

Global and Professional Direct Contracting Model

Financial

Companion to Operating Guide Overview: New Entrant DCE

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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: High Needs Population DCE
Global and Professional Direct Contracting Model: Financial Operating Policies: Capitation and Advanced Payment Mechanisms
Global and Professional Direct Contracting Model: Financial Companion to 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

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1.0 Introduction

This document is a companion to the [Global and Professional Direct Contracting Model Financial Operating Guide: Overview](#) paper. It describes the full calculation of the financial Benchmark for a New Entrant Contracting Entity (DCE). There are separate companion documents that illustrate the financial benchmark calculations for Standard DCEs and High Needs DCEs.

2.0 Financial Benchmark Calculation, Performance Years 2021–2024

The calculation of the DCE Performance Year Benchmark is summarized in Section 4 of the [Global and Professional Direct Contracting Model Financial Operating Guide: Overview](#) document. As explained there, benchmarks are developed separately for both the Aged & Disabled (A&D) and End Stage Renal Disease (ESRD) beneficiary categories, then combined for the final Performance Year Benchmark.

In the first four performance years, claims-aligned beneficiaries and voluntarily aligned beneficiaries have the same benchmark calculation methodology. Note that if a New Entrant DCE has greater than 3,000 claims-aligned beneficiaries in any of the three Base Years (BYs), they will be offered the option to participate as a Standard DCE and will use the Standard DCE methodology, which can be found in the [Global and Professional Direct Contracting Model: Standard DCE Companion Document](#).

2.1 A&D Benchmark Calculation

Figure 2.1 below displays the A&D financial Benchmark for claims--aligned and voluntarily aligned beneficiaries combined. Line 2 displays the DCE Regional Rate based on the DC/KCC Rate Book for the performance year, weighted by the beneficiaries aligned to each county in the performance year. (For a simplified example of how these DCE regional rates are calculated, see [Figure A.1](#)) The DCE Regional Base Line Adjustment (Line 3) is equal to 1 because these beneficiaries receive the DC/KCC Rate Book amount. The Regional Rate is multiplied by both the performance year risk score for the aligned beneficiaries and the number of eligible beneficiary-months in the performance year to arrive at the Benchmark before discount or quality withhold.

Figure 2.1: A&D Benchmark Calculation

		Benchmark to which Experience Accrues
		AD
DCE Benchmark Expenditure		
1.	Rate Book Driven Benchmark	
2.	DCE Regional Rate based on DC/KCC Rate Book	\$813.92
3.	TIMES: DCE Regional Rate Baseline Adjustment	1.000
4.	TIMES: PY Risk Score	1.074
5.	TIMES: PY Eligible Months	100,865
6.	EQUALS: Benchmark before Discount or Quality Withhold	\$88,147,557.91

2.2 ESRD Benchmark Calculation

The ESRD Benchmark calculation completely parallels the A&D Benchmark calculation. The full process is illustrated in **Figure 2.2**.

Figure 2.2: ESRD Benchmark Calculation

		Benchmark to which Experience Accrues
		ESRD
DCE Benchmark Expenditure		
1.	Rate Book Driven Benchmark	
2.	DCE Regional Rate based on DC/KCC Rate Book	\$7,034.41
3.	TIMES: DCE Regional Rate Baseline Adjustment	1.000
4.	TIMES: PY Risk Score	1.063
5.	TIMES: PY Eligible Months	983
6.	EQUALS: Benchmark before Discount or Quality Withhold	\$7,348,721.81

2.3 Combined A&D and ESRD Benchmark Calculation

After the benchmarks have been separately calculated, the A&D and ESRD Benchmarks are then combined to calculate the final Performance Year Benchmark. As shown in **Figure 2.3** and **Figure 2.4** respectively, this can be expressed as an aggregate or a per-beneficiary-per-month (PBPM) amount. In the PBPM example, the total expenditures in line 6 are divided by the aggregate total number of eligible months in line 5.

