

DEPARTMENT OF VERMONT HEALTH ACCESS

State Fiscal year 2017
Budget Presentation

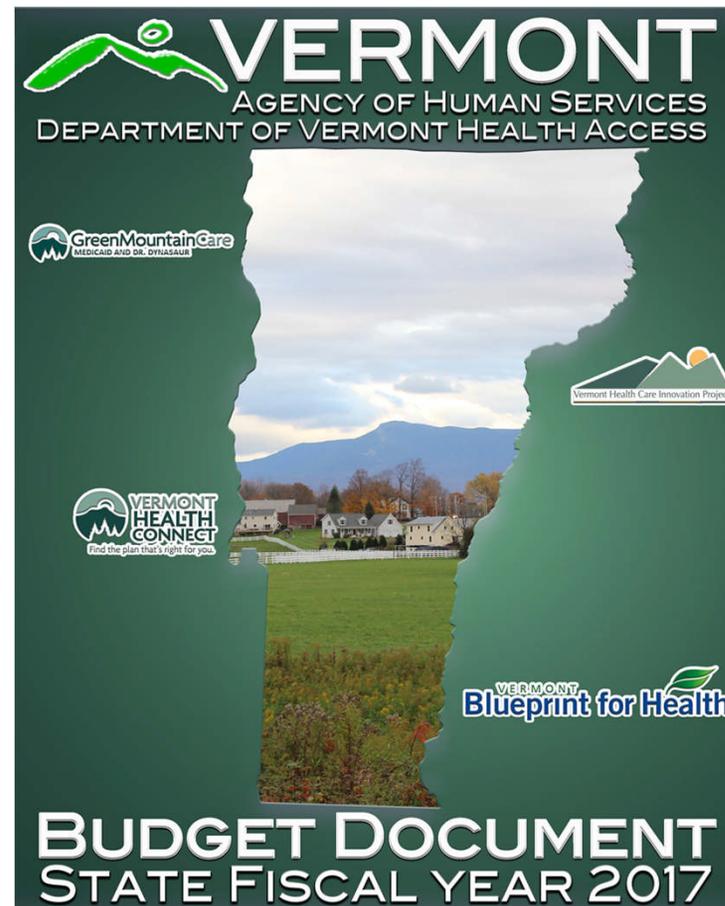
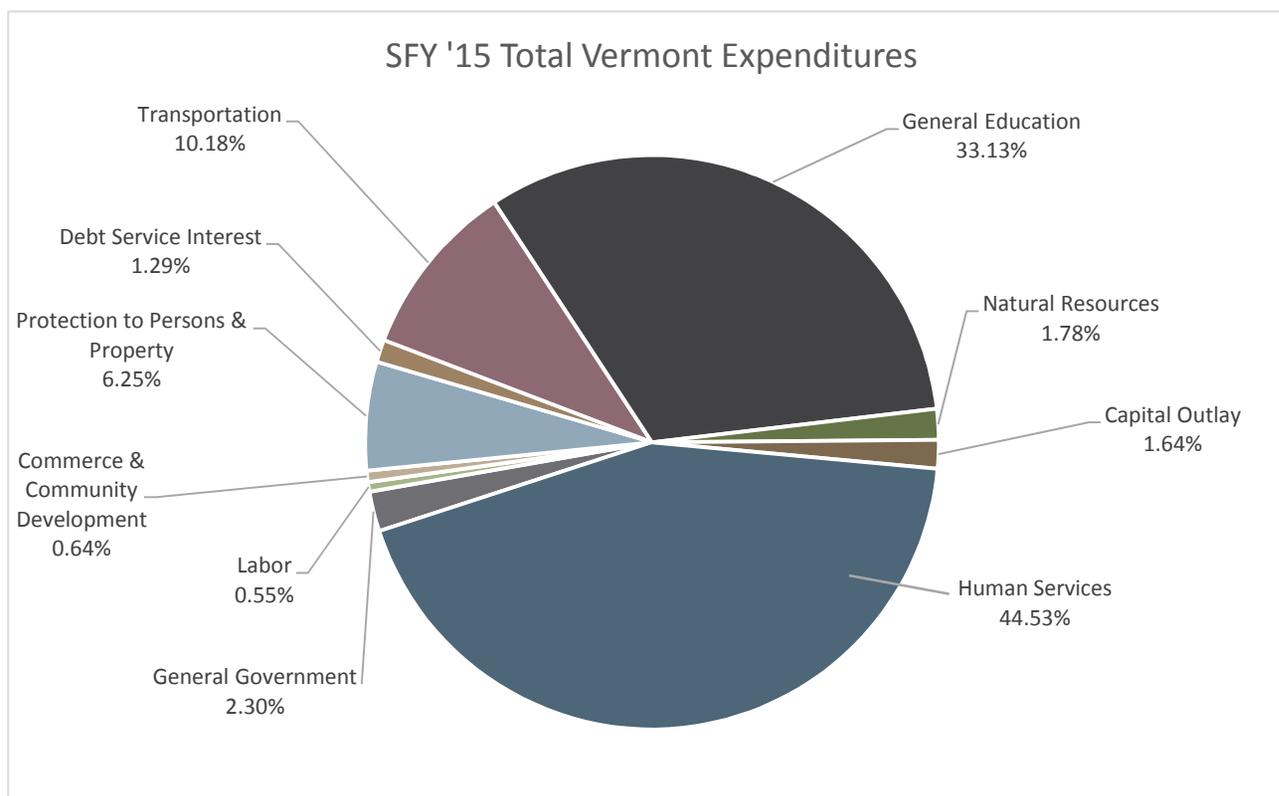


Table of Contents

- Total Statewide Spending
- How Vermont Compares
- Total AHS Medicaid Spending
- DVHA Budget Considerations and Challenges
- Program Budget
- Governor's Initiatives
- Administrative Budget

