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MEMORANDUM

To: Representative Mitzi Johnson, Chair, House Committee on Appropriations

From: Representative Bill Lippert, Chair, House Committee on Health Care

Date: January 14, 2016

Subject: FY'16 Budget Adjustment Recommendations

The House Committee on Health Care appreciated the opportunity to review the budget adjustment proposals from the Department of Vermont Health Access (DVHA). There are a number of proposals for which the Committee accepts DVHA's recommendations and we have not commented on those. The Committee defers to the House Committee on Human Services for recommendations on the proposals regarding licensed alcohol and drug abuse counselors, reductions in opioid detoxification, and revenue adjustments related to Choices for Care. For the remaining proposals, the Committee's concerns and recommendations are detailed below.

Caseload and Utilization Revisions

The Committee took extensive testimony in order to understand the dynamics and cost drivers within DVHA's Medicaid caseload and utilization projections. The Committee understands the factors underlying the \$51,598,389.00 (gross) increase that DVHA requests for FY'16 budget adjustment in the absence of policy changes, and we look forward to considering proposals in the FY'17 budget designed to address growth in Medicaid spending.

Applied Behavior Analysis (ABA)

The Committee has concerns about the impact on ABA providers of the dramatic change in reimbursement rates resulting from the transfer of the ABA program from the Department of Mental Health to DVHA. As we move into consideration of the FY'17 budget, the Committee urges the Appropriations Committee to ensure that provider rates are sufficient to meet the goal of providing more Vermont families with access to high-quality ABA services, assuming that continues to be the State's policy.

Accountable Care Organization (ACO) Savings Payout

The Committee accepts the amount proposed to be paid to the ACOs for demonstrating savings as part of the Medicaid shared savings program. The Committee is concerned, however, that no amounts were allocated in the FY'16 budget for this purpose, given the likelihood that a payout

would be necessary in a shared savings program. The Committee hopes that the Appropriations Committee will include an estimated sum for ACO savings payouts in future budgets, beginning with the FY'17 budget and continuing for as long as the Vermont Medicaid program participates in a shared savings program.

Blue Cross Blue Shield (BCBSVT) Settlement

The Committee accepts the amount proposed for payment to BCBSVT as a result of the Vermont Health Connect reconciliation process for calendar year 2014 health care coverage. The Committee is concerned, however, that as with the ACO savings payout, the BCBSVT settlement was entirely foreseeable and some amount should have been allocated in the FY'16 budget for purposes of the reconciliation process with one or both carriers participating in the Vermont Health Benefit Exchange. The Committee hopes that the Appropriations Committee will include an estimated sum for a calendar 2015 settlement in the FY'17 budget, and we are optimistic that it will be the last year for which reconciliation is required.

New Cystic Fibrosis Drug

The Committee has concerns about the high cost associated with the new drug for treating cystic fibrosis but accepts that it is necessary in order for patients to receive the health benefits that the drug conveys. The Committee finds it curious that DVHA does not appear to have taken into account any savings based on avoided costs resulting from a reduction in acute episodes for Medicaid beneficiaries with cystic fibrosis who are receiving treatment with the drug. The Committee recommends that the Appropriations Committee consider booking savings in the FY'17 budget to account for these avoided costs and to help offset the high cost of the drug.

Projected Savings Due to Medicaid Redeterminations

The Committee finds that the \$422,890.00 (gross) in projected savings due to Medicaid redeterminations may be a conservative estimate, given that most Medicaid beneficiaries have not had their eligibility redetermined for two years and the issues with the change of circumstances functionality at Vermont Health Connect may have prevented beneficiaries who tried to change their information from doing so.

Modify and Reduce Group Psychotherapy Reimbursement Rate

The Committee will defer to the recommendation of the Human Services Committee on the topic of group therapy reimbursement rates, but we do want to note our concerns about the impact on providers and the potential limitations on access to treatment in the most clinically appropriate setting, which could result in Medicaid beneficiaries receiving more costly services in less appropriate models or settings.

Long Acting Reversible Contraception (LARC)

The Committee has concerns about DVHA's projected \$2.375 million (gross) in savings from LARC for the remainder of FY'16. While it is possible that the proposal could result in avoided costs from complex cases, most of these savings would probably not be realized in FY'16. The Committee encourages the Appropriations Committee to look closely at the assumptions underlying DVHA's LARC savings projections for the FY'17 budget and recommends that the Appropriations Committee require DVHA to provide progress reports on a quarterly or other periodic basis to enable the committees of jurisdiction to monitor the actual savings from LARC over the remainder of FY'16 and for FY'17.