

Global and Professional Direct Contracting Model

Financial

Companion to Capitation and Advanced Payment Mechanisms

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Reference Documents

Title
Global and Professional Direct Contracting Model: Financial Operating Guide: Overview
Global and Professional Direct Contracting Model: Financial Companion to Operating Guide Overview: Standard DCE
Global and Professional Direct Contracting Model: Financial Companion to Operating Guide Overview: New Entrant DCE
Global and Professional Direct Contracting Model: Financial Companion to Operating Guide Overview: High Needs Population DCE
Global and Professional Direct Contracting Model: Financial Operating Policies: Capitation and Advanced Payment Mechanisms
Global and Professional Direct Contracting and Kidney Care Choices Models: DC/KCC Rate Book Development
Global and Professional Direct Contracting and Kidney Care Choices Models: Risk Adjustment
Global and Professional Direct Contracting Model: Financial Reconciliation Overview

Acronyms

APO	Advanced Payment Option
CMMI	Center for Medicare & Medicaid Innovation
CMS	Centers for Medicare & Medicaid Services
CY	Calendar Year
DCE	Direct Contracting Entity
GPDC	Global and Professional Direct Contracting
PCC	Primary Care Capitation
PY	Performance Year
TCC	Total Care Capitation

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1.0 Introduction

This document is a companion to the [*Global and Professional Direct Contracting \(GPDC\) Model Capitation and Advanced Payment Mechanisms*](#) document. It illustrates how the monthly payments are calculated for each payment mechanism: Total Care Capitation (TCC), Primary Care Capitation (PCC), and the optional Advanced Payment Option (APO). Sections 2.0, 3.0, and 4.0 explore TCC, PCC, and APO, respectively. Each section describes the calculation of the initial payment, the quarterly payment update schedule, and the final payment adjustments at the end of a performance year (PY).

The document is structured around calculation tables using illustrative data and followed by detailed written explanations of what is occurring in each line of the calculation. For each of the three payment mechanisms there are five tables:

- (1) Initial (Quarter 1) Payment Calculations
- (2) Quarter 2 Payment Calculations
- (3) Quarter 3 Payment Calculations
- (4) Quarter 4 Payment Calculations
- (5) Final Payment Adjustments before Reconciliation

For each of the three payment mechanisms, the illustrative example is based on a 12-month PY. For PY2021, which lasts 9 months, the initial payment calculations will be for Quarter 2. As a result, there will be no calculations for Q1, and only Quarters 3 and 4 will calculate under (over) payments. In all the calculations, the equations may not produce exactly accurate quantities due to hidden decimal rounding.

As mentioned in the main [*Global and Professional Direct Contracting Model: Capitation and Advanced Payment Mechanisms*](#) document, for DCEs participating in TCC, CMS will add to the first month's payment of each PY an amount that is equal to 20 percent of the first month's payment to ensure Direct Contracting Entities (DCEs) have sufficient cash flow to fund value-based activities and compensate downstream providers (that amount will be deducted from the last month's payment of each PY). For clarity, however, we have omitted this nuance in the example calculations below to focus on the mechanics of how payments are calculated and adjusted throughout each year.

For more details regarding GPDC payment mechanism policies, refer to the main [*Global and Professional Direct Contracting Model: Capitation and Advanced Payment Mechanisms*](#) document.

2.0 TCC

2.1 Initial (Quarter 1) Payment Calculation

Table 1 details Q1 payment calculations.

Table 1. Q1 payment calculations.

Calculation of the Withhold Percentage		Lookback period	January	February	March
1	Total claim-based payment (CBP ¹) for all covered services	\$135,000,000			
2	Total CBP for all covered services from DC Participant Providers and Preferred Providers	\$45,000,000			
3	Reduction in payment for all covered services from DC Participant Providers and Preferred Providers ²	\$27,000,000			
4	Withhold amount (Line 1 - Line 3) ³	\$108,000,000			
5	Withhold Percentage (Line 4 ÷ Line 1)	80%	80%	80%	80%
Calculation of the TCC payment		Lookback period	January	February	March
6	Risk-standardized benchmark per beneficiary per month (PBPM)	\$950	\$950	\$950	\$950
7	Risk score		1.15	1.15	1.15
8	Risk-adjusted benchmark PBPM (Line 6 x Line 7)		\$1,093	\$1,093	\$1,093
9	Projected Withhold PBPM (Line 5 x Line 8)		\$874	\$874	\$874
10	Projected TCC payment PBPM (Line 8 - Line 9)		\$219	\$219	\$219
11	a. Retention assumption ⁴		98%	98%	98%
	b. Projected aligned eligible months, with retention assumption	December: 12,000	11,760	11,525	11,294
12	Monthly TCC payment to the DCE (Line 10 x Line 11b)		\$2,569,560	\$2,518,169	\$2,467,805
13	Under (over) payment from prior quarters ⁵		\$0	\$0	\$0
14	Monthly TCC payment, adjusted for under (over) payments from prior quarters (Line 12 + Line 13)		\$2,569,560	\$2,518,169	\$2,467,805

Notes:

- 1 Claim-based payment (CBP) is equal to the sum of payment made to the provider, sequestered amount, and alternative payment arrangement reduction amounts, minus the amount for uncompensated care. This payment amount will exclude certain claims, such as substance abuse claims and claims from beneficiaries who have opted out of data sharing.
- 2 The amount of the CBP that will not count toward the Withhold amount based on the TCC reduction elected by the providers. The example number here assumes a 60% TCC reduction weighted across all providers.
- 3 The Withhold amount includes all CBP for all covered services from non-TCC providers and remaining costs of services not reduced from Preferred Providers.
- 4 To more accurately project the number of aligned beneficiaries each month, CMS will calculate a DCE-specific retention rate for each quarter based on historical retention and apply it to the prior month's beneficiaries. The lookback period for the retention rate is generally the first 9 months of the prior calendar year, except for PY2021 it will be CY2019 to avoid COVID-related effects in 2020. As noted below, this will eventually be adjusted for any discrepancies with actual number of beneficiary months.
- 5 A positive amount indicates the amount that CMS owes the DCE, and a negative amount indicates the amount that the DCE owes to CMS. The total under (over) payment from the prior quarter is divided into three equal amounts and adjusted in each upcoming payment month. Under (over) payment amounts from the last quarter of a PY are not adjusted in the first quarter of the upcoming PY.

2.1.1 Development of the Initial TCC Withhold Percentage

The prospective TCC payment to a DCE relies on a Withhold Percentage, which is calculated using claims data for the beneficiaries aligned to a DCE in a given lookback period. Initially, the lookback period is generally the first 9 months of the prior CY (allowing for 3 months of runout). However, to avoid calendar year (CY) 2020 claims, which are heavily impacted by COVID-19, the initial lookback period for PY2021 will instead be the entirety of CY 2019. Six months into the PY, the Withhold Percentage period will be updated using a lookback period within the PY, and continue to update on a rolling quarterly basis. The following table lays out the TCC lookback periods for the first two PYs (CMS reserves the right to continue to adjust the lookback period to improve accuracy in the event that COVID-19 effects continue):

PY	CY	Quarter	Lookback period
1	2021	1	-
1	2021	2 (Initial PY payment)	CY2019
1	2021	3	CY2019
1	2021	4	Apr 2021–Jun 2021
2	2022	1 (Initial PY payment)	Jan 2021–Sep 2021
2	2022	2	Jan 2021–Sep 2021
2	2022	3	Jan 2022–Mar 2022
2	2022	4	Jan 2022–Jun 2022

Line 1 is the total CBP for all DCE-aligned beneficiaries for all covered Part A and B services regardless of the provider affiliation. It reflects the total cost of care of the aligned beneficiaries.

Line 2 is the total CBP for all covered services provided to aligned beneficiaries by DC Participant Providers and Preferred Providers that are participating in TCC.

Line 3 is the reduction in fee-for-service (FFS) claims payment for all covered services provided by DC Participant and Preferred Providers and is calculated by applying the TCC reduction percentage elected by each DCE provider to his or her total payment amounts for all covered services. In this example, a 60 percent reduction election was assumed as a weighted average across providers. In reality, this will be assessed by summing each provider's claims times their reduction amount (e.g., Provider 1 had \$A in CBP times X% reduction; Provider 2 had \$B in CBP times Y% reduction; etc.). DC Participant Providers are required to participate at 100 percent reduction under TCC, so none of their claims will count toward the Withhold (with the exception of claims exempt from data sharing, like certain substance abuse related claims). This payment amount will NOT count toward the Withhold amount.

