

## Budget Adjustment Factors Impacting the SFY '16 Budget

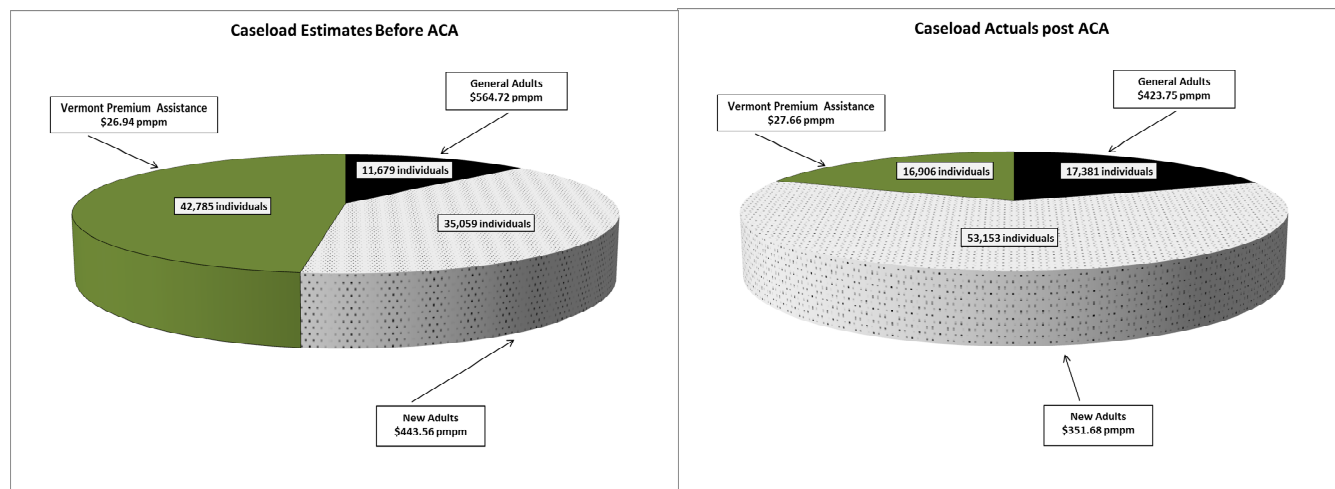
**SFY '16 BUDGET ADJUSTMENT ..... \$80,214,834 (gross) /\$35,350,414 (state)**

The Department of Vermont Health Access (DVHA) budget adjustment request includes an increase in program related expenditures of \$67,356,457 and administrative costs of \$12,858,377.

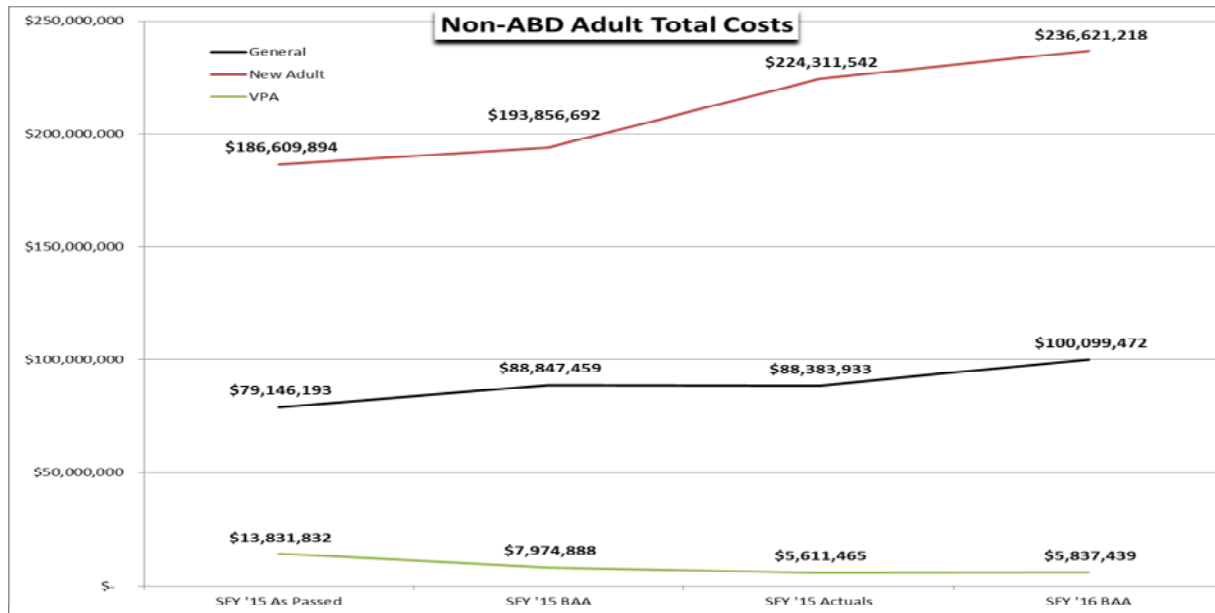
**There are several programmatic issues that comprise the \$67,356,457 increase requested in our program budget. The details are as follows:**

