

MULTI-PAYER HEALTH CARE COST CONTROL EFFORTS IN VERMONT AND RHODE ISLAND

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A tale of two states that seem wicked different to me but probably not to you....

□ Vermont

- ▣ Long history of health care regulation: hospital net revenue; capital expenditures; health insurance rates
- ▣ Monopolistic provider and commercial payer market
- ▣ Medicaid payment reform
- ▣ All payer waiver

□ Rhode Island

- ▣ Some history of health care regulation: capital expenditures; health insurance rates; hospital price increases; prevalence of alternative payment models in commercial space
- ▣ Oligopolistic provider and commercial payer market
- ▣ Medicaid payment reform

Vermont

GMCB Goals and Regulatory Levers

Goal #1:
Vermont will reduce the rate of growth
in health care expenditures

GMCB Regulatory Levers:

Hospital Budget Review
ACO Budget Review
ACO Certification
Medicare ACO Program Rate-Setting
and Alignment
Health Insurance Rate Review
Certificate of Need

Goal #2:
Vermont will ensure and improve
quality of and access to care

GMCB Regulatory Levers:

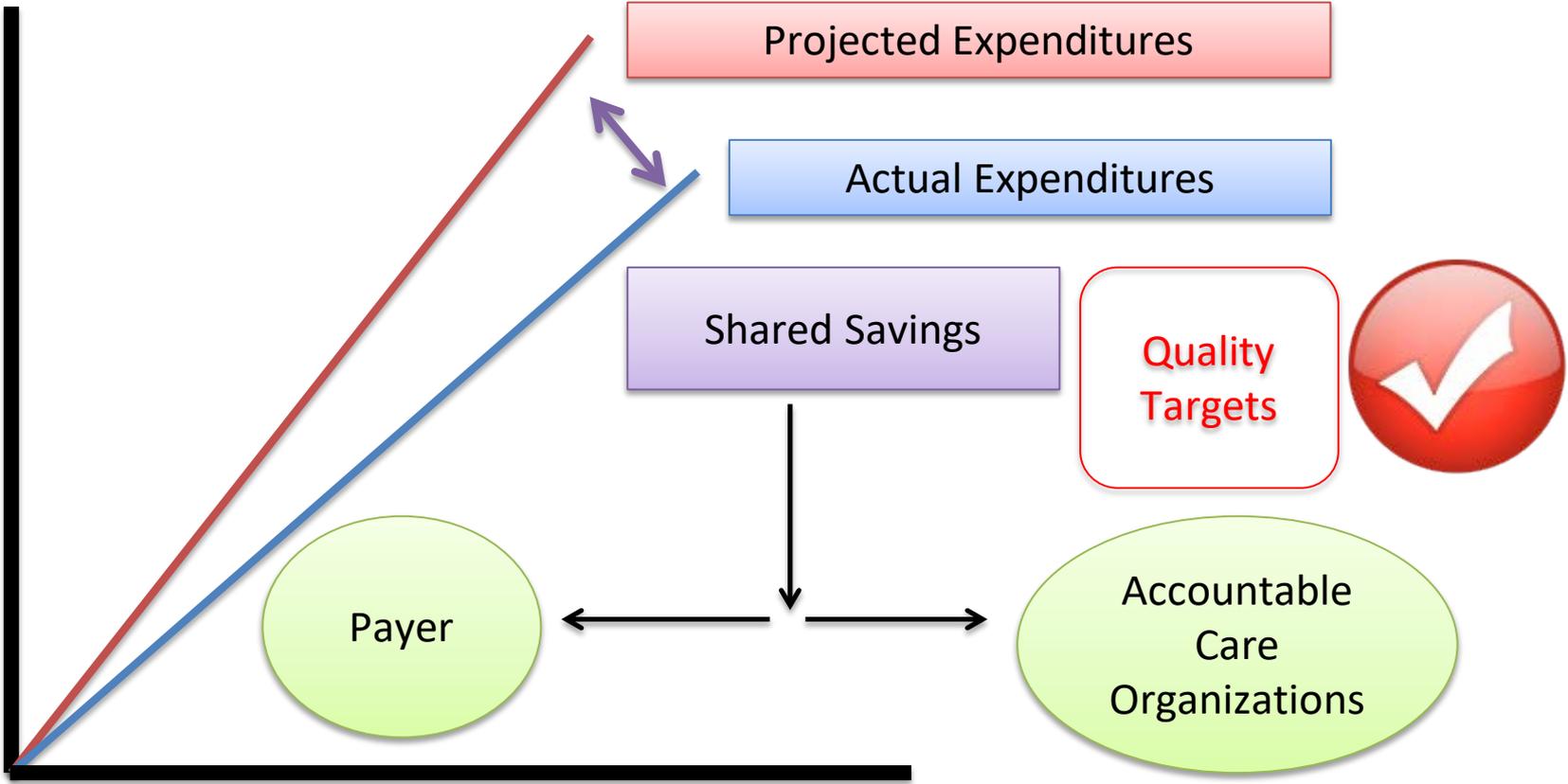
All-Payer Model Criteria
ACO Budget Review
ACO Certification
Quality Measurement and Reporting

