



State of California—Health and Human Services Agency  
Department of Health Care Services



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**DATE:** December 26, 2019

ALL PLAN LETTER 19-017  
SUPERSEDES ALL PLAN LETTER 17-014

**TO:** ALL MEDI-CAL MANAGED CARE HEALTH PLANS

**SUBJECT:** QUALITY AND PERFORMANCE IMPROVEMENT REQUIREMENTS

**PURPOSE:**

The purpose of this All Plan Letter (APL) is to notify all Medi-Cal managed care health plans (MCPs), including MCPs delivering services to members with specialized health care needs under the Population-Specific Health Plan (PSP) model, of changes to the Quality and Performance Improvement Program and requirements. Unless otherwise noted, all MCP requirements set forth in this APL apply to PSPs.

Specialty Health Plans (SHPs) serve a specialized population in the Medi-Cal managed care program. Most of the requirements presented below do not apply to SHPs; those requirements that do apply to SHPs are noted when applicable.

**BACKGROUND:**

Title 28 of the California Code of Regulations (CCR) section 1300.70,<sup>1</sup> Title 42 of the Code of Federal Regulations (CFR) section 438.330,<sup>2</sup> and MCP contracts with the Department of Health Care Services (DHCS) require MCPs to establish and implement an ongoing Quality Improvement System through which MCPs monitor, evaluate, and take effective action to address any needed improvements in the quality of care delivered to their members.

As part of these requirements, MCPs report to DHCS annually on a set of required quality performance measures selected by DHCS for the evaluation of health plan performance. This set of performance measures is known as the Managed Care Accountability Set (MCAS). The MCP contracts with the Department of Health Care Services (DHCS) refer to the set of performance measures as the External Accountability Set or EAS. For clarity, this APL only uses the acronym MCAS. DHCS selects MCAS measures to evaluate the quality of care delivered by MCPs to members. The MCAS measures are comprised of select Centers for Medicare and Medicaid Services' (CMS) Adult and Child Health Care Quality Measures for Medicaid (Adult and

<sup>1</sup> The CCR is searchable at: <https://govt.westlaw.com/calregs/Search/Index>.

<sup>2</sup> 42 CFR, Part 438 is available at: <https://www.ecfr.gov/cgi-bin/text-idx?SID=1e1bce051e31df7ab188a92eff8209bf&mc=true&node=pt42.4.438&rgn=div5>.

Child Core Sets). Many of these measures are also part of National Committee for Quality Assurance (NCQA) Healthcare Effectiveness Data Information Set (HEDIS®).<sup>3</sup> Prior to each Reporting Year (RY), a complete list of all MCAS measures is updated and released to all MCPs, including the performance measures that each PSP must report. The most recent MCAS can be found here:

<https://www.dhcs.ca.gov/dataandstats/reports/Pages/MgdCareQualPerfEAS.aspx>.

After consulting with MCPs and the External Quality Review Organization (EQRO), DHCS determines which Core Set measures are appropriate for the MCPs to report and for which Core Set measures the MCPs must meet the Minimum Performance Level (MPL). The MPL for each required MCAS measure that is also an NCQA measure is the national Medicaid 50<sup>th</sup> percentile, as reported in NCQA's Quality Compass. When national Medicaid results are not available for a required MCAS measure, DHCS may establish alternative benchmarks. DHCS has adopted a performance improvement tool known as the Plan Do Study Act (PDSA) to test change through rapid-cycle improvement when an MCP performs below the MPL. The number of required PDSAs will be determined by DHCS based on the MCP's overall performance in that Measurement Year (MY). MCPs that fail to meet MPLs are subject to sanctions and may also be subject to Corrective Action Plans (CAPs).

DHCS publicly reports on its website the audited results of HEDIS® and other performance measure rates for each MCP, along with the Medi-Cal managed care average and comparisons to national data, as applicable, for each required performance measure.

