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COVID-19 and the All Payer ACO Model: Vermont Request to CMMI/CMS

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Purpose of this request to our Federal Partners (CMMI/CMS)

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Acknowledge the effects of COVID-19 on the All Payer ACO Model (APM), the Medicare ACO initiative, and ultimately our hospitals as bearers of risk, and other providers as participants in this model.

Together, all three signatories of the APM (the GMCB, AHS, and the Administration) to request federal support in two key areas:

1. Distribution of resources to support hospital solvency during the COVID-19 pandemic; and
2. Evaluation of the Vermont All-Payer Accountable Care Organization Model (APM or model)

Resources to Support Hospital Solvency

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Before COVID-19, Vermont hospitals and independent practices were already experiencing financial challenges:

1. Statewide demographic trends
2. Growing supply costs
3. Rising costs of pharmaceuticals
4. Workforce shortages

In FY 2019, half of Vermont hospitals experienced operating losses, with six of fourteen having experienced operating losses for three or more consecutive years.

Resources to Support Hospital Solvency

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In preparation for COVID-19, revenues have been seriously compromised by the cancelling of elective and non-urgent procedures, while expenses hold steady, causing additional financial strain in the near-term.

- While many of our providers participating in the APM see up to 25% of their revenue as a fixed payment (AIPBP), this has not been enough to cover losses experienced to date in fee-for-service revenues associated with foregone or postponed utilization.
- The result is rapidly declining days cash on hand (many starting with <30 day operating cash and decreasing) and negative operating margins.
- Assuming a 50% loss of net patient revenue (some have even reported >70%), this means a corresponding loss of $115 million in operating margin each month.

While we are monitoring the financial health of Vermont hospitals in near real time, depending on the magnitude and timing, there is concern that these additional pressures may put some of our hospitals and other providers over the edge, compromising access to care during a critical time.

Resources to Support Hospital Solvency

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Ask #1: Adjust the Vermont Medicare ACO Initiative	Rationale
Invoke the exogenous factors clause under Section XII of the Medicare contract with OCV to allow the 2020 benchmarks to be reevaluated as appropriate.	To ensure that providers are not financially harmed or penalized for forces that are outside of their control. The effects of this pandemic could not have been contemplated when providers agreed to participate in the program.
Eliminate downside risk and adjust the initiative to be shared savings only for 2020.	This would increase fiscal certainty for hospitals (which bear the risk of repaying losses) and would allow OCV to distribute much needed funds to providers that would otherwise be required to purchase reinsurance against downside risk.
Make 2020 a “reporting only” year for purposes of quality measurement given the impact that responding to COVID-19 will likely have on providers’ ability to meet quality targets.	This would allow OneCare Vermont to release funds that it has already withheld to its resource-constrained provider network (Value Based Incentive Funds).
Allow the 2020 AIPBP to be a true capitated payment should the fee-for-service equivalent be less than AIPBP at reconciliation.	Hold providers harmless for severe unanticipated swings in utilization.
Provide an extension for the submission of the final Medicare provider participation roster for 2021.	Enable providers to continue responding to COVID-19 instead of performing administrative tasks associated with continued model participation. It will also allow risk bearing hospitals to understand if their financial situation, after the peak of responding to COVID-19, coupled with the requested programmatic changes will enable them to move forward with the risks and investments needed to participate in a 2021 program. This extension will be key to continue to achieve increases in scale.

Resources to Support Hospital Solvency

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Ask #2: Funding Requests	Rationale
Allow OneCare Vermont to keep funds due to CMS for duplicate payments made to hospitals in 2019 and exclude these payments from the year-end reconciliation of the AIPBP.	This would allow OneCare Vermont to deploy these funds to Vermont's hospital system immediately.
Forgive repayment by Vermont hospitals of any unearned advanced shared savings for 2019, should Vermont's earned shared savings in the Vermont Medicare ACO Initiative in 2019 be insufficient to cover the advanced shared savings that supports the continuation of Blueprint, SASH, and CHT, programs which curb health care cost growth and improve quality of care for Vermonters.	Any further outflow of funds at this time could seriously inhibit Vermont hospitals' abilities to respond to the extant health care crisis.

Ask #3: Other	Rationale
Open additional funding opportunities for participating providers.	Ensure the survival of a high-quality healthcare system subsequent to the pandemic by providing resources necessary to support hospital solvency and the solvency of other [independent] providers.

Evaluation of the APM

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The exogenous factors clause, section 9.c.v. of the agreement:

"The GMCB, in consultation with AHS where appropriate, may submit, in writing to CMS, a request that exogenous factor(s) (e.g., changes in Medicare law and regulation or Vermont-localized health or economic shocks) be taken into consideration when assessing performance on the All-payer or Medicare Total Cost of Care per Beneficiary Growth Targets. Vermont shall explain the impact of such factors on the Model, including any recommendations as to how CMS should adjust the Model to reflect these exogenous factors. Any such adjustment will be at the sole discretion of CMS."

The circumstances of this pandemic are far outside the factors contemplated during this model's design and we may recommend adjustments to the model accordingly.

Evaluation of the APM: Financial Targets

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- Request
  - GMCB and the administration will continue to monitor the financial impact of the pandemic and as more information becomes available, will formalize requests for appropriate adjustments
- Rationale
  - Vermont's COVID-19 preparation and response are already impacting the cost of health care in Vermont and are likely to continue to affect the *total cost of care* for the duration of the pandemic, and likely into the future due to shifting utilization patterns during and post-pandemic, as well as cost of inputs and supply chain disruption

Evaluation of the APM: Quality Targets

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- Request
  - Quality performance for 2020 to be considered “reporting only”
- Rationale
  - While the exogenous factors clause in the APM refers only to financial targets, CMS precedent may allow adjustments to be made to quality performance requirements (e.g. wildfires, hurricanes),
  - We expect that COVID-19, as well as some of the bold actions taken to limit the spread of the disease, will impact Vermont’s performance on the agreement’s Statewide Health Outcomes and Quality of Care Targets.
    - Providers and facilities are intensely focused on delivering essential life-saving emergency and urgent services to Vermonters and have no choice but to defer many of the preventive and comparatively less urgent follow-up services that are intended to achieve the quality and population health targets outlined in Vermont’s agreement.

Next Steps

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- A draft of this letter was circulated to GMCB/AHS/Administration
- GMCB vote (today)
  - *Motion to designate Board staff to collaborate with AHS and Administration to finalize letter and for Chair of the board to sign and submit letter to CMMI/CMS on behalf of the GMCB.*
- GMCB staff to finalize and submit signed letter to CMMI/CMS
- GMCB staff to work with OCV to operationalize approved changes