VBP Bootcamp
Finance Course, Class 3

Division of Finance and Rate Setting Presenters:
Jack Pitera and Jude Reid

January 9, 2018

Agenda

Area	Details		
Timing	Three separate 1-hour classes will be held. Each class will cover a different topic.		
	Class 1	Class 2	You are here Class 3
Topics	**Top 10 Things a Provider should know** **High-level Timeline** **Stimulus, penalty and performance adjustment and what they mean for a provider**	**Provider & MCO Finance Considerations** - Positioning to take on risk - Managing risk **Target Budget Setting Process** - Overview - Timeline	**MCO Adjustments Contracting Activity** - Stimulus - Penalty - Performance - Efficiency/Quality adjustments **MAPP and D&A Tools**
Speakers	**DOH** - Jack Pitera - Jude Reid - Nicholas Cioffi	**DOH Representatives** - Jack Pitera - Jude Reid - Nicholas Cioffi	**DOH** - Jack Pitera - Jude Reid - Nicholas Cioffi

VBP Finance Course Syllabus

Intended Audience:	The finance course (consisting of three separate classes) is intended for payors, providers and community based organizations (CBOs). Some of the content will be directly relevant for payors, such as how MCO adjustments or stimulus adjustment will occur. Finance classes will also benefit providers and CBO's and will help each party understand key financial considerations within the context of VBP, and what those considerations mean for their organization. This period of instructions will touch on performance adjustments based on efficiency and quality and social determinants of health interventions. The second finance class will host a payor and/or provider feedback session and will touch on lessons learned and best practices from the field. The course's intended audience may include, but not be limited to, CFOs, Medical Directors and legal representatives. Clinicians and front line service providers may also benefit from the course in that they will gain a better understanding of how their everyday actions affects the overall VBP model. The third finance class will include a mock contract negotiation and will help class participants to understand the core elements of a VBP contract from a financial perspective, taking into account the perspective of a provider, MCO and CBO.
Course Description:	The VBP Finance course will focus on the key financial considerations for plans, providers and CBO's when developing their VBP contracts. Specifically, three classes will be offered that address the following concepts: 1. Top 10 things providers should know when discussing the finance aspects of their VBP arrangements. 2. Payor and/or provider led discussion focusing on key financial considerations in the context of VBP 3. Practical example of a VBP contract negotiation from the perspective of a provider, MCO and CBO.

Class 1 Overview	Class 2 Overview	Class 3 Overview
This class will highlight the top 10 things providers need to know related to financial incentives in their VBP contracts. It will also expand on the MCO adjustments, including stimulus and penalties, and what they mean for providers in their contracts. The class will illustrate how adjustments, stimulus and penalty adjustments are determined, so providers have an idea of the incentive payments made to MCOs, which inform the overall financing structure of their VBP arrangement.	Class 2 will consist of a provider and/or payer led discussion focusing on lessons learned and best practices when engaging in discussions and negotiating the financial aspects of a VBP arrangement. The class will review how providers and payers are able to move forward to successfully negotiate a VBP agreement. The class is intended to engage the audience and share lesson's learned and key insights that class presenters and audience members may have.	Class 3 is organized into a practical example of a VBP contract negotiation and focuses on the financial elements of the negotiation from the perspective of a CBO, provider and MCO. The class engages the audience and helps participants to understand key aspects of a VBP arrangement such as stimulus, penalty and performance adjustments. The practical exercise facilitates a more fundamental understanding of the unique perspectives of contracting parties.

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1. Review of MCO adjustments

The Stimulus Adjustment

MCO Adjustments - Stimulus

1st Year: 2018-2019

2nd Year: 2019-2020

1st Measurement Year:
How many dollars moved into VBP Levels 2 & 3?

$85M

2nd Measurement Year:
How many dollars moved into VBP Levels 2 & 3?

$85M

A Provider should keep its value in mind while contracting with an MCO

Key Takeaway:
The measurement of stimulus during the 1st year has an impact on payments over 2 years.

- There exists a greater incentive to move dollars into VBP during the first year of stimulus
- Providers that are earlier adopters of VBP may benefit from a larger share of stimulus adjustments since they are contributing to an MCO earning stimulus

Provider Insights

Stimulus Adjustment: Break Out Session

- You know the following information for Year 1 (2018-2019) Stimulus movement:
  - Remember, $85 Million will be paid out for this year's movement.
- The movement is based upon the volume of VBP dollars moved through MCO and Providers contracting together:
  - MCO A moved $300 Million into VBP level 2
  - MCO B moved $150 Million into VBP level 2
  - MCO C moved $550 Million into VBP level 2
  - MCO D moved $500 Million into VBP level 1

Please work in your groups for the next 10 minutes to determine how much of the Year 1 Stimulus each MCO would receive.

VBP Stimulus Solution

MCOs	New Dollars Moved into VBP
MCO A	$300M
MCO B	$150M
MCO C	$550M
MCO D	$500M
Total	**$1,000M**

Why is the total only $1,000M? (And not $1,500M)

MCO	Proportion of Stimulus Dollars Moved	Total Stimulus Adjustment
MCO A	$300M / $1,000M = 30%	**$25.5M**
MCO B	$150M / $1,000M = 15%	**$12.75M**
MCO C	$550M / $1,00M = 55%	**$46.75M**
MCO D	$0M / $1,000M = 0%	**$0M**

Impact

- How does the Stimulus Adjustment impact negotiations between plans and providers?
  - Stimulus adjustments are a competitive landscape: the total dollars for all players involved are capped at $85 million in a given year

- Providers should consider their role in moving dollars to VBP
  - If a provider is contracting at VBP Level 1, they are not contributing to an MCO earning Stimulus funds; this may result in less negotiating leverage
  - The more Medicaid members (and ultimately dollars) a provider can move into a VBP arrangement, the more negotiating leverage a provider may have

2. Review of MCO adjustments

The Penalty Adjustment

MCO Adjustments - Penalty

The VBP Penalty begins SFY 2018-19 and becomes more stringent over time

Penalties are levied on the value of the margin between the VBP contracting threshold and the plan's contracted amount

Year	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021	CY 2022
Stimulus		Guaranteed	Guaranteed	Tied to Contracting	Tied to Contracting			
Penalty				Begin	More Stringent	Most Stringent		

VBP Penalties Begin
SFY '18-19

Mainstream & Special Needs MCOs must have 10% in VBP Level 1 or higher

- Measured on SFY 2017-18
- **Penalty = .5%**

VBP Penalties become more stringent
SFY '19-20

Mainstream & Special Needs MCOs must have 50% in VBP Level 1 or higher and 15% in VBP Level 2 or higher

- If both penalties are incurred, then **only the larger penalty will be applied**.
- Measured on SFY 2018-19
- **Penalty = 1%**

VBP Penalties become most stringent
SFY '20-21

Mainstream & Special Needs MCOs must have 80% in VBP Level 1 or higher and 35% in VBP Level 2 or higher

- If both penalties are incurred, then **both will be applied**.
- Measured on SFY 2019-20
- **Penalty = 1%**

Penalty Adjustment: Breakout

- In SFY ‘19-20, an MCO has 45% of total medical spend contracted at Level 1 or higher and 9% at Level 2 or higher. Calculate the percentage shortfall that the MCO will pay a penalty on that year.

Payers anticipating a penalty will have greater incentive to enter into VBP contracts with Providers

Provider Insights

Penalty Adjustment: Breakout Solution

- If in SFY ’19-20 (measured on SFY ’18-19), an MCO has 45% in Level 1 or higher and 9% in Level 2 or higher, what percentage penalty will they pay?

	Level 1 (50%)	Level 2 (15%)
MCO A	45%	9%

Penalty Adjustment: Breakout Solution

- If in SFY ’19-20 (measured on SFY ’18-19), an MCO has 45% in Level 1 or higher and 9% in Level 2 or higher, what percentage penalty will they pay?

	Level 1 (50%)	**Level 2 (15%)**
MCO A	45%	9%
Shortfall	*5%*	***6%***

Penalty Adjustment: Breakout Solution

- If in SFY ’19-20 (measured on SFY ’18-19), an MCO has 45% in Level 1 or higher and 9% in Level 2 or higher, what percentage penalty will they pay?

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MCO A	45%	9%
Shortfall	*5%*	***6%***

- The MCO will only pay the larger of the two penalties. Therefore, they will be penalized based upon the 6% shortfall from their Level 2 spending.

