



Pricing Methodology Technical Specifications Guide

August 2023



Introduction



Introduction

[BPCI Advanced Webpage](#)

[BPCI Advanced: Participant Resources Webpage](#)

[BPCI Advanced Participant Portal](#)

The Pricing Methodology Technical Specifications Guide (“Guide”) serves as a reference document that consolidates a subset of resources related to the pricing methodology of the BPCI Advanced Model. We recognize that the Model’s pricing methodology is complex, and therefore the goal of this Guide is to help Applicants and current Participants better understand it.

The Guide is structured into sections that cover the three main pricing components: Clinical Episodes, Target Prices and the Reconciliation process. Each section provides links to pricing materials publicly available on the [BPCI Advanced: Participant Resources Webpage](#), along with a short description for each resource. Model Participants can use the [BPCI Advanced Participant Portal](#) to access the materials referenced in this Guide, plus additional technical resources in the Document Library section of the Portal.

Users can choose to either move through the Guide from start to finish, reviewing the full pricing methodology process, or use the navigation page (page 3) to go directly to a section if they are interested in a specific component.



Acronyms Used in the Guide

Acronym	Term
ACH	Acute Care Hospital
APC	Ambulatory Payment Classification
CEC	Clinical Episode Category
CESLG	Clinical Episode Service Line Group
CQS	Composite Quality Score
HCPCS	Healthcare Common Procedure Coding System
HH	Home Health
MJRLE	Major Joint Replacement of the Lower Extremity
MJRUE	Major Joint Replacement of the Upper Extremity
MS-DRG	Medicare Severity Diagnosis Related Group
MY	Model Year
PP	Performance Period
QM	Quality Measure(s)
SNF	Skilled Nursing Facility
TAVR	Transcatheter Aortic Valve Replacement

Navigation Page

Click on the Model elements below to review more information about the different stages of the Model's pricing methodology.

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Clinical Episodes



Choosing CESLGs

Participants choose the CESLGs for which they will be accountable.

[BPCI
Advanced
MY7 Clinical
Episode Lists](#)

How are Clinical Episodes identified? The Clinical Episode Lists are an Excel workbook that lists the Clinical Episode Service Line Groups (CESLGs) and their associated Clinical Episode Categories (CECs). The Model has 34 CECs grouped into eight CESLGs. There are 29 inpatient CECs, three outpatient CECs and two multi-setting CECs. The workbook also contains additional tables which include information about:

- Clinical Episode setting (inpatient or outpatient)
- Medicare Severity Diagnosis Related Groups (MS-DRGs) codes and Healthcare Common Procedure Coding System (HCPCS) codes that would trigger a Clinical Episode
- Procedure codes for Transcatheter Aortic Valve Replacement (TAVR) and Major Joint Replacement of the Upper Extremity (MJRUE)

The Excel workbook is updated every Model Year (MY) with the current CESLG and Clinical Episode information and changes to MS-DRGs and HCPCS codes.

[Episode Initiators and Clinical Episode Service Line Group Selections MY6](#)

Want to see the CESLG selections of other Model Participants? This Excel workbook lists EIs and their CESLG selections for MY6. The file is updated in January of each Model Year.



Triggering Clinical Episodes

A patient triggers a Clinical Episode via an inpatient hospital stay or an outpatient hospital procedure.

[Clinical Episode
Construction
Specifications
MY7](#)

Note that APCs are based on HCPCS and are mapped from the baseline period to the Model Year.

How are Clinical Episodes constructed and what items and services are included? The Clinical Episode Construction Specifications provide step-by-step instructions and descriptions of the processes used to build Clinical Episodes. Sections describe:

- Mapping of MS-DRG codes and Ambulatory Payment Classification (APC) changes over time
- Defining Clinical Episode shells
- Assigning payments and services to Clinical Episodes
- Updating historical payments from the baseline period to the current Model Year
- Finalizing baseline period Clinical Episodes
- Finalizing Performance Period (PP) Clinical Episodes

The specifications are updated, at a minimum, annually in preparation for each new Model Year.

[BPCI Advanced MY7 HH Update Factor Appendix](#)

Have questions about the Home Health (HH) update factor? The HH Update Factor Appendix explains the update factor methodology for each baseline year.

[BPCI Advanced MY7 SNF Update Factor Appendix](#)

Have questions about the Skilled Nursing Facility (SNF) update factor? The SNF Update Factor Appendix walks through the update factor methodologies for baseline years up through 2021.

Clinical Episodes (cont.)



Defining Clinical Episodes

The Model removes certain items and services from the Clinical Episode using exclusion criteria.

