

# MCO withhold

## Background

Apple Health is Washington State's Medicaid program, providing health coverage to about two million people. About 85 percent of Apple Health clients are covered by managed care organizations (MCOs), which are health insurance companies that receive a per-member-per-month (PMPM) premium to cover each member's care.

Value-based purchasing (VBP) is a range of health care payment strategies intended to contain costs while improving outcomes by tying payment to care quality. In 2016, HCA began setting annual VBP adoption targets for state-financed health programs, with an ambitious goal of driving 90 percent of state-financed health care payments into qualifying VBP contracts by 2021. In 2022, we set a new goal to shift 50 percent of state-financed health care into more advanced VBP contracts, in which providers accept some financial risk. Learn more in the [VBP Roadmap](#).

## What is the MCO withhold?

The withhold is an incentive structure in which HCA withholds two percent of each MCO's PMPM payment. MCOs can earn those funds back by meeting certain targets in VBP contracting and quality performance.

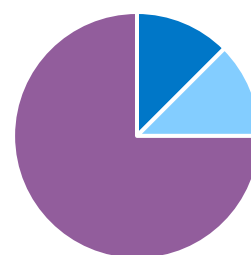
### How does the withhold incentivize the shift to VBP?

MCOs can earn 25 percent of the withhold (0.5 percent of the PMPM that is withheld) through value-based contracting (VBC). MCOs can regain half of the VBC portion by reaching a certain threshold of spending under qualifying VBP arrangements with providers. MCOs can regain the other half by meeting a target for the amount of money that is at risk or available to be earned as bonus payments by providers under those VBP arrangements.

### How does the withhold incentivize quality of care?

MCOs can earn back 75 percent of the withhold (1.5 percent of the PMPM that is withheld) by meeting quality standards on defined metrics like antidepressant medication management, diabetes and blood pressure management, vaccinations and annual well-child visits, and mental health treatment.

VBP withhold (2% of MCO Premium)



- Value-based contracts: penetration of spending under VBP arrangements
- Value-based contracts: value of risk/bonus payments
- Quality performance

## Tracking VBP adoption

Each year HCA conducts the Paying for Value Survey to measure VBP adoption and related barriers and enablers for both providers and payers. This helps us track progress toward our VBP goals and identify ways to improve future initiatives. [Learn more about tracking VBP adoption](#).

## Learn more

- [Model managed care contracts](#)
- [Apple Health Appendix](#)
- [What we're working on](#)