

# VERMONT ALL PAYER MODEL

## FINANCIAL TARGETS IN THE MODEL AGREEMENT

OCTOBER 5, 2016

# Agenda

- Statewide Financial Targets Overview
- Vermont All-Payer Projection Model
  - Data and Model Components
  - Baseline Expenditures
  - Projected Growth by Payer
- Financial Targets in the Model Agreement
  - All-Payer Growth Target
  - Medicare Growth Target
  - Medicare Adjustments in the Model Agreement
    - Benchmark Floor
    - Impact of FFS
    - Age Band and ESRD Adjustments

# Statewide Financial Targets in the All-Payer Model Agreement

# Statewide Financial Targets

**All-Payer Growth Target:** a defined target for statewide per capita spending growth. This applies to spending across all payers.

**The All-Payer Target: 3.5% annual growth**

**Medicare Growth Target:** a defined target for per capita growth for Medicare beneficiaries. This applies to spending only on Medicare.

**The Medicare Target: 0.2% below projected national Medicare growth**

- Performance on these targets is calculated over the 5-year agreement
- During the agreement term, failure to be “on track” to meet these targets could require a corrective action plan
- Baseline year is 2017
- Benchmark growth rates are compared to actual Vermont spending

# Vermont All-Payer Projection Model

# VT All-Payer Projection Model: Data and Model Components

## Data

- **VCHURES Medicaid, Medicare, and Commercial claims data**
  - 2007 – 2014 Medicaid
  - 2007 – 2014 Commercial
  - 2007 – 2012 Medicare

## Model Components

- **Categories of Service**
  - Determined for all three payers
- **Category of Aid**
  - Specific groups determined for Medicaid based on VCHURES and GMCB logic
  - Gender and age bands assigned for Medicare and Commercial payers

# VT All-Payer Projection Model: Baseline Expenditures

## All-Payer

- **PMPM**
- **Services in Target**
  - Excluding Dental, SNF, RX, and Gov't Svcs\*
- **Historical Trend**
  - VT varies significantly compared to Nat'l HE/PHC
- **Baseline Trend**
  - 4.2% w/ current market

## Medicare

- **PMPM**
- **Services in Target**
  - Regulated Services (excludes RX)\*
- **Historical Trend**
  - VT varies significantly compared to Nat'l
  - Used Range of 0.4% to 1.2%
- **Baseline Trend**
  - 4.6% w/ current market

\* See Resource Slides for additional detail

# VT All-Payer Projection Model: Projected vs. Target

## All-Payer

- **Interventions**
  - Blueprint for Health
  - ACO Care Management
- **VT Intervention Trend**
  - LOW: 3.0% to 4.0% (3.4%) w/ ACO pop transitions
  - HIGH: 3.0% to 4.0% (3.6%) w/ ACO pop transitions
- **CMMI Targeted Trend**
  - 3.5% w/ 4.3% Ceiling

