

Attachment II - PRIME Program Funding and Mechanics Protocol

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II. Preface

A. Public Hospital Redesign and Incentives in Medi-Cal

On December 30, 2015 , the Centers for Medicare and Medicaid Services (CMS) approved California’s request for a renewal to California’s section 1115(a) Medicaid demonstration (hereinafter “demonstration”) authorizing the creation of a Public Hospital Redesign and Incentives in Medi-Cal (hereinafter “PRIME”). This demonstration is approved through December 31, 2020. Paragraphs 70-103 of the Special Terms and Conditions (STCs) describe the general rules and requirements of PRIME.

B. PRIME Protocols

The PRIME requirements specified in the STCs are supplemented by the following attachments to the STCs:

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|----------------|---|
| Attachment D. | Designated Public Hospital Systems and District/Municipal Public Hospitals that are Participating PRIME entities |
| Attachment Q. | PRIME Projects and Metrics: This Attachment details the specific delivery system improvement activities (“projects”), including requirements regarding project metrics, that are eligible for PRIME funding; for each project, Attachment Q specifies the details of the projects, projects’ metrics, and metrics’ targets that will be the basis for earning PRIME incentive payments. Attachment Q also specifies the key elements of and the review and approval process for participating PRIME entities’ 5-year PRIME Project Plans. Participating PRIME entities will utilize this document for purposes of selecting projects (each of which specifies required metrics) to include in their 5-year PRIME Project Plans. |
| Attachment R. | Alternative Payment Methodologies: Attachment R will outline additional payment methodologies that will qualify as APM outside of the capitation payment methodologies. |
| Attachment S. | PRIME Evaluation and Monitoring: Attachment S will describe the state’s plan for meeting PRIME monitoring requirements as well as will include the final evaluation plan. |
| Attachment II. | PRIME Funding and Mechanics: Attachment II describes the general requirements for receiving incentive payments under PRIME, including the allocation, payment mechanisms and disbursement of pool funds; reporting requirements; and reinvestment of unallocated funds. |

III. Eligible Hospital Systems to Receive Funding

As identified in Attachment D, designated public hospital (DPH) systems, (which include their affiliated governmental providers and contracted governmental and non-governmental entities as applicable), and District and Municipal public hospitals (DMPHs) are eligible to receive PRIME

incentive payments (hereinafter “participating PRIME entities”), subject to each DPH system and DMPH submitting a completed Five-year PRIME Project Plan and approval of that Plan by the state. Multiple DPH systems operating under common government ownership may be considered a single participating PRIME entity, or may submit separate applications and be treated as separate participating PRIME entities. Multiple DMPHs operating under common government ownership may submit separate applications or a single application. DMPHs that are under different government ownership may submit a joint plan for consideration, however, a lead DMPH must be identified.

Funding for this pool will not exceed \$7.464 billion in combined federal and state shares of expenditures over a five-year period for DPHs and DMPHs to support reforms for care delivery, provider organization and adoption of APMs. The demonstration will provide up to \$1.4 billion annually for the DPHs within the DPH Sub-Pool and \$200 million annually for the DMPHs within the DMPH Sub-Pool for the first three years of the demonstration. The respective Sub Pools will then phase down by 10 percent in the fourth year of the demonstration and by an additional 15 percent in the fifth year of the demonstration

PRIME incentive funds shall be disbursed solely to the DPHs and DMPHs listed on Attachment D as eligible participating PRIME entities in accordance with their approved PRIME Project plans. A specified amount of incentive funding will be available annually to each eligible participating PRIME entity for the project metrics approved for that participating PRIME entity in its PRIME plan. The actual receipt of funds will be conditioned on reporting by the participating PRIME entity of progress towards and achievement of the specified targets approved in the PRIME Project Plan. Aside from early stage process metrics, awards in later years will be based on per beneficiary measures of improvement. Each participating PRIME entity (for multiple DPHs operating under a single PRIME project plan or multiple DMPHs operating under a single PRIME project plan, the combined DPHs or DMPHs are collectively considered the participating PRIME entity) will be individually responsible for performance on its metrics in order to receive its potential incentive funding. The inability of one participating PRIME entity to meet a specified target will not preclude other participating PRIME entities operating under separate PRIME Project Plans from receiving incentive payments for achievement of a target.

IV. PRIME Domains and Projects

PRIME projects are grouped into three domains (listed below), each of which has explicit connection to the achievement of: (a) patient-centered, data-driven, team-based care; (b) point-of-care services, complex care management, population health management driven by electronic health records and data analytic capacity for system-level improvement and culturally competent care; and (c) improved health outcomes as evidenced by clinical, preventable events, and patient

experience metrics. The below three domains represent important themes that drive quality improvement and population health advancement:

Domain 1: Outpatient Delivery System Transformation and Prevention: Projects in this domain are intended to achieve major improvements in clinical quality and population health, with a particular focus on ambulatory care redesign, integration of physical and behavioral health, patient safety and prevention. These projects are intended to help make sure that patients experience timely access to high-quality, efficient, and patient-centered care. The menu of projects under this domain includes:

- 1.1 Integration of Physical and Behavioral Health (required for DPH)
- 1.2 Ambulatory Care Redesign: Primary Care (required for DPH)
- 1.3 Ambulatory Care Redesign: Specialty Care (required for DPH)
- 1.4 Patient Safety in the Ambulatory Setting
- 1.5 Million Hearts Initiative
- 1.6 Cancer Screening and Follow-up
- 1.7 Obesity Prevention and Healthier Foods Initiative

Domain 2: Targeted High-Risk or High-Cost Populations: Projects in this domain are focused on specific populations that would benefit most significantly from care coordination and alignment. The menu of projects under this domain includes:

