

**306 CYE ~~26-27~~<sup>1</sup> – ALTERNATIVE PAYMENT MODEL INITIATIVE – WITHHOLD AND QUALITY MEASURE PERFORMANCE INCENTIVE**

EFFECTIVE DATES: 10/01/22, 10/01/23, 10/01/24, 10/01/25, 10/01/26

APPROVAL DATES: 10/06/22, 01/22/24, 06/13/24, 06/01/25, 05/20/26

**I. PURPOSE**

This Policy applies to ACC, ACC-RBHA (limited to the Contractor’s ACC population only), and ALTCS E/PD Contractors. -This Policy establishes the requirements for the AHCCCS Alternative Payment Model (APM) Initiative – Withhold and Quality Measure Performance (QMP) Incentive to encourage Contractor ~~activity in the area of~~ quality improvement activities, particularly those initiatives that are conducive to improved health outcomes and cost savings, by aligning the incentives of the Contractor and provider through APM strategies.

**II. DEFINITIONS**

Refer to the AHCCCS Contract and Policy ACOM and AMPM Dictionary<sup>2</sup> for common terms found in this Policy.

For purposes of this Policy, the following terms are defined as:

<b>COMBINED PERFORMANCE SCORE (CPS)</b>	The computation that adds the Performance Achievement Score and Performance Improvement Score is used to determine the Contractor’s Earned CPS payment, not to exceed one point.
<b>EARNED COMBINED PERFORMANCE SCORE (CPS) PAYMENT</b>	The amount returned to the Contractor, by Performance Measure (PM), based on the results of the Combined Performance Score (CPS), is not to exceed 100% of each Contractor’s Withhold. This was previously referred to as the Earned Withhold.
<b>EARNED PAYMENT</b>	Amounts returned to the Contractor, by Performance Measure (PM), based on the results of the Earned Combined Performance Score (CPS) Payment and Quality Measure Performance (QMP) Incentive Payment.
<b>HIGH-PERFORMANCE AND THRESHOLD BENCHMARKS</b>	The performance standards established by AHCCCS, for each Performance Measure (PM) based on consideration of National Committee for Quality Assurance (NCQA) Medicaid percentile data and historical Contractor performance (when available), used in calculating the Performance Achievement Score.

<sup>1</sup> Updated to reflect correct Contract Year Ending (CYE).

<sup>2</sup> Revised to align with new title.

**IMPROVEMENT BENCHMARK**

A performance standard which requires the Contractor to demonstrate statistically significant improvement from baseline performance (which is typically the Contractor's previous year's performance unless otherwise specified by AHCCCS) for measures, where applicable and appropriate. Statistically significant improvement is defined using a Pearson Chi-Squared Test.

**MEASUREMENT YEAR (MY)**

January 1 through December 31.

**NONREPORTABLE  
PERFORMANCE MEASURE (PM)**

A nonreportable PM results when a Contractor is unable to meet the validation requirements for a PM and the PM is assessed by the External Quality Review Organization as a 'Do Not Report' rate instead of a reportable rate. See also definition for Performance Measures (PM).

**PEARSON CHI-SQUARED TEST**

A hypothesis test designed to determine a statistically significant relationship between variables (i.e., utilized to determine if two variables are statistically independent).

**PERFORMANCE ACHIEVEMENT  
SCORE**

Measures the Contractor's performance relative to the Threshold Benchmark and High-Performance Benchmark established by AHCCCS. See also definition for High-Performance and Threshold Benchmarks.

**PERFORMANCE IMPROVEMENT  
SCORE**

Measures whether the Contractor demonstrated statistically significant improvement for measures where applicable and appropriate, as identified by AHCCCS. See also definition for Improvement Benchmark.

**PERFORMANCE MEASURES (PM)**

Health care quality measures utilized by the AHCCCS Quality Improvement Team. Subsets of these measures were selected for use in this Policy. The Performance Measures (PMs) shall be calculated on a calendar year basis by the Contractor and validated by [the-an<sup>3</sup>](#) AHCCCS External Quality Review Organization (EQRO).