Line 4 is the estimated Withhold amount in the lookback period, which represents the total claims amount for services provided to aligned beneficiaries by non-TCC providers and the remaining claims amount by Preferred Providers who choose less than 100 percent claims reduction.

Line 5 produces the Withhold Percentage by dividing the Withhold amount (Line 4) by the total CBP payment for all covered services regardless of provider affiliation (Line 1).

2.1.2 Calculation of the Initial TCC Payment

The Withhold Percentage is updated throughout the PY using PY claims data, but the first quarter's payments will be calculated from the estimated Withhold Percentage from the lookback period (CY2019 for PY2021 and January–September of 2021 for PY2022).

Line 6 is the risk-standardized PY Benchmark per beneficiary per month (PBPM), blended and trended for the PY. The calculation of this benchmark is documented in the [Global and Professional Direct Contracting Model: Financial Operating Guide: Overview](#) Document.

Line 7 is the projected average risk score across all aligned beneficiaries in first month of the PY.

Line 8 is the projected, risk-adjusted PY Benchmark PBPM, which is calculated as the product of risk-standardized PY Benchmark PBPM (Line 6) and the projected risk score (Line 7).

Line 9 is the projected, risk-adjusted PY Benchmark PBPM (Line 8) multiplied by the Withhold Percentage (Line 5), producing the Projected Withhold PBPM.

Line 10 is the projected TCC payment PBPM, which represents the PBPM amount that a DCE will receive for each of its projected aligned beneficiaries for a given month. It is the difference between the projected, risk-adjusted PY Benchmark PBPM (Line 8) and projected, risk-adjusted Withhold amount PBPM (Line 9).

Line 11a is a projected retention rate of aligned beneficiaries for the quarter. Line 11b is the projected aligned eligible months, adjusted for the retention assumption. In this example, it is assumed that there are 12,000 aligned eligible months in the beginning of December when alignment is run, 98 percent of which will remain aligned for January.

Line 12 is the TCC payment that the DCE will receive for its aligned beneficiaries for a given month, which is the projected TCC payment PBPM (Line 10) multiplied by the number of retained projected aligned beneficiaries (Line 11b).

Line 13 is the under (over) payment made to the DCE in the previous quarter. An under-payment will be a positive number, which the DCE will receive from CMS in the next quarter's payment. An over-payment will be a negative number, which CMS will recoup from the DCE in the next quarter's payment. Note that the under (over) payment in the last quarter of a PY will not be adjusted in the first quarter of the upcoming PY. Instead, it will be adjusted in the final payment adjustment at the end of the PY. Therefore, Line 13 for Q1 payments are \$0.

Line 14 is the monthly TCC payment (Line 12), net of under- or over-payment.

2.2 Quarter 2 Payment Calculation

The calculations for Q2 payments will be similar to those for Q1 payments, with an additional section to retrospectively adjust for the under (over) payments made in Q1. These under (over) payments from Q1 will then be added (subtracted) to the Q2 payments. **Table 2** details Q2 payment calculations.

Table 2. Q2 payment calculations.

Calculation of the Withhold Percentage		Lookback period	April	May	June
1	Total claim-based payment (CBP) for all covered services	\$135,000,000			
2	Total CBP for all covered services from DC Participant Providers and Preferred Providers	\$45,000,000			
3	Reduction in payment for all covered services from DC Participant Providers and Preferred Providers	\$27,000,000			
4	Withhold amount (Line 1 - Line 3)	\$108,000,000			
5	Withhold Percentage (Line 4 ÷ Line 1)	80%	80%	80%	80%
Calculation of the TCC payment		Lookback period	April	May	June
6	Risk-standardized benchmark PBPM		\$950	\$950	\$950
7	Risk score		1.15	1.15	1.15
8	Risk-adjusted benchmark PBPM (Line 6 x Line 7)		\$1,093	\$1,093	\$1,093
9	Projected Withhold PBPM (Line 5 x Line 8)		\$874	\$874	\$874
10	Projected TCC payment PBPM (Line 8 - Line 9)		\$219	\$219	\$219
11	a. Retention assumption		98%	98%	98%
	b. Projected aligned eligible months, with retention assumption	March: 11,700	11,466	11,237	11,012
12	Monthly TCC payment to the DCE (Line 10 x Line 11b)		\$2,511,054	\$2,460,903	\$2,411,628
13	Under (over) payment from prior quarters		\$72,989	\$72,989	\$72,989
14	Monthly TCC payment, adjusted for under (over) payments from prior quarters (Line 12 + Line 13)		\$2,584,043	\$2,533,892	\$2,484,617
Retrospective adjustments to payments		Lookback period			As of March 31
15	Adjusted TCC payment PBPM (Line 10)				\$219
16	Actual aligned eligible months				35,500
	Q1				35,500
	Q2				-
	Q3				-
	Q4				-
17	Adjusted total TCC payment to the DCE				\$7,774,500
18	Actual total TCC payment received by the DCE				\$7,555,534
	Q1				\$7,555,534
	Q2				-
	Q3				-
	Q4				-
19	Total under (over) payments to the DCE				\$218,966
20	Under (over) payments to be distributed evenly in the next 3 months' payments				\$72,989

2.2.1 Calculation of Q2 Withhold

For Quarter 2 payments, which are calculated in March, the Withhold Percentage will not be updated as sufficient experience is not yet available from the PY (see Section 2.1.1 for a description of the lookback period timelines). The same Withhold Percentage used for Q1 payments is used for Q2.

2.2.2 Calculation of Q2 TCC Payment

Line 6 is the risk-standardized PY Benchmark PBPM (blended and trended for the PY) and uses the same value used in Q1, as the first Quarterly Benchmark Report will not yet be released before the Q2 payments are calculated in March.

Line 7 is the projected risk score, which may be updated throughout each PY.

Line 8 is projected, risk-adjusted PY Benchmark PBPM, which is updated if there are any updates in Lines 6 and 7.

Line 9 updates the Withhold PBPM (not updated for Q2).

Line 10 updates the TCC payment amount PBPM (not updated for Q2).

Lines 11a and 11b update the projected aligned eligible months, because when the April–June payments are calculated in March, actual aligned eligible months from January–March will be available to provide a better estimate of projected aligned eligible months. Therefore, the 98 percent retention rate will be applied to the actual aligned eligible months in March to project the April count.

Line 12 updates the total TCC payment that the DCE will receive for its aligned beneficiaries for a given month, *before* adjusting for under (over) payment from the prior quarter.

Line 13 is the under (over) payment made to the DCE in the previous quarter, distributed evenly over the upcoming quarter’s payments. Its calculation is shown in detail in Lines 15–20.

Line 14 is the Monthly TCC Payment (Line 12), net of under (over) payment (Line 13). This is the amount that the DCE will receive.

2.2.3 Calculation of under (over) payment from Prior Quarter

This section calculates the under (over) payment made to the DCE during the January–March period, using the most recent information available. Using the risk-standardized benchmark PBPM Payment (Line 15) and actual eligible aligned months (Line 16), we can retrospectively adjust the total TCC payment, which is the payment that the DCE should have received during January–March, had we had the updated information.

Line 17 is the adjusted total payment that should have been paid to the DCE, calculated as actual eligible months as of March 31 (Line 16) times the adjusted TCC Payment PBPM (Line 15).

Line 18 is the actual total payment received by the DCE in the previous quarter.

Line 19 is the amount of under (over) payment made to the DCE PY to date, calculated as the adjusted total payment (Line 17) minus the actual total payment (Line 18).

Line 20 is the total under (over) payment to the DCE, to be distributed evenly over the course of the next 3 months.

2.3 Quarter 3 Payment Calculation

The calculations for Q3 payments will follow the same methodology as those for Q2 payments, except that an updated Withhold Percentage and Benchmark PBPM will be available to incorporate into the calculation of Q3 payments. The under (over) payments from Q1 and Q2 will then be added (subtracted) to the Q3 payments. **Table 3** details the Q3 payment calculations.

Table 3. Q3 payment calculations.

