

S.285

Continued Testimony

April 14, 2022

Robin Lunge, GMCB Member

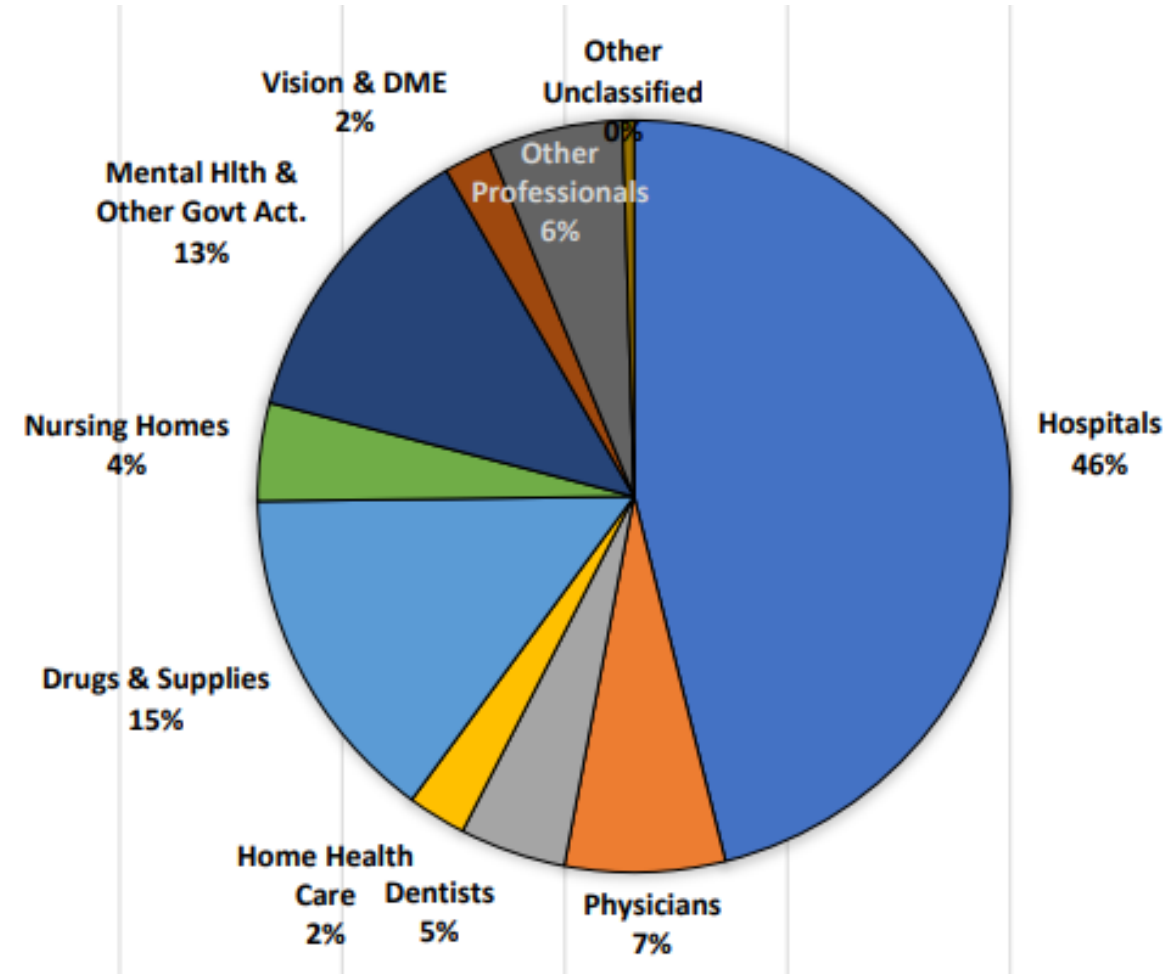
Themes from Yesterday's Testimony



1. Why do we need this bill?
2. How do the proposals interact with current & future reform efforts?
 - Sequencing and timeline
3. Community process and health system optimization

