Med-QUEST Division, DHS

Medicaid Hospital Global Budgets

Aligning Incentives +
Connecting the dots to AHEAD and RHTP

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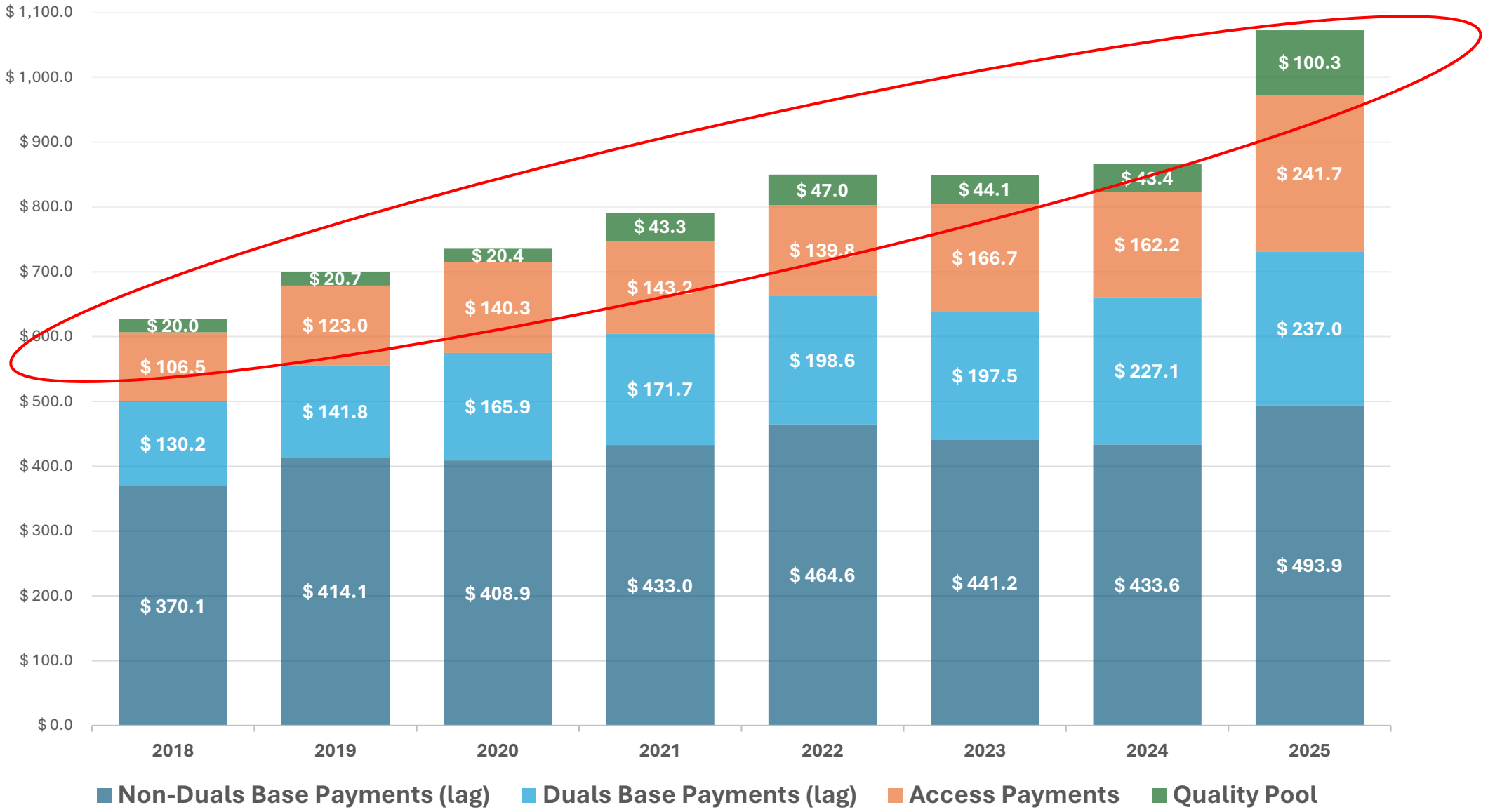
Interim Deputy Director, Med-QUEST Division

Medicaid Payments to Private Hospitals (2018-2025)

Med-QUEST Division, DHS



Current Model (2025 Approximates)

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68.1%

Inpatient/Outpatient Utilization ($731M)

+

22.6%

Access Payments ($242M)

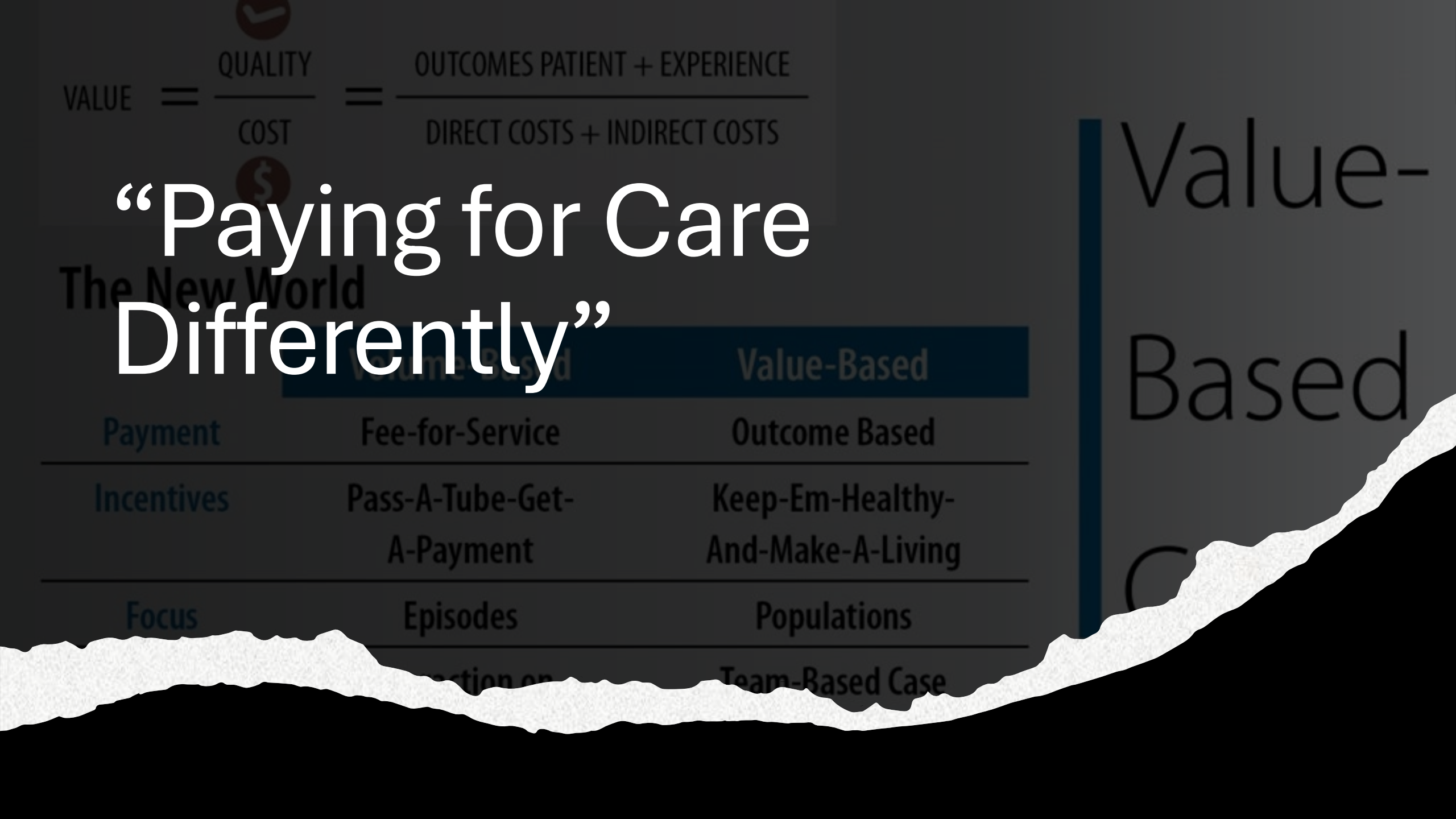
+

9.3%

Quality Pay for Performance ($100M)

