Attachment P – DSRIP Incentive Pool: Review Process and Program Mechanics

I. Review Process

A. DHCS Review Process

The California Department of Health Care Services (DHCS) will review all 5-year SNCP Delivery System Reform Incentive Pool (DSRIP) proposals prior to submission to CMS for final approval according to the following timeline:

1. By February 18, 2011, each Designated Public Hospital (DPH) system will submit a 5-year DSRIP proposal to DHCS for review. Each proposal will address Categories 1, 2 and 4.
2. DHCS shall review each proposal to verify that the proposal conforms to the requirements for Categories 1, 2 and 4 as described in Section II Key Elements of Proposed Plans. By March 1, 2011, DHCS will complete its review of the proposal, and will respond to the DPH system in writing with any questions, concerns or problems identified.
3. By March 1, 2011, DHCS will take action on the proposal, and will approve each proposal and submit it to CMS for final review and approval as described in I.B.1.
4. By April 15, 2011, each DPH system will submit to DHCS an addendum to its 5-year DSRIP proposal to address Category 3.
5. DHCS shall review each proposal addendum to verify that it conforms to the requirements for Category 3 as described in Section II Key Elements of Proposed Plans . By April 30, 2011, DHCS will complete its review of the proposal addendum, and will respond to the DPH system in writing with any questions, concerns or problems identified in the addendum.
6. The DPH system will respond to DHCS' questions and concerns in writing within 3 business days of notification by DHCS.
7. By May 15, 2011, DHCS will approve each DPH system's proposal addendum for Category 3 and submit it to CMS for final review and approval as described in section B.

B. CMS Review Process

The following review process for designated public hospital (DPH) system proposals that have been reviewed and approved by California DHCS will result in approval by CMS within 30 days of receipt from DHCS.

1. CMS will review each DPH system's 5-year DSRIP proposal for Categories 1 2 and 4 upon receipt of the proposal as approved by DHCS pursuant to I.A.3. CMS' review will assess whether each 5-year DSRIP proposal as approved by DHCS has the following elements
   a. The proposal is in the format described in the DSRIP program description described within these special terms and conditions.

   b. Category 1 and 2 projects must clearly identify goals, milestones and expected results, and their relationship to anticipated Category 3 population-focused improvements. Plans must identify, by year, the applicable milestones in accordance with the descriptions and examples identified in Attachment Q – on the (Category 1 & 2 superset).

   c. Plans must identify Category 4 milestones for the 2 required interventions and clearly identify the 2 additional interventions selected from the superset described in Attachment Q – on Category 4.

2. By March 18, 2011, CMS will complete a review of each DPH system's proposal for Categories 1, 2 and 4 and will either:

   a. Approve the proposal; or

   b. Notify DHCS and the DPH system if approval will not be granted for a component of the DPH system's proposal for Categories 1, 2 and 4. Notice will be in writing and will include any questions, concerns or problems identified in the application.

   c. DHCS and the DPH system will respond to the CMS notice within 3 business days.

3. If CMS finds that a component of a DPH system's Category 1 or 2 project is inconsistent with the overall goals of the DSRIP, CMS will request additional information from the DPH system and may request a revision or replacement project. If CMS does not grant approval for a component of a DPH system's 5-year proposal for Categories 1, 2 and 4, by March 18, 2011 pursuant to the above, CMS will approve the DPH system's 5-year proposal, request that the DPH system provide additional information and may request that the DPH system revise or replace the project component.

4. If CMS does not approve a component of a DPH system's project as described in I.B.3, CMS will still permit full DY 6 payment by March 31, 2011, in accordance with the expedited DY6 process under Section III. Expedited DY 6 Reporting & Reimbursement, while the DPH system develops an acceptable revision or replacement project or component. The DPH system will submit the revised/replacement project to CMS by April 15, 2011. CMS will consider and approve any revised/replacement project by May 1, 2011 if it is achievable within the applicable timeframes.

   a. Upon approval and submission from DHCS pursuant to I.A.7., CMS will complete an initial review of each DPH system's addendum to its proposal related to Category 3.

   b. By May 31, 2011, CMS will respond to DHCS and the DPH system in writing with any questions, concerns or problems identified in the addendum.

c. Within 3 business days of notification by CMS, DHCS and the DPH system will provide responses to CMS regarding any questions or concerns raised.

d. By June 15, 2011, CMS will approve each DPH system's addendum for Category 3.

II. Key Elements of Proposed Plans

1. DPH systems will submit 5-year DSRIP plans that include projects or interventions for each of the 4 following categories. The DPH system plan will describe how the projects and interventions included in the plan are related to each other and how, taken together, they support broad delivery system reform relevant to the patient population.

