BlueCross BlueShield of Vermont
An Independent Licensee of the Blue Cross and Blue Shield Association

July 1, 2017

Al Gobeille, Chair
Green Mountain Care Board
3rd Floor City Center
89 Main Street
Montpelier, VT 05620-3601

Dear Chairman Gobeille:

As required by Section 23 of Act 54 of the 2015 Vermont Legislative Session, Blue Cross Blue Shield of Vermont herein submits this Implementation Plan for Providing Fair and Equitable Reimbursement Amounts for Professional Services Provided by Academic Medical Centers and Other Professionals.

If you or your staff have follow-up questions please do not hesitate to contact me.

Sincerely,

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Director, Delivery System Innovation and Contracting

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Blue Cross and Blue Shield of Vermont
Implementation Plan for Providing Fair and Equitable Reimbursement Amounts for Professional Services Provided by Academic Medical Centers and Other Professionals

I. Introduction

As set forth in the language below, the 2015 Vermont Legislature passed **Act No. 54. An act relating to health care** requiring defined health insurers to submit a plan pertaining to the reimbursement for professional services.

> **Sec. 23. PAYMENT REFORM AND DIFFERENTIAL PAYMENTS TO PROVIDERS.**
> (b) The Board shall require any health insurer, as defined in 18 V.S.A. § 9402, with more than 5,000 covered lives for major medical insurance to develop and submit to the Board, on or before July 1, 2016, an implementation plan for providing fair and equitable reimbursement amounts for professional services provided by academic medical centers and other professionals. Each plan shall ensure that proposed changes to reimbursement create no increase in health insurance premiums or public funding of health care. The Board may direct a health insurer to submit modifications to its plan and shall approve, modify, or reject the plan. Upon approval of a plan pursuant to this section the Board shall require any Vermont academic medical center to accept the reimbursements included in the plan, through the hospital budget process and other appropriate enforcement mechanisms.

Pursuant to the above language, Blue Cross Blue Shield of Vermont (BCBSVT) submits this plan for the Green Mountain Care Board's review.

II. Purpose of Plan and Summary

The purpose of the BCBSVT plan is in accordance with Act 54 of 2015 to achieve fair and equitable reimbursements for professional services while ensuring no impact to rate payers. Summarily the proposed plan requires the following components:

- BCBSVT reimbursement methodology will align with Medicaid/Medicare academic medical center benchmark methodology;

- Green Mountain Care Board will ensure premium neutrality through BCBSVT rate approval process and requisite link to the hospital budget approval process;
- Academic medical center compliance with this plan will be enforced by the Green Mountain Care Board through the hospital budget process;
- If BCBSVT and academic medical centers contracting cannot be achieved during this time the GMCB will enforce an outcome that is consistent with the hospital rate review and hospital budget process;
- This plan will be approved in its entirety (all components necessary for implementation and are not individually severable);
- Acknowledgement that potential payment reform efforts underway in Vermont may require modification to this proposal; and,
- Understanding that this plan requires attention to complicating factors such as transfer of funds from professional services to facility services is not a 1:1 correlation and other considerations such as members with high deductible plans experience higher reimbursement at the academic medical center.

BCBSVT seeks to implement an achievable plan taking into account current contract and budget arrangements. The plan will be implemented over several contract cycles to produce fair and equitable reimbursement for professional services through an adjustment to academic medical center provider reimbursement reflecting the additional funds received by academic medical centers such as graduate medical expenses. BCBSVT will use comparable reimbursement differentials from public payer programs to calculate the adjustment. While revising reimbursement, in accordance with Act 54 of 2015, the provider reimbursement schedules developed under this plan should not increase health care premiums or the public funding of health care.

