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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  - To change the subtitle font size: Live Transcript → Subtitle Settings
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.
Adding more detail,

Baseline + Community Adjustments = Community Prospective Benchmark

Community Prospective Benchmark * Share of Services = Base CPA

Base CPA + Hospital Adjustments = **Prospective CPA**
# CPA Calculation Conceptual Example

Conceptual example assuming only adjustment for Trend:

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

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

*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:

\[ \text{Baseline + Community Adjustments} = \text{Prospective Community Benchmark} \]

**Mid-Year and End-of-Year reconciliation** replaces prospective estimates with actuals.
Step 4: Base CPA

Prospective Community Benchmark * Distribution of Services = 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]
Specific adjustments will be used to customize the CPA for each hospital:

<table>
<thead>
<tr>
<th>Adjustment</th>
<th>Reason for Adjustment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distribution of Services</td>
<td>Hospitals may provide more or fewer services to beneficiaries in the Community over time</td>
</tr>
<tr>
<td>Special Designation Hospital</td>
<td>Critical Access Hospitals another special types of hospitals are paid differently than IPPS/OPPS hospitals</td>
</tr>
<tr>
<td>IPPS/OPPS payment (e.g. Low Volume or DSH)</td>
<td>Hospital status and/or CMS policy may change over time</td>
</tr>
<tr>
<td>Quality (e.g. VBP, HRRP)</td>
<td>Hospital quality performance on quality may change over time</td>
</tr>
<tr>
<td>Potentially Avoidable Utilization</td>
<td>Reductions in Readmissions, Avoidable ED visits, or Ambulatory Care Sensitive hospitalizations do not reduce the share of services</td>
</tr>
<tr>
<td>Area Deprivation Index Adjustment</td>
<td>Provides supplemental funding to Hospitals in Communities with higher social needs</td>
</tr>
<tr>
<td>Discount Factor</td>
<td>Provides small upfront savings for CMS</td>
</tr>
</tbody>
</table>
Step 6: Prospective Hospital CPA

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

<table>
<thead>
<tr>
<th>Adjustment</th>
<th>Mid-Year &amp; Upcoming Performance Period</th>
<th>End of Year</th>
<th>Applies to</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Community Benchmark Adjustments</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Population (Bene Months)</td>
<td>X</td>
<td>X</td>
<td>Benchmark</td>
</tr>
<tr>
<td>Demographics</td>
<td>X</td>
<td>X</td>
<td>Benchmark</td>
</tr>
<tr>
<td>Trend</td>
<td>X</td>
<td>X</td>
<td>Benchmark</td>
</tr>
<tr>
<td>Outliers</td>
<td></td>
<td>X</td>
<td>Benchmark</td>
</tr>
<tr>
<td><strong>Hospital Specific Adjustments</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distribution of Services</td>
<td>X</td>
<td>X</td>
<td>CPA</td>
</tr>
<tr>
<td>Quality</td>
<td>X</td>
<td></td>
<td>CPA</td>
</tr>
<tr>
<td>IPPS/OPPS Adjustments</td>
<td>X</td>
<td>X</td>
<td>CPA</td>
</tr>
<tr>
<td>Special Hospital Designation Adjustments</td>
<td></td>
<td>X</td>
<td>CPA</td>
</tr>
<tr>
<td>CMS Policy Change</td>
<td>As needed</td>
<td>As needed</td>
<td>Benchmark and/or CPA</td>
</tr>
</tbody>
</table>
End-to-End Example of the CPA Calculation
**Community-Level Calculations**

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Determine baseline community expenditures</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Determine changes that occurred between the Baseline Period and the start of the Performance Period</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Adjust for changes to determine the Community’s Prospective Benchmark</td>
<td></td>
</tr>
</tbody>
</table>

**Hospital-Specific Calculations**

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>Determine each Participant Hospital’s Portion of the Community’s Expenditures</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Determine each Participant Hospital’s Adjustments</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Apply each Participant Hospital’s Adjustments</td>
<td></td>
</tr>
</tbody>
</table>

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

These steps will be unique to each hospital.
Step 1: Baseline Community Expenditures

<table>
<thead>
<tr>
<th>Line</th>
<th>Value</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>6,035,331</td>
<td>Baseline Community Beneficiary Months</td>
</tr>
<tr>
<td>2</td>
<td>$1,861,556,211</td>
<td>Baseline Medicare Paid Amount from FFS claims for Aligned Residents of the Community</td>
</tr>
<tr>
<td>3</td>
<td>0.80</td>
<td>Baseline Community Average Wage Index</td>
</tr>
</tbody>
</table>