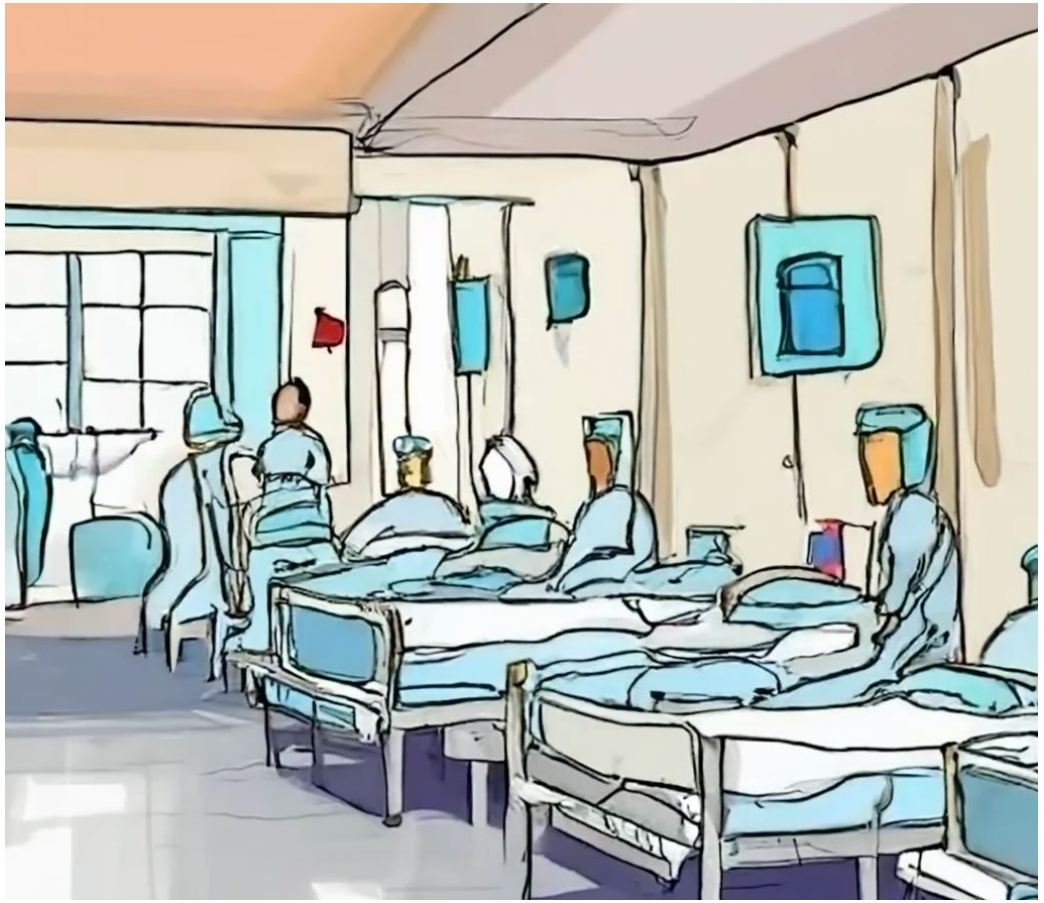
=

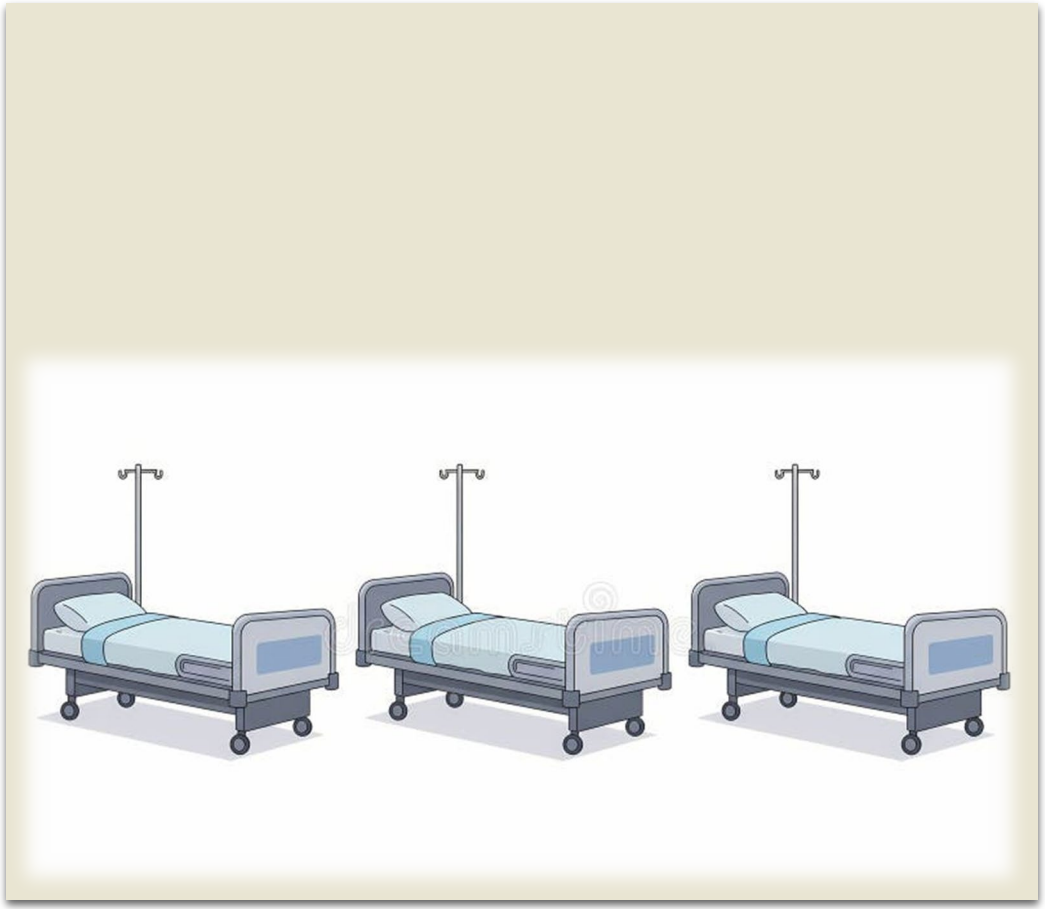
Total Payments ($1.1B)



“Paying for Care Differently”

Current Model





The current model continues to reward volume.

Phase I: Quality as a major revenue stream

Med-QUEST Division, DHS

The Med-QUEST Hospital Quality Program

Critical now, essential under Hospital Global Budgets, AHEAD and RHTP

2025 P4P Pool

$100,290,002

$20,058,000 (20%)	Reducing re-admissions
$20,058,000 (20%)	Decreasing ED visits among high frequency users
$51,679,215 (51.5%)	HRSN data collection and reporting, REaL data collection, Health Equity work
$10,029,000 (10%)	Perinatal Quality

Med-QUEST Division, DHS

Med-QUEST Division, DHS

“Paying for Care Differently” or “Rewarding Value/Quality over Volume”

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Reducing Re-Admissions

$20,058,000 (20%)

