Outcome-Based Payments in a 1915(c) Home and Community-Based Services (HCBS) Fee-For-Service (FFS) System

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Training Objectives

- Provide an overview of the types, purpose, and goals of outcome-based payments in a 1915(c) Home and Community-Based Services (HCBS) fee-for-service (FFS) system.
- Detail examples of outcome-based payments in 1915(c) HCBS waiver programs and highlight how states use these payments to achieve program and participant goals.
- Discuss the impact of the COVID-19 Public Health Emergency (PHE) on 1915(c) HCBS waiver programs and highlight how states used outcome-based payments to respond to PHE-related challenges.
- Review key considerations for states implementing outcome-based payments and unwinding PHE flexibilities in 1915(c) HCBS waiver programs.

Overview of Outcome-Based Payments

Outcome-Based Payments

- Outcome-based or pay-for-performance payments reward health care providers with incentive payments for achieving certain predetermined goals aimed at improving the quality, efficiency, and value of health care by:
  - Encouraging coordination of care and emphasizing service quality,
  - Using quantifiable metrics to measure and improve quality of care,
  - Reducing preventable visits and/or repeat visits to hospitals or institutions, and
  - Furthering waiver program goals such as improving provider retention or offering training and educational opportunities for direct support providers.

Measurements of Outcome-Based Payments

- Providers offering 1915(c) waiver services can receive outcome-based payments in a FFS system and can receive an incentive payment based on specified events or measurable performance criteria, such as:
  - Milestones,
  - Outcomes,
  - Quality-related performance measures, and
  - Other pre-specified criteria set by the state.
- States opting for outcome-based payments offer an alternative or supplement to volume-based care that is core to traditional FFS reimbursement methodologies.

Traditional FFS vs. Outcome-Based

Description	Traditional FFS	Outcome-Based
Payment Methodology	Payment for each individual service that captures the quantity of services, items, and/or goods delivered.	Payment initiatives that incorporate goals, incentives, predetermined events, and/or milestones.
Use of Incentives	Payment is based on volume of care.	Payment to encourage or influence providers to meet identified goals or milestones.
State Oversight	States monitor payments by using both pre-payment and post-payment review processes.	States monitor payments using both pre-payment and post-payment reviews that also include a process to verify that outcome-based payments were made in alignment with actual reported participant outcomes.

Outcome-Based Payments in 1915(c) Waiver Programs

Outcome-Based Payments in 1915(c) Waivers

- States have the flexibility to design outcome-based payment arrangements to meet program, service, and participant goals, but must consider the funding or payment method to reimburse providers.
- Outcome-based payments are generally made in one of the following two methods or payment mechanisms:
  - Including the payment in the rate setting methodology of an individual waiver service.
  - Using supplemental or enhanced payments that allow providers to receive payment in addition to waiver service billings.

Outcome-Based Payments and Rate Setting

- States can include outcome-based reimbursement for waiver services as a component of the waiver service rate setting methodology.
  - Similar to other rate setting components that factor into the final payment rate, the state must be able to describe how the outcome-based payment amount is determined for milestones or outcomes.
- States may offer outcome-based payments for waiver services to incentivize or reward desired participant outcomes and for services with clear and measurable milestones.
  - States most commonly use outcome-based payments in rate setting methodologies for supported employment services as this service has clear and measurable milestones as participants complete prevocational services and job exploration with a goal of long-term, competitive, and integrated employment.

Outcome-Based Payments and Rate Setting (Cont.)

- States may determine the reimbursement amount for outcome-based payments based on a combination of methods including, but not limited to, the following:
  - **Stakeholder Feedback**
    - Both participants and providers are key to identifying milestones and marking progression with program and/or participant goals.
  - **Level of Effort or Hours Required**
    - States should estimate the number of hours or level of effort required to meet the incentive or performance metric and price the outcome accordingly to incentivize providers to participate.
  - **Grants, Federal Awards, or Other Additional Funds**
    - States may allocate funds specific to an outcome or training program, then base payment on the allocation amount.

Examples of Outcome-Based Payments in Rate Setting Methodologies

Supported Employment	
Service Description	*Outcome-Based Payment Methodology*

• Services for individuals who need on-going support to obtain and maintain a job in an integrated, competitive, customized, or self-employment (including home-based) setting.
• This service is designed to support successful employment outcomes consistent with the individual's personal and career goals.
	• Providers are incentivized to fade supports over time by decreasing the number of direct support hours on the job site once the participant secures long-term employment.
	• Payments are based on the expected outcome of the service component, the expected timeframe to complete the service, and the:
	  • Participant's level of need or acuity,
	  • Level of fading achieved, and
	  • Length of time the job has been held.

Examples of Outcome-Based Payments in Rate Setting Methodologies (cont.)

