

DRAFT RESOURCE SHARING FINANCIAL ANALYSIS WORKSHEET

In addition to any other analyses prepared by the contractor or the MTF, negotiation of each proposed resource sharing agreement must include completion of the standardized Resource Sharing Financial Analysis Worksheet. As part of the negotiation of the resource sharing agreement, the MTF Commander and the contractor must agree on each estimate or assumption used in completing the worksheet (e.g., the expected number of TRICARE units that would be recaptured by the MTF under the resource sharing agreement).

The worksheet is structured as follows:

- I. Part I estimates the net resource sharing savings under this agreement which would already be reflected in the contractor's proposed bid price, based on the savings:cost ratio used to develop the resource sharing savings trend factor in the contractor's Best and Final Offer (BAFO). This step is necessary to ensure that the determination of the contractor's workload credit for resource sharing reflects those savings to the Government which the contractor already included in its bid price for the contract.
- II. Part II estimates the effect of the resource sharing agreement, including the contractor's workload credit, on the MTF utilization adjustment in the Bid Price Adjustment Formula (i.e., the "O" Factor adjustment).
- III. Part III estimates the actual savings (i.e., cost avoidance) in TRICARE Category 1-7 health care costs as a result of the resource sharing agreement.
- IV. Part IV estimates the net gain in TRICARE (i.e., the difference between the adjusted bid price for health care costs and the actual health care costs) under resource sharing which would be subject to risk sharing between the Government and contractor, as well as the resulting Government and contractor portions of the gain.
- V. Part V provides the two necessary results of this analysis. First, is the contractor credit for resource sharing workload assumed in the analysis appropriate? Second, does the analysis indicate that the proposed resource sharing agreement would be cost-effective for the Government from the MHS perspective? If the answer to both of these questions is not "yes," then the proposed contractor workload credit should be adjusted on an iterative basis until the proposed agreement satisfies both requirements. If it is not possible to determine a workload credit percentage which results in a "yes" response to both questions, given all of the other input assumptions agreed upon by the MTF commander and the contractor, then the proposed resource sharing agreement should not be approved (unless the Lead Agent determines that the proposed agreement still warrants approval due to compelling circumstances).

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Example for proposed inpatient resource sharing agreement for OP 1, assuming 100% contractor workload credit for an agreement reflecting expenditures included in the contractor’s aggregate BAFO spending assumption

I. ASSUMED RESOURCE SAVINGS REFLECTED IN PROPOSED BID PRICE ASSUMPTIONS

A. Expected contractor Cat. 8 expenditures under this resource sharing agreement	\$1,000,000
B. Assumed savings:cost ratio used to develop resource sharing savings trend factor in original bid price for Cat. 1-7	2.5
C. Expected savings in Cat. 1-7 for this agreement, consistent with proposed savings trend factor and assumed to be already reflected in original bid price for Cat. 1-7	\$2,500,000
D. Net TRICARE savings assumed to be already reflected in contractor’s BAFO (Cat. 1-7 savings minus Cat. 9 expenditures)	\$1,500,000

NOTE: If the Lead Agent determines that the total expected contractor expenditures under resource sharing agreements already approved exceeds the spending assumed for the region in the contractor’s BAFO, then, when completing this worksheet for any additional proposed RS agreements, no further resource sharing savings should be assumed to be reflected in the BAFO price. That is, in this circumstance the net savings in the first part of the worksheet should be equal to zero.

II. IMPACT OF CAT. 1-7 BID PRICE ADJUSTMENT FOR “O” FACTOR

NOTE: “O” Factor calculations must be beneficiary-category specific.

A. Bid price components unaffected by RS agreement:			
	ADD	NADD	TOTAL
1. Number of TRICARE eligibles in DCP (for the region)	100,000	80,000	N/A
2. Number of TRICARE eligibles in OP 1 (for the region)	100,000	80,000	N/A
3. [(M x P x Q) + (M x R x S) + (M x T x U)], for Cat 1-3 total in OP 1 (for the region)	\$500	\$800	N/A
B. Calculation of “O” Factor impact			
1. NAS % of DCP inpatient costs (input for “O” Factor formula, for the region)	70%	50%	N/A
2. Number of NAS-equivalents in DCP (input for “O” Factor formula, for the region)	10,000	5,000	N/A
3. Number of NAS-equivalents without the RS agreements in OP 1 (input for “O” Factor formula, for the region)	10,000	5,000	N/A

