

# **OneCare Vermont Accountable Care Organization, LLC**

## **Financial Statements**

**Period from January 1, 2021 to September 30, 2021  
(Predecessor) and Period from October 1, 2021 to  
December 31, 2021 (Successor) with December 31,  
2020 (Predecessor) and December 31, 2021  
(Successor) Balances**

**OneCare Vermont Accountable Care Organization, LLC**

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**Period from January 1, 2021 to September 30, 2021 (Predecessor) and  
Period from October 1, 2021 to December 31, 2021 (Successor) with  
December 31, 2020 (Predecessor) and December 31, 2021 (Successor)  
Balances**

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## Report of Independent Auditors

To the Board of Managers of  
OneCare Vermont Accountable Care Organization, LLC

We have audited the accompanying financial statements of OneCare Vermont Accountable Care Organization, LLC (Predecessor) (the "Organization"), which comprise the balance sheet as of December 31, 2020 and the related statements of operations and comprehensive loss, of changes in members' equity and of cash flows for the year ended December 31, 2020 and the period from January 1, 2021 to September 30, 2021.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2020, and the results of its operations and its cash flows for the year ended December 31, 2020 and the period from January 1, 2021 to September 30, 2021 in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

Boston, Massachusetts  
September 26, 2022



## Report of Independent Auditors

To the Board of Managers of  
OneCare Vermont Accountable Care Organization, LLC

### ***Opinion***

We have audited the accompanying financial statements of OneCare Vermont Accountable Care Organization, LLC (Successor) (the "Organization"), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and of cash flows for the period from October 1, 2021 to December 31, 2021, including the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021, and the changes in its net assets and its cash flows for the period from October 1, 2021 to December 31, 2021 in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date the financial statements are available to be issued.



### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

Boston, Massachusetts

September 26, 2022

**OneCare Vermont Accountable Care Organization, LLC**  
**Statement of Financial Position (Successor) and Balance Sheet (Predecessor)**

	<u>Successor</u> <u>December 31, 2021</u>	<u>Predecessor</u> <u>December 31, 2020</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 18,483,212	\$ 35,545,587
Restricted cash	-	4,000,000
Accounts receivable	129,403	464,628
Accounts receivable from participants, contract risk settlements	730,454	32,956,428
Accounts receivable from payors, contract risk settlements	24,252,050	22,745,621
Prepaid expenses and other assets	352,405	217,980
Total current assets	<u>43,947,524</u>	<u>95,930,244</u>
Property and equipment, net	<u>37,701</u>	<u>40,741</u>
Total assets	<u>\$ 43,985,225</u>	<u>\$ 95,970,985</u>
<b>Liabilities and Net Assets (Successor) or Equity (Predecessor)</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 7,188,581	\$ 14,124,629
Accounts payable to participants, contract risk settlements	16,263,051	10,760,535
Accounts payable to payors, contract risk settlements	8,499,015	59,175,677
Due to related parties	3,139,594	2,181,975
Current portion of deferred revenue and other liabilities	1,355,890	3,477,610
Total current liabilities	<u>36,446,131</u>	<u>89,720,426</u>
Long-term deferred revenue and other liabilities	<u>559,246</u>	<u>564,130</u>
Total long-term liabilities	<u>559,246</u>	<u>564,130</u>
Total liabilities	<u>37,005,377</u>	<u>90,284,556</u>
<b>Net assets</b>		
Without donor restrictions	6,979,848	-
With donor restrictions	-	-
Total net assets	<u>6,979,848</u>	<u>-</u>
<b>Equity</b>		
Members' equity	-	50,000
Retained surplus	-	5,636,429
Total members' equity	<u>-</u>	<u>5,686,429</u>
Total liabilities and net assets (Successor) and members' equity (Predecessor)	<u>\$ 43,985,225</u>	<u>\$ 95,970,985</u>

The accompanying notes are an integral part of these financial statements.

**OneCare Vermont Accountable Care Organization, LLC**  
**Statement of Activities (Successor) and Statements of Operations and**  
**Comprehensive Loss (Predecessor)**

	Successor	Predecessor	
	Period from October 1, 2021 - December 31, 2021	Period from January 1, 2021 - September 30, 2021	2020
<b>Revenue</b>			
Contract revenue	\$ 4,278,035	\$ 2,171,155	\$ 11,194,712
Participation fees	4,058,806	13,006,821	15,273,570
Administrative revenue	929,873	2,849,143	3,897,306
Consulting revenue	-	-	193,289
Settlement revenue	-	-	32,986
Other revenue	10,168	80,794	255,830
Total revenue	9,276,882	18,107,913	30,847,693
<b>Expenses</b>			
Population health management expenses			
Care reform initiatives	3,077,462	9,082,143	16,803,431
Settlement expense	54,494	268,729	-
Total population health management expenses	3,131,956	9,350,872	16,803,431
<b>Other operating expenses</b>			
Salaries, payroll taxes and fringe benefits	2,113,280	6,112,574	8,346,024
Software, software licenses and software maintenance	642,578	1,951,458	2,806,528
Consulting, legal and purchased services	799,403	766,012	1,637,954
Travel, supplies and other	128,583	1,094,660	1,253,756
Total other operating expenses	3,683,844	9,924,704	14,044,262
Total expenses	6,815,800	19,275,576	30,847,693
Change in net assets (Successor) or Net loss and comprehensive loss (Predecessor)	\$ 2,461,082	\$ (1,167,663)	\$ -
Net assets at October 1, 2021	4,518,766		
Net assets at December 31, 2021	\$ 6,979,848		

The accompanying notes are an integral part of these financial statements.

