

GOVERNOR’S BUDGET RECOMMENDATION: STATE FISCAL YEAR 2024

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

State Fiscal Year 2024 Summary: The Department of Vermont Health Access’ (DVHA’s) state fiscal year 2024 budget request includes an increase in Administration of \$20,651,599 (gross) and an increase in Program of \$64,284,450 (gross) for a total of \$84,936,049 (gross) in new appropriations. Explanations are provided under the Administration and Program sections below.

| Appropriation | GROSS | STATE FUNDS |
|--|---------------|--------------|
| B.306 DVHA Administration | \$20,651,599 | \$895,677 |
| B.307 Global Commitment Program | \$66,325,443 | \$28,838,303 |
| B.309 State Only Program | (\$1,536,873) | \$3,869,624 |
| B.310 Non-Waiver Program | (\$504,120) | (\$102,629) |
| Total Change | \$84,936,049 | \$33,500,974 |

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 these changes are similar across these populations and have been consolidated within this narrative. However, the items are repeated for each population in the Ups/Downs document. DVHA has numerically cross-walked the changes listed below to the Ups/Downs and has included an appropriation-level breakdown table whenever an item is referenced more than once in the Ups/Downs document.

ADMINISTRATION **\$20,651,599 GROSS / \$895,677 STATE**

- 1. Salary & Fringe, Retirement, and Healthcare Changes \$2,634,374 / \$1,158,235 state**

In SFY2024, DVHA is projected to have 373 positions which is on par with SFY2023. These figures reflect annual salary; fringe and Federal Financial Participation rates; reclassifications; and an increase to retiree pension and health care cost accruals.

| Appropriation | GROSS | STATE FUNDS |
|---------------------|--------------------|--------------------|
| Salary & Fringe | \$2,141,459 | \$961,501 |
| Retirement | \$492,916 | \$196,735 |
| Total Change | \$2,634,374 | \$1,158,235 |

2. Internal Service Fund (ISF) \$139,736/\$29,829 state

This item represents an increase in funding needs that are required to reimburse other departments for shared services.

| Appropriation | GROSS | STATE FUNDS |
|---|------------------|-----------------|
| <i>Personal Services:</i> | | |
| Internal Service Fund (ISF) Worker's Compensation | \$22,019 | \$4,693 |
| <i>Operating Expenses:</i> | | |
| ISF ADS | \$4,184 | \$893 |
| ISF DHR | \$32,330 | \$6,903 |
| ISF Fee for Space | \$37,848 | \$8,082 |
| ISF VISION | \$42,494 | \$9,074 |
| ISF General Liability | \$256 | \$55 |
| ISF Property/Commercial Insurance | \$605 | \$129 |
| Total Change | \$139,736 | \$29,829 |

3. Gainwell Contract - MDWAS \$654,350 / \$0 state

The MDWAS project endeavors to pull Medicaid data into a data lake, connect that data to clinical and other non-claims data in our VHIE data warehouse and create new analytics and reporting tools. Gainwell will provide source data to the data lake, which will require them to work with our vendor to ensure that these data transfers work properly. We will also need Gainwell's participation as we analyze our reporting and analysis needs. Our goal is to move all our analytics and reporting tools into the new platform and Gainwell's experience with our data will be important to the success of this project.

4. Medicaid Data Warehouse & Analytics Solution (MDWAS) . . \$17,878,690/\$0 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).

5. Reduction in Office Rents (\$488,783)/(\$209,003) state

This item represents a reduction in office space rental costs due to savings from the consolidation of DVHA’s physical footprint and existing lease agreements with actual costs less than originally budgeted.

6. Operational Reductions (\$166,768)/(\$83,384) state

This item represents areas within DVHA’s operational budget that have been identified for reduction due to changes in the operational environment such as DVHA’s effort to create a hybrid working environment.

