THE University of Vermont HEALTH NETWORK

September 1, 2017

The Honorable Kevin Mullin
Chair
Green Mountain Care Board
89 Main Street, Third Floor, City Center
Montpelier, VT 05620

Re: Act 85 – Fair Reimbursement Report

Dear Chair Mullin:

I am writing to follow up on the discussion the Green Mountain Care Board had at Monday's meeting on the subject of fair and equitable reimbursement for physician services.

First, I want to share that I completely agree with the Board's assessment of the All-Payer ACO Model (APM) program as the most appropriate tool for addressing the issue of payment differentials that exist in today's fee-for-service (FFS) payment system. While the focus right now has been on the higher fees negotiated by the state's academic medical centers for their physicians' services, it's important to remember that state and federal policymakers have for decades supported systems that pay different types of professionals and provider organizations differently. Those differential payments have historically been made to support services deemed to be particularly important to patients and the communities being served – for example, enhanced Medicaid payments for Federally-Qualified Health Centers (FQHCs), and enhanced Medicare payments to Critical Access Hospitals.

In UVM Medical Center's case, more than twenty years ago our predecessor organization decided to negotiate higher payments from commercial insurers for physician services, and commensurately lower payments for inpatient and outpatient services. That decision was not made in a vacuum. Placing a higher value on physician services over inpatient and outpatient services has helped to keep more care in the physician's office, rather than in more expensive care settings – something that a number of utilization reports over the past several years have reflected. And appropriately valuing physician services, as reflected in fair payments for those services, was seen as the right thing to do.

As we have shared with the Board as part of recent budget reviews, we are regularly reviewing our reimbursement rates for services across the organization against the marketplace and regional and national benchmarks. As part of that review, we have been reducing our professional fees over the past several years. The total amount of revenue to the UVM Medical Center has remained stable – which means we are able to support critical safety net programs like our NICU, Level 1 trauma center, and psychiatry – but we are more in line with those benchmarks. Since 2015, the UVM Medical Center has

*reduced* professional fees significantly: by -8.3% in FY 2015, another -8.1% in FY 2017, and an additional -11.1% in our proposed FY 2018 budget. All told, those fees have come down 27.5% in that time period.

But as the GMCB recognized during its discussion on Monday, continuing to focus on FFS prices and payments is like trying to keep one foot on the dock while the health care reform canoe is pulling away at an ever-increasing pace.

The survey results that were shared at the meeting were enlightening. Like Dr. Holmes, I was very surprised that "administrative burden" was at the top of the list of practice dissatisfiers for both independent *and* employed physicians, especially since physicians employed by the UVM Medical Center (at least) have deep organizational support for many of the things that would seem challenging in private practice – like billing, malpractice insurance, HR support and risk management. But as both Dr. Holmes and Robin Lunge pointed out, the opportunities for reducing those burdens under the APM are very real. The Medicaid NextGen ACO program, in which UVM Medical Center started participating as of January 1 this year, has eliminated things like prior authorization requirements, and the Medicare program that will start in 2018 will bring other administrative relief – like eliminating the need to hospitalize someone as an inpatient for three nights before they can go to a skilled nursing facility. That's exactly the kind of burden that drives physicians crazy.

Another aspect of the APM that we've brought up during the work group discussion on fair and equitable payments is the fact that OneCare Vermont, the statewide ACO for the APM, will begin addressing the payment differential for participating primary care providers starting in 2018. Its 2018 budget – presented to the GMCB on July 13 – includes:

- $3.3 million in direct investments to primary care providers to support Blueprint activities, team-based care coordination, and the services of lead coordinators for the neediest patients.
- $5.4 million in per-member per-month payments to primary care providers for all of their attributed lives.
- $3.9 million invested in a Value-Based Incentive Fund to support primary care providers' engagement in quality improvement activities.
- $1.8 million directed specifically at developing and piloting sustainable payment models for independent primary care practices, intended to lead to predictable and adequate financial resources for those practices.

Those funds are effectively being redirected from participating hospitals to primary care and other community providers. Looking at primary care practices alone, OneCare Vermont has estimated that UVM Medical Center will be funding about $2.5 million of those payments in 2018. If you look at payments flowing to both primary care and continuum-of-care providers, UVM Medical Center's share rises to $3.2 million.

As UVM Medical Center's representatives shared with Dr. Holmes earlier in this process, these are sizeable investments, ones that we are willing to make because they start to realign incentives away from high-intensity acute care to the primary care, and primary prevention, setting. Importantly, the financial investments, under the APM through OneCare Vermont, will provide parity to participating primary care providers who are willing to commit to payment reform, rather than perpetuating a broken FFS system.

During the work group process we proposed that as the Board considers what actions to take, you filter them through two overarching principles:

- The APM is the payment and delivery system reform initiative that the State and the GMCB have committed to. Any changes to how professional services are paid should actively complement the APM, not compete with it. Ideally, payment changes would incentivize providers to participate in the APM.
- This initiative should recognize and account for the very real financial commitment that UVM Medical Center, along with other participating hospitals, is making to independent providers under the APM.

As I said, I am very encouraged that the importance of the APM and its potential for more fairly paying physicians for their services has been embraced by the Board. As you consider any short-term steps to take, please reflect on those principles, as it would be counterproductive to undermine the success of the APM through unintended consequences.

Very truly yours,

Todd Keating
Chief Financial Officer