Calculation of the Withhold Percentage		Lookback period	July	August	September
1	Total claim-based payment (CBP) for all covered services	\$135,000,000			
2	Total CBP for all covered services from Participant and Preferred Providers	\$43,800,000			
3	Reduction in payment for all covered services from Participant and Preferred Providers	\$26,280,000			
4	Withhold amount (Line 1 - Line 3)	\$108,720,000			
5	Withhold Percentage (Line 4 ÷ Line 1)	81%	81%	81%	81%
Calculation of the TCC payment		Lookback period	July	August	September
6	Risk-standardized benchmark PBPM		\$952	\$952	\$952
7	Risk score		1.14	1.14	1.14
8	Risk-adjusted benchmark PBPM (Line 6 x Line 7)		\$1,085	\$1,085	\$1,085
9	Projected Withhold PBPM (Line 5 x Line 8)		\$874	\$874	\$874
10	Projected TCC payment PBPM (Line 8 - Line 9)		\$211	\$211	\$211
11	a. Retention assumption		98%	98%	98%
	b. Projected aligned eligible months, with retention assumption	June: 11,000	10,780	10,564	10,353
12	Monthly TCC payment to the DCE (Line 10 x Line 11b)		\$2,277,467	\$2,231,918	\$2,187,280
13	Under (over) payment from prior quarters		-\$111,594	-\$111,594	-\$111,594
14	Monthly TCC payment, adjusted for under (over) payments from prior quarters (Line 12 + Line 13)		\$2,165,873	\$2,120,324	\$2,075,686
Retrospective adjustments to payments		Lookback period			As of June 30
15	Adjusted TCC payment PBPM (Line 10)				\$211
16	Actual aligned eligible months				69,300
	Q1				35,500
	Q2				33,800
	Q3				-
	Q4				-
17	Adjusted total TCC payment to the DCE				\$14,640,861
18	Actual total TCC payment received by the DCE				\$15,158,085
	Q1				\$7,555,534
	Q2				\$7,602,551
	Q3				-
	Q4				-
19	Total under (over) payments to the DCE				-\$334,783
20	Under (over) payments to be distributed evenly in the next 3 months' payments				-\$111,594

2.3.1 Calculation of Q3 Withhold

For Quarter 3 payments, which are calculated in June, the Withhold Percentage will be updated using a more recent lookback period as more recent claims become available from the PY (see Section 2.1.1 for a description of the lookback period timelines). In **Table 3**, Lines 1 and 2 are updated with more recent claims, and Lines 3–5 are calculated similarly as in the Q1 and Q2 payments. In this example, the updated Withhold Percentage with a more recent lookback period is 81 percent (rounded).

2.3.2 Calculation of Q3 TCC Payment

Line 6 is the risk-standardized PY Benchmark PBPM (blended and trended for the PY) from the Quarter 1 Quarterly Benchmark Report and is updated because an updated beneficiary alignment record will be

available. This may affect the distribution of beneficiaries across counties (and therefore the regional expenditure component based on the DC/KCC Rate Book) and the mix of claims-aligned vs voluntarily aligned beneficiaries in Standard DCEs. See the [Global and Professional Direct Contracting Model: Financial Operating Guide: Overview](#) paper for details.

Line 7 is the projected risk score, which may be updated throughout each PY.

Line 8 is the projected, risk-adjusted PY Benchmark PBPM, which is updated if there are any updates in Lines 6 and 7.

Line 9 updates the Withhold PBPM.

Line 10 updates the TCC payment amount PBPM.

Lines 11a and 11b update the projected aligned eligible months, because when the July–September payments are calculated in June, actual aligned eligible months from January–June will be available to provide a better estimate of projected aligned eligible months. Therefore, the 98 percent retention rate will be applied to the actual aligned eligible months in June to project the July count.

Line 12 updates the total TCC payment that the DCE will receive for its aligned beneficiaries for a given month, *before* adjusting for under (over) payment from the prior quarter.

Line 13 is the under (over) payment made to the DCE in the previous quarter, distributed evenly over the upcoming quarter’s payments. Its calculation is shown in detail in Lines 15–20.

Line 14 is the Monthly TCC Payment (Line 12), net of under (over) payment (Line 13). This is the amount that the DCE will receive.

2.3.3 Calculation of under (over) payment from Prior Quarter

This section calculates the under (over) payment made to the DCE during the January–June period, using the most recent information available. Using the updated risk-standardized benchmark PBPM Payment (Line 15) and actual eligible aligned months (Line 16), we can retrospectively adjust the total TCC payment, which is the payment that the DCE should have received during January–June, had we had the updated information.

Line 17 is the adjusted total payment that should have been paid to the DCE, calculated as actual eligible months as of June 30 (Line 16) times the adjusted TCC Payment PBPM (Line 15).

Line 18 is the actual total payment received by the DCE in the PY to date.

Line 19 is the amount of under (over) payment made to the DCE PY to date, calculated as the adjusted total payment (Line 17) minus the actual total payment (Line 18).

Line 20 is the total under (over) payment to the DCE, to be distributed evenly over the course of the next 3 months.

2.4 Quarter 4 Payment Calculation

The calculations for Q4 payments will follow the same methodology as those for Q3 payments. The under (over) payments from Q1–Q3 will then be added (subtracted) to the Q4 payments. **Table 4** details Q4 payment calculations.

Table 4. Q4 payment calculations.

Calculation of the Withhold Percentage		Lookback period	October	November	December
1	Total claim-based payment (CBP) for all covered services	\$136,000,000			
2	Total CBP for all covered services from DC Participant Providers and Preferred Providers	\$46,000,000			
3	Reduction in payment for all covered services from DC Participant Providers and Preferred Providers	\$27,600,000			
4	Withhold amount (Line 1 - Line 3)	\$108,400,000			
5	Withhold Percentage (Line 4 ÷ Line 1)	80%	80%	80%	80%
Calculation of the TCC payment		Lookback period	October	November	December
6	Risk-standardized benchmark PBPM		\$955	\$955	\$955
7	Risk score		1.14	1.14	1.14
8	Risk-adjusted benchmark PBPM (Line 6 x Line 7)		\$1,089	\$1,089	\$1,089
9	Projected Withhold PBPM (Line 5 x Line 8)		\$868	\$868	\$868
10	Projected TCC payment PBPM (Line 8 - Line 9)		\$221	\$221	\$221
11	a. Retention assumption		98%	98%	98%
	b. Projected aligned eligible months, with retention assumption	September: 10,800	10,584	10,372	10,165
12	Monthly TCC payment to the DCE (Line 10 x Line 11b)		\$2,338,451	\$2,291,682	\$2,245,848
13	Under (over) payment from prior quarters		\$331,343	\$331,343	\$331,343
14	Monthly TCC payment, adjusted for under (over) payments from prior quarters (Line 12 + Line 13)		\$2,669,794	\$2,623,025	\$2,577,191
Retrospective adjustments to payments		Lookback period			As of September 30
15	Adjusted TCC payment PBPM (Line 10)				\$221
16	Actual aligned eligible months				101,900
		Q1			35,500
		Q2			33,800
		Q3			32,600
		Q4			-
17	Adjusted total TCC payment to the DCE				\$22,513,996
18	Actual total TCC payment received by the DCE				\$21,337,526
		Q1			\$7,555,534
		Q2			\$7,602,551
		Q3			\$6,361,882
		Q4			-
19	Total under (over) payments to the DCE				\$994,029
20	Under (over) payments to be distributed evenly in the next 3 months' payments				\$331,343

2.5 Final Payment Adjustments before Financial Reconciliation

Before Final Financial Reconciliation (and before Provisional Financial Reconciliation for PY2021), the actual PBPM Withhold amount is re-calculated based on all PY claims to reflect the actual utilization patterns that the aligned beneficiaries have during the PY. Retrospective adjustments to payments to the DCE also include the actual beneficiary alignment count and risk scores during the PY. Any over-

payments or under-payments to the DCE due to these retrospective adjustments will be recouped or reimbursed before the Shared Savings/Losses calculation. This process is detailed in **Table 5**.

Table 5. Final payment adjustments.

Final Withhold Percentage based on PY claims		Initial	Entire PY
1	Total claim-based payment (CBP) for all covered services	\$135,000,000	\$150,000,000
2	Total CBP for all covered services from Participant and Preferred Providers	\$45,000,000	\$52,000,000
3	Reduction in payment for all covered services from Participant and Preferred Providers	\$27,000,000	\$31,200,000
4	Withhold amount (Line 1 - Line 3)	\$108,000,000	\$118,800,000
5	Withhold Percentage (Line 4 ÷ Line 1)	80%	79%
Final payment adjustments using PY claims		Initial	Entire PY
6	Risk-Standardized Benchmark PBPM	\$950	\$955
7	Risk score		1.11
8	Risk-Adjusted Benchmark PBPM (Line 6 x Line 7)		\$1,060
9	Withhold PBPM (Line 5 x Line 8)		\$840
10	TCC Payment PBPM (Line 8 - Line 9)		\$220
11	Actual aligned eligible months		133,700
	Q1		35,500
	Q2		33,800
	Q3		32,600
	Q4		31,800
12	Adjusted monthly TCC payment throughout the PY (Line 10 x Line 11)		\$29,479,566
13	MINUS Actual payments made throughout the PY (sum of Q1-Q4 payments)		\$29,389,976
	Q1		\$7,555,534
	Q2		\$7,602,551
	Q3		\$6,361,882
	Q4		\$7,870,010
14	EQUALS Amount that CMS owes to the DCE (the DCE owes to CMS) (Line 12 - Line 13)		\$89,590

2.5.1 Calculation of Final Withhold

In the final payment adjustments, which happen before Final Financial Reconciliation (and before Provisional Financial Reconciliation for PY2021), the Withhold Percentage will be finalized using claims available from the entire PY. In the demo table, Lines 1 and 2 are finalized using PY claims and Lines 3–5 calculate the final Withhold Percentage. In this example, the final Withhold Percentage is 79 percent, which is marginally lower than the initial estimate prior to the PY.

