

Community Health Access and Rural Transformation (CHART) Model

CHART Model Discussion with Texas HHSC and CMS

The Centers for Medicare & Medicaid Services (CMS)
Innovation Center

May 31, 2022



Agenda

Welcome


Capitated Payment Amount (CPA) Calculation Concepts

Review 6 Step Calculation Process

Walk Through End-to-End Example CPA Calculation

Closing and Next Steps

Today's Speakers

- 
- April Ferrino**, Director of Fiscal Program Coordination and Special Projects (FPC), Office of the Chief Financial Officer (CFO), HHSC
 - Robert Shaw**, CHART Grant Specialist, FPC, CFO, HHSC
 - Ryan Yoder**, CHART Model Co-Lead, CMMI
 - Jackie Erdo**, CHART Model Co-Lead, CMMI
 - LeJay Parker**, CHART Model TX Project Officer, CMMI

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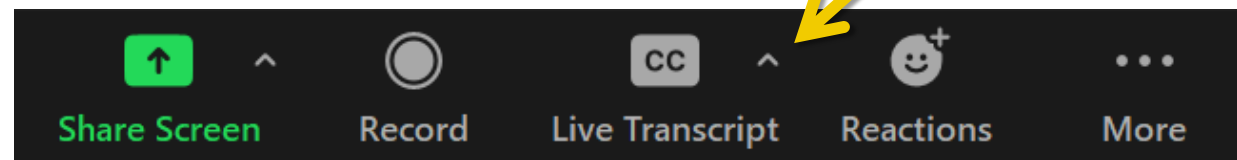


CHART CPA Methodology Concepts

CHART CPA Methodology Concepts

The Primary goal of the CPA is payment stability:

- ✓ Helps hospitals plan expenditures
- ✓ Upfront payments rather than post-claim adjudication payments
- ✓ Transformation activities can lead to savings for hospitals

Conceptually, the CPA can be thought of as:

Baseline +

*Adjustments to account for change over time **

Hospital's share of services provided to the community

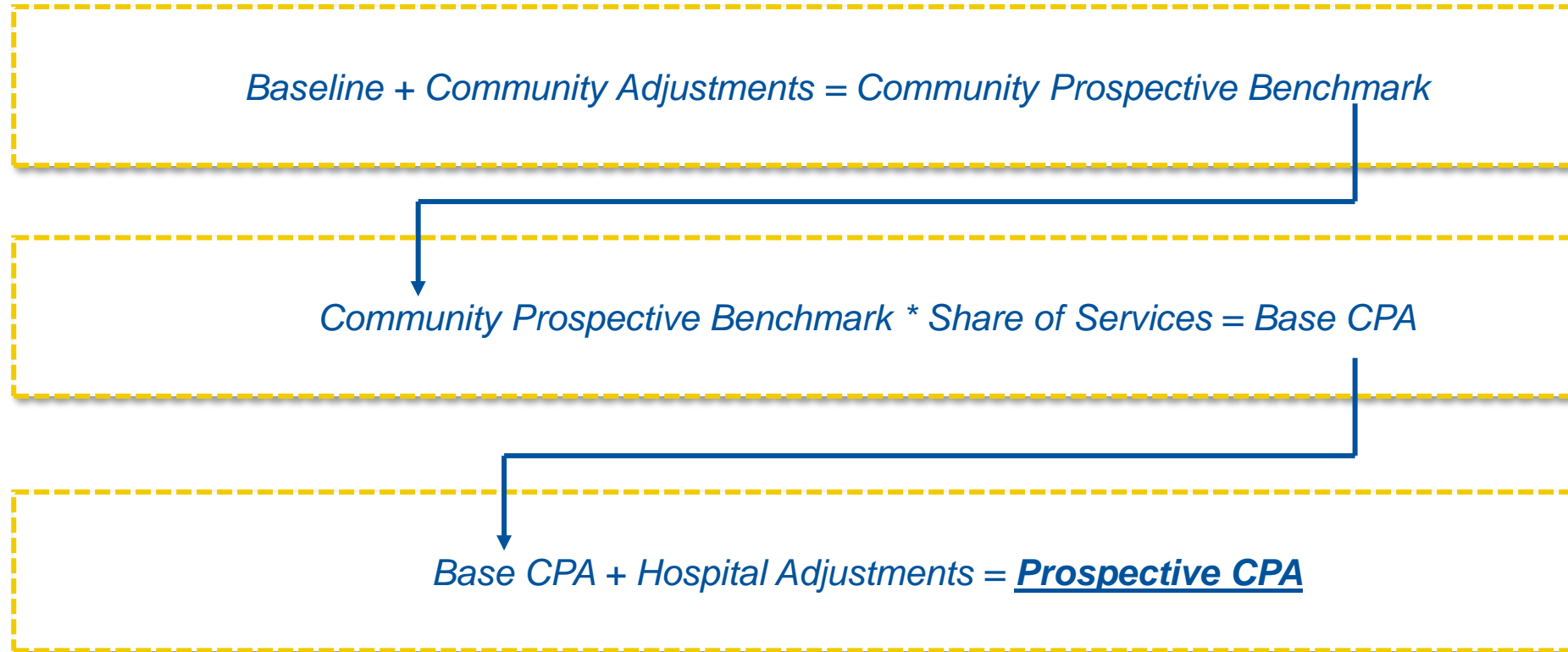


Example

- Beneficiaries in a Community use \$100 of hospital services in the baseline year
- Assume a 10% trend between the baseline and performance period
- If Hospital ABC provides 20% of the services to the Community, then it should receive \$22 in the performance period.

CHART CPA Methodology Concepts

Adding more detail,



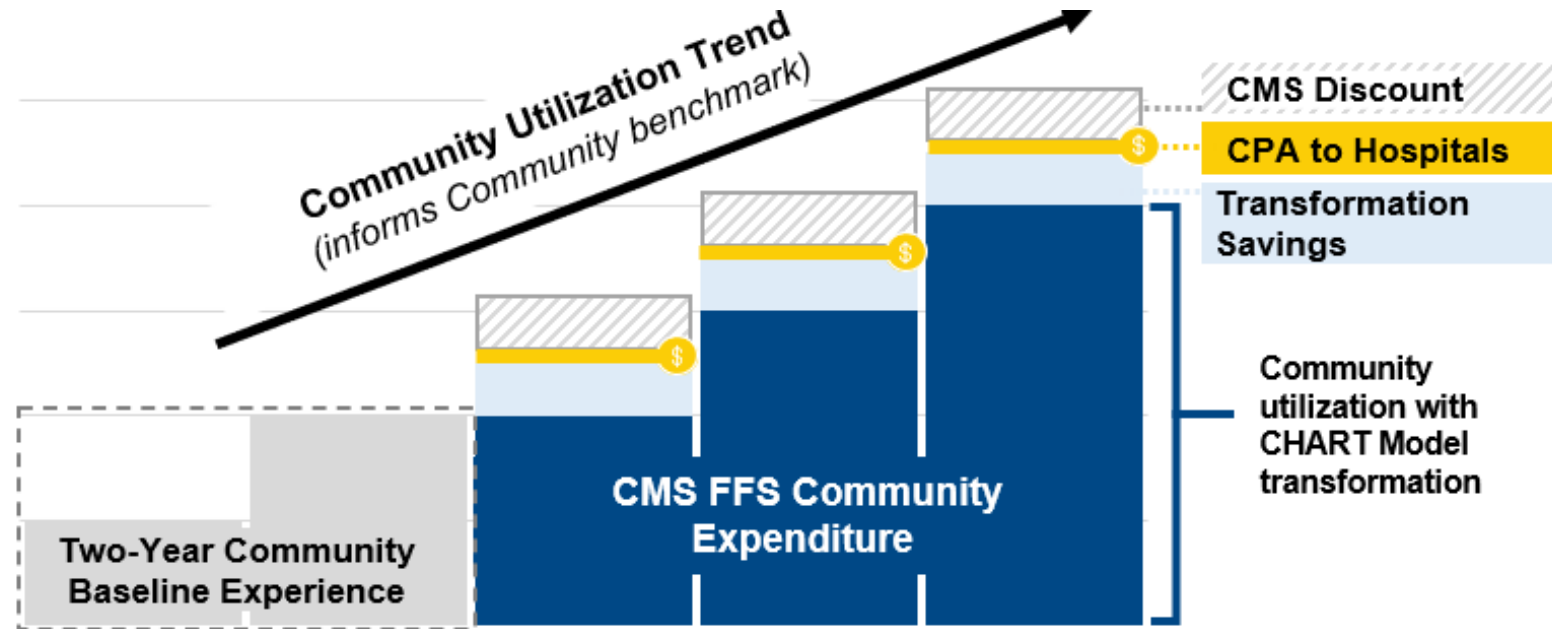
CPA Calculation Conceptual Example

Conceptual example assuming only adjustment for Trend:

CPA Calculation	Baseline	Beneficiaries in a Community use \$500 of hospital services in the baseline year per beneficiary per month (PBPM)
	Adjustments	We expect this to grow to \$550 (PBPM) during performance period
	Adjustments	We expect 10,000 beneficiaries during the performance period to be enrolled on average 11 months
	Prospective Benchmark	Community Prospective Benchmark = $10,000 * 11 * \$550 = \$60.5m$
	Base CPA	If Hospital ABC provides 20% of the services to the Community, then Hospital ABC's Base CPA would be \$13.3m in the performance period.

