

Report Summary: Update on Hospital Sustainability Work (Act 167 of 2022, Sections 1 and 2)

By: Green Mountain Care Board; **Date:** January 15, 2023

Prepared for: House Committee on Health Care; House Committee on Human Services; Senate Committee on Health and Welfare; Senate Committee on Finance

Frequency: One-Time Report; **Statute:** Act 167 of 2022, Sections 1(c)(1) and 2(c)

Background:

- The Green Mountain Care Board (GMCB) annually regulates Vermont hospital budgets.
- In 2016, the GMCB Chair was one of three signers of the [Vermont All-Payer Model \(APM\) Agreement](#) (2018-2022), along with the Governor and Secretary of the Agency of Human Services (AHS).
- In 2019, the Legislature required GMCB to bring together a Rural Health Services Task Force at the request of the Legislature. As a result of this group, persistently low and declining hospital margins, and the Springfield hospital bankruptcy, the Board began to require hospitals to plan for long-term sustainability.
- In 2020, the Legislature required GMCB to report on strategies to support hospital sustainability: the [Hospital Sustainability Report, Act 159 of 2020 Section 4](#) (2022).
- In 2022, the Legislature passed Act 167 which requires GMCB to collaborate with AHS on a proposal for a future APM Agreement with the federal government (led by AHS); to design new ways to pay hospitals including a global budget model, in collaboration with AHS; to update our regulatory processes to reflect any new payment model(s); and to consider data and engage with communities and Vermont hospitals to identify ways the hospital system could transform, in collaboration with AHS.

Key Terms

All-Payer Model (APM) Agreement: Contract between Vermont and the federal government to tailor the way Medicare pays health care providers in the state.

Report Highlights/Key Recommendations:

- **All-Payer Model Proposal:** GMCB participated in an AHS-led stakeholder group to collect feedback for the federal government. A short-term extension of the APM Agreement was signed in December 2022 by the Governor, Secretary of Human Services, and Chair of GMCB.
- **Developing New Payment Models:** GMCB and AHS had high-level discussions with stakeholders in late 2022; in January 2023, the agencies co-convened a Hospital Global Budget Technical Advisory Group to develop a payment methodology and work through detailed policy issues. Members include hospitals, insurers, and consumer advocates, selected based on expertise.
- **Regulatory Evolution:** GMCB is reviewing and updating its hospital budget review process with significant input from hospitals and consumer advocates. Major regulatory changes anticipated for hospital fiscal year 2025 (begins October 1, 2024).
- **Data and Community Engagement to Support Hospital Transformation:** GMCB worked closely with AHS and stakeholders to develop a Request for Proposals in summer 2022; GMCB anticipates selecting a bidder in January 2023 and completing contracting in March-April 2023. The two-year contract term is expected to run from Spring 2023-Spring 2025.

Report to the Legislature: Update on Act 167 of 2022 Sections 1 and 2

Green Mountain Care Board

January 15, 2023

Act 167 of 2022: Legislative Charge



Section 1: (c)(1) On or before January 15, 2023, the Director of Health Care Reform and the Green Mountain Care Board shall each report on their activities pursuant to this section [Section 1] to the House Committees on Health Care and on Human Services and the Senate Committees on Health and Welfare and on Finance.

Section 2: (c) On or before January 15, 2023, the Green Mountain Care Board shall provide an update on the community engagement process established in this section [Section 2] to the House Committees on Health Care and on Human Services and the Senate Committees on Health and Welfare and on Finance.

Background on Hospital Sustainability Planning



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|-------------|---|
| 2019 | <ul style="list-style-type: none">• Per Act 26 of 2019, the Rural Health Services Task Force was created “to evaluate the current state of rural health care in Vermont and identify ways to sustain the system and to ensure it provides access to affordable, high-quality health care services”; Green Mountain Care Board (GMCB) convened the Task Force and produced a report in early 2020: Rural Health Services Task Force Report, Act 26 of 2019• GMCB requires hospitals to develop sustainability plans due to persistently low and declining margins, Springfield bankruptcy, and rural hospital closures nationally; initially, 6 of 14 hospitals are required to provide sustainability plans |
| 2020 | <ul style="list-style-type: none">• Requirement for Sustainability Plans expanded to all 14 hospitals following COVID-19 Public Health Emergency• Legislature passes Act 159 of 2020 requiring GMCB to provide recommendations for improving hospital sustainability |
| 2021 | <ul style="list-style-type: none">• GMCB Hospital Sustainability Report, Act 159 Section 4 |
| 2022 | <ul style="list-style-type: none">• In response to findings of Hospital Sustainability Report, Legislature passes Act 167 of 2022, which in Sections 1-3 requires:<ul style="list-style-type: none">• Section 1(a): Development of a proposal for a subsequent All-Payer Model Agreement (led by AHS in collaboration with GMCB)• Section 1(b)(1): Development of value-based payments for hospitals, accountable care organizations, or both (led by GMCB in collaboration with AHS)• Section 1(b)(2)-(3): Alignment of GMCB regulatory processes with value-based payment models; recommend a methodology for determining the allowable rate of growth in Vermont hospital budgets (GMCB)• Section 2: Lead a community engagement process to drive hospital system transformation, including data/analyses and engagement with Vermont communities and hospitals |

