TO: GMCB
FROM: Pat Jones
DATE: December 12, 2016
RE: Changes to the Commercial ACO Shared Savings Program Pilot Standards

The Green Mountain Care Board (GMCB) last approved changes to the Commercial ACO Pilot Standards in November 2015. GMCB and DVHA staff, working with ACO Shared Savings Program (SSP) Operations Group members, have identified potential updates to the Standards for Year 3. This memo describes those changes for GMCB review and approval.

1. Year 3 Payment Methodology

In 2016, the Operations Group considered and ultimately endorsed a revised payment methodology for Year 3. The modified methodology, proposed by BCBSVT and OneCare and supported by all the ACOs, starts with each ACO's Year 1 experience and trends it forward to Year 3, resulting in a medical expense expected spending target that is informed by each ACO's own historical experience rather than by GMCB-approved Exchange premiums. The proposed Year 3 methodology makes two adjustments to the target:

- The first adjustment is for demographics (age and gender of each ACO's population in Year 1 compared to age and gender of each ACO's population in Year 3).
- The second adjustment is to reflect the benefit plans selected by individuals enrolled in each ACO, and changes to these selection patterns from Year 1 to Year 3.

This approach differs from the Year 1 and 2 methodology in two important ways. First, ACO expected spending targets were previously developed using the GMCB-approved Exchange premium and then risk adjusted based on the individual ACO's attributed population. With two full years of pilot experience upon which to base the Year 3 target, BCBSVT advocated shifting to a Year 3 payment method that uses each ACO's own historical experience as the basis for determining the expected spending target. Second, the Year 3 methodology uses demographic rather than clinical risk factors for adjusting ACO expected spending. BCBSVT and the ACOs felt that this alternative approach would provide the ACOs with more timely calculated values of expected spending targets.

To reflect this revised payment methodology for Year 3, the Operations Group recommends the following additions to the Standards in Section VI, "Calculation of ACO Financial Performance and Distribution of Shared Risk Payments:"

For Year 3, the expected PMPM medical expense spending shall be calculated by:

1. ***Using the medical allowed claims incurred for each Exchange-offered product;***
    a. ***Medical allowed claims do not include retail pharmacy claims or claims allowed under separate non-medical dental or vision benefits.***
2. ***Splitting medical allowed claims based on actual ACO experience (using attribution information for Year 1);***
3. ***Calculating a unit cost trend for each ACO, using actual hospital budget increases approved by the GMCB;***
4. ***Excluding high-cost outliers (claim amounts exceeding $250,000);***
5. ***As in Years 1 and 2, adjusting (consistently across all ACOs) claims for other rating factors (including demographics, health status of the newly insured, pool morbidity, Blueprint payments, etc.); and***
6. ***Adjusting to account for***
    a. ***Changes in demographic scores from the base period to the performance year, using factors in the Society of Actuaries (SOA) Health Care Costs – From Birth to Death report[1]***

[1] "Health Care Costs – From Birth to Death Report," Society of Actuaries, June 2013. Click here to access.

b. Changes in benefit mix from the base period to the performance year, using the HHS induced utilization factors.

And:

"For Year 3, PMPM medical expense spending shall be defined to include all allowed medical claim charges for ACO-responsible services as defined above.

PMPM medical expense spending shall then be adjusted as follows:

- ***truncation of claims for high-cost patient outliers whose annual claims value exceed $250,000."***

And:

- ***"For Year 3, since expected and actual claims are based on allowed charges, the insurer-specific savings shall be multiplied by the actual paid-to-allowed ratio for each ACO."***

This section would also incorporate by reference a 9-14-16 memo prepared by Blue Cross Blue Shield of Vermont, which provides a detailed description of the calculation of expected and targeted PMPM medical expense under the new Year 3 methodology.

2. Year 3 Truncation of Claims for High-Cost Patient Outliers

In Spring 2016, the Operations Group unanimously endorsed modification of the high-cost outlier truncation point definition for Year 3 of the ACO pilot. An analysis of historical medical expense data by OneCare Vermont showed that the 99.9th percentile equated to $239,000, which is a truncation point above the 99.0th percentile method used by Medicare (and by DVHA). The Operations Group concluded that removing too many high cost members removes the ACOs' incentive to manage costs that are amenable to management, and supported raising the truncation point for high-cost members from $125,000 to $250,000. The language below reflects this change:

"For Years 1 and 2, *medical* ***expense*** *spending shall be defined to include all paid claims for ACO-responsible services as defined above.*

PMPM medical expense spending shall then be adjusted as follows…

- *truncation of claims for high-cost patient outliers whose annual claims value exceed $125,000 …*

For Year 3, PMPM medical expense spending shall be defined to include all allowed medical claim charges for ACO-responsible services as defined above.

