

PERFORMANCE-BASED CONTRACTING RESIDENTIAL SERVICES

Implementation Plan



Office of Developmental Programs
Pennsylvania Department of Human Services

For Public Comment

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Contents

Introduction	1
New Provider Performance Standards	3
Continuity of Care	4
Continuous Quality Improvement	4
Sustainability	5
Workforce	6
Clinical Capacity	6
Access	7
Residential Provider Tiers and Performance Standards	7
Contracting	9
Provider Agreement Timeline	9
Timeframes	10
Contract and Rates	10
Performance Review Period	10
Pay-for-Performance (P4P)	10
Provider Preparedness	11
Residential Provider Preparedness Toolkit	11
ISAC Provider Performance Review Subcommittee	11
Provider Forums	12
Next Steps	12
Timeline	13
Appendix A: Performance Standards and Associated Measures by Tier	14

NOTE: Textboxes have been added to this document that include plain language for key concepts.

Introduction

To improve quality, ODP is changing the way it manages residential services and supports coordination. This new way of managing is called “performance-based contracting.”

The Commonwealth of Pennsylvania’s Department of Human Services (Department), Office of Developmental Programs (ODP) is pursuing systems change to improve the quality and sustainability of services. ODP sought broad stakeholder input on the approach to systems change with extensive stakeholder outreach and a public comment period on a [Concept Paper in June 2023](#).

ODP is applying for a statewide 1915(b)(4) Selective Contracting waiver for residential services, including Residential Habilitation, Supported Living, and Life Sharing, which are currently offered in the Consolidated and Community Living 1915(c) Waiver programs. This change in residential services will be implemented in January 2025. ODP will seek a 1915(b)(4) Selective Contracting waiver for supports coordination in the Medicaid State Plan, Consolidated, Person/Family Directed Support and Community Living Waivers for implementation in January 2026. From here on, this program will be referred to as **performance-based contracting**.

The Centers for Medicare and Medicaid Services (CMS) describes the 1915(b)(4) waiver as follows: “Section 1915(b) of the Social Security Act gives the Secretary of Health and Human Services the discretion to waive a broad range of requirements included in Section 1902 of the Act as may be necessary to enable a State to implement alternative delivery mechanisms for its Medicaid program.” “Subsection (b)(4) permits a State to restrict the provider from whom Medicaid beneficiaries receive services as long as such restrictions do not substantially impair access to services of adequate quality where medically necessary. This statutory authority (as well as implementing regulations at 42 CFR §431.55) can be used in both fee-for-service as well as managed care arrangements.”¹

ODP will be making the changes to residential services beginning January 2025. Changes to supports coordination services will begin in January 2026.

ODP is implementing performance-based contracting for multiple reasons. The values set forth in the [Everyday Lives document](#), as well as ODP’s goals around service sustainability, quality improvement, improving clinical capacity to serve individuals with complex needs, and implementing strategies that support workforce stability and growth are all key drivers of this initiative.

¹ [Preprint Overhaul Instructions – Outline \(medicaid.gov\)](#)

Figure 1 lists the key values from Everyday Lives.

Figure 1



[Everyday Lives](#) was used to guide the proposed changes to residential and supports coordination services.

Achieving Everyday Lives values requires innovation in ODP’s **residential** and **supports coordination** services — two key services that link waiver participants to a life of their choosing in the community and at home. Implementing performance-based contracting for these services will provide ODP the tools

This paper focuses on residential services because changes in residential services will happen before changes in supports coordination services.

needed to ensure residential service providers and supports coordination organizations are delivering on the Everyday Lives values by establishing performance standards that support improved individual and systems outcomes. Performance-based contracting allows ODP to outline quality and care coordination standards that are in addition to the requirements for providers outlined in a typical 1915(c) waiver. Performance-based contracting will provide ODP an

additional opportunity to engage in continuous quality improvement of services for individuals. While performance-based contracting will be used for both residential services and supports coordination services, this paper focuses on residential services because it is being implemented first.

New Provider Performance Standards

Standards are rules everyone agrees to follow. We can measure standards. Providers of residential services will have to meet new standards. These standards are based on data, research, and the ideas of different experts. These new standards will make residential services better for people with disabilities.