**OneCare Vermont Accountable Care Organization, LLC**  
**Statements of Changes in Members' Equity (Predecessor)**

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	University of Vermont Health Network	Dartmouth- Hitchcock Health	Total
<b>Balances at December 31, 2019</b>	\$ 2,843,215	\$ 2,843,214	\$ 5,686,429
Net income and comprehensive income	-	-	-
<b>Balances at December 31, 2020</b>	2,843,215	2,843,214	5,686,429
Net loss and comprehensive loss	(583,831)	(583,832)	(1,167,663)
<b>Balances at September 30, 2021</b>	<u>\$ 2,259,384</u>	<u>\$ 2,259,382</u>	<u>\$ 4,518,766</u>

The accompanying notes are an integral part of these financial statements.



# OneCare Vermont Accountable Care Organization, LLC

## Statements of Cash Flows

	Successor	Predecessor	
	Period from October 1, 2021 - December 31, 2021	Period from January 1, 2021 - September 30, 2021	December 31, 2020
<b>Cash flows from operating activities</b>			
Change in net assets (Successor) or net loss and comprehensive loss (Predecessor)	\$ 2,461,082	\$ (1,167,663)	\$ -
Adjustments to reconcile change in net assets (Successor) and net loss and comprehensive loss (Predecessor) to net cash (used in) provided by operating activities			
Depreciation expense	1,970	7,119	12,571
Increase (decrease) in cash resulting from a change in			
Accounts receivable, trade	700,060	(364,835)	2,261,873
Accounts receivable from participants, contract risk settlement	15,194,073	17,031,901	(20,739,804)
Accounts receivable from payors, contract risk settlement	(2,125,817)	619,388	(18,028,071)
Prepaid expenses and other assets	189,541	(323,966)	(4,253)
Due to/from related parties	235,824	721,795	(285,354)
Accounts payable and accrued expenses	(14,468,584)	7,532,536	4,985,012
Accounts payable to participants, contract risk settlement	4,066,035	1,436,481	7,494,269
Accounts payable to payors, contract risk settlement	(35,668,789)	(15,007,873)	40,387,452
Deferred revenue and other liabilities	(885,523)	(1,241,081)	(214,822)
Net cash (used in) provided by operating activities	<u>(30,300,128)</u>	<u>9,243,802</u>	<u>15,868,873</u>
<b>Cash flows from investing activities</b>			
Purchases of property and equipment	(6,049)	-	-
Net cash used in investing activities	<u>(6,049)</u>	<u>-</u>	<u>-</u>
<b>Cash flows from financing activities</b>			
Repayment of note payable, related party	-	-	(4,124,849)
Net cash used in financing activities	<u>-</u>	<u>-</u>	<u>(4,124,849)</u>
Net (decrease) increase in cash and cash equivalents and restricted cash	(30,306,177)	9,243,802	11,744,024
<b>Cash and cash equivalents and restricted cash</b>			
Beginning of period	48,789,389	39,545,587	27,801,563
End of period	<u>\$ 18,483,212</u>	<u>\$ 48,789,389</u>	<u>\$ 39,545,587</u>
<b>Supplemental disclosure of cash flow information</b>			
Cash paid for interest, related party	\$ -	\$ -	\$ 118,160

The accompanying notes are an integral part of these financial statements.

# OneCare Vermont Accountable Care Organization, LLC

## Notes to Financial Statements

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### 1. Organization

OneCare Vermont Accountable Care Organization, LLC (the “Organization” or “OneCare”) was formed in May 2012 as a statewide Accountable Care Organization (“ACO”). The Organization was formed as a joint venture between the University of Vermont Medical Center, Inc. (“UVM Medical Center”) (whose sole corporate member is the University of Vermont Health Network, “UVM Health Network”), a Vermont non-profit corporation, and Dartmouth-Hitchcock Health (“DHH”), a New Hampshire non-profit corporation. On September 30, 2021, DHH surrendered its membership in OneCare, and UVM Medical Center transferred its membership status to its parent organization, UVM Health Network. The Organization’s mission is to partner with local health care providers to transform Vermont’s health care system to one that focuses on health goals by providing actionable data and innovative payments that foster better outcomes for all. The Organization is focused on three core strategies: network performance management, data and analytics and payment reform. The Organization joins an extensive, statewide network of providers and communities implementing health care payment reform and population health management.

