

ATTACHMENT 4 TO COVERED CALIFORNIA 2026-2028 INDIVIDUAL MARKET QHP ISSUER CONTRACT: QUALITY TRANSFORMATION INITIATIVE

Health Insurance Issuers contracting with Covered California to offer Qualified Health Plans (QHPs) are integral to Covered California's ability to achieve its mission of improving the quality, equity, and value of healthcare services available to Covered California Enrollees and all Californians. Covered California and Contractor recognize the value of improving the quality of care provided to Covered California Enrollees and reducing health disparities, as well as the substantial opportunities for improvement in the current quality and equity of care provided. Covered California and Contractor jointly agree to improve quality and reduce health disparities to promote the vision of the Affordable Care Act and meet Covered California Enrollee needs and expectations.

This Quality Transformation Initiative (QTI) is intended to set direct and substantial financial incentives for QHP Issuers to improve the quality of healthcare and to reduce health disparities for Covered California Enrollees and all Californians. Specifically, the QTI focuses on improving care for a small number of clinically important conditions for which there are major opportunities for improvement and good measures in current use. QHP Issuers that fail to meet specified benchmarks will be required to make payments that may be as high as 3.8% of premium. Importantly, Covered California remains committed to aligning the measures tied to substantial financial incentives with other major purchasers, including the California Department of Health Care Services (DHCS), the California Public Employees' Retirement System (CalPERS), and the Centers for Medicare & Medicaid Services' (CMS) Medicare payment programs.

For the QTI Scored Measures tied to financial incentives, performance will be assessed using measure scores on CMS Quality Rating System (QRS) and National Committee for Quality Assurance (NCQA) Healthcare Effectiveness Data and Information Set (HEDIS) measures for each of Contractor's products. Product has the same meaning as that term is used for purposes of calculating the CMS QRS scores. Pursuant to Attachment 1, Contractor must submit the data to determine measure scores by the date and in the manner specified by Covered California.

Contractor's QHPs with a minimum of two years of QRS reportable scores will be subject to the QTI performance requirements, and payments (QTI Payments) may be required depending on QHP performance. Covered California shall direct Contractor to spend QTI Payments on Population Health Investments (PopHIs) as selected by Covered California.

Covered California will determine QTI Payments on an annual basis when measure scores are available. QTI Payments are assessed for each product Contractor offers. Contractor shall not be responsible for any failure to meet the quality levels if and to the

extent that the failure is excused pursuant to Section 13.7 of the Agreement (Force Majeure). Covered California and Contractor agree that the goal is continuous improvement in both quality and equity, regardless of where the product currently performs compared to national or California performance.

Covered California will use Contractor's measure scores to evaluate and publicly report QHP Issuer performance and the impact on healthcare quality and health disparities reduction in California.

1.01 QTI Scored and Reporting-only Measure Sets

1.01.1 2026 – 2028 QTI Scored Measure Set

For Measurement Years 2026-2028, Covered California has identified five areas of focus for improvement and related scored measures (“QTI Scored Measures,” specified below) that will be subject to QTI Payments as detailed in Section 1.03. These measures are nationally endorsed, represent priority quality and equity domains, align with other purchaser measures, and span pediatric and adult Enrollees.

- 1) For each of its products for Measurement Years 2026-2028, Contractor will be assessed on the following QTI Scored Measures using QRS measure scores. Contractor will be assessed on the measures listed below using benchmarks established pursuant to Section 1.03:
 - a) Blood Pressure Control for Patients with Hypertension (BPC-E);
 - b) Glycemic Status Assessment for Patients with Diabetes: Glycemic Status (>9.0%) (CBE ID #0575)
 - c) Colorectal Cancer Screening (COL-E) (CBE ID #0034)
 - d) Childhood Immunization Status (Combo 10) (CIS-E) (CBE ID #0038)
 - e) Depression Screening and Follow-Up for Adolescents and Adults (DSF-E) (CBE ID #0418).
- 2) If data is not available to assess performance on or establish a benchmark for any of the QTI Scored Measures specified in 1) above, Covered California, in its sole discretion, may choose not to assess Contractor’s performance on the QTI Scored Measure, or may use the prior measure and benchmark specifications that align with the QTI Scored Measures, using data submitted directly to Covered California pursuant to Section 5.01.1 of Attachment 1 of this Agreement for performance assessment. Prior measures include:
 - a) Controlling High Blood Pressure (CBE ID #0018).
 - b) Colorectal Cancer Screening (CBE ID #0034).
 - c) Childhood Immunization Status (Combo 10) (CBE ID #0038).

- 3) Covered California will evaluate the QTI Scored Measure Set periodically in collaboration with Contractor, other QHP Issuers, and stakeholders, and may modify the measures through a contract amendment or for the next contract period.

