



**Department  
of Health**

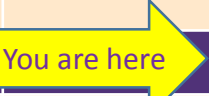
**Medicaid  
Redesign Team**

# **VBP Bootcamp Finance Course, Class 1**

**Division of Finance and Rate Setting Presenters:  
Jack Pitera and Jude Reid**

February 2, 2017

# Agenda

Area	Details		
<b>Timing</b>	Three separate 1-hour classes will be held. Each class will cover a different topic.		
	 <b>Class 1</b>	<b>Class 2</b>	<b>Class 3</b>
<b>Topics</b>	<b>Top 10 Things a Provider should know</b>  <b>High-level Timeline</b>  <b>Stimulus, penalty and performance adjustment and what they mean for a provider</b>	<b>Provider &amp; MCO Finance Considerations</b> <ul style="list-style-type: none"> <li>- Positioning to take on risk</li> <li>- Managing risk</li> </ul> <b>Target Budget Setting Process</b> <ul style="list-style-type: none"> <li>- Overview</li> <li>- Timeline</li> </ul>	<b>MCO Adjustments Contracting Activity</b> <ul style="list-style-type: none"> <li>- Stimulus</li> <li>- Penalty</li> <li>- Performance</li> <li>- Efficiency/Quality adjustments</li> </ul> <b>MAPP and D&amp;A Tools</b>
<b>Speakers</b>	<b>DOH</b> <ul style="list-style-type: none"> <li>- Jack Pitera</li> <li>- Jude Reid</li> <li>- Nicholas Cioffi</li> </ul>	<b>DOH</b> <ul style="list-style-type: none"> <li>- Jack Pitera</li> <li>- Jude Reid</li> <li>- Nicholas Cioffi</li> </ul>	<b>DOH</b> <ul style="list-style-type: none"> <li>- Jack Pitera</li> <li>- Jude Reid</li> <li>- Nicholas Cioffi</li> </ul>

# VBP Finance Course Syllabus

<p><b>Intended Audience:</b></p>	<p>The finance sessions are intended for payers, providers and community based organizations (CBOs). Some of the content will be directly relevant for payers, such as how MCO adjustments or stimulus adjustment will occur. Finance classes will also benefit providers and CBO's and will help each party understand key financial considerations within the context of VBP. The course will also elaborate on provider and payer perspectives as they discuss VBP contracts. Providers may find it helpful to understand how their services may impact an MCO's performance, specifically related to performance adjustments and social determinants of health based on efficiency and quality. The intended provider and payer representatives may include, but not be limited to CFOs, Medical Directors and legal representatives. Clinicians and front line service providers may also benefit from the course in that they will gain a better understanding of how their everyday actions impact the overall VBP model.</p>	
<p><b>Course Description:</b></p>	<p>The VBP Finance course (consisting of 3 classes covering different topics) will focus on the key financial considerations for plans, providers and CBO's when developing their VBP contracts. Specifically, three classes will be offered that address the following concepts:</p> <ul style="list-style-type: none"> <li>• Top 10 things providers should know when discussing the finance aspects of their VBP arrangements.</li> <li>• Payer and provider led discussion focusing on key financial considerations in the context of VBP</li> <li>• An overview of the MCO adjustments and how they impact a provider's VBP contract negotiations through practical examples and exercise.</li> </ul>	
<p><b>Class 1 Overview</b></p>	<p><b>Class 2 Overview</b></p>	<p><b>Class 3 Overview</b></p>
<p>This class will highlight the top 10 things providers need to know related to financial incentives in their VBP contracts. It will also expand on the MCO adjustments, including stimulus and penalties, and what they mean for providers in their contracts. The class will illustrate how adjustments, stimulus and penalty adjustments are determined, so providers have an idea of the incentive payments made to MCOs, which inform the overall financing structure of their VBP arrangement.</p>	<p>Class 2 will consist of a provider and payer led discussion focusing on lessons learned and best practices when engaging in discussions and negotiating the financial aspects of a VBP arrangement.</p> <p>The class will review highlight how providers and payers are able to move forward to successfully negotiate a VBP agreement.</p>	<p>Class 3 will take a closer look at the incentive payments and the risk mitigation strategies that providers can utilize in their VBP contracts. The class will use specific exercises to display the potential incentive payments that could be received in various scenarios, as well as how stop-loss impacts the downside risk for providers. The class will also show some of the data &amp; analytics tools that can be used by MCOs and providers.</p>

# 1. Top 10 Provider Considerations

## Top 10 Provider Considerations

1. The State is adjusting the existing rate setting formulas for MCOs in a way that supports the VBP program as outlined in the VBP Roadmap. It's expected that VBP MCO-Provider contracts will seek to align with the incentive structure and funding flows established by MCO VBP rate adjustments.
2. Providers should be aware of the MCO Stimulus and Penalty adjustment timeline; this timeline may be a good indication of when MCOs will be increasingly eager to negotiate VBP contracts with providers.
3. A provider moving to VBP Levels 2 & 3 helps contribute to a Plan earning Stimulus funds.
4. A provider moving to VBP Levels 1 & 2 helps prevent a Plan from incurring penalties.
5. The care provided by a provider has an impact on an MCO's performance adjustment (quality and efficiency). This is true whether that provider is in a VBP arrangement with an MCO or not, as long as they share the same members.

## Top 10 Provider Considerations (continued)

6. MCO premium performance adjustments will be phased in over time to reach the  $\pm 6\%$  max adjustment that the VBP Roadmap suggests. When negotiating a VBP arrangement, providers should consider the MCO's exposure to performance adjustments and determine if alignment with an MCO's exposure is desired.
7. Plans that earn low-quality scores will not see positive efficiency and stimulus adjustments. VBP Contractors that provide low-quality care may see downward adjustments because of the adverse impact they are making.
8. Potentially Avoidable Complications (PACs) will not be used to measure quality in the first year but may be used in future years. As PACs gradually phase-in, providers should continue to examine opportunities to drive down avoidable complications and avoidable hospital visits.
9. Providers may contract individually with an MCO, or they may contract as part of a group. Consider the size, structure and service mix of your provider network when negotiating with MCOs, and how your network structure will impact performance.
10. Providers should consider risk mitigation strategies if intending to contract Level 2 or 3 VBP arrangements (e.g. stop loss, reinsurance, risk corridors, etc.).

