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PAY FOR PERFORMANCE IN A FEE FOR SERVICE SYSTEM –PAYING FOR THE OUTCOMES EVERYONE WANTS

Division of Long Term Services and Supports

Disabled and Elderly Health Programs Group

Center for Medicaid and CHIP Services

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Training Objectives

➢ Define fee-for-service (FFS) delivery models and pay-for-performance delivery models.

➢ Identify the differences between FFS and pay-for-performance in 1915(c) waivers.

➢ Review key considerations for states implementing pay-for-performance in a FFS environment.

Fee-For-Service (FFS) Delivery System

What is a FFS Delivery System?

➤ Home and Community-Based Services (HCBS) are often delivered in a FFS delivery system:[1]

- Providers are reimbursed for each service (e.g., a personal care service, respite, supported employment) based on a unit established for the delivery of that service (e.g., 15-minutes, per hour, per visit, per day).

➤ States may develop their payment rates based on:

- The costs of providing the service.

- A review of what commercial payers pay in the private market.

- A percentage of what Medicare pays for equivalent services.

Fee-For-Service (FFS) Delivery System (Continued)

What is a FFS Delivery System? (Continued)

➢ Payment rates are often updated based on specific trending factors, such as the Medicare Economic Index or a Medicaid-specific trend factor that uses a state-determined inflation adjustment rate (e.g., Bureau of Labor Statistics Consumer Price Index or state's Cost of Living Adjustment).

Pay-for-Performance

What does pay-for-performance mean in HCBS?

➢ In pay-for-performance arrangements, payment initiatives are aimed at improving the quality, efficiency, and overall value of health care. These initiatives provide incentives to providers to carry out improvements and achieve optimal outcomes for individuals in HCBS programs.[2] Penalties could also be applied if providers don't achieve those outcomes.

➢ Providers may be paid a fee schedule rate, but also may be eligible to receive an incentive payment based on specified events or some measurable criterion of performance, such as:[3]

- Milestones

- Outcomes

- Quality-related performance measures

- Other pre-specified criteria set by the state

Pay-for-Performance (Continued)

What does pay-for-performance achieve?

➢ Pay-for-performance improves efficiency, quality, and value of care by:

- Shifting the focus away from volume of care and incentivizing providers to improve coordination of care efforts.

- Using quality metrics to measure and improve quality of care.

- Reducing healthcare costs by reducing preventable visits and/or repeat visits to hospitals or institutions.

- Providing financial incentives to providers for meeting stated goals, desired outcomes and/or milestones (e.g., outcome based reimbursement).

➢ States can begin to move towards a more proactive, population-based service delivery system rather than reactive, individual-focused care.

Traditional FFS vs. Pay-for-Performance

Description	Traditional FFS	Pay-for-Performance
Goals of Program	Focuses on volume. Higher units of service equals higher revenue.	Focuses on achieving performance targets or incentives.
Use of Incentives	Typically excludes metrics of quality of service or value as part of the reimbursement.	Considers good performance or compliance as part of the payment.
Risk Arrangements	Encourages stand-alone providers.	Encourages partnerships to achieve goals or share risk.
State Oversight	States monitor using post-payment reviews but does not focus on goal achievement.	States focus on alignment of goals and oversight of reporting such achievements.

Relevance of Pay-for-Performance

➢ Ongoing trends in the healthcare marketplace are towards pay-for-performance and value-based purchasing arrangements.

State government budget pressures	• Fiscal pressures and budget cuts that require provider cost reductions.[4]
Market changes to meet state and Federal regulation updates	• New payment models are emerging that highlight value-based contracts offering incentives and shifting risk to providers. • There is an increased focus on integration, prevention, quality, and outcomes.[5]

Pay-for-Performance Design Process

Overview of the Design Process.[6]

➤ Step 1: Identify the state's need.

➤ Step 2: Design goals and incentives to address the need.

➤ Step 3: Implement the incentive plan for the program.

➤ Step 4: Realign goals based on stakeholder feedback.

➤ The pay-for-performance design process requires continuous collaboration and discussions between all stakeholders involved in the design and implementation.

Step 1: Identify State's Need

➢ The challenge is that home and community-based services (HCBS) are complex and states develop their own provider qualifications per defined services in each individual waiver.

➢ States can adopt pay-for-performance strategies in 1915(c) waivers to increase and enhance quality in service provision.

