



Status of Standardized Gain Sharing Method

Background: The P4P Payment and Steering Committees have agreed that there is value in developing and recommending a standardized gain sharing payment methodology. This methodology would apply to the Appropriate Resource Use measures starting in MY 2009, and potentially to efficiency measures should they be added to the P4P measure set in MY 2010 or beyond. The MY 2009 Appropriate Resource Use measures are listed below, and specifications are available in the MY 2009 P4P Manual.

- Inpatient Readmission Within 30 Days
- Inpatient Utilization—Acute Care Discharges or Bed Days
- Outpatient Surgeries Utilization—% Done in ASC
- Emergency Department Visits
- Generic Prescribing

IHA polled the plans for the methodology they are currently using on their utilization incentive programs, and the Payment Committee selected and further developed the target utilization approach.

Recommended Methodology

The table below summarizes key features of the target utilization approach.

Is target a ppm or benchmark?		Units of service measurement established for each metric
Is target for all services, or specific services?		Specific measures (Inpatient, Outpatient, ED, Generic Rx)
Any services excluded from target?		Certain inpatient bed day categories are excluded and LOS beyond certain number of days are trimmed
How is target developed?		Plan establishes actual prior year performance and calculates actual cost per unit of service. If measurement year performance is better than prior year, PO gets paid a percentage of the savings
Adjustments for Patient Mix?		Not done; because performance is based on "self-improvement" there is no harm unless a significant patient change occurs.
Any adjustments for PO's relative performance?		Yes, Percent of savings shared varies depending upon PO's relative statewide performance
Is PO financially responsible for any expenses above targets?		No

- Thomson Reuters Healthcare (Thomson) will run the utilization rates for each measure for each plan and provide unadjusted results to the plan.
- Each health plan will determine total actual payments associated with the particular services being measured for the baseline year, and calculate a unit cost for each service for each PO.

- This unit cost will be multiplied by the number of units saved in the subsequent year determine the amount of savings.
- Thomson will also calculate an aggregated, risk adjusted rate for each PO to determine its statewide (* or regional, if possible) performance.
- Savings would be shared between the health plan, PO, and premium trend reduction, based on the PO's relative statewide performance, as follows:

PO's aggregated, risk-adjusted score	PO portion of savings	Health Plan portion of savings	Premium reduction portion of savings
Top quartile statewide*	50	25	25
50 th to 74 th percentile statewide*	40	30	30
25 th to 49 th percentile statewide*	30	35	35
Bottom quartile statewide*	20	40	40

- In order to ensure savings for one metric is not offset by "backsliding" in another metric, to qualify for any savings payment, a PO's performance cannot statistically significantly decrease for any metric.

Notes:

1. Units of service are used and not cost PTMY because price increases are not in the control of most POs, whereas utilization is.
2. Since gain sharing arrangements are usually contractual, health plans may not be able to adopt the standard methodology for MY 2009 and may need a few years to fully implement the methodology.
3. This gain sharing would not apply to self insured business since savings already accrues to the purchaser.
4. There will not be public reporting of results.

Example

A PO has an unadjusted ED utilization rate of 150 visits PTMY for MY 2008
 The health plan determines the total actual cost and calculates the PO's average cost to be \$600 per unit
 The PO reduces it ED utilization rate to 135 visits PTMY for MY 2009
 15 units saved x \$600 per unit x 25,000 member years = \$225,000 saved
 The PO's risk adjusted MY 2009 performance falls in the 51st percentile
 The PO earns 40% of the savings (= \$90,000) and the remaining money is split between the health plan savings and premium reduction