

Transforming Episode Accountability Model (TEAM) Preliminary Target Price Fact Sheet



PURPOSE

This resource is intended to (1) provide [TEAM participants](#) with an overview of the preliminary target price construction methodology, (2) summarize the different types of data TEAM participants may receive in a preliminary target price run, and (3) help TEAM participants understand how they can use this data.

PRELIMINARY TARGET PRICE CONSTRUCTION

TEAM participants may receive up to two types of preliminary target price: DRG-Region (i.e., census division) level, and DRG-Hospital (i.e., hospital-specific) level.

$$\text{DRG-Region Preliminary Target Price} = \text{Benchmark Price} \times \text{Prospective Trend Factor} \times (1 - \text{CMS Discount Factor})$$

	=		×		×	
DRG Region Preliminary Target Price		Benchmark Price		Prospective Trend Factor		Discount Factor
Represents the regional average expected spending for all items and services furnished to a beneficiary during an episode for a given MS-DRG/HCPCS episode type.		Equal to average scaled, winsorized, and standardized clinical episode spending in baseline year 3 dollars.		Represents expected changes in average spending patterns between the baseline period and the performance year.		Represents Medicare's portion of savings from the episode (1.5% for CABG and major bowel procedure, and 2% for LEJR, SHFFT, and spinal fusion MS-DRGs).

$$\text{Hospital-Specific Preliminary Target Price} = \text{Benchmark Price} \times \text{Prospective Trend Factor} \times \text{Prospective Normalization Factor} \times \text{Risk Adjustment Multiplier} \times (1 - \text{CMS Discount Factor})$$

	=		×		×		×		×	
Hospital-Specific Preliminary Target Price		Benchmark Price		Prospective Trend Factor		Prospective Normalization Factor		Risk Adjustment Multiplier		Discount Factor
Represents a hospital's expected episode spending for all items and services furnished to a beneficiary during an episode for a given MS-DRG/HCPCS episode type.		Equal to average scaled, winsorized, and standardized clinical episode spending in baseline year 3 dollars.		Represents expected changes in average spending patterns between the baseline period and the performance year.		Ensures the benchmark price after risk adjustment does not exceed the average benchmark price prior to risk adjustment.		Accounts for variation in spending due to patient and hospital characteristics.		Represents Medicare's portion of savings from the episode as indicated above.

NOTES

- Participant-specific target price calculations are sensitive to episode volume. Please refer to the user guide tab in the Participant-Specific Target Price Summary file for additional details.
- Further details about clinical episode construction and target price methodology can be found in the technical specifications located in the TEAM Data Portal (eDFR) under Resources.
- Target prices are in standardized dollars (i.e., the payments from Medicare Part A and B claims have been standardized using the official CMS payment standardization algorithm).

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PRELIMINARY TARGET PRICE DATA SUMMARY

TEAM participants may receive a combination of claim-level, clinical episode-level, and summary data files that can be used to prepare for the performance year (PY).

Data File	Summary of Included Data	Intended Use for Participants
Baseline Clinical Episode and Claims Data 	<ul style="list-style-type: none"> • "Raw" (i.e., unformatted) claims-level and episode-level files for the inpatient, outpatient, skilled nursing facility, durable medical equipment, hospice, home health, and professional billing settings† 	<ul style="list-style-type: none"> • Review granular details related to episodes and claims, including beneficiary information, episode spending by setting, diagnosis codes, HCPCS codes, and more • Pinpoint specific episodes or beneficiaries where care redesign could have improved financial or quality outcomes
Baseline Period Summary 	<ul style="list-style-type: none"> • Hospital-specific clinical episode spending summary • Comparisons to region-level clinical episode spending • Clinical episode exclusions • OP to IP clinical episode mapping • Winsorization (i.e., capping) points for all MS-DRG/HCPCS episode types 	<ul style="list-style-type: none"> • Review spending across various settings and clinical episode periods • Assess spending relative to other hospitals in the region • View episode exclusion rates by criteria • Estimate rates of exclusion in the performance year
Participant-Specific Target Price, Hospital Characteristics, and Patient Characteristics Summary 	<ul style="list-style-type: none"> • Participant-specific preliminary target price estimates for all the MS-DRG/HCPCS episode types with clinical episodes initiated by the participant in the baseline period • Breakdown of target price components • Hospital-specific data, including risk scores, hospital identifiers, and patient characteristic risk adjusters 	<ul style="list-style-type: none"> • Estimate preliminary and final target prices using baseline episode data • Gauge which episode types may require care design strategies for cost saving • Review the number of clinical episodes associated with beneficiary-specific risk adjusters • Review how low episode volume and patient case-mix may affect the risk adjustment multiplier and subsequently, target prices
DRG-Region Level Target Price and Spending Summary 	<ul style="list-style-type: none"> • Preliminary target price estimates for all the MS-DRG/HCPCS episode types with clinical episodes initiated in the baseline period in the region (i.e., census division) where the hospital is located • Breakdown of relevant target price components • Summary of the clinical episode spending in the region 	<ul style="list-style-type: none"> • Estimate preliminary and final target prices using baseline episode data • Gauge which episode types may require care design strategies for cost saving • Assess spending relative to other hospitals in the region • Estimate target prices for participants that had zero episodes in the baseline period, but may have episodes in the PY

† TEAM participants can refer to the TEAM User Guide in the TEAM Data Portal (eDFR) for detailed descriptions of the claim and episode data.

NOTES

- TEAM participants will only receive data for episodes initiated in the baseline period, and as a result, may not receive data for all episode types. If a TEAM participant does not initiate any baseline episodes, they will not receive certain files (e.g., the Participant-Specific Target Price Summary file).