2.5.2 Final Adjustments using PY Claims

Line 6 is the risk-standardized PY Benchmark PBPM (blended and trended for the PY), updated because the final beneficiary alignment record will be available.

Line 7 is the final risk score.

Line 8 finalizes the risk-adjusted PY Benchmark PBPM, which is updated due to the updates in Lines 6 and 7.

Line 9 finalizes the Withhold PBPM.

Line 10 finalizes the TCC payment amount PBPM.

Line 11 is the total count of actual aligned eligible months for the entire PY. Line 12 is this count multiplied by the PBPM rate (Line 10). This represents the amount that the DCE should have received for the entire PY, had we had the finalized Withhold Percentage, risk score, and actual beneficiary alignment.

Line 13 is the total payments made to the DCE, including Q4.

Line 14 is the amount owed to the DCE by CMS or to CMS by the DCE, calculated as the total adjusted payment (Line 12) minus total payments received (Line 13). Recall that an underpayment will be a positive number, which the DCE will receive from CMS. An over-payment will be a negative number, which CMS will recoup from the DCE.

3.0 PCC Payment Calculation

The initial prospective PCC payment to a DCE relies on claims data for the beneficiaries aligned to a DCE in a given lookback period. The lookback period is generally the first 9 months of the prior CY (allowing for 3 months of runout). For PY2021 (Apr–Dec 2021), the lookback period will be CY2019 to avoid CY2020 claims, which may be heavily impacted by COVID-19. For PY2022, the lookback period is the first nine months of 2021. Unlike TCC, where the Withhold Percentage is updated during the PY, the Base and Enhanced PCC percentages will remain fixed within each PY.

The monthly PCC payment is the sum of the Base PCC payment and the Enhanced PCC payment. Prior to the calculation of the initial PCC payment, the DCE will receive the range of Enhanced PCC Percentages that it can choose from, based on its own historical experience. The calculation for the allowable Enhanced PCC Percentage range is demonstrated in **Table 6**.

Table 6. Information provided to the DCEs to select the Enhanced PCC Percentage.

Calculation and Election of Enhanced PCC Percentage		Lookback period	Entire PY
1	Total claim-based payment (CBP ¹) for all covered services	\$100,000,000	
2	a. Total CBP for PCC services ² from all DC Participant Providers	\$3,500,000	
	b. Total CBP for PCC services ² from Preferred Providers, with actual elected % reduction applied	\$500,000	
	c. Total CBP for PCC services (line 2a + line 2b)	\$4,000,000	
3	Total CBP for PCC services as a percentage of total CBP for all covered services (line 2c ÷ line 1) (this is what the Base PCC would be if all DC Participant Providers participate in PCC with 100% claims reductions)	4%	
4	a. Enhanced PCC Percentage floor	0%	
	b. Enhanced PCC Percentage ceiling	3%	
	c. DCE's election of Enhanced PCC Percentage	2%	2%

Notes

- 1 *CBP is equal to the sum of payment made to the provider, sequestered amount, and alternative payment arrangement reduction amounts, minus the amount for uncompensated care. This payment amount will exclude certain claims, such as substance abuse claims and claims from beneficiaries who have opted out of data sharing.*
- 2 *All services from professional providers billed with Current Procedural Terminology (CPT)/Healthcare Common Procedure Coding System (HCPCS) codes in Appendix Table A1 of the Capitation and Advanced Payment Mechanisms document AND a primary specialty code in Appendix Table A2 are subject to PCC. All services billed by Federally Qualified Health Centers (FQHCs) and Rural Health Clinics (RHCs) regardless of HCPCS or revenue code are subject to PCC.*

Line 1 is the total CBP for all DCE-aligned beneficiaries for all applicable Part A and B services regardless of the provider affiliation during the lookback period. It reflects the total cost of care of the aligned beneficiaries.

Line 2a is the total CBP for PCC services provided by **all** DC Participant Providers. The definition of PCC services is provided in the main [Global and Professional Direct Contracting Model: Capitation and Advanced Payment Mechanisms](#) Paper.

Line 2b is the total CBP for PCC services provided by Preferred Providers that opt into PCC, and it accounts for each provider's elected percent reduction.

Line 2c is the total CBP for PCC services that will be used to calculate the Enhanced PCC Percentage range.

In Line 3, the total CBP for PCC services from Line 2c is expressed as a percentage of the total CBP for all applicable Part A and B services regardless of the provider affiliation (Line 1). This percentage is fixed throughout the PY.

The percentage from Line 3 is used to determine the range of Enhanced PCC Percentages from which the DCE may choose. The floor of the Enhanced PCC Percentage (Line 4a) will always be 0 percent (i.e., the DCE may choose to receive no Enhanced PCC payment at all). In general, the sum of the percentage of applicable PCC services from Line 3 and the ceiling of the Enhanced PCC Percentage (Line 4b) shall not exceed 7 percent. However, in the event that the percentage of applicable PCC services from Line 3 is already greater than 5 percent, the ceiling of the Enhanced PCC Percentage will be 2 percent, because all DCEs are able to receive an Enhanced PCC Amount that is at least 2 percent of the PY Benchmark.

CBP for PCC Services (A)	Enhanced Percentage Range (B)	Maximum Total PCC Percentage (A+B)
0 to 5%	0 to (7% - A)	7%
> 5%	0 to 2%	A + 2%

In this example, the range of Enhanced PCC Percentage that the DCE may choose from is 0 to 3 percent. Prior to the PY, the DCE will receive all the information from Lines 1-4b. Using this data, the DCE may elect an Enhanced PCC Percentage, which will be entered into Line 4c and used in the next steps to calculate the monthly PCC payment.

3.1 Initial PCC Payment Calculation

Table 7 displays the calculation of the monthly PCC payments for Q1.

Table 7. Calculation of the monthly PCC payments for Q1.

Calculation of the Base PCC and total PCC payment Percentages		Lookback period			Entire PY
1	Total claim-based payment (CBP ¹) for all covered services	\$100,000,000			
2	Total CBP for PCC Services ² from DC Participant Providers and Preferred Providers, reflecting each provider's actual elected % claims reduction ³	\$3,000,000			
3	Base PCC Percentage for Payment ⁴ (line 2 ÷ line 1)	3%			3%
4	DCE's election of Enhanced PCC Percentage ⁴	2%			2%
5	Total PCC Payment Percentage ⁴ (line 3 + line 4)	5%			5%
Calculation of risk-adjusted benchmark and projected aligned eligible months		Lookback period	January	February	March
6	Risk-standardized benchmark PBPM	\$1,000	\$1,000	\$1,000	\$1,000
7	Risk score		1.15	1.15	1.15
8	Risk-adjusted benchmark (Line 6 x Line 7)		\$1,150	\$1,150	\$1,150
9	a. Retention assumption ⁵		98%	98%	98%
	b. Projected aligned eligible months, with retention assumption	December: 12,000	11,760	11,525	11,294
Calculation of the monthly Base PCC payment		Lookback period	January	February	March
10	Projected Base PCC payment PBPM (Line 3 x Line 8)		\$35	\$35	\$35
11	Monthly Base PCC payment (Line 9b x Line 10)		\$405,720	\$397,606	\$389,653
12	Under (over) payment from prior quarters ⁶		\$0	\$0	\$0
13	Monthly Base PCC payment, adjusted for under (over) payments from prior quarters		\$405,720	\$397,606	\$389,653

Calculation of the monthly Enhanced PCC payment		Lookback period	January	February	March
14	Projected Enhanced PCC payment PBPM (Line 4 x Line 8)		\$23	\$23	\$23
15	Monthly Enhanced PCC payment (Line 9b x Line 14)		\$270,480	\$265,070	\$259,769
16	Under (over) payment from prior quarters ⁶		\$0	\$0	\$0
17	Monthly Enhanced PCC payment, adjusted for under (over) payments from prior quarters		\$270,480	\$265,070	\$259,769
18	Total monthly PCC payment, adjusted for under (over) payments from prior quarters (Line 13 + Line 17)		\$676,200	\$662,676	\$649,422

