

FINANCIAL STATEMENTS

OneCare Vermont Accountable Care Organization, LLC
Years Ended December 31, 2023 and 2022
With Report of Independent Auditors

Ernst & Young LLP



OneCare Vermont Accountable Care Organization, LLC

Financial Statements

Years Ended December 31, 2023 and 2022

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Report of Independent Auditors

The Board of Managers
OneCare Vermont Accountable Care Organization, LLC

Opinion

We have audited the financial statements of OneCare Vermont Accountable Care Organization, LLC (the Organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities and cash flows for the years then ended, and 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 at December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s 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 audits. 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 of 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 that the financial statements are available to be issued.

Auditor's 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 of material misstatement, whether due to fraud or error, and to issue an auditor's 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 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 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.

Ernst + Young LLP

June 28, 2024

OneCare Vermont Accountable Care Organization, LLC

Statements of Financial Position

	December 31	
	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 32,314,222	\$ 33,497,335
Accounts receivable	25,732,709	23,182,027
Prepaid expenses and other assets	258,669	406,578
Total current assets	<u>58,305,600</u>	57,085,940
Property and equipment, net	17,697	24,774
Total assets	<u>\$ 58,323,297</u>	<u>\$ 57,110,714</u>
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 46,402,367	\$ 44,390,292
Due to related parties	1,525,335	2,739,550
Current portion of deferred revenue	1,151,288	77,132
Total current liabilities	<u>49,078,990</u>	47,206,974
Deferred revenue, less current portion	768,803	1,742,976
Other long-term liabilities	–	280,111
Total liabilities	<u>49,847,793</u>	49,230,061
Net assets without donor restrictions:		
Undesignated	5,801,896	7,880,653
Designated for risk reserve	2,673,608	–
Total net assets without donor restrictions	<u>8,475,504</u>	7,880,653
Total liabilities and net assets	<u>\$ 58,323,297</u>	<u>\$ 57,110,714</u>

See accompanying notes.

OneCare Vermont Accountable Care Organization, LLC

Statements of Activities

	Years Ended December 31	
	2023	2022
Revenue:		
Participant revenues	\$ 20,980,943	\$ 23,795,568
Other revenue	1,371,359	272,391
Settlement revenue	50,000	–
Total revenue	22,402,302	24,067,959
Expenses:		
Population health management expenses:		
Care reform initiatives	7,942,241	9,225,091
Settlement expense	–	328,400
Total population health management expenses	7,942,241	9,553,491
Other operating expenses:		
Salaries, payroll taxes and fringe benefits	7,424,060	8,185,684
Software, software licenses and software maintenance	1,505,050	2,297,813
Consulting, legal and other purchased services	3,830,389	1,935,632
Travel, supplies and other	1,105,711	1,194,534
Total other operating expenses	13,865,210	13,613,663
Total expenses	21,807,451	23,167,154
Increase in net assets without donor restrictions	594,851	900,805
Net assets at beginning of period	7,880,653	6,979,848
Net assets at end of period	\$ 8,475,504	\$ 7,880,653

See accompanying notes.

OneCare Vermont Accountable Care Organization, LLC

Statements of Cash Flows

	Years Ended December 31	
	2023	2022
Operating activities		
Change in net assets	\$ 594,851	\$ 900,805
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	7,077	8,155
Increase (decrease) in cash resulting from a change in:		
Accounts receivable	(2,550,682)	1,929,880
Prepaid expenses and other assets	147,909	(54,173)
Due to related parties	(1,214,215)	(400,044)
Accounts payable and accrued expenses	2,012,075	12,439,645
Deferred revenue	99,983	(95,028)
Other long-term liabilities	(280,111)	280,111
Net cash (used in) provided by operating activities	(1,183,113)	15,009,351
Investing activities		
Proceeds from sale of property and equipment	–	4,772
Net cash provided by investing activities	–	4,772
Net (decrease) increase in cash and cash equivalents and restricted cash	(1,183,113)	15,014,123
Cash and cash equivalents:		
Beginning of year	33,497,335	18,483,212
End of year	\$ 32,314,222	\$ 33,497,335

See accompanying notes.

OneCare Vermont Accountable Care Organization, LLC

Notes to Financial Statements

December 31, 2023

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 University of Vermont Health Network (UVM Health Network), a Vermont not-for-profit corporation, is the sole corporate member of the Organization. In accordance with OneCare's limited liability corporation structure, limitations exist on the liability of the sole corporate member.

