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March 31, 2017

The Green Mountain Care Board
89 Main Street
Montpelier, VT 05620

VIA E Mail

RE: The Green Mountain Care Board's February 1, 2017 report on "The Advisability and Feasibility of Expanding to Commercial Insurers the Prohibition on Any Increased Reimbursement Rates or Provider-Based Billing for Health Care Providers Newly Transferred to or Acquired by a Hospital".

Dear Green Mountain Care Board (GMCB):

Pursuant to your March 21, 2017 letter on this subject, attached please find MVP Healthcare's response to the GMCB February 1, 2017 Memorandum addressing the feasibility of a proposed Vermont provider reimbursement site neutral practice, as described in the attachment to that Memorandum. Per GMCB request, the attached is to be considered an Addendum to MVP's July 1, 2016 Fair & Equitable Implementation Plan submission, also attached.

Please do not hesitate to call me should you have any questions.

Sincerely;

Craig W. Jasenski
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MVP Healthcare
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Phone: 800.777.4793 x17906

Attachments:

MVP March 31, 2016 Addendum to 7/1/16 Fair & Equitable Implementation Plan.
MVP July 1, 2016 Fair & Equitable Implementation Plan.

cc: MVP Distribution

Addendum to MVP's July 1, 2016 Report to the GMCB regarding

Fair and Equitable Physician Reimbursement

Response to the Green Mountain Care Board (GMCB) on the Advisability and Feasibility of Expanding to Commercial Health Insurers the Prohibition on Any Increased Reimbursement Rates or Provider-Based Billing for Health Care Providers Newly Transferred to or Acquired by a Hospital

MVP Health Care

March 31, 2017

Introduction

Effective January 1, 2017, The Centers for Medicare and Medicaid Services (CMS), as federal regulator and payor, implemented a Medicare Payment Advisory Commission (MedPAC) recommended payment rule (the Site Neutral Payment Rule) that reduced Medicare compensation paid on certain off-campus hospital outpatient department services, namely hospital-employed physician offices/clinics. Instead of allowing hospitals to be reimbursed under Medicare's Hospital Outpatient Prospective Payment System's (OPPS) Ambulatory Payment Classifications (APCs), CMS is now requiring these services to be reimbursed at the local Medicare Physician Fee Schedule, also known as CMS' Medicare Regionally-Adjusted (RAM) physician fee schedule.

The Green Mountain Care Board (GMCB) reviewed the MedPAC Site Neutral Payment Rule and on February 1, 2017 issued a report, "The Advisability and Feasibility of Expanding to Commercial Health Insurers the Prohibition on Any Increased Reimbursement Rates or Provider-Based Billing for Health Care Providers Newly Transferred to or Acquired by a Hospital". The Report was issued in accordance with Section 4 of Act 143 of 2016 for payment rule guidelines similar to CMS' Site Neutral Payment Rule.

MVP Health Care (MVP) supports the intent behind the CMS payment rule, namely that neither Medicare as the payor nor the Medicare Member should have to pay more for physician office-based services solely based on a change of provider practice ownership. As a commercial health insurer in Vermont (VT) with over 15,000 covered lives, MVP makes every effort to contain costs for VT residents, their families and their employers. In order to assess the advisability and feasibility of expanding the site specific prohibition on provider reimbursements to commercial payors, the GMCB requested commercial payors amend the July 1, 2016 Fair and Equitable reports to provide responses to the following recommendations:

1) Aligning fee schedules to reflect the current MedPAC recommendations on site neutral payments for newly acquired physician practices;
2) Outline plans to align fee schedules to reflect the MedPAC recommendations for all physician practices currently affiliated with a hospital; and
3) Propose effective dates for both newly acquired (#1 above) and currently affiliated (#2 above) along with the impact, if any, on 2018 health insurance plan designs, 2018 health insurance rates and implementation of the All Payer ACO Model.

Therefore, as requested by the GMCB in the February 1, 2017 report, MVP respectfully submits this Addendum to MVP's July 1, 2016 plan previously submitted to the GMCB as required by VT Act 54 of the 2015 Legislation Chapter 23.

