October 1, 1998

Dear State Medicaid Director:

I am pleased to report that HCFA has completed work on the first product of its Quality Improvement System for Managed Care (QISMC) Initiative. The resulting document is intended as a tool for States to use at their discretion to increase the quality of health care provided to Medicaid beneficiaries through Medicaid managed care organizations. This document also has been adopted by HCFA for its Medicare managed care program.

The document contains three components: 1) an Introductory Chapter providing a context for QISMC implementation; 2) Interim Standards for Managed Care Organizations (MCOs) contracting with Medicaid or Medicare; and 3) Guidelines for implementing and monitoring for compliance with the interim QISMC Standards. Simultaneous with this letter, HCFA is transmitting the document to its Medicare contracting health plans. To the extent that the enclosed materials, HCFA's interim final rule for Medicare + Choice organizations or Notice of Proposed Rulemaking implementing the Balanced Budget Act requirements addressing Medicaid managed care are modified as a part of the review and comment process (including review pursuant to the Paperwork Reduction Act of 1995), appropriate changes will be made to these standards. For this reason the document is labeled "interim."

HCFA undertook the QISMC initiative in 1996 to: 1) update the 1993 standards for Medicaid contracting health plans contained in "A Health Care Quality Improvement System for Medicaid Managed Care - A Guide for States" produced as part of HCFA's Quality Assurance Reform Initiative (QARI); 2) develop coordinated Medicare and Medicaid quality standards for MCOs; 3) make the most efficient and effective use of recent developments in quality measurement, while allowing sufficient flexibility to incorporate developments in this rapidly evolving discipline; and 4) assist States and the Federal government in becoming more effective "value-based" purchasers of health care for vulnerable populations.

In developing these QISMC standards, HCFA worked with representatives from and tools developed by health plans, State agencies, advocacy organizations, and experts in quality measurement and improvement such as the National Committee for Quality Assurance and the Joint Commission for the Accreditation of Health Care Organizations. With the assistance of these experts and their products, we identified the approaches, tools and techniques that we believe will most effectively measure and improve health care quality in managed care. The relationship of the QISMC standards to QARI, and to other public and private sector quality initiatives such as the Healthplan Data and Information Set (HEDIS) and the Agency for Health Care Policy and Research's Consumer Assessment of Health Plans Study (CAHPS) is described in the Introduction section of the QISMC document.

These interim QISMC standards have been revised to reflect and incorporate public comments received in response to draft standards issued in December 1997. To facilitate input from these entities over the past year, HCFA sponsored public comment sessions and training programs around the country, during which participants were encouraged to voice their comments and concerns. Every comment has been carefully considered and checked against the standards. Where necessary, the QISMC document was revised to reflect sensitivity to concerns we heard. As a direct result of the numerous meetings, the QISMC document has undergone a series of revisions which will substantially reduce the implementation burden on plans while maintaining our objectives to progressively improve the quality of health care. One example is the reduced number of performance improvement projects and the opportunity for plans to choose and design one project to meet their own needs.

The QISMC standards also parallel many of the Balanced Budget Act (BBA) quality assurance provisions and were developed to be consistent with our recently released proposed rule. While HCFA does not require State agencies to use these QISMC standards, we will consider MCO quality oversight strategies that are based on QISM to be in compliance with proposed provisions of the regulation that pertain to MCO quality activities. Further, use of the QISMC standards assures States that the quality standards they adopt most closely resemble the standards HCFA uses with Medicare contracting health plans. Use of QISMC standards therefore may make States more attractive business partners to MCOs by eliminating inconsistent Medicaid and Medicare standards. As collaboration continues among HCFA, States, MCOs and advocacy groups, the standards will be evaluated at least annually and updated where appropriate.

Most of the QISMC requirements are not new to MCOs. However, recognizing that some elements of the program may be new to managed care organizations, the Medicare program has chosen to implement QISMC with a strategy of assisting plans as much as possible, exercising flexibility in its monitoring and enforcement efforts, particularly early on in the program to allow plans adequate time to "get up to speed" on these new elements. In Medicare, HCFA believes such a "standard of
“reasonableness” will be essential as plans mesh their present and developing efforts in the area of quality assurance and performance improvement. In particular, Medicare is exercising this standard of reasonableness through such actions as phasing in accomplishment of QISMC requirements over a one to three year period and delaying the establishment of minimum performance levels.

Because in Medicaid these guidelines are for your discretionary use, you have flexibility in how and to what extent you choose to use them. We urge you to work with your contractors to determine the most realistic and achievable approaches for implementation and compliance. For example, to the extent that millennium compliance issues impose immediate and additional burdens for health plan data systems, strategies for implementation may need to accommodate this. Further, to the extent that you choose to make these guidelines contract requirements, strategies for enforcement will also need to be addressed. As you develop these strategies, we urge you to give due consideration to approaches that allow MCOs adequate time to get up to speed on the new elements introduced by QISMC. Specifically, we encourage you to recognize that technical assistance to MCOs may be necessary to help them meet performance goals.

As HCFA reviews each State's quality assessment and performance improvement strategy, it is our intention to acknowledge State's efforts to accommodate plan capabilities while seeking to set an appropriate set of standards to enhance quality. We will recognize the different circumstances from State to State and expect to work with States as they determine what strategy best suits the needs of the program in their State.

In addition to being attached to this letter, the Introduction, Interim Standards and Guidelines are available in electronic format on HCFA's website at http://www.hcfa.gov/quality/qlyt-3e.htm. Further information on the QISMC standards will be available via a two hour satellite broadcast on QISMC to be held on October 19 from 1 - 3 pm Eastern Time. Presentations from HCFA leadership, detailed explanations of the standards and guidelines from staff in CMSO, HCFA's Medicare staff, and HCFA's Office of Clinical Standards and Quality, as well as an opportunity for questions and answers will be a part of the broadcast. Technical specifications for the broadcast are included as an attachment to this document. Further questions about the broadcast can be addressed to DuVa Clyburn in CMSO's Division of Quality Improvement and Training at 410-786-2161. Prior to the broadcast, questions about the QISMC document can be addressed to Ann Page, Technical Director for Quality, Division of Quality System Management, CMSO, at (410)-786-0083.

Sincerely,

/s/
Sally Richardson,
Director
Center for Medicaid and State Operations

cc:

Attachments: 4 1) Introductory Chapter providing a context for QISMC implementation; 2) Interim Standards for Managed Care Organizations (MCOs) contracting with Medicaid or Medicare; and 3) Guidelines for implementing and monitoring for compliance with the interim QISMC Standards

4) QISMC: ASSURING QUALITY IN MANAGED CARE THE HEALTH CARE FINANCING ADMINISTRATION SATELLITE NETWORK October 19, 1998 1:00-3:30 PM EDT Satellite Technical Specifications Signal Test Dates and Times Friday, October 16, 1998 - 1:00-2:00 PM EDT Monday, October 19, 1998 - 12:00-1:00 PM EDT Same coordinates for signal test and broadcast Broadcast Date and Times Monday, October 19, 1998 1:00-3:30 PM EDT Color bars and tone begin one hour before broadcast

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Program Related questions DuVa Clyburn (410) 786-2161

*The help desk will be in operation from 1:00-2:00 pm EDT on 10/16 and 12:00-3:30pm on 10/19