



Discussion of Global Budgets

Presentation to:
Senate Finance Committee

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The Green Mountain Care Board
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The Question a CEO Asks Now: How Many Patients Were in our Emergency Room Today?



The Question CEOs *SHOULD* be asking: Why Were So Many Patients In Our Emergency Room Today ?

What are Global Budgets?

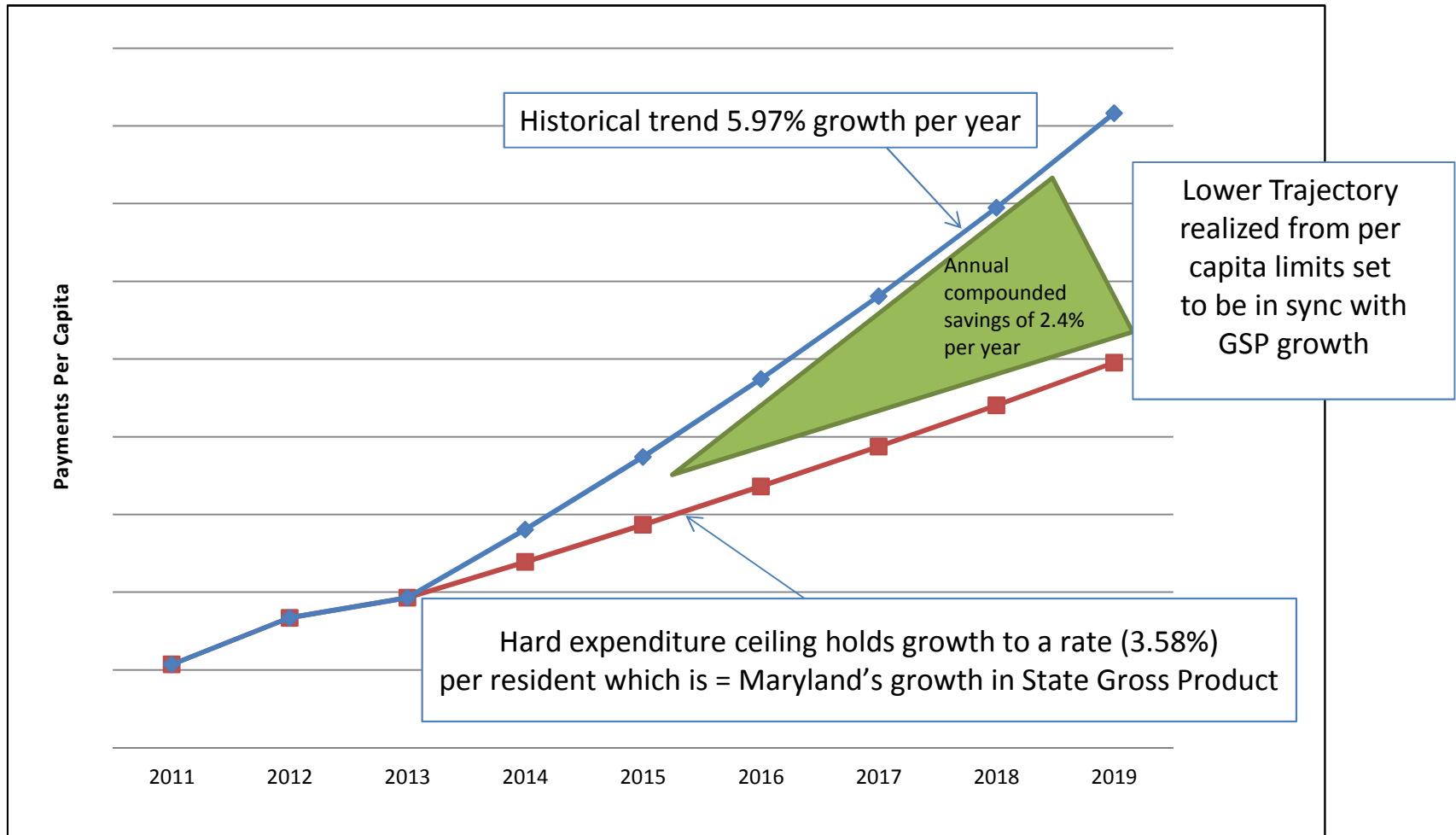
Global Budgets Can Be Defined in Many Ways:

- Payments to a Hospital based on the historical revenues that collectively make up the hospital's revenue for a defined period of time and a defined scope of services (Hospital Global Budget)
- Payments to an ACO or other Health Care Organization based on the number of lives attributed to that organization
- Population Based Payments to an ACO or other Health Care Organizations based on the population served by the Organization (Integrated Health Care Networks, Hospitals, Multi-Specialty Physician Practices, Large Primary Care Practices)

