1. PURPOSE

The South Carolina Department of Health and Human Services (SCDHHS) seeks input on the design and focus of a new incentive payment program for managed care organizations (MCOs) that would reward demonstrated improvement in health and social outcomes for beneficiaries. The program would support innovative solutions that use preventive and population-based approaches to improve beneficiary outcomes, expand care coordination, and address social determinants of health, and is intended to provide a financing opportunity for effective interventions that may not have previously been reimbursable.

2. EXISTING EFFORTS TO PROMOTE QUALITY

The nation’s healthcare system is increasingly adopting value-based payment strategies and striving to address social determinants of health. As SCDHHS works to align its programs with these movements, the agency continues to identify gaps in its current efforts to promote quality and target scarce financial resources toward the most effective interventions.

Promoting Quality through Payment Incentives

Provided that the underlying capitation rates are actuarially sound, the Centers for Medicare and Medicaid Services (CMS) permit state Medicaid programs to embed withhold and incentive arrangements within their contracts with managed care organizations (MCOs), to encourage high-quality care. SCDHHS
currently withholds 1.5% of each MCO’s capitated payments and later releases varying portions of these withheld amounts based upon each MCO’s achievement on a predetermined group of measures from the Healthcare Effectiveness Data and Information Set (HEDIS). The selected measures have been aggregated by SCDHHS into indices for diabetes management, women’s health, and pediatric preventive care, which have been assigned the weightings identified in Appendix A.

Additionally, South Carolina recently obtained a Section 1915(b) waiver to expand home visiting services through a pay-for-success (PFS) arrangement. This project is expanding access to an evidence-based intervention and will make Medicaid-funded “success payments” contingent upon the provider’s ability to meet or exceed negotiated performance standards, such as reducing preterm births or the incidence of child injuries associated with abuse.

SCDHHS has also provided financial incentives for physician practices that have adopted the Patient Centered Medical Home (PCMH) model and has required that MCOs increase the share of their payments that are made through a value-based arrangement. The value-based mandate originated at 5% in 2015 and will be 30% by 2018.

**Shortcomings of Certain Approaches to Quality Improvement**

Each of the above can be considered a component of SCDHHS’ quality strategy, which the agency sees as being incomplete. For instance, the HEDIS-based model relies on measures that are not necessarily attuned to key Medicaid populations, such as individuals with disabilities. These indicators also tend to be output measures (“How many women received cervical cancer screenings?”) as opposed to true outcome or effectiveness measures (“What percentage of women received effective treatment after having been screened positive for cervical cancer?”).

Although South Carolina’s PFS project is expected to be extremely important to those who receive services through it, the waiver-based model of improving quality has limited scalability. It took nearly three years to develop the PFS program and the administrative burden has been significant, given that this waiver will control less than 0.1% of the agency’s spending during the period it is in place.

**Opportunity for New Incentives**

CMS permits state Medicaid programs to create incentive arrangements within their MCO contracts that have a cumulative value of as much as 5% above the approved capitated rates. SCDHHS has significant capacity remaining under the 105% payment ceiling and would like to use a portion of that space to test new outcomes-focused incentives that avoid some of these recognized shortcomings. The agency sees its MCO contracts as an ideal setting for these initiatives because of the potential availability of this financial capacity and because most Medicaid beneficiaries in South Carolina are members of a managed care plan.
3. **PROPOSED SOLUTIONS-BASED INCENTIVES**

*Priorities for New Incentives*

SCDHHS has two key goals for the new incentives that would be incorporated into its MCO contracts:

1. The incentives should reflect the essential values and features of the PFS model, by making the state’s payments contingent upon significant and objectively-measured performance on predetermined metrics that truly reflect outcomes instead of proxies; and
2. The incentives should promote innovation among MCOs and improve access to novel care coordination models and/or services that increase the likelihood that Medicaid beneficiaries will receive support and treatment that addresses social determinants and other health needs.