The Organization’s network of participating providers (the “Participants”) includes Vermont hospitals (including UVM Medical Center) along with their employed physicians and providers, Dartmouth-Hitchcock (a New Hampshire hospital whose sole corporate member is DHH), federally qualified health centers, independent practices, home health providers, designated agencies for mental health and substance abuse, area agencies on aging, and skilled nursing facilities. Each Participant has entered into a Risk-Bearing Participant & Preferred Provider Agreement with OneCare and each Participant has agreed to become and remain accountable for the quality, cost and overall care of attributed lives.

OneCare has entered into population based “next generation” accountable care program agreements with the State of Vermont Department of Vermont Health Access (“DVHA”), the Centers for Medicare and Medicaid Services (“CMS”), BlueCross BlueShield of Vermont (“BCBSVT”) and MVP Health Care, Inc. (“MVP”). These agreements are designed to align with the Vermont All-Payer Accountable Care Organization Model agreement between the State of Vermont and CMS. The attribution of beneficiaries under these agreements occurs prospectively at the beginning of the program year. Beneficiaries cannot be added during the program year but beneficiaries may become ineligible for attribution during the program year for various reasons.

Through the Vermont Medicaid Next Generation (“VMNG”) ACO program, an Expected Total Cost of Care (“ETCOC”) is established to serve as the basis from which financial performance will be assessed. From the ETCOC, DVHA pays the Organization a monthly Value-Based Care Payment, which includes an administrative fee and a Fixed Prospective Payment (“FPP”) for two cohorts (Traditional and Expanded) of attributed members. OneCare utilizes the FPP to reimburse providers participating in the Organization’s FPP model a fixed amount, based on attributed lives, which the Participants accept in lieu of being paid for covered services on a fee for service basis. The Organization also makes payments on a per beneficiary basis to participating hospitals and providers. Fee-for-service payments from the State of Vermont continue for all other nonhospital provider Participants, for all providers who are not a Participant, and for all services that are not covered under the ETCOC. In 2021 and 2020, administrative fees were funded monthly and include a payment of \$6.50 per attributed beneficiary per month, of which the Organization retained 50% and distributed 50% to the Participants for the Traditional Cohort. In 2021 and 2020, administrative fees were funded monthly and include a payment of \$5 per attributed beneficiary per month for the Expanded Cohort, of which the Organization retained 50% and distributed 50% to the Participants in 2021 and retained 65% and distributed 35% to the Participants in 2020.

# OneCare Vermont Accountable Care Organization, LLC

## Notes to Financial Statements

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Through the CMS Vermont Modified Next Generation ACO Model participation agreement, CMS pays the Organization an All Inclusive Population Based Payment (“AIPBP”). The AIPBP is intended to provide funding for the Organization to pay its participating hospitals a fixed amount, based on attributed lives, which the hospitals accept in lieu of being paid for covered services on a fee-for-service basis. Fee-for-service payments continue for all nonhospital provider participants, for all providers who are not a Participant, and for all services that are not covered under the AIPBP. Under this agreement, CMS has agreed to advance potential shared savings to OneCare. OneCare uses these dollars to fund programs related to the Vermont Blueprint for Health programs. All monies advanced are at risk and are subject to potential repayment.

Through the BCBSVT Commercial Next Generation Accountable Care Organization program agreement, BCBSVT and the Organization have entered into a risk arrangement specific to BCBSVT’s Qualified Health Plan. Under this arrangement in 2021 and 2020, the Organization received a monthly fixed payment from BCBSVT, based on attributed lives, which was passed through to one participating hospital. All other participating hospitals were paid by BCBSVT on a fee-for-service basis. Additionally, BCBSVT and the Organization have entered into a Primary Payer program agreement, where a portion of BCBSVT’s primary payor population is at risk. For all periods presented, OneCare received \$3.25 per attributed beneficiary per month under these agreements all of which has or will be distributed to providers.

In 2020, the Organization and MVP entered into a Commercial Next Generation Accountable Care Organization program. For all periods presented, OneCare received \$3.25 per attributed beneficiary per month, which has or will be distributed to providers.

In March 2020 the outbreak of COVID-19 caused domestic and global disruption in operations for health care providers and associated organizations, including the postponement of elective and nonurgent care. This caused a temporary statewide de-prioritization of value-based care initiatives, and created uncertainty regarding the healthcare trends that ultimately affect shared savings or losses. In response, management worked with payors to mitigate downside risk for 2020. In addition, OneCare worked with the State of Vermont to ensure providers had access to CARES Act funding to help cover their settlement obligation to OneCare. Risk mitigation strategies continued throughout 2021 that include reduced risk for Participants and a continued focus on maintaining reasonable participation fees through operating expense monitoring.

## 2. Significant Accounting Policies

### Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”). On October 1, 2021, the Organization amended its Operating Agreement such that UVM Health Network became its sole corporate member. This change constituted a change in the accounting entity of the Organization, and as a result, the Organization qualified to apply accounting guidance applicable to not-for-profit organizations effective October 1, 2021. As such, the Organization has presented discrete financial statements for the periods prior to (predecessor period) and after this change (successor period).