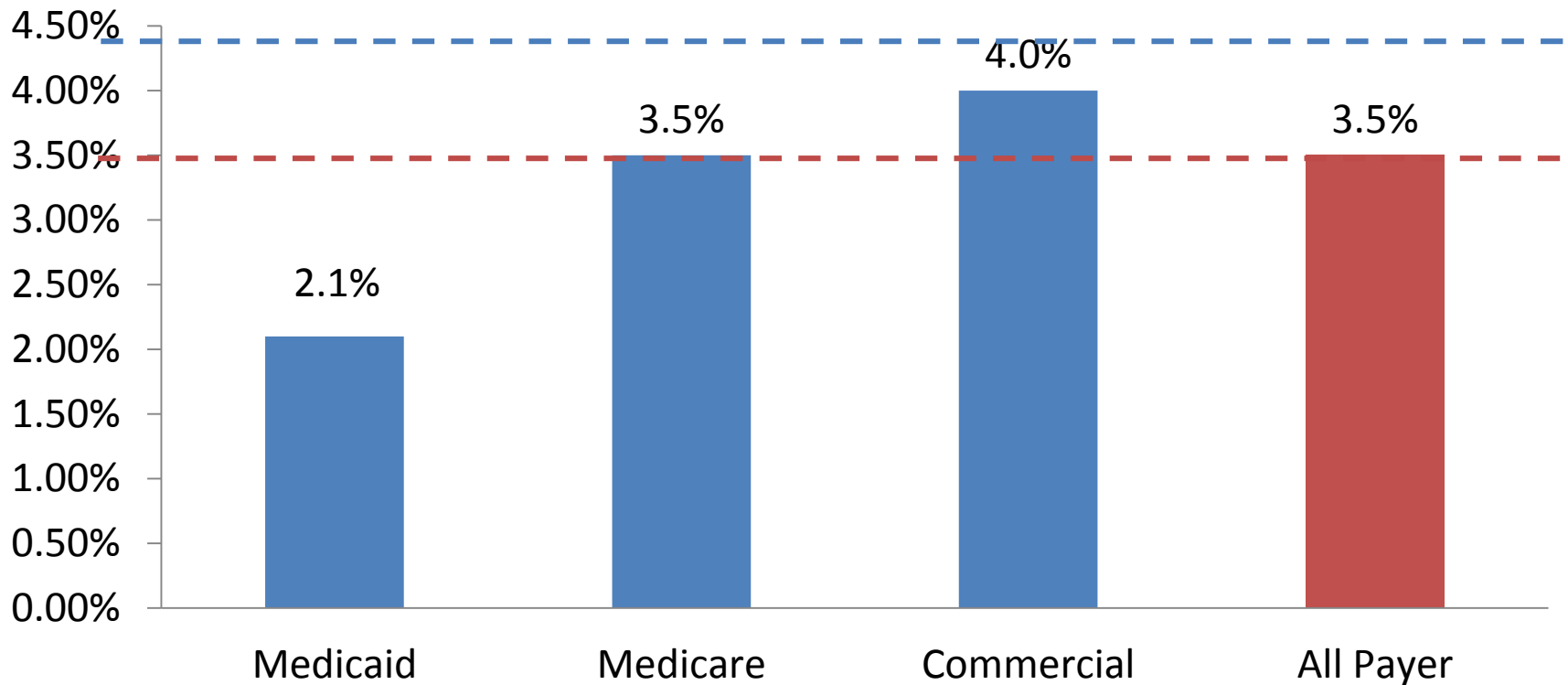
## Medicare

- **Interventions**
  - Blueprint for Health
  - ACO Care Management
- **VT Intervention Trend**
  - LOW: 3.0% to 4.0% (3.3%) w/ ACO pop transitions
  - HIGH: 3.5% to 4.5% (3.7%) w/ ACO pop transitions
- **CMMI Targeted Trend**
  - **3.8% (Medicare Projected)**



# VT All-Payer Projection Model: Results

**Vermont Health Care Spending 2018- 2022  
Optumas Model Projections; Per Capita CAGR**



# VT All-Payer Projection Model: Total Financial Impact

## Medicare Transformation

- **Low VT Medicare Trend**
  - 3.3% yields approx \$44m\* in reduced costs
- **Mid VT Medicare Trend**
  - 3.5% yields approx \$19m\* in reduced costs
- **High VT Medicare Trend**
  - 3.7% yields approx \$8m\* in reduced costs

## Additional Dollars

- **Federal Transformation \$'s**
  - \$2.0m One Time Money
  - \$7.5m annually trended forward for:
    - Blueprint
    - SASH
  - 6 yrs yields approx \$51m

\* \$'s available for reinvestment up to target

# VT All-Payer Projection Model: All-Payer vs. FFS+Next Gen

## All-Payer

- **Additional Dollars**
  - One-Time + Blueprint
  - MACRA/MIPS
- **Protections**
  - Year 1 Floor
  - GMCB Sets ACO Rates
  - Age and ESRD Adjusters
  - Reinvestment \$'s Available
  - 5 Year Projection Horizon
  - Exit if not advantageous to State