➢ States should determine areas where providers can be incentivized to perform better, and therefore be able to obtain cost savings. Suggestions to identify the state's need include:

- **Obtain input** from provider association groups and individuals.
- **Use claims data** and determine high-cost areas, services, populations, etc.
- **Review reports** from program integrity, quality improvement systems, provider enrollment data, cost reports, and/or individual satisfaction surveys.

Step 1: Identify State's Need (Continued 1)

➢ Example: Incentivizing case management entities to serve rural areas

- **Survey individuals and Case Management Agencies:** Families and individuals in rural areas confirm the closure of multiple case management agencies. Agencies admit that it is difficult, with existing rates, to attract case managers who will work in rural areas.

- **Review claims data:** The state noted that, across all waiver programs, case management services had the highest cost per individual and was used most often, regardless of population group. In rural areas, the cost was 90% lower than the rest of the state.

- **Review provider enrollment data:** The state noted that an increasing number of case management providers in rural areas did not renew their Medicaid provider agreement the subsequent year.

- **Cost Report Review:** Case management agencies report high transportation, benefit, and program support costs because the cost of living in rural areas of the state was higher.

Step 1: Identify State's Need (Continued 2)

➤ Example: Incentivizing employment opportunities for people with Intellectual/Developmental Disabilities (I/DD).

- **Survey individuals, families, and employment agencies:** Families and individuals confirm desire to obtain employment. Agencies report lack of financial resources to work with individuals and with local businesses to find jobs.

- **Review claims data:** The state noted that across all pre-vocational and supported employment programs they were only able to place individuals for less than one month in temporary positions.

- **Cost Report Review:** Supported employment agencies had incurred costs networking and working with local businesses and individuals to find employment opportunities.

Step 1: Identify State's Need (Continued 3)

➢ Example: Incentivizing community integration opportunities for people with Intellectual/Developmental Disabilities (I/DD).

- **Survey individuals, families, and case managers:** Individuals within the I/DD program expressed desire for more community involvement. The majority of individuals surveyed stated that the community integration opportunities were inadequate. Case managers stated that individuals need support locating more opportunities for long-term, independent integration.

- **Review of Claims Data:** Community integration service pays $20.00 / hour. Less than 10 percent of individuals in the waiver received community integration services.

Step 2: Design Goals and Incentives

➢ States should outline the overall goal(s) of the incentive program to remediate the identified need(s).

➢ Once a goal is determined, decide how the state will motivate providers to participate. Typically in a pay-for-performance system, states can either incentivize or dis-incentivize providers.

Example: Incentivizing Case Management Agencies to Serve Rural Areas

Goal	Incentive/Disincentive	Example
Increase number of case management agencies in rural areas.	Incentivize the creation of case management agencies in rural areas.	A case management agency that has more than 5 case managers serving a designated rural area will receive 5% of the monthly case management rate as incentive payment.
Limit the caseload per case manager.	Dis-incentivize any type of caseload that is greater than 25 cases per case manager.	A case management agency that reports a caseload per case manager of more than 25 will have a reduction of 5% of the case management rate.

Step 2: Design Goals and Incentives (Continued 1)

Example 2: Incentivizing Employment Opportunities for Individuals with Intellectual/Developmental Disabilities

Goal	Incentive / Disincentive	Example
Increase number of agencies that actively work with individuals and local businesses to place a person with I/DD in a competitive integrated employment offer.	Incentivize supported employment service agencies to obtain higher number of people with I/DD in competitive integrated employment.	Supported employment providers who secured minimum 20 hrs/ week positions with competitive wage for people with I/DD receives 25% higher incentive payment for time spent on job placement.
Limit number of job placements that are short-term, temporary placement.	Dis-incentivize job placements that are solely focused on temporary placement.	Supported employment providers must demonstrate that the individual was able to work at least 10 hrs/ week for 6 months or more to continue to maintain the 25% higher incentive payment for time spent on job placement.

Step 2: Design Goals and Incentives (Continued 2)

Example 3: Incentivizing Community Integration Opportunities for Individuals with Intellectual/Developmental Disabilities

Goal	Incentive / Disincentive	Example
Increase number of individuals receiving community integration services.	Remove disincentive inherent in the rates and create a monetary incentive to provide independent community integration.	Community integration provider agencies that were able to find a community integration opportunity and establish natural supports for the individuals (e.g., volunteering at a local church) will receive an add-on to the community integration rate of 50 percent once the individual spends 50% of their time in the community independently or with natural supports.
Limit the community integration activities that does not reflect individuals' needs or goals.	Dis-incentivize community integration opportunities that are solely focused on temporary placement.	The establishment of the natural supports will be part of the incentive payment calculation. If the satisfaction goal set by the state is not met, the community integration providers will not receive the incentive payment portion.

