

**BUDGET ADJUSTMENT: STATE FISCAL YEAR 2023**

**Department’s Mission:** Improve Vermonter’s health and well-being by providing access to high-quality, cost-effective health care.

**State Fiscal Year 2023 Summary:** The Department of Vermont Health Access (DVHA) state fiscal year 2023 budget adjustment request includes an increase in Administration of \$5,864,752 (gross) and an increase in Program of \$95,498,044 (gross) for a total of \$101,362,796 (gross) in new appropriations; additional information for explanatory purposes is provided under the Administration and Program sections below.

Appropriation	GROSS	STATE FUNDS
B.306 DVHA Administration	\$5,864,752	\$4,064,752
B.307 Global Commitment Program	\$100,549,006	\$38,329,281
B.309 State Only Program	(\$4,747,056)	\$1,172,159
B.310 Non-Waiver Program	(\$303,906)	(\$517,840)
<b>Total Change</b>	<b>\$101,362,796</b>	<b>\$43,048,352</b>

The programmatic changes in DVHA’s budget are spread across three different covered populations: Global Commitment, State Only, and Medicaid Matched Non-Waiver; the descriptions of the changes are similar across these populations, so these items have been consolidated for purposes of discussion within this narrative. However, the items are repeated appropriately in the Ups/Downs document. DVHA has numerically cross walked the changes listed below to the Ups/Downs and included an appropriation level breakdown table whenever an item is referenced more than once in the Ups/Downs document.

ADMINISTRATION \$5,864,752 GROSS / \$4,064,752 STATE

- 1. **Transitional Housing Complex Care Management.** . . . . . \$0/\$200,000 state

This item provides estimated backfill for the loss of federal funding as Vermont Chronic Care Initiative (VCCI) staff are re-deployed to AHS’ Transitional Housing Complex Case Management team.

- 2. **ADS Service Level Agreement.** . . . . . \$64,752/\$64,752 state

This item represents an increase in cost of services provided by the Agency of Digital Services to DVHA.

- 3. **MDWAS General Fund Carry Forward from SFY 2022.** . . . . . \$5,800,000/ \$3,800,000 state

The Medicaid Data Warehouse and Analytics Solution (MDWAS) is an effort undertaken by the State of Vermont to “construct a centralized data repository, with robust reporting and analysis tools, that contains all Medicaid-related claims and clinical data.” This project is the next step in the strategy to modernize the Medicaid Management Information Systems (MMIS).

PROGRAM \$95,498,044 GROSS / \$38,983,600 STATE

**4. Caseload & Utilization Changes . . . . . \$44,993,799 / \$17,906,606 state**

DVHA updates the Medicaid Consensus Forecast, a collaborative process for estimating caseload and utilization, with the Joint Fiscal Office, the Department of Finance and Management, and the Agency of Human Services twice each year as part of the State’s Consensus Revenue Forecasting process.

The COVID-19 pandemic continues to be the primary factor driving caseload and utilization projections for the balance of fiscal year 2023. After several years of decline, Vermont’s Medicaid enrollment has grown steadily since the start of the pandemic in March 2020. The cause is twofold: first, individuals experiencing pandemic-related economic challenges now qualify for Medicaid and, most significantly, Vermont has been generally prohibited from terminating Medicaid coverage. Continuous Medicaid coverage is a condition of receiving the 6.2% enhancement in Federal Medical Assistance Percentage (FMAP) as authorized in the Families First Coronavirus Response Act (FFCRA). The federal government has provided this increased FMAP since spring of 2020 to support states and stabilize health care coverage during the public health emergency.

DVHA has taken many steps to facilitate access to health care and to comply with the continuous coverage requirement, including:

- Extending Medicaid coverage periods until after the emergency ends; the Department is not processing redeterminations that could result in loss of Medicaid.
- Suspending certain termination of health insurance; the Department is generally not ending Medicaid coverage unless the customer requests it.
- Temporarily waiving financial verifications required for those seeking to enroll in health insurance.

The most recent Medicaid Consensus Forecast completed in October projects that Medicaid continuous coverage will continue through March 2023. (This is consistent with current law which lifts the continuous coverage requirement as of April 2023.) As such, enrollment is expected to remain elevated for the balance of SFY2023.

Appropriation	GROSS	STATE FUNDS
B.307 Global Commitment	\$43,805,013	\$16,698,471
B.309 State Only	\$1,214,002	\$1,215,483
B.310 Non-Waiver	(\$25,216)	(\$7,348)
<b>Total Change</b>	<b>\$44,993,799</b>	<b>\$17,906,606</b>

**5. Annual Medicare Buy-In and Caseload Changes . . . . . \$1,289,351/ \$431,441 state**

The federal government allows states to use Medicaid dollars to “buy-in” to Medicare on behalf of dually eligible beneficiaries who would otherwise be fully covered by Medicaid programs. Caseload and member month costs vary from year to year. This change incorporates a rate increase and upward trend in member months. DVHA Buy-in caseload remains relatively consistent with a slight increase because Vermont’s population is aging into Medicare.

Appropriation	GROSS	STATE FUNDS
B.307 Global Commitment	\$1,131,798	\$431,441
B.310 Non-Waiver	\$157,553	\$0
<b>Total Change</b>	<b>\$1,289,351</b>	<b>\$431,441</b>

**6. Graduate Medical Education (GME) Supplemental Payment . . . . . \$21,217,782 / \$8,088,218 state**

DVHA is seeking Global Commitment spending authority via the Budget Adjustment Act for SFY 2023 to increase the annual GME amount from \$30 million to approximately \$51 million which is the full amount of GME payment potential demonstrated by the approved calculation methodology for SFY 2023. This proposed funding mechanism does not require additional General Fund dollars. If authorized, the remaining \$21 million would be disbursed to the University of Vermont Medical Center (UVMCMC) in the second or third quarter of hospital fiscal year 2023.