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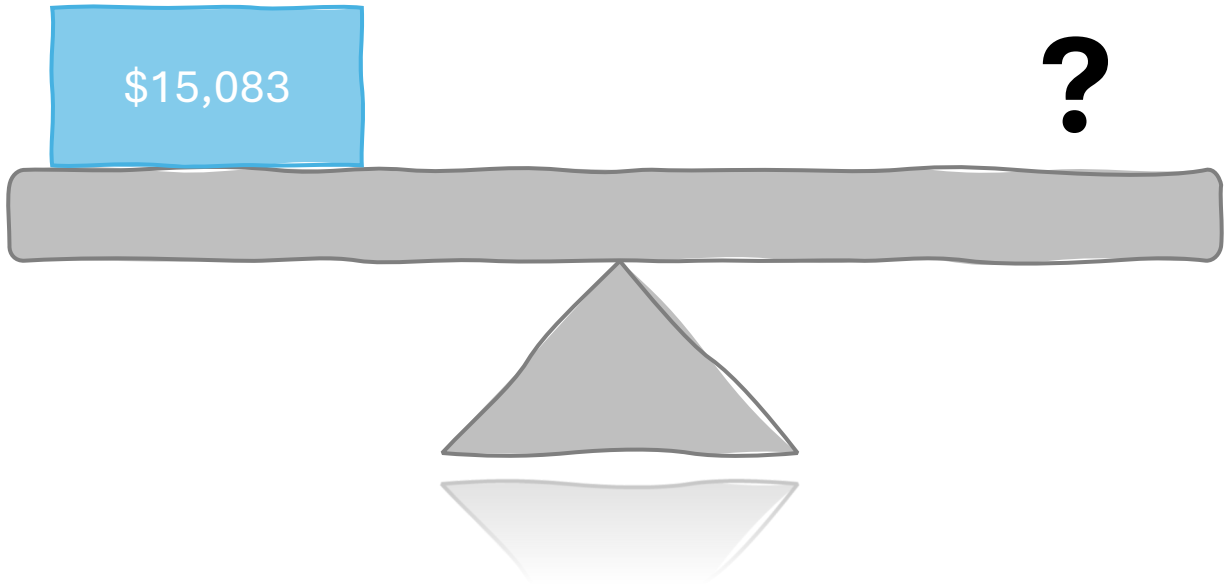
Avg revenue per re-admission

Earning per re-admission avoided



Med-QUEST Division, DHS

Avg revenue per re-admission

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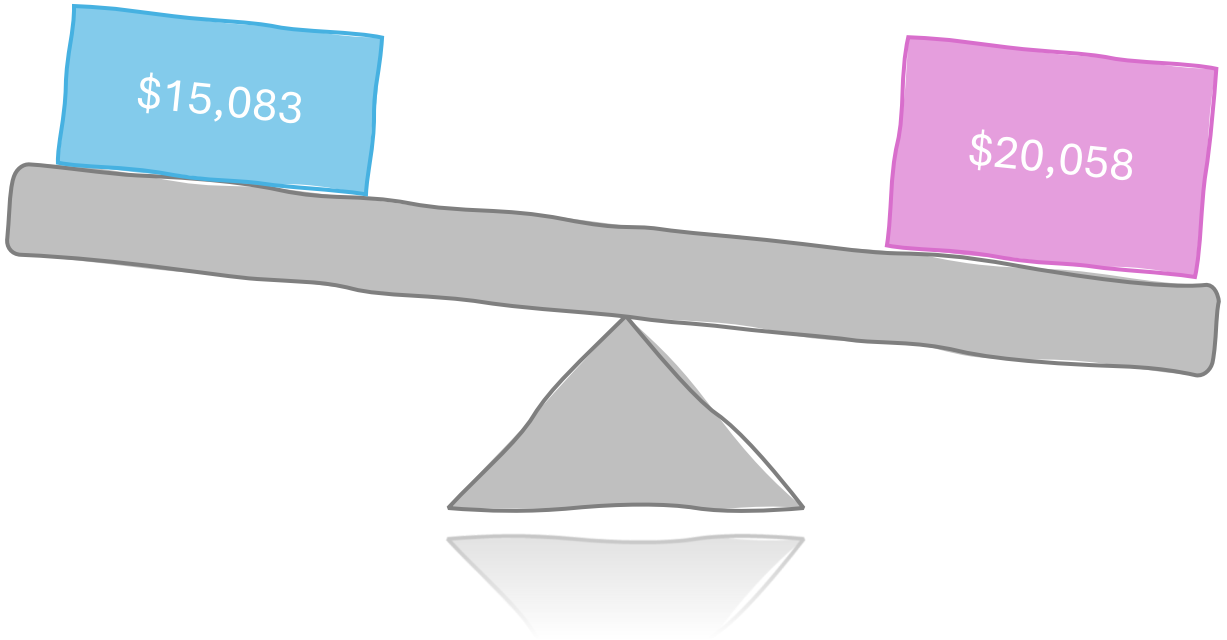

$4,975 net revenue per re-admission avoided

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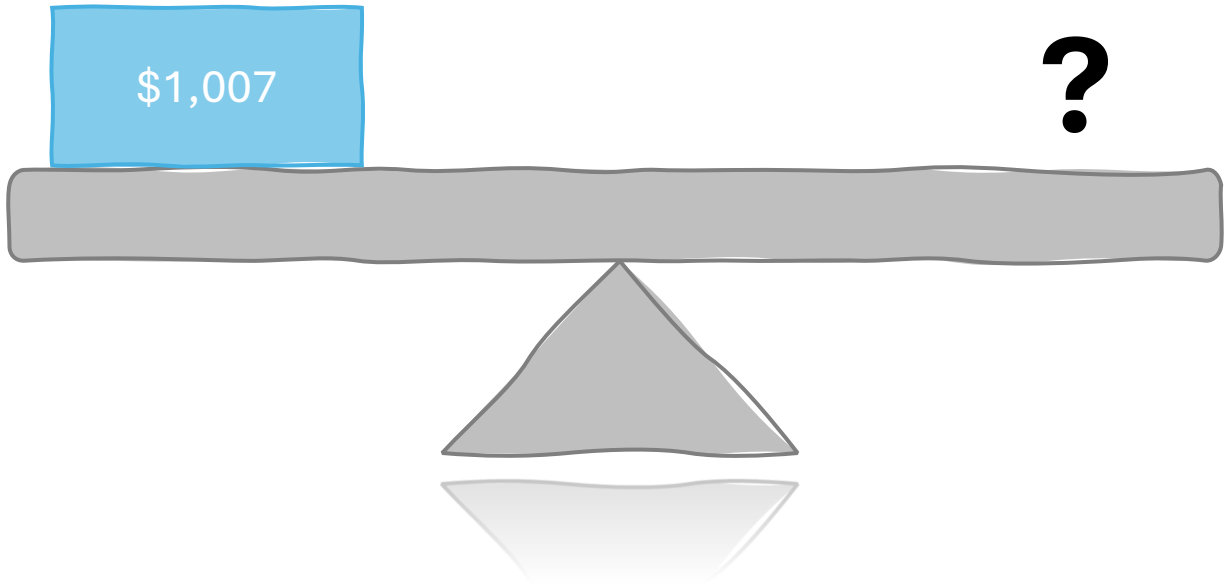
Avoiding ER Visits Among High ER Utilizers

$20,058,000 (20%)

Med-QUEST Division, DHS

Average revenue per ER Visit among High ER Utilizers

Earning per ER visit avoided



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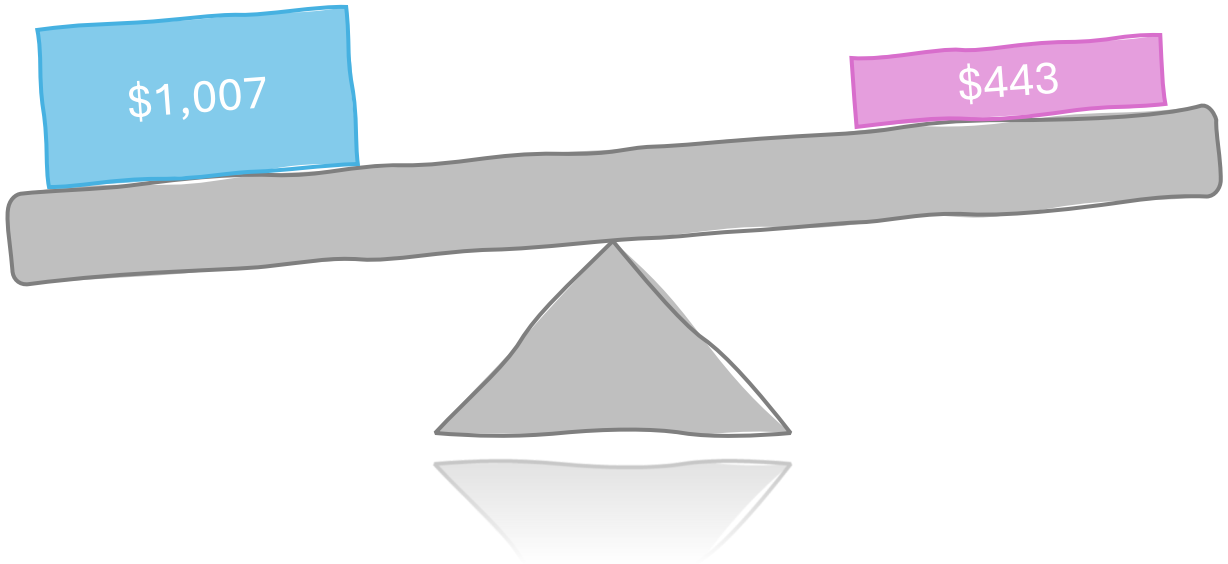
Average revenue per ER Visit among High ER Utilizers

Earning per ER visit avoided



$564 net loss in revenue per high utilizer ER visit avoided

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Taken together

- Since the net goal is balance, we're probably allocating too many dollars to avoiding re-admissions, and too few dollars to reducing ER visits among high ER utilizers.