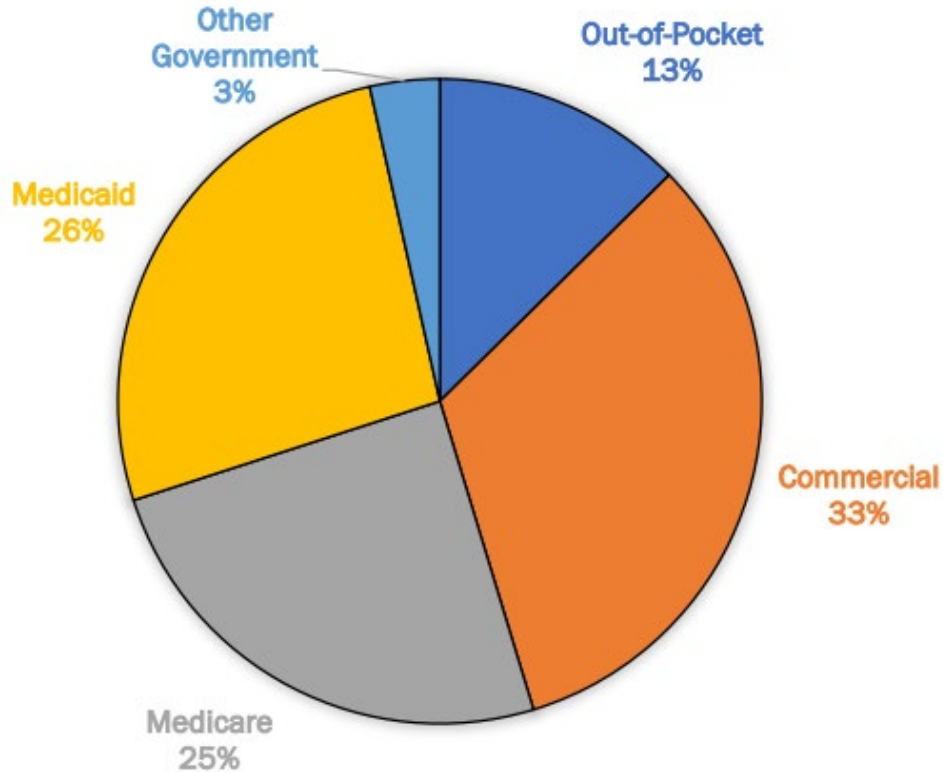
Hospitals in Vermont Health Care System

- Hospitals are the largest part of Vermont's health care system
 - 83% of Vermont physicians are employed by community hospitals
- This is why our regulatory system focuses on hospitals, and why hospitals must be part of current & future reforms



Source: [Vermont Health Care Expenditure Analysis, 2019](#) (May 2021)