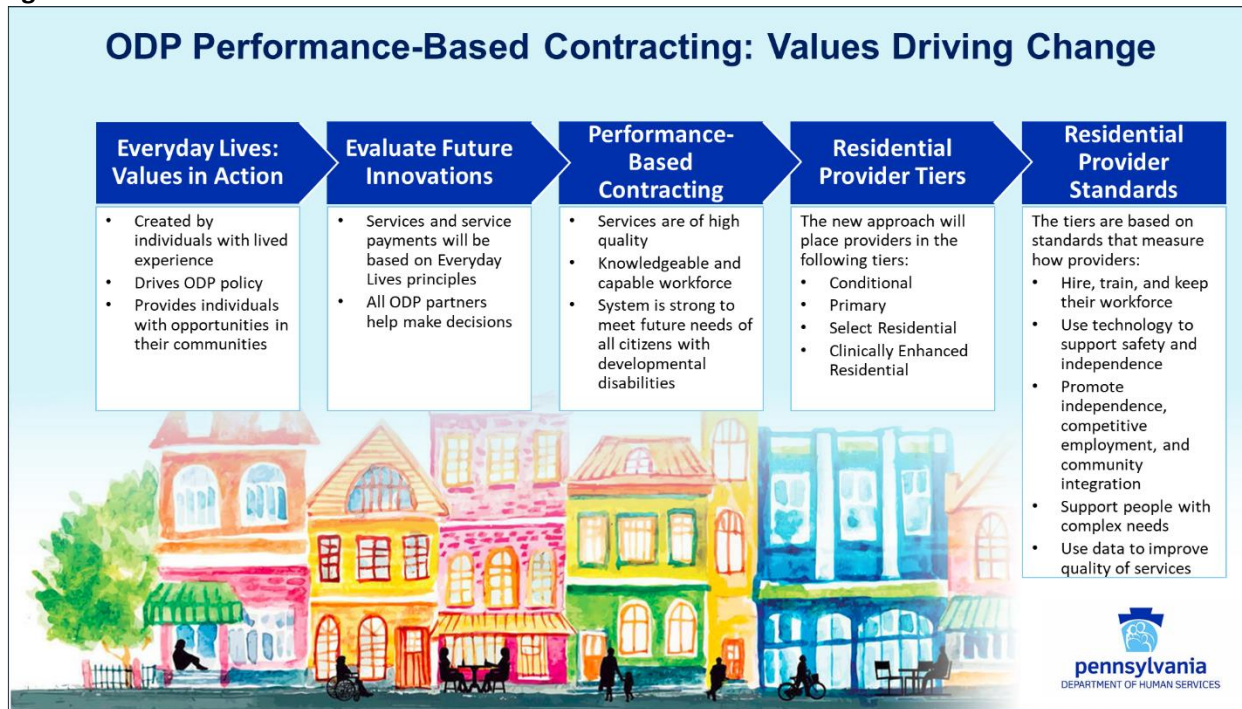
ODP will use performance-based contracting to establish performance standards for residential providers. ODP will monitor, support, and evaluate providers' progress toward meeting these standards each year of a 3-year cycle. **Over time, the 3-year cycle will allow ODP to streamline the performance standards with other processes such as QA&I, provider qualifications, and licensing.** ODP will annually assign each provider a tier based on the provider's performance. ODP will monitor individual and aggregate provider performance to determine if providers are meeting the identified measures. ODP will then make refinements to measures and targets as more data is obtained and aggregate performance improves. **Measures may be adjusted annually, not more frequently.**

ODP initially drafted performance standards based on lessons from [Everyday Lives strategies](#) and annual reporting on established performance measures; data analysis and reporting on areas such as prevalence of autism and developmental disabilities, acuity of individuals served, incident management, and employment of individuals; a review of the research available; consultation with national experts, including members and staff from the National Association of State Directors for Developmental Disabilities Services; and through a comprehensive environmental scan of states that have used selective-based contracting and other innovations in payment and service delivery models to support individuals with intellectual and developmental disabilities.

These draft performance areas were published as part of the Concept Paper. Once performance areas were defined and adjusted based on public comment, the Residential Strategic Thinking Group, composed of representatives from residential providers and other key stakeholders, further refined the performance standards in Appendix A.

Figure 2 shows that Everyday Lives was the first step in deciding to start performance-based contracting. Performance-based contracting allows ODP to have new standards for residential providers. Based on how well providers do at meeting the new standards, they will be assigned to different levels called "tiers." Providers in the top tiers will be paid higher rates.

Figure 2



ODP wants to make sure performance-based contracting does not disrupt services.