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HRSN Data Collection and Reporting; REaL Data Collection; Health Equity Work

$51,679,215 (51.5%)

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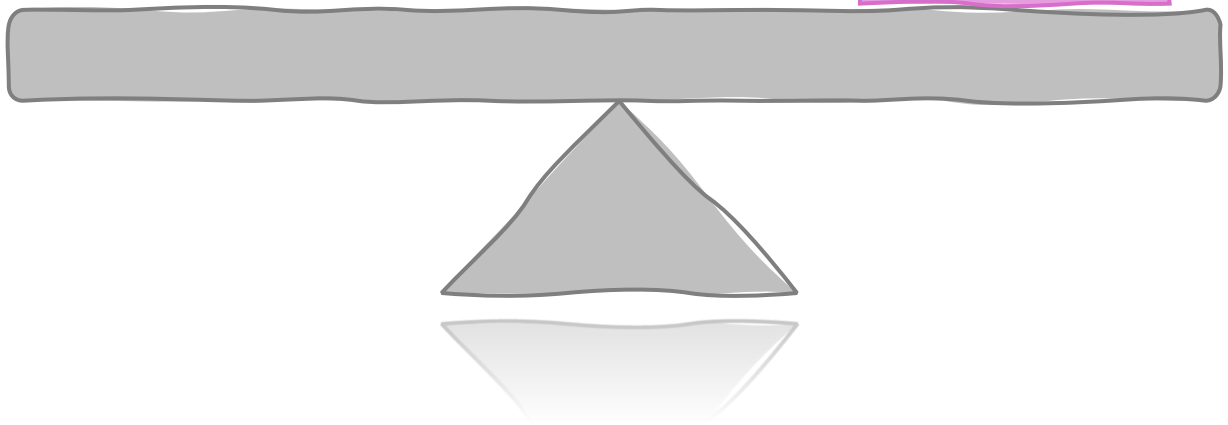
Cost of System and Workflow Changes

P4P payout for work

“too much”

?

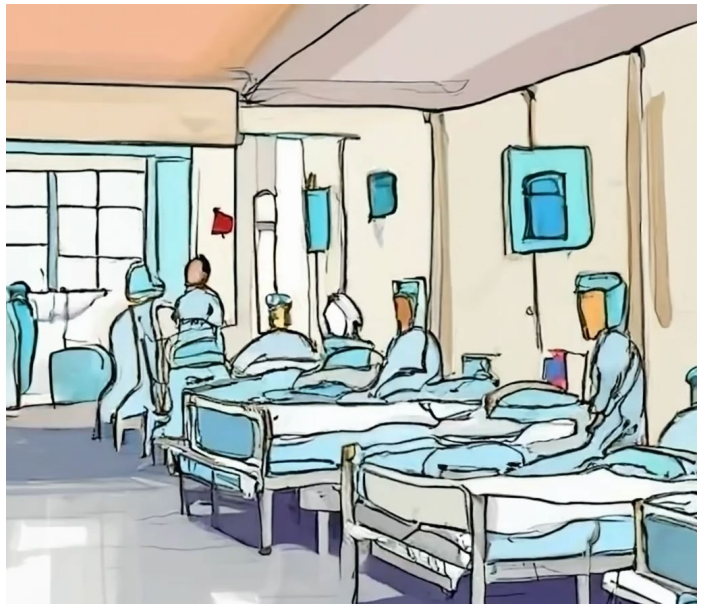


$20,671,686	Health Equity roadmap and progress
$20,671,686	Demographic data collection
$10,335,843	HRSN data collection and reporting

Key Takeaways #1

- The MQD quality program has grown significantly and includes a number of initiatives.
- “Quality” is a serious source of hospital revenue.
- Investing in quality is rewarding now, but essential to succeeding in Hospital Global Budgets.

Current Model → Future Model



The current model continues to reward volume.

Phase I: Quality as a major revenue stream

Phase II: Hospital Global Budgets and aligned incentives

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Medicaid Hospital Global Budgets

Structure and relationship to the Quality Program

Current Model (2025 Approximates)

Med-QUEST Division, DHS

68.1%

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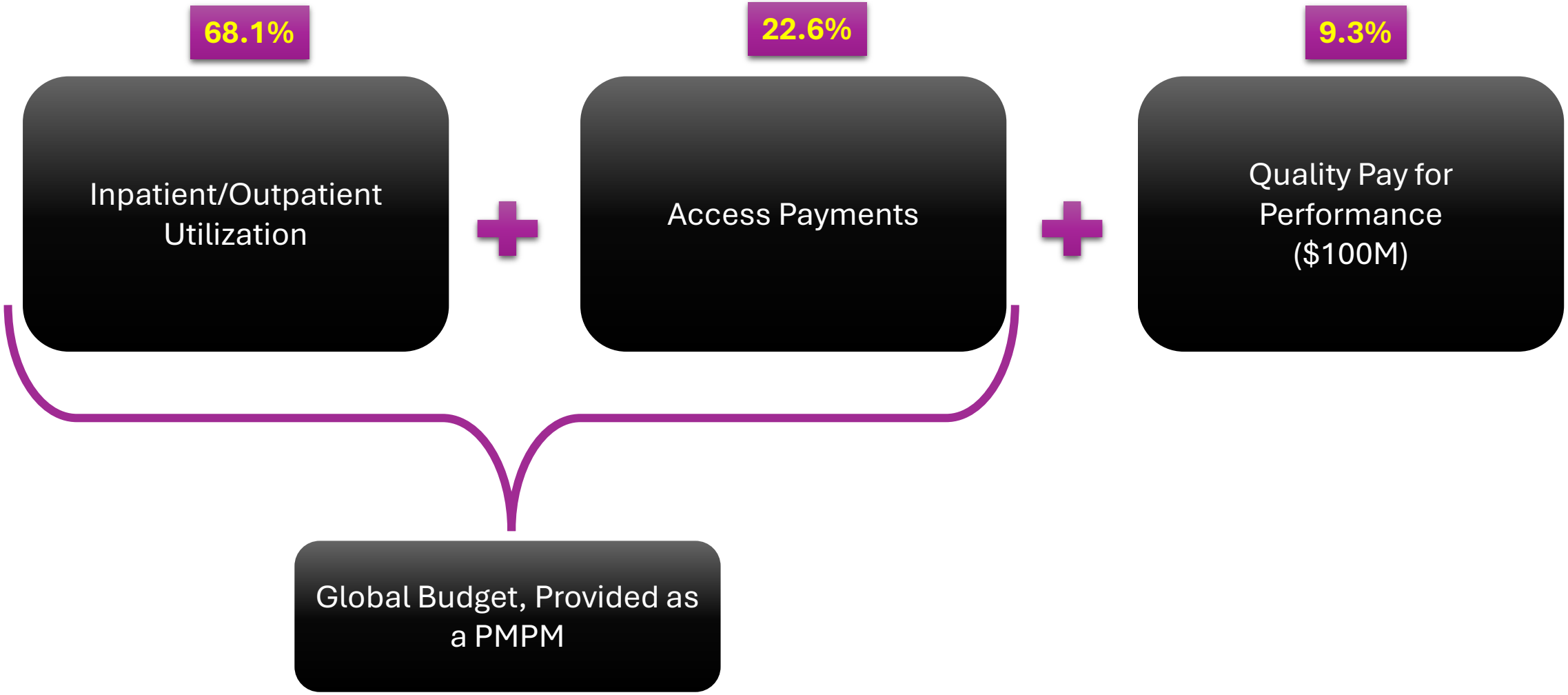
Total Payments ($1.1B)

