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MEMORANDUM

MEMO NOS.  
QI-2512  
FFS 25-06

TO: Hospitals, QUEST Integration (QI) Health Plans, Medicaid Fee-For-Service (FFS) Providers

FROM: Judy Mohr Peterson, PhD   
Med-QUEST Division Administrator

SUBJECT: HOSPITAL QUALITY PAY FOR PERFORMANCE GUIDANCE FOR MEASUREMENT YEAR 2025

This memorandum provides guidance and description of the mechanisms through which hospital performance will be evaluated, scored, and final payments will be calculated, for the 2025 Hospital Quality Pay for Performance (P4P) program. The guidance herein applies to the state directed payment programs for both private hospitals and Hawai'i Health Systems Corporation (HHSC) public hospitals.

The 2025 P4P measures were selected and updated to align with the future direction of the States Advancing All-Payer Health Equity Approaches and Development (AHEAD) model, and reflect the increased size of the program, new federal requirements, and input received from Healthcare Association of Hawai'i (HAH) and participating hospitals.

Table 1 displays the performance measures included in the P4P program starting MY2025 and Table 2 includes weighting for each P4P measure.

Note the following key changes to the program measures for 2025 as compared to 2024:

- The readmissions learning collaborative measure has been replaced with a quantitative readmissions measure; and applies a target setting methodology and payout determination that rewards performance relative to a benchmark as well as a hospital's improvement over self.
- The target setting methodology and payout determination for the emergency department (ED) visit measure has been revised to reward a hospital's improvement over self.
- Measure weighting has been updated such that each hospital has 40% of its quality funding at risk for performance and improvement on quantitative outcome measures.

Questions may be directed to Med-QUEST Division (MQD) Clinical Standards Office at [MQDCSO\\_Inquiries@dhs.hawaii.gov](mailto:MQDCSO_Inquiries@dhs.hawaii.gov).

Table 1—Summary of 2025 Hospital P4P Measures

Measure/Metric Name	Measure Type
<b>1. Reduce ED Visits for Medicaid Members with 4 or more visits</b>	At Risk Quantitative Outcome
<b>2. Reduce Hospital-Wide Readmission Rates for Medicaid Members</b>	At Risk Quantitative Outcome
<b>3. OP-18 Time from ED Admit to Discharge</b>	At Risk Quantitative Outcome
<b>4. Measures specific to The Queen’s Medical Center - Kahi Mohala</b>	At Risk Quantitative Outcome
<b>5. Measures specific to Rehabilitation Hospital of the Pacific (Rehab Hospital)</b>	At Risk Quantitative Outcome
<b>6. Hawai’i AIM Perinatal Collaborative Metrics</b>	Required Reporting
<b>7. Behavioral Health (BH) Admissions Metrics</b>	Required Reporting
<b>8. Healthy Hawai’i Quality Improvement Metrics</b>	Required Reporting

## Policies on Reporting and Payment Deadlines

HAH will collect information on hospital performance (for both at-risk quantitative outcome measures and required reporting measures) and will report to MQD final 2025 performance results by April 30, 2026. MQD will review final reporting results within 30 calendar days and issue a scorecard for payments to its Health Plans. The Health Plans will then have 15 calendar days upon receipt of the scorecard to issue payments to hospitals.

Required reporting metrics may have interim reporting deadlines. If a hospital is not able to meet an interim reporting deadline, they may request an extension of up to 30 days by notifying MQD in writing. Extensions beyond 30 days may be considered in extenuating circumstances such as natural disasters.

## Program Policy Changes

This P4P methodology is for 2025.

Guidelines in this memo may change if required for CMS approvals applicable to this program. The continuation of this program is subject to, and contingent upon, CMS approval. MQD reserves the right to update or change the measure list as well as the number of total measures included in the Hospital Quality P4P program in future years due to measure revisions or retirements, as strategic priorities change, or as statewide performance goals for measures are reached.

MQD may grant a hospital a reporting deadline extension if there has been unexpected or significant impact on data systems out of the hospital’s control, such as incapacitation of data systems or natural disasters affecting operations. When system incapacitation events affect reporting to the point of a delay beyond the reporting deadline, the hospital must notify MQD in writing as soon as it is aware of the delay.

## Audit Guidance

MQD reserves the right to require additional verification of any data, related documentation, and compliance with all program requirements, and to audit data from participating hospitals at any time. Hospitals must, upon state or federal official request, provide any additional information or records related to Hospital P4P reporting, and, in the case of an audit, provide information and access deemed necessary by state or federal officials, or their auditors.