# VBP Roadmap: Standard vs. Guideline

The VBP Roadmap includes programmatic and technical design details related to VBP that follow into the category of either a **Standard** or **Guideline** for the methodologies employed between MCOs and the providers. These Standards / Guidelines were largely developed by a stakeholder driven process—the VBP Subcommittee recommendations.

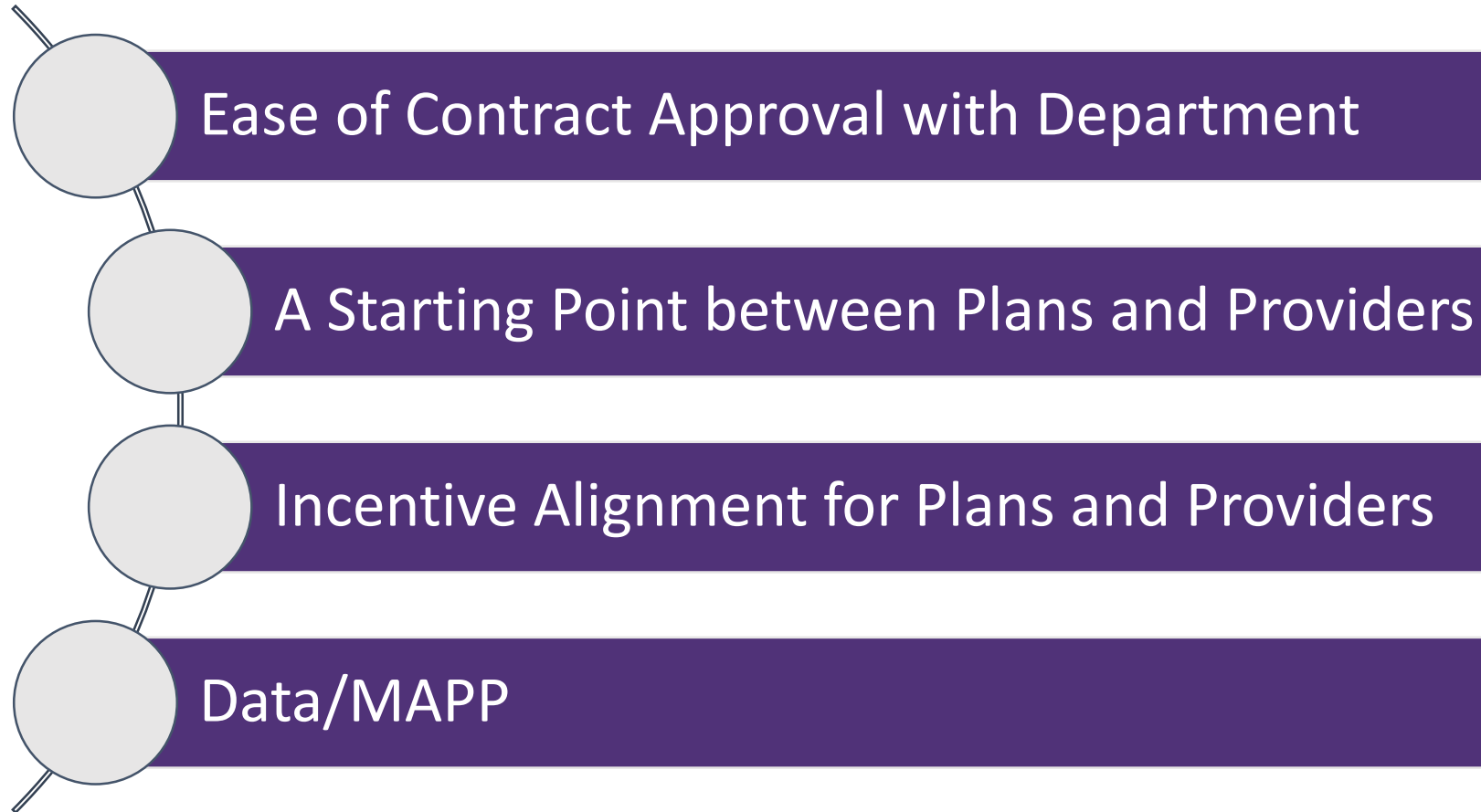
## Standard

- A set methodology that must be followed by all MCOs and providers in order to meet the definition of VBP

## Guideline

- A suggested statement of advice or instruction that provides flexibility in implementation
- Useful for providers and MCOs to have a starting point for discussion, but deviation can occur without harming the overall success of the Payment Reform