2. Each DPH system 5-year DSRIP plan will include an Introduction that includes, but is not limited to the following sections:

    a. A Background section on the DPH system(s) covered by the 5-year DSRIP plan that includes an overview of the patients served by the DPH system(s); and

    b. An Executive Summary section for the 5-year plan that summarizes the high-level challenges the DSRIP plan is intended to address and the 5-year target goals and objectives included in the plan.

3. The DPH system 5-year plan will include sections on each of the 4 categories as specified in Attachment Q.

4. Category 1 - Infrastructure Development (Category 1)

    a. Category 1 Infrastructure Development is investments in technology, tools and human resources that will strengthen the organization's ability to serve its population and continuously improve its services.
    b. Each DPH system plan must select at least 2 projects for Category 1 for at least DY 6, DY 7 and DY 8 in accordance with the *Categories 1-2 Projects in Attachment Q*, which lists the acceptable projects, measures, metrics, and data sources.
    c. For each project selected for Category 1, DPH system plans must include a narrative that includes the following subsections:
        i. The Goal(s) for the project, which describes the challenges of the DPH system and the major delivery system solution identified to address those challenges by implementing the particular project; the starting point of the DPH system(s) related to the project and based on that, the 5-year target goal and the significance of that goal to the DPH system(s) and its patients. As part of this subsection, each DPH system will provide its reasons for selecting the project, milestones, and metrics based on relevancy to the DPH system's population and circumstances, community need, and DPH system priority and starting point; and
        ii. The Relation to Other Categories for the project, which describes how this project supports, reinforces, enables, and is related to other projects and interventions within the DPH system plan.

d. Category 1 - Milestones and Metrics Table:
   i. All projects must include milestones based on projects, measures, metrics, and data sources in accordance with the *Categories 1-2 Projects in Attachment Q.*
   ii. The milestones shall be designated by project by year in table format.
   iii. For each project, the DPH system plan must include at least 1 milestone based on a Process Measure and at least 1 milestone based on an Improvement Measure over the 5-year period in accordance with the *Categories 1-2 Projects in Attachment Q.*
   iv. For each milestone, the DPH system plan must include the metric(s) in accordance with the *Categories 1-2 Projects in Attachment Q.*
   v. For each project, the table must list the other inter-related projects and interventions included in the DPH system's overall 5-year plan.

5. Category 2 - Innovation and Redesign (Category 2)

   a. Category 2 Innovation and Redesign is investments in new and innovative models of care delivery (e.g., Medical Homes) that have the potential to make significant, demonstrated improvements in patient experience, cost and disease management.
   b. Each DPH system plan must select at least 2 projects for Category 2 in accordance with the *Categories 1-2 Projects in Attachment Q.* For each project selected for Category 2, DPH system plans must include a narrative that includes the following subsections:
      i. *The Goal(s) for the project*, which describes the challenges of the DPH system and the major delivery system solution identified to address those challenges by implementing the particular project; the starting point of the DPH system(s) related to the project and based on that, the 5-year target goal and the significance of that goal to the DPH system(s) and the patients, including how the selected Category 2 projects can refine innovations, test new ways of meeting the needs of target populations, and disseminate learnings in order to spread promising practices. As part of this subsection, each DPH system will provide the reasons for selecting the project, milestones, and metrics based on relevancy to the DPH system's population and circumstances, community need, and DPH system priority and starting point; and
      ii. The Relation to Other Categories for the project, which describes how this project supports, reinforces, enables, and is related to other projects and interventions within the DPH system plan.
   c. Category 2 Milestones and Metrics Table:
      i. All projects must include milestones based on projects, measures, metrics, and data sources in accordance with the *Categories 1-2 Projects in Attachment Q.*
      ii. The milestones shall be designated in table format by project by year.
      iii. For each project, the DPH system plan must include at least 1 milestone based on a Process Measure and at least 1 milestone based on an Improvement Measure over the 5-year period in accordance with the *Categories 1-2 Projects in Attachment Q.*

iv. For each milestone, the DPH system plan must include the metric(s) in accordance with the *Categories 1-2 Projects in Attachment Q*,
v. For each project, the table must list the other inter-related projects/interventions included in the DPH system's plan.

6. Category 3: Population-focused Improvement (Category 3)
    a. Category 3: Population-focused Improvement is the reporting of measures of care delivery for high burden conditions in DPH systems specific to the population in question.
    b. Each DPH system plan must include reporting of all measures listed for all 4 domains, pursuant to *Category 3 Superset of Measures in Attachment Q*.
    c. Category 3 Milestones and Metrics Table:
        i. For Category 3, a milestone is the reporting of a particular measure.
        ii. Each DPH system plan would include Category 3 milestones for DY 7-10, in accordance with *Category 3 Superset of Measures in Attachment Q*.
        iii. The milestones shall be designated by domain by year.
    d. Each domain will constitute a bundle.