Penalty Adjustment: Breakout Solution

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- In what year would both penalties be applied?

Penalty Adjustment: Breakout Solution

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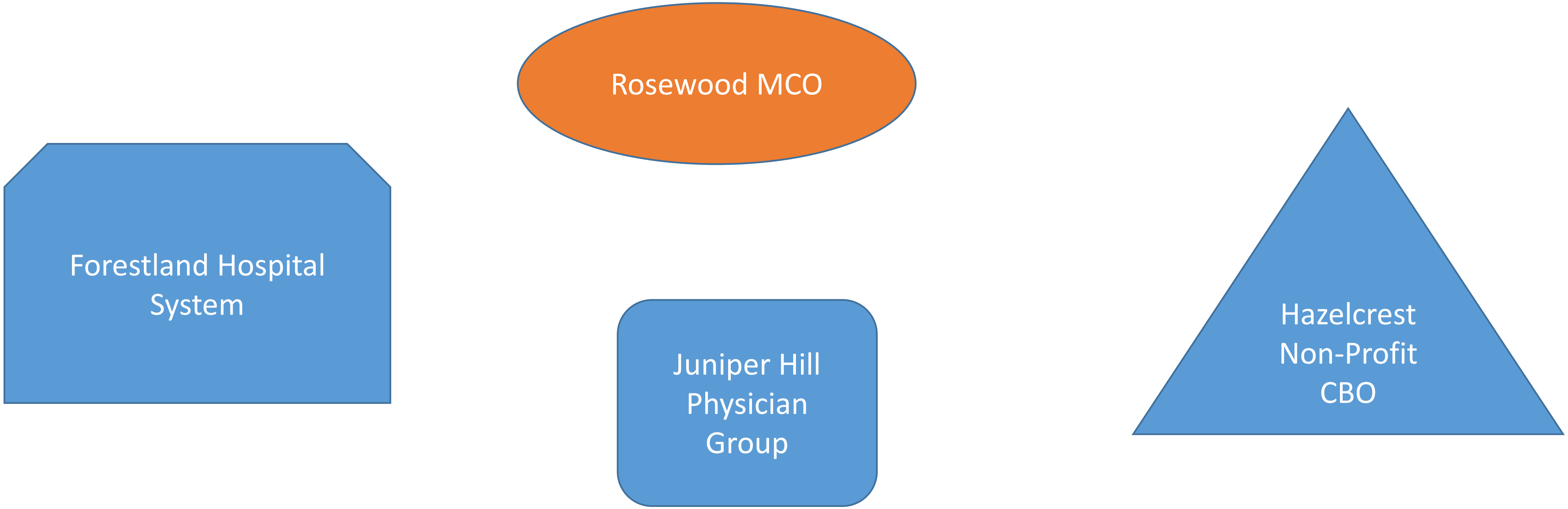
- In what year would both penalties be applied? SFY 2020-2021

4. Contracting Activity

Contracting Activity

There are 4 entities involved in this scenario; You will each be assigned the role of one of the entities (see the Role Card at your seat). This exercise will explain the entities involved in a contracting scenario and each entity's position and leverage.



Contracting Activity

Rosewood MCO

- The MCO will receive payments from the state based upon its contracting.
- Has a total premium of $200,000,000

Forestland Hospital System

- High # of members attributed (High Medicaid spend)
- Large volume of dollars to be moved into VBP
- High impact on Stimulus Adjustment

Juniper Hill Physician Group

- High Quality
- High Efficiency
- Smaller members than the hospital system
- Specializes in Primary Care and Behavioral Health

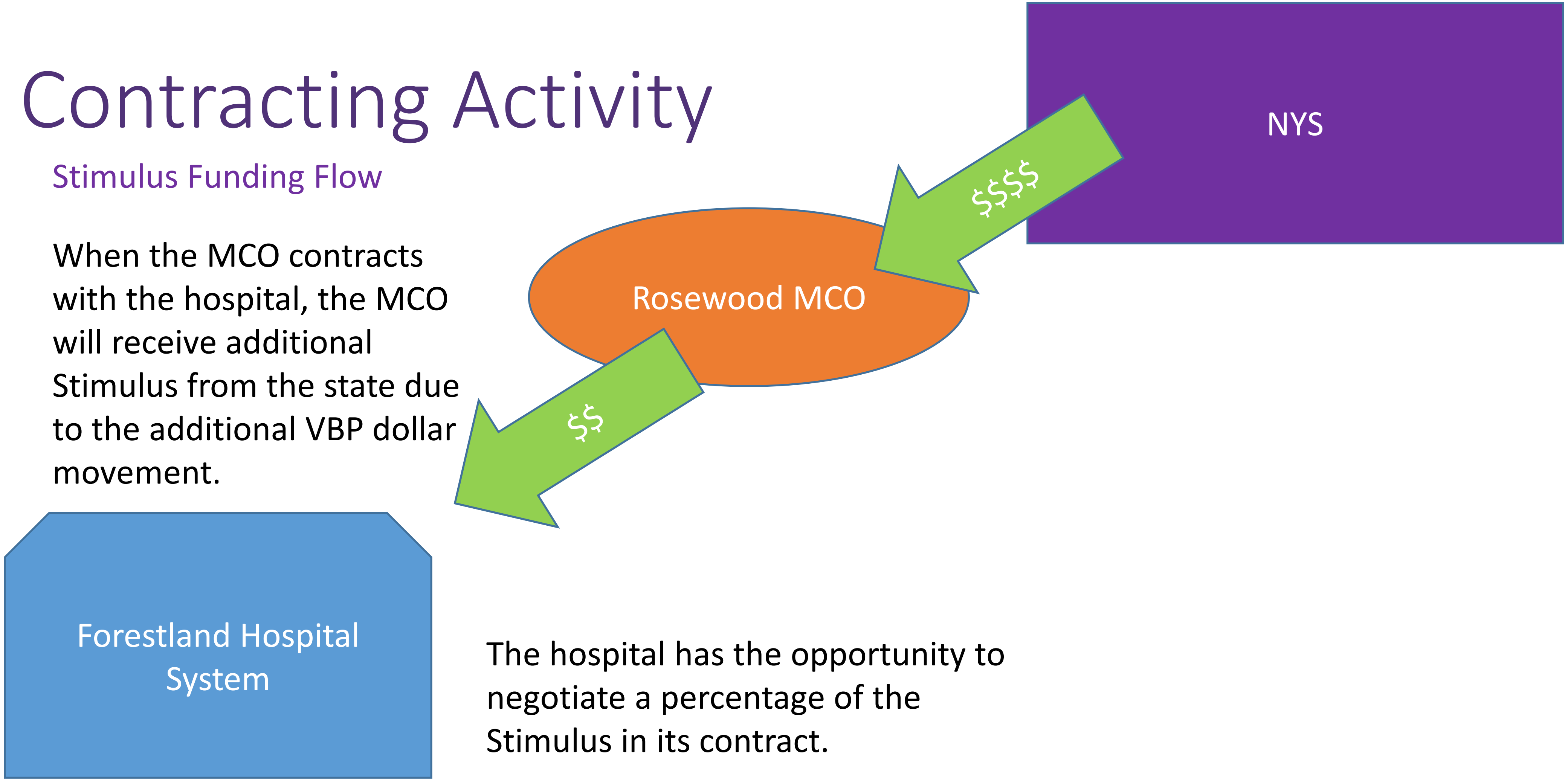
Hazelcrest Non-profit CBO

- A non-profit community based organization (CBO) implementing supportive housing interventions for high-cost members
- Has a number of programs which will reduce costs for Hospital and Physician Group
- Specializes in substance abuse