# Why follow the Roadmap?



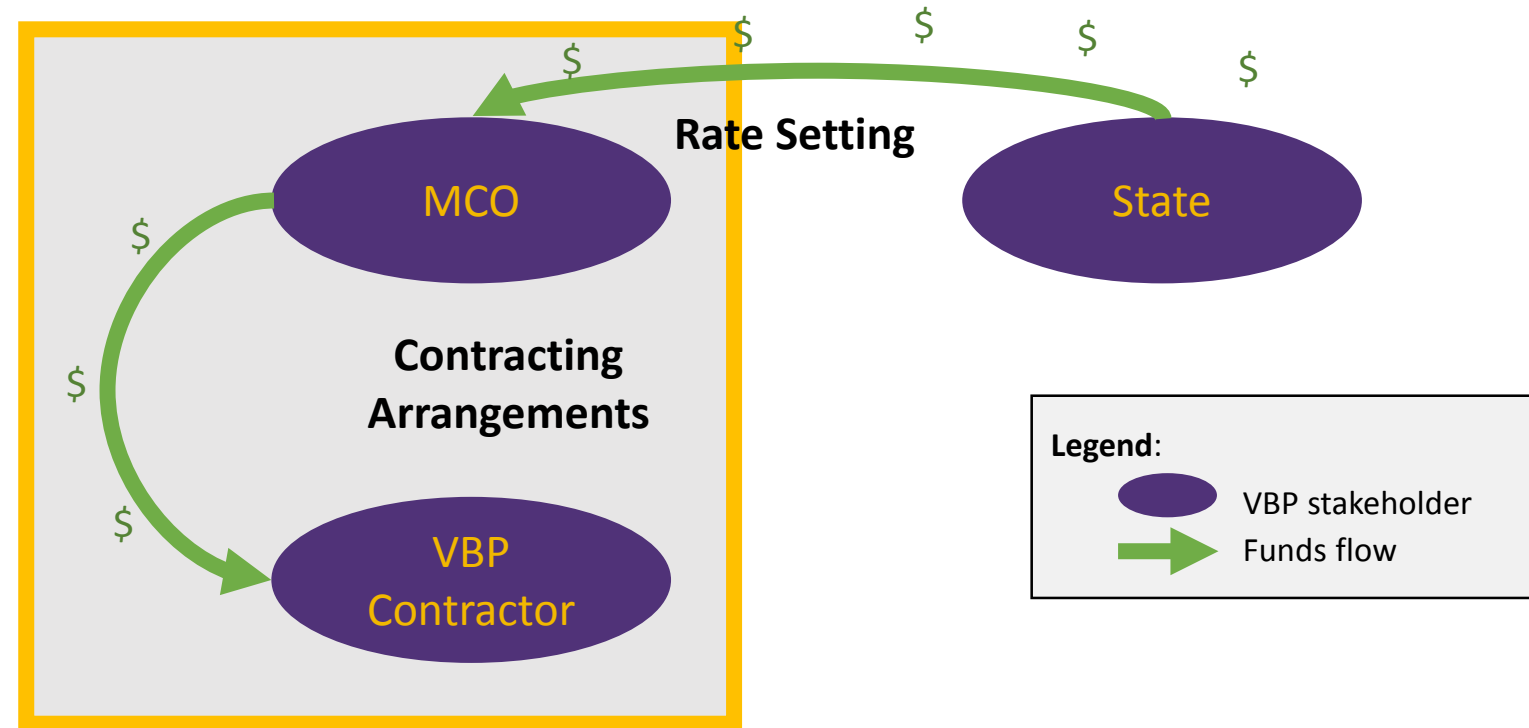


## 2. Key Finance Principle and High Level Adjustments Timeline

# Key VBP finance consideration and why it is important to providers

The State modifies the rates it pays to MCOs for Medicaid services which impacts the way *MCOs pay providers*

- The State is **adjusting the existing rate setting formulas** for MCOs in a way that supports the VBP program as outlined in the VBP Roadmap
- It's expected that VBP MCO-Provider contracts will seek to align with the incentive structure and funding flows established by MCO VBP rate adjustments



# Timeline: Stimulus and Penalty Adjustments

★ April 2020: 80-90% in VBP

Year:	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021
<b>Stimulus Measurement Year (using MMCOR)</b>			Measurement for SFY '19 Stimulus	Measurement for SFY '20 Stimulus			
<b>Stimulus Rate Adjustment Year</b>		Guaranteed	Guaranteed	Tied to Contracting Level 2 & 3 arrangements	Tied to Contracting Level 2 & 3 arrangements		
<b>Penalty Measurement Year (using MMCOR)</b>			Measurement for '19 Penalty Adjustment	Measurement for SFY '20 Penalty Adjustment	Measurement for SFY '21 Penalty Adjustment		
<b>Penalty Rate Adjustment Year</b>				Begins, .5% max penalty	More Stringent, 1% max penalty 2 ways to incur, only one applied	Most Stringent, 1% max penalty, 2 ways to incur, both may be applied	

### Legend

- Guaranteed payments for SFY '16-'17 & SFY '17-'18
- SFY '17-'18 MMCOR Impacts SFY '18-19 Stimulus
- Both SFY '17-'18 & SFY '18-'19 MMCORs Impact SFY '19-'20 Stimulus
- SFY '17-'18 MMCOR Impacts SFY '18-19 Penalty
- SFY '18-'19 MMCOR Impacts SFY '19-20 Penalty
- SFY '19-'20 MMCOR Impacts SFY '20-21 Penalty

# Performance Adjustment: Efficiency

★ April 2020: 80-90% in VBP

### Legend

- Historical Baseline 2016
- Measurement Year 2018
- Rate Adjustment SFY '20-'21
- Historical Baseline 2017
- Measurement Year 2019
- Rate Adjustment SFY '21-'22
- Historical Baseline 2018
- Measurement Year 2020
- Rate Adjustment SFY '22-'23
- Historical Baseline 2019
- Measurement Year 2021
- Rate Adjustment SFY '23-'24

Year:	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021	CY 2022	CY 2023
<b>Measurement Year (Efficiency)</b>	Historical data for performance targets	Historical data for performance targets	Historical data for performance targets	Historical data for performance targets	...			
<b>Performance Year (Efficiency)</b>			Plan efficiency determined	Plan efficiency determined	Plan efficiency determined	Plan efficiency determined	...	
<b>Rate Adjustment Year (Efficiency)</b>					± 1% max adjustment	± 2% max adjustment	± 3% max adjustment	± 3% max adjustment ...

# Performance Adjustment: Quality

★ April 2020: 80-90% in VBP

Year:	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021	CY 2022	CY 2023
<b>Measurement Year (Efficiency)</b>	Historical data for performance targets	Historical data for performance targets	Historical data for performance targets	Historical data for performance targets	...			
<b>Performance Year (Efficiency)</b>			Plan efficiency determined	Plan efficiency determined	Plan efficiency determined	Plan efficiency determined	...	
<b>Rate Adjustment Year (Efficiency)</b>					± 1% max adjustment	± 2% max adjustment	± 3% max adjustment	± 3% max adjustment ...
<b>Quality Section</b>								
<b>Measurement Year (Quality)</b>	Historical data for performance targets	Historical data for performance targets	Historical data for performance targets	Historical data for performance targets	...			
<b>Measure Set (Quality)</b>			QI Program components only	QI Program components, which will include increasing alignment with the VBP Measure Set, & increasing inclusion of PACs				...
<b>Performance Year (Quality)</b>			Plan quality determined	Plan quality determined	Plan quality determined	Plan quality determined	...	
<b>Rate Adjustment Year (Quality)</b>					± 1% max adjustment	± 2% max adjustment	± 3% max adjustment	± 3% max adjustment ...