- 2.1 Improved Perinatal Care (required for DPH)
- 2.2 Care Transitions: Integration of Post-Acute Care (required for DPH)
- 2.3 Complex Care Management for High Risk Medical Populations (Required for DPH)
- 2.4 Integrated Health Home for Foster Children
- 2.5 Transition to Integrated Care: Post Incarceration
- 2.6 Chronic Non-Malignant Pain Management
- 2.7 Comprehensive Advanced Illness Planning and Care

Domain 3: Resource Utilization Efficiency: Projects in this domain are designed to reduce ineffective or harmful clinical services and reduce unwarranted variation in the use of evidence-based diagnostics and treatments. The menu of projects under this domain includes:

- 3.1 Antibiotic Stewardship
- 3.2 Resource Stewardship: High-Cost Imaging
- 3.3 Resource Stewardship: Therapies Involving High-Cost Pharmaceuticals
- 3.4 Resource Stewardship: Blood Products.

V. Key Elements of Five- Year PRIME Project Plans

PRIME participating DPH systems will implement a minimum of 9 PRIME projects: at least four Domain 1 projects (of which three specific projects are required projects), at least four

Domain 2 projects (of which three specific projects are required), and at least one Domain 3 project. PRIME participating DMPHs will implement at least one PRIME project, selected from the Projects and Metrics Protocol (Attachment Q), however, may implement additional projects as approved by the state in the PRIME Plan Application.

PRIME projects will be implemented over the course of five PRIME demonstration years, each corresponding to the state fiscal year from July 1 through June 30 (“PRIME DY”). The first PRIME DY is from July 1, 2015, through June 30, 2016.

No later than one week following the approval of the PRIME protocols, DHCS will provide participating PRIME entities with a standardized Five-year PRIME Project Plan template, consistent with the requirements in STC 75 in Section IX. The plan shall include the following sections:

1. Participating Entity Information
2. Executive Summary of 5-Year Plan that includes a summary of the overall Five-year PRIME Project Plan, a description of the participating PRIME entity and local needs, and goals and objectives for being a high-performing safety net system
3. Narrative on how the Five-year PRIME Project Plan will result in improved care for the patients they serve and a path for sustained delivery system improvement
4. Project Selection
5. Statement of Understanding of Project Metrics
6. Program Incentive Payment Amounts
7. Signed Certification statement attesting that the leadership of PRIME participating entities attests to the accuracy of all PRIME-related information submitted to DHCS.

VI. Plan Review and Approval Process

A. DHCS Plan Approval Process

DHCS will review all Five-year PRIME Project Plans according to the following timeline:

1. By February 1, 2016, or 30 days after the approval of the PRIME protocols (whichever is later), each participating PRIME entity seeking to participate in PRIME will submit the completed Five-year PRIME Pool Plan to DHCS for review.
2. DHCS shall review each plan to verify that it conforms to the below checklist:
 - a. The plan is in the prescribed format.

- b. The plan contains and completes all required elements described herein and is consistent with the STCs.
 - c. The plan conforms to the requirements for Domains 1, 2 and 3 as described herein, as well as in the Projects and Metrics Protocol (Attachment Q).
 - d. The amount and distribution of funding is in accordance with Section 0 of this protocol “Disbursement of Pool Funds.”
3. By March 15, 2016, or 45 days following the due date for submission of the Five-year PRIME Project Plans, DHCS will complete its review of the plan, and will respond to the participating PRIME entity in writing with any questions, concerns or problems identified.
4. The participating PRIME entity will respond to any of DHCS’ questions and concerns in writing within 3 business days of notification by DHCS.
5. By April 1, 2016, or 60 days following the due date for submission of the Five-year PRIME Project Plans DHCS will take action on all plans, and will approve or disapprove each plan.

B. Plan Modification Process

1. Consistent with the recognized need to provide flexibility for participating PRIME entities to modify 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, no more than once a year, and by June 30th of each PRIME DY, a participating PRIME entity may submit a request to DHCS to modify its plan. The modification shall be effective as of the date approved by DHCS. PRIME Plan modifications are limited to the circumstances described below.
2. Project removals:
 - a. Should a participating PRIME entity no longer meet the minimum 30 patient volume criteria, as specified in Projects and Metrics Protocol (Attachment Q), or no longer finds it practical (e.g. from a clinical or operational standpoint) to continue one or more projects in its approved plan, a participating PRIME entity may seek to remove a project:
 - i. A DPH system may seek to remove an optional project as long as the minimum requirement of 9 total projects, including the 6 required projects, continues to be met, which may be satisfied through a substitute project in the same domain as necessary.

- ii. A DPH system may seek to remove a required project if it meets the Exclusions for Project criteria in the Projects and Metrics Protocol (Attachment Q) at the end of DY 11. A DPH system may seek to remove a required project after DY 11 but only in the case that the DPH system no longer meets the 30 patient volume requirement for that project. If a DPH system removes a required project, it must select another project in the same domain as the project that was removed. A DMPH may seek to remove a project from its plan, as long as it meets the 1 project minimum, or terminate its participation in PRIME.
 - b. A participating PRIME entity as of the effective date of a project's removal will forfeit any further funding for that project. The participating PRIME entity system shall retain all incentive payments associated with achievements related to that project prior to the removal of that project.
3. Should a participating PRIME entity undergo significant changes in data sources, such a wholesale implementation of a new electronic health record, a plan modification can be submitted for DHCS approval to change annual targets. In addition, should a participating PRIME entity securing a new Medi-Cal managed care contract that results in a significant increase in the number of assigned lives a plan modification can be submitted for DHCS approval to change annual targets.
4. Requests for modification must describe the basis for the proposed modification. If the participating PRIME entity seeks to replace one project with another, it must indicate this proposed change in the request for modification. The 60-day timeline for DHCS to review that is delineated for the Five-year PRIME Project Plans will apply. In the event that DHCS does not approve a modification to a participating PRIME entity's plan, the participating PRIME entity may seek redress by requesting a meeting with the DHCS Director to resolve any issues. The meeting shall take place in a timely manner.