As of October 1, 2021, the equity of the predecessor Organization became the beginning net assets of the successor Organization. Net assets and revenues and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the successor Organization are classified and reported as follows:

# OneCare Vermont Accountable Care Organization, LLC

## Notes to Financial Statements

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- Net assets without donor restrictions - Net assets not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes.
- Net assets with donor restrictions - The Organization has no net assets with donor restrictions. To the extent applicable in the future, this classification applies to net assets subject to donor-imposed stipulations that are maintained in perpetuity by the Organization and net assets subject to donor-imposed stipulations that may be satisfied by actions of the Organization that will expire with the passage of time or the occurrence of specific events.

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting periods. Significant estimates include either a receivable or payable for the final year-end risk settlements under each payor contract, along with amounts due to Participants based on achieving defined annual quality metrics. Accordingly, actual results could differ from those estimates.

### **New Accounting Guidance**

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires a lessee to recognize a right-of-use asset and a lease liability for most leases, initially measured at the present value of the lease payments, on its balance sheet. The standard also requires a lessee to recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, on a generally straight-line basis. The guidance also expands the required quantitative and qualitative disclosures surrounding leases. In response to COVID-19, the FASB allowed for the effective date of this guidance to be extended to annual periods beginning after December 15, 2021 or fiscal year 2022 for OneCare, and the Organization has elected this deferral. The Organization is evaluating the impact of the new guidance on the financial statements.

### **Revenue Recognition**

Revenue from contracts with customers under Topic 606 include revenue from the following categories: participation fees, administrative revenue, consulting revenue and other revenues. The Organization also has contract revenue accounted for under ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The Organization recognizes revenue under Topic 606 upon the transfer of promised goods or services to customers in an amount that reflects the consideration to which OneCare expects to be entitled in exchange for those goods or services. At contract inception, the Organization identifies the performance obligation for each promise to transfer a good or service (or bundle of goods or services) that is distinct. For the majority of the Organization's operations, the primary performance obligation is to provide various support services, such as data reporting software and support, training, data analysis, data reporting and clinical leadership. The consideration received for goods and services may include variable components. Variable consideration is included in the transaction price to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Organization satisfies its performance obligations and recognizes revenue ratably over the period in which services are provided to Participants.

# OneCare Vermont Accountable Care Organization, LLC

## Notes to Financial Statements

### **Participation Fees**

Participation fees are approved by the Board of Managers on an annual basis for the purpose of funding budgeted expenses not funded from other sources and are billed on a monthly, fixed rate for each Participant. Expenses include certain OneCare administrative costs, population health management and care coordination fees, payment pilots, the Value Based Incentive Fund (“VBIF”) and other OneCare board-approved programs. Revenue is recognized on a monthly basis as services are performed.

As the budget is the basis for Participation fees, it is expected that variation between actual and budgeted expenses will occur in the normal course of business, which may result in an unintended, but substantial profit or loss for the Organization. If this type of normal variation occurs, the Board of Managers, may, at their discretion, issue credits to Participants or in the case of a loss, increase Participation fees. For the periods from October 1, 2021 to December 31, 2021 (Successor) and from January 1, 2021 to September 30, 2021 (Predecessor), the Board voted to not issue credits. In 2020, credits were issued to Participants and included in accounts payable and accrued expenses totaling \$3,137,167.

### **Administrative Revenue**

Administrative revenue represents amounts earned by OneCare to provide administrative coordination services under the VMNG contract and is calculated based on monthly attribution and a contracted per member per month rate. To the extent certain attributed members were or should have been ineligible in any given month, a portion of the administrative fee may be recouped by DVHA at year-end settlement representing variable consideration under this contract.

### **Consulting Revenue**

In 2020, the Organization performed certain data management, reporting and support services to other organizations. These relationships ceased in 2021. Revenue from these transactions was recognized when obligations under the terms of the respective contracts were satisfied. Revenue from these transactions was measured as the amount of consideration the Organization expected to receive for those services.

### **Contract Revenue**

The Organization contracts with DVHA to perform certain initiatives accounted for under ASU 2018-08. The programs within contract revenue are deemed to be nonexchange transactions and revenue is recognized when conditions (if any) are met. Revenue is earned once the Organization’s performance to achieve certain milestones is completed and thus deemed unconditional. A summary of revenue under the DVHA contract are as follows:

	Successor	Predecessor	
	Period from October 1, 2021 - December 31, 2021	Period from January 1, 2021 - September 30, 2021	2020
Health Information Technology	\$ 924,617	\$ -	\$ 2,800,000
Complex Care Coordination	655,731	2,171,155	4,494,710
Delivery System Related Investment Funding	2,697,687	-	3,900,002
Total contract revenue	\$ 4,278,035	\$ 2,171,155	\$ 11,194,712

### **Other Revenue**

Other revenue represents interest income and grant revenue from the Robert Wood Johnson Foundation. Interest income is not subject to ASC 606 and thus continues to be recognized on a monthly basis as earned. Other revenue is evaluated under either Topic 606 or ASU 2018-08 and revenue is recognized accordingly.