### Legend

- Historical Baseline 2016
- Measurement Year 2018
- Rate Adjustment SFY '20-'21
- Historical Baseline 2017
- Measurement Year 2019
- Rate Adjustment SFY '21-'22
- Historical Baseline 2018
- Measurement Year 2020
- Rate Adjustment SFY '22-'23
- Historical Baseline 2019
- Measurement Year 2021
- Rate Adjustment SFY '23-'24

# 3. MCO adjustments and what they mean for the provider

## The Stimulus Adjustment

# MCO Perspective

## Stimulus Adjustment

The VBP stimulus program will begin as a guaranteed payment in SFY 2016-17 and transition to a payment based on contracting beginning in SFY 2018-19.

Year	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021	CY 2022
Stimulus		Guaranteed	Guaranteed	Tied to Contracting	Tied to Contracting			



**Guaranteed down payment**  
*SFY '16-17, SFY '17-18*

**\$85-million stimulus** down-payment, distribution already determined

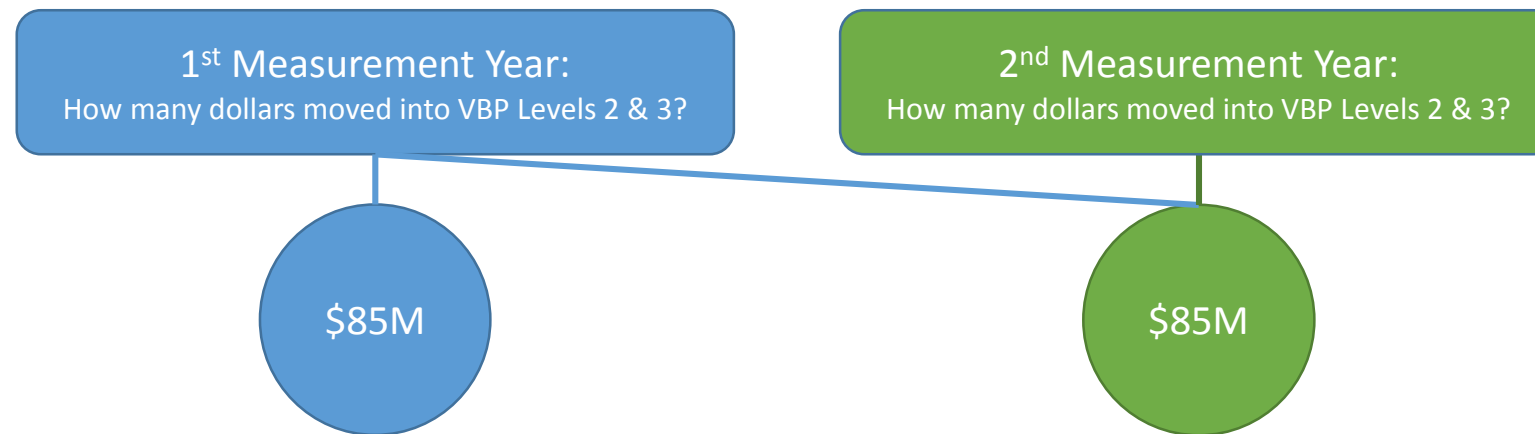
**Tied to Contracting**  
*SFY '18-19, SFY '19-20*

**\$85-million stimulus** allocation to MCOs will be based upon new **Level 2 or Level 3** arrangements

# MCO Adjustments - Stimulus

**1<sup>st</sup> Year: 2018-2019**

**2<sup>nd</sup> Year: 2019-2020**



## Key Takeaway:

The measurement of stimulus during the 1<sup>st</sup> year has an impact on payments over 2 years.

- There exists a greater incentive to move dollars into VBP during the first year of stimulus
- Providers that are earlier adopters of VBP may benefit from a larger share of stimulus adjustments since they are contributing to an MCO earning stimulus

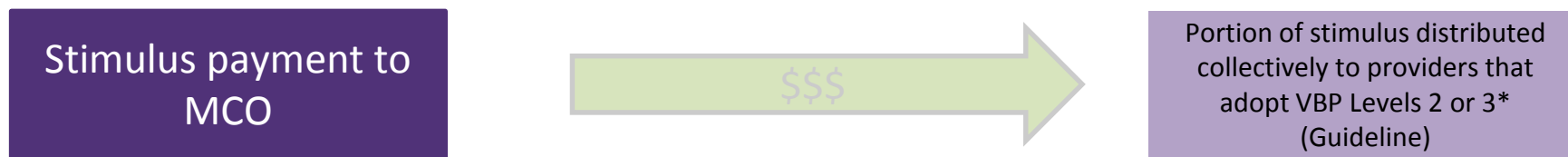


# Provider Perspective

## Stimulus Adjustment

Year	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021
Stimulus		Guaranteed	Guaranteed	Tied to Contracting	Tied to Contracting		

Stimulus adjustments to providers are “guidelines” and are subject to negotiation between plans and providers.



### What is important for a provider to know?

- Providers that are **early adopters of VBP Levels 2 & 3** arrangements may want to **negotiate with MCOs** to ensure that they are receiving a **share of the MCO's stimulus adjustment**.
- Because **infrastructure costs for the Maternity and IPC** arrangements are anticipated to be higher than the population based arrangements\*, providers contracting these arrangements may want to **negotiate for a higher stimulus** adjustment.
- **Consider other factors that may warrant negotiating a share of the stimulus adjustment**, e.g. a provider that drives a large share of attribution to an arrangement.

