DOCUMENT HISTORY LOG

STATUS[1]	DOCUMENT REVISION[2]	EFFECTIVE DATE	DESCRIPTION[3]
Baseline	n/a	September 1, 2011	Initial version of Attachment B-1, RFP Section 6, "Incentives & Disincentives."
Revision	2.1	March 1, 2012	Contract amendment did not revise Attachment B-1, RFP Section 6, "Incentives & Disincentives."
Revision	2.2	June 1, 2012	Section 6.3.2.1 is modified to change "Rate Period 1" to "FSR Reporting Period 12/13." Section 6.3.2.2 is modified to change "Rate Period" to "FSR Reporting Period."
Revision	2.3	September 1, 2012	Section 6.3.2.5 is modified to remove auto-assignment default methodology.
Revision	2.4	March 1, 2013	All references to the previous Executive Commissioner Suehs are changed to his successor, Executive Commissioner Janek.
Revision	2.5	June 1, 2013	Contract amendment did not revise Attachment B-1, RFP Section 6, "Incentives & Disincentives."
Revision	2.6	September 1, 2013	Section 6.2.1 is modified to remove the reference to Bariatric Supplemental Payments. Section 6.3.1.2 is modified to provide HHSC more flexibility to implement reward-based assignment methodologies. Section 6.3.2.2 is modified to add the word "Program" to the section title. Section 6.3.2.3 is renamed "Performance-Incentive Program". Subsection 6.3.2.3.1 "Quality Challenge Award" is renamed "Quality Challenge Award Program" and to add clarifying language. Subsection 6.3.2.3.2 State-MCO Shared Savings Program is added.
Revision	2.7	September 1, 2013	Contract amendment did not revise Attachment B-1, RFP Section 6, "Incentives & Disincentives."
Revision	2.8	January 1, 2014	Contract amendment did not revise Attachment B-1, RFP Section 6, "Incentives & Disincentives."
Revision	2.9	February 1, 2014	Section 6.3.2.3.2 is renamed "Other Incentive Programs' and updated.

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STATUS[1]	DOCUMENT REVISION[2]	EFFECTIVE DATE	DESCRIPTION[3]
Revision	2.10	April 1, 2014	Contract amendment did not revise Attachment B-1, RFP Section 6, "Incentives & Disincentives."
Revision	2.11	September 1, 2014	Section 6.3.2.1 "Experience Rebate Reward" is deleted in its entirety.
Revision	2.12	October 1, 2014	Contract amendment did not revise Attachment B-1, RFP Section 6, "Incentives & Disincentives."
Revision	2.13	March 1, 2015	After the first appearance of the term, "Uniform Managed Care Manual" is changed to "UMCM.' Section 6.3.2.2 is modified to change the name from "Performance-Based Capitation Rate Program (5%-at-risk)" to "Pay for Quality (P4Q) Program" and to clarify the P4Q program requirements. Section 6.3.2.3 "Performance Based Incentive Program" is deleted in its entirety. Section 6.3.2.3.1 "Quality Challenge Award Program" is deleted in its entirety. Section 6.3.2.3.2 "Other Incentive Programs" is deleted in its entirety. Section 6.3.2.6 "Nursing Facility Utilization Disincentive" is deleted in its entirety. Section 6.3.2.7 is modified to include additional methodologies.
Revision	2.14	May 1, 2015	Contract amendment did not revise Attachment B-1, RFP Section 6, "Incentives & Disincentives."
Revision	2.15	June 1, 2015	Contract amendment did not revise Attachment B-1, RFP Section 6, "Incentives & Disincentives."
Revision	2.16	September 1, 2015	Section 6.3.2.2 is modified to correct a typo and to clarify the requirements. Section 6.3.2.7 is modified to correct a typo.
Revision	2.17	March 1, 2016	Contract amendment did not revise Attachment B-1, RFP Section 6, "Incentives & Disincentives."
Revision	2.18	June 1, 2016	Contract amendment did not revise Attachment B-1, RFP Section 6, "Incentives & Disincentives."
Revision	2.19	September 1, 2016	Contract amendment did not revise Attachment B-1, RFP Section 6, "Incentives & Disincentives."

