



## Qualified Health Plan Contracting for 2023-2025

### Modeling Potential Quality Transformation Initiative (QTI) Payment and Timing

The Quality Transformation Initiative (QTI) being considered by Covered California is a quality improvement fund payment program intended to improve quality and reduce health disparities to ensure Covered California Enrollees and all Californians receive high-quality, equitable care.

This document outlines three versions for the structure of the quality improvement fund payment and models the payment for currently contracted QHP issuers based on the most recent reported performance period. The modeling uses Measurement Year 2020 Quality Rating System (QRS) measure scores, QRS national percentiles for Measurement Year 2020 as the benchmark, and Plan Year 2020 premiums for each QHP.

This document also describes the potential timeline for the quality improvement fund payment program (see Table 6). As detailed in that timeline, in the event the Quality Transformation Initiative were adopted by the Board, the current proposal is that the first performance year for the which QHPs could be subject to making quality improvement fund payments would be Measurement Year 2023, which would use QRS national percentiles for Measurement Year 2021 as the “benchmark year” to calculate relative performance.

The modeling and timeline presented in this material will be presented to the Covered California Board of Directors, along with the Staff Recommendations, at the January 20<sup>th</sup> Board meeting. Comments are welcome and can be made at the Board meeting or in advance to [PMDContractsUnit@covered.ca.gov](mailto:PMDContractsUnit@covered.ca.gov) preferably by January 14<sup>th</sup>, 2022.

### Quality Improvement Fund Payment Proposal

The amount of quality improvement fund payment would be determined by performance on each QTI measure and payment rate at each level of performance. As currently proposed, percentiles would be based on national QRS percentiles and will be fixed throughout the three-year contract period at performance in Measurement Year 2021 to allow for improvement over time against a static norm.

For the 2023-2025 contract, the current proposal is for there to be four core measures included in the QTI measure set:

- Comprehensive Diabetes Care: Hemoglobin A1c (HbA1c) Control (<8.0%) (NQF #0575);
- Controlling High Blood Pressure (NQF #0018);
- Colorectal Cancer Screening (NQF #0034); and
- Childhood Immunization Status (Combo 3) (NQF #0038).

Each measure will be stratified by race/ethnicity for purposes of reporting, but there would be no quality improvement fund payments tied to health disparities reduction performance in the initial

years of QTI implementation for the contract period. As national benchmarks are established, disparities reduction will be tied to quality improvement fund payments, either as an amendment to the 2025 contract year or commencing 2026 for the next contract cycle. Similarly, two behavioral health measures are included in QTI reporting, but are not tied to quality improvement fund payments for the 2023-2025 contract.

The funds collected through quality improvement fund payment would be used to foster quality improvement or improvements in population health broadly. Quality improvement efforts will be implemented on a population health level where they could have the greatest potential impact. Quality improvement efforts would not be limited to, or even specifically targeted for, enrollees of the QHP paying the quality improvement fund payment.

Funds will go into a segregated account, the QTI Fund, that is separate from Covered California's financial operations. An external entity will oversee the QTI Fund and manage distribution of funds, as directed by Covered California, to support quality improvement or population health interventions.

The intent is for the financial contributions to be considered as part of Contractor's quality improvement activity for medical loss ratio purposes. It is possible that not all expenditures would qualify as such.

### **Quality Improvement Fund Payment Modeling**

Table 1 through Table 5 below model the quality improvement fund payment amount and the effective per member per month (PMPM) payment amount for each QHP using three payment models described below. Table 1 represents the total payment across all four core measures; Table 2 through 4 provides more granular payment information for each of the four core QTI measures. Appendix 1 models the total payment as a percent of premium across all four core measures.

The modeling uses Measurement Year 2020 Quality Rating System (QRS) measure scores and QRS national percentiles for Measurement Year 2020 as the benchmark, and Plan Year 2020 premiums for each QHP. It should be noted that Measurement Year 2020 scores are lower due to the impact of COVID-19 on access to care, quality, and data collection. Covered California fully anticipates measure scores for 2023 to be higher and the quality improvement fund payments to be lower compared to the current modeling.

The modeling uses a maximum one percent (1%) of total gross premium per product to determine the quality improvement fund payment. However, the proposed maximum quality improvement fund payment will be somewhat lower in Measurement Year 2023 – 0.8% of premium – due to additional performance guarantees with 0.2% of premium at risk in Attachment 2. The total amount of quality improvement fund payment plus performance

guarantees at risk would increase by an additional 1% of total gross premium per product per measurement year up to 3.8% maximum in performance year 2026.