7. Category 4 Urgent Improvement in Care (Category 4):
    a. Category 4 Urgent Improvement in Care is broad dissemination of top-level performance on a set of interventions where there is deep evidence, including evidence from within the safety net, that major improvement in care is possible within 5 years, measurable and meaningful for almost all hospital populations such as those served by DPH systems.
    b. Each DPH system plan must include 2 common interventions for all DPH systems participating in DSRIP.
    c. Each DPH system plan must include an additional 2 interventions from within the superset of Category iv interventions *in Attachment Q*. Plans must indicate the reasons for choosing the 2 interventions selected, including their significance for the DPH system and its patients. ,
    d. For its 2 additional interventions, a DPH system is precluded from choosing an intervention for which it has achieved top performance for at least 4 consecutive quarters, in aggregate in all process and outcomes measures within the intervention, as defined by *Category 4 – Urgent Improvement in Quality & Safety: Superset of Interventions found in Attachment Q*.
    e. Improvement Targets will be established for each required measure within the Category 4 interventions, as pursuant to *Category 4 – Urgent Improvement in Quality & Safety: Superset of Interventions in Attachment Q*.
    f. The DPH system 5-year plan will include the following subsections for each Category 4 intervention selected:
        i. A Key Challenge(s) subsection that describes the key challenge(s) the intervention is designed to address;
        ii. A Major Delivery System Solution(s) subsection that describes the intervention selected by the DPH system and the 5-year target goals and objectives; and

iii. A Milestones and Metrics table that includes the milestones per intervention per year based on the measures specified in or otherwise in accordance with *Category 4 – Urgent Improvement in Quality & Safety: Superset of Interventions in Attachment Q.*

g. Category 4 Milestones and Metrics Table:

i. All projects must include milestones based on interventions, measures, metrics, data sources, and improvement targets in accordance with the *Category 4 – Urgent Improvement in Quality & Safety: Superset of Interventions in Attachment Q.*

ii. The milestones shall be designated by project by year.

III. Expedited DY 6 Reporting & Reimbursement

1. As described in Section I.A. above, each designated public hospital system will submit a draft 5-year DSRIP proposal addressing Categories 1, 2 and 4 to DHCS by February 18, 2011. The DY6 component of the proposal will contain projects and milestones related to DSRIP Categories 1 & 2, and one preparation/process milestone for each Category 4 intervention project. Plans for DY 6 will not be required to include Category 3 milestones.

2. On March 2, 2011, public hospital systems will submit a report to DHCS and CMS (using an approved standardized report form) on the achievement of their DY 6 milestones through March 1, 2011. This report will serve as the basis for permitting payment of the applicable total computable DY6 incentive amount in a DPH system's plan on or by March 31, 2011. These payment amounts will be based on the achievement of the DY6 milestones in accordance with the criteria established in Section VI (Disbursement of Pool Funds) in Attachment P.

3. Following plan approval and submission of the DY 6 report by the public hospital system, DHCS will issue a request to the designated public hospital system for an intergovernmental transfer in the amount of the necessary nonfederal share of the applicable incentive payment amount by March 7, 2011. Each DPH system or its affiliated governmental entity will make an intergovernmental transfer of funds to DHCS in the amount specified within 7 days of receiving the DHCS request.

4. By March 18, 2011, CMS will provide approval of the plans to permit payment for DY6.

5. Upon receipt of the intergovernmental transfer, DHCS will draw the federal funding and pay both the non-federal and federal shares of the DY 6 payment to the designated public hospital system or other affiliated governmental provider as applicable. If the intergovernmental transfer is made within the appropriate timeframe, the incentive payment will be paid within 14 days of when the transfer is made, but in no event shall the payment be made later than March 31, 2011. In the event federal approval is not obtained, DHCS must return immediately the IGT funds to the public hospital system.

6. On May 15, 2011, public hospital systems may submit a second report to DHCS and CMS (using the approved standardized report form) on the achievement of their DY 6

milestones through May 1, 2011. The report will include, if applicable, the achievement of revised/replacement projects approved by CMS as described in I.B.4. This report will serve as the basis for permitting additional payment of the applicable total computable DY6 incentive amount in a DPH system's plan on or by June 30, 2011. These payment amounts will be based on the achievement of the DY6 milestones in accordance with the criteria established in Section VI (Disbursement of Pool Funds) in Attachment P and will take into account payments already received in March 2011.

