

EXHIBIT DD(2)

NURSING FACILITY QUALITY INCENTIVE PROGRAM

This Exhibit DD(2) defines a potential payment obligation by the Department to the CHC-MCO for a Nursing Facility Quality Incentive Program to evaluate Nursing Facilities (NFs) that participate in the Medical Assistance Program and to develop a valued-based incentive arrangement. This Exhibit is effective only if the CHC-MCO operates a statewide Community HealthChoices program under this Agreement in CY 2026. If the CHC-MCO does not operate a statewide CHC program under this Agreement in 2026 the Department has no payment obligation under this Exhibit.

I. Quality Performance Measures

For 2026, the Department selected Centers for Medicare and Medicaid Services (CMS) Compare quality metrics impacting clinical care using the Minimum Data Set (MDS) system and utilization using Medicare Part A data. The Department chose these indicators based on national and state analysis of past data indicating the need for improvements across the NFs and to improve quality of care for a broad base of the CHC population. The NF quality metrics include:

1. Percentage of short-stay residents who were re-hospitalized after a NF admission (Claims)
2. Percentage of long-stay residents with pressure ulcers (MDS)
3. Percentage of long-stay residents experiencing one or more falls with major injury (MDS)
4. Percentage of long-stay residents assessed and appropriately given the seasonal influenza vaccine (MDS)
5. Percentage of long-stay residents assessed and appropriately given the pneumococcal vaccine (MDS)
6. Percentage of long-stay residents who received an antipsychotic medication (MDS)

The above quality metrics must be used in any NF VBP arrangements for calendar year 2026.

NOTE: The CHC-MCO NF quality metrics may be subject to change due to Battelle Partnership for Quality Measurement specifications, CMS requirements, or the Pennsylvania Department of Health requirements.

The CHC-MCO NF Quality Incentive Program rewards NFs based on achieving statewide benchmark goals and incremental improvement for these quality measures. The Department will establish CY 2026 statewide benchmark goals for measures 1-6

above. NFs will be rewarded for incremental improvement from the CY 2025 (base year) to CY 2026 results for measures 1-6 above. CHC adjusted payments will be made to NFs as described in Section II below. Note: NFs must be an MA facility, have achieved median or better performance or an increment improvement of at least 0.5%, on at least one of the six measures, and have attended at least one Long-Term Care Learning Network Webinar hosted by the Jewish Healthcare Foundation in 2026, to be eligible for payment.

A. Benchmark Performance: The Department will establish CY 2026 statewide benchmark goals for measures 1-6 above. The Department will award a benchmark performance payout amount for each metric in Section I. NFs will be rewarded one point for obtaining the statewide 50th percentile and one point for obtaining the next quartile of improvement for the quality and utilization metrics. NFs can receive up to 12 points for benchmark performance. These points will be used to calculate a CHC adjusted incentive payment described in Section II.

B. Incremental Improvement Performance: The Department will award an incremental improvement payment for measures 1-6 above. NFs will be rewarded for incremental improvement from CY 2025 (base year) to CY 2026. For each measure, NFs can earn from 0 to 2 points based on the sliding scale below. NFs can earn a maximal incremental improvement score of 12 points.

Sliding Scale:

- 2 points for ≥ 2.0 Percentage Point Improvement
- 1 point for ≥ 1 and < 2.0 Percentage Point Improvement
- 0.5 point for ≥ 0.5 and < 1 Percentage Point Improvement
- 0 points for < 0.5 Percentage Point Improvement

II. Payment for CHC-MCO Pay for Performance

The Department will direct the CHC-MCO to make Nursing Facility Incentive Program CHC adjusted payments based on performance measures defined in Section I for CY 2026 benchmark performance and incremental improvement from CY 2025 (base year) to CY 2026. NFs must participate fully in Medical Assistance Programs to be eligible for this incentive program. The NFs are eligible to earn up to 12 points for benchmark performance and 12 points for incremental performance with a maximum of 24 incentive points as described above in IA and IB. The Department will distribute CHC adjusted payments based on each NF's total incentive points and CHC MA occupancy. The Department will determine a maximum potential dollar amount for each incentive point. Payouts will be based on multiplying each NF's total number of points by the dollar amount per incentive point as adjusted for each facility's CHC MA occupancy. The Department will direct the CHC-MCO to make payments to assigned NFs.

The Department will inform the CHC-MCO of the Maximum Program Payout amount by November 30, 2027.

Per 42 C.F.R. 438.6(b)(2)(ii) –(iii), this incentive arrangement does not automatically renew and is made available to both county and non-public nursing facilities under the same terms of performance.

NOTE: The Department may change the payout methodology based on reporting restrictions due to a natural disaster, pandemic, budgetary constraints or other unforeseen events. The payout methodology will be shared with the CHC-MCOs prior to finalizing.

I. Value-Based Arrangements

The CHC MCOs will use the six quality measures listed above in Section I to develop value-based arrangements with nursing facilities in 2026 to help achieve the 25% VBP goal described in section VII.E.16.b.ii, Value-Based Purchasing. The CHC MCOs may use additional quality and utilization metrics to develop value-based arrangements with nursing facilities.