

THE
University of Vermont
HEALTH NETWORK

To: The Honorable Kevin Mullin, Chair, Green Mountain Care Board

From: Rick Vincent, Chief Financial Officer, The University of Vermont Medical Center
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Subject: UVM Health Network Fiscal Year 2019 Budget Narrative

The University of Vermont Health Network submits the following FY 2019 budget narrative on behalf of its three Vermont hospitals: The University of Vermont Medical Center; Central Vermont Medical Center; and Porter Hospital. As described below, the combined budgets of these three hospitals rely on patient revenue growth of only 1.7%, while still funding the care delivery and payment reform efforts necessary to the long-term success of the All-Payer ACO Model Agreement (APM).

1. Executive Summary

Realizing the Promise of the All-Payer Model

The successful launch of the APM last year was a milestone in Vermont's ongoing health care payment and delivery reform effort. Vermont hospitals and providers will now be increasingly compensated in ways that encourage them to collaborate to keep their patients healthy, rather than simply treating their patients when they become ill.

This rapid and radical shift from fee-for-service to value-based payment now requires the UVM Health Network to make an equally rapid and radical shift in how its hospitals and providers actually deliver care. In FY 2019, the Network will focus on investing in the long-term success of the APM by strengthening the organizations, systems, and partnerships necessary to improve the accessibility, affordability, delivery, and coordination of high quality care in a value-based system. Those investments will ultimately optimize the way our patients receive health care across the UVM Health Network. This foundational "pick and shovel" work, described below, will be essential to fully realizing and sustaining the promise of the APM while maximizing the value the UVM Health Network delivers to its patients.

Financial Stability in a Risk-Based World

The APM relies upon an unprecedented shift in financial risk from insurers – both public and commercial – to providers. This new risk-sharing model is the key to motivating care delivery reform and unlocking value that will benefit patients, providers, and payers. While numerous types of health care providers are participating in the APM, it is the participating hospitals alone that are currently assuming actual financial risk.

We anticipate that over \$260 million of the UVM Health Network's patient revenue will be reimbursed through fixed per-member per-month (PMPM) payments in FY 2019. In connection with those payments, the UVM Medical Center expects to assume over \$10 million of upside and downside financial risk. When the sum total of the APM risk elements are considered, the UVM Health Network will assume approximately \$20 million in financial risk on behalf of its communities, with a Total Cost of Care target of \$450 million.

For the UVM Health Network, the success and sustainability of the APM will ultimately turn, in large part, on the Network's ability to responsibly shoulder this risk while still making the other investments necessary to ensure high quality care delivery across the entire continuum. This is particularly true in the early years of the APM, as hospitals adjust to their new and expanded role in health care payment reform.

New Payment and Delivery Systems Will Require New Regulatory Tools

Just as the shift from our current fee-for-service, volume-driven system to a value-based payment system requires hospitals to re-envision how they provide care, the shift will also require Vermont to be nimble and flexible in how it regulates health care in the state. While the FY 2019 budget guidance continues to regulate hospital budgets on the basis of net patient revenue (NPR), that measure no longer actually gauges whether the APM, and participating hospitals, are succeeding in building and supporting a more affordable, sustainable, and predictable health care system. The UVM Health Network remains committed to developing a PMPM-based regulatory model that will enable effective regulation while encouraging innovation.

The UVM Health Network Vermont Hospitals' Proposed Budgets

The budgets of the UVM Health Network's Vermont hospitals support all of these reform investments while relying upon combined NPR growth of only 1.7%.¹

¹ In calculating all of the patient revenue growth rates summarized in this section, the Network hospitals have made a technical adjustment to their base budgets to address an accounting change for ACO expenses and revenues. This is discussed in detail in Section 10 below.

The UVM Medical Center proposes a budget that includes net patient revenue growth of 1.1%, approximately one-third of the GMCB's growth target. That budget relies on modest commercial rate growth of 4%.

Porter Hospital proposes patient revenue growth of 3.2%, including health care reform investments of 0.4%. It relies on commercial rate growth of just 2.8% – the same rate of medical inflation that underlies the Network's hospital budgets.

Central Vermont Medical Center has followed the GMCB's guidance that all Vermont hospitals more closely align their FY 2019 budget submissions with their actual FY 2017 and FY 2018 performance. CVMC proposes net patient revenue growth that is 3.2% above its actual FY 2017 and 2018 performance, but 4.8% above its FY 2018 approved budget, which was not rebased. In addition, CVMC has already begun several significant initiatives designed to address longstanding access, expense, and efficiency challenges. Its proposed budget will provide it with the near-term financial stability to complete those projects, which are crucial to long-term success. Central Vermont Medical Center also relies upon a 2.8% commercial rate increase.

Together, the Network hospitals' proposed budgets strike the right balance between investing in the future of the APM while immediately controlling the cost of Vermonters' health care.

2. Payment and Delivery Reform

In the coming year, the UVM Health Network is focused on building out the foundational infrastructure that will make it possible for patients to realize the promise of the APM and the full value of the Network's integrated delivery system.