7. Following submission of the second DY 6 report by the public hospital system, DHCS will issue a request to the designated public hospital system for an intergovernmental transfer in the amount of the necessary nonfederal share of the applicable incentive payment amount by May 15, 2011. Each DPH system or its affiliated governmental entity will make an intergovernmental transfer of funds to DHCS in the amount specified within 7 days of receiving the DHCS request.
8. Upon receipt of the intergovernmental transfer, DHCS will draw the federal funding and pay both the nonfederal and federal shares of the DY 6 payment to the designated public hospital system or other affiliated governmental provider as applicable. If the intergovernmental transfer is made within the appropriate timeframe, the incentive payment will be paid within 14 days of when the transfer is made, but in no event shall the payment be made later than June 30, 2011. In the event federal approval is not obtained, DHCS must return immediately the IGT funds to the public hospital system.
9. DY 6 payments made under the expedited process will be subject to reconciliation using the metrics and other reportable elements for DY 6 as required by the designated public hospital system's final approved 5-year plan, and based upon the July 31, 2011 report submitted pursuant to Section IV (Reporting, Assessment & Modification Process) in Attachment P. If, after the reconciliation process it is determined that DY 6 funding was overpaid, the overpayment will be properly credited to the federal government or will be withheld from the next DSRIP payment for the hospital system.
10. Unexpended DY 6 funding:
    a. A designated public hospital system may carry forward available incentive pool funding associated with DY 6 milestones and metrics that either were not claimed pursuant to the expedited process, or were returned pursuant to the reconciliation to final approved plan, for claiming in a subsequent period in accordance with Section VII (Carry-Forward/Reclamation/ Reallocation) in Attachment P.
    b. The Department may reallocate unexpended DY 6 funding under conditions specified and in accordance with Section VII (Carry-Forward/Reclamation/ Reallocation) in Attachment P.

IV. Reporting, Assessment and Modification Process

A. <u>Reporting</u>

1. Semi-annual reporting for payment

a. Twice a year, the hospital systems seeking payment under the DSRIP must submit reports to the State demonstrating progress, measured by category specific metrics. The reports must include the incentive payment amount being requested for the progress achieved in accordance with payment mechanics. (see section VI "Disbursement of Pool Funds").

   These reports will be due as indicated below after the end of each 6-month period reporting period:

   i. Reporting period of July 1 through December 31st. The report and request for payment is due March 31st, with payment occurring by April 30th.
   ii. Reporting period of January 1st through June 30th. The report and request for payment is due September 30th, with payment occurring by October 31st.

   The report must include submission of the data for the each of the milestones for which the DPH system has achieved progress and seeks payment under the DSRIP.

b. The semi-annual report must be submitted using the standardized reporting form approved by CMS.

c. The State must use this documentation in support of DSRIP claims made on the MBES/CBES 64.9 Waiver form.

2. Hospital System Annual Report

   a. Hospital systems must submit an annual report by October 31st following the end of the Demonstration year.

   b. These reports will include the information provided in the 2 semi-annual reports previously submitted for the Demonstration year, including data on the progress made for all milestones.

   c. Additionally, the hospital systems will provide a narrative description of the progress made, lessons learned, challenges faced and other pertinent findings.

   d. A section of the DPH system's annual report will describe the DPH system's participation in shared learning.

   e. The hospital system must have available for review by State or CMS, upon request, all supporting data and back-up documentation.

3. Aggregate Public Hospital System Annual Report

   a. Annually, the State must compile reports documenting progress made, metric reporting, outcome data, if applicable, detailing system change supported by the DSRIP. The aggregate report should also include information about the shared learning activities that occurred during the Demonstration year.

b. The State, in collaboration with the participating DPH systems, may retain a non-profit entity with the necessary expertise on California public hospital systems' quality improvement efforts and capacity to manage the data reports to assist in the development and management of the annual DPH aggregate progress report to be submitted to CMS within 150 days of the close of each Demonstration year.

B. Mid-Point Assessment

a. During the first 6 months of DY8, CMS, the State and the California Association of Public Hospitals will review the progress made in each category for each system. This review will provide opportunity to modify projects and/or metrics in consideration of learning and new evidence be taken into account and incorporated in to plans. Revisions to a DPH system's plan as justified by the results of the midpoint assessment will be agreed to by CMS, the State and the DPH system, be reflective of the plan's overall goals, and must be both practicable and achievable in the remaining time period of the waiver.

