



State of Vermont
Agency of Administration
Office of the Secretary
Pavilion Office Building
109 State Street
Montpelier, VT 05609-0201
www.adm.state.vt.us

[phone] 802-828-3322
[fax] 802-828-3320

Justin Johnson, Secretary

MEMORANDUM

TO: Emergency Board Members
FROM: Justin Johnson, Secretary of Administration
DATE: July 23, 2015
SUBJECT: Next Emergency Board Meeting

There will be an Emergency Board meeting on Monday, July 27, 2015, 10:00 a.m., 5th Floor Conference Room, Pavilion Office Building, 109 State Street, Montpelier, Vermont.

The agenda items are as follows:

1. Private Activity Bond allocations for calendar year 2015: recommendation by the Private Activity Bond Advisory Committee and delegation to the Governor (32 V.S.A. Sec. 992(b))
2. Determination of available General Funds greater than January 20, 2015 forecast (32 V.S.A. Sec. 308c(a)(1))
3. Official state revenue estimate and Medicaid report (32 V.S.A. Sec. 305a)
4. Other business if needed

Materials for the agenda items will be forthcoming. The Medicaid caseload and expenditure estimates and the Private Activity Bond allocations will be sent prior to the meeting. The revenue estimates will be distributed at the meeting. The Joint Fiscal Committee and Finance and Management will prepare materials for other business, if needed.

cc: Beth Pearce, State Treasurer
Sarah E. Carpenter, VHFA
Jo Bradley, VEDA
Robert Giroux, Vermont Municipal Bond Bank
J. Paul Giuliani, Esq., Primmer Piper Eggleston & Cramer PC
Scott Giles, VSAC
Tom Little, Esq., VSAC
Justin Johnson, Secretary of Administration
Lisa Ventriss, PABAC
Steve Klein, Legislative Joint Fiscal Office
Steve Wisloski, Deputy State Treasurer

ELIZABETH A. PEARCE
STATE TREASURER



UNCLAIMED PROPERTY DIVISION
TEL: (802) 828-2407

RETIREMENT DIVISION
TEL: (802) 828-2305
FAX: (802) 828-5182

ACCOUNTING DIVISION
TEL: (802) 828-2301
FAX: (802) 828-2884

STATE OF VERMONT
OFFICE OF THE STATE TREASURER

TO: Emergency Board
FROM: Beth Pearce, State Treasurer
DATE: July 23, 2015
RE: Private Activity Bond Advisory Committee
Recommendation for July 2015 Emergency Board Meeting

This memorandum provides the Private Activity Bond Advisory Committee's (the "Committee") recommendations to the Emergency Board (the "Board") regarding Vermont's private activity bond (PAB) ceiling for 2015. The Committee has three (3) specific requests of the Board, which are attached to this memorandum in the form of proposed motions.

The Committee met on July 22, 2015, to review information provided from a survey of the constituted and eligible issuing authorities, and unanimously voted to recommend maintaining the current allocation for 2015, with the exception of a reallocation from Contingency to the Cold Brook Fire District No. 1, as follows:

Vermont Economic Development Authority (VEDA):	\$25,000,000
Vermont Municipal Bond Bank: (VMBB)	20,000,000
Vermont Housing Finance Agency (VHFA):	0
Vermont Student Assistance Corporation (VSAC):	0
Cold Brook Fire District No. 1:	6,075,000
<u>Contingency:</u>	<u>250,440,000</u>
TOTAL	\$301,515,000

A letter from Primmer Piper Eggleston & Cramer PC requesting this allocation on the Fire District's behalf is attached for your information.

The Committee also unanimously voted to recommend that the E-Board empower the Governor to reallocate PAB volume cap among all four (4) constituted and eligible issuing authorities – VSAC, VHFA, VEDA and VMBB – without limitation, both from Contingency and among the agencies themselves, for the period after December 20 and on or before December 31, 2015. This reallocation authority is necessary to ensure that unused volume cap from 2015 is carried forward for the allowable three-year period under the IRS guidelines.

The Committee further agreed to provide the Board with a proposed motion from the Vermont Municipal Bond Bank (VMBB) substantively identical to the Board's July 2013 motion, to the effect that VMBB may assign its PAB allocation to Vermont governmental units as defined by

statute and as required to comply with the Internal Revenue Code. This is necessary because the governmental units that borrow through VMBB require the PAB allocation, not the VMBB itself; further, because governmental units are still eligible to apply to participate in VMBB's next financing, it is not possible for VMBB to know which of them will be financing projects that require PAB allocations.

Finally, the Committee decide to recommend to the Board, and if the Board did not disagree, to pursue legislation to discontinue the Committee during the next Legislative Session. When the Committee was initially formed by Executive Order in 2011, and then created in statute in 2012, there were serious concerns that, with the sharp decline in student loan and mortgage revenue bond issuance following the Great Recession, Vermont's PAB volume cap was not being utilized and may be an option to support economic development, and asked the Committee to seek alternative uses. Over the past four years, the Committee has researched other permitted purposes for PABs, discussed creative applications of PABs with the State's bond counsel, met with numerous interested organizations, and held annual public hearings, all to little effect. This has been a problem nationwide, as a result of low interest rates, a narrow spread between taxable and tax-exempt rates, and stringent regulatory requirements associated with PABs. Most alternative PAB applications beyond student loans and mortgage revenue bonds are handled either by VMBB (for municipalities) or VEDA (for businesses and non-profits), that these organizations are actively seeking financings within their respective mandates, and likely are capturing the majority of alternative PAB applications. The Treasurer's Office proposes to continue to administer the State's PAB allocation in consultation with the Secretaries of Administration and Commerce, and to coordinate PAB allocation requests with VEDA, VHFA, VMBB and VSAC, to provide reports to the Board, to hold annual public hearings, and to provide an annual report to the Governor and General Assembly.

