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Agency of Human Services

Primary Care Reimbursement Report

Report to:
Health Reform Oversight Committee
and
Joint Fiscal Committee
Pursuant to Act 172, Sec. E.306.13

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Vermont Agency of Human Services

Steven M. Costantino, Commissioner
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1 Introduction of Enhanced Primary Care Payments (EPCP)

As a result of a provision of the Patient Protection and Affordable Care Act (ACA), the Centers for Medicare and Medicaid (CMS) required all states to temporarily increase Medicaid payments to eligible Primary Care Physicians for Evaluation and Management (E&M) and Vaccine Administration services. To qualify for the increased payments a physician had to have a specialty designation of family medicine, general internal medicine, pediatric medicine or a subspecialty within one of those specialties.

Pursuant to 42 CFR parts 438, 441 and 447, all states were required to increase reimbursements for E&M and Vaccine administration services effective with dates of service beginning on January 1, 2013 to be at least 100% of the Medicare level in effect for calendar years 2013 and 2014, or, if greater, the 2009 Medicare reimbursement rates.

The increases applied to both fee-for-service and managed care Medicaid plans, and were fully funded by the federal government through the ACA for services rendered by eligible providers from January 1, 2013 through December 31, 2014. As of January 1, 2015, federal funding through the ACA ceased. States had the option to continue the increased payments, but the increase would have to be borne by each state. Many states, including Vermont, chose to let the enhanced payments expire as of December 31, 2014.

2 Re - Introduction of Enhanced Primary Care Payments in Vermont

During the 2015 Vermont Legislative Session, the Legislature enacted state law to partially restore the increased payments to eligible physicians participating in the Vermont Medicaid program that had expired on December 31, 2014. Pursuant to Act 54, Section 57, the Vermont Legislature appropriated approximately $1 million of Global Commitment funds to the Department of Vermont Health Access (DVHA) for this initiative. Effective with services rendered on or after July 1, 2015, DVHA re-introduced increased reimbursements rates to primary care physicians who had qualified for the previous CMS EPCP program for the same array of services that had been covered in the prior EPCP.

3 2016 Primary Care Reallocation

2016 EPCP increases

During the 2016 Legislative Session, Act 172, Section E.306.13(a) required DVHA to use up to $4 million of funds appropriated to the Department for State Fiscal Year (SFY) 2017 to increase EPCP payments effective October 1, 2016. The intent was to further restore the enhanced payments to eligible primary care providers to a level closer to what had been in effect prior to the expiration of the federal EPCP program funded through the ACA.

DVHA increased baseline reimbursement rates by $4 million for E&M and Vaccine Administration services provided by eligible primary care physicians. This appropriation of additional funds resulted in an increase of approximately 8.9% and became effective October 1, 2016 as shown below.

Enhanced Primary Care Baseline Payments for CY2015 used in Modeling for 10/1/2016 increase	2016 amount appropriated by Act 172, Sec E.306.13(a)	Total SFY 2017 Spend with Increase Included	Percent Increase to Baseline Rates.
$44.9M	$4.0M	$48.9M	8.9%

A public notice was posted in the Vermont Global Commitment Register and in the Burlington Free Press Newspaper on August 31, 2016. The public comment period was open for 30 days. The increase to primary care reimbursements for enhanced payments must be submitted to CMS as an amendment to the Medicaid State Plan (known as a SPA). The SPA must be submitted to CMS by December 31, 2016; approval and match of federal funds will be retrospective back to October 1, 2016.

4 Reduction to Academic Medical Center Rates

In order to be able to manage within its appropriated budget for SFY 2017, DVHA was also authorized in Act 172, Section E.306.13(b) to offset the October 1, 2016 increase to EPCP reimbursement rates by adjusting downwards the reimbursement rates paid to Academic Medical Centers for inpatient, outpatient or professional services. This rate adjustment was effective on October 1, 2016.

Methodology

DVHA modeled various alternatives and approaches to reduce reimbursements to academic medical centers. As a result of this work, DVHA determined that the most appropriate and equitable approach was to reduce inpatient hospital rates, effective October 1, 2016. Having decided this, DVHA then developed an approach for allocating the reduction of $4 million to the impacted academic medical centers. This was accomplished by comparing and analyzing current inpatient payment amounts to the University of Vermont Medical Center (UVMMC), Dartmouth Hitchcock Medical Center (DHMC) and other Out of State (OOS) Academic Medical Centers, and apportioning the total reductions to each as shown in the table below.

	Current Inpatient Payments	Percentage of Total	Allocation of Reductions
UVMMC	$47.9M	71.3%	$2.9M
DHMC	$16.9M	25.2%	$1.0M
Out of State Academic Medical Centers.	$2.3M	3.5%	$.1M
Totals	$67.1M	$2.0M	$4.0M

With the targeted reduction amounts known, DVHA then addressed the method within the inpatient rate methodology to reduce the $4 million in payments. Two elements of the methodology were chosen:

(a) First, a provision in the inpatient reimbursement methodology that made an additional per diem payment above the case rate for neonatal cases was eliminated. Most of these payments had been made to UVMMC and DMHC. Other OOS academic medical centers were not eligible for the payment. The elimination of these payments resulted in a reduction of payments to academic medical centers of approximately $2 million.

(b) The remaining $2 million reduction was made by reducing the per case payment amount to the academic medical centers. This was accomplished by reducing what is known as the hospital's base rate.

The table below illustrates the total reductions to reimbursement rates to UVMMC, DHMC and OOS academic medical centers effective on October 1, 2016.

	Elimination of Neonate add-on payments	Reduction to inpatient base rates	Total Reduction
UVMMC	$1.7M	$1.2M	$2.9M
DHMC	$.3M	$.7M	$1.0M
Out of State Academic Medical Centers.	$0	$.1M	$.1M
Totals	$2.0M	$2.0M	$4.0M

A public notice was posted in the Vermont Global Commitment Register and in the Burlington Free Press Newspaper on September 8, 2016. The changes to inpatient hospital rates which include the elimination of neonate add-on payments and reductions to base rates for academic medical centers to offset the increase to EPCP rates will be submitted to CMS as SPA. Consistent with the changes to the EPCP payments, the SPA must be submitted to CMS by December 31, 2016; approval and match of federal funds will be retrospective back to October 1, 2016.

5 SUMMARY

As described above in detail and pursuant to Act 172, Section E.306.13, DVHA implemented provider reimbursement changes effective October 1, 2016 that have the effect of reallocating approximately $4 million previously paid to academic medical centers for Medicaid covered services and increased payments for specific primary care services by the same amount. The net result to DVHA SFY 17 budget is $0.