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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 23, 2015

Subject: House Health Care Committee budget adjustment recommendations

As requested, the House Health Care Committee has reviewed the sections of the budget adjustment proposal regarding health care. The House Health Care Committee appreciated the opportunity to hold a budget adjustment hearing together and to hear witnesses jointly with the House Appropriations Committee. We believe this format may offer an efficient and effective model for future collaboration between our two committees.

Given the short timeframe within which comments were due to the Appropriations Committee, the Health Care Committee focused mainly on the line items pertaining to Exchange-related grants and contracts. Unfortunately, there was not sufficient time to consider all of the proposed reductions to other grants and contracts.

The Committee was dismayed to learn that costs for the operation and maintenance of Vermont Health Connect had been so vastly underestimated, with the CGI contract now projected to cost the State an additional \$3.188 million for the second half of FY 2015 and Optum's contract coming in \$5.133 million over budget for the second half of FY 2015. It is particularly disappointing that Vermont Health Connect will cost the State millions of dollars more than was predicted while remaining less than fully functional and requiring significant additional dollars to underwrite interim manual operations. It is the Committee's hope that the accuracy of the Administration's utilization estimates will improve as we enter the second year of Exchange operation. The Committee was also concerned about the terms of the Administration's contract with Optum and hopes that future iterations move away from a time and materials basis and toward a more predictable project-centered cost structure.

The Committee appreciates the Administration's successful attempt to reduce these additional costs through the use of the Position Pilot Program, as well as its successful and significant reduction in costs to implement additional security requirements.

Despite prior briefings to the Health Care Oversight and Health Reform Oversight Committees, budget adjustment represents the first time the newly constituted House Health Care Committee has had the opportunity to learn the details regarding significant additional funds needed to continue operating the Exchange. The Health Care Committee and the General Assembly must be more actively involved in the decision making process, not only to fulfill our legislative duties, but because members are accountable to constituents who are attempting to obtain health care coverage through Vermont Health Connect. While some aspects of the Exchange are working and are essential in moving forward with the MMIS project and the Agency of Human Services goal of creating an integrated eligibility system, the members of the House Health Care Committee and our colleagues regularly hear from constituents when important Exchange components are not functioning.

We will expect the House Health Care Committee to be briefed regularly in the future as the Exchange project continues to move forward. It is also vital, both for Vermont consumers and for the credibility of Vermont Health Connect going forward, that the goals of implementing automated “change of circumstance” and other functionality in the Exchange are successfully met within established timeframes and financial parameters.

The Health Care Committee reluctantly endorses the Department of Vermont Health Access (DVHA) budget adjustment proposal because members feel that the time pressures for review, and the need to continue to move forward with implementation, leave no realistic alternative. Some members felt unable to endorse the information technology section of the budget adjustment proposal at all, given their inability to evaluate whether the current system should be allowed to continue development even for the remainder of FY 2015. If the Appropriations Committee is in a position to provide additional time for our Committee to examine the budget adjustment numbers, some members of the Health Care Committee would like to work with a small group from the Appropriations Committee to examine the proposal more deeply and attempt to achieve a more satisfactory resolution.

Of particular concern to the House Health Care Committee is the realization that every additional dollar allocated to Vermont Health Connect expenditures means that a dollar will have to be cut from another State program. Some members were concerned about being asked to endorse budget increases with little knowledge about where decreases were occurring. They observed that one savings in the DVHA budget has the effect of a \$2 million increase in the cost shift. It would be helpful in the future to have the information in a broader context.

The budget adjustment proposal undermines the Committee’s confidence in the Administration’s ability to accurately estimate ongoing and future costs related to Vermont Health Connect, and the limited time for review has left the Committee unsatisfied. Looking forward to the FY 2016 budget, the Committee urges the Appropriations Committee to provide the Health Care Committee with sufficient time to engage fully in the Governor’s proposals regarding both Vermont Health Connect and other health care reform proposals. Perhaps the Appropriations Committee would consider a collaborative arrangement comprising a subset of the members of our respective committees.

CC:

Lawrence Miller, Senior Advisor to the Governor, Chief of Health Care Reform