

PHILIP B. SCOTT  
GOVERNOR



State of Vermont  
OFFICE OF THE GOVERNOR

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Centers for Medicare and Medicaid Services  
7500 Security Boulevard  
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**RE: Warning Notice of Vermont's Non-Compliance with Accountable Care Organization (ACO) Scale Targets for Two Consecutive Performance Years**

Dear Dr. Yong:

This letter responds to your notice dated September 14, 2020, that Vermont has not demonstrated scale performance consistent with the targets set forth in the Vermont All Payer ACO Model Agreement. The State of Vermont recognizes that scale of participation is a necessary foundation to move away from fee-for-service payment models to value-based care and a reformed delivery system. The State is unwavering on the path to higher value health care and we have looked seriously at how to maximize both payer and provider participation to reach as many Vermonters as possible and demonstrate the business case for value instead of volume.

**Background on Vermont Scale Performance**

Voluntary models, such as Vermont's All-Payer ACO Model Agreement, require the right mix of incentives and demonstrated successes to entice cautious parties to participate. The State has a number of levers to encourage participation for certain providers and payers, but no authority in other areas, most notably in encouraging payer participation for Medicare Advantage plans or self-funded employers. Care patterns also impact potential scale: all attribution models currently used in Vermont ACO programs preclude Vermonters who receive the preponderance of care from non-participating providers outside the state from being attributed, and most exclude individuals with no qualifying spending.<sup>1</sup>

Despite these challenges, participation in the model is increasing year-over-year with the exception of a single year of decline in Medicare scale, due to the bankruptcy of one Vermont hospital (see table below).

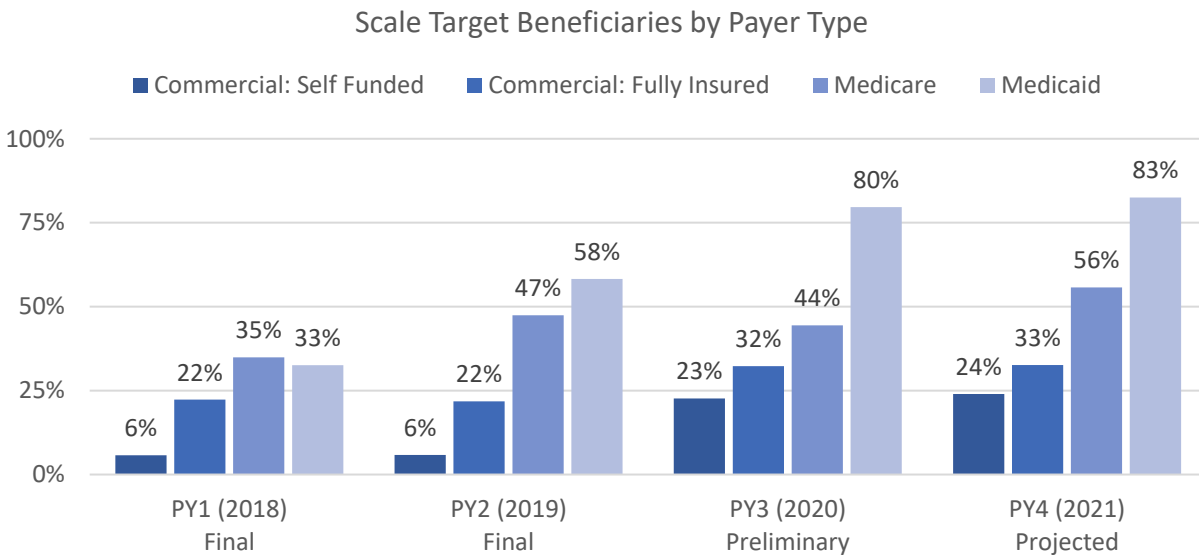
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<sup>1</sup> See prior communications between Vermont and CMMI regarding scale denominator (Spring 2018).

