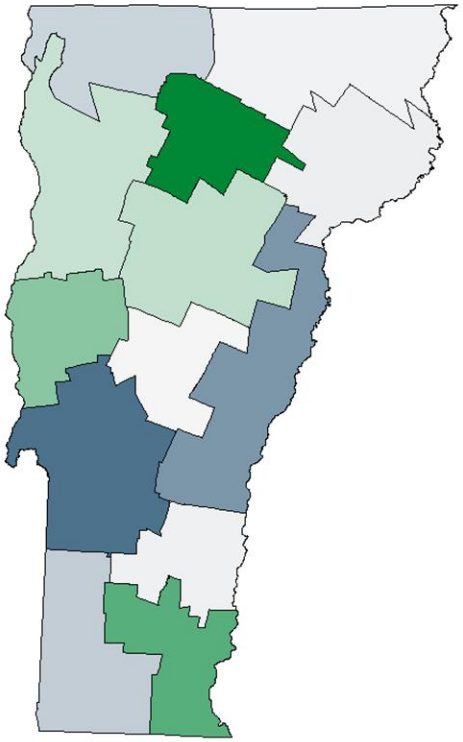

All-Payer ACO Model

Integrating the Model Agreement into GMCB Processes

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Green Mountain Care Board
May 25, 2017

VERMONT
GREEN MOUNTAIN CARE BOARD

Agenda

- Targets in the Model Agreement
- The All-Payer Target and the GMCB
- Considerations for GMCB Regulatory Processes
- Recommended GMCB 2017 Schedule

Statewide Financial Targets

All-Payer Growth Target: a defined target for statewide per capita spending growth. This applies to spending across all payers.

The All-Payer Target: 3.5% compound annualized growth

Medicare Growth Target: a defined target for per capita growth for Medicare beneficiaries. This applies to spending only on Medicare.

The Medicare Target: 0.2% below projected national Medicare growth

- Performance on these targets is calculated over the 5-year agreement (2018-2022)
- Baseline year is 2017, growth is measured from 2017-2022
- Target growth rates are compared to actual Vermont spending growth
- During the agreement term, failure to be "on track" to meet these targets could require a corrective action plan
- Work underway with GMCB staff to develop quarterly and annual reports

Statewide Financial Targets: All-Payer Growth Target

- The ***All-Payer Total Cost of Care per Beneficiary Growth Target*** sets Vermont's goal for overall per capita spending growth : 3.5%
- Performance is calculated over the 5 performance years, so Vermont can create "room" by staying below 3.5%
- Vermont is "on track" to meet the All-Payer Target if it remains below 4.3% growth

The All-Payer Target will count all Vermont residents **regardless of whether they are in an ACO.** (But it excludes Vermont residents with out-of-state employer insurance.)

The main topic for today is how this target relates to existing and new GMCB regulatory levers.

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Calculating All-Payer Growth: Performance Year Basics

Performance Period: 2018-2022

Baseline Year: 2017

All-Payer 5-Year Compound Annual Growth Rate (CAGR) (2017-2022)

Growth: Year X – Year Y	Performance Years
2017-2018	PY 1 = 2018
2018-2019	PY 2 = 2019
2019-2020	PY 3 = 2020
2020-2021	PY 4 = 2021
2021-2022	PY 5 = 2022

