**R414. Health and Human Services, Integrated Healthcare.**

**R414-526. Quality Standards for Inpatient and Outpatient Hospitals.**

**R414-526-1. Introduction and Authority.**

The purpose of this rule is to incorporate certain factors into the payment rate structure for accountable care organizations (ACOs), to establish quality measures for hospital inpatient and outpatient services, and to establish corresponding performance penalties for hospitals as directed in Title 26B, Chapter 3, Part 7, Hospital Provider Assessment.

**R414-526-2. Definitions.**

For purposes of this rule, the following definitions apply.

(1) "Directed payment" means a payment arrangement authorized by CMS that permits the department to direct specific payments made by a managed care plan to providers.

(2) "Improvement margin" means a percentage determined by the department after consulting with hospitals and in accordance with evidence-based guidelines and national benchmarks.

(3) "Rural hospital" means a general acute hospital in a rural setting, except for a specialty hospital.

(4) "Specialty hospital" means a specialty hospital in an urban or rural setting as defined in Section 26B-3-701.

(5) "Urban hospital" means a diagnosis-related group (DRG)-reimbursed hospital in an urban setting, except for a specialty hospital.

**R414-526-3. Quality Metrics and Standards.**

(1) The department shall determine hospital quality measures that correspond to hospital performance for directed payments.

(2) The department may select different hospital quality measures for urban, rural, and specialty hospitals.

(3) The department shall select hospital quality measures appropriate to a hospital type and specialty.

(4) For each measure, a hospital shall:

(a) perform at or above a national or state benchmark or;

(b) improve over its preceding state fiscal year (SFY) scores by an improvement margin defined by the department.

(5) The department requires only Medicaid-certified hospitals that receive directed payments to comply with this rule.

(6) Hospitals must meet targeted standards and improvement goals to receive full directed payments.

(7) The department shall continue directed payments during the period targeted standards and improvement goals are under development.

(8) The department shall develop a technical guide that includes details on the hospital quality measures, performance criteria, and penalties, and furnish the technical guide before the period for which performance is measured.

(9) Quality standards are not applicable to directed payments associated with Subsection 26B-3-707(1)(a) or other private and government hospital inpatient and outpatient directed payment levels in place at the end of SFY 2023.

(10) The department shall remove hospital quality standard requirements if directed payments, to which hospital quality performance are tied, are discontinued.

**R414-526-4. Data Submission.**

(1) In SFY 2024, each hospital shall engage in necessary activities to prepare for reporting on the quality measures to the department.

(a) In SFY 2024, each hospital shall submit a report to the department describing the activities and progress toward reporting capability on the quality measures within ten business days of the end of the SFY.

(2) In SFY 2025, the quality measure performance period will begin at the start of SFY 2025 and continue through the end of the third quarter of SFY 2025.

(3) In SFY 2026, the quality measure performance period will begin at the start of the fourth quarter of SFY 2025 and continue through the end of the third quarter of SFY 2026.

(4) In subsequent state fiscal years, the quality measure performance period will begin at the start of the fourth quarter of the SFY and continue through the end of the third quarter of the following SFY.

(5) Each hospital shall submit quality measure data and other required reporting to the department within 30 business days following the end of the performance period unless otherwise specified.

(6) Specialty hospitals are exempt from these reporting timeframes until the department identifies quality measures for specialty hospitals and a timeframe for reporting by specialty hospitals is established.

**R414-526-5. Penalties.**

(1) The department shall determine penalties tied to hospital quality measure performance.

(2) A hospital must meet a performance standard for each quality measure or be subject to penalty.

(3) The following penalty levels apply for each hospital:

(a) a hospital that performs at or above a national or state benchmark for quality measures or improves over its preceding SFY quality measure scores by an improvement margin defined for each measure receives no penalty;

(b) a hospital that has some combination of performance for quality measures that is at or above a national or state benchmark, improves over its preceding SFY quality measure score by an improvement margin defined for each measure, or makes incremental improvement toward the improvement margin defined for each measure is subject to a Level 1 penalty;

(c) a hospital that does not perform at or above a national or state benchmark, does not improve over its preceding SFY quality measure score by an improvement margin defined for each measure, and makes no incremental improvement toward the improvement margin defined for each measure is subject to a Level 2 penalty; and

(d) a hospital that does not submit its data timely to the department may receive a Level 2 penalty.

(4) The department will not apply penalties to a hospital in SFY 2024.

(5) In SFY 2025 and after, the department shall assess penalties through the following penalty percentages:

(a) penalties may not exceed 3% of a hospital's total SFY directed payment amount;

(b) a Level 1 penalty is assessed on a portion of the 3% of the SFY directed payment penalty as detailed in the department's technical guide;

(c) a Level 2 penalty equals 3% of the SFY directed payment amount; and

(6) After calculating the interim-final directed payment for the SFY, the appropriate penalty will reduce the interim-final directed payment and will constitute the final directed payment for the SFY.

(a) If the resulting final directed payment is a negative value, that amount shall be payable by the hospital to the applicable ACO within 30 calendar days of notification from the department.

(b) If the hospital fails to pay the ACO within 30 days, the department may suspend future directed payments to the hospital until the hospital pays the full amount.

(7) In SFY 2025, specialty hospitals shall be exempt from penalty.

**R414-526-6. Final Determinations.**

(1) A hospital may request the department to reconsider the assessment of a penalty.

(2) The department shall work with the hospital to address any disputes regarding performance and related penalties.

(3) The department shall make final determinations on hospital performance and penalty assessments.

**KEY: Medicaid**

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