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 supports and coordinates with an extensive statewide network of providers and communities implementing health care payment reform and population health management.

OneCare entered into population-based "next generation" accountable care program agreements for performance years 2023 and 2022 with the State of Vermont Department of Vermont Health Access (DVHA) for Vermont Medicaid, the Centers for Medicare and Medicaid Services (CMS) for Medicare, and MVP Health Care, Inc. (MVP), as well as an agreement with BlueCross BlueShield of Vermont (BCBSVT) for 2022. In 2023, OneCare entered into a new agreement with the UVM Health Network, a plan sponsor of a self-funded employee group health plan. These agreements are designed to align with the Vermont All-Payer Accountable Care Organization Model agreement between the State of Vermont and CMS. These agreements contain risk sharing arrangements and the provision of funding that OneCare is to use to further health care reform payment models.

The Organization's network of participating providers (the Participants) includes hospitals (including various affiliated entities within UVM Health Network which are related parties) along with their employed physicians and providers, 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 contractual agreement with OneCare and has agreed to become and remain accountable for the quality, cost and overall care of attributed lives.

OneCare Vermont Accountable Care Organization, LLC

Notes to Financial Statements (continued)

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).

Net Assets

Net assets and revenues and expenses are classified based on the existence or absence of donor-imposed restrictions.

Net assets without donor restrictions – Net assets without donor restrictions are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes.

As of December 31, 2023 and 2022, net assets without donor restrictions amounted to \$8,475,504 and \$7,880,653, respectively. Effective January 1, 2023, the Organization internally designates a portion of the net assets as risk reserve for potential contract risk settlement guarantees. The Organization's risk reserve was \$2,673,608 as of December 31, 2023 and was recorded within net assets without donor restrictions on the statements of financial position.

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 accordance with GAAP 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 amounts of revenues and expenses reported during the periods. The Organization's significant estimates include receivables and payables for year-end risk settlements under each payer contract, along with amounts due to or from Participants based on achieving defined annual quality metrics. Accordingly, actual results could differ from those estimates.

OneCare Vermont Accountable Care Organization, LLC

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

New Accounting Guidance

In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The new credit losses standard changes the impairment model for most financial assets and certain other instruments. For trade and other receivables, contract assets recognized as a result of applying ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), loans and certain other instruments, entities are required to use a new forward looking “expected loss” model that generally results in earlier recognition of credit losses than the incurred loss model. The Organization adopted ASU 2016-13 effective January 1, 2023. The adoption of this pronouncement did not have a material impact on the financial statements.

Participant Revenue

The majority of the contractual amounts received by the Organization represent pass-through transactions (not recorded as revenue) as further described below in “Other Activity Under Payer Contracts.”

The Organization recognizes revenue for services provided to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those services. At contract inception, the Organization identifies the performance obligation for each promise to transfer a service 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 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.

The Organization receives financial support from Participants to fund its operations. Participant revenue is comprised of participation fees and Medicaid Participant supplemental fees.

OneCare Vermont Accountable Care Organization, LLC

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

A summary of participant revenue for the years ended December 31 is as follows:

	<u>2023</u>	<u>2022</u>
Participation fees	\$ 17,920,093	\$ 20,435,129
Medicaid participant supplemental fees	3,060,850	3,360,439
Total participant revenue	<u>\$ 20,980,943</u>	<u>\$ 23,795,568</u>

Participation Fees

Participation fees are approved by the Organization's Board of Managers (the Board) on an annual basis based on budgeted expenditures for the purpose of funding operations. Participation fees are billed at a monthly, predetermined rate for each Participant. Revenue is recognized on a monthly basis as expenses are incurred or services are performed.

As the Organization's annual budget is the basis for establishing participation fees, it is expected that variation between actual and budgeted expenses will occur in the normal course of business, which may result in a profit or loss for the Organization. If this type of variation occurs, the Board may, at their discretion, issue credits to Participants or, in the case of a loss, increase participation fees. Such retroactive changes to participation fees would be considered a change in the transaction price that constitutes variable consideration. In 2022, the Board did not take action to either increase or decrease the participation fees at the conclusion of the fiscal year, thus no changes were recognized as variable consideration for the year ended December 31, 2022. Effective in 2023, the Board approved a policy whereby participation fees are adjusted downward to allow for an increase in net assets without donor restrictions of no more than 3% of the Board-approved participation fee amount for the fiscal year. As a result of the new policy, the Organization recorded variable consideration as a reduction in participation fees in the amount of \$1,808,371 for the year ended December 31, 2023. As of December 31, 2023, the Organization recorded \$1,808,371 in fees credit payable to Participants within accounts payable and accrued expenses on the 2023 statement of financial position.

