

ATTACHMENT 4 TO COVERED CALIFORNIA 2023-2025 INDIVIDUAL MARKET QHP ISSUER CONTRACT: QUALITY TRANSFORMATION INITIATIVE

Health Insurance Issuers contracting with Covered California to offer Qualified Health Plans (QHPs) are integral to Covered California's ability to achieve its mission of improving the quality, equity, and value of healthcare services available to Covered California Enrollees and all Californians. Covered California and Contractor recognize the value of improving the quality of care provided to Covered California Enrollees and reducing health disparities, as well as the substantial opportunities for improvement in the current quality and equity of care provided. Covered California and Contractor jointly agree to improve quality and reduce health disparities to promote the vision of the Affordable Care Act and meet Covered California Enrollee needs and expectations.

This Quality Transformation Initiative (QTI) is intended to set direct and substantial financial incentives for QHP issuers to improve the quality of healthcare and to reduce health disparities for Covered California Enrollees and all Californians. Specifically, the QTI focuses on improving care for a small number of clinically important conditions for which there are major opportunities for improvement and good measures in current use. QHP issuers that fail to meet specified benchmarks will be required to make payments to the Quality Transformation Fund that may be as high as 4% of premium. Importantly, Covered California is working to align the measures tied to substantial financial incentives with other major purchasers, including the California Department of Health Care Services (DHCS), CalPERS, and the Centers for Medicare & Medicaid Services' (CMS) Medicare payment programs.

For the initial QTI core measures tied to financial incentives, performance will be assessed using measure scores on CMS Quality Rating System (QRS) and National Committee for Quality Assurance (NCQA) Healthcare Effectiveness Data and Information Set (HEDIS) measures for each of Contractor's products. Product has the same meaning as that term is used for purposes of calculating the CMS QRS scores. Pursuant to Attachment 1, Contractor must submit the data to determine measure scores by the date and in the manner specified by Covered California.

Covered California will determine payments to the Quality Transformation Fund on an annual basis when measure scores are available. Payments are assessed for each product Contractor offers. Contractor shall not be responsible for any failure to meet the quality levels if and to the extent that the failure is excused pursuant to Section 13.7 of the Agreement (Force Majeure).

Covered California and Contractor agree that the goal is continuous improvement in both quality and equity, regardless of where the product currently performs compared to national or California performance.

Covered California will use Contractor's measure scores to evaluate and publicly report both QHP Issuer performance and its impact on healthcare quality and health disparities reduction in California.

1.01 Core Conditions and Measure Set

1.01.1 2023 – 2025 QTI Measure Set

For Measurement Years 2023-2025, Covered California has identified four areas of focus for improvement and related core measures that will be subject to Quality Transformation Fund payments as detailed in 1.02. These measures are nationally endorsed, represent priority quality and equity domains, align with other purchaser measures, and span pediatric and adult Enrollees.

- 1) For each of its products for Measurement Years 2023-2025, Contractor will be assessed on the following QTI core measure set using the reportable QRS measure scores published through the CMS Marketplace Quality Module within CMS' Health Insurance and Oversight System:
 - a) Controlling High Blood Pressure (NQF #0018)
 - b) Comprehensive Diabetes Care: Hemoglobin A1c (HbA1c) Control (<8.0%) (NQF #0575)
 - c) Colorectal Cancer Screening (NQF #0034)
 - d) Childhood Immunization Status (Combo 10) (NQF #0038)
- 2) In addition to the QTI core measure set, Contractor will report on the following National Committee for Quality Assurance (NCQA) Healthcare Effectiveness Data and Information Set (HEDIS) measures for Measurement Years 2023-2025 for each of its products:
 - a) Depression Screening and Follow-Up for Adolescents and Adults (DSF)
 - b) Pharmacotherapy for Opioid Use Disorder (POD)

Covered California intends to include these measures in the QTI core measure set after benchmarks have been established.

1.01.2 Health Disparities Reduction Requirements

Covered California intends to add health disparities reduction requirements to the QTI core measure set after race and ethnicity stratified population benchmarks have been established. Disparities reduction requirements will be tied to payments to the Quality Transformation Fund either as an amendment for the 2025 contract year or beginning in 2026 for the next contract period.

Covered California will publicly report Contractor's scores on all QTI measures stratified by race and ethnicity pursuant to Attachment 1, Article 1.02.1.

