VERMONT
AGENCY OF HUMAN SERVICES
DEPARTMENT OF VERMONT HEALTH ACCESS

# Medicaid Reimbursement & Value-Based Payment

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# DVHA Priorities

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01
Value-Based Payments

02
Information Technology Projects

03
Performance

- A focus on continual, incremental programmatic and performance improvements
- Opportunities to align with other payers; opportunities to be an innovative leader

# DVHA Reimbursement Goals

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- To be a reliable and predictable payer partner
- To continually professionalize Medicaid reimbursement methodologies
- To efficiently allocate resources to ensure access to cost-effective care for Medicaid members
- To identify opportunities to pay for value and enable delivery system transformation

# DVHA Organizational Alignment

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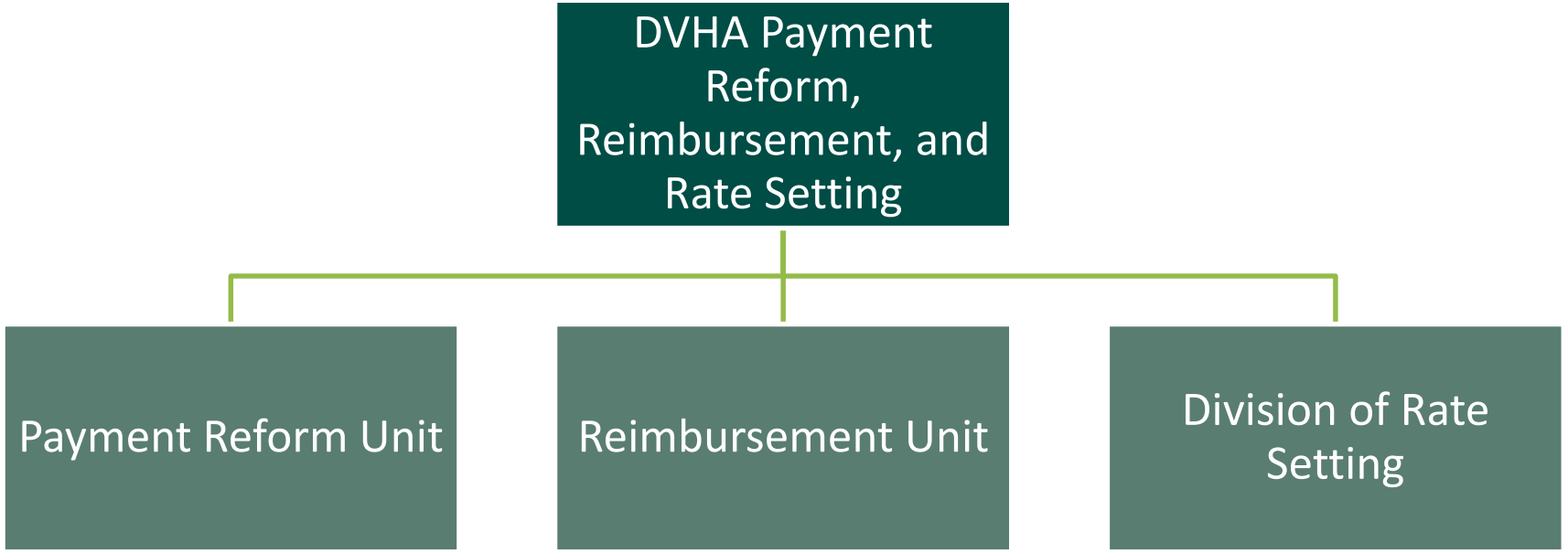

# DVHA Reimbursement Methodologies

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- Inpatient Prospective Payment System (IPPS)
- Outpatient Prospective Payment System (OPPS)
- Resource-Based Relative Value Scale (RBRVS) fee schedule *for professional services*
- Federally Qualified Health Center (FQHC) and Rural Health Center (RHC) Prospective Payment System
- Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS) fee schedule
- Clinical Laboratory fee schedule
- Physician Administered Drug fee schedule
- Anesthesia fee schedule
- Ambulance fee schedule
- Home Health fee schedule
- Hospice fee schedule
- Dental fee schedule

