

Note: This term sheet contains general concepts and proposed principles, but does not constitute a commitment by any party to undertake any particular action. This term sheet is subject to change, and both the State and CMS acknowledge that any agreement arising from the terms discussed herein is subject to the approval of relevant federal and state officials.

Section		Terms & Conditions
1.	Legal Authority	<p>Medicare Authority: Section 1115(A) of the Social Security Act (“Act”) authorizes CMS, through the Innovation Center, to enter into the Model Agreement. Medicare reimbursement under this Model shall continue to operate consistent with applicable laws, regulations and guidance, as amended or modified, except to the extent these requirements are waived in accordance with Section 1115A(d)(1) of the Act as set forth in the Model Agreement.</p> <p>Medicaid Authority: Section 1115A of the Act authorizes CMS, through the Innovation Center, to enter into the Model Agreement. Medicaid reimbursement under the Model shall continue to operate consistent with applicable laws, regulations and guidance, including but not limited to all requirements of Vermont’s existing Medicaid State Plan and 1115(a) demonstration waiver(s), as amended or modified from time to time, except to the extent these requirements are explicitly waived or modified in accordance with Section 1115A(d)(1) of the Act pursuant to the Model Agreement or in a relevant 1115(a) demonstration waiver or state plan amendment. Vermont represents and warrants that its Medicaid state plan and/or 1115(a) demonstration waiver(s) will be consistent with the terms and conditions of the Model Agreement with respect to Medicaid no later than January 1, 2017 and, if necessary, that it shall update timely its Section 1115(a) demonstration waiver(s) to accommodate any and all changes in payment methodologies that the State implements pursuant to the Model Agreement.</p> <p>Vermont Authority: The State represents and warrants that it has the legal authority to perform the following regulatory functions consistent with the Model Agreement:</p> <ol style="list-style-type: none"> a. Enter into this Model Agreement with CMMI: The Green Mountain Care Board (the Board) is empowered to “[o]versee the development and implementation, and evaluate the effectiveness, of health care payment and delivery system reforms designed to control the rate of growth in health care costs and maintain health care quality in Vermont.” 18 V.S.A. § 9375(b)(1); <i>see also</i> 18 V.S.A. § 9377 (authorizing Board to

		<p>develop and oversee “[p]ayment reform pilot projects . . . to manage the costs of the health care delivery system, improve health outcomes for Vermonters, provide a positive health care experience for patients and health care professionals”).</p> <p>b. Set rates for providers and require payers to comply with those rates: The Board has statutory authority to “set reasonable rates for health care professionals, health care provider bargaining groups created pursuant to section 9409 of this title, manufacturers of prescribed products, medical supply companies, and other companies providing health services or health supplies based on methodologies pursuant to section 9375 of this title, in order to have a consistent reimbursement amount accepted by these persons.” 18 V.S.A. § 9376(b)(1).</p> <p>c. Regulate a statewide ACO and other components of the health care system in a manner consistent with the Model Agreement: The statutes cited above provide the general authority needed to fulfill this role. In addition, the Board has authority to (1) regulate hospital budgets, 18 V.S.A. §§ 9375(b)(7), 9451-9457; (2) regulate insurance rate changes for major medical health insurance in the individual and small group markets, 8 V.S.A. § 4062, 18 V.S.A. § 9375(b)(6); and (3) regulate significant capital expenditures by health care facilities, 18 V.S.A. §§ 9375(b)(8), 9431-9446.</p>
2.	Performance Period	<p>The performance period shall consist of five performance years, each of 12 months duration beginning on January 1 (“Performance Year”). The performance period of this Model will begin on January 1, 2017 and will end at midnight (EST) on December 31, 2021. The five-year performance period will be preceded by a 9-month “year-zero,” which will be an operational capacity building year beginning immediately upon execution of the Model Agreement and ending December 31, 2016.</p>
3.	Medicare Beneficiary Protections	<p>Vermont’s goal is to improve access to and utilization of high-quality, low-cost care and services for all Medicare beneficiaries. Medicare beneficiaries access to care and services and providers will not be limited under the All Payer Model. Specifically, Medicare beneficiaries in Vermont will:</p> <ul style="list-style-type: none"> • Retain full freedom of choice of providers and suppliers, as well as all rights and beneficiary protections of Original Medicare.