Version A: Quality Improvement Fund payment from the 25<sup>th</sup> to the 66<sup>th</sup> percentile<sup>1</sup>

- Full per measure payment if the measure score is below the 25<sup>th</sup> percentile
- Per measure payment at a declining constant linear rate for each measure score between the 25<sup>th</sup> and 66<sup>th</sup> percentile
- No payment if the measure score is at or above the 66<sup>th</sup> percentile

Version B: Quality Improvement Fund payment from the 25<sup>th</sup> to 75<sup>th</sup> percentile

- Full per measure payment if the measure score is below the 25<sup>th</sup> percentile
- Per measure payment at a declining constant linear rate for each measure score between the 25<sup>th</sup> and 75<sup>th</sup> percentile
- No payment if the measure score is at or above the 75<sup>th</sup> percentile

An additional version is modeled in response to QHP issuer feedback noting that the quality improvement fund payments should not go above 50<sup>th</sup> percentile performance.

Version C: Quality Improvement Fund payment from the 25<sup>th</sup> to the 50<sup>th</sup> percentile

- Full per measure payment if the measure score is below the 25<sup>th</sup> percentile
- Per measure payment at a declining constant linear rate for each measure score between the 25<sup>th</sup> and 50<sup>th</sup> percentile ending at 50% payment at 50<sup>th</sup> percentile
- No payment if the measure score is at or above the 50<sup>th</sup> percentile

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<sup>1</sup> The models change to zero payment at the target percentile for each option, so payments are up to 65.99<sup>th</sup>, 74.99<sup>th</sup>, and 49.99<sup>th</sup> percentiles for Versions A, B, and C respectively.

**Table 1: Covered California Modeling of Potential Quality Improvement Fund Payments for Four QTI Measures (based on 2020 Measurement Year and 2020 Percentiles as the Performance Benchmark)**

	Version A		Version B		Version C 25th to 50th Percentile (50% payment at 50th)	
	25th to 66th Percentile		25th to 75th Percentile			
	QTI Transfer Amount	QTI PMPM Effective	QTI Transfer Amount	QTI PMPM Effective	QTI Transfer Amount	QTI PMPM Effective
<b>Anthem EPO</b>	\$4,927,691	\$4.73	\$5,083,005	\$4.88	\$5,012,408	\$4.81
<b>Blue Shield HMO</b>	\$2,787,981	\$2.29	\$3,059,979	\$2.51	\$3,019,179	\$2.48
<b>Blue Shield PPO</b>	\$21,097,959	\$2.95	\$21,720,318	\$3.04	\$22,093,733	\$3.09
<b>CCHP HMO</b>	\$410,403	\$3.37	\$410,403	\$3.37	\$410,403	\$3.37
<b>Health Net EPO</b>	\$51,018	\$2.40	\$55,844	\$2.63	\$51,363	\$2.42
<b>Health Net HMO</b>	\$5,287,218	\$2.17	\$6,117,671	\$2.51	\$4,622,855	\$1.90
<b>Health Net PPO</b>	\$1,909,596	\$2.31	\$1,909,596	\$2.31	\$1,909,596	\$2.31
<b>Kaiser HMO</b>	\$4,642,766	\$0.53	\$5,781,557	\$0.66	\$4,642,766	\$0.53
<b>LA Care HMO</b>	\$2,840,200	\$2.92	\$2,939,277	\$3.02	\$2,906,251	\$2.99
<b>Molina Healthcare HMO</b>	\$1,918,236	\$3.54	\$2,110,748	\$3.90	\$1,732,601	\$3.20
<b>Oscar Health Plan EPO</b>	\$2,813,530	\$2.39	\$2,876,402	\$2.44	\$2,899,979	\$2.46
<b>Sharp Health Plan HMO</b>	\$0	\$0.00	\$0	\$0.00	\$0	\$0.00
<b>Valley Health Plan HMO</b>	\$841,140	\$3.08	\$874,482	\$3.20	\$841,140	\$3.08
<b>Western Health Advantage HMO</b>	\$451,206	\$3.31	\$513,046	\$3.77	\$403,108	\$2.96
<b>Total Potential Quality Improvement Fund Payment</b>	\$49,978,943	\$1.99	\$53,452,328	\$2.13	\$50,545,381	\$2.01

Note: The modeling uses a maximum one percent (1%) of total gross premium per product to determine the quality improvement fund payment. However, the proposed maximum quality improvement fund payment will be somewhat lower in Measurement Year 2023 – 0.8% of premium.

