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Overview

In April 2014, New York State finalized the terms and conditions of the Medicaid 1115 Waiver, which allows the state to reinvest approximately \$8 billion generated in savings from the Medicaid Redesign Team (MRT) reforms across a five-year period. Part of these efforts is the Delivery System Reform Incentive Payment (DSRIP) program, which allows providers to come together and collaborate via transformative projects to improve the quality of care, while lowering costs and increasing patient satisfaction. The mix of provider types in the New York State waiver include: primary care physicians, specialty care physicians, hospital facilities, skilled nursing facilities, health homes, behavioral health and substance abuse providers, pharmacies, federally qualified health centers (FQHCs), clinics, community based organizations (CBOs), hospices, and other provider types that impact the overall health and well-being of Medicaid members. In order to participate in this program and be eligible to earn DSRIP dollars, providers had to join at least one Performing Provider System (PPS), which is a group of entities that must collaborate together to successfully perform DSRIP projects.



According to the terms and conditions of the waiver, each PPS had to have a designated lead entity within the defined region. This lead entity would then become the governing body for the PPS and be responsible for activities such as reporting to the state on a quarterly basis and distributing funds to the participating providers in the PPS network. Since DSRIP dollars are not meant to replace any revenue stream for organizations -- instead supplement transformation opportunities -- it has become essential to develop a contracting and funds flow methodology that aligns well with ultimate value-based payment (VBP) and managed care organization (MCO) goals to ensure sustainability of the PPS beyond DSRIP years.

Performance-Based Contracting Process and Funds Flow Methodology Best Practices

Lead entities have been tasked with the important and complex process of developing an equitable approach to funds flow from the PPS lead to providers. The state of New York has provided limited guidance in regards to contracting processes and funds flow methodologies in an effort to allow each PPS to maintain autonomy in this process. The state has only maintained specific rules around the percentage of funds that may be distributed to safety net providers (up to 95% of total funds received by the PPS) and non-safety net providers (no more than 5% of total funds). This allows each PPS to determine the percentage of total funds per demonstration year (DY) that will be set aside specifically for provider payments within these boundaries.

COPE Health Solutions has worked with some of the largest PPSs in New York state to develop a phased approach to performance-based contracting and funds flow methodology that will allow the lead entities to begin distributing funds to its providers. The contracting process and funds flow methodology developed for these PPSs have been tailored to the needs of each region but all have incorporated certain elements that have developed as best practices, which include:

1. A phased approach to contracting and funds flow to providers
2. A base contract
3. A network refinement process
4. An allocation formula that is equitable and data-driven
5. Metrics developed specifically for providers

The integration of information technology, project management, legal, and communications departments/staff throughout the entire process has been key to the continued success of these PPSs.

1. Contracting and Funds Flow in Phases

Establishing contracts with a provider network of sometimes more than 600 separate entities and developing an equitable funds flow methodology from PPS to providers is a unique concept to the New York State waiver. Phases are essential to the overall contracting and funds flow process in order to ensure timely distribution of funds to providers while refining the process. PPS lead entities benefit from this approach that allows them to further develop concepts and refine processes and methodologies as more information becomes available from the state and Centers for Medicaid and Medicare Services (CMS). PPS leads can use this phased approach to continue learning about what does and doesn't work for the particular region and mix of providers to ensure that the overall concepts continue to improve and providers are satisfied with the approach. Performance periods are also developed within each phase to allow lead entities to identify the immediate and future needs of the PPS for inclusion in the overall contracting process.

2. Develop a Base Contract

The governance authority of the lead entities that ensures participating providers are each accountable to contribute to the success of the PPS as a whole is another very unique component of the New York State 1115 Waiver when compared to those in other states. A base contract with the overarching requirements to reach the goals of DSRIP was developed unique to the PPS in order to ensure this level of accountability and develop a framework for funds flow. These base contracts should be firm but still flexible enough to allow changes that may arise due to the nature of DSRIP. Separate addendums, exhibits, or attachments can be included to further define specific requirements unique to the PPS and/or providers.

3. Further Define and Refine the Provider Network

Understanding the attested PPS network is vital in the contracting and funds flow process in order to reduce the risk of missing goals, and to ease the overall contracting process. In order to avoid developing contracts for every single participating entity and individual physician, being able to define relationships between entities and providers belonging to the same parent organization is crucial. Lead entities can develop groupings for participating providers to reduce the number of contracts that must be signed and allows both, lead entity and providers, to focus their contracting and funds flow efforts on other steps. The administrative burden on the lead entity and providers is also reduced when network relationships can be defined. Lead entities developed data requests and made it a requirement for participation in the initial contracting phase to capture the information that would allow lead entities to better define the PPS network.

4. Develop an Equitable and Data-Driven Allocation Methodology

In order to flow funds to providers, lead entities must develop an equitable and data-driven approach to allocate dollars per provider. Data that does not favor one provider type over the other and is easily accessible publicly in the same format across different organizations and provider types is not very common; therefore, the initial phase of contracting and funds flow included attribution as a variable using data provided directly from the state to develop an allocation formula. Using attribution as a variable in the equation accounts for provider size and potential impact to the overall performance of the PPS. Provider project selections (aligned with the state provided index scores for these projects) was the other major contributor to the allocation formula in the first phase. As the next phase is developed, the allocation formula will be further aligned with specific performance and outcome goals per provider type for projects and overall DSRIP goals.

5. Provider-Specific Metrics

Developing provider-specific metrics that lay out the process framework for providers in order to meet the overall goals of DSRIP as a PPS is an essential component of performance-based contracting and funds flow process. A menu of engagement, reporting, and performance metrics were developed specific to the PPS DSRIP goals and requirements per performance period that providers must achieve in order to receive funds from the PPS. Providers were assigned metrics based on their specific provider type and project participation to ensure alignment with provider roles. These metrics each have a value assigned based on the final PPS specific funds flow allocation methodology decisions made by each lead entity. Process mapping is a very important step in metric development as the next phases of contracting and funds flow ensue in order to better understand the processes and goals required of individual providers within the PPS to meet the five-year goals of DSRIP.

Next Steps

As discussed, lead entities continue to refine the contracting process and funds flow methodology in each PPS. The next phase is expected to include more defined metrics and specific project contributing factor variables for process and outcomes in the allocation formula. This will provide a more equitable approach for all providers across the care continuum and continue to prepare the PPS as the transition to VBP contracting continues to develop. A key factor in future phases will also be alignment with MCO contracting to ensure that providers are focusing efforts on best practices for more cost savings. Meanwhile, each PPS will continue to better understand its network and identify gaps to ensure successful transformation. Ultimately, the goal of contracting and funds flow is to incentivize providers willing to collaborate and transform healthcare together to achieve the Triple Aim of improved population health, cost savings, and higher patient satisfaction.

About COPE Health Solutions

COPE Health Solutions has extensive experience in 1115 Medicaid Waivers and DSRIP, from planning stages to implementation of projects and development of successful contracting and funds flow strategies. We can assist your organization develop a successful DSRIP strategy to ensure success and integration with the changes to the VBP environment. Our team is well positioned to assist your organization develop and implement best practices in managed care, population health management, Medicaid redesign and Medicaid waivers.

For more information about how COPE Health Solutions is helping clients across New York State develop and execute successful contracting and funds flow strategies that align with the shift to VBP contracts, please contact: dsrip@copehealthsolutions.org.

