



**Department
of Health**

Medicaid
Redesign Team

Implementing the DSRIP Finance Function

DSRIP Support Team

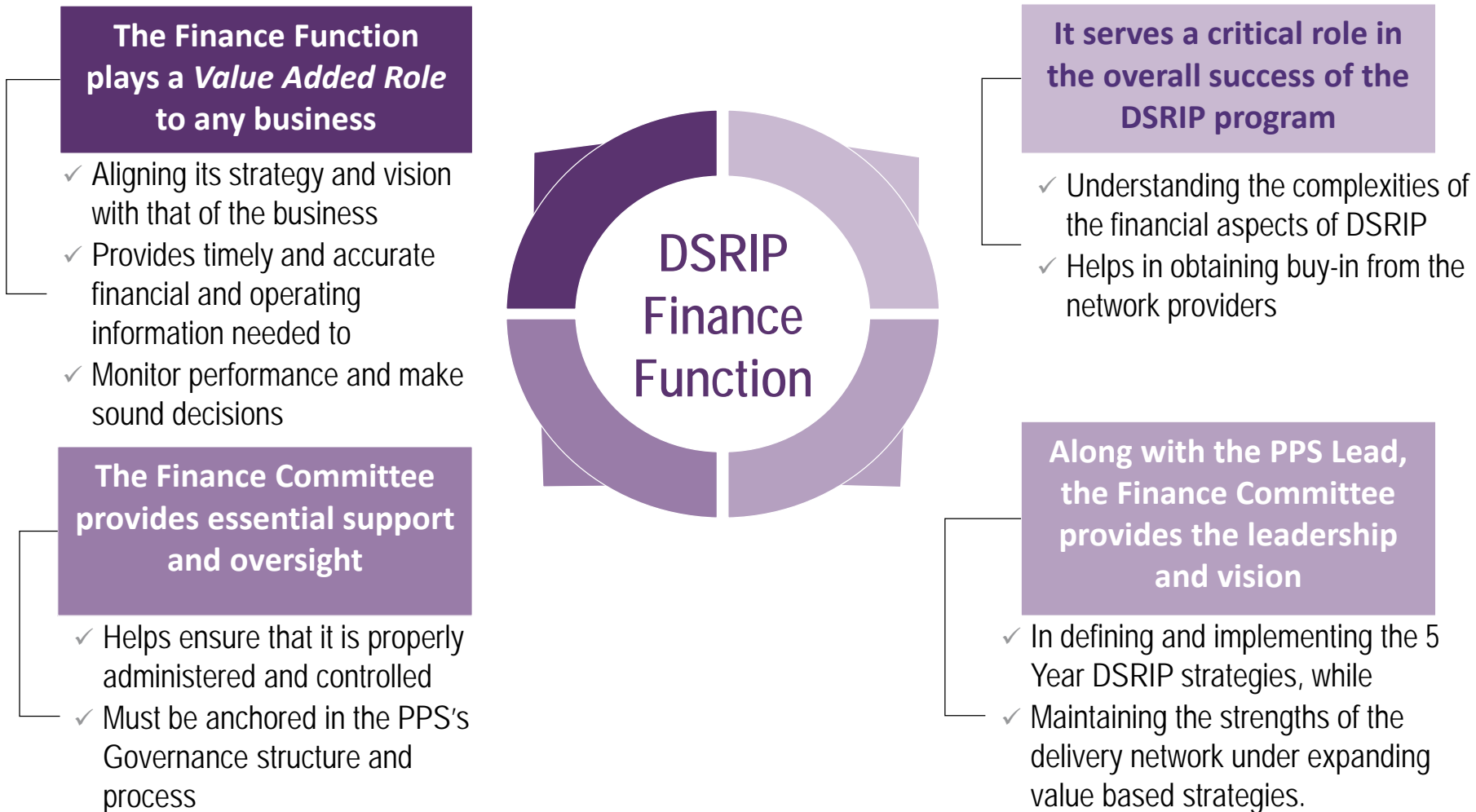
February 27, 2015

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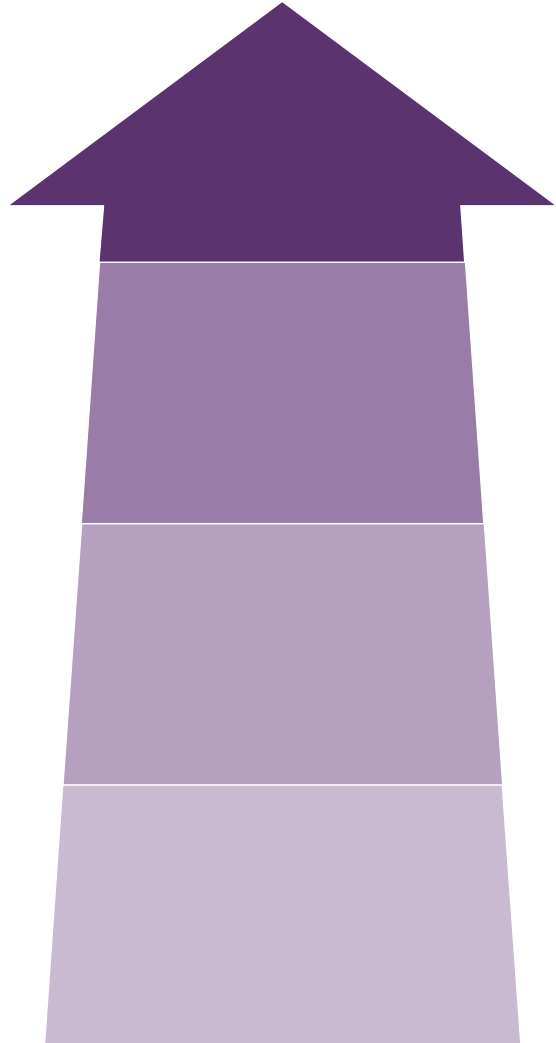
- Developing the DSRIP Finance Function
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DSRIP Finance Function – Defining The Vision

The Finance Function will play a vital role in helping the PPS realize its DSRIP goals and objectives.