Contracting Activity

Stimulus Funding Flow

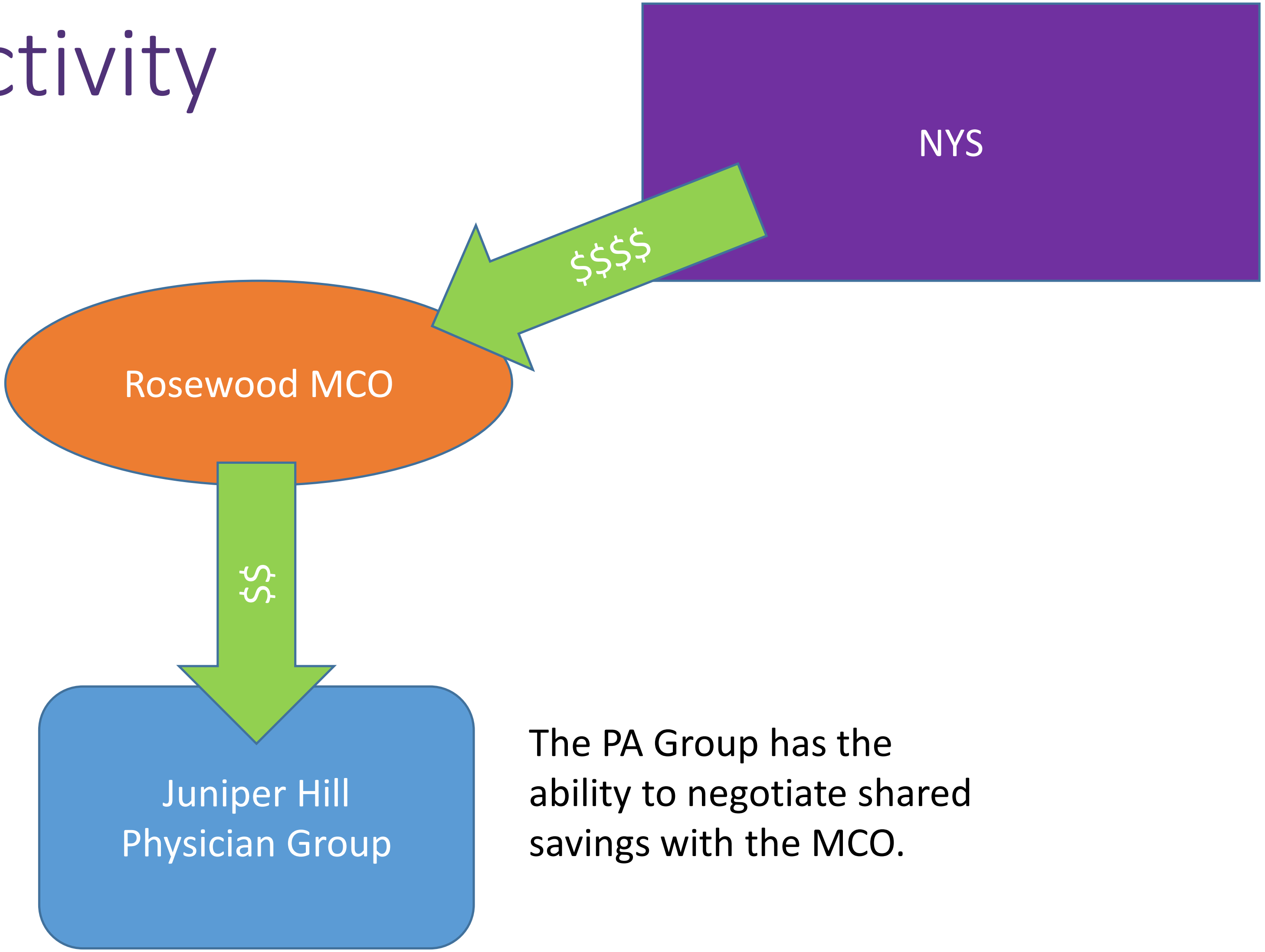
When the MCO contracts with the hospital, the MCO will receive additional Stimulus from the state due to the additional VBP dollar movement.



The hospital has the opportunity to negotiate a percentage of the Stimulus in its contract.

Contracting Activity

Performance Adjustments Funding Flow

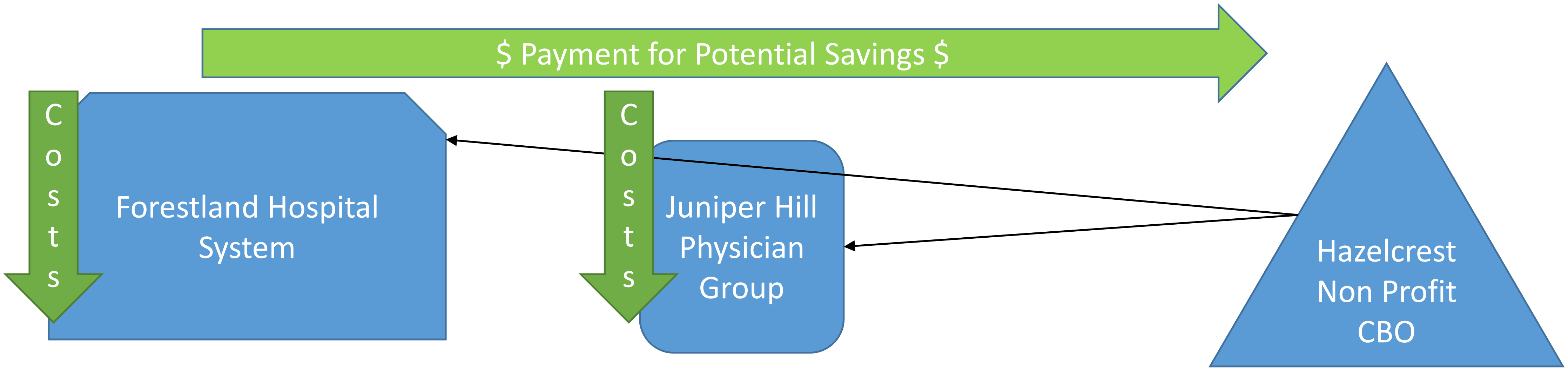


This High Efficiency/Quality Physician Group will increase the MCO's Performance Adjustment, which may be up to +/-6% of premium dollars in future VBP years.

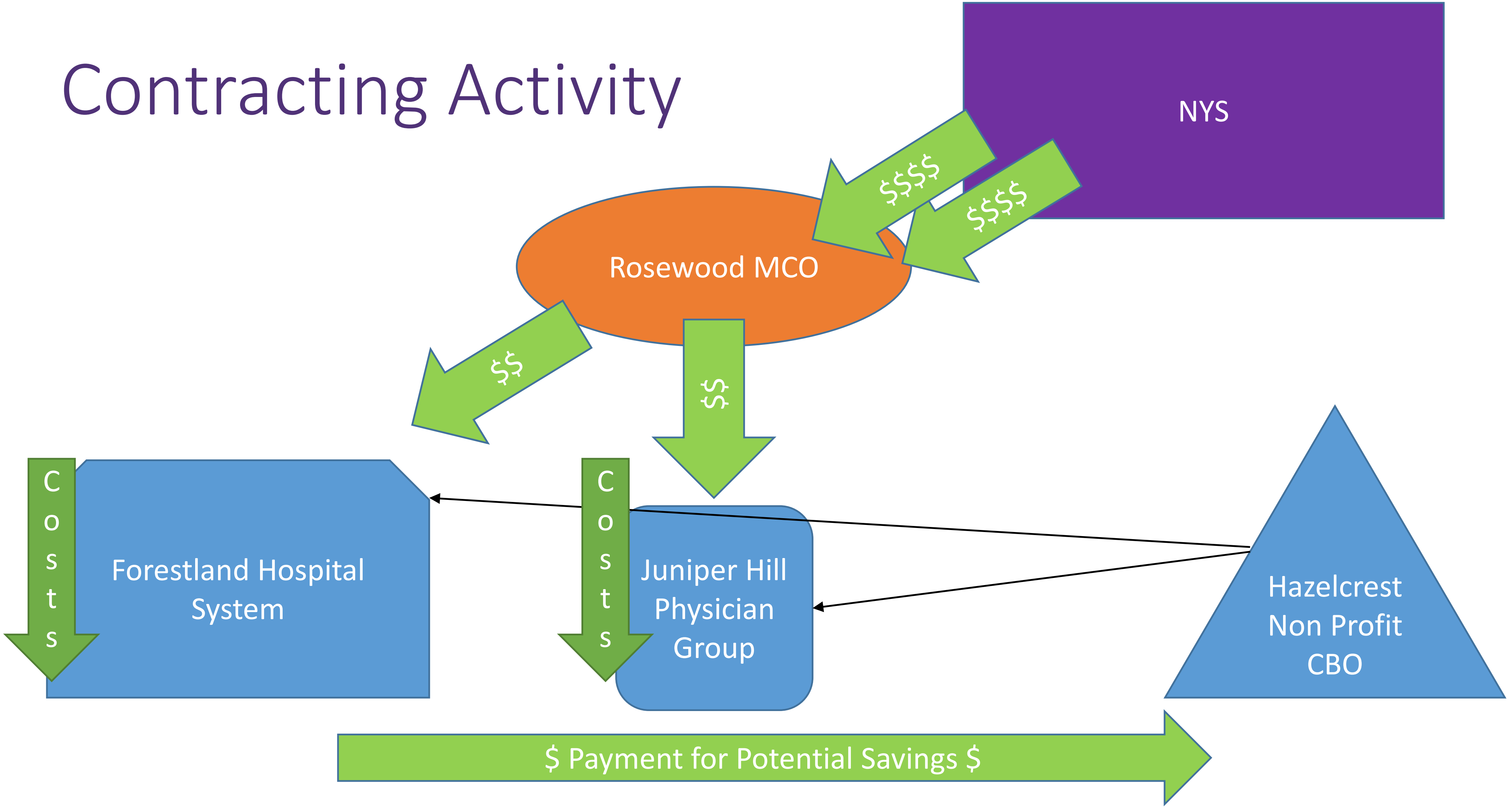
The PA Group has the ability to negotiate shared savings with the MCO.

