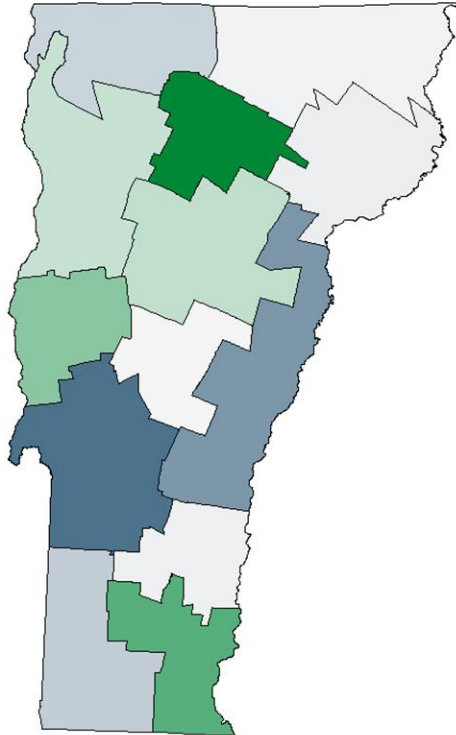


HEALTH MANAGEMENT ASSOCIATES



The All-Payer ACO Model

Financial Targets and the Medicare ACO Benchmark

November 30, 2017
Green Mountain Care Board

Agenda

Statewide Financial Targets Overview

The Medicare Target and the ACO Benchmark

The All-Payer Target

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% compound annualized 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 (2018-2022)
- Baseline year is 2017, growth is measured from 2017-2022
- Target growth rates are compared to actual Vermont spending growth
- During the agreement term, failure to be “on track” to meet these targets could require a corrective action plan
- Work underway with GMCB staff to develop quarterly and annual reports

Calculating Growth: Performance Year Basics

Performance Period: 2018-2022

Baseline Year: 2017

All-Payer 5-Year Compound Annual Growth Rate (CAGR) (2017-2022)

Growth: Year X – Year Y	Performance Years
2017-2018	PY 1 = 2018
2018-2019	PY 2 = 2019
2019-2020	PY 3 = 2020
2020-2021	PY 4 = 2021
2021-2022	PY 5 = 2022

Agenda

Statewide Financial Targets Overview

The Medicare Target and the ACO Benchmark

The All-Payer Target

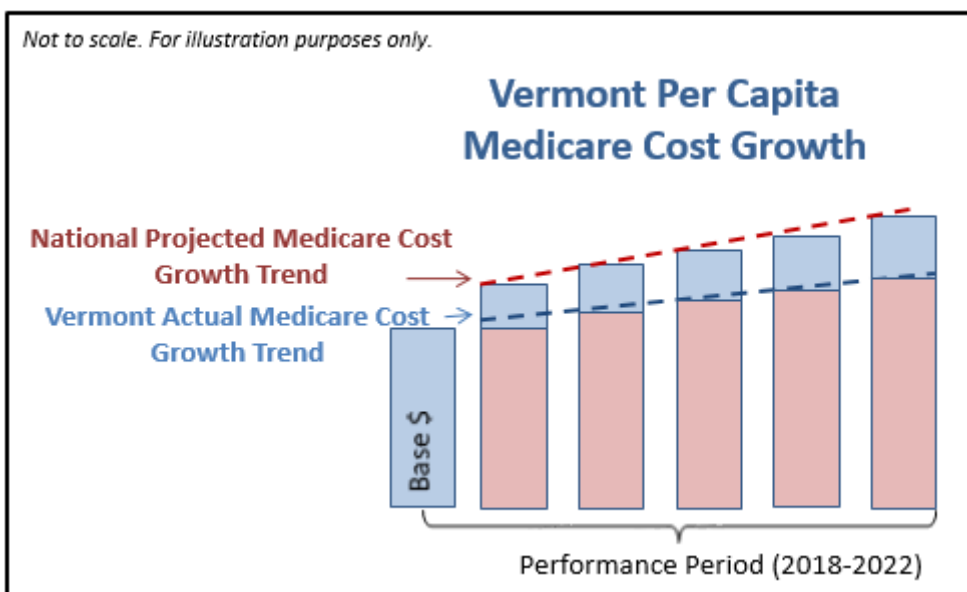
The Medicare Growth Target: Overview

The GMCB has authority under the Model Agreement to set Medicare ACO spending rates

- This authority is a central element of the model agreement

Vermont is expected to make sure that Medicare spending stays below CMS projections of Medicare spending

- In general the target is to grow **0.2% below Medicare** each year
- The Model Agreement uses **projected spending** so that the GMCB will know in advance each year what its Medicare Growth Target will be



Important detail

- Medicare targets include only ACO lives for PY1-2
- Medicare targets include FFS in PY3 or 4 depending on ACO scale

The Medicare Target Process

- Vermont's Medicare target is determined annually
- The Medicare target, because it is based on Medicare projections that are finalized in April each year, can help guide the decisions GMCB makes about ACO spending growth
- CMS actuary projections for national Medicare growth in 2018: **2.7%**
- Special rules apply to Vermont in the first year of the agreement (2018)

Step 1	Determine Projected National Growth	This is established annually by CMS actuary projections in April (for the subsequent year).
Step 2	Determine Vermont Medicare Growth Target	This is Vermont's goal for spending. It is set by the terms of the Model Agreement.
Step 3	Determine Actual Vermont Medicare Growth	This is actual spending.