# OneCare Vermont Accountable Care Organization, LLC

## Notes to Financial Statements

### **Contract Asset/Liability Balances**

The Organization generally satisfies its performance obligations when it provides its Participants with various support services. The timing of OneCare's performance may differ from the timing of the Participants' payments, which may result in the recognition of a contract asset or a contract liability. For all periods presented, there were no material contract assets with customers.

A summary of the Organization's contract liabilities, recorded in current and long-term deferred revenue and other liabilities are as follows:

	Successor		Predecessor	
	Period from October 1, 2021 - December 31, 2021		Period from January 1, 2021 - September 30, 2021	2020
<b>Beginning balance</b>	\$ (2,521,150)		\$ (3,924,244)	\$ (4,126,118)
Revenue recognized	681,949		1,950,400	774,824
Revenue deferred	(75,935)		(547,306)	(572,950)
<b>Ending balance</b>	\$ (1,915,136)		\$ (2,521,150)	\$ (3,924,244)

Amounts not recognized relate to performance obligations under Participation agreements primarily associated with population health management programs and initiatives which the Board of Managers elected to postpone to future years.

### **Value-Based-Incentive Funds**

The Organization has quality incentive programs under many of its contracts which allow for funds to be distributed to Participants based on targeted quality measures and in accordance with Organization policy. Under the arrangement with DVHA, the Organization is required to fund the VBIF to a prescribed level. In light of the impact of COVID-19, in 2020, quality measures were waived as long as reporting requirements to DVHA were met, and thus 100% of the quality scores were deemed to be earned. During the period from October 1, 2021 to December 31, 2021 (Successor), the period from January 1, 2021 to September 30, 2021 (Predecessor) and the year ended December 31, 2020 (Predecessor), the Organization was allowed to retain 10% of the undistributed quality funds for ongoing quality improvement initiatives, however, for the periods from October 1, 2021 to December 31, 2021 (Successor) and from January 1, 2021 to September 30, 2021 (Predecessor), the 10% was returned to the providers. DVHA allows the Organization to withhold monies from the FPP to fund the VBIF, however, in all periods presented the Organization funded the VBIF via participation fees, in the amount of \$565,344, \$1,696,031 and \$5,114,243, for the period from October 1, 2021 to December 31, 2021 (Successor), the period from January 1, 2021 to September 30, 2021 (Predecessor) and the year ended December 31, 2020 (Predecessor), respectively. Total quality incentives earned by Participants for the period from October 1, 2021 to December 31, 2021 (Successor) and the period from January 1, 2021 to September 30, 2021 (Predecessor) and the year ended December 31, 2020 were \$417,224 and \$1,251,670 and \$4,602,819, respectively.

The Organization funded a VBIF pool for Participants in the BCBSVT program in the amount of \$18,750, \$56,250 and \$615,254 for the period from October 1, 2021 to December 31, 2021 (Successor), the period from January 1, 2021 to September 30, 2021 (Predecessor) and the year ended December 31, 2020 (Predecessor), respectively. Total quality incentives earned by Participants were \$16,875, \$50,625 and \$553,729 for the period from October 1, 2021 to December 31, 2021 (Successor) and the period from January 1, 2021 to September 30, 2021 (Predecessor) and the year ended December 31, 2020, respectively.

# OneCare Vermont Accountable Care Organization, LLC

## Notes to Financial Statements

### Contract Risk Settlements

The Organization has agreed to risk-based medical spending targets for the full attributed populations during the performance year, which is from January 1<sup>st</sup> to December 31<sup>st</sup>. The Organization is liable to the payors if actual costs exceed the established targets or is entitled to shared savings if actual costs are less than the targets (within established corridors). The Organization records, as an asset or liability, the savings or losses estimated under each contract either due from or due to the payors. Participants will fund any amount due to the payors or will receive a distribution of savings under the contracts. Additionally, under the CMS and BCBSVT contracts, as part of the settlement for the performance year, the payors will compare the difference between the total payments paid to the Organization by the respective payor to the fee for service equivalent cost (AIPBP Reconciliation). Any difference will either result in additional payment to, or a recoupment from, the payors. In the case of CMS, a review of this reconciliation is performed 18 months after initial settlement. OneCare recorded a \$877,137 change in estimate in the period from January 1, 2021 to September 30, 2021 (Predecessor) related to the 2019 CMS contract and a \$791,792 change in estimate in 2020 related to the 2018 CMS contract as a receivable from CMS and payable to Participants. In November 2020, the Board of Managers voted to pay these dollars to Participants upon receipt. The impact of the 18 month review of the AIPBP Reconciliation as it relates to the 2020 CMS contract is \$484,261 which is recorded as receivable from CMS and payable to Participants.

