

Paying for quality outcomes

Value-based purchasing and Managed Care Organization withhold incentive

What is value-based purchasing (VBP)?

VBP describes a range of health care purchasing strategies intended to contain costs while improving outcomes by tying payment to performance expectations. Simply reimbursing for every service provided, known as fee-for-service (FFS), encourages the overuse of expensive, low-value services and does not reward higher quality of care. HCA's VBP efforts are part of a national reform movement that seeks to address the misaligned incentives of FFS payment.

Managed Care Organization (MCO) withhold incentive

In 2016, HCA began setting annual VBP targets for state-financed health programs, including Apple Health (Medicaid) managed care programs. Within Apple Health, HCA's primary VBP program incentivizes managed care organization (MCO) performance via the MCO withhold, in which HCA retains 2 percent of the per-member-per-month (PMPM) payments to MCOs. MCOs may then re-earn those withheld funds through performance in two components:

- 25 percent of the withhold (0.5 percent PMPM): Value-Based Contracting (VBC) reflecting payer-provider contracts and incentives.
- 75 percent of the withhold (1.5 percent PMPM): Quality Improvement Score (QIS) reflecting performance on select quality metrics.

HCA has identified key opportunities to refine this VBP program to drive toward high-quality outcomes for Apple Health enrollees:

- Revise the structure of the Quality Improvement Score (QIS) component to incentivize MCOs to achieve goals and sustain improvement.
- Prioritize health equity and community engagement.
- Incentivize increased investments in primary care.

Driving quality outcomes

Incentivizing MCOs to achieve goals and sustain improvement

Starting in 2024, HCA will revise the QIS portion of the withhold as follows:

- **Number of Measures:** In prior years, a legislative proviso limited HCA to a maximum of seven quality measures. For the contract year 2024 (the first year without those proviso limitations), HCA selected 8 measures for the QIS portion of the MCO to withhold. In future years, HCA will consider using up to 10 measures to incentivize quality performance aligned with state priorities (e.g., physical and behavioral health integration, reentry from carceral to community settings, and housing).
- **Measure Selection:** HCA will continue to prioritize selecting measures endorsed by national quality experts and with national performance benchmarks. When appropriate, HCA will select state-developed metrics to measure and advance state population health priorities (e.g., when national metrics are unavailable, such as for reentry and housing initiatives). For the contract year 2024, HCA did not include any state-developed measures in the QIS portion of the MCO withhold.

Paying for quality outcomes

- **Clinically Appropriate Targets:** HCA will select clinically appropriate performance goals for each measure to drive quality improvement. This is a change from using the same target for all measures, which is not always a clinically meaningful benchmark of achievement and may not be an effective driver of quality improvement. For the contract year 2024, HCA selected the NCQA 75th percentile for most measures and selected the NCQA 90th percentile for one measure.
- **Alignment:** HCA will align quality performance measures across all MCOs to minimize provider burden. If necessary, HCA may develop accountability strategies, such as targeted corrective action plans, if an MCO's performance is particularly below its peers or state expectations.

Starting in contract year 2025, HCA will revise the QIS component of the withhold as follows:

- **Sustain Improvement:** To sustain MCO success, such as gains in antidepressant medication management, child and adolescent well-care visits, and timely prenatal care, measures will be separated into two categories within the QIS portion of the MCO withhold:
 - Active Phase Quality Improvement
 - Sustaining Quality Improvement

HCA may move quality measures to the Sustaining Quality Improvement category if (1) it was incentivized in the prior year and (2) statewide Apple Health performance exceeds a clinically meaningful benchmark (e.g., the national 75th percentile or other goal). HCA may limit the Sustaining Quality Improvement category's overall value or per-measure weight.

Health equity and community engagement

In future contract periods, HCA will further revise the QIS portion of the withhold to advance health equity in Washington and to center community voices in selecting quality measure priorities that align with state and federal requirements.

- **Health Equity:** Despite marked improvements in several performance measures at the state level, health inequities persist among our Apple Health population. For example, while the well-child visit rate for 3–11-year-old children is improving greatly at a statewide level, the experience is not the same across populations.
 - To advance health equity for Apple Health enrollees, HCA will hold MCOs accountable to reduce or eliminate disparities in quality of care. HCA stratifies historical performance by race, ethnicity, language, or other enrollee demographic compared to the rest of the Apple Health performance.
 - For each quality measure in the QIS component, HCA will evaluate for statistically significant disparities. For measures with notable disparities and that are prioritized by communities and stakeholders, HCA will separate active QIS performance measures into two subgroups: total performance and stratified performance.
 - MCOs will be rewarded for improving their previous performance for the stratified subgroup.
- **Community Engagement:** HCA is committed to engaging communities regarding the selection of measures in the QIS component of the MCO withhold. As part of HCA's strategy to implement Governor Inslee's Pro Equity Anti Racism (PEAR) Plan & Playbook, HCA has engaged a Community Advisory Team to advise on the agency's health equity and community engagement efforts and to share their lived experiences. HCA will work with these advisors and others to develop and execute a community engagement outreach plan regarding health goals and expectations for MCO performance.

Paying for quality outcomes

Moving forward

HCA values quality and will implement program changes as described to ensure Apple Health eligible clients receive quality care. To ensure the VBP withhold redesign achieves its goals, HCA will perform an ongoing assessment of the program to ensure it is effective in driving quality improvement for the Apple Health population. Quality performance results are validated and analyzed annually by the agency's contracted External Quality Review Organization (EQRO), Comagine Health. Outcomes are monitored by the HCA and published annually on [HCA's website](#).