Step 2: Design Goals and Incentives (Continued 3)

➤ When designing a goal, states should consider:

- Is the goal achievable for most providers?

    − Provider incentives will not be used if providers recognize that the goal is unachievable.

- Is the incentive or disincentive sufficient to interest individuals and providers?

    − When choosing measures to dis-incentivize providers, consider the fiscal impact. If the impact is too low for the provider group, then they may choose to keep the status-quo and accept the punitive measure as a cost of doing business.

- Is the goal clear and measurable?

    − Goals and incentives must be clearly communicated to all stakeholders. Clear goals will assist the states and providers to determine how to measure success.

Step 2: Design Goals and Incentives (Continued 4)

- Is the goal sufficient to meet applicable Federal guidelines and standards?

  - For example, consider conflict of interest provisions when outlining provider role and service definitions. A job coach must be independent from person centered care planner/case manager.

  - Conflict of interest provision from 42 CFR 441.35 requires that the providers have no organizational or financial relationship.

Step 3: Implement Incentive Plan(s)

➢ States can integrate pay-for-performance into HCBS waivers through supplemental or enhanced payments.

- Supplemental or Enhanced Payments Definition: Any payment to a Medicaid provider that is in addition to the state's standard direct payment for services rendered to a Medicaid beneficiary and billed by a provider (per 1915(c) Technical Guide, pages 311-312).

➢ States must document the supplemental or enhanced payment arrangement in the 1915(c) HCBS waiver application, Appendix I-3-c.

➢ Payments still must meet requirements outlined in Section §1902(a)(30)(A) of the Social Security Act, which states, "payments for Medicaid services must be consistent with efficiency, economy, and quality of care."

Step 3: Implement Incentive Plan(s) (Continued 1)

Definitions of supplemental or enhanced payments.[8]

➢ Supplemental payments are payments that are made to providers as adjustments to interim payment rates based on performance or additional activities.

➢ Enhanced rate builds based on accomplishments of performance goals.

CMS encourages states to be creative when determining ways to use supplemental or enhanced payments.

Regardless of the methods and processes used, states must meet the 1915(c) Technical Guide requirements discussed in the previous slide.

Step 3: Implement Incentive Plan(s) (Continued 2)

➢ If supplemental or enhanced payments are used, states must be able to describe (per 1915(c) Technical Guide, pages 258-259):

- The nature of the supplemental or enhanced payments that are made and the waiver services for which these payments are made.

- The types of providers to which such payments are made.

- The source of the non-Federal share of the supplemental or enhanced payments.

- That providers eligible to receive supplemental or enhanced payment must be able to retain 100% of the total computable expenditure claimed by the Medicaid Agency to CMS.

- That the basis of such payment is transparent (i.e., it is clear to the public which providers should receive the additional payments and under what circumstances).

Step 3: Implement Incentive Plan(s) (Continued 3)

Ways states can measure the success of a goal.

➢ States can provide incentives based on measured improvements using quality measures selected to represent goals and objectives of the waiver.

➢ Using quality measures can:

- Support performance of activities that contribute to increased quality.

- Validate the processes states have adopted for their waiver application.

- Identify how well services are being received by individuals.

- Highlight benefits of adopting certain processes or standards known to improve care.

Step 3: Implement Incentive Plan(s) (Continued 4)

Ways states can measure the success of a goal (continued).

➢ States should consider the following when using quality measures:

- Measures may not be comprehensive and there may be other measures that need to be identified to understand the impact on a health outcome.

- Measures may need to be standardized to make comparisons across programs.

➢ Use additional data sources to measure the outcome. Examples are:

- Claims data submission (e.g., increase / decrease in utilization of services)
- Providers' internal reports
- Individual and family feedback
- Results of the internal post-payment reviews

Step 3: Implement Incentive Plan(s) (Continued 5)

Example of a state's enhanced payment for case management.

➢ One state is proposing to provide an enhanced rate for case management providers that meet waiver-specified requirements over a two year period.

➢ At the end of the two years, if the provider has been able to meet additional criteria, then the enhanced rate will be made permanent.

➢ Should the provider not maintain compliance, then payment will revert to the basic rate.

Step 3: Implement Incentive Plan(s) (Continued 6)

Example of a state's incentive-based payment plan for supported employment.

