**Exhibit 2: Performance Rewards and Service Level Agreements**

This exhibit outlines the approach that FSSA will employ with regard to service level agreements, non-financial incentives and other performance rewards. The core elements of the service level agreements and non-financial incentive programs are detailed below.

As outlined in the table below, prior to contract award, FSSA will provide notification regarding the methodologies, measures and targets it will employ for service level agreements and non-financial incentive programs during Contract Year 1. For future contract years, FSSA will provide 90 days’ advance notification regarding the methodologies, measures and targets it will employ for any performance rewards and/or service level agreements.

|  |  |  |
| --- | --- | --- |
|  | For Contract Year 1 | For Contract Years 2+ |
| Analyze available data to identify gaps, achievements, etc.\* |  | Nov. 2026 – Feb. 2027 |
| Seek input re: focus areas, opportunity areas, measures, etc.\*\* |  | Jan. 2026 – Feb. 2027 |
| Determine whether to institute new measures |  | By March 1, 2027 |
| Finalize measures and targets, and notify Contractors | By April 1, 2026 | By April 1, 2027 |
| Publish measure specifications, reporting requirements and targets | By April 1, 2026 | By April 1, 2027 |
| Measurement period begins | July 1, 2026 | July 1, 2027 |
| Measurement period ends | June 30, 2027 | June 30, 2028 |

FSSA anticipates that the following principles will apply to service level agreements and non-financial incentives:

* FSSA will notify the CMOs of the new methodologies, measures and targets at least 90 days prior to the start of the measurement period to which they apply.
* Each performance measure and the associated targets will remain in place for at least one contract year.
* Over time, performance measures and targets will evolve such that:
  + Performance improvements are continuous and high performance is sustained;
  + Structural and process-oriented measures may be used in early contract years, with the intent to evolve toward increased focus on outcome-based performance measures in later contract years; and
  + The reports and data furnished by the Contractor during the course of the Contract may be used to develop specific performance targets, service-level agreements and non-financial incentives for future contract years.
* Any given service level agreement, non-financial reward or other performance reward methodology may rely upon a single performance measure or upon a combination of two or more performance measures.
* Service level agreement, non-financial reward or other performance reward methodologies may:
  + Use an all-or-nothing approach, whereby the Contractor receives a reward only if it meets the established performance target;
  + Use a tiered or scaled approach to making awards, whereby the Contractor receives a portion of the available reward based upon, for example, coming close to achieving the target; and/or
  + Reward year-over-year improvement or maintenance of high performance levels.
* Some service level agreements may apply to all waiver programs, while other service level agreements may apply to a subset of waiver programs.

The State reserves the right to require additional reports from the Contractor to measure performance against the service-level agreements and for other purposes related to determining a contractor’s eligibility for performance rewards.

**Service Level Agreements**

FSSA will withhold up to two (2) percent of the Case Management fee referenced in Section 7 of the SOW. FSSA will return these withheld funds if the Contractor meets the service level agreements specified in its contract.

For Contract Year 1, FSSA anticipates establishing service level agreements for the following performance areas:

* Timely and accurate completion of PCISP initials, annuals and updates
* Timely and accurate completion of LOC screenings, when required
* Timely and accurate completion of incident reporting, required follow up and CAPs
* Timely and accurate completion of mortality review activities
* Compliance with case manager case load sizes
* Training of Case Managers

FSSA anticipates that the service level agreements will be structured as outlined in the bullets and table below:

* Contractor compliance with service level agreements will be measured quarterly; in other words, the measurement period will be a contract quarter.
* For any service level agreement for any given quarter, the Contractor is eligible to receive a quarterly performance-based payment if it meets the service level agreement for that quarter.
* To receive this quarterly performance-based payment, the Contractor must have met or exceeded the service level agreement for that quarter.
* FSSA will calculate the Contractor’s performance at the close of each quarter to determine if the Contractor will be awarded the performance-based payment.
* FSSA will then notify the Contractor whether it will be receiving a payout and, if so, the amount of that payout.
* FSSA will then make the payment to the Contractor.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Activity** | **Performance Measurement Period** | | | |
| Period 1:  Months 1-3 | Period 2:  Months 4-6 | Period 3:  Months 7-9 | Period 4:  Months 10-12 |
| **Performance Measures and Targets for Contract Year Finalized** | At least 90 days prior to the first day of the contract year\* | | | |
| **Measurement Period** | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 |
| **CMO Submission of Performance Data** | Within **30 days** after the end of the performance measurement period | | | |
| **FSSA Review and Analysis of Performance Data** | **31-60 days** after the end of the performance measurement period | | | |
| **FSSA Publication of Performance Data** | Within **90 days** after the end of the performance measurement period | | | |
| **FSSA Payouts/Awards Made for Performance Measurement Period** | Within **120 days** after the end of the performance measurement period | | | |

*\*Note: Performance measures and targets will remain in place for the entire Contract Year. FSSA would notify the CMOs of the new measures and targets at least 90 days prior to the start of the measurement period to which they apply.*

FSSA reserves the right to change these above-noted focus areas and timeframes prior to contract award.

**Non-Financial Incentives**

The Contractor will be eligible to receive non-financial incentives. FSSA will design and award these non-financial incentives. These non-financial incentives will be linked to performance measures and/or targets that differ from those used in the service level agreements. Non-financial incentives may include, but may not be limited to:

* Special designations (e.g., blue ribbon or 4-star designation) awarded to CMOs that have achieved specified performance levels.
* Preferential status for auto-assignment of Individuals when necessary, due to extenuating circumstances where the individual is unable or unwilling to choose a case management organization, such that the Contractor is more likely than other Contractors in the same geographic area to be assigned an Individual
* Reduced reporting or other administrative requirements, to recognize, for example, consistent and sustained high performance levels.

FSSA anticipates that the non-financial incentive programs will be structured as follows:

* Contractor performance will be measured quarterly or annually; in other words, the measurement period will be a contract quarter or a contract year.
* For any given non-financial reward program and measurement period, the Contractor is eligible to receive a non-financial reward if it achieves the performance target for that measurement period.
* To receive this non-financial incentive, the Contractor must have met or exceeded the performance target for that measurement period.
* FSSA will calculate the Contractor’s performance at the close of each measurement period to determine if the Contractor will be awarded the non-financial incentive.
* FSSA will then notify the Contractor whether it will be receiving the non-financial incentive and, if so, the details related to that incentive.
* FSSA will then institute the non-financial reward for the Contractor.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Activity** | **Performance Measurement Period** | | | |
| Period 1:  Months 1-3 | Period 2:  Months 4-6 | Period 3:  Months 7-9 | Period 4:  Months 10-12 |
| **Performance Measures and Targets for Contract Year Finalized** | At least 90 days prior to the first day of the contract year\* | | | |
| **Measurement Period** | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 |
| **CMO Submission of Performance Data** | Within **30 days** after the end of the performance measurement period | | | |
| **FSSA Review and Analysis of Performance Data** | **31-60 days** after the end of the performance measurement period | | | |
| **FSSA Publication of Performance Data** | Within **90 days** after the end of the performance measurement period | | | |
| **FSSA Non-Financial Awards in Effect** | Beginning within **120 days** after the end of the performance measurement period | | | |

*\*Notes: The measurement period for non-financial incentives may be quarterly or annual; for the purposes of illustration, this table shows quarterly measurement periods. Performance measures and targets will remain in place for the entire Contract Year. FSSA would notify the CMOs of the new measures and targets at least 90 days prior to the start of the measurement period to which they apply.*

For Contract Year 1, FSSA may elect to make non-financial rewards based on scores CMOs achieve during the evaluation of proposals submitted in response to this RFP.

**Timing of Measurement Periods and of Rewards and Payouts**

The tables below illustrate two potential options for the design and timing of the service level agreements and non-financial incentive programs.

* The example in the first table shows:
  + Quarterly measurement and payouts for service level agreements
  + Annual measurement and reward for non-financial incentives
* The example in the second table shows:
  + Quarterly measurement and payouts for service level agreements
  + Quarterly measurement and reward for non-financial incentives
* Both examples show that the timing of measurement periods and of rewards and payouts for Contract Year 3 is not yet determined. FSSA would notify the CMOs of the new methodologies, measures and targets at least 90 days prior to the start of the Contract Year 3 measurement period(s).