Table 2—Measure and Metric Weight Summary

Measure/Metric Name	With OB <sup>1</sup>	Without OB	With BH <sup>2</sup> Beds	Kahi Mohala	Rehab Hosp	CAH <sup>3</sup>
1. Reducing ED Visits for Medicaid Members with 4 or more visits	20%	20%	20%	-	-	-
2. Reduce Hospital-Wide Readmission Rates for Medicaid Members	20%	20%	20%	-	-	-
3. OP-18 Time from ED Admit to Discharge	-	-	-	-	-	40%
4. Measures specific to Kahi Mohala	-	-	-	40%	-	-
5. Measures specific to Rehab Hospital	-	-	-	-	40%	-
6. Perinatal Collaborative Metrics	10%	-	-	-	-	-
7. Behavioral Health Admissions Metrics	-	-	5%	-	-	-
8. Healthy Hawai'i Quality Improvement Metrics	50%	60%	55%	60%	60%	60%

<sup>1</sup>OB: Obstetrics Departments; <sup>2</sup>BH: Behavioral Health; <sup>3</sup>CAH: Critical Access Hospitals

Each participating hospital is allocated an initial portion of the total value of the P4P program. The type of hospital (e.g. hospitals with OB, hospitals without OB, etc.) will then determine how that portion is allocated across measures applicable to that hospital (Table 2). Therefore, each hospital begins each P4P year with a set of required measures, and funding allocation per measure. The performance of the hospital on the measure will drive actual earnings.

## Final P4P Earnings Determination

P4P earnings are calculated according to the following steps, with separate determinations for the private hospital program and for the HHSC program.

1. For each hospital, apply measure specific weights shown in Table 2 to the hospital quality allocation to determine the measure specific potential quality payment.
2. Follow the measure specific target setting methodology and 2025 payout determination included in this memo to determine the percent of the potential quality payment a hospital has earned for each measure.
  - a. If the percent of a measure specific earned quality payment is 100% or greater, the provider will receive the full potential measure-specific payment.
  - b. If the percent of a measure specific earned quality payment is less than 100%, the unearned funding will be allocated to a redistribution pool.
  - c. If the percent of a measure specific earned quality payment earned is greater than 100%, the provider is eligible to receive additional funding that will be allocated from the redistribution pool. If there is no funding available in the redistribution pool, then the measure specific quality payment will be limited to 100% of the potential quality payment.
3. Sum the unearned payment from all providers and measures to determine the value of the redistribution pool.
4. Once the value of the redistribution pool is determined:
  - a. First assign the redistribution dollars to hospitals that have earned more than 100% of the measure specific potential quality payment. If fewer dollars are in the distribution pool than have been earned, the distribution will be scaled proportionally based on the payments owed from the redistribution pool.
  - b. If any dollars remain, assign remaining dollars in the redistribution pool proportionally to all hospitals based on payments earned in steps 1 – 4.a.
5. Each Health Plan will be directed to make payments to the hospitals, based on the amount earned in steps 1 – 4.b.

## Interim Payments

In 2025, MQD may issue at least two interim payments prior to receipt of final 2025 performance results. If, after receipt of the 2025 performance results and determination of P4P earnings, a hospital is found to have earned less than was received in interim payments, the unearned funds will be recouped.

Beginning with the 2026 P4P program, interim payments will be tied to required reporting.

## 2025 P4P Program Quantitative Outcome Measures

### Measure 1. Reduce ED Visits for Medicaid Members with 4 or More Visits in a year

Measure 1 Details	
<b>Objective &amp; Rationale</b>	The objective of this measure is to reduce unnecessary and otherwise preventable emergency department (ED) utilization over time.
<b>Target Setting Method</b>	The measure is calculated as the number of ED visits for Medicaid members with 4+ ED visits to the same facility in the year divided by the total number of Medicaid member ED visits to the facility in the year. Lower is better.
<b>2025 Payout Determination</b>	<p>Actual payment is determined based on a sliding scale (with an increase or decrease in payout by 5% for every corresponding 1% change in the metric).</p> <ul style="list-style-type: none"> <li>• If the percentage is <math>\geq 35\%</math>, hospitals earn 0% of allocated funds.</li> <li>• If the percentage is <math>\leq 15\%</math>, hospitals earn 100% of funds.</li> <li>• Hospitals can earn up to 110% of allocated funds if they reduce the rate to <math>\leq 13.00\%</math>.</li> </ul> <p>Hospitals can earn back unearned funds by improving over their prior year performance, up to 100% of unearned funds. A 10% improvement earns back 100% of funds. Improvement less than 10% will be awarded proportionally, for example a 5% improvement earns back 50% percent of unearned funds.</p>
<b>Eligible Hospitals</b>	<ul style="list-style-type: none"> <li>• Private hospitals with obstetrics (O/B)</li> <li>• Private hospitals without O/B</li> <li>• Private hospitals with behavioral health (BH)</li> </ul>