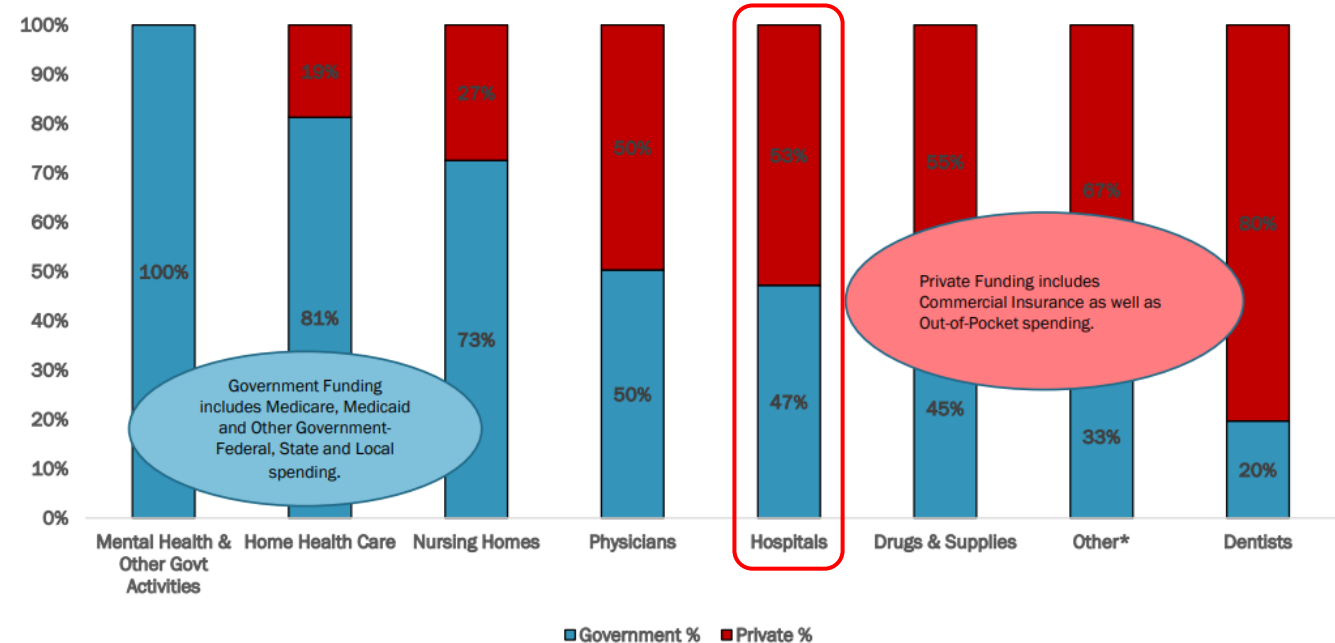
Vermont Resident Health Care Expenditures by Payer Type



Health Care Expenditures for Vermont Residents, 2019

Total Spending in 2019 = \$6.5 Billion

Government vs. Private Funding by Provider Category

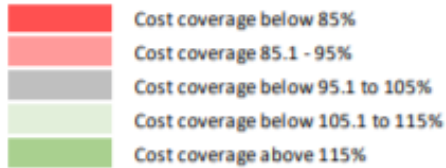


Source: [Vermont Health Care Expenditure Analysis, 2019](#) (May 2021)

Hospital Sustainability

When Price Doesn't Cover Cost...