Please contact me at beth.pearce@state.vt.us or 828-1452, or my Deputy, Steve Wisloski, at stephen.wisloski@state.vt.us or 828-5197 with any questions regarding this memorandum.

Attachments:

1. Proposed Motions
2. PAB Allocation Request on Behalf of Cold Brook Fire District No. 1 from Primmer

cc: Justin Johnson, Secretary of Administration
Bradley Ferland, Secretary of Administration's designee
Pat Moulton, Secretary of Commerce and Community Development
Lisa Ventriss, Vermont Business Roundtable
Emily Byrne, Agency of Administration
Jo Bradley, Vermont Economic Development Authority
Sarah Carpenter, Vermont Housing Finance Agency
Bob Giroux, Vermont Municipal Bond Bank
Tom Little, Esq., Vermont Student Assistance Corporation
J. Paul Giuliani, Esq., Primmer Piper
Stephen Klein, Legislative Joint Fiscal Office

Attachment 1: Proposed Motions

Proposed Motion Regarding Allocation of Volume Cap to Cold Brook Fire District No. 1

Pursuant to its authority under 32 V.S.A. § 992, the Emergency Board amends its January 20, 2015 calendar year 2015 apportionment of \$256,515,000 to contingency in order to grant Cold Brook Fire District No. 1 an allocation of \$6,075,000 of Vermont's calendar year 2015 private activity bond ceiling, and to reduce contingency to \$250,440,000, with resulting allocations as follows:

Vermont Economic Development Authority (VEDA):	\$25,000,000
Vermont Municipal Bond Bank: (VMBB)	20,000,000
Vermont Housing Finance Agency (VHFA):	0
Vermont Student Assistance Corporation (VSAC):	0
Cold Brook Fire District No. 1:	6,075,000
<u>Contingency:</u>	<u>250,440,000</u>
TOTAL	\$301,515,000

Proposed Motion Regarding Governor's Authority to Reallocate PAB Volume Cap

Pursuant to 32 V.S.A. Sec. 992(b), the Emergency Board hereby delegates to the Governor the power and authority to assign or reallocate after December 20 and on or before December 31, 2015, unused portions of Vermont's calendar year 2015 private activity bond ceiling, including the contingency, among and between the Vermont Housing Finance Agency (VHFA), the Vermont Student Assistance Corporation (VSAC), the Vermont Economic Development Authority (VEDA), and the Vermont Municipal Bond Bank (VMBB). Any calendar year 2015 private activity bond allocations to other eligible recipients will require future Emergency Board action.

Proposed Motion Regarding Vermont Municipal Bond Bank Authority to Assign PAB Volume Cap

Pursuant to its authority under 32 V.S.A. § 992, the Emergency Board amends its January 20, 2015 calendar year 2015 apportionment of \$20 million to the Vermont Municipal Bond Bank (VMBB) to grant VMBB the authority to assign and re-assign a portion or all of that apportionment of Vermont's calendar year 2015 private activity bond ceiling to one or more governmental units, as defined in 24 V.S.A. § 4551, that are recipients of bond proceeds issued by VMBB during calendar year 2015.

PRIMMER

PRIMMER PIPER EGGLESTON & CRAMER PC
100 EAST STATE STREET | P.O. BOX 1309 | MONTPELIER, VT 05601-1309

J. PAUL GIULIANI
ADMITTED IN VT
pgiuliani@primmer.com
TEL: 802-223-2102
FAX: 802-223-2628

June 23, 2015

Elizabeth A. Pearce, Chair
Private Activity Advisory Council
Office of the State Treasurer
109 State Street #4
Montpelier, VT 05609-6200

Re: Cold Brook Fire District No. 1 - PAB Allocation

Dear Treasurer Pearce:

Please accept this letter as a request on behalf of Cold Brook Fire District No. 1 for an Emergency Bond \$6,075,000 private activity bond volume cap allocation.

On March 21, 2013 and April 4, 2015 the Fire District voted to authorize construction of secondary and tertiary wastewater treatment facility improvements and the issuance of up to \$9,100,000 of general obligation bonds for such purpose. The subject improvements will be used almost exclusively by private users, who in turn will be responsible for debt service on the Fire District's obligations. Both the "private use" and "private payment" tests under Section 141 of the Internal Revenue Code are met.

Because the Fire District's Prudential Committee has the statutory authority to increase the amount of authorized indebtedness by up to \$75,000 to cover unforeseen cost overruns in constructing the system improvements, the Fire District is requesting a volume cap allocation of \$75,000 in excess of the amount of indebtedness authorized at the March 21, 2013 and April 4, 2015 special meetings of the Fire District.

Very truly yours,



J. Paul Giuliani

JPG:sr

cc: Roberta S. Carey
Cold Brook Fire District No. 1
18 Cold Brook Road #1
Wilmington, VT 05363-5624

MEMORANDUM

TO: Emergency Board Members
FROM: Justin Johnson, Secretary of Administration
DATE: July 24, 2015
RE: Determination of available FY 2016 General Funds greater than the adopted January 20, 2015 forecast

The provision detailed below from 32 VSA Sec. 308c (a)(1) requires action by the Emergency Board.

32 VSA Sec 308c(a)(1) requires the Emergency Board to “determine annually at its July meeting the amount of available general funds that is greater than the amount of forecasted available general funds most recently adopted by the Board for the current fiscal year adjusted by any legislative action projected to increase General Fund taxes that result in additional revenue in excess of \$1,000,000.00 over the revenue raised without legislative action in the current fiscal year.”

