

Financial Levers in Medicaid

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HMO Financial Levers**

- **Incentive arrangement:** Any payment mechanism under which an MCO may receive additional funds over and above the capitation rates it was paid for meeting targets specified in the contract
- **Withhold arrangement:** Any payment mechanism under which a portion of a capitation rate is withheld from an MCO and a portion of or all of the withheld amount will be paid to the MCO for meeting targets specified in the contract. The targets for a withhold arrangement are distinct from general operational requirements under the contract.
- **Penalty:** Arrangements that withhold a portion of a capitation rate for noncompliance with general operational requirements
- **Rate Setting:** The costs that are built into the per member per month capitation payment

**Many of these levers can also be used with fee-for-service as well

HMO Financial Levers (Incentive)

Potentially Preventable Readmissions (PPR) Incentive (Article X.N.)

- “Upside Only” incentive- no withhold from capitation payment
- HMOs earn an incentive for meeting a defined target for potentially preventable readmissions
- “In MY2022, the Department will continue the PPR program as value-based payments with an “up-side” only incentive for HMOs that meet their PPR targets. There will be no penalties for not meeting the targets during MY2022.” (Article X.N.6.)
- HMOs keep 15% of the earned incentive and pass the rest to providers
- “HMOs may keep a maximum of 15% of incentive earned for administrative expenses; the rest are expected to be shared with their hospital and non-hospital providers. (Article X.N.6.)

HMO Financial Levers (Incentive)

Vaccine Equity Program (Article X.O.)

- HMOs earn a bonus payment for submitting a strategy for ensuring equitable vaccine access and vaccination for a population experiencing a COVID-19 vaccination disparity
- “A total of \$5 million incentive bonus funding is available for HMOs to earn. To be eligible to earn an incentive payment, an HMO must submit a completed Covid-19 Vaccination Equity Incentive Application and Community-Based Letter of Support to the Department no later than 4:00 pm CST on September 24, 2021. HMOs determined eligible for an incentive payment will receive the payment in November 2021” (Article X.O.4.)

Vaccine Outreach Program (Article X.O.)

- HMOs receive a bonus payment based on the number of non-pregnant members fully immunized during CY 2021 compared to a target percentage determined by the Department
- “A total of \$7.4 million incentive bonus funding is available for HMOs to earn. The Department will issue the allocation of this funding available to each HMO as a payment outside of the capitation payment by June 30, 2021. The Department will then measure HMO performance after December 31, 2021, and recoup any funding HMOs have not earned.” (Article X.O.4.; 2020-21 contract)

HMO Financial Levers (Withhold)

Pay 4 Performance Initiative (Article X.M.)

- Withhold of 2.5% of capitation payment
- HMO can earn back withhold (up to a 2.5% bonus) by meeting specific quality targets (HEDIS measures)
- Includes a Performance Improvement Project (PIP) to be completed by the HMO
- “The Department will withhold 2.5 percent of each HMO’s monthly capitation payments (including administrative payments) for the P4P program, which includes HEDIS measures and Performance Improvement Projects. HMOs will be able to earn this withhold back by meeting quality performance targets for a specific set of measures, as described in the Guide. Depending on the relative performance of each HMO, highest-performing HMOs may be eligible for a bonus of up to 2.5 percent of their capitation payments in addition to earning back their withhold.” (Article X.M.5)

HMO Financial Levers (Penalty)

Penalty for not meeting HealthCheck Target (Article IV.C.2.a.)

- HMOs that do not meet the 80% reporting target for HealthCheck Screens receive a \$10,000 penalty
- “MY2022 calculations for each HMO’s performance on the HealthCheck measure will be made using the methodology described in the MY HMO Quality Guide. There will be a flat assessment of \$10,000 for any HMO missing the 80% target, regardless if the HMO serves BadgerCare Plus members, SSI members, or both populations. This penalty is not part of the other HMO P4P measures and withhold.”

Penalty for not reporting quality measures (Article X.M.7.)

- HMOs receive a \$10,000 penalty for each required quality measure not reported to the department
- “Core Reporting focuses on providing the Department healthcare quality data for a broad set of conditions and related measures. It does not include a withhold, though requires HMOs to report data on specific quality measures listed in the [quality] Guide. If HMOs do not report this data to the Department, they could be subject to a \$10,000 penalty per measure not reported.”

HMO Financial Levers (Rate Setting)

Capitation Payment

- Benefit Services vs. Administrative Expenses
- In Lieu of Services (subacute psychiatric care in place of inpatient care)

Risk Adjustment

- Codes related to homelessness codes to be considered in risk adjustment

- How might the Division of Medicaid Services utilize **these levers** to address Social Determinants of Health/Drivers of Health?
- What measures indicate that the Medicaid program is achieving the objective?

HMO Financial Levers