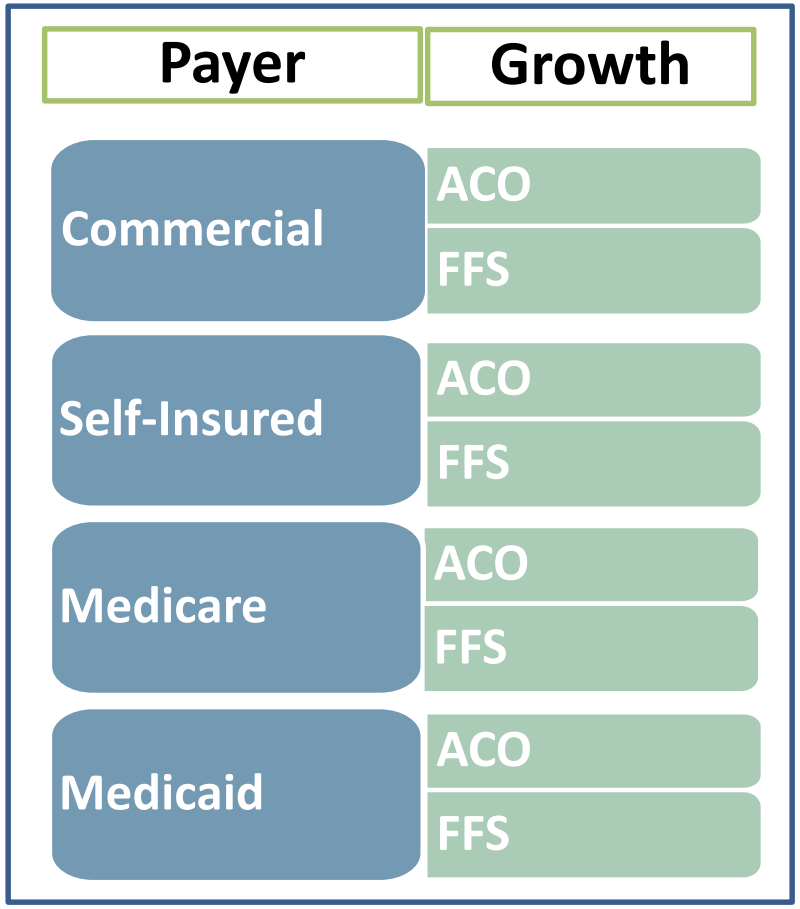
Calculating All-Payer Growth: Math Basics

All-Payer 5-Year Compound Annual Growth Rate (CAGR) (2017-2022)

- CAGR is a term for the geometric average that **represents the one, consistent rate at which expenditures would have grown if spending had compounded at the same rate each year.**
- CAGR dampens the effect of volatility of periodic (i.e., annual) growth
- In the formula:
  - **Vermont All-Payer TCOC** = Total All-Payer Financial Target Services
  - **Vermont All-Payer beneficiaries** = All Vermont residents (excluding residents with out-of-state employer insurance)

$$\left(\frac{\left(\frac{Vermont\ all-payer\ TCOC_{2022}}{Vermont\ all-payer\ beneficiaries_{2022}}\right)}{\left(\frac{Vermont\ all-payer\ TCOC_{2017}}{Vermont\ all-payer\ beneficiaries_{2017}}\right)}\right)^{\frac{1}{5}} - 1$$

Calculating All-Payer Growth: Math Basics



- All-Payer cost growth is a combination of every payer type.
- It includes all spending, but payer types may have different growth rates for ACO and non-ACO populations.
- GMCB will have regulatory influence over only some of these factors.
- GMCB staff is working through issues with data collection for self-insured plans.

GMCB Regulatory Activities

Existing GMCB Regulatory Levers	**Hospital Budget Review** **Health Insurance Rate Review**
New GMCB Regulatory Levers	**ACO Budget Review** **Medicare ACO Benchmark Rate Setting** **Medicaid ACO Benchmark Rate Review**

GMCB Regulatory Processes

	Commercial	Self Insured	Medicare	Medicaid
Hospital Budget Review	X	X	X	X
Health Insurance Rate Review	X			
ACO Budget Review	X	X	X	X
Medicare ACO Rate Setting			X	
Medicaid ACO Rate Review				X

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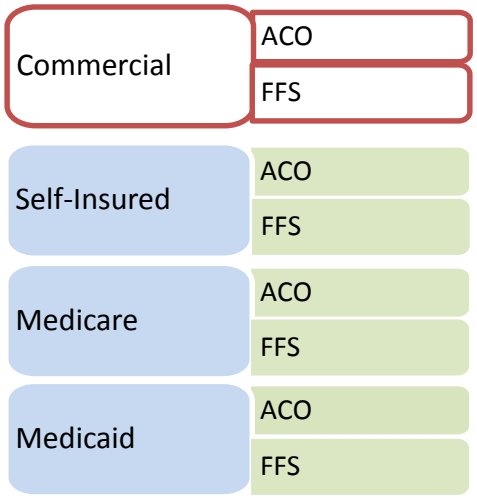
Commercial and QHP Rate Review



