



JENNIFER KENT
DIRECTOR

State of California—Health and Human Services Agency
Department of Health Care Services



EDMUND G. BROWN JR.
GOVERNOR

DATE: April 3, 2017

PRIME POLICY LETTER 17-005

TO: PRIME ENTITIES

SUBJECT: MID-YEAR REPORTING PROGRESS AND PAYMENT RECONCILIATION

PURPOSE:

The purpose of this PRIME Policy Letter (PPL) is to clarify the mid-year reporting progress and payment reconciliation process for PRIME entities.

BACKGROUND:

PRIME incentive payments correlate with an annual value per metric based on a methodology outlined in Special Terms and Conditions (STCs), Attachment II, Section VII. A PRIME entity may draw down a 50% payment of the annual metric value at the mid-year for all Pay-for-Reporting (P4R) metrics. A PRIME entity may also draw down a 50% payment of the annual metric value at the mid-year for Pay-for-Performance (P4P) metrics if it can demonstrate that 50% of its annual performance target has been achieved. Please see Tables 6 and 8 of STCs Attachment II for more details.

Upon submission of the final year-end report, a PRIME entity may be eligible to claim the full incentive amount for each metric. For P4R metrics, the remaining 50% is eligible for claiming at year-end. For P4P metrics, the remaining funding for full performance in the demonstration year is eligible to be earned based on progress toward the target rate of each metric. Please see Tables 7 and 9 of STCs Attachment II for more details.

POLICY:

Mid-year payments for P4P metrics are only interim payments for metric achievement. The total payment from the annual value of a P4P metric is calculated by progress demonstrated exclusively in the final year-end report, as outlined in Attachment II. Below is an overview of a metric payment occurring at the interim mid-year and three possible payment outcomes at the final year-end:

- 1) *If the progress reported at the mid-year resulted in at least a 0.5 Achievement Value and thus a 50% payment and this progress was not maintained or improved upon based on the year-end report, and such progress at the year-end would have resulted in a lower Achievement Value and thus lower payment of the annual metric value than was paid at the mid-year, the participating PRIME entity will be required to re-pay the federal portion of the overpayment amount.*
- 2) *If the Achievement Value reported at the year-end exceeds the Achievement Value reported and paid at the mid-year, the PRIME entity may claim the remaining funding for the performance demonstrated and Achievement Value reported at the year-end.*
- 3) *If the Achievement Value reported and paid for at the mid-year is equal to the Achievement Value reported in the year-end report, the PRIME entity will have earned all eligible incentive funds for that metric for that demonstration year at the mid-year and no additional payment will be made for that metric's achievement at the year-end.*

A PRIME entity may prefer to avoid the possibility of an overpayment amount. If an entity is eligible for a 50% payment of metric funds at the mid-year and prefers not to claim these funds at the mid-year, this must be communicated to DHCS in writing within three business days of the close of the mid-year reporting deadline. For DHCS to make an IGT request reflecting such a decision on the part of the PRIME entity, the entity's Chief Financial Officer must submit an official letter to DHCS stating which metric(s) and the correlating dollar amount(s) it would like withheld from the intergovernmental transfer (IGT) request. The dollar amount the entity identifies to be withheld must correlate with the 50% interim payment(s) of the eligible metric(s). The letter must also include the justification for the entity's decision. The letter may be submitted via e-mail to the entity's PRIME liaison or to the PRIME inbox at PRIME@dhcs.ca.gov. Please note that withheld amounts will not be reflected in the "Eligible Amount" column of the PRIME Reporting Platform during the DY12 Mid-Year reporting period. The withheld amount will instead be reflected as zero value in the "Paid Amount" column. Although each PRIME entity has the option to not claim eligible funds at the mid-year, mid-year reporting is not optional (PPL 17-001).

A PRIME entity required to re-pay the federal portion of an overpayment amount will be notified in writing by DHCS once it has completed its year-end completeness review. The federal overpayment amount will be deducted as applicable from the amounts disclosed in the PRIME entity's year-end IGT request. If there is a negative payment differential between the mid-year and year-end payment amounts, a PRIME entity will be required to re-pay the federal portion of the PRIME payment within 7 days of receiving a recoupment letter from DHCS.

Recouped amounts per metric will be included in the PRIME Reporting Platform as negative amounts in the "Paid Amount" column of the year-end report. The negative amount in the PRIME Reporting Platform will include both the federal and non-federal portion of the total PRIME payment for each metric.

If you have any questions regarding this PPL, please contact your PRIME Liaison or email the PRIME Mailbox at PRIME@dhcs.ca.gov.

Sincerely,

A handwritten signature in blue ink, appearing to read 'N.D. Kohatsu', written over a light blue horizontal line.

Neal D. Kohatsu, MD, MPH
Medical Director
California Department of Health Care Services