## **POLICY:**

MCPs are required to comply with the Quality Improvement System requirements set forth below:

### **A. MCAS Performance Measures**

#### **1. General Requirements**

- a. Designated Contacts:** MCPs must designate a performance measurement lead and at least one designated backup contact to report performance measurements to DHCS. The performance measurement lead will act as a liaison to DHCS to communicate DHCS requirements to MCPs and coordinate MCPs' satisfactory and timely completion of required quality improvement (QI) submissions. In the absence of the performance

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<sup>3</sup> HEDIS® is a registered trademark of NCQA.

measurement lead, the backup contact must be familiar with the performance measures to assume the duties of the performance measurement lead.

Note: Under certain circumstances, such as a staff absence, DHCS may approve an MCP's request for an extension of time to submit performance measurement-related documentation (e.g., PDSA Cycle Worksheets or Monitoring and Corrective Action Plan responses).

- b. Technical Assistance:** DHCS and/or its EQRO will periodically convene technical assistance conference calls for MCPs to: (1) present changes in performance measure methodology or processes; and (2) assist MCPs that are having difficulties with the PDSA or performance improvement plan (PIP) process. MCPs must designate an appropriate lead and a backup to participate in technical assistance conference calls.
- c. MCAS Collection and Reporting:** MCPs must annually collect and report rates for MCAS measures.
- d. New MCP or an Existing MCP Expanding into a New County/Region:** A new MCP or an existing MCP expanding its operations into a new county/region must begin to report its MCAS performance measure rates during the first reporting cycle, as determined by DHCS and its EQRO.

## 2. Audit Requirements

- a. Annual Onsite Performance Measurement Compliance Audit:** MCPs must participate in an annual onsite performance measure validation audit by the EQRO. The audit will consist of an assessment of an MCP's (or its vendor's) information system capabilities, followed by an evaluation of an MCP's ability to comply with specifications outlined by DHCS for HEDIS® and non-HEDIS® measures. The EQRO follows the NCQA HEDIS® Compliance Audit™ methodology to assure standardized reporting of quality performance measures throughout the health care industry.
- b. Contracted Performance Measurement Auditor:** MCPs must use DHCS' EQRO for conducting the performance measure validation. The EQRO contractor will perform the performance measurement audits at DHCS' expense. DHCS' EQRO may subcontract with independent auditors licensed by the NCQA to conduct some of the audits.

## 3. MCAS Reporting Requirements

- a. Calculating and Reporting Rates:** Each MCP calculates its rates for the

required performance measures, and these rates will be audited by the EQRO or its subcontractor and reported to DHCS. Each MCP must report to the EQRO the results for each of the performance measures required of that MCP while adhering to the requirements set forth by HEDIS®, CMS, or other applicable technical specifications for the RY. MCPs must follow DHCS' and the NCQA's timeline for collecting, calculating, and reporting rates.

- b. Reporting Units:** MCPs must calculate and report performance measure rates at the reporting unit level, unless DHCS approves a combined, regional reporting level.
- c. Managed Long-Term Services and Supports (MLTSS) Measures:** MCPs that provide MLTSS are required to report on a small set of measures selected by DHCS and the EQRO. These measures are included every year as a part of the MCAS. MCPs that provide MLTSS must provide the necessary data specific to these measures to DHCS. These measures are subject to the same requirements as other MCAS measures included in the Annual External Quality Review Technical Report. The measures are reported in the same timeframe as the rest of the MCAS. In future years, DHCS will inform MCPs if it chooses different MLTSS measures.

#### **4. MCAS Performance Standards Established by DHCS**

- a. MPLs:** MCPs must meet or exceed the MPL determined by DHCS.
- b. High Performance Levels (HPLs):** MCPs are encouraged to meet or exceed HPLs for performance measures. While meeting the HPL is not a requirement, DHCS establishes an HPL for each required MCAS performance measure that is also an NCQA measure and publicly acknowledges MCPs that meet or exceed the HPLs. The current HPL is the national Medicaid 90<sup>th</sup> percentile, as reported in NCQA's Quality Compass. When the national Medicaid 90<sup>th</sup> percentile is not available, DHCS may establish the HPL.