1.01.3 Revisions to QTI Measure Set

Covered California will evaluate the QTI measure set periodically in collaboration with Contractor, other QHP Issuers, and stakeholders, and may modify the measures through a contract amendment or for the next contract period.

1.02 Benchmarks and Payments to the Quality Transformation Fund

During the term of this Agreement, Contractor agrees to conduct quality improvement activities to meet or exceed the 66th national percentile for each QTI core measure for each of its products. If Contractor does not meet or exceed the 66th national percentile, Contractor agrees to contribute payments to the Quality Transformation Fund as described below.

- 1) Covered California will use the 25th national percentile benchmarks for each QTI core measure published by CMS through the CMS Marketplace Quality Module within CMS' Health Insurance and Oversight System and will calculate the 66th percentile benchmark for each QTI core measure using the measure scores published by CMS through the CMS' Nationwide QRS Public Use Files. These benchmarks will remain fixed during the term of this Agreement.
 - a) Measurement Year 2021 national percentiles and measure scores will be used to calculate the benchmarks for the following measures:
 - i) Controlling High Blood Pressure (NQF #0018)
 - ii) Comprehensive Diabetes Care: Hemoglobin A1c (HbA1c) Control (<8.0%) (NQF #0575)
 - iii) Colorectal Cancer Screening (NQF #0034)
 - b) Measurement Year 2022 national percentiles and measure scores will be used to calculate the benchmark for the following measure:
 - i) Childhood Immunization Status (Combo 10) (NQF #0038)
- 2) For each year of the Agreement, and for each QTI core measure for each product, Covered California will compare Contractor's measure score published by CMS through the CMS Marketplace Quality Module within CMS' Health Insurance and Oversight System against the benchmark to determine Contractor's Quality Transformation Fund payments, if any.

- 3) Contractor agrees to make payments to the Quality Transformation Fund based on its measure scores for each reportable measure in the QTI core measure set for each product as follows:
 - a) Contractor must contribute the full per measure payment amount if the measure score is below the 25th national percentile benchmark.
 - b) Contractor must contribute a per measure payment amount at a declining constant rate, as determined by Covered California, for each measure score at or above the 25th and up to the 66th national percentile benchmark.
 - c) Contractor will not be required to make any payments for each measure score at or above the 66th national percentile benchmark.
- 4) For Measurement Year 2023, the full per measure payment amount is equal to 0.8 percent of Contractor's total Gross Premium per product divided equally by each reportable measure in the QTI core measure set for that product.
- 5) For Measurement Year 2024, the full per measure payment amount is equal to 1.8 percent of Contractor's total Gross Premium per product divided equally by each reportable measure in the QTI core measure set for that product.
- 6) For Measurement Year 2025, the payment will increase per product per Plan Year as described in Section 5.2.2 of the Agreement.

1.03 Implementation Timeline

Covered California will calculate payments to the Quality Transformation Fund and issue a QTI Performance Report, including an invoice, to Contractor on an annual basis within ninety (90) Days of receipt of the measure scores published through the CMS Marketplace Quality Module within CMS' Health Insurance and Oversight System for the Measurement Year.

If Contractor does not agree with the QTI Performance Report, Contractor may dispute the Report in writing within sixty (60) Days of receipt of that Report. The written notification of dispute must provide a detailed explanation of the basis for the dispute. Covered California must review and provide a written response to Contractor's dispute within sixty (60) Days of receipt of Contractor's notification of dispute. If the Contractor still disputes the findings of Covered California, Contractor may pursue additional remedies in accordance with Section 13.1 of the Agreement.

Payment to the Quality Transformation Fund is due within sixty (60) Days of receipt of the QTI Performance Report or if Contractor disputes the Report, within thirty (30) Days of the resolution of a dispute.

1.04 Establishment of the Quality Transformation Fund

Covered California will track payments made to the Quality Transformation Fund by each QHP issuer and will report on expenditures from the fund as part of its annual budget.

1.05 Spending from the Quality Transformation Fund

Covered California will use the Quality Transformation Fund for its internal quality related operations and activities. Such operations and activities would be subject to review and approval as part of the regular annual budget adopted by the Covered California Board.

1.06 Quality Improvement Plans

If Contractor scores below the 25th national percentile benchmark for a QTI core measure, Contractor must provide Covered California with a Quality Improvement Plan in accordance with Section 5.2.4 of the Agreement. The quality improvement plan must address each QTI core measure for which Contractor scores below the 25th national percentile benchmark.