**Caseload and Utilization Revisions ..... \$51,598,389 (gross)  
 \$22,983,845 (state)**

The predominance of DVHA’s budget adjustment request is related to caseload and utilization changes. The DVHA engages in a consensus caseload estimate process with the Joint Fiscal Office, the Department of Finance and Management, and the Agency of Human Services when projecting caseload and utilization growth. When projecting the initial enrollment due to the implementation of the Affordable Care Act (ACA), the consensus workgroup came very close to estimating the aggregate of populations impacted by the ACA. The migration analysis however anticipated a distribution across the 3 adult groups to have a greater number of individuals receiving to the Vermont Premium Assistance benefit and fewer Vermonters accessing the General or New Adult benefits.



The following graph shows the cost impacts of this re-distribution:



**Buy-In Adjustment** ..... **\$1,182,338 (gross)**  
\$425,428 (state)

The federal government allows states to use Medicaid dollars to “buy-in” to Medicare on behalf of eligible beneficiaries who would otherwise be fully covered by Medicaid programs. This adjustment reflects needed modifications due to caseload and pricing changes. Please note that CMS disproportionately increased buy-in rates effective 1/1/2016, so there will be a more substantive impact annualizing this increase in SFY '17.

**Clawback Adjustment** ..... **\$2,425,279 (gross)**  
\$2,425,279 (state)

The Medicare Modernization Act (MMA) was signed into law on December 8, 2003. On January 1, 2006, the Medicare Part D benefit became available. Currently, all beneficiaries of Vermont’s publicly funded pharmacy programs, who are also covered by Medicare, should receive their primary pharmacy benefit from Medicare. Medicare Part D design calls for states to annually pay a portion of what they would have paid in Medicaid “state share” in that year for the support of drug coverage of the Medicare beneficiaries who are or would be eligible for Medicaid drug coverage. This is referred to as “Clawback” or “state phase down.” Due to the expiration of the 2.2% Leahy bump, our Clawback rates were adjusted, increasing our overall general fund need.

**Applied Behavior Analysis (ABA)** ..... **\$4,870,901 (gross)**  
\$2,190,444 (state)

DVHA garnered state plan approval to offer applied behavior analysis services to individuals with autism in order to address a service delivery gap. This budget adjustment request: (1.) adds funding to support the new service costs ~ \$2,800,000; (2.) increases rates due to feedback received through the public notice process that established rates were not sufficient ~ \$2,500,000; and (3) transfers funding to DMH to support ABA expansion in the NCSS IFS bundle ~ (\$429,099).

**Accountable Care Organization (ACO) Savings Payout . . . . . \$6,500,000 (gross)**  
*\$2,923,050 (state)*

DVHA engaged in a contract with two accountable care organizations whereby there was agreement that if the ACOs could demonstrate savings, then the State would share back 50% of those savings given quality measures were met. This represents the savings value that was achieved for the last contract period.

**Blue Cross Blue Shield (BCBSVT) Settlement . . . . . \$1,600,000 (gross)**  
*\$1,600,000 (state)*

Due to lack of systems functionality at the Vermont Health Connect (VHC), BCBSVT allowed individuals to maintain coverage in instances where changes of circumstance could not be processed. This resulted in a reconciliation process between premiums and claims paid.

**New Cystic Fibrosis Drug . . . . . \$3,036,458 (gross)**  
*\$1,365,495 (state)*

There is a new specialty drug on the market designed to treat cystic fibrosis more effectively than previous prescriptions available. The FDA approved this drug quickly based on clinical trials that demonstrated improved lung function, improved weight gain and fewer exacerbations requiring antibiotics. The cost of the treatment is \$250,000 per person per year (before rebates).

**Licensed Alcohol and Drug Abuse Counselors (LADCs) . . . . . \$160,000 (gross)**  
*\$71,952 (state)*

DVHA was asked to add a new provider type in order to improve access for individuals in need of alcohol and drug abuse counseling. The cost of this expansion was covered by reducing an administrative contract; thus this is a cost-neutral entry for which the offsetting reduction will be reflected in the admin section of the document.