[BPCI Advanced Exclusions List MY7](#)

Not all Medicare Fee-for-Service claims are included in a BPCI Advanced Clinical Episode. Types of services and items excluded are:

- Certain specified Acute Care Hospital (ACH) admissions and readmissions
- Contralateral procedures with the same MS-DRG or HCPCS for Major Joint Replacement of the Lower Extremity (MJRLE)
- New technology add-on payments
- Payments for items and services for cardiac rehabilitation and intensive cardiac rehabilitation
- Payments for items and services with transitional pass-through payment status
- Payment for blood clotting factors

The BPCI Advanced Exclusions List shows the services that are excluded from each Clinical Episode. The tables in the workbook provide the specific MS-DRG and HCPCS codes that are excluded, including those associated with:

- All Medicare Part A and Part B services during specified ACH admissions and readmissions (i.e., organ transplant, trauma, cancer when explicitly indicated by MS-DRG and ventricular shunts)
- Part B drugs
- Inflammatory bowel disease Part B drugs
- Hemophilia
- Cardiac rehabilitation

The exclusions are updated annually prior to the start of each Model Year.

[Model Overlap Frequently Asked Questions](#)

Have questions about participating in BPCI Advanced while you are participating in another model, initiative or program at CMS? The Model Overlap FAQs have the answers you are looking for.

Target Prices



Creating and Updating Target Prices

Before the start of each Model Year, preliminary Target Prices are created for each CEC for each Episode Initiator. Final Target Prices will be constructed during Reconciliation and will include updated patient case mix and realized trends.

[Target Price Specifications MY7](#)

How does the Model create Target Prices? The Target Price Specifications document provides an overview of Target Pricing methodology, Clinical Episode construction and detailed steps for Target Price construction. Follow along, step-by-step, through the Target Pricing methodology—from the patient and peer group risk adjusters to estimating Clinical Episode level spending and obtaining preliminary and final Target Prices.

The specifications are updated, at a minimum, annually in preparation for each new Model Year.

[Introduction to Pricing Methodology Webcast \(Recording\)](#)
[Slides](#) | [Transcript](#)

Want a high-level overview of pricing in the Model? The Introduction to Pricing Methodology Webcast is a guide to the pricing process, with sections including:

- Pricing Overview and Updates
- CECs and Service Line Group Selection
- Pricing Methodology
- Reconciliation Process

The webcast describes the step-by-step implementation of the methodology used to construct a Target Price for a given BPCI Advanced CEC and Episode Initiator.

The webcast is a new resource, created to educate potential Applicants and current Model Participants. It is not expected to be updated prior to the beginning of MY7 or MY8.

Reconciliation



Reconciling Expenditures Against Target Prices

The Model conducts Reconciliation to compare the final Target Prices against actual Medicare Fee-for-Service expenditures.

[Clinical Episode Reconciliation Specifications MY5](#)

How does CMS calculate payments? Clinical Episode Reconciliation Specifications provide a detailed understanding of the calculations used during Reconciliation. The document explains calculations for:

- PP Clinical Episode Spending
- Final Target Price
- Total PP Target Amount
- Composite Quality Score (CQS)
- Reconciliation Amount
- True-Up Amount
- Excess Spending Amount

Clinical Episodes will be reconciled based on the PP in which the Clinical Episode ends. The PPs are January to June and July to December. Reconciliation occurs semi-annually and the Reconciliation process includes two “True-Ups” for each PP to allow for claims run-out.

The specifications are updated annually prior to the first Reconciliation cycle for each Model Year. MY6 specifications will be published in Fall 2023.



Adjusting for Quality

Quality adjustments from CQS are applied to the Reconciliation Amounts.

[Clinical Episodes to Quality Measures Correlation Table MY7](#)

Which quality measures (QMs) apply to each Clinical Episode? The BPCI Advanced Clinical Episodes to Quality Measures Correlation Table (“Correlation Table”) maps Clinical Episodes to their associated QMs. Participants have the flexibility to report QM performance through either the Administrative Quality Measures Set or the clinically aligned Alternate Quality Measures Set. The Correlation Table is organized by CESLG and indicates which Administrative and Alternate QMs are aligned to each CEC.

The table is updated annually in the Fall prior to the start of each Model Year.

[MY7 Administrative Quality Measures Set Fact Sheets](#)

[MY7 Alternate Quality Measures Set Fact Sheets](#)

Where can I learn more about each quality measure? EIs will be required to commit to a QM set for each CEC within the CESLGs they select before the start of each Model Year. The BPCI Advanced MY7 Administrative Quality Measures Set Fact Sheet and Alternate Quality Measures Set Fact Sheet (“Fact Sheets”) provide detailed specifications and updates for the QMs included in the Model. The Fact Sheets contain information about their measures’:

- Data source
- Background and rationale for inclusion
- Applicable CECs
- Numerator and denominator calculations
- Data submission
- Specifications revisions
- CQS
- Other resources

Quality measure selections for MY7 are not binding for MY8. Participants will have the opportunity to make changes for 2025.

The Fact Sheets are updated annually in the Fall prior to the start of each Model Year.