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STATUS[1]	DOCUMENT REVISION[2]	EFFECTIVE DATE	DESCRIPTION[3]
Revision	2.20	December 1, 2016	Contract amendment did not revise Attachment B-1, RFP Section 6, “Incentives & Disincentives.”
Revision	2.21	February 1, 2017	Contract amendment did not revise Attachment B-1, RFP Section 6, “Incentives & Disincentives.”
Revision	2.22	March 1, 2017	Contract amendment did not revise Attachment B-1, RFP Section 6, “Incentives & Disincentives.”
Revision	2.23	June 1, 2017	Contract amendment did not revise Attachment B-1, RFP Section 6, “Incentives & Disincentives.”
Revision	2.24	September 1, 2017	Section 6.3.2.3 "Quality Incentive Payment Program (QIPP)" is added to meet the direction from HHSC Budget Rider 97.
Revision	2.25	March 1, 2018	The following changes were made throughout the attachment: Remove numeric number for those numbers under 10. Section 6.3.2.2 is modified to reflect the new chapter for the redesigned medical P4Q. Section 6.3.2.3 "Quality Incentive Payment Program (QIPP)" is moved to Section 8.1.4.8.6 "Quality Incentive Payment Program (QIPP)". Section 6.3.2.5 is modified to include the correct report name.
Revision	2.26	March 1, 2018	Contract amendment did not revise Attachment B-1, RFP Section 6, “Incentives & Disincentives.”
Revision	2.27	January 1, 2019	Contract amendment did not revise Attachment B-1, RFP Section 6, “Incentives & Disincentives.”
Revision	2.28	March 1, 2019	Contract amendment did not revise Attachment B-1, RFP Section 6, “Incentives & Disincentives.”
Revision	2.29	September 1, 2019	Contract amendment did not revise Attachment B-1, RFP Section 6, “Incentives & Disincentives.”
Revision	2.30	March 1, 2020	Contract amendment did not revise Attachment B-1, RFP Section 6, “Incentives & Disincentives.”
Revision	2.31	September 1, 2020	Contract amendment did not revise Attachment B-1, RFP Section 6, “Incentives & Disincentives.”

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STATUS[1]	DOCUMENT REVISION[2]	EFFECTIVE DATE	DESCRIPTION[3]
Revision	2.32	March 1, 2021	Contract amendment did not revise Attachment B-1, RFP Section 6, "Incentives & Disincentives."
Revision	2.33	June 1, 2021	Contract amendment did not revise Attachment B-1, RFP Section 6, "Incentives & Disincentives."
Revision	2.34	September 1, 2021	Global change is modified to update UMCM chapter reference.
Revision	2.35	March 1, 2022	Contract amendment did not revise Attachment B-1, RFP Section 6, "Incentives & Disincentives."
Revision	2.36	September 1, 2022	Contract amendment did not revise Attachment B-1, RFP Section 6, "Incentives & Disincentives."
Revision	2.37	March 1, 2023	Contract amendment did not revise Attachment B-1, RFP Section 6, "Incentives & Disincentives."
Revision	2.38	September 1, 2023	Contract amendment did not revise Attachment B-1, RFP Section 6, "Incentives & Disincentives."
Revision	2.39	March 1, 2024	Contract amendment did not revise Attachment B-1, RFP Section 6, "Incentives & Disincentives."
Revision	2.40	September 1, 2024	Section 6.3.2.3 is added due to newly developed incentive program in conjunction with the changes to the Comprehensive Hospital Increase Reimbursement Program beginning in SFY 2025.

[1] Status should be represented as "Baseline" for initial issuances, "Revision" for changes to the Baseline version, and "Cancellation" for withdrawn versions.
[2] Revisions should be numbered according to the version of the issuance and sequential numbering of the revision—e.g., "1.2" refers to the first version of the document and the second revision.
[3] Brief description of the changes to the document made in the revision.

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6. Premium Payment, Incentives, and Disincentives

This section describes performance incentives and disincentives related to HHSC's value-based purchasing approach. For further information, MCOs should refer to **Attachment A,** "Uniform Managed Care Contract Terms and Conditions."