DSRIP Finance Function – Defining The Vision



- Design and administration the funds flow plan is one of the most critical responsibilities.
 - ✓ Need to get it right from the start
 - ✓ Drives implementation funding, as well as incents appropriate behaviors
- Assessing/maintaining the financial stability of the network is equally vital.
 - ✓ Ability of providers to maintain sustainable delivery models through the challenges of DSRIP, and
 - ✓ Transition to value based payments
- The PPS Lead is expected to have administrative and operational responsibility, including:
 - ✓ Finance related functions of the PPS, and
 - ✓ Ensuring that the PPS meets its DSRIP reporting requirements and timelines.
- The vision of the PPS Lead must extend beyond analytics to:
 - ✓ Understand and administer the requirements of DSRIP and
 - ✓ Guide the PPS through the complexities of payment reform

Finance Function Responsibilities

The following Finance Function responsibilities are essential to the success of the PPS.

Finance Function Responsibilities

- Defining the Role and Responsibilities of the PPS Lead
 - ✓ A PPS must define its overall Governance structure and Roles and Responsibilities of the PPS Lead
 - ✓ Essential for DSRIP participants who are dependent upon a strong Finance function within the PPS
- Establishing the DSRIP Finance / Business Office
 - ✓ Create separate DSRIP General Ledger and Define / Implement the Accounting, Banking, Accounts Payable Functions
 - ✓ Compliance Plan must be developed by and for the PPS Lead function(s)
 - ✓ Integrate Business Office functions with other workstreams as the overall PPS implementation
- Establishing Relationship and Coordination Process with Key Stakeholders
 - ✓ Create and Distribute PPS network Communication Plan
- Developing and Executing the PPS and Provider Operating Agreement(s)

Finance Function Responsibilities

Further Finance Function responsibilities include:

Finance Function Responsibilities

- Complete the Funds Flow Plan and Distribution Model
 - ✓ Build and Distribute a Simulated Funds Flow Model
 - ✓ Transparency is important for all PPS Partner providers
 - ✓ Incentivize support for project execution and to gain their trust and commitment
- Define and Implement a Process to Monitor PPS Financial Stability
- Establish PPS Risk Management Workgroup and Initiate Design of the Value Based Plan
- Define and Implement the Data Analytics Process with IT workstream
- Identify Data Sources for the DSRIP Milestone and Metric reporting requirements
 - ✓ Design processes and enabling technologies to capture and report needed data
- Develop a DSRIP Calendar with milestones and dates that includes schedules for inbound reports from providers, outbound reporting to DOH and providers, communication from the Lead and funds flow

Finance Function Responsibilities

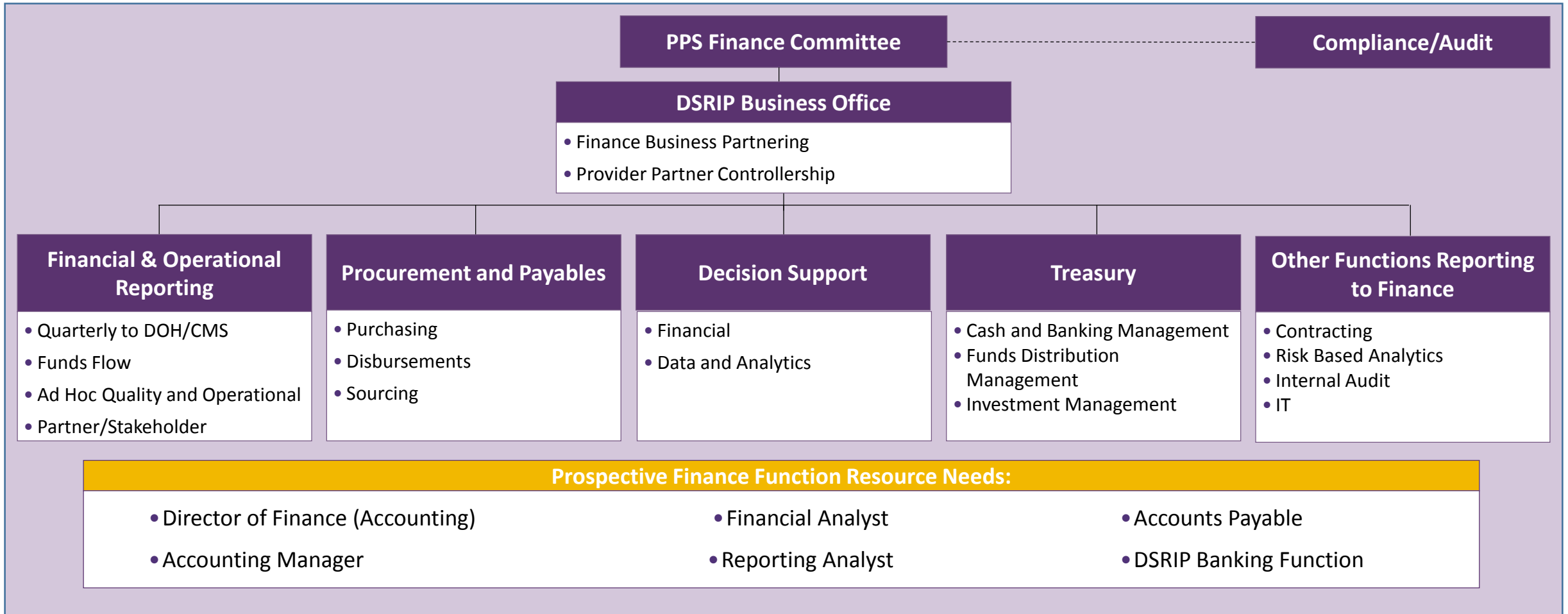
Further Finance Function responsibilities include:

Finance Function Responsibilities

- Application Requirements and Submission of Capital Restructuring Financing Program (CRFP) Grants
- Develop Reporting Requirements (Internal & External)
 - ✓ Essential to meeting the DSRIP requirements and to maintain transparency in the management of funds
 - ✓ Plan and Report on Domain 1 Process Milestones and reporting requirements
 - ✓ Data for Domain 2 & 3 reporting

Finance Function – Structural Considerations

Develop the Finance Function through leveraging existing partner infrastructure where capacity permits.



