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Overview

This bill requires the commissioner of human services to establish programs to provide hospitals and managed care organizations (MCOs) with information and financial incentives to reduce potentially avoidable events. The bill requires the commissioner to select a methodology to identify potentially avoidable events and associated costs, measure hospital and MCO performance related to these events, and modify hospital and MCO payments to reflect this performance.

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1 **Definitions.** Adds § 256B.90. Defines terms.

2 **Medical assistance outcomes-based payment programs.** Adds § 256B.91.

Subd. 1. Generally. Requires the commissioner to establish and implement two linked MA outcomes-based payments programs: (1) a hospital outcomes program to provide hospitals with information and incentives to reduce potentially avoidable events; and (2) an MCO outcomes program to provide MCOs with information and incentives to reduce potentially avoidable events.

Subd. 2. Potentially avoidable event methodology. Requires the commissioner to select a methodology for identifying potentially avoidable events and associated costs, and for measuring hospital and MCO performance with respect to these events. Requires the commissioner to develop definitions for each potentially avoidable event. Requires the methodology, to the extent possible, to be one that has been used by other Medicaid programs or by commercial payers, and specifies other criteria.

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Subd. 3. Medical assistance system waste. Requires the commissioner to analyze state databases to identify waste in the MA system. Requires the analysis to identify potentially avoidable events in MA and associated costs. Specifies related requirements.

3 Hospital outcomes program. Adds § 256B.92.

Subd. 1. Generally. Requires the hospital outcomes program to: (1) target reduction of potentially avoidable readmissions and complications; (2) apply to all state acute care hospitals participating in MA; and (3) be implemented in two phases—performance reporting and outcomes-based financial incentives.

Subd. 2. Phase 1; performance reporting. Requires the commissioner to develop and maintain a reporting system to provide each hospital with reports on its performance for potentially avoidable readmissions and potentially avoidable complications. Specifies duties for the commissioner. Allows a hospital to share information in the outcome performance reports with health care providers to foster coordination and cooperation in the hospital's outcome improvement and waste reduction initiatives.

Subd. 3. Phase 2; outcomes-based financial incentives. Requires the commissioner, 12 months after implementation of performance reporting, to establish financial incentives for a hospital to reduce potentially avoidable readmissions and potentially avoidable complications.

Subd. 4. Rate adjustment methodology. Requires the commissioner to adjust hospital reimbursement based on the hospital's performance on outcome results. Specifies criteria for the rate methodology.

Subd. 5. Amendment of contracts. Requires the commissioner to amend hospital contracts as necessary to incorporate the financial incentives.

Subd. 6. Budget neutrality. Requires the program to be implemented in a budget-neutral manner for a hospital.

4 Managed care outcomes program. Adds § 256B.93.

Subd. 1. Generally. Requires the MCO outcomes program to: (1) target reduction of avoidable admissions, readmissions, and emergency room visits; (2) apply to all MCOs participating in MA; and (3) be implemented in two phases—performance reporting and outcomes-based financial incentives.

Subd. 2. Phase 1; performance reporting. Requires the commissioner to develop and maintain a reporting system to provide each MCO with reports on its performance for potentially avoidable admissions, potentially avoidable readmissions and potentially avoidable emergency room visits. Specifies duties for the commissioner. Allows an MCO to share information in the outcome performance reports with participating health care providers to foster coordination and cooperation in the MCO's outcome improvement and waste reduction initiatives.

Subd. 3. Phase 2; outcomes-based financial incentives. Requires the commissioner, 12 months after implementation of performance reporting, to establish

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financial incentives for an MCO to reduce potentially avoidable readmissions, potentially avoidable admissions, and potentially avoidable emergency visits.

Subd. 4. Capitation rate adjustment. Requires the commissioner to adjust each MCO's capitation rate based on performance on outcome results. Specifies criteria for the rate methodology.

Subd. 5. Amendment of contracts. Requires the commissioner to amend MCO contracts as necessary to incorporate the financial incentives.