

FY2024 Certified ACO Budget Guidance

July 14, 2023

Agenda

- Public Comment
- Proposed changes
- Executive Compensation Benchmarking
- Motion options

Timeline



Budget Oversight Activity	Due Date
GMCB issues FY 2024 ACO Budget Guidance	July 14, 2023
ACO submits FY 2024 Budget to GMCB	October 2, 2023
ACO FY 2024 Budget Hearing	November 8, 2023
ACO/Payer presentation on 2022 Quality and Financial Performance	November 2023 (TBD)
GMCB Staff presentation on FY 2024 Budget analysis and recommendations	December 6, 2023
Public comment period on ACO budget closes	December 2023 (TBD)
GMCB votes to est. the FY 2024 ACO Budget	December 2023 (TBD)
GMCB est. the Medicaid Advisory Rate Case	On or before December 31, 2023
GMCB issues written Budget order to ACO	45 days after Board vote on FY 2024 ACO Budget
ACO presents on final attribution and revised FY 2024 budget after payer contracts final	May 2024 (TBD)
ACO submits materials required for monitoring of FY 2024 budget	2024 Ongoing

Public Comment



- Public comments from 5 different parties received:
 - Data Analytics Transition
 - Executive Compensation
 - Subpoena
 - Number of attributed lives served compared to budget

Proposed Changes

Workbook:

- Tab 6.7- ACO Management Compensation
 - Additional collection of salary benchmark data for each position
- Several technical, non-substantive edits

Narrative:

Part I: ACO Budget Targets

- Edit to Budget Target Instructions
 - Ramifications of meeting or not meeting a budget target
 - Change in language from “shall” to “must”

Note: The targets are indicators to be used by the ACO in developing and preparing its proposed budget. The targets will assist the Board in determining whether to approve or modify the budget. There is no penalty if the ACO does not meet a budget target, but the ACO must justify why target wasn't met.

Proposed Changes



- ACO Budget Targets (cont.)
 - #2: Removal of Medicare FPP target
 - #5: Clarified definition of “PHM/payment reform payments”
 - #7: Variable compensation tied to performance metrics inclusive of metrics in Benchmarking Report
 - #8: Addition of request to plan to increase provider-level accountability for quality

Part II- Reporting Requirements

- Addition of sub-question in Section 5:
 - Discuss ACO program goals, strategies, opportunities, and limitations for the following...
 - Improving access to behavioral health services.

Proposed Changes

Part II (cont.)

- Addition to question 7, Section 6:
 - Explanation of how the ACO determines that outsourced services are at fair market value.
- Addition of question, Section 6:
 - Administrative Expenses: Describe the administrative expenses incurred in connection with implementing each of population health and payment reform programs as well as data and analytics work.
- Addition of sub-question, Section 6:
 - Executive Compensation: For each position, explain how salary benchmarks were determined and utilized when budgeting the base and total executive compensation. Justification for executive compensation shall include reference to and analysis of the ACO's performance.
- Addition to question 4, Section 7:
 - Description of the impact of each population health program on containing costs, improving access to care, and/or improving quality of care, citing specific and measurable changes observed in these areas.
- Other minor edits to narrative questions throughout

OneCare Vermont Executive Salary Benchmarking



UVMHN uses a variety of third-party surveys to determine salary benchmarks, including:

- Mercer IHN – Healthcare System and Hospital Executives
- Gallagher/Integrated Healthcare Strategies – National Healthcare Leadership Survey
- Towers Watson – Health Care Executive Survey Report
- Sullivan Cotter & Associates – Health Care Management & Executive Compensation Survey Report.

The process includes comparisons to ACO executives where data exist. For example, for OneCare's CEO, the following title matches were used:

- Accountable Care Organization (ACO) Executive/President
- Head of Accountable Care Organization
- Top Accountable Care Organization (ACO) Executive
- Top Accountable Care Organization Executive

OneCare Vermont Executive Salary Benchmarking



Base salaries targeted at the 50th percentile (median) of the national peer group.

- Individual salaries will be administered within ranges structured with midpoints set at median and a 50% spread from minimum and maximum.
- Regional data may be considered when placing individuals within their respective ranges.

Performance-based variable pay sufficient to provide total cash compensation opportunities at the 65th percentile when target level awards are earned by achieving strategic and operational Network objectives set by the Board of Managers

- Actual total cash compensation for executives may be below, at, or above the 65th percentile of the market depending on
 - a) the positioning of an executive's salary within the appropriate salary range,
 - b) performance of the network and its affiliates
 - c) other criteria

OneCare Vermont Executive Salary Benchmarking



On June 28, GMCB sent a subpoena, directing OCV to produce all documents:

- Relating to compensation benchmarks utilized in connection with establishing and/or targeting compensation for OneCare's CEO, VPs, and Directors;
- Sufficient to identify the dollar amount of the 50th percentile of benchmarked compensation for OneCare's CEO, VPs, and Directors;
- Sufficient to identify the benchmarked percentile of total compensation for OneCare's CEO, VPs, and Directors; and
- Relating to how the award of variable compensation in 2022 was structured to achieve specific and measurable goals that support the ACO's efforts to reduce cost growth or improve the quality and overall care of Enrollees, and decisions to award 100% of available variable compensation for FY22 to all of OneCare's executives including its CEO, VPs, and Directors.