Meeting the Reporting Needs of Key Stakeholders

To be successful, key stakeholders should be engaged throughout the DSRIP lifecycle. These stakeholders, internal and external, must be identified in the implementation plan.

- Governance process members, committees, and other participants
- DSRIP Operational and Project Teams
- PPS Network Partners and their Finance related functions
- Managed Care Organizations engaged for value based reform strategies

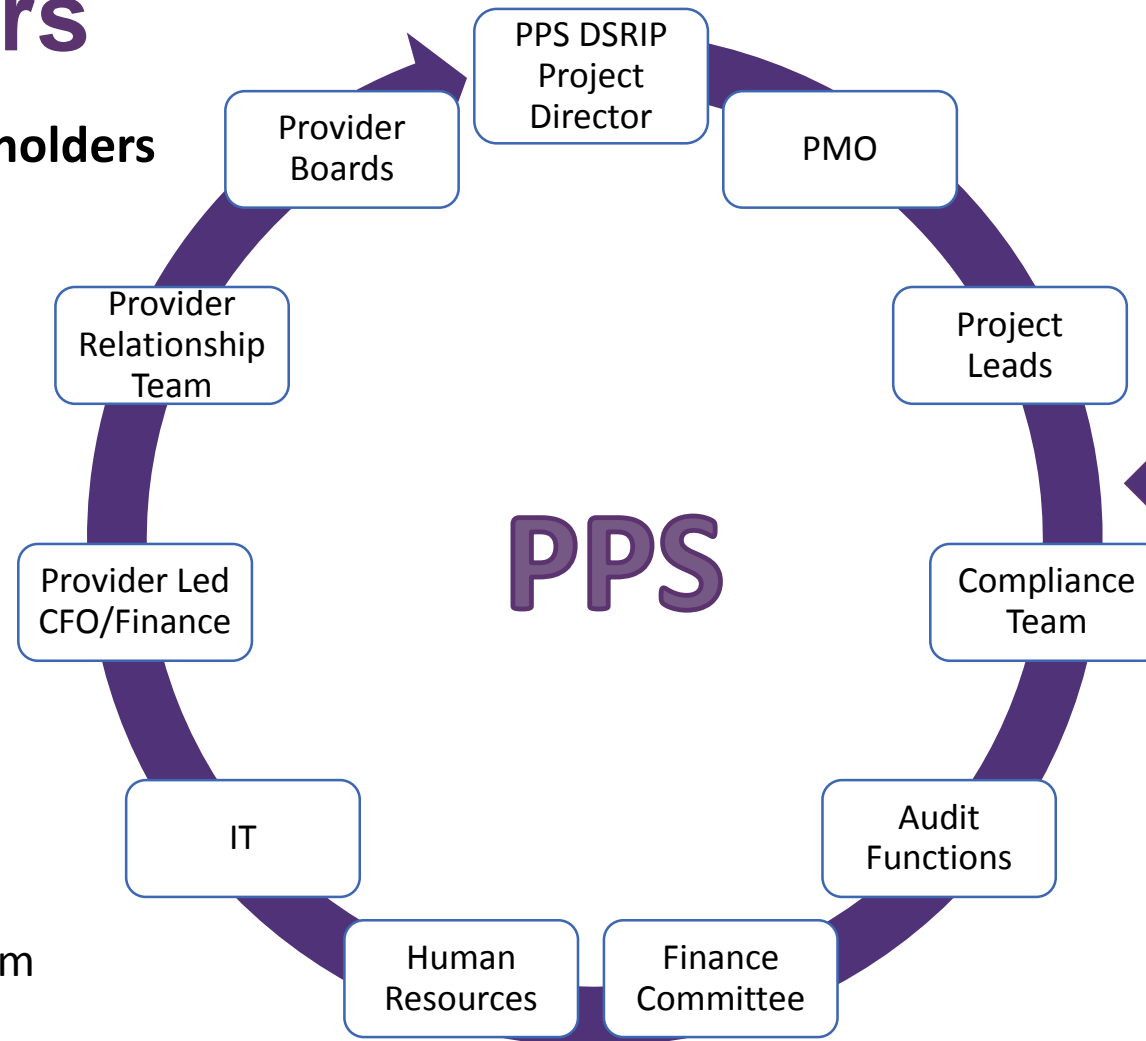
Regular and appropriate communication with each of these stakeholders is essential to ensure that each understands the overlap of their role and function with Finance, the dependencies on each, and how each can expect Finance to interact with them.

- This is also a critical factor in establishing trust and commitment from each of the PPS Provider partners.
- It is important to identify which partners can potentially hamper workstream or project progress if they are not contacted or looped into PPS decisions.

Key Stakeholders

Key Financial Workstream Stakeholders include, but are not limited to:

- PPS DSRIP Project Director
- PMO
- Project Leads/Managers
- Compliance Team/Committee
- Audit Functions
- Finance Committee
- Human Resources
- IT
- Provider Led CFO/Finance Team
 - Funds Flow Transparency
 - Reporting Requirements
 - A/P Function
- Existing Provider Relationship Team
- Existing Provider Boards



Stakeholders and Influencers

- Medicaid Members
- Community
- Social Services
- County Services
- Outreach Centers
- MCOs / Payers
- DOH
- Other Regulatory

