

**Accountable Entity Program
Total Cost of Care Methodology
Summary of Changes**

Establishing TCOC Target: PY2 vs. PY3 proposed

Element	PY2	PY3 proposed
<p>Define historic base data Historic AE-specific total cost of care for the attributed population is identified</p>	Baseline expenditures include three years of claims payments; treatment of IBNR and non-claims expenditures varies by MCO; expenditures calculated at the AE level	MCOs will submit two years of claims data to EOHHS with standardized procedures for including/excluding non-claim based and sub-capitated expenses; expenditures to be calculated by enrollment type and rate cell. Claims paid more than 6 months after each baseline year are excluded
<p>Mitigate impact of high cost claimants In order to reduce the impact on targets of members whose costs far exceed the average, costs above a threshold are excluded from the base data.</p>	Baseline data is adjusted to exclude costs in excess of \$100,000 per member per year. MCOs have the option to include 10% of member costs above the truncation threshold.	Baseline data is adjusted to exclude costs in excess of \$100,000 per member per year.
<p>Risk adjust Base data is adjusted for the change in the health status of the underlying population between periods</p>	MCOs must risk adjust targets and can do so by either using a clinical risk adjustment software or by using population mix by rate cell.	Base data will be clinically risk adjusted and adjusted for changes in rate cell mix.
<p>Trend forward Base data is adjusted to account for the expected inflation in the cost of medical services</p>	Trend must account for but not exceed those factors used in capitation rate-setting; may be applied based on either MCO or AE mix.	Trend will be estimated and applied consistently with MCO rate-setting process, modified to only reflect expenditures included in TCOC calculation.
<p>Apply baseline year weights Base data from multiple years are weighted to establish a single annual cost.</p>	Each year weighted equally.	Weighted the same as in the MCO rate-setting process.
<p>Adjust to provide opportunity for high-performing AEs over time</p>	For AE's with shared savings, benchmarks are not fully rebased, providing an opportunity for an AE to "re-earn" its savings from the prior year. Additionally, for AEs with costs below the MCO average, targets may be adjusted upward.	In order to ensure high-performing AEs have continued opportunity, a percent of TCOC historic base will be based upon AE performance relative to the average TCOC for the MCO.
<p>Issue preliminary TCOC targets</p>	MCO issues a single AE target	EOHHS issues AE targets, with supporting detail by enrollment type and rate cell

Measuring Performance: PY2 vs. PY3 proposed

Element	PY2	PY3 proposed
<p>Calculate Actual Expenditures Performance year actual expenditures for the attributed population are calculated</p>	MCOs calculate performance year expenditures using the same methodology as for target; EOHHS does not specify regarding treatment of claims lag/IBNR.	MCOs will submit performance year claims data by enrollment type and rate cell to EOHHS with standardized include/exclude procedures as used in establishing baseline cost. Claims paid more than 6 months after the close of the performance period are excluded.
<p>Final risk-adjustment of target Based upon the year-end attribution report, target is re-risk-adjusted based members actually attributed members.</p>	MCOs re-risk adjust targets based on retrospective attribution report.	EOHHS will risk-adjust targets based on retrospective attribution report.
<p>Adjust for random variation Shared savings/loss pool is adjusted to account for the likelihood that cost experience was due to random factors rather than actual AE performance</p>	Recommended by EOHHS and using a ladder approach, savings pool may be adjusted by a factor that accounts for the percentage of performance that is likely due to random variations in utilization and spending.	Using a gate approach, AEs in upside-only models must pass a predetermined level of savings to be eligible to share in any savings. No adjustment will be made to the pool for AEs in downside models.
<p>Adjust for quality performance To ensure that savings are not achieved at the expense of quality, shared savings pool is adjusted based on performance in the AE quality program.</p>	The entire shared savings pool (MCO and AE) is multiplied by the overall quality score.	Unchanged. Losses are not reduced by improvements in quality.
Shared savings/loss determination	Issued by MCOs	Issued by EOHHS

PY3 TCOC Timeline

Task	Owner	Target Date to Complete Calculations
Summarize AE-Specific Historical Cost Data by Rate Cell and Baseline Year	MCO	3 months prior to start of Performance Period
Adjust for Trend Assumptions	EOHHS	Start of Performance Period
Adjust for Changing Risk Profile	EOHHS	Start of Performance Period
Adjust for Changes in MCO Payment or Reporting	EOHHS	Start of Performance Period
Blend Baseline Years	EOHSS	Start of Performance Period
Adjustment for Historical Costs Relative to Market – Calculate TCOC PMPM Expenditures for All MCO Members	MCO	3 months prior to start of Performance Period
Adjustment for Historical Costs Relative to Market – Risk Adjustment and Final Calculations	EOHHS	Start of Performance Period
Calculate Preliminary TCOC Target Applicable to Performance Period	EOHHS	Start of Performance Period
Calculate Final TCOC Target Applicable to Performance Period	EOHHS	10 months after end of Performance Period
Calculate Actual TCOC in the Performance Period by Rate Cell	MCO	8 months after end of Performance Period
Apply Minimum Savings Rate	EOHHS	10 months after end of Performance Period
Determine Impact of Quality and Outcomes	MCO	8 months after end of Performance Period
Apply Risk Exposure Cap	EOHHS	10 months after end of Performance Period
Determine AE Share of Savings/(Loss) Pool	EOHHS	10 months after end of Performance Period