<sup>3</sup> [Updated here and throughout policy as AHCCCS has multiple EQROs](#)

**PROSPECTIVE GROSS  
CAPITATION**

ACC and ACC-RBHA: Prospective Title XIX/XXI capitation payments, excluding payments for integrated ACC-RBHA members with a Serious Mental Illness (SMI) designation and payments for the first 24 hours of a crisis, made to the Contractor on a monthly basis which includes medical expense, risk adjustment, reinsurance offset, administration, risk/contingency, and premium tax, and any subsequent amendments thereof. For purposes of this Policy, Prospective Gross Capitation is exclusive of Delivery Supplemental, any directed payments specified in 42 CFR 438.6(c) paid on a quarterly or annual lump sum basis, and State Only Transplant payments.

ALTCS E/PD: Prospective capitation payments made to the Contractor on a monthly basis which includes medical expense, reinsurance offset, the share of cost offset, administration, case management, risk/contingency and premium tax, and any subsequent amendments thereof. For purposes of this Policy, Prospective Gross Capitation is exclusive of any directed payments as specified in 42 CFR 438.6(c) paid on a quarterly or annual lump sum basis.

**QUALITY MEASURE  
PERFORMANCE (QMP)  
INCENTIVE PAYMENT**

Additional incentives earned beyond the Earned Combined Performance Score (CPS) payment, by Performance Measure (PM), based on the Contractor's performance relative to other Contractors, weighted to reflect the size of the Contractor's contribution to the measure specific Withhold. The Quality Measure Performance (QMP) Incentive Payment cannot exceed 5% of each Contractor's annual capitation. Only Contractors that have demonstrated achievement or improvement via the Combined Performance Score are eligible to earn a QMP Incentive Payment.

**QUALITY MEASURE  
PERFORMANCE (QMP)  
INCENTIVE POOL**

The fund source for the Quality Measure Performance (QMP) Incentive Payment, is calculated as the difference between the total measure-specific Withhold amount across Contractors and the total measure-specific Earned Combined Performance Score (CPS) payments across Contractors.

**QUALITY MEASURE  
PERFORMANCE (QMP)  
INCENTIVE WEIGHT**

The value used to ~~ensure~~ compare a Contractor's Quality Measure Performance (QMP) Incentive Payment ~~compares~~<sup>4</sup> to the Contractor's performance relative to the performance of other Contractors and is weighted to reflect the size of the Contractor's contribution to the measure specific Withhold.

<sup>4</sup> [Updated to enhance flow](#)

STATISTICALLY SIGNIFICANT

It is unlikely that the result occurred because of chance or random fluctuation.<sup>5</sup>

**WITHHOLD**

A specified percentage of all Contractors' Prospective Gross Capitation payments that shall be withheld via a recoupment after the completion of the contract year.

**III. POLICY**

**A. GENERAL**

The Contractor is eligible to qualify for an Earned Combined Performance Score (CPS) Payment and Quality Measure Performance (QMP) Incentive Payment.

The Earned CPS payment and QMP Incentive Payment shall be made to the Contractor based on relative Contractor performance on the subset of Performance Measures (PMs) selected for the Measurement Year (MY) that are calculated by the Contractor and validated by ~~the~~an AHCCCS External Quality Review Organization (EQRO). ACC/ACC-RBHA PM rates are to be limited to the Contractor's ACC population only. Each PM is allocated a percentage of the total Withhold funds available for disbursement and each PM shall be considered independently of other PMs, such that a Contractor can obtain an Earned CPS payment and QMP Incentive Payment on any or all the PMs. The list of PMs and associated Benchmarks can be accessed via the ACOM 306 Benchmarks document on the AHCCCS website under AHCCCS Info - Initiatives - Payment Modernization - Value Based Purchasing.