1. *Categories i-ii:* Based on learnings and new evidence, a hospital may modify its DY9-10 milestones in an effort to update its plan to potentially make more progress toward improvements on the plan's goals and objectives.
2. *Category iv:* At the start of DY8, CMS, the State of California, in collaboration with the participating DPH systems, will establish a 90-day period to review the superset of Category iv interventions for DY9-10, including whether an intervention or metric should be removed, updated, or added to the superset, including specifically whether a Medicaid obstetric measure should be added. The intent of this review period is to ensure the achievement of the goals for Category iv, not to completely revise the DPH's plan for Category iv, unless necessitated as described below. DPH systems will have the opportunity to revise their Category iv plans if needed, for example, if it seeks to revise the target units or populations in order to achieve more significant improvement, or if new data or evidence emerges that encourages revision of strategies or metrics. If a DPH system has achieved top performance, as defined below in this in Attachment Q, in aggregate on all process and outcomes measures included in the superset for an intervention for at least 4 consecutive quarters, then it may be required to replace the intervention with another intervention from the superset (4 consecutive quarters at a minimum is standard clinical practice for measuring improvement).
3. DPH systems that make changes to their plans as a result of the Mid-Point Assessment will submit addendums to their plans specific to DY9-10, and for Category iv that reflect the decisions made in the 90-day review period and could include replacement of an intervention on the superset with another intervention. The same timeline for the State and CMS to review the plans that is delineated in the Waiver terms and conditions will apply.

b. Due to the recognition that the diabetes composite measure in category iii is nascent as of March 2011 and the best practice is evolving, the composite measure will be

defined at the Mid-Point Assessment to be able to take into account a more refined, tested composite measure. At the start of DY8, CMS, the State of California, in collaboration with the participating DPH systems, will determine the diabetes composite measure based on industry refinement of the measure, to be reported by DPH systems in DY9-10. Accordingly, DPH systems will update their 5-year proposals to reflect this determination.

c. Based on learnings and potential changes to plans made during the mid-point assessment, the standardized reporting form utilized for the semi-annual reports may also be modified through a process developed by CMS, the State of California and the participating DPH systems.

C. Plan Modification Process

1. Consistent with the recognized need to provide DPH systems some flexibility to evolve their plans over time and take into account evidence and learning from their own experience and from the field, as well as for unforeseen circumstances, a DPH system may request modifications to its plan prior to and/or beyond those built into the Mid-Point Assessment as described above, including instances in which plans require additional data in order to identify problems and develop strategies. For those Category iv interventions for which there is no external dataset available to use for benchmarking and setting Improvement Targets, a DPH system will submit a request for a modification once it has established sufficient baseline data to set Improvement Targets, as pursuant to *Category iv – Urgent Improvement in Quality & Safety: Superset of Interventions*. A DPH system must submit a request for modification to the State. Requests for modification must describe the basis for the proposed modification. The same timeline for the DHCS to review and forward the requests for modification to CMS that is delineated in the Waiver terms and conditions for the plans will apply. In the event that DHCS does not approve a modification to a DPH's proposal, the DPH system my seek redress by requesting a meeting with the DHCS Director to resolve any issues. The meeting shall take place in a timely manner. The same timeline for CMS to review the requests for modification that is delineated in the Waiver terms and conditions for the plans will apply.

2. Any modified plans will be required to contain all plan elements required in the Waiver terms and conditions. In no case will a plan modification for Demonstration Years 9 or 10, beyond the modifications done during the Mid-Point Assessment, include plans to establish new projects in categories 1 or 2 that are unrelated to other projects in the 5-year plan.

3. If total available funding for designated public hospital system plans under the DSRIP is less than the limits indicated in STC 35(c)(v) entitled General Overview of Payments, the plans will need to be modified to reflect the reduced funding available.

V. Eligible Hospital Systems to Receive Funds

The DPH systems (which include their affiliated governmental providers), are eligible to receive incentive payments from the pool, subject to each DPH system establishing a 5-year set of system transformation milestones set forth in an approved plan. Incentive funds shall be disbursed solely to eligible DPH systems, unless pursuant to STC 35(c)(vii) a sub-pool/pools for private and/or non-designated public hospitals is established and approved by CMS. A specified amount of incentive funding will be available annually to each eligible hospital system based on the milestones approved for that hospital. The actual receipt of funds will be conditioned on reporting by the entity of progress towards and achievement of the specified milestones as laid out below.

VI. Disbursement of Pool Funds

1. Each DPH system will be individually responsible for progress towards and achievement of its milestone bundles in all categories in order to receive its potential incentive funding from the pool. Every 6 months, eligible DPH systems will be able to receive incentive payments related to achievement within milestone bundles.

2. In order to receive incentive funding related to any milestone bundle, the DPH system must submit the required Semi-Annual Report as described above in section III(A)(1).