The proposed incentive program could provide MCOs with a meaningful opportunity to apply models that have been deemed successful elsewhere, but have not historically been directly reimbursable by Medicaid. The program could also be used to test more exploratory approaches.

*Prospective Applications of the Model*

SCDHHS envisions a broad range of potential uses for this incentive model. It could be used to focus MCOs’ efforts on improving outcomes for those with conditions that have not been targeted by earlier quality initiatives, such as sickle cell anemia. These incentives could also address problems that affect more granular issues or populations. Incentive payments could be tied to suicide prevention or a reduction in opioid-related fatalities, for instance.

The agency also has a particular interest in employing these incentives to improve health and wellbeing for Medicaid beneficiaries by associating payments with outcomes that may not traditionally have fallen within the purview of the Medicaid program, but which have a clear nexus to health. As an example, incentive payments could be made available for avoiding child fatalities, such as those due to unsafe sleeping practices or failure to properly secure a child in an appropriate car seat. An MCO could achieve these reductions through improved parent/caregiver education or by supplying appropriate equipment. Similarly, reductions in domestic violence could potentially be realized through improved access or adherence to substance use or behavioral health treatment.

*Potential Evaluation and Payment Structure*

SCDHHS is interested in exploring a range of evaluation and payment structures. One possible structure would be similar to a pay-for-performance model, with incentives as an “upside-only” reward for performance. In this model, there would be no “penalties” for poor performance; instead, an MCO’s risk would be defined by the possibility that it would not be able to recover its implementation costs if it failed to reach the minimum performance threshold that was negotiated at the beginning of the project.
The clearest path for establishing a new incentive program under 42 CFR 438.6(b) would be to develop a common contract amendment that allowed MCOs to voluntarily participate, with measurement and payment to be associated with a single rating period (one year). However, SCDHHS is also interested in approaches that could allow for an intervention and the associated measurement period to run for the full term of an MCO contract cycle (potentially three or more years), subject to CMS approval. An MCO may participate in one or more such incentive projects concurrently.

To the extent possible, SCDHHS is interested in measuring progress using data that is already collected and reported through state administrative data or an independent source. SCDHHS could integrate data from sources in other state service areas (Vital Records, Corrections, Mental Health, Alcohol and Other Drug Abuse Services, etc.) and already has data-sharing agreements with several key agencies. SCDHHS also has a strong interest in advancing research and is interested in opportunities to conduct rigorous evaluations of some or all of the incentive projects in a manner that would support subsequent academic publication.

**Attributes of the Ideal Proposal**

To address shortcomings of existing quality improvement tools, employ a more preventive and population-based focus, and create a robust model for measurement and evaluation, SCDHHS envisions an incentive program that:

- Is solutions-focused, with payments contingent on actual health and social outcomes, not just output-related proxy measures
- Targets outcomes that have promising opportunities for MCOs to intervene through improved care coordination that extends beyond traditional settings and/or methods
- Relies on data sources already being collected and reported to various governmental and/or other independent actors, and compares improvement to valid benchmarks
- Ensures that intervention efforts reach an appreciable portion of Medicaid beneficiaries, not just individuals who are most receptive to services
- Is measured and evaluated using the most rigorous reasonable methods, so research and results can best serve the larger community
- Will yield measurable results during the evaluation period that can be isolated from random noise

Through this RFI, SCDHHS hopes to gain innovative insights from other entities, such as nonprofits, advocates, public sector agencies, and other stakeholders, to support and inform its efforts to develop effective managed care incentives for improving beneficiary health and quality of life.
4. **AREAS OF INTEREST**

SCDHHS requests responses to this RFI no later than **5 p.m. EST on Friday, January 6, 2017**. Responses should be submitted electronically in Word or PDF format via email to fbo@scdhhs.gov. Any questions regarding this RFI may be sent to the same address.

For all submissions, please provide the following organization information: name of organization, contact information by email and phone, and entity type (i.e., government, non-profit, private company).

