

## Key Points about the New Category 3 Framework

- Using the Category 3 selection tool, all DSRIP providers are required to verify or select Category 3 outcome measures for each Category 1 or 2 project in March 2014 in order to be able to earn a portion of DY 3 Category 3 funds during the April 2014 reporting period.
- All providers should review the revised Category 3 outcome measure options in the spreadsheet (posted online and emailed to RHP Anchors 2/21/14) to determine which measure(s) on the menu are the best fit for each Category 1 and 2 project.
- Major changes to Category 3 from the original RHP Plan submission:
  - The revised Category 3 menu has many more measures (353 measures including tools) to try to accommodate Texas' diverse range of DSRIP projects. Some outcome ID (IT) #s have changed.
  - Each measure on the menu is designated either as Pay for Performance (P4P) or Pay for Reporting (P4R).
  - There will be standard achievement methodologies for P4P measures (i.e., the % improvement in achievement level to earn funds in DY 4 and DY 5).
  - All measures must be reported based on specification requirements, which will be outlined in the forthcoming compendium and also may be found at the links on the measures spreadsheet. For most measures, the denominator used for Category 3 reporting will be broader than those individuals served by the Category 1 or 2 project. However, providers are allowed to tailor the denominator to better match the project target population based on certain factors such as diagnosis, demographic variables and project location.
- Providers will continue to choose either at least 1 standalone measure or 3 non-standalone measures for each Category 1 or 2 project.
- A Category 1 or 2 project may have a mix of P4P and P4R measures.
- P4P measures are the preferred choice. If there is a P4P measure appropriate to the Category 1 or 2 project that the provider can report to the specifications in the compendium, then the provider must select a P4P measure. (See NOTE below about already approved outcomes.)
- P4R measures may be selected when there is no P4P measure appropriate to the Category 1 or 2 project that the provider can report to specifications, but will require prior authorization to be used.
  - If a provider needs to use a P4R measure, the provider also must select an alternate performance activity to earn a portion of its Category 3 funds allocated to that P4R measure in DY 5.
- NOTE: If a provider wants to keep its originally proposed outcome measure(s) for a project, and they are on the revised Category 3 menu, it may do so, but it still needs to verify the current IT number of each measure and fill out the required information in the Category 3 selection tool. A standard achievement methodology will apply for these measures rather than what the provider submitted.
- Within limits and based on each provider's current Category 3 funding, the provider will decide what portion of its Category 3 funding to allocate to each Category 1 or 2 project. Once the provider makes that decision, the selection tool will automatically evenly distribute Category 3 valuation associated with a given Category 1 or 2 project across the selected Category 3 measure(s). The selection tool includes approved Category 1 and 2 projects as well as replacement projects and proposed 3-year projects.
- In DY 3, providers will be eligible to earn 50% of the funding for each Category 3 measure during April reporting based on a status report and the other 50% may be earned during the October reporting period based on establishing or validating the baseline for each measure.
- In DY 4 and DY 5, the number and type of milestones and improvement targets each year will vary depending on whether a measure is designated as P4P or P4R.
- There will be standard achievement levels for P4P measures in DY 4 and DY 5. In October 2014, providers may request to deviate from the standard achievement levels based on extenuating circumstances to be determined by HHSC and CMS, such as if the intervention population is much smaller than the denominator required in the measure specifications. Since changes to standard achievement levels will require additional approval by CMS, HHSC encourages providers to carefully consider allowable denominator subsets now as a way to appropriately reflect the target population for each project (which will still be broader than the intervention population in almost all cases).
- Category 3 milestones and improvement targets may still be carried forward into the next demonstration year if needed, and partial payment for Category 3 improvement targets still applies for improvement targets in which the provider is earning funds based on improvement in achievement level.