Global Budget Model

Med-QUEST Division, DHS



What a Hospital Global Budget Is and Isn't

It IS:

- A predictable per member per month (PMPM) revenue stream
- Designed to stabilize revenue
- Aligned with AHEAD requirements
- Separate from (complementary to) quality pool incentives

It is NOT:

- Immediate downside risk transfer
- Elimination of access payments
- Removal of the quality pool

Current Model

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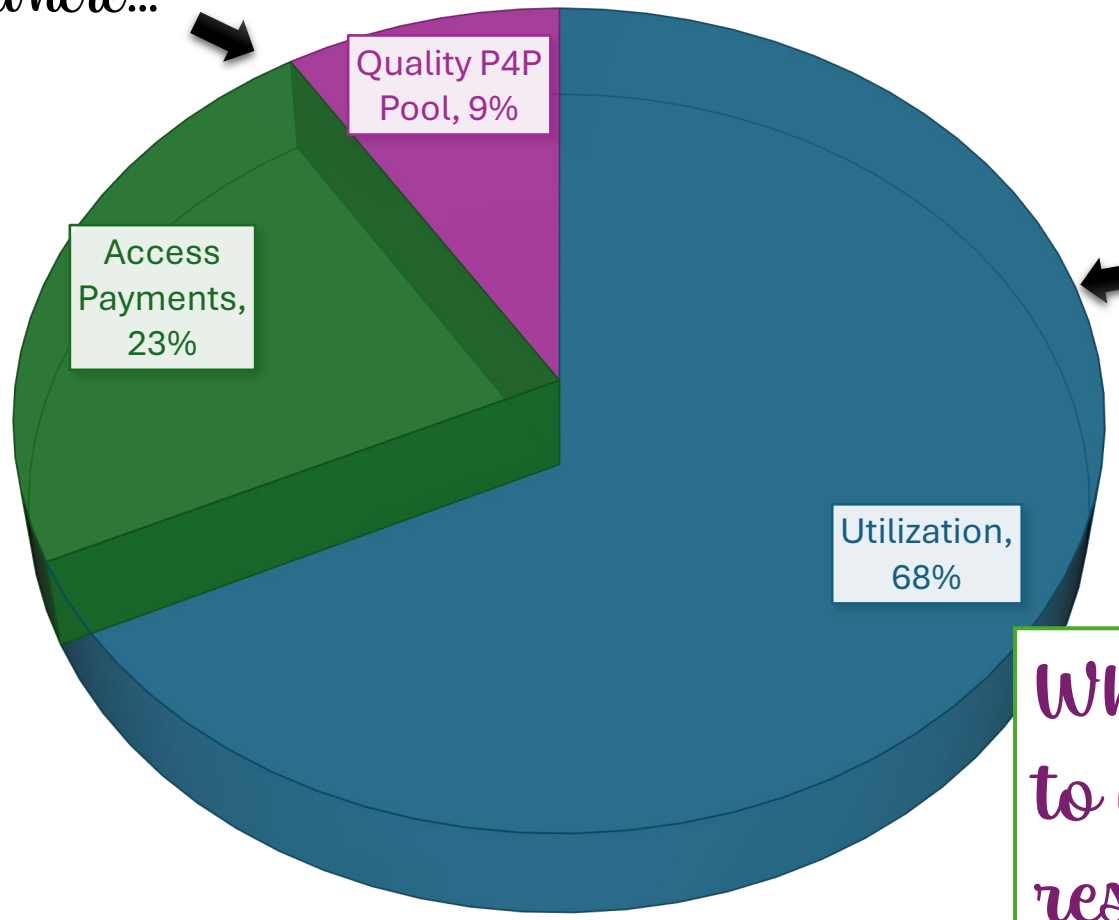
Does increasing payout here…



Result in a decrease in payout here?

Where does it "pay off" to invest my time and resources?

Hospital Global Budget Aligned Initiatives

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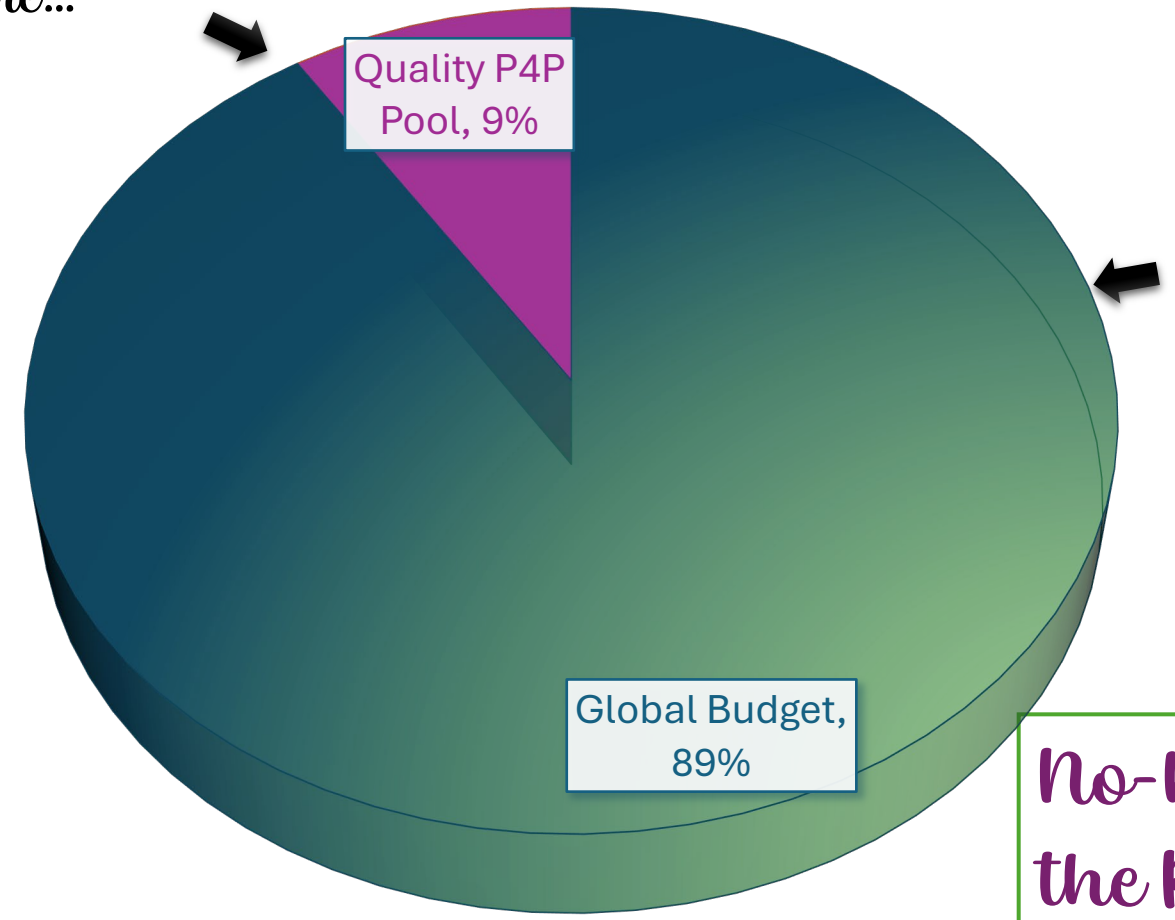
Increasing payout here…



Does not decrease payouts here

+ decreases costs/expenses that were previously cutting into profit margin

No-brainer to invest in the P4P program.