#### **5. MCP Performance Results and Compliance**

- a. PDSA Cycle Submission Requirements (for MCAS indicators with rates below the MPL):** MCPs are required to submit a PDSA Cycle Worksheet, or an alternative quality improvement project as directed and approved by DHCS, for MCAS measures with rates that do not meet the MPL or are given an audit result of "Not Reportable." DHCS will notify MCPs of the due date.
  - i.** Using the MCPs' final, audited MY rates submitted to NCQA and the

EQRO, DHCS will identify indicators with rates below the MPL.

- ii. MCPs are required to complete and submit a PDSA Cycle Worksheet for measures with rates below the MPL in accordance with DHCS' PDSA instructions. The PDSA Cycle Worksheet and Instructions are available from the MCP's assigned DHCS nurse consultant (NC).
- iii. Annually, DHCS will notify MCPs on the specifics of the PDSA cycle submissions including, but not limited to, the required number of PDSA cycles and due dates for submissions. MCPs are encouraged to conduct ongoing evaluations of their rapid-cycle QI efforts. MCPs must work with the DHCS NC to develop a schedule for submissions and provide needed technical assistance to monitor PDSA cycle progress throughout the year.
- iv. DHCS encourages MCPs with an indicator with a rate below the MPL in more than one county/region to include all affected counties/regions in a single PDSA Cycle Worksheet, implementing a common intervention. MCPs are encouraged to identify county/region-specific barriers and interventions that may significantly affect the measurable objective. MCPs under a CAP must discuss PDSA cycle submission requirements with their DHCS NC as their submission requirements may vary.
- v. PDSA Cycle Worksheets must identify the MCP medical director who approved the PDSA cycle prior to submission to DHCS.
- vi. MCPs must submit PDSA Cycle Worksheets to DHCS' quality mailbox at: [dhcsquality@dhcs.ca.gov](mailto:dhcsquality@dhcs.ca.gov).

#### **b. Exceptions to PDSA Cycle Submissions**

- i. **New MCPs or newly Created Regions:** DHCS will not hold MCPs to the MPL if they are reporting rates for the first time (e.g., a new MCP), if they are reporting rates for the first time for a new county/region, or if they are reporting rates for newly created regions comprised mostly or entirely of counties that have not previously reported MCAS measures. In the first RY of an MCP's region comprised mostly or entirely of counties that have previously reported MCAS measures, the region will not be considered a new reporting unit. The MCP will be required to submit a PDSA Cycle Worksheet for indicators with rates below the MPL.
- ii. **Significant Changes to Technical Specifications:** DHCS does not require MCPs to submit PDSA Cycle Worksheets for measures with

significant changes to the technical specifications. DHCS will communicate this information to the MCPs if and when DHCS is notified of significant changes.

- iii. **Additional Exceptions:** DHCS may also determine that PDSA cycle submissions are not required for other reasons. DHCS will notify MCPs if it makes such a determination.

**c. MCPs with No Indicators with Rates below the MPLs**

If an MCP's rates for all measures meet or exceed the MPLs, the MCP is not required to submit any PDSA Cycle Worksheets. MCPs are encouraged to continue to evaluate ongoing QI efforts on a quarterly basis. MCPs may use the PDSA Cycle Worksheet to help guide ongoing, rapid-cycle improvement processes.

For MCPs that have measures with rates that are declining, DHCS recommends that these MCPs utilize PDSA cycles or other QI tools and strategies to proactively address these indicators, as well as share these QI activities and the results with DHCS.

**d. Development of PDSA Cycle**

MCPs must follow DHCS' PDSA cycle development instructions, attached to the PDSA Cycle Worksheet, which is available from the MCP's DHCS NC. MCPs are encouraged to contact their DHCS NC for specific questions on the required components of a PDSA cycle. The PDSA methodology is a rapid-cycle/continuous QI process designed to perform small tests of change, which allows more flexibility to make adjustments throughout the improvement process. As part of this approach, MCPs must perform real-time tracking and evaluation of their interventions.

