

***Targeted Expenditures: Defining the Historical Base***

<b>Element</b>	<b>Considerations and Approach</b>
<b>AE Specific Historical Cost</b>	<ul style="list-style-type: none"> <li>• Number of years of historical cost data: 3 years AE-specific cost data</li> <li>• Weighting by year: more recent years weighted more heavily than more distant years</li> </ul>
<b>Covered Services</b>	<p>All Medicaid costs associated with LTSS covered services identified (see Attachment B) that are included in EOHHS’s contract with MCOs, as well as equivalent Medicaid fee-for-service covered services for people not enrolled in managed care</p> <p>Exclusions:</p> <ul style="list-style-type: none"> <li>• Services covered under stop-loss provisions between EOHHS and the MCO</li> <li>• Services managed by BHDDH</li> <li>• Long-stay/custodial nursing facility costs in excess of 6 consecutive months</li> <li>• HSTP performance incentive payments</li> <li>• Other infrastructure payments made by MCOs or EOHHS to AEs</li> </ul>
<b>Claims Caps for High Cost Claims</b>	<ul style="list-style-type: none"> <li>• Annualized spending threshold per member at the 95.5<sup>th</sup> percentile mitigates the impact of outlier costs</li> <li>• 10% of costs above the threshold must be included</li> </ul>
<b>Risk Adjustment</b>	<p>How to adjust for changes in the risk profile of the attributed population over historic base years</p> <ul style="list-style-type: none"> <li>• A risk adjustment methodology, using a clinical risk adjustment software, shall be applied</li> <li>• Alternative approaches to risk adjustment may be proposed</li> <li>• Information on risk adjustment methodologies shall be disclosed to contracting AEs</li> </ul>
<b>Cost Trend Assumptions</b>	<p>When projecting historical costs into the performance year, methodologies must appropriately account for trends in nursing facility and home and community-based LTSS spending</p> <ul style="list-style-type: none"> <li>• Trends can not exceed the final cumulative trends to the medical portion of Rhody Health Options rates for the nursing facility and the community LTSS capitation cells for Medicaid-only and Medicare-Medicaid populations contained in the EOHHS data books</li> </ul>

*Targeted Expenditures: Adjusting the Historical Base*

Element	Considerations and Approach
<b>Adjustment for Prior Year Savings</b>	Allow upward adjustment to the TCOC target for prior year savings <ul style="list-style-type: none"> <li>• AE's share of prior year savings may be retained (added back to the TCOC target)</li> <li>• Adjustment capped at 2% of the unadjusted TCOC expenditure target</li> </ul>
<b>Adjustment for Historically Low-Cost AEs</b>	Allow upward adjustment to the TCOC target for AEs with below average historical costs <ul style="list-style-type: none"> <li>• Allow adjustment to the TCOC target for AEs with below average historical costs</li> <li>• Adjustment based on percentage TCOC fell below MCO average spending</li> <li>• Historical performance must be risk adjusted</li> <li>• Up Only. No adjustment for high-cost AEs</li> <li>• Adjustment capped at 2% of the unadjusted TCOC expenditure target</li> </ul>

*Actual Expenditures for the Performance Period*

Element	Considerations and Approach
<b>Calculating Actual Expenditures</b>	Actual expenditures for the performance period must: <ul style="list-style-type: none"> <li>• Be calculated consistent with the LTSS historical base methodology</li> <li>• Follow the same conventions as target expenditure calculations for the elements previously described, such as: covered service inclusions and exclusions and claims caps for high-cost claims</li> </ul>

*Shared Savings/(Loss) Pool Calculations*

Element	Considerations and Approach
<p><b>Small Sample Size Adjustments for Random Variation</b></p>	<p>Account for the effect of random variation in utilization and spending in small populations using a Minimum Savings (Loss) Rate</p> <ul style="list-style-type: none"> <li>• AE must achieve shared savings of greater than or equal to 4% of the TCOC Expenditure Target in order to be eligible for shared savings (or losses)</li> <li>• AE is eligible for savings back to the first dollar after achieving a 4% savings rate</li> <li>• This method is consistent with CMS ACO models, however, during the pilot, EOHHS will assess the effectiveness of this method and may make changes to the adjustment or develop an alternative approach to better account for random variation</li> </ul>
<p><b>Impact of Quality and Outcomes</b></p>	<p>The Shared Savings/(Loss) Pool shall be adjusted based on an assessment of performance relative to a set of quality measures for the attributed population</p> <ul style="list-style-type: none"> <li>• An Overall AE Quality Score will be generated for each AE and will be used as a multiplier to adjust the shared savings pool the AE and MCO is eligible to earn</li> <li>• For more details see the Quality Framework Addendum to the TCOC Guidance</li> </ul>
<p><b>Adjustment for MCO Enrollment</b></p>	<p>The TCOC methodology includes MCO-enrolled and Medicaid fee-for-service populations to increase the reliability and validity of the TCOC calculations for the specialized LTSS AEs</p> <ul style="list-style-type: none"> <li>• The Shared Savings/(Loss) Pool will be adjusted based on the percentage of member months that the AE's attributed population is enrolled in managed care</li> <li>• Shared savings payments can only be earned for enrollees in managed care; however, the AE will be eligible to earn infrastructure payments for the full attributed population</li> </ul>
<p><b>Max Allowable Shared Savings (Loss) Pool</b></p>	<ul style="list-style-type: none"> <li>• A cap is applied to the shared savings pool (10% TCOC Expenditure Target)</li> <li>• Any shared loss pool must not exceed 5% of the TCOC Expenditure Target</li> </ul>
<p><b>AE Share of Savings/(Loss) Pool</b></p>	<ul style="list-style-type: none"> <li>• AEs are eligible for up to 40% of the shared savings pool</li> <li>• AEs taking downside risk are eligible for an increased share of savings</li> </ul>

# Details on Required TCOC Elements for the Specialized LTSS AE Program September 18, 2017

## TCOC Calculation Example

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	Performance Year
INPUT -> AE Specific Historical Data Input: Membership and Cost	Year 1	Year 2	Year 3		
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				Historical Base		Performance Year Target	
	Year 1	Year 2	Year 3	\$	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			Impact of change in membership	\$0	\$0.00
Total Cost of Care (Final Target)				\$16,547,966	\$1,379.00
				TCOC Final PY Target	

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

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

Cap: 10% MCO- Adj. Target  
Cap: 5% MCO-Adj. Target

<- INPUT  
<- INPUT

**Total Cost of Care Calculation Example: Adjustment Details**

Adjustment Details							
<b>1 Historical Base and Initial TCOC Target Adjustments</b>							
Risk Adj	E	Average Risk Score	Year 1	Year 2	Year 3	Historical Base	<- INPUT
		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 (pppm)			\$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% <b>Max Allowable</b>
		Eligible Adjustment or Max Allowable			\$303,000		
Historical Performance Adjustment	H	MCO Average Cost (pppm)			\$1,350.00	<- INPUT	
		MCO Average Risk Score			1.0		
		AE Average Risk Score			1.0		
		AE Cost (pppm)			\$1,275.00		
		AE Average Risk Normalized Cost (pppm)			\$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% <b>Max Allowable</b>
		Eligible Adjustment or Max Allowable			\$303,000		
<b>2 Final TCOC Target Adjustments</b>							
Risk Adj	A	Average Risk Score	PY	1.00	<- INPUT		
		Risk Adjustment		\$0.00			
<b>3 Shared Savings (Loss) Pool Adjustments</b>							
MSR/MLR	E/F	<b>Application of Minimum Shared Savings (Loss) Rate</b>					
		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)