**Table 2: Modeling for Comprehensive Diabetes Care: Hemoglobin A1c (HbA1c) Control (<8.0%) (NQF #0575) (based on 2020 Measurement Year and 2020 Percentiles as the Performance Benchmark)**

	Version A		Version B		Version C 25th to 50th Percentile (50% payment at 50th)	
	25th to 66th Percentile		25th to 75th Percentile			
	QTI Transfer Amount	QTI PMPM Effective	QTI Transfer Amount	QTI PMPM Effective	QTI Transfer Amount	QTI PMPM Effective
<b>Anthem EPO</b>	\$1,129,557	\$1.08	\$1,171,915	\$1.12	\$1,200,154	\$1.15
<b>Blue Shield HMO</b>	\$0	\$0.00	\$0	\$0.00	\$0	\$0.00
<b>Blue Shield PPO</b>	\$3,298,501	\$0.46	\$3,796,388	\$0.53	\$3,983,095	\$0.56
<b>CCHP HMO</b>	\$0	\$0.00	\$0	\$0.00	\$0	\$0.00
<b>Health Net EPO</b>	\$0	\$0.00	\$0	\$0.00	\$0	\$0.00
<b>Health Net HMO</b>	\$0	\$0.00	\$83,045	\$0.03	\$0	\$0.00
<b>Health Net PPO</b>	\$0	\$0.00	\$0	\$0.00	\$0	\$0.00
<b>Kaiser HMO</b>	\$0	\$0.00	\$0	\$0.00	\$0	\$0.00
<b>LA Care HMO</b>	\$836,648	\$0.86	\$880,682	\$0.91	\$902,699	\$0.93
<b>Molina Healthcare HMO</b>	\$247,514	\$0.46	\$330,019	\$0.61	\$357,521	\$0.66
<b>Oscar Health Plan EPO</b>	\$455,823	\$0.39	\$518,696	\$0.44	\$542,273	\$0.46
<b>Sharp Health Plan HMO</b>	\$0	\$0.00	\$0	\$0.00	\$0	\$0.00
<b>Valley Health Plan HMO</b>	\$0	\$0.00	\$33,342	\$0.12	\$0	\$0.00
<b>Western Health Advantage HMO</b>	\$196,973	\$1.45	\$201,554	\$1.48	\$203,844	\$1.50
<b>Total Potential Quality Improvement Fund Payment</b>	\$6,165,016	\$0.25	\$7,015,641	\$0.28	\$7,189,586	\$0.29

Note: The modeling uses a maximum one percent (1%) of total gross premium per product to determine the quality improvement fund payment. However, the proposed maximum quality improvement fund payment will be somewhat lower in Measurement Year 2023 – 0.8% of premium.

**Table 3: Modeling for Controlling High Blood Pressure (NQF #0018) (based on 2020 Measurement Year and 2020 Percentiles as the Performance Benchmark)**

	Version A		Version B		Version C 25th to 50th Percentile (50% payment at 50th)	
	25th to 66th Percentile		25th to 75th Percentile			
	QTI Transfer Amount	QTI PMPM Effective	QTI Transfer Amount	QTI PMPM Effective	QTI Transfer Amount	QTI PMPM Effective
<b>Anthem EPO</b>	\$1,016,601	\$0.98	\$1,129,557	\$1.08	\$1,016,601	\$0.98
<b>Blue Shield HMO</b>	\$747,995	\$0.61	\$924,794	\$0.76	\$747,995	\$0.61
<b>Blue Shield PPO</b>	\$6,223,587	\$0.87	\$6,223,587	\$0.87	\$6,223,587	\$0.87
<b>CCHP HMO</b>	\$205,201	\$1.68	\$205,201	\$1.68	\$205,201	\$1.68
<b>Health Net EPO</b>	\$18,270	\$0.86	\$22,751	\$1.07	\$18,270	\$0.86
<b>Health Net HMO</b>	\$913,498	\$0.37	\$1,439,452	\$0.59	\$0	\$0.00
<b>Health Net PPO</b>	\$636,532	\$0.77	\$636,532	\$0.77	\$636,532	\$0.77
<b>Kaiser HMO</b>	\$4,642,766	\$0.53	\$5,781,557	\$0.66	\$4,642,766	\$0.53
<b>LA Care HMO</b>	\$902,699	\$0.93	\$957,742	\$0.99	\$902,699	\$0.93
<b>Molina Healthcare HMO</b>	\$295,642	\$0.55	\$405,649	\$0.75	\$0	\$0.00
<b>Oscar Health Plan EPO</b>	\$785,902	\$0.67	\$785,902	\$0.67	\$785,902	\$0.67
<b>Sharp Health Plan HMO</b>	\$0	\$0.00	\$0	\$0.00	\$0	\$0.00
<b>Valley Health Plan HMO</b>	\$420,570	\$1.54	\$420,570	\$1.54	\$420,570	\$1.54
<b>Western Health Advantage HMO</b>	\$64,131	\$0.47	\$112,229	\$0.82	\$0	\$0.00
<b>Total Potential Quality Improvement Fund Payment</b>	\$16,873,394	\$0.67	\$19,045,522	\$0.76	\$15,600,123	\$0.62