C. Metric Modification Process

1. Over the course of the PRIME, participating PRIME entities may request a project metric change. DPHs must submit one request on behalf of all of the DPHs that are implementing projects that include a relevant metric, and DMPHs must submit a request on behalf of all DMPHs on behalf of all DMPHs that are implementing a project that include a relevant metric. Requests must include evidence of concurrence by all other DPHs or DMPHs reporting on the applicable metric.
2. Request for metric changes may be submitted no more than once a year and by June 30th of the Demonstration Year. Requests for metric changes must describe the basis for the proposed change, the proposed change itself, and the applicable project. Requests may recommend metric substitution or removal.

3. For innovative metrics only (as defined in the PRIME Projects and Metrics Protocol Attachment Q), in addition to substitutions or removal, requests may also recommend metric modification. Metric modification requests will be forwarded to the Measure Steward for review. The Measure Steward may accept or reject the modification request. In the case of acceptance, the modified metric will enter a rigorous testing process (as described in the Metrics and Specifications manual), and if approved for use in PRIME by DHCS, the modified metric will be used in all applicable projects as Pay for Reporting until which time it has been deemed acceptable for Pay for Performance status. Should the modification request be rejected by the Measure Steward, DHCS will review whether or not to continue to use the metric for the specified project.
4. DHCS will seek input from all participating PRIME entities engaged in projects that include the metric in question. The 60 day timeline for DHCS to review that is delineated for the Five-year PRIME Project Plans will apply. In the event that DHCS does not approve the requested metric change, the original metric will remain in use for the specified projects and the participating PRIME entities may seek redress by requesting a meeting with the DHCS Director to resolve any issues. The meeting shall take place in a timely manner.

VII. Allocation and Disbursement of Pool Funds

Subject to the annual limits set forth in the STCs, aggregate incentive payments available over the 5-year demonstration period to a participating entity will be based on the methodology described below.

A. Total Available PRIME Incentive Payments for a DPH Five-Year PRIME Pool Plan

PRIME payments for each participating PRIME entity are contingent on that entity meeting project metrics' targets in its approved Five-year PRIME Pool Plans.

For PRIME DY 11 only, 25% of the total available PRIME funding will be paid based on the submission and approval of the Five-year PRIME Project Plan, pursuant to STC 100a. The remaining 75% will be paid based on the submission and approval of project baseline data collected through July 1, 2015 – June 30, 2016 in conjunction with the final year-end report. All of the PRIME funding in subsequent DYs will be available as incentive payments based on metric achievement to each DPH system across the three domains. The measurement year for all metrics will coincide with the applicable demonstration year, and for DY 11, metrics for the baseline year will be measured based on July 1, 2015 – June 30, 2016.

The maximum available PRIME payment amount by PRIME DY by domain under the DPH systems pool is summarized in Table 1 below.

Table 1: Total Computable PRIME Payments for DPHs

<i>\$ (total computable)</i>	DY 11	DY 12	DY 13	DY 14	DY 15
5-Year PRIME Plan	25.0% 350,000,000	0.0% 0	0.0% 0	0.0% 0	0.0% 0
Domain 1: System Transformation	37.5% 525,000,000	50.0% 700,000,000	50.0% 700,000,000	50.0% 630,000,000	50.0% 535,500,000
Domain 2: High-Risk Populations	30.0% 420,000,000	40.0% 560,000,000	40.0% 560,000,000	40.0% 504,000,000	40.0% 428,400,000
Domain 3: Resource Utilization	7.5% 105,000,000	10.0% 140,000,000	10.0% 140,000,000	10.0% 126,000,000	10.0% 107,100,000
Total	100.0% 1,400,000,000	100.0% 1,400,000,000	100.0% 1,400,000,000	100.0% 1,260,000,000	100.0% 1,071,000,000

1. Every PRIME metric in a given domain will have an annual base value that is calculated by dividing the annual total available amount of PRIME funds in the domain by the base number of metrics across all projects, which is thirty one for domain 1, twenty-three for domain 2, and four for domain 3. The base number of metrics (31, 23, and 4) are estimated averages based on the number of metrics for each required project by domain, plus the average number of metrics per optional project in each domain. The annual base value per metric by domain and per year is summarized in Table 2 below.

Table 2: Annual Base Value Per Metric and Domain for DPHs

<i>\$ (total computable)</i>	DY 11	DY 12	DY 13	DY 14	DY 15
Domain 1: System Transformation	16,935,484	22,580,645	22,580,645	20,322,581	17,274,194
Domain 2: High-Risk Populations	18,260,870	24,347,826	24,347,826	21,913,043	18,626,087
Domain 3: Resource Utilization	26,250,000	35,000,000	35,000,000	31,500,000	26,775,000

2. If the number of projects and metrics within a domain in the DPH system’s Five-Year PRIME Project Plan varies from the applicable base number of 31, 23, or 4, the base metric value for the domain for the DPH system will be adjusted by multiplying by the following ratio: (base metric number / number of metrics in all projects in domain in approved PRIME Project Plan for given year).
3. The amount of PRIME funding available to a DPH system for each metric will be equal to the base value for each metric, adjusted as necessary in step 2, multiplied by a DPH

system-specific proportional allotment factor. The DPH system-specific proportional allotment factor is developed from system-specific data, reflecting each DPH system’s unique number of Medi-Cal beneficiaries treated as well as overall costs incurred for those patients, to reflect the different mixes of services provided and acuties of patient populations treated by different DPH systems participating in PRIME. The DPH system-specific proportional allotment factor is set forth in Table 3 below for each DPH system.