Major Risks to Implementation

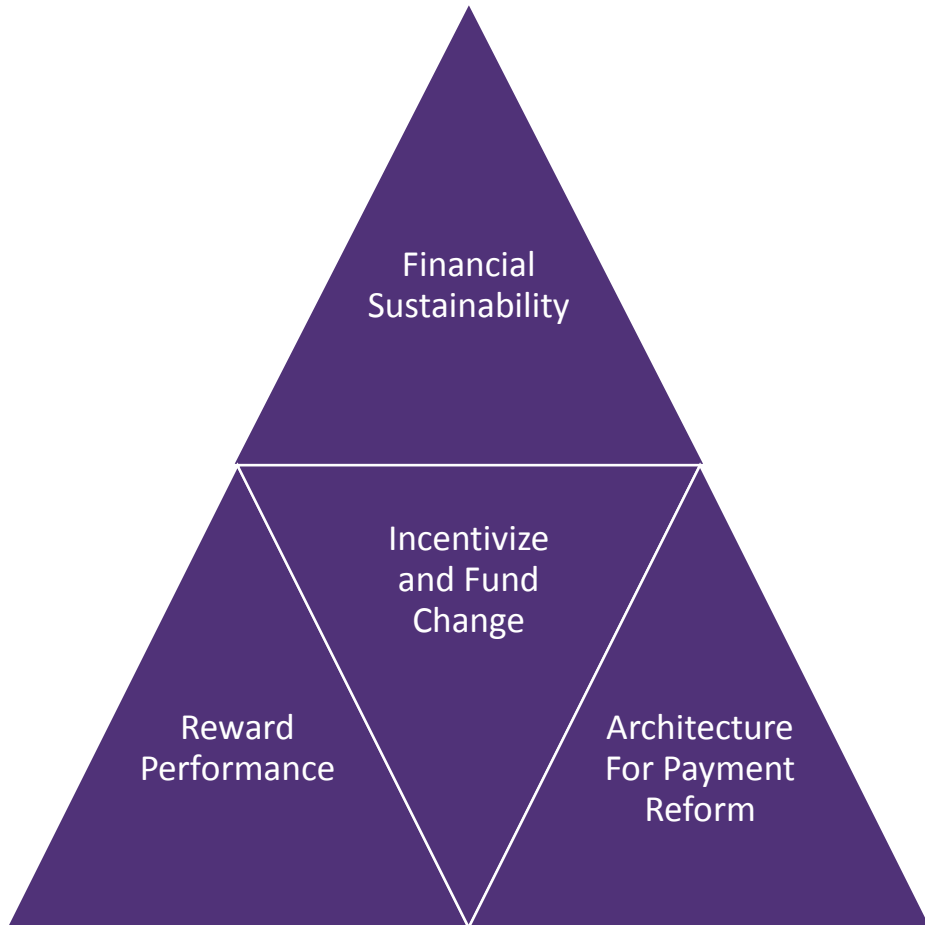
There are challenges and risks to the successful implementation and performance of the Finance Function. Potential Risks include, but are not limited to:

Major Risks to Implementation

- PPS Leads do not clearly understand their roles; requirements are not fully and clearly defined.
- PPS providers are not compliant with PPS provider agreements and reporting requirements.
- Potential changes in the DSRIP rules and requirements.
- Lack of collaboration among PPS participants, Project Directors and Project Leads.
- Participants may not acknowledge PPS Lead role and “authority” to manage the Projects and funds distribution.
- Inability to access data to perform or validate analytics related to project performance.
- Lack of communication with, and education of, the PPS provider partners and their Finance departments regarding the funds flow process and related reporting requirements.
- Lack of effective financial controls in place for funds flow, reporting, and other financial functions.

Funds Flow Plan

Defining the Funds Flow Plan – Guiding Principles



- An effective funds flow plan will help enable the PPS to accomplish the following:
 - Ensure Financial Sustainability of the PPS
 - Incentivize and Fund change
 - Reward Performance and Incent Behavior
 - Establish architecture for payment reform models
- Buy-in of the funds plan by the providers is a key factor in the PPS's ability to achieve the DSRIP goal.
- Designing an effective funds flow plan requires an understanding of the requirements and impacts of the projects.
- Incentive metrics should be clearly defined and aligned with factors that affect the PPSs DSRIP payments.

DSRIP Funds Flow – Review of Starting Points

Review of Funds Flow Starting Points

- Funds Flow is arguably one of the most critical aspects of the functioning of the PPS to get right from the start
- During DY1-5, the PPS will receive payments from DOH based upon the PPS' performance in achieving the measurable goals of the DSRIP projects.
- The PPS must establish a funds flow plan that specifies how the DSRIP funds received will be distributed among the participating providers in the PPS.
- The PPS will be required to issue scheduled reports to the DOH on the actual distribution of DSRIP payments by provider and project that also identifies the basis for the distribution.
- Governance structure and operating agreement determines approach to funds distribution, considering positive as well as under-performance situations.
- Budgets should consider the maximum value as a parameter but provide for the potential that the PPS will not achieve 100% for all projects in all years.
- Transparency in funds flow mechanics, analytics and communications is critical to developing trust.

The PPS Lead is responsible for the administration and oversight of the funds flow plan.
Requires implementation of a robust and visible finance function to be effective.