This determination is based on the difference between the adopted January 20, 2015 Emergency Board FY 2016 General Fund forecast (estimate) and the updated FY 2016 General Fund forecast, as reported to the Emergency Board in July 2015.

The July 27, 2015 estimate will be known at the July 27 Emergency Board meeting, and at that time, if available, the “greater than” number can be inserted into the proposed motion for Emergency Board action: ***“Pursuant to 32 VSA Sec 308c(a)(1), the Emergency Board hereby determines that the amount of available general funds that is greater than the amount of forecasted available general funds most recently adopted by the Board for fiscal year 2016 is \$XX.”*** This is the only action required of the Emergency Board at this meeting regarding allocation of FY 2016 General Fund increase and Balance Reserve.



Emergency Board Determination Per 32 VSA § 308c(a)(1)

Education Fund Base Transfer Change Calculation

GF Forecast Revenue for FY16 as of July 2015	1,433.3	
Less Revenue Bill Changes	(30.4)	
Less US Marshall Bed Revenue	(1.7)	
	1,401.2	
Less GF Forecast Revenue for FY16 as of Jan 2015	1,393.1	
FY 16 Increase in GF Forecast compared to Budget	8.09	
Less \$1m per 32 VSA 308c(a)(1)	(1.0)	
Amount Determined for EF Base Transfer Calculation	7.09	← Motion Amount

For informational Purposes:

Increase in EF transfer is calculated as follows

Determined amount for EF Transfer Calculation		7.09	
Rate	X	33%	
Base transfer increase unless over cap		2.3	
Cap - Limits to the lesser of the above or calculation of 33% of FY15 undesignated/unreserved under 32 VSA 308c(a)			
Undesignated/unreserved under 32 VSA 308c(a)		7.19	*
Rate	X	33%	
Cap on the Transfer to the Education Fund		2.4	
Base increase in EF Transfer per 32 VSA 308c(a)(1)		2.3	Applied in FY17 budget above statutory index EF Transfer basis will need statutory update

32 VSA § 308c. General Fund and Transportation Fund Balance Reserves

(1) The Emergency Board shall determine annually at its July meeting the amount of available general funds that is greater than the amount of forecasted available general funds most recently adopted by the Board for the current fiscal year adjusted by any legislative action projected to increase General Fund taxes that result in additional revenue in excess of \$1,000,000.00 over the revenue raised without legislative action in the current fiscal year. An amount not to exceed 33 percent of the amount determined in subdivision (1) shall be added to the base amount used to calculate the General Fund transfer under 16 V.S.A. § 4025(a)(2) for the next fiscal year. However, the amount to be added to the base amount used to calculate the General Fund transfer shall also not exceed 33 percent of the total amount which would be reserved in this subsection if not for the requirements of subdivisions (2) and (3) of this subsection.

FY 2015 Closeout Summary - Consensus with JFO

FY 2015 undesignated/unreserved GF as determined by the Commissioner of Finance and Management Pursuant to 2015 Act 58 Sec. C.108(a)

	As Passed FY2015	Actual FY2015	Delta
Current Law revenue	1,357.90	1,375.77	17.87
Tax Data warehouse 20%	0.87	1.61	0.74
VEDA Debt forgiveness	(0.05)	(0.14)	(0.09)
Direct Applications & Reversions	50.68	58.01	7.33
Vermont Yankee Settlement	5.00	5.00	0.00
PTT Redirect	3.50	3.52	0.02
DII GF Savings not achieved	0.00	(0.14)	(0.14)
GF Balance reserve not necessary for FY 2015 Balance	0.00	(0.53)	(0.53)
Total	1,417.90	1,443.09	25.19

Allocation of FY 2015 Undesignated/unallocated GF Revenue

Undesignated/unallocated FY 2015 GF revenue	25.19
FY 2015 Appropriations pursuant to 2015 Act 58 Sec. C.108	
(a)(1): First \$5M to DCF for LIHEAP	5.00
(a)(2): Second \$13M to AoA for Transfer to AHS for FY2015	13.00
GC expenditures	
Remaining Undesignated/unreserved funds	7.19 *
Allocations pursuant to 32 VSA Sec. 308c	
(a)(2): 25% of available funds shall be transferred to the Education fund	1.80
(a)(3): 50% of available funds shall be transferred to the state teachers retirement and medical benefits funds	3.60
Remaining 25% transferred to the GF Balance Reserve	1.80

GF Balance Reserve (Rainy Day Fund) Summary

FY2015 Starting Balance 6/30/2014	5.00
Transfer at FY2015 Closeout	1.80
GF Balance Reserve 6/30/2015	6.80

Retired Teachers Health Care Internal Loan Balance

<i>Initial Loan Limit</i>	30.00
Less Transfer pursuant to 32 VSA 308c(a)(3)	(3.60)
<i>New Loan Limit</i>	26.40
<i>Loan Balance Estimate</i>	
Interfund Loan amount on 6/30/2015	17.55
Prepaid expenses on 6/30/2015	(2.36)
EGWP receivable estimate to be paid in Sept. 2015	(1.50)
Less transfer pursuant to 32 VSA 308c(a)(3)	(3.60)
Estimated Loan Balance	10.09

**PROPOSED MOTION
EMERGENCY BOARD JULY 27, 2015**

Pursuant to 32 VSA Sec 308c(a)(1), the Emergency Board hereby determines that the amount of available general funds that is greater than the amount of forecasted available general funds most recently adopted by the Board for fiscal year 2015 is \$7.09 million.

