Mercer

Government Human Services Consulting

Medi-Cal Managed Care Calendar Year 2026 Quality Withhold and Incentive Methodology

California Department of Health and Care Services

May 28, 2026

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Section 1

Introduction

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) 2026 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 2026. The amount withheld from the final certified capitation rates for all MCPs subject to the QWI program in CY 2026 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. Withhold PMPMs are calculated using lower bound prospective base rates; if certified rates are amended in the future, the intention is for withhold PMPMs for all MCPs to remain unchanged for this contract period. DHCS may decide to update withhold PMPMs in a future amendment if deemed necessary upon review of final amended rate impacts by COA.

The quality scores calculated for each MCP in CY 2026 will determine what portion of the withhold is earned back. The threshold for a MCP to earn back 100% of their withhold dollars will be 85 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 85 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 2026 quality scores by MCP are listed below. A summary of the quality metrics and metric weights used for CY 2026 can be found in Appendix A.

- Controlling High Blood Pressure
- Glycemic Status Assessment for Patients With Diabetes (>9%)
- Prenatal and Postpartum Care: Postpartum Care
- Prenatal and Postpartum Care: Timeliness of Prenatal Care
- Child and Adolescent Well-Care Visits
- Well-Child Visits in the First 30 Months of Life
  - 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.
- Childhood Immunization Status
- Immunizations for Adolescents
- Consumer Assessment of Healthcare Providers and Systems (CAHPS®) Getting Care Quickly: Adult and Child
  - CAHPS Getting Care Quickly is a composite of equally weighted Adult and Child survey responses.
- CAHPS Getting Needed Care: Adult and Child
  - 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) 2025 and MY 2026 quality rates for the CY 2026 contract period.

Incentive Component

Consistent with CY 2025, the focus for the CY 2026 incentive portion will be on improving child/adolescent well-care visit (WCV) rates for the two racial and ethnic subgroups with the lowest historic performance for each MCP county/region.

Section 2
Methodology

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
At or above 66.67th percentile	10.0
At or above 50th percentile, below 66.67th percentile	7.5
At or above 33.33rd percentile, below 50th percentile	5.0
At or above 25th percentile, below 33.33rd percentile	2.5
Below 25th percentile	0.0

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

Improvement Criteria (10 possible points) (gap closure to the 90th 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 2027 after MY 2026 quality measure data is made available.

Healthy Places Index Adjustment

The Healthy Places Index (HPI)[1] will be used to adjust achievement scores for MCPs in the bottom 50th percentile for HPI. The adjustment is calculated as 25% of the distance between an MCP's HPI percentile and the 50th percentile, with resulting adjustments that are proportional to the HPI score. HPI percentiles will be calculated by MCP/region using HPI data and Medi-Cal membership by zip code and MCP.

For example, if a given MCP/region was at the 10th percentile HPI relative to all other MCPs/regions statewide and performed at the 20th percentile national benchmark for a given measure, the achievement score for that measure would be adjusted such that the score is based on reaching a national benchmark percentile equal to:

20% + 0.25 x (50% – 10%) = 30th percentile national benchmark

In this example, the MCP/region would receive 2.5 achievement points with the HPI adjustment instead of 0 points absent the HPI adjustment.

In cases where performance for a given measure falls between two published national benchmark percentiles (e.g. 10th percentile and 25th percentile) linear interpolation will be used to calculate an exact national performance benchmark to which the HPI adjustment will be added prior to developing the achievement score. For example, using actual MY 2024 NCQA national benchmarks for Controlling High Blood Pressure (CBP) to illustrate, if performance for CBP is 61.5% for a given MCP/region which falls between the 10th and 25th national benchmark percentiles, the national benchmark percentile to which the HPI adjustment will be added is equal to:

[(61.5% – 10th percentile) / (25th percentile – 10th percentile)] x 25% + [1 – (61.5% – 10th percentile) / (25th percentile – 10th percentile)] x 10% = 20th percentile benchmark achievement before HPI adjustment.

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 2023 and MY 2024 HEDIS and CAHPS data was used to model results using a threshold of 85 points to earn back the full withhold alongside the scoring methodology detailed in the previous section. Using data for these quality measurement years, 87% of the total withhold dollars were earned back in this modeled scenario. Since the quality program was introduced in CY 2023, quality performance on average from MY 2023 to MY 2024 has improved. Allowing MCPs to earn scores by measure based on the maximum of achievement or improvement points for each measure means MCPs not yet achieving the 66.67th 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 2025 to MY 2026.

[1] California Healthy Places Index. "About the HPI," available at https://www.healthyplacesindex.org/about-hpi

Furthermore, to account for the impacts of social determinants of health that vary by county/region and may impact a MCP's ability to reach certain quality benchmarks, an adjustment will be applied to MCP achievement scores. This adjustment will rely on the HPI and will apply an upward adjustment to achievement scores for MCPs falling below the 50th percentile for HPI, as described in the previous subsection. 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 measurement year quality metric rates to the 66.67th percentile national benchmark quality metric rates for the current measurement year. Improvement point criteria is shown in the table below.

Improvement Criteria (10 possible points) (gap closure to the 66.67th percentile)	**Points Earned**
≥ 25% gap closure or rate ≥ 66.67th percentile	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
≥ 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.

Section 3
Caveats

In developing the modeled quality scores for MCPs 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 2025 and MY 2026 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,

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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%

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