Contracting Activity

- The Non-Profit Community Based Organization (CBO) has the ability to contract with the Hospital and the Physician Group or directly with the MCO to implement a Social Determinants of Health intervention.
- In this arrangement, the Non Profit CBO works in the community, reducing costs for the Hospital Group and the Physician Group.
- The Hospital and Physician Group generally provide initial payment to the CBO, and later receive savings in the form of reduced readmissions and improved health outcomes.



Contracting Activity



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20 Minutes to Negotiate Contracts

- Each member will have a “Role Card” that only they can see
- Each organization has different goals as well as different contracting positions
- Shared Savings will be dependent on the efficiency and quality of care provided to enrollees. The level of care coordination amongst providers is assumed to impact those performance metrics.
- There is a maximum of $1 Million in Stimulus being given out to the MCO for new money moved

Rosewood MCO Role Card

You are the Managed Care Organization. Your job is to contract with the Providers and Non-Profit Organization in a way that will be most beneficial for you. Here are some things you should know:

- Your objective is to **NET $1.45 Million** in expected gains from VBP (Shared Savings, Stimulus, & Performance Adjustments)
- If you contract with Forestland Hospital System individually, you will generate an expected $1 Million in stimulus funding (due to their large impact on VBP attribution and related Medicaid spending). You will need to pass $800K down to the Hospital System in order to entice them to contract.
- If you contract with Juniper Hill Physician Group (known for their high quality/efficiency) individually, you expect to receive $1 Million in Performance Adjustments. You will need to push down $500K to the Juniper Hill in order to entice them to contract with you.

A. If you contract with both groups individually, you will retain 60% of the $1 Million in Shared Savings generated in the arrangement due to reduced costs (you will pay 20% out to the Hospital System and 20% to the Physician Group).

B. If you contract with both groups collectively, you can expect the same amount in Stimulus, but the increased care coordination from contracting together will have positive effects on the efficiency and quality of Forestland Hospital System, and your overall Performance Adjustment will increase to $1.5 Million. You will still receive 50% of this, and pass down 50%. Due to the providers' greater collective leverage in negotiating, you will only receive 50% of the Shared Savings of $1 Million generated (paying out 25%/25%).

   i. If Hazelcrest is not involved in a contract with the providers, you can elect to contract for them directly for $30K This will generate expected savings for you of $100K.

C. If you contract with both groups collectively, and the Non-Profit is included in the contract, the same circumstances from above apply, with the exception that Hazelcrest's interventions, now paid for by and coordinated with the providers, will increase the Shared Savings to $1.2 Million.

Forestland Hospital System Role Card

You are the large hospital system in this scenario and your biggest contribution is the attributed members and the associated spending that they will contribute to the state's VBP goals. Here are some things you should know:

- It is your Organization Goal to **NET $1.05** Million from this contracting negotiation. Any amount lower than this will be considered a loss.

A. If you contract exclusively with the MCO, they have agreed to pass down 80% of their $1 Million Stimulus and 20% of the $1 Million Shared Savings.

B. If you contract with the MCO and the Physician Group together, the Hospital will pass down to you 80% of the Stimulus, and due to the greater leverage of negotiating together, you will receive 25% of the $1 Million in Shared Savings.

C. If you contract with the MCO, Physician Group, and the Non-Profit together, you will receive 80% of the Stimulus and 25% of the $1.2 Million Shared Savings, which have increased due to the greater care coordination brought out by including all parties.

   I. You must pay the Non-Profit $25K for their services in order to contract them.

Juniper Hill Physicians Group Role Card

You are the Physicians Group in this scenario and your contribution is the stellar efficiency and quality that you are known for providing. These two factors will help to contribute to real money for the MCO in the form of VBP Performance Adjustments. Here are some things you should now:

- It is you organization goal it get to an expected **NET of $1 Million** from these negotiations. Any amount lower than this will be considered a loss.

A. If you contract exclusively with the MCO, you will receive 50% passed down from the MCO of the $1 Million the MCO receives for Performance Adjustments and 20% of the $1 Million in Shared Savings.

B. If you contract collectively with the Hospital to the MCO, you will receive 50% passed down from the $1.5 Million the MCO receives for Performance Adjustments, which have increased due to your positive influence on efficiency and performance, as well as 25% of the $1 Million in Shared Savings.

C. If you contract collectively with the Hospital, Non-Profit and MCO, you will receive 50% passed down of the $1.5 Million the MCO receives for Performance Adjustments as well as 25% of the $1.2 Million in Shared Savings, which have increased due to greater care coordination.

    I. You must pay the Non-Profit $25K for their services in order to contract with them.

Hazelcrest Community Based Organization (CBO) Role Card

You are the CBO entity. The interventions that you fund will help to reduce complications and avoidable admissions for the population covered by VBP. This will translate into additional shared savings for the other contracting parties. Here are some things you should know:

- You want to attain the maximum contract possible, regardless of the entity; but you must receive at least $30k in order to cover the costs from your interventions.

A. You may contract with the providers collectively or individually.

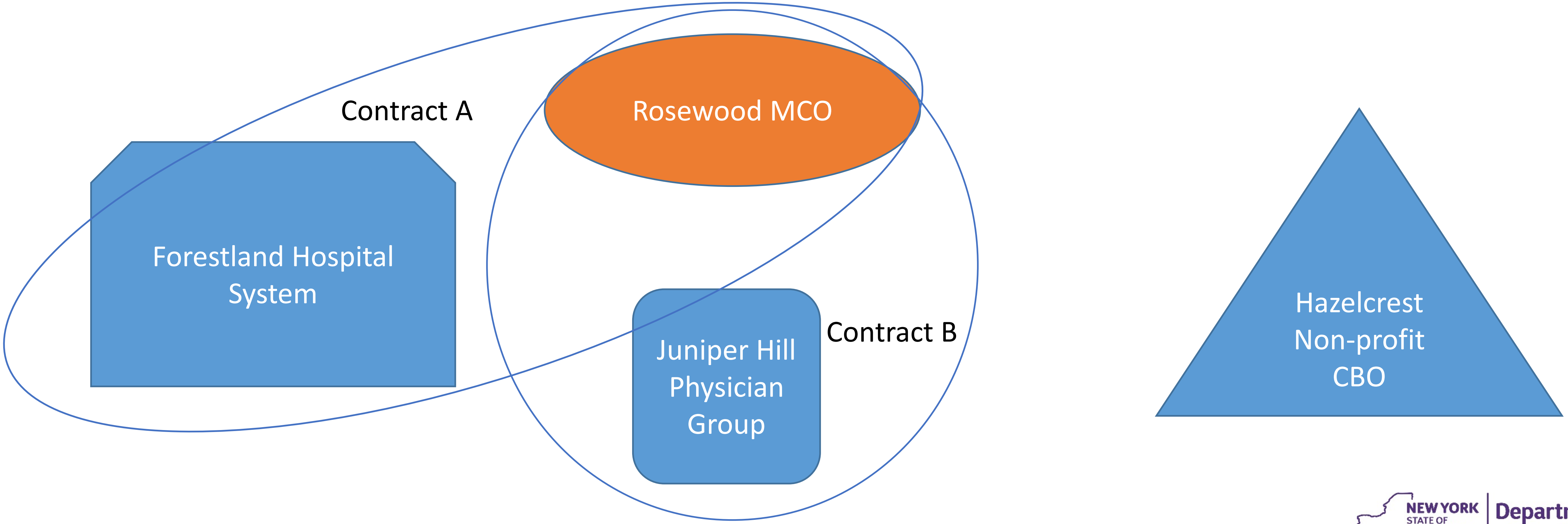
B. You may contract with the MCO directly.