**Measure 1. Reduce ED Visits  
for Medicaid Members with 4  
or More Visits in a year  
Payment Scales**

2025 Performance Rate	Payment
35.00%	0%
34.00%	5%
33.00%	10%
32.00%	15%
31.00%	20%
30.00%	25%
29.00%	30%
28.00%	35%
27.00%	40%
26.00%	45%
25.00%	50%
24.00%	55%
23.00%	60%
22.00%	65%
21.00%	70%
20.00%	75%
19.00%	80%
18.00%	85%
17.00%	90%
16.00%	95%
<b>15.00%</b>	<b>100%</b>
14.00%	105%
13.00%	110%

**Measure 1. Example Performance Calculation**

Example Hospital A:

Hospital-Measure Specific Potential Quality Payment: \$1,000,000

	Performance Rate	Payment Scale %	Payment Earned
2024 Performance:	27.0%	NA	NA
2025 Performance:	25.0%	50%	\$ 500,000
Improvement between 2024 and 2025	$(27\% - 25\%) / 27\% = 7.4\%$	74%	$(\$1,000,000 - \$500,000) \times 74\% = \$370,000$
2025 Hospital-Specific Earned Quality Payment			\$870,000

Example Hospital B:

Hospital-Measure Specific Potential Quality Payment: \$1,000,000

	Performance Rate	Payment Scale %	Payment Earned
2024 Performance:	20.0%	NA	NA
2025 Performance:	19.0%	80%	\$800,000
Improvement between 2024 and 2025	$(20\% - 19\%) / 20\% = 5\%$	50%	$(\$1,000,000 - \$800,000) \times 50\% = \$100,000$
2025 Hospital-Specific Earned Quality Payment			\$900,000

*NOTE: Performance rate improvement percentages are rounded to one decimal for illustration purposes.*

## Measure 2. Reduce Hospital-Wide Readmission Rates for Medicaid Members (New in 2025)

Measure 2 Details	
<b>Objective &amp; Rationale</b>	The objective of this measure is to apply lessons learned from the readmissions collaborative to reduce hospital specific readmissions for all causes (Ages 18+).
<b>Target Setting Method</b>	The measure is calculated as the hospital specific improvement in hospital-wide readmissions observed/expected (O/E) ratio among Medicaid members. Lower is better.
<b>2025 Payout Determination</b>	<p>Actual payout is determined based on a sliding scale (with an increase or decrease in payout by 2% for every corresponding .01 change in the ratio of O/E readmissions below 1.25).</p> <ul style="list-style-type: none"> <li>• If the annual O/E ratio is &gt;1.25 a hospital will earn 0% of allocated funds</li> <li>• If the annual O/E ratio is ≤1.25 a hospital will earn at least 50% of allocated funds</li> <li>• If the annual O/E ratio is ≤1.0 a hospital will earn 100% or greater of allocated funds</li> <li>• Hospitals can earn up to 112.5% of allocated funds if they reduce the ratio to 0.75 or lower</li> </ul> <p>Hospitals can earn back unearned funds by improving over their prior year performance, up to 100% of unearned funds. A 10% improvement earns back 100% of funds. Improvement less than 10% will be awarded proportionally, for example, a 5% improvement earns back 50% of unearned funds.</p>
<b>Eligible Hospitals</b>	<ul style="list-style-type: none"> <li>• Private hospitals with O/B</li> <li>• Private hospitals without O/B</li> <li>• Private hospitals with BH</li> </ul>