Figure 2.3: Combined Benchmark for a New Entrant DCE (Aggregate)

		Benchmark to which Experience Accrues		
		AD	ESRD	TOTAL
DCE Benchmark Expenditure				
1.	Rate Book Driven Benchmark			
2.	DCE Regional Rate based on DC/KCC Rate Book	\$813.92	\$7,034.41	
3.	TIMES: DCE Regional Rate Baseline Adjustment	1.000	1.000	
4.	TIMES: PY Risk Score	1.074	1.063	
5.	TIMES: PY Eligible Months	100,865	983	
6.	EQUALS: Benchmark before Discount or Quality Withhold	\$88,147,557.91	\$7,348,721.81	\$95,496,279.73
7.	Benchmark Expenditure for All Aligned Beneficiaries			\$95,496,279.73

Figure 2.4: Combined Benchmark for a New Entrant DCE (PBPM)

		Benchmark to which Experience Accrues		TOTAL (PBPM)
		AD (PBPM)	ESRD (PBPM)	
DCE Benchmark Expenditure				
1.	Rate Book Driven Benchmark			
2.	DCE Regional Rate based on DC/KCC Rate Book	\$813.92	\$7,034.41	
3.	TIMES: DCE Regional Rate Baseline Adjustment	1.000	1.000	
4.	TIMES: PY Risk Score	1.074	1.063	
5.	TIMES: PY Eligible Months	100,865	983	
6.	EQUALS: Benchmark before Discount or Quality Withhold	\$88,147,557.91	\$7,348,721.81	\$95,496,279.73
7.	DIVIDED BY: PY Eligible Months	100,865	983	
8.	EQUALS: Benchmark before Discount or Quality Withhold (PBPM)	\$873.92	\$7,475.81	
9.	Benchmark Expenditure for All Aligned Beneficiaries			\$937.64

2.4 Discount & Quality Withhold

The discount that is applied to the total benchmark expenditure is determined by the risk arrangement selected by the DCE. For DCEs participating in the Global risk track there is a 2% discount applied to the trended, regionally blended, risk-adjusted benchmark in PY2021 (2%–5% in PY2022–PY2026). For Professional DCEs, the Performance Year Benchmark does not include this discount. For both Global and Professional DCEs a 5% quality withhold is also applied to the total benchmark expenditure for all aligned beneficiaries.

As illustrated in **Figure 2.5**, the percentage for both the discount (line 8) and quality withhold (line 10) are both calculated with the benchmark expenditure for all aligned beneficiaries (line 7) and are independent of each other.

Figure 2.5: Discount and Quality Withhold for a Global Risk DCE, in PY2021

7.	Benchmark Expenditure for All Aligned Beneficiaries	\$95,496,279.73
8.	LESS: Discount	(\$1,909,925.59)
9.	EQUALS: Benchmark Expenditure after Discount	\$93,586,354.13
10.	LESS: Quality Withhold	(\$4,774,813.99)
11.	PLUS: Earned Quality Withhold	\$4,774,813.99
12.	EQUALS: Benchmark Expenditure after Earned Quality	\$93,586,354.13

3.0 Financial Benchmark Calculation: Changes in PY2025 and PY2026

Beginning in PY2025, the benchmark for all beneficiaries aligned to a New Entrant DCE will be calculated similarly to claims-aligned beneficiaries in a Standard DCE, as a blend between a historical baseline and a regional rate, regardless of when the beneficiary was aligned to that DCE. However, the approach uses a different baseline period. For New Entrant DCEs, the baseline period for the historical expenditure component of the benchmark will come from the claims for all beneficiaries voluntarily aligned to the DCE during those earlier performance years (2021–2024).

This section describes the step-by-step calculations of the A&D Benchmark for aligned beneficiaries, though a series of figures.

All aligned beneficiaries. Lines 1 through 4 (**Figure 3.1**) tabulate the number of beneficiaries and beneficiary-months that accrue to the A&D Benchmark.

Figure 3.1: All A&D Aligned Beneficiaries

	Baseline Experience		
	2021	2022	2023
DCE Aligned Beneficiary Experience			
1 Aligned Beneficiaries			
2 ... All A&D Aligned	1,802	1,923	1,977
3 Eligible Months			
4 ... All A&D Aligned	19,822	21,153	21,747

Historical Baseline Expenditure. In lines 6 through 9 (**Figure 3.2**) all the fee-for-service (FFS) claims experience of aligned beneficiaries that occurred in each of the 3 base years (BYs) are summed. All FFS claims, including the value of any associated claims reductions that occurred from all providers, including non-DCE provider claims, are summed in lines 6–9 to generate the total FFS claims experience.

Figure 3.2: Historical Baseline Expenditure

	Baseline Experience		
	2021	2022	2023
5 DCE Aligned Beneficiary Claims & Claims Reductions			
6 Non-DCE Provider Claim Payments & Claims Reductions	\$6,964,777.14	\$7,121,883.12	\$7,267,902.70
7 PLUS: Participant Provider Claim Payments & Claims Reductions	\$12,433,458.32	\$12,822,255.96	\$13,377,682.03
8 PLUS: Preferred Provider Claim Payments & Claims Reductions	\$4,549,743.32	\$4,628,296.31	\$4,895,370.60
9 EQUALS: Total DCE Aligned Beneficiary Expenditure	\$23,947,978.77	\$24,572,435.39	\$25,540,955.33

Standardization of Baseline Expenditure. Line 9 displays the total DCE aligned beneficiary expenditure for each base year (**Figure 3.3**). In line 11, the total expenditures are divided by the eligible beneficiary-months to express the expenditure values on a per-beneficiary-per-month (PBPM) level. Within each base year, this PBPM value is divided by the DCE risk score (line 12) and multiplied by the Geographic Adjustment Factor (GAF) -Adjusted Prospective Trend (line 14) for that base year.

