

**Medi-Cal Managed Care Designated Public
Hospital Enhanced Payment Program Evaluation
for Calendar Year (CY) 2022**

Background

In accordance with Title 42 of the Code of Federal Regulations (CFR), Section 438.6(c)(2)(ii)(D), the California Department of Health Care Services (DHCS) is required to submit an evaluation that measures the degree to which the directed payment arrangement advances at least one of the goals and objectives in the DHCS Quality Strategy. This evaluation will assess the performance and results of the designated public hospital (DPH) Enhanced Payment Program (EPP) implementation during CY 2022.

EPP directs Medi-Cal managed care health plans (MCPs) to make fixed dollar amount add-on payments to contracted DPHs reimbursed either on a fee-for-service (FFS) and capitated payment basis. This directed payment structure applies to contracted DPHs that provide critical inpatient (including long-term care) and non-inpatient services to Medi-Cal managed care members.

Specifically, uniform increases in payments are directed in the form of uniform percent increases to payments for capitated contractual arrangements and uniform dollar amount payments for FFS contractual arrangements for inpatient (including long-term care) and non-inpatient services. This directed payment program supports DPH systems' delivery of critical services to Medi-Cal managed care members.

Evaluation Purpose and Questions

The EPP directed payment program aims to enhance the quality of care by improving encounter data submissions by public hospitals to better target those areas where improved performance will have the greatest effect on health outcomes. The CMS-approved evaluation design features two evaluation questions:

1. Do increased CY 2022 EPP directed payments serve to maintain or improve the timeliness of encounter data when compared to EPP Baseline Period?
2. Do increased CY 2022 EPP directed payments serve to maintain or change utilization patterns for members when compared to EPP Baseline Period?

Evaluation Data Sources and Measures

This evaluation addresses these questions mainly through quantitative analyses of encounter data extracted from the DHCS Management Information System/Decision Support System (MIS/DSS), spanning service dates from State Fiscal Year (SFY) 2016-2017 (Baseline), and CY 2022. Previous evaluations utilized SFY 2017-18 as the baseline, however, CMS recommended that baselines for evaluations be prior to the start of the program if possible. Therefore, the baseline for this evaluation will be SFY 2016-17.

The evaluation is focused on MCPs to pay directed and enhanced payments under the contract by either uniform percentage increases or uniform dollar amount add-ons (adjusted for each DPH based on the amount of capitation payments or the acuity of FFS services provided) for:

- Designated public hospital systems (other than Los Angeles County DPH) that hold a risk-based PMPM capitated contract with a Medi-Cal MCP that includes capitation for the provision of most services including inpatient hospital services.
- Los Angeles County Designated Public Hospital systems that hold a risk-based PMPM contract with a Medi-Cal MCP that includes capitation for the provision of most services including inpatient hospital services.

Total funding available for these enhanced contracted payments will be limited to a predetermined amount (pool). The pool funding and projected utilization will be assumed in the development of prospective actuarially sound rates.

To measure data quality improvement in encounter claim submission, denied encounters, denied encounter turnaround time, and timeliness in submission were assessed using the Post-Adjudicated Claims and Encounters System (PACES) data extracted via MIS/DSS.

To measure changes in utilization, the number of inpatient admissions, outpatient visits, and emergency room visits per 1,000 member months were assessed using encounter claims extracted from MIS/DSS.

Evaluation Results

Encounter Data Quality

1. Denied Claims and Turnaround Time:
 - a. Denied Encounter Turnaround Time – This measure addresses how quickly denied encounter data files are corrected and resubmitted by MCPs. Turnaround time is the time, in days, between an encounter data file denial date and the resubmission date to DHCS. This measure reports on the deduplicated number of encounters that were initially denied and then accepted in the specified time frame.

Turnaround Time	SFY 2016 – 2017 (Baseline Period)			CY 2022		
	Corrected Encounters	Total Denied Encounters	Percentage of Corrected Encounters per Group ¹	Corrected Encounters	Total Denied Encounters	Percentage of Corrected Encounters per Group
0 to 15 Days	7,334	76,456	10%	7,357	19,829	37%
16 to 30 Days	1,487	76,456	2%	3,485	19,829	18%
31 to 60 Days	1,311	76,456	2%	2,878	19,829	15%
Greater than 60 Days	66,324	76,456	87%	6,109	19,829	31%

- 31% of denied encounters were corrected and resubmitted in greater than 60 days of denial notice for CY 2022 compared to 87% for the Baseline Period.
- b. Total Denied Encounters: This measure sums the total times an encounter is denied. For example, for an encounter (ParentEncounterID) that is denied three times and then accepted over the time period, will represent three denials for the encounter.

