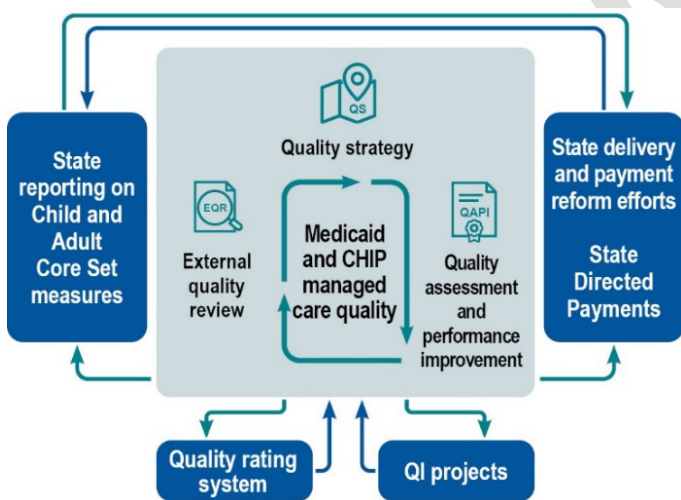


Medicaid and CHIP Managed Care Quality Improvement

The Managed Care Quality (MCQ) Cycle

As the dominant delivery system for Medicaid and the Children’s Health Insurance Program (CHIP), managed care has enormous potential to improve health care quality and outcomes. State Medicaid and CHIP agencies that contract with managed care plans (MCPs) are responsible for improving managed care quality (MCQ) in various ways, including through federally mandated oversight activities. These activities include developing a quality strategy, requiring MCPs to establish ongoing comprehensive quality assessment and performance improvement (QAPI) programs, and implementing annual external quality review (EQR). These MCQ oversight activities are designed to inform and reinforce one another in an MCQ cycle (Figure 1).

Figure 1. MCQ cycle



State managed care quality strategies outline the state’s vision and priorities for managed care and provide a road map for achieving and assessing progress toward MCQ goals.¹ Quality strategies must include the state’s goals and objectives for continuous quality improvement (QI), as well as the quality metrics the state will use to monitor

MCP performance. The managed care priorities and activities articulated in a state’s quality strategy are realized in part through MCP QAPI programs.

QAPI programs include the performance measures MCPs will report to the state and the performance improvement projects (PIPs) they will implement. QAPI activities must include mechanisms to detect under- and overutilization of services and to assess the quality and appropriateness of care furnished to enrollees with special health needs or who receive long-term services and supports, if applicable.² QAPI performance measures and PIPs are then validated during annual EQR.

EQR is the analysis and evaluation of the quality, timeliness, and access to the health services MCPs provide. It provides insights into MCPs’ strengths, weaknesses, and QI approaches. An external quality review organization (EQRO) prepares the annual technical report that summarizes EQR findings and provides QI recommendations.³ Beginning in April 2025, these reports must include findings from the EQR-related network adequacy validation (NAV) activity.⁴ EQR findings inform updates to a state’s quality strategy and MCPs’ QAPI programs.

By thinking holistically about these MCQ oversight activities, states can maximize their impact for quality improvement.

Align Quality Activities to Maximize Impact

As Figure 1 shows, the MCQ cycle works best when aligned with other Medicaid and CHIP quality oversight and improvement efforts, such as existing measure sets, including Child and Adult Core Sets measure reporting, state delivery and payment reform initiatives, state directed payments, quality rating systems, and QI projects.

Child and Adult Core Sets Measure Reporting

The Child and Adult Core Sets include standardized quality measures that help states and the Centers for Medicare &

¹ See requirements at 42 C.F.R. 438.340 and 457.1240(e).

² See requirements at 42 C.F.R. 438.330 and 457.1240(b).

³ See requirements at 42 C.F.R. 438.350-438.170 and 457.1250.

⁴ Learn more about the timeline at

<https://www.medicare.gov/sites/default/files/2023-04/eqr-network-adequacy-protocol-factsheet-2023.pdf>. See requirements at 42 C.F.R. 438.358(b)(1)(iv) for Medicaid, and through cross-reference at 42 CFR 457.1250 for CHIP.