The GAF-adjusted prospective trend factor is a combined adjustment reflecting the prospective trend factor, based upon an adjusted FFS US Per Capita Cost (USPCC) growth trend which removes costs related to uncompensated care and adds in hospice expenditures, and the GAF Trend Adjustment which accounts for changes in Medicare Geographic Adjustment Factors between base year and performance year. Calculations for the values that appear in line 14 are shown in **Figure A.2**. After standardization and all adjustments, line 15 presents the DCE Trended, Risk-Standardized and GAF-Adjusted Baseline Expenditure for each base year on a PBPM basis, referred to as the PBPM Historical Rate

Figure 3.3: Standardization of Baseline Expenditure

	Baseline Experience		
	2021	2022	2023
9 EQUALS: Total DCE Aligned Beneficiary Expenditure	\$23,947,978.77	\$24,572,435.39	\$25,540,955.33
10 DIVIDED BY: Eligible Months	19,822	21,153	21,747
11 EQUALS: Claim-based Expenditure PBPM	\$1,208.15	\$1,161.65	\$1,174.46
12 DIVIDED BY: DCE Risk Score	1.232	1.208	1.201
13 EQUALS: DCE Risk-Standardized Baseline Expenditure	\$980.60	\$961.90	\$978.15
14 TIMES: GAF-Adjusted Prospective Trend	1.016	0.959	0.925
15 EQUALS: PBPM Historical Rate	\$995.91	\$922.32	\$904.94

Historical Baseline (3-year average). The DCE PBPM Historical Rate, for each of the 3 performance years are then combined, with more weighting placed on the more recent historical experience. BY1 is weighted 10%, BY2 is weighted 30%, and BY3 is weighted 60%. The result is a weighted 3-year average that serves as the final historical baseline. In line 15 (**Figure 3.4**), the calculation is as follows:

$$\begin{aligned} \text{Historical Baseline} &= (BY_1 \times 10\%) + (BY_2 \times 30\%) + (BY_3 \times 60\%) \\ &= (\$995.91 \times 10\%) + (\$922.32 \times 30\%) + (\$904.94 \times 60\%) = \$919.25 \end{aligned}$$

Figure 3.4: Historical Baseline (3-Year Average)

	2021	2022	2023	Three Year-Benchmark
15 EQUALS: PBPM Historical Rate	\$995.91	\$922.32	\$904.94	\$919.25

Regional Rate for All A&D Aligned Beneficiaries. Line 16 displays the DCE Regional Rate based on the DC/KCC Rate Book for the performance year, weighted by the beneficiaries aligned to each county in each of the base years (**Figure 3.5**). (For a simplified example of how these DCE Regional Rates are calculated, see **Figure A.1**.) The regional rates are combined using the same weighting as the historical expenditure, to arrive at the 3-year benchmark value in line 16.

Figure 3.5: Regional Rate for Claims-Based Alignment

	2021	2022	2023	Three Year-Benchmark
16 DCE Regional Rate based on DC/KCC Rate Book	\$983.42	\$987.14	\$993.82	\$990.78

Blended Benchmark. Three-year benchmark values for the baseline expenditure and DCE Regional Rate (lines 15 and 16) are then blended together to arrive at a blended benchmark. In PY2025, the blend is 55% historical and 45% regional, and the result is \$952.96 on line 18 (**Figure 3.6**). The difference between the blended benchmark and the DCE Baseline Expenditure (line 19) is then compared with the ceiling (line 20) and floor (line 21), on the blended benchmark adjustment. In this case the value does not exceed either limit. Therefore, the blended benchmark is maintained on line 22.