The current payment dynamics jeopardize access to care

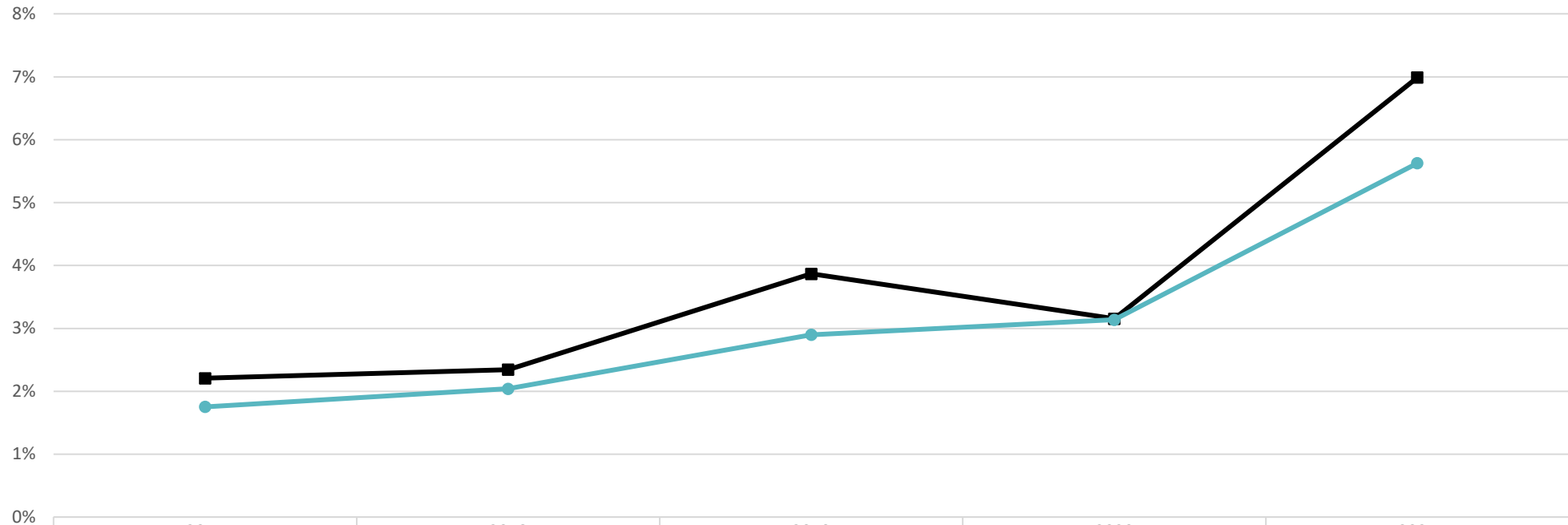


Red Boxes =
Payment is not enough
to cover the current cost
of delivering services

		Inpatient									Outpatient								
		Medicaid			Medicare			Commercial			Medicaid			Medicare			Commercial		
		HFY17	HFY18	HFY19	HFY17	HFY18	HFY19	HFY17	HFY18	HFY19	HFY17	HFY18	HFY19	HFY17	HFY18	HFY19	HFY17	HFY18	HFY19
Weighted Average		73.1	73.1	72.6	95.4	89.4	81.8	114.5	109.7	109.1	76.0	72.6	71.2	68.7	73.8	75.1	255.6	254.6	204.0
Dartmouth	AMC	Red	Red	Red	Grey	Light Green	Grey	Light Green	Light Green	Dark Green	Red	Red	Red	Red	Red	Red	Light Green	Light Green	Light Green
LVMC	AMC	Red	Red	Red	Light Red	Red	Red	Dark Green	Light Green	Light Green	Light Red	Red	Red	Red	Red	Red	Light Green	Light Green	Light Green
Brattleboro Mem	PPS	Red	Red	Red	Grey	Grey	Light Red	Grey	Grey	Dark Green	Red	Red	Red	Red	Red	Red	Light Green	Light Green	Light Green
Central Vermont	PPS	Red	Light Red	Red	Light Green	Grey	Red	Grey	Grey	Light Red	Light Red	Red	Red	Red	Red	Red	Light Green	Light Green	Light Green
Northwestern	PPS	Red	Red	Red	Light Green	Light Red	Light Red	Red	Red	Light Red	Light Red	Red	Red	Red	Red	Red	Light Green	Light Green	Light Green
Rutland	PPS	Red	Red	Red	Red	Red	Red	Grey	Light Green	Light Green	Red	Red	Red	Red	Red	Red	Light Green	Light Green	Light Green
Southwestern	PPS	Red	Light Red	Red	Light Red	Light Red	Red	Grey	Light Green	Grey	Red	Red	Red	Red	Red	Red	Light Green	Light Green	Light Green
Copley	CAH	Grey	Grey	Light Red	Grey	Grey	Grey	Dark Green	Dark Green	Dark Green	Red	Red	Red	Grey	Grey	Grey	Light Green	Light Green	Light Green
Gifford	CAH	Red	Red	Red	Grey	Grey	Grey	Dark Green	Light Green	Grey	Red	Red	Red	Grey	Grey	Grey	Light Green	Light Green	Light Green
Grace Cottage	CAH	Red	Light Red	Red	Grey	Grey	Grey	Red	Red	Red	Red	Red	Red	Grey	Grey	Grey	Light Green	Light Green	Light Green
Mt Ascutney	CAH	Red	Red	Red	Grey	Grey	Grey	Red	Red	Red	Red	Red	Red	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green
North Country	CAH	Light Red	Light Red	Light Red	Light Green	Light Green	Light Green	Dark Green	Dark Green	Light Green	Red	Red	Red	Grey	Grey	Grey	Light Green	Light Green	Light Green
Northeastern	CAH	Red	Red	Red	Grey	Grey	Grey	Light Red	Grey	Red	Red	Red	Red	Grey	Grey	Grey	Light Green	Light Green	Light Green
Porter	CAH	Red	Red	Red	Grey	Grey	Grey	Dark Green	Grey	Light Red	Red	Red	Red	Grey	Grey	Grey	Light Green	Light Green	Light Green
Springfield	CAH	Light Green	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Light Red	Red	Red	Red	Grey	Grey	Grey	Light Green	Light Green	Light Green