**Measure 2. Reduce Hospital-Wide Readmission Rates for Medicaid Members Payment Scales**

2025 Performance Rate	Payment	2025 Performance Rate	Payment	2025 Performance Rate	Payment
>1.25	0%	1.08	84%	0.90	105.0%
1.25	50%	1.07	86%	0.89	105.5%
1.24	52%	1.06	88%	0.88	106.0%
1.23	54%	1.05	90%	0.87	106.5%
1.22	56%	1.04	92%	0.86	107.0%
1.21	58%	1.03	94%	0.85	107.5%
1.20	60%	1.02	96%	0.84	108.0%
1.19	62%	1.01	98%	0.83	108.5%
1.18	64%	1.00	100%	0.82	109.0%
1.17	66%	0.99	100.5%	0.81	109.5%
1.16	68%	0.98	101.0%	0.80	110.0%
1.15	70%	0.97	101.5%	0.79	110.5%
1.14	72%	0.96	102.0%	0.78	111.0%
1.13	74%	0.95	102.5%	0.77	111.5%
1.12	76%	0.94	103.0%	0.76	112.0%
1.11	78%	0.93	103.5%	0.75	112.5%
1.10	80%	0.92	104.0%		
1.09	82%	0.91	104.5%		

**Measure 2. Example Performance Calculation**

Example Hospital A: Hospital-Measure Specific Potential Quality Payment: \$1,000,000

	Performance Rate	Payment Scale %	Payment Earned
2024 Performance:	1.10	NA	NA
2025 Performance:	1.05	90%	\$ 900,000
Improvement between 2024 and 2025	$(1.10 - 1.05) / 1.10 = 4.5\%$	45%	$(\$1,000,000 - \$900,000) \times 45\% =$ \$45,000
2025 Hospital-Specific Earned Quality Payment			\$945,000

Example Hospital B: Hospital-Measure Specific Potential Quality Payment: \$1,000,000

	Performance Rate	Payment Scale %	Payment Earned
2024 Performance:	1.40	NA	NA
2025 Performance:	1.30	0%	\$0
Improvement between 2024 and 2025	$(1.40 - 1.30) / 1.30 = 7.1\%$	71%	$(\$1,000,000 - \$0) \times 71\% =$ \$710,000
2025 Hospital-Specific Earned Quality Payment			\$710,000

NOTE: Performance rate improvement percentages are rounded to one decimal for illustration purposes.

## Measure 3. OP-18 Time from ED Admit to Discharge

Measure 3 Details	
<b>Objective &amp; Rationale</b>	The objective of this measure is to reduce the overall time spent by patients in the ED (from arrival to discharge).
<b>Target Setting Method</b>	This measure is based on the Medicare Beneficiary Quality Improvement Project (MBQIP) measure. The measure is calculated as the average time patients spent in the ED before discharge. The nationwide average for this measure is 105.75 minutes, while the Hawai'i average is 80.81 minutes. Data for this measure will be self-reported by hospitals and based on sampling. Lower is better.
<b>2025 Payout Determination</b>	Payment for this measure is based on: <ul style="list-style-type: none"><li>• Better than or equal to the 90th percentile -100%</li><li>• Better than or equal to the national average (but below 90th percentile) - 75%</li><li>• Worse than the national average - 50%</li><li>• Did not participate all 4 quarters - 0%</li></ul>
<b>Eligible Hospitals</b>	<ul style="list-style-type: none"><li>• Critical Access Hospitals (CAHs)</li></ul>

## Measure 4. Measures specific to The Queen's Medical Center - Kahi Mohala

Measure 4 Details	
<b>Objective &amp; Rationale</b>	The objective of this measure is to improve the overall rates of physical restraint and seclusion for patients of Kahi Mohala hospital.
<b>Target Setting Method</b>	<p>Joint Commission Annual Report for HBIPS for the most Recent Year:</p> <p>4.a Physical Restraint – Overall Rate (HBIPS-2a)</p> <p>4.b. Seclusion – Overall Rate (HBIPS-3a)</p>
<b>2025 Payout Determination</b>	<p><u>BASE SCORE</u></p> <ul style="list-style-type: none"> <li>• 100% if Kahi Mohala is lower than the Median</li> <li>• 75% if Kahi Mohala is less than halfway between the Median and the Maximum</li> <li>• 50% if Kahi Mohala is more than halfway between the Median and the Maximum</li> </ul> <p><u>IMPROVEMENT SCORE</u></p> <ul style="list-style-type: none"> <li>• 10% if improved from prior year</li> <li>• 0% if no improvement</li> </ul>
<b>Eligible Hospitals</b>	<ul style="list-style-type: none"> <li>• The Queen's Medical Center - Kahi Mohala</li> </ul>