## FFS + Next Gen\*

- **Additional Dollars**
  - MACRA/MIPS
- **Protections**
  - 1 Year Agreement
  - Exit if not advantageous to ACO

*\* Discount Required*

# MACRA – Medicare Reimbursement MIPS vs. Advanced APM

## Merit-based Incentive Payment System

- Streamlines 3 quality/reporting programs
- Based on performance, Part B rates are adjusted
  - 2019 +/-4%
  - 2020 +/-5%
  - 2021 +/-7%
  - 2022/ongoing +/-9%

## Advanced Alternative Payment Models

- Qualifying participants EXCLUDED from MIPS
- Based on participation in an Advanced APM, clinicians receive a 5% bonus
- Bonus each year 2019-2024, higher fee updates 2026-ongoing

**GMCCB cannot control whether clinicians are subject to MIPS, nor how well they will fare under the new system. But the draft agreement indicates that CMS and the state work together to ensure the Vermont ACO Initiative is an Advanced APM.**

# Financial Targets in the All-Payer Model Agreement

# Statewide Financial Targets: All-Payer Growth Target

- The **All-Payer Total Cost of Care per Beneficiary Growth Target** sets Vermont's goal for overall per capita spending growth : 3.5%
- Performance is calculated over the 5 performance years, so Vermont can create "room" by staying below 3.5%
- Vermont is "on track" to meet the All-Payer Target if it remains below 4.3% growth
- The All-Payer Target will keep Vermont healthcare spending close to historic state economic growth.

Measure	Growth
<i>15-Year Economic Growth (Gross State Product)</i>	3.3%
All-Payer Target	3.5%
Enforcement "on track" Ceiling	4.3%

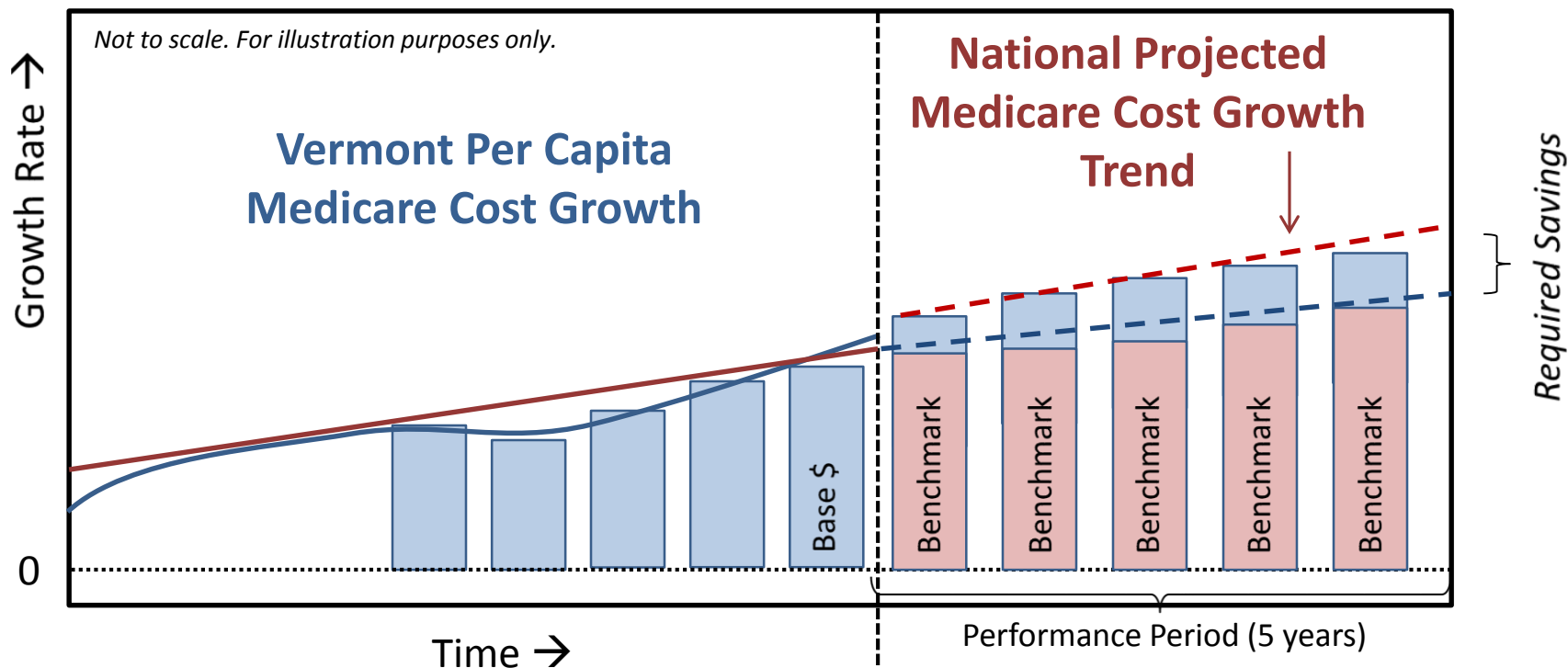
**Optumas Model Projection  
3.4% to 3.6%**

