280 State Drive – Center Building
Waterbury, VT 05671-1000

OFFICE OF THE SECRETARY
TEL: (802) 241-0440
FAX: (802) 241-0450

JENNEY SAMUELSON
SECRETARY

TODD W. DALOZ
DEPUTY SECRETARY

STATE OF VERMONT
AGENCY OF HUMAN SERVICES

MEMORANDUM

TO: Members of the Senate Health and Welfare Committee

FROM: Pat Jones, Interim Director of Health Care Reform

DATE: February 29, 2024

SUBJECT: Testimony on S.151 (Draft No. 2.1)

I'd like to start by describing the purpose of Health Care Reform. Health Care Reform seeks to use public policy to address challenges in our health care system. The challenges we are facing in Vermont and across the country are significant. As we work together to address them, our shared goals include:

- Ensuring affordability
- Improving access to care and insurance coverage
- Optimizing quality and experience of care for people using health care services
- Improving the health of the entire population
- Improving equity and reducing disparities in health and health care
- Identifying and addressing social determinants of health
- Ensuring adequate workforce across all care settings
- Reducing complexity (including lack of alignment across payers in areas like payment models or quality measures)
- Creating a sustainable health care system (and in states like Vermont, a sustainable rural health system).

The AHEAD model, or any individual Health Care Reform initiative, is not going to solve all of these problems. Neither is one organization or entity. We have to take a multi-faceted approach to addressing these challenges, and work together on our shared goals. We have shown that we can do that in a number of areas. Recent examples include:

- Over $164 million in Medicaid base rate increases across the health system over last two fiscal years, to help our diverse provider network address sustainability.
- Additional targeted investments in critical areas from 2022-2025; such as:
    - Provider tax relief for home health agencies
    - Mental health crisis system of care enhancements (988, mobile crisis; ED alternatives)
    - Expansion of youth mental health hospital (expected 2024/2025) and residential services (proposed)

- Certified Community Behavioral Health Clinic investments in designated agencies ("behavioral" is federal terminology; it is not a reflection of our values and the Department of Mental Health is actively pursuing a name change for this initiative)
- Embedded mental health services in primary care
- Expanding high acuity skilled nursing beds (expected 2024)
- Skilled nursing facility rate methodology update (proposed for 7/1/2024)

The AHEAD Model provides an opportunity to have Medicare join Vermont's Health Care Reform efforts (and provide continued and additional funding) to address some of our health care challenges, as outlined in Section 11a. of this bill: affordability, access to care, quality of care, health equity, and hospital sustainability. The Agency of Human Services supports the language as written for a number of reasons:

- It signals support for exploring this federal opportunity.
- It outlines goals that AHEAD has the potential to address based on what we know about its design.
- It makes it clear that if the model is determined to be beneficial relative to those goals, the intent is to support and include broad insurer and hospital participation.
- It outlines important considerations for a potential future agreement, including Vermont's previous Health Care Reform initiatives and the savings that have been realized by Medicare as a result of those initiatives; Vermont's status as a low-cost Medicare state; cost pressures from the pandemic, inflation, and workforce needs; and the importance of sustainability of our health care system.
- It recognizes that it would be important to look at Vermont's regulatory structure if the state ends up moving forward with hospital global budgets, which would represent a significant change in how hospitals are funded.

I'd like to address a couple of questions that have come up.

- There was a question about whether the intent language would be binding in terms of Vermont's participation in the AHEAD model, and the answer was that it would not be. To give the committee a sense of timing, we would find out in May or June if Vermont is selected to participate in AHEAD. If selected, negotiations with CMS would begin around July of this year (2024). An agreement between the state and CMS would need to be executed by July of 2025 in order to move forward with AHEAD. Unless and until an agreement is executed, Vermont would not be bound to participate in the model.
- VAHHS discussed the risk to hospitals from participation, and highlighted three areas:
    - The hospital global budget itself – that is the most significant risk; hospitals would be provided a fixed prospective payment based on historical revenue with adjustments for inflation and other factors. It offers predictability and flexibility, but it also requires hospitals to work within that set amount of funding.
    - Statewide accountability for total cost of care – the CMS Notice of Funding Opportunity for AHEAD says that "CMS ***may*** adjust Medicare FFS hospital global budgets if the state does not meet established state Medicare FFS cost growth targets, ***following an opportunity for state remediation of the issue***." (emphasis added) This is a potential risk.
    - Transformation funding – one of the benefits of AHEAD is that it would offer transformation funding (a small percentage of the Medicare FFS hospital global

budget) for a couple of years for hospitals that are early adopters of the model. If those hospitals decided to leave the model before Year 6, our understanding is that they would have to repay those funds. This is a risk if hospitals do not remain in the model.
    - There are potential benefits of the Model as well, including predictability in funding, flexibility in how care can be delivered, and Medicare funding in addition to the transformation funding.
- Roles in establishing and regulating hospital global budgets: Section 8b.(a) adds new language under Green Mountain Care Board powers and duties that the Board shall "develop a methodology for establishing hospital global budgets." There are many policy decisions that are involved in designing and developing a hospital global budget methodology, and a myriad of technical details. That type of policy and design work is a key responsibility of Health Care Reform, and we believe that the design work should be led by AHS in coordination with GMCB, and also include hospitals and other interested parties. On the other hand, the regulation of hospital budgets is a critical duty of GMCB as codified in statute and should be led by them. This is an example of where we can work together to achieve common goals. It is important to ensure that roles are clear and to establish lines between program design and regulation. But this work should not happen in a vacuum; for the past year we have convened a technical advisory group that is co-chaired by AHS and the GMCB to obtain valuable input and recommendations on a state-designed hospital global budget methodology for Medicare.
- Section 7 was in the initial version of the bill; it relates to increasing primary care spending by insurers to at least 12% of a health plan or payer's overall health care spending. Increasing primary care investment is a key goal, opportunity, and requirement of the AHEAD model. We would recommend reducing the specificity in this section but potentially providing more general language to signal the Legislature's support for this concept.
- There was a question about whether the intent language in Section 11a. should be included at this juncture. Selection of states for AHEAD is a competitive process, and application requirements are focused on whether states have the experience, capacity, policy levers, and will to participate in ambitious Health Care Reform. The language is supportive of Vermont's response. It also provides guidance to all of us as we work together to try to address the formidable challenges that we face, on behalf of Vermonters.

Thank you.