



# **CalAIM Performance Incentives**

## **DRAFT for Stakeholder Feedback**

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- **Overview of Incentive Payment Approach**
- **Allocation Methodology and Timing**
- **Payment Priorities and Measure Domains**
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# Overview



# CalAIM Performance Incentives Overview

**CalAIM's Enhanced Care Management (ECM) and In Lieu Of Services (ILOS) programs will launch in January 2022, requiring significant new investments in care management capabilities, ILOS infrastructure, information technology (IT) and data exchange, and workforce capacity at both the managed care plan (MCP) and provider levels.**

- Incentive payments will be a critical component of CalAIM to promote MCP and provider participation in, and capacity building for, ECM and ILOS.
- The Governor's budget allocated \$300 million for plan incentives from January to June 2022, \$600 million from July 2022 to June 2023, and \$600 million from July 2023 to June 2024. Incentive funding will phase out in FY 2024-25.
- DHCS has designed the proposed incentive payment approach with input from stakeholders with the goal of issuing initial payments to MCPs beginning in January 2022 for the achievement of defined milestones.



## Performance Incentive Goals



- Build appropriate and sustainable ECM and ILOS capacity
- Drive MCP investment in necessary delivery system infrastructure
- Incentivize MCP take-up of ILOS
- Bridge current silos across physical and behavioral health delivery
- Reduce health disparities and promote health equity
- Achieve improvements in quality performance

*Infrastructure development, ECM and ILOS Provider capacity building, and ILOS take-up are priority areas for Program Year (PY)1 (i.e., Calendar Year (CY) 2022). DHCS will incorporate behavioral and physical health integration and health disparities reduction measures within those priority areas.*

*Quality “pay for reporting” measures will be incorporated into the ECM Provider Capacity and ILOS Provider Capacity priorities in PY 1 (i.e. CY 2022). Quality outcome measures will be incorporated in PY 2 (i.e., CY 2023) and beyond.*



# Performance Incentive Design Principles



1. **Develop a clear incentive payment allocation methodology where all plans have an opportunity to participate equitably**
2. **Set ambitious, yet achievable measure targets**
3. **Ensure efficient and effective use of all performance incentive dollars**
4. **Drive significant investments in core priority areas up front**
5. **Minimize administrative complexity**
6. **Address variation in existing infrastructure and capacity between Whole Person Care (WPC) / Health Home Program (HHP) counties and non-WPC/HHP counties**
7. **Ensure use of incentive dollars does not overlap with other DHCS incentive programs or with services funded through the rates**
8. **Measure and report on the impact of incentive funds**



# **Incentive Payment Allocation Methodology**



# Allocating Incentive Dollars to MCPs in Program Year 1

DHCS plans to set a cap on the maximum potential incentive dollars that can be earned by an MCP in each program year. Actual payments earned by an MCP would be based on achievement of “Gate” and “Ladder” Milestones.



## “Gate” Milestone Linked to 50% of Available Dollars in PY1

- Consists of submission of “Gap Assessment and Gap-Filling Plan” measures outlining implementation approach to address gaps and needs.
- Completion of “Gate” requirements triggers upfront, incentive payment “advance” / interim payment.
- Advance / interim payment intended to be used to implement activities outlined in the Gap-Filling Plan.
- DHCS will recoup a portion of the advance from MCPs who fail to make a minimum level of effort to implement their Gap-Filling Plan.



## “Ladder” Milestones Linked to 50% of Available Dollars in PY1

- Demonstrated performance against measure targets linked to achievement of “Gap-Filling Plan” targets.
- Achievement of “Ladder” measure targets result in subsequent incentive payments.





# Timing of PY1 Payments

DHCS proposes a bi-annual payment cycle to issue \$600M in payments to MCPs in PY1 ( CY 2022).



## January 2022 Payment

- DHCS issues 50% of available dollars (\$300 M)
- Tied to completion of “Gate” requirements
- “Gate” requirements to be completed and reported by MCPs in fall 2021



## December 2022 Payment

- DHCS issues 50% of available dollars (\$300 M)
- Tied to completion of second set of “Ladder” measures, which will be based on PY 1 priority areas
- “Ladder” measures to be submitted by MCPs in fall 2022, based on activity from January – June 2022



# DHCS Will Set Cap on Maximum Potential Incentive Dollars Each MCP Can Earn

DHCS plans to establish a three-step process to set the cap on the maximum potential amount of incentive dollars each MCP can earn. Incentive payments actually earned by MCPs will be determined by performance on measures.

- **Step 1.** Set maximum **potential** incentive amount that can be earned **across MCPs within a given county** based on total managed care enrollment or revenue
  - **Adjustment:** Increase potential payments in counties without WPC/HHP
- **Step 2.** Set maximum **potential** amount that can be earned **by each MCP within a given county** based on their managed care enrollment or revenue
  - **Adjustment:** Increase potential payments based on proportion of enrollees who are members of the ECM populations of focus
- **Step 3.** Set **potential** amount available to be earned **across priority areas** for PY1 (CY 2022) (see Slide 11 for detail on allocation by priority)
  - **Priority areas:** 1) Infrastructure development; 2) ECM capacity; 3) ILOS uptake and capacity



## Allocation of Dollars by Priority Area

**MCPs will have some flexibility to propose the percentage of their cap that can be earned in each priority area based on a submission to DHCS as part of their Gap-Filling Plans. Final determinations will be made by DHCS.**