Care Delivery Optimization: The UVM Health Network has launched a "Care Delivery Optimization" initiative that is designed to increase patient access to health care delivered in the most appropriate, high-quality, and cost-effective sites of care. Through this multi-year service-planning effort, the Network will eliminate unnecessary duplication of services while keeping appropriate care in its community hospitals and leveraging the strengths of its academic medical center. The result – delivering the right care, at the right place, and at the right time, with minimal duplication of services – is essential to maximizing the value created for patients and payers by the UVM Health Network's six-hospital system and the APM.

Core Process Integration: In addition to optimizing care delivery, the UVM Health Network is integrating core hospital processes and services across its six affiliates in Vermont and New York. That integration is necessary if the Network is to take full advantage of the incentives to improve care and lower per-patient costs under the APM's fixed-revenue model. This enormous operational shift is exemplified by the adoption of the Axiom financial platform across the Network. Once fully implemented, Axiom will integrate financial statement reporting and budgeting, with financial performance measured at a patient-encounter level of detail. It will then integrate this data into a clinical variance tool to identify and analyze clinical treatment

variance among providers, compare quality outcomes against appropriate cohort groups, and benchmark cost and utilization of services against peer hospitals and health systems.

Epic Implementation: The UVM Health Network has begun implementing its unified electronic health records (EHR) system, which will be the foundation upon which highly coordinated health care delivery is built. Pursuant to the CON issued by the GMCB, Epic will replace several disparate, incompatible, and often obsolete EHR systems that currently impede, rather than encourage, the collaborative care that is essential to the success of the APM. Implementing a unified EHR will facilitate efficient and accurate information-sharing among providers, enhance patient care coordination, and improve information security and patient privacy. The move to a single EHR will also support the transition to population health management in Vermont and New York, enabling Network providers to measure outcomes and redesign care to optimize the health of their patients and those of their community partners.

Data Management Office: The UVM Health Network has launched the Data Management Office initiative, which is designed to standardize and simplify the use of data across the Network. This multi-year initiative will increase efficiency and help prepare the Network to be a truly data driven organization. The program is key to achieving the full potential of Epic. It is also critical to the Network's population health focus because accurate, timely, and standardized data is the foundation for managing the health of the populations the Network serves.

Mental Health Care Reform: Too often, Vermonters are receiving mental health care that is neither as clinically effective nor as cost effective as it should be. If Vermont is to succeed in keeping its population healthy while controlling costs, it must reform the mental health care delivery system. In FY 2019, the UVM Health Network is engaging in two closely-related reform efforts. First, the Network's Mental Health Strategy Council, comprised of both UVM Network providers and community partners, is working to better integrate outpatient mental health care into patients' primary care medical homes. Second, in collaboration with the GMCB, the Department of Mental Health, and other public and private partners, the Network is planning to build significant new adult inpatient mental health treatment capacity on or near its CVMC campus.

Support of OneCare Vermont: All of these initiatives are built around the UVM Health Network's continued commitment to, and financial support of, OneCare Vermont as the hub of payment and care coordination. As a founding member of OneCare Vermont, the UVM Medical Center has provided significant financial support to the organization. In FY 2019, the most important support provided to OneCare by the UVM Health Network is its hospitals' commitment to assume material financial risk in connection with Medicare, Medicaid, and BCBS fixed prospective payment (FPP) plans.

In response to the GMCB's specific questions regarding hospital participation in the APM, please see the following:

- A. Contracts with OneCare Vermont:** The UVM Medical Center, CVMC, and Porter have signed contracts with OneCare for all of its 2018 programs – Medicaid, Medicare, and BlueCross/BlueShield – and are currently developing a 2019 contract with the goal of participating in all future programs.
- B. Amount of FPP:** If all payers participate in FY 2019, the UVM Medical Center expects to receive FPPs of \$198,821,637. CVMC expects to receive FPPs of \$56,412,914. Porter expects to receive \$18,342,324.
- C. Maximum Upside and Downside Risk:** In FY 2019, the UVM Medical Center has assumed maximum upside and downside risk of \$10,398,000 in connection with FPPs. CVMC has assumed \$3,732,702. Porter has assumed \$2,191,378. The UVM Medical Center risk-based payments from OneCare Vermont also include approximately \$4 million in Other Reform Payments in calendar year 2018. CVMC’s Other Reform Payments are \$1,875,000 million. Porter’s Other Reform Payments are \$565,000. The total of all of these at-risk payments exceeds \$20 million.
- D.1. Accounting for Risk on Financials:** In FY 2019, the UVM Medical Center and CVMC are not budgeting any reserves for the potential upside or downside risk. Instead, as they receive actual data on trending throughout the year, they will begin to accrue an upside or downside reserve so that year-end financial statements are an accurate reflection of what the final settlement will be for the OneCare programs. That final settlement will occur after the close of our fiscal year.
- As a small, critical access hospital entering the APM, Porter’s risk reserve is netted against the fixed prospective payments and is reflected in Net Revenue for internal reporting purposes. Porter’s audited financials record this as premium revenue, and it is reflected in Other Revenue. The risk reserve is also booked to the balance sheet as a liability.
- D.2. Ensuring That Financial Incentives Do Not Negatively Impact Quality:** The UVM Health Network’s hospitals’ budgets are intended to provide the financial support and flexibility necessary for the hospitals to participate in the APM, and to assume all of this significant downside risk, without jeopardizing their financial health or the quality of care they provide.
- In addition, a key requirement for participating in the OneCare programs, and in the APM in general, is that providers meet quality and access targets. Achieving the targets is already a focus of the providers within the UVM Health Network, where various initiatives at the Network and individual hospital levels are transforming the way our providers deliver care in order to meet the APM quality measures. The Network hospitals continuously monitor these metrics and develop action plans to