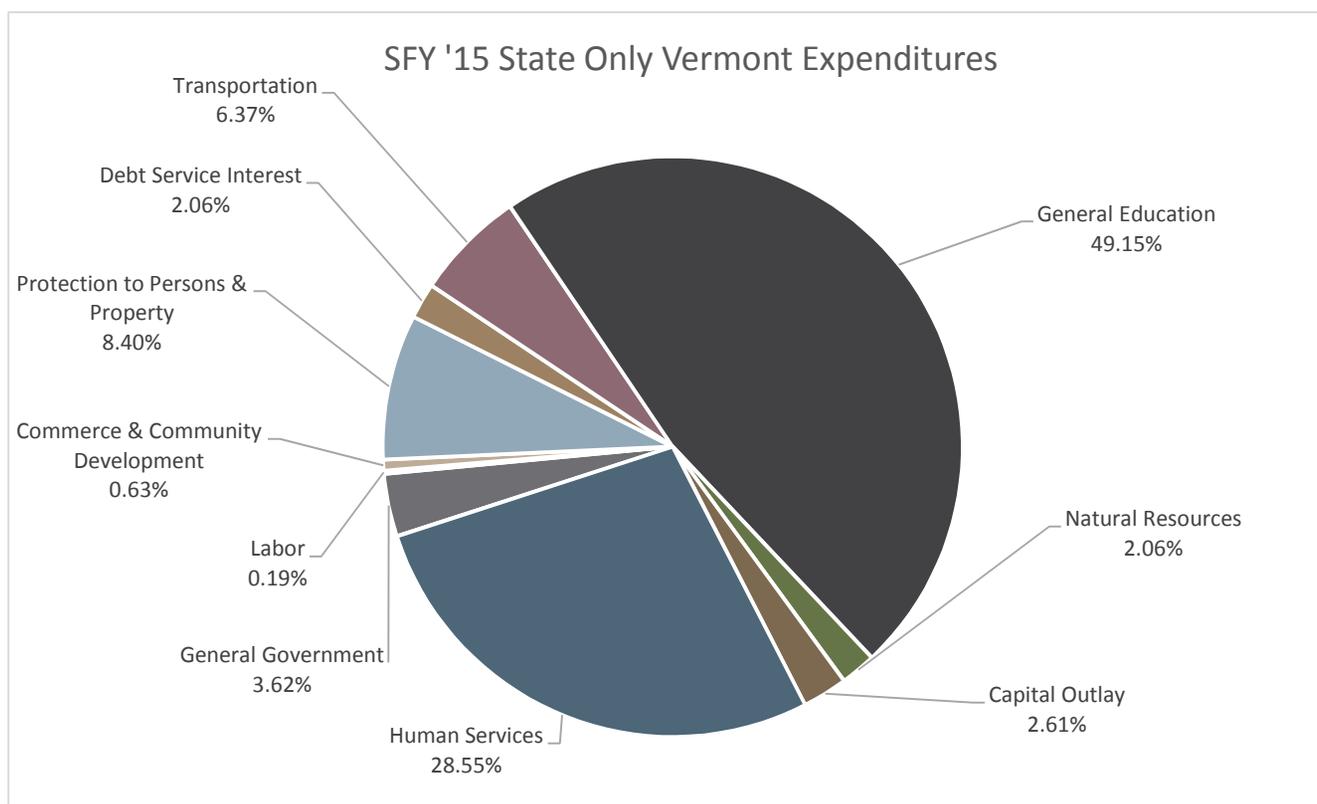
Total Statewide Spending

One of the Governor's top priorities is to support Vermonters' health through prevention and universal, affordable, and quality healthcare for all. To that end, the Agency of Human Services accounts for 43% of gross spending.



Total Statewide Spending

While AHS overall spend is 43% of the total budget, due to the ability to earn federal receipts, only 28.5% of state spending goes to support the Agency – second to the Agency of Education.



