


# Accountable Care Organization Oversight

## Update to Staff Recommendations on OneCare Vermont's Proposed FY 2021 Budget

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# Agenda

1. Background: Follow-up letter to OneCare Vermont
2. What we learned: Updated Staff Recommendations
3. Next Steps
4. Questions/Public Comment

# Follow-up to December 9<sup>th</sup> Staff Recommendations

# Follow-up to December 9<sup>th</sup> Staff Recommendations



1. GMCB Staff issued a letter to OneCare VT on December 11<sup>th</sup> detailing the areas of uncertainty related to the proposed FY 2021 Budgeted
2. OneCare VT submitted written responses to this letter on December 15<sup>th</sup>
3. GMCB Staff reviewed these materials, considered new information, and updated recommendations as necessary

# Follow-up Topics

**GMCB Staff asked OneCare for any additional information on:**

- 1. Administrative Expenses:** clarify uncertainties and justify growth in administrative expenses during a pandemic
- 2. Sources & Uses:** clarify nature and certainty of funding sources and their intended uses
- 3. CPR program:** clarify budgeted decrease in funding despite expectations for increased participation
- 4. 2020 Projected Surplus & Losses/Reserves:** provide any updates to projections and justify accumulation of reserves to date
- 5. Clarify Details of Contract Negotiations:** Confidential

**Other Topics Raised by OCV in Response:**

- 1. Blueprint for Health/SASH/Advanced Shared Savings**

# What we learned...

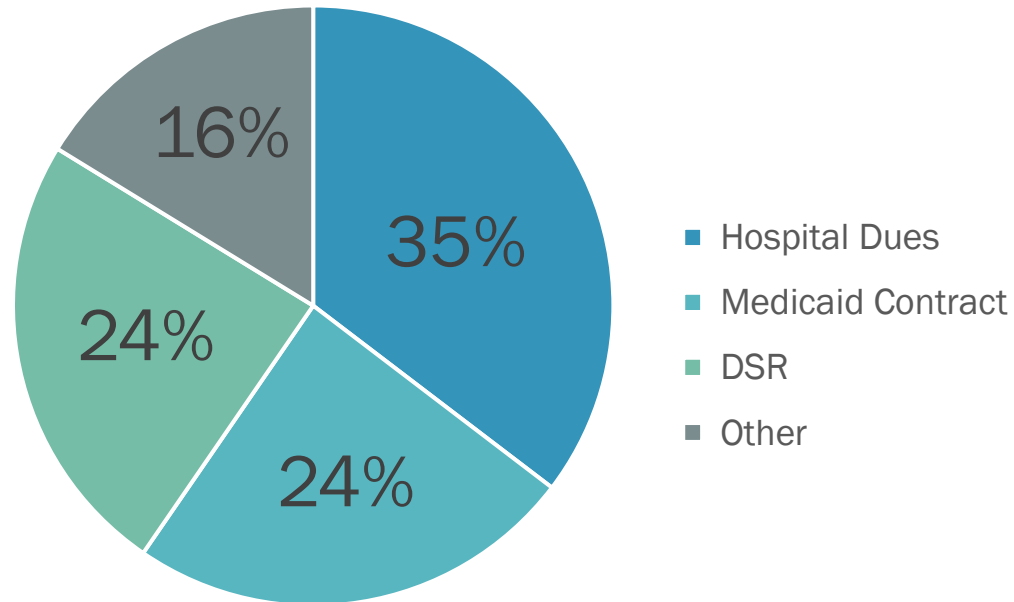


# OneCare's Salaries & Benefits (Updated)



#	Type	Amount \$	% Increase Over Prior Year	Driver/Reason/Value of Investment
1	Net impact of vacancy reinstatements and other positional changes in 2021	Updated: \$666k	8%	Reinstatements of positions and other changes necessary to fulfill the expectations set by the OneCare Board of Managers
2	Reinstatement of leadership compensation	\$595k	7%	Restoration of temporary COVID-related salary and benefit reductions
3	2% Salary Increase	\$209k	3%	Annual increase for continuing staff
4	Other	Updated: \$0k	0%	Unexplained variance
<b>Total</b>	Increase over revised 2020 Budget	\$1,470k	18%	

# Administrative Budget Funding Sources



Hospital Dues	Medicaid Contract	DSR	Other
\$5,705,146	\$3,907,284	\$3,900,000	\$2,620,117



