



Programmatic Guidance on PHP Contracting Requirements for Tier 3 AMH Practices

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Contents

SECTION I: INTRODUCTION AND SUMMARY	2
SECTION II: CONTRACTING BETWEEN PHPS AND AMHS.....	3
SECTION III:DHHS OVERSIGHT	4
SECTION IV: NEXT STEPS FOR PRACTICES	5

Section I: Introduction and Summary

As described in North Carolina's [Medicaid Managed Care Requests for Proposal](#) (RFP), a key goal of the State's Medicaid Transformation is to increase the provision of local care management to the State's Medicaid enrollees. A primary vehicle for executing on this approach is the Advanced Medical Home (AMH) program, which will provide an opportunity for practices to take on additional care management responsibility in exchange for additional reimbursement from Prepaid Health Plans (PHPs). Tier 3 is currently the most advanced level of the AMH program and is reserved for practices that meet a set of State-defined requirements related to care management capacity. DHHS requires PHPs to contract with Tier 3 AMHs. While DHHS does not set provider payment rates for care management, it is expected that PHPs and AMHs will negotiate payments that adequately compensate Tier 3 providers for the additional functions and responsibilities required under state standards. The purpose of this Guidance is to reinforce and to provide addition detail regarding DHHS' expectation that PHPs will contract with Tier 3 AMHs.

DHHS' general expectation is that PHPs will attempt to contract with all certified Tier 3 practices **in each of the regions the PHP serves.** DHHS recognizes two permissible reasons why PHPs would be unable to reach mutual agreement to contract with a certified Tier 3 practice at a Tier 3 level:

1. The PHP and AMH practice are unable to reach an agreement on Care Management Fees or Performance Incentive Payments; and/or
2. The PHP determines through an audit that the State-certified AMH lacks the required capabilities set by DHHS for AMH Tier 3 practices.

PHPs are not permitted to refuse to contract with Tier 3 AMH practices for reasons other than those above.¹ If a PHP cannot reach agreement to contract with a Tier 3 practice at a Tier 3 level, it is required to contract with that practice at a Tier 2 level (i.e., the contract must include, at minimum, the required payment elements set for Tier 2).

In order to promote PHP accountability for contracting with as many certified Tier 3 practices as possible, DHHS requires that each PHP contract with at least 80% of Tier 3-certified AMHs at a Tier 3 level in each of its regions.

Tier 3 practices with whom PHPs are unable to contract for one of the reasons above will still count in the denominator of this calculation. PHPs will be required to report to DHHS their

¹ This guidance is subject to the general provision in the [Medicaid Reform legislation](#) that "PHPs may not exclude providers from their networks except for failure to meet objective quality standards or refusal to accept network rates." This provision applies to all providers, including AMHs.

progress regarding contracting with each AMH practice, to allow DHHS to perform oversight of contracting as well as the calculation of the 80% threshold. In the event that DHHS determines that a PHP is not compliant with the 80% contracting requirement, DHHS will have the option to impose sanctions available to DHHS under the contract, including liquidated damages.

After 18 months have elapsed (as required by state law), DHHS intends to include the Tier 3 contracting requirement within its graduated withhold program to provide additional financial incentives for PHPs to contract with more than 80% of practices in each region.

Section II: Contracting Between PHPs and AMHs

DHHS expects that the vast majority of practices accomplishing state certification as AMH Tier 3 practices will be successful in contracting with PHPs as AMH Tier 3 practices (i.e., will be successful in entering contracts that include the full range of AMH Tier 3 responsibilities and payment components). DHHS is providing further clarification in relation to two permitted scenarios where a PHP may not reach agreement to contract with a State-certified Tier 3 AMH practice at a Tier 3 level:

- 1. The PHP and AMH practice are unable to reach an agreement on Care Management Fee or Performance Incentive Payment amounts.** The required payment structure to be reflected in contracts between PHPs and AMH practices in each Tier has been set by DHHS.² PMPM Medical Home Fees, equivalent to today's Carolina Access payments, must be paid at or above set floors (\$2.50 for non-ABD enrollees and \$5.00 for ABD enrollees). Additionally, Tier 3 practices can expect to receive Care Management Fees in exchange for their primary role in care management. In recognition of significant market variation across the state, DHHS is expecting PHPs and Tier 3 AMH practices to negotiate the levels of these Care Management Fees rather than set dollar floors. PHPs are also required to include, in their contracts with Tier 3 AMHs, Performance Incentive Payments, which must be based on the AMH quality measure set³ and fall within levels 2 through 4 of the Health Care Payment Learning and Action Network (HCP-LAN) Alternative Payment Model framework. In the event of a PHP and certified Tier 3 AMH practice being unable to reach agreement on level of the Care Management Fees or Performance Incentive Payments, the PHP would still be required to accept the practice into its network at a Tier 2 level.⁴
- 2. The PHP determines through an audit that the state-certified AMH lacks the required capabilities set by DHHS for AMH Tier 3.** The goal of the state certification process for AMH practices is to support practices ready to offer a consistent care management system for their Medicaid population across multiple PHPs, minimizing administrative burden and differences in requirements between PHPs. However, the state certification