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|----------------|--|
| PROGRAM | \$64,284,450 GROSS / \$32,605,297 STATE |
|----------------|--|

7. Caseload & Utilization Changes \$4,514,136 / \$2,883,573 state

The Medicaid Consensus Forecast is a collaborative process for estimating caseload and utilization. DVHA works collaboratively 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. 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) 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 to 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 requirements, 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 during the Emergency 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. As such, enrollment is expected to remain elevated for the majority of SFY2023. Once the continuous coverage requirement ends and Vermont begins processing redeterminations that could result in loss of Medicaid, the caseload growth is expected to moderate. DVHA will begin a 12–14-month process of “unwinding” from the Medicaid continuous coverage requirement by redetermining eligibility for all Medicaid enrollees. DVHA will seek to prioritize redeterminations for the population likely to be ineligible for Medicaid and eligible for other coverage. However, due to federal requirements as well as operational capacity, the caseload moderation occur gradually over the course of a year or more. The unwind from Medicaid continuous coverage is scheduled to begin in April 2023.

| Appropriation | GROSS | STATE FUNDS |
|--------------------------------|-------------|-------------|
| B.307 Global Commitment | \$3,945,546 | \$1,715,523 |
| B.309 State Only | \$1,231,370 | \$1,232,723 |
| B.310 Non-Waiver | (\$662,780) | (\$64,673) |
| Total Changes | \$4,514,136 | \$2,883,573 |

8. Brattleboro Retreat APM Year 2 Appropriations Shortfall \$3,613,296 / \$1,571,061 state

DVHA is seeking \$3,613,296 in gross funding to be included in the SFY24 base budget covering an SFY23 base budget shortfall for the second half of APM Year 3 and the first half of APM Year 4.

9. Brattleboro Retreat APM.. . . . \$18,768,000 / \$8,160,326 state

Retroactive to July 1, 2022, AHS/DVHA executed an amendment to the March 2021 Alternative Payment Model (APM) 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 Medicaid bed count from 42 to 51 (net increase 9 beds). These rates are expected to be in place for APM Year 3 and into APM Year 4. The total fiscal impact on the SFY24 budget is \$18,768,000.

Fiscal Impact
 Total Impact on SFY24 Budget

| State Fiscal Year 2024 | |
|------------------------|----------------------|
| Last Half APM Yr. 3 | First Half APM Yr. 4 |
| July 2023-Dec. 2023 | Jan. 2024-June 2024 |
| \$ 9,384,000.00 | \$ 9,384,000.00 |
| \$ | 18,768,000.00 |

10. 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 | \$1,997,673 |
| B.309 State Only | (\$4,594,563) | (\$1,997,673) |
| Total Change | \$0 | \$0 |

11. Brattleboro Retreat Funding Shift to GF. \$0/\$2,808,354 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 General Fund dollars.

12. Annual Medicaid Rate Adjustments. \$914,001 / \$395,226 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, aligning with Medicare reimbursement methodologies where possible. 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 SFY24, limiting the available funds for more comprehensive rate increases. The total amount for this set of annual updates is inclusive of rate adjustments to Federally Qualified Health Centers and Rural Health Clinics; professional services; outpatient hospital services; durable medical equipment, prosthetics, orthotics, and supplies; physician administered drugs; Medicaid State Plan skilled home health services; and hospice services.

| Appropriation | GROSS | STATE FUNDS |
|--------------------------------|-----------------|----------------|
| B.307 Global Commitment | \$898,441 | \$390,642 |
| B.309 State Only | \$0 | \$0 |
| B.310 Non-Waiver | <u>\$15,560</u> | <u>\$4,584</u> |
| Total Changes | \$914,001 | \$395,226 |

13. Annual Medicare Buy-In and Caseload Changes . . . \$1,316,004 / \$502,931 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 an upward trend in member months. The DVHA Buy-in caseload remains relatively consistent with a slight increase for SFY23 because Vermont’s population is aging into Medicare.

| Appropriation | GROSS | STATE FUNDS |
|--------------------------------|------------------|-------------|
| B.307 Global Commitment | \$1,156,696 | \$502,931 |
| B.310 Non-Waiver | <u>\$159,308</u> | <u>\$0</u> |
| Total Changes | \$1,316,004 | \$502,931 |

14. Medicaid Dental Services for DS and CRT Clients. . . . \$198,821 / \$86,447 state

Vermont sought and was granted federal authority to make this change to Medicaid coverage in the 2022 Global Commitment to Health Waiver renewal negotiation. Moving the relevant DMH and DAIL investment budgets to the Medicaid program was built into Vermont’s budget neutrality agreement and is necessary to fund the enhanced dental benefit for DS and CRT populations that Vermont committed to expanding as part of the waiver renewal. Moving \$50,000 in general funds from DAIL to DVHA unlocks an additional \$68,821 through Federal match and moves \$80,000 from DMH to DVHA for the same services under the Medicaid benefit. Comments from community partners and stakeholders during the waiver application process demonstrated support for increased dental access for these vulnerable groups.