Figure 3.6: Blended Benchmark

	Three Year-Benchmark
15 EQUALS: PBPM Historical Rate	\$919.25
16 DCE Regional Rate based on DC/KCC Rate Book	\$990.78
17 Blend Percentage (% historical)	55%
18 Blended Benchmark (before applying ceiling/floor)	\$951.44
19 Difference between Blended Benchmark and DCE Baseline	\$32.19
20 Ceiling on Blended Benchmark Adjustment	\$43.45
21 Floor on Blended Benchmark Adjustment	(\$17.38)
22 Blended Benchmark	\$951.44
23 DCE Regional Rate Baseline Adjustment	0.960

The three-year blended benchmark (line 22) is then divided by the 3-year DCE Regional Rate based on the DC/KCC Rate Book (line 16), to calculate the DCE Regional Rate Baseline Adjustment (line 23) (**Figure 3.6**). This value represents the ratio of the blended benchmark to the Regional Rate for that DCE

in the historical period. In this example, the DCE Regional Rate Baseline Adjustment factor of 0.960 establishes that in the historical period, the blended benchmark is 96.0% of the Regional Rate; this same rate is then applied in the performance year to the benchmark. By directly incorporating the regional rate based upon performance year alignment, this approach accounts for any significant changes in the counties with the DCE's aligned population over time.

All benchmark calculations to this point are calculated prospectively, based on the historical period. That is, the DCE Regional Rate Baseline Adjustment Factor is calculated before the start of the performance year and does not change for the duration of the performance year.

This DCE Regional Rate Baseline Adjustment factor would be populated in the final benchmark calculation, and all separated benchmarks would be combined the same way as illustrated earlier in **Figure 2.3**.

Appendix

Figure A.1: Calculation of a DCE Regional Rate based on DC/KCC Rate Book

DC/KCC Rate Book Amounts for Two DCE's Across Three Counties							
PY	BY	DCE	County	Eligible Beneficiary Months	Adjusted County Rate	Adjusted County Payment	
2021	2017	1	48201	12,093	\$1,001.50	\$12,111,139.50	
2021	2017	1	48339	1,573	\$986.86	\$1,552,330.78	
2021	2017	1	48157	1,032	\$914.47	\$943,733.04	
2021	2017	2	48201	786	\$1,001.50	\$787,179.00	
2021	2017	2	48339	712	\$986.86	\$702,644.32	
2021	2017	2	48157	319	\$914.47	\$291,715.93	
2021	2018	1	48201	11,655	\$1,001.50	\$11,672,482.50	
2021	2018	1	48339	1,320	\$986.86	\$1,302,655.20	
2021	2018	1	48157	1,019	\$914.47	\$931,844.93	
2021	2018	2	48201	735	\$1,001.50	\$736,102.50	
2021	2018	2	48339	719	\$986.86	\$709,552.34	
2021	2018	2	48157	375	\$914.47	\$342,926.25	
2021	2019	1	48201	132,201	\$1,001.50	\$132,399,301.50	
2021	2019	1	48339	18,724	\$986.86	\$18,477,966.64	
2021	2019	1	48157	11,427	\$914.47	\$10,449,648.69	
2021	2019	2	48201	10,650	\$1,001.50	\$10,665,975.00	
2021	2019	2	48339	7,146	\$986.86	\$7,052,101.56	
2021	2019	2	48157	3,050	\$914.47	\$2,789,133.50	
DCE Regional Rate based on DC/KCC Rate Book					Baseline Experience		
					CY2017	CY2018	
					CY2019		
DCE1	SUM: Adjusted County Payments				\$14,607,203.32	\$13,906,982.63	\$161,326,916.83
	DIVIED BY: Sum Eligible Beneficiary Months				14,698	13,994	162,352
	EQUALS: DCE Regional Rate based on DC/KCC Rate Book				\$993.82	\$993.78	\$993.69
DCE2	SUM: Adjusted County Payments				\$1,781,539.25	\$1,788,581.09	\$20,507,210.06
	DIVIED BY: Sum Eligible Beneficiary Months				1,817	1,829	20,846
	EQUALS: DCE Regional Rate based on DC/KCC Rate Book				\$980.48	\$977.90	\$983.75

Figure A.2: Calculation of the A&D Prospective Adjusted FFS USPCC Trend

Prospective Trend	Baseline Experience			
	2021	2022	2023	PY5
1 USPCC	\$838.40	\$836.28	\$850.55	\$867.73
2 LESS: UCC Component	(\$19.08)	(\$12.13)	(\$14.63)	(\$25.48)
3 PLUS: Hospice Component	\$23.49	\$28.67	\$30.12	\$26.75
4 Times: Adjusted FFS USPCC	\$842.81	\$852.82	\$866.04	\$869.00
5 Prospective Adjusted FFS USPCC Trend	1.031	1.019	1.003	
6 TIMES: GAF Trend Adjustment	0.985	0.941	0.922	
7 EQUALS: GAF-Adjusted Prospective Trend	1.016	0.959	0.925	