #3 – Calculating Each Nursing Facility's Maximum Potential Payment: The CHC adjusted maximum potential payment to each NF provider will be determined by multiplying total points earned times the CHC adjusted maximum potential value as determined in Step #2.

Step #4 – Calculating Each Nursing Facility's CHC MA Occupancy: The CHC MA Occupancy % will be determined by dividing each facility's total CHC MA days in CY 2024 by each facility's total CY 2024 facility days of care.

Step #5 – Calculating Each Nursing Facility's Final Payment: The final payment to each facility is determined by multiplying the CHC adjusted maximum potential payment by CHC MA Occupancy % as calculated in Step #4. The Department will direct the CHC-MCO to make payments to assigned NFs.

22. For the services where payment is affected by the state directed payment, how will the state directed payment interact with the negotiated rate(s) between the plan and the provider? Will the state directed payment:

- a. ☐ Replace the negotiated rate(s) between the plan(s) and provider(s).
b. ☐ Limit but not replace the negotiated rate(s) between the plans(s) and provider(s).
c. ☒ Require a payment be made in addition to the negotiated rate(s) between the plan(s) and provider(s).

23. For payment arrangements that are intended to require plans to make a payment in addition to the negotiated rates (as noted in option c in Question 22), please provide an analysis in Table 2 showing the impact of the state directed payment on payment levels for each provider class. This provider payment analysis should be completed distinctly for each service type (e.g., inpatient hospital services, outpatient hospital services, etc.).

This should include an estimate of the base reimbursement rate the managed care plans pay to these providers as a percent of Medicare, or some other standardized measure, and the effect the increase from the state directed payment will have on total payment. *Ex: The average base payment level from plans to providers is 80% of Medicare and this SDP is expected to increase the total payment level from 80% to 100% of Medicare.*

If the state needs more space, please use Addendum 2.A and check this box: ☐

TABLE 2: Provider Payment Analysis

Provider Class(es)	Average Base Payment Level from Plans to Providers (absent the SDP)	Effect on Total Payment Level of State Directed Payment (SDP)	Effect on Total Payment Level of Other SDPs	Effect on Total Payment Level of Pass-Through Payments (PTPs)	Total Payment Level (after accounting for all SDPs and PTPs)
<i>Ex: Rural Inpatient Hospital Services</i>	80%	20%	N/A	N/A	100%
a. Nursing Facility Services	45.4%	0.2%	29.0%		74.6%
b.					
c.					
d.					
e.					
f.					
g.					

24. Please indicate if the data provided in Table 2 above is in terms of a percentage of:

- a. ☐ Medicare payment/cost
- b. ☐ State-plan approved rates as defined in 42 C.F.R. § 438.6(a) (*Please note, this rate cannot include supplemental payments.*)
- c. ☒ Other; Please define: Nursing Facility Services benchmark analysis performed against the average commercial rate

25. Does the State also require plans to pay any other state directed payments for providers eligible for the provider class described in Question 20b? ☒ Yes ☐ No

If yes, please provide information requested under the column "Other State Directed Payments" in Table 2.

- 26.** Does the State also require plans to pay pass-through payments as defined in 42 C.F.R. § 438.6(a) to any of the providers eligible for any of the provider class(es) described in Question 20b? ☐ Yes ☒ No

If yes, please provide information requested under the column “Pass-Through Payments” in Table 2.

- 27.** Please describe the data sources and methodology used for the analysis provided in response to Question 23.

The Medicaid fee schedule directed payment reflects the CY 2025 total expected cost, inclusive of both the payment from plans to providers as well as the additional patient liability amount collected by providers from NF patients. To determine the impact of the alternative fee schedule and Quality Incentive payment, the most recently filed cost reports from nursing facilities were used to determine the average value of Commercial payments.

The resulting data included in Table 2 are estimates of the total base and incentive payment as a percent of average commercial reimbursement.