Under the MCO Contracts, health care coverage for Members will be provided on a fully insured basis. The MCO must provide the Services and Deliverables, including Covered Services, to enrolled Members in exchange for the monthly Capitation Payments. **Section 8**, "Operations Phase Requirements" includes the MCO's financial responsibilities regarding Out-of-Network Emergency Services and Medically Necessary Covered Services that are not available through Network Providers.

6.1 Capitation Rate Development

Refer to **Attachment A**, "Uniform Managed Care Contract Terms and Conditions," Article 10, "Terms & Conditions of Payment" for information concerning Capitation Rate development.

6.2 Financial Payment Structure and Provisions

HHSC will pay the MCO monthly Capitation Payments based on the number of eligible and enrolled Members. HHSC will calculate the monthly Capitation Payments by multiplying the number of Member Months times the applicable monthly Capitation Rate by Member Rate Cell.

The MCO must understand and expressly assume the risks associated with the performance of the duties and responsibilities under the Contract, including the failure, termination, or suspension of funding to HHSC, delays or denials of required approvals, cost of claims incorrectly paid by the MCO, and cost overruns not reasonably attributable to HHSC. The MCO must further agree that no other charges for tasks, functions, or activities that are incidental or ancillary to the delivery of the Services and Deliverables will be sought from HHSC or any other state agency, nor will the failure of HHSC or any other party to pay for such incidental or ancillary services entitle the MCO to withhold Services or Deliverables due under the Contract.

6.2.1 Capitation Payments

The MCO must refer to **Attachment A**, "Uniform Managed Care Contract Terms and Conditions" for information and Contract requirements on the:

1. time and Manner of Payment,
2. adjustments to Capitation Payments,
3. Delivery Supplemental Payment, and
4. Experience Rebate.

6.3 Performance Incentives and Disincentives

HHSC has included several financial and non-financial performance incentives and disincentives on this Contract. These incentives and disincentives are subject to change by HHSC over the course of the Contract. The MCO is prohibited from passing down financial disincentives and/or sanctions imposed on the MCO to health care providers, except on an individual basis and related to the individual provider's inadequate performance.

6.3.1 Non-financial Incentives

6.3.1.1 Performance Profiling

HHSC intends to distribute information on key performance indicators to MCOs on a regular basis, identifying an MCO's performance, and comparing that performance to other MCOs and to HHSC standards and/or external Benchmarks. HHSC may recognize MCOs that attain superior performance and/or improvement by publicizing their achievements. For example, HHSC may post information concerning exceptional performance on its website, where it will be available to both stakeholders and members of the public. Likewise, HHSC may post its final determination regarding poor performance or MCO peer group performance comparisons on its website, where it will be available to both stakeholders and members of the public.

6.3.1.2 Auto-assignment Methodology for Medicaid MCOs

HHSC may revise its auto-assignment methodology during the Contract Period for enrollees who do not select an MCO. The new assignment methodology may reward those MCOs that demonstrate superior performance or improvement on one or more key dimensions of performance (see 1 Tex. Admin. Code § 353.403(d)(3)(B) for Medicaid).

HHSC will invite MCO comments on potential approaches prior to implementation of a performance-based auto-assignment algorithm.

6.3.2 Financial Incentives and Disincentives

6.3.2.1 This Section Intentionally Left Blank

6.3.2.2 Medical Pay-for-Quality (P4Q) Program

Under the medical pay-for-quality (P4Q) program, HHSC will place at risk a percentage of each MCO's Capitation Payment(s) for performance in a calendar year. HHSC may modify the percentage of the Capitation Payment placed at risk.

HHSC will pay the MCO the full monthly Capitation Payments as described in **Section 6.2**. Then, at the end of the medical P4Q data collection period, HHSC will evaluate the MCO's performance and assign points and dollar amounts using the methodology set out in UMCM Chapter 6.

Failure to timely provide HHSC with necessary data related to the calculation of the P4Q performance indicators will result in HHSC's assignment of a zero percent (0%) performance rate for each related performance indicator.

MCOs will report actual Capitation Payments received on the Financial Statistical Report (FSR) during the FSR Reporting Periods that are at risk (for example, if four percent was at risk, the MCO will not report Revenues at a level equivalent to 96% of the payments received, leaving four percent as contingent). Any subsequent loss of the at-risk amount that may be realized will be reported below the income line as an informational item, and not as an offset to Revenues or as an Allowable Cost (as described in the Uniform Managed Care Manual, Chapter 5.