Section 1. For newly acquired physician practices

For newly acquired hospital-employed physician offices/clinics, MVP has the opportunity, with proper advance notice, to modify its current payment policies and protocols applicable to VT participating providers to be consistent CMS' final site neutral payment rule. In response to the GMCB's request for a proposed implementation timeline, MVP proposes that within thirty (30) days of the GMCB's extension of the prohibition on any increased reimbursement rates or provider-based billing for health care providers newly transferred to or acquired by a hospital to commercial payors and hospitals, MVP would provide written notice to its participating providers in VT. The written notice would inform MVP's participating providers (i) of the new prohibition generally, and (ii) that MVP's payment policies and protocols will be revised accordingly. Any such revisions will be effective ninety (90) days from the date of the notice since MVP's participating provider contracts require at least ninety (90) days advanced written notice of changes to policies and protocols. Therefore, MVP would be in a position to implement the new prohibition a total of one hundred and twenty (120) days after the GMCB formally communicates the extension of the prohibition to commercial payors and hospitals.

In order to implement the site neutral payment rules, MVP will load the acquired physician group's MVP fee schedule into the acquiring hospital's system configuration upon receiving formal notice from the physician group and hospital of the effective date the acquisition. (Please note that if MVP does not receive formal notice from the physician group and hospital regarding the acquisition and including the effective date of the acquisition, then MVP will be unable to configure its systems as described above). The acquiring hospitals will be required to bill for these services as described below in order to be compliant with the GMCB's new payment policy for site neutral payments for newly acquired physician practices:

1. Where the same CPT code appears on both the physician and hospital claims, the hospital will need to bill the technical component of that code for that visit on their claim and the corresponding physician claim will need to bill the professional component of that same code.
2. For services rendered in the physician office/clinic setting on that date of service, on the UB-04 (or electronic version) the hospitals will need to bill Revenue Code 510 (clinic) and list the applicable CPT Codes with the PN Modifier outlined in the CMS rule. This will point the hospital payment to the physician fee schedule for the technical components being billed.
3. The physician will bill their services on a CMS-1500 (or electronic version), Place of Service 22 or 19, list the applicable CPT Codes and receive payment for the professional component reimbursement of the physician fee schedule.

Together the hospital technical component combined with the physician professional component will effectively equate to the global physician fee for the code, which is the same amount the physician received prior to becoming newly acquired by the hospital.

For hospital claims where the CPT code does not appear on the corresponding physician claim for services rendered in the physician office/clinic setting on that date of service, on the UB-04 the hospitals will need to bill the hospital Revenue Code for the services (0300 for lab, 0320 for radiology, etc.) and list the applicable CPT Codes with the PN Modifier outlined in the CMS rule. This will point payment to the hospitals at the global rates for those services in the physician fee schedule.

Section 2. For all other physician practices currently affiliated with a hospital

For all other physician practices currently affiliated with a hospital, like CMS, GMCB as the VT regulator can implement reimbursement rules to hospitals on the expected compensation paid to hospital-employed physician offices/clinics. Because this is a new payment rule currently unsupported by MVP's active, signed participating hospital contracts, as the participating hospital contracts come up for renewal MVP would propose an amendment that would add the site neutral payment policy to the hospitals' outpatient reimbursement contract section. If after successful negotiations with the hospital and upon full execution of the mutually agreed upon amendment to the participating hospital contract, hospital and physician billing of those services would be as described in Section 1 above. It is important to note that short of a full regulatory requirement obligating hospitals to accept reimbursement according to CMS Site Neutral Payment Rule for commercially insured members on all hospital owned practices (the CMS rule only applies to those newly acquired); MVP cannot predict how many hospitals will accept the amendment proposed by MVP. Furthermore, MVP anticipates hospitals will seek increases on other services to offset reductions resulting from the newly proposed payment policy change (resulting in cost-shifting).

In addition to the broad contacting requirements outlined above, two VT hospitals present further challenges to implementing the CMS Site Neutral Payment Rule for both newly acquired physician practices and all other practices owned by the hospital. The first is the academic medical center and the second is a regional hospital in central VT.

As noted in MVP's 7/1/16 submission to the GMCB, the academic medical center physicians and hospital are contracted separately for payment at the academic medical center's proprietary fee schedules (physician and outpatient hospital). Implementing the Site Neutral Payment rule will require 1) a conversion of their physician fee schedule to a parentage of CMS' VT Regionally Adjusted Medicare (RAM), including the corresponding CMS professional and technical fee schedule components, and 2) reductions in the fee schedule to a competitive, fair and equitable rate of reimbursement. MVP believes these are consistent with the Fair & Equitable Act and CMS' MedPAC payment rules. Like with CMS, advancing these changes will require a regulatory hospital payment rule.

