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

**Targeted Expenditures: Defining the Historical Base**

<table>
<thead>
<tr>
<th>Element</th>
<th>Considerations and Approach</th>
</tr>
</thead>
</table>
| AE Specific Historical Cost  | • Number of years of historical cost data: 3 years AE-specific cost data  
• Weighting by year: more recent years weighted more heavily than more distant years |
| Covered Services             | 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  
Exclusions:  
• Services covered under stop-loss provisions between EOHHS and the MCO  
• Services managed by BHDDH  
• Long-stay/custodial nursing facility costs in excess of 6 consecutive months  
• HSTP performance incentive payments  
• Other infrastructure payments made by MCOs or EOHHS to AEs |
| Claims Caps for High Cost Claims | • Annualized spending threshold per member at the 95.5<sup>th</sup> percentile mitigates the impact of outlier costs  
• 10% of costs above the threshold must be included |
| Risk Adjustment               | How to adjust for changes in the risk profile of the attributed population over historic base years  
• A risk adjustment methodology, using a clinical risk adjustment software, shall be applied  
• Alternative approaches to risk adjustment may be proposed  
• Information on risk adjustment methodologies shall be disclosed to contracting AEs |
| Cost Trend Assumptions       | When projecting historical costs into the performance year, methodologies must appropriately account for trends in nursing facility and home and community-based LTSS spending  
• 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 |
Details on Required TCOC Elements for the Specialized LTSS AE Program
September 18, 2017

Targeted Expenditures: Adjusting the Historical Base

<table>
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</table>
| Adjustment for Prior Year Savings | Allow upward adjustment to the TCOC target for prior year savings  
- AE’s share of prior year savings may be retained (added back to the TCOC target)  
- Adjustment capped at 2% of the unadjusted TCOC expenditure target                                                                                                                                                                                                                                                                                                                                                       |
| Adjustment for Historically Low-Cost AEs | Allow upward adjustment to the TCOC target for AEs with below average historical costs  
- Allow adjustment to the TCOC target for AEs with below average historical costs  
- Adjustment based on percentage TCOC fell below MCO average spending  
- Historical performance must be risk adjusted  
- Up Only. No adjustment for high-cost AEs  
- Adjustment capped at 2% of the unadjusted TCOC expenditure target                                                                                                                                                                                                                                                                                                                                                       |

Actual Expenditures for the Performance Period

<table>
<thead>
<tr>
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<th>Considerations and Approach</th>
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</table>
| Calculating Actual Expenditures | Actual expenditures for the performance period must:  
- Be calculated consistent with the LTSS historical base methodology  
- 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                                                                                                                                                                                                                                           |
**Shared Savings/(Loss) Pool Calculations**

<table>
<thead>
<tr>
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<th>Considerations and Approach</th>
</tr>
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</table>
| **Small Sample Size Adjustments for Random Variation** | Account for the effect of random variation in utilization and spending in small populations using a Minimum Savings (Loss) Rate  
  • 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)  
  • AE is eligible for savings back to the first dollar after achieving a 4% savings rate  
  • 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 |
| **Impact of Quality and Outcomes** | 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  
  • 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  
  • For more details see the Quality Framework Addendum to the TCOC Guidance |
| **Adjustment for MCO Enrollment** | 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  
  • 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  
  • 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 |
| **Max Allowable Shared Savings (Loss) Pool** | • A cap is applied to the shared savings pool (10% TCOC Expenditure Target)  
  • Any shared loss pool must not exceed 5% of the TCOC Expenditure Target |
| **AE Share of Savings/(Loss) Pool** | • AEs are eligible for up to 40% of the shared savings pool  
  • AEs taking downside risk are eligible for an increased share of savings |
### TCOC Calculation Example

#### OHSS Specialized AE Total Cost of Care (TCOC) Guidance

**Specialized AE TCOC Calculation Tool**

*Note: All data is illustrative only*

<table>
<thead>
<tr>
<th>INPUT -&gt;</th>
<th>SFY 2014</th>
<th>SFY 2015</th>
<th>SFY 2016</th>
<th>SFY 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Part A: Total Cost of Care (TCOC)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Attributed Lives (Members)</strong></td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td><strong>Attributed Lives (Members)</strong></td>
<td><strong>$1,225.00</strong></td>
<td><strong>$1,250.00</strong></td>
<td><strong>$1,275.00</strong></td>
<td><strong>$1,300.00</strong></td>
</tr>
</tbody>
</table>

