The University of Vermont Health Network
FY 2018 Budget

Green Mountain Care Board
August 22, 2017
Overview

- Introductions
- Major budget initiatives
- Capital budget
- Community Health Needs Assessment update
- GMCB questions
- HCA questions
- Questions
Introductions

• John R. Brumsted, MD, President & CEO, UVM Health Network and CEO, UVM Medical Center
• Philip Brown, DO, Vice President, Medical Affairs, CVMC
• Cheyenne Holland, CFO, Central Vermont Medical Center
• Todd Keating, CFO, UVM Health Network
• Stephen M. Leffler, MD, Chief Population Health & Quality Officer, UVM Health Network
• Anna Noonan, RN, President and COO, Central Vermont Medical Center
• Marc Stanislas, VP of Finance, UVM Health Network
• Rick Vincent, CFO, UVM Medical Center and UVM Medical Group
• Eileen Whalen, RN, President and COO, UVM Medical Center
Our Network

STATISTICS - ALL NETWORK MEMBERS (FY 2016)

<p>| | |</p>
<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Number of physicians</td>
<td>1,219</td>
</tr>
<tr>
<td>Number of RNs</td>
<td>2,759</td>
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<tr>
<td>Staffed beds</td>
<td>936</td>
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<tr>
<td>Inpatient discharges</td>
<td>40,559</td>
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<tr>
<td>Patient visits</td>
<td>1,807,764</td>
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<tr>
<td>ED visits</td>
<td>171,989</td>
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<tr>
<td>OR cases</td>
<td>34,626</td>
</tr>
<tr>
<td>Lab visits</td>
<td>4,606,466</td>
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Mission
To improve the health of the people in the communities we serve by integrating patient care, education and research in a caring environment

Vision
Working together, we improve people’s lives
Major Budget Initiative: The Transformation to Population Health Management
Population Health

• Focus is the Triple Aim
  – Improving the health of the populations we serve
  – Enhancing experiences and outcomes of care
  – Addressing the challenge of affordability
Our Move to Population Health

- Since the FY 2017 budget presentation, the State of Vermont has received two federal waivers that are driving transformation of payment and delivery systems
  - All-Payer ACO Model Agreement (APM)
  - Medicaid § 1115 waiver
- Keys to success
  - Collaboration among providers across the continuum of care
  - Payers as partners
  - Leveraging technology
  - A predictable payment stream
  - Effective regulation
Our Move to Population Health

• UVM Health Network has been committed to this transformation for years
• Population health management requires us to move away from a “sick care” system to one that promotes or restores health, as efficiently and effectively as possible, through:
  – Partnering with patients and families, who want an active role in their care
  – Collaborating with other providers in our community who share in caring for our patients
  – Working with social service agencies on issues like housing, transportation and food security that affect health
  – Leveraging the education and research expertise and the innovations of our academic partners at UVM
Population Health: OneCare Vermont

- Established by UVM Medical Center and Dartmouth-Hitchcock Health in 2012
- Started with multi-payer “shared savings programs”
  - Medicare SSP for 5 years
  - Commercial SSP for 4 years
  - Medicaid SSP for 3 years
- Current total attribution of approximately 100,000 lives
- Statewide network of providers voluntarily participating in these programs
  - Hospitals of all types
  - FQHCs
  - Independent physician practices
  - Skilled nursing facilities
  - Home health
  - Designated agencies for mental health and substance use disorders
The next iteration of payment reform
Medicaid “Next Generation” program began in 2017
  – Almost 30,000 lives attributed through participating providers in four HSAs
  – First risk-based payment model in Vermont
Expansion into true all-payer model in 2018
  – Medicare “Next Generation” program
  – Commercial risk program in active negotiations
  – Renewing Medicaid NextGen program
  – Network includes four currently-participating HSAs, potentially three more
    • Could cover almost 140,000 Vermonters
Other Population Health Opportunities

• Self-insured employers
  – OneCare Vermont in discussions to contract with UVM Health Network employee plans as pilot
  – Pilot program would apply OneCare approaches to population health management and payment reform to align with its All-Payer Model ACO programs
    • Designed to work in collaboration with self-insured plan carrier
  – Will use pilot program to build capabilities to proactively explore value-based opportunities with other self-insured plans
    • Could include government employers, other health care organizations, and private sector industrial or service companies.
  – Vision is to construct models that bring predictable and affordable costs, plus measured high quality and patient satisfaction, to self-funded employers under the APM
    • Will be constructed to qualify toward APM scale targets
• Redirects resources from high-acuity settings (hospitals) into primary care and community services
  – OneCare Vermont’s 2018 budget anticipates channeling $29.3 million into primary care and community providers
    • Includes enhanced monthly payments to care for sicker patients, plus a pre-funded value-based incentive fund ($5.6 million)
    • Of that amount, $3.8 million is coming from UVMHN hospitals (CVMC, Porter and UVM Medical Center)
  – Participating hospitals bear all financial risk
Population Health: Benefits

• Benefits to patients and families in Medicare program
  – Access to skilled nursing facilities without a 3-day inpatient stay requirement
  – Access to two home health visits following hospital discharge
  – Access to telehealth services not currently allowed by CMS