**e. CAPs**

DHCS will require a CAP for MCPs that have multiple indicators with rates below the MPL, or when DHCS determines that a CAP is necessary. CAP requirements may include, but are not limited to:

- i. Triannual reporting of MCAS PDSA Cycle Worksheets with corresponding, continuous, rapid-cycle improvement activities.
- ii. Additional PIPs.

- iii. Additional technical assistance calls.
- iv. In-person meetings between MCP and DHCS executive staff.

**f. Sanctions**

Welfare and Institutions Code section 14197.7 and the MCP contracts authorize DHCS to impose sanctions on MCPs that fail to meet the required MPLs on any of the applicable MCAS measures, in any reporting unit.<sup>4</sup> Sanctions may include financial penalties or auto-assignment withholds. The level and type of sanction will depend on the number of deficiencies and the severity of the quality issues identified.

**B. Consumer Satisfaction Surveys**

Pursuant to their Contract with DHCS (“MCP Contract”), full scope MCPs are required to participate in the EQRO’s member satisfaction surveys.

1. **Survey Instrument:** DHCS uses the Consumer Assessment of Healthcare Providers and Systems (CAHPS®)<sup>5</sup> surveys to assess member satisfaction with MCPs. DHCS may develop additional customized survey questions, in compliance with NCQA standards, to assess specific problems and/or special populations.
2. **CAHPS® Survey Administration:** The EQRO administers the CAHPS® survey every two years for the adult and child Medicaid population and annually for the Children’s Health Insurance Program Medicaid population, which includes children with chronic conditions.
3. **Reporting of Survey Results:** In years when the EQRO administers the adult and child Medicaid CAHPS® surveys, it will provide reporting unit-level results for each MCP, when applicable, in the CAHPS® Summary Report.
4. **Member Surveys for PSPs and SHPs:** Although PSPs/SHPs are not currently required to participate in the EQRO’s CAHPS® survey, each PSP/SHP must annually conduct a member satisfaction survey on its own and provide DHCS with results on their members. Each PSP/SHP must provide DHCS a copy of its survey instrument and survey calculation/administration methodology, so that the EQRO can evaluate them for compliance with state and federal requirements.

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<sup>4</sup> California Law Code is searchable at <http://leginfo.legislature.ca.gov/faces/codes.xhtml>.

<sup>5</sup> CAHPS® is a registered trademark of the Agency for Healthcare Research and Quality.

### C. PIPs

1. **Number of Required PIPs:** MCPs/SHPs are required to conduct or participate in a minimum of two PIPs per year. DHCS will provide guidance to each MCP/SHP on topic selection.
2. **PIP Topic Selection:** MCPs/SHPs choose PIP topics in consultation with DHCS. PIP topics should align with demonstrated areas of poor performance, such as low MCAS or CAHPS® scores, and/or DHCS/EQRO recommendations.
  - a. **Topic Proposal Timelines and Format:** DHCS will notify MCPs/SHPs of the due date for PIP topic selection and the format to use for selection proposal.
  - b. **Topic Proposal Submission:** Each MCP/SHP must submit its completed PIP topic proposal form to DHCS' quality mailbox at [dhcsquality@dhcs.ca.gov](mailto:dhcsquality@dhcs.ca.gov).
  - c. **DHCS' Approval of PIP Topic:** After receiving an MCP's/SHP's proposed PIP topic, DHCS will send the MCP a notice of approval, a request for additional information, or require the MCP to participate in a technical assistance call with the EQRO.
3. **PIP Module Submissions:** The rapid-cycle PIP process requires the submission of four modules. MCPs/SHPs must submit and pass Module 1 (PIP Initiation) prior to submitting Module 2 (Intervention Determination). DHCS' EQRO will conduct technical assistance calls as needed to assist MCPs/SHPs through the process. The EQRO will review module submissions and provide feedback to the MCPs and SHPs, which will have multiple opportunities to fine-tune Modules 1 and 2. Module 3 is Intervention Testing, utilizing PDSA cycles. This is the longest phase of the four modules. Module 4 concludes the PIP process by summarizing the project. MCPs/SHPs will have opportunities for technical assistance with both DHCS and the EQRO throughout the entire PIP process.
4. **PIP Duration:** DHCS will notify MCPs/SHPs regarding the length of the PIP cycle. PIPs typically will last approximately 12–18 months, employing a rapid-cycle improvement process to pilot small changes.
5. **Assessment of Results:** Upon completion of each PIP, the EQRO provides a confidence level on the validity and reliability of the results.
6. **Special Considerations**
  - a. **New MCPs and Existing MCPs Expanding into a New County/Region:** DHCS requires new and existing MCPs/SHPs with new county/regional start-ups to participate on a technical assistance conference call with DHCS and the EQRO to discuss the appropriateness of PIP topics and the timeline for their initial PIP submissions. DHCS and its EQRO may adjust reporting requirements for new and existing MCPs/SHPs with new county start-ups to