Hospital Commercial Charge Growth

Vermont Hospitals Estimated Weighted Average Change in Charges 2017 to 2021



	2017	2018	2019	2020	2021
Submitted Rate	2.2%	2.3%	3.9%	3.2%	7.0%
Approved Rate	1.8%	2.0%	2.9%	3.1%	5.6%

Estimated Weighted Average for all hospitals is calculated by factoring in each hospital's proportion of gross revenue to the change in charges (rate).

Premium Increases: 2020-2022



- Within the individual and small group market (for small business and people without employer-based coverage):
 - Cost of Health Care: Increased by 20% between 2020-2022
 - **Medical Services = Approx. 82% of the overall trend**
 - Primary driver was unit cost (e.g. price), not utilization
 - Rx = Approx. 18% of overall trend
 - Primary driver was specialty pharmacy
 - Administrative Costs = <1%

Source: L&E Analysis of rate filings

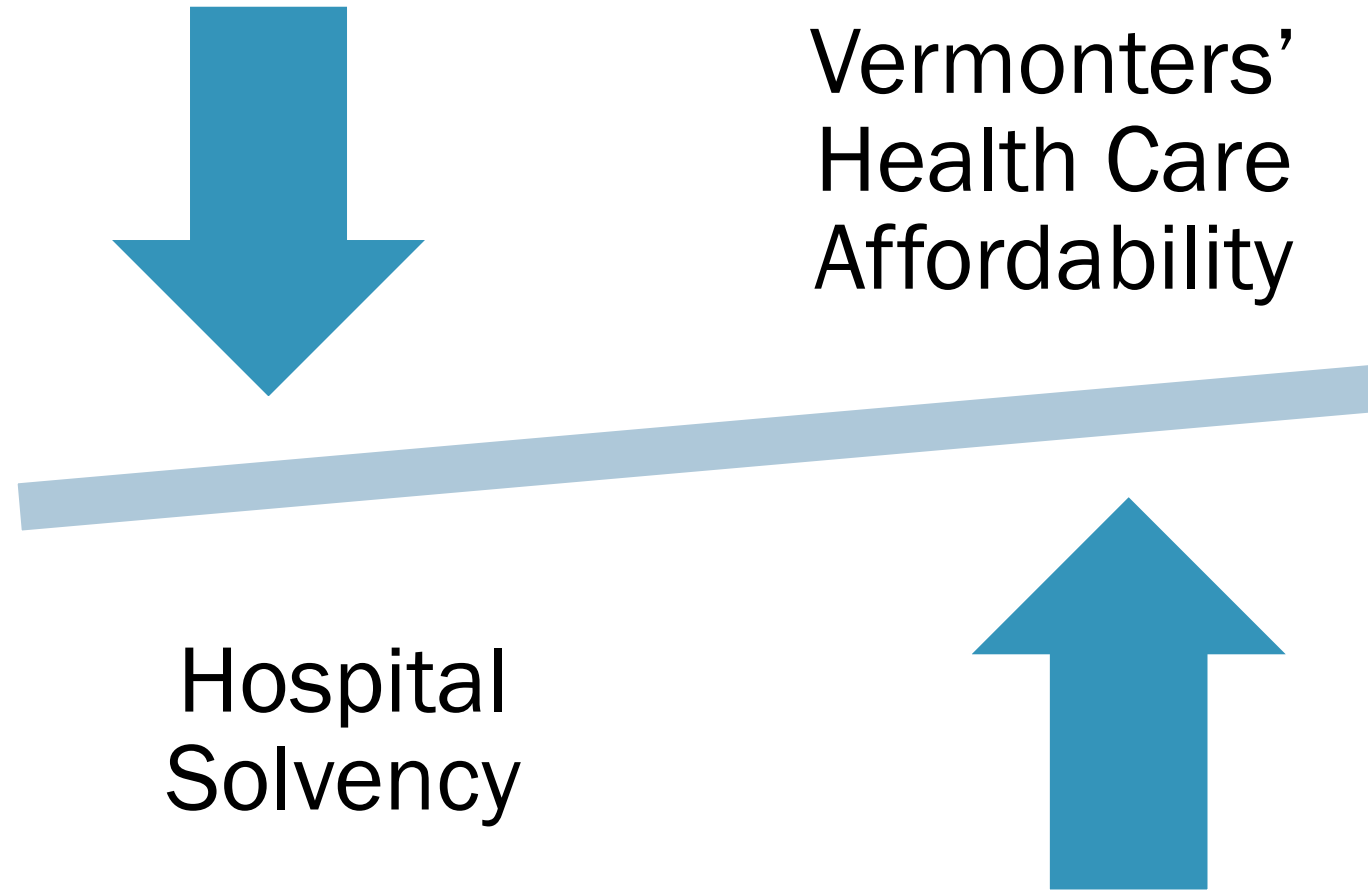
Declining Operating Margin(%) is a System-Wide Issue