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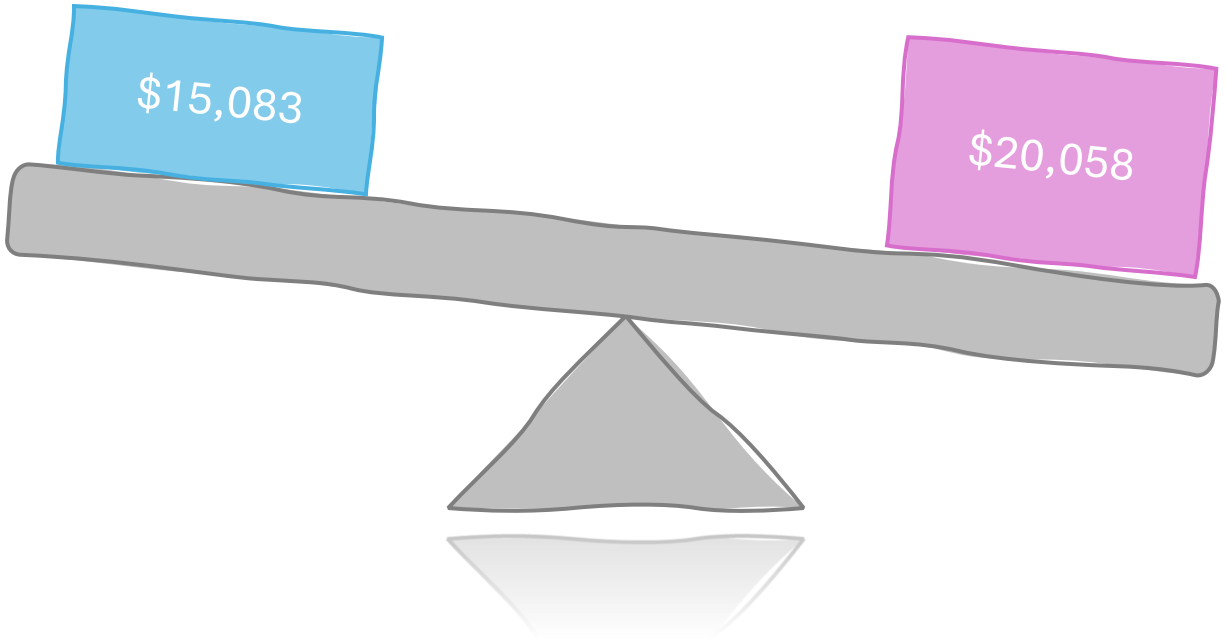
Avg revenue per re-admission

Earning per re-admission avoided



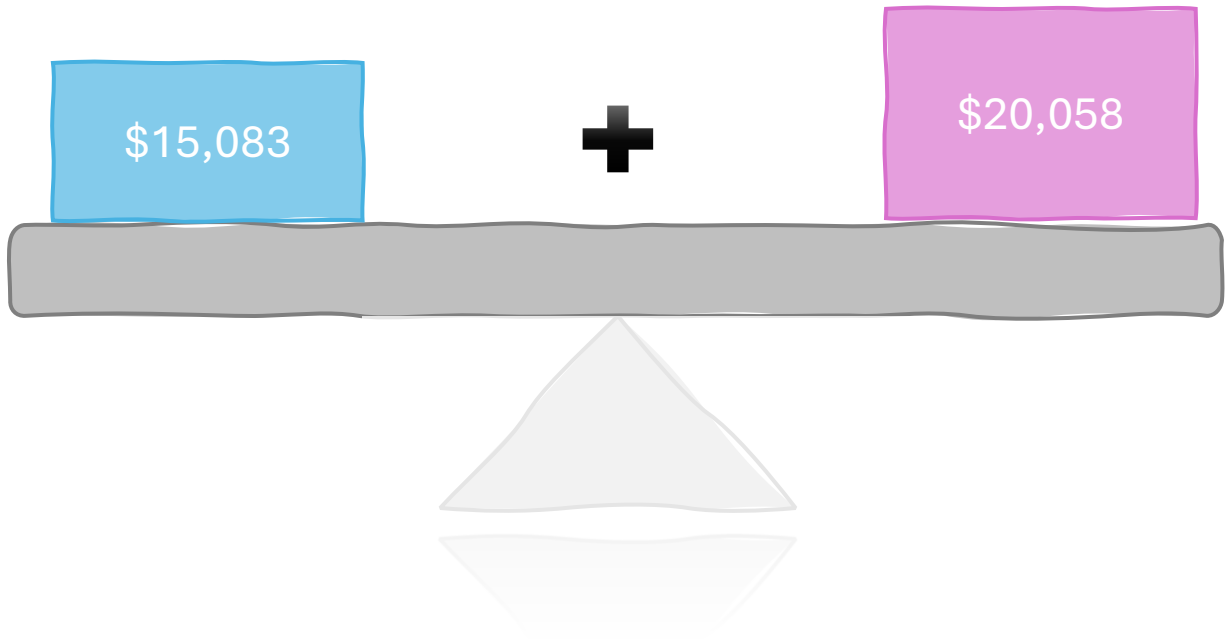
$4,975 net revenue per re-admission avoided

Hospital Global Budget

Med-QUEST Division, DHS

Budget per re-admission built into the HGB PMPM

Earning per re-admission avoided



7x higher return!

$35,141 net revenue per re-admission avoided

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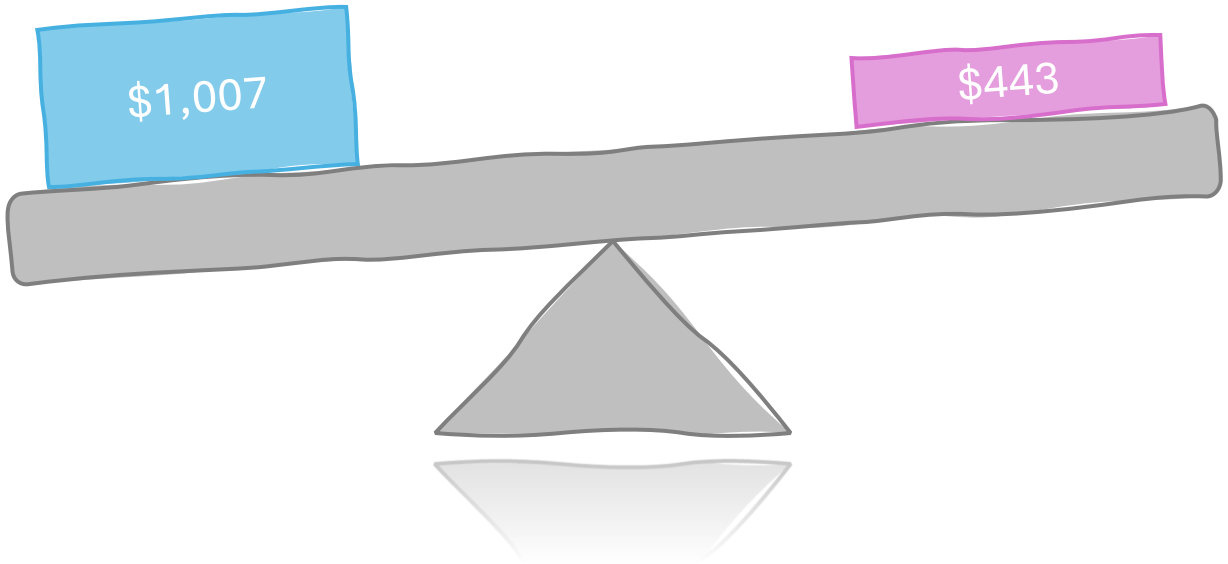
Average revenue per ER Visit among High ER Utilizers