Medicaid Services (CMS) monitor health care quality in Medicaid and CHIP at the state and national levels and stratify data by various demographic factors to ensure that disparities in health outcomes are identified and addressed.⁵ States can draw on MCP reporting and EQR to support reporting of the Child and Adult Core Set measures. Performance on Core Set measures can be a valuable reference for states when identifying quality strategy goals and QAPI PIP topics and performance measures. Core Set measures can be used as indicators of progress on PIPs and other QI activities allowing for comparison across plans.

State Delivery and Payment Reform Efforts

States use section 1115 demonstrations and waiver authorities, such as 1915(b) and 1915(c), to implement managed care delivery systems and to test new approaches to health care delivery and payment. States are encouraged to align demonstration and waiver monitoring metrics with QAPI and EQR metrics and to use EQR in demonstration and waiver monitoring and renewals. For example, states can include demonstration populations in EQR reports and then use those data to help show the demonstration's impact. Similarly, states are encouraged to use demonstration and waiver monitoring to inform and align with other QI activities, e.g., potential future MCP QAPI measures or QI project focus areas.

State Directed Payments (SDPs)

SDPs can help states meet Medicaid program goals by requiring MCPs to reimburse providers at specific rates or to implement value-based purchasing (VBP) initiatives.⁶ SDPs must be expected to advance at least one of the goals and objectives in the state's quality strategy. States are encouraged to align SDP evaluation plans with MCP QAPI measures to use MCP reporting and annual EQRs to gather evaluation data. States can also incentivize provider performance on QI priorities by using VBP SDPs to reward provider improvement on QAPI measures.

Quality Rating Systems (QRSs)

Some states use a QRS to share comparative quality of care information, and in 2024, CMS finalized a requirement for states that contract with an applicable MCP to implement a

⁵ Learn more at <https://www.medicaid.gov/medicaid/quality-of-care/performance-measurement/adult-and-child-health-care-quality-measures/index.html>.

⁶ See requirements at 42 C.F.R. 438.6(c). Learn more at <https://www.medicaid.gov/medicaid/managed-care/guidance/state-directed-payments/index.html>.

Medicaid and CHIP Quality Rating System (MAC QRS) by December 31, 2028.⁷ The state MAC QRS must display a standard set of quality ratings⁸ and states will have the option to include additional quality measures. QRSs give beneficiaries useful information for selecting an MCP and can help states drive QI through public reporting. By aligning QAPI measures with the MAC QRS measure set, or adding QAPI measures to their MAC QRS, states can draw on the EQR process to report QRS measures.

QI Projects

States can use MCQ oversight activities to design and monitor QI projects, which are sets of clinical and nonclinical focused activities to improve quality, timeliness, or access to health care services for Medicaid and CHIP enrollees. States can use their quality strategy goals and objectives to identify a QI project focus area, or their EQR technical reports to identify interventions to test in a QI project or in a PIP. QI projects also can inform MCQ oversight. States can require plans to use QAPI PIPs to scale and spread successful QI projects or include QI project measures in annual EQR activities to monitor the impact of the QI project's interventions.

For More Information

CMS is available to help states develop and align MCQ oversight activities to maximize impact.

Learn more about using MCQ oversight activities for QI in Medicaid and CHIP at

<https://www.medicaid.gov/medicaid/quality-of-care/medicaid-managed-care-quality/managed-care-quality-improvement/index.html>.

Learn more about MCQ at

<https://www.medicaid.gov/medicaid/quality-of-care/medicaid-managed-care-quality/index.html>.

For technical assistance, please contact ManagedCareQuality@cms.hhs.gov.

⁷ See CMS-2439-F at <https://www.govinfo.gov/content/pkg/FR-2024-05-10/pdf/2024-08085.pdf>, and see requirements at 42 C.F.R. 438.505(a)(1).

⁸ See requirements at 42 C.F.R. 438.334. Learn more at <https://www.medicaid.gov/medicaid/quality-of-care/medicaid-managed-care-quality/quality-rating-system/index.html>.