HHSC may modify the methodology and measures of the medical P4Q program as it deems necessary and appropriate, in order to motivate, recognize, and reward MCOs for superior performance.

6.3.2.3 Medicaid Managed Care Aligning Technology by Linking Interoperable Systems (ATLIS) for Client Health Outcomes Program ~~This Section Intentionally Left Blank~~

Under the authority of 42 C.F.R. § 438.6(b)(2), for participation in the Medicaid Managed Care ATLIS for Client Health Outcomes Program, described in this section, HHSC will pay each participating MCO a percentage of each MCO's total Capitation Payment(s) over and above the monthly Capitation Payments described in Section 6.2. The total percentage paid to an MCO for participation in the ATLIS program and the Medical Pay-for-Quality (P4Q) program under Section 6.3.2.2, will not exceed 5% of the total monthly Capitation Payments described in Section 6.2.

Participation in the ATLIS program requires MCOs to achieve certain milestones by provider class, related to the exchange and use of health information to improve Medicaid client health outcomes and advance alternative payment models. Under the ATLIS program, MCOs will be required to submit relevant data to HHSC regarding Health Information Exchange (HIE) Connectivity and Interoperability and demonstrate progress on program measures and metrics. Metrics used in the ATLIS program will be calculated by provider class.

The Managed Care Quality Strategy goals and objectives advanced by the ATLIS program as well as specific program measure(s), performance requirement(s), payment methodology and payment amount(s) for the ATLIS program are described in UMCM Chapter 6.

Failure of an MCO to timely provide HHSC with necessary data related to the calculation of a semi-annual program milestone will result in HHSC's assignment of a zero percent (0%) performance rate for the MCO during the measurement period to which the milestone applies. If an MCO is assigned a zero percent performance rate for a measurement period but, within the same program year as the measurement period, provides HHSC with the necessary data to determine that the MCO has met the milestone, HHSC will re-assign a satisfactory performance rate for the MCO for the measurement period and will make any payment associated with the milestone at the time of the last semi-annual payment for that same program year.

The ATLIS program does not renew automatically and HHSC may modify the program measure(s), performance requirement(s), payment methodologies, and payment amount(s) as HHSC deems necessary and appropriate to motivate, recognize and reward MCOs for superior performance in supporting and advancing the Texas Managed Care Quality Strategy. HHSC will modify the program measure(s), performance requirement(s), payment methodologies and payment amount(s) for the ATLIS program at least annually and may do so more frequently as HHSC deems necessary to continue advancing the Managed Care Quality Strategy goals and objectives designated in UMCM Chapter 6.

6.3.2.3.1 This Section Intentionally Left Blank

6.3.2.3.2 This Section Intentionally Left Blank

6.3.2.4 Remedies and Liquidated Damages

All areas of responsibility and all requirements in the Contract will be subject to performance evaluation by HHSC. Any and all responsibilities or requirements not fulfilled will be subject to contractual remedies, including without limitation liquidated damages. Refer to **Attachment A**, "Uniform Managed Care Contract Terms and Conditions," and **Attachment B-3**, "Deliverables/Liquidated Damages Matrix" for performance standards that carry liquidated damage values.

6.3.2.5 Frew Incentives and Disincentives

As required by the "Frew vs. Smith Corrective Action Order: Managed Care," this Contract includes a system of incentives and disincentives associated with the Medicaid Managed Care Texas Health Steps Medical Checkups Report and the Migrant Farmworker Child(ren) Annual Report. These incentives and disincentives apply to Medicaid MCOs.

The incentives and disincentives and corresponding methodology are set forth in UMCM Chapter 12.

6.3.2.6 This Section Intentionally Left Blank

6.3.2.7 Additional Incentives and Disincentives

HHSC will evaluate all performance-based incentive and disincentive methodologies annually and in consultation with the MCOs. HHSC may then modify the methodologies as needed, or develop additional methodologies, as funds become available, or as mandated by court decree, statute, or rule, in an effort to motivate, recognize, and reward MCOs for performance.

Information about the data collection period to be used, performance indicators selected or developed, or MCO ranking methodologies used for any specific time period will be found in the UMCM.