DSRIP Funds – Distribution By Category and Year

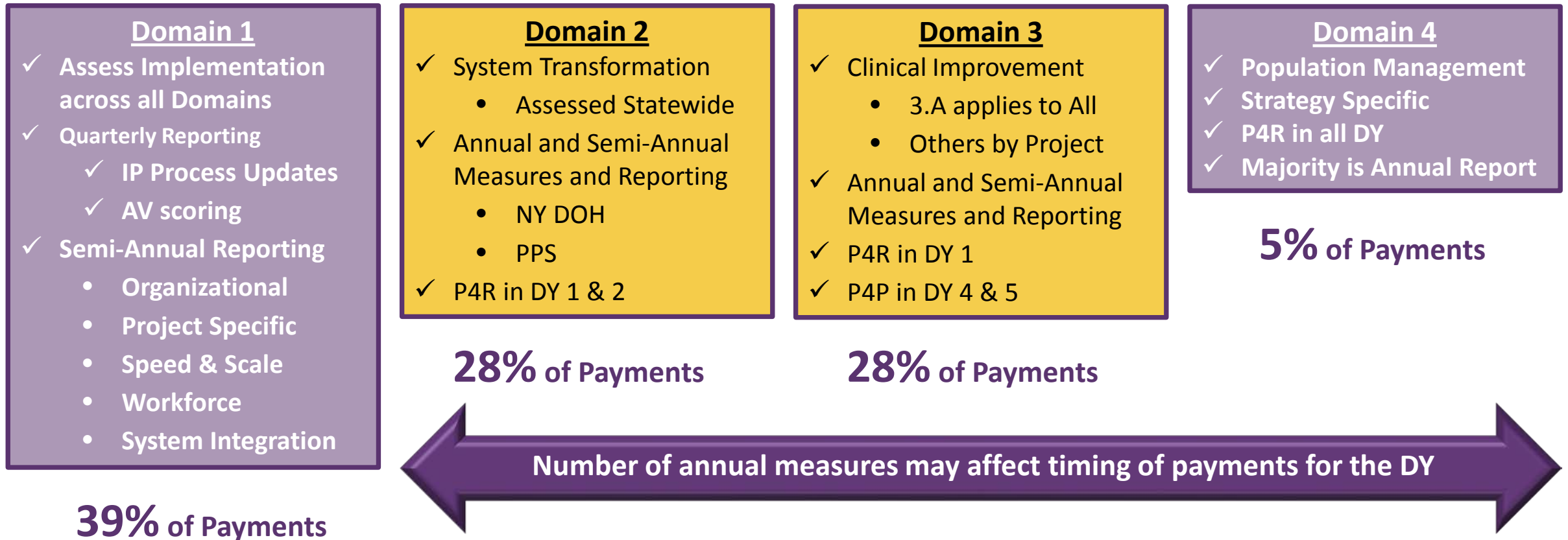
- To set the initial estimate of the PPS budget, the annual funding of the MAV is allocated to each category.
- The budget process will consider provider specific impacts and input into the final plan and could result in revisions to the allocation method. The final model would be approved by the Executive Body.

Budget Items	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019	TOTAL
Distribution Percentage	15.84%	16.88%	27.28%	24.16%	15.84%	
Waiver Revenue	\$34,462,256	\$36,724,930	\$59,351,664	\$52,563,644	\$34,462,256	\$217,564,750
Cost of Project Implementation & Administration	\$12,061,790	\$9,181,232	\$10,683,299	\$9,461,456	\$3,446,226	\$44,834,003
Costs of services not covered	\$3,446,226	\$3,672,493	\$5,935,166	\$5,256,364	\$3,446,226	\$21,756,475
Internal PPS Provider Bonus Payments	\$10,338,677	\$11,017,479	\$21,960,116	\$22,076,730	\$20,677,354	\$86,070,356
Revenue Loss	\$5,169,338	\$9,181,232	\$14,837,916	\$10,512,729	\$3,446,226	\$43,147,441
Contingency Fund	\$1,723,113	\$1,836,246	\$2,967,583	\$2,628,182	\$1,723,113	\$10,878,238
Other	\$1,723,113	\$1,836,246	\$2,967,583	\$2,628,182	\$1,723,113	\$10,878,238
Total Expenditures	\$34,462,256	\$36,724,930	\$59,351,664	\$52,563,644	\$34,462,256	\$217,564,750
Undistributed Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

- ✓ The MAV estimate can be revised based on final attribution results and the updated PMPM benchmarks.
- ✓ Allocation per budget category should vary each year over the 5yr period based upon implementation schedule, anticipated impacts, and expected performance.
- ✓ Contingency and Other categories provide reserves that can be held as Undistributed Revenue for unexpected costs or needed support.

Provider specific funds flow plan will define the basis for distribution of actual payments.

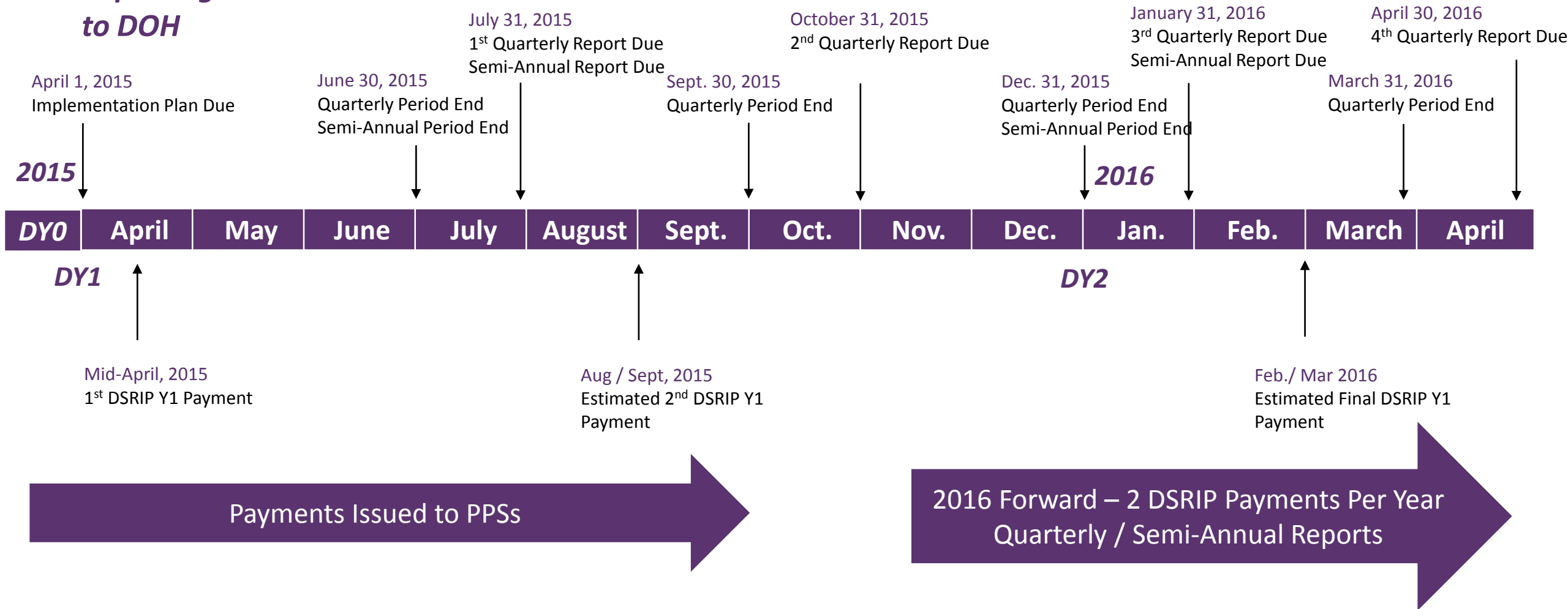
DSRIP Payment and Reporting Calendar



Semi-Annual Measurement and Reporting of Domain Measures Drives the Payment Process