- Nursing Facility daily rate
- Private Non-Medical Institution (PNMI) daily rate
- Disproportionate Share Hospital (DSH) payments
- Graduate Medical Education (GME) payments

- Pharmacy fee schedule*
- Non-Emergency Medical Transportation (NEMT) payment*

- Cross-agency alternative payment models
  - Vermont Medicaid Next Generation (VMNG) ACO program
  - Mental Health payment reform
  - Residential Substance Use Disorder (SUD) Treatment payment reform
  - Applied Behavior Analysis (ABA) payment reform
  - *Others under development*

*Managed by other DVHA units

# Professionalizing Reimbursements

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- Establishing a predictable schedule for fee schedule and/or rate updates
- Aligning with Medicare methodologies (and rates) where possible
- Limiting the number of methodological exceptions
- Communication about proposed changes with providers prior to implementation

# Highlights: Professional Services & Primary Care

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- Medicaid's RBRVS methodology uses a standard conversion factor for non-primary care specialty providers, and a primary care conversion factor for primary care providers and services.
- Since 2017, **DVHA has prioritized maintaining primary care reimbursement rates at 100% of Medicare's rates.**
- In the most recent fee schedule update, **DVHA increased reimbursement for all other services from 80% to 82% of Medicare's rates**.
- The July 2019 RBRVS updates represented a 3.4% overall increase.

# Highlights: Primary Care Rates in the Northeast

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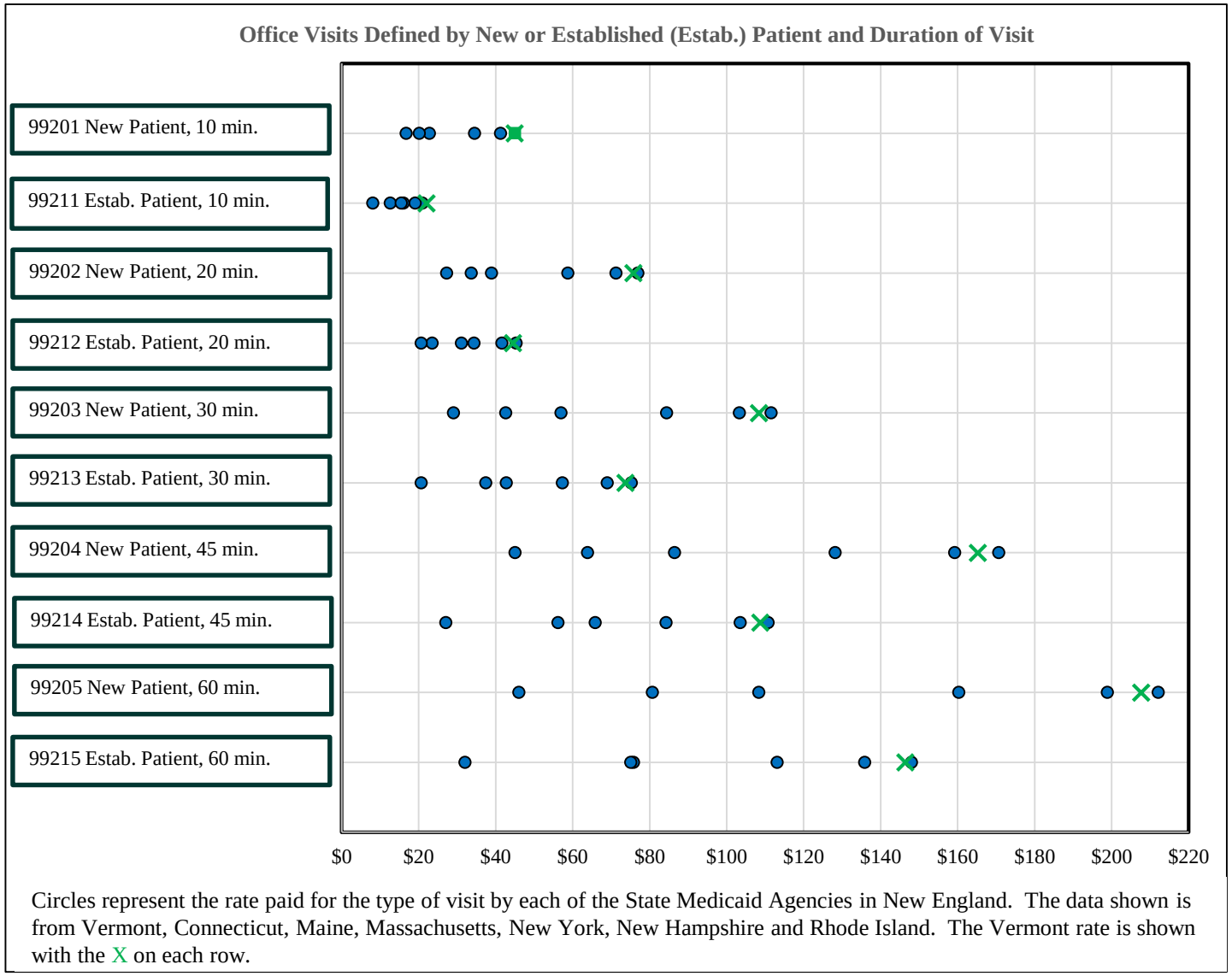