- 28.** Please describe the State's process for determining how the proposed state directed payment was appropriate and reasonable.

This state directed payment is appropriate and reasonable because it incentivizes nursing facilities to improve the quality of healthcare services with a focus on improving the quality of care and thereby promote cost-effective, quality healthcare.

SECTION IV: INCORPORATION INTO MANAGED CARE CONTRACTS

- 29.** States must adequately describe the contractual obligation for the state directed payment in the state's contract with the managed care plan(s) in accordance with 42 C.F.R. § 438.6(c). Has the state already submitted all contract action(s) to implement this state directed payment? ☒ Yes ☐ No

a. If yes:

- i.** What is/are the state-assigned identifier(s) of the contract actions provided to CMS?

MCR-PA-CHC-20250101-20251231-CERTIFICATION-20241125

- ii.** Please indicate where (page or section) the state directed payment is captured in the contract action(s).

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- b.** If no, please estimate when the state will be submitting the contract actions for review.

SECTION V: INCORPORATION INTO THE ACTUARIAL RATE CERTIFICATION

Note: Provide responses to the questions below for the first rating period if seeking approval for multi-year approval.

30. Has/Have the actuarial rate certification(s) for the rating period for which this state directed payment applies been submitted to CMS? ☒ Yes ☐ No

a. If no, please estimate when the state will be submitting the actuarial rate certification(s) for review.

b. If yes, provide the following information in the table below for each of the actuarial rate certification review(s) that will include this state directed payment.

Table 3: Actuarial Rate Certification(s)

Control Name Provided by CMS (List each actuarial rate certification separately)	Date Submitted to CMS	Does the certification incorporate the SDP?	If so, indicate where the state directed payment is captured in the certification (page or section)
i. MCR-PA-CHC-20250101-20251231-CERTIFICATION-20241125	12/04/2024	Yes	Page 24-25
ii.			
iii.			
iv.			
v.			

Please note, states and actuaries should consult the most recent [Medicaid Managed Care Rate Development Guide](#) for how to document state directed payments in actuarial rate certification(s). The actuary's certification must contain all of the information outlined; if all required documentation is not included, review of the certification will likely be delayed.)

c. If not currently captured in the State's actuarial certification submitted to CMS, note that the regulations at 42 C.F.R. § 438.7(b)(6) requires that all state directed payments are documented in the State's actuarial rate certification(s). CMS will not be able to approve the related contract action(s) until the rate certification(s) has/have been amended to account for all state directed payments. Please provide an estimate of when the State plans to submit an amendment to capture this information.

N/A

31. Describe how the State will/has incorporated this state directed payment arrangement in the applicable actuarial rate certification(s) (please select one of the options below):

- a. ☐ An adjustment applied in the development of the monthly base capitation rates paid to plans.
- b. ☒ Separate payment term(s) which are captured in the applicable rate certification(s) but paid separately to the plans from the monthly base capitation rates paid to plans.
- c. ☐ Other, please describe:

32. States should incorporate state directed payment arrangements into actuarial rate certification(s) as an adjustment applied in the development of the monthly base capitation rates paid to plans as this approach is consistent with the rate development requirements described in 42 C.F.R. § 438.5 and consistent with the nature of risk-based managed care. For state directed payments that are incorporated in another manner, particularly through separate payment terms, provide additional justification as to why this is necessary and what precludes the state from incorporating as an adjustment applied in the development of the monthly base capitation rates paid to managed care plans.

The total dollar amount for this payment VBP arrangement is \$15 million. While this amount will be included in the state's rate certification, it will not be included in development of the monthly capitation rates for managed care organizations. Payment will be provided to the managed care plans once the NF-specific earned payments are calculated. Following the NFs' receipt of payment from the managed care organizations, the state will prepare and provide to CMS a report which shows how the program funding was spread across the rate cells.

