

# Health Care Provider Stabilization Proposal

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June 4, 2020

Vermont Agency of Human Services

# Overview

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# Vermont has a goal of health care system financial stability

- The priority is to preserve Vermonters' access to health care services during and after the COVID-19 emergency
  - Buffering providers from financial instability
  - Identifying and assisting providers in financial distress
- Health care spending in Vermont constitutes roughly 20% of Vermont's Gross State Product
  - Health care system financial stability influences Vermont's economic health

# What is the Need?

- Health care providers across the care continuum indicate that **\$375M** in stabilization funding is necessary to maintain the system during and after the COVID-19 emergency.
  - Across the board, provider groups indicate that without further financial assistance practices and organizations that provide essential services may be forced to close.
- The hospital system alone estimates at least \$300M in need to offset business disruption and increased expenses March thru December 2020.
- HealthFirst, representing 80-90% of Independent Medical Practices in Vermont estimates \$10-20M in need in order to keep practices viable.

# What is the Need? Cont.

- All health care provider types have indicated that a significant portion of need arises from business disruption due to COVID-19.

Examples from Provider Association Letter to Vermont Legislators dated June 3, 2020:

- Adult Day Services were forced to close in mid-March and are incurring costs short of \$1million a month.
- Members of the Vermont Dental Society closed their practices on March 16 for patients seeking elective and non-urgent care. There is dire financial need amongst any small business that closed during this pandemic and dental offices are no different.

Source: <https://legislature.vermont.gov/Documents/2020/WorkGroups/House%20Health%20Care/COVID-19/W~Jill%20Mazza%20Olson~Health%20Care%20Coalition%20Letter%20Regarding%20Coronavirus%20Relief%20Funds~6-3-2020.pdf>

# How Has AHS Met Need To Date?

AHS has delivered or obligated financial assistance totaling \$42M to Vermont health care providers through the following methods:

1. April Retainer Payments for Medicaid Providers
2. Sustained Payments to Medicaid Providers
3. Payments to Hospitals
4. DA/SSA Hazard Pay and Other
5. Children's Integrated Services and Private Non-Medical Institution Assistance
6. Extraordinary Financial Relief for Nursing Homes

# AHS Proposal for Remaining Need

- AHS proposes a total healthcare stabilization package of **\$375M**.
  - This package includes total State Paid or Obligated funds to date (\$42M) and funds yet-to-be allocated and appropriated (\$333M). The JFC has approved \$55M for AHS provider relief efforts. Since this approval, expenditures to-date have come in lower than originally estimated.
  - For planning purposes, funds are allocated based on each provider category proportion of overall annual health care spending.
  - During the application process, funds can be reapportioned to different provider categories based upon demonstrated need.
- AHS proposes that the healthcare stabilization package will continue to include funds to address business disruption and increased expenses due to COVID-19.

# Allocating Funds Based on \$375M (for policy planning purposes)

Distribution of \$375M Based on Proportion of Annual Health Care Spending as  
Reported in the Health Care Expenditure Analysis

		Total State Paid and Obligated	Total Remaining
Home Health Care	\$ 12,856,345.99	\$ 876,063.26	\$ 11,980,282.73
Nursing Home Care	\$ 20,974,287.17	\$ 4,573,500.00	\$ 16,400,787.17
Dental Services	\$ 22,958,986.18	\$ 1,344,049.59	\$ 21,614,936.59
Other Professional Service	\$ 28,428,168.48	\$ 445,348.76	\$ 27,982,819.72
Physician Services	\$ 35,611,977.87	\$ 5,656,246.99	\$ 29,955,730.88
Mental Health & Other Gov	\$ 64,170,234.30	\$ 17,402,342.03	\$ 46,767,892.27
Hospitals	\$ 190,000,000.00	\$ 11,917,593.35	\$ 178,082,406.65
<b>ALL</b>	<b>\$ 375,000,000.00</b>	<b>\$ 42,215,143.98</b>	<b>\$ 332,784,856.02</b>

# Process

- Application-based process
  - Universal application
  - Single deadline
  - Need-based assessment
    - Fiscal impacts of business disruption for Medicaid, Medicare, commercial and private payers
    - Increased expenses
    - Previous state and federal funding awards and future federal allocations will be considered

# Two Options for Providing Payment

1. One-time, lump-sum payment based on need assessment—including fiscal impact across all-payers.
2. **Sustained monthly payments thru December 2020:** An optional, temporary payment model that combines fee-for-service reimbursement with prospective monthly payments. Reimburses eligible participating providers for the difference between their long-term average monthly fee-for-service revenues and the actual amount of fee-for-service claims payments issued to them for services they continue to provide.
  - This option may be most appropriate for providers for whom Medicaid is their predominant payer, e.g. DAs and SSAs.

# Principles for Evaluating Applications

## Applicants must:

- Spend money for the purpose indicated in the application
- Indicate how funds will sustain or improve health care quality and preparedness in the context of COVID-19
- Indicate how funds support current or future participation in payment reform
- Indicate intent to continue providing essential services in the community
- Attest that funds received will be used to offset costs for Vermonters associated with the pandemic

# Reference Slides

## Eligible Providers

- Hospitals
- Nursing Homes
- Designated and Specialized Service Agencies
- Private non-medical institutions
- Primary Care Practices
- Federally Qualified Health Centers
- Rural Health Clinics
- Home Health/Hospice Agencies
- Area Agencies on Aging
- Recovery Centers
- Adult Day Providers
- Independent Specialist Practices (including licensed mental health clinicians and Applied Behavior Analysis (ABA) providers)
- Ambulance Providers
- Dental Practices
- Enhanced Residential Care (ERC) Providers
- Assistive Community Care Services (ACCS) Providers

## Eligible OPR Regulated Providers

- Acupuncturists
- Alcohol and Drug Abuse Counselors
- Allied Mental Health
- Applied Behavior Analysis
- Athletic Trainers
- Chiropractic
- Dental Examiners
- Dietitians
- Hearing Aid Dispensers
- Midwives
- Naturopathic Physicians
- Nursing
- Nursing Home Administrators
- Occupational Therapy
- Opticians
- Optometry
- Osteopathic Physicians
- Physical Therapists
- Psychoanalysts
- Psychological Examiners
- Radiologic Technology
- Respiratory Care Practitioners
- Social Workers
- Speech-Language Pathologist

# Example Future Stabilization Application Inputs

## ***Inputs, Additives***

1. Total revenue losses from COVID-19 cancelled or reduced services across all payors (must account for non-COVID-19- related seasonal variations).

**Specifications:** [Average revenue for March thru December - Actual revenue for March thru December = X]

2. Additional costs associated with purchasing needed PPE for COVID-19.

**Specifications:** [Average quarterly cost of PPE - Actual cost for PPE during time period = X]

3. Costs of the additional pay and support to workers (hazard pay, vacation buybacks, Overtime, UI, staff testing for COVID-19).

**Specifications:** [Average quarterly cost of additional pay and support to workers - Actual cost during time period = X]

4. Additional costs associated with purchasing COVID-19 related materials and supports for patients/clients (prepaid wireless phones, emergency hotel stays, etc.)

**Specifications:** [Average quarterly cost of materials and supports for patients/clients - Actual cost during time period = X]

5. The net financial impact of COVID-19 on costs.

## ***Inputs, Subtractions***

1. An enumerated list of all financial support received to date

2. An enumerated list of all anticipated funds