DSRIP Payment and Reporting Calendar

**Reporting
to DOH**

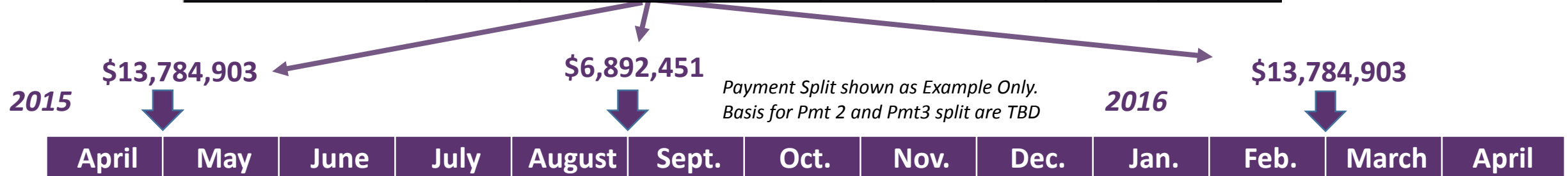


DSRIP Payments are Variable Over Time

- DSRIP payments will be calculated initially based on the progress of process milestones/metrics but will progressively transition to higher amounts being allocated for meeting project outcomes.
- Initially payments are based upon progress – including meeting scale and speed targets and other Domain 1 metrics. Domain 1 payments represent 39% of total payments.
- DOH will issue three DSRIP payments to distribute the CY 2015 funds. Two payments in each subsequent year.

Dependence upon meeting outcome metrics increases 

Metrics/Milestones/Domains	Domain		CY 2015	CY 2016	CY 2017	CY 2018	CY 2019	Total
Project Progress Milestones	Domain 1	P4R/P4P	\$27,569,805	\$22,034,958	\$23,740,666	\$10,512,729	\$ -	\$ 83,858,157
System Transformation and Financial Stability	Domain 2	P4P	\$0	\$ -	\$11,870,333	\$18,397,275	\$17,231,128	\$ 47,498,736
		P4R	\$3,446,226	\$ 3,672,493	\$ 2,967,583	\$ 2,628,182	\$ 1,723,113	\$ 14,437,597
Clinical Improvement Milestones	Domain 3	P4P	\$0	\$ 5,508,739	\$14,837,916	\$15,769,093	\$12,061,790	\$ 48,177,538
		P4R	\$1,723,113	\$ 3,672,493	\$ 2,967,583	\$ 2,628,182	\$ 1,723,113	\$ 12,714,484
Population Health Outcomes	Domain 4	P4R	\$1,723,113	\$ 1,836,246	\$ 2,967,583	\$ 2,628,182	\$ 1,723,113	\$ 10,878,238
			\$34,462,256	\$ 36,724,930	\$ 59,351,664	\$ 52,563,644	\$ 34,462,256	\$ 217,564,750



DSRIP Funds – Allocation of Expected Year 1 Payment

- Once received by the Lead, the payment for CY 2015 (DY1) would be distributed according to the funds flow plan. If not yet final, a preliminary funds flow plan should be developed to guide this initial distribution.

Distribution of CY 2015 Payments				
Distribution By Budget Category		Payment 1	Payment 2	Payment 3
Cost of Project Implementation & Administration	35%	\$7,237,074	\$4,824,716	\$ 6,030,895
Costs of services not covered	10%	\$344,623	\$ 689,245	\$ 1,378,490
Internal PPS Provider Bonus Payments	30%		\$1,378,490	\$ 2,756,981
Revenue Loss	15%	\$2,067,735	\$1,033,868	\$ 2,067,735
Contingency Fund	5%	\$585,858	\$ 344,623	\$ 620,321
Other	5%	\$689,245	\$ 344,623	\$ 551,396
Total Expenditures		\$10,924,535	\$8,615,564	\$13,405,818
Undistributed Revenue		\$2,860,367	\$1,137,254	\$1,516,339

- ✓ The Funds Flow plan provides the framework for the distribution of funds to the PPS providers.
- ✓ Project Implementation costs are expected to be funded as part of each of the payments received.
- ✓ Undistributed Revenue includes amounts not yet allocated for funding from the payment(s) received to-date.