Medicaid Participant Supplemental Fees

Medicaid participant supplemental fees are collected from Participants in the Medicaid DVHA program to fund operations of the Organization, including administration of care coordination and prevention initiatives previously funded directly by DVHA.

OneCare Vermont Accountable Care Organization, LLC

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

Contract Asset/Liability Balances recorded as Deferred Revenue

The Organization satisfies its performance obligations when it provides the Participants with various support services. The timing of the Organization'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. At December 31, 2023 and 2022, there were no material contract assets due from Participants.

A summary of the Organization's contract liabilities due to Participants, recorded in current and long-term deferred revenue, at December 31 is as follows:

	<u>2023</u>	<u>2022</u>
Beginning balance	\$ (1,820,108)	\$ (1,915,136)
Revenue recognized	277,135	873,691
Revenue deferred	(377,118)	(778,663)
Ending balance	<u>\$ (1,920,091)</u>	<u>\$ (1,820,108)</u>

Amounts not recognized relate to performance obligations under participation agreements and are primarily associated with population health management programs and initiatives deferred to a future year. Amounts will be recognized as revenue in the future when these population health management programs are implemented, either through achievement of stated objectives or expenditures of funds. New deferrals in 2023 and 2022 relate to cash received from 2023 and 2021 performance year settlements, respectively.

Population Health Management Expenses

The Organization operates quality improvement and cost control initiatives that include funds to be distributed to Participants based on results in accordance with Organization policy. These initiatives are designed to incentivize Participants to deliver high quality care and manage health care cost growth. Population health management expenses are recorded as incurred.

OneCare Vermont Accountable Care Organization, LLC

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

Contract Risk Settlement Guarantees

The Organization has agreed to risk-based medical spending targets for the full attributed populations during the performance year, which is from January 1 to December 31. The Organization is liable to the payers for shared losses if actual costs exceed the established targets or is entitled to shared savings if actual costs are less than the targets (within established corridors). At the execution of each payer contract, the Organization records a guarantee liability under FASB Accounting Standards Codification (ASC) Topic 460, *Guarantees*, to indemnify the payer for shared losses if the estimated costs that underlie the risk arrangement exceed target costs. Under Topic 460, such guarantee liabilities are measured at fair value on the statements of financial position with an entry to expense (recorded at time of contract execution) on the statements of activities; the liability is amortized (via a reversal of expense) over the term of the contract as the stand-ready obligation expires. All of the Organization's risk arrangement contracts are for single year terms with the exception of the UVM Health Network self-funded program which is effective from January 1, 2023 through December 31, 2024 for the performance period of October 1, 2023 through December 31, 2024.

The Organization executed risk arrangement contracts for performance years 2024 and 2023 with CMS and DVHA in December 2023 and 2022, respectively. Management concluded at the inception of the agreements with these payers that it would not be probable for the contracts to result in shared losses based upon the contractual cost targets, shared loss caps and historical experience and has assessed the fair value of shared losses to be de minimis. Accordingly, no amounts have been recorded as guarantee liabilities at December 31, 2023 and 2022 and there is no impact to the statements of activities for the Organization's guarantee liabilities to CMS or DVHA for the years ended December 31, 2023 and 2022. Shared savings under the 2023 and 2022 CMS contracts are recorded as receivables in the statements of financial position at December 31, 2023 and 2022. The DVHA contract is expected to have a shared loss for 2023 and thus a payable is recorded in the statement of financial position at December 31, 2023. A receivable for shared savings achieved under the DVHA contract for the 2022 performance year was recorded in the statement of financial position at December 31, 2022 and remains outstanding as of December 31, 2023.

The Organization executed a risk arrangement contract for performance years 2024 and 2023 with MVP in February 2024 and February 2023, respectively.