The CPS, which is a maximum of one point per PM, is used to determine the Earned CPS payment and is based on two factors: the Contractor's Performance Achievement Score and Performance Improvement Score. The Performance Achievement Score assesses the Contractor's performance relative to two benchmarks, a Threshold Benchmark and a High-Performance Benchmark, for each PM. ~~Performance below the Threshold Benchmark equals zero points for that PM. Performance at or above the Threshold Benchmark but below the High-Performance Benchmark equals half a point for that PM. Performance at or above the High-Performance Benchmark equals one point for that PM. For details related to earning points, refer to the Benchmark table below~~<sup>6</sup>. The Contractor's final rounded PM rate validated by an AHCCCS EQRO (inclusive of all decimal places) shall be utilized when comparing the Contractor's performance to the associated benchmark. The PM rates shall be rounded to two decimal places unless otherwise specified by the measure steward. (i.e., rounding will not be applied to the Contractor PM rates)<sup>7</sup>.

<sup>5</sup> Added definition related to withhold and quality measure performance incentive calculations.

<sup>6</sup> Language revised to removed duplication with table below.

<sup>7</sup> Language updated to reflect final PM rates (with rounding applied) will be utilized.

AHCCCS will establish one Threshold Benchmark and one High-Performance Benchmark for each PM. The benchmarks for each measure will vary based on Contractors' performance relative to national Medicaid managed care percentiles, as specified in the ACOM 306 Benchmarks document available on the AHCCCS website under AHCCCS Info – Initiatives – Payment Modernization – Value Based Purchasing. Benchmarks will be based on the most recent data available at the time of establishing the benchmarks so that all benchmarks are known prior to the start of the MY. ~~For example, AHCCCS may use National Committee for Quality Assurance (NCQA) data for calendar year 2024, released in summer/fall 2025, to set the Threshold and High-Performance Benchmarks utilized, for assessing Contractor performance for MY 2026, in late fall or early winter of 2025<sup>8</sup>.~~

AHCCCS anticipates identifying the PMs in advance of the MY. AHCCCS will strive to establish the general guidelines used to inform the establishment of the Threshold and High-Performance Benchmarks, as well as the Threshold and High-Performance Benchmarks for each PM, in advance of the MY pending the timing of when NCQA releases annual ~~reports on data for~~ Medicaid managed care performance ~~data~~<sup>9</sup>. Once the Threshold Benchmarks and High-Performance Benchmarks have been determined, they can be accessed via the ACOM Policy 306 Benchmarks document on the AHCCCS website under AHCCCS Info - Initiatives - Payment Modernization - Value Based Purchasing.

The Performance Improvement Score assesses whether a Contractor demonstrated statistically significant improvement from the baseline PM rate, defined ~~using a Pearson Chi-Squared Test and as a p value result of  $\leq 0.05$  using a Pearson Chi-Squared Test for PMs~~, where applicable and appropriate ~~[i.e., not applicable for PMs in which statistical testing is not recommended such as the Plan All Cause Readmissions (PCR): Observed versus Expected (O/E) Ratio]<sup>10</sup>, over baseline performance, ~~which~~ is typically the Contractor's previous year's PM rate<sup>11</sup> ~~performance~~ unless otherwise specified by AHCCCS. The Contractor may earn up to half a point through the Performance Improvement Score if their Performance Achievement Score is either zero or half a point for that PM (i.e., the Contractor does not achieve the High-Performance Benchmark). Contractors who demonstrate statistically significant improvement for a PM earn half a point for that PM as their Performance Improvement Score.~~

~~The Contractors who that~~ do not meet either the Threshold Benchmark or the Improvement Benchmark (for applicable ~~measures~~ PMs and as specified in this Policy) are ineligible to receive an Earned CPS Payment for the applicable PMs for the applicable year.

<sup>8</sup> Language removed as the language included in the paragraph before this statement provides an overview of the benchmark-setting process.

<sup>9</sup> Language updated for clarity and better flow.