- MCPs will propose the percentage of their cap that can be earned in each priority area based on the following methodology:
  - **70% of the cap must be allocated as follows:**
    - *Minimum of 20% tied to Delivery System Infrastructure measures*
    - *Minimum of 20% tied to ECM Provider capacity building measures <sup>2</sup>*
    - *Minimum of 30% tied to ILOS Provider capacity building and take-up measures <sup>1,2</sup>*
  - **Remaining 30% is allocated at the plans discretion to one or more areas**
    - MCPs who want to request more than the 30% allocated for discretionary use will need to provide their rationale to DHCS as soon as possible; DHCS may consider granting exceptions in very limited cases where the MCP's rationale is compelling
- **DHCS must ultimately approve the approach via review of Gap-Filling Plan**

[1] In CY 2022 (PY 1), MCPs are eligible to earn a "Gate" payment for ILOS if offering ILOS in January 2022 or July 2022

[2] Quality "pay for reporting" measures will be incorporated into the ECM Provider Capacity and ILOS Provider Capacity priorities



## **Incentive Payment Priorities and Measure Domains**



# Program Year 1 Priorities

**DHCS focused initial PY 1 (i.e., CY 2022) funding priority areas\* on capacity building, infrastructure, and ILOS take-up.**

## **Delivery System Infrastructure**

*Fund core MCP, ECM and ILOS Provider HIT and data exchange infrastructure required for ECM and ILOS*

## **ECM Provider Capacity Building**

*Fund ECM workforce, training, TA, workflow development, operational requirements and oversight*

## **ILOS Provider Capacity Building & MCP Take-Up**

*Fund ILOS training, TA, workflow development, operational requirements, take-up and oversight*

**Physical and behavioral health integration between and among Providers and MCPs, health equity advancement, and health disparities reduction have been integrated into all three goal areas wherever feasible.**

*\* Quality “pay for reporting” measures will be incorporated into the ECM Provider Capacity and ILOS Provider Capacity priorities in PY 1 (i.e. CY 2022). Quality outcome measures will be incorporated in PY 2 (i.e., CY 2023) and beyond.*

# Measure Domains by Priority Area

PY 1 Priorities	Measure Domains
<b>1. Delivery System Infrastructure</b>	<b>1A.</b> Purchase or upgrade of ECM and ILOS IT systems and Provider capabilities including certified EHR technology, care management document systems, closed-loop referral, billing systems/services, and onboarding/enhancements to health information exchange capabilities
<b>2. ECM Provider Capacity Building</b>	<b>2A.</b> Building/expanding ECM Provider networks and compliance and oversight capabilities to ensure populations of focus within a county can be effectively served
	<b>2B.</b> Hiring and training ECM care managers, care coordinators, community health workers, and supervisors to ensure core competencies to support ECM requirements
<b>3. ILOS Provider Capacity Building and ILOS Take-Up</b>	<b>3A.</b> Offering ILOS, expanding reach of ILOS offered
	<b>3B.</b> Building/expanding ILOS Provider networks and compliance and oversight capabilities of ILOS to ensure populations within a county can be effectively served
	<b>3C.</b> Hiring and training ILOS Provider support staff, workflow redesign, and training
<b>4. Quality</b>	<b>4A.</b> Reporting of baseline data ("Pay for Reporting" only in Program Year 1) to inform quality outcome measures to be collected in future program years.



## High Performance Pool



## Distribution of High Performance Pool

**DHCS plans to create a high-performance pool for unearned “Gate” and “Ladder” dollars. MCPs who qualify for the high performance pool and meet additional targets can earn incentive dollars above and beyond those dollars tied to “Gate” and “Ladder” measures.**

- If a plan does earn the “Gate” advance/interim payment or does not meet sufficient “Ladder” measures to earn up to their cap (i.e., does not earn their maximum potential for incentive dollars), DHCS will reallocate the unearned dollars to a high performance pool that can be earned by other MCPs.
- An MCP’s unearned “Ladder” measure incentive dollars would be eligible to be earned by other MCPs statewide who meet minimum standards and high performance pool targets.





# High Performance Pool Eligibility

**MCPs must meet minimum requirements to be eligible to earn high performance pool dollars; actual allocation of high performance pool dollars to be determined based on performance on measures and available funds, as evaluated during PY1 reporting periods.**

## High Performance Pool Minimum Requirements

- Meet all requirements to earn “Gate” interim payment/advance, and;
- Offer at least one ILOS, and;
- Perform in the top Xth percentage of MCPs for ladder measures across domains; percentile to be set by DHCS based on dollars available for high performance pool

## High Performance Pool Measures

- Meet “stretch goal” targets for the “Ladder” measures already required across priority areas



## **Consequences for Failure to Meet Requirements of “Payment Advance”**



## Consequences for Failure to Meet Requirements of “Payment Advance”

Completion of Gap/Need Assessment and Gap-Filling Plan triggers an upfront, “Gate” payment “advance”/interim payment. MCPs must implement activities outlined in the Gap-Filling Plan to fully meet the “Gate” measure. DHCS reserves the right to recoup a portion of the advance from MCPs who fail to make a minimum level of effort to implement their Gap-Filling Plan.

- In PY1, DHCS will evaluate MCPs based on their results and achievement of process measures outlined in the Gap-Filling Plan.
- MCPs that fail to demonstrate a minimum level of effort, as determined by DHCS, must work with DHCS on a corrective action plan aimed at improving results and performance on the process measures.
- MCPs that fail to follow the corrective action plan and meet the minimum level of effort must return a portion of the “Gate” payment advance, to be determined by DHCS.



# Thank you

Please visit the DHCS ECM & ILOS Website for more information and access to this deck as well as the Incentive Payment measure list:

<https://www.dhcs.ca.gov/Pages/ECMandILOS.aspx>

Please send questions to [CalAIMECMILOS@dhcs.ca.gov](mailto:CalAIMECMILOS@dhcs.ca.gov)