		<ul style="list-style-type: none"> • Retain coverage of the same care and services provided under Original Medicare. Medicare beneficiaries will not experience any reductions in benefits or covered services under the All Payer Model. • Vermont will seek specified benefit enhancements that will directly improve beneficiary access to care and services.
4.	Medicare Basic Payment Waivers	<p>Under the All Payer Model, CMS waives the requirements of the following provisions of the Act as applied solely to Regulated Services, as defined in Section 12 of this Model Agreement Term Sheet. Such waivers shall include:</p> <ul style="list-style-type: none"> • Inpatient Prospective Payment Systems (IPPS): Sections 1886(d), 1886(g), and 1886(b)(1) of the Act and implementing regulations at 42 CFR 412, Subparts A through M, • Outpatient Prospective Payment Systems (OPPS): Section 1883(t) of the Act and implementing regulations at 42 CFR Part 419, • Other provisions of the Act regulating Medicare payments for Regulated Services, including, but not limited to payments for: <ul style="list-style-type: none"> ○ Physician Services ○ Home Health ○ Skilled Nursing Facilities ○ Durable Medical Equipment ○ Hospice ○ Clinical Labs ○ Part B Prescription Drugs.
5.	Medicare Innovation Waivers	<p>CMS shall grant such waivers of Medicare laws and regulations as may be necessary to facilitate care delivery transformation, including:</p> <ul style="list-style-type: none"> • Three (3) Day Skilled Nursing Facility (SNF) Rule: Section 1888(e) of the Act and implementing regulations at 42 CFR 409 Subpart D, • Telehealth: Section 1834(m) of the Act and implementing regulations at 42 CFR 410.78 and 414.65, • Post-Discharge Home Visits: Section 1834(a)(11)(B)(ii) of the Act and implementing regulations at 42 CFR 410.26,

		<ul style="list-style-type: none"> • Other innovation waivers that facilitate care delivery transformation. Vermont intends to explore, without limitation, waivers that address: <ul style="list-style-type: none"> ○ Removing certain eligibility restrictions for home care and hospice care ○ Maximizing the role of nurse practitioners ○ Removing restrictions on reimbursement for Licensed Alcohol and Drug Abuse Counselors, and ○ Removing restrictions on reimbursement for supportive, wrap-around recovery services provided by the Hub and Spoke Model. <p>Vermont may propose additional Medicare Innovation Payment Waivers for CMS review and approval in accordance with Section 8 of the Term Sheet.</p>
6.	Infrastructure Payment Waivers	<p>CMS shall grant such waivers of Medicare laws and regulations as may be necessary to continue participation in Vermont’s Blueprint for Health and and expand Medicare funding levels to establish Medicare payment parity with Medicaid and the commercial insurers by:</p> <ul style="list-style-type: none"> • Continuing and enhancing payments to Blueprint Primary Care Practices on claims with a HCPC Code G9008 (Physician Coordinated Care Oversight Services) and • Continuing and enhancing payments to Northeastern Vermont Regional Hospital on claims with a HCPC code of G9152 (Community Health Teams and Support and Services at Home). <p>CMS shall grant such waivers of Medicare laws and regulations as may be necessary to begin participation in Vermont’s Alliance for Opioid Treatment (known as the “Hub & Spoke Program”) by:</p> <ul style="list-style-type: none"> • Paying for Medication Assisted Therapy at specialty opioid treatment programs • Contributing to infrastructure at specialty opioid treatment programs (known as “Hubs”) in a manner consistent with existing Medicare Blueprint payments. <p>Medicare’s participation in Blueprint for Health and the Alliance for Opioid Treatment is necessary for all-payer participation in these programs which are central to Vermont’s care delivery transformation, including improved access and outcomes for Mental Health and Substance Abuse Services.</p>

