

DATE: July 16, 2024

QIP POLICY LETTER 24-009

TO: ALL QIP ENTITIES

SUBJECT: QIP DMPH FUNDING POOL (PY8 AND BEYOND)

PURPOSE:

This QIP Policy Letter (QPL) notifies District and Municipal Public Hospitals (DMPHs) that DHCS will be changing the allocation methodology to distribute the pool for DMPHs in QIP starting in Program Year 8 (Calendar Year 2025).

BACKGROUND:

The QIP program is authorized by Welfare and Institutions Code section 14197.4(c). Currently, the allocation methodology is based 40% on a hospital's Medi-Cal revenue and 60% on the number of measures an individual DMPH commits to. When the program was initially created, the allocation formula was divided in this manner given DHLF's concern about having all the funding tied only to Medi-Cal revenue and DHCS's intent that hospitals would extend their efforts and focus on a broad array of measures.

POLICY:

DHCS is making changes to the allocation methodology to better enable QIP to achieve its goals as a directed payment program where hospitals are incentivized for meeting the performance goals, measured for all Medi-Cal beneficiaries utilizing services at, or assigned by MCPs to the DMPH system. Thus, the funding should follow the Medi-Cal patient, and those hospitals that provide more Medi-Cal patients' utilization services should be able to access more of these funds. Additionally, the current allocation methodology has resulted in some unintended consequences. Most concerning,

DMPHs are committing to more measures than may be realistic to report on, as evidenced by the number of measures DMPHs either (1) do not achieve performance targets on or (2) cannot pass audit on. When DMPHs are unable to earn funding on their attested number of measures, those federal funds are left on the table for no DMPH to capture. This is concerning as DHCS provides CMS with annual evaluations as a requirement of the pre-print and there are concerns that the overall pool of funding could be decreased in the future by CMS if it appears that the DMPHs do not need the funds because they aren't capturing all of it.

For this reason, the allocation methodology will be changed to the following:

- » For PY8 (2025): 50% hospital Medi-Cal revenue and 50% number of measures committed to by hospital.
- » For PY9 (2026) and beyond: 60% hospital Medi-Cal revenue and 40% number of measures committed to by hospital.

These changes will be incorporated into formal program materials later this year. Thanks for your continued collaboration and partnership to improve the lives of Medi-Cal beneficiaries.

Please contact your QIP liaison if you have any questions.

Thank you,

ORIGINAL SIGNED BY JEFFREY NORRIS

Jeffrey Norris, MD

Value-Based Payment (VBP) Branch Chief
Quality and Population Health Management