Population/Services

- All QHP covered lives and services
- All comprehensive major medical covered lives and services

Timeline and Status

- QHP process underway
- QHP rates filed May 12
- GMCB reviews in July; final decision in August

New Information Needed

- Over time will need to understand the subset of ACO-attributed lives
- Need to validate that medical trend equates to all-payer financial target services
    - Excludes Rx and dental

Observations

- Established commercial rate review processes integrate very well with all-payer monitoring
    - Rates are on a PMPM basis and GMCB ultimately approves a growth rate
    - Relates only to Vermont residents
    - GMCB is aware of medical trend (financial target services) vs. pharmacy trend (excluded)
- QHP process may over time provide leverage to encourage ACO contracting

Medicare ACO Benchmark Rate Setting

Commercial Group/ Individual	ACO
	FFS
Self-Insured	ACO
	FFS
Medicare	ACO
	FFS
Medicaid	ACO
	FFS

Population/Services
- All Medicare ACO-attributed lives
- EXCLUDES non-ACO lives and spending

Timeline and Status
- Medicare target is set for 2018 at 3.5% growth
- GMCB will set Medicare benchmark growth, subject to CMS approval
- GMCB will address the Medicare ACO benchmark process alongside ACO Budget Review

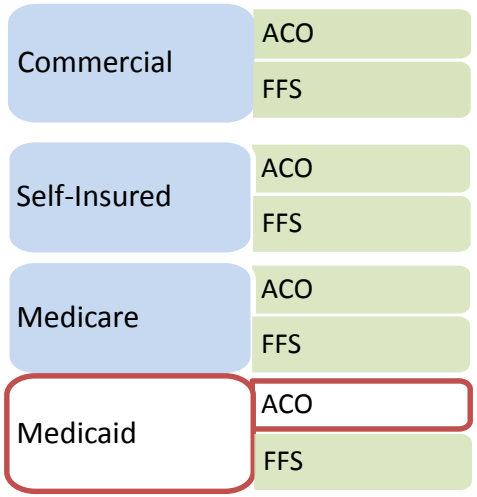
New Information Needed
- Only addresses ACO spending – GMCB will need to identify process to predict and monitor Medicare FFS spending
- Each year, Medicare financial targets are set in April
- GMCB will work with CMS to get data to inform this process

Observations
- New process for GMCB – a central element of the model agreement
- Overall Medicare spending and the Medicare ACO benchmark are subject to a separate, Medicare-specific financial target
    - Medicare-specific targets include only ACO lives for PY1-2, include FFS in PY3 or 4 depending on ACO scale

Medicare ACO Benchmark Rate Setting: Steps in the Process

- CMS publishes projected growth (April)
- ACO finalizes network with CMS
- CMS uses claims data to set a 2017 benchmark (an estimate of spending)
- GMCB submits an ACO benchmark growth or trend factor to CMS
- CMS approves trend factor
- GMCB/CMS issue final 2018 Medicare ACO benchmark

Medicaid ACO Rate Case Review



Population/Services
- All Medicaid ACO-attributed lives
- EXCLUDES non-ACO lives and spending

Timeline and Status
- GMCB conducted test Medicaid rate case in December 2016
- 2018 rate case planned for July-August 2017

New Information Needed
- Only addresses ACO spending – GMCB will need to identify process to predict and monitor Medicaid FFS spending

Observations
- New process for GMCB and AHS
- AHS is a party to the agreement and shares responsibility for compliance
- Medicaid Next Generation ACO program maps directly to financial target services
- Separate part of the Model Agreement involves a report on ACO payer differential (focus being on the relative payment levels for Medicaid)
- Beginning in 2020, financial target will include Medicaid long-term institutional services
- By the end of 2020, AHS needs to submit a report concerning including Medicaid mental health, substance use, and long-term community services

GMCB Hospital Budget Process

Population/Services

- Hospital revenue and expenses from all sources
  - VT and non-VT patients

Timeline and Status

- GMCB issued hospital guidance in March 2017
- 3.0% revenue growth target with possible additional allowance for ACO infrastructure/health reform
- Hospital budget submission due July 2017

New Information Needed

- Need to translate revenue targets into PMPM targets
- Need to exclude revenue from non-VT residents
- Need to exclude non-covered services or non-claims revenue
- HMA/Optumas has done initial analysis
- Over time GMCB will want to take steps to allow a simpler integration between hospital budgets and all-payer target.