Supported Living in HCBS Program for Individuals with Intellectual and Developmental Disabilities:	
Service Description	*Outcome-Based Payment Methodology*

• Participants acquire, maintain, and improve skills necessary to live in their own private home or a host family's home.
• Host families assist, support, and guide participants to grow the skills necessary to participate in community life and to live more independently.
	• Payments are made to providers who support a successful participant transition from a licensed Residential Habilitation service into a less intensive Supported Living service.
	  • *Payment 1* is made after the new Supported Living service is rendered to the participant.
	  • *Payment 2* is made after the participant has received six consecutive months of the Supported Living service.

Supplemental Payments in 1915(c) Waivers

- States have the option to make supplemental or enhanced payments for 1915(c) waiver services in addition to the base payment or the amount billed by the provider.
- States have the flexibility to design supplemental payment programs to achieve overarching waiver program goals and offer payments outside of the delivery of a waiver service.
  - States may reward providers for achieving certain quality-related milestones or by some measure of participant satisfaction.
  - States may also use supplemental payments to achieve state policy or program initiatives outside of the delivery of waiver services such as aiding in providing retention efforts, promoting training and continuing education, and expanding access to care.
- States often use supplemental payments to make outcome-based payments when the milestone or incentive is not a direct cost component of rendering an individual waiver service.

Example of Outcome-Based Payments as a Supplemental Payment

HCBS Program for Elders	
Supplemental Payment Description	*Outcome-Based Payment Methodology*

• Reward providers for delivering quality care as measured by the HCBS Consumer Assessment of Healthcare Providers and Systems (CAHPS) survey.
• Performance incentives reward quality outcomes and aim to improve the experience of waiver participants, outcomes, access to care, participant choice, and health and welfare.
	• The waiver program rewards quality outcomes for waiver participants based on the following performance standards:
	  • Consumer satisfaction with services and
	  • Consumer feedback on quality of services.
	• Quality data for the performance standards is provided by the HCBS CAHPS.

Example of Outcome-Based Payments as a Supplemental Payment (cont.)

HCBS Program for Individuals with Intellectual and Developmental Disabilities:	
Supplemental Payment Description	*Outcome-Based Payment Methodology*
• Reward providers who employ new direct support professionals (DSP) who participate in a Certified DSP Registered Apprenticeship program. • Performance incentives aim to stabilize and structure the DSP workforce and improve the experience and outcomes of waiver participants.	• Providers receive a payment for participating in the Certified DSP Registered Apprenticeship Program.* • Providers receive payments when apprentice(s) reach partial and full completion of the registered apprenticeship program. • Apprentice(s) registration and progression must be recorded in the designated database to receive payment. **Payment is not available for trainings or certifications needed to meet provider qualification requirements.*

Recap of Outcome-Based Rate Setting Methodologies vs. Supplemental Payments

Outcome-Based Payment Method	Must be linked to an individual waiver service? (Y/N)	1915(c) Waiver Application Appendix	Example
Included as a component of the waiver service and rate setting methodology.	Y (Must be included as part of the rate setting methodology)	Appendix I-2-a	The state offers an outcome-based payment when the waiver participant obtains employment resulting from job exploration services.
Supplemental Payment	N (May be linked to individual waiver service delivery, but not required)	Appendix I-3-c	The state offers an outcome-based payment to all waiver providers who successfully complete an Alzheimer's care training.

COVID-19 PHE Impact on States' Use of Outcome-Based Payments

Impact of COVID-19 PHE on 1915(c) Waiver Programs

- The PHE created unique challenges and intensified existing issues for providers and the HCBS workforce. Some of the challenges included:
  - A reduction in the HCBS workforce, as health systems could not retain or recruit workers sufficiently.
  - Personal health concerns requiring the need for social distancing, vaccinations, personal protective equipment (PPE), travel restrictions, and child-care arrangements.
  - A need for training and education on new COVID-19 protocols or related skills.

State Reactions to the COVID-19 PHE

- As a result of PHE-related challenges, many states designed outcome-based payment programs.
- States used 1915(c) Appendix K amendments and the additional Federal Medical Assistance Percentage (FMAP) through Section 9817 of the American Rescue Plan Act of 2021 (ARP) to develop outcome-based payments to achieve multiple goals, such as:
  - Maintaining and strengthening the HCBS workforce,
  - Providing training and educational opportunities for direct support providers, and
  - Protecting the health and welfare of HCBS participants and providers including providing assistance with getting vaccinated and obtaining PPE.