Capitated Payment Amount

A Participant Hospital's CPA will **adjust to account for Community trends**. Participant Hospitals will also be able to keep the savings that are generated through transformation.



Review of the 6 Step Calculation Process

Step 1: Baseline Community Expenditures



What is a baseline?

- + **Beneficiaries** in the defined Community
- + Paid amount from **inpatient and outpatient claims**
- + Participating and non-participating **hospital claims**



What time periods are in the baseline?

- + **Excludes 2020** due to COVID-19
- + Baseline will include periods of time where spending reflected **stable, pre-pandemic patterns**

Step 2: Community Adjustments

What adjustments are applied to the baseline?

Adjustment	Reason for Adjustment
Beneficiary Months	Community may change in size over time
Trend	Per beneficiary per month (PBPM) expenditures may change over time due to prices and/or utilization
COVID-19	Expenditures may be highly variable during the COVID-19 pandemic, so some time periods are excluded from trend until “new normal” emerges
Demographics	Communities may become older over time
Outliers	Optional, some years may have more high-cost beneficiaries than others

Adjustments are used to account for change between the baseline and performance period

Step 3: Prospective Community Benchmark

Conceptually, the benchmark is what would have happened in the absence of the CHART Model:

Baseline + Community Adjustments = Prospective Community Benchmark

Mid-Year and End-of-Year reconciliation replaces prospective estimates with actuals

Step 4: Base CPA

$$\text{Prospective Community Benchmark} * \text{Distribution of Services} = \text{Base CPA}$$

Participating Hospitals are prospectively paid a share of the Prospective Community Benchmark.

The share of services or the Distribution of Services Adjustment =
[Paid amounts by hospital for Community Beneficiaries] /
[Total paid amount for Community Beneficiaries]

Step 5: Hospital Specific Adjustments

Specific adjustments will be used to customize the CPA for each hospital:

Adjustment	Reason for Adjustment
Distribution of Services	Hospitals may provide more or fewer services to beneficiaries in the Community over time
Special Designation Hospital	Critical Access Hospitals another special types of hospitals are paid differently than IPPS/OPPS hospitals
IPPS/OPPS payment (e.g. Low Volume or DSH)	Hospital status and/or CMS policy may change over time
Quality (e.g. VBP, HRRP)	Hospital quality performance on quality may change over time
Potentially Avoidable Utilization	Reductions in Readmissions, Avoidable ED visits, or Ambulatory Care Sensitive hospitalizations do not reduce the share of services
Area Deprivation Index Adjustment	Provides supplemental funding to Hospitals in Communities with higher social needs
Discount Factor	Provides small upfront savings for CMS

Step 6: Prospective Hospital CPA

Base CPA + Hospital Specific Adjustments = Prospective Hospital CPA

Mid-Year and End-of-Year reconciliation updates both benchmark and hospital CPA:

Adjustment		Mid-Year & Upcoming Performance Period	End of Year	Applies to
Community Benchmark Adjustments	Population (Bene Months)	X	X	Benchmark
	Demographics	X	X	Benchmark
	Trend	X	X	Benchmark
	Outliers		X	Benchmark
Hospital Specific Adjustments	Distribution of Services	X	X	CPA
	Quality	X		CPA
	IPPS/OPPS Adjustments	X	X	CPA
	Special Hospital Designation Adjustments		X	CPA
	CMS Policy Change	As needed	As needed	Benchmark and/or CPA

End-to-End Example of the CPA Calculation

These steps will be the same for all hospitals in the Community.

These steps will be unique to each hospital.