# Statewide Financial Targets: Medicare Growth Target

- The ***Medicare Total Cost of Care per Beneficiary Growth Target*** limits Medicare growth – intended to ensure that the model saves CMS money
- Significant change during the negotiation was to relate the Medicare Growth Target to national **projections of Medicare spending**
  - Original proposal was to assess growth relative to actual national growth – that structure created uncertainty and risk
- Vermont negotiated other important provisions to protect the state
  - Benchmark floor in Performance Year 1
    - Intended to protect Vermont from very low growth in PY1, when the model is being launched
  - Exclusion of Medicare FFS spending in PY1-2, with ACO scale “trigger” in PY 3
    - Intended to protect Vermont from being accountable for spending it does not regulate, as the ACO program is ramping up
  - Adjustments for age and specific high-need enrollees

# Medicare Growth Target: Basic Operation

For Medicare spending, the state is required to grow at rates lower than those projected by the CMS Actuary.

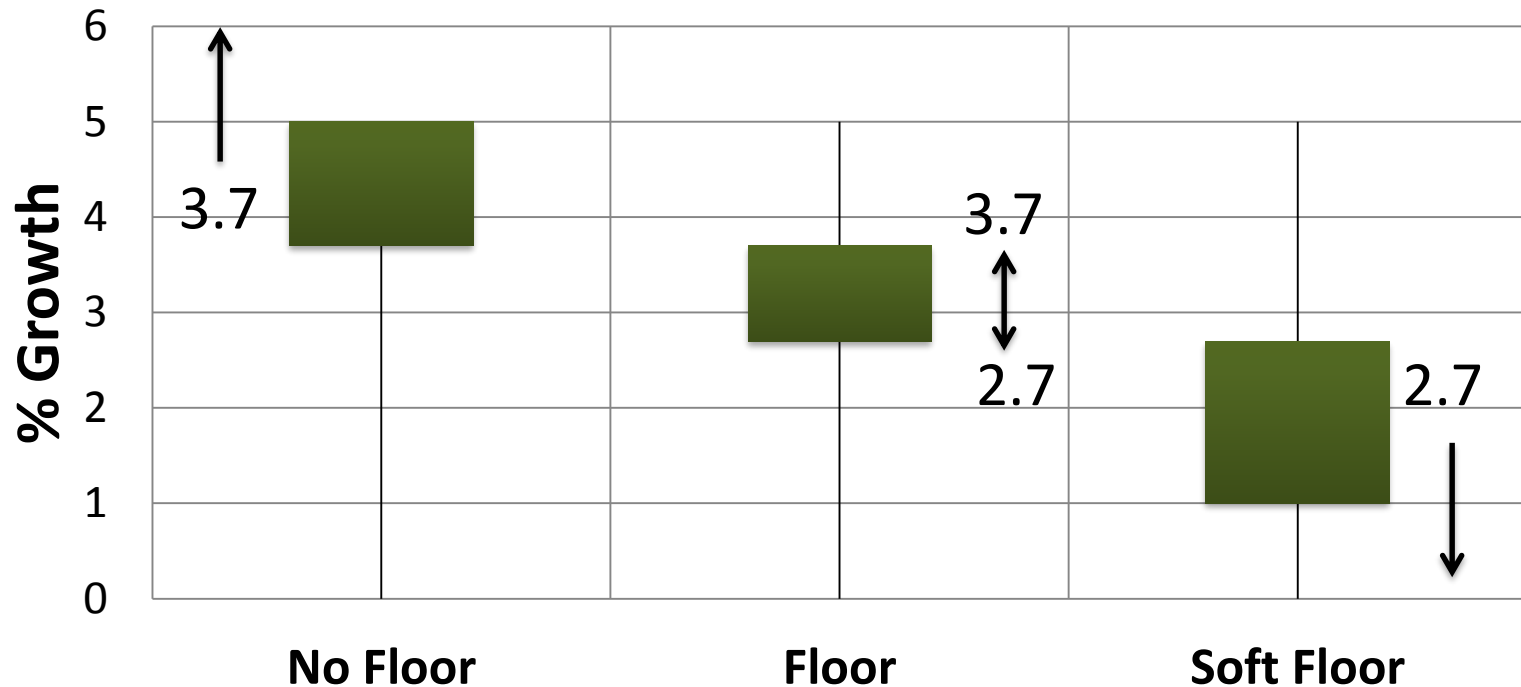


National Medicare growth projections are published on a set schedule. GACB will have preliminary data in December and February, and final projections in early April (for the following year).



# Medicare Growth Target: The Benchmark Floor Provisions

Medicare 2018 Projected Growth Determines  