Observations

- Existing process is based on net revenue growth – very different from per-capita growth
- Includes revenue from claims and non-claims sources
- Very important tool for GMCB – but existing process must be translated into all-payer per capita terms or it will be misleading

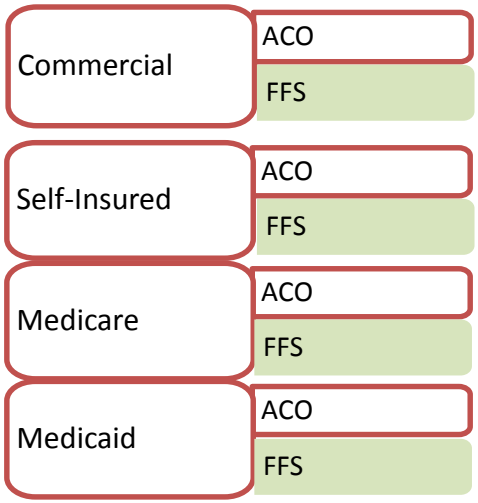
Hospital Budgets in the All-Payer Context

Issue: The relationship between hospital budgets and the 3.5% All-Payer Growth financial target is not direct:

- Hospital budgets are reported in total dollars and not on a population-based, per capita basis
- Some hospital budgets include non-financial target services (i.e. pharmacy, nursing facility beds, psych)
- Hospital budgets include patients not covered by the all-payer model (i.e. out-of-state patients, self-pay)
- The 3.5% All-Payer Growth financial target includes non-hospital services
    - Hospital services make up about 2/3 of all financial target services

GMCB has work underway to **get to a more "apples to apples" comparison of hospital versus all-payer growth rates.**

GMCB ACO Budget Process



Population/Services
- All ACO-attributed lives
- EXCLUDES non-ACO lives and spending

Timeline and Status
- GMCB issued ACO budget guidance in April 2017
- ACO budgets will be submitted in June 2017 and presented in July 2017
- ACO Budgets finalized October 2017

New Information Needed
- Only addresses ACO spending – GMCB will need to identify process to predict and monitor FFS spending
- ACO Budget Process must work in concert with Medicare and Medicaid ACO rate information

Observations
- New process for GMCB – with direct and obvious connection to the all-payer model
- The more VT lives in ACOs, the more important this tool will be for GMCB
- Very important to align this tool with the other processes that set or relate to ACO spending –
  - So that ACOs are establishing budgets with the best available information
  - So that hospital budgets are based on projected ACO spending