<sup>10</sup> Language removed as it is duplicative of footnote found in the table below.

<sup>11</sup> Updated language to clearly identify intent of Performance Measure (PM).

The following table outlines the potential points earned for meeting or exceeding the Threshold Benchmark, Improvement Benchmark, and/or High-Performance Benchmark.

BENCHMARK (MEETING/EXCEEDING)	POINTS EARNED
Threshold Benchmark	0.5
Improvement Benchmark <sup>1</sup>	0.5
High Performance Benchmark	1.0
Threshold Benchmark & Improvement Benchmark <sup>1</sup>	1.0
High Performance Benchmark & Improvement Benchmark <sup>1</sup>	1.0
<sup>1</sup> Defined as statistically significant improvement as outlined in this Policy and does not apply to measures in which statistical testing is not recommended (e.g., Plan All-Cause Readmissions: Observed versus Expected (O/E) Ratio).	

The total points earned cannot exceed 1.0. If no benchmarks are achieved (i.e., Threshold, High Performance, or Improvement), the Contractor earns zero points. If none of the Contractors achieve any benchmarks for a given PM, AHCCCS reserves the right to modify the method used for determining the Contractors' measure-specific Earned CPS Payment and measure-specific QMP Incentive Payment.

Any Contractor that has demonstrated achievement or improvement by meeting the Threshold Benchmark, High-Performance Benchmark, and/or Improvement Benchmark can earn additional incentives ~~by~~for each PM through the QMP Incentive, so long as there are unearned withhold funds available for redistribution and the total incentive earned across PMs, when combined with the ACOM Policy 307 Performance Based Payment Incentive, does not exceed 5% of the Contractor's annual capitation. The QMP Incentive Pool is calculated on a PM-specific basis and is equal to the difference between the total PM-specific Withhold amount across Contractors and the total PM-specific Earned CPS payments across Contractors. The QMP Incentive Payment is based on the Contractor's performance relative to other Contractors, weighted to reflect the ~~size~~amount of the Contractor's contribution to the PM-specific Withhold.

~~The~~ Modifications to the CPS, its components, and additional methods for determining the Earned CPS Payment and QMP Incentive Payment, including computations based on improvement in PMs from year-to-year, may be employed in future MYS. AHCCCS reserves the right to implement alternatives to the PM withhold/incentive calculation, as needed (e.g., when a Contractor serves a new line of business for which prior year's data is not available, when a Contractor does not have a full reporting period's ~~worth~~ of data for an associated CYE, etc.).

AHCCCS reserves the right to eliminate ~~any given particular~~<sup>12</sup> PM for use in this Policy, such as in instances where PMs are retired, PM specifications are substantially changed, data limitations are noted or based on other factors as determined by AHCCCS. AHCCCS will select primary and secondary PMs for each applicable Line of Business (LOB)/population. The secondary PMs will be used to replace primary PMs if ~~for any reason~~ a primary PM cannot be calculated ~~for any reason~~ for the MY. In these instances, AHCCCS will select which secondary PM(s) will replace the primary PM(s) and will notify the Contractors once a determination is finalized. In cases where all secondary PMs are exhausted or AHCCCS determines that a primary PM should not be replaced by a secondary PM, AHCCCS will remove and return each Contractor's Withhold amount for that PM and reserves the right to request information on and/or approve the Contractor's intended spending of the returned Withhold.

AHCCCS reserves the right to exclude a particular Contractor from one or more PMs used in this Policy based on insufficient population (as defined within the general reporting guidance found within the associated measurement year's technical specifications) or other reasons determined by AHCCCS. In such a case, AHCCCS reserves the right to remove and return the Contractor's Withhold amount for that PM and request information on and/or approve the Contractor's intended spending of the returned Withhold.

