

## Section 10: Cost Management (pediatric practices)

We value the important role you play in managing the health of our members. We created Cost Management incentives to recognize and reward you for delivering and maintaining quality and cost-effective care. The program consists of the following incentives:

- Pharmacy Cost
- Medical Cost Efficiency

### Pharmacy Cost

Research indicates that not taking medication as directed leads to 125,000 preventable deaths each year and about \$300 billion in avoidable health care costs.<sup>2</sup> To combat this, we have incorporated the Pharmacy Cost incentive into QIPS. Our goal is to help you promote medication adherence and to reduce pharmacy costs and other avoidable health care expenses.

### Additional practice and member eligibility requirements

In addition to the core requirements, the following apply to this incentive:

- Members must be continuously covered by our medical and pharmacy coverage for calendar year 2023.
- Practices who have an eligible vaccination population of at least 20 members and a vaccination rate below 15 percent for that population will be measured and scored on the incentive, but the practice will be **excluded** from payment.
- National BlueCard® Commercial PPO members are **excluded**.
- Prior to evaluating Pharmacy Cost, all specialty drugs will be **excluded**, and a high-cost threshold of \$5,000 will be applied.

### How do we calculate your score and payment?

The Pharmacy Cost incentive payment is based on each practice's pharmacy cost risk-adjusted PMPM.\* The risk-adjusted PMPM will be compared and percentile-ranked among the pediatric practices. Each practice, based on the percentile rank, will be assigned to one of four tiers seen in the chart below.

Pharmacy cost includes all prescriptions paid for by our pharmacy benefit for any of your Independence patients. The prescription does not have to be written by a physician within your office to qualify.

*\*Risk-adjustment is performed using Verisk DxCG Risk Scores. The most recent risk scores of the measurement year for your eligible member is taken, and a mean risk score is calculated. These mean risk scores are normalized against similar practices in QIPS. Your PMPM costs are then adjusted according to your normalized mean risk score. If you have a "higher risk" membership relative to similar practices, you will see a diminishing effect on your PMPM costs, while those with a "lower risk" will see an inflationary effect.*

<sup>2</sup>[www.heart.org/en/health-topics/consumer-healthcare/medication-information/medication-adherence-taking-your-meds-as-directed](https://www.heart.org/en/health-topics/consumer-healthcare/medication-information/medication-adherence-taking-your-meds-as-directed)  
<https://patimes.org/medication-compliance/>

The chart below illustrates Pharmacy Cost payment rates at a tier level.

Primary Care Practice Percentile Rank†	Commercial HMO/POS/PPO (PAMPY/PMPY)
Tier 1 (75 – 100%)	\$18.00
Tier 2 (50 – 74.99%)	\$10.80
Tier 3 (25 – 49.99%)	\$2.40
Tier 4 (<25%)	\$0.00

†Frozen offices are not eligible for Pharmacy Cost incentive payments.

## Medical Cost Efficiency

With this incentive, we assess and reward you based on your management of medical cost in comparison to other pediatric practices. Medical cost is the contractual allowed amount we pay to you, inclusive of member liability (e.g., copayment, coinsurance, deductible) and Coordination of Benefits funds. Costs may include, but are not limited to, Professional and Outpatient – Surgery, ED, Cardiology, Radiology, Lab, and rehab costs.

The following costs are excluded from this incentive:

- prescription drugs paid through the pharmacy benefit
- home health/hospice services
- mental health/substance use disorder costs
- vaccination costs (vaccine and administration)

## Additional practice and member eligibility requirements

In addition to the core requirements, the following apply to this incentive:

- Practices must have an average panel size of 200 commercial HMO/POS/PPO and National BlueCard Commercial PPO members for the measurement year.
- Patients under 2 years old, as of the last day of the reporting period, are **excluded**.
- High-cost claimants are **excluded**:
  - Commercial HMO/POS members with more than \$25,000 in annual medical costs.
  - Personal Choice® and National BlueCard Commercial PPO members with more than \$28,750 in annual medical costs.
- If you have an eligible vaccination population of at least 20 members and a vaccination rate below 15 percent for that population, you will be measured and scored on the incentive, but the practice will be **excluded** from payment.

## How do we calculate your score and payment?

The Medical Cost Efficiency incentive is based on each practice's total cost risk-adjusted PMPM.‡ The risk-adjusted PMPM will be used to percentile rank the pediatric practices. Each practice, based on the percentile rank, will be assigned to one of four tiers, as shown in the chart.

*#Risk-adjustment is performed using Verisk DxCG Risk Scores. The most recent risk scores of the measurement year for each practice’s eligible member is taken, and a mean risk score is calculated based on that membership. These mean risk scores are normalized against a practice’s specialty group peers who are also participating in QIPS. A practice’s PMPM costs are then adjusted according to its normalized mean risk score. Practices with a “higher risk” membership relative to their peers’ memberships will see a diminishing effect on their PMPM costs, while practices with a “lower risk” membership relative to their peers’ memberships will see an inflationary effect on their PMPM costs.*

The chart below illustrates Medical Cost Efficiency payment rates at a tier level.

Primary Care Practice Percentile Rank	Commercial HMO/POS/PPO PAMPY/PMPY
Tier 1 (75 – 100%)	\$18.00
Tier 2 (50 – 74.99%)	\$10.80
Tier 3 (25 – 49.99%)	\$2.40
Tier 4 (<25%)	\$0.00