What are the Benefits of Global Budgets

- Decreases Fee-for-Service (FFS) incentives and makes volume growth strategies currently pursued by health care organizations/providers unattractive.
- Provides incentives to encourage high value care and cost containment, and could move Vermont a long way toward achieving the goals of ACT 48
- Provides predictable and fixed revenue streams as volume declines and gives providers the flexibility to meet the unique health care needs of their communities
- Provides financial incentives to improve quality, access to care, and patient experience
- Provides greater opportunities for the State to control the growth in health care expenditures through strong regulatory oversight

Controlling Total Expenditure Growth (The Maryland Waiver)



How Global Budgets Might Work in Vermont

- Global Budgets establish a performance year budget based on historical revenues and services provided
- Global Budgets create strong incentives to manage utilization and cost and drive inefficiencies out of the system
- Budgets would increase at an annual rate that accounts for demographic changes and reasonable cost inflation.
- Growth rates will approximate the growth in state and/or regional economic indicators, thus allowing for sustainability and affordability over time.
- Can be transitioned gradually over time and across settings
- All payers would need to participate in order for global budgets to be successful in the long term

Global Budgets Change the Culture of the Health Care Delivery System

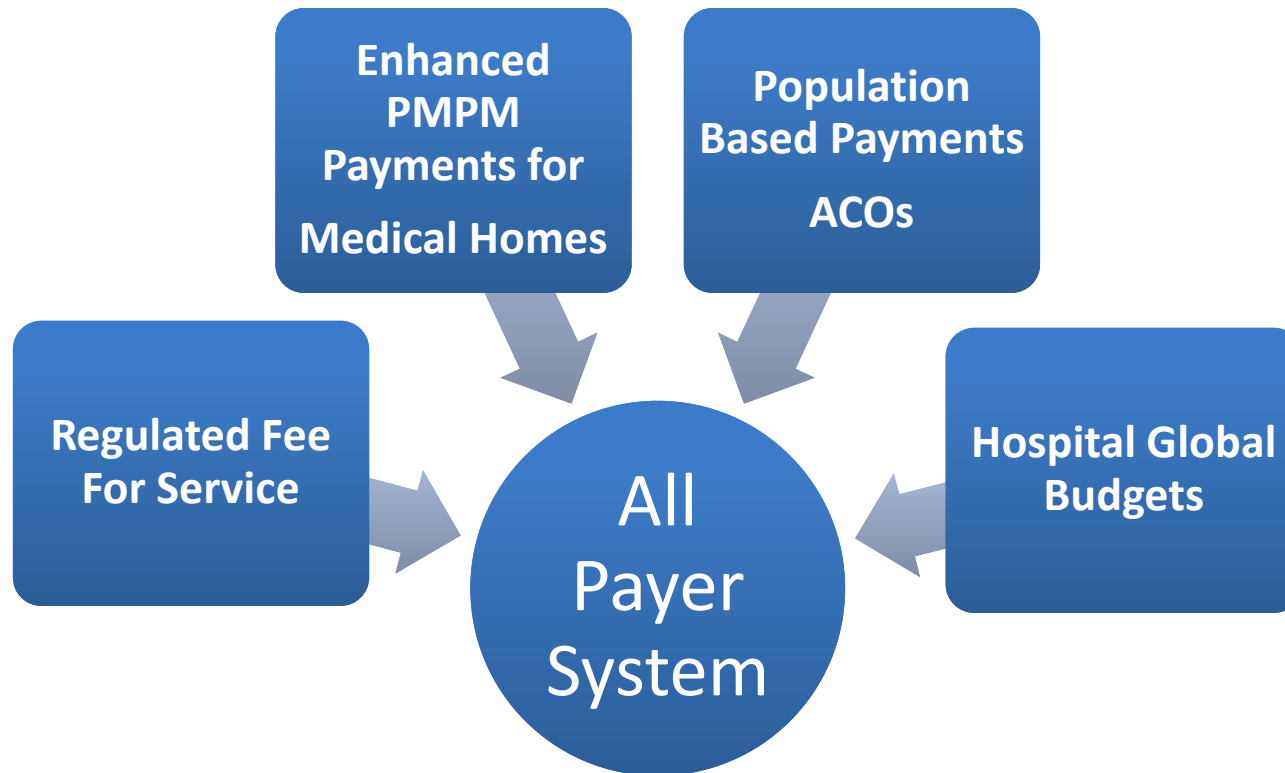
- Focus shifts from increasing volume of services to managing the health of a defined population
- Everything that was revenue to the providers becomes a cost that must be managed efficiently
- Performance measures must be in place to insure that high quality of services is maintained and that patients have timely access to care
- Providers will have the flexibility to better meet the needs of patients in more creative ways

Global Budgets Provide the Right Incentives to Meet Vermont's Health Care Reform Goals

Move away from Fee For Service reimbursement to “Value Based” payments that provide incentives for providers to focus on improving the health of Vermonters by:

- Expanding the robust primary care service model found in the Blueprint for Health (Medical Homes)
- Developing integrated approaches to care management and care coordination through local/regional “Unified Community Collaboratives”
- Using health information technology to identify opportunities for improvement and objectively measuring results

Global Budgets Are Just One Tool of an All Payer Model/System



QUESTIONS ??