1.01.2 2026 - 2028 Reporting-only QTI Measures

- 1) In addition to the QTI Scored Measures, Contractor will report on the following National Committee for Quality Assurance (NCQA) Healthcare Effectiveness Data and Information Set (HEDIS) measure for Measurement Years 2026-2028 for each of its products:

- a) Pharmacotherapy for Opioid Use Disorder (POD) (CBE ID #3400).

Covered California intends to include this measure as a QTI Scored Measure in future contract years.

- 2) Covered California will consider adding additional Reporting-only Measures, including behavioral health measures, through amendments to this Agreement for Plan Year 2027 and 2028.

1.02 Race and Ethnicity Stratification and Methodology

- 1) Contractor shall stratify QTI Scored Measure results by Race and Ethnicity using member self-reported Race and Ethnicity information, as specified in this Section. Covered California will assess performance based on Contractor's stratified results. For the purposes of this Attachment, the following definitions apply:

"Stratified Measure" means QTI Scored Measures that Covered California determines meet reliability testing standards by confirming underlying performance variability, specified in 2) below.

"Eligible Subpopulation" means the following stratified subpopulations, as defined by the federal Office of Management and Budget (OMB) or Centers for Disease Control (CDC) Race and Ethnicity Code Set, with at least 100 members in the denominator: American Indian or Alaska Native, Asian, Black or African American, Hispanic or Latino, Middle Eastern/North African, Native Hawaiian or Other Pacific Islander, and White. Eligible Subpopulation shall also include Multirace, used when an individual reports two or more CDC codes that cross higher OMB concepts.

“All Other Members Subpopulation” means pooled results from members of the following subpopulations, as defined by OMB or CDC: Other Race, or Unknown, used when an individual has not reported race or ethnicity or where data is missing or inaccurate. The All Other Members Subpopulation shall also include pooled results from members of subpopulations that would be Eligible Subpopulations but have fewer than 100 identified enrollees in the denominator.

- 2) For Measurement Years 2026-2028, the following QTI Scored Measures shall be Stratified Measures:
 - a) Blood Pressure Control for Patients with Hypertension (BPC-E) or, if assessed, Controlling High Blood Pressure (NQF #0018);
 - b) Colorectal Cancer Screening (COL-E) (NQF #0034), or, if assessed, Colorectal Cancer Screening (NQF #0034).
- 3) Contractor shall be assessed based on QTI Scored Measure performance for all Eligible Subpopulations and the All Other Members Subpopulation, using the benchmarks specified in Section 1.03. If one or more of Contractor’s Stratified Measures does not include a sufficient number of Eligible Subpopulations, as determined by Covered California, Covered California may assess performance based on all of Contractor’s reported Enrollee population for the measure.
- 4) As directed by Covered California, Contractor shall use OMB aggregated Race and Ethnicity Concepts for Stratified Measures; or, additional categories that rely on the CDC Race and Ethnicity Code Set to account for updates to these specifications or when more granular race and ethnicity information is necessary in order to accurately place a member’s self-identified race and ethnicity within the aggregated OMB concepts.
- 5) For members that report both Race and Ethnicity and/or multiple Races, Contractor shall include member data in subpopulations as directed by Covered California. An individual member’s data will not be duplicated in multiple Eligible Subpopulations or an Eligible Subpopulation and the All-Other Members Subpopulation.
- 6) Covered California will publicly report Contractor’s scores on all Stratified Measures pursuant to Attachment 1, Article 1.02.1.

1.03 Benchmarks and QTI Payments

During the term of this Agreement, Contractor agrees to conduct quality improvement activities to meet or exceed the 66th national percentile for each QTI

Scored Measure, including every Eligible Subpopulation and the All Other Members Subpopulation for Stratified Measures. If Contractor does not meet or exceed the 66th national percentile for one or more QTI Scored Measures, Contractor agrees to contribute QTI Payments as described below. Making QTI Payments does not absolve Contractor of its responsibility to engage in quality improvement activities to meet or exceed required QTI benchmarks and engage in other innovative quality improvement strategies.