INTEGRATION OF REGULATORY PROCESSES

VT All-Payer ACO Model Draft Agreement: Framework for Transformation

- State action on financial trends & quality measures
 - Moves from volume-driven fee-for-service payment to a value-based, pre-paid model for Accountable Care Organizations (ACOs).
 - Sets All-Payer Growth Target: 3.5%
 - Medicare Growth Target: 0.1-0.2% below national
 - Requires alignment across Medicare, Medicaid, and participating Commercial payers.
- Goals for improving the health of Vermonters
 - Improve access to primary care.
 - Reduce deaths due to suicide and drug overdose.
 - Reduce prevalence and morbidity of chronic disease.

Shared Savings Calculated Annually



Scale Targets in All-Payer ACO Model Agreement

Percent (%)	By end of PY1 (2018)	By end of PY2 (2019)	By end of PY3 (2020)	By end of PY4 (2021)	By end of PY5 (2022)
Vermont All-Payer Scale Target Beneficiaries	36%	50%	58%	62%	70%
Vermont Medicare Beneficiaries	60%	75%	79%	83%	90%

Note: The Agreement’s Quality Framework includes a measure, “Increase Percentage of Vermont Medicaid Beneficiaries Aligned with a VT ACO.” The target for that measure is that the percentage of aligned Medicaid beneficiaries will be no more than 15 percentage points below the percentage of aligned Medicare beneficiaries.