Table 3: Proportional allotment factors

<i>Eligible DPH System</i>	<i>Proportional allotment factor</i>
UC Davis Medical Center	0.041738
UC Irvine Medical Center	0.026019
UC San Diego Medical Center	0.025031
UC San Francisco Medical Center	0.031586
UC Los Angeles Medical Center and Santa Monica UCLA Medical Center	0.018658
Los Angeles County health system	0.319584
Alameda Health System	0.045959
Arrowhead Regional Medical Center	0.061520
Contra Costa Regional Medical Center	0.053761
Kern Medical Center	0.045296
Natividad Medical Center	0.022714
Riverside University Health System - Medical Center	0.047685
San Francisco General Hospital	0.048880
San Joaquin General Hospital	0.028667
San Mateo County General Hospital	0.029885
Santa Clara Valley Medical Center	0.085631
Ventura County Medical Center	0.067386

- To determine the amount distributed available to DPH systems upon approval of their Five-Year PRIME Project Plan in DY 11, each DPH system must multiply the aggregate amount available contingent on such approval by its own proportional allotment factor in Table 3 above.

B. Total Available PRIME Incentive Payments for a DMPH Five-Year PRIME

PRIME payments for each participating PRIME entity are contingent on that entity meeting project metrics’ targets in its approved Five-year PRIME Pool Plans.

Table 4: Total Computable PRIME Payments for DMPHs

<i>\$ (total computable)</i>	DY 11	DY 12	DY 13	DY 14	DY 15
Total	\$200,000,000	\$200,000,000	\$200,000,000	\$180,000,000	\$153,000,000

1. The maximum available PRIME funding shall be allocated across all DMPH systems as follows:
2. A proportional allotment factor for each DMPH (reflected in Table 5) is using the following factors:
 - a. Medi-Cal and uninsured acute net revenue (using data from 2014 Office of Statewide Health Planning and Development).
 - b. An adjustment factor based on the number of projects undertaken by each DMPH to recognize the diversity among these facilities.
 - c. A baseline floor amount of .0075 in recognition of small/rural hospitals and the baseline effort required of any participating entity
3. The proportional allotment factors were determined using the above factors as follows:
 - a. Initially, 80% of the total annual PRIME funding for DMPHs is allocated to each DMPH based on their pro-rata share of total Medi-Cal and uninsured acute net revenue from (2)(a)
 - b. The initial remaining 20% of the total annual PRIME funding for DMPHs is divided by the total number of projects projected to be undertaken by participating DMPHs (108) to determine a per project additional amount to recognize the diversity among the facilities and the additional effort of doing multiple projects.
 - c. An initial allocation of total annual PRIME funding across the DMPHs is then done by adding the results of (a) and (b).
 - d. In order to ensure a baseline floor amount of funding as noted in (2)(a) any DMPH-specific allocation determined in (c) that would result in an allocation factor below .0075 is adjust to achieve the baseline floor allocation equal to the .0075 allotment factor
 - e. The remaining DMPHs not adjusted to achieve the baseline floor of .0075, are adjusted on a pro-rata basis so as to not exceed the total funding available.
 - f. The resulting allocations after the adjustments in (e) and (f) are then converted into proportional allotment factors by dividing the individual allocation amount by the total PRIME funding for all DMPHs. Table 5 represents the final proportional allotment factors.

Table 5: Proportional allotment factors

<i>Eligible DMPH</i>	<i>Proportional allotment factor</i>
Antelope Valley Hospital	0.1193
Bear Valley Community Hospital	0.0075
Coalinga Regional Medical Center	0.0075
Eastern Plumas Health Care	0.0075

<i>Eligible DMPH</i>	<i>Proportional allotment factor</i>
El Camino Hospital	0.0234
El Centro Regional Medical Center	0.0453
Hazel Hawkins Memorial Hospital	0.0131
Healdsburg District Hospital	0.0113
Jerold Phelps Community Hospital	0.0075
John C. Fremont Healthcare District	0.0075
Kaweah Delta Health Care District	0.1579
Kern Valley Healthcare District	0.0075
Lompoc Valley Medical Center	0.0285
Mammoth Hospital	0.0116
Marin General Hospital	0.0122
Mayers Memorial Hospital District	0.0075
Mendocino Coast District Hospital	0.0075
Modoc Medical Center	0.0075
Northern Inyo Hospital	0.0198
Oak Valley Hospital District	0.0178
Palo Verde Hospital	0.0175
Palomar Medical Center (<i>Includes both Palomar Medical Center and Pomerado Hospital</i>)	0.1010
Pioneers Memorial Healthcare District	0.0308
Plumas District Hospital	0.0075
Salinas Valley Memorial Healthcare System	0.0509
San Bernardino Mountains Community Hospital	0.0075
San Geronio Memorial Hospital	0.0175
Seneca Healthcare District	0.0075
Sierra View District Hospital	0.0470
Sonoma Valley Hospital	0.0075
Sonoma West Medical Center	0.0075
Southern Inyo Hospital	0.0075
Tahoe Forest Hospital District	0.0085
Tehachapi Valley Healthcare District	0.0075
Tri-City Medical Center	0.0702
Trinity Hospital	0.0075
Tulare Regional Medical Center	0.0306
Washington Hospital Healthcare System	0.0382

4. To determine the amount available to the DMPH upon approval of their Five-Year PRIME Project Plan in DY 11, each DMPH must multiply the aggregate annual amount available to all DMPHs by its own proportional allotment factor in Table 5 above.