Adjustments for Paid Amount

<table>
<thead>
<tr>
<th>Line</th>
<th>Value</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>$0</td>
<td>IPPS/OPPS: Disproportionate Share Hospital (DSH)</td>
</tr>
<tr>
<td>5</td>
<td>$0</td>
<td>Indirect Medical Education (IME), operating and capital</td>
</tr>
<tr>
<td>6</td>
<td>$0</td>
<td>Low Volume Adjustment</td>
</tr>
<tr>
<td>7</td>
<td>$0</td>
<td>Uncompensated Care (UCC)</td>
</tr>
<tr>
<td>8</td>
<td>$0</td>
<td>EHR Incentive</td>
</tr>
<tr>
<td>9</td>
<td>$0</td>
<td>Hospital-Acquired Condition Reduction Program (HACRP)</td>
</tr>
<tr>
<td>10</td>
<td>-$5,091,680</td>
<td>Hospital Readmissions Reduction Program (HRRP)</td>
</tr>
<tr>
<td>11</td>
<td>$0</td>
<td>Medicare Hospital Inpatient Quality Reporting (IQR)</td>
</tr>
<tr>
<td>12</td>
<td>$0</td>
<td>Medicare Hospital Outpatient Quality Reporting (OQR)</td>
</tr>
<tr>
<td>13</td>
<td>$1,558,301</td>
<td>Value-Based purchasing (VBP)</td>
</tr>
<tr>
<td>14</td>
<td>-$9,681,613</td>
<td>Critical Access Hospital (CAH)</td>
</tr>
<tr>
<td>15</td>
<td>$0</td>
<td>Medicare-Dependent Hospital (MDH)</td>
</tr>
<tr>
<td>16</td>
<td>$0</td>
<td>Rural Emergency Hospital (REH)</td>
</tr>
<tr>
<td>17</td>
<td>$0</td>
<td>Rural Referral Center (RRC)</td>
</tr>
<tr>
<td>18</td>
<td>$0</td>
<td>Sole Community Hospital (SCH)</td>
</tr>
<tr>
<td>19</td>
<td>$0</td>
<td>CMS Policy Change (as needed)</td>
</tr>
<tr>
<td>20</td>
<td>$1,848,341,219</td>
<td>Adjusted Baseline Medicare FFS Community Total Paid (Line 2 + Lines 4-8 + Lines 9-13 + Lines 14- 19)</td>
</tr>
<tr>
<td>21</td>
<td>$306.25</td>
<td>Baseline Community PBPM Expenditures (Line 20/Line 1)</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>Trend</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>25</td>
<td>$317.00 Performance Period 1 ARIMA Trended PBPM</td>
</tr>
<tr>
<td>26</td>
<td>$306.25 Baseline Community PBPM Expenditures (Line 21)</td>
</tr>
<tr>
<td>27</td>
<td>3.51% Trend (Line 25 / 26) - 1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Demographics</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>28</td>
<td>0.9001 Performance Period 1 Mean HCC Risk Score</td>
</tr>
<tr>
<td>29</td>
<td>0.9076 Baseline Mean HCC Risk Score</td>
</tr>
<tr>
<td>30</td>
<td>0.9918 Demographic Adjustment (Difference between Line 28/Line 29)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Updates to CMS Policy</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>31</td>
<td>None Updates to Medicare Policy (as needed)</td>
</tr>
</tbody>
</table>
Step 3: Prospective Community Benchmark

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)
### Community-Level Calculations

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Determine baseline community expenditures</td>
<td>Determine changes that occurred between the Baseline Period and the start of the Performance Period</td>
<td>Adjust for changes to determine the Community’s Prospective Benchmark</td>
</tr>
</tbody>
</table>

### Hospital-Specific Calculations

<table>
<thead>
<tr>
<th></th>
<th>4</th>
<th>5</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Determine each Participant Hospital’s Portion of the Community’s Expenditures</td>
<td>Determine each Participant Hospital’s Adjustments</td>
<td>Apply each Participant Hospital’s Adjustments</td>
</tr>
</tbody>
</table>