| Appropriation | GROSS | STATE FUNDS |
|---|-----------------|-----------------|
| Medicaid Dental Services for DS Clients | \$118,821 | \$51,663 |
| Medicaid Dental Services for CRT Clients | <u>\$80,000</u> | <u>\$34,784</u> |
| Total Changes | \$198,821 | \$86,447 |

15. Graduate Medical Education (GME) Supplemental Payment.
 \$21,217,782 / \$9,225,492 state

DVHA is seeking Global Commitment spending authority via the SFY 2024 budget 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 2024. 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 existing quarterly installments through SFY 2024.

16. AFSCME Collective Bargaining Agreement. \$568,826 / \$247,326 state

This is the estimated cost of the Independent Care Workers agreement with the State of Vermont for Children’s Personal Care Services. This amount is paid by DVHA and managed by VDH. This increase annualizes the effect of the current collective bargaining agreement.

17. Dental Rates \$13,109,475/\$5,700,000 state

In response to unprecedented statewide dental access challenges, DVHA is seeking appropriations to fund an increase in Medicaid dental reimbursements to align with 75% of Northeast Delta Dental 2023 commercial rates. While Medicaid rates for some services were updated in early 2022, the rates for most Medicaid-covered dental services have not been updated in many years, with current Medicaid rates being, on average, only 50% of commercial rates. This rate increase is intended to stabilize the statewide dental system and to promote continued access to dental care for Vermont Medicaid members.

18. Drug Coverage Changes for Pharmacy Benefit. . . (\$1,800,001) / (\$801,783) state

To reduce budget pressures, DVHA’s Pharmacy team explored removal of a portion of the over-the-counter drug coverage. This figure includes antihistamines, melatonin, and vitamin D. Nutritional supplements were also considered during this process and after further research, it has been determined that they are available through the SNAP benefit via the Department for Children and Families and may also be prescribed through the Medicaid medical benefit.

| Appropriation | GROSS | STATE FUNDS |
|--------------------------------|---------------|-------------|
| B.307 Global Commitment | (\$1,745,903) | (\$759,119) |
| B.309 State Only | (\$37,890) | (\$37,890) |
| B.310 Non-Waiver | (\$16,208) | (\$4,775) |
| Total Changes | (\$1,800,001) | (\$801,783) |

19. Annual Medicare Clawback Changes. \$2,364,110 / \$2,364,110 state

The Medicare Prescription Drug Improvement and Modernization Act of 2003 (MMA), which established the Medicare Part D prescription drug program, eliminated Medicaid prescription drug coverage for people dually eligible for Medicare and Medicaid and required these people to receive their drug coverage through a Medicare Part D plan. This change reduced state costs; however, the MMA also required states to reimburse the federal government for costs associated with the transfer of prescription drug coverage for this population from state Medicaid programs to Medicare.

20. Eliminate Vermont Cost Sharing Reduction (VCSR) (\$500,000) / (\$500,000) state

VCSR is a state-funded program to reduce out-of-pocket costs for eligible qualified health plan enrollees. In the early years of the health insurance marketplace, VCSR filled an important affordability gap for Vermonters with moderate incomes (200-300% of the federal poverty level). However, federal changes in recent years have made health plans with even lower out-of-pocket costs more affordable for Vermonters. As a result, VCSR complicates coverage decisions for enrollees and is no longer an efficient use of state dollars. Because the availability of VCSR is tied to the design of qualified health plans, any change to the program must take place on a calendar year basis. This change would take effect in January 2024 and reflect six months of savings.

21. Children’s Health Insurance Program (CHIP) FMAP Changes. \$0/ (\$37,766) state

This item is for anticipated changes to Federal Medical Assistance Percentage (FMAP) in state fiscal year 2023. Specifically, this item accounts for changes in the base FMAP to the CHIP program.

| Appropriation | GROSS | STATE FUNDS |
|--------------------------------|-------|-------------|
| B.307 Global Commitment | \$0 | \$0 |
| B.310 State Only | \$0 | \$0 |
| B.310 Non-Waiver | \$0 | (\$37,766) |



**AGENCY OF HUMAN SERVICES
DEPARTMENT OF VERMONT HEALTH ACCESS**