These are provided as part of this RFP solely for illustrative purposes. FSSA reserves the right to establish the timing of measurement periods and of rewards and payouts and will notify the Contractor of such at or before the time of Contract award.

**Sample Performance Management Schedules: Service Level Agreements and Non-Financial Rewards**

***Example One: Non-Financial Rewards Made Annually***

| **Performance Measurement Period** | **Service Level Agreement in Place for This Measurement Period?** | **Timing of Reward for Complying with Service Level Agreement** | **Non-Financial Incentive Program in Place for This Measurement Period?** | **Timing of Reward for Achieving Non-Financial Incentive Performance Target** |
| --- | --- | --- | --- | --- |
| **Contract Year 1** |  |  |  |  |
| **Period 1** | Yes | Service Level Agreement payout, paid within 120 days of period end | Yes | Non-financial reward, effective throughout Contract Year 2 based on Contract Year 1 overall performance |
| **Period 2** | Yes | Service Level Agreement payout, paid within 120 days of period end |
| **Period 3** | Yes | Service Level Agreement payout, paid within 120 days of period end |
| **Period 4** | Yes | Service Level Agreement payout, paid within 120 days of period end |
| **Contract Year 2** |  |  |  |  |
| **Period 1** | Yes | Service Level Agreement payout, paid within 120 days of period end | Yes | Non-financial reward, effective throughout Contract Year 3 based on Contract Year 2 overall performance |
| **Period 2** | Yes | Service Level Agreement payout, paid within 120 days of period end |
| **Period 3** | Yes | Service Level Agreement payout, paid within 120 days of period end |
| **Period 4** | Yes | Service Level Agreement payout, paid within 120 days of period end |
| **Contract Year 3** |  |  |  |  |
| **Period 1** | TBD | TBD | TBD | TBD |
| **Period 2** | TBD | TBD | TBD | TBD |
| **Period 3** | TBD | TBD | TBD | TBD |
| **Period 4** | TBD | TBD | TBD | TBD |

***Example Two: Non-Financial Rewards Made Quarterly***

| **Performance Measurement Period** | **Service Level Agreement in Place for This Measurement Period?** | **Timing of Reward for Complying with Service Level Agreement** | **Non-Financial Incentive Program in Place for This Measurement Period?** | **Timing of Reward for Achieving Non-Financial Incentive Performance Target** |
| --- | --- | --- | --- | --- |
| **Contract Year 1** |  |  |  |  |
| **Period 1** | Yes | Service Level Agreement payout, paid within 120 days of period end | No | Not applicable |
| **Period 2** | Yes | Service Level Agreement payout, paid within 120 days of period end | No | Not applicable |
| **Period 3** | Yes | Service Level Agreement payout, paid within 120 days of period end | Yes | Non-financial reward, effective during Contract Year 2, Period 1 |
| **Period 4** | Yes | Service Level Agreement payout, paid within 120 days of period end | Yes | Non-financial reward, effective during Contract Year 2, Period 2 |
| **Contract Year 2** |  |  |  |  |
| **Period 1** | Yes | Service Level Agreement payout, paid within 120 days of period end | Yes | Non-financial reward, effective during Period 3 |
| **Period 2** | Yes | Service Level Agreement payout, paid within 120 days of period end | Yes | Non-financial reward, effective during Period 4 |
| **Period 3** | Yes | Service Level Agreement payout, paid within 120 days of period end | Yes | Non-financial reward, effective during Contract Year 3, Period 1 |
| **Period 4** | Yes | Service Level Agreement payout, paid within 120 days of period end | Yes | Non-financial reward, effective during Contract Year 3, Period 2 |
| **Contract Year 3** |  |  |  |  |
| **Period 1** | TBD | TBD | TBD | TBD |
| **Period 2** | TBD | TBD | TBD | TBD |
| **Period 3** | TBD | TBD | TBD | TBD |
| **Period 4** | TBD | TBD | TBD | TBD |