How Vermont Compares

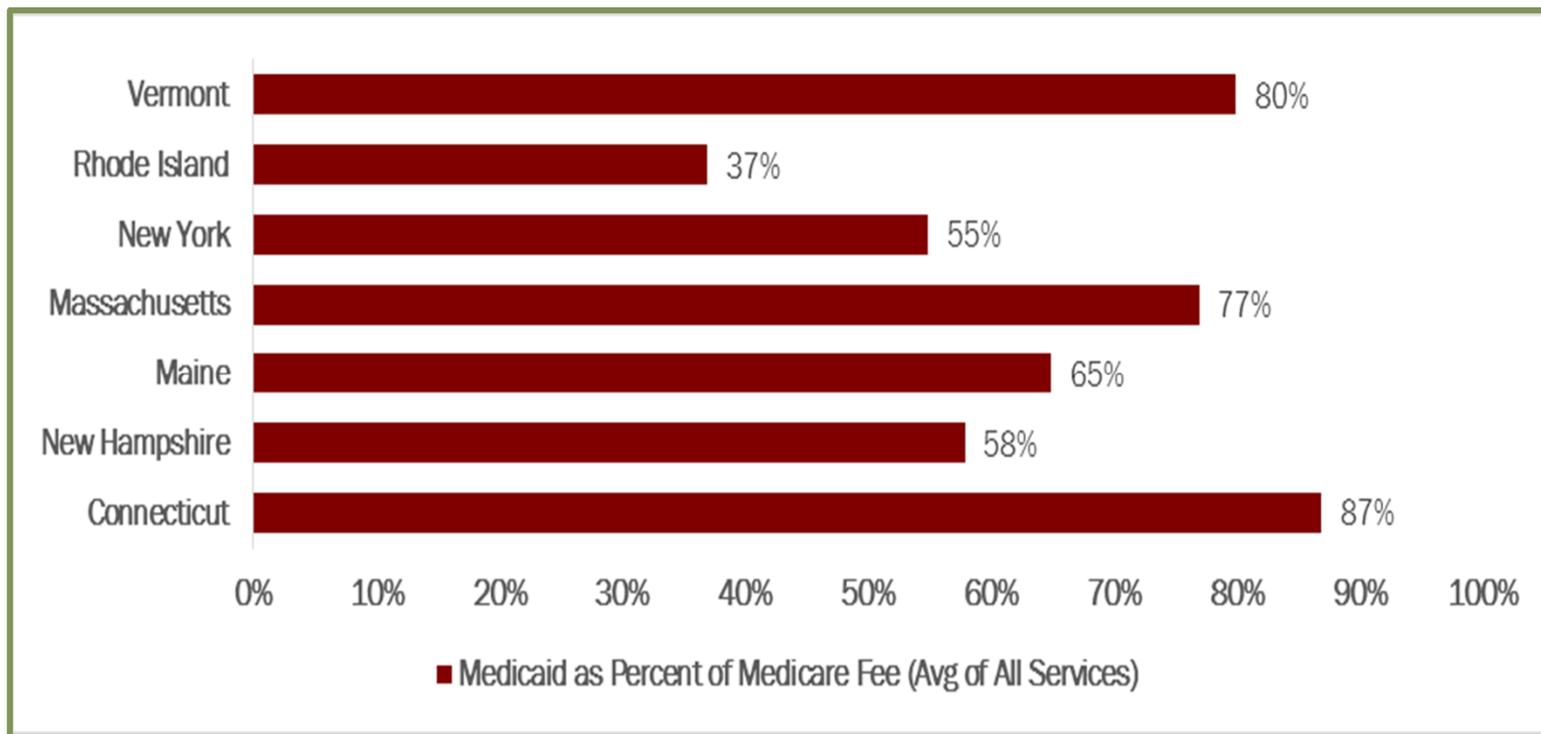
How Vermont Compares

Many variables drive Medicaid costs making multi-state comparisons difficult:

- Varying Reimbursement Strategies
- Optional vs. Mandatory Benefits
- Demographics
- Service Limitations

Varying Reimbursement Strategies

- Medicaid reimbursement rates vary dramatically state by state. see page 30 of the DVHA Budget Document



Optional vs. Mandatory Benefits

States can also opt to provide optional benefits. see page 31 of the DVHA budget document

| Medicaid Optional Services New England + NY | VT | CT | MA | ME | NH | NY | RI |
|---|-----|-----|-----|-----|-----|---------------------------|-----|
| Physical Therapy | Yes | Yes | Yes | Yes | Yes | Yes | No |
| Occupational Therapy | Yes | No | Yes | Yes | Yes | Yes | No |
| Speech, hearing and language disorder services | Yes | Yes | Yes | Yes | Yes | Yes | No |
| Podiatry services | Yes | Yes | Yes | Yes | Yes | No | Yes |
| Dentures | No | Yes | Yes | Yes | No | Yes | Yes |
| Eyeglasses | No | Yes | Yes | Yes | Yes | Yes | Yes |
| Chiropractic Services | Yes | Yes | Yes | Yes | No | No | No |
| Private duty nursing services | Yes | No | Yes | Yes | Yes | Yes | No |
| Personal Care | Yes | No | Yes | Yes | Yes | Yes | Yes |
| Hospice | Yes | No | No | Yes | No | No | No |
| Self-Directed Personal Assistance Services- 1915(j) | Yes | No | No | No | No | <i>Data not available</i> | No |
| Tuberculosis (TB) Related Services | No | No | No | No | No | <i>Data not available</i> | Yes |
| Health Homes for Enrollees with Chronic Conditions – Nursing services, home health aides and medical supplies/equipment | Yes | No | No | Yes | No | Yes | Yes |

Demographics

Age and income are factors that drive Medicaid spend. see page 34 of the DVHA budget document

| Population Distribution by Age CY 2014 | | | | | | | |
|--|---------------|--------------|--------------|--------------|--------------|--------------|-----|
| Location | Children 0-18 | Adults 19-25 | Adults 26-34 | Adults 35-44 | Adults 45-54 | Adults 55-64 | 65+ |
| Connecticut | 24% | 9% | 12% | 12% | 16% | 15% | 14% |
| Maine | 21% | 7% | 9% | 13% | 16% | 15% | 19% |
| Massachusetts | 23% | 10% | 13% | 12% | 13% | 14% | 16% |
| New Hampshire | 21% | 10% | 10% | 12% | 16% | 15% | 16% |
| New York | 23% | 10% | 13% | 12% | 14% | 13% | 15% |
| Rhode Island | 22% | 11% | 11% | 12% | 15% | 15% | 15% |
| Vermont | 20% | 8% | 13% | 12% | 14% | 16% | 16% |

| Distribution of Total Population by Federal Poverty Level CY 2014 | | | | |
|---|------------|----------|----------|-------|
| Location | Under 100% | 100-199% | 200-399% | 400%+ |
| Connecticut | 9% | 13% | 26% | 52% |
| Maine | 15% | 16% | 32% | 37% |
| Massachusetts | 13% | 15% | 21% | 51% |
| New Hampshire | 8% | 13% | 26% | 53% |
| New York | 14% | 20% | 26% | 40% |
| Rhode Island | 12% | 16% | 29% | 43% |
| Vermont | 10% | 14% | 32% | 44% |