OneCare enters into agreements with Participants as deemed necessary to limit these Participants' upside and downside risk under their participation agreements. Under the terms of these agreements, any settlements forfeited by these participants are recorded as contract risk settlement revenue or expense by the Organization. This arrangement resulted in net expense of \$54,494 and \$268,729 for the periods from October 1, 2021 to December 31, 2021 (Successor) and from January 1, 2021 to September 30, 2021 (Predecessor), respectively, and net revenue to the Organization of \$32,986 in 2020. These amounts are included in contract risk settlement revenue or expense in the Statement of Activities (Successor) and Statements of Operations and Comprehensive Loss (Predecessor).

At December 31, contract risk settlements receivable from and payable to the payors consisted of the following:

	<b>Successor 2021</b>	<b>Predecessor 2020</b>
CMS	\$ 1,718,188	\$ 6,013,973
Medicaid	21,470,680	15,759,975
BCBSVT	-	125,000
MVP	1,063,182	846,673
Total accounts receivable from payors, contract risk settlement	\$ 24,252,050	\$ 22,745,621
CMS	\$ 7,025,982	\$ 51,277,786
Medicaid	-	6,505,293
BCBSVT	1,473,033	1,392,598
Total accounts payable to payors, contract risk settlement	\$ 8,499,015	\$ 59,175,677

# OneCare Vermont Accountable Care Organization, LLC

## Notes to Financial Statements

### Other Activity Under Payor Contracts

Other than administrative revenue and contract revenue under the VMNG contract, all other activity associated with OneCare's accountable care payor contracts is treated on a pass-through basis and does not represent revenue or expense to the Organization. Following the guidance in Topic 606, the Organization is deemed to be an agent, as they are acting as a conduit and arranging for the principals (the Participants) to provide healthcare-related services to patients that are specified under the contracts.

A summary of the transactions under each of the Organization's contracts that is not reflected in the Statement of Activities (Successor) and Statements of Operations and Comprehensive Loss (Predecessor) is as follows:

	Successor Period from October 1, 2021 - December 31, 2021	Predecessor Period from January 1, 2021 - September 30, 2021		2020
<b>Vermont Medicaid Next Generation ACO Program</b>				
FPP	\$ 36,128,202	\$ 111,047,833	\$ 166,179,372	
Administrative	929,873	2,849,143	3,534,955	
Quality withhold				-
Total VMNG	<u>\$ 37,058,075</u>	<u>\$ 113,896,976</u>	<u>\$ 169,714,327</u>	
<b>CMS Vermont Modified Next Generation ACO Program</b>				
AIPBP	\$ 63,825,090	\$ 191,475,269	\$ 225,017,612	
Advanced Shared Savings	2,191,783	6,575,350	8,401,658	
Total CMS	<u>\$ 66,016,873</u>	<u>\$ 198,050,619</u>	<u>\$ 233,419,270</u>	
<b>BCBSVT Commercial Next Generation ACO Program</b>				
FPP	\$ 1,398,811	\$ 4,275,664	\$ 4,241,052	
Population health management fee	137,706	459,088	696,664	
Total BCBSVT Commercial	<u>\$ 1,536,517</u>	<u>\$ 4,734,752</u>	<u>\$ 4,937,716</u>	
<b>BCBSVT Primary Payor Program</b>				
Population health management fee	<u>\$ 602,141</u>	<u>\$ 1,945,554</u>	<u>\$ 2,900,622</u>	
Total BCBSVT Primary Payor Program	<u>\$ 602,141</u>	<u>\$ 1,945,554</u>	<u>\$ 2,900,622</u>	
<b>MVP Health Plan</b>				
Population health management fees	\$ 83,372	\$ 282,591	\$ 363,669	
Total MVP Health Plan	<u>\$ 83,372</u>	<u>\$ 282,591</u>	<u>\$ 363,669</u>	

### Population Health Management Expenses

Population health management expenses are those expenses funded by the Organization that provide direct financial benefit to Participants and network organizations.

### Cash and Cash Equivalents

Cash and cash equivalents include all liquid investments with maturities of three months or less when purchased.

### Restricted Cash

In connection with the Organization's CMS Modified Next Generation ACO Model participation agreement, OneCare is required to provide a financial guarantee for repayment of amounts owed to CMS as shared losses and/or other monies owed. Due to the Public Health Emergency in place, CMS waived the requirement for a 2021 guarantee on July 27, 2021. In 2020, \$5,800,851 was collateralized by a standby letter of credit held against the line of credit the Organization holds with TD Bank which was released on January 28, 2021. Additionally, in connection with the VMNG participation agreement, the Green Mountain Care Board ("GMCB") required OneCare to attain a level of reserves for potential risk payments totaling \$4,000,000 for 2020. No such requirement existed for 2021. This amount is included as restricted cash on the balance sheet for the year ended December 31, 2020 (predecessor).