C. You may also contract with the MCO and one or more providers.

Contracting Activity

This scenario could have played out a number of ways…

Just like the non profit and the providers, the MCO may contract with the providers separately or together.



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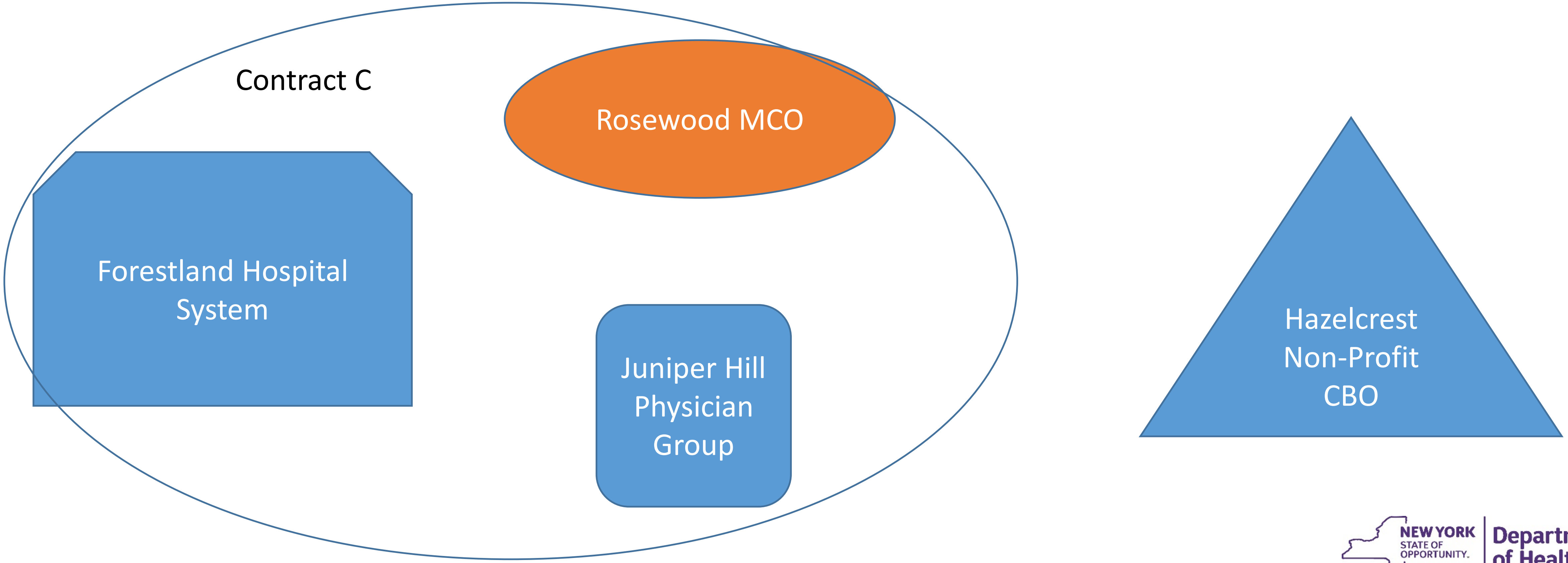
Contracting Activity



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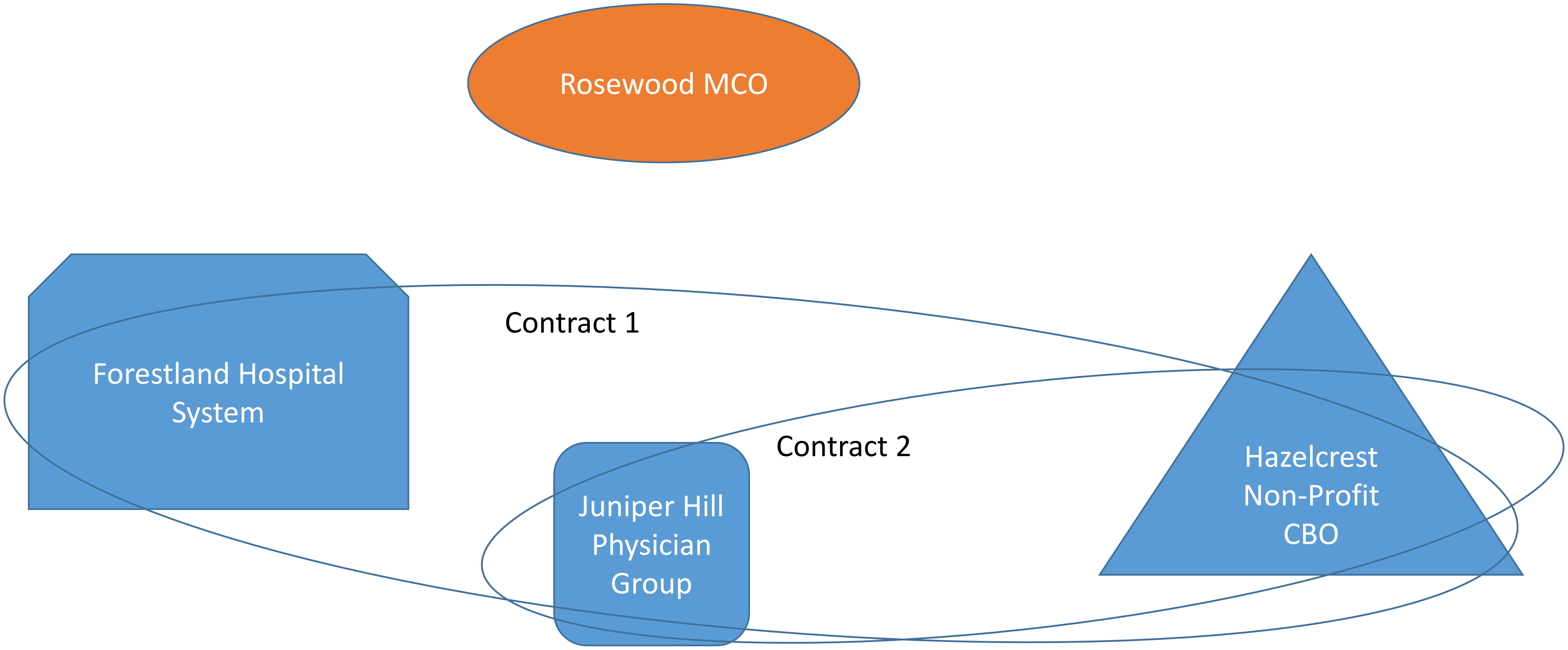