Service Limitations

States also have the ability to limit services provided. The chart below provides examples of these limitations. see page 32 of the DVHA budget document

| Location | Service Limitation |
|---------------|--|
| Connecticut | 10 days/occurrence in approved Alcohol Abuse Treatment Center for acute and evaluation phase of treatment |
| Maine | Substance abuse services limited to 30 weeks |
| Massachusetts | Substance abuse counseling limited to 24 sessions per recipient per calendar year. MassHealth does not reimburse for nonmedical MH services such as community outreach services and voc rehab. |
| New Hampshire | Community mental health care limited to \$1,800/year unless specified criteria met, low service utilizer with severe or persistent mental illness limited to \$4,000/year; ambulatory detox services for substance abuse are not covered |
| New York | Beneficiary Specific Utilization Thresholds apply to mental health services |
| Rhode Island | MH/SA limits of 30 outpatient counseling sessions, 60 days treatment, and 60 consecutive days of residential treatment per calendar year. Beyond this requires prior authorization. |
| Vermont | 1 group psychotherapy per day and three per week; Limit of 12 family psychotherapy sessions per year without patient; No psychiatric inpatient limitation |

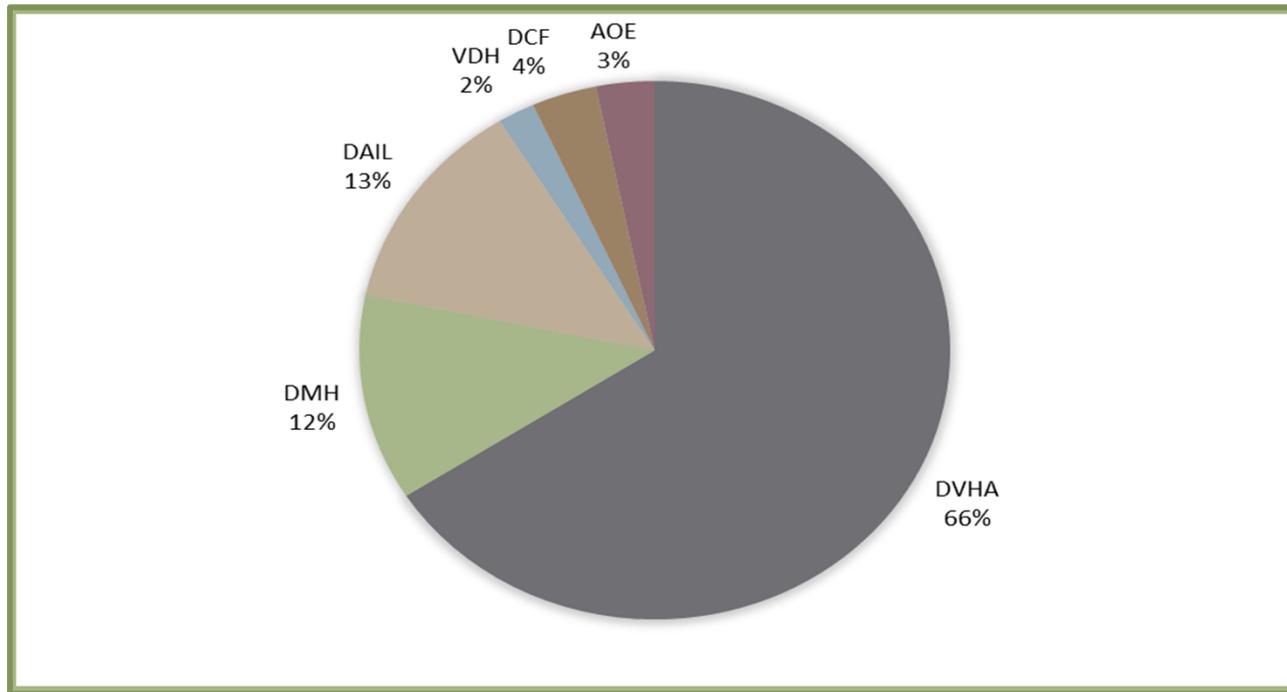
Cross State Comparison

| State | Number of Medicaid & CHIP enrollees July 2014 | Acute Care | Acute Care PMPY | Long-Term Care | LTC PMPY | DSH Payments | Total | Total PMPY |
|----------------------|---|------------------|-----------------|------------------|----------|-----------------|------------------|------------|
| Connecticut | 753,927 | \$4,194,040,934 | \$5,563 | \$2,888,126,680 | \$3,831 | \$149,024,544 | \$7,231,192,158 | \$9,591.37 |
| Maine | 280,241 | \$1,590,280,368 | \$5,675 | \$827,567,260 | \$2,953 | \$39,328,950 | \$2,457,176,578 | \$8,768.08 |
| Massachusetts | 1,639,259 | \$10,333,520,762 | \$6,304 | \$4,269,201,576 | \$2,604 | \$0 | \$14,602,722,338 | \$8,908.12 |
| New Hampshire | 181,182 | \$555,436,277 | \$3,066 | \$678,967,270 | \$3,747 | \$109,314,773 | \$1,343,718,320 | \$7,416.40 |
| New York | 6,452,876 | \$35,605,322,810 | \$5,518 | \$15,232,267,682 | \$2,361 | \$3,366,485,105 | \$54,204,075,597 | \$8,399.99 |
| Rhode Island | 276,028 | \$2,069,517,652 | \$7,497 | \$240,416,400 | \$871 | \$138,322,435 | \$2,448,256,487 | \$8,869.59 |
| Vermont | 185,242 | \$1,369,634,401 | \$7,394 | \$127,690,959 | \$689 | \$37,448,781 | \$1,534,774,141 | \$8,285.24 |

Total AHS Medicaid Spending

Total AHS Medicaid Spending

Within the Agency of Human Services, DVHA accounted for nearly two-thirds of the Medicaid expenses of \$1.65 billion in SFY 2015.