Circles represent the rate paid for the type of visit by each of the State Medicaid Agencies in New England. The data shown is from Vermont, Connecticut, Maine, Massachusetts, New York, New Hampshire and Rhode Island. The Vermont rate is shown with the X on each row.

# Highlights: Outpatient Payments & CAHs

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- In the OPPS methodology, each hospital peer group designation is paid a base rate that represents a percentage of the Medicare national median rate.
- While these percentages have changed annually for the last several years, **DVHA has prioritized keeping rates for Critical Access Hospitals greater than or equal to 110% of Medicare**, and attempts to accommodate increases for other peer groups to the extent the budget allows.
- In July of 2019, OPPS updates represented a 2% overall increase**.**

| Hospital Peer Group Designation | % of Medicare 10/2017 Update | % of Medicare 7/2018 Update | % of Medicare 7/2019 Update |
|---|---|---|---|
| In State - Prospective Payment System – Academic (includes DHMC as of 10/1/17) | 96.5% | 88% | 89% |
| In State - Prospective Payment System | 91% | 86% | 87% |
| In State - Critical Access Hospital | 111.5% | 110% | 113% |
| In State - Institution for Mental Disease | 96.5% | 88% | 89% |
| Out of State | 81% | 81% | 82% |

# Highlights: Inpatient Payments & CAHs

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- DVHA presently rebases the inpatient base rates by hospital peer group designation at minimum every four years. The last update occurred in October of 2016.
- Prior to the 2016 update, the acute base rate for all in state hospitals was $7,611.45. **The 2016 IPPS updates represented acute base rate increases ranging from 10-22% for Vermont hospitals, with larger increases being targeted to Critical Access Hospitals.**

| Hospital Peer Group Designation | Acute Base Rate* | Psychiatric Per Diem Base Rate** |
|---|---|---|
| In State - Prospective Payment System – Academic (includes DHMC as of 1/1/18) | $8,390.00 | $1,128.05 |
| In State - Prospective Payment System | $8,835.00 | $1,128.05 |
| In State - Critical Access Hospital | $9,273.00 | $1,128.05 |
| In State - Institution for Mental Disease | $9,273.00 | $1,425.00 |
| Out of State – Academic | $3,610.00 | |
| Out of State – Other | $2,900.00 | |

**Acute base rate is multiplied by the assigned Diagnosis Related Group (DRG) weight to calculate the payment for each claim.*

*** Psychiatric base rate is multiplied by the assigned DRG weight, then multiplied by a "day factor" based on the length of stay to calculate the payment for each claim.*