5. Total available PRIME payments for each DMPH are allocated as follows:

- a. In DY 11 only, 25% of the total available PRIME funding will be paid based on the submission and approval of the Five-year PRIME Project Plan, pursuant to STC 100a.
 - i. For DMPHs requiring infrastructure building metrics that are approved in the Prime Project Plan, the remaining 75% will be based on the achievement of the approved DY11 infrastructure building metrics for the DMPH through the final year-end report. The annual base value for each infrastructure building metric shall be calculated by dividing the value of the remaining 75% by the number of infrastructure building metrics in the DMPH's approved PRIME Project Plan.
 - ii. For DMPHs not requiring infrastructure building metrics, the remaining 75% will be based on the submission and approval of project baseline data, through the final year-end report.
6. In DY 12 only:
 - a. For DMPHs requiring infrastructure building metrics that are approved in the PRIME Project Plan:
 - i. Up to 40% of the total PRIME funding will be based on the achievement of the approved DY 12 infrastructure building metrics through the mid-year and final year-end report. The annual base value for each infrastructure building metric shall be calculated by dividing the value of the infrastructure building funding percentage by the number of infrastructure building metrics in the DMPH's approved PRIME Project Plan.
 - ii. The remaining 60% or more will be available as incentive payments based on the metric achievement. The annual base value for each metric shall be calculated by dividing the value of the remaining percentage by the number of metrics in the DMPH's approved PRIME Project Plan.
 - b. For DMPHs not requiring infrastructure building metrics, all of the PRIME funds will be available as incentive payments based on the metric achievement. The annual base value of each metric shall be calculated by dividing the total DY12 PRIME Project Plan funding for the DMPH by the number of metrics across all the projects included in the DMPH's approved PRIME Project Plan
7. For DYs 13-15: All of the PRIME funds will be available as incentive payments based on metric achievement to each DMPH as contained in their PRIME Project Plan.
 - c. Each DMPH's PRIME metric will have an annual base value which is calculated by dividing the annual total PRIME Project Plan funding for the DMPH by the number of metrics across all the projects included in the DMPH's approved PRIME Project Plan.

C. Payment Based on Metric Target Achievement

1. Each participating PRIME entity will be individually responsible for performance on its metrics in order to receive its potential incentive funding from the relevant Sub-Pool. Every 6 months, participating PRIME entities will be able to receive incentive payments related to performance on metrics, as specified below.
2. In order to receive incentive funding, the participating PRIME entity must submit the required Mid-Year Report and Final Year-End Report as described in this Attachment.
3. Incentive payments are calculated separately for each metric. The amount of the incentive funding paid to a participating PRIME entity will be based on the amount of progress made on each specific metrics, and the incentive payment amounts associated with those metrics as determined in Sections A & B above and contained in the entity's Prime Project Plan.
4. Calculating Achievement Values
 - a. *Pay-for-Reporting Project (P4R) Metrics:* Progress for a metric target will be categorized as fully achieved or not achieved. As an interim payment, the DPH or DMPH is eligible to receive 50% of the metric value for a P4R metric if reported in the Mid-Year Report. The DPH or DMPH may earn the full incentive amount for reporting a P4R metric in the Final Year-End Report.
 - b. *Pay-for-Performance Project Metrics:* The amount of the incentive funding paid to a participating PRIME entity will be based on the amount of progress made toward achieving its performance target on the standard metric. Based on the progress reported, Tables 6 and 7 will be used to determine the achievement value for metrics with established 90th percentile and 25th percentile benchmarks, which comprise a significant majority of standard metrics. Tables 8 and 9 will be used to determine achievement value for metrics with established benchmarks but without 90th and 25th percentile rankings. Targets for these metrics will be established based on a standard percent improvement relative to a participating PRIME entity prior end-of-year performance. Achievement value for these non-ranked benchmark metrics will be based on the ability of the PRIME entity to close the gap between the prior end-of-year performance and their individual target.

Table 6: Interim Mid-Year Metric Performance Achievement

	Interim Mid-Year Metric Performance Achievement Values (AV)	
End of Year Metric Performance in Prior DY	AV = 0	AV = 0.5
≥ 90th percentile	Performance below 90 th percentile	Performance ≥90 th percentile
≥ 25th and < 90th percentile	< 50% of the 10% Gap is closed	≥ 50 % of the 10% Gap is closed
< 25th percentile Track A: If gap between performance and 25 th percentile is ≥ 10% gap between performance and 90 th percentile	Performance ≤25 th percentile	Performance ≥25 th percentile
< 25th percentile Track B: If gap between performance and 25 th percentile is < 10% gap between performance and 90 th percentile	Performance < 25 th percentile, or performance ≥25 th percentile and < 50% of the 10% Gap is closed	Performance ≥25 th percentile and ≥ 50 % of the 10% Gap is closed

