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March 2, 2023

Re: FY24 Medicaid Budget Request

Chairs Kitchel and Lanpher, members of the Committees:

Thank you for the opportunity to testify on behalf of Vermont's federally qualified health centers (FQHCs) and discuss the financial hardship they are facing. These comments represent the perspective of Bi-State Primary Care Association members.

Bi-State Primary Care Association is a nonprofit organization established in 1986 to advance access to comprehensive primary care and preventive services for anyone regardless of insurance status or ability to pay. Today, Bi-State represents 28 member organizations across both Vermont and New Hampshire. Our members include Federally Qualified Health Centers (FQHCs), Vermont Free and Referral Clinics, Area Health Education Center programs, and Planned Parenthood of Northern New England.

Vermont's FQHCs, who provide primary care and mental health services to a **third of Vermonters and half of Medicaid** enrollees, are struggling right now. You will hear from many in the health care sector about the financial pressures we are all facing. FQHCs are no different. For 2022, the **funding gap** between Medicaid reimbursement rates for FQHCs and the cost of care is estimated to have been **\$15.6 million**. Subsequently, multiple FQHCs are currently operating at a loss and are considering for, the first time ever, reducing services offered.

Our belief is that Medicaid reimbursement should conform to applicable federal law and guidelines. For FQHCs, federal statute requires that reimbursement be tied to cost of services. Current Medicaid rates fall far short of that. However, recognizing the many needs within Vermont's health care system, Bi-State is not requesting the full \$15.6 million. Instead, we are asking for **\$6.9 million (gross state and federal funding)** in bridge funding that would bring FQHC rates closer to what should be paid under federal law, allow FQHCs to continue to provide comprehensive care to the State's most vulnerable, and offer stability in the face of significant financial uncertainty.

We also are asking that the legislature pair this adjustment with a **requirement that Vermont FQHCs and Department of Vermont Health Access continue the collaboration, which began in February 2022, to update the FQHC payment methodology in alignment with federal law by FY2025**. This legislative directive for collaboration would give our members assurances that FQHCs will be paid properly in the future. **A progress report on this methodology** could be provided to legislative committees prior to the start of the next legislative session.

The drivers of Vermont's FQHC costs include:

- Comprehensive services that extend beyond those typically thought of as primary care, including economic, mental health, and other services related to social drivers of health.
- Offering these comprehensive services to all patients regardless of ability to pay.
- Providing care in underserved, rural regions.

- Offering a sliding fee scale to those at or below the 200% federal poverty level to assist with any cost sharing responsibilities, including Medicaid.
- Intensive regulatory, quality, and data requirements imposed by the Health Services Resources Administration (HRSA), including annual filings to maintain grant funding and Operational Site Visits every three years to test FQHCs in nearly 100 areas of service and compliance.

Thank you again for the opportunity to provide this testimony. We recognize the challenge of balancing multiple budget requests and appreciate the committees' consideration of this request. It is grounded in the reality facing our health centers today. They are extraordinarily fragile, and this funding is critical for Vermont's FQHCs to continue to provide the essential primary and preventive care to all their patients.

If the committee has further questions regarding FQHCs, please let me know.

Sincerely,

A handwritten signature in blue ink, appearing to read "MK Mohlman". The signature is fluid and cursive, with a long horizontal stroke at the end.

Mary Kate Mohlman, PhD, MS
Director, Vermont Public Policy