

[Anne Galloway, Vt. Digger](#)

Vermont is one of eight states that has just been chosen to participate in a new federal health care demonstration project.

The Centers of Medicare and Medicaid Services has established an "innovation center," designed to encourage states to develop new ways of delivering and paying for health care under the Affordable Care Act just passed this year.

The federal program will allow Medicare funds to be used to support states' efforts to experiment with ways to improve health care results while lowering costs.

Though the federal project is new, Vermont's own experimental program – the Blueprint for Health — has been under way for four years. Under the demonstration project, Medicare money will be made available to support the Blueprint for Health for the first time. The funding comes at a crucial juncture for the state, as it seeks to expand the Blueprint statewide.

Vermont's congressional delegation and Gov. Jim Douglas applauded the news Tuesday.

In a joint press release, Sens. Patrick Leahy and Bernie Sanders and Rep. Peter Welch said the innovation center will "base payments to doctors and hospitals on the quality of patient care instead of the quantity of care."

Under the Blueprint pilot program, the state has been slowly building a network of clinical support for patients that rewards health care providers for preventive care and intensive chronic disease management. The state's current network consists of 12 "medical homes" in three "hospital service areas" in central Vermont, Burlington and St. Johnsbury. Each "medical home" consists of a primary care practice with a team of providers, including social workers, nurses, behavioral health counselors and physicians who help patients prevent and manage chronic diseases through better coordinated care.

Each community health team serves about 20,000 patients and costs \$350,000. The Blueprint is paid for through a "multi-payer" system that includes commercial insurers and federal Medicaid money.

Sanders said in a statement: "For the first time, Medicare, Medicaid and private insurers will work together to improve health outcomes for Vermonters. Health care providers will be rewarded for improving health, not for simply providing more care."

Douglas, who touts the Blueprint for Health as part of his legacy, said in a statement: "Our ultimate objective is high-quality care that is affordable for everyone. This expanded multi-payer partnership is another important step in the right direction."

Under the aegis of the innovation center, Medicare will share 20 percent, or about \$70,000 of the Blueprint costs for each medical home team, according to Lisa Dulsky Watkins, assistant director of the Blueprint.

She described the new funding mechanism as a "departure" for the Centers for Medicare and Medicaid Services.

The federal support couldn't come at a better time for the state. Under Act 128, the health care reform law passed in the last legislative session, the Blueprint for Health model must be expanded to include at least two primary care practices in every hospital service area in the state by July 2011. The cost of the expansion would be approximately \$2.5 million. The program includes a new digital patient registry and integrated tracking system.

Though the Blueprint is expected to generate savings by reducing the number of patient emergency room visits and hospitalizations, so far there is no quantitative data yet for the three pilot projects. The target reduction in medical costs under the Blueprint is \$120 million per year.

Meanwhile, Vermont's medical spending is spiraling out of control. The Department of Banking,

Insurance, Securities and Health Care Administration estimates that medical costs will increase from \$4.9 billion in fiscal year 2010 to \$5.9 billion in fiscal year 2012.

Dulsky Watkins told the Health Care Reform Commission at its meeting in the statehouse on Tuesday that her office is still gathering data.

"We will save money over time," she said. The early trends in St. Johnsbury – reductions in emergency room visits and hospitalizations – were encouraging, she said. A new report, which she said will be released soon, will detail the savings. It will also compare primary care practices that have fully integrated the Blueprint with those that have partially implemented the program. In addition to capturing cost data, the state is also collecting qualitative information in the form of interviews with patients and focus groups.

Hunt Blair, director of health care reform for the Department of Vermont Health Access, said the national innovation center will create a "common framework of evaluation" in future.

Blair and Dulsky Watkins made their remarks in testimony to the commission, which met in front of a packed Room 10 of the statehouse.