HEALTH FIRST

Community Health Accountable Care LLC

Transitioning Our Communities for Better Health

OneCareVermont

ACOs and APM Update Presentation to GMCB

February 18, 2016

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Vermont ACO Landscape

- Three ACOs
  - Community Health Accountable Care (CHAC)
  - Vermont Collaborative Physicians (Healthfirst's ACO)
  - OneCare Vermont ACO
- Significant collaboration among ACOs already happening
  - VHCIP (SIM Grant) committees
  - GMCB-facilitated payment reform design groups
  - Community collaborative across ACOs
  - Development with Blue Print of the 2016 medical home performance measures and incentive program
  - ACO quality collection process
  - "Memorandum of Understanding" among all three ACOs to explore potential of combining into single ACO

ACO Perspective on Term Sheet

- Documents indicate that reform under the all-payer system is intended to be based on ACO(s)
  - Term Sheet: “Vermont will use an accountable care organization (ACO) model to carry out its payment and delivery system transformations under the All Payer Model Agreement”
  - Companion Document: “As is true today, health care providers’ participation in ACOs is voluntary; the ACO must be attractive to providers and offer an alternative health care delivery model that is appealing enough to join”
- Terms are highly aligned with the Next Generation ACO model
  - ACO/Next Gen Fraud and Abuse Waivers Included
  - Next Gen Benefit Enhancements Included
  - Medicare spending Goal as Discount against National Medicare FFS Trend Rate
    - > “Pure” Next Gen – ***0.5% to 4.5% discount with no floors***
    - > “APM Term Sheet” – ***0.2% discount with floors*** of 3.5% in 2017 and 2.0% in 2018-2021
  - Both Next Gen and APM require multi-payer commitment to ensure aligned incentives

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ACO Perspective on Term Sheet

- Includes Medicare continued participation in the Blueprint for Health (practice payments, CHT, SASH)
  - Without waiver MAPCP Program to expire 12/31/16
- Quality/health measurement includes selected system-wide measures in addition to expected ACO scorecard metrics
  - Population Health Goals on (i) increasing access to primary care, (ii) prevalence/management of chronic disease, and (iii) addressing the substance abuse epidemic
  - Plus expected ACO quality measurement and incentive program
- Biggest open questions
  - How will the ACO program(s) under APM be offered, structured, and regulated?
  - What are the exact measures and targets on the three system goals and how will they relate to the ACO program(s)?
  - Will ACO(s) be supported with models and resources to ensure attractiveness to providers?
  - What are Implications if ACO participation is not broad-based?

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Going Forward – Three Potential Paths

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Vermont Care Organization

No APM - Current ACOs

OCV: Next Generation Medicare and negotiated other programs (likely smaller network)
CHAC: TBD
Healthfirst: TBD

<OR>

APM - Current ACOs

OCV: Risk-based APM Program
CHAC: TBD
Healthfirst: TBD

<OR>

APM - Vermont Care Organization (VCO)

Single Statewide ACO under Risk-based APM Program

2017

Planning the Vermont Care Organization (Potential Single ACO)

MOU Steering Committee

- Members:
  - Joe Woodin
  - Patrick Flood
  - Mary Moulton

  CHAC Delegates
  - John Brumsted M.D.
  - Eric Seyferth M.D.
  - Kevin Stone

  OneCare Delegates
  - Paul Reiss M.D.
  - Paul Unger M.D.
  - Joe Haddock M.D.

  Healthfirst Delegates
  - Tom Huebner
  - Kevin Kelley

  At-Large Delegates
  - Todd Moore
  - Amy Cooper
  - Joyce Gallimore

  ACO Management Delegates

MOU Process Update

- Productive discussions to date including agreement on a unified ACO governance model
- Operational vision being designed in business planning phase currently starting (1Q16) with necessary functions, resources and infrastructure
- Working together as ACOs to envision the right public-private partnership and best model to ensure continuity of successful innovations to date (e.g. Blueprint for Health)
- Striving to align on what legislative and regulatory oversight is desired or acceptable without changing the provider-governed ACO paradigm
- Continued sense that single ACO is only relevant/feasible under APM