PROPOSED MOTION
FY 2016 and FY 2017 OFFICIAL REVENUE ESTIMATES

July 27, 2015

Moved: That the state revenue estimates pursuant to 32 VSA Sec. 305a for FY 2016 and FY 2017 are as follows:

	Fiscal 2016 Estimate (Millions)	Fiscal 2017 Estimate (Millions)
General Fund	\$ 1,433.3	\$ 1,482.6
Transportation Fund	\$ 265.8	\$270.2
Transportation Infrastructure Bond (TIB) Fund	\$15.2	\$15.7
Education Fund	\$191.2	\$197.2
State Health Care Resources Fund	\$284.2	\$277.2
Federal Funds	\$1,928.6	----
Global Commitment Fund	\$1,325.2	----

July 27, 2015
Emergency Board Meeting
Report on Medicaid for Fiscal Year 2015

32 V.S.A. § 305a(c) requires a year-end report on Medicaid and Medicaid-related expenditures and caseload. Each January the Emergency Board is required to adopt specific caseload and expenditure estimates for Medicaid and Medicaid-related programs. Action is not required at the July meeting of the Emergency Board unless the Board determines a new forecast is needed as a result of the year-end report. This report contains the following:

Year-End Summaries:

- Summary of Enrollment
- Summary of Total Expenditures
- Global Commitment Fund Cash Basis Summary
- State Health Care Resources Fund Detail
- Choices for Care Year-End Summary

Key Issues

The data in this report reflect the most current actual FY15 information to date. The comparison for the budgeted amount for FY15 reflects the changes made to the as passed budget by the rescission in August 2014 and the budget adjustment process. There may be changes as the financial close-out for the fiscal year is completed and finalized. If necessary, changes will be included in a subsequent revised report.

Context

FY15 is the first full State fiscal year under the federal Affordable Care Act and reflects the second open enrollment period in the Vermont Health Connect (VHC) Exchange. The exchange provides the portal for both Qualified Health Plans (QHP) and income eligibility for most Medicaid programs.

The operation of the VHC Exchange continues to challenge Vermonters, administrators, policy makers, and QHP providers. Progress in improving VHC operations is the subject of separate reporting, but the workgroup consisting of staff from Finance and Management, the Agency of Human Services, the Department of Vermont Health Access, and the Joint Fiscal Office charged with analyzing Medicaid enrollment and cost trends recognize these challenges likely have direct impacts on the data presented in this report which can be noted but not specifically quantified at this time.

Expenditures

The main take-away for the FY15 close out in Medicaid is that Global Commitment (GC) program expenditures came in over \$30 million (gross State and federal dollars) above the level

budgeted. A significant cost overage was anticipated based on the weekly expense tracking known as ‘The 52 Points’ and for which Act 58 (the FY16 Budget Bill) allocated up to \$13 million of FY15 surplus General Fund (GF). The availability of the surplus funds could not be determined until all the GF components were finalized in July. In order to allow the Medicaid provider payments to go out in the final week of June, funds particularly in Medicaid administration were unencumbered and these funds were then used in combination with funds transferred from other Medicaid program areas (Premium and Cost subsidy programs, State Only Rx, SCHIP) as a temporary fiscal measure both to pay providers and stay within the appropriated limit. Now that it is clear that the full \$13m GF will be available, these administration expenses will be reencumbered and expended in FY16 which will move FY16 expenditures above the amount as passed in Act 58.

Right now, how much of the cost overrun is due to caseload (see discussion below) and how much is due to utilization is not determined. Analysis will be conducted in the fall for the January 2016 Emergency Board update, and should help to make that more clear. At this early stage, it is known that outpatient services were significantly higher than expected but whether this is solely due to a utilization change in this area or if there are offsetting reductions in other service categories will not be known until the caseload impacts can be decoupled.

The rollout fiscal impact on both FY16 and FY17 is likely to be significant as the FY16 budget was developed without the \$30 million included in the spending trend. In addition to the trend implications, there are several areas that may also see utilization at a higher level than was assumed and budgeted for in FY16. These include Applied Behavior Analysis (ABA, i.e., Autism) services and Licensed Alcohol and Drug Counselor (LADC) services.

Finally, the first shared savings payment under the ACO contract will be made in FY16 and the funding for this payment will be a budget adjustment item. The payment calculation is specified by the terms of the contract, and it should be a reflection that expenditures in CY2014, in the absence of the ACO contract, would have been at least twice as high as the payment amount. An additional onetime fiscal pressure is a 53rd week of vendor payments. This will have an estimated FY16 budget adjustment or FY17 budget impact of \$25 million total of which \$11 million will be in state GF.

Enrollment

The main take-away on enrollment for FY15 is that caseload came in significantly higher than the level anticipated in January. The adult Medicaid Eligibility Groups (MEGs) in total came in almost 7.7% above expectation with the largest variance in General Adults by 12.3% and New Adults by 9.5%. The enrollment for children in the aggregate also came in 3.5% higher than expected.

The Vermont Premium Assistant (VPA) program and its subset of Cost Sharing Assistance enrollees is the population that came in significantly under expectation by -28% and -43% respectively.

The changes in income eligibility¹ under the ACA are part of the current income eligibility process for Medicaid enrollment through the VHC Exchange. It is unclear how much of this higher-than-expected level in caseload is a function of:

1. Estimation error, particularly regarding the base assumptions for the uninsured population at various income levels as well as the coverage uptake rate for the uninsured at the eligible income levels;
2. Change in employer coverage patterns, for example, have employers for individuals who fall in these income ranges opted to drop insurance coverage; or
3. Current Medicaid eligibility processes which have relied on the following:
 - Self-attested income. From Oct. 2013 through April 2015, Medicaid enrollees through the exchange relied on self-attested income without an automated process for income verification. Beginning in May 2015, self-attested income now has an electronic post enrollment verification process. A manual monthly check against Vermont Dept. Of Labor (VDOL) is conducted for Medicaid enrollees in the ACCESS system. Information on the error rate of self-attested income after verification is pending. Further enhancements to the income verification process are included in future system planning and updates.
 - Automatic Renewal for Medicaid under a waiver from CMS.