Note: The modeling uses a maximum one percent (1%) of total gross premium per product to determine the quality improvement fund payment. However, the proposed maximum quality improvement fund payment will be somewhat lower in Measurement Year 2023 – 0.8% of premium.

**Table 4: Modeling for Colorectal Cancer Screening (NQF #0034) (based on 2020 Measurement Year and 2020 Percentiles as the Performance Benchmark)**

	Version A		Version B		Version C 25th to 50th Percentile (50% payment at 50th)	
	25th to 66th Percentile		25th to 75th Percentile			
	QTI Transfer Amount	QTI PMPM Effective	QTI Transfer Amount	QTI PMPM Effective	QTI Transfer Amount	QTI PMPM Effective
<b>Anthem EPO</b>	\$1,411,946	\$1.36	\$1,411,946	\$1.36	\$1,411,946	\$1.36
<b>Blue Shield HMO</b>	\$1,359,991	\$1.12	\$1,359,991	\$1.12	\$1,359,991	\$1.12
<b>Blue Shield PPO</b>	\$6,223,587	\$0.87	\$6,223,587	\$0.87	\$6,223,587	\$0.87
<b>CCHP HMO</b>	\$205,201	\$1.68	\$205,201	\$1.68	\$205,201	\$1.68
<b>Health Net EPO</b>	\$32,748	\$1.54	\$33,093	\$1.56	\$33,093	\$1.56
<b>Health Net HMO</b>	\$1,743,951	\$0.72	\$1,965,406	\$0.81	\$1,965,406	\$0.81
<b>Health Net PPO</b>	\$636,532	\$0.77	\$636,532	\$0.77	\$636,532	\$0.77
<b>Kaiser HMO</b>	\$0	\$0.00	\$0	\$0.00	\$0	\$0.00
<b>LA Care HMO</b>	\$1,100,853	\$1.13	\$1,100,853	\$1.13	\$1,100,853	\$1.13
<b>Molina Healthcare HMO</b>	\$687,540	\$1.27	\$687,540	\$1.27	\$687,540	\$1.27
<b>Oscar Health Plan EPO</b>	\$785,902	\$0.67	\$785,902	\$0.67	\$785,902	\$0.67
<b>Sharp Health Plan HMO</b>	\$0	\$0.00	\$0	\$0.00	\$0	\$0.00
<b>Valley Health Plan HMO</b>	\$420,570	\$1.54	\$420,570	\$1.54	\$420,570	\$1.54
<b>Western Health Advantage HMO</b>	\$190,102	\$1.40	\$199,263	\$1.46	\$199,263	\$1.46
<b>Total Potential Quality Improvement Fund Payment</b>	\$14,798,923	\$0.59	\$15,029,883	\$0.60	\$15,029,883	\$0.60

Note: The modeling uses a maximum one percent (1%) of total gross premium per product to determine the quality improvement fund payment. However, the proposed maximum quality improvement fund payment will be somewhat lower in Measurement Year 2023 – 0.8% of premium.

**Table 5: Modeling for Childhood Immunization Status (Combo 3) (NQF #0038) (based on 2020 Measurement Year and 2020 Percentiles as the Performance Benchmark)**