Individuals who like their current residential provider or supports coordination organization will be able to keep them.

Continuity of Care

As ODP transitions to performance-based contracting, it is essential that disruptions in residential services and supports coordination are avoided. To support continuity of care, ODP intends to contract with all of the providers that are enrolled immediately preceding the 1915(b)(4) waiver effective date.

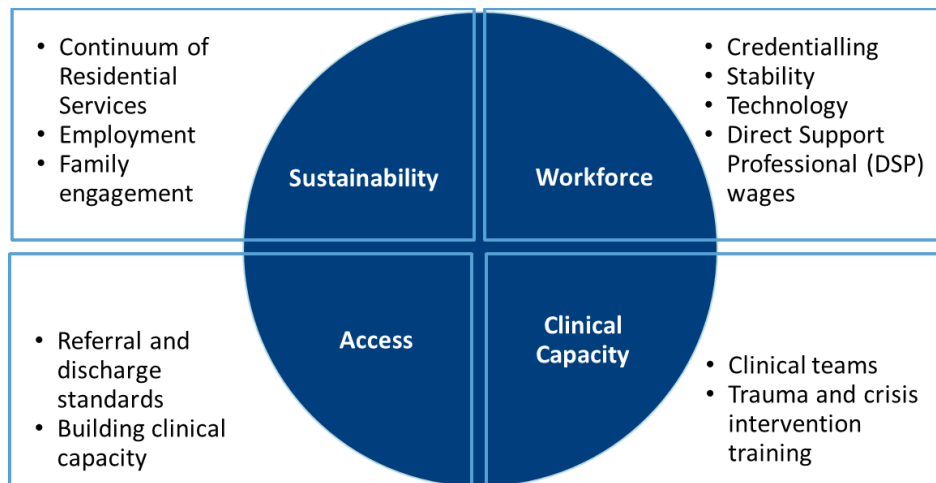
Continuous Quality Improvement

Continuous quality improvement supports both individual and systems outcomes. Figure 3 depicts how standards are connected to focus areas: sustainability, workforce, access, and clinical capacity. Continuous quality improvement requires tracking, understanding, and using data to identify and act on quality improvement opportunities, as well as to measure progress on quality improvement projects. ODP anticipates adjusting standards in the future as the process of tracking and using the quality improvement data matures.

Performance standards have been selected specifically to address the areas identified in Figure 3.

Figure 3 shows performance standards focus areas to improve the quality of residential and supports coordination services.

Figure 3



Sustainability

Changes will help make sure that people with disabilities can continue to get the services they need. This is **sustainability**.

Currently over 13,000 individuals are on a waiting list for ODP Home and Community-Based Services (HCBS) and there is a Direct Support Professional (DSP) vacancy rate of 23%². ODP's service delivery model must evolve to meet the needs of individuals served by ODP in more cost-effective ways that also reduce the burden on traditional staffing models while providing greater opportunities for inclusion for individuals receiving services. Focusing on the below areas will promote better sustainability of the system.

- **Continuum of Residential Services:** Ensuring individuals have options to be supported in Life Sharing and Supported Living is essential. These models of service are less restrictive, less costly, receive greater satisfaction ratings from individuals and families, and generally require less traditional staffing than Residential Habilitation in a licensed community home.
- **Employment:** Competitive integrated employment is a centerpiece of adulthood and must be available for every person. The benefits of employment for individuals with disabilities are significant and are the same as for individuals without disabilities. Employment contributes to confidence, meaningful community engagement, and higher income. It also may support cost-savings in the system.

² Center for Healthcare Solutions *ID/A Benchmark Compensation Survey* June 2023

- **Family engagement:** Most individuals have family involved throughout their lives. Respecting and supporting familial relationships is a crucial element in a responsive and quality service delivery system.

Workforce

Workforce means the staff who help individuals do the things they need to do every day.

Changes will also help make sure staff have the training and knowledge they need to provide the best services possible for everyone who needs support.

Addressing workforce issues requires a multifold approach.