## Measure 5. Measures specific to Rehabilitation Hospital of the Pacific

Measure 5 Details	
<b>Objective &amp; Rationale</b>	The objective of this measure is to increase rates of discharge to the community and decrease rates of discharge to acute care for patients of Rehabilitation Hospital of the Pacific (Rehab Hospital).
<b>Target Setting Method</b>	Annual Program Evaluation Model (PEM) Score Card from Uniform Data System for Medical Rehabilitation (UDS):  5.a Percent Discharge to Community (higher is better)  5.b Percent Discharge to Acute care (lower is better)
<b>2025 Payout Determination</b>	<p><u>BASE SCORE</u></p> <ul style="list-style-type: none"> <li>• 110% if Rehab Hospital is more than 5% above target</li> <li>• 100% if Rehab Hospital is within 5% of the target (as provided by scorecard)</li> <li>• 75% if Rehab Hospital is within 25% below the target (as provided by scorecard)</li> <li>• 50% if Rehab Hospital is more than 50% below the target (as provided by scorecard)</li> </ul> <p><u>IMPROVEMENT SCORE</u></p> <ul style="list-style-type: none"> <li>• 10% if improved from prior year</li> <li>• 0% if no improvement</li> </ul>
<b>Eligible Hospitals</b>	<ul style="list-style-type: none"> <li>• Rehabilitation Hospital of the Pacific</li> </ul>

## Measure 6. Hawai'i AIM Perinatal Collaborative Measures

Measure 6 Details	
<b>Objective &amp; Rationale</b>	The objective of this measure is to partner with American College of Obstetricians and Gynecologists (ACOG), the Hawai'i Department of Health (DOH), the Alliance for Innovation on Maternal Health (AIM), and other key stakeholders statewide to create and sustain the Hawai'i AIM Collaborative and implement Patient Safety Bundles in birthing facilities statewide.
<b>Target Setting Method</b>	<p><b>6.a:</b> Participate in 80% of Perinatal Quality Collaborative / Alliance for Innovation on Maternal Health (AIM) State Collaborative meetings &amp; sharing of best practices, successes, and challenges for Perinatal Quality Improvement efforts.</p> <p><b>6.b:</b> Submission of data for Obstetric Hemorrhage, Severe Hypertension (HTN), and Care for Pregnant and Postpartum People with Substance Use Disorder (CPPPSUD) Safety Bundles.</p> <p><b>6.c:</b> Due by 3/31/26. Complete and submit progress/summary report for the calendar year detailing steps taken towards, and gap analysis of, current bundle components including structure, process, and outcome measures for Safety Bundles. Complete the Perinatal Quality Collaborative evaluation interview hosted by University of Hawai'i Social Science Research Institute. At least one member of your facility team must participate.</p>
<b>2025 Payout Determination</b>	<ul style="list-style-type: none"> <li>• <b>6.a:</b> 50% payment</li> <li>• <b>6.b:</b> 25% payment</li> <li>• <b>6.c:</b> 25% payment</li> </ul>
<b>Eligible Hospitals</b>	<ul style="list-style-type: none"> <li>• Private hospitals with O/B</li> </ul>

## Measure 7. Behavioral Health (BH) Admissions Measures

Measure 7 Details	
<b>Objective &amp; Rationale</b>	The objective of this measure is to improve strategies and efforts aimed at reducing readmissions for patients who seek emergency department care at private hospitals with behavioral health beds.
<b>Target Setting Method</b>	<b>7.a:</b> Due by January 31 <sup>st</sup> , 2026. Hospitals with BH beds only: Provide a brief report (2-3 pages in length) describing the processes, strategies, and interventions that were utilized in the period, including any enhancements in readmission reduction efforts compared to the prior period (i.e., CY 2021 to CY 2020). This should include what was done during a patient's stay, discharge process, post-discharge, and pre-readmission for patients seeking care in the emergency department (ED).
<b>2025 Payout Determination</b>	<ul style="list-style-type: none"><li>• 100% payment</li></ul>
<b>Eligible Hospitals</b>	<ul style="list-style-type: none"><li>• Private Hospitals with Behavioral Health beds</li></ul>

## Measure 8. Healthy Hawai'i Quality Improvement Measures

Measure 8 details will be included in an addendum to this memo.