Every year, based on the Medicare Target, the GMCB determines how much the Medicare ACO benchmark will grow.

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

GMCB, CMS and the Medicare ACO Benchmark

GMCB is authorized to set the Medicare ACO benchmark

- Like with the NextGen ACO model, the benchmark is set prospectively – meaning at the beginning of the year
- As the ACO model matures, a portion of the benchmark must be at risk, tied to ACO quality scores
- The ACO benchmark is submitted to CMS for approval

CMS provides Medicare data and reviews and approves the benchmark

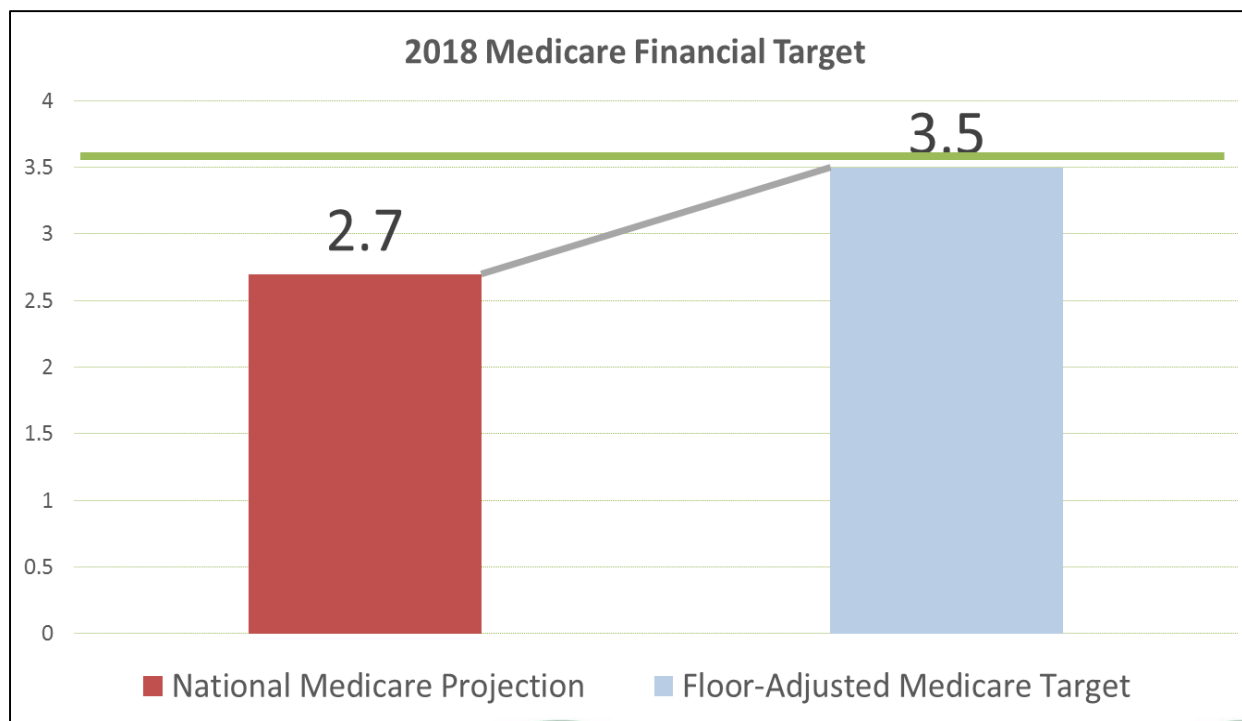
- CMS will produce much of the data needed to perform the work, including a 2017 baseline PMPM based on attributed beneficiaries
- CMS reviews the benchmark for consistency with the agreement, including the financial targets

- 1. CMS Medicare data sets the 2017 benchmark**
- 2. GMCB determines benchmark growth for 2018**
- 3. That results in the 2018 ACO benchmark or prospective PMPM rate**

Medicare Growth Target: The Benchmark Floor Provisions

In 2018, Vermont's Medicare growth target is set at a specific level – 3.5%

- The purpose of this provision in the Model Agreement was to make sure that Vermont's growth target would not be too low in Year 1



The Medicare Floor: How it Works

The Medicare Floor means that performance on the Medicare target is calculated as if the actuarial projection in 2018 was 3.7%