In instances where a Contractor has one or more nonreportable PMs, AHCCCS will exclude the Contractor's applicable PMs from the ~~PM withhold/incentive~~<sup>13</sup> calculation, but the Contractor's applicable Withhold amounts will not be returned to the Contractor. A nonreportable PM results when a Contractor is unable to meet the validation requirements for a PM and the PM is assessed by ~~the an~~ EQRO as a 'Do Not Report' ~~rate measure designation~~<sup>14</sup> instead of a reportable rate.

The Contractor's EQRO-validated PM rates, inclusive of all available data sources, are used as the basis for comparison and performance evaluation. Any deviation from AHCCCS guidance ~~(including the use of related to using the~~ administrative methodologies ~~ies~~ to calculate a hybrid-based PM)<sup>15</sup>, may have a negative impact as it pertains to the Contractor's ability to achieve points under the Performance Achievement Score for the current MY. The technical methods of PM calculation and analysis ~~as well as the Contractor PM rates for the associated MY~~ are summarized in the External Quality Review (EQR) Annual ~~Technical~~ Report, ~~which is~~ made available on the [AHCCCS Health Plan Report Card](#) webpage, ~~that includes Contractor PM rates for the associated MY.~~

<sup>12</sup> [Language updated to provide clarity that any AHCCCS reserves the right to eliminate any given Performance Measure \(PM\).](#)

<sup>13</sup> [Language added for clarity regarding PM withhold/incentive.](#)

<sup>14</sup> [Language updated to align with language used during the PM validation process.](#)

<sup>15</sup> [Language updated to clarify that any deviation from AHCCCS guidance may have a negative impact.](#)

In instances where a Contractor utilized one methodology in the previous year to calculate a PM and calculated the same PM utilizing a different methodology in the subsequent year (i.e., administrative methodology in one year to hybrid methodology the next, or hybrid methodology in one year to administrative methodology the next), the Contractor will be excluded from earning points under the Performance Improvement Score for that PM, but the Contractor's applicable Withhold amounts will not be returned to the Contractor. [AHCCCS reserves the right to determine whether this applies to measures in which the measure steward retires or changes the allowable calculation methodology.](#)<sup>16</sup>

AHCCCS reserves the right to eliminate or pause all PMs used in this Policy should Federal funding not be available for payment, or for other reasons determined by AHCCCS. In such a case, AHCCCS will remove and return each Contractor's Withhold amounts and reserves the right to request information on and/or approve the Contractor's intended spending of the returned Withholds.

For circumstances in which the Contractor's Performance Achievement Score, ~~and/or~~ Performance Improvement Score, and/or data are impacted by external factors that result in invalid data and/or outcomes that are not representative of actual Contractor performance, as determined by AHCCCS, AHCCCS may implement alternatives to the current PM withhold/incentive calculation. In such circumstances and other similar circumstances, AHCCCS may consider implementing an alternative Withhold/Quality Measure Performance (QMP) Incentive calculation/methodology that accounts for such factors in a manner that allows a more appropriate measure of Contractor performance. If an alternative methodology is selected, AHCCCS intends to implement it in a manner that is consistent with the intent of the original PM to the extent feasible.

Risk adjustment methods for the PMs shall be considered and utilized by AHCCCS, if deemed appropriate.

AHCCCS will review the PMs regularly and may add to, modify, or replace the PMs to align AHCCCS PMs across the various AHCCCS programs, to emphasize initiatives of importance to AHCCCS, or to align with the best interest of the AHCCCS Program and/or the State.

[To further support improvement in member health outcomes, AHCCCS reserves the right to implement other quality improvement initiatives within this policy that may focus on areas/measures outside of traditional NCQA and CMS Core set measures. These initiatives may utilize alternative methodologies for determining improvement and/or selecting benchmarks that will be established prior to the MY. Should AHCCCS implement other quality improvement initiatives as part of this policy, details will be communicated to Contractors prior to the MY for which the initiative will be implemented.](#)<sup>17</sup>

<sup>16</sup> Language added to note cases where the methodology change may be acceptable.