Whether the Benchmark Floor Provisions Apply



GMCB will know 2018 Medicare projections in April 2017.

# Medicare Growth Target: The Benchmark Floor Provisions

Projected growth in 2018 affects both PY1 growth benchmarks and requirements over the remaining 4 years.

	Medicare Projections 2017	Benchmark Growth 2018 (PY1)	Benchmark Growth 2019-22 (PY2-5)
<b>No Floor</b>	Above 3.7%	0.1% below projected	0.1% below projected
<b>Floor</b>	2.7 – 3.7%	3.5%	0.2% below projected
<b>Soft Floor</b>	Below 2.7%	1% above projected	0.2% below projected

The Soft Floor is to address very low Medicare growth and avoid a windfall.

High Medicare growth leads to lower savings requirement over the 5 years.

**Preliminary Medicare growth projections for 2018: 3.4%**

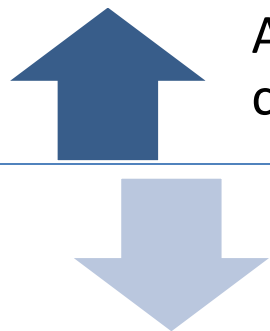
# Medicare Growth Target: Excluding FFS Spending

**At the beginning of the agreement, Vermont may not have the ACO scale needed to ensure compliance with the Medicare target. Moreover, in recent years Vermont FFS growth rates have outstripped national growth rates.**

- To address this issue, the Model Agreement calculates performance on the target by counting in PY1-2 only the lives that are attributed to an ACO.
- In PY 4-5, all Vermont Medicare lives (ACO and FFS, not including Medicare Advantage enrollees) are included in the calculation.
- In PY3, there is a “scale trigger” of 65%.