Additionally, as noted in the 7/1/16 submission to the GMCB, Rutland Regional Hospital contracts with MVP on an uncompetitive reimbursement basis. Consistent with the solution outlined in the previous paragraph for the academic medical center, the solution here will require 1) a conversion to a CMS VT Regionally Adjusted Medicare physician fee schedule, including the CMS professional and technical fee schedule components, and 2) reductions to a competitive, fair and equitable rate of reimbursement.

In order for MVP to fully succeed in driving Site Neutral Payments to hospitals for services provided by newly acquired and currently owned hospital physicians, MVP advocates the GMCB issue a regulatory requirement governing the appropriate billing practice for services provided by hospital owned physicians. A regulatory mandate will allow payors to make the changes discussed in this report without opening the hospital agreements for renegotiation, thereby ensuring comprehensive adoption without cost shifting, which is consistent with what CMS has accomplished. Furthermore, In order to maximize the long term benefit to the citizens of VT, MVP recommends that the GMCB guard against the cost-shifting of any reimbursement reductions resulting from this Site-Specific Rule by prohibiting any corresponding increases to the hospital inpatient or outpatient surgery, emergency room, and etc. rates. Realizing the goal of cost containment and having VT residents pay less requires that saved dollars cannot be reallocated and applied to other hospital services.

Section 3. Proposed Effective Dates and Financial Impact

Effective Dates:

Newly Acquired Practices – In order to satisfy the contractual notice requirements within MVP's hospital agreements, MVP can commit to mailing a written notice regarding the CMS Site Neutral Payment Rule and change in MVP Payment Policy required by the new prohibition issued by the GMCB within thirty (30) days of the GMCB's announcement of such prohibition and any changes necessary to MVP's payment policies and protocols to comply with that prohibition would be effective ninety (90) days after the date of such written notice. However, in the event of newly acquired practices at RRMC or UVMMC, MVP's ability to operationalize the payment policy is dependent on a regulatory mandate requiring all hospitals in the state of VT to establish VT Regionally Adjusted Medicare based fee schedules for their hospital owned physician practices, as these facilities do not currently have fee schedules that accommodate the appropriate level of reimbursement needed to comply with the anticipated prohibition.

Currently Owned Practices - MVP has active participating hospital contracts with all the hospitals in VT, which would require negotiation of a mutually agreed to amendment in order to comply with any proposed changes to reimbursement rules. As the CMS Site Neutral Payment Rule applies only to newly acquired practices, it is reasonably practical for MVP to incorporate the changes contemplated herein for currently owned practices into our renegotiation activities with the hospitals as they come up for renewal over the next few years. As previously stated, without a regulatory mandate this process will take time and more than likely result in zero overall savings to the citizens of VT due to hospitals shifting these costs into other services. With a prospective regulatory mandate, MVP would be in the position to initiate the amendment process immediately following the GMCB's announcement of the prospective effective date of the billing regulation, thereby accelerating the process.

Financial Impact:

Until such time as when the GMCB issues a prohibition on any increased reimbursement rates or provider-based billing for health care providers newly transferred to or acquired by a hospital, MVP cannot estimate the financial impact of the GMCB issuing the above referenced prohibition, as MVP does not know if there will be any newly acquired practices in 2017. Additionally, with respect to the practices currently owned by hospitals, MVPs agreements cycle on the calendar year based on 1, 2 and 3 year terms. Therefore, MVP can predict with a high level of confidence that Site Neutral Payments will not have an impact on MVP's 2018 plan designs and rate filings. Further, at this time MVP is not in a position to opine on how the payment rule will impact the implementation of the All Payor Accountable Care Organization Model.

Summary

While MVP supports the overall intent and cost-saving outcomes of the GMCB's consideration to implement a VT version of the CMS Site Neutral Payment Rule, implementing the rule in the commercial market has a far greater level of complexity and challenge. CMS does not have to negotiate terms with providers and all physician providers are on the same Medicare fee schedule, both of which greatly simplify this initiative at the government level. Having said this, MVP has proposed a plan for supporting the GMCB's recommendations and moving forward if the GMCB ultimately issues a ruling. MVP welcomes the opportunity to discuss the plan in more detail with the GMCB at their convenience.