**7. Brattleboro Retreat APM Year 2 Appropriations Shortfall . . . . . \$3,613,296 / \$1,377,388 state**

DVHA is seeking \$3,613,296 in gross funding to cover the SFY23 base budget shortfall for Brattleboro Retreat APM year-2 agreement's projected need which exceeds the SFY23 base budget.

**8. Brattleboro Retreat APM Year-2 Amendment . . . . . \$18,768,000 / \$7,154,362 state**

Retroactive to July 1, 2022, AHS/DVHA executed an amendment to the March 2021 Alternative Payment Model contract with the Brattleboro Retreat. This amendment increased the per diem rate from \$2,550 to \$3,100 (net increase of \$550 per diem) and increased the daily Medicaid bed count from 42 to 51 (net increase 9 beds). The fiscal impact for the remainder of the APM Year-2 contract amendment (July-December 2022) is \$9,384,000. The total fiscal impact on the ‘As Passed’ SFY23 budget is \$18,768,000 when these increases are carried through the entirety of DVHA’s SFY23.

State Fiscal Year 2023	
Last Half APM Yr. 2 July 2022-Dec. 2022	First Half APM Yr. 3 Jan. 2023-June 2023
Fiscal Impact \$ 9,384,000.00	\$ 9,384,000.00
<b>Total Impact on SFY23 BAA</b>	<b>\$ 18,768,000.00</b>

**9. Brattleboro Retreat Funding Shift to GC . . . . . \$0/\$0 state**

The Centers for Medicare and Medicaid (CMS) has ordered a phasedown of Institute for Mental Disease (IMD) Investment dollars. DVHA is shifting a portion of the allocation of those dollars from Investment to Global Commitment funding.

Appropriation	GROSS	STATE FUNDS
B.307 Global Commitment	\$4,594,463	\$1,751,409
B.309 State Only	<u>(\$4,594,563)</u>	<u>(\$1,751,409)</u>
<b>Total Change</b>	\$0	\$0

**10. Brattleboro Retreat Funding Shift to GF. . . . . \$0/\$3,074,680 state**

The Centers for Medicare and Medicaid (CMS) has ordered a phasedown of Institute for Mental Disease (IMD) Investment dollars. thus, DVHA is shifting a portion of the allocation of those dollars from Investment to General Funds.

**11. Annual Medicaid Rate Adjustments. . . . . \$342,750/ \$130,167 state**

DVHA has a goal to be a reliable and predictable payer for Vermont Medicaid-participating providers. Annual rate updates are developed using established rate methodologies. Rate changes are part of the State’s annual budget development process and are intended to support and maintain the Medicaid provider network, provide stabilization to the health care system, and maximize transparency when rate changes are made. Increased caseload continues to put pressure on DVHA’s budget for SFY23. As such, the increased funds required for this annual update are specific to Medicaid’s federally required rate increases for Federally Qualified Health Centers, Rural Health Clinics, and hospice services, effective January 1, 2023.

Appropriation	GROSS	STATE FUNDS
B.307 Global Commitment	\$336,915	\$128,432
B.310 Non-Waiver	<u>\$5,835</u>	<u>\$1,735</u>
<b>Total Change</b>	\$342,750	\$130,167

**12. PY 2021 ACO Settlement . . . . . \$7,181,563 / \$2,729,234 state**

The Vermont Medicaid Next Generation (VMNG) Accountable Care Organization (ACO) program is a Scale Target ACO Initiative as described in the Vermont All-Payer Accountable Care Organization Model agreement with the Centers for Medicare and Medicaid Services (CMS). This initiative aligns with DVHA’s priority to pursue a more integrated health care system in which providers accept financial risk for the cost and quality of care. DVHA has contracted with OneCare Vermont to participate in the VMNG program since 2017. Each year, DVHA and OneCare agree on cost of care financial targets for attributed Medicaid members up front. In All Payer Model Program Year (PY) 2021, spending for ACO-attributed

Medicaid members was less than the target. The contractual risk-sharing arrangement entitles OneCare Vermont to a reconciliation payment of \$7.18 million, calculated as a percentage of the difference between the actual payments for services and the target, which OneCare distributes to risk-bearing providers in the ACO network.

Appropriation	GROSS	STATE FUNDS
B.307 Global Commitment	\$7,081,739	\$2,699,559
B.309 State Only	\$0	\$0
B.310 Non-Waiver	<u>\$99,824</u>	<u>\$29,675</u>
<b>Total Change</b>	<b>\$7,181,563</b>	<b>\$2,729,234</b>

**13. SFY2022 Carryforward Offsetting Caseload & Utilization . . . . . (\$1,908,497) / (\$1,908,497) state**

This item is a net neutral carryforward of funds from SFY 2022, to aid with the continued impact of heightened patient caseload and utilization during the SFY 2023.

Appropriation	GROSS	STATE FUNDS
B.309 State Only	(\$1,366,595)	(\$1,366,595)
B.310 Non-Waiver	<u>(\$541,902)</u>	<u>(\$541,902)</u>
<b>Total Change</b>	<b>(\$1,908,497)</b>	<b>(\$1,908,497)</b>