# Highlights: FQHCs & RHCs

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- Beginning in January 2018, Medicaid adopted a new methodology for reimbursing Federally Qualified Health Centers (FQHCs) and Rural Health Centers (RHCs).
- In the 2018 rebase, **approximately $2.4 million was added to FQHC and RHC reimbursement**.
- The new methodology established annual increases based on the most current Medicare Economic Index (MEI) to account for inflation
  - In 2019, rates were increased by 1.4%
  - In 2020, rates are expected to increase by 1.5%

# Medicaid Reimbursement Opportunities

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- Proposing to update DMEPOS methodology to incorporate Medicare rural rates where available
- Considering Medicare methodology alignment opportunities for Nursing Home payments resulting from new CMS Patient Driven Payment Model (PDPM)
- Considering schedule and methodology updates for dental fee schedule

# Medicaid Value-Based Payments

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- DVHA working with OneCare to implement Vermont Medicaid Next Generation (VMNG) ACO program
  - Medicaid as a pacesetter for innovation in Vermont's All-Payer Model
  - Increasing the proportion of Medicaid funds that are distributed in fixed prospective payments (to participating hospitals, independent practices)
  - Learning how payment and delivery system reform can drive health outcomes
- DVHA Payment Reform unit working with other AHS departments on cross-agency payment model design
  - Integrating Medicaid payment and delivery system reform efforts across the care continuum and across departments in the Agency of Human Services
  - Aligning new Medicaid value-based payment models with the APM

# Payment Reform Process

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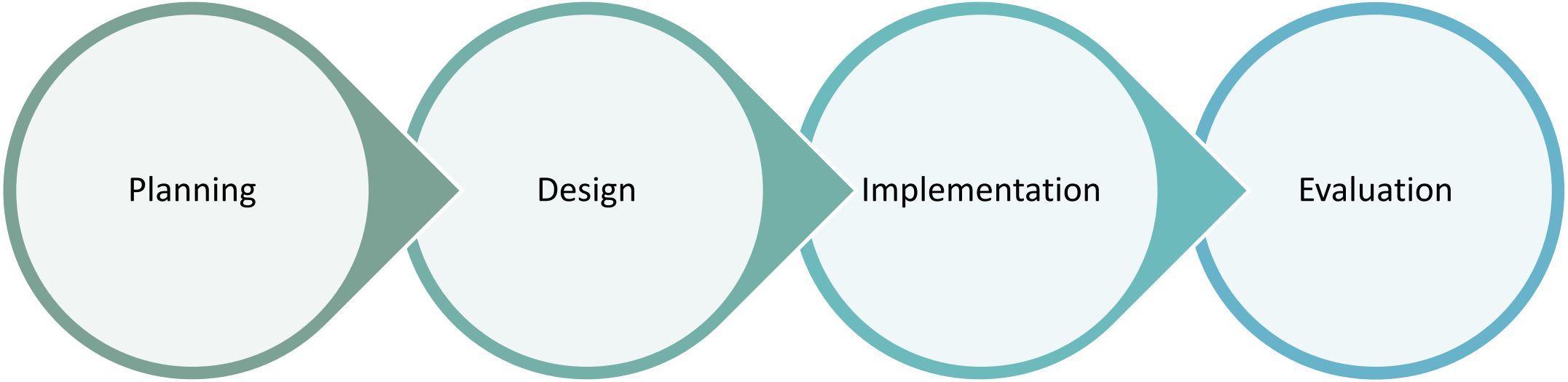


- Goals & objectives
- Subject Matter Experts & stakeholders
- Research

- Analysis & modeling
- Identification of Performance metrics

- State & Federal approvals
- Medicaid Management Information System (MMIS) changes
- State & provider operational readiness

- Monitoring
- Communication
- Program modifications

# Headwinds for Medicaid Reimbursement & Payment Reform

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- Financial constraints
- Creating a culture of partnership
- Balancing standardization and innovation
- Balancing innovation, alignment, and operational readiness
- Evaluation to inform evolution