## PY3 Scale Tigger

ACO Scale at 65%



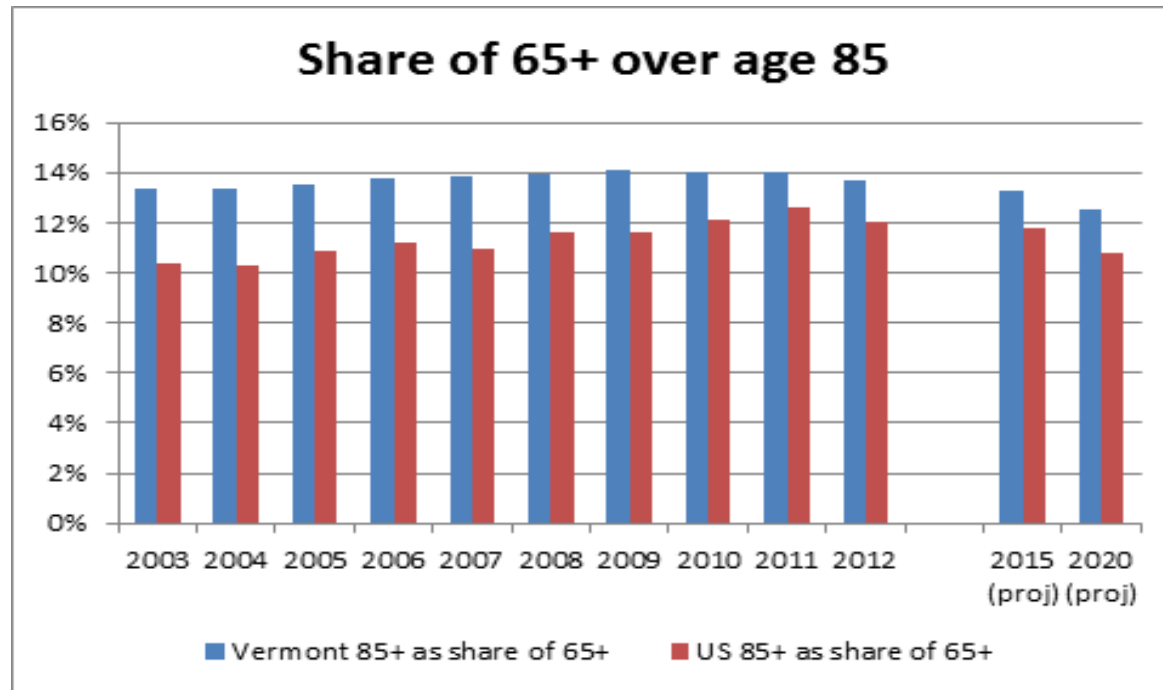
All Medicare lives in calculation

Only ACO-attributed lives in calculation

# Medicare Growth Target: Age Band and ESRD Adjustments

The Model Agreement adjusts the Medicare target calculations for age differences between Vermont and national Medicare enrollees

- This addresses the fact that Vermont has a larger share of 85+ year old Medicare enrollees than the national average



- A similar adjustment will be made to account for Vermonters with end-stage renal disease (ESRD)

# Medicare Growth Target: Summary Points

- **CMS projections of Medicare spending are a major driver**
  - This is much better than the Term Sheet – the target will be prospective and not subject to what happens with actual spending
- **2018 projections will establish the overall financial terms**
  - Floor for PY 1
  - Benchmark savings requirements for PY2-5
  - Expect final CMS projection in April 2017
- **ACO Scale is very important**
  - But given the agreement, it becomes important for calculating performance only in PY 4 and 5