UPDATE ON SECTION 1:

All-Payer Model

Developing Value-Based Payment Models

Evolving GMCB Regulatory Processes

Section 1

Development of Proposal for Subsequent All-Payer Model Agreement



- GMCB collaborates closely with the Agency of Human Services (AHS) on work to implement the current All-Payer Model (APM) agreement and develop/negotiate potential future federal-state models with federal partners at the Centers for Medicare and Medicaid Innovation (CMMI), with AHS in the lead role
 - GMCB has been an active participant and planning partner in AHS's Health Care Reform Work Group with key stakeholders, including agenda development, meeting preparation, and meeting discussions
- In December 2022, a short-term extension of the current APM agreement was signed by the Governor, Secretary of AHS, and Chair of GMCB, providing a bridge to a potential future federal-state model; any subsequent federal state model would likely begin in 2025 if Vermont chooses to participate ([APM Extension Materials](#))
- **For more information, please see AHS's report on Act 167, Section 1**

Section 1

Developing Value-Based Payment Models



- Act 167, Section 1 (b): “...build on successful health care delivery system reform efforts by developing value-based payments, including global payments, from all payers to Vermont hospitals or accountable care organizations, or both...”
- AHS and GMCB collaborated to host stakeholder meetings to gather input about potential payment models

Health Care Reform Work Group/Global Budget Subgroup: In Summer 2022, AHS convened a stakeholder group (Health Care Reform Work Group); GMCB has participated on some topics. In Fall 2022, members of a sub-group provided high-level input to AHS and GMCB on future Medicare alternative payment methodologies, focusing on high-level areas where Vermont would seek flexibility

Hospital Global Budget Technical Advisory Group: In January 2023, GMCB and AHS are co-convening a group of technical experts as a sub-group of the Health Care Reform Work Group to develop a methodology for a potential global budget payment model for hospitals

Section 1

Developing Value-Based Payment Models



Hospital Global Budget Technical Advisory Group

- Co-chaired by GMCB and AHS, with support from GMCB staff and contractors:
 - Bailit Health Purchasing: Meeting planning, materials development, facilitation; stakeholder engagement; policy research and options; national context
 - Mathematica Policy Research: Analytics and modeling to support decision-making; materials development; technical expertise
- Membership selected based on technical expertise, knowledge of current provider payment models and contracting:
 - Hospital CFOs
 - Payer representatives with actuarial and/or provider contracting responsibilities (including DVHA)
 - OneCare Vermont payment model development staff
 - Office of the Health Care Advocate
 - Staff from GMCB, AHS/DVHA, DFR staff
- [Materials will be posted publicly to the GMCB website](#)

Section 1

Developing Value-Based Payment Models

- Through Fall 2023, the Hospital Global Budget Technical Advisory Group will use data and analyses to work through key payment model design questions related to a potential hospital global payment model, including:
 - Defining scope (population, services, and included providers)
 - Calculating baseline budget
 - Defining potential necessary budget adjustments and adjustment methodologies
 - Could include adjustments for general trends (e.g., inflation); exogenous factors (e.g., a public health emergency or natural disaster); utilization changes; quality, equity, and financial performance; risk mitigation.
 - Payer participation
 - Provider participation
 - Strategies to support care transformation and quality under a global budget
 - Program administration

Section 1

Evolving GMCB Regulatory Processes



Act 167 Section 1(b):

(2) determine how best to incorporate value-based payments, including global payments to hospitals or accountable care organizations, or both, into the Board's hospital budget review, accountable care organization certification and budget review, and other regulatory processes, including assessing the impacts of regulatory processes on the financial sustainability of Vermont hospitals and identifying potential opportunities to use regulatory processes to improve hospitals' financial health;

(3) recommend a methodology for determining the allowable rate of growth in Vermont hospital budgets, which may include the use of national and regional indicators of growth in the health care economy and other appropriate benchmarks, such as the Hospital Producer Price Index, Medical Consumer Price Index, bond-rating metrics, and labor cost indicators, as well as other metrics that incorporate differentials as appropriate to reflect the unique needs of hospitals in highly rural and sparsely populated areas of the State; and

(4) consider the appropriate role of global budgets for Vermont hospitals.