• Future topics under consideration through Vermont APM
  – “Virtual PACE program” – funding of adult day care for patients in complex care coordination
  – Home IV antibiotics

• Expansion to other payers
Population Health: Benefits

- **Flexible care models**
  - “Virtual visits”: store-and-forward enhancements to EHR patient portals
  - Telemedicine visits
    - Direct patient care
    - Support of continuum of care community providers
      - Home health agencies
      - SASH
      - Designated Agencies
      - Area Agencies on Aging
  - Pharmacist patient support and consultative services
  - PCMH-embedded mental health services
  - More Medication-Assisted Treatment (MAT) in PCMHs
  - RN-performed Medicare annual wellness visits
Population Health: UVM Health Network’s Contributions

- From clinical integration to care delivery optimization
  - Primary care transformation
    - Registries
      - Diabetes
      - Asthma
      - Opiates
    - Care pathways
      - Neurology
      - Chronic pain
      - Diabetes
Population Health: UVM Health Network’s Contributions

- From clinical integration to care delivery optimization
  - Cardiovascular services

<table>
<thead>
<tr>
<th>NEW YORK</th>
<th>VERMONT</th>
<th>SERVICES</th>
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<tbody>
<tr>
<td>CANTON-PORTLAND Canton-Potsdam Hospital (315) 695-5000</td>
<td>MIDDLEBURY</td>
<td>Cardiovascular Consultations + Non-Invasive Testing (Stress Test, Echocardiography, Non-Invasive Peripheral Vascular Testing) + Cardiac Rehab</td>
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<tr>
<td>ELIZABETHTOWN</td>
<td>NORRISVILLE</td>
<td>Cardiovascular Consultations + Non-Invasive Testing (Stress Test, Echocardiography, Non-Invasive Peripheral Vascular Testing) + Cardiac Rehab</td>
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<td>MALONE</td>
<td>ST ALBANS</td>
<td>Cardiovascular Consultations + Non-Invasive Testing (Stress Test, Echocardiography, Non-Invasive Peripheral Vascular Testing) + Cardiac Rehab</td>
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<tr>
<td>MASSENA Massena Hospital (315) 769-1111</td>
<td>ST JOHNSBURY</td>
<td>Cardiovascular Consultations + Non-Invasive Testing (Stress Test, Echocardiography, Non-Invasive Peripheral Vascular Testing) + Cardiac Rehab</td>
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<tr>
<td>TICONDEROGA Moses Ludington Hospital (518) 585-3727</td>
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<td>Cardiovascular Consultations + Non-Invasive Testing (Stress Test, Echocardiography, Non-Invasive Peripheral Vascular Testing) + Cardiac Rehab</td>
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<tr>
<td>BERLIN</td>
<td>CENTRAL VERMONT MEDICAL CENTER (802) 225-5660</td>
<td>All services above PLUS: Invasive EP procedures (Pacemakers/ICDs)</td>
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<tr>
<td>RUTLAND</td>
<td>RUTLAND REGIONAL MEDICAL CENTER (855) 742-2328</td>
<td>All services above PLUS: Invasive Cardiology (Coronary Intervention) + Vascular Intervention &amp; Surgery + EP Ablations</td>
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<tr>
<td>PLATTEBURGH</td>
<td>CHAMPLAIN VALLEY PHYSICIANS HOSPITAL</td>
<td>All services above PLUS: Invasive Cardiology (Coronary Intervention) + Vascular Intervention &amp; Surgery + EP Ablations</td>
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<tr>
<td></td>
<td>• Cardiology (315) 565-2404</td>
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<td></td>
<td>BURLINGTON</td>
<td>All services above PLUS: Cardiovascular Surgery + Structural Heart Procedures</td>
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<tr>
<td></td>
<td>• UVM Medical Center (802) 362-3242</td>
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Indicates a University of Vermont Health Network hospital
Population Health: UVM Health Network’s Contributions

- From clinical integration to care delivery optimization
  - Emergency Medicine Council
    - CT scans for headache
    - Evaluation of kidney stones
    - Chest pain evaluation
    - CT ordering for pulmonary blood clots
Population Health: UVM Health Network’s Contributions

- From clinical integration to care delivery optimization
  - Joint orthopedic program
  - Telemedicine program
  - Stroke program
  - Expansion of palliative care program
Population Health: UVM Health Network’s Contributions

• Network-wide finance tools
  – Financial reporting
  – Budgeting
  – Cost accounting/decision support
  – Forecasting (multi-year financial framework)
  – Capital planning

• Network-wide supply chain
  – Savings and cost avoidance to Network hospitals: over $50M since inception of the Network in 2011

• Consolidation and refinancing of debt
  – Reduced the Network’s debt portfolio to an overall interest rate of 3.8%, which will generate savings of more than $63 million over the life of the debt
Our Move to Population Health

- By 2018, the UVM Health Network will have 40% of its revenues under capitated payments
  - A tipping point
  - Real changes happening in places like our primary care practices to better manage our patients’ care
Population Health = Positive Disruption

