

MCO INCENTIVE PROGRAM



As Medicaid programs nationwide face growing fiscal uncertainty driven by federal policy changes and enrollment volatility, it is more crucial than ever to diversify and identify sustainable, performance-based funding mechanisms.

Under the federal regulations set forth at 42 CFR 438.6(b)(2), the State can create an MCO Incentive Program to support program initiatives as specified in the State's quality strategy. This program can generate additional federal funds by providing incentive payments to eligible MCO's for achieving state-designed quality performance metrics, with payments of up to 5% of capitation rates.



Key Considerations

- 01** The activities and targets must relate to the initiatives as specified in the State's quality strategy found in the state plan.

- 02** An MCO Incentive Program must be made available to both public and private contracted Medicaid MCOs under the same terms of performance. It cannot be renewed automatically and must be for a specified period.

- 03** An MCO Incentive Program cannot condition participation on entering into or adhering to intergovernmental transfer agreements.

- 04** An MCO Incentive Program can facilitate meaningful alignment between MCOs and hospitals in an effort to improve the quality and coordination of care, however an MCO Incentive Program is not a Directed Payment Program. In the event an MCO coordinates with providers to achieve program quality benchmarks, any related payment arrangements between the MCOs and Providers are based on private contractual arrangements and are not directed by the State.



Funding Options



Statewide and/or local provider tax revenues



Intergovernmental transfers