Notes

- 1 *CBP is equal to the sum of payment made to the provider, sequestered amount, and alternative payment arrangement reduction amounts, minus the amount for uncompensated care. This payment amount will exclude certain claims, such as substance abuse claims and claims from beneficiaries who have opted out of data sharing.*
- 2 *All services from professional providers billed with CPT/HCPCS codes in Appendix Table A1 of the Capitation and Advanced Payment Mechanisms document AND a primary specialty code in Appendix Table A2 are subject to PCC. All services billed by FQHCs and RHCs regardless of HCPCS or revenue code are subject to PCC.*
- 3 *The amount of the CBP for PCC services that will be withheld from the provider payment based on the PCC reduction elected by the provider. In the Base PCC calculation, the reduction percentages for DC Participant Providers are reflected, whereas in the calculation of the range of potential Enhanced PCC amounts, the reduction percentages are assumed to be 100% (this is to ensure Enhanced PCC isn't artificially inflated due to DC Participant Providers choosing low reduction amounts).*
- 4 *The Base PCC Percentage, Enhanced PCC Percentage, and Total PCC Payment Percentage are unchanged throughout a PY.*
- 5 *To more accurately project the number of aligned beneficiaries each month, CMS will calculate a DCE-specific retention rate for each quarter based on historical retention and apply it to the prior month's beneficiaries. The lookback period for the retention rate is generally the first 9 months of the prior calendar year, except for PY2021 it will be CY2019 to avoid COVID-related effects in 2020. As noted below, this will eventually be adjusted for any discrepancies with actual number of beneficiary months.*
- 6 *A positive amount indicates the amount that CMS owes the DCE, and a negative amount indicates the amount that the DCE owes to CMS. The total under (over) payment from the prior quarter is divided into three equal amounts and adjusted in each upcoming payment month. Note that under (over) payment amounts from the last quarter of a PY are not adjusted in the first quarter of the upcoming PY.*

Line 1 is the total CBP for all DCE-aligned beneficiaries for all applicable Part A and B services regardless of the provider affiliation.

Line 2 represents the total CBP for PCC services provided by DC Participant Providers and Preferred Providers that opt into PCC, accounting for each provider's elected percent claims reduction. Here, the reduction percentages for DC Participant Providers are reflected, whereas in the calculation of the range of potential Enhanced PCC amounts (**Table 6**), the reduction percentages are assumed to be 100 percent (this is to ensure Enhanced PCC is not artificially inflated due to DC Participant Providers choosing low reduction amounts).

Line 3 is the Base PCC Percentage for payment, which is the CBP for PCC services (Line 2) expressed as a percentage of the CBP for all covered Services (Line 1).

Line 4 is the DCE-elected Enhanced PCC Percentage from Line 4c in **Table 6**.

Line 5 is the sum of the Base PCC Percentage and the Enhanced PCC Percentage. This Total PCC Payment Percentage will be used to calculate the initial PCC payment to the DCE in the next steps.

The Base PCC Percentage, the DCE's elected Enhanced PCC percentage, and thus the total PCC payment percentage are fixed throughout the PY.

Line 6 is the risk-standardized PY Benchmark PBPM (blended and trended).

Line 7 is the projected risk score in first month of PY.

Line 8 is the projected, risk-adjusted Benchmark PBPM, which is calculated as the product of the risk-standardized PY Benchmark PBPM from Line 6 and the projected risk score from Line 7.

Line 9a is the projected retention rate for the DCE for the quarter. Line 9b is the projected aligned eligible months, adjusted for the retention assumption. It is assumed here that there are 12,000 aligned eligible months in the beginning of December when alignment is run, 98 percent of which will remain aligned for January.

Line 10 is the projected PBPM Base PCC Payment, calculated as the risk-adjusted PBPM Benchmark (Line 8) times the Base PCC Percentage (Line 3).

Line 11 is the total monthly Base PCC Payment, calculated as total aligned months (Line 9b) times the PBPM Base PCC Payment (Line 10).

Line 12 is the calculated over (under) payment from prior quarters in the PY. An under-payment will be a positive number, which the DCE will receive from CMS in next quarter's payment. An over-payment will be a negative number, which CMS will recoup from the DCE in next quarter's payment. The under (over) payment in the last quarter of a PY will not be adjusted in the first quarter of the upcoming PY. Instead, it will be adjusted in the final payment adjustment at the end of the PY. Therefore, this is \$0 for Q1.

Line 13 is the total monthly Base PCC payment (Line 11), adjusted for any over/underpayments (Line 12).

Line 14 is the projected PBPM Enhanced PCC Payment, calculated as the Risk-Adjusted PBPM Benchmark (Line 8) times the Enhanced PCC Percentage (Line 4).

Line 15 is the total monthly Enhanced PCC Payment, calculated as total aligned months (Line 9b) times the PBPM Enhanced PCC Payment (Line 14).

Line 16 is the calculated over (under) payment from prior quarters in the PY. This is \$0 for Q1.

Line 17 is the total monthly Enhanced PCC payment (Line 15), adjusted for any over/underpayments for the quarter (Line 16).

Line 18 is the sum of the adjusted Base (Line 13) and Enhanced (Line 17) PCC payments.

3.2 Quarter 2 PCC Payment Calculation

Q2 payments are calculated in March. The calculations for Q2 payments will be similar to those for Q1 payments, with an additional section to retrospectively adjust for the under (over) payments made in Q1. These under (over) payments from Q1 will then be added (subtracted) to the Q2 payments. **Table 8** details the calculation of the Q2 PCC payment to the DCE.

The Base PCC Percentage, the DCE's elected Enhanced PCC percentage, and thus the total PCC payment percentage are fixed throughout the PY.

Table 8. Calculation of the monthly PCC payments for Q2.

Calculation of the Base PCC and total PCC payment Percentages		Lookback period			Entire PY
1	Total claim-based payment (CBP) for all covered services	\$100,000,000			
2	Total CBP for PCC Services from DC Participant Providers and Preferred Providers, reflecting each provider's actual elected % claims reduction	\$3,000,000			
3	Base PCC Percentage for Payment (line 2 ÷ line 1)	3%			3%
4	DCE's election of Enhanced PCC Percentage	2%			2%
5	Total PCC Payment Percentage (line 3 + line 4)	5%			5%
Calculation of risk-adjusted benchmark and projected aligned eligible months		Lookback period	April	May	June
6	Risk-standardized benchmark PBPM		\$1000	\$1000	\$1000
7	Risk score		1.15	1.15	1.15
8	Risk-adjusted benchmark PBPM (Line 6 x Line 7)		\$1,150	\$1,150	\$1,150
9	a. Retention assumption		98%	98%	98%
	b. Projected aligned eligible months, with retention assumption	March: 11,700	11,466	11,237	11,012
Calculation of the monthly Base PCC payment		Lookback period	April	May	June
10	Projected Base PCC payment PBPM (Line 3 x Line 8)		\$35	\$35	\$35
11	Monthly Base PCC payment (Line 9b x Line 10)		\$395,577	\$387,677	\$379,914
12	Under (over) payment from prior quarters (Line 23b)		\$10,590	\$10,590	\$10,590
13	Monthly Base PCC payment, adjusted for under (over) payments from prior quarters		\$406,167	\$398,627	\$390,504
Calculation of the monthly Enhanced PCC payment		Lookback period	April	May	June
14	Projected Enhanced PCC payment PBPM (Line 4 x Line 8)		\$23	\$23	\$23
15	Monthly Enhanced PCC payment (Line 9b x Line 14)		\$263,718	\$258,451	\$253,276
16	Under (over) payment from prior quarters (Line 27b)		\$7,060	\$7,060	\$7,060
17	Monthly Enhanced PCC payment, adjusted for under (over) payments from prior quarters		\$263,718	\$265,511	\$260,336
18	Total monthly PCC payment, adjusted for under (over) payments from prior quarters (Line 13 + Line 17)		\$659,295	\$646,128	\$633,190
Actual aligned eligible months		Lookback period			As of March 31
19	Total actual aligned eligible months				35,500
	Q1				35,500
	Q2				-
	Q3				-
	Q4				-

Base PCC under (over) payment calculation		Lookback period			As of March 31
20	Adjusted Base PCC payment PBPM (Line 10)				\$35
21	Adjusted Base PCC payment (Line 19 x Line 20)				\$1,224,750
22	Actual Base PCC payment				\$1,192,979
		Q1			\$1,192,979
		Q2			-
		Q3			-
		Q4			-
23	a. Under (over) payment for Base PCC				\$31,771
	b. Monthly under (over) payment for Base PCC				\$10,590
Enhanced PCC under (over) payment calculation		Lookback period			As of March 31
24	Adjusted Enhanced PCC payment PBPM (Line 14)				\$23
25	Adjusted Enhanced PCC payment (Line 19 x Line 24)				\$816,500
26	Actual Enhanced PCC payment				\$795,319
		Q1			\$795,319
		Q2			-
		Q3			-
		Q4			-
27	a. Under (over) payment for Enhanced PCC				\$21,181
	b. Monthly under (over) payment for Enhanced PCC				\$7,060

Line 6 is the risk-standardized PY Benchmark PBPM (blended and trended for the PY) and uses the same value used in Q1, as the first Quarterly Benchmark Report will not yet be released before the Q2 payments are calculated in March.

