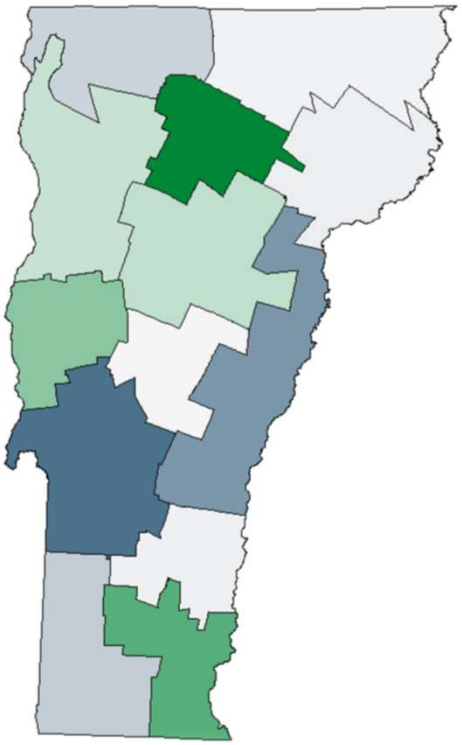


GMCB Presentation to Health Reform Oversight Committee

GMCB Chair Kevin Mullin
GMCB Board Member Robin Lunge

November 4th, 2019

VERMONT
GREEN MOUNTAIN CARE BOARD

National Context: Rural Health

118 Closed Rural Hospitals since 2010

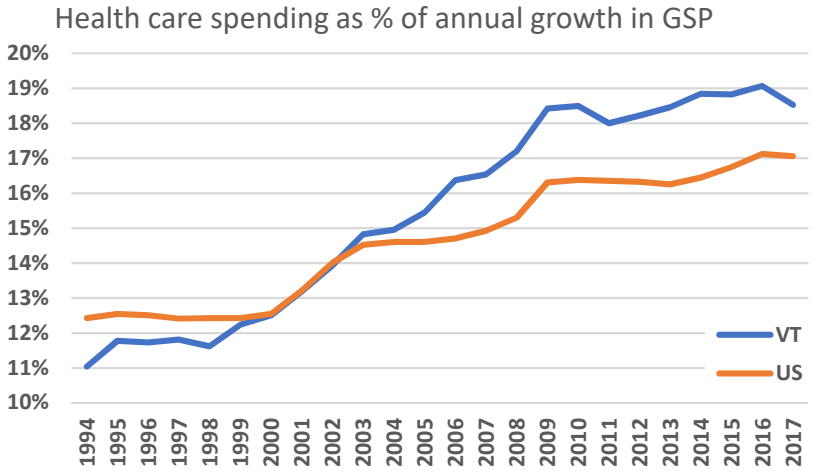
[NC Rural Health Research Program]

VERMONT
GREEN MOUNTAIN CARE BOARD

Problem: Cost Growth is Unsustainable, and Health Outcomes Must Improve

Cost Growth

- In 2017, the most recent year of data available, health care spending in Vermont grew 1.7%.
- Vermont's health care share of state gross product devoted to health care spending was 18.5% in 2017, vs. 11.8% in 1995.



Source: 2017 Vermont Health Care Expenditure Analysis, available at https://gmcboard.vermont.gov/data-and-analytics/analytics-rpts.

Health Outcomes

- Chronic diseases are the most common cause of death in Vermont.
  In 2014, **78% of Vermont deaths** were caused by chronic diseases
  - High Blood Pressure: 25% of Vermonters diagnosed (2015)
  - Diabetes: 8% of Vermonters diagnosed (2015)
  - COPD: 6% of Vermonters diagnosed (2015)
  - Obesity: 28% of Vermont adults diagnosed (2016)
- Medical costs related to chronic disease were over **$2 billion in 2015**, and are expected to rise to nearly $3 billion by 2020
- Vermont's **death rates from suicide and drug overdose** are higher than the national average
  - Suicide (2016): 17.3 per 100,000 (VT) vs. 13.4 per 100,000 (US)
  - Drug Overdose (2016): 18.4 per 100,000 (VT) vs. 13.3 per 100,000 (US)

Sources: Vermont Department of Health, Kaiser Family Foundation

CMMI Direction: Blow Up Fee for Service (11/29/2018)

STROUDWATER

- If there was any doubt about the Trump administration's desire to push healthcare towards a value-based system, Center for Medicare & Medicaid Innovation (CMMI) Director Adam Boehler makes things clear:

"I'll tell you a lot of what I do in my role running CMMI as senior adviser to Secretary Azar is to ***blow up fee for service…*** *That's one of our prime goals—is to get rid of fee for service."*

- However, getting rid of fee for service is easier said than done given the industry's current reliance on the existing infrastructure.