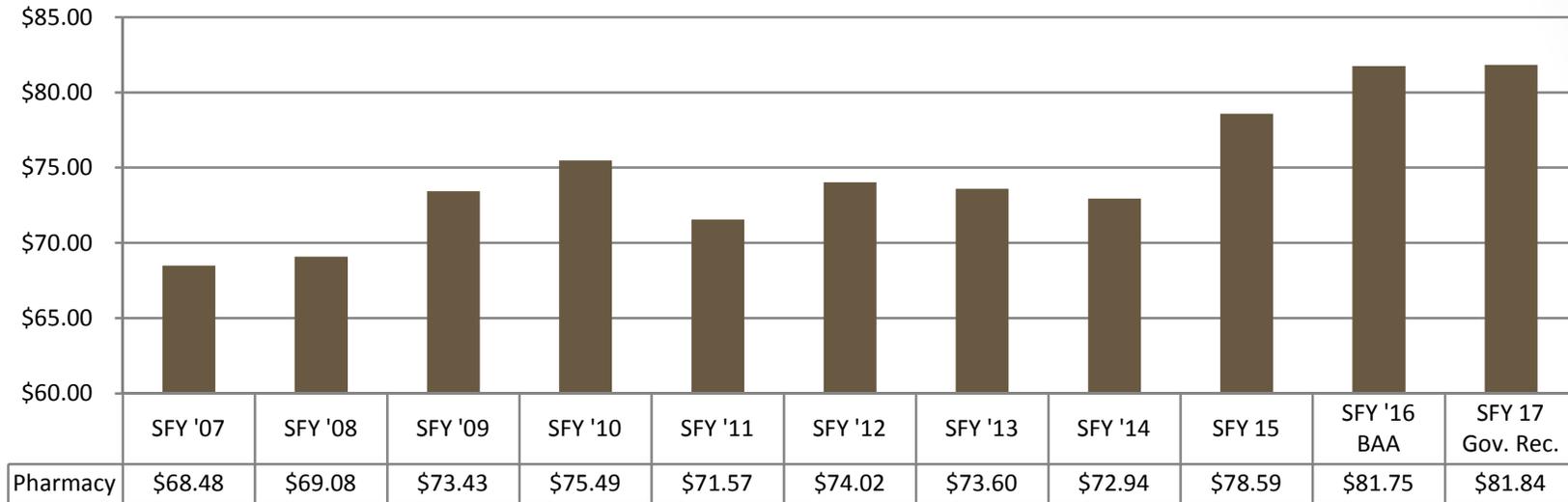
For more information regarding the Agency's Medicaid distribution please see Chapter 2 of the DVHA Budget Document.