# OneCare Vermont Accountable Care Organization, LLC

## Notes to Financial Statements

### Accounts Receivable

Accounts receivable consist primarily of revenue earned under the Organization's complex care coordination, informatics and other care intervention agreements with DVHA, participation fees, amounts due under consulting arrangements and amounts due from payers outside the annual settlement process. Accounts receivable are stated at amounts billed, net of related reserves, as applicable (Note 3).

### Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets include miscellaneous items primarily related to insurance, software licenses and software maintenance contracts.

### Property and equipment

Property and equipment are shown at cost when purchased, net of accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful lives of 7 years for furniture and fixtures and 22 months for leasehold improvements, which is the remaining term of the existing lease. Property and equipment as of December 31, 2021 and 2020 are shown in the table below:

	<u>Successor</u> <u>2021</u>	<u>Predecessor</u> <u>2020</u>
Furniture and Fixtures	\$ 55,597	\$ 49,548
Leasehold Improvements	9,953	9,953
Total	<u>65,550</u>	<u>59,501</u>
Less: Accumulated depreciation	<u>(27,849)</u>	<u>(18,760)</u>
Net property and equipment	<u>\$ 37,701</u>	<u>\$ 40,741</u>

Depreciation expense was \$1,970, \$7,119 and \$12,571 for the period from October 1, 2021 to December 31, 2021 (Successor), the period from January 1, 2021 to September 30, 2021 (Predecessor) and the year ended December 31, 2020 (Predecessor), respectively.

### Due to Related Parties

Due to related parties primarily includes operating expenses that are processed by UVM Medical Center and billed to the Organization, along with other transactions between the two organizations.

### Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses include amounts due to vendors, employees and Participants. Amounts due to Participants were \$4,799,731 and \$11,571,145 at December 31, 2021 (Successor) and 2020 (Predecessor), respectively.

### Deferred Revenue

Cash received as advance deposits for undelivered services, are recorded within deferred revenue until the services are performed. Revenue related to ACO contracts or other remaining undelivered performance obligations is deferred and recognized upon completion of the underlying performance criteria. Deferred revenue classified as a long-term liability represents participation fees paid by Participants specific to programs that did not take place and thus performance obligations have not been met.

# OneCare Vermont Accountable Care Organization, LLC

## Notes to Financial Statements

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### Income Taxes

Through October 2020, the Organization is a limited liability corporation that was treated as a partnership for federal income tax purposes.

In April 2021, the Organization was granted 501(c)(3) tax filing status by the Federal Government retroactive to October 2020, but continued to be organized as a limited liability corporation and presented financial statements consistent with those of a business entity until October 1, 2021, when the operating agreement of the organization was changed such that the Organization qualified for not for profit accounting and tax treatment.

### Members' Equity

Initially, each founding member of the Organization made a contribution of \$25,000 and agreed to make additional capital contributions in an amount equal to fifty percent of capital requirements of the Organization determined by the operating and capital budget approved by the Organization's Board of Managers. The Organization was granted 501(c)(3) tax filing status on October 26, 2020. At that time the operating agreement was changed such that financial interest no longer accrues to the Members of the Organization. No member may make additional contributions of capital, withdraw capital, lend or advance, or receive interest on capital, without unanimous consent of the Board of Managers.

On October 1, 2021, the UVM Health Network became the sole corporate member and DHH forfeited their initial \$25,000 contribution to the Organization. All remaining equity became the beginning net assets of the successor Organization.

### 3. Accounts Receivable

Accounts receivable consisted of the following at December 31, 2021 and 2020:

	<u>Successor</u> 2021	<u>Predecessor</u> 2020
Participation fees	\$ 60,057	\$ 343,389
Contract receivables	55,075	-
Consulting	-	-
Other	14,271	121,239
Total accounts receivable	<u>\$ 129,403</u>	<u>\$ 464,628</u>

### 4. Line of Credit

On March 5, 2020, the Organization entered into a loan agreement with TD Bank with a total commitment of \$10,000,000. Under the agreement, a line of credit is available that can be used solely for the issuance of standby letters of credit in favor of CMS to support the financial guarantees in connection with the CMS Vermont Modified Next Generation ACO Model participation agreement. The line of credit expires on March 5, 2022. Any amounts outstanding bear interest at a rate equal to LIBOR plus an applicable margin. The expiring loan agreement is guaranteed by Dartmouth-Hitchcock and UVM Medical Center. The loan agreement requires the Organization to provide TD Bank with audited financial statements 210 days after its fiscal year-end, which was extended by 60 days for the 2021 audit. During 2020, a standby letter of credit was issued against the loan agreement to cover a financial guaranty required under the arrangement with CMS. An amendment was executed late in 2020 to remove the financial

# OneCare Vermont Accountable Care Organization, LLC

## Notes to Financial Statements

guaranty requirement and the standby letter of credit was released on January 28, 2021. For all periods presented there are no amounts outstanding. On April 18, 2022, the Organization renewed the TD Bank line of credit in the amount of \$15,000,000 with UVM Health Network as the sole guarantor. Subsequent to renewal, a standby letter of credit was issued against the line of credit for the 2022 CMS financial guaranty not to exceed \$5,636,291.