Line 7 is the projected risk score, which may be updated throughout each PY.

Line 8 is projected, risk-adjusted PY Benchmark PBPM, which is updated due to the updates in Lines 6 and 7.

Lines 9a and 9b update the projected aligned eligible months, because when the April–June payments are calculated in March, actual aligned eligible months from January–March will be available to provide a better estimate of projected aligned eligible months. Therefore, the 98 percent retention rate will be applied to the actual aligned eligible months in March to project the April count.

Line 10 is the projected Monthly Base PCC Payment, calculated as the risk-adjusted PBPM Benchmark (Line 8) times the Base PCC Percentage (Line 3).

Line 11 is the total monthly Base PCC Payment, calculated as total aligned months (Line 9b) times the PBPM Base PCC Payment (Line 10), *before* adjusting for under (over) payment from the prior quarter.

Line 12 is the under (over) payment of Base PCC made to the DCE during prior quarters within the PY, distributed evenly over the upcoming quarter's payments. Its calculation is shown in detail in Lines 19–23.

Line 13 is the total monthly Base PCC Payment (Line 11), adjusted for any under (over) payment from the previous quarter (Line 12).

The calculation of the monthly Enhanced PCC payment (Line 14–17) is analogous to the monthly Base PCC payment (Lines 10–13).

Line 18 represents the total monthly PCC payment that the DCE will receive, which is simply the sum of adjusted Base PCC payment (Line 13) and adjusted Enhanced PCC payment (Line 17).

3.2.1 Calculation of Over (Under) Payments to the DCE in the Prior Quarter

Using the risk-standardized benchmark PBPM (Line 20) and actual alignment (Line 19), we can retrospectively adjust the Base PCC payment (Line 21), which is the payment that the DCE should have received in prior quarters within the PY, had we had the updated information.

Line 21 is the Base PCC payment that should have been paid out to the DCE in prior quarters within each PY, calculated as actual aligned eligible months (Line 19) times the Adjusted PBPM Base PCC Payment (Line 20).

Line 23a is the total over/underpayment for the period, calculated as the Base PCC Payment that *should* have been made (Line 21) minus the PCC Payment that *was* made (Line 22). This amount is then divided by 3 to calculate the monthly adjustment (Line 23b) in next quarter's payment, by plugging it into Line 12.

Lines 24–27 calculate the under (over) payment for Enhanced PCC during prior quarters within each PY, in the same way the under (over) payment for Base PCC is calculated in Lines 20–23.

3.3 Quarter 3 PCC Payment Calculation

Q3 payments are calculated in June. The calculations for Q3 payments will be similar to those for Q2 payments, except that an updated benchmark PBPM will be available to incorporate into the Q3 PCC calculation. **Table 9** details the calculation of the Q3 PCC payment to the DCE.

The Base PCC Percentage, the DCE's elected Enhanced PCC percentage, and thus the total PCC payment percentage are fixed throughout the PY.

Table 9. Calculation of the monthly PCC payments for Q3.

Calculation of the Base PCC and total PCC payment Percentages		Lookback period			Entire PY
1	Total claim-based payment (CBP) for all covered services	\$100,000,000			
2	Total CBP for PCC Services from DC Participant Providers and Preferred Providers, reflecting each provider's actual elected % claims reduction	\$3,000,000			
3	Base PCC Percentage for Payment (line 2 ÷ line 1)	3%			3%
4	DCE's election of Enhanced PCC Percentage	2%			2%
5	Total PCC Payment Percentage (line 3 + line 4)	5%			5%
Calculation of risk-adjusted benchmark and projected aligned eligible months		Lookback period	July	August	September
6	Risk-standardized benchmark PBPM		\$997	\$997	\$997
7	Risk score		1.14	1.14	1.14
8	Risk-adjusted benchmark PBPM (Line 6 x Line 7)		\$1,137	\$1,137	\$1,137
9	a. Retention assumption		98%	98%	98%

Calculation of risk-adjusted benchmark and projected aligned eligible months		Lookback period	July	August	September
	b. Projected aligned eligible months, with retention assumption	June: 11,000	10,780	10,564	10,353
Calculation of the monthly Base PCC payment		Lookback period	July	August	September
10	Projected Base PCC payment PBPM (Line 3 x Line 8)		\$34	\$34	\$34
11	Monthly Base PCC payment (Line 9b x Line 10)		\$367,570	\$360,219	\$353,014
12	Under (over) payment from prior quarters (Line 23b)		-\$8,323	-\$8,323	-\$8,323
13	Monthly Base PCC payment, adjusted for under (over) payments from prior quarters		\$359,247	\$351,896	\$344,691
Calculation of the monthly Enhanced PCC payment		Lookback period	July	August	September
14	Projected Enhanced PCC payment PBPM (Line 4 x Line 8)		\$23	\$23	\$23
15	Monthly Enhanced PCC payment (Line 9b x Line 14)		\$245,047	\$240,146	\$235,343
16	Under (over) payment from prior quarters (Line 27b)		-\$5,548	-\$5,548	-\$5,548
17	Monthly Enhanced PCC payment, adjusted for under (over) payments from prior quarters		\$239,499	\$234,598	\$229,795
18	Total monthly PCC payment, adjusted for under (over) payments from prior quarters (Line 13 + Line 17)		\$598,746	\$586,494	\$574,486
Actual aligned eligible months		Lookback period			As of June 30
19	Total actual aligned eligible months				69,300
	Q1				35,500
	Q2				33,800
	Q3				-
	Q4				-
Base PCC under (over) payment calculation		Lookback period			As of June 30
20	Adjusted Base PCC payment PBPM (Line 10)				\$34
21	Adjusted Base PCC payment (Line 19 x Line 20)				\$2,362,950
22	Actual Base PCC payment				\$2,387,918
	Q1				\$1,192,979
	Q2				\$1,194,939
	Q3				-
	Q4				-
23	a. Under (over) payment for Base PCC				-\$24,968
	b. Monthly under (over) payment for Base PCC				-\$8,322
Enhanced PCC under (over) payment calculation		Lookback period			As of June 30
24	Adjusted Enhanced PCC payment PBPM (Line 14)				\$23
25	Adjusted Enhanced PCC payment (Line 19 x Line 24)				\$1,575,300
26	Actual Enhanced PCC payment				\$1,591,945
	Q1				\$795,319
	Q2				\$796,626
	Q3				-
	Q4				-
27	a. Under (over) payment for Enhanced PCC				-\$16,645
	b. Monthly under (over) payment for Enhanced PCC				-\$5,548

3.4 Quarter 4 PCC Payment Calculation

Q4 payments are calculated in September. The calculations for Q4 payments will be similar to those for Q3 payments. **Table 10** details the calculation of the Q2 PCC payment to the DCE.

The Base PCC Percentage, the DCE's elected Enhanced PCC percentage, and thus the total PCC payment percentage are fixed throughout the PY.

Table 10. Calculation of the monthly PCC payments for Q4.

