

## Vermont All-Payer ACO Model - Fact Sheet

### Medicare Growth Financial Target

#### BACKGROUND

The Vermont All-Payer ACO Model Agreement (**Model Agreement**) allows Vermont to explore new ways of financing health care as part of a strategy to limit the growth of Vermont's total health care spending. The Model Agreement, signed by representatives of Vermont and the federal government, enables Medicare's participation in an all-payer Accountable Care Organization (ACO) delivery model.

One component of the Model Agreement sets Vermont's goal for All-Payer Total Cost of Care per Beneficiary Growth (**All-Payer Growth**). The target All-Payer Growth rate is 3.5%, a level that seeks to align Vermont's increase in health care spending with the state's historic economic growth rate without jeopardizing Vermont's strong provider community.

The Model Agreement also sets a target for Vermont Medicare Total Cost of Care per Beneficiary Growth (**Vermont Medicare Growth**). In general, Vermont's Medicare Growth target is set below Projected National Medicare Total Cost of Care per Beneficiary Growth (**Projected National Medicare Growth**).

#### FLOOR PROVISIONS

For 2018, the Model Agreement contains provisions that allow for a financial floor based on Projected National Medicare Growth and allows that projection to influence how Vermont's performance is assessed at the end of the Model Agreement. In other words, for 2018 only, the Model Agreement sets a unique Vermont Medicare Growth target, depending on the level of Projected National Medicare Growth. The floor gives the Green Mountain Care Board (GMCB) more certainty in 2017 when it sets the ACO Medicare payment rate for 2018, the first year of the Model. The floor also protects Vermont from being evaluated at the end of the five-year Model Agreement against lower-than-anticipated Medicare projections occurring early in the Model. The floor provisions apply if 2018 Projected National Medicare Growth is 3.7% or below, as follows:

- If Projected National Medicare Growth is between 2.7% and 3.7%, the 2018 Vermont Medicare Growth target will be set at 3.5%.
- If Projected National Medicare Growth is below 2.7%, the 2018 Vermont Medicare Growth target will be set at 1.0% above the Projected National Medicare Growth.

After 2018, Vermont's Medicare Growth Target is either 0.1% or 0.2% below Projected National Growth, depending on whether Vermont "hits the floor" in 2018. These provisions are summarized in Table 1 and further illustrated in Table 2.

**Table 1. Medicare Floor Provisions**

	IF Projected National Medicare Growth 2018 is:	2018 Vermont Medicare Growth Target	Vermont Medicare Growth Target 2019-2022
<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

**Table 2. Scenarios; Influence of Projected National Growth on Vermont Medicare Financial Targets**

	Projected National Medicare Growth, 2018	Vermont Medicare Growth Target, 2018	Vermont Medicare Growth Target, 2019-2022 (as % below Projected National Medicare Growth)
<b>No Floor</b>	<b>3.9%</b>	<b>3.8%</b>	<b>.1%</b>
	3.8	3.7	.1
<b>Floor</b>	3.7	3.5	.2
	3.6	3.5	.2
	3.5	3.5	.2
	3.4	3.5	.2
	3.3	3.5	.2
	3.2	3.5	.2
	3.1	3.5	.2
	3.0	3.5	.2
	2.9	3.5	.2
	2.8	3.5	.2
<b>Soft Floor</b>	2.7	3.5	.2
	2.6	3.6	.2
	2.5	3.5	.2
	2.5	3.4	.2

**BENEFICIARIES INCLUDED IN THE CALCULATION OF GROWTH TARGET PERFORMANCE**

During the term of the Model Agreement, the Vermont Medicare Growth rate will be measured as a compound annual growth rate starting in 2018 through the most recently completed performance year. The Model Agreement recognizes that Vermont’s growth in Medicare will be affected by how many Vermont Medicare beneficiaries receive care through an ACO. Under the Model Agreement, Vermont Medicare Growth Target performance is calculated differently across the five performance years, as follows:

- **In 2018 and 2019**, the Vermont Medicare Growth target calculation will only include spending on financial target services for Vermont Medicare beneficiaries who are in qualifying Medicare ACOs.

- **In 2020**, the target is calculated depending on whether 65% of all Vermont Medicare beneficiaries are in a qualifying ACO.
  - If yes, the Vermont Medicare Growth target calculation includes spending on financial target services for all Vermont Medicare beneficiaries regardless of whether they are in an ACO.
  - If no, the target is calculated based on only those Vermont beneficiaries who are in qualifying Medicare ACOs.
- **In 2021 and 2022**, the Vermont Medicare Growth target calculation will include spending on financial target services for all Vermont Medicare beneficiaries regardless of whether they are aligned to a Medicare ACO.

### PROCESS FOR SETTING VERMONT MEDICARE GROWTH FOR 2018

Projected National Medicare Growth is currently estimated to be 2.7% from 2017 to 2018. This projection is expected to be finalized in an announcement published by the CMS Office of the Actuary in April 2017.

During 2017, the GMCB, in collaboration with CMS, will set the 2018 Vermont Medicare ACO benchmarks. The GMCB will review currently-projected Medicare growth and other factors to arrive at a Vermont Medicare Growth rate per-beneficiary that will comply with the terms of the Model Agreement and support the implementation of the ACO model. Pursuant to the provisions of the All-Payer ACO Model Agreement, the GMCB will finalize 2018 Medicare ACO benchmarks, based on updated Medicare projections and analysis of data to set a baseline, later in 2017.