Community-Level Calculations

Hospital-Specific Calculations

1	2	3	4	5	6
Determine baseline community expenditures	Determine changes that occurred between the Baseline Period and the start of the Performance Period	Adjust for changes to determine the Community's Prospective Benchmark	Determine each Participant Hospital's Portion of the Community's Expenditures	Determine each Participant Hospital's Adjustments	Apply each Participant Hospital's Adjustments

Step 1: Baseline Community Expenditures

Line	Value	Description
1	6,035,331	Baseline Community Beneficiary Months
2	\$1,861,556,211	Baseline Medicare Paid Amount from FFS claims for Aligned Residents of the Community
3	0.80	Baseline Community Average Wage Index
Adjustments for Paid Amount		
		Baseline Adjustments:
		IPPS/OPPS:
4	\$0	Disproportionate Share Hospital (DSH)
5	\$0	Indirect Medical Education (IME), operating and capital
6	\$0	Low Volume Adjustment
7	\$0	Uncompensated Care (UCC)
8	\$0	EHR Incentive
		Quality Adjustment Factors:
9	\$0	Hospital-Acquired Condition Reduction Program (HACRP)
10	-\$5,091,680	Hospital Readmissions Reduction Program (HRRP)
11	\$0	Medicare Hospital Inpatient Quality Reporting (IQR)
12	\$0	Medicare Hospital Outpatient Quality Reporting (OQR)
13	\$1,558,301	Value-Based purchasing (VBP)
		Special Designation Hospital Adjustment Factors:
14	-\$9,681,613	Critical Access Hospital (CAH)
15	\$0	Medicare-Dependent Hospital (MDH)
16	\$0	Rural Emergency Hospital (REH)
17	\$0	Rural Referral Center (RRC)
18	\$0	Sole Community Hospital (SCH)
19	\$0	CMS Policy Change (as needed)
20	\$1,848,341,219	Adjusted Baseline Medicare FFS Community Total Paid (Line 2 + Lines 4-8 + Lines 9-13 + Lines 14- 19)
21	\$306.25	Baseline Community PBPM Expenditures (Line 20/Line 1)

CMS removes these adjustments from paid claims to isolate the value of FFS claims amounts for the baseline period.

This provides an unadjusted Community Total Paid that can be compared year-over-year.

Step 2: Community Adjustments

Beneficiary Months

22	252,432	Number of Beneficiaries meeting eligibility and alignment criteria (at six months prior to start of PP)
23	11.5	Average Months Beneficiaries Enrolled
24	2,902,964	Population/Estimated Performance Period 1 Community Beneficiary Months (Line 22 * Line 23)

Trend

25	\$317.00	Performance Period 1 ARIMA Trended PBPM
26	\$306.25	Baseline Community PBPM Expenditures (Line 21)
27	3.51%	Trend (Line 25 / 26) - 1

Demographics

28	0.9001	Performance Period 1 Mean HCC Risk Score
29	0.9076	Baseline Mean HCC Risk Score
30	0.9918	Demographic Adjustment (Difference between Line 28/Line 29)

Updates to CMS Policy

31	None	Updates to Medicare Policy (as needed)
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Step 3: Prospective Community Benchmark

32	\$314.39	Prospective Community Benchmark PBPM (Line 21 * (1 + Line 27) * Line 30)
33	\$912,672,992	Prospective Community Benchmark (Line 32 * Line 24)

Prospective Community Benchmark accounts for:

- Change in the size of the Community (line 24)
- Community trends in spending, exclusive of COVID-19 (line 27)
- Demographic change in the Community (line 30)

These steps will be the same for all hospitals in the Community.

These steps will be unique to each hospital.

Community-Level Calculations

Hospital-Specific Calculations

1	2	3	4	5	6
Determine baseline community expenditures	Determine changes that occurred between the Baseline Period and the start of the Performance Period	Adjust for changes to determine the Community's Prospective Benchmark	Determine each Participant Hospital's Portion of the Community's Expenditures	Determine each Participant Hospital's Adjustments	Apply each Participant Hospital's Adjustments

Step 4: Base CPA

*Prospective Community Benchmark * Distribution of Services = Base CPA*

34	7.43%	Hospital's Share of Benchmark at Baseline (Hospital CMS Paid Amount/Community Total Paid Amount)
35	\$67,814,717	Base Prospective Capitated Payment Amount (Line 33 * Line 34)

Notes:

- If a hospital provides more services to the Community, Distribution of Services and Base CPA increases
- Community Total Paid includes FFS claims from both par- and non-par hospitals