➢ Increasing number of states' waiver applications that set incentive-based rates to reimburse for supported employment services.

➢ One state pays for a supported employment service by setting a rate as "job placement".

- A job placement goal evidenced by an offer letter, email, documented phone call with the individual receiving services demonstrating that the individual has obtained competitive employment.

- State estimated the time spent on job placement through the historical experience to estimate reimbursement for the time and cost spent for job placement.

- State encourages job retention by paying an 'outcome' for specific timeframes of employment. Successful retention on the job must include evidence of working 10 hours a week for 6 months.

Step 3: Implement Incentive Plan(s) (Continued 7)

Example of a state's incentive-based payment plan for community integration.

➢ When reimbursing community integration services, the state will pay an additional 50% of the $20/hr hourly rate once the provider has reduced his/her number of service hours by 50% through the development of natural supports for community integration activities participated in by the individual ($30/hr).

- State requires documentation from the location where the individual will be part of the activity. State creates a standardized form to document participation (e.g., the agency must complete a form to document a volunteer activity with time stamps to account for attendance, signed off by volunteer organization).

- State requires that the community integration activity does not duplicate the individuals' current supported employment or pre-vocational goals.

- State conducts individual satisfaction surveys every quarter for the participants of the community integration program to determine whether the community integration activities occur, and if the activities meet the individuals' goals and needs

Step 3: Implement Incentive Plan(s) (Continued 8)

Example of a state's incentive-based payment plan for community integration. (Continued)

- A waiver participant receives 10 hours of community integration services per week. The provider works with the individual all 10 hours, therefore is reimbursed $20/hr, earning $200 for the week for that individual.

- The provider successfully links the participant with natural supports for 5 hours a week, and works directly with the individual the other 5 hours. The provider is reimbursed the enhanced rate of $30/hr for the 5 hours they spend with the individual, earning $150 for that individual.

- Because the participant is no longer dependent on the provider for 5 hours a week, the provider is now able to use that time to work with a second participant. The provider can therefore earn more at a potentially lower overall cost to the state.

Step 3: Implement Incentive Plan(s) (Continued 9)

Example of a state's incentive-based payment plan for community integration. (Continued)

	Hours w/ provider	Hours w/ natural supports	Rate	Cost to State	Provider Earnings
Participant One	10	0	$20	$200	$200
Participant Two	6	0	$20	$120	$0*
Total				$320	$200

*Participant Two receives services from another provider because the current provider is at capacity.

Enhanced Rate Structure

	Hours w/ provider	Hours w/ natural supports	Rate	Cost to State	Provider Earnings
Participant One	5	5	$30	$150	$150
Participant Two	3	3	$30	$90	$90
Total				$240	$240

Step 4: Realign Goals and Incentives

- ➢ Evaluate the program and continuously monitor performance.

  - States should explain clear expectations regarding the required outcome.

  - Criteria of receiving an incentive payment must be standard and not arbitrary. States should be able to obtain evidence to determine a successful outcome.

  - Include a detailed fiscal integrity structure to review the evidence submitted by the providers and verify the subsequent outcome.

    - For example, if the state incentivizes case management agencies that achieve a certain caseload ratio, verify that submitted evidence only include the population outlined in the incentive program.

- ➢ Discuss performance with stakeholders. Incentives and goals might require continuous adjustment for the long term.

- ➢ Continue to monitor the goals and incentives using available data.

Options for States Regarding Employment Services

➢ Using the core service definitions in the Employment Supports Informational Bulletin for group versus individual supported employment, states can establish higher rates to incentivize individual supported employment. https://downloads.cms.gov/cmsgov/archived-downloads/CMCSBulletins/downloads/CIB-9-16-11.pdf

➢ CMS requires fiscal integrity structures for all pay-for-performance rate methods that ensures a regular retrospective review of actual hours spent working with individuals to ensure that the estimates used to set payments remain accurate.

➢ **States are encouraged to innovate on various types of pay-for-performance to facilitate employment.**

➢ Refer to CMS' in-depth discussion of Supported Employment from 2015 NASUAD HCBS presentation: https://www.eiseverywhere.com/file_uploads/a3df4bf9a1ea1e4900c226dc6099f4bc_MediciadEmploymentOptionsandIncentives.pdf

Examples of Pay-for-Performance for Supported Employment

➢ **Example 1:** Outcome payment for "Discovery" or "Supported Employment Assessment Service and Report" as a single unit of service which is:

- Time-limited service

- Tangible outcome that shows the service was completed (e.g., a report, career plan).

