



OCT 24 2016

Hal Cohen
Secretary
Vermont Agency of Human Services
280 State Drive
Waterbury, VT 05671

Dear Mr. Cohen:

This letter is to inform you that the Centers for Medicare & Medicaid Services (CMS) has approved your request to extend Vermont's section 1115(a) Medicaid demonstration, entitled "Global Commitment to Health" (Project Number 11-W-00194/1). Approval of this extension is under the authority of section 1115(a) of the Social Security Act, and is effective from January 1, 2017, through December 31, 2021.

This extension allows the Global Commitment to Health demonstration to further promote delivery system and payment reform and introduces a new Accountable Care Organization (ACO) payment and care delivery model to Medicaid in Vermont. This demonstration extension would advance an All-Payer ACO Initiative under Center for Medicare and Medicaid Innovation (CMMI) demonstration authority, if the state elects to approve it. Together the two demonstrations would constitute a major step in federal and state efforts to align how healthcare is paid for. As a critical component of the All Payer ACO model, ACO payment in Medicaid under the demonstration will incentivize healthcare value and quality, with a focus on health outcomes.

The five-year extension will build on Vermont's progress to this point to promote delivery system reform and cost-effective community based services as an alternate to institutional services. Several improvements were made to the demonstration to further transparency and to promote program integrity. For example, the Special Terms and Conditions (STCs) clearly define the regulatory framework for Vermont's managed care-like model. In general, the Department of Vermont Health Access (DVHA) will be subject to the requirements that are applicable to a non-risk pre-paid inpatient health plan (PIHP). The state will also adhere to managed care requirements for risk-bearing entities including the rate certification requirements at 42 CFR 438.7 and value-based payment requirements at 438.6(c) for any payment that does not meet the definition of a fee-for-service payment. These requirements strengthen CMS' ability to monitor expenditures and payments under the demonstration. Under the extension, Vermont has moved from an aggregate budget neutrality agreement to a per member per month (PMPM) budget neutrality model. Vermont now joins all other 1115 demonstrations in using the PMPM model, so that the state is not at risk for caseload growth

Under this approval, CMS has also provided authorities to assist the state in preparing its community-based providers and its ACO to participate in the All-Payer ACO model. The state

must follow the application requirements specified in the STCs to pursue such time-limited funding. The state is also required to include quality metrics for all delivery system related investments.

As part of broader changes made to demonstration authorities, the renewal includes time-limited authority for costs not otherwise matchable that were previously authorized for individuals residing in specific Institutions for Mental Diseases (IMDs). This previously authorized authority, which will begin to phase down during the demonstration period, will allow CMS to evaluate expenditures on individuals with serious mental illness as well as individuals in need of acute mental health and substance use disorder services residing in IMDs in the context of system-wide service, payment, and delivery system reforms. The results of this evaluation will inform broader understanding of IMD policy.

Finally, during the negotiations we discussed the applicability of the Medicaid managed care quality rating system (MMC QRS), described at 42 CFR 438.334, to Vermont's managed care model. We will continue to provide technical assistance to the state as development of the requirements for the MMC QRS continues.

CMS approval of this extension is conditioned upon continued compliance with the STCs defining the nature, character, and extent of anticipated federal involvement in the project. The award is subject to your written acknowledgment of the award and acceptance of the STCs within 30 days of the date of this letter. A copy of the revised STCs and expenditures are enclosed. A copy of the waiver list is also enclosed.

Your project officer for this demonstration is Julie Sharp. Ms. Sharp is available to answer any questions concerning your section 1115 demonstration. Her contact information is as follows:

Centers for Medicare & Medicaid Services
Center for Medicaid & CHIP Services
7500 Security Boulevard, Mail Stop: S2-01-16
Baltimore, MD 21244-1850
Telephone: (410) 786-2292
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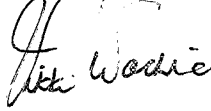
Official communications regarding program matters should be sent simultaneously to Ms. Sharp and to Mr. Richard McGreal, Associate Regional Administrator in our Boston Regional Office. Mr. McGreal's contact information is as follows:

Centers for Medicare & Medicaid Services
JFK Federal Building, Room 2275
Boston, MA 02203-0003
Telephone: (617) 565-1226
E-mail: Richard.McGreal@cms.hhs.gov

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If you have questions regarding this approval, please contact Mr. Eliot Fishman, Director of the State Demonstrations Group in the Centers for Medicaid & CHIP Services at (410) 786-5647.

Sincerely,

A handwritten signature in black ink, appearing to read "Vikki Wachino". The signature is written in a cursive style with a large initial "V".

Vikki Wachino
Director

Enclosures

cc: Mr. Richard McGreal, Associate Regional Administrator, Boston Regional Office