- Setting the projection at 3.7% means that the target is set at 3.5% (0.2% lower)

Performance Period Projected National Medicare Total Cost of Care per Beneficiary Growth:

$$\left(1.037 * \left(\frac{MA\ USPCC\ FFS_{2019}}{MA\ USPCC\ FFS_{2018}} \right)_{\text{Announced in 2018}} * \left(\frac{MA\ USPCC\ FFS_{2020}}{MA\ USPCC\ FFS_{2019}} \right)_{\text{Announced in 2019}} * \left(\frac{MA\ USPCC\ FFS_{2021}}{MA\ USPCC\ FFS_{2020}} \right)_{\text{Announced in 2020}} * \left(\frac{MA\ USPCC\ FFS_{2022}}{MA\ USPCC\ FFS_{2021}} \right)_{\text{Announced in 2021}} \right)^{\frac{1}{5}} - 1$$

This happens regardless of what GMCB decides to do with the 2018 ACO benchmark

If the benchmark is set below 3.5%, Vermont gains “room” that can provide more flexibility over the 5-year agreement

If the benchmark is set at 3.5%, Vermont is in compliance and needs to remain 0.2% below national projections from 2019-22

Medicare Growth in 2018

- **GMCB's decision about the ACO Benchmark will determine whether the state meets its Medicare growth target in 2018**
 - In later years, the ACO Benchmark is one component (along with Medicare FFS) of the growth target
- **ACO budget request is for 3.5% growth in 2018**
 - Medicare projections are for low growth nationally (2.7%)
 - But Vermont Medicare spending has historically been growing faster than Medicare national spending -- .5% higher from 2006-15
 - Concept of the "floor" was to help ensure a strong provider network and investments in primary care in Year 1.
 - GMCB may want to understand how its investments or payment models would change at any lower growth rate
 - Rates could be lower and will certainly be less flexible from 2019 forward
 - An ACO benchmark lower than 3.5% would provide more flexibility after 2018
 - Regardless of where the growth rate is set, it will be important to understand what activities the ACO is undertaking to save money
- **Detailed information on ACO rate from actuary coming December 12**

Agenda

Statewide Financial Targets Overview

The Medicare Target and the ACO Benchmark

The All-Payer Target

All-Payer Growth

Payer	Growth
Commercial	ACO
	FFS
Self-Insured	ACO
	FFS
Medicare	ACO
	FFS
Medicaid	ACO
	FFS

- All-Payer cost growth is a combination of every payer type.
- The All-Payer Target will count all Vermont residents **regardless of whether they are in an ACO.**
- It includes all spending, but payer types may have different growth rates for ACO and non-ACO populations.
- GMCB has regulatory influence over these different factors in different ways.

The 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 in each year

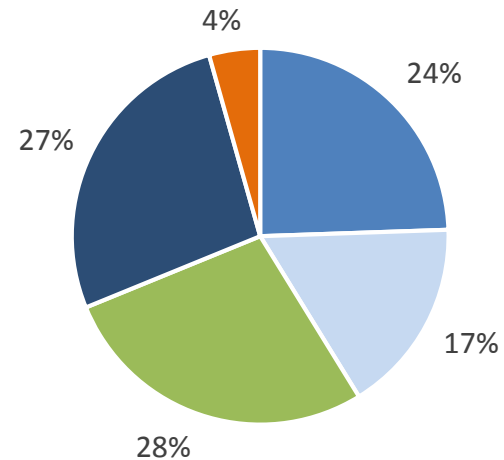
GMCB Regulatory Processes

	Commercial	Self Insured	Medicare	Medicaid	
Hospital Budget Review	X	X	X	X] This includes all hospital spending: ~60% of APM TCOC
Health Insurance Rate Review	X				
ACO Budget Review	X	X	X	X] These affect all ACO spending; relative weight will change as ACO gains scale
Medicare ACO Rate Setting			X		
Medicaid ACO Rate Review				X	

Enrollment across All Payers

Payer	Growth
Commercial	ACO
	FFS
Self-Insured	ACO
	FFS
Medicare	ACO
	FFS
Medicaid	ACO
	FFS

