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December 2024

Subject: Calendar Year 2025 Medi-Cal Managed Care Quality Withhold and Incentive Methodology

Dear David Bishop:

The California Department of Health Care Services (DHCS) contracted with Mercer Government Human Services Consulting (Mercer), part of Mercer Health & Benefits LLC, to develop and monitor its Quality Withhold and Incentive (QWI) program for calendar year (CY) 2025 Medi-Cal managed care rates.

The percentage of the final certified capitation rates (upper bound rates including add-ons) being withheld is 0.76% averaged across all rate cells and all managed care plans (MCPs) included in the QWI program for CY 2025. The amount withheld from the final certified capitation rates for all MCPs subject to the QWI program in CY 2025 is calculated as 1.00% of the lower bound base capitation rates (before add-ons), and excluding the maternity supplemental payment, for all rate cells for members with satisfactory immigration status and unsatisfactory immigration status.

The quality scores calculated for each MCP in CY 2025 will determine what portion of the withhold is earned back. The threshold for a MCP to earn back 100% of their

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withhold dollars is 65 points (out of 100 possible points). MCPs scoring less than 25 points will earn back 0% of their withhold dollars. The withhold amount earned back will be calculated proportionally for MCPs scoring between 25 and 65 points. Further details on the scoring methodology are described in the Quality Withhold Scoring Methodology section of this report.

All unearned withhold dollars will be used to fund the incentive portion of the program. All MCPs may earn incentive dollars regardless of their withhold performance. Payments made to MCPs under the incentive portion of the program are designed to incentivize MCPs to reduce racial and ethnic disparities for specified quality measures.

Quality Metrics

Quality Withhold

DHCS has leveraged quality metrics which align with its Quality Strategy goals. An aggregate score across all metrics is calculated for each MCP to determine how much of the withhold amount is earned back. The quality metrics utilized for development of the CY 2025 quality scores by MCP are listed below. A summary of the quality metrics and metric weights used for CY 2025 can be found in Appendix A.

1. Controlling High Blood Pressure
2. Glycemic Status Assessment for Patients With Diabetes (>9%)
3. Prenatal and Postpartum Care: Postpartum Care
4. Prenatal and Postpartum Care: Timeliness of Prenatal Care
5. Child and Adolescent Well-Care Visits (WCV)
6. Well-Child Visits in the First 30 Months of Life

A. Well-Child Visits are a composite of two equally weighted metrics that measure visits in the first 15 months of life and visits in the first 15 to 30 months of life.

7. Childhood Immunization Status
8. Immunizations for Adolescents
9. Consumer Assessment of Healthcare Providers and Systems (CAHPS) Getting Care Quickly: Adult and Child

A. CAHPS Getting Care Quickly is a composite of equally weighted Adult and Child survey responses.

10. CAHPS Getting Needed Care: Adult and Child

A. CAHPS Getting Needed Care is a composite of equally weighted Adult and Child survey responses.

The first eight measures listed above are from the Healthcare Effectiveness Data and Information Set (HEDIS), which is a comprehensive set of standardized performance measures designed to provide purchasers and consumers with the information they need for reliable comparison of MCP performance. The last two measures listed above are from the CAHPS family of surveys. For both the HEDIS and CAHPS measures, MCP quality scores will rely on measurement year (MY) 2024 and MY 2025 quality rates for the CY 2025 contract period.

Incentive Component

The focus for the CY 2025 incentive portion will be on improving child and adolescent WCV rates for the two racial and ethnic subgroups with the lowest historic performance for each plan county/region.

Quality Withhold Scoring Methodology

MCPs will receive an achievement score and an improvement score for each quality metric. The final score for each quality metric will be the greater of the achievement or the improvement score.

- **Achievement** — Points for achievement are earned by reaching higher national benchmark thresholds.

Achievement Criteria (10 possible points)	Points Earned
≥ 66.67 th percentile	10.0
≥ 50 th percentile, < 66.67 th percentile	7.5
≥ 33.33 rd percentile, < 50 th percentile	5.0
≥ 25 th percentile, < 33.33 rd percentile	2.5
< 25 th percentile	0.0

- **Improvement** — Points for improvement are earned according to each MCP's magnitude of gap closure from the prior MY quality metric rates to the 90th percentile national benchmark quality metric rates for the current MY. Improvement point criteria is shown in the table below.

Improvement Criteria (10 possible points) (gap closure to the 90 th percentile)	Points Earned
≥ 25% gap closure	10.0
≥ 20% gap closure, < 25% gap closure	8.0
≥ 15% gap closure, < 20% gap closure	6.0
≥ 10% gap closure, < 15% gap closure	4.0
≥ to 5% gap closure, < 10% gap closure	2.0
Maintenance/Deterioration	0.0

MCPs can earn up to a maximum of 100 points with 10 possible points earned for each quality measure.

MCP quality scores and resulting withhold/incentive amounts will be calculated in CY 2026 after MY 2025 quality measure data is made available.