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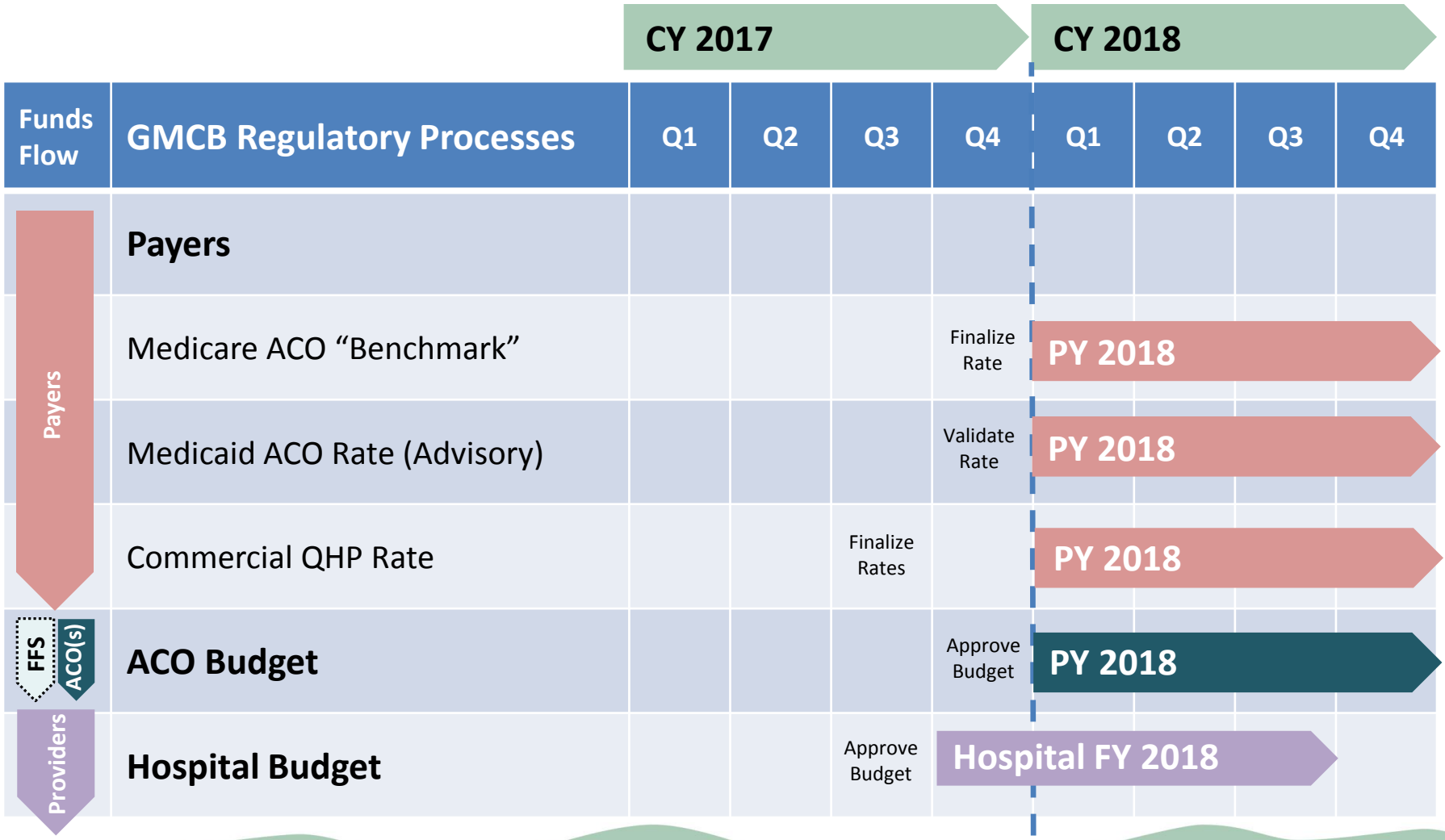
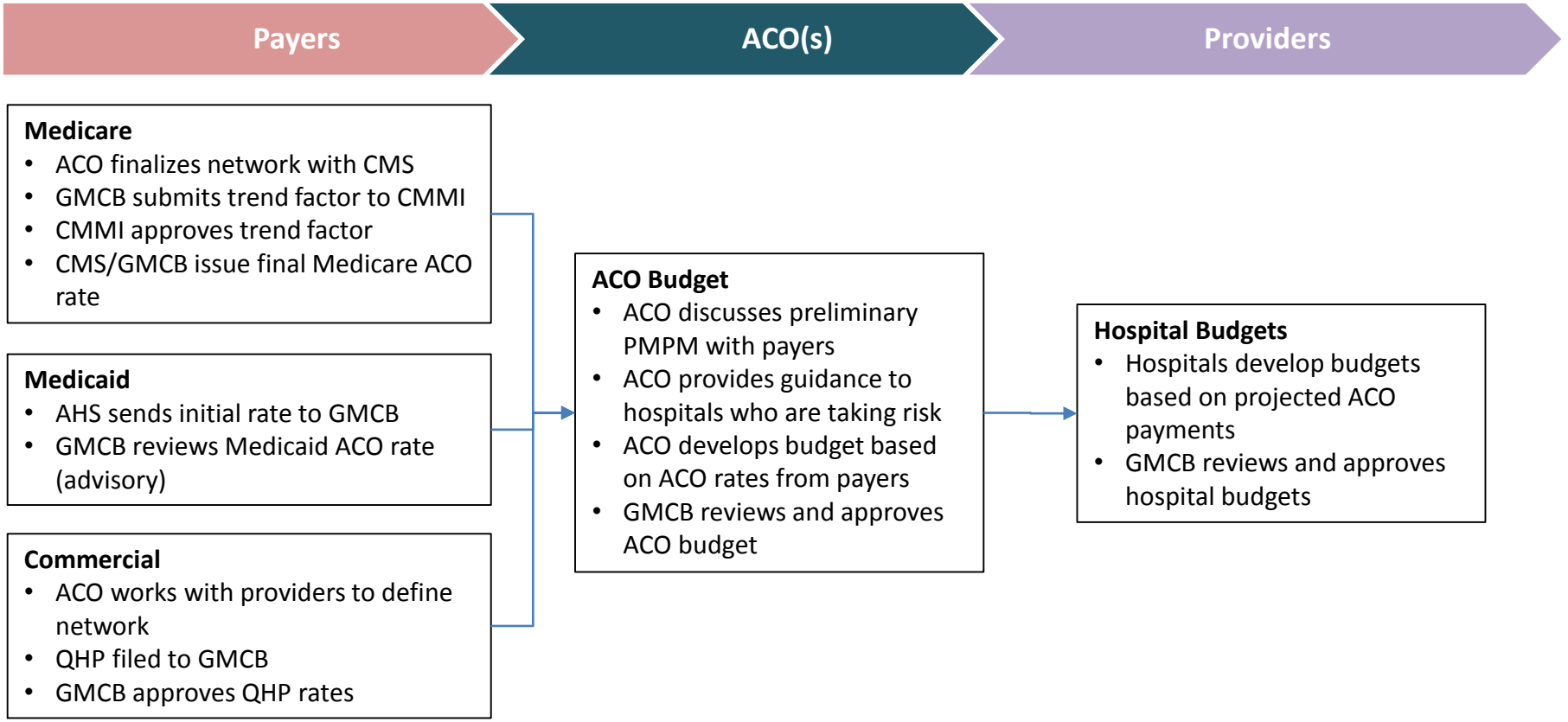
Timeline