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4. "O" Factor without this RS agreement in OP 1	1.0000	1.0000	N/A
5. Number of MTF admissions enabled by the RS agreement in OP 1 (should reflect the number of MTF admissions which would not occur in the absence of the RS Agreement, according to the Resource Sharing Workload Reporting Guidelines provided in Chapter 16, Addendum B).	1,000	200	N/A
6. Number of NAS-equivalents with the RS agreement in OP 1, before contractor workload credit	9,000	4,800	N/A
7. Contractor's workload credit for the RS agreement in OP 1 (pending confirmation of acceptable worksheet results)	100%	100%	N/A
8. Number of NAS-equivalents credited to resource sharing agreements in OP 1	1,000	200	N/A
9. Number of NAS-equivalents with the RS agreement in OP 1, after contractor workload credit	10,000	5,000	N/A
10. "O" Factor with this RS agreement in OP 1	1.0000	1.0000	N/A
C. Decrease in Cat. 1-7 bid price due to "O" Factor adjustment, if any	\$0	\$0	\$0
III. IMPACT ON ACTUAL CAT. 1-7 TRICARE CLAIMS COSTS			
	ADD	NADD	TOTAL
A. Number of MTF admissions enabled by the RS agreement in OP 1 (should reflect the number of MTF admissions which would not occur in the absence of the RS agreement, according to the Resource Sharing Workload Reporting Guidelines provided in Chapter 16, Addendum B).	1,000	200	N/A
B. Assumed VTF for resource sharing workload expected under this agreement	1.0	1.0	N/A
C. Number of admissions avoided in TRICARE	1,000	200	N/A
D. Average Govt cost per unit for admissions avoided in TRICARE	\$3,000	\$3,500	N/A
E. Estimated Cat. 1-7 TRICARE costs avoided with resource sharing agreement	\$3,000,000	\$700,000	\$3,700,000

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IV. RISK SHARING IMPACT

A. Contractor's resource sharing expenditures in Cat. 8	\$1,000,000
B. Net decrease in actual TRICARE costs (Cat. 1-7 costs avoided minus Cat. 8 expenditures)	\$2,700,000
C. Net decrease in TRICARE costs already reflected in Contractor's total bid price (includes effect of assumed RS expenditures and savings trend factor from BAFO)	\$1,500,000
D. Decrease in Cat. 1-7 bid price due to "O" Factor adjustment, if any	\$0
E. Residual gain in TRICARE Cat. 1-7 costs to be shared (actual net decrease in HCC-savings in BAFO price - "O" Factor adjustment)	\$1,200,000
F. Expected Govt risk sharing responsibility percentage (Lead Agent to provide guidance with input from contractor for this assumption to ensure consistency within the region)	80%
G. Expected contractor risk sharing responsibility percentage (Lead Agent to provide guidance with input from contractor for this assumption to ensure consistency within the region)	20%
H. Resulting Govt gain sharing amount	\$960,000
I. Resulting contractor gain sharing amount	\$240,000

V. RESULTS OF ANALYSIS: CHECK OF CONTRACTOR WORKLOAD CREDIT AND MHS COST-EFFECTIVENESS

A. Contractor RS workload credit assumed in analysis (above)	100%
B. Contractor's resource sharing expenditures as percent of total expenditures (contractor + MTF) (for information)	50%
C. Analysis of contractor profit and workload credit:	
1. Contractor's resource sharing expenditure; Are these expenditures and the resulting savings already reflected in the contractor's BAFO?	\$1,000,000 YES
2. Projected actual net contractor gain from resource sharing (risk sharing result); For comparison in judging reasonable workload credit, vs. profit rate on expenditures only; See also comparison of contractor vs. Govt gains under RS agreement (below)	\$240,000
3. Projected actual contractor resource sharing profit as percent of resource sharing expenditures	24.0%
4. Proposed profit rate for overall health care costs (from contractor's BAFO)	5.0%

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<p>5. Is proposed contractor workload credit appropriate? For agreements reflecting expenditures and resulting savings already included in the contractor’s BAFO (See Part V.C.1.), 100% workload credit is appropriate if the MHS cost effectiveness requirement is also submitted. For agreements reflecting expenditures and resulting savings beyond those assumed in the contractor’s BAFO, projected actual contractor profit rate for resource sharing (see Part V.C.3.) should be approximately equal to proposed profit rate for overall health care costs (rounding to the nearest full percentage point) (see Part V.C.4.)</p>	<p>YES</p> <p>(See explanation at left)</p>
<p>D. Analysis of cost-effectiveness for the Government from the MHS perspective</p>	
<p>1. Projected MTF expenditures under RS agreement</p>	<p>\$1,000,000</p>
<p>2. Projected Govt gain in TRICARE under RS agreement (Net savings in BAFO price + savings from “O” Factor adjustment + Govt share of residual TRICARE gain)</p>	<p>\$2,480,000</p>
<p>3. Net Govt MHS savings under RS agreement</p>	<p>\$1,480,000</p>
<p>4. Do Govt gains exceed Govt expenditures? If the result in Part V.D.3 is a positive value, then the Govt gains exceed the Govt expenditures</p>	<p>YES</p>
<p>E. Bottom line comparison of projected contractor and Govt gains under RS agreement</p>	
<p>1. Total projected net contractor gain under RS agreement</p>	<p>\$240,000</p>
<p>2. Total projected net Govt gain under RS agreement</p>	<p>\$1,480,000</p>

NOTE: Terms of proposed agreement should only be approved if the responses to Parts V.C.5 and V.D.4 are both “yes”. If the responses to both questions (Parts V.C.5 and V.D.4) are not “yes,” then the proposed contractor workload credit should be adjusted on an iterative basis until the proposed agreement satisfies both requirements. If this is not possible, given all of the other input assumptions agreed upon by the MTF commander and the contractor, then the proposed resource sharing agreement should not be approved (unless the Lead Agent determines that the proposed agreement still warrants approval due to compelling circumstances).