7.	Fraud and Abuse Waivers	<p>Financial arrangements between and among providers must comply with all applicable laws and regulations, except as explicitly provided in the waivers issued specifically for the state of Vermont All Payer Model pursuant to section 1115A(d)(1) of the Act. Under the Vermont All Payer Model, and irrespective of whether Vermont providers are participating in the Medicare Shared Savings Program, CMS grants all waivers of the requirements of Section 1128A of the Act (Civil Monetary Penalties), Section 1128(B) of the Act (Anti-Kickback Provisions), and Section 1877 of the Action (Physician Self-Referral law) authorized under the “Medicare Program: Final Waivers in Connection with the Shared Savings Program” (CMS-1439-F). Fraud and Abuse Waivers are categorized as follows:</p> <ul style="list-style-type: none"> • ACO Pre-Participation Waiver • ACO Participation Waiver • Shared Saving Waiver • Compliance with Physician Self-Referral Waiver • Patient Incentives Waiver
8.	Request for Additional Waivers	<p>The State of Vermont may request, and the Secretary may consider, additional waivers of Medicare law, as may be necessary solely for purposes of carrying out this Model. The State of Vermont may request additional waivers by submitting an amendment to the Model Agreement, along with the rationale for the amendment. CMS may grant these waivers in its sole discretion. However, should CMS not grant the waiver, and the State of Vermont determines the waiver is necessary to achieve the Model’s goals, the State may terminate the Model Agreement as set out in Section 18 of this Model Agreement Term Sheet. Such waivers, if any, would be set forth in separately issued documentation specific to this Model. Any such waiver would apply solely to this Model and could differ in scope or design from waivers granted for other programs or models.</p>
9.	Revocation of Waivers	<p>CMS reserves the right to withdraw any waiver of Medicare payment requirements or Fraud and Abuse waivers, as described above or any waivers issued by CMS at a future date for the sole purpose of carrying out this Model, or as applicable, to terminate the Model Agreement, pursuant to the procedures set forth in in Section 18 of this Model Agreement Term Sheet, if Vermont does not comply with the conditions associated with the applicable Waivers as set forth in the Model Agreement.</p>

10.	All-Payer Rate Setting System	<p>Vermont Rate Setting: This Model is predicated on 18 V.S.A. §§ 9375(b)(1), 9376, and 9377, as discussed in item 1 above. The State shall maintain an all-payer rate setting system for all regulated services, as defined in Section 12 of this Model Agreement Term Sheet, whereby Medicare rates will be established using an ACO-based reimbursement method derived from the Next Generation ACO program or using the Medicare Fee Schedule rates as the reference price.</p> <p>If the Vermont General Assembly makes changes to 18 V.S.A. §§ 9375(b)(1), 9376, or 9377, Vermont must notify CMS in writing of such changes. If CMS determines that such changes are not consistent with the all-payer requirement of this Model, CMS may pursue modification, Corrective Action, or termination.</p> <p>Medicare Claims Processing: CMS shall continue to process claims for Medicare services pursuant to established procedures and through the applicable Medicare Administrative Contractor (MAC). For payments to an ACO, CMS and Vermont shall agree on a claims processing and payment approach that will conform to Vermont’s all-payer model plan and CMS operational requirements.</p>
11.	Provider Participation in Alternative Payment Models	<p>Vermont will use an accountable care organization (ACO) model to carry out its payment and delivery system transformations under the All Payer Model Agreement. Vermont will use its rate setting authority consistent with the goals of MACRA to encourage provider participation in alternative payment models. Vermont Medicare providers that participate in the ACO under the All Payer Model Agreement will be deemed compliant with MACRA requirements for participation in alternative payment models.</p>
12.	Regulated Services	<p>Regulated Services: Those services subject to the All-Payer Ceiling. Medicare Regulated Services are those services from which Medicare Savings will be calculated. Regulated Services are more fully defined in Appendix A: Regulated Services.</p> <ul style="list-style-type: none"> • Medicaid and Commercial Regulated Services will include the following categories of service consistent with the existing shared savings program currently implemented: <ul style="list-style-type: none"> ○ Primary Care Physician ○ Laboratory and Radiology