33. ☒ In accordance with 42 C.F.R. § 438.6(c)(2)(i), the State assures that all expenditures for this payment arrangement under this section are developed in accordance with 42 C.F.R. § 438.4, the standards specified in 42 C.F.R. § 438.5, and generally accepted actuarial principles and practices.

SECTION VI: FUNDING FOR THE NON-FEDERAL SHARE

34. Describe the source of the non-federal share of the payment arrangement. Check all that apply:

- a. ☒ State general revenue
- b. ☐ Intergovernmental transfers (IGTs) from a State or local government entity
- c. ☐ Health Care-Related Provider tax(es) / assessment(s)
- d. ☐ Provider donation(s)
- e. ☐ Other, specify:

35. For any payment funded by **IGTs (option b in Question 34)**,

- a. Provide the following (respond to each column for all entities transferring funds). If the state needs more space, please use Addendum Table 4.A and check this box: ☐

Table 4: IGT Transferring Entities

Name of Entities transferring funds (enter each on a separate line)	Operational nature of the Transferring Entity (State, County, City, Other)	Total Amounts Transferred by This Entity	Does the Transferring Entity have General Taxing Authority? (Yes or No)	Did the Transferring Entity receive appropriations? If not, put N/A. If yes, identify the level of appropriations	Is the Transferring Entity eligible for payment under this state directed payment? (Yes or No)
i.					
ii.					
iii.					
iv.					
v.					
vi.					
vii.					
viii.					
ix.					
x.					

- b.** ☐ Use the checkbox to provide an assurance that no state directed payments made under this payment arrangement funded by IGTs are dependent on any agreement or arrangement for providers or related entities to donate money or services to a governmental entity.
- c.** Provide information or documentation regarding any written agreements that exist between the State and healthcare providers or amongst healthcare providers and/or related entities relating to the non-federal share of the payment arrangement. This should include any written agreements that may exist with healthcare providers to support and finance the non-federal share of the payment arrangement. Submit a copy of any written agreements described above.

36. For any state directed payments funded by provider taxes/assessments (option c in Question 34),

- a.** Provide the following (respond to each column for all entries). If there are more entries than space in the table, please provide an attachment with the information requested in the table.

Table 5: Health Care-Related Provider Tax/Assessment(s)

Name of the Health Care-Related Provider Tax / Assessment (enter each on a separate line)	Identify the permissible class for this tax / assessment	Is the tax / assessment broad-based?	Is the tax / assessment uniform?	Is the tax / assessment under the 6% indirect hold harmless limit?	If not under the 6% indirect hold harmless limit, does it pass the “75/75” test?	Does it contain a hold harmless arrangement that guarantees to return all or any portion of the tax payment to the tax payer?
i.						
ii.						
iii.						
iv.						
v.						

- b.** If the state has any waiver(s) of the broad-based and/or uniform requirements for any of the health care-related provider taxes/assessments, list the waiver(s) and its current status:

Table 6: Health Care-Related Provider Tax/Assessment Waivers

Name of the Health Care-Related Provider Tax/Assessment Waiver (enter each on a separate line)	Submission Date	Current Status (Under Review, Approved)	Approval Date
i.			
ii.			
iii.			
iv.			
v.			

37. For any state directed payments funded by **provider donations (option d in Question 34)**, please answer the following questions:

- a.** Is the donation bona-fide? ☐ Yes ☐ No
- b.** Does it contain a hold harmless arrangement to return all or any part of the donation to the donating entity, a related entity, or other provider furnishing the same health care items or services as the donating entity within the class?
☐ Yes ☐ No

38. ☒ **For all state directed payment arrangements**, use the checkbox to provide an assurance that in accordance with 42 C.F.R. § 438.6(c)(2)(ii)(E), the payment arrangement does not condition network provider participation on the network provider entering into or adhering to intergovernmental transfer agreements.