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

These steps will be unique to each hospital.
Step 4: Base CPA

Prospective Community Benchmark * Distribution of Services = Base CPA

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>34</td>
<td>7.43%</td>
</tr>
<tr>
<td>35</td>
<td>$67,814,717</td>
</tr>
</tbody>
</table>

Hospital’s Share of Benchmark at Baseline (Hospital CMS Paid Amount/Community Total Paid Amount)

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

<table>
<thead>
<tr>
<th>Step</th>
<th>Factor ID</th>
<th>Factor Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>36</td>
<td>1.01</td>
<td>Disproportionate Share Hospital (DSH) Factor</td>
</tr>
<tr>
<td>37</td>
<td>1.00</td>
<td>Indirect Medical Education (IME), operating and capital Factor</td>
</tr>
<tr>
<td>38</td>
<td>1.00</td>
<td>Low Volume Adjustment</td>
</tr>
<tr>
<td>39</td>
<td>1.00</td>
<td>Uncompensated Care (UCC) Factor</td>
</tr>
<tr>
<td>40</td>
<td>1.00</td>
<td>EHR Incentive</td>
</tr>
<tr>
<td>41</td>
<td>0.98</td>
<td>Hospital Acquired Conditions (HACRP) Factor</td>
</tr>
<tr>
<td>42</td>
<td>1.00</td>
<td>Hospital Readmissions Reduction Program (HRRP) Payment</td>
</tr>
<tr>
<td>43</td>
<td>1.00</td>
<td>Medicare Hospital Inpatient Quality Reporting (IQR) Factor</td>
</tr>
<tr>
<td>44</td>
<td>1.00</td>
<td>Medicare Hospital Outpatient Quality Reporting (OQR) Factor</td>
</tr>
<tr>
<td>45</td>
<td>1.00</td>
<td>Value-Based purchasing (VBP) Payment</td>
</tr>
<tr>
<td>46</td>
<td>1.00</td>
<td>Critical Access Hospital (CAH)</td>
</tr>
<tr>
<td>47</td>
<td>1.00</td>
<td>Medicare-Dependent Hospital (MDH) Factor</td>
</tr>
<tr>
<td>48</td>
<td>1.00</td>
<td>Rural Emergency Hospital (REH)</td>
</tr>
<tr>
<td>49</td>
<td>1.00</td>
<td>Rural Referral Center (RRC) Program</td>
</tr>
<tr>
<td>50</td>
<td>1.00</td>
<td>Sole Community Hospital (SCH)</td>
</tr>
<tr>
<td>51</td>
<td>1.00</td>
<td>CMS Policy Change (As needed)</td>
</tr>
</tbody>
</table>
## Step 6: Prospective CPA

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

### Community SDOH Pool

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1</td>
<td>Base Disparity Amount</td>
<td>$1.50</td>
</tr>
<tr>
<td>A2</td>
<td>Community Mean ADI</td>
<td>76.35</td>
</tr>
<tr>
<td>A3</td>
<td>National Rural Mean ADI</td>
<td>52.20</td>
</tr>
<tr>
<td>A4</td>
<td>Ratio: (Line A2 / Line A3)</td>
<td>1.46</td>
</tr>
<tr>
<td>A5</td>
<td>Estimated Performance Period Community Bene Months (Line 24)</td>
<td>2,902,964</td>
</tr>
<tr>
<td>A6</td>
<td>In Community Share of Services by all Participant Hospitals</td>
<td>11.6%</td>
</tr>
</tbody>
</table>

### Distribution of Community SDOH Pool

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>A8</td>
<td>Total Community Beneficiaries in ADI Quintile 4-5</td>
<td>16,703</td>
</tr>
<tr>
<td>A9</td>
<td>Beneficiaries Served by ABC Hospital in ADI Quintile 4-5</td>
<td>5,843</td>
</tr>
<tr>
<td>A10</td>
<td>Share of Beneficiaries Served by Hospital in ADI Quintile 4-5 (Line A9/Line A8)</td>
<td>35%</td>
</tr>
<tr>
<td>A11</td>
<td>Hospital Specific ADI Payment (Line A7 * Line A10)</td>
<td>$258,448</td>
</tr>
</tbody>
</table>
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:

• **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](#)

Please complete the brief **survey** that will pop up after you exit the Webinar.

⚠️ Please keep an eye on your inbox for future webinar information from HHSC about providing tools and resources on financial readiness and telehealth.