34%	10.5%	>50%
of healthcare payments tied to an APM in 2017	of Medicare payments in traditional legacy arrangements not linked to quality	of Medicare FFS payments with some level of pay-for-performance

Source: FierceHealthcare, *CMMI's Adam Boehler wants to 'blow up' fee for service*, Evan Sweeney, 11/29/18
https://www.fiercehealthcare.com/payer/cmmi-s-adam-boehler-wants-to-blow-up-fee-for-service

The Vermont All-Payer ACO Model: Tackling Unsustainable Cost, Improving Quality and Outcomes

Intervention (Enabled by Act 113)

Statewide ACO model in which majority of Vermont providers participate in aligned programs across Medicare, Medicaid, and Commercial payers; APM agreement signed in 2016, enabling Medicare's participation

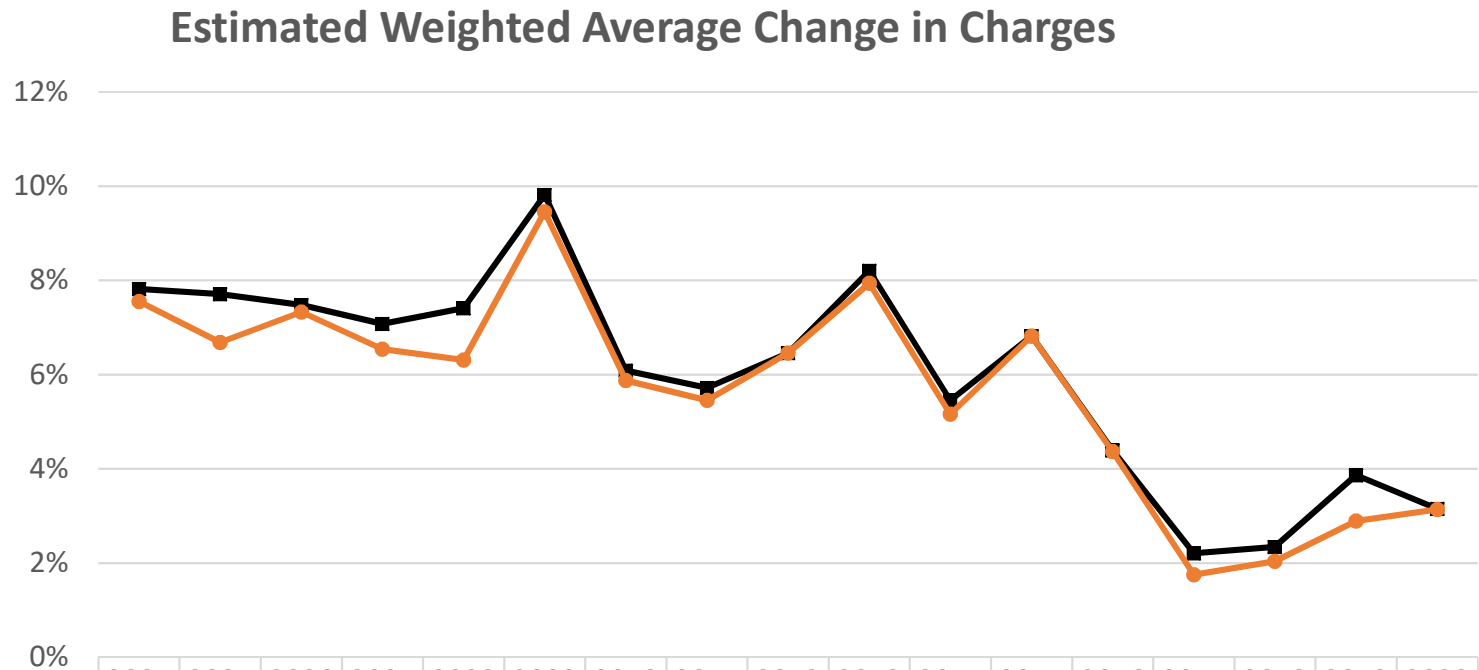
State of Vermont's Strategy

1. Care Delivery
    1. Integrated and coordinated delivery care across the continuum
    2. Primary care and prevention
    3. Delivery of care in lower cost settings
    4. Reduce duplication of services
2. Payment Reform
    1. Replace fee-for-service reimbursement with population-based payments
    2. Instead of rewarding volume, providers accept responsibility for the health of a group of patients in exchange for a fixed amount of money

Hospital Financial Pressures: Operating Margin

	Operating Margin (%)						Budget-to-Actual NPR/FPP Variance
	Actuals FY17	Actuals FY18	Budget FY19	Projection FY19[2]	Budget FY20	5-Year Average	FY19 Year-to-date[3]
Brattleboro Memorial Hospital	-3.1%	-2.4%	0.0%	1.1%	1.3%	-0.7%	-0.3%
Central Vermont Medical Center	-0.9%	-3.8%	1.4%	-1.8%	0.1%	-0.3%	-2.9%
Copley Hospital	-0.6%	-3.3%	0.3%	-1.8%	1.4%	-0.9%	-4.4%
Gifford Medical Center	-1.6%	-10.7%	2.5%	-0.8%	2.9%	-1.3%	-10.3%
Grace Cottage Hospital	-6.9%	-2.9%	0.7%	-6.1%	-1.2%	-5.0%	-5.5%