Status of Reenrollment and Eligibility Determination Processes

The Medicaid program is experiencing higher than normal retention for people who have not yet been transitioned off the legacy system – the majority of whom have not gone through another eligibility determination. The auto-renewal is likely capturing people who may no longer be income eligible for programs. It is hard to know what this over-capture rate is. These factors reduce normal “churn” patterns which in turn increase enrollment rates above what they would have been with a normal reenrollment eligibility determination process.

In early March, Vermont Health Connect began to implement its plan to transition approximately 30,885 Medicaid for Children and Adults (MCA) households which reflect 59,157 enrollees from the State’s legacy ACCESS system to Vermont Health Connect to receive their MCA eligibility determination. The plan began with a pilot of the 3,000 highest income households.

As of mid-July 2015, two out of five (which is 39% or 1,175 households, 2,199 enrollees) in the pilot had filled out an application for coverage. Of those who applied, nearly one in five (19% of the this 39%, or 222 households, 434 enrollees) no longer had a member who qualified for Medicaid, while four out of five had at least one household member qualify for Medicaid.

Staff is communicating with the Center for Medicare and Medicaid Services (CMS) for approval of a plan and schedule to close pilot customers who have not responded to outreach attempts.

¹ The income eligibility calculations were changed under the Affordable Care Act (ACA). A Federal Poverty Level of 133% in the new Modified Adjusted Gross Income (MAGI) is equivalent to 138% under the pre ACA method.

This is approximately 1,800 households/3,200 enrollees of the 3,000 households/5,466 enrollees in the pilot.

State staff have been closing customer cases when customers have asked for Medicaid to be closed and when customers' outreach letters have been returned with no forwarding address.

The planning and timing of the transition of the remaining 27,000 MCA households from the ACCESS system to VHC reenrollment and eligibility determination process is still under discussion with CMS. An analysis of recent claims specifically related to the cases slated for closure for nonresponse to outreach and well as the 19% (434 enrollees) found income ineligible would provide a foundation for understanding the fiscal implications of the over-capture.

Global Commitment Fund (GCF)

The cash position of the GCF grew through FY11 to a level of \$86.5m, and held steady in FY12 and FY13 but declined in FY14 to \$29.5 million due to a lack of adequate State funds to fully draw federal match within FY14 for FY14 expenditures. FY14 expenditures were covered by drawing down the fund balance and then immediately using part of the next year (i.e., FY15) State appropriation to draw the federal match owed on FY14 expenditures.

The actual FY15 spending level meant these funds were needed to cover current year instead of replenishing the GCF balance as hoped. Year-end FY15 year transfer actions included some pure GF which did allow for a modest increase in the cash balance of the fund up to \$37.9 million.

But again this July, the first use of FY16 State funds will be to draw federal match that could not be drawn in FY15. It is unlikely this will be able to bring the cash balance of the fund back up on anything more than a temporary basis, given the overall spending trend in the program. Without a change in the State funding level it is more likely FY16 will see continued decline in the GCF balance. Program expenditures at the close of FY16 will need to come below the funded level for the fund balance to rise, which is highly unlikely.

The GCF balance provides the reserve for the "tail" of the GC program. The program is budgeted on a cash basis but there are "incurred but not reported" (IBNR) expenditures at any given time in the program. The intent of the balance is to be used at the end of the waiver demonstration to address this "tail," or IBNR. Once the demonstration ends, the State has two years to process outstanding claims. As of last quarter, the estimate for those claims was \$100,912,678.

State Health Care Resources Fund (SHCRF)

The FY15 balance in the fund closed \$6m ahead of expectation. This was due to tobacco taxes coming in \$2.9 million higher than expected and hospital provider taxes receipts \$2.2 million over expectation. The other fund revenue lines when combined net \$900,000 over target.

The updated revenue estimate for FY16 reflects cigarette/tobacco tax estimates including the rate increase passed in Act 57 of 2015, as well as an updated hospital provider tax estimate which is tied to the Green Mountain Care Board growth target. These result in a projected balance of \$10.3 million for FY16.

This fund does not have a reserve requirement as does the GF, EF, or TF, so it will need to be determined if any current balance is directed toward establishing a fund reserve or used to address FY16 budget adjustment and/or FY17 budget pressures. This decision should be made in conjunction with the projected GC fund balance.

Choices for Care (CFC)

Beginning January 1, 2015, the Choices for Care waiver has been consolidated into the Global Commitment Waiver. However a small amount of GF will continue to be appropriated outside the GC for Home and Community Services that are funded through the Money Follows the Person (MFP) grant.

Sec. E.308 of Act 58 of 2015 outlined the methodology for calculating “savings” in the Choices for Care Program. The year-end summary sheet shows actual CFC expenditures in FY15 (including reinvestment expenses) compared to available resources (including reinvestment funding) were pretty much spot on in total.

After accounting for the required 1% program reserve, the amount of unobligated CFC program funding available for reinvestment in the budget adjustment is just under \$100,000. This is much lower than in previous years. This means that the program expenditure level is essentially at equilibrium for FY15 which may portend that program increases particularly for the Moderate Needs services may not be able to be funded from Nursing Home and Home and Community Based service savings in the future.

Federal Medical Assistance Percentage (FMAP)

Base FMAP remains an area of pressure for FY17 though at a much lower level than in previous years. In the underlying base FMAP rate, i.e., the State share is going up by 0.25%. On a Medicaid base of \$1.7 billion, this change translates into roughly \$4 million of additional State funds pressure as we begin to build the FY17 budget.