Examples of Outcome-Based Payments to Strengthen HCBS Workforce

PHE Challenge	Outcome-Based Payment Example/Description
Provider and Staff Workforce Shortages	• The COVID-19 PHE exacerbated provider-related challenges relating to staff retention and increased demand for community-based services: – Multiple states offered sign-on bonuses for new hires, retention bonuses for current providers, and supplemental payments to providers to aid with the costs of recruitment efforts. – One state offered enhanced payments for DSPs based on the number of hours worked to help improve retention and respond to DSP burnout.

Examples of Outcome-Based Payments to Assist with COVID-Related Health Risks

PHE Challenge	Outcome-Based Payment Example/Description
Increased Health Risk for Participants and DSPs	• The COVID-19 PHE prompted states to quickly respond to new health risks to protect program participants: – Several states provided one-time payments to providers who completed the COVID-19 vaccination regimen. – States provided other one-time payments specific to the COVID-19 PHE for enhanced healthcare coverage and the purchase of PPE.

Examples of Outcome-Based Payments to Educate and Train Providers

PHE Challenge	Outcome-Based Payment Example/Description
Training and Education	• In response to the COVID-19 PHE, new safety protocols were introduced to prevent the transmission of COVID-19, creating a need for training and education opportunities for providers: – Most states provided payments to providers for completing trainings specific to infection control, fit testing for N-95 masks, and proper use of PPE. – One state allocated funding to allow for paid training time for DSPs to improve job retention and quality of care.

State Considerations for Implementing Outcome-Based Payments

Considerations for Implementing Outcome-Based Payments in 1915(c) Waivers

- States must consider many factors while implementing outcome-based payments in 1915(c) waiver programs, including but not limited to:

Payment Method	1915(c) waiver requirements	Design goals and incentives
Payment effectiveness	Realign goals and incentives	Stakeholder feedback

Payment Method

- States must determine how providers will be reimbursed for outcome-based payments using either a supplemental payment or including them as a component of the rate setting methodology.
  - States offering broad-based incentive payments in which eligibility spans multiple waiver services most commonly use supplemental payments to reimburse providers.
  - States include outcome-based payments as part of the rate setting methodology for individual waiver services by determining the value or price of a desired outcome or milestone.
  - States most commonly include outcome-based payments for individual waiver services like supported employment with clear or measurable milestones.

1915(c) Waiver Requirements

- States should ensure that all applicable 1915(c) waiver requirements are met when implementing outcome-based payments through rate setting methodologies and/or supplemental payments.
- Federal guidance under section 1902(a)(30)(A) of the Social Security Act ("the Act") requires that states assure that "payments are consistent with efficiency, economy, and quality of care and are sufficient to enlist enough providers…"
- States must document and describe rate setting methodologies in **Appendix I-2-a,** any supplemental payment arrangements in **Appendix I-3-c,** and cost neutrality impact in **Appendix J** of the 1915(c) waiver application.
- State waiver service payments are subject to rate review requirements and should be reviewed at least every 5 years.

Rate Setting Requirements (Appendix I-2-a)

- States must document in Appendix I-2-a of the 1915(c) waiver application, a description that clearly describes how the outcome-based payment amount was determined and to which service(s) it applies.
  - For example, if a state reviewed historical claims data to determine the number of hours on average required to achieve a milestone, the state should include this information as part of its description as to how a payment rate was determined.
- States must also document a rate review process that includes:
  - When rates were initially set and last reviewed,
  - Rate review methods,
  - The frequency of rate review activities, and
  - How the state measures rate sufficiency in accordance with §1902(a)(30)(A) of the Act.

Supplemental Payment Requirements (Appendix I-3-c)

- States must document supplemental payments in Appendix I-3-c of the 1915(c) waiver application to include a description of the incentive or outcome-based payment arrangement when payment is made outside of or in addition to the delivery of a waiver service.
- States are also subject to the supplemental payment reporting requirements as detailed in the 1915(c) technical guide, to include the following:
  - The nature of the payments, the waiver services for which payments are made, and the types of providers that are eligible to receive payments,
  - The basis of and the circumstances triggering such payments,
  - Source of the non-federal share of the supplemental payments, and
  - Confirmation that eligible providers must be able to retain 100 percent of the total computable expenditure.

Cost Neutrality (Appendix J)

- Per §1915(c)(2)(D) of the Act, states must assure that the average per capita expenditure under the waiver (Factor D and D') during each waiver year not exceed 100 percent of the average per capita expenditures that would have been made during the same year for the level of care provided in a hospital, nursing facility, or intermediate care facility for individuals with intellectual disabilities under the state plan had the waiver not been granted (Factors G and G').
- States making outcome-based payments must confirm and assure that payments meet waiver program cost neutrality requirements each year that the waiver program and outcome-based payment is in effect.
- When including outcome-based payments as a service component or as part of an expense associated with an individual waiver service, the state must provide an estimate of both utilization and total cost of the outcome-based payment in the Appendix J-2-d tables.