- **Credentiailling:** Professionalization of the workforce by implementing competency-based credentiailling will improve the quality of services. Credentiailling creates opportunities for portability of staff training; has been shown to improve job satisfaction; and results in the development of a more direct connection between wages, skills, knowledge, and ethics.
- **Stability:** By tracking and sharing data on staff vacancy and turnover rates, providers and ODP will be able to use data to identify more effective strategies for staff retention.
- **Technology:** For every individual, Individual Support Plan (ISP) teams should explore whether there are technology solutions that support better health, safety, and greater independence.
- **Direct Support Professional (DSP) wages:** Enhanced rates and pay-for-performance (P4P) will support higher DSP wages, better training, and staff retention. Better training will enable DSPs to serve individuals with more complex needs and lead to better outcomes for individuals.

Clinical Capacity

The acuity of support needs of individuals who receive HCBS from ODP has been increasing over time and is expected to continue to increase.

- **Clinical teams:** Residential providers should have clinical teams in place that ensure individuals have homes that provide therapeutic and restorative environments. Additionally, providers should sustain or develop relationships with health partners to improve clinical outcomes.
- **Trauma and crisis intervention training:** Residential providers should have organizational approaches and comprehensive staff training on evidence-based trauma informed care and crisis response will be able to meet individual needs and minimize the use of restrictive procedures. If staff must use restrictive procedures, staff must be trained in procedures that use physical intervention or restraint as a last resort.

Access

Changes will also help to improve access to residential services. **Access** is an individual's ability to get the help the individual needs.

- **Referral and discharge standards:** Reforms to the referral and discharge process and policy will improve access to residential services that can effectively meet the needs of individuals. Reforms include more targeted referrals, expectations related to tracking and using data regarding referral and discharge, and established expected timeframes for service delivery.
- **Building clinical capacity:** Building clinical capacity within the residential program will enable individuals with complex needs to have their needs met by clinically capable teams.

Residential Provider Tiers and Performance Standards

All current providers will be able to continue providing services when performance-based contracting starts. They will get training on the new standards. Each year, providers will be assessed on how well they meet the new standards. Providers will be assigned to different levels, called "tiers," based on how well they met the new standards.

When performance-based contracting is implemented, all currently enrolled residential providers will have the opportunity to enter into a performance-based contract with ODP. To help support providers with the new requirements and process, ODP will hold provider forums so that providers have a clear understanding of the process and expectations for performance-based contracting. As part of the process to evaluate performance, providers will submit documentation demonstrating their performance in the areas described below and outlined in Appendix A. Additionally, ODP will use data from participant experience surveys, claims, incident management, health risk screening, Administrative Entities, and a new Performance Analysis Services (PAS) vendor. Annually, ODP will evaluate each provider's performance against the established measures and determine the tier in which the provider will be placed.

Providers will be placed in one of the following tiers based on their performance in the areas described below:

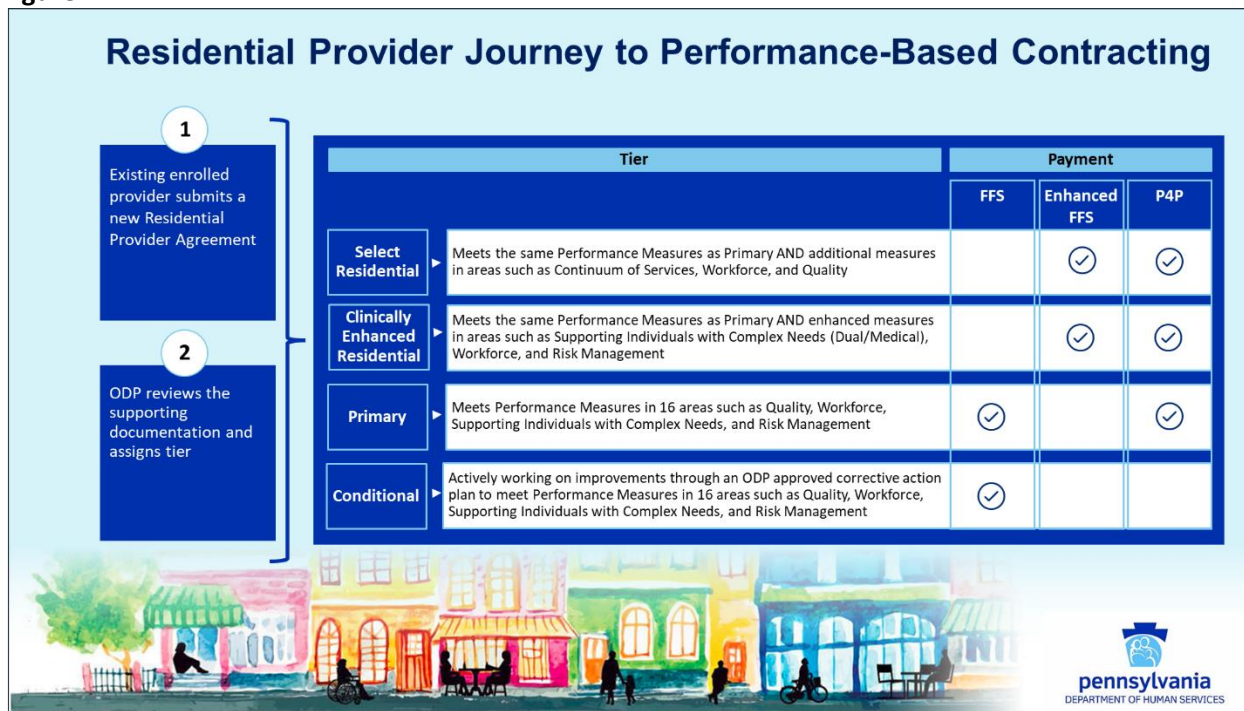
- *Conditional* for providers operating under provisional or revoked licenses.
- *Primary* for providers that meet current standards and a few additional measures.
- *Select* for providers that deliver at least two of the three residential services in the performance-based contracting model and meet the additional measures.
- *Clinically Enhanced* for providers that offer clinically enhanced medical or behavioral supports and meet the enhanced measures.