¹ Total percentages may not sum up to 100% due to rounding in each group.

SFY 2016 – 2017 (Baseline Period)			CY 2022		
Total Denied Encounters	Total Encounters	Percent of Denied Encounters per Month	Total Denied Encounters	Total Encounters	Percent of Denied Encounters per Month
350,259	6,456,733	5%	43,274	7,490,010	1%

- Total denied encounters per month reported for CY 2022 was 1% compared to 5% for the Baseline Period.

c. Timeliness (Lag Time): This measure reports the time it takes for MCPs to submit encounter data files. Lag time is the time, in days, between applicable Dates of Service and the Submission date to DHCS.

Lag Time	SFY 2016 – 2017 (Baseline Period)			CY 2022		
	Encounters per Lag Time Group	Total Encounters	Percent of Encounters per Lag Time Group	Encounters per Lag Time Group	Total Encounters	Percent of Encounters per Lag Time Group
0 to 90 Days	3,804,914	6,456,733	59%	6,041,377	7,490,010	81%
91 to 180 Days	999,492	6,456,733	15%	845,573	7,490,010	11%
181 to 365 Days	690,909	6,456,733	11%	386,231	7,490,010	5%
More than 365 Days	961,418	6,456,733	15%	216,829	7,490,010	3%

- In CY 2022, 92% of encounters were submitted within 180 days of the date of service compared to 74% for the Baseline Period.

Service Utilization

Inpatient Utilization: Inpatient Admissions per 1,000 Member Months – DHCS calculated the number of MCP inpatient admissions per 1,000 member months at a statewide level from MCP encounter data. An “admission” refers to a unique combination of member and date of admission to a facility.

Outpatient Utilization: Outpatient Visits per 1,000 Member Months – DHCS calculated the number of MCP outpatient visits per 1,000 member months at a statewide level from MCP encounter data. A “visit” refers to a unique combination of billing provider, member, and date of service.

Emergency Room (ER) Utilization: Emergency Room Visits per 1,000 Member Months – DHCS calculated the number of MCP emergency room visits per 1,000 member months at a statewide level from the MCP encounter data. A “visit” refers to a unique combination of billing provider, member, and date of service.

Visits per 1,000 member months	SFY 2016 – 2017 (Baseline Period)	CY 2022	Percent Change	Fisher’s Exact Test p-value
Inpatient	20.53	26.88	30.93%	<0.0001
Outpatient	0.49	0.62	26.53%	<0.0001
ER	2.88	3.65	26.74%	<0.0001

$$\text{Percent Change} = \frac{(\text{CY 2022 rate} - \text{Baseline Period rate})}{\text{Baseline Period rate}} \times 100$$

- There was a 26.53% percentage increase for the number of inpatient admissions per 1,000 member months in CY 2022 compared to Baseline Period.
- There was a 30.93% percentage increase for the number of outpatient visits per 1,000 member months in CY 2022 compared to Baseline Period.
- There was a 26.74% percentage increase for the number of emergency room visits per 1,000 member months in CY 2022 compared to Baseline Period.
- Fisher’s exact test was used to determine if there were a significant association between time and utilization rates (comparing CY 2022 to the Baseline Period). There were statistically significant associations over time for inpatient admissions, outpatient visits, and emergency room visits in CY 2022 compared to the Baseline Period (two-tailed $p = < .0001$).
- DHCS will continue to monitor this metric in future program years.

Limitations of Evaluation

The results presented here suggest that the EPP program may have had positive impacts on encounter data quality. Both data quality and utilization metrics warrant further monitoring in future program years.

However, we cannot separate changes attributable to the EPP from other significant factors that may have impacted results including technology advancements occurring across the health systems, provider supply, changing regulatory environments, the COVID-19 Public Health Emergency, or other factors.

Conclusions

DHCS' examination of the Baseline Period and the CY 2022 encounter data quality and inpatient admissions, outpatient visits, and ER visits for EPP provider groups indicates the following:

1. Data quality increased during CY 2022 when compared to the Baseline Period:
 - a. For about 31% of denied encounters, MCPs took longer than 60 days to review, correct, and resubmit encounter data files for the CY 2022. This compares to 87% for the Baseline Period.
 - b. The percent of denied encounters per month for CY 2022 was 1%, compared to 5% for the Baseline Period.
 - c. About 92% of encounter data files were submitted within 180 days or less of the date of services for CY 2022, compared to 74% for the Baseline Period.
2. Utilization increased during CY 2022 when compared to the Baseline Period:
 - a. Inpatient admissions, outpatient visits, and ER visits increased during CY 2022 when compared to the Baseline Period.