PMPM medical expense spending shall then be adjusted as follows:

- ***truncation of claims for high-cost patient outliers whose annual claims value exceed $250,000."***

3. Methodology for Distribution of Shared Savings – Insurer Loss on Exchange Business

During the November 28, 2016 ACO SSP Operations Group meeting, BCBSVT proposed and the ACOs subsequently supported the following clarification that BCBSVT would not be required to distribute shared savings earned by the ACOs if BCBSVT realizes a loss on its Exchange business resulting in overall Qualified Health Plan (QHP) business allowable costs above the target amount set by the ACA Risk Corridor program:

- ***"An insurer will not be obligated to distribute shared savings if the insurer realizes a loss on its Exchange business where overall Qualified Health Plan business allowable costs are above the target amount set by the ACA Risk Corridor program."***

4. Methodology for Distribution of Shared Savings – Treatment of Measure Core-12 (Rate of Hospitalization for Ambulatory Care-Sensitive Conditions)

When reviewing data on measure Core-12 (Rate of Hospitalization for Ambulatory Care-Sensitive Conditions) during 2016, the Operations Group determined that the measure's numerators were so low that it would be virtually impossible to demonstrate the statistically significant improvement needed to earn three points for this measure. The Operations Group unanimously supported a proposal by the Office of the Health Care Advocate to have a maximum of two points for this measure (the ACO would receive 2 points if performance stayed statistically the same over time, and 0 points if performance statistically significantly declined).

"Methodology for distribution of shared savings: *Compare the ACO's performance on the payment measures (see Table 1 below for an example) to the HEDIS PPO national percentile benchmark and assign 1, 2 or 3 points based on whether the ACO is at the national 25th, 50th or 75th percentile for the measure.*

- ***An exception to this methodology will be the treatment of measure Core-12 (Rate of Hospitalization for Ambulatory Care-Sensitive Conditions) due to its lack of a HEDIS benchmark. For Core-12, a 2-point scoring approach shall apply to the Year 2 distribution of shared savings calculation. If the ACO's performance for Core-12 stays statistically significantly the same from one performance year to the next, the ACO will receive 2 points, and if the ACO's performance declines in a statistically significant manner from one performance year to the next, the ACO will receive 0 points."***

5. Quality Measure and Benchmark Updates

GMCB staff updated "Table 1. Core Measures for Payment in Year Three of the Commercial Pilot" to incorporate the 2016 HEDIS® Benchmarks, in accordance with the guidance provided in the Standards that "calculations will be performed annually using the most currently available HEDIS benchmark data at the time final shared savings calculations are performed."

In addition, Table 1 has been updated to reflect that Core-39 (Controlling High Blood Pressure) has replaced the former Core-3 (Cholesterol Management for Patients with Cardiovascular Conditions). A footnote has been added to indicate that a HEDIS® 2014 National Commercial Benchmark has served as the benchmark for Core-39 during Years 2 and 3 of the ACO Commercial Shared Savings Pilot.

6. Additional Clarifications

GMCB staff, in consultation with the Operations Group, made the following additional clarifications to the Standards.

- **ACO-responsible services used to define expected spending exclude vision benefits (in addition to excluding retail prescription medications and dental benefits).** The Standards would be clarified accordingly as follows:

  "The ACO-responsible services used to define expected spending shall include all covered services except for:
  - *prescription (retail) medications; and*
  - *dental benefits,* ***and***
  - ***vision benefits****."*

- **GMCB staff propose clarifying that the GMCB will not publicly report the results of payment measures with a denominator less than 30.** The Standards are clarified accordingly as follows:

  "For purposes of calculations pertaining to the distribution of any shared savings payment, an ACO's performance on a payment measure will be excluded from the calculation in those instances in which the ACO's denominator for that payment measure is less than 30. ~~*For purposes of public reporting of the ACO's small denominator and its significance will accompany*~~ ***The GMCB will not*** *report*~~*ing of*~~ *any payment measure with a denominator less than 30."*

- **The 'ladder' for distribution of any shared savings will remain the same for all three years of the Commercial Pilot.** As a result, the GMCB staff propose revising the title of Table 2 as follows:

Table 2. Distribution of Shared Savings in Years One**, Two and Three** of Commercial Pilot

% of eligible points	% of earned savings
55%	75%
60%	80%
65%	85%
70%	90%
75%	95%
80%	100%