Quality Withhold Achievability and Reasonableness

Mercer/DHCS modeled multiple scenarios using various point thresholds to determine a reasonably achievable threshold for MCPs to earn back the full withhold amount. MY 2022 and MY 2023 HEDIS and CAHPS data was used to model results using a threshold of 65 points to earn back the full withhold alongside the scoring methodology detailed in the previous section. Using data for these quality MYs, 96% of the total withhold dollars were earned back in this modeled scenario. With the quality program being introduced in CY 2023 and continuing into CY 2024 and CY 2025, it is expected MCP quality outcomes will improve on average into MY 2024 and MY 2025.

Scoring 65 total points means a MCP must reach at least the 50th national benchmark percentile or show at least 15% gap closure from the MY 2024 quality metric rates to the 90th percentile national benchmark quality metric rates for MY 2025. Allowing plans to earn scores by measure based on the maximum of achievement or improvement points for each measure means plans not yet achieving the 50th national benchmark percentile for some of the quality measures can still earn back the full withhold amount if the data shows quality is improving from MY 2024 to MY 2025.

Furthermore, to account for the impacts of social determinants of health that vary by county/region and may impact a plan's ability to reach certain quality benchmarks, an adjustment will be applied to MCP achievement scores. This adjustment will rely on the Health Places Index (HPI)¹ and will apply an upward adjustment to achievement scores for MCPs falling below the 50th percentile for HPI. The HPI adjustment will allow MCPs to earn up to 10 full points for achievement for each quality measure.

Given the scoring methodology, quality measures, scoring adjustments for HPI, and modeling results using the most recently available quality data, Mercer believes the full withhold amount is reasonably achievable for MCPs to earn back.

Incentive Scoring Methodology

MCPs may receive incentive dollars based on improvement with the selected racial and ethnic subgroups in the WCV measure. Similar to the improvement scoring for the quality withhold, points for incentive dollars are earned according to each MCP's magnitude of gap closure from the prior MY quality metric rates to the 66.67th percentile national benchmark quality metric rates for the current MY. Improvement point criteria is shown in the table below.

Improvement Criteria (10 possible points) (gap closure to the 66.67 th percentile)	Points Earned
≥ 25% gap closure or rate ≥ 66.67 th percentile	10.0
≥ 20% gap closure, < 25% gap closure	8.0
≥ 15% gap closure, < 20% gap closure	6.0

Improvement Criteria (10 possible points) (gap closure to the 66.67 th percentile)	Points Earned
≥ 10% gap closure, < 15% gap closure	4.0
≥ 5% gap closure, < 10% gap closure	2.0
Maintenance/Deterioration	0.0

Incentive dollars will be distributed to each MCP based on weighted point totals, with the weightings being determined by the population size of the selected racial and ethnic subgroups for each MCP.

¹ <https://www.healthylplacesindex.org/about-hpi>

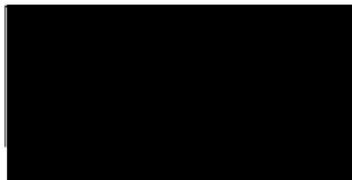
Caveats

In developing the modeled quality scores for plans used to determine the point threshold needed to earn back the full withhold, Mercer has used and relied upon enrollment, eligibility, encounter, MCP quality rates, and other information supplied by DHCS, its MCPs, and its vendors. DHCS, its MCPs, and its vendors are responsible for the validity and completeness of this supplied data and information. Mercer has reviewed the data and information for internal consistency and reasonableness, but Mercer did not audit it. If the data and information is incomplete or inaccurate, the results accompanying this letter may need to be revised accordingly. Actual results using MY 2024 and MY 2025 quality data will differ from what was modeled using the most recently available quality data.

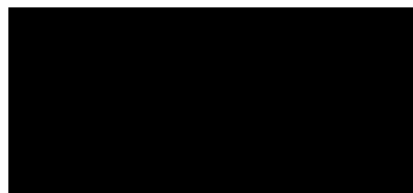
To the best of Mercer's knowledge, there are no conflicts of interest in performing this work.

If you have any questions or concerns regarding the above quality component methodology, please contact Rodney Armstrong at Rodney.Armstrong@mercer.com or Samantha Callender at Samantha.Callender@mercer.com.

Sincerely,



Rodney Armstrong, ASA, MAAA



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Appendix A: Quality Metrics

Quality Metrics Evaluated (HEDIS Abbreviation)	Quality Score Weight
Controlling High Blood Pressure (CBP)	10%
Glycemic Status Assessment for Patients With Diabetes (>9%) (GSD)	10%
Prenatal and Postpartum Care: Postpartum Care (PPC-Pst)	10%
Prenatal and Postpartum Care: Timeliness of Prenatal Care (PPC-Pre)	10%
Child and Adolescent Well-Care Visits (WCV)	10%
Well-Child Visits in the First 30 Months of Life: 15 to 30 Months (W30-2)	5%
Well-Child Visits in the First 30 Months of Life: First 15 Months (W30-6)	5%
Childhood Immunization Status: Combination (CIS-10)	10%
Immunizations for Adolescents (IMA)	10%
CAHPS Getting Care Quickly: Adult	5%
CAHPS Getting Care Quickly: Child	5%
CAHPS Getting Needed Care: Adult	5%
CAHPS Getting Needed Care: Child	5%