The above tiers will enable ODP to track provider performance for the purposes of contracting and will link to enhanced payments. Tiers will identify which providers have staff who have adequate experience, training and credentials and are staffed to best support individuals with complex needs. As performance standards are achieved over time, quality and capacity to serve individuals is expected to improve.

Providers in all tiers will continue to receive fee-for-service (FFS) unit rates. In addition to the FFS unit rates, providers in the Primary, Select, and Clinically Enhanced tiers will be eligible to receive incentives through Pay-for-Performance (P4P) payments for achieving established performance standards. Some P4P will only be available to providers in the Primary tier. Providers in the Select and Clinically Enhanced tiers will also receive an enhanced payment for meeting the enhanced standards for that tier. To be assigned to the Select or Clinically Enhanced tier, providers must meet expectations for all the required measures.

Figure 4 shows what a provider must do to meet the new performance standards. It also shows how ODP will determine how much money a provider should get based on how well the provider meets the standards.

Figure 4



Performance-based contracting will be launched with quality measures and a P4P structure that supports the sustainability and long-term vision for the residential system. Providers will be evaluated in the following performance areas:

- Continuum of residential services
- Workforce
- Supporting individuals with complex needs
- Referral and discharge practices
- Data management
- Risk management
- Individual employment

Performance-Based Contracting Residential Services
Implementation Plan

- Use of remote support technology
- Regulatory compliance
- Community integration
- Quality
- Administration

There are specific measures associated with each performance area. See Appendix A for the complete list of measures. Some measures are applicable to all providers, some are applicable to only Select and/or Clinically Enhanced providers, and some measures for Select and Clinically Enhanced providers are in-lieu-of a measure for the Primary providers.

ODP will publish information about provider performance so individuals and families have information that can help them make choices about providers.

ODP will be available to provide technical assistance as needed to assist providers in achieving the necessary standards. The Information Sharing and Advisory Committee (ISAC) will continue to evaluate the elements in performance-based contracting using the

principles outlined in Everyday Lives Recommendation 13 (evaluate future innovations based on everyday lives principles) as a guide.

Residential providers will have a new agreement with ODP that includes the new standards.

Contracting

Provider Agreement Timeline

Residential providers must sign a *Residential Provider Agreement*. The *Residential Provider Agreement* will outline the additional requirements for participation as an enrolled provider of ODP residential services including the tiers, performance standards for each tier, and corresponding data submission requirements as described in this document and the applications for the 1915(b)(4) and 1915(c) amendments to the Consolidated and Community Living Waivers.

The *Residential Provider Agreement* will be published on or before June 1, 2024. Residential providers must sign and submit a new *Residential Provider Agreement* to ODP no later than June 30, 2024.

Residential providers with a signed and submitted new Residential Provider Agreement may submit data and documentation to support tier determination between July 1, 2024 and July 31, 2024.

ODP will review documentation, notify providers, and publish tier assignments in November 2024.