Operating Margin (%) Hospital	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	5 Year Median	5 Year Average	3 Year Median	3 Year Average
Brattleboro Memorial Hospital	2.8%	-0.6%	-3.1%	-2.4%	0.8%	0.6%	▲ -0.6%	▲ -0.9%	▲ 0.6%	▲ -0.3%
Central Vermont Medical Center	2.9%	1.0%	-0.9%	-3.8%	-2.1%	-0.6%	▲ -0.9%	▲ -1.3%	▲ -2.1%	▲ -2.1%
Copley Hospital	6.2%	-0.1%	-0.6%	-3.3%	-3.2%	-3.9%	▲ -3.2%	▲ -2.2%	▲ -3.3%	▲ -3.4%
Gifford Medical Center	2.7%	3.9%	-1.6%	-10.7%	-0.8%	2.5%	▲ -0.8%	▲ -1.3%	▲ -0.8%	▲ -3.0%
Grace Cottage Hospital	-9.8%	-8.0%	-6.9%	-2.9%	-6.7%	1.1%	▲ -6.7%	▲ -4.7%	▲ -2.9%	▲ -2.8%
Mount Ascutney Hospital and Health Center	-2.4%	0.3%	2.7%	1.9%	-0.1%	0.9%	▲ 0.9%	▲ 1.2%	▲ 0.9%	▲ 0.9%
North Country Hospital	3.5%	0.2%	-2.3%	-2.3%	1.9%	3.7%	▲ 0.2%	▲ 0.2%	▲ 1.9%	▲ 1.1%
Northeastern Vermont Regional Hospital	2.2%	2.0%	1.9%	1.7%	1.8%	1.3%	▲ 1.8%	▲ 1.7%	▲ 1.7%	▲ 1.6%
Northwestern Medical Center	9.7%	3.4%	-1.2%	-3.4%	-8.0%	-0.9%	▲ -1.2%	▲ -2.0%	▲ -3.4%	▲ -4.1%
Porter Medical Center	-2.4%	1.9%	2.7%	1.8%	5.2%	4.1%	▲ 2.7%	▲ 3.1%	▲ 4.1%	▲ 3.7%
Rutland Regional Medical Center	1.9%	4.2%	1.6%	0.5%	0.4%	0.2%	▲ 0.5%	▲ 1.4%	▲ 0.4%	▲ 0.4%
Southwestern Vermont Medical Center	3.6%	3.4%	3.7%	4.6%	3.3%	2.8%	▲ 3.4%	▲ 3.5%	▲ 3.3%	▲ 3.5%
Springfield Hospital	3.9%	0.3%	-7.1%	-12.8%	-18.4%	-11.2%	▲ -11.2%	▲ -9.8%	▲ -12.8%	▲ -14.1%
University of Vermont Medical Center	6.3%	5.9%	5.2%	3.4%	2.2%	-0.3%	▲ 3.4%	▲ 3.3%	▲ 2.2%	▲ 1.8%
Total	4.6%	3.9%	2.7%	1.1%	0.7%	0.1%	▲ 1.1%	▲ 1.7%	▲ 0.7%	▲ 0.6%
Median	2.8%	1.4%	-0.7%	-2.3%	0.2%	0.8%				
Flex Monitoring Team Northeast CAH					1.8%					
Flex Monitoring Team U.S. CAH					0.7%					
Fitch Ratings Solutions, Inc Northern New England					1.2%					
Fitch Ratings Solutions, Inc Northeast U.S.					0.8%					