Design Goals and Incentives

- States must design goal(s) and incentive(s) by evaluating the need for an outcome-based payment.
  - For example, to identify the need for new case managers in rural areas, one state performed the following evaluation steps:
    - **Survey individuals and case management agencies:** Families and individuals in rural areas confirmed the closure of multiple case management agencies. Agencies admitted that it is difficult, with existing rates, to attract case managers to work in rural areas.
    - **Review claims data:** The state noted that, across all waiver programs, case management services had the lowest utilization and highest demand in rural areas.
    - **Review provider enrollment data:** The state noted that an increasing number of case management providers in rural areas did not renew their Medicaid provider agreement the subsequent year.
    - **Review cost reports:** Case management agencies reported transportation, benefit, and program support costs that contribute to higher costs for rendering services in rural areas.

Design Goals and Incentives (cont.)

- When designing a goal, states should consider the following:
  - **Is the goal achievable for most providers?**
    - Provider incentives will not be used if providers recognize that the goal is unachievable.
  - **Is the incentive sufficient to attract providers?**
    - When choosing measures to incentivize providers, consider the fiscal impact. The incentive must be sufficient to attract providers and promote goal-seeking.
  - **Is the goal clear and measurable?**
    - Goals and incentives must be clearly communicated to all stakeholders. Clear goals will assist states and providers with determining how to measure success.

Payment Effectiveness in 1915(c) Waivers

- States should monitor outcome-based participation rates and assess whether payments are effectively incentivizing providers to participate and meet goals as outlined in the waiver service or outcome-based payment program.
  - Low program participation rates could be indicative of multiple challenges including, but not limited to, low payment rates, unclear goals, low program awareness, etc.
- States must also assess the impact of outcome-based reimbursement arrangements in comparison to the previous reimbursement model, particularly when states are shifting or changing reimbursement models.
  - Abrupt changes to provider reimbursement should be monitored to ensure that payment is sufficient to attract qualified providers.

Realign Goals and Incentives

- Evaluate the program and continuously monitor performance.
  - States must explain clear expectations regarding the required outcome.
  - Criteria of receiving an incentive payment must be standard and not arbitrary. States should be able to obtain evidence to determine a successful outcome.
  - Include a detailed fiscal integrity structure to review the evidence submitted by the providers and verify the subsequent outcome.
    - For example, if a state incentivizes case management agencies to achieve a certain caseload ratio, a state should verify that submitted evidence only includes the population and caseload ratio outlined in the incentive program.
- Evaluate PHE payment flexibilities to determine efficacy and whether such payments should become a mainstay or part of a future waiver amendment or renewal.

Stakeholder Feedback

- The design and implementation of outcome-based payments requires continuous collaboration and discussions between all stakeholders.
  - States should communicate with stakeholders from design to execution to ensure expectations and program goals are aligned.
- States must build in sufficient time to discuss and obtain buy-in from stakeholders.
- Continuous stakeholder engagement is an integral part to refining and improving outcome-based methodologies in the long-term.
  - For example, the state might want to engage a group of providers that have been successful in achieving a certain outcome or milestone to learn how they have achieved this outcome and how the state can implement the strategies of this group to help other providers be successful.

Additional Considerations for States

- **1915(c) waiver amendments with substantive changes:**
  - Changes to 1915(c) waivers may only be approved with a prospective effective date.
  - States will need to follow the existing requirements for public notice, including notice to tribal governments.
  - States should consider the time needed to conduct adequate public notice and submit the amendment in order to allow for the prospective approval.
- **Section 9817 of the ARP maintenance of effort requirements:**
  - CMS expects states to demonstrate compliance with section 9817 of the ARP, beginning April 1, 2021, and until the state funds equivalent to the amount of federal funds attributable to the increased FMAP are fully expended.

Additional Considerations for States (Cont.)

- To demonstrate compliance with the requirement under section 9817 of the ARP not to supplant existing state funds expended for Medicaid HCBS, states must:
  - Not impose stricter eligibility standards, methodologies, or procedures for HCBS programs and services than were in place on April 1, 2021;
  - Preserve covered HCBS, including the services themselves and the amount, duration, and scope of those services, in effect as of April 1, 2021; and
  - Maintain HCBS provider payments at a rate no less than those in place as of April 1, 2021.

Summary

Summary of Training

- Outcome-based payments reward health care providers with incentive payments for achieving certain predetermined goals or standards.
- Outcome-based payments can be implemented in 1915(c) waivers through rate setting methodologies and/or as a supplemental payment.
- States used outcome-based payments during the COVID-19 PHE to further program goals and address HCBS workforce-related issues.
- When implementing outcome-based payments in 1915(c) waivers, states must consider 1915(c) waiver requirements and adhere to federal and state guidelines.

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