DVHA Budget Considerations and Challenges

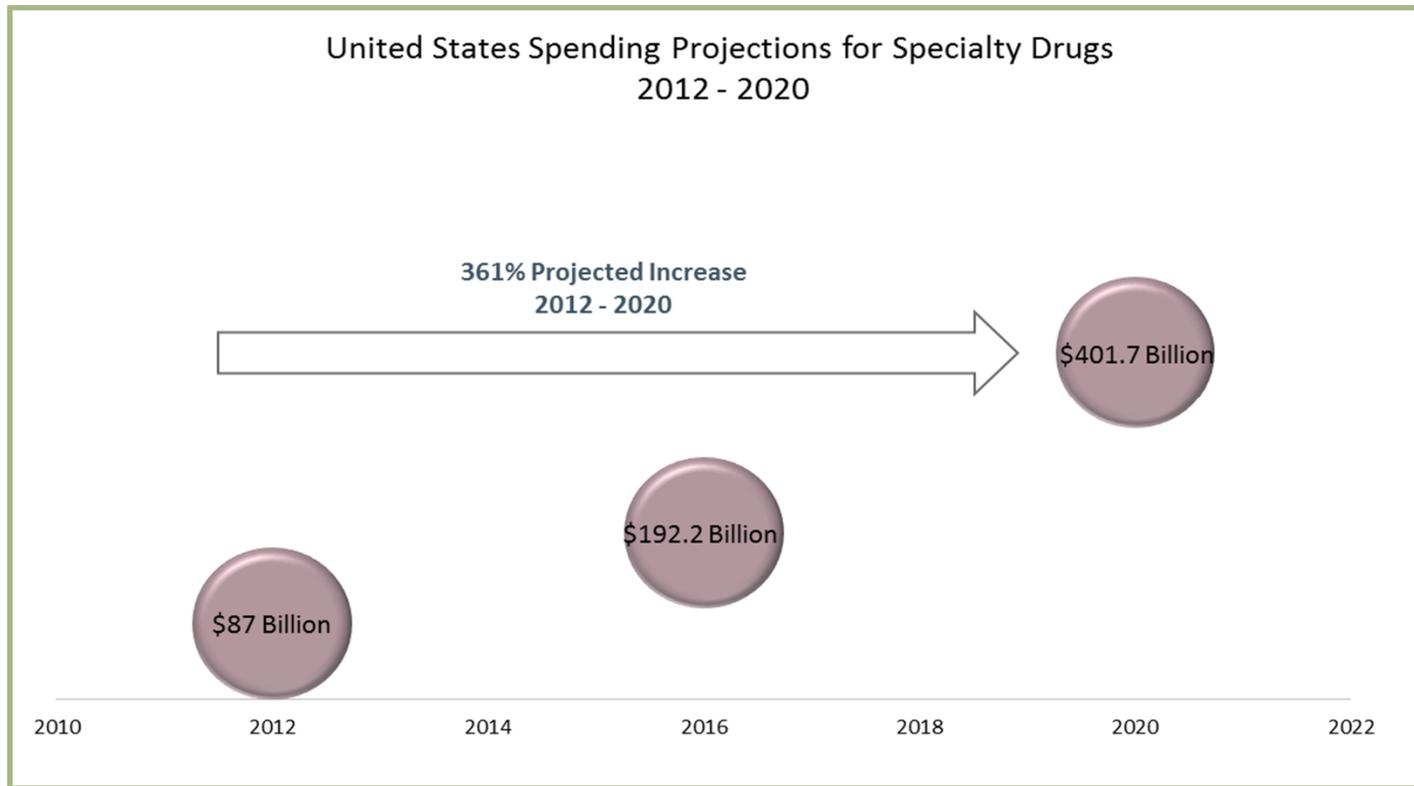
Budget Considerations and Challenges

- DVHA continues to face increased budgetary pressures as the caseload increases. SFY 2015's caseload increased 18% over SFY 2014 and SFY 2016 is anticipated to end 6% higher than SFY 2015. Caseload increases are due primarily to economic conditions within the state, Medicaid Expansion including the new modified adjusted gross income (MAGI) calculations, and enrollees finding they are eligible for Medicaid when signing up for a QHP. see page 26 of the DVHA Budget Document
- Generally, Per Member Per Month (PMPM) trends are downward as there is an overall decrease in utilization especially in inpatient hospital. see pages 72, 73 & 89 of the DVHA Budget Document
- Pharmacy costs have increased over 18% between SFY 2014 and 2015. Specialty drug pricing is of critical concern to DVHA. see page 28 of the DVHA Budget Document