3. Categories i and ii:

   Given the varied nature of the projects and the hospital systems, the incentive payment amounts for Categories 1 and 2 will be determined by each specific DPH system in its plan submission. The submission will describe the factors that were considered in assigning the incentive payment amounts to and among these projects, such as relative effort/starting point or patient/community need. The incentive payment amounts identified by the DPH system for each category shall be approved if they are consistent with the following guidelines:

   A. *Category 1 Incentive Amount Guidelines:*
      1. The amount of a hospital system's incentive funding for a particular Demonstration year that is allocated for Category 1 projects cannot exceed the following percentages of the total incentive payment amount for that system for that Demonstration year:
         a. DY6: 47 percent
         b. DY7: 35 percent
         c. DY8: 30 percent
         d. DY9: 15 percent
         e. DY10: 5 percent
      2. For Demonstration years 6, 7 & 8, a hospital system must have at least two Category 1 projects. DPH systems are encouraged and allowed to include more than the minimum number of projects, however the maximum Category 1 funding available to the DPH system will remain limited by the same percentages identified above for the 2 project minimum.

3. For Demonstration years 6, 7, & 8, the amount of Category 1 incentive funding allocated to a single Category 1 bundle in that Demonstration year cannot be more than 50 percent of the total Category 1 incentive funding for the particular year.

B. *Category 2 Incentive Amount Guidelines:*
1. The amount of a hospital system's incentive funding for a particular Demonstration year that is allocated for Category 2 projects cannot exceed the following percentages of the total incentive payment amount for that system for that Demonstration year:
   a. DY6: 47 percent
   b. DY7: 35 percent
   c. DY8: 30 percent
   d. DY9: 15 percent
   e. DY10: 10 percent
2. For Demonstration years 6, 7, & 8, a hospital system must have at least two Category 2 projects in each Demonstration year. DPH systems are encouraged and allowed to include more than the minimum number of projects, however the maximum Category 2 funding available to the DPH system will remain limited by the same percentages identified above for the 2 project minimum.
3. For Demonstration years 6, 7, & 8, the amount of Category 2 incentive funding allocated to a single Category 2 bundle in a Demonstration year cannot be more than 50 percent of the total Category 2 incentive funding for the particular year.

As discussed in Section 1 all projects will include milestones that are measurable. Milestones would be bundled by improvement project by year. In the case where an improvement project only has 1 milestone in a given year, then the milestone will be considered a bundle.

4. Category iii:

   a. For each domain that is identified consistent with a CMS approved Category 3 *Superset of Measures,* the incentive payment amount will be determined using a formula where a base amount is multiplied by factors to determine the total dollars for that domain. The dollars will then be allocated within a plan among each of the 4 years (DY7-DY10) based on a set percentage laid out below.

   b. Incentive Payment Formula:

      a. Calculation of 4-Year Per Domain Incentive Amount
         1) 4-Year Base Amount Per Domain: $6.5 million (total computable)
         2) The base amount will be multiplied by a size factor that takes into account the DPH system's cost and patient count related to low-income individuals (See Table 1 below with size multiplier amounts for each of the 17 DPH systems)

3) The result from steps 1 and 2 will be multiplied by a factor of 1.1 for all teaching hospital systems (Table 1 indicates those systems that will have the teaching factor applied)
4) The result from the above steps can be adjusted by up to 10 percent by each individual system to account for the following factors: differences in quality infrastructure, differences in external supports for improvement work, and differences in patient populations.
5) The result from steps 1 – 4 will determine the total 4-year amount per domain.

b. *Allocation of 4-Year Per Domain Incentive Amount to Each Demonstration Year*
The 4-year per domain incentive payment amount will be allocated to each Demonstration year based on the following percentages:
   a. DY6: 0 percent
   b. DY7: 15 percent
   c. DY8: 20 percent
   d. DY9: 30 percent
   e. DY10: 35 percent

c. The per-year, per-domain incentive amounts determined according to the formula above will then serve as the "bundled" payment amount for all milestones related to that domain for that Demonstration year for purposes of the payment mechanics/processes.

Example of Category iii Domain Payment Formula
At-Risk Population Domain
Base Amount of $6,500,000
x Size Factor = 3.0
x Medical Education (IF APPLICABLE) = 1.1
(OPTIONAL ADJUSTMENT +/- 10 percent) X up to +/- 10 percent
Total Dollars For Year 4 years For At-Risk Population= $ 21,450,000
Total Dollars Per Demonstration Year:
DY6 = $0
DY7 = $3,217,500
DY8 = $4,290,000
DY9 = $6,435,000
DY10 = $7,507,500

Table 1:

Public Hospital System	Size Factor	Teaching?
Alameda County Medical Center	3.1	yes
Arrowhead Regional Medical Center	3.6	yes
Contra Costa Regional Medical Center	3.2	yes
Kern Medical Center	2.5	yes
Los Angeles County System	23.5	yes
Natividad Medical Center	1.0	yes
Riverside County Regional Medical Center	3.9	yes

San Francisco General Hospital	4.2	yes
San Joaquin General Hospital	1.9	yes
San Mateo Medical Center	1.3	no
Santa Clara Valley Medical Center	5.9	yes
UC Davis	3.5	yes
UC Irvine	2.1	yes
UC Los Angeles	2.9	yes
UC San Diego	2.1	yes
UC San Francisco	2.9	yes
Ventura County Medical Center	2.3	yes

5. *Category iv:*

   a. Category iv must comprise 20-30 percent of the total aggregate DSRIP funding for the 5-year Demonstration period within the DPH system's plan. Each intervention's incentive payment amount will be determined using a formula where a base amount is multiplied by factors to determine the total dollars for that intervention. The dollars will then be allocated within a plan among each of the 5 years based on a set percentage laid out below.

   b. Incentive Payment Formula:

      a. *Calculation of 5-Year Per Intervention Incentive Amount*
         1) 5-Year Base Amount Per Intervention: $5.5 million (total computable)
         2) The base amount will be multiplied by a size factor that takes into account the DPH system's cost and patient count related to low-income individuals (See Table 1 above with size multiplier amounts for each of the 17 DPH systems)
         3) The result from steps 1 and 2 will be multiplied by a factor of 1.1 for all teaching hospital systems (Table 1 indicates those systems that will have the teaching factor applied)
         4) The result from the above steps can be adjusted by up to 10 percent by each individual system to account for the following factors: differences in quality infrastructure, differences in external supports for improvement work, and differences in patient populations.
         5) The result from steps 1 – 4 will determine the total 5-year amount per intervention.

      b. *Allocation of 5-Year Per Intervention Incentive Amount to Each Demonstration Year*
         The 5-year per intervention incentive payment amount will be allocated to each Demonstration year based on the following percentages:
         i. DY6: 5 percent
         ii. DY7: 10 percent
         iii. DY8: 20 percent
         iv. DY9: 30 percent
         v. DY10: 35 percent

C. The per-year, per-intervention incentive amounts determined according to the formula above will then serve as the "bundled" payment amount for all milestones related to that intervention for that Demonstration year for purposes of the payment mechanics/processes.

Example of Category iv Intervention Payment Formula

Sepsis Intervention
Base Amount of $5,500,000
x Size Factor = 3.0
x Medical Education (IF APPLICABLE) = 1.1
(OPTIONAL ADJUSTMENT +/- 10 percent) X up to +/- 10 percent
Total Dollars For Year 5 years For Sepsis Intervention= $ 18,150,000
Total Dollars Per Demonstration Year:
DY6 = $907,500
DY7 = $1,815,000
DY8 = $3,630,000
DY9 = $5,445,000
DY10 = $6,352,500

6. *Achievement Value for Milestone Bundle (For All Categories)*

i. The amount of the incentive funding paid to a DPH system will be based on the amount of progress made within each specific bundle. For each milestone within the bundle, the DPH system will include in the semi-annual report the progress achieved toward that milestone's target. Based on the progress reported, each milestone will be categorized as of the following to determine the total achievement value for the milestone bundle:

- Full achievement (achievement value=1)
- At least 75 percent achievement (achievement value=.75)
- 50percent to less than 75 percent achievement (achievement value=.5)
- At least 25 percent achievement (achievement value=.25)
- Less than 25 percent achievement (achievement value=0)

The achievement values for each milestone in the bundle will be summed together to determine the total achievement value for the milestone bundle. The DPH system is then eligible to receive an amount of incentive funding for that milestone bundle determined by multiplying the total amount of funding related to that bundle by the result of dividing the total possible achievement value by the reported achievement value. If a DPH system has previously reported progress in a bundle and received partial funding, only the additional amount it is eligible for will be disbursed. (See example below of disbursement calculation)

Within 14 days after the due dates of the semi-annual report to the State, the DPH system or its affiliated governmental entity will make an intergovernmental transfer of funds equal to the nonfederal share that is necessary to draw the federal funding for the incentive payment related to the milestone achievement that is reported. The State will draw the federal funding and pay both the nonfederal and federal shares of the incentive payment to the DPH system or other affiliated governmental provider as applicable. If the intergovernmental transfer is made within the appropriate 14 day timeframe, the incentive payment will be disbursed within 7 days, otherwise the payment will be disbursed within 14 days of when the transfer is made.

