

OHHS Total Cost of Care (TCOC) Guidance

Specialized LTSS AE Pilot Program

Overview and Considerations

September 18, 2017

About the TCOC

- ❖ Fundamental element in the shared savings/risk arrangement
 - Includes a historical baseline or benchmark TCOC tied to an AE's attributed population, projected forward to the performance period
 - Compares actual costs in the performance period to projected costs to identify a potential shared savings/risk pool



- ❖ Provides incentives to:
 - Invest in care management and other services to address needs and reduce duplication of services
 - Help populations with long-term care needs live successfully in the community and reduce use of institutional services
- ❖ Shared savings distributions must be based on quality and outcome metrics

Specialized LTSS AE TCOC General Requirements

❖ **Minimum Membership and Population Size**

- Specialized LTSS AEs must have **at least 500 attributed lives** in Medicaid managed care and/or fee-for-service

❖ **Other Approved Alternative Payment Methodologies (APMs) for LTSS Providers**

- The MCO and Medicaid fee-for-service may implement other approved APMs, in addition to TCOC arrangements
- Participation in other APMs is voluntary for providers

❖ **Attribution**

- AE specific historical base must be based on the AE's attributed lives for a given period, in accordance with EOHHS defined attribution guidance

TCOC Methodology Goals

Overall Goal

Ensure that the TCOC Methodology Supports Meaningful Performance Measurement

- ❖ Provide opportunity for a sustainable business model that is fiscally responsible for all participating parties
- ❖ Recognize and address the challenge of small populations
- ❖ Incorporate quality metrics
- ❖ Establish a progression to “meaningful AE risk”
- ❖ Establish consistent core components of the TCOC methodology while allowing some innovation and flexibility

Sustainable Business Model

Goal

Create shared savings opportunity for AEs, within specified limits, that encourages new business models & shared responsibility while remaining fiscally responsible

Approach

❖ Allowance for Retained Savings

Allow upward adjustment to TCOC target for prior year savings

❖ Historical Adjustment

- Allow adjustment to TCOC target for AEs with below average historical costs
- Initially, upward adjustment only (no adjustment for high-cost AEs)
- Over time, may shift to up and down adjustment

Address the Challenge of Small Populations

Goal

Account for statistical uncertainty due to random variation in utilization & spending in small populations

Approach

- ❖ **Utilize a Minimum Savings (Loss) Rate** to account for statistical uncertainty in performance measurement
 - A Specialized LTSS AE **must achieve shared savings of greater than or equal to 4%** of the TCOC Expenditure Target to be eligible for shared savings
 - An AE that achieves a shared savings rate of greater than or equal to 4% is eligible for savings **back to the first dollar**
- ❖ **Mitigate the impact of outliers** using a claims threshold for high cost claims
 - Historical base and actual expenditures will be **adjusted for outlier costs**

Address the Challenge of Small Populations (cont.)

Goal

Account for statistical uncertainty due to random variation in utilization & spending in small populations

Approach (cont.)

❖ Adjust for MCO Enrollment

- Include MCO-enrolled and Medicaid fee-for-service populations to increase the reliability and validity of the TCOC calculations for the specialized LTSS AEs
- Adjust the Shared Savings/(Loss) Pool based on the percentage of member months that the AE's attributed population is enrolled in managed care
- Shared savings payments can only be earned for enrollees in managed care
- AEs will be eligible to earn infrastructure payments for the full attributed population

Incorporate Quality Metrics

Goal

Incorporate quality metrics related to increased access and improved member outcomes

Approach

- ❖ **Adjust shared savings/(loss) pool based on** performance on a set of **quality measures** for the attributed population