Section 1

Evolving GMCB Regulatory Processes

Initial Focus: Hospital Budget Oversight

- Work predates Act 167
- The GMCB is undertaking a dedicated scope of work to review and update its regulation of hospital budgets, supported by a contract with Mathematica Policy Research
- Goals include:
 - Developing objective metrics for hospitals' financial health
 - Improving evaluation of hospital performance (e.g. care quality, access to care, cost efficiency)
 - Exploring additional alignment among GMCB's regulatory duties
 - Building a consistent, predictable process
 - Reducing administrative burden where feasible

Future focus: Recommended methodology for determining the allowable rate of growth in Vermont hospital budgets; appropriate role of global budgets for Vermont's hospitals

Section 1

Evolving GMCB Regulatory Processes



- As GMCB assesses its hospital oversight, essential questions include:
 - How can the GMCB better assess access, affordability, and meaningful outcomes?
 - What does a healthy hospital look like?
 - What information should be used to make hospital budget decisions versus regulatory monitoring?
 - Which should be assessed at a corporate vs. hospital level?
 - What are the appropriate benchmarks?
 - Which comparisons make sense for all Vermont hospitals? Which are conducive to peer group comparison?
 - How should the regulatory approach consider hospitals that exceed or fail to realize their budget?
 - How should solvency be assessed for risk-bearing hospitals and what is the regulatory role in assessing appropriate amounts of risk?

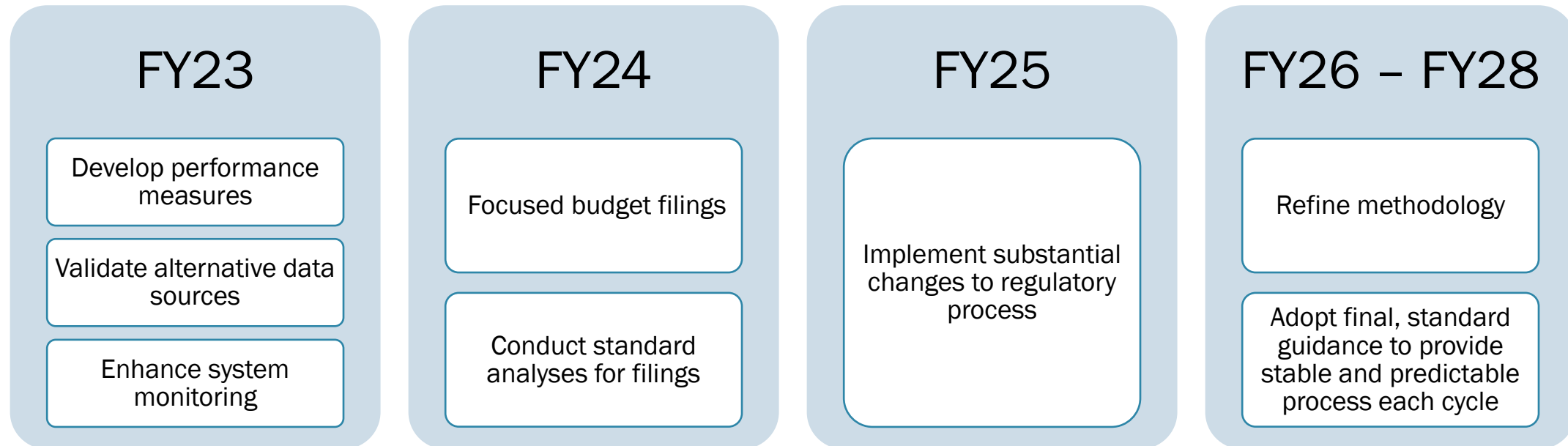
Section 1

Evolving GMCB Regulatory Processes



TIMELINE: Hospital Fiscal Year (FY) 2023-2028

NOTE: Hospital FY runs from October 1-September 30; FY23 = October 2022-September 2023