Enrollment by Payer



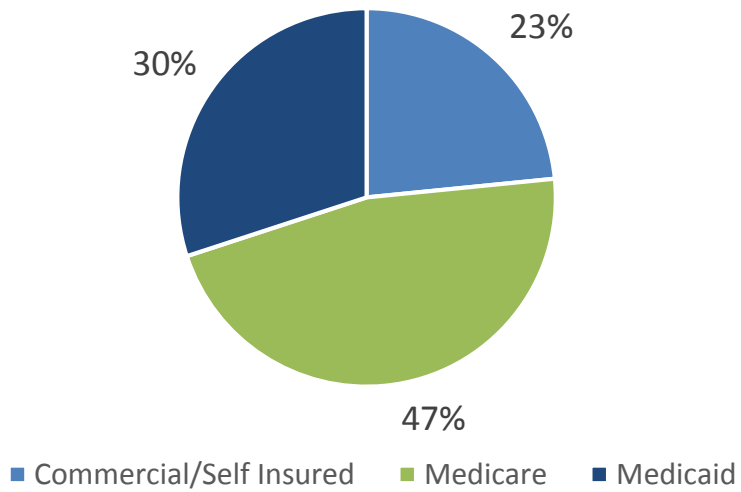
■ Commercial ■ Self Insured ■ Medicare ■ Medicaid ■ Uninsured

Note: preliminary 2017 data from VHCURES

Relative Spending Weights across All Payers

Payer	Growth
Commercial	ACO
	FFS
Self-Insured	ACO
	FFS
Medicare	ACO
	FFS
Medicaid	ACO
	FFS

Relative Spending Per Capita by Payer



Note: financial target services only; analysis of 2008-2014 VHCURES data

ACO-projected Growth and Historical Growth

Payer	Attributed Lives	Projected Spending	Projected Percentage Growth Rate for 2018	Blended Trend from VHCURES 2008-2014
Medicaid	44,211	\$119,397,671	6.1%	1.9%
Medicare	33,474	\$355,002,776	3.5%	2.4%
Commercial	34,943	\$133,395,719	3.8%	4.7%
Self-Funded	9,962	TBD	TBD	

Note: Blue columns are from the OneCare Vermont ACO Budget submission; Green column is from a 2016 claims analysis of all-payer financial target services.

- **2018 growth in Medicaid may not all count toward the All Payer target – certain Medicaid rate increases are “held harmless” against the target.**
- **Per-person spending is significantly higher for Medicare’s older population**
- **Historical trends (last column) were developed by Optumas from VHCURES data to help inform the all-payer model negotiation with CMS**

All Payer Growth Target Summary

- **All Payer growth includes all spending, not just ACO spending**
 - Based on the expectation that ACOs will work to reduce spending growth, that means that ACO scale is very important over the life of the agreement
 - Some components of the all payer target are not regulated in any way by the GMCB
- **Medicare spending has an outside influence on the All Payer growth**
 - This means ACO scale in Medicare is especially important
- **As the model progresses, it will be important to monitor FFS spending across payers**
 - This may help to assess how successful the ACO model is in Vermont, by comparison to FFS
- **GMCB will be reporting regularly on all financial targets**
 - In future years, GMCB will be able to adapt its regulatory and rate-setting work based on FFS trends and how well the ACO is performing

Resource Slides

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

Calculating All-Payer Growth: Math Basics

All-Payer 5-Year Compound Annual Growth Rate (CAGR)

- CAGR is a term for the geometric average that **represents the one, consistent rate at which expenditures would have grown if spending had compounded at the same rate each year.**
- CAGR dampens the effect of volatility of periodic (i.e., annual) growth
- In the formula:
 - **Vermont All-Payer TCOC** = Total APM Financial Target Services
 - **Vermont All-Payer beneficiaries** = All Vermont residents (excluding residents with out-of-state employer insurance)

$$\left(\frac{\left(\frac{\text{Vermont all - payer TCOC}_{2022}}{\text{Vermont all - payer beneficiaries}_{2022}} \right)}{\left(\frac{\text{Vermont all - payer TCOC}_{2017}}{\text{Vermont all - payer beneficiaries}_{2017}} \right)} \right)^{\frac{1}{5}} - 1$$

Calculating All-Payer Growth: Math Basics

Step 1: Calculate Per Capita Expenditures

$$\left(\frac{\text{Expenditures on ACO Financial Target Services}_{20XX}}{\# \text{ of ACO Attributed Lives}_{20XX}} \right) = \text{ACO Per Capita Expenditures}_{20XX}$$

$$\left(\frac{\text{Expenditures on FFS Financial Target Services}_{20XX}}{\# \text{ of FFS Lives}_{20XX}} \right) = \text{FFS Per Capita Expenditures}_{20XX}$$

Step 2: Calculate Annual Growth Rate

$$\left(\frac{\text{ACO Per Capita Expenditure}_{20XX} - \text{ACO Per Capita Expenditure}_{\text{Prior Year}}}{\text{ACO Per Capita Expenditure}_{\text{Prior Year}}} \right) = \text{ACO Per Capita Growth}$$

$$\left(\frac{\text{FFS Per Capita Expenditure}_{20XX} - \text{FFS Per Capita Expenditure}_{\text{Prior Year}}}{\text{FFS Per Capita Expenditure}_{\text{Prior Year}}} \right) = \text{FFS Per Capita Growth}$$

Step 3:

Repeat for each Payer Type

Step 4:

Combine for All Payer Growth