Earning per ER visit avoided



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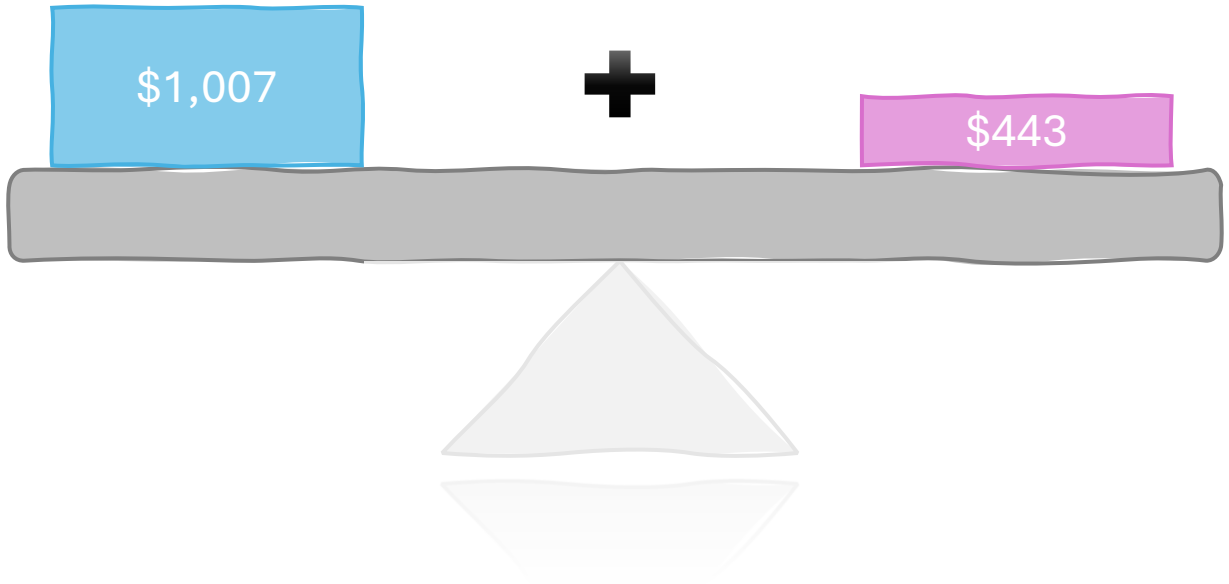
Hospital Global Budget

Med-QUEST Division, DHS

Budget per ER Visit among High ER Utilizers built into the HGB PMPM

Earning per ER visit avoided



Reversal from net loss to 1.5x gain

$1,450 net revenue per high utilizer ER visit avoided

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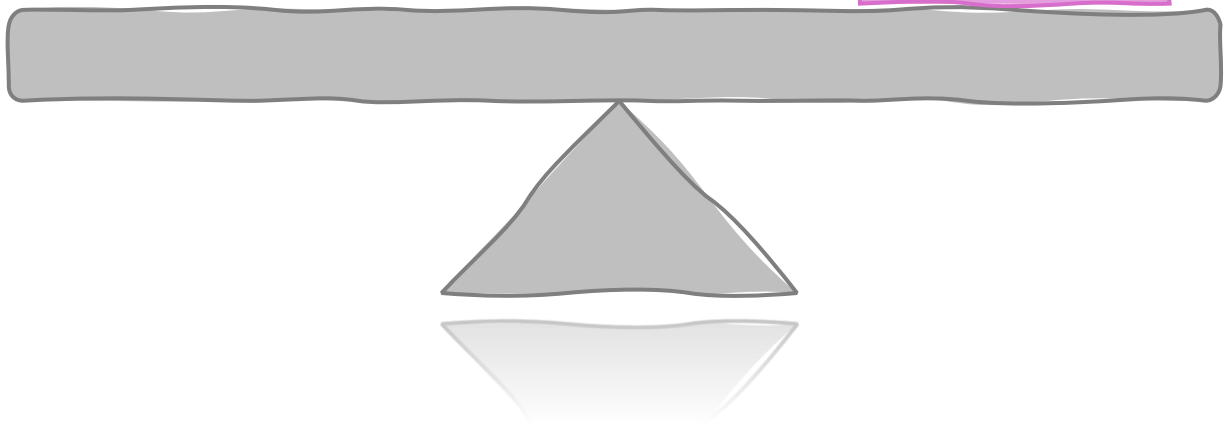
Cost of System and Workflow Changes

P4P payout for work

“too much”

?



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Hospital Global Budget

Med-QUEST Division, DHS

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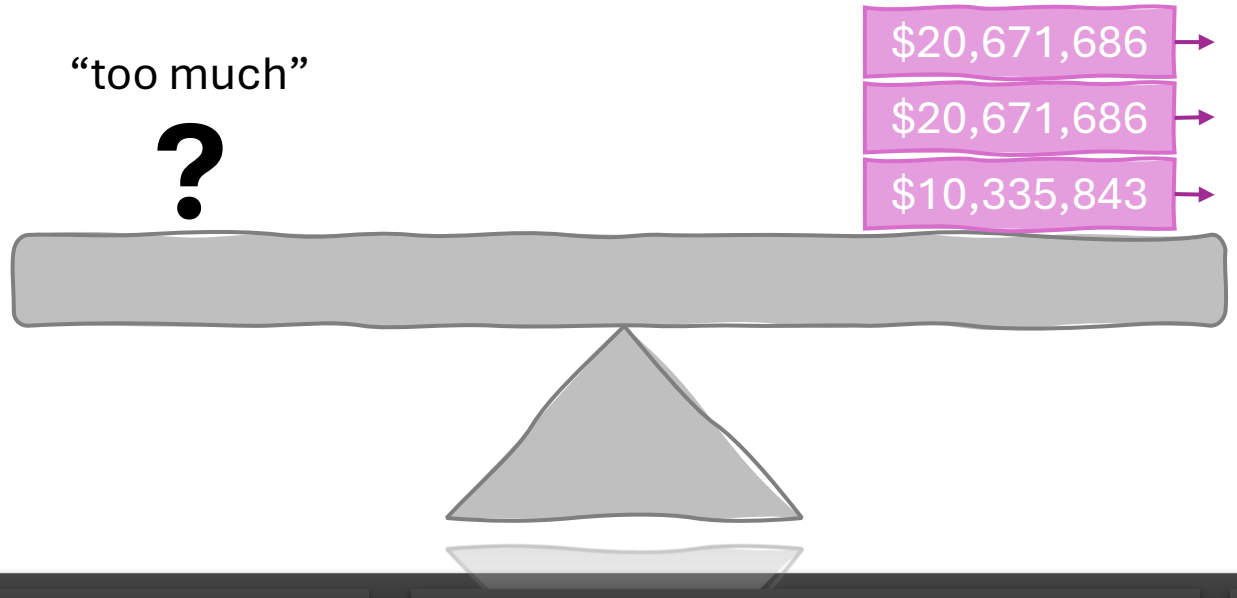

Health Equity roadmap and progress

Demographic data collection

HRSN data collection and reporting

Infrastructure investments that support early detection and prevention are essential to succeeding in HGBs.

HRSN data collection supports risk score-based revenue adjustments that drive PMPM

Standardized demographic data collection supports disparity analyses and targeted utilization reductions

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Future P4P Initiatives

Future P4P Initiatives

Med-QUEST Division, DHS

- Reducing avoidable re-admissions
- Reducing avoidable ER utilization among high ER utilizers
- Reducing Long Lengths of Stay
- Reducing Overall Admissions
- Reducing All Avoidable ED Visits
- Other initiatives to reduce wasteful hospitalization

Future (2026?) Learning Series

- Evidence-based approaches to reducing avoidable utilization
- Knowledge and information sharing on hospital initiatives around health equity
- Information on the application of HRSN and demographic data to hospital payments