➢ Payment must be based on the average amount of time it is expected to take to complete the service (based on actual data) and the cost per hour of service determined by the state.

- Example: 40 hours of service X $40/hour = $1,600 outcome payment.

Examples of Pay-for-Performance for Supported Employment (Continued 1)

➢ **Example 2:** Outcome payment for Job Development, Placement, Customized Employment Position as a single unit of service.

  - Time-limited service

  - Defined outcome that can be identified for payment (e.g., job obtained)

➢ Payment must be based on the average amount of time (based on actual data) it is expected to take to complete the service and the cost per hour of service determined by the state.

➢ Example: 50 hours of service X $40/hour = $2,000 outcome payment

Examples of Pay-for-Performance for Supported Employment (Continued 2)

➤ **Example 3:** Milestone payments in addition to fee-for-service to reimburse providers when certain employment outcomes are achieved.

➤ Types of milestones:

- Person secures job that is 20 or more hours per week

- Person achieves hourly wage that is 20% above state's minimum wage

- Person retains job for at least 6 months, then one year

➤ Payment must be based on fair estimate of effort (based on data) a provider must put in to produce these "above average" outcomes.

Examples of Pay-for-Performance for Supported Employment (Continued 3)

➢ **Example 4:** Payment per hour worked by the job coach.

- Must be based on average percentage of job coaching time necessary to enable person to retain employment (supported by data at outset and verified at intervals on on-going basis)

- Can have tiers based on acuity and average percentage can vary based on acuity.

- Fading (some decline in percentage) over time must be expected at each acuity tier as the individual develops proficiency at the job.

➢ Payment per hour worked by the job coach must consider the following:

- Reimbursement is verified for the hours the individual worked – not projected hours.

- The individual has the option to end service if s/he wants to work completely independently.

- Payment adjustment is required when a job coach works with multiple individuals in a job site.

Examples of Pay-for-Performance for Supported Employment (Continued 4)

➤ **Below examples are NOT considered pay-for-performance model.**

- Payment for a unit (e.g., 15 minutes; hour; day; month) where there is no expectation that any amount of service will be delivered by the job coach.

- Payment per hour worked by the supported employee if payment structure does not expect fading of paid supports over time.

Key Considerations

Key Considerations for Implementing Pay-for-Performance.

➢ Set performance incentives that take into account additional administrative costs.

➢ Build in sufficient time to discuss and obtain buy-in from the stakeholders.

➢ Conduct ongoing monitoring to ensure that access to care is not being restricted.

- States need to ensure that individuals are not being denied care by methods such as prescreening on the basis of a perceived likelihood of a lower performance score.

➢ Refine incentives through continuous analysis.

➢ Consider time and costs involved in creating system requirements for data collection.

Summary

➤ The goal of pay-for-performance is to improve care coordination, improve quality of care and reduce overall spending.

➤ Implementing pay-for-performance payments requires states to consider multiple items including whether the state and providers have the administrative infrastructure to properly analyze and monitor performance data.

➤ The switch from FFS care to integrated innovative value-based care is still fairly new and requires some experimentation and flexibility from both states and stakeholders, particularly for the HCBS population.

➤ Make sure that the methodologies are consistent with statutory requirements of section 1903(a)(30)(A).

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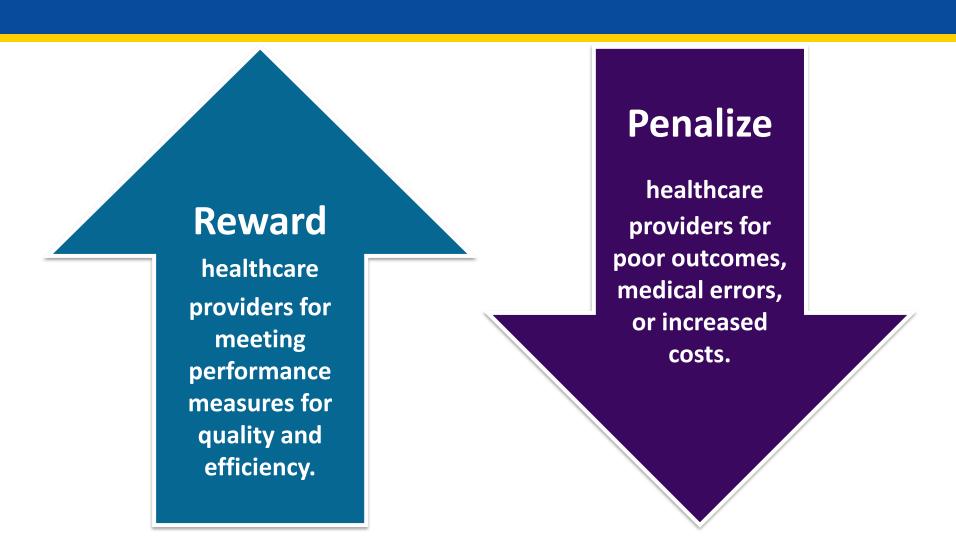
Additional Resources

