Performance Measurement Work Group Meeting

3/18/2020

Agenda

1. Welcome and introductions
2. Potentially Avoidable Utilization (PAU)
   a. RY 2021 Preliminary Results
      □ Report update:
         □ Out of State
         □ National Adjustment
         □ IP added
      □ RY 2021 Revenue Adjustments

RY2021 Performance Reporting

PAU Summary Report updated

- ▶ Reflects stakeholder comments at last PMWG
  - ▶ PQI performance displayed for both IP and IP/OBS24+
- ▶ Full Year (does not need to be annualized)
  - ▶ Attributed Population
  - ▶ PQI 90 Expected: Expected PQIs based on national norms applied to attributed population (age and gender)
- ▶ YTD Observed
  - ▶ Attributed PQI 90
- ▶ Annualized Observed
  - ▶ Divide by months of performance and multiply by 12 to annualize
  - ▶ Attributed population and expected values are for the full 12 months

PAU Summary Report (con't)

▶ Unadjusted per capita = Annualized Observed / Population x 1000
▶ Risk Adjusted rates = Annualized Observed / Expected x **National Constant** from AHRQ
    ▶ 12.0039
    ▶ Previously, we used the statewide per capita rate to calculate the risk adjusted values.

Out of State Adjustment

▶ Case-mix data captures PQIs that occur in state

▶ Out of State PQIs estimated based on observed Medicare out of state PQIs (CCLF)

▶ Approximate out-of-state All-Payer PQIs via:

  ▶ Observed out-of-state Medicare PQIs (CCLF)

  ▶ Ratio of In-State All-Payer PQIs/In-State Medicare PQIs

$$\frac{x}{OOS\ Medicare\ PQIs\ (CCLF)} = \frac{IS\ AllPayer\ PQIs}{IS\ Medicare\ PQIs}$$

  where x = OOS AllPayer PQIs (Approximated)

  ▶ Annualize based on months of Medicare data

  ▶ Increase Observed PQIs by approx. OOS AllPayer PQIs

PAU Performance for Hospital Scaling

▶ **Avoidable Admissions**
- ▶ Weighted combination of PQI 90 Risk adjusted rate with out of state adjustment and PDI 90 Risk adjusted rate

▶ **PAU Readmissions**
- ▶ Estimated revenue associated with non-PQI sending readmissions
- ▶ The average cost of an intrahospital readmission at each hospital was calculated and applied to the total number of sending 30 day readmissions to calculate the estimated readmissions revenue value.

RY2021 Preliminary PAU Savings Adjustment

RY2021 Adjustment

▶ Percent Reduction

    ▶ As last year, do not provide update factor inflation to PAU revenue

▶ **New**: Exclude dollars associated with categorical exclusions to align with Innovation policy

Preliminary RY2021 PAU Savings Calculation: Savings Tab

Calculation of Statewide Reduction	Formulas	
RY20 Total Approved Permanent Revenue	A	17,695,722,212
RY21 Inflation Factor + Volume	B	2.72%
Total Experienced PAU $ CY 2019	C	1,862,217,148
Proposed Required Revenue Reduction $	D = B*C	-$50,652,306
Proposed Required Revenue Reduction %	**E=round(D/A,4)**	**-0.29%**
Adjusted Proposed Required Revenue Reduction	**F = E*A**	**$51,317,594**
Total PAU %	G	10.48%
Total PAU $	H=A*G	$1,855,384,463
Required Percent Reduction PAU	I = F/H	-2.77%

Removes categorical exclusion

Domains

▶ Weighting of avoidable admissions and PAU readmissions reductions based on statewide revenue values

▶ Revenue not used to calculate hospital-specific performance

Table 2: Calculation of PAU Savings Domain Weights	PAU Revenue	% PAU Revenue Domain Weights	Required PAU Reduction (%)	Required PAU Reduction ($)
Avoidable Admissions (PQIs and PDIs)	$807,687,806	43.37%	-0.13%	-$22,257,660
Readmissions	$1,054,529,343	56.63%	-0.16%	-$29,059,935
Total	$1,862,217,148	100.00%	-0.29%	-$51,317,594

Savings %   Savings $

Hospital PAU Savings Tab

▶ Column E: Scales statewide avoidable admission PAU reduction of -0.13% based on hospital's performance compared to statewide value of 13.2

  ▶ A hospital with a score of 26 around double the statewide score of 13.2, so the reduction is -0.25%, about double the statewide avoidable admission reduction

▶ Column F: Apply adjustment to permanent revenue

▶ Column G: Normalizes to ensure that Avoidable Admission reduction is equal to required reduction

▶ Same process is repeated for PAU readmissions (columns H through K)

Appendix. Benefits of PAU in Market Shift

Benefits of a PAU Service Line in Market Shift

▶ One of the principal incentives of global budgets is to reduce potentially avoidable utilization (PAU).
  - ▶ Prevention Quality Indicators (PQIs) and Pediatric Quality Indicators (PDIs) – avoidable admissions as defined by Agency for Healthcare Research and Quality (AHRQ)
  - ▶ Readmissions – 30 day all cause, all payer readmissions defined similarly to the RRIP program

▶ In addition to being able to increase charges as PAU declines, which offers a one time benefit to a hospital's margin (should costs actually decline concurrently), hospitals can also permanently improve margins by reducing PAU because it is excluded from the market shift methodology.
  - ▶ Global budget volumes are adjusted for reductions in PAU, which effectively increases corridors and further incentivizes reductions in PAU.

Benefits of a PAU Service Line in Market Shift (con't)

▶ **Market shift methodology includes a grouping of PQIs, PDIs, and Readmissions (PAU Service Line) to purposely omit these volumes from market shift calculation**

  ▶ Identifying volumes as PAU within market shift allows hospitals on a permanent basis to keep 100 percent of the revenue associated with successfully reducing avoidable utilization

  ▶ If PAU was not defined in market shift, volumes associated with PQIs, PDIs, and Readmissions would potentially be perceived as a shift from one hospital to another, thereby eliminating the strong incentive to reduce PAU

    ▶ Hospitals that reduce PAU that is quantified as a shift to another hospital would lose 50% of the revenue associated with this volume, i.e. the variable costs.

    ▶ Hospitals that increase PAU that is quantified as a shift from another hospital would gain 50% of the revenue associated with this volume, i.e. the variable costs.

Benefits of a PAU Service Line in Market Shift Example

		A	B	C=B-A	D	E	F=E*(D*50% VCF)	G=F-(C*(D*50% VCF))	H=Lesser of Growth/ Decline	I=H*(D*50% VCF)	J=I-(C*(D*50% VCF))
		Base Year - PAU ECMADS	Performance Year - PAU ECMADS	Growth	Average Charge	Current MS (Omits PAU)	Current MS (Omits PAU)	Change to Margin w Current MS (Assuming 50% Variable Costs Removed)	MS (Does Not Omit PAU)	MS(Does Not Omit PAU)	Change to Margin w no PAU MS (Assuming 50% Variable Costs Removed)
PAU Disincentivized in Market Shift	Hospital A West Balt.	100	70	-30	$10,000	0	$0	$150,000	-20	($100,000)	$50,000
	Hospital B West Balt.	200	220	20	$10,000	0	$0	($100,000)	20	$100,000	$0
PAU NOT Disincentivized in Market Shift	Hospital A West Balt.	100	70	-30	$10,000	0	$0	$150,000	-30	($150,000)	$0
	Hospital B West Balt.	200	230	30	$10,000	0	$0	($150,000)	30	$150,000	$0

Next Work Group Meeting

Next PMWG meeting is scheduled for **Wednesday, April 15**