## Efficiency Source Data and Evaluation

The two-year blended health status adjusted total medical expense PMPM (including member liability) was calculated for each LCU using calendar years 2015 and 2016 and brought forward to 2017 contractual terms. The most recent year brought forward to 2017 contractual terms received a greater weight (2/3 weight) than the prior year (1/3 weight). This calculation included medical, pharmacy, and behavioral health claim payments to all hospitals and providers for HMO/POS members, as well as any other payments to the LCU based upon HMO/POS membership (e.g., quality or management payments, infrastructure, settlements, etc.). In addition, to mitigate the impact of outliers, medical and pharmacy data was censored at the 99th percentile if the outlier was away from the median by more than two standard deviations.

## Basis of Evaluation

Quality of care evaluation was based on each LCU’s overall performance in HEDIS measures for dates of service in 2015, as reported in 2016 (the most recently published). Cost-efficiency measurement was based upon the risk adjusted total medical expense for each LCU’s HMO/POS fully insured and self-insured membership.

## Quality Source Data

LCUs were evaluated on quality using an opportunity method, which compared their performance against HEDIS measures grouped into the following three domains:

1. **Acute Care Domain (6 measures)** — Children with Pharyngitis (CWP); Upper Respiratory Infection (URI); Avoidance of Antibiotics in Adults with Acute Bronchitis (AAB); Low Back Pain (LBP); Initiation, Evaluation and Treatment of Substance Abuse (IET); and Antidepressant Medication Management – Continuation Phase (AMM)

2. **Care Domain (4 measures)** — Asthma Medication Management (ASM); Comprehensive Diabetes Care (CDC); HbA1c and Nephropathy Testing; and Monitoring of Patients on Persistent Medications (MPM)

3. **Preventive Care Domain (5 measures)** — Breast Cancer Screening (BCS); Chlamydia Testing (CHL); Adolescent Well Care (AWC); Child Visits in the Third, Fourth, Fifth and Sixth Years of Life (W34); and Chlamydia Screening in Women (CHL)

The opportunity method combined all denominators and all numerators within each domain and calculated a domain rate. (In order to be measured, an LCU was required to have a minimum of 20 observations within a domain.) Any LCU that had one or more domains flagged for performance one or more standard deviations below the network mean was defined as not meeting the quality performance necessary for Tier 1 assignment.

## Tiered Physicians

Physicians were tiered based upon the quality and cost-efficiency of the Harvard Pilgrim Local Care Unit (LCU) to which they belong.
Harvard Pilgrim physicians not affiliated with an LCU, or in LCUs with insufficient data to rank, were assigned to Tier 2.

<table>
<thead>
<tr>
<th>Cost-sharing Tier Level Assignment*</th>
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<tbody>
<tr>
<td>• Tier 1-Level Copayment: Low</td>
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<tr>
<td>• Tier 2-Level Copayment: Medium</td>
</tr>
<tr>
<td>• Tier 3-Level Copayment: High</td>
</tr>
</tbody>
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*The Primary Choice HMO is a limited network offering; not all providers participate in this product.