Residential providers that do not submit a signed *Residential Provider Agreement* will not be qualified to provide residential services funded through the Consolidated or Community Living Waivers and will be subject to enforcement actions beginning January 1, 2025.

Timeframes

Contract and Rates

The change to performance-based contracting will start on January 1, 2025.

Implementation Year: The first contract period will run 18 months from January 1, 2025 to June 30, 2026.

Beginning July 1, 2026, contracting will occur on a state fiscal year (FY) basis with tier evaluation occurring in April and May of each year. Notification to providers and publication of tier assignment will occur in June. **Rates associated with tier assignment will be in place for the entirety of the FY.** The only tier adjustment that will be made during a FY contract period is an adjustment to Conditional status if a provider's regular license to operate one or more homes is provisional, revoked or not renewed. In these circumstances, the provider will continue to receive the rate associated with the tier from which they were operating prior to being assigned Conditional status through the end of the contract period in which the status changed. If the provider remains in the Conditional tier for the new contract period, the provider will receive the rates associated with the Conditional tier for that contract period. If a provider's licensing status is restored to a regular license prior to the contract year, the provider will be assigned to the appropriate tier based on the performance standards and receive the rate for that tier.

Performance Review Period

Though the contract period is for a FY, the performance review period used to determine the provider's tier will be the prior calendar year (CY). For example, the tier for the contract for FY27–28 (July 1, 2027 to June 30, 2028) will be assigned using data and documentation from CY26 (January 1, 2026 to December 31, 2026).

Pay-for-Performance (P4P)

Providers will have the opportunity to earn additional compensation through an alternative payment model (APM) called P4P. P4P provides added incentive payments to providers that deliver high-quality and cost-efficient care. P4P payments will be made to eligible residential service providers who meet or exceed performance targets in various areas, including staff credentialing, employment, and reporting

Providers will be able to earn more money if they meet goals for things like employment and using technology.

on use of technology. ODP is currently finalizing the specific performance measures, baselines and benchmarks, payment amounts, and payment timelines for the P4P payments. When implemented, these payments will be in addition to the established rates and will be made if performance outcomes are achieved.

P4P measures will be available in the following performance areas:

- Continuum of residential services
- Workforce
- Individual employment
- Use of remote support technology
- Community inclusion

Primary providers will be eligible for all of these payment incentives as a way to both invest in and reward high quality service delivery. In addition to the enhanced payment Select and Clinically Enhanced providers will receive, providers will also have the opportunity to earn additional compensation through P4P for *some* measures. P4P will advance ODP's goal of aligning provider payment with outcomes. ODP will publish the provider tier classifications to allow individuals and families to have an informed choice of providers.

Some P4P payments will begin prior to implementation of performance-based contracting on January 1, 2025, to invest in provider preparedness for the shift to performance-based contracting. Additional P4P payments will be phased in based on milestones and outcomes achieved by the provider.

Provider Preparedness

Residential Provider Preparedness Toolkit

The residential Provider Preparedness Toolkit will include a self-assessment to be used as a resource to ensure a smooth transition and successful engagement with Performance-Based Contracting. The toolkit will include:

- Self-assessment tool
- Detailed performance standards and metrics
- Information on available data, data dashboards, and queries
- Methodologies for measuring each standard

ISAC Provider Performance Review Subcommittee

ISAC is the Information Sharing and Advisory Committee. ISAC is ODP's advisory committee and ISAC helped ODP decide the new performance standards. ISAC will review provider performance to make sure the quality of services is getting better.

The ISAC Provider Performance Review Subcommittee was established to provide structured meetings to enable ISAC members to engage in in-depth review, evaluation, and discussion of provider performance metrics, and provide recommendations to ODP related to performance and quality improvement for providers of services.

The subcommittee provides an opportunity for ISAC members to:

- ❖ Review data and evaluate findings on key measures related to provider performance.
- ❖ Recommend strategies for improvement based on the analysis of provider performance data.
- ❖ Determine quality improvement priorities related to provider performance, identify and adopt improvement strategies, and choose performance measures to evaluate whether the lives of individuals have improved as a result of changes that have been implemented.
- ❖ Make provider quality improvement recommendations to the ISAC for adoption into the Everyday Lives strategies.

Data reviewed by the subcommittee will be shared at provider forums.