OneCare Vermont Accountable Care Organization, LLC

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

At the inception of the performance year 2022 risk arrangement contract with BCBSVT management concluded it was highly likely shared losses would be realized up to the contract cap and recorded the fair value of a stand-ready obligation accordingly. At the close of the 2022 performance year, actual costs exceeded established targets, and thus a contingent liability was recorded in line with ASC Topic 450, *Contingencies*, for \$125,000 (as noted in the table below). No performance year 2023 risk arrangement contract has been executed with BCBSVT.

The Organization records, as an asset or liability, the savings or losses estimated under each contract either due from or due to the payers. Participants are responsible to fund any amount due to the payers for losses or will receive a distribution of savings under the contracts. Exceptions include all savings or losses under the BCBSVT contract and certain risk mitigation agreements approved by the Organization's Board. Amounts are recorded on the statements of activities and resulted in settlement revenue of \$50,000 and settlement expense of \$328,400 for the years ended December 31, 2023 and 2022, respectively.

The Organization recorded changes in shared savings and loss estimates for final settlements received from payers during the year ended December 31, 2023 related to the performance year ended December 31, 2022, including favorable changes in estimate of \$50,000 and \$223,425 related to the BCBSVT (as described above) and DHVA contracts, respectively, and unfavorable changes in estimates of \$60,777 related to the CMS contract. The Organization recorded changes in shared savings and loss estimates for final settlements received from payers during the year ended December 31, 2022 related to the performance year ended December 31, 2021, including a favorable change in estimate of \$715,776 related to DVHA and an unfavorable change in estimate of \$35,250 related to BCBSVT. Due to the contract provisions for the settlement arrangements, the BCBSVT change in estimate of shared savings and losses impacted the statement of activities.

Receivables from and payables to payers related to risk arrangements were recorded within accounts receivable and accounts payable on the statements of financial position at December 31 and consist of the following:

	<u>2023</u>	<u>2022</u>
Medicare shared savings	\$ 10,175,961	\$ 9,625,106
Less shared savings advances	(9,545,916)	(9,073,983)
Total receivable – CMS	<u>\$ 630,045</u>	<u>\$ 551,123</u>

OneCare Vermont Accountable Care Organization, LLC

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

Medicaid net shared savings receivable – DVHA	\$ 6,616,839	\$ 11,109,711
BCBSVT shared loss payable – BCBSVT	–	(125,000)

The Organization had no shared savings or losses with MVP for the years ended December 31, 2023 and 2022.

The guarantees assumed by OneCare as described above are for the risk-sharing provisions of its payer contracts only. The majority of the activity under these contracts (such as payments made under an alternative reimbursement mechanism to fee for service for Participants) is treated by the Organization as pass-through activity on behalf of the Participants.

Under the CMS and BCBSVT contracts, as part of the settlement for the performance year, the payer will compare the difference between the total payments paid to the Organization and the fee for service equivalent for services rendered by Participants (All-Inclusive Population-Based Payment (AIPBP) Reconciliation or Fixed Prospective Payment (FPP) Reconciliation). An excess of payments paid over fee for service equivalent will result in recoupment from CMS or BCBSVT. CMS reviews its reconciliation 18 months after the end of the performance year. Under the DVHA contract, as part of the settlement for the performance year, the payer will reassess its patient attribution for changes in patient type (for example, child to adult). Any changes result in either additional payment to or recoupment from DVHA (the Medicaid Eligibility Group (MEG) Reclass).

Both the AIPBP and FPP Reconciliations and MEG Reclass are pass-through activity to Participants. The Organization records, as an asset or liability, the amounts estimated under each contract either due from or due to the payers, as well as a corresponding receivable due to or due from the Participants. There is no impact to the statements of activities from the pass-through activity.

During the year ended December 31, 2023, the Organization recorded favorable changes in estimates of \$3,978,838 and \$45,538 related to the DVHA contract and BCBSVT FPP reconciliation, respectively, for the year ended December 31, 2022. During the year ended December 31, 2022, the Organization recorded favorable changes in estimates of \$750,270 related to the DVHA contract and \$512,120 related to the CMS AIPBP Reconciliation for the year ended December 31, 2021. As these changes in estimates related to pass-through activity, none of the changes impacted the statements of activities.

