Discussion of Global Budgets

Presentation to:
House Ways and Means

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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?
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

- Eliminates 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 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)

Historical trend 5.97% growth per year

Lower Trajectory realized from per capita limits set to be in sync with GSP growth

Hard expenditure ceiling holds growth to a rate (3.58%) per resident which is = Maryland’s growth in State Gross Product

Annual compounded savings of 2.4% per year
How Global Budgets Might Work in Vermont

- Global Budgets establish a performance year budget based on historical revenues and/or services provided to a defined population.

- 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
- 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
- Everything that was revenue to the providers becomes a cost that must be managed efficiently
# Global Budget Impact on Margins

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<tbody>
<tr>
<td>Allowed Amt: One additional Case</td>
<td>$27,000</td>
<td>$0</td>
<td>Lost Revenue (One Less CASE)</td>
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<tr>
<td>Total Cost ($22,500)</td>
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<td></td>
<td>Cost Savings:</td>
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<tr>
<td>Fixed (60%)</td>
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<td>Fixed (60%)</td>
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<tr>
<td>Variable(40%)</td>
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<td>Total Savings</td>
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<tr>
<td>Contribution to Margin</td>
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<td>($9,000)</td>
<td>Loss/Contrib. To Margin</td>
<td>($18,000)</td>
<td>+$9,000</td>
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Global Budgets Provide the Right Incentives to Meet Vermont’s Health Care Reform Goals

Global budgets 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

- Enhanced PMPM Payments for Medical Homes
- Population Based Payments ACOs
- Regulated Fee For Service
- Hospital Global Budgets
QUESTIONS ??