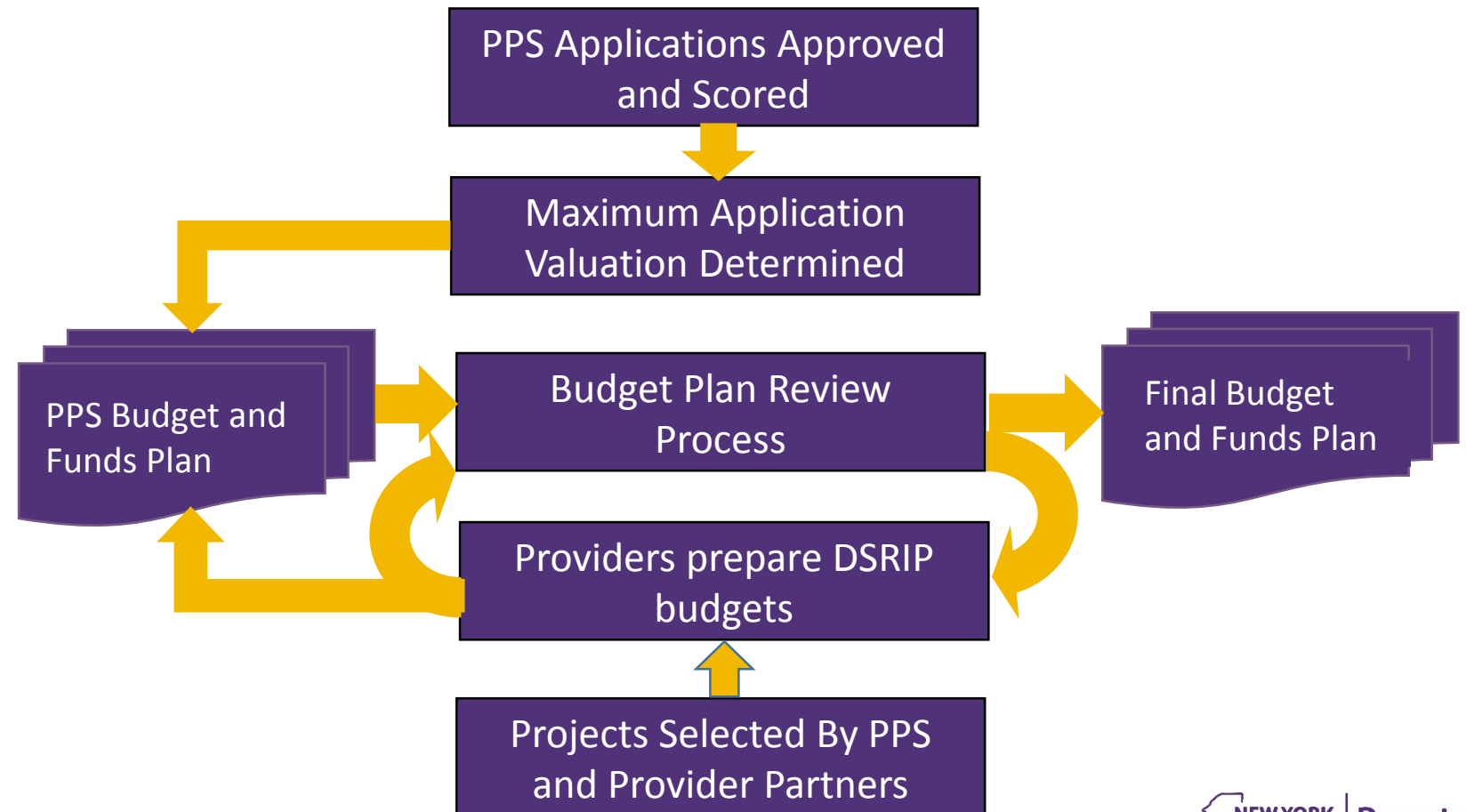
Payment to Providers 30 days after funds are received from DOH. The process might include:

- Report of payment received and distribution plan to Executive Body for Approval.
- Communication to providers should include Expected Distribution Report

Budget and Funds Flow Plan

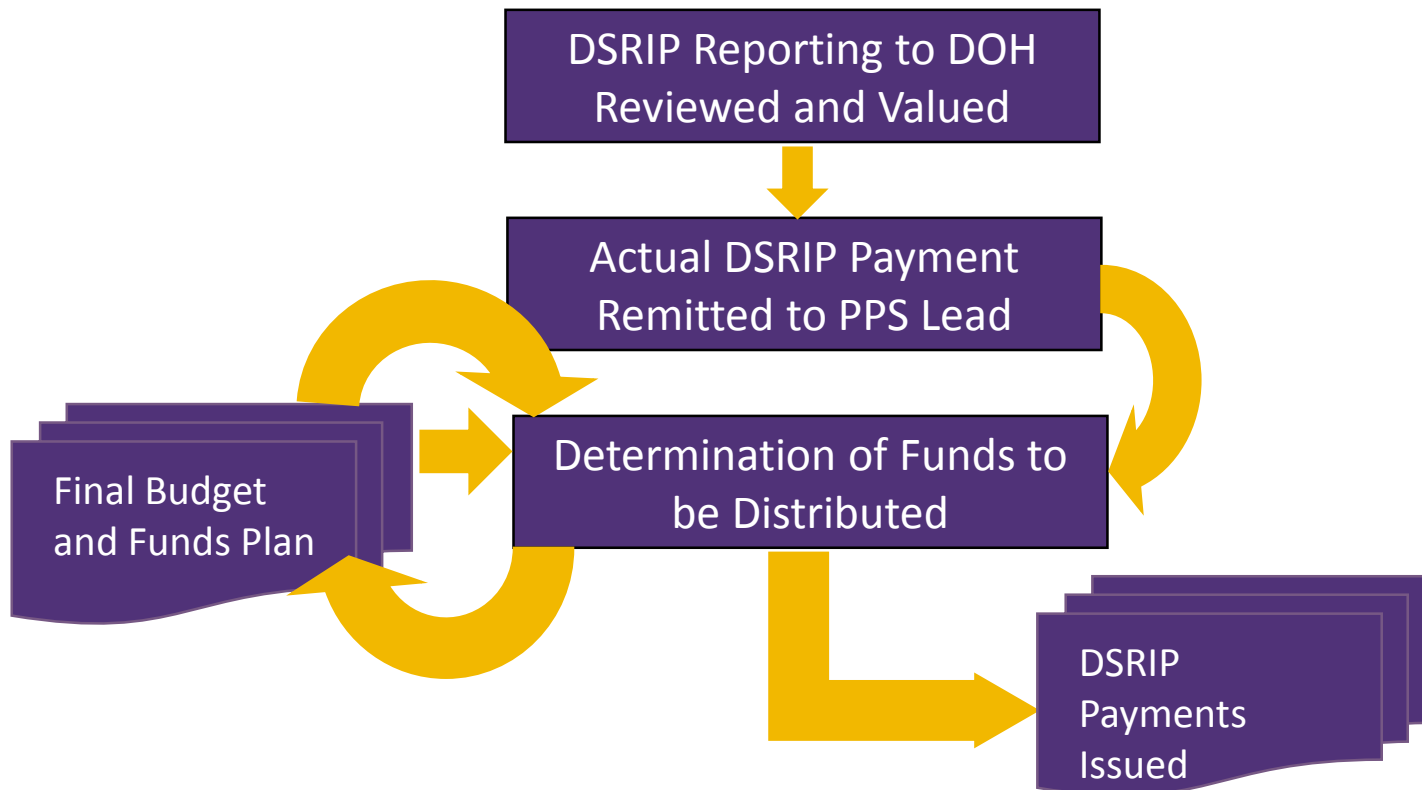
- Developing a DSRIP budget and funds flow plan is an engaging process that requires communication between the DSRIP project teams, DSRIP finance function, and PPS network providers.
- The PPS provider network should be involved in developing the funds flow methodology.

