Medi-Cal Managed Care Designated Private Hospital Directed Payment Program Evaluation for Calendar Year (CY) 2022

DHCS
CALIFORNIA DEPARTMENT OF
HEALTH CARE SERVICES

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 Private Hospital Directed Payment (PHDP) program implementation during CY 2022.

PHDP directs Medi-Cal managed care health plans (MCPs) to make fixed dollar amount add-on payments to contracted Private Hospitals based on actual utilization. This directed payment structure applies to contracted Private Hospitals that provide critical inpatient 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 for inpatient and non-inpatient services. This directed payment program supports Private Hospitals' delivery of critical services to Medi-Cal managed care members.

Evaluation Purpose and Questions

The PHDP directed payment program is designed to enhance the quality of care by first improving encounter data submissions by Private 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 PHDP directed payments serve to maintain or improve the timeliness of encounter data when compared to PHDP Baseline Period?

2. Do increased CY 2022 PHDP directed payments serve to maintain or change utilization patterns for members when compared to PHDP 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 in State Fiscal Year (SFY) 2016-17 (Baseline), and the 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 being directed to pay a uniform dollar amount add-on payment for every adjudicated claim for the class of network private hospitals as defined in Welfare & Institutions Code §14169.51. 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 pattern, 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 Encounters 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	17,367	162,751	11%	23,185	77,125	30%
16 to 30 Days	1,803	162,751	1%	19,785	77,125	26%
31 to 60 Days	12,153	162,751	7%	14,045	77,125	18%
Greater Than 60 Days	131,428	162,751	81%	20,110	77,125	26%

- 26% of denied encounters were corrected and resubmitted in greater than 60 days of denial notice for CY 2022, compared to 81% 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 period, will represent three denials for the encounter.

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
1,234,124	21,070,535	6%	239,354	20,391,064	1%

- The results showed that the total denied encounters per month reported for CY 2022 was 1% compared to 6% 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.

[1] Total percentages may not equal to 100% due to rounding in each group.

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	12,700,864	21,070,535	60%	16,409,206	20,395,706	80%
91 to 180 days	2,677,427	21,070,535	13%	1,853,901	20,395,706	9%
181 to 365 days	2,391,170	21,070,535	11%	1,197,638	20,395,706	6%
More than 365 days	3,301,074	21,070,535	16%	934,961	20,395,706	5%

- In CY 2022, 89% of encounters were submitted within 180 days of the date of services compared to 73% 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 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 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	2.59	2.76	6.56%	<.0001
Outpatient	58.4	63.45	8.65%	<.0001
ER	25.78	24.85	-3.61%	<.0001

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

- There was a 6.56% increase for the number of inpatient admissions per 1,000 member months in CY 2022 compared to Baseline Period.
- There was an 8.65% increase for the number of outpatient visits per 1,000 member months in CY 2022 compared to Baseline Period.
- There was a 3.61% decrease for the number 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 PY(s).

Limitations of Evaluation

The results presented here suggest that the directed payment programs may have had positive impacts on encounter data quality. Denied claim turnaround time (within 60 days of denial), percent denied claims, and timeliness of claim submission showed positive improvements during the CY 2022.

However, we cannot separate changes attributable to the directed payment programs from other secular changes such as technology advancements occurring across the health system, provider supply, or other factors.

Conclusions

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

1. Data quality increased during CY 2022 when compared to the Baseline Period:
    a. For about 26% of denied encounters, MCPs took longer than 60 days for CY 2022 to review, correct, and resubmit encounter data files. This compares with 81% for the Baseline Period.
    b. The percent of denied encounters per month for CY 2022 was 1%, compared to 6% for the Baseline Period.
    c. About 89% of encounter data files were submitted within 180 days or less of the date of services for CY 2022, compared to 73% for the Baseline Period.
2. Utilization changed during CY 2022 when compared to the Baseline Period:
    a. Outpatient visits and Inpatient admissions increased during the CY 2022 when compared to Baseline Period.
    b. Emergency room visits decreased in CY 2022 compared to the Baseline Period.