		<ul style="list-style-type: none"> ○ Specialty Physician ○ Mental Health and Substance Abuse Services ○ Other Professionals ○ Inpatient Services ○ Outpatient Services ○ Other, Residential, and Personal Care ○ Durable Medical Equipment ○ Home Health. <p>The State may add additional categories of service to Medicaid and Commercial Regulated Services, subject to CMS approval, by proposing an amendment to the Model Agreement at least 6 months before the beginning of the performance year in which the services will be Regulated Services.</p> <ul style="list-style-type: none"> ● Medicare Regulated Services will include Parts A and B covered services <p>The state may request that CMS work with the state to devise a method to include Medicare Part D covered services in GMCB rate setting authority, irrespective of whether those services are Medicare Regulated Services.</p> <p>Medicaid Mental Health and Substance Abuse Services and Long Term Services and Supports (LTSS): Although Mental Health and Substance Abuse Services are included in the categories of Regulated Services, most Medicaid Mental Health and Substance Abuse Services are delivered through state designated agencies, and will not be initially included in Regulated Services. Vermont will define a pathway for assessing state and provider readiness to consider inclusion of these traditional Medicaid Mental Health and Substance Abuse Services in the all-payer model. As part of this assessment, Vermont will evaluate services for readiness to align with the all-payer model and/or potential inclusion in regulated services, including an evaluation of payer readiness, provider readiness, health information infrastructure readiness, evaluation readiness, and federal readiness. If Vermont determines that these Medicaid Mental Health and Substance</p>
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13.	Financial Targets	<p>A. All-Payer Ceiling: Vermont will set a cumulative all-payer per capita regulated services growth target and ceiling. The State must limit the cumulative annual all-payer per capita regulated services growth for Vermont residents to less than or equal to the per capita growth ceiling. This calculation will include all Regulated Services for Vermont residents and the per capita calculations will include all Vermont residents.</p> <ul style="list-style-type: none"> • The “all-payer per capita growth target” will be fixed at 3.5% per capita per year. • The “all-payer per capita growth ceiling” will be fixed at 4.3 percent per capita per year. <p>These figures are derived from historical and expected economic growth in Vermont.</p> <p>In the third quarter of Performance Year 3, Vermont may, subject to prior approval by CMS, update the all-payer per capita growth target or ceiling in the event that economic growth in Vermont is significantly higher or lower than expected.</p> <p>For the purpose of this term sheet, “all payer” means Medicare, Medicaid, and commercial insurance that is regulated by the Green Mountain Care Board. Federal employees, Tri-Care or other military coverage, and self-insured coverage shall not be included as these types of coverage are prohibited from regulation by the state under federal law.</p>

		<p>B. Medicare Savings: Over the performance period of this Model, the State must produce aggregate savings in the Medicare per beneficiary total regulated expenditure for Vermont resident fee-for-service ("FFS") Medicare beneficiaries, regardless of the state in which the service was provided. The Medicare savings calculation methodology will be jointly developed by the State and CMS and specified in the Model Agreement.</p> <p>Aggregate savings will be no less than the sum of savings in each performance year that would result from Vermont Medicare per beneficiary total regulated expenditure growth equaling 0.2 percentage points less than actual non-Vermont Medicare per beneficiary total regulated expenditure growth, subject to the provisions of Subsection C below.</p> <p>C. Calculation of Medicare Savings: CMS will calculate Medicare per beneficiary total expenditures for regulated services, both for the State of Vermont and the nation, using a jointly developed Medicare savings calculation methodology that will be specified in the Model Agreement. This calculation will be done for both national Medicare fee-for-service beneficiaries and Vermont resident Medicare fee-for-service beneficiaries. The per beneficiary total expenditure calculation for Vermont resident Medicare fee-for-service beneficiaries will include all regulated services for Vermont Medicare fee-for-service beneficiaries per these specifications, regardless of the state of service.</p> <ul style="list-style-type: none"> • Medicare savings will be calculated by age band (under 65, 65-74, 75-84, over 85) in order to appropriately adjust for relative differences in age mix between Vermont resident beneficiaries and national Medicare beneficiaries. • Medicare savings will be calculated in the following manner: <ul style="list-style-type: none"> ○ Using the calculated Medicare per beneficiary total expenditure described above, a baseline that is the actual Medicare per beneficiary total expenditures for Vermont Medicare fee-for-service beneficiaries in 2016 will be established. ○ For any given Performance Year, the baseline will be trended forward by the actual growth rate in national Medicare per beneficiary expenditures to establish a benchmark. The national Medicare per beneficiary expenditure amount will be calculated in the same manner as the Vermont Medicare per beneficiary expenditure amount.
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		<p>consideration when assessing performance on the All-Payer Ceiling and calculating Medicare savings. Vermont must explain the impact of such factors on Regulated Services and recommend how CMS should adjust the All-Payer Ceiling, Medicare savings, or both to reflect these factors.</p>
<p>14.</p>	<p>Quality Monitoring and Reporting</p>	<p>Providers in Vermont will continue to measure and report all applicable Medicare quality measures as required under federal law, currently and as amended during the course of the Performance Period.</p> <p><u>Population Health Goals</u> Vermont will establish population health measures for the state that will be monitored and evaluated during the Performance Term. Such population health goals will include defined methods to measure progress toward defined goals and will include:</p> <ul style="list-style-type: none"> • Increasing access to primary care • Reducing the prevalence of and improving the management of chronic diseases • Addressing the substance abuse epidemic. <p>All-Payer Model Quality Targets Vermont will define specific statewide quality measures and establish performance targets to evaluate the quality of care during the Performance Period. Such quality targets will be established to support Vermont’s population health goals.</p> <p>Vermont and CMS will work together to establish and document, by June 1, 2016, the purposes of the Model Agreement: 1) population health goals and a process for monitoring performance toward achievement of those goals; and 2) statewide quality measures and performance targets.</p> <p>Vermont will submit to CMS a report following the end of each Performance Year cataloging its performance with respect to the population health quality goals and statewide performance targets. Vermont will make available to CMS the datasets and methodologies used for this evaluation.</p>