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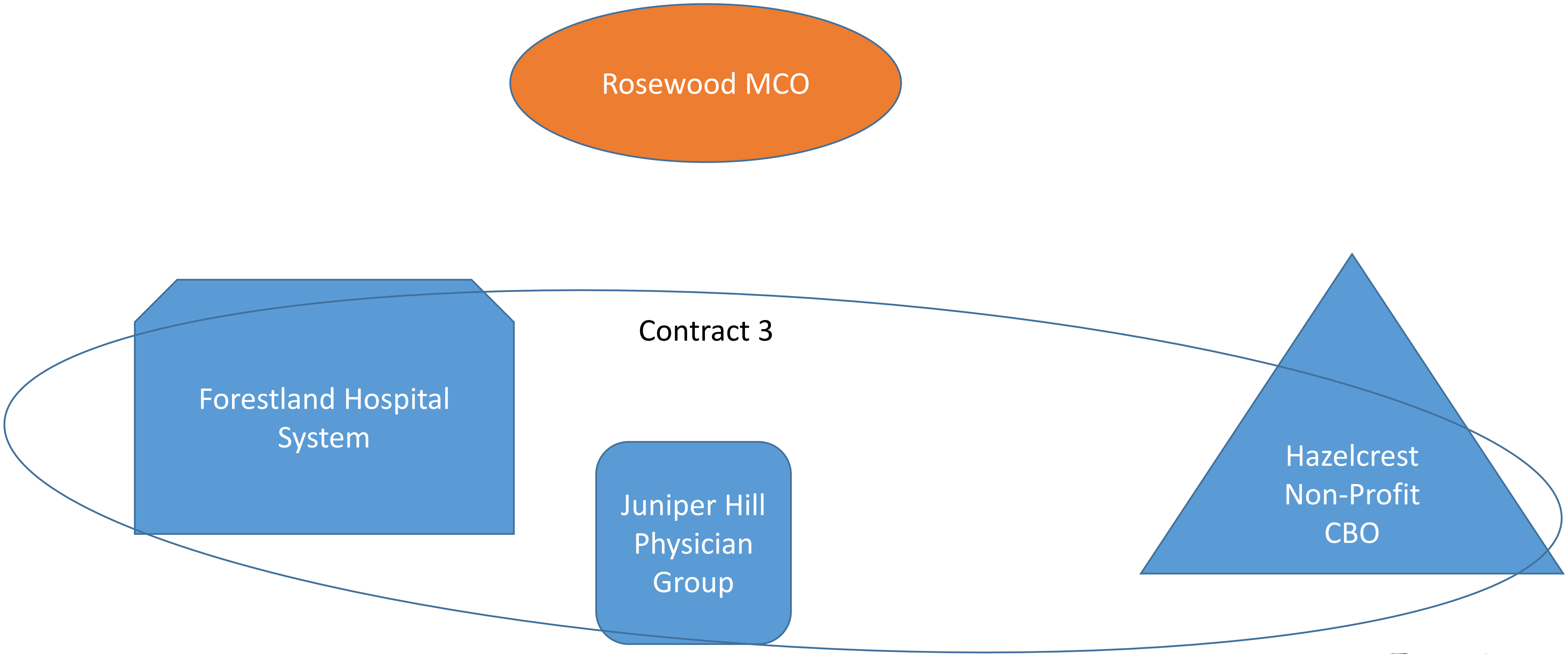

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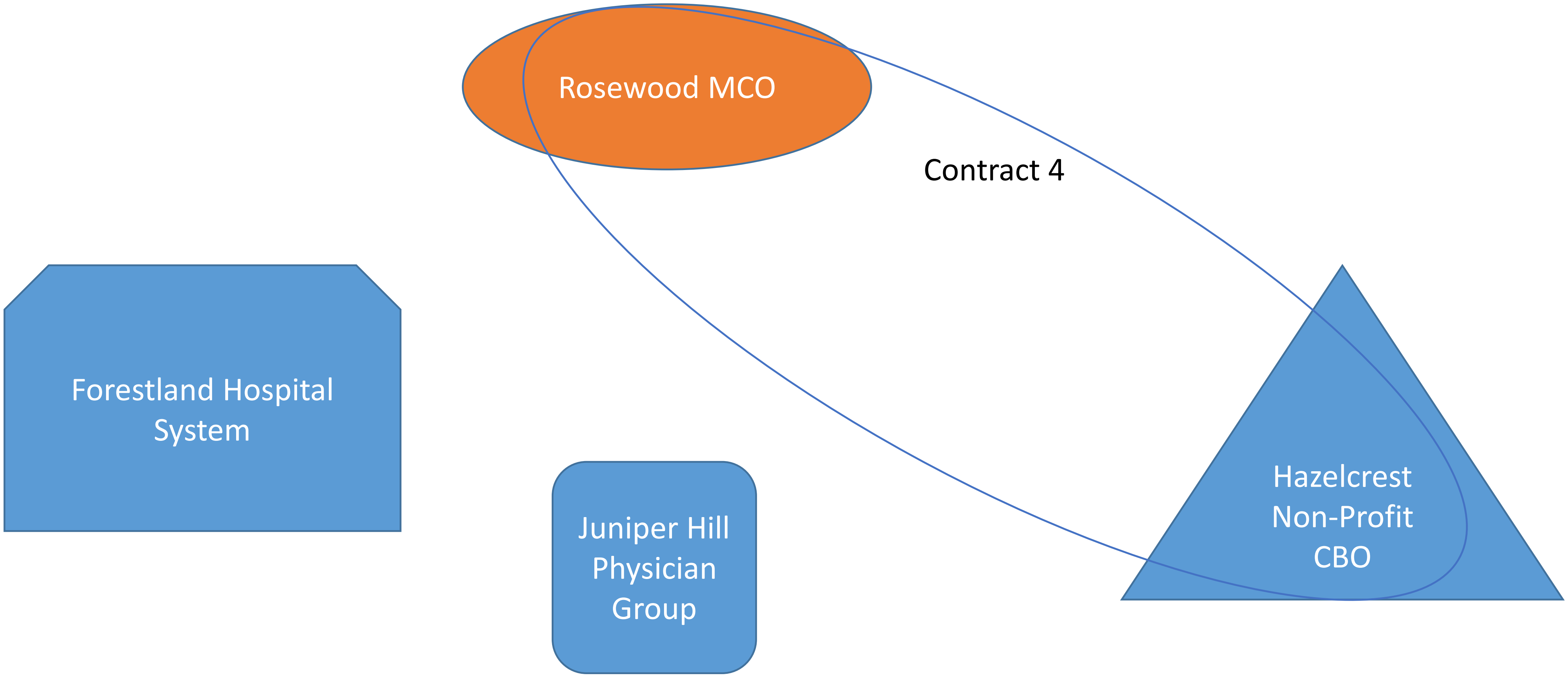

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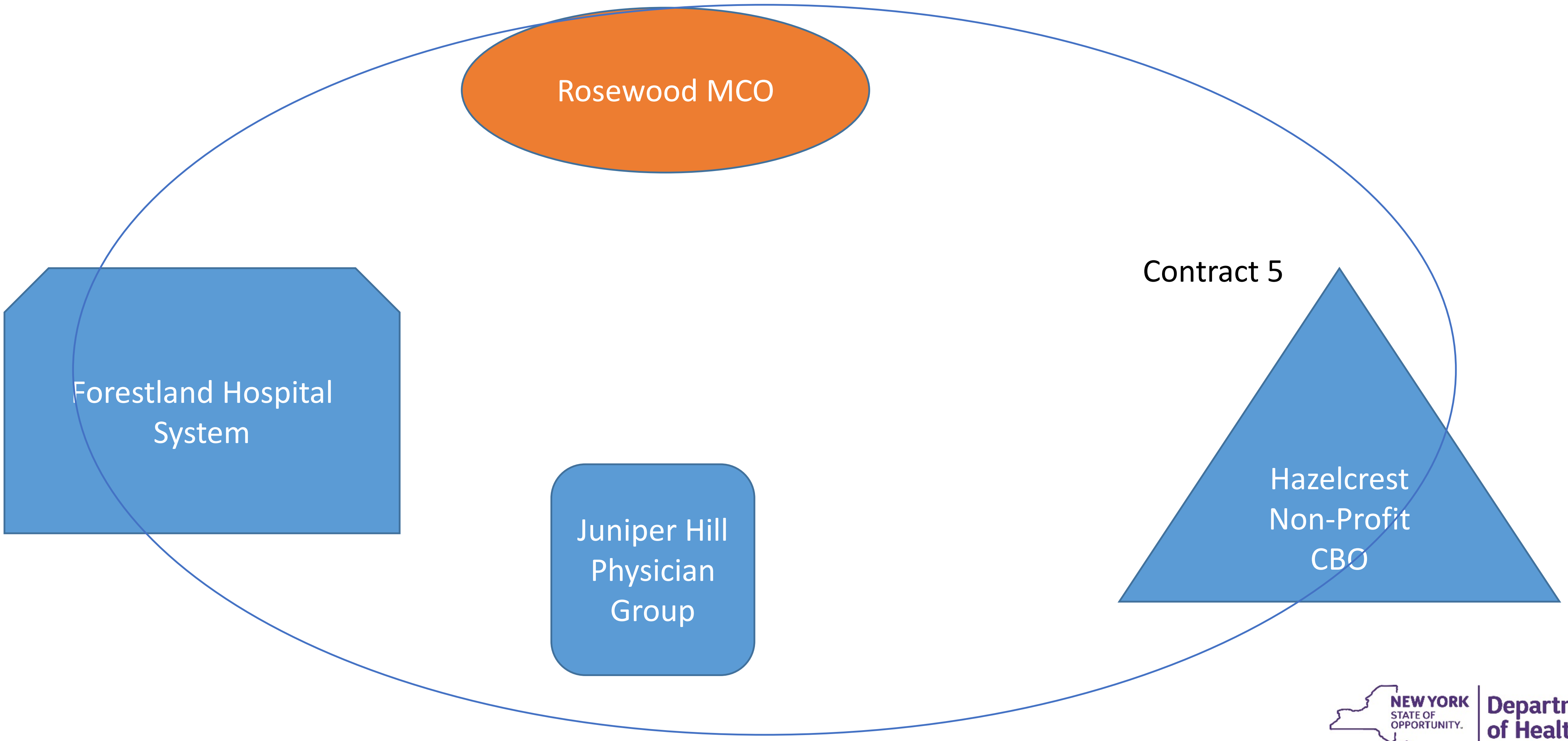