SECTION VII: QUALITY CRITERIA AND FRAMEWORK FOR ALL PAYMENT ARRANGEMENTS

39. ☒ Use the checkbox below to make the following assurance, “In accordance with 42 C.F.R. § 438.6(c)(2)(ii)(C), the State expects this payment arrangement to advance at least one of the goals and objectives in the quality strategy required per 42 C.F.R. § 438.340.”
40. Consistent with 42 C.F.R. § 438.340(d), States must post the final quality strategy online beginning July 1, 2018. Please provide:
- a. A hyperlink to State’s most recent quality strategy: <https://www.pa.gov/content/dam/copapwp-pagov/en/dhs/documents/healthchoices/hc-services/document>
 - b. The effective date of quality strategy. December 1, 2023
41. If the State is currently updating the quality strategy, please submit a draft version, and provide:
- a. A target date for submission of the revised quality strategy (month and year):
 - b. Note any potential changes that might be made to the goals and objectives.

Note: The State should submit the final version to CMS as soon as it is finalized. To be in compliance with 42 C.F.R. § 438.340(c)(2) the quality strategy must be updated no less than once every 3-years.

- 42.** To obtain written approval of this payment arrangement, a State must demonstrate that each state directed payment arrangement expects to advance at least one of the goals and objectives in the quality strategy. In the Table 7 below, identify the goal(s) and objective(s), as they appear in the Quality Strategy (include page numbers), this payment arrangement is expected to advance. If additional rows are required, please attach.

Table 7: Payment Arrangement Quality Strategy Goals and Objectives

Goal(s)	Objective(s)	Quality strategy page
<i>Example: Improve care coordination for enrollees with behavioral health conditions</i>	<i>Example: Increase the number of managed care patients receiving follow-up behavior health counseling by 15%</i>	5
a. Increase Member Access to Healthcare Services	Develop and implement educational programs and VBP initiatives for NF Services: in coordination with NF representatives, implement educational programs and VBP initiatives to improve care coordination and health and safety outcomes for NF participants. This includes initiatives supporting improvements such as reducing hospitalizations, reducing pressure ulcers, reducing falls, and reducing the use of antipsychotic medications.	17-18
b. Increase Member Access to Healthcare Services	Lead the healthcare system toward VBP coordinated across payers	17-18
c.		
d.		

- 43.** Describe how this payment arrangement is expected to advance the goal(s) and objective(s) identified in Table 7. If this is part of a multi-year effort, describe this both in terms of this year's payment arrangement and in terms of that of the multi-year payment arrangement.

The quality benchmarks identified are intended to incentivize nursing facilities to improve care coordination and health and safety outcomes for nursing facility participants.

44. Please complete the following questions regarding having an evaluation plan to measure the degree to which the payment arrangement advances at least one of the goals and objectives of the State's quality strategy. To the extent practicable, CMS encourages States to utilize existing, validated, and outcomes-based performance measures to evaluate the payment arrangement, and recommends States use the [CMS Adult and Child Core Set Measures](#), when applicable.

- a.** ☒ In accordance with 42 C.F.R. § 438.6(c)(2)(ii)(D), use the checkbox to assure the State has an evaluation plan which measures the degree to which the payment arrangement advances at least one of the goals and objectives in the quality strategy required per 42 C.F.R. § 438.340, and that the evaluation conducted will be *specific* to this payment arrangement. *Note:* States have flexibility in how the evaluation is conducted and may leverage existing resources, such as their 1115 demonstration evaluation if this payment arrangement is tied to an 1115 demonstration or their External Quality Review validation activities, as long as those evaluation or validation activities are *specific* to this payment arrangement and its impacts on health care quality and outcomes.

- b.** Describe how and when the State will review progress on the advancement of the State's goal(s) and objective(s) in the quality strategy identified in Question 42. For each measure the State intends to use in the evaluation of this payment arrangement, provide in Table 8 below: 1) the baseline year, 2) the baseline statistics, and 3) the performance targets the State will use to track the impact of this payment arrangement on the State's goals and objectives. Please attach the State's evaluation plan for this payment arrangement.