OneCare Vermont Accountable Care Organization, LLC

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

A summary of the pass-through other than risk arrangement transactions under each of the Organization's 2023 and 2022 performance year contracts is as follows for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Vermont Medicaid Next Generation ACO Program:		
FPP paid	\$ 196,685,209	\$ 176,240,899
Provider Reform Support paid	6,936,520	6,454,362
ED per diem receivable	134,075	–
MEG Reclass receivable	5,376,619	1,714,512
Total DVHA	<u>\$ 209,132,423</u>	<u>\$ 184,409,773</u>
CMS Vermont Modified Next Generation ACO Program:		
AIPBP paid	\$ 274,768,073	\$ 263,226,509
AIPBP Reconciliation payable	(3,364,710)	(13,785,969)
Total CMS	<u>\$ 271,403,363</u>	<u>\$ 249,440,540</u>
BCBSVT Commercial Next Generation ACO Program:		
FPP paid	\$ –	\$ 5,447,513
Population health management fees paid	–	747,653
FPP Reconciliation payable	–	(114,743)
Total BCBSVT Commercial	<u>\$ –</u>	<u>\$ 6,080,423</u>
BCBSVT Primary Payor Program:		
Population health management fees paid	\$ –	\$ 2,572,190
Total BCBSVT Primary Payor Program	<u>\$ –</u>	<u>\$ 2,572,190</u>
MVP Health Plan:		
Population health management fees paid	\$ 253,880	\$ 347,802
Population health management fees receivable	21,054	–
Total MVP Health Plan	<u>\$ 274,934</u>	<u>\$ 347,802</u>
UVM Health Network:		
Population health management fees paid	\$ 425,392	\$ –
Population health management fees receivable	37,739	–
Total UVM Health Network	<u>\$ 463,131</u>	<u>\$ –</u>

Included in above are payments to related parties (Note 4).

OneCare Vermont Accountable Care Organization, LLC

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents include all liquid investments with maturities of three months or less when purchased. Cash and cash equivalents comprise all of the Organization's assets that could be made available for general expenditures within one year.

Accounts Receivable

Accounts receivable typically consists of amounts due from providers, payers and other organization types. Accounts receivables are stated at amounts billed, net of related reserves, as applicable for revenue earned or pass-through dollars to be received under payer contracts. Accounts receivable recorded on the statements of financial position consists of the following at December 31:

	<u>2023</u>	<u>2022</u>
Contract risk settlement guarantees		
Participants	\$ 4,264,846	\$ 6,897,489
Payers	12,481,701	16,252,499
Other activity		
Participants	3,416,675	–
Payers	5,569,487	32,039
Total	<u>\$ 25,732,709</u>	<u>\$ 23,182,027</u>

Prepaid Expenses and Other Assets

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

OneCare Vermont Accountable Care Organization, LLC

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

Property and Equipment

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

	<u>2023</u>	<u>2022</u>
Furniture and fixtures	\$ 49,549	\$ 49,549
Leasehold improvements	9,953	9,953
Total	<u>59,502</u>	<u>59,502</u>
Less: accumulated depreciation and amortization	<u>(41,805)</u>	<u>(34,728)</u>
Net property and equipment	<u>\$ 17,697</u>	<u>\$ 24,774</u>

Depreciation and amortization expense was \$7,077 and \$8,155 for the years ended December 31, 2023 and 2022, respectively. The Organization wrote off \$1,277 of accumulated depreciation on property and equipment sold at book value in the year ended December 31, 2022.

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 any other transactions that may occur between the two organizations outside of population health management payments (see Note 4).

OneCare Vermont Accountable Care Organization, LLC

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses include amounts due to providers, payers and others. Accounts payable and accrued expenses recorded on the statements of financial position consist of the following:

	<u>2023</u>	<u>2022</u>
Contract risk settlement guarantees		
Participants	\$ 10,819,095	\$ 6,687,025
Payers	5,234,816	14,025,712
Other activity		
Participants	8,243,287	3,431,935
Payers	20,579,600	18,801,573
Other organizations	1,525,569	1,444,047
Total	<u>\$ 46,402,367</u>	<u>\$ 44,390,292</u>

Income Taxes

As a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code), the Organization is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Organization is also exempt from state and local income taxes.

Reclassifications

For purposes of comparison, certain reclassifications have been made to the 2022 financial statements to conform to the 2023 presentation. These reclassifications have no effect on the increase in net assets without donor restrictions for the year ended December 31, 2022.

