

## **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 remains committed 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.

Consistent with CMS eligibility requirements for QRS reporting, Contractor's QHPs with a minimum of two years of QRS reportable scores will be subject to the QTI performance requirements and payments to the Quality Transformation Fund may be required depending on QHP performance.

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.

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## **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 (“QTI Core Measures,” specified below) that will be subject to Quality Transformation Fund payments as detailed in Section 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 Measures 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 Measures, 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 as QTI Core Measures after benchmarks have been established.

### **1.01.2 Health Disparities Reduction Requirements**

Covered California intends to add health disparities reduction requirements to the QTI measure set. Disparities reduction requirements will be tied to payments to the Quality Transformation Fund 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 66<sup>th</sup> national percentile for each QTI Core Measure for each of its products. If Contractor does not meet or exceed the 66<sup>th</sup> national percentile, Contractor agrees to contribute payments to the Quality Transformation Fund as described below. Making payments into the Quality Transformation Fund does not absolve Contractor of its responsibility to engage in quality improvement activities to meet or exceed required QTI benchmarks, and engage in other innovative quality improvement strategies.

- 1) Covered California will use the 25<sup>th</sup> 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 66<sup>th</sup> 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 QTI Core Measure for each product as follows:
  - a) Contractor must contribute the full per measure payment amount if the measure score is below the 25<sup>th</sup> 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 25<sup>th</sup> and up to the 66<sup>th</sup> national percentile benchmark.
  - c) Contractor will not be required to make any payments for each measure score at or above the 66<sup>th</sup> 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 QTI Core Measure 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 QTI Core Measure for that product.
- 6) For Measurement Year 2025, the full per measure payment amount is equal to up to 2.8 percent of Contractor's total Gross Premium per product divided equally by each reportable QTI Core Measure for that product.

Covered California in consultation with stakeholders may, in its sole discretion, waive or reduce payments to the Quality Transformation Fund for Contractors that do not meet or exceed required benchmarks but otherwise, as determined by Covered California, demonstrate superior QHP quality or show significant improvement in one or more measure scores.

### **1.03 Implementation Timeline**

Covered California will calculate payments to the Quality Transformation Fund and issue a QTI Performance Report, including an invoice with payment instructions, 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 Administration of the Quality Transformation Fund**

Covered California shall manage the collection and administration of payments in the Quality Transformation Fund. Payments due to the Quality Transformation Fund will be transmitted to and retained by Covered California or to an entity contracted with Covered California for this purpose, or will be retained by Contractor to be used for projects only as expressly approved by Covered California rather than for projects self-selected by the contractor. Contractor shall make payments in accordance with the instructions accompanying the invoice issued by Covered California pursuant to Section 1.03.

Covered California shall specify how Contractor shall allocate funds toward the Quality Transformation Fund. Covered California shall select one of the following methods:

- 1) Funds will be transmitted to and retained by Covered California per instructions provided by Covered California;
- 2) Funds will be transmitted to and retained by an entity contracted with Covered California for this purpose, per instructions provided by Covered California; or
- 3) Funds will be retained by Contractor to be used only as expressly approved by Covered California.

## **1.05 Population Health Investments**

### **1.05.1 Selection of Population Health Investments**

Covered California shall approve use of payments within the Quality Transformation Fund for one or more Population Health Investments. A Population Health Investment is a targeted program established by Covered California, guided by the following principles:

- 1) Equity first: funds should preferentially focus on geographic regions or communities with the largest identified gaps in health and quality among California subpopulations,
- 2) Direct: use of funds should lead to measurable improvements in quality and outcomes for enrollees that are related to QTI Core Measure performance,
- 3) Evidence-based: use of funds should be grounded in approaches that have established evidence of success in driving improvements in quality or outcomes, and

Additive: funds should be used to advance quality in a currently underfunded arena.

Covered California shall engage with stakeholders, including QHP Issuers, consumer advocates, providers, and others in developing recommendations for Population Health Investments and program designs.

Based on engagement with stakeholders, Covered California, in its sole discretion, shall establish permissible Population Health Investments for Contractor to implement as specified below.

### **1.05.2 Implementation of Population Health Investments**

Contractor must receive written approval from Covered California prior to implementing one or more Population Health Investments established by Covered California pursuant to Section 1.05.1. Contractor shall submit to Covered California an implementation plan, that includes the following:

- 1) How Contractor proposes to implement the Population Health Investment(s); and
- 2) Estimated funds from the Quality Transformation Fund necessary to implement the Population Health Investment(s).

Covered California will review Contractor's submissions and, if appropriate, issue written approval for Contractor to implement the Population Health Investment(s).

### **1.05.3 Population Health Investment Expenses**

Contractor shall track and document expenditures from the Quality Transformation Fund used to support Contractor's approved Population Health Investment.

Contractor shall be responsible for any expenses related to implementing any Population Health Investment that exceed payments Contractor made into the Quality Transformation Fund.

### **1.05.4 Evaluation and Data Submissions**

Contractor agrees to provide data to Covered California to evaluate the success of Contractor's Population Health Investment, upon request. Covered California will establish reasonable data reporting requirements upon approval of Contractor's Population Health Investment.

If Covered California in its sole discretion determines that Contractor's Population Health Investment has not achieved improvements in quality and outcomes, or otherwise does not best serve Contractor's enrollees, Covered California may request changes in Contractor's Population Health Investment program design or may cease Contractor's Population Health Investment.

## **1.06 Unspent Funds**

Unspent funds in the Quality Transformation Fund must remain in the Quality Transformation Fund. Contractor shall attempt in good faith to use payments made to the Quality Transformation Fund, in full, in the same Calendar Year in which payments were made. If Contractor has unspent payments within the Quality Transformation Fund at the end of the Calendar Year, Contractor shall use the payments during the next Calendar Year for Population Health Investments approved by Covered California. Contractor shall not recover unspent payments or use unspent payments for purposes not previously approved by Covered California. Covered California reserves the right to request an audit of payments due to the Quality Transformation Fund at any time.

## **1.07 Ongoing Assessment of the Quality Transformation Fund**

Covered California shall continuously assess the success of the Quality Transformation Fund at achieving measurable quality improvements. Based on outcomes from Population Health Investments, feedback from stakeholders, and availability of funds, Covered California may consider revising or establishing additional programs, opportunities, and uses for payments made to the Quality Transformation Fund.



## 1.08 Quality Improvement Plans

If Contractor scores below the 25<sup>th</sup> 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 25<sup>th</sup> national percentile benchmark.

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