\* VBP Roadmap, June 2016, p. 28

### 3. MCO adjustments and what they mean for the provider

#### The Penalty Adjustment

# MCO Perspective Penalty Adjustment

The VBP Penalty begins SFY 2018-19 and becomes more stringent over time

*Penalties are levied on the value of the margin between the VBP contracting threshold and the plan's contracted amount*

Year	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021	CY 2022
Stimulus		Guaranteed	Guaranteed	Tied to Contracting	Tied to Contracting			
Penalty				Begin	More Stringent	Most Stringent		



**VBP Penalties Begin SFY '18-19**

**Mainstream & Special Needs MCOs:**

- ≥ 10% in VBP Level 1 or higher
- Measured on SFY 2017-18
- **Penalty = .5%**

**VBP Penalties become more stringent SFY '19-20**

**Mainstream & Special Needs MCOs:**

- ≥ 50% in VBP Level 1 or higher
- ≥ 15% in VBP Level 2 or higher
- If both penalties are incurred, then **only the larger penalty will be applied.**
- Measured on SFY 2018-19
- **Penalty = 1%**

**VBP Penalties become most stringent SFY '20-21**

**Mainstream & Special Needs MCOs:**

- ≥ 80% in VBP Level 1 or higher
- ≥ 35% in VBP Level 2 or higher
- If both penalties are incurred, then **both will be applied.**
- Measured on SFY 2019-20
- **Penalty = 1%**

*If the Statewide Transition to VBP is not progressing in line with roadmap commitments, the State may discuss raising penalty percentages with CMS*

# Provider Perspective

## Penalty Adjustment

Year	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021
Stimulus		Guaranteed	Guaranteed	Tied to Contracting	Tied to Contracting		
Penalty					Begin	More Stringent	Most Stringent

The VBP Penalty adjustment is a downward only adjustment for a lack of movement into VBP. Plans incur the penalty from 'lagging' providers that are slow to move into VBP.

MCO Penalty Adjustment

May Impact

'Lagging' providers

### What is important for a provider to know?

- **Providers that are slow to move into VBP** may start negotiations with **less leverage** when ultimately moving into VBP.
- Providers that are contracted at VBP Level 1 may feel added pressure to **move into Levels 2 & 3 after the course of a few years**

# 3. MCO adjustments and what they mean for the provider

## The Performance Adjustments

# MCO Perspective

## Efficiency and Quality Adjustments

Adjustments for efficiency and quality will begin SFY 2019-2020 and continue into perpetuity

Year	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021	CY 2022
Stimulus		Guaranteed	Guaranteed	Tied to Contracting	Tied to Contracting			
Penalty				Begin	More Stringent	Most Stringent		
Efficiency						± 1%	± 2%	± 3% ...
Quality						± 1%	± 2%	± 3% ...

- Premium **adjustments for both efficiency and quality are expected to increase over time** (from ± 1%), gradually phasing up to roadmap targets (± 3%) by SFY 2022-23. The State will continue to engage plans and providers in discussions regarding the efficacy of this approach as the program evolves.
- The measurement of **efficiency and quality** for the purposes of performance adjustments **takes into consideration all eligible members**, regardless of whether or not they are covered by a VBP contract

# Provider Perspective

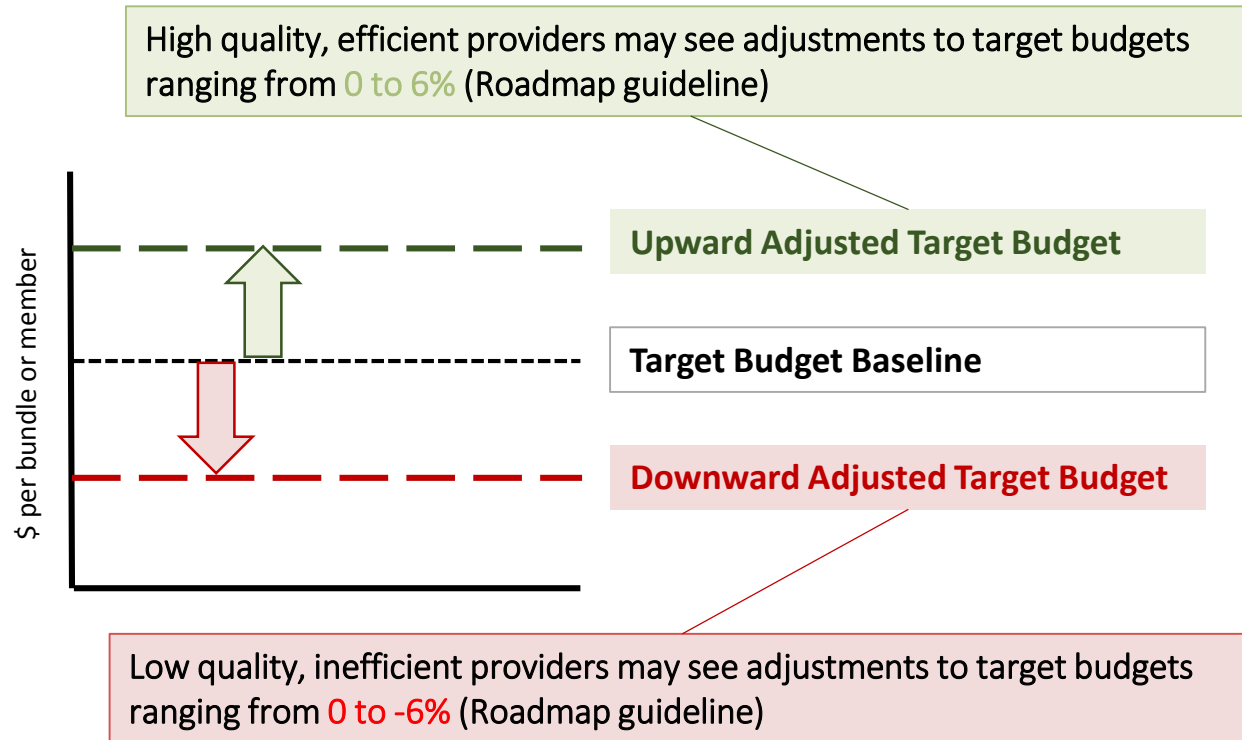
## Efficiency and Quality Adjustments

Year	CY 2020	CY 2021	CY 2022	...
Efficiency	± 1%	± 2%	± 3%	...
Quality	± 1%	± 2%	± 3%	...