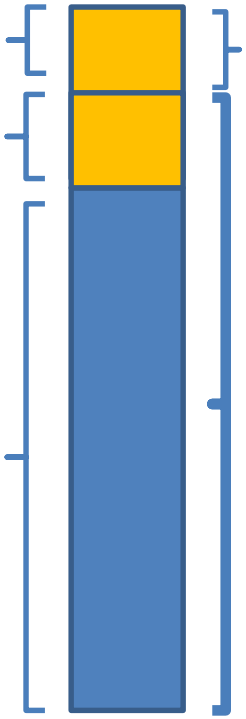
Moving Ahead: VCO Plan in Progress

Planning Environment: The Big Hurdles

- Hurdle 0: Is APM Real?
  - Will APM really happen? Will the term sheet change?
  - What is the ACO program under APM and how will it be offered/regulated?
- Hurdle 1: Network Participation - Who's in Matters
  - Attribution – Need large enough population for effective, integrated population health management
  - Risk management – Need providers to be part of risk-based ACO model and payment reform
- Hurdle 2: DVHA and Medicaid
  - Will Medicaid offer an aligned ACO program under APM?
  - How to handle non Part A/B spending
  - Growth rate – does state budgeting align with the model?
- Hurdle 3: Commercial Payer Participation
  - Will they support the APM approach offer aligned ACO programs under APM?
- Hurdle 4: The Financial Needs to Support and Build the Coalition
  - ACO Operations and Risk Management Expense
  - Independent Physician Practice Revenue Increase
  - Community-Based Investment and Program Development
  - Incentive Pool to Reward Value (high quality and low cost)
  - Key Question: Are there enough resources to do the items above and still deliver attractive or adequate revenue models to attract a broad base of network providers

ACO as Population Risk-Bearing Entity

Commercial Insurance Plan (QHP under ACA)



Insurer General Administrative and Risk Management

Insurer Quality Improvement Activities

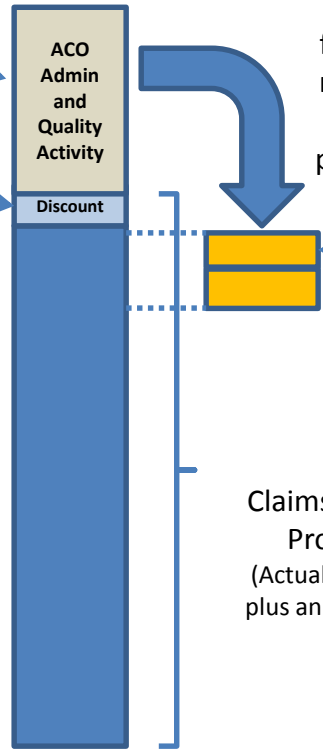
Claims Risk Budget
(Actuarially determined on base plus trend)

Calculated Admin Ratio
(allowed to be up to 15% for large group)

Calculated Medical Loss Ratio

- **Can include insurer quality activity**
- **Must be at least 85% (for large group)**

Next Generation ACO



Medicare Next Gen has No Source of Added Funds for This ***plus*** Have to Grant Discount

Need source of funds for this, or must come from discounted provider revenue

General ACO Administrative and Risk Management

ACO Quality Improvement Activities

Claims Risk Budget
(Spending projection minus discount)

Claims Spending Projection
(Actual claims base plus annual inflator)

Assessing the ACO Model

- Current GMCB Criteria in Assessing APM:
  - 3b. The GMCB must determine that the administrative costs of the ACO will be offset by savings resulting from improvements in efficiency and care delivery.

- What the Question Should Be:
  - Is the ACO expense and financial plan reasonable given the business model and the value of a predictable health care services growth rate and increased delivery system coordination with very strong focus on quality and satisfaction

Envisioned Process

- **Envision series of draft versions/support activities of the "VCO Business Plan"**
  - Draft 0.3 – February 5, 2016 - **COMPLETE**
  - Draft 0.5 – February 22, 2016
  - **MOU steering committee "Directional Endorsement" vote on VCO Plan V0.5** before first Summit Meeting and to provide initial input to GMCB
  - **Three-Board Summit Meeting 1 - Early March** (PowerPoint covering V0.5)
  - Draft 0.7 – March 7, 2016
  - **Provider Solicitation of Intent to Join VCO - Early March with April 1 Response Deadline (with VCO Prospectus based on V0.5)**
  - Draft 0.9 – March 21, 2016
  - **Potential Three-Board Summit Meeting 2 - Early April** (PowerPoint covering V0.9)
  - **Potential Provider Decision on Intent Due – Early April:**
  - Draft 1.0 – Week of April 4, 2016
  - Vote by MOU Steering Committee to accept VCO Plan V1.0 which triggers bringing to each ACO Board for vote
  - Votes at April ACO Board meetings under each organization's governance and voting rules