- 1) Covered California will establish benchmarks using the 25th and 66th QRS national percentile benchmarks for each QTI Scored Measure as follows:
 - a) Using the QRS national percentiles for the QTI Scored Measure for Measurement Year 2025, if calculated and published by CMS.
 - b) Using the QRS measure score Proof Sheets for Measurement Year 2025 to calculate the national percentiles for the QTI Scored Measures, if the national percentiles are not calculated and published by CMS for Measurement Year 2025.
 - c) Using the prior version of the QRS measure, which has available national percentile benchmarks, if the national percentiles for the QTI Scored Measures are not calculated and published by CMS and the CMS Measurement Year 2025 Proof Sheet data is not available to establish a benchmark for the QTI Scored Measure.
 - d) Covered California may update the established benchmark using the methods specified in i) and ii) below
 - i) If Covered California establishes a benchmark pursuant to (b), it may replace the benchmark established using Proof Sheet data with the benchmark established by measure score results published by CMS the first Measurement Year the results are published.
 - ii) If Covered California establishes a benchmark pursuant to (c), it may replace the prior measure benchmark with the QTI Scored Measure benchmark the first Measurement Year it is calculated and published by CMS, or the first Measurement Year data is available to calculate the benchmark using Proof Sheet data.
- 2) For each year of the Agreement, Covered California will compare Contractor's QTI Scored Measure, including scores for each Eligible Subpopulation and the All Other Members Subpopulation for Stratified Measures, for each product,

against the benchmark to determine Contractor's QTI Payments, if any. Covered California may direct Contractor to submit QTI Scored Measures using alternative measure specifications, either to Covered California or to another entity, and score them using verified data sources or may use data submitted pursuant to Section 5.01.1 of Attachment 1 of this Agreement to appropriately adjust Contractor's reportable QTI Scored Measure results.

- 3) Contractor agrees to make QTI Payments based on its QTI Scored Measure scores, including Stratified Measures, for each product as follows:
 - a) Contractor must contribute the full apportioned measure payment amount if the QTI Scored Measure or, any Eligible Subpopulation or the All Other Members Subpopulation for Stratified Measures, is below the 25th national percentile benchmark.
 - b) Contractor must contribute an apportioned measure payment amount at a declining constant rate, as determined by Covered California, for each QTI Scored Measure or, any Eligible Subpopulation or the All Other Members Subpopulation for Stratified Measures, is scored at or above the 25th and up to the 66th national percentile benchmark.
 - c) Contractor will not be required to make any payments for QTI Scored Measures, and Stratified Measures where all Eligible Subpopulations and the All Other Members Subpopulation, meet or exceed the 66th national percentile benchmark.
- 4) Total QTI Payments at risk are divided by each assessed QTI Scored Measure. The QTI Payment at risk for each Stratified Measure is further divided and apportioned based on QHP-specific subpopulation denominator weights. Newly contracted QHP issuers will start with a reduced risk percentage in Year 1 of QTI eligibility, then increase the risk percentage in Year 2 to gradually align with the amounts listed in this Section. Total QTI Payments at risk shall not exceed those specified as follows:
 - a) For Measurement Year 2026, the full payment amount is up to 2.8 percent of Contractor's total Gross Premium per product.
 - b) For Measurement Year 2027, the full payment amount is up to 3.8 percent of Contractor's total Gross Premium per product.
 - c) For Measurement Year 2028, the full payment amount is up to 3.8 percent of Contractor's total Gross Premium per product.

- 5) Covered California in consultation with stakeholders may, in its sole discretion, waive or reduce QTI Payments for Contractors that do not meet or exceed required benchmarks but otherwise, as determined by Covered California, demonstrate superior QHP quality or show significant improvement in one or more measure scores.

1.04 Preventing Increases in Health Disparities and Requiring Maintained Efforts

Contractor shall act in good faith to improve or maintain the health outcomes of all Covered California Enrollees to meet or exceed the established benchmarks. Covered California will monitor QHP performance across all QTI Scored Measures, considering performance in Eligible Subpopulations for Stratified Measures, for performance below established benchmarks that declines or demonstrates a lack of improvement in health outcomes that may indicate disinvestment in health interventions focused on a specific subpopulation or subpopulations. Lack of improvement describes static performance or negligible improvement for a subpopulation. If Contractor displays such declines or lack of improvement in performance, Covered California may require Contractor to enter into a Quality Improvement Plan, pursuant to Section 5.2.4 of the Agreement. If Contractor displays declines or lack of improvement amongst Eligible Subpopulations, Covered California may also re-weight Contractor's payment allocations for future Plan Years to increase amounts at risk tied to declining or lack of improving Eligible Subpopulations.

1.05 QTI Performance Report

Covered California will calculate Contractor's QTI Payments and issue a QTI Performance Report to Contractor on an annual basis within ninety (90) Days of receipt of the measure scores published through the CMS Marketplace Quality Module within CMS' Health Insurance and Oversight System for the Measurement Year.

If Contractor does not agree with the QTI Performance Report, Contractor may dispute the Report in writing within sixty (60) Days of receipt of that Report. The written notification of dispute must provide a detailed explanation of the basis for the dispute. Covered California must review and provide a written response to Contractor's dispute within sixty (60) Days of receipt of Contractor's notification of dispute. If the Contractor still disputes the findings of Covered California, Contractor may pursue additional remedies in accordance with Section 13.1 of the Agreement.