TABLE 8: Evaluation Measures, Baseline and Performance Targets

Measure Name and NQF # (if applicable)	Baseline Year	Baseline Statistic	Performance Target	Notes ¹
<i>Example: Flu Vaccinations for Adults Ages 19 to 64 (FVA-AD); NQF # 0039</i>	<i>CY 2019</i>	<i>34%</i>	<i>Increase the percentage of adults 18–64 years of age who report receiving an influenza vaccination by 1 percentage point per year</i>	<i>Example notes</i>
i. See Addendum				
ii.				
iii.				
iv.				

1. If the State will deviate from the measure specification, please describe here. If a State-specific measure will be used, please define the numerator and denominator here. Additionally, describe any planned data or measure stratifications (for example, age, race, or ethnicity) that will be used to evaluate the payment arrangement.

- c. If this is any year other than year 1 of a multi-year effort, describe (or attach) prior year(s) evaluation findings and the payment arrangement's impact on the goal(s) and objective(s) in the State's quality strategy. Evaluation findings must include 1) historical data; 2) prior year(s) results data; 3) a description of the evaluation methodology; and 4) baseline and performance target information from the prior year(s) preprint(s) where applicable. If full evaluation findings from prior year(s) are not available, provide partial year(s) findings and an anticipated date for when CMS may expect to receive the full evaluation findings.

Attached are the CY 2023 evaluation findings report.

Data Sources for Nursing Facility Quality Incentive

Data source for Measures: Data is extracted from the MDS and Claims data provided in CMS's data archive (Nursing homes including rehab services data archive | Provider Data Catalog), for the appropriate calendar year. For the MDS measures, the NH_QualityMsr_MDS_XXX20XX files that contain the data for the baseline and measure year are used.

The calendar year is used for the measures:

- 410 Percentage of long-stay residents experiencing one or more falls with major injury,
- 419 Percentage of long-stay residents who received antipsychotic medication,
- 415 Percentage of long-stay residents assessed and appropriately given the pneumococcal vaccine, and
- 453 and now 479 Percentage of high risk long-stay residents with pressure ulcers.

For MDS measure 454, Percentage of long-stay residents assessed and appropriately given the seasonal influenza vaccine, the calendar year periods were used up to 2023. In 2024, CMS changed the reporting year to the flu season, covering June to July.

For the Claim measure, 521 Percentage of short-stay residents who were re-hospitalized after a nursing home admission, the NH_QualityMsr_Claims_XXX20XX files that contain the data for the calendar periods for the baseline and measure year are used. For the MDS data the four-quarter average is used, and the adjusted score is used for the claims measure.

For the attendance requirement we receive attendance data from the Jewish Healthcare Foundation for those who attended the Learning Network Webinars, as well as attestation forms that we receive directly from the Nursing Facilities who attended the webinars. This data is processed by OLTL and then manually reviewed to ensure that the nursing facilities that attended receive credit for their attendance.

Resident Day Report is used to calculate the Medicaid Community HealthChoices (CHC) Occupancy Percentage for the Nursing Facility Quality Incentive. This file is received from Myers and Stauffer for the calendar year of the measure year.

Analytical Methods

Once the data for the baseline and measurement year have been pulled from the aforementioned sources, a median for Pennsylvania Medicaid facilities is calculated. The Nursing Facilities (NFs) who meet or exceed the median performance earn one point. NFs may receive a second point for each measure by achieving the seventy fifth percentile (or higher) for the measures where higher is better or achieving the twenty fifth percentile (or lower) for the measures where lower is better.

Incremental improvement is determined by comparing the baseline year to the current measurement year to see if there was an improvement for each individual nursing facility. Points are then awarded on whether the improvement for each measure is .5 or greater but less than 1 point for .5 points, 1 or greater or less than 2 points, for 1 point, or 2 points or greater for 2 points.

