

115 STATE STREET  
MONTPELIER, VT 05633  
TEL: (802) 828-2228  
FAX: (802) 828-2424



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To: Rep. Martha Heath, Chair, House Committee on Appropriations

From: Rep. Michael Fisher, Chair, House Committee on Health Care

Date: March 15, 2013

Re: House Health Care Committee response to Governor's FY 2014 budget

As requested, the House Health Care Committee has reviewed provisions of the Governor's FY 2014 budget proposal. Several of the provisions the Appropriations Committee initially asked the Health Care Committee to review were added to other bills and were taken up in that context. The remaining provisions are each addressed below:

**Sec. E.301 - Enhanced hospice access**

The Committee understands that the House Human Services Committee has also been asked to review this section and defers to that Committee's recommendations on this topic.

**Sec. E.302 - Payments to PNMI providers**

The Committee understands that the House Human Services Committee has also been asked to review this section and defers to that Committee's recommendations on this topic.

**Secs. E.306, E.306.1, and E.307.2 - Reduction in Medicaid cost-shift**

The money allocated for the modest increase to provider rates in the Governor's proposal would come from the State Health Care Resources Fund, which is currently the repository for moneys from the employer assessment, provider taxes, the health care claims assessment, and other sources. The Fund will soon benefit from the upcoming end to the Catamount Health Assistance program and from the so-called "Leahy bump," which will increase Vermont's FMAP for calendar years 2014 and 2015. The Committee unanimously supports the proposed three percent increase to Medicaid provider rates. Reducing the cost-shift requires a multi-pronged approach that includes both increasing Medicaid provider rates and employing strategies to reduce the numbers of uninsured and underinsured and the amount of uncompensated care in the health care system.

If the Appropriations Committee chooses not to accept the Governor's proposed increase to Medicaid provider rates, the Committee strongly urges the Appropriations Committee to commit the funds allocated for that purpose to other health care-related programs and initiatives. Money has been directed into the State Health Care Resources Fund to pay for health care programs and should not be diverted for non-health care purposes when the biggest fiscal issue facing the State in the short-term and long-term is paying for health care, and when real concerns remain about the ability of low- and moderate-income Vermonters to access the care they need through plans offered in the Vermont Health Benefit Exchange.

**Sec. E.312.1 - Needle exchange program**

The Committee generally supports the revised proposal to allow funds from the prescription drug manufacturer fee for needle exchange programs, but only to the extent that the use of these funds does not result in a reduction in needed sums to the Attorney General's Office for prescription drug-related enforcement activities or to the evidence-based prescription drug education program.

**Primary care case management fee**

While it was not part of the Governor's proposal, the Committee urges the Appropriations Committee to revisit the reduction in the Medicaid primary care case management fee from the 2013 Budget Adjustment Act as it applies to the Federally Qualified Health Centers (FQHCs) and Rural Health Centers (RHCs). The Budget Adjustment Act reduced the primary care case management fee for Medicaid providers to correspond with enhanced reimbursements for primary care included in the federal Affordable Care Act. FQHCs and RHCs, however, are not eligible for the enhanced federal payments, so the net result for them was simply a reduction to their case management fee with no corresponding enhanced reimbursement. It would cost approximately \$750,000 to make up these cuts for the FQHCs and the RHCs, and the Committee encourages the Appropriations Committee to make that investment in these important partners in health care delivery.

**VPharm**

The Committee has heard testimony about the dynamic between the amount of VPharm premiums, manufacturer rebates, and VPharm benefits. The Committee will continue to monitor this issue and encourages the Appropriations Committee to do the same.