CY 2017
CY 2018
Funds Flow
GMCB Regulatory Processes
Q1
Q2
Q3
Q4
Q1
Q2
Q3
Q4
Payers
Payers
Medicare ACO "Benchmark"
Finalize Rate
PY 2018
Medicaid ACO Rate (Advisory)
Validate Rate
PY 2018
Commercial QHP Rate
Finalize Rates
PY 2018
FFS
ACO(s)
ACO Budget
Approve Budget
PY 2018
Providers
Hospital Budget
Approve Budget
Hospital FY 2018

Regulatory Oversight in Relation to Health Care Funds Flow



Recommended GMCB Schedule Q1-2 2017

March	Hospital budget guidance released
April	Medicare final projection released (2.76%) ACO budget guidance released
May	Commercial QHP rates filed ACOs working on budget submissions
June	NextGen participants submit 2018 provider list to CMS ACO budgets submitted for GMCB review

All dates are tentative and subject to revision.

Recommended GMCB Schedule Q3 2017

July	Medicaid rate review starts Hospital budgets submitted ACO budget hearings Commercial QHP rate review hearings
August	Medicaid rate review complete **GMCB finalizes Commercial QHP rates** Hospital budget hearings Medicare Shared Savings Program Participant list due
September	**GMCB votes on hospital budgets** Final NextGen lists due to CMS and Medicaid Final MSSP list due to CMS ACOs will resubmit provider lists to GMCB, per their final submissions to CMS Presentation to the Board on ACO unified rate development and Medicare ACO Benchmark

All dates are tentative and subject to revision.

Recommended GMCB Schedule Q4 2017

October	CMS calculates a completion factor for ACO 2017 baseline ACO budget presentation to Board **GMCB votes on ACO budgets**
November	Budget order given to ACOs (tentative date in ACO rule) GMCB will submit proposed 2019 Medicare NextGen changes Medicare provides ACO its 2017 benchmark
December	Medicare trend factor must be submitted to CMS for its approval (11/30/17) Final Medicare ACO benchmark is approved and calculated by CMS

All dates are tentative and subject to revision.

Discussion