- ✓ Understanding of the Funds Flow process – how payments will be received
- ✓ Understanding of project implementation and resource requirements
- ✓ Impact of DSRIP projects on PPS providers
- ✓ Funds Flow Plan provides framework for distribution of actual payments
- ✓ The Funds Flow budget and plan will define requirements of providers and PPS



Actual Payment Received From DOH

- The Funds Flow Budget and Distribution Plan establishes the framework for determining the distribution of actual payments received to the PPS providers.
- Payment to providers is based upon factors defined in the distribution plan, the provider's measurement against those factors, and the actual amount of the payment received from DOH.



- ✓ This can be an iterative process to evaluate actual to budget payments and decisions re: future needs to set aside reserve funds.
- ✓ Hierarchy of Distribution
 - Fixed Costs
 - Reserves
 - Unexpected items
 - Distribution based on Plan
- ✓ Undistributed and Reserve Funds can be distributed at any time.
- ✓ Finance Committee should approve distribution.

Budget and Funds Plan – Funding Considerations and Drivers

- **The PPS Operating Agreement with the providers should clearly define the Provider responsibilities**
 - ✓ Project Implementation and Performance
 - ✓ Timely and accurate reporting including financial sustainability assessment and project reporting across all Domains where data is required from the PPS
 - ✓ Funds Flow Plan Term Sheet is used to define Provider Responsibilities and specific performance requirements.
- **Develop a PPS Level Funding Requirements Matrix**
 - ✓ What is required to receive the full payment for each Domain level for reporting and performance of the PPSs selected projects?
 - ✓ What data and results must be reported by the PPS vs. data provided or accessed by DOH?
 - ✓ This matrix would become the basis for the Provider Level Term Sheet – with items specified and defined as applicable.
- **Develop a Project Responsibilities Chart (PPS Level) and a Provider Responsibilities Chart**
 - ✓ Each DSRIP Project has specific requirements and metrics to measure progress and achievement.
 - ✓ The chart(s) will define the specific roles and responsibilities of the PPS and the Provider related to each project.
 - ✓ These responsibilities and deliverables will provide the basis for the provider to qualify for Incentive / Bonus payments.

Budget and Funds Flow Plan – Bonus Requirements Example

- The Forestland Health Provider Partnership (FHPP) PPS has developed their Provider Operating Agreements to be executed by all PPS Provider Partners. The criteria defined in the Agreement for their providers to receive DSRIP bonus payments includes the following:

General requirements to receive any DSRIP payments:

- ✓ Execute the PPS Partner Agreement.
- ✓ Submit prescribed reports and data to PPS timely.
- ✓ Utilize PPS prescribed templates for data collection and submission to PPS.
- ✓ Participate in surveys administered by the PPS, by DOH or other DSRIP administrative body.
- ✓ Meet required attendance metric for PPS scheduled meetings and workgroups.
- ✓ PPS Partner Agreement states that provider shall be eligible to receive DSRIP bonus payments when they meet or perform all of their project related responsibilities.

Requirements to receive DSRIP bonus payments:

- ✓ Submit the completed Domain 1 project template to PPS by the 10th day following quarter end.
 - ✓ Workforce strategy updates
 - ✓ Documentation of number of beneficiaries served in projects
 - ✓ Participation in Learning Collaboratives
 - ✓ Other Domain 1 items as may be required by DOH.
- ✓ Meet all of the provider's project responsibilities defined in the Provider Project Responsibility Matrix. Submit status update documenting status by the 10th day following quarter end.
- ✓ Meet or exceed the outcome milestones applicable to the provider's projects as defined and submit data for those identified in the matrix as PPS responsible.

The amount of the actual bonus payment will be based upon the provider's percentage of the PPS's overall achieved milestones or metrics and the number of attributed members served by the projects.

Funds Flow Next Steps

Funds Flow Next Steps	
<ul style="list-style-type: none"> Establish the DSRIP Finance Function <ul style="list-style-type: none"> Banking and other Structure Required 	<ul style="list-style-type: none"> Re-verify Alignment of Funds Flow Model and Approach with the PPS Objectives and Strategies
<ul style="list-style-type: none"> Collaboration with Project Teams <ul style="list-style-type: none"> Understand project requirements Understand costs and impact 	<ul style="list-style-type: none"> Finalize Framework for Funds Flow Process <ul style="list-style-type: none"> PPS Lead Process Provider Strategies and Incentives
<ul style="list-style-type: none"> Implementation Plan <ul style="list-style-type: none"> Finalize financial stability assessments Funds flow plan 	<ul style="list-style-type: none"> Develop and Distribute Budget Forms and Process to PPS Providers <ul style="list-style-type: none"> Communication with Providers Overview of plan and process
<ul style="list-style-type: none"> Understand Reporting and Payment Process <ul style="list-style-type: none"> Communicate Requirements to providers Detail in Operating Agreements 	<ul style="list-style-type: none"> Identify Data Sources for DSRIP reporting <ul style="list-style-type: none"> Develop workplan to capture and report Connect to enabling technology
<ul style="list-style-type: none"> DSRIP Financial Calendar 	<ul style="list-style-type: none"> PPS Lead Communication Plan

Panel Discussion

- Participants:

- *Todd Gorlewski, Senior Vice President and CFO, SBH Health System*
- *Matt Drake, Director of Finance/Population Health Management and Business Planning, Rochester Regional Health System*
- *Kelvin Drawdy, Consultant, KPMG*

- Moderator:

- *Joe Kuehn, Partner, KPMG*

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Questions

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