Example of disbursement calculation

Milestone Bundle A (5 milestones = maximum achievement value of 5; Total funding related to Bundle $30 million)

Hospital system reports the following progress at 6 months:

- Milestone 1: 100 percent achievement (achievement value = 1)
- Milestone 2: 85 percent achievement (achievement value = .75)
- Milestone 3: 40 percent achievement (achievement value = .25)
- Milestone 4: 25 percent achievement (achievement value = .25)
- Milestone 5: 10 percent achievement (achievement value = 0)
  - Total achievement value at 6 months = 2.25
  - Disbursement at 6 months = $30M x (2.25/5) = $13.5M

DPH system reports the following progress at 12 months

- Milestone 1: 100 percent achievement (achievement value = 1)
- Milestone 2: 100 percent achievement (achievement value = 1)
- Milestone 3: 90 percent achievement (achievement value = .75)
- Milestone 4: 80 percent achievement (achievement value = .75)
- Milestone 5: 60 percent achievement (achievement value = .5)
  - Total achievement value at 6 months = 4.0
  - Total eligible disbursement at 12 months = $30M x (4/5) = $24M
  - Minus 6 months disbursement of $13.5M
  - Total actual disbursement amount at 12 months = 24M – 13.5M = $10.5M

Progress & Payment Reconciliation

As noted above in Section (III)(A)(2), each DPH system will be required to submit an annual report after the end of a Demonstration year. This report will include the data reported in the semi-annual reports related to the milestone progress achieved by the system. If, upon review of the report, it is determined that the progress by the DPH system had not been achieved as previously reported and that the progress would have resulted in a lower payment amount, the DPH system will be required to re-pay the federal portion of the overpayment amount. If the review of the report determines that actual progress exceeded the progress previously reported and paid for, and the actual progress would have resulted in increased payment (up to the maximum allocated for the bundle) the DPH system will be able to transfer the appropriate IGT in order to receive the appropriate additional payment.

VII. Carry-Forward/Reclamation/Reallocation

A. Categories i-ii

If a DPH system does not fully achieve a milestone bundle that was specified in its plan for completion in a particular year, it will be able to carry forward the available incentive funding associated with that milestone bundle until the end of the following Demonstration year during which the DPH system may complete the milestone bundle and receive full payment.

If after the end of that additional Demonstration year, a DPH system has not fully achieved a milestone bundle, it will no longer be able to claim that funding related to its completion of that milestone bundle.

A 90-day process will begin on January 1, 2014 during which time 90 percent of any amounts determined to be unclaimed for DY6 & 7 will be made available to the DPH system that did not claim the amounts. An additional 90-day process will begin on July 1, 2014 during which time 90 percent of any amounts determined to be unclaimed for DY8 will be made available to the DPH system that did not claim the amounts. In order to claim such funding, the DPH systems would be required to develop additional project or data milestones in population health or patient safety, or milestones associated with other hospital initiatives that are achieving significant impacts in population health or patient safety. These additional milestones must be applicable to the remaining Demonstration years. Requests for additional milestones must be approved by the State and CMS. If a DPH system is unable to propose sufficient additional milestones to claim the full 90percent of its own funding, such funding will be made available to other DPH systems for additional milestone plans.

The 10 percent of the unclaimed amounts related to DY6, 7, and 8, any of the 90 percent from those years that is not allocate during the 90-day process, and 100 percent of the unclaimed amounts related to DY9 and 10 will either remain unclaimed or using the authority in STC paragraph #37 entitled "Restricted Use of SNCP Funds" could be rolled over for use in other SNCP categories subject to CMS approval.

B. Category iii

If a DPH system fails to achieve a milestone bundle that was specified in its plan for completion in a particular year, that funding will be forfeited and either remain unclaimed or could be rolled over for use in other SNCP categories subject to CMS approval, using the authority in STC #37 Restricted Use of SNCP Funds.

C. Category iv

If a DPH system does not fully achieve a milestone bundle that was specified in its plan for completion in a particular year, it will be able to carry forward the available incentive funding associated with that milestone bundle until the end of the Demonstration during which the hospital system may complete the milestone bundle and receive full payment.

Any funding related to Category iv milestone bundles that is not claimable due to less than full achievement of the related milestones will be forfeited and either remains unclaimed or using the

authority in STC #37 entitled Restricted Use of SNCP Funds, could be rolled over for use in other SNCP categories subject to CMS approval.

D. Reallocation of DSRIP to other SNCP categories

By January 1, 2015, the State will have identified unclaimable amounts from the DSRIP that it is seeking to roll-over for use in other SNCP categories. The State will propose for CMS approval the particular Demonstration year and dollar amounts being sought for roll-over and will specify which SNCP category the funding would be rolled into and will request CMS approval for roll-over prior to the expiration of the Demonstration.