address those that are falling behind. Some of those metrics and action plans are described more fully below in section 4.

E. Other Reform Payments: See the response to Section 2.C., above.

3. Community Health Needs Assessment

The UVM Health Network’s hospitals’ most recent Community Health Needs Assessments (CHNAs), completed in 2015 (Porter) and 2016 (UVM Medical Center and CVMC), identified many of the same community needs as they have in the past, including mental health and substance use disorders, access to healthy food, affordable housing, oral health, chronic conditions, healthy aging, early childhood and family services, and economic opportunities. All of the UVM Health Network’s hospitals are actively engaged in addressing those needs. Attachment A includes their most recent CHNA implementation reports. Sections 5 and 7, below, outline in more detail some of their work on both mental health and substance use disorder services. In addition, a number of the Network hospitals’ CHNA initiatives are described below.

UVM Medical Center

Healthy Aging: The UVM Medical Center has undertaken initiatives to enable Vermont’s aging population to optimize health and quality of life. It is collaborating with internal and external partners to provide improved access to, and better coordination among, existing community resources for the aging. Among the project’s specific objectives is to facilitate technology interfaces – such as tele-consult home visits with the VNA.

Access to Healthy Foods: The UVM Medical Center is working to improve nutrition, culinary literacy, and access to affordable healthy foods to reduce food insecurity and prevent obesity. It has completed its “Veggie Rx” program pilot, launched the “Pay it Forward” program, and engages in ongoing culinary medicine programs, such as the Fanny Allen Pantry. It is also implementing a systematic screening tool to identify food insecurity among its patients and to provide appropriate referrals to resources when the results of the screen are positive.

Access to Housing: The UVM Medical Center continues to work to improve housing retention, temporary emergency shelter, and permanent supportive housing for members of the community. For instance, the former Bel-Aire Motel is now used to house patients who cannot be discharged because they lack housing or have experienced chronic homelessness. Residents of the one-bedroom apartments began moving-in during the second half of 2017.

Central Vermont Medical Center

Health Care Share: In partnership with Vermont Youth Conservation Corps, CVMC provides funding for the delivery of freshly harvested, organic vegetables to 150 recipients, which

impacted 382 children, adults, and seniors in need for 15 weeks. An educational binder with information on the nutritional value and preparation of the vegetables is distributed on the initial delivery in early July.

School-Based Health Center: The CVMC School-Based Health Center is an extension of CVMC's pediatric primary care practices and operates two days each week at the Barre City Elementary and Middle School. Because it is embedded in the school setting, the program provides more opportunities for CVMC pediatric clinicians to discuss and promote the importance of physical activity and how it impacts overall health and well-being of school-aged children.

Tobacco Treatment: SBIRT clinicians are trained as Tobacco Treatment Specialists and are accessible for individual counseling to promote successful quit attempts. This program is described more fully below in Section 7.

Porter Hospital

Access to Primary Care: Porter recognizes that access to primary care is at the foundation of any population health strategy and has worked aggressively in recent years to recruit and retain primary care providers in each of the communities it serves. Additionally, through its new Porter ExpressCare service, Porter has strengthened the connection between its urgent care services and its primary care network through a practice of establishing primary care relationships for patients who do not have a medical home.

Chronic Health Conditions: Porter has a robust Blueprint for Health team, which oversees both its community health educational programs, as well as the Community Health Teams (CHT) which are incorporated into each of Porter's primary care practices. Porter will soon hire two new Registered Nurses to work within its primary care network on complex care management and to coordinate Porter's care delivery with the Rise Vermont program.

Access to Substance Abuse/Addiction Treatment: In just a few years, Addison County has gone from one of the most underserved Vermont communities for Medically Assisted Treatment (MAT) to the current state of having no waiting list for these essential services, due to an integrated and comprehensive approach to improving access. Porter's FY 2019 budget supports a new MAT initiative to target women and children with specialized programming to meet the needs of this highly vulnerable population. Porter is also piloting the use of telemedicine services in its Bristol Primary Care offices for both the efficient delivery of primary care and for MAT services to those who have transportation barriers to care.

4. Quality Measure Results

The quality metrics in Appendix IV are the focus of the OneCare Regional Clinical Advisory Committees, which work with individual hospitals and providers within each hospital service area (HSA) to help improve performance. The UVM Health Network has launched a number of initiatives designed to integrate the Regional Clinical Advisory Committees' work into its care