Table 7: Final Year-End Metric Performance Achievement

	Final Year-End Metric Performance Achievement Values (AV)			
End of Year Metric Performance in Prior DY	AV = 0	AV = 0.5	AV = 0.75	AV = 1.0
≥ 90th percentile	Performance below 90 th percentile	NA	NA	Performance at or above 90 th percentile
≥ 25th and < 90th percentile	< 50% of the 10% Gap is closed	≥ 50 % to <75% of the 10% Gap is closed	≥ 75 % to <99% of the 10% Gap is closed	100% of the 10% Gap is closed
< 25th percentile Track A: If gap between performance and 25 th percentile is ≥ 10% gap between performance and 90 th percentile	Performance <25 th percentile	NA	<u>NA</u>	Performance at or above 25 th percentile
< 25th percentile Track B: If gap between performance and 25 th percentile is < 10% gap	Performance <25 th percentile, or performance	Performance ≥25 th percentile and	Performance ≥25 th percentile and	100% of the 10% Gap is closed

End of Year Metric Performance in Prior DY	AV = 0	AV = 0.5	AV = 0.75	AV = 1.0
between performance and 90 th percentile	≥25 th percentile and < 50% of the 10% Gap is closed	≥ 50 % to <75% of the 10% Gap is closed	≥ 75 % to <99% of the 10% Gap is closed	

Table 8: Interim Mid-Year Metric Performance Achievement for Metrics without National/State Benchmarks

Interim Mid-Year Metric Performance Achievement Values (AV)	
AV = 0	AV = 0.5
< 50% of the gap between end of year performance and current year target* is closed	≥ 50 % of the gap between end of year performance and current year target* is closed

*DHCS to set a standard percent improvement target relative to individual current annual performance

Table 9: Final Year-End Metric Performance Achievement for Metrics without National/State Benchmarks

Final Year-End Metric Performance Achievement Values (AV)			
AV = 0	AV = 0.5	AV = 0.75	AV = 1.0
< 50% of the gap between end of year performance and current year target* is closed	≥ 50 % to <75% of the gap between end of year performance and current year target* is closed	≥ 75 % to <99% of the gap between end of year performance and current year target* is closed	100% of the gap between end of year performance and current year target* is closed

*DHCS to set a standard percent improvement target relative to individual current annual performance

- b. The participating PRIME entity is eligible to receive an amount of incentive funding for the project metric determined by multiplying the total amount of funding related to the metric by the reported achievement value.
- c. If a participating PRIME entity has received funding during a previous reporting period for a given metric, only the remaining amount is eligible for funding in the current reporting period.

D. Progress and Payment Reconciliation

If within a given DY a participating PRIME entity has reported progress on a metric in an interim mid-year report and received partial funding based on that reported mid-year performance, only the remaining funding for full performance in the year is eligible to be earned upon submission of the final year-end report that documents the applicable full year metric performance.

If, upon review of the interim mid-year and final year-end reports, it is determined that the progress by the participating PRIME entity had not been achieved as reported and that such progress would have resulted in a lower payment amount, the participating PRIME entity 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 metric), then the participating PRIME entity will be able to receive the appropriate additional payment in conjunction with an updated report subject to the intergovernmental transfer process below.

E. Reporting for Payment

All participating PRIME entities will produce an interim mid-year and final year report on metric progress specific to the participating PRIME entity's project and its PRIME defined population. The reports shall be submitted using the standardized reporting mechanism approved by DHCS and CMS. The standardized reporting mechanism shall calculate the incentive payment amount being requested for the progress achieved in accordance with the metric achievement values estimated above.

The report must include submission of the data for each of the metrics for which the participating PRIME entity has achieved progress and seeks payment under the PRIME, except that a PRIME entity may provide estimates or reasonable projections if particular data is unavailable due to circumstances beyond the PRIME entity's control, including data that is collected and maintained by an external entity, such as a managed care organization, which has not been provided to the participating PRIME entity in a timely and accurate manner. The reports will be due in accordance with the following:

1. **Interim Mid-Year Report:** Reporting on metrics measuring through December 31. The report and request for payment is due March 31, with payment occurring no later than April 30. For PRIME DY 11 only, the submission of the Five-year PRIME Project Plan will constitute the submission of the Interim Mid-Year Report.
2. **Final Year-End Report:** Reporting on metrics measuring through June 30. The report and request for payment is due September 30, with payment occurring no later than October 30. For PRIME DY 11 only, the final year-end report must include the submission of the baseline data and a narrative that describes the source of this information, the reporting infrastructure, how it was developed, and how this data will serve as the basis for improvement over the remaining Demonstration.

The Measurement Period for Mid-Year and Final Year-End Reports is listed in the Projects and Metrics Protocol (Attachment Q).

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

F. Intergovernmental (IGT) Transfer Process

DHCS will issue requests to the entities for intergovernmental transfer amounts necessary for the nonfederal share of the applicable incentive payment amounts, and within the timeframe necessary for the payments to be paid by the dates specified in E(1) and E (2) above. A DPH or DMPH, or its affiliated public agencies, will make an intergovernmental transfer of funds to DHCS in the amount specified within 7 days of receiving the DHCS request. Upon timely receipt of the intergovernmental transfers, DHCS will draw the federal funding and pay both the non-federal and federal shares of the payment to DPHs or DMPHs as applicable. In the event of any misreported or insufficient data, DHCS will not be bound to the 30 day payment timelines in E(1) and E(2), as otherwise applicable, with respect to a participating PRIME entity until its reports are adequately corrected for approval for payment.

VIII. STATE REVIEW PROCESS

Hospital payments will be initiated by the submission of complete reports. DHCS will conduct an initial review of all submitted reports for data completeness. If reports are complete, DHCS will issue IGT letters consistent with the timeframe for payment described above. DHCS will then conduct the administrative and clinical reviews, as outlined below, and will adhere to Progress and Payment Reconciliation Procedures as outlined in section VII.B above. The reviews consist of the following:

1. *Administrative Review:* DHCS will conduct an administrative review of the reports for technical and administrative issues using guidelines approved by CMS.