An example of data for subcommittee review:

- **Health** (focus on individuals receiving residential services and residential provider performance)
 - Health Risk Screening Fidelity
 - Fatal 5 (Choking, Seizure, Sepsis, Dehydration, Constipation)
 - Chronic disease rates (hypertension, diabetes, obesity)
 - Polypharmacy
 - Inpatient hospitalizations
 - Wellness activities
 - Use of technology to improve health and wellness and create additional opportunities to increase independence
 - Repeat hospitalizations within 30 days

Provider Forums

ODP and Administrative Entities will host forums to support provider preparedness. Forums will include but will not be limited to:

- Review of the Provider Preparedness Toolkit
- Quarterly forums to review and discuss data presented to the ISAC Provider Performance Review Subcommittee
- Emerging themes or trends with implementation of performance-based contracting

Next Steps

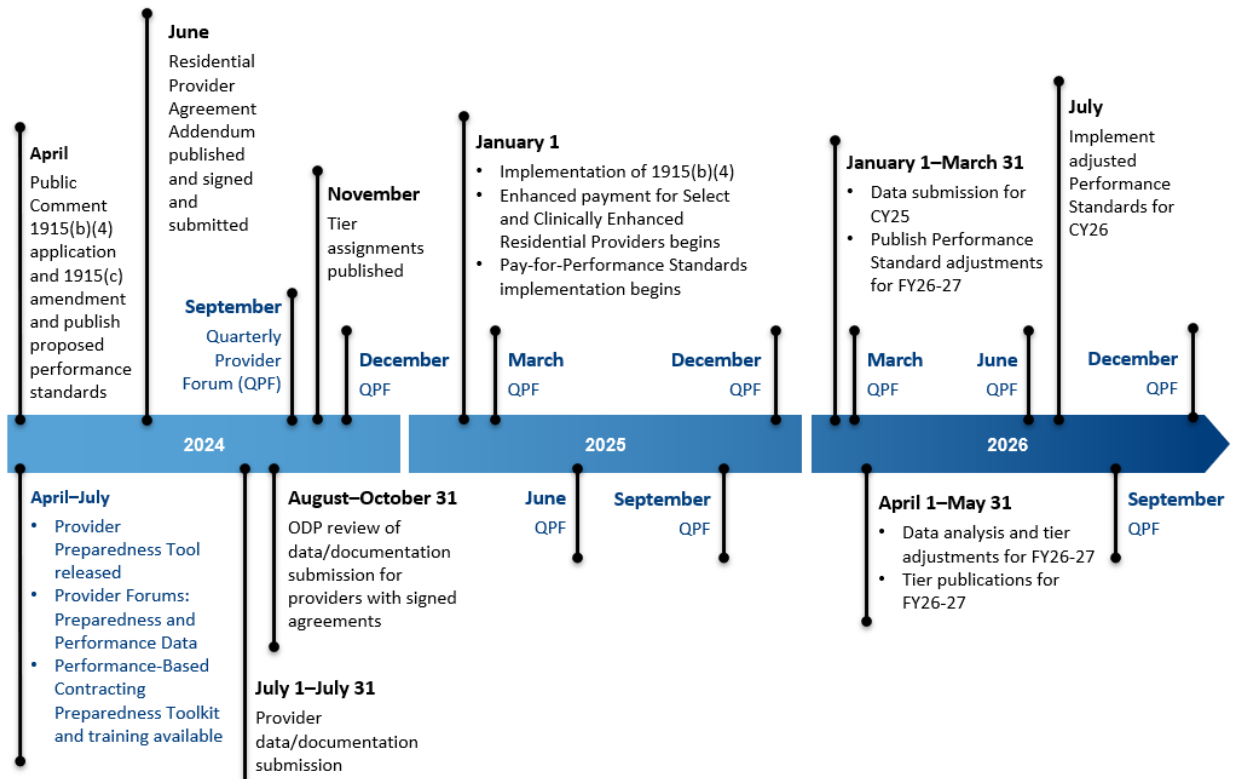
ODP will focus on finishing the design of and planning for these changes in the coming months.

In the coming months, ODP will continue to focus on the following activities:

- After stakeholder engagement related to the published draft 1915(b)(4) Selective Contracting waiver and the necessary amendments to the 1915(c) Home- and Community-Based service waiver applications, make revisions based on comments received, and submit applications to CMS.
- Preparing AEs, SCs, and providers for the implementation of performance-based contracting.
- Finalizing payment options, including the P4P structure.
- Operational implementation activities.

Timeline

Figure 5.



Appendix A: Performance Standards and Associated Measures by Tier