

**MEDICAID FUNDING FOR GRADUATE MEDICAL EDUCATION
MEMORANDUM OF UNDERSTANDING
BETWEEN THE DEPARTMENT OF VERMONT HEALTH ACCESS, THE
UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE, FLETCHER ALLEN HEALTH
CARE, INC AND THE UVM MEDICAL GROUP**

This MOU supersedes MOU 03410-1001-12 between the Department of Vermont Health Access, Fletcher Allen Health Care, Inc., and the University of Vermont and State Agricultural College.

Preamble

WHEREAS, it is the desire of the University of Vermont and State Agricultural College, an education corporation of the State of Vermont (“UVM”), to provide monies appropriated through the state General Fund to fund the non-federal share of certain Medicaid Graduate Medical Education (“GME”) payments (“GME Payments”) for Fletcher Allen Health Care, Inc. (“Fletcher Allen”) and UVM Medical Group;

WHEREAS, the Department of Vermont Health Access (“DVHA”) is responsible for management of the Vermont Medicaid program and seeks to improve access to, and quality of, healthcare services for Vermont Medicaid beneficiaries; and

WHEREAS, it is the intent of the Parties that the GME Payments shall represent a new source of funding for Fletcher Allen and UVM Medical Group, and to the extent feasible, shall not cause an offsetting reduction in federal disproportionate share hospital (“DSH”) payments to Fletcher Allen.

Purpose

Fletcher Allen, UVM Medical Group and UVM serve a critical role as, collectively, the State of Vermont’s only academic medical center and the largest health care provider in the State. Recent rate pressures, however, have posed significant challenges for Fletcher Allen and UVM Medical Group and their continued role in serving individuals enrolled in the Vermont Medicaid program, serving as the safety net for low-income and uninsured Vermonters and training, in conjunction with UVM, the next generation of Vermont’s physicians.

In order to support Fletcher Allen’s and UVM Medical Group’s continuing role as Vermont’s safety net providers for tertiary (and related physician) services to Medicaid patients and their commitment to teaching, DVHA, in partnership with Fletcher Allen, UVM Medical Group and UVM, shall establish enhanced GME funding through two GME Payment mechanisms:

- (1) Payments for teaching physicians; and
- (2) Payments for teaching hospitals.

The purpose of the GME Payments is to ensure access to quality, essential professional health services for Medicaid beneficiaries through the care provided by teaching physicians and teaching hospitals.

Program Qualifications

As described in the Medicaid State Plan, and subject to any modifications resulting from the State Plan Amendment approval process, program qualifications are as follows:

Payments for Teaching Physicians

Supplemental payments shall be paid for professional services performed by Qualified Teaching Physicians (“QTP”). QTPs include those physicians who are:

- (1) Licensed by the State of Vermont, where applicable;
- (2) Enrolled as a State of Vermont Medicaid provider; and
- (3) Hold salaried appointments on the faculty of UVM and are employed by UVM Medical Group.

Payments for Teaching Hospitals

Qualified teaching hospitals located in the State of Vermont shall be eligible for a teaching hospital payment. Qualified teaching hospitals are facilities that are:

- (1) Licensed by the State of Vermont;
- (2) Enrolled as a State of Vermont Medicaid provider;
- (3) Have a medical residency program; and
- (4) Belong to the Council of Teaching Hospitals or show proof of affiliation with any approved medical education program.

Funding Authority for Non-Federal Share

The state (non-federal) share of the GME Payments shall be provided by UVM. UVM will certify that funds provided to the state for the non-federal share originate from UVM's general fund appropriation. UVM will maintain an accounting trail of the source of these funds.

The Centers for Medicare and Medicaid Services ("CMS") Special Terms and Conditions ("STCs") for the Global Commitment to Health Section 1115 Demonstration permit the State to use certified General Fund appropriations as a source of non-federal share to the extent such funds are derived from State and local tax revenues and are transferred by units of government within the State (as set forth under STC No. 44d, *State Certification of Public Expenditures*).

Implementation and Distribution of Payment

All payments shall be made in accordance with the approved State Plan. Prior to the start of each Medicaid State Plan Year ("SPY"), DVHA and Fletcher Allen shall review the Disproportionate Share Hospital (DSH) payment methodology specified in the Vermont State Plan, based on DSH survey data collected from Fletcher Allen, to determine the extent to which receipt of GME Payments in the upcoming SPY potentially reduces Fletcher Allen's DSH payment compared to the amount it otherwise would receive without such GME Payments.

If, based on such annual review, DVHA and Fletcher Allen determine that there will be a potential reduction in Fletcher Allen's DSH payment due to the projected GME Payments, the Parties shall thereafter collaborate to identify approaches to address this finding, including but not limited to: amendment to the DSH State Plan, consistent with the application of Fletcher Allen's applicable Hospital Specific DSH Limit (as set forth in 42 U.S.C. § 1396r-4(g)) or other applicable federal law; amendment to the GME State Plan; modification of the GME Payment methodology; and/or adjustment to total GME Payments claimed; provided that such amendments or modifications shall not have the effect of reducing the amount of DSH payments that other Vermont hospitals would have received in the absence of any GME Payments to Fletcher Allen.

Payment Contingencies and Schedule

Subject to the following payment contingencies and schedule and the other terms of this MOU, the payments specified below will be made to Fletcher Allen by DVHA between the date of execution of this MOU 03410-1001-13 and June 30, 2013 for SFY 2012 and SFY2013.