Performance related to efficiency and quality determines up- and downward MCO rate adjustments that are intended to be passed down to providers via target budget adjustments.

### What is important for a provider to know?

- Initially MCOs will only see a +/- 1% adjustment for performance; providers will want to keep in mind how much exposure the MCO is taking to performance adjustments when negotiating contracts.
- High quality providers have strong negotiating leverage. MCOs can only see a positive efficiency and stimulus adjustment if they meet minimum quality standards, so high quality providers are paramount.



# VBP Performance Adjustments Principles & Assumptions

## Quality/Efficiency Principles

- Thresholds to be set in advance to allow plans to have predictable targets
- Mapping of those thresholds to % adjustments, as well as dollar amounts
- Minimal changes to the existing QIP structure in PY17 & PY 18

My Efficiency = Actual  
Cost/Expected cost for a population

My Quality = QIP Measures  
including QARR

I should know my value!

Provider Insights



# Efficiency and Quality Adjustment: Goals and Calculation

- 1 For the **2020-2021 Rate Setting Year**, Historical Data will be used to determine a target Efficiency Score (Actual / Expected) and a target VBP Quality Score (QIP components, potentially combined with actual/expected PAC score).

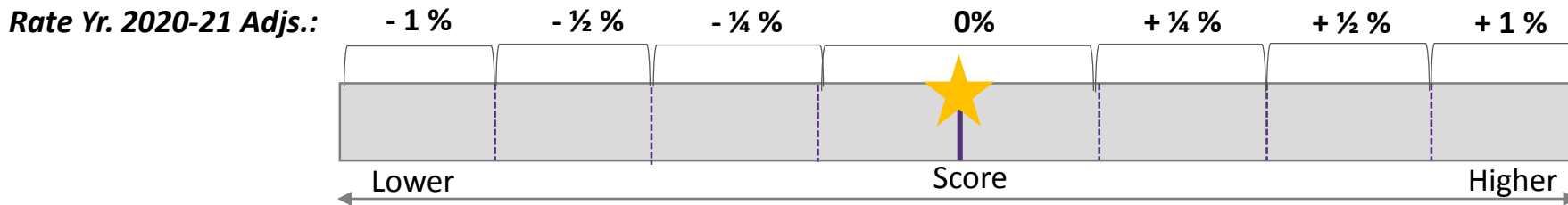
Year	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021	CY 2022
Measurement								
Rate								

MY 2018

MY 2019

MY 2020

- 2 Plans will earn efficiency and quality premium adjustments based on their performance as compared against the targets as shown in the graphic below.



- 3 Premium adjustments for both efficiency and quality are expected to increase over time, gradually phasing up to roadmap targets by Rate Year 2022-23 \*

Rate Year	- C %	- B %	- A %	0 %	+ A %	+ B %	+C%
2020-21	- 1 %	- ½ %	- ¼ %	0%	+ ¼ %	+ ½ %	+ 1 %
2021-22	- 2 %	- 1 %	- ½ %	0%	+ ½ %	+ 1 %	+ 2 %
2022-23	- 3 %	- 2 %	- 1 %	0%	+ 1 %	+ 2 %	+ 3 %

*\* Actual percentages will be determined each year by the State, consistent with roadmap guidance.*

## 4. Data Sharing & Risk Mitigation

# The MAPP Tool



## Overview

1. MAPP Dashboards are meant to provide data related to efficiency and quality
2. The Dashboards may be drillable to arrangement type, payer, and VBP Contractor



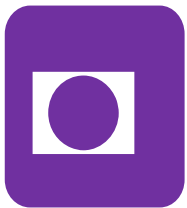
## How to Avoid Being Surprised

1. Don't wait for MAPP release to negotiate contracts
2. Collect data in-house or externally

# More on Data

- VBP University has put together a video that summarizes data's importance to VBP

[Video](#)



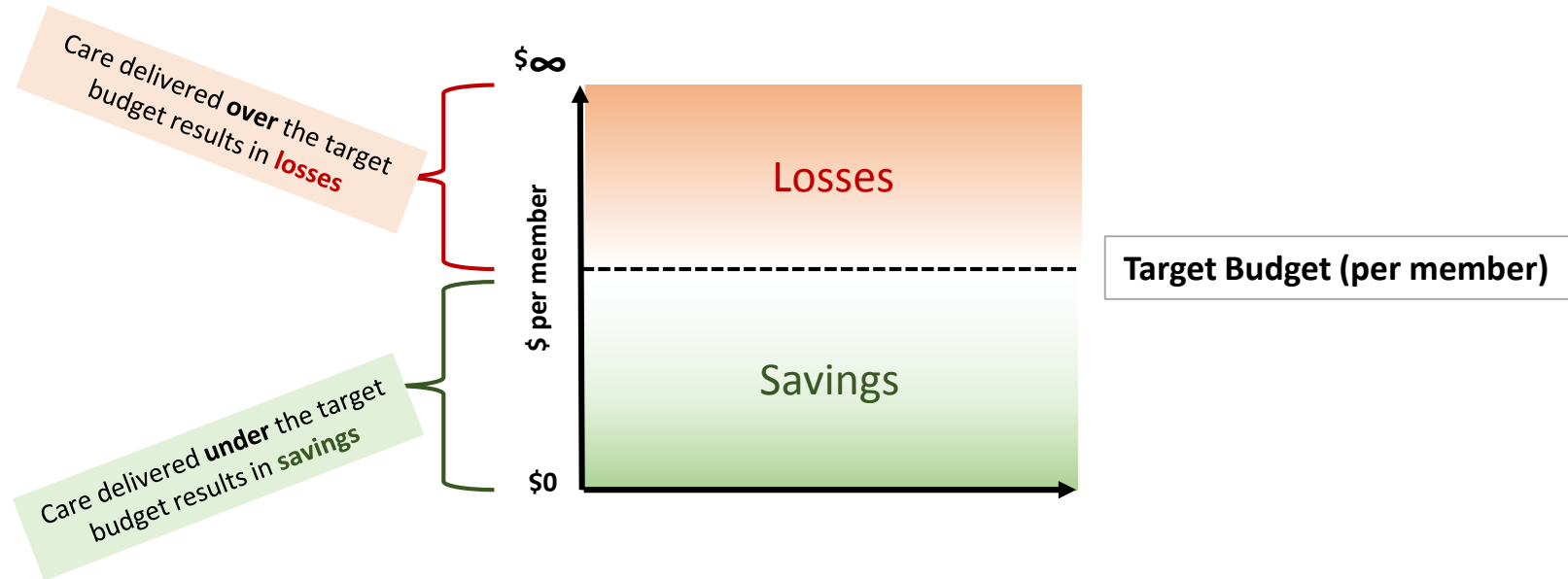
## How Else Can I Collect Data?

