



STATE OF VERMONT  
AGENCY OF HUMAN SERVICES

**MEMORANDUM**

**TO:** Rep. Martha Heath, Chair, House Committee on Appropriations

**FROM:** Doug Racine, Secretary, Agency of Human Services

**CC:** Mark Larson, Commissioner, Department of Vermont Health Access  
Dave Yacovone, Commissioner, Department for Children & Families  
Susan Wehry, Commissioner, Department of Disabilities, Aging & Independent

**DATE:** March 14, 2013

**SUBJECT:** AHS Approach to Implementing the Cost Shift Proposal

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This memo is to address how the Agency of Human Services (AHS) plans to implement a proposal to address the Medicaid cost shift. It is Governor's intent that increases in Medicaid reimbursement rates are targeted to reduce pressure on insurance premiums by reducing the cost shift and facilitating Medicaid movement toward value based purchasing and away from fee for service. The Administration is committed to these goals as a multiyear strategy. The recently awarded State Innovation Model grant provides the State with a substantial opportunity to make progress on these goals and develop a strategic approach to guide the implementation of changes to Medicaid reimbursement rates.

In FY2014, the Administration plans to implement the funding proposed to increase Medicaid reimbursement rates through an increase in existing reimbursement methodologies across AHS Departments for all providers. The exceptions to this will be:

- (1) Providers with an existing process for rate inflation, such as nursing homes;
- (2) MCO investments which will be reviewed individually by departments. If a department determines that an increase in a MCO investment is appropriate, any portion of the department's overall funding related to this proposal will be allocated to the increase to Medicaid providers within that department;
- (3) Within the Department of Vermont Health Access (DVHA), increases to the primary care case management payments will not be implemented unless the department implements a new model for attributing more accurately which providers should be receiving these payments. Currently there is too much of an disconnect between which providers are seeing Medicaid beneficiaries and which are receiving the PCCM payments; and

- (4) The DVHA will seek to establish a mechanism to connect increases in inpatient and outpatient hospital services to quality outcomes.

It is the intent of the Administration that inflation increases to Medicaid reimbursement rates in FY2015 and beyond would be allocated consistent with a payment reform strategic plan developed over the next year as part of the State Innovation Model grant implementation.

If you should have any question please do not hesitate to contact me.