Pharmacy costs are an issue for Vermont



... and nationwide

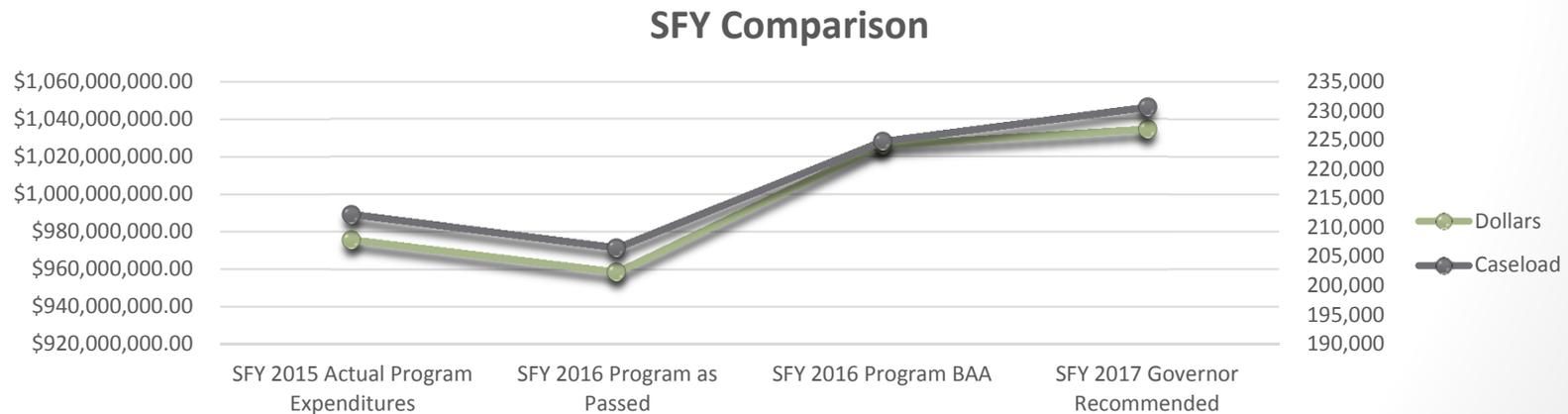


Program Considerations

\$75,191,096 Gross/ \$32,863,582 State

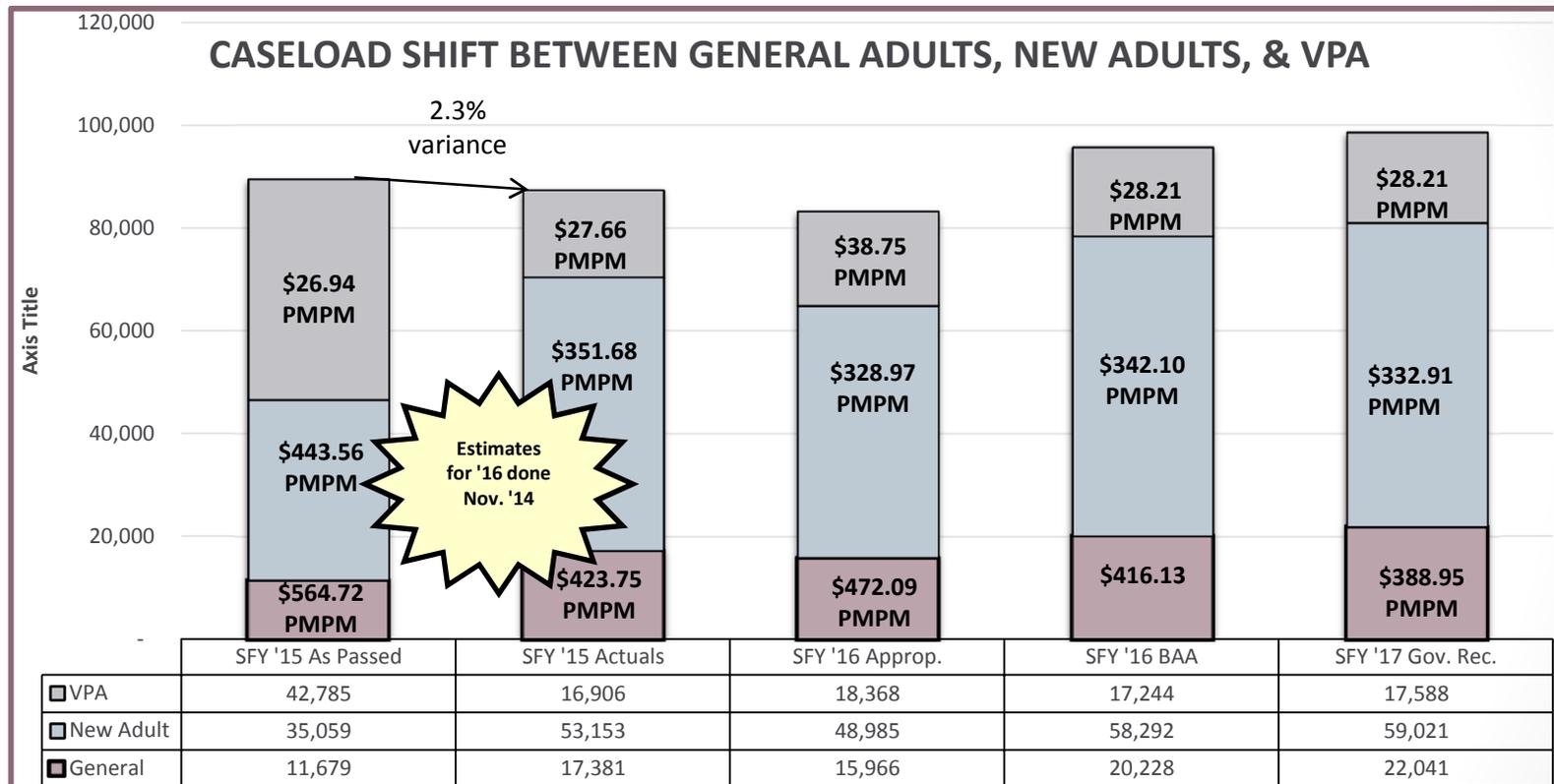
SFY Comparison

- SFY 2015 Actual Program Expenditures: \$975,823,404
 - Caseload: 212,255
- SFY 2016 Program as Passed: \$958,698,640
 - Caseload: 206,582
- SFY 2016 Program BAA : \$1,026,055,097
 - Consensus Caseload: 224,750
- SFY 2017 Governor Recommended: \$1,034,560,733
 - Consensus Caseload: 230,602



Caseload & Utilization

\$68,424,824 Gross/\$26,415,651 State



Both the New Adult and General Adult PMPMs were less than anticipated in SFY 2015, but there was a caseload shift from the VPA Estimate. See DVHA Budget Document page 107

Additional Program Considerations

| Budget Item | Gross Impact | State Share |
|---|---------------|---------------|
| GC & CFC Waiver Consolidation | \$0 | \$1,480,185 |
| Buy-In Adjustment Caseload Increase | \$572,758 | \$261,636 |
| Buy-In Medicare Part B Premium Increase | \$4,979,191 | \$2,047,045 |
| Applied Behavioral Health (BAA '16 Continuation) | \$4,870,901 | \$2,225,028 |
| Changes in Federal Participation Rate | \$0 | \$(1,137,087) |
| Increase in Clawback | \$5,967,321 | \$5,967,321 |
| Licensed Alcohol & Drug Counselors | \$160,000 | \$73,088 |
| Long Acting Reversible Contraceptives | \$(4,750,000) | \$(2,169,800) |
| Technical Rate Adjustments to Align w/Best Practices | \$(7,820,882) | \$(3,572,579) |
| Group Psychotherapy Reimbursement Adjustment ('16 BAA item) | \$(2,000,000) | \$(913,600) |
| Nursing Home Changes & Carryforward | \$4,786,983 | \$2,186,694 |

Governor's Initiatives

\$670,997 Gross/\$306,511 State

Involuntary Inpatient Treatment Best Practice Adoption

\$(5,000,000)Gross/\$(2,284,000) State

Implementing the use of an administrative model of due process which will reduce the median wait time from 60 days to two weeks before involuntary treatment begins.

- Clinical, ethical and economic issues would be remedied by the use of an administrative model of due process common in other states.
- Under current practices, a patient deemed in need of involuntary inpatient mental health treatment waits a median length of time of approximately 60 days in a treatment facility *before* beginning treatment.
- This practice is no longer viewed by the medical and psychiatric communities as an effective approach to helping these patients.

Please see page 111 of the DVHA Budget Book for further information.

Eligibility for Pregnant Person Change

\$(4,929,003)Gross/\$(2,251,569) State

- A policy change would require a special enrollment period for pregnant persons and their families which would allow families above 138% FPL to enroll in a QHP and be screened for any applicable cost sharing assistance.
- Pregnant persons would be deemed eligible for Medicaid based the same FPL guidelines the as non-pregnant population.
- It ensures that pregnant persons below the MAGI 138% FPL calculations are eligible for Medicaid.

Please see page 112 of the DVHA Budget Book for further information.

Dental Rate Increase

\$2,200,000 Gross/\$1,004,960 State

- 18% Reimbursement Increase for Preventative Service – routine care including restorations, fluoride treatment, and cleanings.
- Response to Access to Care
 - Through Medicaid Expansion & the elimination of VHAP, 50,000 adults were newly eligible for the adult dental Medicaid benefit. Dental practices responded by significantly reducing the number of Medicaid patients they were willing to accept. An increase in rates is needed to encourage access to care.

The adult dental benefit is limited to \$510.00 per enrollee per calendar year. Non-covered services include cosmetic procedures and certain elective procedures such as bonding, sealants, and orthodontic treatment. Prior authorization is required for most special dental procedures.

Please see page 112 of the DVHA Budget Book for further information.

Primary Care Rate Increase

\$8,400,000 Gross/\$3,837,120 State

Restore Primary Care Rate

- A provision of the Affordable Care Act, required Medicaid programs to reimburse primary care providers at Medicare levels for two years — a “bump” that was funded 100 percent by the federal government in 2013 and 2014.
- This rate increase will maintain and/or expand the Medicaid PCP network.