➢ Copies of the HCBS Training Series – Webinars presented during SOTA calls are located in below link:
https://www.medicaid.gov/medicaid/hcbs/training/index.html.

Medicaid IAP

- Four-year commitment by the Centers for Medicare & Medicaid services (CMS) to build state capacity and accelerate ongoing innovation in Medicaid through targeted program support
- A Center for Medicare and Medicaid Innovation (CMMI)-funded program that is led by and lives in the Center for Medicaid and CHIP Services (CMCS)
- Supports states' and HHS delivery system reform efforts
  - The end goal for IAP is to increase the number of states moving towards delivery system reform across program priorities

Value-Based Payment (VBP)

Reward
healthcare providers for meeting performance measures for quality and efficiency.

Penalize
healthcare providers for poor outcomes, medical errors, or increased costs.

IAP Goals for the VBP for HCBS Track

Improve understanding of options for IQO for Medicaid community-based LTSS

Provide strategic planning support in developing an IQO work plan for Medicaid community-based LTSS

Increase state adoption of IQO strategies for Medicaid community-based LTSS programs

IQO: Incentivizing Quality and Outcomes

Overview of VBP for HCBS Program Support

- VBP for HCBS cohort has an emphasis on planning, designing and developing a VBP strategy for HCBS with two main objectives:

  - Building state knowledge and capacity to design a VBP strategy for HCBS

  - Moving states toward implementation of a VBP strategy for HCBS

- 11 month intensive technical support

- Content of program support customized to states' needs and may include:

VBP for HCBS Roadmap

1. Establish policy objectives and aim statement
2. Engage stakeholders
3. Develop a VBP strategy measurement system
    – Select HCBS outcomes/quality measures
    – Determine accountable entities
    – Identify target population and population attribution methods
4. Collect and analyze baseline data
5. Develop the financial model
6. Measure performance
7. Monitor and make adjustments

Lessons Learned

Focus on the member experience to define, measure and pay for quality

Other systems measure clinical quality and regulatory compliance

Develop a statewide payment reform approach

- (Versus allowing MCOs to develop their own)
- Reduces administrative burden for providers
- Aligns efforts around key values/metrics across the system

Collaborative stakeholder process

- Ongoing stakeholder input
- Design, implementation, reconsideration
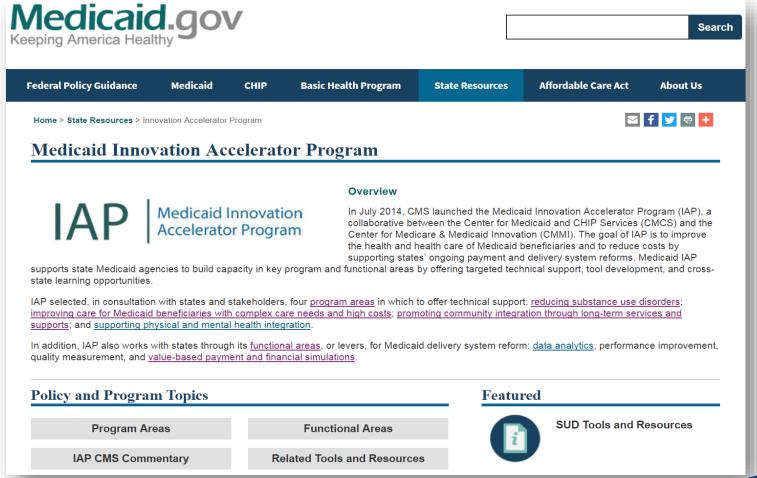
Iterative, developmental process

- Develop infrastructure, processes and capacity—set providers up for success (for improvement)
- Provide ongoing feedback to improve quality

Transparent

- Clear expectations, training and feedback to providers

For More Information Visit the Medicaid IAP Home Page

Questions & Answers

For Further Information

For questions contact:

HCBS@cms.hhs.gov