OneCare Vermont Accountable Care Organization, LLC

Notes to Financial Statements (continued)

3. 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. On April 18, 2022, the Organization renewed the TD Bank loan agreement 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. In August 2023, an additional standby letter of credit was issued against the line of credit for the 2023 CMS financial guaranty not to exceed \$5,990,067. Any amounts outstanding on the line of credit bear interest at a rate equal to the 1- month Secured Overnight Lending Rate plus an applicable margin. Effective October 2023, the line of credit is allowed to be used for operational needs. There were no outstanding amounts as of December 31, 2023 and 2022.

4. Related-Party Transactions

The Organization, given the nature of its business and relationship with the UVM Health Network, has entered into various transactions with Participants that are affiliates of the UVM Health Network, including UVM Medical Center, Central Vermont Medical Center and Porter Medical Center, during the ordinary course of business. The following amounts have been recorded in the Organization’s statements of financial position separate from the balance of due to related parties included on the statements of financial position at December 31, 2023 and 2022.

	UVM Health Network	
	2023	2022
Contract risk settlement (payable) receivable	\$ (2,826,277)	\$ 5,268,609
Other payable activity under Payer contracts	(1,151,798)	(2,444,896)

The following amounts have been recorded as revenue (expense) in the Organization’s statements of activities for the years ended December 31:

	UVM Health Network	
	2023	2022
Participation fees	\$ 10,565,095	\$ 9,092,141
Administrative expense reimbursements	(10,351,539)	(11,393,915)

OneCare Vermont Accountable Care Organization, LLC

Notes to Financial Statements (continued)

4. Related-Party Transactions (continued)

UVM Medical Center provides various administrative services to the Organization, including the processing of payroll and accounts payable transactions. All personnel of the Organization are UVM Medical Center employees and are covered under UVM Medical Center’s insurance policies and employee benefit plans. These expenses are reimbursed to UVM Medical Center by the Organization.

Additionally, population health management expenses are incurred with all Participants, including UVM Health Network in the normal course of business by the Organization.

5. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentration of credit risk consist principally of cash and cash equivalents. At December 31, 2023 and 2022, 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 accounts receivable by type at December 31 is as follows:

	<u>2023</u>	<u>2022</u>
Participating providers	30%	30%
Payers	70	70
Other organizations	–	–
	<u>100%</u>	<u>100%</u>

A summary of revenue by type at December 31 is as follows:

	<u>2023</u>	<u>2022</u>
Participating providers	94%	99%
Payers	–	–
Other organizations	6	1
	<u>100%</u>	<u>100%</u>

OneCare Vermont Accountable Care Organization, LLC

Notes to Financial Statements (continued)

6. Functional Expenses

The functional expenses related to the fulfillment of the Organization’s mission are as follows:

	Population Health Management	Management and General	Total
Year ended December 31, 2023			
Care reform initiatives	\$ 7,942,241	\$ –	\$ 7,942,241
Salaries, payroll taxes and fringe benefits	4,098,267	3,325,793	7,424,060
Software, software licenses, and software maintenance	1,465,962	39,088	1,505,050
Consulting, legal, and purchased services	2,590,503	1,239,886	3,830,389
Travel, supplies and other	361,827	743,884	1,105,711
Total	\$ 16,458,800	\$ 5,348,651	\$ 21,807,451

	Population Health Management	Management and General	Total
Year ended December 31, 2022			
Care reform initiatives	\$ 9,225,091	\$ –	\$ 9,225,091
Settlement expense	328,400	–	328,400
Salaries, payroll taxes and fringe benefits	5,188,560	2,997,124	8,185,684
Software, software licenses, and software maintenance	2,248,207	49,606	2,297,813
Consulting, legal, and purchased services	1,128,964	806,668	1,935,632
Travel, supplies and other	191,813	1,002,721	1,194,534
Total	\$ 18,311,035	\$ 4,856,119	\$ 23,167,154

OneCare Vermont Accountable Care Organization, LLC

Notes to Financial Statements (continued)

7. Contingencies

The Organization is party to various legal proceedings and potential claims arising in the ordinary course of 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 applicable accounting guidance.

8. Subsequent Events

Subsequent events have been evaluated through June 28, 2024, which is the date the financial statements were available to be issued. Except as noted below, there were no events that have occurred that require disclosure in or adjustment to the financial statements.

The Vermont All-Payer Accountable Care Organization Model is scheduled to conclude on December 31, 2025. Management is actively working with its partners to determine the vision of the OneCare business model after that date.

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