<sup>17</sup> Language added to indicate possibility of other initiatives being implemented under this policy; details of such initiatives are to be determined.

**B. AHCCCS RESPONSIBILITIES FOR CALCULATING WITHHOLD AND QUALITY MEASURE PERFORMANCE INCENTIVE PAYMENTS**

The Withhold is equal to 1% of Prospective Gross Capitation for the contract year end associated with the MY:

1. After the completion of the contract year, AHCCCS will recoup the full amount of the Withhold from each Contractor.

Following AHCCCS' EQRO validation of the Contractor's PM rates, AHCCCS will tabulate the CPS for each PM by Contractor.

The Withhold amount may be adjusted, if necessary, as indicated in this Policy.

The full amount of the Withhold will be distributed among Contractors based on performance by PM, unless otherwise noted in this Policy.

The CPS by PM will be calculated as shown below (refer to Attachment A for an example).

W = Contractor's performance measure-specific Withhold amount

CMeasure = Contractor's PM Result

TBM = Threshold Benchmark

HPBM = High-Performance Benchmark

*Performance Achievement Score:*

If CMeasure is equal to or above HPBM, then one point

If CMeasure is equal to or above TBM but below HPBM, then half a point

If CMeasure is below TBM, then zero points

*Performance Improvement Score:*

If statistically significant improvement is achieved (a p value of  $\leq 0.05$  as defined above), then half a point is earned, unless the Contractor has earned one point from the Performance Achievement Score for meeting or exceeding the HPBM. In such a case, no additional points for the Performance Improvement Score are earned.

If there is no statistically significant improvement, then zero points are earned.

*Combined Performance Score:*

Performance Achievement Score + Performance Improvement Score

2. Calculation of the Earned CPS payment: The Earned CPS payment will be calculated by multiplying the CPS by Contractor by PM and the Withhold by Contractor by PM.

The Contractor may earn an amount less than or equal to the Contractor's Withhold by PM, but the Contractor shall not earn greater than the Contractor's Withhold by PM in accordance with Federal regulation.

3. The QMP Incentive Pool for each PM will be calculated by subtracting the total Earned CPS payments across Contractors from the total Withhold amount across Contractors.
4. Calculation of the QMP Incentive Payment: The QMP Incentive will be calculated by comparing the Contractor's performance relative to other Contractors by PM, weighted to reflect the **size amount** of the Contractor's contribution to the measure specific Withhold.

The QMP Incentive Payment will be calculated as shown below (refer to Attachment A for an example).

W = Contractor's measure specific Withhold amount

CMeasure = Contractor's PM Result

*QMP Incentive Weight* = (CMeasure/Line of Business Aggregate Rate) x (W/Sum of all Withholds for PM across Contractors for the associated Line of Business)

*QMP Incentive Payment* = (QMP Incentive Pool / Total QMP Incentive Weights) x Contractor's QMP Incentive Weight

5. Due to Federal requirements at 42 CFR 438.6(b)(2), the maximum incentive payments made to any Contractor by **Line of Business** will be limited to 5% of **the** annual capitation funding. AHCCCS will assess the total amount of QMP Incentive Payments across all PMs due to the Contractor. Any QMP Incentive Payment amount in excess of the Federal limit, when combined with ACOM Policy 307 Performance Based Payment Incentive, shall be reduced to bring the total incentive payments to a Contractor within Federal requirements.
6. The results computed, in this section, for the Earned CPS payment and QMP Incentive Payment will be adjusted as an addition or subtraction for premium tax, depending on whether the result computed is a payment or a recoupment.

AHCCCS will provide the Contractor with the components used for the Earned CPS payment and QMP Incentive Payment calculations and written notice of the deadline for review and comment by the Contractor. Upon completion of the review period, AHCCCS will evaluate the Contractor's comments and address any issues as warranted.

Any amount due to the Contractor will be paid through a lump sum payment. Any amount due from the Contractor will be recouped through a future monthly capitation payment.