III. Strategies for Implementation

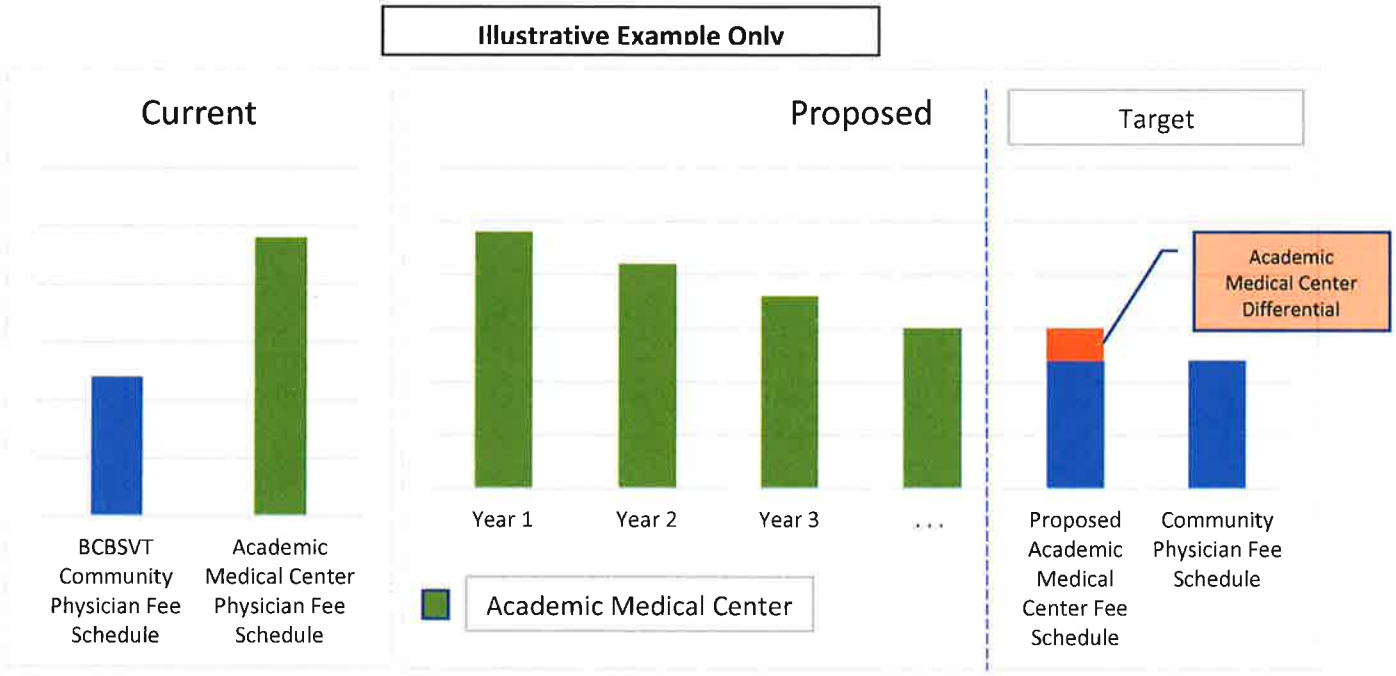
- Analyze existing Vermont Medicaid reimbursement differentials to academic medical centers from Green Mountain Care Board budget summaries to address unique budgetary requirements for academic medical centers and include amounts for expenses such as Graduate Medical Education[1] and Disproportionate Share[2], etc.
- Analyze Medicare formula and differentials to reimbursement for Graduate Medical Educations and Disproportionate Share.
- Develop differential factor benchmarked on Vermont Medicaid and Medicare reimbursement to academic medical centers.
- Apply approved differential to Evaluation and Management CPT code set (99201 - 99499) as part of the BCBSVT community physician fee schedule to determine an academic medical center fee

[1] Graduate Medical Education as defined by Vermont Department of Health Access contract with UVMMC: The supplemental Graduate Medical Education (GME) payments are to help assure access to quality, essential professional health services for Medicaid beneficiaries through the care provided by teaching physicians and teaching hospitals, and to support FAHC and UVM Medical Group in their continuing role as Vermont's safety net providers for tertiary and related physician services, and for their commitment to teaching.

[2] Disproportionate Share: Federal law requires that state Medicaid programs make Disproportionate Share Hospital (DSH) payments to qualifying hospitals that serve a large number of Medicaid and uninsured individuals.

schedule that ensures fair and equitable reimbursement rates to academic medical center professional providers as compared to other professionals. Other code ranges will not be affected by this implementation plan.

- Beginning with the first contract cycle following GMCB approval of this plan, and over at a minimum next two annual contract cycles, reduce academic medical center's professional provider fee schedule for Evaluation and Management code set (99201 – 99499) to equal the BCBSVT academic medical center fee schedule.



- Reductions resulting from moving reimbursement from the current academic medical center professional fee schedule to the fair and equitable professional fee schedule, based on this implementation plan, will be shifted to the inpatient and outpatient facility reimbursement to ensure no increases to health care premiums or the public funding of health care.
- Issues with shifting funds will be addressed under the Premium Neutrality section of this plan. Note that there is an inherent limitation on achieving premium neutrality given the different member cost share between physician services and inpatient and outpatient services within typical health plan designs.
- Dependencies and other requirements will include:
    - All payer waiver program may impact this plan and require adjustment to the plan or require withdrawal of the plan.
    - The academic medical center's revenue will be preserved at approximately the level approved by the GMCB during the annual hospital budget review process. Outcomes of the annual GMCB budget process will be considered as part of this plan.
    - BCBSVT adjustments to community physician fee schedules that occur during the implementation timeline of this plan.

IV. Premium Neutrality

The GMCB hospital budget process dictates total annual budgeted revenues for each hospital system. In the absence of changes to that process, it is necessary to achieve balance in premium that any decreases in professional reimbursement dictated by Act No. 54 of 2015 will lead to best estimated balancing increases in the commercial reimbursement for facility claims. However, in practice this transfer of payments from professional to facility necessitates a decrease in provider payments across the Vermont health system if there is to be no impact on premium rates.

- Shifting payments from Professional to Facility will increase pricing actuarial values because cost sharing is lower on facility charges than it is on professional charges. In the absence of a decrease to total charges, this would have the impact of raising premiums.
- Therefore, there will need to be an offset in order to achieve premium neutrality. This might take the form of lowering all UVMMC payments, lowering both UVMMC and Community payments, or lowering just the Professional component of each.
- Even with the adjustment, plans at different metal levels will be impacted differently (for example, there would likely be a premium decrease for Platinum plans and a premium increase for Bronze plans). It will be impossible to avoid premium impact on a plan-by-plan basis.
- This change will also impact large groups and ASO customers in a way that will be varied and enormously complex. One potential solution is to remove enough cost from the system to achieve premium neutrality on a minimum value plan, as defined by the ACA.

V. Timeline

The implementation plan goes into effect with the academic medical center contract cycle following the alignment of hospital budget and premium neutrality through Green Mountain Care Board's appropriate enforcement mechanisms. The plan will be completed in a minimum of three annual academic medical center contract cycles. If BCBSVT and academic medical centers contracting cannot be achieved during this time the GMCB will enforce an outcome that is consistent with the hospital rate review and hospital budget process. Additionally, the timeline may be adjusted as noted above due to implementation of payment reform efforts. Request to modify this plan are proposed to be submitted for review and approval to the GMCB.