² See [Becoming Certified as an Advanced Medical Home: A Manual for Primary Care Providers](#), p. 7.

³ The AMH Measure Set will be finalized prior to PHP awards.

⁴ See [FAQs](#), question C2.

process will not preclude PHPs from performing their own program oversight of all providers, including AMH practices. As stated in previous guidance⁵, if a PHP determines through its own auditing process that an AMH practice has not met DHHS' Tier 3 AMH requirements, it may "reclassify" that practice to Tier 2 status with notice to the practice and appeal rights to the PHP. A PHP may not lower the tier level of other AMH practice locations associated with the same organizational NPI or CIN without an assessment, nor can it lower the tier level of an AMH practice location based on a different PHP's findings.

DHHS will generally not make adjustments to the list of AMH Tier 3-certified practices based on a PHP determination against an individual AMH. Again, Tier 3 practices with whom PHPs are unable to contract for one of the reasons above will still count in the denominator of this calculation, but not the numerator (i.e., PHPs will "not receive credit" for those practices within DHHS' calculation of the 80% requirement).

For completeness, the following are specifically **not** permitted reasons for a PHP to decline to contract with a state-certified Tier 3 AMH practice at the Tier 3 level:

- The PHP has already contracted with 80% of Tier 3 practices in the PHP's region;
- The PHP chooses to apply higher practice standards than the State-designated Tier 3 requirements;
- The PHP wishes to maintain a narrow network of Tier 3 AMHs;
- The PHP wishes not to align with AMHs affiliated with a particular CIN/other partner (i.e., a PHP cannot mandate affiliation terms with a CIN/other partner in order for the AMH to secure a contract);
- The AMH is already contracted with a different PHP or has other business arrangements that the PHP wishes to dictate the terms of; or
- The AMH is affiliated or partially owned by a Provider Led Entity (PLE);
- The AMH has only a small number of attributed members enrolled with the PHP.

In the future, DHHS may identify other impermissible reasons for a PHP might decline to contract with a state-certified Tier 3 practice at the Tier 3 level.

Section III: DHHS Oversight

While DHHS will not play a role in individual contract negotiations, DHHS will provide oversight of PHP/AMH contracting in the following ways:

- DHHS will require PHPs to keep evidence of the reason for declining to contract at the Tier 3 level, whenever either scenario above arises. DHHS will have the ability to audit such records at any time.

⁵ [Becoming Certified as an Advanced Medical Home: A Manual for Primary Care Providers](#), p. 8. and [FAQs](#), question C4.

- PHPs will be required to report regularly to DHHS on all contracting with AMH practices, including contract amounts and members served. DHHS will use these reports to determine whether each PHP has met the 80% requirement detailed above. DHHS will provide further guidance on reporting frequency and required data elements in the coming months.

In the event that a PHP fails to comply with the 80% AMH Tier 3 contracting requirement, DHHS has broad discretion to impose sanctions, including liquidated damages, available to DHHS under the contract. DHHS may issue further guidance in the future to ensure that all Tier 3-certified AMHs have a chance to participate in the program.

Section IV: Next Steps for Practices

Practices wishing to enter AMH Tier 3 should attest to Tier 3 requirements within NC Tracks **on or before January 31, 2019**. Attestation after January 31 will be possible; if practices attest after January 31, DHHS will still expect PHPs to contract with those practices except in the two circumstances described above. However, practices are asked to attest by January 31, 2019 to ensure that they are included on the initial Tier 3 attestation lists that DHHS will transmit to PHPs; to ensure maximum time for start-up and testing prior to launch; and to provide DHHS with early insight into relative counts of practices and beneficiaries within each AMH Tier.

Practices should note that attestation is not binding. Completing the Tier 3 attestation signifies that the practice expects to be ready with Tier 3 capabilities by Managed Care go-live in November 2019. However, should the practice need to change that designation to Tier 2 later, it may do so at any time without penalty.