Clinical Review: DHCS will conduct a review of the reports for clinical issues using the guidelines approved by CMS.

2. Reviews will be issued to participating PRIME entities. The PRIME entities will be given up to fourteen (14) calendar days to respond to issues and to revise reports as needed.
3. DHCS will review revisions and will coordinate any further revisions with the participating PRIME entity.

IX. Reinvestment of Unallocated Funds

Notwithstanding the annual limits set forth in the STCs, participating PRIME entities will have the opportunity to recapture unused or unclaimed PRIME pool payments:

A. Unused Pool Fund

1. If, through the PRIME Project plan submission and approval process, there is Pool funding that remains unallocated pursuant to Section 0 and B. above, then the affected participating PRIME entity, in addition to all other participating PRIME entities, may implement additional projects or demonstrate greater performance that will be applicable to the remaining Demonstration Years to earn the unused funds.
2. The opportunity to submit earn additional funding will be offered and allocated first to the affected participating PRIME entity, then to participating PRIME entities within the same Sub Pool, then among participating PRIME entities in the same Pool.
3. Requests for additional projects must be approved by the state.

B. Unclaimed Pool Payment

1. As set forth in section VII C. above, pay-for-performance metrics have annual pay-for-performance targets with an identified quantitative achievement target set at the beginning of each demonstration year. Pay-for-performance metrics will earn incentive payments proportional to the achievement value on a percentage basis, whereas pay-for-reporting metrics do not have a quantitative achievement target, and thus may only earn the full incentive payment value based on submission of the metric report.

2. If, at the end of the DY, a pay-for-performance project metric target is not met by a participating PRIME entity and that entity is not able to fully claim funds that otherwise would have been earned for meeting the metric target (“unearned funds”), a participating PRIME entity shall have the opportunity to claim such unearned funds through the following mechanisms. This 90% limitation applies to the aggregate amount of unearned funds that can be reclaimed through the mechanisms described in both IX.B.2.a. and IX.B.2.b.

a) Within a PRIME DY, participating PRIME entities can reclaim up to 90% of any unearned funds on pay-for-performance metrics by over performing (exceeding the target) in other pay-for-performance metrics in any PRIME project in that same demonstration year.

(1) Over-performance must be demonstrated by exceeding other project metric targets by at least 50% or greater.

(2) Table 9: Unearned Claiming (for current DY) demonstrates the amount of unearned funds that can be claimed through over-performance on pay-for-performance on a metric. The total amount of unearned funds that can be claimed by a participating PRIME entity will be proportional to the amount of over performance on all other pay for performance metric targets in the aggregate.

Table 9: Unearned Claiming (for current DY)

End of Year Metric Performance	Amount of unearned funds that are eligible for re-claiming
50-74% over performance	25% of the metric value
75%-99% over performance	37.5% of the metric value
100% over performance	50% of the metric value

(3) Participating PRIME entities are eligible to claim up to 90% of the amount of its total unearned funds based on the aggregate value of the over performance on the other metrics.

(4) The remaining 10% of unearned PRIME funds will be withheld and will be included in the DPH or DMPH PRIME High Performance Pool, described in (c) below. Unearned PRIME funds from DPHs will be included in the DPH High Performance Pool and unearned PRIME funds from DMPHs will be included in the DMPH High Performance Pool.

(5) When participating PRIME entities submit their year-end reports, they must indicate which, if any, metrics they have not fully met and have unearned funds, and which metrics they have over-performed and are being used to claim such unearned funds.

b) If a participating PRIME entity is not able to earn the full 90% value of its unearned funds through the mechanisms set forth in paragraph a. above, the participating PRIME entity will have another opportunity to earn and claim the remainder up to 90% of unearned funds during the subsequent demonstration year on any unmet pay-for-performance metric by demonstrating over-performance on the same unmet metric in the following manner:

(1) Over-performance must be demonstrated by exceeding an unearned funds metric demonstration year target by a minimum of 50% or greater.

(2) The proportion of unearned funds from a given metric that can be claimed will be based on the percentage of over-performance on that same metric.

Table 10: Unearned Claiming (for subsequent DY) below demonstrates the amount of unearned funds that can be claimed through over-performance on pay-for-performance metrics.

Table 10: Unearned Claiming (for subsequent DY)

End of Year Metric Performance	Amount of the same metric's prior year's unearned funds that are eligible for re-claiming
50-74% over performance	25% of a metric's unearned funds
75%-99% over performance	37.5% of a metric's unearned funds
100% over performance	50% of a metric's unearned funds

(3) If a participating PRIME entity experiences two consecutive years of not meeting the applicable annual targets for a metric, it will no longer be eligible for any over-performance reclaiming in that demonstration year or subsequent demonstration year for that metric.

(4) When a participating PRIME entity submits its year-end final report, it must indicate which, if any, over performance metrics are being used to

reclaim funds on prior unmet targets for those same metrics.

c) If, through the above mechanisms set forth above in paragraph a. and b. above a participating DPH system or DMPH is not able to claim 90% of their unearned funds from the prior year, any remainder of the 90% of unearned funds for that metric from DPH systems shall be available to be earned by any DPH system through the establishment of a DPH PRIME High Performance Pool and any remainder of the 90% of unearned funds for that metric from DMPHs shall be available to be earned by any DMPH through the establishment of a DMPH PRIME High Performance Pool. The High Performance Pools will also include the 10% withhold of unearned funds referenced in (a) above for the respective DPHs and DMPHs separately.