15.	Data Sharing	<p>State of Vermont Data Sharing: The State of Vermont will supply all-payer claims data, as captured in its All Payer Claims Database (APCD), on a quarterly basis with CMS. CMS may use this data to conduct analyses and may publish the data and analyses, subject to Vermont’s review and approval and co-publication with Vermont.</p> <p>CMS Data Sharing: Over the Performance Period of the Model, CMS will accept data requests from the State or its agents for data necessary to achieve the purposes of the Model. Such data could include de-identified (by patient or provider) data or individually identifiable health information such as claims level data. All such requests for individually-identifiable health information must clearly state the HIPAA basis for requested disclosure. CMS will make best efforts to approve, deny, or request additional information within 30 calendar days of receipt. Appropriate privacy and security protections will be required for any data disclosed under this Model.</p> <p>Public Disclosure of Provider Performance Data: CMS will share with Vermont the data necessary to determine provider performance on the quality measures identified in Section 14 Quality Monitoring and Reporting. Vermont may publicly disclose provider-specific performance for purposes of provider accountability for the quality of care delivered under the Model.</p>
16.	All Payer Model Evaluation	<p>CMS Evaluation: CMS shall evaluate the Model in accordance with Section 1115A(b)(4) of the Act, and in comparison with the national Medicare program in other states.</p> <p>Vermont Evaluation: For any given Performance Year the State must submit to CMS a report cataloging its performance with respect to the financial and quality requirements described in the Model Agreement. The State must make available to CMS and CMS’ contractors for validation and oversight purposes Vermont’s datasets and methodologies used for this evaluation, including, as applicable, access to contractors, contract deliverables, and software systems used to make calculations required under the Model Agreement. Any information provided to CMS will be used by CMS solely for the purposes described in the Model Agreement.</p>

		<p>Maintenance of Records: In accordance with applicable law, the State must maintain and give CMS, DHHS, the Department of Justice, the Government Accountability Office, and other federal agencies or their designees access to all books, contracts, records, documents, software systems, and other information (including data related to calculations required under the Model Agreement, Medicare utilization and costs, quality performance measures, shared savings distributions, and other financial arrangements) sufficient to enable the audit, evaluation, inspection, or investigation of the States’ and/or Accountable Care Organization’s (ACO) compliance with the requirements of this Model. The State must maintain such books, contracts, records, documents, and other information for a period of 10 years after the final date of the Performance Period or from the date of completion of any audit, evaluation, inspection, or investigation, whichever is later.</p>
17.	Modification	<p>The Parties may amend the Model Agreement, including any appendix to the Model Agreement, at any time by mutual written consent. CMS may amend the Model Agreement for good cause shown or as necessary to comply with applicable federal or State law, regulatory requirements, accreditation standards or licensing guidelines or rules. CMS shall include with any proposed amendment an explanation of the reasons for the proposed amendment. To the extent practicable, CMS shall provide the State with 30 calendar days advance written notice of any such amendment, which notice shall specify the amendment’s effective date. If State law precludes application of the amendment to the Model Agreement, the Parties will promptly seek modification of the amendment. If modification of the amendment is impracticable or consensus cannot be reached, CMS or the State may terminate the Model and/or Waivers under the Termination section of the Model Agreement.</p>
18.	Termination and Corrective Action Triggers	<p>Warning Notice and Corrective Action Plan (CAP): If CMS determines that a Triggering Event has occurred, CMS shall provide written notice to the State that it is not meeting a requirement of the Model Agreement (Warning Notice) with an explanation and, as permitted by applicable law, data supporting its determination. CMS shall provide the State with the Warning Notice no later than six (6) months following the end of the applicable Performance Year for any Triggering Event. Within 90 calendar days of receipt of the Warning Notice, the State must submit a written response to CMS. CMS will review the State’s response within 90 calendar days and will</p>