Current status: Engaging in individual interviews with GMCB Members, regulated entities, and the Health Care Advocate to gather feedback about the current regulatory approach

Section 1

Evolving GMCB Regulatory Processes



- **Looking ahead:**
 - Determination of how to incorporate value-based payments into hospital budget regulation; must include assessment of how the regulatory process impacts Vermont hospitals' financial sustainability, as well as opportunities to improve their financial health.
 - Recommendation for methodology to determine the allowable rate of growth in Vermont hospital budgets.
 - Consideration of the appropriate role of global budgets for Vermont hospitals.
- GMCB will consider adjustments to other regulatory processes as needed to reflect new value-based payment models and characteristics of any future federal-state model

UPDATE ON SECTION 2:

Community Engagement Process

Section 2

Data Analysis and Community/Provider Engagement to Support Hospital Transformation



- Act 167 of 2022, Sec. 2 defines a community engagement process for hospital system transformation with the goals of reducing inefficiencies, lowering costs, improving population health outcomes, reducing health inequities, and increasing access to essential services while maintaining sufficient capacity for emergency management.
- The GMCB, in collaboration with AHS, is seeking a contractor to support this process. The contractor will:
 - Conduct a system-wide data analysis and participatory community engagement process.
 - Support the development of localized transformation plans with a cohort of providers.
- Stakeholder participants will include hospitals and other health and human services providers, payers, the State of Vermont, and the public at large.

Section 2

Data Analysis and Community/Provider Engagement to Support Hospital Transformation



- GMCB and AHS co-developed a Request for Proposals (RFP) seeking support for three tasks:
 - (1) Data analysis
 - (2) Community and provider engagement in every health service area (HSA)
 - (3) Technical assistance and a learning collaborative for a cohort of hospitals to support development of Localized Transformation Plans
- [Complete RFP text](#)

Summer 2022	Following the passage of Act 167, GMCB worked closely with AHS to develop an RFP <ul style="list-style-type: none">• GMCB and AHS engaged together with key stakeholders to seek feedback and revised the RFP scope as a result• Received feedback from hospital executives and the Vermont Association of Hospitals and Health Systems, Vermont health care provider and professional organizations, OneCare Vermont, the Office of the Health Care Advocate, Legislators, and commercial payer representatives
Fall 2022	RFP release and bid review
January 2023	Bidder selection anticipated by the end of January 2023
March-April 2023	Expected contract execution

Section 2

Data Analysis and Community/Provider Engagement to Support Hospital Transformation



Task 1: Data analysis	<ul style="list-style-type: none">• Deliverables include state-wide and community-specific analyses or data profiles; resource estimates for reforms identified through Tasks 2 and 3.• Data and analyses from GMCB, AHS, hospitals, other providers and communities will be leveraged to develop the deliverables.
Task 2: Community and provider engagement in every health service area (HSA)	<ul style="list-style-type: none">• Deliverables include designing and facilitating a multi-stage stakeholder and community engagement process for all HSAs.• The goals of the process are to:<ul style="list-style-type: none">• Gain a deeper understanding of unmet health care needs and better assess local health system strengths and weaknesses, and• Share with stakeholders and communities the data and insights learned in Task 1.
Task 3: Technical assistance and a learning collaborative for a cohort of hospitals	<ul style="list-style-type: none">• Deliverables include providing technical assistance to a voluntary cohort (~4 hospitals or regions) to develop an actionable transformation plan, and facilitating a learning collaborative for participating hospitals.• While funding for provider technical assistance was eliminated in the final Act 167 budget, the State hopes to be able to complete all of these tasks. GMCB and AHS agree that it is critical to provide support to participating hospitals to develop successful and actionable plans.

Section 2

Data Analysis and Community/Provider Engagement to Support Hospital Transformation



Next Steps (following contract execution): 2-Year Contract

Months 1-6

*Estimated timing:
Spring to Fall 2023*

- Tasks 1 and 2, data analysis and broad community engagement
- Develop data profiles, using existing data and analyses when possible
 - Host town hall meetings and other forums with Vermonters, community leaders, and targeted sub-populations
 - Engage with hospital leadership and Boards of Directors

Months 7-24

*Estimated timing: Fall
2023 to Spring 2025*

- Task 3, technical assistance to support hospitals in developing Localized Transformation Plans
- Identify participating hospitals and begin individual technical assistance
 - Convene learning collaborative to support group learning and share best practices