Clawback

FFIS has provided a preliminary calculation for the next Federal Fiscal 2016 payment levels. This indicates an FY16 budget adjustment impact of \$1.3m to \$2.4 million and full annualized FY17 impact of \$4 million. The Clawback is 100% GF payment states make back to the federal government to reflect state savings associated with the Medicare Part D Rx program. It is tied to federally determined pharmacy inflationary factors and state FMAP level.

All Payer Model

The administration is currently in discussions with CMS exploring the possibility of an All-Payer Model which would include a Medicare Waiver. In order for an all-payer model to go into effect for CY2017, the State and CMS would need an agreement in place by the beginning of CY2016. At this time, it is unknown if the state and CMS will come to an agreement, what the terms and conditions would entail, and if there will be a state budget impact particularly to Medicaid. A [white paper](#) is available on the JFO website.

Medicaid and Medicaid Related Enrollment

PROGRAM ENROLLMENT							
	FY 11 Actual	FY 12 Actual	FY13 Actual	FY14 Actual*	FY15 BAA	FY15 Actual	FY16
Adults				ACA Beg. Jan 1, 2014			As Passed
Aged, Blind, or Disabled (ABD)/Medically Needy	13,786	13,977	14,304	14,852	15,378	15,808	15,680
Dual Eligibles	16,014	16,634	17,118	17,384	17,682	18,163	17,978
General	10,896	11,235	11,375	13,115	15,504	17,412	15,966
VHAP (see note for FY14)	36,706	36,991	37,486	36,637	n/a	n/a	n/a
VHAP ESI (see note for FY14)	904	825	791	720	n/a	n/a	n/a
Catamount (see note for FY14)	9,921	10,713	11,486	13,329	n/a	n/a	n/a
ESIA (see note for FY14)	747	726	746	689	n/a	n/a	n/a
New Adult	n/a	n/a	n/a	47,315	48,500	53,124	48,985
QHP Exchange <300% FPL - Premium Subsidy				14,013	18,007	12,870	18,368
QHP <300% FPL- Silver Plan Cost Share Subsidy subset	n/a	n/a	n/a	4,452	5,859	3,307	6,034
Subtotal Adults	88,974	91,101	93,306	VHAP/Cat 96,726	115,071	117,376	116,977
				New Adult/ QHP 106,679			
Children							
Blind or Disabled (BD)/Medically Needy	3,696	3,712	3,695	3,639	3,713	3,579	3,727
General	55,053	55,274	55,361	56,431	58,301	60,756	57,594
Underinsured	1,131	1,068	977	949	1,082	927	981
SCHIP (Uninsured)	3,686	3,909	3,977	4,105	4,273	4,496	4,417
Subtotal Children	63,566	63,963	64,010	65,124	67,369	69,757	66,719
Pharmacy Only Programs	12,751	12,655	12,546	12,653	12,684	12,005	12,709
Choices for Care							
Nursing Home, Home & Community Based, ERC	3,889	3,891	3,886	4,147	4,177	4,280	4,222
Total	169,180	171,610	173,748	VHAP/Cat 178,650	199,301	203,419	200,627
				New Adult/ QHP 188,603			

*** FY14 Enrollment Notes**

ACA Began Jan 1, 2014 (mid way thru FY14). VHAP and Catamount are duplicative with many New Adults and Premium Assistance enrollees within FY14
 VHAP and Catamount programs phased out Jan-Mar 2014
 New Adult Medicaid eligibility group established, many VHAP and some Catamount enrollees transitioned to this group, as well as other newly enrolled
 Premium and Costs Sharing programs established, former Catamount enrollees now w/a QHP likely eligible for these programs

Global Commitment - Cash Balance Sheet - FY09 to FY15 (Actuals)

(these are gross combined federal and state funds)

Prior to application of FY15
\$13m GF surplus funds

	<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Actual</u>	<u>FY14 Actual (5)</u>	<u>FY15 Resc. & BAA & Waiver consolidation</u>	<u>FY15 Actuals est. (5)</u>	<u>FY16 Budget</u>
Revenues - Cash Capitated Payments (4)	1,047,364,322	1,061,421,619	1,192,428,821	1,190,118,931	1,397,059,641	1,433,336,765	1,563,696,326
Expenses - Cash Capitated							
Administration	72,314,139	74,150,382	83,170,036	73,458,966	105,558,490	82,193,455	125,388,789
Program	900,949,532	913,875,108	1,025,039,145	1,064,279,995	1,202,500,495	1,234,001,800	1,329,028,216
Investment	49,287,654	73,406,946	84,339,985	109,465,255	110,026,347	108,637,020	109,279,321
<u>Total Cash Expenses</u>	<u>1,022,551,325</u>	<u>1,061,432,436</u>	<u>1,192,549,166</u>	<u>1,247,204,216</u>	<u>1,418,085,332</u>	<u>1,424,832,274</u>	<u>1,563,696,326</u>
Change in Fund Balance	<u>24,812,997</u>	<u>(10,817)</u>	<u>(120,345)</u>	<u>(57,085,285)</u>	<u>(21,025,691)</u>	8,504,491	0
Less encumbrances				<u>(8,797,926)</u>		<u>(762,214)</u>	
				<u>(65,883,211)</u>		<u>7,742,277</u>	
Prior Year Fund Balance	61,860,271	86,673,268	86,662,450	86,542,106	29,456,821	29,456,821	37,961,312
<u>Total Fund Balance</u>	<u>86,673,268</u>	<u>86,662,450</u>	<u>86,542,106</u>	<u>29,456,821</u>	<u>8,431,130</u>	<u>37,961,312</u>	<u>37,961,312</u>
Non-capitated administrative expenses (1)	6,516,131	5,700,438	6,098,492	6,291,473	2,468,599	2,468,599	-
Non-cash expenses (2)	24,782,283	26,938,357	26,914,096	27,799,832	28,393,646	29,311,669	28,995,358
Non-cash revenues (3)	24,782,283	26,938,357	26,914,096	27,799,832	28,393,646	29,311,669	28,995,358

