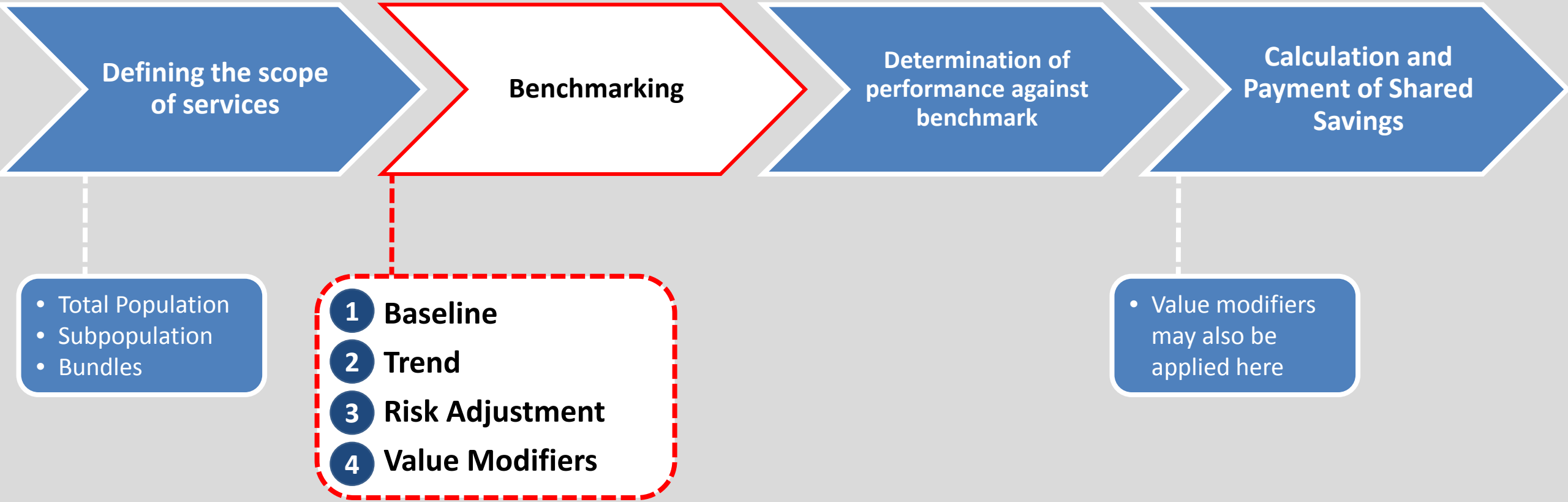
NEW YORK STATE | Department of Health | Medicaid Redesign Team

Benchmarking Methodology

Overview of benchmarking options outlined in Methodology Considerations and Options for the Technical Design Subcommittee I, NYS Value Based Payment Workgroup

July 1, 2015

Benchmarking is a Key Step in the Determination of Shared Savings



The Benchmarking Process Consists of Four Components

Baseline Setting

- Historic claims data

Trend Determination

Risk Adjustment

Value Modifiers

- Quality Modifier
- Cost Modifier

Note: During at least the first year of the VBP implementation, the State will use standardized costs in its benchmark setting process. This standardization removes the effect of price on cost comparisons, leaving the differences observed between providers the result of either service mix and/or volume effects.

Remember: Key Questions for all Topics

- Should the State set a *Standard* (or should an issue be left to MCOs and providers)?
  - If yes, the topic merits scrutiny and detailed discussion
  - If no, is it useful to have a *Guideline* to aid in the negotiations between MCOs and providers?
    - If yes, the topic merits adequate discussion
    - If no, the topic does not require additional discussion

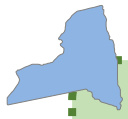
- If a topic has relevance for how the State will provide cost and outcome information (including potentially shared savings) to MCOs and providers, a *Guideline* will be required to inform the way this data is calculated and reported

Baseline Setting

Historical claims are aggregated within a Value Based Payment (VBP) arrangement into virtual episodic bundles, or capitated payment baseline expenditures, to produce an overview of prior costs without any adjustments. It enables a basic comparison of similar provider groups and serves as an initial point of reference at the end of the performance period.

Options for Aggregation Level

- Provider Specific Baselines



- Regional or Statewide Baselines

Options for Look Back Period

- One Year of Claims (1)
- More than One Year of Claims (>1)

Trend Determination

The annual increases in healthcare costs between the baseline period and the performance period must be incorporated into the benchmark evaluation. There are several options varying from historic increases to fixed standards for how to predict cost growth within the benchmark.

Options for Predicting Growth

Provider Specific Historic Rate

Regional Historic Rate

Industrial Growth Trend

Risk Adjustment

Risk adjustment is necessary to ensure a fair comparison between baseline and performance year financial performance. Risk Adjustment allows for an “apples to apples” comparison of the Medicaid member populations over the two periods of time by adjusting the benchmark to account for the relevant risk factors that influence the cost of providing care.

Risk Adjustment Options for Total Cost of Care

- 3M CRG Methodology
- Other Methods

Risk Adjustment Options for Bundles of Care

- HCI3 Methodology
- Other Methods

Value Modifiers

Value modifiers increase or decrease a provider's benchmark according to their previous cost and quality performance as compared to a regional or statewide average. Value modifiers ensure previously efficient providers are not disadvantaged from receiving future shared savings and previously inefficient providers do not have a disproportionately higher opportunity for shared savings. Value modifiers may be applied in the benchmark setting process, or after in the final determination of shared savings.

Inclusion of Value Modifiers in Benchmark Setting

- Inclusion of Cost Modifier
- Inclusion of Quality Modifier

Inclusion of Value Modifiers in Shared Savings/Losses Adjustment

- Inclusion of Cost Modifier
- Inclusion of Quality Modifier

A Few Additional Factors to Consider in Benchmarking

1. Applying the cost (i.e. efficiency) modifier to the benchmarking process and the quality modifier to establishing actual shared savings percentages after the benchmark determination.

2. Employing different percentages for the efficiency ‘uptick’ (for high performers) as opposed to the efficiency ‘haircut’ (for low performers) in the modifier stage of the benchmark setting process.

3. Periodicity and process for ‘rebasing’ the benchmark.