Health Management Associates

MEDICAID MANAGED CARE TERM SHEET

The purpose of the term sheet is to assist providers in preparing to negotiate value-based payment arrangements with health plans. Not all the terms in the first column may apply. For example, those listed under shared savings/risk would not apply to provider entities who are only negotiating a pay-for-performance contract. The terms in the second column are for illustrative purposes only. The user should review each and modify the strategy as appropriate to their individual circumstances. IPA stands for independent practice association but would also apply to accountable care organizations (ACOs) or other types of clinically integrated networks. Reference to the IPA in the second column would not apply to users who are contracting individually.

If you would like to meet with a representative to ask questions a about the tool, feel free to contact Art Jones, MD by September 30, 2023, at: ajones@healthmanagement.com

TERM	CONTRACTING STRATEGY (sample for illustrative purposes only)
Term of Agreement	
	Reset annually
	Modification mid-year only by mutual consent
	Termination mid-year only by mutual consent except for breach of contract
Information Exchange	
Member rosters	Delivered electronically to each practice for their assigned members and in aggregation to IPA by the first of the month
Inpatient authorizations	Delivered daily to each practice for their assigned members and in aggregation to IPA; include authorizations for transfer to post-acute care facilities
Care management	Sharing of care plans of members in the health plan's high-risk care management program.
Performance on quality metrics that have financial implication	Access to performance on the health plan's provider portal that indicates overall score and allows drilldown to the member level for each practice, in aggregate for the IPA and benchmarked against plan wide performance; updated at least monthly.
Total cost of care report (applies to shared savings or risk arrangements only)	Monthly report of MLR with a calculated IBNR, ideally for each practice and in aggregate to IPA
Utilization reports (applies to shared savings or risk arrangements or when one or more of these hospital utilization metrics are part of a pay-for-performance program),	Monthly report of ED utilization (separated by potentially avoidable or not), hospitalization rates, hospitalization rate for ambulatory sensitive conditions, all-cause 30-day rehospitalization rates, ideally for each practice, in aggregate for IPA and benchmarked against plan wide performance.

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High-cost member list (applies to shared savings or risk arrangements only).	List of members with a rolling 12-month total cost of care of more than $100,000.
Frequent ED utilizer list (applies to shared savings or risk arrangements or where ED utilization is a pay-for-performance metric only.)	List of members with four or more ED visits in a rolling 12-month period.
Medication possession ratios (applies to shared savings or risk arrangements or where medication adherence is a pay-for-performance metric only.)	List of members whose medication possession ratios are less than 80% for agreed upon high impact medications such as controller meds for asthma, oral hypoglycemics, psychotropic medications, statins, ACE inhibitors/ARBS.
Raw claims data (applies to shared savings or risk arrangements only).	At least monthly medical claims data, ideally with pricing, and daily pharmacy fill data.
Member Assignment	
	Prospective based on member choice and attribution algorithm
	Rolling 12-month retrospective claims analysis to prospectively adjust assignment based on plurality of PCP visits with tie going to assigned PCP, or if not applicable, PCP with latest visit. Same applies to BH providers based on plurality of ambulatory BH visits.
Payment for Direct Services	
	Fee-for-service reimbursement at rates specific to the provider type such at the prospective payment system (PPS) for FQHC primary care, behavioral health, and dental services.
	Fee-for-service at Medicaid market rates for other services.
	FQHC wrap payment is not included when calculating the savings/risk pool.
Foundational Payments for Infrastructure, Operations and Care Coordination	
	Per-member-per-month (PMPM) payment to cover these services; cost may be charged as an expense when calculating the savings pool.
Pay for Performance	
Funding potential	1-2% of health plan premium
Choice of metrics	Selection of 5-6 metrics from a list that is a subset of metrics which have financial implications for the health plan; may be efficiency as well as HEDIS quality metrics; final metric selection based on mutual agreement.
Data collection method	Ability for provider to submit supplementary data electronically to demonstrate compliance as allowed by NCQA;

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Performance targets	Credit for significant improvement (closing gap between historical performance and attainment target) with enhanced credit for reaching the attainment target.
Payment methodology	Annual bonus when performance target is achieved
Treatment of cost when calculating savings	Cost may not be charged as an expense when calculating savings.
Shared Savings/Risk	
Defined population	Assigned members for every month of assignment
Minimum assigned membership	2,000-5,000; higher membership may be more appropriate in a shared risk arrangement dependent on risk tolerance
Service exclusion	LTSS; pharmacy
Setting the baseline (% premium vs. historical spend)	Medical loss ratio that is a 1% improvement over historical experience but never <88%
Risk adjusted benchmark	Yes
Trending the benchmark	Benchmark is increased proportional to increase in plan premium
Claims run out period/IBNR	Six months with incurred-but-not- reported (IBNR) calculation using actuarially sound principles
Minimal savings threshold	None
Minimal loss ratio	Ideally 2% but not if requires a symmetrical minimal savings ratio
High-cost claimants	$100,000-$150,000 threshold with 100% coverage of claims overage
Shared Saving/Risk %	50% shared savings; 50-50% upside downside in a risk contract
Quality gate to accessing the savings/risk pool	None
Impact of payment of savings/risk pool on subsequent year's savings/risk pool	Not charged as an expense
Risk Corridor	Shared Losses will be limited to the lessor of reserves or 3% of the amount funding the pool multiplied by the risk share. No shared savings corridor.

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