Notes:

- (1) Non-capitated expenses are cash expenses but are paid outside of capitation pmt and do not affect fund balance. Effective 1/1/15, with consolidation of CFC into GC
- (2) Non-cash expenses include 5 certified programs in which non-federal expenses are not State cash expenses.
- (3) Non-cash revenues include 5 certified programs in which non-federal revenues are not State cash revenues.
- (4) FY10 cash capitated payments reflect the full current-year per-member per-month payment obligation. As a result, the FY11 capitation payments do not assume any payments for prior years other than technical adjustments associated with retroactive enrollment. FY09 and FY10 capitation payments included payments for prior-year shortfalls of \$21,379,986 and \$25,972,014.
- (5) In building the SFY14 budget, matching funds for the GC appropriation were under appropriated relative to budgeted gross expenditures. Therefore, in lieu of claiming all the federal funds for budgeted gross expenditures due to a shortage in State matching funds, the GC Fund balance was used to cover the remaining actual gross costs. Accordingly, the June SFY14 capitation payment to DVHA was less than actual expenditures due to the shortage in matching funds. In July of SFY15, at which time matching funds would become available with the SFY15 appropriations, AHS CO made a reconciling capitation payment to DVHA for the balance due from June of SFY14, replenishing the GC fund balance. This then left appropriated matching funds underfunded for SFY15, and a reconciling capitation payment to DVHA will be made in July of SFY16 for SFY15, as a result. This cycle of reconciling capitation payments will continue each fiscal year. The ongoing GC fund balance will be used to address the "tail," which are incurred but not reported claims to be paid at the end of the GC demonstration.

Summary of Total Expenditures

Medicaid and Medicaid Related

Prior to application of FY15
\$13m GF surplus funds

	FY11 Actual	FY12 Actual	FY13 Actual	FY14 Actual	FY15 Resc. & BAA & Waiver consolidation	FY15 Final Est.	FY16 As Passed
Non Capitated Administration	6,516,131	5,700,438	6,098,492	5,202,413	2,468,599	2,468,599	-
Global Commitment Waiver							
GC - Administration	72,314,139	74,150,382	83,170,036	73,458,966	105,558,490	82,193,455	125,388,789
GC - Program (CFC incl. Jan.1 2015)	900,949,532	913,875,330	1,025,039,146	1,062,318,540	1,194,775,605	1,228,530,627	1,321,187,111
GC - VT Premium Assistance				1,961,455	7,724,888	5,471,173	7,841,105
GC - Investments (CNOM)	49,287,654	83,277,460	93,407,332	119,370,840	117,938,361	118,245,496	116,986,841
GC - Certified (non -cash program & cnom)	24,578,280	26,938,357	26,914,096	27,799,832	28,393,646	29,311,669	28,995,358
	<u>1,047,129,605</u>	<u>1,098,241,529</u>	<u>1,228,530,610</u>	<u>1,284,909,634</u>	<u>1,454,390,990</u>	<u>1,463,752,419</u>	<u>1,600,399,204</u>
Exchange Cost Sharing Subsidy (State Only)				332,623	1,689,945	1,138,775	3,522,615
Exchange Vermont Premium Assistance (State Only)				610,022	250,000.0	140,293.0	700,000
Choices For Care Waiver	191,968,805	196,477,952	199,033,009	205,224,249	108,316,625	108,013,364	1,650,000
Pharmacy - State Only	1,812,342	(4,082,889)	(1,518,496)	1,004,506	3,170,931	1,256,976	2,984,607
DSH	37,448,782	37,448,782	37,448,781	37,448,781	37,448,781	37,448,781	37,448,781
Clawback (state only funded)	17,684,471	23,784,030	25,971,679	25,833,314	26,618,207	25,888,658	26,979,242
SCHIP	7,642,495	8,598,982	8,997,996	9,584,604	10,072,000	8,280,573	10,451,404
Total	1,310,202,631 3.1%	1,366,168,824 4.3%	1,504,562,071 10.1%	1,570,150,146 4.4%	1,644,426,078 4.7%	1,648,388,438 5.0%	1,684,135,853 2.4%

FY15 Choice For Care included in GC - Jan 1. 2015

FY15 (6mos) and FY16 previously Non-capitated Administration is now part of GC - Administration. Therefore, there is a variance between SFY15 budgeted and SFY15 estimated actual for Non-capitated Administration and GC Administration.