*Summary of Vermont’s scale target performance to date*

		PY1 (2018) Final	PY2 (2019) Final	PY3 (2020) Preliminary	PY4 (2021) Projected	PY5 (2022)
<b>Vermont All-Payer Scale Target Beneficiaries</b>	Target	36%	50%	58%	62%	70%
	Actual	22%	30%	42%*	46%**	
<b>Vermont Medicare Beneficiaries</b>	Target	60%	75%	79%	83%	90%
	Actual	35%	47%	44%*	56%**	

Notably, the Vermont Medicaid Next Generation ACO Program, which the State has full control of, drives scale increases in Vermont while commercial participation has lagged most significantly. The chart below shows scale achieved, calculated as percent of scale target beneficiaries attributed by payer category:



As stated previously, Vermont remains committed to increasing model scale. As such, the cosignatories and Vermont’s ACO, OneCare Vermont, have identified a series of strategies to accelerate participation in the model and improve performance against scale targets. Preliminary scale results for 2021 demonstrate this commitment. Despite COVID-19, which in fact exacerbated many of the existing challenges to scale, the State not only maintained scale at the 2020 level, but with CMMI’s partnership and innovation, added nearly 7,500 lives to the Vermont Medicare ACO initiative.<sup>2</sup>

<sup>2</sup> Estimate based on Medicare ACO provider list provided to CMMI on November 6, 2020.

### **Proposed Scale Strategy: Align Scale Denominator to Reflect State's Realm of Influence**

As previously described, the scale denominator as currently specified holds Vermont accountable for payers and populations over which the State has no control.

Vermont requests that CMS consider:

1. Removing Medicare Advantage members from the all-payer scale target denominator (approximately 17,700 in 2019).
2. Removing members of self-insured employer plans from the all-payer scale target denominator, with the exception of Vermont's state employee health plan and plans participating in a scale target ACO initiative (approximately 130,000).
3. Removing Vermonters who receive the preponderance of their care outside of Vermont from the Medicare and all-payer scale target denominators (approximately 20,700 Medicare beneficiaries as of 2018).

### **Proposed Scale Strategies: Improving Scale Numerator through Increased Participation**

#### Proposed Strategies to Increase Medicare Scale

1. For 2021 and beyond, offer the ACO a reduced risk corridor to support increased rural hospital participation, with reductions in the risk corridor tied to scale. This allowed Rutland Regional Medical Center to join the model in 2021, adding approximately 7,500 beneficiaries.
2. Request that CMS offer written guidance or best practices for cost reporting by critical access hospitals (CAHs) that are receiving Medicare prospective payments.
3. Work with CMS to establish a path for the Vermont Medicare ACO Initiative to increase opportunities for flexible, predictable, and stable population health payments to providers, building on lessons learned from the Vermont Medicaid Next Generation (VMNG) ACO program.

#### Proposed Strategies to Increase All Payer Scale: Commercial Payers

Strategies that would support increased scale associated with this population include:

1. Include State Employee Health Plan members for attribution to OneCare Vermont in 2021 (PY4).
2. Educate non-participating self-funded groups, including hospitals, teachers, and the broader business community about the benefits of participation in a value-based payment and delivery system transformation model.
3. Educate non-participating payers about the benefits of participation in value-based payment and delivery system transformation model.

Proposed Strategies to Increase All-Payer Scale: All Payers

In addition to payer-specific strategies, we are also considering ways to continue maximizing our scale performance across all payer programs:

1. Continue requiring ACO to provide updates on their scale strategy, including an update to activities identified in the 2019 Scale Survey<sup>3</sup> and submission of a workplan to achieve goals associated with each activity.
2. Issue Health Care Provider Stabilization Grants to providers that maintain current levels of participation in value-based payment models.

The strategies put forth in this response are not expected to solve all scale target shortfalls but represent an opportunity for continuous improvement and learning. Vermont's Agency of Human Services, the Green Mountain Care Board, and OneCare Vermont all have roles to play in increasing the scale of participation. The voluntary nature of this model is expected to continue to be a key challenge to face collectively. And while scale is currently monitored at the state-wide and payer levels, we believe that to truly transform the delivery system, it will be critical to consider how scale is experienced at the provider or practice-level. To that end, we look forward to exploring these ideas with stakeholders and the Innovation Center as we begin consideration of a subsequent agreement proposal.

Sincerely,



Philip B. Scott  
Governor



Michael K. Smith  
Secretary, Agency of Human Services (AHS)

PBS/kp



Kevin Mullin  
Chair, Green Mountain Care Board

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<sup>3</sup> Results from 2019 Scale Survey available at:  
<https://gmcbboard.vermont.gov/sites/gmcb/files/documents/payment-reform/GMCB%20Scale%20Memo%208-15-2019.pdf>.