Please see page 113 of the DVHA Budget Book for further information.

Provider Assessment Expansion

\$(17,000,000) State Health Care Resources Fund

A proposed 2.35% provider assessment on independent physicians practices and dentists will raise \$17 million in state funds. This will offset the increased funding to primary care services and preventative dental care services by \$5 million.

Subject to 2.35% tax:

Independent entities made up of one or more:

- Dentists
- Dental Hygienists
- Dental Assistants
- Dental Therapists if S.20 passes
- Primary care physicians
- Physician assistants
- Specialists
- Osteopaths
- Psychiatrists
- Ophthalmologists
- Naturopaths

Not included:

- Chiropractors
- Radiologists
- Podiatrists
- Optometrists
- Psychologists
- Drug and Alcohol Counselors
- Physical Therapists
- Occupational Therapists
- Speech Therapists
- Acupuncturists
- Dieticians
- Midwives
- Nursing Homes
- Hospitals
- Home Health Agency
- Ambulatory surgical center
- Free-standing lab
- Free-standing x-ray facility

Please see page 113 of the DVHA Budget Book for further information.

Provider Tax Overview

Provider taxes must follow federal law including:

- Must be broad based
- Must be uniformly imposed
- Cannot violate hold harmless provisions— tax paid is not returned to providers to make them whole

There is a presumption of meeting this requirement if the tax is less than or equal to 6% of net patient revenue

Monies from provider taxes are deposited into the State Health Care Resources Fund

Revenue from Current Provider Taxes

| Class of Provider | FY16 (Gov Rec for eboard BAA Jan. 2016) | FY17 (Gov Rec for eboard January 2016) |
|---|---|---|
| Hospital 6% of net patient revenue | 129,647,755 | 133,570,285 |
| Nursing Home per bed assessment | 15,644,925 | 15,245,623 |
| Home Health Agencies 19.3% of net operating revenue | 4,487,950 | 4,521,602 |
| Intermediate Care Facilities 5.9% of total annual and indirect expenses | 73,308 | 73,708 |
| Pharmacy \$0.10/script | 780,000 | 780,000 |
| TOTAL | 150,633,938 | 154,191,218 |

Administration's Proposal

- The Administration is proposing a 2.35% provider tax on independent physician practices and practicing dentists

| Proposed Tax at 2.35% | Calendar Year 2016, Collected 2017 |
|-----------------------|---------------------------------------|
| Physicians | \$10,944,023 |
| Dentists | \$6,074,214 |
| Total Revenue | \$17,018,237 |

- Numbers based on 2014 UMass update of 2012 Pacific Health Policy Group Report for DVHA: "Health Care Related Tax Study"
- Adjusted for: trend and calendar year as applied to state fiscal year

Administration's Proposal: Revenue

| Initiative Focus | Description | Financial Impact |
|-------------------------|--|---|
| Medicaid Support | Support deficit in Medicaid program in order to provide affordable quality health care to Vermonters. | State share: \$12M Fed. match: \$14.3M Total: \$26.3M |
| Primary Care | Restore Medicaid primary care provider rates to Medicare levels as required under the ACA in 2013-2014 to ensure retention of primary care providers | State share: \$3.9M Fed. match: \$4.5M Total: \$8.4M |
| Dental Services | Increase Medicaid reimbursement by 18% for preventive dental services including routine care such as restorations, fluoride treatment and cleanings to improve access to dental care | State share: \$1.0M Fed. match: \$1.2M Total: \$2.2M |

Provider Tax Cap

- Federal law prohibits getting federal match for provider tax revenue that exceeds 25% of State Medicaid expenditures
- Proposal brings Vermont close to the cap

| | |
|----------------------------|--------------------|
| Provider Tax Cap | \$175,481,723 |
| Provider Tax Current Law | \$154,191,218 |
| FY 17 Budget Proposal | \$17,018,237 |
| Provider Tax w/Proposal | \$171,209,455 |
| Remaining Cap Space | \$4,272,269 |
| % to Cap | 97.565% |

Administrative Considerations

\$8,785,888 Gross/\$218,653 State

Administrative Considerations

Personal Services

Payact & Fringe. \$501,002 /\$178,847 state

Position Management Change \$8,335,486 / \$2,951,300 state

- DCF HAEU Transfer \$7,934,996 gross
- Transfer 1FTE to AHS \$(130,381) gross
- Administration of Provider Assessment Expansion \$530,871 gross
 - 1 FTE is budgeted to manage the invoicing component based on the expected volume of providers impacted.
 - 1 FTE will be dedicated to auditing.
 - 1 Program Manager to receive the cost reports and to evaluate the taxes reported as well as validate the calculations align with Medicaid rule
 - .5 FTE legal resource to respond to compliance issues and/or if/when assessment values are questioned.

VHC Personal Services budget realignment. \$(353,190)/\$(83,167) state

Please see page 114 of the DVHA Budget Book for further information.

Administrative Considerations

Operating

| | |
|---|------------------------------------|
| General Operating. | \$(377,730) / \$(154,627) state |
| Other Department Allocated Cost. | \$249,053 / \$99,073 state |
| HAEU & AOPs Operational Costs. | .\$860,850 / \$349,981 state |
| VHC overhead budget realignment | .\$(1,012,121) / \$(376,498) state |

Grants & Contracts

| | |
|--|------------------------------------|
| Blueprint Contract | .\$(300,000) / \$(137,040) state |
| LADC Counselors | .\$(160,000) / \$(73,088) state |
| VHC Contracts budget realignment | .\$1,042,538 / \$(2,536,126) state |

Please see page 114 of the DVHA Budget Book for further information.