FY13 GC Program includes \$60m for GME representing both the FY12 and FY13 years

State Health Care Resources Fund

FY16 cigarette tax risk is higher due to timing concerns on revenue reporting

	FY11 Actuals	FY12 Actuals	Cash/Accrual mix FY13 Actuals	FY14 Actuals	Jan. 2015 FY15 BAA	FY15 Actuals	Jan. 2015 + session chg FY16 As Passed	July 2015 FY16 Update	July 2015 FY17
State Health Care Resources Fund									
Beg. Balance	3,904,454	5,093,196	142,300	5,401,893	(748)	(748)	1,313,815	7,337,508	
Catamount Fd Balance (incorp FY13)	793,641	2,212,330	4,757,170		-				-
	<u>4,698,095</u>	<u>7,305,526</u>	<u>4,899,470</u>	<u>5,401,893</u>	<u>(748)</u>	<u>(748)</u>	<u>1,313,815</u>	<u>7,337,508</u>	<u>-</u>
Revenue									
Cigarette Tax Revenue	66,448,755	72,811,427	67,338,387	64,727,447	65,380,000	68,302,786	66,040,000	68,610,000	66,470,000
Tobacco Products Tax - 100%	6,511,841	6,868,340	6,931,690	7,125,892	8,090,000	8,104,758	8,100,000	8,150,000	8,200,000
Cigarette Floor Stock Tax	-	550,272	-	88	350,000	347,610	-	750,000	-
Claims Assessment	-	12,603,108	11,470,283	13,073,292	14,000,000	13,978,648	14,280,000	14,280,000	14,565,600
Employer Assessment	9,316,000	11,168,000	11,886,600	12,995,400	15,640,000	15,879,665	17,549,266	17,549,266	17,549,266
Catamount 11% Adj - >300%	-	1,442,038	1,855,062	1,467,338	-	-	-	-	-
Graduate Med Education	-	-	25,756,529	13,228,943	13,054,500	13,054,500	13,491,000	13,491,000	13,491,000
Nursing Home Sale Assessment	-	-	320,000	746,400	-	-	-	-	-
Prov Tax - Hospital	94,739,392	110,642,636	115,505,466	120,087,900	123,132,709	125,293,302	128,166,206	129,052,101	132,011,192
Prov Tax - Nursing Home	12,842,419	15,749,272	16,268,103	15,998,993	15,700,680	15,595,924	15,599,829	15,599,829	15,599,829
Prov Tax - Home Health	3,957,011	4,548,206	4,529,917	4,097,040	4,547,271	4,373,603	4,327,271	4,327,271	4,273,180
Prov Tax - ICF-MR	70,236	82,098	69,695	71,629	73,759	73,759	73,759	73,759	73,759
Pharmacy \$0.10/script	790,315	789,877	795,192	780,174	780,000	775,297	780,000	780,000	780,000
Premiums - Catamount	3,912,593	4,597,688	4,984,683	3,164,335	-	-	-	-	-
Premiums - VHAP (mgd care)	2,205,367	2,858,383	2,951,004	1,634,739	-	(260)	-	-	-
Premiums - Dr. D (medicaid)	155,259	180,401	183,944	88,237	50,607	192,949	50,000	50,000	50,000
Premiums - SCHIP	478,300	507,101	536,649	359,025	623,382	928,108	600,000	600,000	600,000
Premiums - Rx programs	3,292,209	3,160,264	3,180,120	3,163,777	3,045,450	3,112,356	3,045,450	3,045,450	3,045,450
Recoveries	771,362	625,996	5,049,628	1,279,529	500,000	435,377	500,000	500,000	500,000
Other (Misc, Interest)	(339,836)	(32,672)	194,977	(166,395)	-	(39,319)	-	-	-
Total Fund Revenue	<u>205,151,223</u>	<u>249,152,435</u>	<u>279,807,929</u>	<u>263,923,782</u>	<u>264,968,358</u>	<u>270,409,063</u>	<u>272,602,781</u>	<u>276,858,676</u>	<u>277,209,276</u>
Total Available	209,849,318	256,457,961	284,707,399	269,325,675	264,967,610	270,408,315	273,916,596	284,196,184	277,209,276
Expenditures									
Global Commitment	202,543,792	251,558,494	278,388,631	268,303,555	259,471,390	261,826,139	272,871,045	272,871,045	272,871,045
Exchange Operations					4,182,405	1,244,668	1,041,736	1,041,736	1,041,736
GC - Excess receipt				1,022,868	-	-	-	-	-
Total GC Expend	<u>202,543,792</u>	<u>251,558,494</u>	<u>278,388,631</u>	<u>269,326,423</u>	<u>263,653,795</u>	<u>263,070,807</u>	<u>273,912,781</u>	<u>273,912,781</u>	<u>273,912,781</u>
End. Balance	7,305,526	4,899,467	6,318,768	(748)	1,313,815	7,337,508	3,815	10,283,403	3,296,495

Catamount Fund into SHCRF in FY13
FY11 & FY12 adjusted for comparison

Note: During SFY14, AHS learned that certain categories of revenue were stated on an accrual basis in previous fiscal years.
In order to reflect the cash-basis balance of the SHCRF, the AHS began tracking revenue on a cash basis during SFY14.

Exchange Operations reflect the operations cost of the Qualified Health Plan (QHP) portion of the exchange,
Medicaid eligibility and exchange operations costs are included in the Global Commitment expenditure

Choices For Care Year End Summary

CFC is managed as one budget, estimates are made by category but funding is fluid across categories

	FY15 Plan\$ Available (thru Resc & BAA)	FY15 Expend and Obligated	Difference
LTC			
Moderate Needs Group	\$6,946,589	\$5,567,848	\$1,378,741
H&CB (CFC & MFP combined)	\$58,850,870	\$57,961,542	\$889,328 <i>GF/Gross mix</i>
adj for MFP GF only			(\$310,917)
Nursing Home	\$118,538,079	\$119,082,420	(\$544,341)
LTC Subtotal	\$184,335,538	\$182,611,810	\$1,412,811
* Gross up of MFP GF			\$691,387 <i>\$310,917/.4497</i>
			\$2,104,198
Obligations & Requirements			
1% reserve requirement	<i>incl. in H&CB</i>	1,826,118	(\$1,826,118)
AAA MNG FY16 continuation		179,000	(\$179,000)
	\$184,335,538	\$184,616,928	\$99,080
Acute	\$27,278,016	\$28,176,557	(\$898,541) <i>Covered w/in GC</i>
CFC Plan Total	\$211,613,554	\$212,793,485	<i>excl. 1% reserve</i>

* MFP - Money Follows the Person match will remain GF - all other CFC funds are now within the Global Commitment Waiver and will be reflected the GCF fund appropriations