(1) The DPH High Performance Pool

(a) The DPH PRIME High Performance Pools will be available annually for DY 13 through DY 15 for any DPH system achieving high performance (defined as achieving ≥ 90 th percentile benchmark performance or 20% gap closure) in any of the eligible 19 National Quality Forum (NQF) metrics in the six DPH required PRIME projects.

(b) Eligible metrics in the PRIME High Performance fund do not include any metrics for which a DPH system used to reclaim unearned PRIME funds through mechanisms IX.B.2.a. and b. above.

(c) DPH PRIME High Performance Pool funds shall be allocated on a pro rata basis to each eligible DPH system, based on the value of each DPH system's eligible NQF metrics for which they have achieved high performance (herein referred to as "high performance metrics"), the aggregate of those values and the total amount of funding available in the pool.

i. Should the total remaining prior year unearned funds from all the DPH systems exceed the aggregate value of all DPH systems' high performance metrics, all DPH systems will be paid the full value of each of their high performance metrics.

ii. Should the total remaining prior year unearned funds from all the DPH systems be less than the aggregate value of all DPH systems' high performance metrics, all DPH systems will be paid a proportion of the full value of each of their high performing metrics. That proportion of funds will be equal to the ratio of the total remaining prior year unearned funds and the aggregate value of all DPH systems high performance metrics.

(d) For DY 13, the DPH High Performance Pool includes the DY 12's remaining of the 90% unearned DPH funds (after application of the mechanisms described in IX.B.2.a and b above) and the 10% withhold described in IX.B.2.a.4 above for DY 12 and DY 13. For DY 14, the DPH High Performance Pool includes the DY 13's remaining of the 90%

unearned DPH funds (after application of the mechanisms described in IX.B.2.a and b above) and the 10% withhold described in IX.B.2.a.4 above for DY 14. For DY 15, the DPH High Performance Pool includes DY 14's remaining of the 90% unearned DPH funds (after application of the mechanisms described in IX.B.2.a and b), DY 15's remaining of the 90% unearned DPH funds (after application of the mechanism described in IX.B.2.a), and the 10% withhold for DY 15. The DPH High Performance Pool for each DY does not carry over to the next DY.

When participating DPH PRIME entities submit their year-end final reports, they must indicate which, if any, eligible NQF metrics were used to claim funds from the DPH High Performance Pool.

(2) The DMPH High Performance Pool

(a) The DMPH PRIME High Performance Pools will be available annually for DY 13 through DY 15 for any DMPH achieving high performance (defined as achieving ≥ 90 th percentile benchmark performance or 20% gap closure) in any of the eligible 19 National Quality Forum (NQF) metrics in the following projects as numbered in Attachment Q: Project 1.1, 1.2, 1.3, 2.1, 2.2 or 2.3.

(b) Eligible metrics in the PRIME High Performance fund do not include any metrics for which a DMPH used to reclaim unearned PRIME funds through mechanisms IX.B.2.a. and b. above.

(c) DMPH PRIME High Performance Pool funds shall be allocated on a pro rata basis to each eligible DMPH, based on the value of each DMPH's eligible NQF metrics for which they have achieved high performance (herein referred to as "high performance metrics"), the aggregate of those values and the total amount of funding available in the pool.

iii. Should the total remaining prior year unearned funds from all the DMPHs exceed the aggregate value of all DMPHs' high performance metrics, all DMPHs will be paid the full value of each of their high performance metrics.

iv. Should the total remaining prior year unearned funds from all the DMPHs be less than the aggregate value of all DMPHs' high performance metrics, all DMPHs will be paid a proportion of the full value of each of their high performing metrics. That proportion of funds will be equal to the ratio of the total remaining prior year unearned funds and the aggregate value of all DMPH high performance metrics.

(d) For DY 13, the DMPH High Performance Pool includes the DY 12's remaining of the 90% unearned DMPH funds (after application of the mechanisms described in IX.B.2.a and b above) and the 10% withhold

described in IX.B.2.a.4 above for DY 12 and DY 13. For DY 14, the DMPH High Performance Pool includes the DY 13's remaining of the 90% unearned DMPH funds (after application of the mechanisms described in IX.B.2.a and b above) and the 10% withhold described in IX.B.2.a.4 above for DY 14. For DY 15, the DMPH High Performance Pool includes DY 14's remaining of the 90% unearned DMPH funds (after application of the mechanisms described in IX.B.2.a and b), DY 15's remaining of the 90% unearned DMPH funds (after application of the mechanism described in IX.B.2.a), and the 10% withhold for DY 15. The DMPH High Performance Pool for each DY does not carry over to the next DY.

e) When participating DMPH PRIME entities submit their year-end final reports, they must indicate which, if any, eligible NQF metrics were used to claim funds from the DMPH High Performance Pool.

X. Learning Collaboratives

As part of this demonstration, DHCS will work in collaboration with participating PRIME entities to support regular learning collaboratives, which will be a required activity for all participating PRIME entities, and may be organized by the goals of PRIME or by the specific PRIME projects as described in the PRIME Funding and Mechanics Protocol (Attachment II). Learning collaboratives are forums for participating PRIME entities to share best practices and get assistance with implementing their PRIME projects. Learning collaboratives should primarily be focused on learning (through exchange of ideas at the front lines) rather than teaching (i.e. large conferences), but DHCS should coordinate with participating PRIME entities to organize at least one face-to-face statewide collaborative meeting a year. Learning collaboratives should be supported by a web site to help participating PRIME entities share ideas and simple data over time (which should not need to be developed from scratch). In addition, the collaboratives should be supported by individuals with training in quality improvement who can answer practical questions about implementation and harvest good ideas and practices that they systematically spread to others. Participating PRIME entities shall fund the non-federal share to support the conducting and operations of learning collaboratives.