

## Appendix D

# Population Based Payments – Methodology and Settlement Impact

This appendix describes the high-level methodology for determining the Population Based Payment (PBP) for Track 1 and 2, and how the payment will be incorporated into the risk-sharing agreements for Track 2 Integrated Health Partnerships (IHPs). The monthly PBP is expected to be calculated and paid to the IHPs on a quarterly basis based on the number and risk of each IHP's attributed members. The payment level is expected to be adjusted each quarter to reflect increases or decreases in the number of members attributed to the IHP and changes to the relative risk and complexity of the attributed population.

### PBP Development and Calculation

In general, the per member per month PBP, which is paid quarterly, is intended to reflect the relative risk and complexity of each IHP's attributed population. If the population's risk or complexity is higher or lower than average, the PBP level would be expected to reflect these differentials. The average per member payment level is expected to incorporate adjustments for the population's relative risk as indicated by a diagnostic-based risk calculation methodology, along with additional adjustments to reflect the populations' relative social determinants of health. Although the PBP is intended to reflect changes in the population, the payment process is designed to be administratively efficient for the IHPs, DHS, and the participating Managed Care Organizations (MCOs).

### Performance Calculation

Track 1 IHPs, will also be provided with a Total Cost of Care (TCOC) performance calculation for informational purposes. The PBP will be added to the TCOC Per-Member-Per-Month (PMPM) for the respective measurement year when calculating the IHP's performance results. The calculation of the target and the initial performance year incorporating the PBP amount is shown in the examples on the following page.

Track 2 IHPs, the PBP will be added to the TCOC PMPM for the respective measurement year when calculating the IHP's performance results. The calculation of the target and the initial performance year incorporating the PBP amount is shown in the examples on the following page.

## Appendix D: Payment Mechanism Methodology

### IHP Settlement Calculation Example

<b>Base Period<sup>1</sup></b>	<b>IHP A</b>	<b>IHP B</b>	<b>IHP C</b>	
Members	15,000	10,000	12,000	
Months	168,000	112,000	134,400	
Claim Cap Adjusted PMPM <sup>2</sup>	\$360.00	\$410.00	\$450.00	a.
Base Period Risk Adjustment Factor	1.100	1.200	0.950	b.
Trend Factor (Illustrative)	103.0%	103.1%	103.2%	c.
Performance Target	\$370.80	\$422.71	\$464.40	d. = a. x c.
<b>Measurement Period</b>				
Members	15,750	10,200	12,360	
Months	176,400	114,240	138,432	e.
vs. Base Period	105.0%	102.0%	103.0%	
Measurement Period Cap Adjusted TCOC PMPM	\$375.00	\$443.00	\$475.00	f.
Average PBP	\$4.00	\$4.10	\$3.90	g.
Measurement Period TCOC Cap Adjusted PMPM with PBP	\$379.00	\$447.10	\$478.90	h. = f. + g.
vs. Base Period Claim Cap Adjusted PMPM	104.2%	108.0%	105.6%	i. = h. / a.
Measurement Period Risk Adjustment Factor	1.150	1.220	0.955	j.
vs. Base Period	104.5%	101.7%	100.5%	k. = j. / b.
Adjusted Target <sup>3</sup>	\$387.65	\$429.76	\$466.84	l. = k. x d.
vs. Measurement Period TCOC PMPM	96.7%	103.1%	101.7%	m. = f. / l.
Savings/Loss Threshold <sup>4</sup>	98.0%	102.0%	102.0%	
Shared Savings/Loss Percentage (without PBP)	-3.3%	3.1%	1.7%	n. = 1 - m.
Shared Savings/Loss Percentage (with PBP) <sup>5</sup>	-2.2%	4.0%	2.6%	o. = 1 - h. / l.
Shared Savings/Loss <sup>6</sup>	\$1,526,662	-\$1,981,474	\$0	p. = e. x l. x o.
Portion Paid to/by IHP	\$763,331	-\$990,737	\$0	q. = 50% x p.

#### Notes:

1. Base Period represents the attributed membership and claim expenses for the year preceding the first contract year of the three year cycle
2. Claim expenses above a contracted threshold (\$200K, \$100K, etc.) are removed from the performance analysis
3. Target adjusted to reflect the change in risk from the base period to the measurement period
4. Savings or losses must meet a 2% threshold prior to any gain/loss share
5. Although the PBP is not included when the performance threshold is tested, the PBP is added to the TCOC during the shared savings/loss calculation
6. There are no shared savings or losses if savings/loss percentage (without PBP) is within the 2% threshold