Contractor's QTI Payment obligation as specified in the QTI Performance Report is final sixty (60) Days after receipt of the QTI Performance Report. If Contractor disputes the Report, Contractor's QTI Payment obligation is final upon receipt of Covered California's written response to the dispute or, if Contractor still disputes the findings and pursues additional remedies in accordance with Section 13.1 of the Agreement, at the end of the dispute resolution process under that section.

1.06 Administration of QTI Payments

Covered California shall direct Contractor's use of QTI Payments. Covered California shall issue PopHI Directives with payment instructions to Contractor, no later than thirty (30) Days before a payment is due.

Covered California will direct Contractor to transmit QTI Payments to PopHIs in the PopHI Directive using one of the following methods:

- 1) Funds will be transmitted to and retained by an entity as directed by Covered California; or
- 2) Funds will be retained by Contractor to be used only as expressly directed by Covered California.

1.07 Population Health Investments

1.07.1 Selection of Population Health Investments

Covered California shall issue PopHI Directives specifying how Contractor shall use QTI Payments. A PopHI is a targeted program established by Covered California, guided by the following principles:

- 1) Equity first: funds should preferentially focus on geographic regions or communities with the largest identified gaps in health and quality among California subpopulations,
- 2) Direct: use of funds should lead to measurable improvements in quality and outcomes for enrollees that are related to QTI Scored Measure performance,
- 3) Evidence-based: use of funds should be grounded in approaches that have established evidence of success in driving improvements in quality or outcomes, and
- 4) Additive: funds should be used to advance quality in a currently underfunded arena.

Covered California shall engage with stakeholders, including QHP Issuers,

consumer advocates, providers, and others in developing recommendations for PopHIs and program designs. Based on engagement with stakeholders, Covered California, in its sole discretion, shall establish PopHIs and direct Contractor to implement them.

Covered California, in its sole discretion, may additionally direct or permit Contractor to design and operate its own PopHI that meets the guiding principles in this section. If directed or if permitted, Contractor PopHIs are subject to the implementation plan and reporting requirements specified sections 1.07.2 and 1.07.4 below.

1.07.2 Population Health Investment Implementation Plan

If directed in the PopHI Directive, Contractor must submit a written implementation plan that details actions Contractor will take to implement the PopHIs it funds and operates. Contractor's implementation plan shall include any information requested in the PopHI Directive.

Covered California will review Contractor's submissions and, if appropriate, issue written approval for Contractor's implementation plan. Covered California reserves the right to request additional information and documentation from Contractor regarding its actions in furtherance of an approved implementation plan.

1.07.3 Population Health Investment Expenses

Contractor shall track and document QTI Payments made pursuant to PopHI Directives.

Contractor shall be responsible for any expenses beyond those specified in a PopHI Directive related to implementing any PopHIs that exceed QTI Payments.

1.07.4 Evaluation and Data Submissions

Contractor agrees to provide data to Covered California to evaluate the success of Contractor's PopHI, upon request. Covered California will establish reasonable data reporting requirements upon approval of Contractor's PopHI implementation plan.

If Covered California in its sole discretion determines that Contractor's PopHI has not achieved improvements in quality and outcomes, or otherwise does not best serve Contractor's enrollees, Covered California may request changes in Contractor's PopHI program design or may cease Contractor's PopHI Directive.

1.08 Unspent Funds

Unspent QTI Payments shall be used as directed by Covered California. If Contractor has unspent QTI Payments at the end of the Calendar Year, Contractor shall use the payments during the next Calendar Year as directed by Covered California. Contractor shall not recover unspent QTI Payments or use unspent payments for purposes outside of Covered California's direction. Covered California reserves the right to request an audit of QTI Payments at any time.

1.09 Ongoing Assessment of the Quality Transformation Initiative Payments

Covered California shall continuously assess the success of QTI Payments at achieving measurable quality improvements. Based on outcomes from PopHIs, feedback from stakeholders, and availability of funds, Covered California may consider revising or establishing additional programs, opportunities, and uses for QTI Payments.

1.10 Quality Improvement Plans

If Contractor scores below the 25th national percentile benchmark for a QTI Scored Measure, or for any Eligible Subpopulation or the All Other Members Subpopulation for Stratified Measures, Contractor must provide Covered California with a Quality Improvement Plan in accordance with Section 5.2.4 of the Agreement. The Quality Improvement Plan must address each QTI Scored Measure for which Contractor scores below the 25th national percentile benchmark.