Establish Progression to “Meaningful” AE Risk

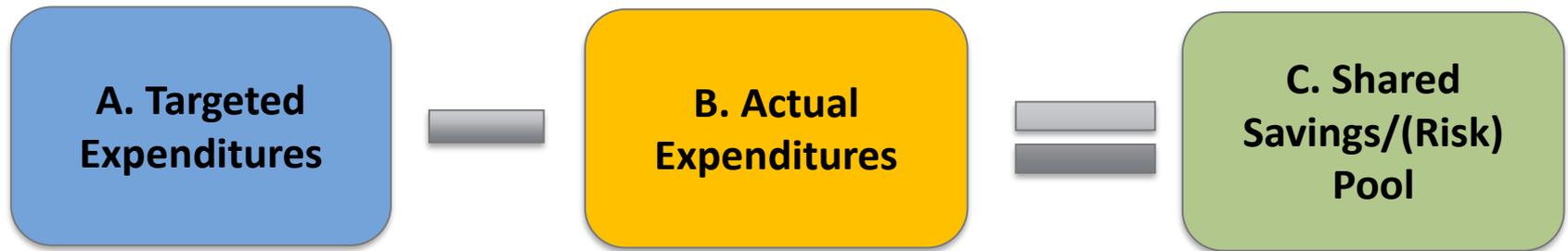
Goal

Require progression to downside shared risk within 4-5 years of program participation

Approach

- ❖ Progression to risk linked to development of **required AE certification standards/capabilities and financial capacity**
- ❖ AEs assuming **downside risk** may be eligible for a **higher share of Shared Savings Pool**

Consistent Core Components



Required Elements

1. Defining a Historical Base
2. Required Adjustments to the Historical Base
3. Targeted Expenditures for the Performance Period
4. Actual Expenditures for the Performance Period
5. Shared Savings/(Loss) Pool Calculation
6. AE Share of Shared Savings/(Loss) Pool
7. Required Progression to Risk

TCOC Calculation Example: Targeted Expenditures

OHHS Specialized AE Total Cost of Care (TCOC) Guidance					AE Specific Variables
Specialized AE TCOC Calculation Tool					Calculation Variables

*Note: All data is illustrative only

	SFY 2014	SFY 2015	SFY 2016	Historical Base	SFY 2018
AE Specific Historical Data Input: Membership and Cost	Year 1	Year 2	Year 3		Performance Year
INPUT -> Attributed Lives (Members)	1,000	1,000	1,000	1,000	1,000
INPUT -> PMPM	\$1,225.00	\$1,250.00	\$1,275.00	\$1,262.50	\$1,320.00

1 Calculating the Historical Base and Initial TCOC Target

	Year 1	Year 2	Year 3	Historical Base		Performance Year Target	
				\$	pmpm	\$	pmpm
A Total Cost of Care (Unadjusted)	\$14,700,000	\$15,000,000	\$15,300,000	\$15,150,000	\$1,262.50		
B Base Year Weight	10%	30%	60%				
C Trend Factor		2%	2%				
D Trend Adjustment	\$593,880	\$300,000	\$0	\$149,388	\$12.45		
E Risk Adjustment	\$0	\$0	\$0	\$0	\$0.00		
F Total Cost of Care (Adjusted)	\$15,293,880	\$15,300,000	\$15,300,000	\$15,299,388	\$1,274.95		
G Prior Year Savings Adjustment			\$303,000	\$303,000	\$25.25		
H Historical Performance Adjustment			\$303,000	\$303,000	\$25.25	Projected Trend	Time Period (Yrs)
I Total Cost of Care (Adjusted, with Sustainability Adjustments)				\$15,905,388	\$1,325.45	2%	2
J Total Cost of Care (Initial Target)						\$16,547,966	\$1,379.00
						TCOC Initial PY Target	

2 Calculating the Final TCOC Target

A Risk Adjustment		\$0	\$0.00
B *Final Target based on risk-adjusted PMPM with performance year membership	<i>Impact of change in membership</i>	\$0	\$0.00
Total Cost of Care (Final Target)		\$16,547,966	\$1,379.00
		TCOC Final PY Target	

TCOC Calculation Example: Actual Expenditures and Shared Savings

OHHS Specialized AE Total Cost of Care (TCOC) Guidance
Specialized AE TCOC Calculation Tool

	AE Specific Variables
	Calculation Variables

*Note: All data is illustrative only

3 Calculating and Distributing the Shared Savings (Loss) Pool

		Performance Year	
		\$	pmpm
A	Total Cost of Care (Actual Expenditures)	\$15,840,000	\$1,320.00
		TCOC Actual	