Scenario Review

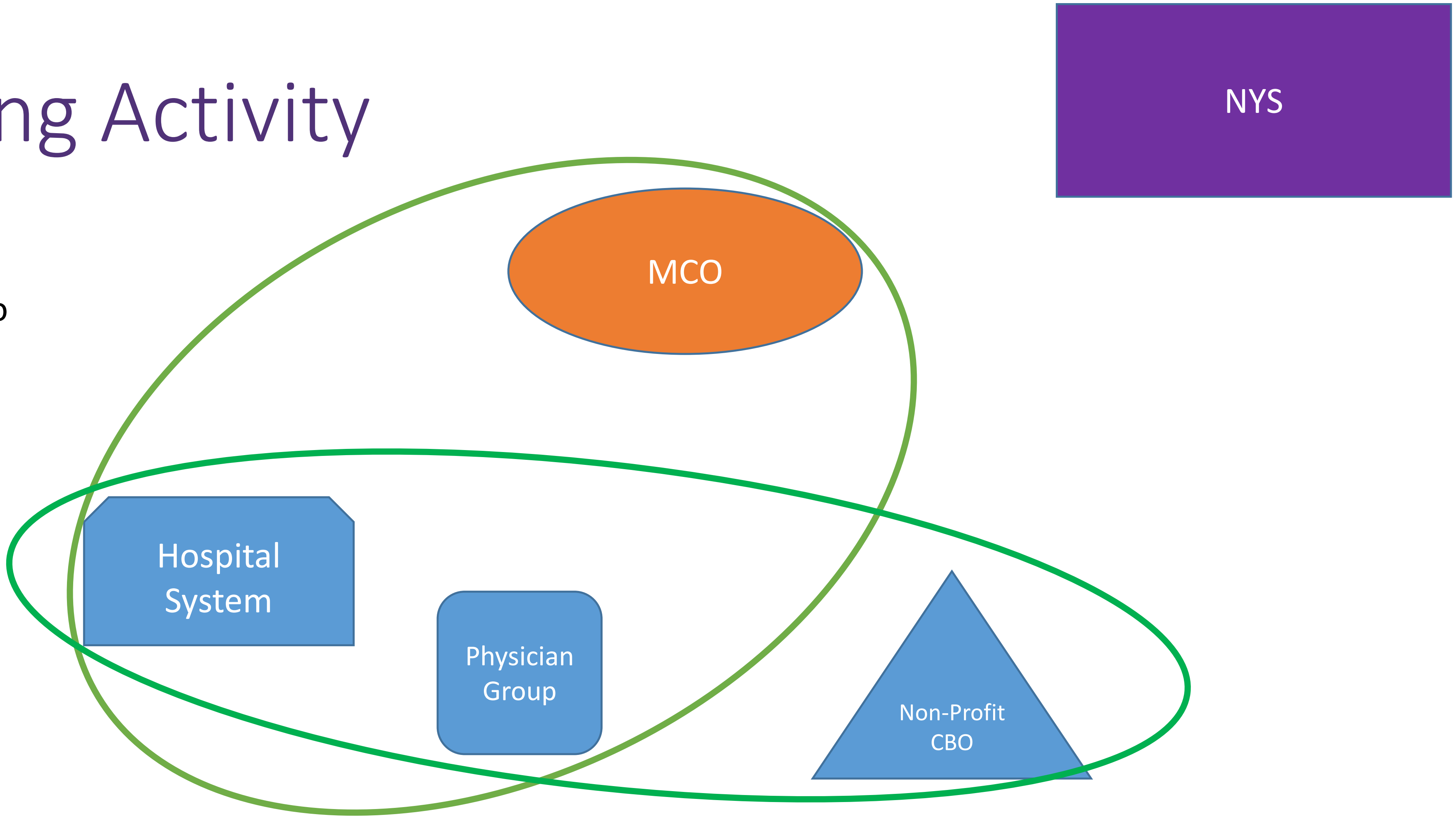
- There are many “win-win” or “win-win-win” scenarios.
- Entities may be taken advantage of if they do not know their value in the arrangement.
- Ultimately, each entity will be working to do what is best for them individually.
- What contracting scenarios did the teams engage in?
- Who shared their role cards?

- A realistic “Ideal Scenario” would look something like…

Contracting Activity

It's usually (not always) best to contract together!

- Greater Shared Savings can be achieved



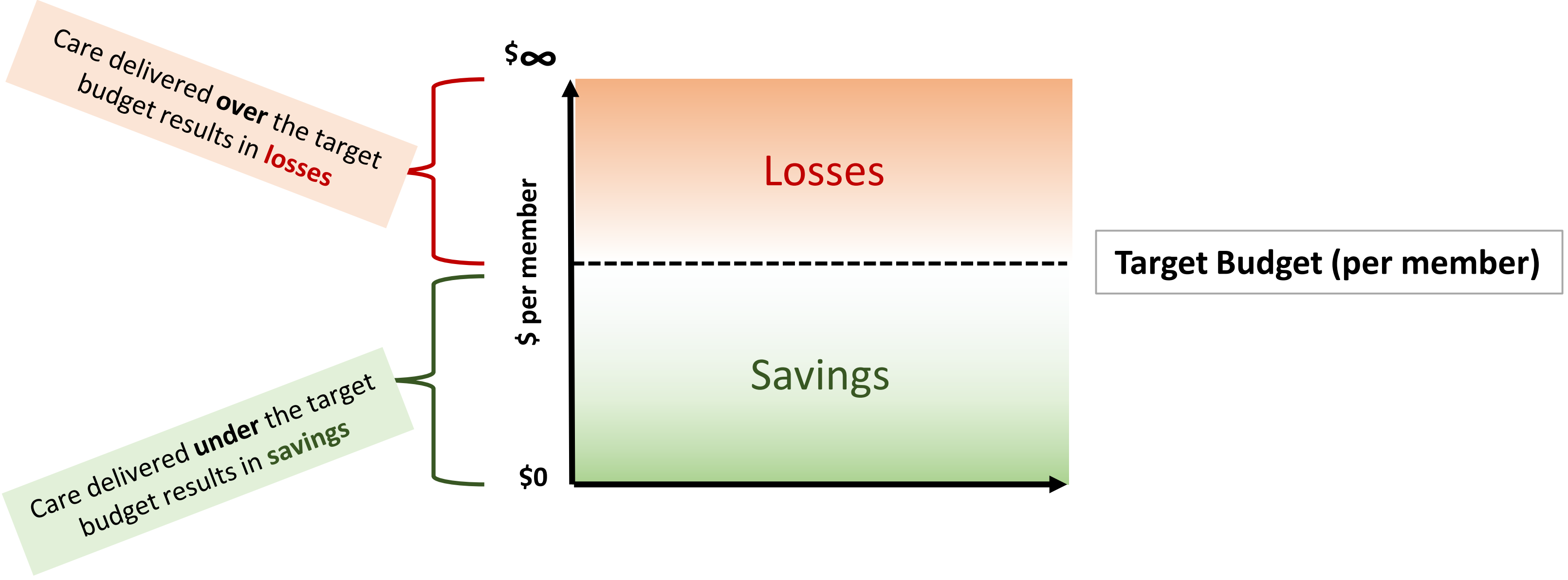
5. Risk Mitigation & Data Sharing

The Risk Profile

Saving / Loss Relationship is Asymmetrical

- Losses a provider may take related to patient care are, theoretically, limitless. Therefore, there exists **no ceiling on the amount of losses** a provider can incur.