# OneCare's Administrative Budget Uncertainties - UPDATED



Uncertainty	Recommendation
1. Population Health Management Ratio decreasing at a rate greater than Administrative Ratio decline	GMCB staff to work with OCV to clarify Admin vs. Operating sources and uses (clarify population health vs payment reform or other programs provider support)
2. GMCB bill back over estimated	Remove overstated amount
3. DSR Funding (\$3.9 million)	Conditional Approval
4. Self Management Contract (\$261 k)	Conditional Approval

# 2021 Proposed Administrative Expenses



	2018		2019		2020			2021
Income Statement Metric (\$, millions)	Budget	Actual	Budget	Actual	Oct 1 Budget Approved	Jun 16 Budget Approved	Projected	Budget Submitted
Total Revenues	639	634	899	911	1,425	1,256	1,185	1,459
Health Services Spending	599	598	843	860	1,362	1,205	1,134	1,412
Admin Expenses	12	12	16	15	19	15	14	16
PHM/Payment Reform	27	23	37	33	43	36	36	31
Total Expenses	639	632	896	908	1,425	1,256	1,185	1,459
Net Income	-	2	3	3	-	-	-	-
<b>Admin Growth % vs. 2021</b>	<b>29%</b>	<b>38%</b>	<b>1%</b>	<b>5%</b>	<b>-16%</b>	<b>8%</b>	<b>12%</b>	

# Staff Recommendation: OneCare's Administrative Expenses



**12/9 RECOMMENDATION:** Level fund 2021 administrative budget to 2019 actuals (~ **\$15.4 million**\*) with a commensurate reduction to hospital dues or reallocation to population health.

**ALTERNATE RECOMMENDATION:** Conditional approval of proposed budget with reduction of GMCB bill back overstatement and the receipt of DSR funding and the self management contract. Will require a revised budget submission.

\*The 2019 actuals submitted to GMCB on October 1, 2020 note a net income of \$3,076,425, which is \$1,612,748 less than the net income per the response received on December 4, 2020.

# Blueprint & SASH/ Advanced Shared Savings



OneCare Vermont December 15<sup>th</sup> Letter to GMCB:

“...Adding the Medicare trend on Blueprint program expenses in 2021 will have a direct impact on hospital financials during a time of economic instability. ACO-participating hospitals continue to make significant upfront investments in their communities in anticipation that some of this investment will be offset by shared savings under the programs. However, agreeing to fund the Blueprint programs with shared savings, regardless of whether or not shared savings are earned, consumes a significant portion of the savings opportunity and expands the potential loss exposure...”

# Blueprint & SASH/ Advanced Shared Savings



1. We recognize the asymmetrical risk to the ACO associated with investing the Advanced Shared Savings in the Blueprint for Health and SASH, however receiving the Advanced Shared Savings brings an additional \$8 million + into the state of Vermont.
2. Evaluations of the [Blueprint for Health](#) and [SASH](#) suggest that these programs generate savings.
3. Level Funding the Blueprint/SASH is effectively a rate cut to these programs as the Medicare population benefiting from these programs is growing.

# Blueprint & SASH/ Advanced Shared Savings



**UPDATED RECOMMENDATION:** In 2021, OneCare must fund the SASH and Blueprint for Health (PCMH and CHT) investments in the amount of \$8,401,660 plus an inflationary factor of 3.5%\*, totaling \$8,695,718, consistent with the medical home community health team and SASH program payment design approved by the Agency of Human Services.

\*Based on the Medicare benchmark growth target over the life of the agreement

# Reserves

**UPDATED RECOMMENDATION:** GMCB to include in future Budget Guidance and Reporting Manual, requirements for OneCare to report on any changes to its reserves and justification for any growth or disbursement, including OCV's Board approved amount and date of Board approval.

**MAINTAIN RECOMMENDATION:** OneCare to report updated and final 2020 net income and subsequent use to the Board at year end.

**KEEP/UPDATE 2020 RECOMMENDATION:** If OneCare uses its ~~\$4 million~~ reserve, it must notify the Board within 15 days of such use. Notification must include the reason for drawing down the reserve and, for any use authorized under Condition 12(c), a corresponding cash flow analysis. The use of this reserve shall be limited to: a. Additional funding for population health investments; b. Financial backing for risk incurred by hospitals engaging in sustainability planning; c. Temporary cash flow issues associated with payer revenue delays; and d. Other uses pre-approved by the Board.

# Next Steps

1. Potential Board Vote – December 23<sup>rd</sup>
  1. Staff Recommendations will be categorized:
    1. Budget Order Condition
    2. Reporting Manual Requirement
    3. FY 2022 Budget Guidance
2. Issue Budget Order – Early 2021
3. Revised Budget – Spring 2021
  1. Executed Contracts
  2. Final Attribution