Calculation of the Base PCC and total PCC payment Percentages		Lookback period			Entire PY
1	Total claim-based payment (CBP) for all covered services	\$100,000,000			
2	Total CBP for PCC Services from DC Participant Providers and Preferred Providers, reflecting each provider's actual elected % claims reduction	\$3,000,000			
3	Base PCC Percentage for Payment (line 2 ÷ line 1)	3%			3%
4	DCE's election of Enhanced PCC Percentage	2%			2%
5	Total PCC Payment Percentage (line 3 + line 4)	5%			5%
Calculation of risk-adjusted benchmark and projected aligned eligible months		Lookback period	October	November	December
6	Risk-standardized benchmark PBPM		\$1,001	\$1,001	\$1,001
7	Risk score		1.14	1.14	1.14
8	Risk-adjusted benchmark PBPM (Line 6 x Line 7)		\$1,141	\$1,141	\$1,141
9	a. Retention assumption		98%	98%	98%
	b. Projected aligned eligible months, with retention assumption	September: 10,800	10,584	10,372	10,165
Calculation of the monthly Base PCC payment		Lookback period	October	November	December
10	Projected Base PCC payment PBPM (Line 3 x Line 8)		\$34	\$34	\$34
11	Monthly Base PCC payment (Line 9b x Line 10)		\$362,335	\$355,088	\$347,986
12	Under (over) payment from prior quarters (Line 23b)		\$14,904	\$14,904	\$14,904
13	Monthly Base PCC payment, adjusted for under (over) payments from prior quarters		\$377,239	\$369,992	\$362,890
Calculation of the monthly Enhanced PCC payment		Lookback period	October	November	December
14	Projected Enhanced PCC payment PBPM (Line 4 x Line 8)		\$23	\$23	\$23
15	Monthly Enhanced PCC payment (Line 9b x Line 14)		\$241,557	\$236,725	\$231,991
16	Under (over) payment from prior quarters (Line 27b)		\$9,936	\$9,936	\$9,936
17	Monthly Enhanced PCC payment, adjusted for under (over) payments from prior quarters		\$251,493	\$246,661	\$241,927
18	Total monthly PCC payment, adjusted for under (over) payments from prior quarters (Line 13 + Line 17)		\$628,732	\$616,654	\$604,817
Actual aligned eligible months		Lookback period			As of September 30
19	Total actual aligned eligible months				101,900
	Q1				35,500
	Q2				33,800
	Q3				32,600
	Q4				-

Base PCC under (over) payment calculation		Lookback period		As of September 30
20	Adjusted Base PCC payment PBPM (Line 10)			\$34
21	Adjusted Base PCC payment (Line 19 x Line 20)			\$3,488,465
22	Actual Base PCC payment			\$3,443,753
		Q1		\$1,192,979
		Q2		\$1,194,939
		Q3		\$1,055,787
		Q4		-
23	a. Under (over) payment for Base PCC			\$44,712
	b. Monthly under (over) payment for Base PCC			\$14,904
Enhanced PCC under (over) payment calculation		Lookback period		As of September 30
24	Adjusted Enhanced PCC payment PBPM (Line 14)			\$23
25	Adjusted Enhanced PCC payment (Line 19 x Line 24)			\$2,325,643
26	Actual Enhanced PCC payment			\$2,295,835
		Q1		\$795,319
		Q2		\$796,626
		Q3		\$703,891
		Q4		-
27	a. Under (over) payment for Enhanced PCC			\$29,808
	b. Monthly under (over) payment for Enhanced PCC			\$9,936

3.5 Final Payment Adjustments before Financial Reconciliation

Before Financial Reconciliation, the only retrospective adjustment to the PCC payments made to the DCE will be beneficiary alignment counts and the final PBPM risk-adjusted benchmark amount. Any overpayments or under-payments to the DCE due to these retrospective adjustments will be recouped or reimbursed before the Shared Savings/Losses calculations. The Base PCC Percentage, the DCE’s elected Enhanced PCC percentage, and thus the total PCC payment percentage are fixed throughout the PY. **Table 11** details the final payment adjustments calculated at the end of the PY.

Table 11. Calculation of final PCC payment adjustments for the entire PY.

Calculation of the Base PCC and total PCC payment Percentages		Initial	Entire PY
1	Total Claim-Based Payment (CBP) for All Covered Services	\$100,000,000	
2	Total CBP for PCC Services from DC Participant Providers and Preferred Providers, reflecting each provider's actual elected % claims reduction	\$3,000,000	
3	Base PCC Percentage for Payment (line 2 ÷ line 1)	3%	3%
4	DCE's election of Enhanced PCC Percentage	2%	2%
5	Total PCC Payment Percentage (line 3 + line 4)	5%	5%
Calculation of risk-adjusted benchmark and projected aligned eligible months		Initial	Entire PY
6	Risk-standardized benchmark PBPM	\$1,000	\$1,002
7	Final risk score		1.14
8	Risk-adjusted benchmark (Line 6 x Line 7)		\$1,142
9	Actual aligned eligible months		133,700
		Q1	35,500
		Q2	33,800
		Q3	32,600
		Q4	31,800

Base PCC under (over) payment calculation		Initial	Entire PY
10	Adjusted Base PCC payment PBPM (Line 3 x Line 8)		\$34
11	Adjusted Base PCC payment (Line 9 x Line 10)		\$4,581,685
12	MINUS Actual Base PCC payment		\$4,553,874
	Q1		\$1,192,979
	Q2		\$1,194,986
	Q3		\$1,055,835
	Q4		\$1,110,122
13	EQUALS Base PCC payment that CMS owes to the DCE (the DCE owes to CMS)		\$27,811
Calculation of the Enhanced PCC payment		Initial	Entire PY
14	Enhanced PCC payment that the DCE owes to CMS		\$3,035,916
	Q1		\$795,319
	Q2		\$796,626
	Q3		\$703,8918
	Q4		\$740,081

Line 6 is the risk-standardized PY Benchmark PBPM (blended and trended for the PY), updated because the final, updated beneficiary alignment record will be available.

Line 7 is the final risk score.

Line 8 finalizes the risk-adjusted PY Benchmark PBPM, which is updated due to the updates in Lines 6 and 7.

Line 9 is the total count of actual aligned eligible months for the entire PY.

Line 10 is the adjusted PBPM Base PCC payment, calculated as the Base PCC Percentage (Line 3) times the risk-adjusted Benchmark PBPM (Line 8).

Line 11 is the total adjusted Base PCC payment, calculated as total aligned eligible months (Line 9) times the PBPM Base PCC payment (Line 10)

Line 12 is the total amount of Base PCC Payments received over the course of the PY.

Line 13 is the total under-payment/over-payment for Base PCC, calculated as the adjusted Base PCC payment (Line 11), less payments already received by the DCE, including Q4 (Line 12). Recall that an underpayment will be a positive number, which the DCE will receive from CMS. An over-payment will be a negative number, which CMS will recoup from the DCE.

Line 14 is the total Enhanced PCC payments made to the DCE throughout the PY, and it is recouped in full by CMS.

4.0 APO

The initial prospective APO payment to a DCE relies on claims data for the beneficiaries aligned to a DCE in a given lookback period. The lookback period is generally the first 9 months of the prior CY (allowing for 3 months of runout). For PY2021 (Apr–Dec 2021), the lookback period will be CY2019 to avoid PY2020 claims, which are heavily impacted by COVID-19. For PY2022, the lookback period is the first nine months of 2021. Similar to PCC, the APO PBPM payment remains fixed within each PY.

4.1 Initial (Quarter 1) Payment Calculation

Table 12 details the process by which the APO Payment is calculated.

Table 12. Q1 payment calculation.

Calculation of the Percentage of Payment Amounts Subject to APO		Lookback period	January	February	March
1	Total Claim-Based Payment (CBP ¹) for All Covered Services	\$100,000,000			
2	a. Total CBP for all non-primary care services from DC Participant Providers and Preferred Providers who have primary care specialties ²	\$10,000,000			
	b. Total CBP for all services from DC Participant Providers and Preferred Providers who do NOT have primary care specialties ²	\$40,000,000			
3	Total CBP for all APO services (2a + 2b)	\$50,000,000			
4	Reduction in payment for APO services ³	\$20,000,000			
5	Aligned eligible months in lookback period	133,000			
6	APO payment PBPM (Line 4 ÷ Line 5)	\$150	\$150	\$150	\$150
7	a. Retention assumption		98%	98%	98%
	b. Projected aligned eligible months, with retention assumption	December: 12,000	11,760	11,525	11,294
8	Monthly APO payment (Line 6 x Line 7b)		\$1,768,421	\$1,733,053	\$1,698,392
9	Under (over) payments to the DCE from prior quarters ⁴		\$0	\$0	\$0
10	Monthly APO payments, adjusted for under (over) payments from prior quarters		\$1,768,421	\$1,733,053	\$1,698,392

Notes

- ¹ CBP is equal to the sum of payment made to the provider, sequestered amount, and alternative payment arrangement reduction amounts, minus the amount for uncompensated care. This payment amount will exclude certain claims, such as substance abuse claims and claims from beneficiaries who have opted out of data sharing.
- ² All services billed by professional providers that are not eligible for PCC are subject to APO, i.e., services with any CPT/HCPCS codes not in Appendix Table A1 of the Capitation and Advanced Payment Mechanisms document, or services with CPT/HCPCS codes in Appendix Table A1 rendered by practitioners without specialty codes in Appendix Table A2. All services billed by institutional providers other than FQHCs and RHCs are subject to APO payments.
- ³ APO amounts taking into account the providers' election of claims reduction, which may be less than 100%.
- ⁴ CMS will monitor for meaningful discrepancies between APO payments and FFS claims reduced under APO. We reserve the right to adjust quarterly payments if the amount paid meaningfully diverges from the amount reduced during the year. Otherwise, the final true-up will occur after each PY.

