Illinois MY 2024 Pay-for-Performance (P4P) and Pay-for-Reporting (P4R) Program Methodology Addendum

Project Overview

The Illinois Department of Healthcare and Family Services (HFS) contracted with Health Services Advisory Group, Inc. (HSAG) to develop this Addendum to the Illinois Measurement Year (MY) 2024 Pay-for-Performance (P4P) and Pay-for-Reporting (P4R) Program Methodology published in September 2023. This Addendum presents the model for reallocation of potential unearned funds among the managed care organizations (MCOs). This reallocation model is for MY 2024 methodology only.

Unearned Funds Reallocation Model

Any unearned funds from the MCOs will be placed into an incentive pool. The incentive pool will be reallocated to the MCOs after completing the Maternal Child Health (MCH) quality and equity improvement project plan (see HCI Unearned Quality Withhold Funds Reporting Template and Timeline, April 2024). Please note, the MCH quality and equity improvement project plan is for quality improvement program oversight purposes and will not be evaluated against other MCO plans; however, if an MCO does not complete a MCH quality and equity improvement project plan as prescribed in the HCI Unearned Quality Withhold Funds Reporting Template and Timeline, it will not earn back any incentive pool amount and that MCO's withhold amount will be excluded from the calculation of Total Withhold Amount in the formula outlined below. This will ensure that 100 percent of the Incentive Pool is redistributed to the MCOs that did complete a MCH quality and equity improvement project plan. The amount of the incentive pool each MCO earns back will be based on the MCO's proportion of total withheld funds (based on column C in Table 1 below) using the following formula:

$$Incentive\ Pool\ Amount\ Earned = \left(\frac{MCO\ Withhold\ Amount}{Total\ Withhold\ Amount}\right) \times Total\ Incentive\ Pool\ Amount$$

To demonstrate how this formula is applied, Table 1 and Table 2 provide mock data for three example MCOs. Table 1 provides an example of the Total Withhold Earned back based on the P4P and P4R withhold earned back amounts for the three example MCOs.

Table 1—Overall Withhold Earned Back
EXAMPLE USING MOCK DATA

MCO Name (A)	Total Capitation Payment (B)	Withhold Amount (Total Capitation Payment × 2%) (C)	P4P Withhold Amount Earned Back (F)	P4R Withhold Amount Earned Back (L)	Total Withhold Not Earned Back (M)	Total Withhold Earned Back (N)
MCO A	$621,795,000.00	$12,435,900.00	$3,620,712.29	$2,194,570.59	$6,620,617.12	$5,815,282.88
MCO B	$475,800,000.00	$9,516,000.00	$3,098,409.60	$4,758,000.00	$1,659,590.40	$7,856,409.60
MCO C	$415,140,000.00	$8,302,800.00	$3,130,570.74	$3,418,800.00	$1,753,429.26	$6,549,370.74
Sum		**$30,254,700.00**	**$9,849,692.63**	**$10,371,370.59**	**$10,033,636.78**	**$20,221,063.22**

Using the values in Table 1 above as an example, MCO A would earn the following amount:

$$\$4{,}124{,}228.75 = \left(\frac{\$12{,}435{,}900.00}{\$30{,}254{,}700.00}\right) \times \$10{,}033{,}636.78$$

Table 2 provides an example of the Incentive Pool Amount Earned for the three example MCOs.

Table 2—Incentive Pool Amount Earned
EXAMPLE USING MOCK DATA

MCO Name (A)	Withhold Amount (C)	Total Withhold Not Earned Back (i.e., Incentive Pool) (M)	Total Withhold Earned Back (N)	Percent of Total Withhold Amount (O)	Incentive Pool Amount Earned (P)	Total Earn Back Amount (Column N + Column P) (Q)
MCO A	$12,435,900.00	$6,620,617.12	$5,815,282.88	41.10%	$4,124,228.75	$9,939,511.63
MCO B	$9,516,000.00	$1,659,590.40	$7,856,409.60	31.45%	$3,155,876.20	$11,012,285.80
MCO C	$8,302,800.00	$1,753,429.26	$6,549,370.74	27.44%	$2,753,531.83	$9,302,902.57
Sum	**$30,254,700.00**	**$10,033,636.78**	**$20,221,063.22**	**100.00%**	**$10,033,636.78**	**$30,254,700.00**

Using this model, higher performing MCOs may receive a bonus (i.e., earn back more than their Withhold Amount [column C in Table 2]) while lower-performing MCOs may not receive 100 percent of withheld funds back. This will provide the MCOs with an incentive to perform better on the P4P and P4R methodology.