B	Shared Savings (Loss) Pool	\$707,966	\$59.00
C	Shared Savings Pool	\$707,966	\$59.00
D	Shared Loss Pool	NO	NO
E	Shared Savings Pool After MSR	\$707,966	\$59.00
F	Shared Loss Pool After MLR	NO	NO
G	Quality and Outcomes Adjustment: Quality Score Multiplier	1.00	
H	Shared Savings Pool (Adjusted)	\$707,966	\$59.00
I	Shared Loss Pool (Adjusted)	NO	NO
J	Adjustment for MCO Enrollment (% MCO Member Months)	50%	
K	Eligible MCO-Adjusted Shared Savings Pool	\$353,983	\$29.50
L	Eligible MCO-Adjusted Shared Loss Pool	NO	NO
M	Maximum Allowable MCO Shared Savings Pool	\$827,398	\$68.95
N	Maximum Allowable MCO Shared Loss Pool	-\$413,699	-\$34.47
O	Final MCO Shared Savings Pool	\$353,983	\$29.50
P	Final MCO Shared Loss Pool	NO	NO

<- INPUT

<- INPUT

Details below

Cap: 10% MCO- Adj. Target

Cap: 5% MCO-Adj. Target

Q. AE Share of Final Shared Savings (Loss) Pool								
R	Option 1 AEs: Shared Savings Only	AE Share	20%		30%		40%	
			\$	pmpm	\$	pmpm	\$	pmpm
	Shared Savings		\$70,797	\$5.90	\$106,195	\$8.85	\$141,593	\$11.80

TCOC Calculation Example: Adjustment Details

Adjustment Details							
1 Historical Base and Initial TCOC Target Adjustments							
Risk Adj	E	Average Risk Score	Year 1	Year 2	Year 3	Historical Base	<- INPUT
			1.0	1.0	1.0	1.00	
		TCOC (Dollars): Years 1 and 2 Risk-Adjusted to Year 3 Risk Mix	\$1,225.00	\$1,250.00	\$1,275.00	\$1,262.50	
		Risk Adjustment	\$0.00	\$0.00	\$0.00	\$0.00	
Adjustment for Prior Year Savings	G	Prior Year Savings: Target - Actual TCOC (pmpm)			\$65.00	<- INPUT	
		Eligible Adjustment: AE Share			\$26.00	40%	AE Share
		Eligible Adjustment: Total Dollars			\$312,000		
		Maximum Adjustment for Prior Year Savings (2%)			\$303,000		2% Max Allowable
		Eligible Adjustment or Max Allowable			\$303,000		
Historical Performance Adjustment	H	MCO Average Cost (pmpm)			\$1,350.00	<- INPUT	
		MCO Average Risk Score			1.0		
		AE Average Risk Score			1.0		
		AE Cost (pmpm)			\$1,275.00		
		AE Average Risk Normalized Cost (pmpm)			\$1,275.00		
		Cost Score (% above/below MCO Average)			-6%		
		Eligible Adjustment			\$70.14		
		Eligible Adjustment: Total Dollars			\$841,667		
		Max Allowable Adjustment			\$303,000		2% Max Allowable
		Eligible Adjustment or Max Allowable			\$303,000		
2 Final TCOC Target Adjustments							
Risk Adj	A	Average Risk Score	PY		1.00	<- INPUT	
		Risk Adjustment			\$0.00		
3 Shared Savings (Loss) Pool Adjustments							
MSR/MLR	E/F	Application of Minimum Shared Savings (Loss) Rate					
		Minimum Savings (Loss) Rate	4.0%	Targeted Expenditures			
		Minimum Savings	\$661,919	\$55.16			
	Minimum Loss	-\$661,919	-\$55.16				

- 1 TCOC inputs must account for covered service exclusions and claims cap truncation
- 2 Base Year Weights are flexible, example uses MSSP methodology
- 3 Placeholder trend, to populate OHHS data book trends, Year 2 trend = Year 2/Year 1
- 4 Change compounding formula based on time period between Base Year 3 and Performance Year (assumes 2 year period)