accommodate the particular circumstances of the MCP's/SHP's date of start-up in relation to the reporting cycle. MCPs/SHPs should contact the EQRO or their DHCS NC for step-by-step instructions about the initial PIP process.

- b. Multiple Counties:** MCPs/SHPs that serve multiple counties under a single contract may submit a PIP that addresses the same improvement topic in more than one county, provided the targeted improvement is relevant in more than one county covered by the MCP Contract.

## **7. Communication and Meetings with DHCS and Among MCPs**

- a. Designated Contacts:** MCPs/SHPs must provide DHCS with one primary contact (PIP lead) and at least one backup contact for each PIP who is familiar enough with the PIP to step in during the PIP lead's absence. Only under certain circumstances will DHCS approve an MCP's/SHP's request for an extension of time to submit PIP-related documentation due to staff absence.
- b. Technical Assistance:** To ensure that PIPs are valid and result in real improvements in the care and services provided to members, DHCS periodically holds technical assistance conference calls for all MCPs/SHPs to:
  - (1) present changes in methodologies or processes; and
  - (2) assist MCPs/SHPs that are having difficulties with a PIP. MCPs/SHPs are required to participate in these technical assistance calls. The EQRO and DHCS will also conduct quarterly collaborative conference calls to discuss PIP and other performance measure-related topics that give additional opportunity for MCPs/SHPs to share their QI interventions and experiences.

## **D. Focus Studies**

DHCS may require MCPs/SHPs to participate in focus studies of specific quality priority areas by submitting data or participating in surveys.

## **E. Patient-Level Reporting**

MCPs are required to submit patient-level data as specified by the EQRO as part of the performance measurement audit process.

## **ADDRESSES FOR ELECTRONIC SUBMISSIONS:**

### **A. EQRO's File Transfer Protocol (FTP) Website**

MCPs/SHPs are required to use DHCS' EQRO FTP website when sending communications containing patient-level data. To establish additional user profiles or

remove previous users for FTP access, MCPs/SHPs should contact the EQRO or their DHCS NC. For communications that do not contain patient-level data, the EQRO's email address is sufficient.

**B. DHCS' Submission E-Address**

DHCS' quality mailbox: [dhcsquality@dhcs.ca.gov](mailto:dhcsquality@dhcs.ca.gov).

MCPs are responsible for ensuring that their delegates comply with all applicable state and federal laws and regulations, contract requirements, and other DHCS guidance, including APLs and Policy Letters. These requirements must be communicated by each MCP to all delegated entities and subcontractors.

If you have questions or concerns about the information in this APL, please contact your DHCS NC.

Sincerely,

Original signed by Nathan Nau

Nathan Nau, Chief  
Managed Care Quality and Monitoring Division