1. Begin connecting with a PPS
2. Possibly partner with payers and other providers to access and share data
3. For the IPC and TCGP arrangements, hospitals can receive a portion of a professional-led VBP contractor's shared savings if the hospital provides support, including *“real time direct data feeds to professional-led VBP contractors for emergency room utilization, admissions, and discharges (including behavioral health and substance use).”* (VBP Roadmap, p. 67)

# The Risk Profile

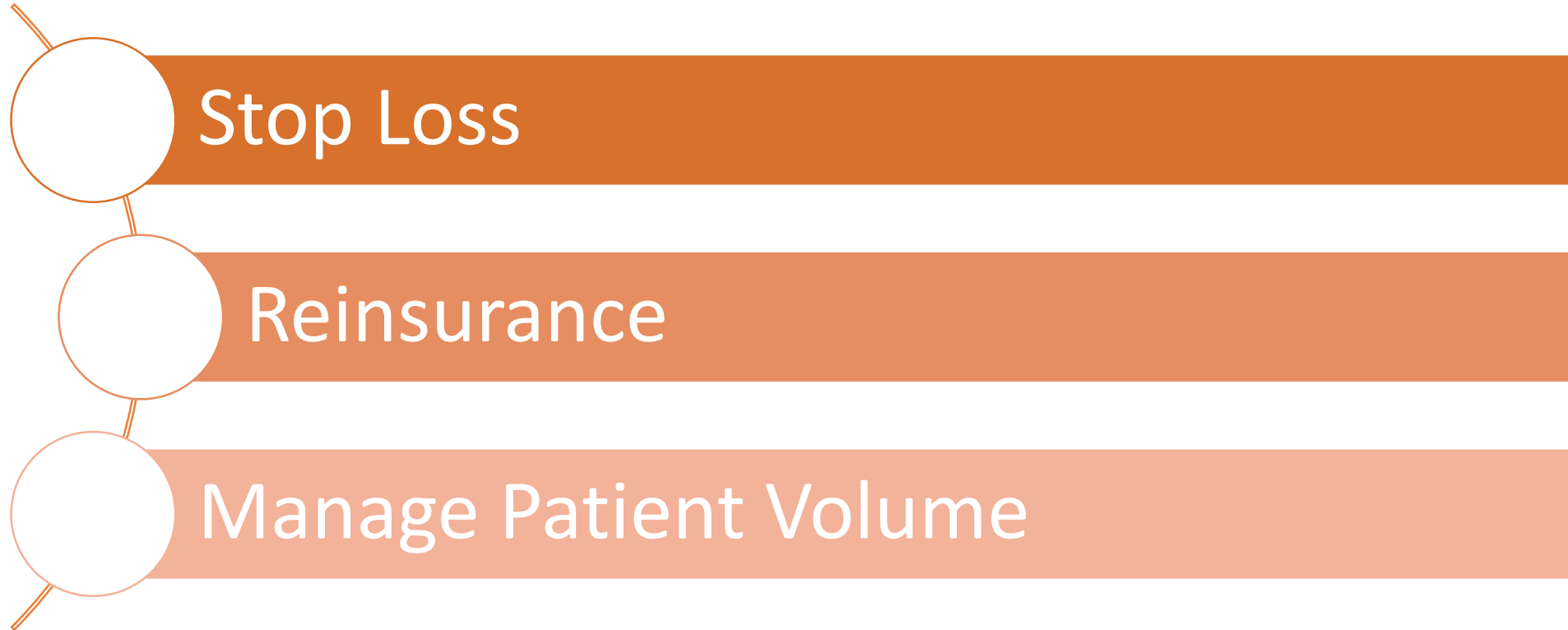
## Saving / Loss Relationship is Asymmetrical

- Losses a provider may take related to patient care are, theoretically, limitless. Therefore, there exists **no ceiling on the amount of losses** a provider can incur.
- Patient care cannot be delivered at \$0; there is a **floor on the amount of savings** a provider can generate



