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May 13, 2024

Auditor Douglas R. Hoffer
Office of the State Auditor
132 State Street
Montpelier, VT 05633-5101RE: ACO MODEL AUDIT FOLLOW-UP AND ONECARE VERMONT RETURN ON INVESTMENT ANALYSIS

Dear Auditor Hoffer,

I write in response to your communication of November 9, 2023, regarding recommendations the State Auditor's Office (SAO) provided in report #20-02 to the Green Mountain Care Board (GMCB) on June 26, 2020. Specifically, the SAO recommended the GMCB "should design and deploy a transparent method to measure the financial outcomes of the Vermont All-Payer ACO Model and determine whether they outweigh OneCare's operating costs." As described in the attached GMCB Staff Memorandum, we have utilized several methodologies to analyze OneCare Vermont's (OCV) return on investment (ROI). These methodologies provide different perspectives through which to assess OneCare's performance and generally seek to measure how OneCare performed against total cost of care benchmarks compared to the administrative costs to operate OneCare.

Measuring a ROI for an ACO is challenging and the results may be the function of myriad factors external to the ACO itself. GMCB's analysis does not purport to assign responsibility for the results—regardless of whether the results are viewed as positive or negative.

Given the complexity of performing an ACO ROI, GMCB's approach was to include multiple methodologies. Evaluating OneCare's ROI from the Vermont-Payer and All-Payer perspectives are particularly relevant to your recommendation, and GMCB's findings under those methodologies are summarized below:

- **Vermont-Specific Methodology:** This methodology analyzes OCV's return for Medicaid and Vermont commercial insurance markets and seeks to isolate the financial impact Vermonters experienced. From that lens, the results are disappointing as OneCare's ROI from 2018-2022 as compared to Medicaid and commercial insurance targets is a loss of over \$42M. During the height of the pandemic in 2020, Vermonters sought less healthcare than had been anticipated, which likely contributed to OneCare achieving \$47M in savings for Vermont payers that year. OneCare's ROI for Vermont payers is an \$89M loss if costs and savings from 2020 are excluded from the analysis.



- **All-Payer Methodology:** OneCare is an All-Payer ACO, and thus it's important to also consider OCV's performance in that context and to include the federal government's Medicare program. Inclusive of Medicare, OCV's ROI is a positive \$14.67M from 2018-2022. The All-Payer ROI is similarly impacted by 2020 wherein OneCare's spending was \$65.89M *below* target. If 2020's administrative costs and savings are excluded, OCV's All-Payer ROI drops to negative \$51.22M.

Vermont's All-Payer Model agreement included costs and benefits unrelated to OneCare's performance as an ACO. Those costs and benefits are also noted in the enclosed memorandum, and it is important to highlight that in connection with the All-Payer Model agreement, Vermont received over \$42M in Medicare funds to support Blueprint and Support and Services at Home (SASH)—programs that have shown real benefits and importance to our healthcare system.

There are lessons to be learned from Vermont's bold, innovative, and well-intended efforts to improve our healthcare system through the All-Payer Model. While the model sought to improve affordability and enhance access, Vermont unfortunately has seen qualified health plan commercial insurance costs skyrocket since 2018 at levels that far outpace national and regional trends. While our Medicare per capita spending leveled off during the All-Payer Model, Vermont's commercial healthcare costs did not.

Vermont has also struggled with unacceptable wait times at some of our hospitals, and difficulty accessing primary care, long-term care and home health, and mental health care. Over the last several years, GMCB has approved hospital commercial rate increases significantly greater than medical inflation, wage growth, and All-Payer Model goals. Despite that significant financial investment from Vermonters, eight of our fourteen hospitals had negative operating margins in FY23. Moreover, our community health providers and local not-for-profit insurers are likewise dealing with serious financial pressures and thin margins. This is not to suggest the model caused any of these circumstances, but to recognize that our healthcare system is in a state of crisis and any singular effort is unlikely to be a silver bullet.

I appreciate your inquiry and thank you for your recommendations. I am happy to further discuss our findings and approaches should you have any additional questions.

Sincerely,

Owen Foster, Chair
Green Mountain Care Board

Encl.