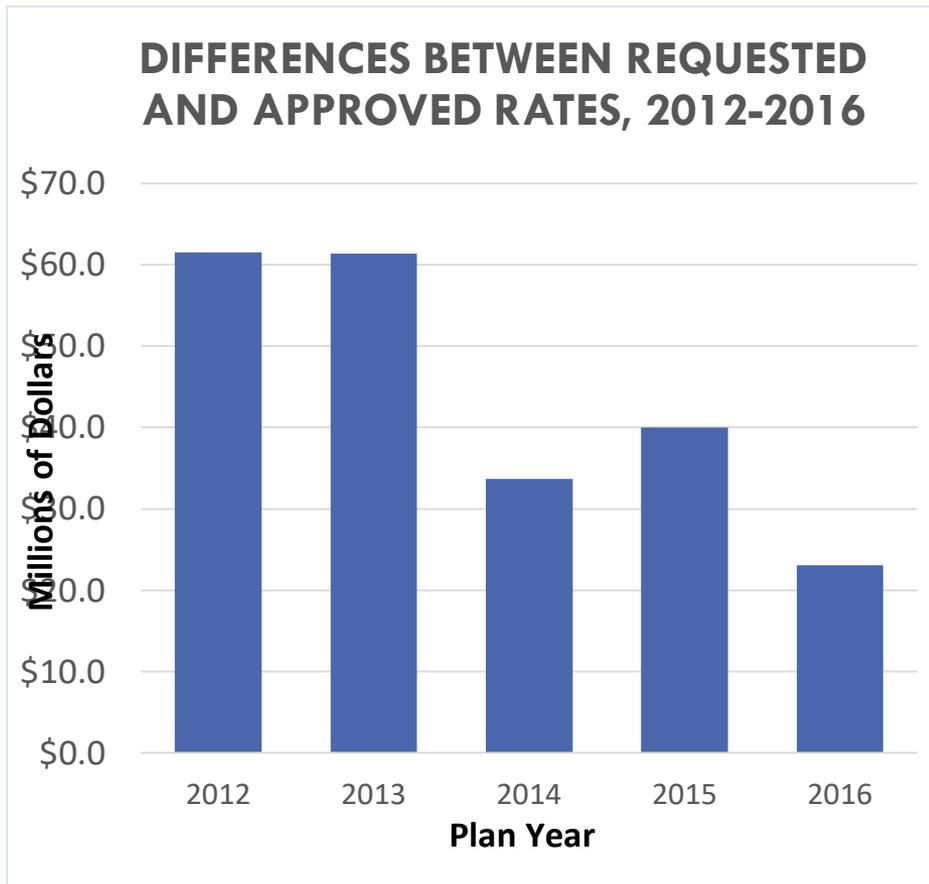
Rhode Island

Innovative Regulation: OHIC Affordability Standards

The Affordability Standards were written into regulation in 2010 to influence the affordability of healthcare by focusing on three key strategies:

	Care Transformation	Improving the efficiency and quality of care by transforming primary care practices
	Payment Reform	Moving from volume to value by increasing the amount of payments that are tied to quality and cost efficiency
	Cost Growth Control	Slowing the rate of rising healthcare costs by limiting the rate increases of hospital based services and ACO total cost of care budgets

Setting Commercial Health Insurance Rates



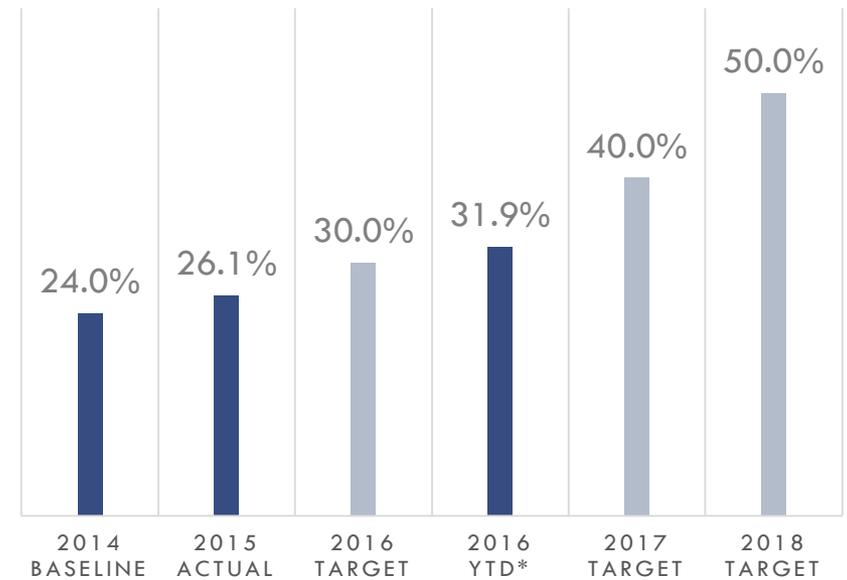
- Since 2012, OHIC's rate setting has saved Rhode Island \$219.7 million
- Decreasing discrepancy between requested and approved rates could indicate successful policy by driving down underlying medical trend (i.e., the Affordability Standards)

Reforming Payment Models

The Affordability Standards call for significant reductions in the use of fee-for-service payment as a payment methodology by commercial insurers

- **Target:** 50% of an insurer's annual commercial insured medical spend will be in the form of APM payments by 2018
- The Alternative Payment Methodology (APM) Committee establishes annual targets for commercial insurers
- Reinventing Medicaid APM targets and definitions align with OHIC's
- Positions physicians to receive enhanced Medicare Payments through MACRA

AGGREGATE ALTERNATIVE PAYMENT MODEL TARGETS



*2016 YTD figures include data up to the end of May 2016

Containing Medical Cost Growth

- Recognizing that health insurance rate increases are driven not only by fee-for-service payment structures, but also by systemic medical expense trends, the Affordability Standards include requirements that limit the annual rate increase of medical services.

	Hospital Contracting Requirements	ACO Contracting Requirements
Annual Rates for:	Inpatient and outpatient services	Total cost of care for services
Affordability Standards Requirement:	Average rate increases shall not exceed the CPI-Urban percentage increase plus 1%	Increase in the total cost of care shall not exceed the CPI-Urban plus 3.0% in 2016, plus 2.5% in 2017, plus 2.0% in 2018, and plus 1.5% in 2019.