Step 5: Hospital-Specific Adjustments

		IPPS/OPPS Adjustment Factors:
→	36	1.01 Disproportionate Share Hospital (DSH) Factor
	37	1.00 Indirect Medical Education (IME), operating and capital Factor
	38	1.00 Low Volume Adjustment
	39	1.00 Uncompensated Care (UCC) Factor
	40	1.00 EHR Incentive
		Quality Adjustment Factors:
→	41	0.98 Hospital Acquired Conditions (HACRP) Factor
	42	1.00 Hospital Readmissions Reduction Program (HRRP) Payment
	43	1.00 Medicare Hospital Inpatient Quality Reporting (IQR) Factor
	44	1.00 Medicare Hospital Outpatient Quality Reporting (OQR) Factor
	45	1.00 Value-Based purchasing (VBP) Payment
		Special Designation Hospital Adjustment Factors:
	46	1.00 Critical Access Hospital (CAH)
	47	1.00 Medicare-Dependent Hospital (MDH) Factor
	48	1.00 Rural Emergency Hospital (REH)
	49	1.00 Rural Referral Center (RRC) Program
	50	1.00 Sole Community Hospital (SCH)
	51	CMS Policy Change (As needed)

Step 6: Prospective CPA

52	\$67,814,717	Prospective Capitated Payment Amount
53	\$67,708,247	Prospective CPA with IPPS/OPPS, Quality and Special Designation Pay Adjustments (factors listed in Step 5 applied to Line 52)
54	0.82	Hospital Specific Wage Index
55	\$780,812	Wage Index Adjustment Amount (Line 53 * (Line 55 - Line 3) * Weight for share of dollars applicable to Wage Index Adjustment)
56	\$68,489,059	Prospective CPA with IPPS/OPPS, Quality, Special Designation, and Wage Index Adjustments (Line 53 + Line 55)
57	-0.50%	CHART Model Discount Percentage
58	-\$342,445	CHART Model Discount Amount (Line 56 * Line 57)
59	\$68,146,613	Hospital's CPA for Performance Period 1 (Line 56 + Line 58)

ADI Adjustment

Community SDOH Pool

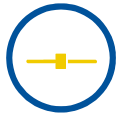
A1	\$1.50	Base Disparity Amount
A2	76.35	Community Mean ADI
A3	52.20	National Rural Mean ADI
A4	1.46	Ratio: (Line A2 / Line A3)
A5	2,902,964	Estimated Performance Period Community Bene Months (Line 24)
A6	11.6%	In Community Share of Services by all Participant Hospitals
A7	\$738,807	Community SDOH Pool (Line A1 * Line A4 * Line A5 * Line A6)

Distribution of Community SDOH Pool

A8	16,703	Total Community Beneficiaries in ADI Quintile 4-5
A9	5,843	Beneficiaries Served by ABC Hospital in ADI Quintile 4-5
A10	35%	Share of Beneficiaries Served by Hospital in ADI Quintile 4-5 (Line A9/Line A8)
A11	\$258,448	Hospital Specific ADI Payment (Line A7 * Line A10)

Reconciliation Concepts

 **Prospective Community Benchmark** is an estimate of what will occur during the Performance Period

 **Mid-Year Reconciliation** updates these estimates with:

- Actual values for the 1st 6 months of the Performance Period
- Updated estimates for the 2nd 6 months of the Performance Period

 **End-of-Year Reconciliation** uses all actuals



Have a question?



Please **submit questions via the chat box** in your Zoom Toolbar.

If a question submitted to the chat box is not addressed during this time, please look out for updated content in the FAQ Repository on the CHART Connect site

Closing & Next Steps

Poll Question

What part of the CHART Payment Methodology do you still need help understanding?

- A. Baseline Community Expenditures (Step 1)
- B. Community Adjustments (Step 2)
- C. Prospective Community Benchmark (Step 3)
- D. Base CPA (Step 4)
- E. Hospital Specific Adjustments (Step 5)
- F. Prospective Hospital CPA (Step 6)
- G. Other (Please enter in the chat)

Upcoming Events and Reminders



Upcoming Events and Reminders:

- **June 2022:** Potential Participant Hospitals to receive an estimated CPA
- **July 1, 2022:** List of Prospective Participant Hospitals due to CMS
- **October 2022:** Participant Hospital CPA Review
- **November 1, 2022:** Participant Hospitals Participation Agreements Signed



Relevant Model Resources:

- [CHART Model Financial Specifications](#)
- [CMS CHART Model Sample Medicare Payment Calculation](#)
- [CMS CHART Model Sample Medicare Payment Calculation Worksheet](#)
- [CHART Payment Methodology Office Hours Event Recording](#)



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