All payments are contingent on the following:

1. Federal approval of the funding methodology;
2. FFY 2012 funds from UVM to DVHA will be matched at the FFY 2012 FMAP rates.
3. FFY 2013 from UVM to DVHA will be matched at the FFY 2013 FMAP rates.
4. DVHA's review and approval of supporting documentation and payment amounts;
5. DVHA's review and acceptance of the annual Quality Assurance report provided by Fletcher Allen; and
6. Timely receipt of sufficient funding from UVM to DVHA.

The combined total GME payments made to QTPs or to Fletcher Allen as defined in this Memorandum of Understanding shall not exceed \$30 million in any year, where the year is defined by the State Fiscal Year (July 1 – June 30). FMAP determinations are based upon CMS regulations and could vary. Should CMS determine new FMAP rates that apply to any exchange of payments by and between Fletcher Allen, DVHA and/or UVM, all parties will recognize CMS as the determinant of the amount of payments required from UVM.

The State of Vermont retains the right to discontinue GME Payments at any time; in the event of any such discontinuation, DVHA shall return to UVM any funds that have not been used as the non-federal portion of Medicaid GME Payments actually paid as of the date of the discontinuance, and UVM shall thereafter cease making payments to DVHA in support of GME Payments.

UVM retains the right to discontinue making payments at any time, commencing with any period for which corresponding GME Payments have not yet been made by DVHA; UVM, Fletcher Allen and UVM Medical Group acknowledge and agree that the discontinuation of payments to DVHA by UVM shall cause the GME Payments for the corresponding period, and all future periods, to cease.

DVHA shall promptly seek any required CMS approvals in conjunction with any proposed discontinuation of GME Payments by the State of Vermont, or in conjunction with any discontinuation of payments by UVM resulting in a discontinuation of GME Payments by the State of Vermont.

The following chart sets forth the primary activities with their associated deadline:

DEADLINE	ACTIVITY
May 31	DVHA decision on Quality Assurance Report* provided to Fletcher Allen
May 31	Calculations completed for upcoming SFY
June 30	Fletcher Allen, UVM, and DVHA management determine final IGT amounts for next SFY

The following payments from UVM must be received by DVHA no later than June 17, 2013:

Payment Category	SFY 2012	SFY 2013
Total	\$ 12,568,529	\$ 13,188,000
Teaching Hospital	\$ 4,193,878	\$ 2,853,561
Teaching Physicians	\$ 8,374,651	\$ 10,334,439

The following payments will be made by DVHA to Fletcher Allen, upon receipt of funds from UVM, no later than June 30, 2013:

Payment Category	SFY 2012	SFY 2013
Total	\$ 29,628,783	\$ 30,000,000
Teaching Hospital	\$ 9,886,559	\$ 6,491,268
Teaching Physicians	\$ 19,742,224	\$ 23,508,732

* Quality Assurance Report periods will be from 4/1 through 3/31.

In the interest of transparency, DVHA shall notify each of Fletcher Allen, UVM Medical Group and UVM of any GME Payments made to Fletcher Allen or UVM Medical Group, or any funds received from UVM, within five (5) days of DVHA's remittance of any such GME Payments or receipt of any such funds.

Cooperation and Compliance with Federal and State Requests and Audits

UVM, Fletcher Allen and UVM Medical Group shall provide any data and/or reports requested by DVHA in order to administer the GME Payment program and monitor the appropriateness of payments.

UVM, Fletcher Allen and UVM Medical Group shall cooperate with DVHA to provide any materials requested by federal or state agencies. If adverse findings or disallowances are made, the Parties will collaborate to make any necessary program adjustments or modifications to ensure compliance. In the event of any disallowance of federal funding related to GME Payments described in this MOU, Fletcher Allen and UVM Medical Group shall be financially responsible for the return of the amount associated with any such disallowance, and DVHA shall return to UVM the corresponding non-federal share.

Quality Assurance and Accountability

There has been scrutiny of these programs at the federal level citing a lack of assurance that these payments are effective in supporting the Medicaid program and its beneficiaries. In response to this scrutiny, DVHA, Fletcher Allen and UVM Medical Group (in consultation with UVM) shall collaborate to monitor and assess the success of the programs and the benefits to Medicaid beneficiaries against quantifiable quality assurance measures, including: the quality of health care provided to beneficiaries; health outcomes; promotion of appropriate emergency room use; re-admission rates; patient satisfaction; physician training and outreach to promote increased access to primary care physicians in underserved areas; and other appropriate measures. Fletcher Allen (in consultation with UVM) shall provide to DVHA an annual Quality Assurance report assessing performance against these measures.

THE PROVISIONS OF THIS MEMORANDUM OF UNDERSTANDING ARE HEREBY ENTERED INTO AND AGREED TO BY VIRTUE OF THE AUTHORIZED SIGNATURES BELOW:

**MARK LARSON, COMMISSIONER
DEPARTMENT OF VERMONT HEALTH ACCESS**

DATE

**RICHARD CATE, VICE PRESIDENT FOR FINANCE AND ADMINISTRATION,
UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE**

DATE

JOHN R. BRUMSTED, CEO
FLETCHER ALLEN HEALTH CARE

DATE