To: Kevin Mullin, Chair, Green Mountain Care Board

CC: Michael Barber, Green Mountain Care Board; Melissa Miles Green Mountain Care Board; Todd Moore, CEO OneCare Vermont, Karen Lee, VP of Strategy and Finance, OneCare VT

From: Tom Borys, Director of Finance, OneCare Vermont,

Date: December 7, 2018

Subject: OneCare Vermont ACO 2018 Budget Order Amendment Request

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Dear Chairman Mullin,

OneCare Vermont recently produced its September financial statements and, as part of a regular review process, examined the statements in the context of the GMCB budget orders to ensure compliance. As a result of this review, there are two orders we request the Green Mountain Care Board ("Board") consider for reasonable modification.

Order F.4. Establish reserves of $1.1 million by July 1, 2018 and $2.2 million by December 31, 2018;

OneCare has been pursuing compliance with this order by closely monitoring spending and capitalizing on savings from program ramp-up (which will be discussed in more detail as part of the second order amendment request). Financial forecasts throughout the year consistently resulted in projections very close to the $2.2M reserve requirement threshold, however left very little margin for unforeseen costs. OneCare generated $1.1M in reserves by June 30th, but securing the second $1.1M by December 31st will not be possible without asking the hospitals to contribute even more funding for the ACO.

The challenge in completing the reserve requirement stems from increased PHM spending (particularly for RiseVT and Care Coordination) as well as significant legal and actuarial costs related to the network development, contracting and budget cycles for our new risk programs and models. Therefore, we respectfully request the Order 4.F. be amended to reduce the required reserves to be established to $1.4M by December 31st, 2018.

We also request that the required Medicare financial guarantee is considered when making a decision on this matter. Not known at the time the 2018 budget was developed and approved, was the fact that OneCare needed to put in place a mechanism to guarantee $4.125M of the Medicare downside risk exposure. This was secured as a loan and ensures that a material portion of the Medicare downside risk is guaranteed. This materially lowers the risk for the ACO in the event a hospital is unable or unwilling to pay at the time of settlement. Also, OneCare was able to secure a risk protection arrangement that activates if the Medicare spend reaches the top 50%

threshold of the risk corridor. This protection also significantly lowers the risk to the ACO in the event of a substantial overrun.

In addition, we ask that the Board is sensitive to the amount of cost the hospitals are absorbing. Hospitals are funding a significant portion of the OneCare PHM programs, operations and effectively all of the reserves. In order to continue positive network development and participation, the desired strategic approach is to amend the reserve order rather than requiring yet another invoice to the hospitals to make up for any remaining balance to fulfill the order.

Lastly, it would be natural to question the way in which this request affects the 2019 reserve request. The requested $5M reserve target was developed based on the expectation that four risk mitigation arrangements to encourage hospital participation would be offered and the total risk held by OneCare would equate to this amount. In reality, only three hospitals were eligible for a risk mitigation arrangement, which lowered the ACO-held risk to $3.9M. Ultimately, we are open to the Board's input on whether OneCare should pursue the full $5M as originally requested or amend accordingly to reflect the reduced risk amount. OneCare, however, would recommend that the reserve order for 2019 maintain at least $3.9M so as to ensure our ability to fulfill the risk mitigation arrangements with the eligible hospitals.

Order H. OneCare must fund its other population health management and payment reform programs— Value-Based Incentive Fund, Basic OneCare PPM, Complex Care Coordination Program, PCP Comprehensive Payment Reform Pilot, and RiseVT—at no less than 3.1% of its overall budget. The Board will monitor this ratio throughout the year to ensure it does not decrease below 3.1%. If the percentage decreases, OneCare must promptly alert the Board.

The ability to comply with this order depends largely on PHM program spending ramp-up, or reasonable adjustments to reflect the actual roll-out of 2018 programs. The following is a breakdown of the PHM spending levels through September as compared to budget with an explanation of the primary driver(s):

Investment	YTD Actual	YTD Budget	$ Var	% Var
Basic OCV PMPM	$3,027,053	$3,585,758	$558,704	15.6%
Care Coordination	$4,240,909	$5,298,542	$1,057,633	20.0%
Comprehensive Payment Reform Pilot	$538,567	$1,350,000	$811,433	60.1%
VBIF	$3,269,987	$3,228,917	($41,069)	-1.3%
Community Program Investments	$536,577	$1,183,200	$646,623	54.7%

Basic OCV PMPM ($3.25 PMPM)

The variance between the budget and the actual amounts paid is driven by two primary factors. Firstly, the actual attribution in 2018 was materially lower than budgeted; particularly or the BCBS QHP program. Because these payments are based on attribution, the actual spending is trending under the budgeted level. The second factor is that there was a delay to the start date for the UVMMC Self-Funded plan. As a result there were no payments made to attributing network providers for the first three months of the year.

Despite the variance to budget, this program has been fully implemented at this point in the year and is operating in accordance with the approved budget model.

Care Coordination

The same themes mentioned above are relevant to the Care Coordination spending analysis. In addition, a component of the spending is based on network engagement and providers being activated as the lead care coordinator. Due to the relative newness of the program as well as the timing at which the patient data was received from the payers, data were loaded into Care Navigator towards the end of Q1, which resulted in the first half of the year having fewer assigned lead care coordinators than was modeled in the budget.

There has been encouraging growth since, but the spending for this category is expected to maintain a variance from budget at year end.

Comprehensive Payment Reform (CPR) Pilot

The budget developed for this program was designed to accommodate ten independent primary care practices. Ultimately, only three practices elected to participate in 2018 and help develop both the financial and clinical elements of the program. Because of the lower participation, there is a variance between the expected cost of the program and the actual spending.

Despite the overall savings against budget, the amount paid to the participating practices is proportionally in alignment with the budget design based on attribution. While there will continue to be a budget variance, the program has been fully deployed and continues steady financial operations.

Value Based Incentive Fund (VBIF)

This line item remains very close to budget year-to-date. However, the amounts accrued to the VBIF are based on the total-cost-of-care, so the attribution attrition from this point forward will reduce the expected payout of this fund. At the conclusion of the year, and upon receipt of quality

scores from the payers, a specific amount will be paid to the network with the remaining balance paid back to the payer (per contract terms) or reinvested in quality.

Despite the aforementioned, OneCare is funding the VBIF according to plan and in compliance with contract terms.

Community Program Investments

The primary driver resulting in a negative budget variance is related to the ramp-up of RiseVT. In 2018, RiseVT began its transition to become a statewide primary prevention initiative. The funding that RiseVT supplies to each community is largely based upon the community hiring a project coordinator for their area. After filling this community-based role, the employing entity begins to receive matching funds from RiseVT. Because the funding is activated only when the position is filled, there was expense savings in the early months of the program during the recruitment process. However, all six planned RiseVT project coordinator roles are now filled.

Once the program coordinators are hired, they work with the community to develop wellness initiatives to advance the primary prevention goals of RiseVT. The budget included expenses for "amplify grants" to contribute to these community wellness initiatives. Since these grants ramp-up after the local RiseVT program coordinator is in place, there has been expense savings in this category as well.

Despite expenses remaining under budget, the RiseVT roll-out is progressing nicely throughout the state and spending and primary prevention initiatives have increased accordingly.

All of the initiatives covered under this budget order are being operationalized in alignment with the spirit of the submitted budget and progressing diligently. However, in light of the expense savings mentioned above, we request that the Budget Order H be amended to reduce the funding to 2.5% of its budget.

Thank you for your consideration, and please let me know if you have questions or considerations.

Sincerely,

Tom Borys
Director of Finance
OneCare Vermont