<table>
<thead>
<tr>
<th>FROM</th>
<th>TO</th>
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<tbody>
<tr>
<td>FFS, volume-driven focus</td>
<td>Focus on population health/value</td>
</tr>
<tr>
<td>Focus on acute care</td>
<td>Investing in health, wellness, prevention, primary care</td>
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<tr>
<td>“Internal” focus</td>
<td>External focus - partnering with other community organizations</td>
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<tr>
<td>Fragmented clinical system</td>
<td>Care delivery optimization across the continuum</td>
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Central Vermont Medical Center’s CHNA

• CHNA priorities
  – Substance abuse: SBIRT, WCSARP collaborative
  – Mental health support: ED transitional care area, mental health staff embedded in Granite City primary care practice
  – Tobacco use: SBIRT
  – Healthy diets: partnership with Vermont Youth Conservation Corps
  – Access to transportation: partnership with GMTA
  – Oral health: partnership with People’s Health and Wellness Clinic
UVM Medical Center’s CHNA

- Community Health Investment Committee
- “Collective impact” approach
- CHNA priorities
  - Affordable housing
  - Chronic conditions
  - Early childhood and family supports
  - Healthy aging
  - Mental health
  - Oral health
  - Removing barriers to care
  - Substance abuse
  - Access to healthy food
Access to Healthy Food

Food is Health Care
OneCare’s “four quadrants” approach includes **RiseVT** as a key statewide strategy to improve the health of our population

- Leverages the collective impact of the hospitals assuming risk to pioneer the future
- Brings primary prevention into an integrated approach to caring for covered lives
- Also funds community care management and Blueprint for Health through the ACO
- Includes funds available under the APM to supplement individual hospitals’ investments
Population Health: Effective Regulation

- Shift in payment models requires shift in regulatory approach

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<tr>
<td>NPR</td>
<td>Total Cost of Care</td>
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<td>HCR investments</td>
<td>Population health investments</td>
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<td>Reports on specific issues</td>
<td>Regular and actionable data reports</td>
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<tr>
<td>CON reviews</td>
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- Should incentivize all health care providers to participate in the APM
Population Health = Positive Disruption

• What will the hospital budget of the future look like?
  – More like an ACO’s budget?

### 2018 Budget Revenues and Expenses

<table>
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<tr>
<th>Revenues</th>
<th>Amount</th>
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<tr>
<td>ACO Payer Targets</td>
<td>$764,430,113</td>
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<tr>
<td>Payer-Provided Program Support</td>
<td>$9,658,176</td>
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<td>RiseVT Transformation Support</td>
<td>$1,200,000</td>
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<td>State HIT Support</td>
<td>$3,500,000</td>
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<tr>
<td>Grants and MSO Revenues</td>
<td>$371,851</td>
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<tr>
<td><strong>TOTAL REVENUES</strong></td>
<td><strong>$779,160,140</strong></td>
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<table>
<thead>
<tr>
<th>Expenses</th>
<th>Amount</th>
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<tr>
<td>Health Services Spending (Payer Paid FFS)</td>
<td>$289,626,898</td>
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<tr>
<td>Health Services Spending (OneCare Paid Fixed/Capitated Payments)</td>
<td>$447,789,945</td>
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<td>Operational Expenses</td>
<td>$12,492,734</td>
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<td>Population Health Management/Payment Reform Programs</td>
<td>$29,750,563</td>
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<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td><strong>$779,160,140</strong></td>
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<tr>
<td><strong>NET INCOME</strong></td>
<td><strong>$0</strong></td>
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FY2018 Capital Budget
Capital Investments
in a Population Health Environment

• Three lenses for capital planning
  – Population health
    • This is now the main driver
  – The Health Network
  – Financial metrics
Multi-Year Financial Framework

- Health Network planning approach to model operating margin, debt, and capital investments over a five-year horizon
  - Focus is on maintaining “A” rating metrics
- The plan is reviewed and tested for affordability and reasonableness
  - Extensive internal review through leadership and Boards
  - External validation through rating agencies, banking partners, and external industry consultants
- The plan incorporates moderate, sensible, and reasonably achievable assumptions
- Plan is continually evaluated and refreshed every 12 months
- If plan is not being achieved:
  - Capital investments are re-prioritized or delayed
  - Operational improvement plans are put into place to achieve the operating margin results necessary to support capital needs
• UVM Health Network capital spending has been shrinking
  – We are prioritizing the investments we make
Long-Term Capital Budget Plans

• FY 2018
  – Network electronic health record replacement (Epic across four hospitals)
    • Our top priority
  – Completion of Miller Building
  – Investments in primary care (Essex), Vermont Cancer Center
  – South Burlington buildings (convert lease to ownership)

• FY 2019 – FY 2021
  – Investments in upgrading two dialysis units (Rutland and Berlin)
  – Continued investments in primary care (Colchester and Burlington)
  – Facilities upgrades (NICU replacement)
GMCB Questions
Act 53 Price and Quality Data

- Questions?
Uncertainty at the Federal Level

- Potential implications of
  - Medicare’s proposed changes to 340B payments
  - Potential risks to our hospitals’ financial viability
  - Effects on bad debt/free care
HCA Questions
Questions?