

Methodology for determining each provider's allowable variation

HHSC worked with our contracted independent assessor, Myers and Stauffer (MSLC), to develop the allowable variation methodology. Per the Program Funding and Mechanics Protocol, the methodology accounted for the type of provider, provider size (including valuation considerations), and MLIU percentage of Total Patient Population by Provider (PPP) served in the baseline years.

MSLC utilized a statistical method created by the National Institute of Standards and Technology and utilized by the US Department of Health and Human Services Office of the Inspector General to determine size outliers within a provider type (Hospital, Physician Practice, LHD and CMHC). Additional detail on the process can be found in the first tab of the Excel file, *MLIU Allowable Variation Methodology*. These outliers were removed from the provider type subgroups to determine quartiles for each subgroup. The quartile ranges were then used for rating provider size (based on average PPP) within the provider type subgroup. Valuation and MLIU quartiles were set based on all DSRIP providers. The following tables lay out the ranges for each provider group.

Hospital			
	Avg Total PPP	Valuation	MLIU Percentage of Total PPP
1st Quartile	0 - 9927.5	\$0.00 - 759,888.25	66.40% +
2nd Quartile	9927.51 - 29756.5	\$759,888.26 - \$2,860,379.64	41.54% - 66.39%
3rd Quartile	29756.51 - 75145.88	\$2,860,379.65 - \$8,930,373,64	32.04% - 41.53%
4th Quartile	75145.89 +	\$8,930,373,65 +	0.00% - 32.03%

Physician Practice			
	Avg Total PPP	Valuation	MLIU Percentage of Total PPP
1st Quartile	0 - 12951	\$0.00 - 759,888.25	66.40% +
2nd Quartile	12951.01 - 24587	\$759,888.26 - \$2,860,379.64	41.54% - 66.39%
3rd Quartile	24587.01 - 56760	\$2,860,379.65 - \$8,930,373,64	32.04% - 41.53%
4th Quartile	56760.01 +	\$8,930,373,65 +	0.00% - 32.03%

CMHC			
	Avg Total PPP	Valuation	MLIU Percentage of Total PPP
1st Quartile	0 - 4259.25	\$0.00 - 759,888.25	66.40% +
2nd Quartile	4259.26 - 6435	\$759,888.26 - \$2,860,379.64	41.54% - 66.39%
3rd Quartile	6435.01 - 10400	\$2,860,379.65 - \$8,930,373,64	32.04% - 41.53%
4th Quartile	10400.01 +	\$8,930,373,65 +	0.00% - 32.03%

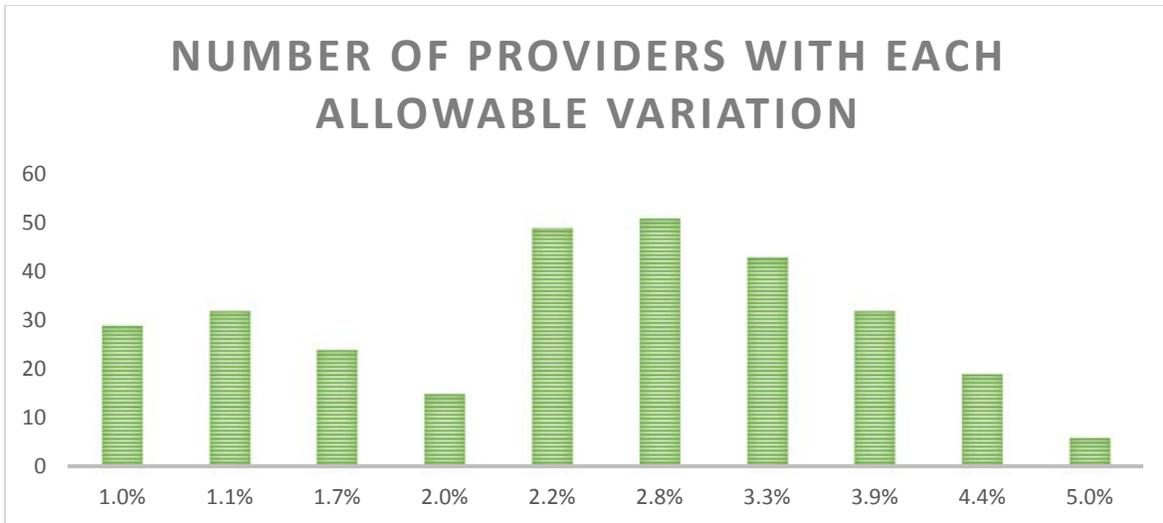
LHD			
	Avg Total PPP	Valuation	MLIU Percentage of Total PPP
1st Quartile	0 - 5738.5	\$0.00 - 759,888.25	66.40% +
2nd Quartile	5738.51 - 14347	\$759,888.26 - \$2,860,379.64	41.54% - 66.39%
3rd Quartile	14347.01 - 40400	\$2,860,379.65 - \$8,930,373,64	32.04% - 41.53%
4th Quartile	40400.01 +	\$8,930,373,65 +	0.00% - 32.03%

For each element (size, valuation and MLIU), each provider (including outliers) was assigned a rating of one through four based on its quartile position.

The ratings were set as follows:

Rating/Quartile	Size	Valuation	MLIU Percentage
1	smallest	smallest	largest
2			
3			
4	largest	largest	smallest

Each provider is scored based on these ratings. The ratings across each category were summed (1+1+1, for example) and subtracted from 12, the highest possible sum of ratings. This resulted in an overall score per provider. The score is weighted among the providers in the subgroup, and applied to the allowable variation range of 1-5%. A low score (0) results in the lowest allowable variance for the provider of 1%, and the highest score (9) results in the highest allowable variance for the provider of 5%. CMHCs and LHDs had a minimum of 2% allowable variation due to smaller variability in Total PPP within their provider type groups. Please see the distribution of the allowable variance among all providers in the table below.



Please see the provider's allowable variance from their MLIU PPP goal in the Excel file, *MLIU Allowable Variation Methodology*, under column S "Allowable Variation." As a reminder, the allowable variance provides a "cushion" for a provider to be from 1-5% below the 100% MLIU goal (depending on their allowable variation) in order to earn 100% achievement of the Category B PPP metric. For example, if a provider's allowable variation is 3% with an MLIU PPP goal of 1500, then achieving 1455 MLIU PPP would still result in being eligible for 100% payment. If the provider is below the allowable variance, but has achieved 90% of the MLIU goal or more, the provider will earn 90% of the Category B valuation. If the provider has achieved less than 90% of the MLIU PPP goal, but 75% of the MLIU goal or above, the provider will earn 75% of the Category B valuation. Finally, if the provider has achieved less than 75% of the MLIU PPP goal, but 50% or more, the provider will earn 50% of the Category B valuation.