*Note FY2020 includes COVID Relief Funds and Expenses

Hospital Prices: The Tension...



Considerations for the All-Payer Model



- GMCB sees this hospital sustainability work as a **continuation & evolution of the current reform effort** – not a new direction or divorced from the APM
 - Builds on current successful payment models and is responsive to provider feedback about improving the payment models
- What we know today about what to expect from a subsequent APM Agreement:
 - Maryland & Pennsylvania both include global budgets
 - Vermont’s APM was attractive to federal partners in part because of Vermont’s strong regulatory levers, including the hospital budget process
- **What are the common elements?**
 - Total cost of care targets
 - Quality and population health framework, new strategic direction includes equity
 - Payment reform model(s)
 - For state models, a regulatory framework to support transformation

Pursuing All-Payer Reform



- As stated by many, Medicare participation is critical for Vermont's continued reform efforts
- But our current All-Payer Model Agreement has shown us that engaging Medicare and Medicaid is not enough, despite Medicaid's leadership in developing new payment models
 - All-payer reform has been a core feature of Vermont's reforms since the Blueprint for Health
 - All-payer reform aligns goals, incentives, and requirements so that providers are moving in a single clear direction
- Without participation from commercial insurers, Vermonters with private coverage and Vermont employers are left to shoulder the burden of increasing health care costs