### 5. Related Party Transactions

The Organization, given the nature of its business and relationship with the UVM Health Network and DHH has entered into various transactions with DHH and Participating affiliates of the UVM Health Network, including: UVM Medical Center, Central Vermont Medical Center (“CVMC”) and Porter Medical Center (“PMC”) during the ordinary course of business. The following amounts have been recorded as accounts receivable/(payable) in the Organization’s statement of financial position and balance sheet at December 31, 2021 and 2020, respectively:

	UVM Medical Center		Other Related Organizations	
	Successor 2021	Predecessor 2020	Successor 2021	Predecessor 2020
Participation fees receivable	\$ -	\$ -	\$ 60,057	\$ 322,884
Contract risk settlement	\$ (4,999,469)	\$ (2,706,222)	\$ (3,386,489)	\$ (2,563,813)
CMS AIPBP settlement	\$ 2,225,869	\$ 19,560,780	\$ 497,551	\$ 9,782,515

The following amounts have been recorded as revenue/(expense) in the Organization’s statement of activities (Successor) and statements of operations and comprehensive loss (Predecessor) for the following periods:

	UVM Medical Center			Other Related Organizations		
	Successor Period from October 1, 2021 - December 31, 2021	Predecessor Period from January 1, 2021 - September 30, 2021 2020		Successor Period from October 1, 2021 - December 31, 2021	Predecessor Period from January 1, 2021 - September 30, 2021 2020	
Participation fees	\$ 1,558,827	\$ 4,676,480	\$ 5,845,922	\$ 815,486	\$ 2,446,459	\$ 3,369,478
Expense reimbursements	\$ (2,832,611)	\$ (8,976,782)	\$ (11,529,150)	\$ -	\$ -	\$ -

UVM Medical Center provides various administrative services to the Organization, including the processing of payroll and accounts payable transactions. All employees of the Organization are UVM Medical Center employees and are covered under UVM Medical Center’s insurance policies and employee benefit plans. Additionally, population health management expenses are incurred with all Participants, including UVM Medical Center, Central Vermont Medical Center, Porter Medical Center and DHH in the normal course of business by the Organization in 2021 and 2020.

Included within operating expenses are \$52,808, \$170,916 and \$245,458 of rental expense (excluding common area and maintenance charges) for the the period October 1, 2021 to December 31, 2021 (Successor), the period January 1, 2021 to September 30, 2021 (Predecessor) and the year ended December 31, 2020 (Predecessor), respectively, related to office space.

Through March 31, 2020, the Organization had a services agreement to provide data management and reporting services to Adirondacks ACO, LLC, an ACO operating in the State of New York. One of the partners to the Adirondacks ACO is Champlain Valley Physicians Hospital, an organization whose sole corporate member is the UVM Health Network. The Organization recorded \$54,000 in revenue related to this services agreement for the year ended December 31, 2020 (Predecessor).

# OneCare Vermont Accountable Care Organization, LLC

## Notes to Financial Statements

### 6. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentration of credit risk consist principally of cash, restricted cash and cash equivalents. At December 31, 2021 (Successor) and 2020 (Predecessor), one financial institution held all of the Organization's cash and cash equivalents. The Organization maintains balances in operating accounts above federally insured limits.

A summary of revenue and accounts receivable by type are as follows:

Revenue	Successor		Predecessor		
	Period from October 1, 2021 - December 31, 2021		Period from January 1, 2021 - September 30, 2021		2020
Participating providers	44 %		72 %		50 %
Medicaid					
Administrative	10		16		13
Contracts	46		12		36
Other organizations	0		0		1
	100 %		100 %		100 %

Accounts Receivable	Successor		Predecessor	
	December 31, 2021		December 31, 2020	
Participating providers		3 %		59 %
Medicaid		86		28
CMS		7		11
Contracted commercial plans		4		2
		100 %		100 %

### 7. Contingencies

The Organization is party in various legal proceedings and potential claims arising in the ordinary course of its business. In addition, the health care industry as a whole is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations is subject to government review and interpretation as well as regulatory actions, which could result in the imposition of significant fines and penalties. Management does not believe that these matters will have a material adverse effect on the Organization's financial position or results of operations.

The Organization is not currently party to any material legal proceedings. At each reporting date, the Organization evaluates whether a potential loss amount or a potential range of losses is probable and reasonably estimable under the provisions of the authoritative guidance that addresses accounting for contingencies.

# OneCare Vermont Accountable Care Organization, LLC

## Notes to Financial Statements

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### 8. Subsequent Events

The Organization has assessed the impact of subsequent events through September 26, 2022, the date the audited financial statements were available and has concluded that there were no such events that require adjustment to the audited financial statements or disclosure in the notes to the audited financial statements other than the renewal of the line of credit discussed in Note 4.