OneCare Vermont Executive Salary Benchmarking



On July 7, GMCB received several documents in response to the subpoena. The submission is available on our website.

- Most of the submission was duplicative of materials already received from OneCare as part of the certification eligibility verification process.
- New information included rolled up compensation data which included dollar amounts for the benchmarked 50th and 65th percentiles, but lacked explanation of what the benchmark is, how it is determined, and the percentiles at which the actual salaries are set.

OneCare Vermont Executive Salary Benchmarking



On July 11, GMCB follow up to OneCare that responsive documents to the subpoena need to include:

1. Source documents and communications that show exactly what the benchmark is on which the 50th and 65th percentile numbers are based.
2. Source documents and communications about the selection of the benchmark, the methodology used to develop the benchmark, and the determination of the appropriateness of the benchmark.
3. Source documents explaining the content of the rolled-up chart (Attachment A response), which should include at least (a) by individual position for OneCare executives: the base compensation, variable compensation, 50th and 65th percentile of the benchmark, and actual percentile of individual compensation on benchmark, and (b) documentation sufficient to understand why the rolled-up chart (Attachment A response) doesn't align with the base salary and variable compensation that OneCare provided as part of its revised budget.
4. Documents and communications related to the discussion of awarding FY22 variable compensation to OneCare executives and the decision to award FY22 variable compensation at 100%.

FY24 OneCare Vermont Budget Guidance

Considerations – Executive Compensation



Affordability and Administrative Expenses

By limiting OCV's administrative expenses, GMCB prevents these costs from being passed on to Vermonters.

Compensation as Organizational Performance Incentive

By linking executive compensation to OneCare's organizational performance (e.g., on performance benchmarking metrics), GMCB can increase leadership's incentive to improve organizational performance.

Ability to Hire and Retain Staff

Limiting executive compensation to the median for similar positions could affect the ACO's ability to hire highly qualified, experienced candidates. It could also impact staff productivity, morale, and retention, which could result in increased administrative costs related to leadership and staff transitions as well as an increase in nonwage benefits such as paid time off.

Preservation of Hierarchy of Pay Scale

Focusing on executive positions alone risks upsetting hierarchy of pay scale; either subordinates may have higher salaries than their direct supervisors, or salary reductions could trickle down to mid- and junior-level staff.

Executive Compensation

FY24 OCV Budget Guidance Options



1. Publish guidance with proposed changes and without budget targets #6 and #7
2. Publish guidance with proposed changes and with placeholders for budget targets #6 and #7
3. Publish guidance with proposed changes as currently drafted (see slide 15)
4. Publish guidance with proposed changes and with alternative language for budget targets #6 and #7 (see slide 16)

Executive Compensation

Budget Targets- As drafted



Option #3:

Budget Target 6: The ACO shall *cap* the total compensation in FY24 for the ACO's executives, *[VP-level and above OR director-level and above]*, at the 50th percentile of the benchmark used by the ACO to establish its executives' compensation.

Budget Target 7: The ACO must structure the variable portion of executive compensation so that at least 40% is tied to OCV's FY24 achievement of specific and measurable goals related to the ACO provider network performance in cost and quality metrics. Quality metrics must align with the ACO clinical focus areas as long as those priorities or focus areas are consistent with the APM quality framework **and at least some of the metrics include areas identified in the March 2023 Benchmarking Report as needing improvement.**

Executive Compensation

Budget Targets- Alternative Language



Option #4:

Budget Target 6: The ACO shall **target** the **base** compensation in FY24 for the ACO's executives, *[VP-level and above OR director-level and above]*, at the 50th percentile of the benchmark used by the ACO to establish its executives' compensation. **Variable compensation shall be targeted at the 65th percentile. OneCare must provide complete justification of any salaries awarded above these targets.**

Budget Target 7: The ACO shall structure the variable proportion of executive compensation so that **some portion** is tied to OCV's FY24 achievement of specific and measurable goals related to performance in cost and quality metrics. Quality metrics should align with any payer program quality priorities or ACO clinical focus areas as long as those priorities or focus areas are consistent with the APM quality framework **and at least some of the metrics include areas identified in the March 2023 Benchmarking Report as needing improvement.**

Suggested Motion Language

Motion language:

Move to approve the OneCare FY24 budget guidance as presented by staff, with option number [X] regarding the executive compensation targets, [and with the other changes discussed by the GMCB today].