	Version A		Version B		Version C 25th to 50th Percentile (50% payment at 50th)	
	25th to 66th Percentile		25th to 75th Percentile			
	QTI Transfer Amount	QTI PMPM Effective	QTI Transfer Amount	QTI PMPM Effective	QTI Transfer Amount	QTI PMPM Effective
<b>Anthem EPO</b>	\$1,369,587	\$1.31	\$1,369,587	\$1.31	\$1,383,707	\$1.33
<b>Blue Shield HMO</b>	\$679,995	\$0.56	\$775,195	\$0.64	\$911,194	\$0.75
<b>Blue Shield PPO</b>	\$5,352,285	\$0.75	\$5,476,756	\$0.77	\$5,663,464	\$0.79
<b>CCHP HMO</b>	NR	NR	NR	NR	NR	NR
<b>Health Net EPO</b>	NR	NR	NR	NR	NR	NR
<b>Health Net HMO</b>	\$2,629,768	\$1.08	\$2,629,768	\$1.08	\$2,657,450	\$1.09
<b>Health Net PPO</b>	\$636,532	\$0.77	\$636,532	\$0.77	\$636,532	\$0.77
<b>Kaiser HMO</b>	\$0	\$0.00	\$0	\$0.00	\$0	\$0.00
<b>LA Care HMO</b>	\$0	\$0.00	\$0	\$0.00	\$0	\$0.00
<b>Molina Healthcare HMO</b>	\$687,540	\$1.27	\$687,540	\$1.27	\$687,540	\$1.27
<b>Oscar Health Plan EPO</b>	\$785,902	\$0.67	\$785,902	\$0.67	\$785,902	\$0.67
<b>Sharp Health Plan HMO</b>	\$0	\$0.00	\$0	\$0.00	\$0	\$0.00
<b>Valley Health Plan HMO</b>	NR	NR	NR	NR	NR	NR
<b>Western Health Advantage HMO</b>	NR	NR	NR	NR	NR	NR
<b>Total Potential Quality Improvement Fund Payment</b>	\$12,141,610	\$0.48	\$12,361,281	\$0.49	\$12,725,789	\$0.51

Note: The modeling uses a maximum one percent (1%) of total gross premium per product to determine the quality improvement fund payment. However, the proposed maximum quality improvement fund payment will be somewhat lower in Measurement Year 2023 – 0.8% of premium.



**Potential Quality Transformation Initiative Timeline**

Table 6 describes the proposed timeline for the assessment for the QTI measure set and quality improvement fund payments.

**Table 6: Potential Timeline for Implementation of the Quality Transformation Improvement Measure Set Assessment and Quality Improvement Fund Payment**

Benchmark Measurement Year	Measurement Year	QHPs Submit Data to CMS QRS and Covered CA	Payment Calculated by Covered CA	Review by QHP Issuers	Public Announcement of Payment	QHPs Submit Funds to Covered CA or Third Party
2021	2023	June 15, 2024	July 2024	August 2024	September 2024	Fall 2024
2021	2024	June 15, 2025	July 2025	August 2025	September 2025	Fall 2025
2021	2025	June 15, 2026	July 2026	August 2026	September 2026	Fall 2026

Note: New entrants will be required to submit measure data to Covered California during their initial years of operation to be assessed for QTI performance starting with Measurement Year 2023.

**Appendix 1: Covered California Modeling of Potential Quality Improvement Fund Payments as Percent of Premium for Four QTI Measures (based on 2020 Measurement Year and 2020 Percentiles as the Performance Benchmark)**

	<b>Version A</b>	<b>Version B</b>	<b>Version C</b>
	<b>25th to 66th Percentile</b>	<b>25th to 75th Percentile</b>	<b>25th to 50th Percentile (50% payment at 50th)</b>
	<b>% Premium (Total IND Market)</b>	<b>% Premium (Total IND Market)</b>	<b>% Premium (Total IND Market)</b>
<b>Anthem EPO</b>	0.87	0.90	0.89
<b>Blue Shield HMO</b>	0.51	0.56	0.56
<b>Blue Shield PPO</b>	0.85	0.87	0.89
<b>CCHP HMO</b>	0.67	0.67	0.67
<b>Health Net EPO</b>	0.49	0.54	0.50
<b>Health Net HMO</b>	0.48	0.55	0.42
<b>Health Net PPO</b>	0.75	0.75	0.75
<b>Kaiser HMO</b>	0.13	0.17	0.13
<b>LA Care HMO</b>	0.65	0.67	0.66
<b>Molina Healthcare HMO</b>	0.70	0.77	0.63
<b>Oscar Health Plan EPO</b>	0.90	0.92	0.92
<b>Sharp Health Plan HMO</b>	0.00	0.00	0.00
<b>Valley Health Plan HMO</b>	0.67	0.69	0.67
<b>Western Health Advantage HMO</b>	0.66	0.75	0.59
<b>Total Potential Quality Improvement Fund Payment</b>	0.51	0.54	0.51

Note: The modeling uses a maximum one percent (1%) of total gross premium per product to determine the quality improvement fund payment. However, the proposed maximum quality improvement fund payment will be somewhat lower in Measurement Year 2023 – 0.8% of premium.