

2009 Patient 1st Sharing of Savings Calculation Methodology

- Calendar year 2008 is the period of time by which performance measures and costs are being measured. The Profilers for this period are available on request.
- Monies will be distributed based on PMP enrollment whether the PMP is a group enrollment or an individual practitioner. All PMPs are categorized into peer groups based on their declared specialty.
- The shared savings, \$4.7 million, was equally divided between a performance pool and an efficiency pool. Efficiency is based on total Medicaid costs per patient for each month the patient is in the panel.
- All measures and costs have been adjusted based on Resource Utilization Bands, taking into account the patient's morbidity which affects the patient's level of service utilization.
- All of the efficiency scores and performance scores were calculated and the scores in each category (efficiency / performance) were ranked. The bottom 25% of providers in each category was removed. Providers were removed from each category independent of the other category so that it is possible for a provider to receive a portion of shared savings from one category and not the other. Providers being excluded from the efficiency savings did not automatically exclude them from the performance savings.
- The performance measures are:
 - Generic Dispensing Rate: The percentage of generic prescriptions ordered for the PMPs panel as compared to the peer group.
 - Visits Per Unique Member: Average number of visits per recipient seen by the PMP as compared to the peer group. This measure is annualized.
 - Number of Non-Certified Emergency Room Visits: Average number of recipients that are utilizing the emergency room as compared to the peer group. This measure is annualized.
- **EFFICIENCY:** The actual expenditures compared to the expected expenditures are calculated. The percent variance is determined, and based on the ranking of the variance of all PMPs, a score is applied. The score is then multiplied by the member months to determine the "share points". The value of each Share Point is calculated by dividing the total efficiency shared dollars by the total Share Points. By doing this, each point is worth \$0.2190 in shared savings from the efficiency pool. In order to determine how much of the efficiency dollars each provider is awarded, the providers total Share Points is then multiplied by the value of the Share Point \$0.2190. Cost based providers do not participate in the efficiency pool.
- **PERFORMANCE:** For each of the three measures, the actual is compared to the expected. The percent variance is determined, and based on the ranking of the variance of all PMPs, a score is applied. The combined score for all three measures is then multiplied by the member months to determine the "share points". The value of each Share Point is calculated by dividing the total efficiency shared dollars by the total Share Points. By doing this, each point is worth \$0.0660 in shared savings from the performance pool. In order to determine how much of the efficiency dollars each provider is awarded, the providers total Share Points is then multiplied by the value of the Share Point \$0.0660.
- PMPs will receive a "check stub" via mail, showing their scores and respective share of the two savings pools. The actual money will be a line item adjustment on the October 2, 2009 remittance advice (RA).
- PMPs may visit our website at www.medicaid.alabama.gov/Patient1st/savings for additional details, or they may contact Paige Clark at paige.clark@medicaid.alabama or (334) 242-5148, or Kim Davis-Allen at kim.davis-allen@medicaid.alabama.gov or (334) 242-5011.