#### 1. Calculating the Historical Base and Initial TCOC Target

A. **Total Cost of Care (Unadjusted)**: $14,700,000, $15,500,000, $15,150,000, $12,625.50

B. **Base Year Weight**: 100% 100% 100%

C. **Trend Factor**: 95% 95% 95%

D. **Risk Adjustment**: $15,293,880 $300,000 $0 $149,368 $12,45

E. **Historical Performance Adjustment**: $300,000 $300,000 $300,000 $300,000 $300,000 $300,000 $24.25

F. **Total Cost of Care (Adjusted)**: $15,293,880 $15,293,880 $15,293,880 $15,293,880 $15,293,880 $15,293,880 $25.25

G. **Total Cost of Care (Initial Target)**: $15,905,388 $13,225.45 $24.25

#### 2. Calculating the Final TCOC Target

A. **Risk Adjustment**: $0 $0 $0

B. **Total Cost of Care (Final Target)**: $16,547,966 $13,379.00

#### 3. Calculating and Distributing the Shared Savings (Loss) Pool

A. **Total Cost of Care (Actual Expenditures)**: $15,840,000 $13,320.00

B. **Shared Savings (Loss) Pool**: $707,966 $59.00

C. **Shared Savings Pool**: $707,966 $59.00

D. **Shared Loss Pool**: $0 $0

E. **Shared Savings Pool After MSR**: $707,966 $59.00

F. **Shared Loss Pool After MLR**: $0 $0

G. **Quality and Outcomes Adjustment**: $0 $0

H. **Shared Savings Pool (Adjusted)**: $707,966 $59.00

I. **Shared Loss Pool (Adjusted)**: $0 $0

J. **Eligible MCO-Adjusted Shared Savings Pool**: $353,983 $29.50

K. **Eligible MCO-Adjusted Shared Loss Pool**: $0 $0

L. **Finally MCO Shared Savings Pool**: $353,983 $29.50

M. **Finally MCO Shared Loss Pool**: $0 $0

N. **AE Share of Final Shared Savings (Loss) Pool**: $707,966 $59.00

O. **Option 1 AE Share Only**: $707,966 $59.00

P. **Option 2 AE Share Only**: $707,966 $59.00

Q. **Option 3 AE Share Only**: $707,966 $59.00

R. **Option 4 AE Share Only**: $707,966 $59.00

S. **Option 5 AE Share Only**: $707,966 $59.00

T. **Option 6 AE Share Only**: $707,966 $59.00

U. **Option 7 AE Share Only**: $707,966 $59.00

V. **Option 8 AE Share Only**: $707,966 $59.00

W. **Option 9 AE Share Only**: $707,966 $59.00

X. **Option 10 AE Share Only**: $707,966 $59.00

Y. **Option 11 AE Share Only**: $707,966 $59.00

Z. **Option 12 AE Share Only**: $707,966 $59.00

aa. **Option 13 AE Share Only**: $707,966 $59.00

bb. **Option 14 AE Share Only**: $707,966 $59.00

cc. **Option 15 AE Share Only**: $707,966 $59.00

dd. **Option 16 AE Share Only**: $707,966 $59.00

ee. **Option 17 AE Share Only**: $707,966 $59.00

ff. **Option 18 AE Share Only**: $707,966 $59.00

gg. **Option 19 AE Share Only**: $707,966 $59.00

hh. **Option 20 AE Share Only**: $707,966 $59.00

ii. **Option 21 AE Share Only**: $707,966 $59.00

jj. **Option 22 AE Share Only**: $707,966 $59.00

kk. **Option 23 AE Share Only**: $707,966 $59.00

ll. **Option 24 AE Share Only**: $707,966 $59.00

mm. **Option 25 AE Share Only**: $707,966 $59.00

nn. **Option 26 AE Share Only**: $707,966 $59.00

oo. **Option 27 AE Share Only**: $707,966 $59.00

pp. **Option 28 AE Share Only**: $707,966 $59.00

qq. **Option 29 AE Share Only**: $707,966 $59.00

rr. **Option 30 AE Share Only**: $707,966 $59.00

ss. **Option 31 AE Share Only**: $707,966 $59.00

tt. **Option 32 AE Share Only**: $707,966 $59.00

uu. **Option 33 AE Share Only**: $707,966 $59.00

vv. **Option 34 AE Share Only**: $707,966 $59.00

ww. **Option 35 AE Share Only**: $707,966 $59.00

xx. **Option 36 AE Share Only**: $707,966 $59.00

yy. **Option 37 AE Share Only**: $707,966 $59.00

zz. **Option 38 AE Share Only**: $707,966 $59.00

### Notes:

- All data is illustrative only.
- Calculations are based on historical data and projected trends.
- Performance year membership impact and change are considered in the calculations.
- Final targets are adjusted for risk and performance year membership.
## Total Cost of Care Calculation Example: Adjustment Details

### 1. Historical Base and Initial TCOC Target Adjustments

<table>
<thead>
<tr>
<th>Adjustment Details</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Historical Base</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>E. Average Risk Score</strong></td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td>1.00</td>
</tr>
<tr>
<td><strong>TCOC (Dollars): Years 1 and 2 Risk-Adjusted to Year 3 Risk Mix</strong></td>
<td>$1,225.00</td>
<td>$1,250.00</td>
<td>$1,275.00</td>
<td>$1,262.50</td>
</tr>
<tr>
<td><strong>Risk Adjustment</strong></td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
</tbody>
</table>

### 2. Final TCOC Target Adjustments

<table>
<thead>
<tr>
<th>Adjustment Details</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Average Risk Score</strong></td>
<td>1.00</td>
</tr>
<tr>
<td><strong>Risk Adjustment</strong></td>
<td>$0.00</td>
</tr>
</tbody>
</table>

### 3. Shared Savings (Loss) Pool Adjustments

<table>
<thead>
<tr>
<th>Application of Minimum Shared Savings (Loss) Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum Savings (Loss) Rate</td>
</tr>
<tr>
<td>Minimum Savings</td>
</tr>
<tr>
<td>Minimum Loss</td>
</tr>
</tbody>
</table>

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)