- Patient care cannot be delivered at $0; there is a **floor on the amount of savings** a provider can generate



Providers: Consider strategies to manage the risk given the asymmetrical relationship of savings and losses

Risk Mitigation Strategies

- Stop Loss
- Reinsurance
- Manage Patient Volume

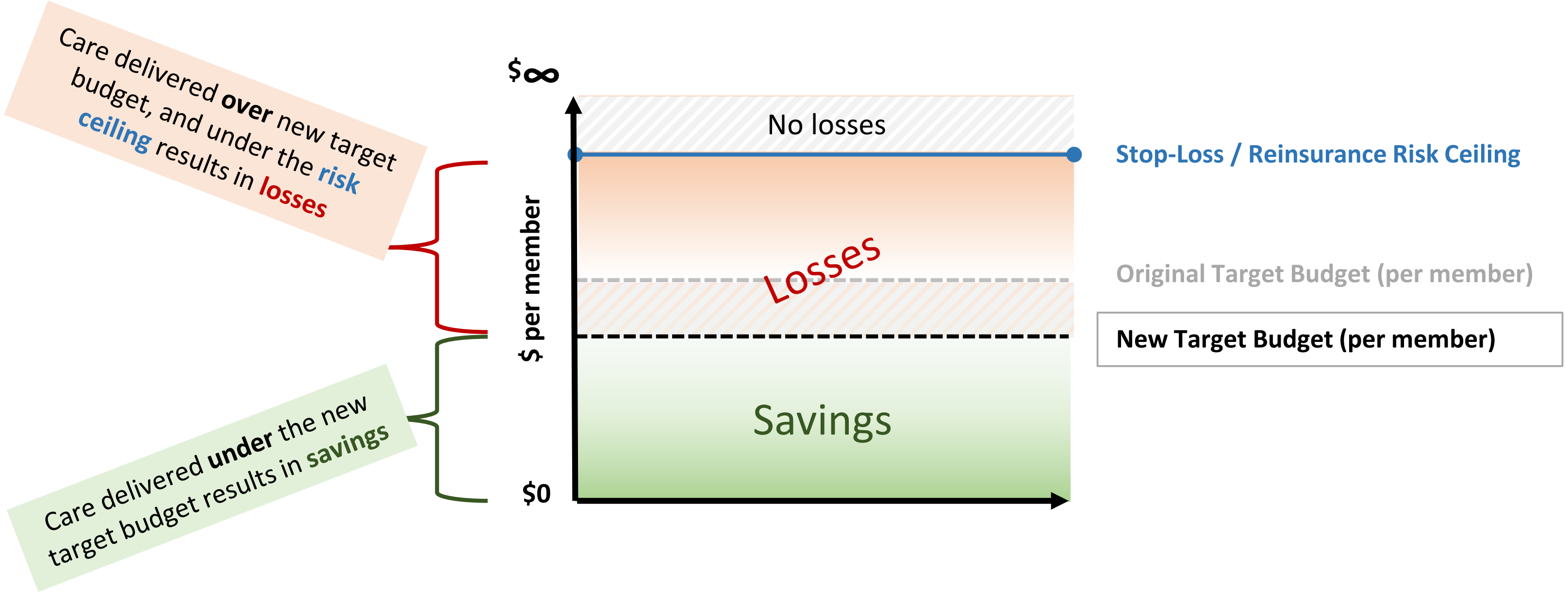
What a provider should consider: Determine appropriate risk mitigation strategies to position you to generate the most shared savings without putting yourself at risk.

Stop Loss / Reinsurance

Risk mitigation strategies that can level the playing field

- Provider can purchase **stop-loss or reinsurance** to create a risk ceiling to **manage the risk of outlier costs**

- Providers will have to negotiate a **stop loss** agreement / pay a premium for **reinsurance**, **eating into the potential savings** they can earn. This effectively adjusts downward the target budget.

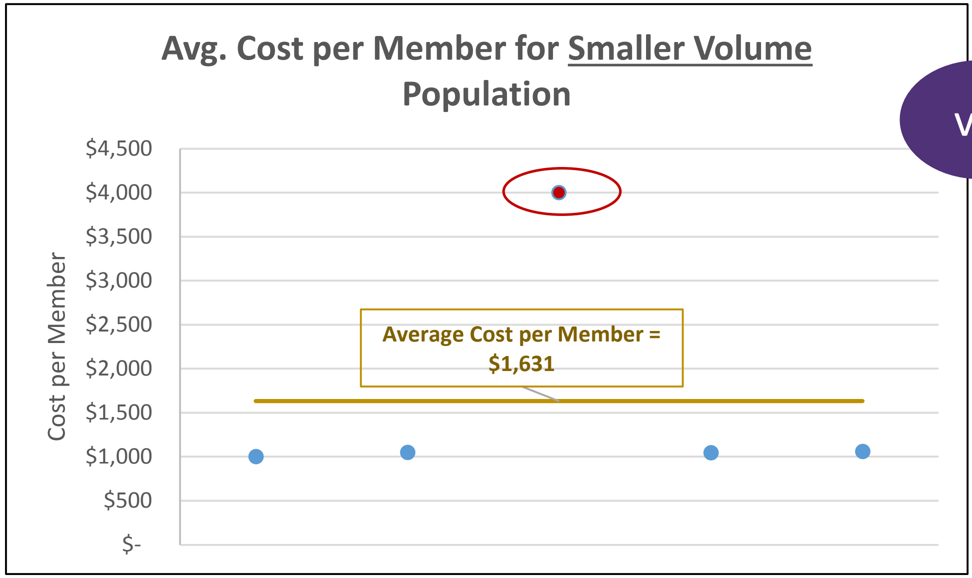


What a provider should consider: It is important to remember that the lower the **risk ceiling** is set, the more shared savings the VBP Contractor may have to forfeit.

Manage Patient Volume

Larger Populations Can Help Smooth Out Outliers

- One (or a few) **high cost cases** (outliers) can impact your budget
- A larger population can help absorb the costs of these outliers
- In addition, larger populations allow the VBP Contractor the ability to better understand cost trends and population behaviors



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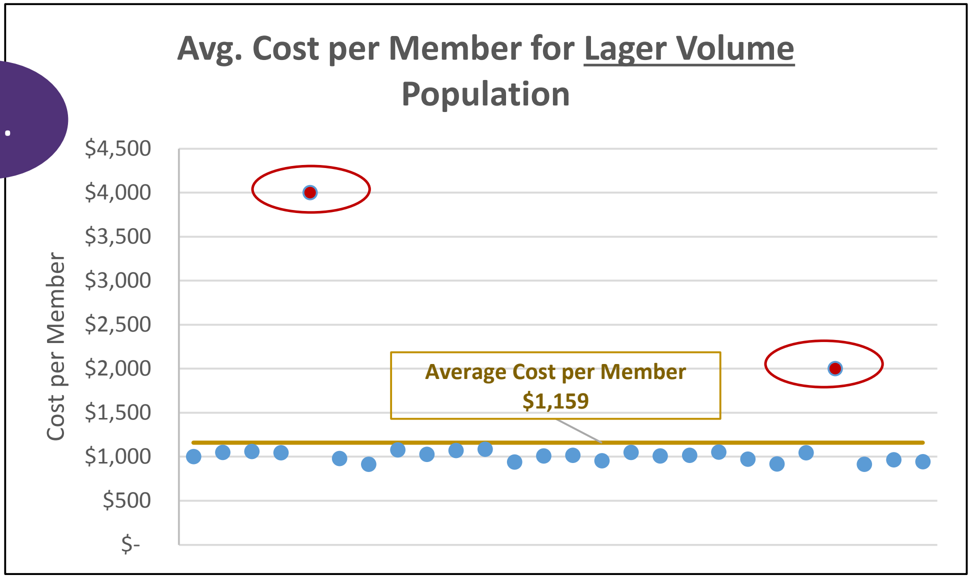

What a provider should consider: Contracting VBP arrangements for small population groups can expose the VBP Contractor to risk.

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The MAPP Tool

Overview

1. MAPP Dashboards are meant to provide data related to efficiency and quality
2. The Dashboards may be drillable to arrangement type, payer, and VBP Contractor

How to Avoid Being Surprised

1. Don’t wait for MAPP release to negotiate contracts
2. Collect data in-house or externally

More on Data

- VBP University has put together a video that summarizes data's importance to VBP

  Video

How Else Can I Collect Data?

1. Begin connecting with a PPS
2. Possibly partner with payers and other providers to access and share data
3. For the IPC and TCGP arrangements, hospitals can receive a portion of a professional-led VBP contractor's shared savings if the hospital provides support, including *"real time direct data feeds to professional-led VBP contractors for emergency room utilization, admissions, and discharges (including behavioral health and substance use)."* (VBP Roadmap, p. 67)