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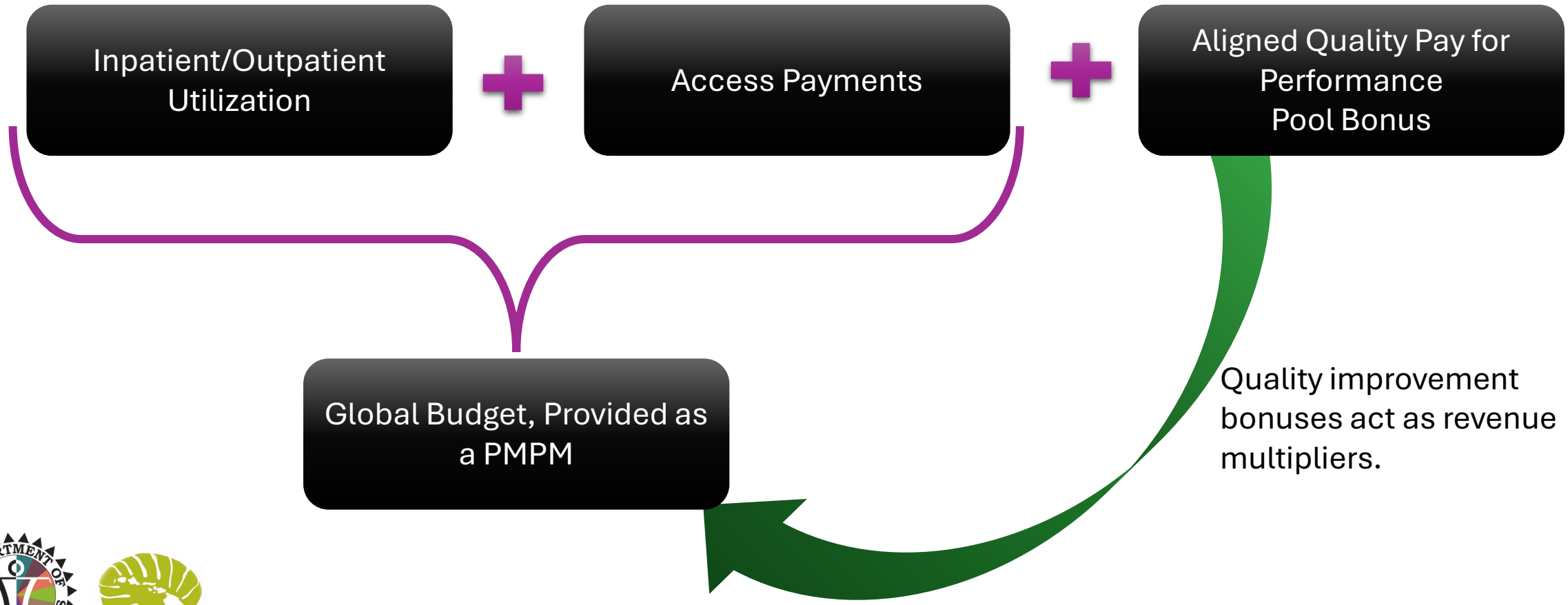
Cool Model Name: Coming Soon!



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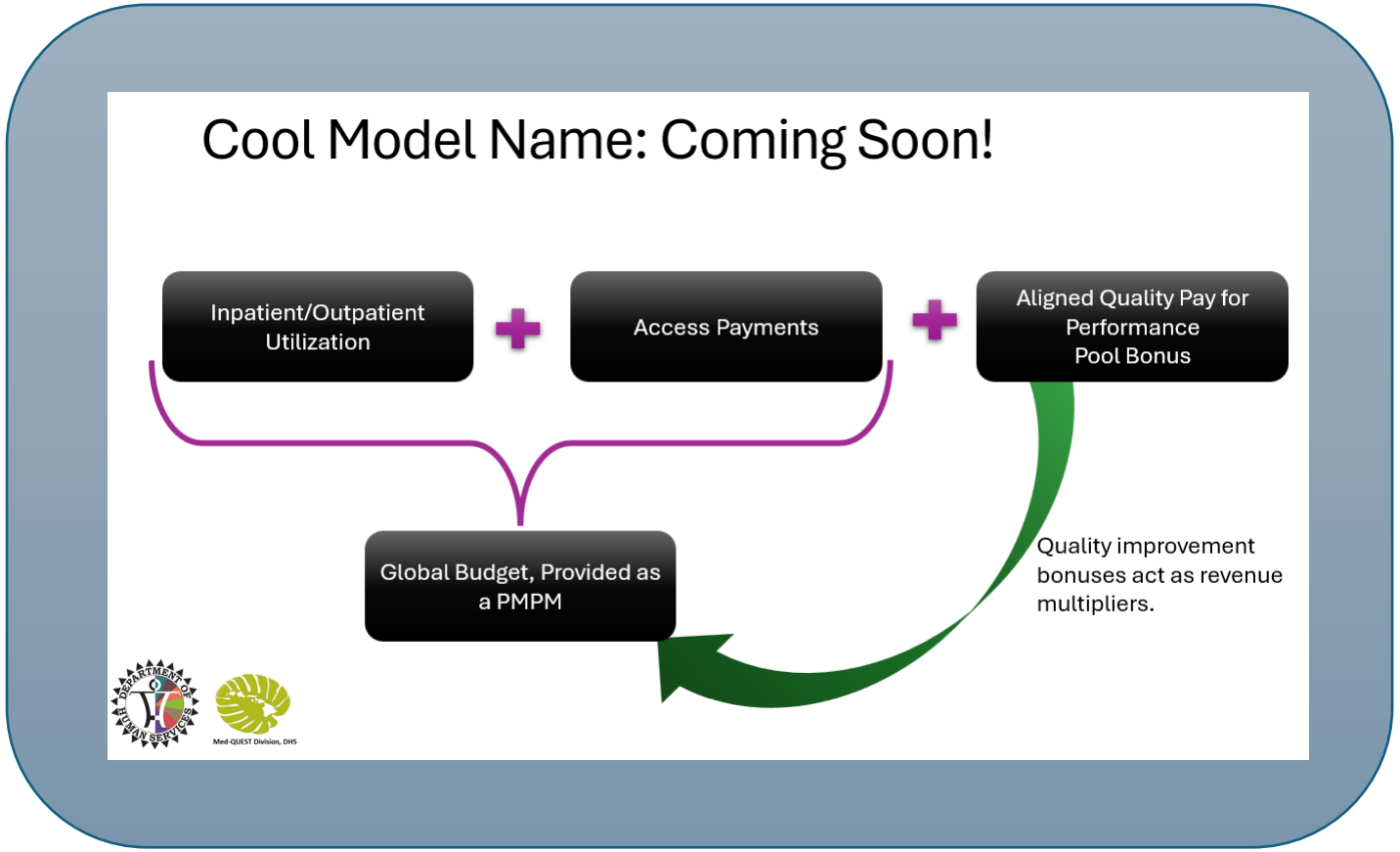
Not Just a Medicaid Model (Even if funded by Medicaid)



Med-QUEST **encourages** (but cannot mandate) hospital-wide initiatives that extend these efforts to all populations

AHEAD Alignment

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Rural Health Transformation Program (RHTP) Alignment

Rural Value Based Initiative (RVBI) provides funding to support hospitals in achieving “AHEAD Readiness”

We (SHPDA and MQD) feel that the tangible place to begin is the Medicaid P4P program and readiness for Medicaid HBGs.

Considering using RVBI funding to help hospitals evaluate their performance in current and future MQD P4P initiative areas to identify gaps; and propose solutions and budgets to fill these gaps.

The approach will continue to support alignment and readiness for all of AHEAD.

Key Takeaways #2

- MQD is leaning towards requiring Medicaid HGBs.
- The “<Cool> Model” creates clear alignment between Medicaid HGBs and the existing Medicaid P4P program.
- Supporting hospitals in successfully assimilating Medicaid HGBs will inevitably support AHEAD alignment.
- Therefore, MQD & SHPDA propose to use RVBI funding to support hospitals in achieving success in the Medicaid P4P program.

Questions?

The Math

$15,083

- Analysis by Milliman based on CY2024 (All Hospitals, Duals and Non-Duals).
- “All cause 30-day readmissions” (2,403 statewide)
- Total revenue spent on all-cause 30-day readmissions in the year ($36.2M)
- Average per admit rate ($36.2M/2400) = $15,083

$20,058

- Analysis by MQD based on CY2025 P4P pool ($20,058,000 for ↓ readmissions)
- Assuming 2,403 represents the max O:E ratio (1.25) qualifying for a P4P payout
- Calculate the number of readmissions that would need to be avoided to qualify for each 0.01 O:E decrease (~20)
- Apply CY2025 P4P methodology of a 2% payout ($401,160) for each 0.01 decrease.
- Average earning per re-admission avoided ($401,160/20) = $20,058

The Math

$1,007

- Analysis by Milliman based on CY2024 (All Hospitals, Duals and Non-Duals).
- “ER Visits for Individuals w/ 4+ED Visits a Year” (41,820 statewide)
- Total revenue spent on ER Visits for Individuals w/ 4+ED Visits in a Year ($42.1M)
- Average per ER Visit rate ($42.1M/41,820) = $1,007

$443

- Analysis by MQD based on CY2025 P4P pool ($20,058,000 for ↓ ER Visits among High ER Utilizers)
- High utilizer visits (41,820) are 22.7% of all ER visits (184,556)
- Calculate the number of visits that would need to be avoided to qualify for each 1% decrease in ER visits (2,262 max)
- Apply CY2025 P4P methodology of a 5% payout ($1,002,900) for each 1% decrease.
- Average earning per high utilizer ER visit avoided ($1,002,900/2,262) = $443