Line 1 is the CBP for all DCE-aligned beneficiaries for all applicable Part A and B services regardless of the provider affiliation during the lookback period. It reflects the total cost of care of the aligned beneficiaries.

Line 2a is the total CBP for all non-primary care services from DC Participant Providers and Preferred Providers who have primary care specialties. The definition of “non-primary care services” is detailed in the [*Global and Professional Direct Contracting Model: Capitation and Advanced Payment Mechanisms*](#) document.

Line 2b is the total CBP for all services from DC Participant Providers and Preferred Providers who do NOT have primary care specialties.

Line 3 is the sum of Lines 2a and 2b, which is the total amount of CBP from Line 1 that are eligible for APO payments.

Line 4 is the total reduction in FFS claims payment for APO services elected by DC Participant Providers and Preferred Providers participating in APO. In this example, an overall 40 percent reduction is assumed across providers.

Line 5 is the total aligned beneficiary months from the lookback period.

Line 6 is the risk-standardized PBPM Payment for the DCE, calculated as the total reduction in payment (Line 4) divided by total beneficiary eligible months. This payment amount is unchanged throughout the entire PY.

Line 7a is the projected retention rate for the first quarter. Line 7b is the projected aligned eligible months, adjusted for the retention assumption. It is assumed here that there are 12,000 aligned eligible months in the beginning of December when alignment is run, 98 percent of which will remain aligned by January.

Lines 6 and 7b are multiplied together to arrive at Line 8, the total APO Payment to the DCE in the 1st month of the performance period.

Line 9 represents under (over) payments to the DCE from prior quarters. See section 4.2.2 for a description of how this is calculated.

Line 10 is the net monthly APO payment, adjusted for any over/underpayment.

4.2 Quarter 2 APO Payment Calculation

The calculations for Q2 payments will be similar to those for Q1 payments, with a placeholder for potential adjustments for under (over) payments made in prior quarters, if meaningful (see below for details). **Table 13** details Q2 payment calculations.

4.2.1 Calculation of Q2 Payment Calculations

Lines 1–6 remain the same as in the Q1 payment calculations.

Lines 6–8 are calculated the same way the initial payment is calculated to arrive at the monthly APO payment at Line 8, without yet accounting for under (over) payment adjustment.

Line 9 is the under (over) payments made to the DCE during the previous quarter, distributed evenly over the upcoming quarter’s payments.

Line 10 is the net monthly APO payment, adjusted for any under (over) payment in the prior quarter.

Table 13. Q2 payment calculations.

Calculation of the monthly APO payment		Lookback period	April	May	June
1	Total Claim-Based Payment (CBP) for All Covered Services	\$100,000,000			
2	a. Total CBP for all non-primary care services from DC Participant Providers and Preferred Providers who have primary care specialties	\$10,000,000			
	b. Total CBP for all services from DC Participant Providers and Preferred Providers who do NOT have primary care specialties	\$40,000,000			
3	Total CBP for all APO services (2a + 2b)	\$50,000,000			
4	Reduction in payment for APO services	\$20,000,000			
5	Aligned eligible months in lookback period	133,000			
6	APO payment PBPM (Line 4 ÷ Line 5)	\$150	\$150	\$150	\$150
7	a. Retention assumption		98%	98%	98%
	b. Projected aligned eligible months, with retention assumption	March: 11,700	11,466	11,237	11,012
8	Monthly APO payment (Line 6 x Line 7b)		\$1,724,211	\$1,689,726	\$1,655,932
9	Under (over) payments to the DCE from prior quarters		\$0	\$0	\$0
10	Monthly APO payments, adjusted for under (over) payments from prior quarters		\$1,724,211	\$1,689,726	\$1,655,932

4.2.2 Calculation of Under (over) Payment from Prior Quarter

CMS will monitor for meaningful discrepancies between APO payments and FFS claims reduced under APO (e.g., >5 percent of payments made). We reserve the right (but are not required) to adjust quarterly payments if the amount paid meaningfully diverges from the amount reduced during the year. Otherwise, the final true-up will occur after each PY. Since discrepancies are minor in this example, no adjustments during the PY are made.

4.3 Quarter 3 APO Payment Calculation

The calculations for Q3 payments will be similar to those for Q2 payments. **Table 14** details Q3 payment calculations.

Table 14. Q3 payment calculations.

Calculation of the monthly APO payment		Lookback period	July	August	September
1	Total Claim-Based Payment (CBP) for All Covered Services	\$100,000,000			
2	a. Total CBP for all non-primary care services from DC Participant Providers and Preferred Providers who have primary care specialties	\$10,000,000			
	b. Total CBP for all services from DC Participant Providers and Preferred Providers who do NOT have primary care specialties	\$40,000,000			
3	Total CBP for all APO services (2a + 2b)	\$50,000,000			
4	Reduction in payment for APO services	\$20,000,000			
5	Aligned eligible months in lookback period	133,000			
6	APO payment PBPM (Line 4 ÷ Line 5)	\$150	\$150	\$150	\$150
7	a. Retention assumption		98%	98%	98%
	b. Projected aligned eligible months, with retention assumption	June: 11,000	10,780	10,564	10,353
8	Monthly APO payment (Line 6 x Line 7b)		\$1,621,053	\$1,588,632	\$1,556,859
9	Under (over) payments to the DCE from prior quarters		\$0	\$0	\$0
10	Monthly APO payments, adjusted for under (over) payments from prior quarters		\$1,621,053	\$1,588,632	\$1,556,859

4.4 Quarter 4 APO Payment Calculation

The calculations for Q4 payments will be similar to those for Q3 payments. **Table 15** details Q4 payment calculations.

Table 15. Q4 payment calculations.

Calculation of the monthly APO payment		Lookback period	October	November	December
1	Total Claim-Based Payment (CBP) for All Covered Services	\$100,000,000			
2	a. Total CBP for all non-primary care services from DC Participant Providers and Preferred Providers who have primary care specialties	\$10,000,000			
	b. Total CBP for all services from DC Participant Providers and Preferred Providers who do NOT have primary care specialties	\$40,000,000			
3	Total CBP for all APO services (2a + 2b)	\$50,000,000			
4	Reduction in payment for APO services	\$20,000,000			
5	Aligned eligible months in lookback period	133,000			
6	APO payment PBPM (Line 4 ÷ Line 5)	\$150	\$150	\$150	\$150
7	a. Retention assumption		98%	98%	98%
	b. Projected aligned eligible months, with retention assumption	September: 10,800	10,584	10,372	10,165
8	Monthly APO payment (Line 6 x Line 7b)		\$1,591,579	\$1,559,747	\$1,528,552
9	Under (over) payments to the DCE from prior quarters		\$0	\$0	\$0
10	Monthly APO payments, adjusted for under (over) payments from prior quarters		\$1,591,579	\$1,559,747	\$1,528,552

4.5 Final Payment Adjustments before Financial Reconciliation

As described in the main [Global and Professional Direct Contracting Model: Capitation and Advanced Payment Mechanisms](#) Paper, APO payments will be trued up with FFS claim reductions under APO. The

actual FFS claims amount reduced under APO is calculated on all PY claims (Line 1) and compared with the APO payments received by the DCE throughout the PY (Line 2). The difference between the two lines is the under (over) payment. Recall that an under-payment will be a positive number, which the DCE will receive from CMS. An over-payment will be a negative number, which CMS will recoup from the DCE. To ensure accuracy, runout for this calculation may extend beyond 3 months.

Table 16 details the process by which over/underpayments are calculated.

As described in the [Global and Professional Direct Contracting Model: Financial Operating Guide: Overview](#) document, the amount of FFS claims billed under APO (irrespective of reductions) will count against the benchmark for determining Shared Savings/Losses. To that end, the process of “trueing up” Advanced Payments does not affect Financial Reconciliation results.

Table 16. Final payment adjustments for APO.

Calculation of APO Adjustment		Entire PY
1	Actual APO-related reduced FFS claim payments on claims submitted by APO-participating DC Participant and Preferred Providers during PY	\$19,876,903
2	MINUS Actual APO payments made to DCE during PY	\$19,716,156
		Q1 \$5,199,865
		Q2 \$5,069,869
		Q3 \$4,766,543
		Q4 \$4,679,879
3	EQUALS Amount that CMS owes to the DCE (the DCE owes to CMS)	\$160,747