Once both the benchmark and incremental improvement points are calculated for all measures they are then summed up for each nursing facility. Facilities who earned any points are compared to the list of facilities that attended a Learning Network Webinar and those who did not attend at least one live webinar are disqualified from the incentive.

The total points for the facilities that are eligible are multiplied by their CHC MA Occupancy Percentage that is calculated from the data that is in the Resident Day Report. The adjusted points for all facilities are summed. The pool of money that is available is divided by the total number of adjusted points earned by all NFs to determine a value per point. That value is then multiplied by the adjusted point total for each nursing facility to reach the total amount of the incentive that they are eligible to receive. The payments are then broken out for the nursing facility across the MCO's that they worked with during the measure year based on the percentage of their resident day report that was through that MCO. The payments are then sent to the MCO to be directed to the nursing facility after the payments have been approved.

Limitations

One limitation of the data is that it cannot be broken into Medicaid and non-Medicaid data, thus requiring the use of the Resident Day Report to calculate the CHC MA Occupancy percentage. Another limitation is the time it may take for the data to be released by CMS, which could delay the Department in making payments to the MCOs. There is also a limitation where a small number of NFs have too few residents to meet the minimum denominator requirements. In this case, no data is reported for the facility and the facility is unable to earn points on the measure.

Discussion of Effectiveness

The two measures that have shown the most improvement are the pressure ulcer measure and the falls measure. The pneumococcal and influenza measures have not shown improvement, however they both remain very high at 94.04% and 96.97%, respectively for MY 2024. The influenza measure had some limitations in that it was based on the calendar year, rather than the flu season and may have been impacted by when residents got their flu shot. Two areas for improvement are the rehospitalizations after a nursing home admission and the percentage of long-stay residents who received an antipsychotic medication. The Department will plan to hold additional webinars in 2026 on these topics, as the remainder of webinars for calendar year 2025 are already planned.

Section 438.6(c) Preprint Addendum Tables

Overview

This addendum to the Section 438.6(c) preprint file allows States to add rows to the eight tables in the preprint: Please use this workbook if States need additional rows than what is provided in the preprint. States may also use the Workbook Tables 1.A. - 8.A. in lieu of completing Tables 1 - 8 in the preprint.

Directions

States should only submit the tables they populate to CMS; please do not submit the entire workbook unless the State inputs data into all addendum Tables 1.A - 8.A. For example, if the State only needs extra rows to complete Table 1.A, please delete Tabs 2.A - 8.A

CMS requests States submit the addendum tables with the preprint in this Excel format; please do not merge and re-PDF the preprint.

Addendum Table Organization

The addendum tables are organized by tab. Within the tables, States will find data elements with specific drop-downs that CMS has pre-selected to standardize data provided by States in the preprint.

Table 1.A	Payment Arrangement Provider Performance Measures
Table 2.A	Provider Payment Analyses
Table 3.A	Actuarial Rate Certification(s)
Table 4.A	IGT Transferring Entities
Table 5.A	Health Care-Related Provider Tax/Assessment(s)
Table 6.A	Health Care-Related Provider Tax/Assessment Waivers
Table 7.A	Payment Arrangement Quality Strategy Goals and Objectives
Table 8.A	Evaluation Measures, Baseline and Performance Targets

Identifying Information

Column1

State/Territory (Select from dropdown menu):	Pennsylvania
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States should only submit the tables they applicable to CMS; please do not submit the entire workbook unless the State inputs data into Tables 1.A–8.A. For example, if the State only needs extra rows to complete Table 8 in the spreadsheet, please delete Tabs 1.A–7.A. CMS requests States submit the addendum tables with the spreadsheet in this Excel format; please do not merge and re-POF the spreadsheet.

Item Score	Exam Test	Exam Test	Scorepoint (00-99)	Scorepoint (00-99)	Free text. If the State will deviate from the measure specification, please describe here. If the State is using a state-specific measure, please define the numerator and denominator here. In addition, describe any planned data or measure stratifications (for example, by grade).
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