# Medicare Growth: Model Agreement Illustration

## MEDICARE FINANCIAL TERMS: SEPTEMBER AGREEMENT

	2016	2017	2018	2019	2020	2021	2022	TOTALS 2018-2022
Medicare lives	129,617	132,326	135,106	135,106	140,891	143,900	146,989	
ACO scale %		50%	60%	75%	79%	83%	90%	78%
ACO attributed lives		66,163	81,064	101,330	111,304	119,437	132,290	
<b>VT ACO Trend</b>		3.3%	3.19%	4.50%	4.05%	3.55%	3.05%	
VT ACO Benchmark	\$ 8,165	\$ 8,434	\$ 8,704	\$ 9,095	\$ 9,464	\$ 9,799	\$ 10,098	3.67%
VT ACO Total Medicare Dollars		\$ 558,046,304	\$ 705,538,613	\$ 921,609,813	\$ 1,053,327,900	\$ 1,170,418,020	\$ 1,335,910,387	
FFS lives		66,163	54,042	33,777	29,587	24,463	14,699	
<b>VT FFS Trend</b>		3.30%	3.79%	5.24%	4.65%	4.15%	3.65%	
VT FFS Benchmark	\$ 8,165	\$ 8,434	\$ 8,754	\$ 9,213	\$ 9,641	\$ 10,041	\$ 10,408	4.29%
VT FFS Total Medicare Dollars		\$ 558,046,304	\$ 473,093,986	\$ 311,177,569	\$ 285,256,394	\$ 245,640,853	\$ 152,983,607	
Vt Total Spend in Model		\$ 1,116,092,609	\$ 1,178,632,599	\$ 1,232,787,382	\$ 1,338,584,294	\$ 1,416,058,873	\$ 1,488,893,993	
<b>National Projected Trend</b>			3.39%	4.84%	4.25%	3.75%	3.25%	
National Benchmark	\$ 8,165	\$ 8,434	\$ 8,720	\$ 9,142	\$ 9,531	\$ 9,888	\$ 10,210	3.89%
<b>September Agreement Illustration</b>								
Savings Benchmark Growth			3.50%	4.64%	4.05%	3.55%	3.05%	
Savings Benchmark		\$ 8,434	\$ 8,730	\$ 9,135	\$ 9,505	\$ 9,842	\$ 10,142	3.76%
Savings Target					\$ 1,339,123,632	\$ 1,416,273,357	\$ 1,490,798,664	
Vermont Total Spend against Savings Target					\$ (539,338)	\$ (214,484)	\$ (1,904,671)	
VT ACO Spend at Savings Benchmark			\$ 707,658,169	\$ 925,616,885	\$ 1,057,907,670			
VT ACO Spend against Savings Target			\$ (2,119,556)	\$ (4,007,072)	\$ (4,579,769)			
<b>PERFORMANCE: FFS excluded PY1-2; 65% trigger PY3</b>			\$ (2,119,556)	\$ (4,007,072)	\$ (539,338)	\$ (214,484)	\$ (1,904,671)	<b>\$ (8,785,121)</b>
<b>Performance Trend</b>			3.19%	4.50%	4.12%	3.58%	2.93%	3.66%
<b>APM Assumptions</b>								
All Payer Growth Benchmark		3.50%						
VT Medicare Policy Cap		4.50%						
VT FFS Relative to National		0.4%						
Savings Requirement w/ Floor		0.2%						
Savings Requirement w/o Floor		0.1%						
FFS Trigger PY3		65%						

# Questions?

# Resource Slides



# VT All-Payer Projection Model: Baseline Expenditures

- **Regulated Services:**
  - Category of Service logic transitioned into services included and excluded from the All-Payer Model

Category of Service	Commercial	Medicare	Medicaid
Primary Care Physician	Y	Y	Y
Laboratory and Radiology	Y	Y	Y
Specialty Physician	Y	Y	Y
Behavioral Health	Y	Y	Y
Dental	N	Y	N
Other Professionals	Y	Y	Y
Inpatient Services	Y	Y	Y
Outpatient Services	Y	Y	Y
Skilled Nursing Facility	N	Y	N
Other, Residential, and Personal Care	Y	Y	Y
Durable Medical Equipment	Y	Y	Y
Home Health	Y	Y	Y
Pharmacy	N	N	N
Government Health Care Activities - AHS	N/A	N/A	N
Government Health Care Activities - HCBS	N/A	N/A	N
Government Health Care Activities - Mental Health	N/A	N/A	N