Mt. Ascutney Hospital & Health Ctr	2.7%	1.9%	0.0%	-0.7%	1.0%	1.0%	-5.1%
North Country Hospital	-2.3%	-2.3%	1.1%	1.6%	1.6%	-0.2%	-2.8%
Northeastern VT Regional Hospital	1.9%	1.7%	1.8%	1.8%	2.0%	1.9%	3.9%
Northwestern Medical Center	-1.2%	-3.4%	2.3%	-6.0%	-0.2%	-1.5%	-4.9%
Porter Medical Center	2.7%	1.8%	3.7%	4.5%	3.8%	2.8%	0.7%
Rutland Regional Medical Center	1.6%	0.5%	2.3%	1.5%	2.3%	2.0%	0.0%
Southwestern VT Medical Center	3.7%	4.6%	3.6%	3.3%	3.4%	3.7%	-0.6%
Springfield Hospital	-7.1%	-12.8%	2.1%	-12.8%	-2.0%	-6.9%	-18.7%
The University of Vermont Medical Center	5.2%	3.4%	2.8%	2.7%	3.1%	4.1%	1.0%
System Total	**2.7%**	**1.1%**	**2.4%**	**1.1%**	**1.3%**	**2.3%**	**-0.9%**

Hospital Financial Pressures: Change in Charge



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Submitted Rate	7.8%	7.7%	7.5%	7.1%	7.4%	9.8%	6.1%	5.7%	6.5%	8.2%	5.5%	6.8%	4.4%	2.2%	2.3%	3.9%	3.2%
Approved Rate	7.6%	6.7%	7.3%	6.5%	6.3%	9.5%	5.9%	5.5%	6.5%	7.9%	5.2%	6.8%	4.4%	1.8%	2.0%	2.9%	3.1%

Estimated Weighted Average for all hospitals is calculated by factoring in each hospital's proportion of gross revenue to the change in charges (rate).

Insurance Rate Pressures

Cost drivers:

1. Pharmaceutical costs
2. Increased use of medical services (out of state) exacerbated by acuity and an aging population
3. Changes in federal and state taxes and fees, namely the reinstatement of the federal Health Insurer Tax

Outcome of 2020 Rate Review

1. BCBSVT adjusted down from their requested range of 14.3% to 14.5% to 12.4%MVP adjusted from their requested rate of 10.9% down to 10.1%

GMCB forced to adhere to statutory obligation of ensuring carrier solvency (based on actuarial experience).

Appendix

- APM Agreement
- APM Decision
- Health Affairs on VT APM
- ACO Oversight Statute and Rule
- OCV Budget