SCDHHS requests that entities respond to any or all of the following questions in writing by **Friday, January 6, 2017**:

1) **Health Outcomes Appropriate for Solutions-Based Incentives**
   a) What are health outcomes that a state could incentivize an MCO to improve through innovative action to address health and social determinants?
   b) What are health outcomes with high costs or poor existing results that might be avoided with a broader approach to service delivery, care coordination, or collaboration with other social programs through public or private entities?
   c) For the outcomes mentioned above, what is the best approach for identifying beneficiaries with higher risk or greater need for services?

2) **Potential MCO Intervention Strategies for Health and Social Determinants**
   a) How could MCOs invest in approaches that address social determinants of health or the health outcomes mentioned above?
   b) Identify internal and external stakeholders (i.e., service providers, state agencies, etc.) that MCOs could partner with for effective intervention.
   c) Describe specific examples of similar models implemented in other locations and their performance, if possible.

3) **Potential Evaluation and Payment Structure**
   a) Describe how SCDHHS could evaluate the success of solutions-based approaches that improve health outcomes.
      i) Identify any process measures of social determinants that could be used for intermediate evaluation in achieving progress on longer-term health outcomes.
      ii) Provide evidence to support the use of these metrics, if possible.
   b) Provide background on expected levels of change and the time period for change of the strategies detailed above.
   c) Describe strategies for structuring incentive payments. Identify thresholds of progress appropriate for setting a base level of incentive payment.
4) **Challenges and Other Considerations**

a) What barriers or concerns should SCDHHS consider when exploring incentives to improve these health and social outcomes?

b) How can SCDHHS ensure that measures of progress capture improvement among a broad portion of targeted beneficiaries, not just those most receptive to services?

This RFI is issued solely for market research, planning, and informational purposes and is not to be construed as a commitment by the State to acquire any product or service or to enter into a contractual agreement.

SCDHHS may copy your response to other storage media to facilitate review by its staff. Responses will be subject to disclosure under the South Carolina Freedom of Information Act.

Any costs incurred by a party in preparing or submitting information in response to the RFI are the sole responsibility of the submitting party.

**APPENDIX A**

2016 South Carolina Medicaid MCO Quality Indices

<table>
<thead>
<tr>
<th>Index</th>
<th>HEDIS Indicators</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Index 1: Diabetes Management</strong></td>
<td>Hemoglobin A1c (HbA1c) Testing</td>
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<tr>
<td></td>
<td>HbA1c Poor Control (&gt;9.0%)</td>
<td>15%</td>
</tr>
<tr>
<td></td>
<td>Eye Exam (Retinal) Performed</td>
<td>20%</td>
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<tr>
<td></td>
<td>Medical Attention for Nephropathy</td>
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</tr>
<tr>
<td><strong>Index 2: Women’s Health</strong></td>
<td>Prenatal Care, Timeliness of Prenatal Care</td>
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<tr>
<td></td>
<td>Breast Cancer Screening</td>
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<tr>
<td></td>
<td>Cervical Cancer Screening</td>
<td>20%</td>
</tr>
<tr>
<td></td>
<td>Chlamydia Screening in Women, Total</td>
<td>20%</td>
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<tr>
<td><strong>Index 3: Pediatric Preventative Care</strong></td>
<td>Well-Child Visits in the First 15 Months of Life, 6+ Visits</td>
<td>30%</td>
</tr>
<tr>
<td></td>
<td>Well-Child Visits in the Third, Fourth, Fifth and Sixth Years of Life</td>
<td>30%</td>
</tr>
<tr>
<td></td>
<td>Adolescent Well-Care Visits</td>
<td>30%</td>
</tr>
<tr>
<td></td>
<td>Weight Assessment and Counseling for Nutrition and Physical Activity for Children/Adolescents: BMI Percentile, Total</td>
<td>10%</td>
</tr>
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