**Providers:** Consider strategies to manage the risk given the asymmetrical relationship of savings and losses

# Risk Mitigation Strategies

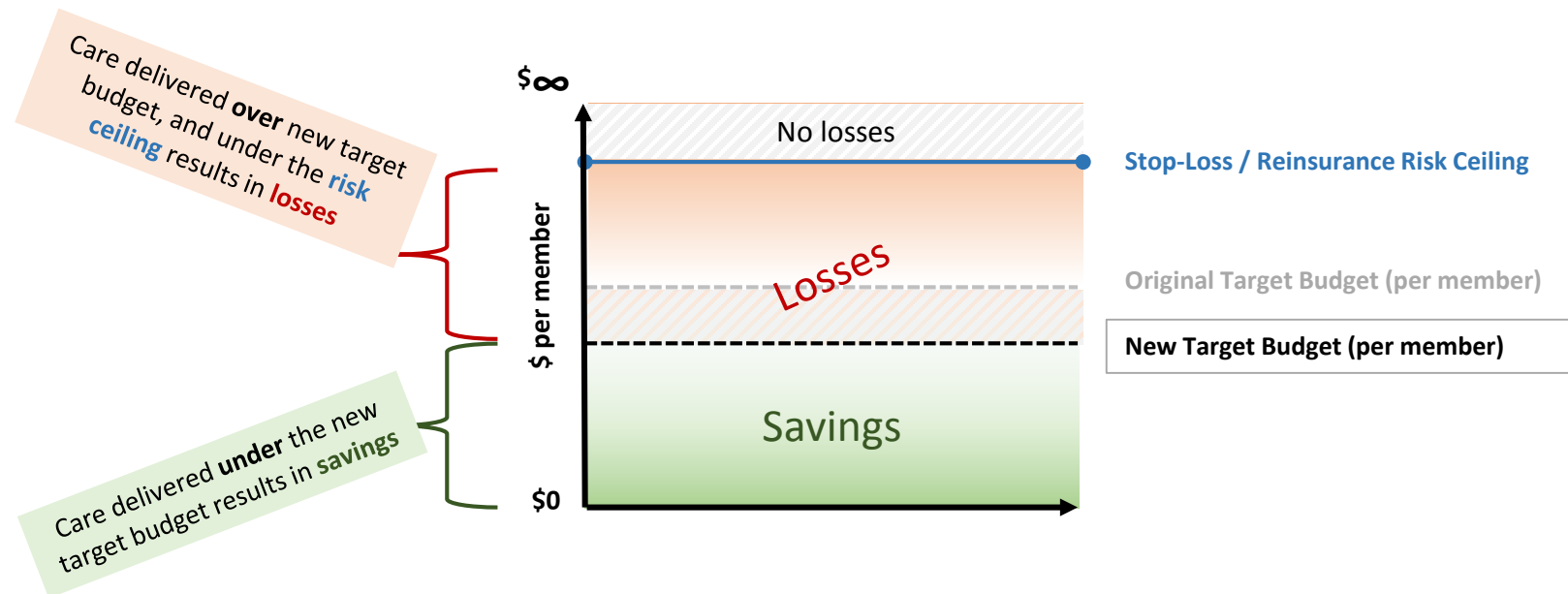


**What a provider should consider:** Determine appropriate risk mitigation strategies to position you to generate the most shared savings without putting yourself at risk.

# Stop Loss / Reinsurance

Risk mitigation strategies that can level the playing field

- Provider can purchase **stop-loss or reinsurance** to create a risk ceiling to **manage the risk of outlier costs**
- Providers will have to negotiate a **stop loss** agreement / pay a premium for **reinsurance**, **eating into the potential savings** they can earn. This effectively adjusts downward the target budget.

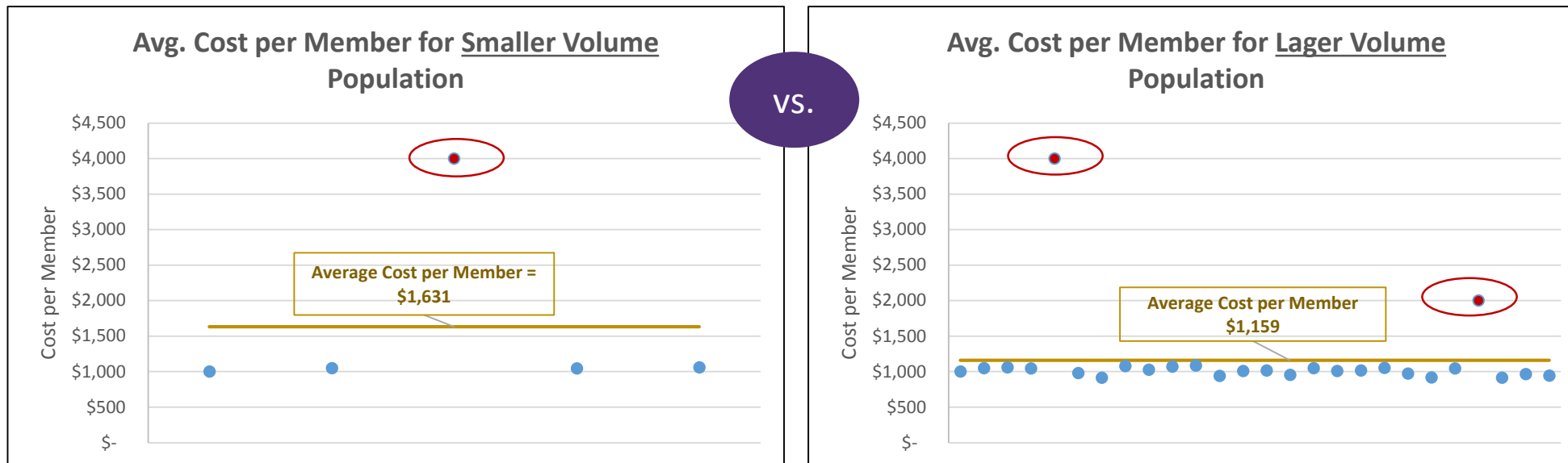


**What a provider should consider:** It is important to remember that the lower the **risk ceiling** is set, the more shared savings the VBP Contractor may have to forfeit.

# Manage Patient Volume

## Larger Populations Can Help Smooth Out Outliers

- One (or a few) **high cost cases** (outliers) can impact your budget
- A larger population can help absorb the costs of these outliers
- In addition, larger populations allow the VBP Contractor the ability to better understand cost trends and population behaviors



**What a provider should consider:** Contracting VBP arrangements for small population groups can expose the VBP Contractor to risk.



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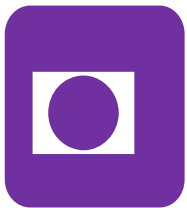
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Thank you!