Vermont Hospitals Transition to Value-Based Care

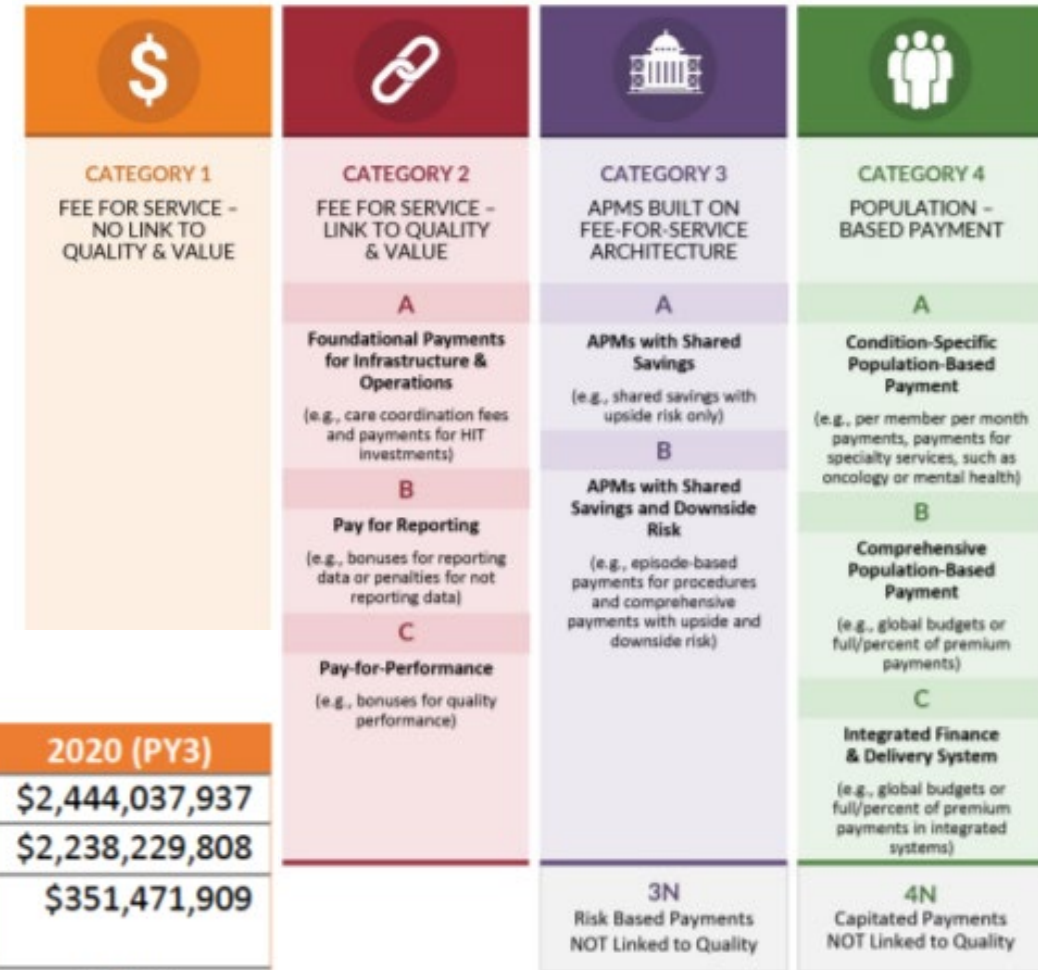


Figure 6: Systemwide Proportion of Value-Based Hospital Revenue from Vermont Residents⁹

	2017 (PY0)	2018 (PY1)	2019 (PY2)	2020 (PY3)
Total Revenue	\$2,378,721,942	\$2,520,075,138	\$2,597,288,054	\$2,444,037,937
Estimated VT Resident Revenue	\$2,234,000,656	\$2,329,290,531	\$2,401,820,237	\$2,238,229,808
Prospective Payments + Other Reform Payments	\$43,510,957	\$231,893,481	\$299,908,013	\$351,471,909
Proportion of Revenue	1.9%	10.0%	12.5%	15.7%

Community Engagement

Building a shared understanding of the **current state** in that community (data analysis + engagement)

- Local Hospital- Health status of patients in the community
- Where are residents seeking care—home hospital or elsewhere and why?
- What does access to essential services look like?

Building a shared understanding of the **future state** (data analysis + state/federal policy knowledge + engagement)

- What trends are on the horizon and how well is the local health care delivery system prepared for those trends? What headwinds should each community be prepared for?

What is possible? (hospital/health system optimization expertise + impact analysis + federal policy knowledge + engagement + consulting to assist change for hospitals)

All-Payer Model – Extension and Key Dates



- Vermont submitted a one-year extension request in December 2021
- AHS and GMCB received a response to this request from CMMI on April 12, 2022:
 - CMMI is working to offer a one-year extension for CY2023 plus a transition year in CY2024 to prepare for a subsequent model
 - Federal clearance (likely complete in Fall 2022) will be required to complete the official extension offer, followed by SOV clearance and GMCB vote on the Agreement amendment

	Current APM Agreement	CMMI Response to Extension Request
Agreement Term	5 performance years (PYs)	6 PYs + Transition Year
Original Term (PYs 1-5)	2018-2022	2018-2022
Extension Year (PY6)	--	2023
Transition Year	--	2024
High-Level Proposal for Subsequent Federal Agreement Due	December 31, 2021	December 31, 2022
Vermont Engages with CMMI on Potential Subsequent Agreement	Throughout 2022	Throughout 2023
Subsequent Agreement Start Date	January 1, 2023	January 1, 2025