		<p>either accept the response as sufficient or require the State to submit a CAP within 30 calendar days addressing all actions the State and/or Accountable Care Organization will take to correct any deficiencies and remain in compliance with the Model Agreement. The CAP may include, but are not limited to, new safeguards or programmatic features, modification of the Model, and/or prospective adjustments to Regulated Services rates. CMS will review and approve the CAP within 30 calendar days or request modification to the CAP.</p> <ul style="list-style-type: none"> • Review factors considered by CMS: A Triggering Event may or may not require corrective action, depending on the totality of the circumstances. CMS will consider whether the State can demonstrate a factor unrelated to the Model caused the Triggering Event. <p>Implementation of CAP: The State shall successfully implement any required CAP as approved by CMS, by no later than 365 calendar days from the date of postmark of the Warning Notice.</p> <p>Triggering Event: A triggering event may include, but is not limited to, any of the following:</p> <ul style="list-style-type: none"> • A material breach of any provision set forth in the Model Agreement, • A determination by CMS that Vermont has not produced aggregate savings in the Medicare per beneficiary regulated expenditures for Vermont resident FFS beneficiaries, regardless of the state in which the service was provided, for two (2) consecutive Performance Years, as calculated in accordance with Medicare Savings Calculation. • A determination by CMS that Vermont has exceeded the all-payer per capita growth ceiling by 1.0 percentage point or more for two (2) consecutive Performance Years. • A determination by CMS that the quality of care provided to Medicare, Medicaid or CHIP beneficiaries has deteriorated. • A determination by CMS that the State and/or Accountable Care Organization have taken actions that compromise the integrity of the Model and/or the Medicare trust funds.
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Vermont-CMMI All-Payer Model Term Sheet

Appendix A: Regulated Services

Categories of Service	Components
Primary Care Physician	Primary Care
	Physician Assistant
	Registered Nurse, Office of Physician
	Rural Health
	Family Medicine
	Internal Medicine
	Obstetrics
	Pediatrics
	Physician Clinics
Laboratory and Radiology	Labs
	Clinical Medical Laboratory
	Radiology, Physician Clinic
	Radiology
Inpatient Services	Community Hospitals
	Veterans Hospitals
	Psychiatric Hospitals
Outpatient Services	Community Hospitals
	Veterans Hospitals
	Psychiatric Hospitals
Specialty Physician	Allergy & Immunology
	Anesthesiology
	Dermatology
	Emergency Medicine
	Neurological Surgery
	Neurology
	Neuromusculoskeletal
	Ophthalmology
	Orthopedic Surgery
	Otolaryngology
	Pathology
	Physical Medicine
	Plastic Surgery
	Psychiatry
	Radiology
Surgery	
Thoracic Surgery	
Urology	

Categories of Service	Components
Other Professionals	Chiropractor
	Optometrist
	Audiologist
	Naturopath
	Physical Therapist
	Podiatrist
	Speech-Language Pathologist
	Occupational Therapist
	Rehabilitation
	Respiratory Therapy
Behavioral Health	Psychiatric Nurse
	Counselor, Behavioral Health & Social Services
	Psychological Services
	Mental Health
	Rehabilitation, Substance Use Disorder
Home Health	Home Health Care
Skilled Nursing Facility	Nursing Home Care
	Nursing Facility - Intermediate Care Facility
	Community Hospitals, Nursing Home Unit
	Skilled Nursing Facility
Durable Medical Equipment	DME
	Vision Products
Other, Residential, and Personal Care	Residential Treatment
	Transportation
	Non-Durable Medical Equipment
	Personal Care Attendant