**Reduce Opioid Detox . . . . . (\$1,489,882) (gross)**  
*(\$670,000) (state)*

Beginning July 1, 2015, admissions to an inpatient hospital for opioid detoxification must meet medical necessity criteria in order to be reimbursable through Vermont Medicaid. The Department of Vermont Health Access (DVHA) utilizes the McKesson InterQual ® Level of Care Criteria. These nationally recognized, evidence-based criteria will be used to determine the medical necessity of any inpatient admission submitted to the DVHA for reimbursement.

**Projected Savings due to Medicaid Redeterminations . . . . . (\$422,890) (gross)**  
*(\$190,174) (state)*

Due to system functionality issues at the Vermont Health Connect (VHC), CMS approved a waiver of redeterminations for Medicaid enrollees until January, 2016. Historically, 1% of Medicaid individuals have been deemed ineligible when being re-processed for determination. Since the VHC will begin the Medicaid renewal process in January, it is the expectation that some costs will dissipate due to lack of eligibility for some.

**Modify and Reduce Group Psychotherapy Reimbursement Rate . . . . . (\$1,833,333) (gross)**  
*(\$824,450) (state)*

DVHA discovered that the reimbursement methodology for group therapy was not in accordance with the state plan. Additionally, the rate of reimbursement was an outlier when compared to other states. Therefore, DVHA modified the methodology and reduced rates to address these two issues.

**Long Acting Reversible Contraception (LARC) . . . . . (\$2,375,000) (gross)**  
*(\$1,068,038) (state)*

Long-acting reversible contraception (LARC) methods include the intrauterine device (IUD) and the birth control implant. Both methods are highly effective in preventing pregnancy, last for several years, and are easy to use. Both are reversible: if you want to become pregnant or if you want to stop using them, you can have them removed at any time. 46% of Vermont pregnancies are unintended. Inpatient setting after delivery is a critical time to promote contraceptive use. Too often once mothers are discharged do not follow up with outpatient providers for birth control, while they're at higher risk for future unintended pregnancies. The immediate postpartum period – prior to hospital discharge— can be an opportune time to offer contraception. Increasing post-partum inpatient DRG with an add payment will promote and capture post-partum contraceptive intervention. Currently, the DVHA does distinctly reimburse LARC in an inpatient setting. While a benefit to all women in the postpartum period, this is an especially important strategy for more vulnerable women who face social and economic barriers, where their life circumstances may be confounded by substance abuse, mental health issues, and poverty, and who are at risk of not returning for a postpartum visit. Preliminary 2012 Vermont data show that of the 6007 births only 50.3% were intended pregnancies. 74% of unplanned births are publicly funded in Vermont and more than \$30 million are spent each year on unintended pregnancies in the state.

**Revenue Adjustments . . . . . \$2,104,197 (gross)**  
*\$396,750 (state)*

The long-term care component of the former Choices for Care waiver was allowed to carry forward any unspent general fund for use in the new state fiscal year. Historically this was an automatic process. With the merger into the Global Commitment waiver, the general fund authority resided with the AHS global commitment fund appropriation. In order to access those dollars to support the program, DVHA must ask for budget authority through the BAA process. Additionally, the federal government approved a new enhanced match rate for the CHIP program. The state fund component of this change is included in the state match reflected above.

**DVHA’s administrative budget has newly identified funding needs in the amount of \$12,858,377 due to the following:**

**Position Transfer to AHS CO from DVHA (AHS Net-neutral) . . . . . (\$130,381) (gross)**  
*(\$130,381) (state)*

DVHA received a position from the Agency of Administration last fiscal year to support legislative activities focused on healthcare reform. It was decided that this position was better suited in the Agency of Human Services.

**Changes to the Vermont Health Connect Operating Budget . . . . . \$18,324 (gross)**  
*(\$3,090,394) (state)*

At the end of the legislative session, there was a reduction to DVHA’s VHC operating budget of \$6.8 million. We were able to realign contract values in order to meet this reduction value. Additionally, an Operations Advanced Planning Document (OAPD) was approved by CMS allowing us to draw down 75%/25% funding on systems and direct eligibility staff costs. This freed up additional general fund dollars to support increased staff in DCF due to the need for manual workarounds through the end of the state fiscal year until full functionality can be achieved.

**Blueprint Contract Reduction . . . . . (\$150,000) (gross)**  
*(\$67,455) (state)*

The University of Vermont Child Health Improvement Program conducts a third party on-site review and submits materials to the National Commission on Quality Assurance (NCQA) on behalf of primary care practices in Vermont who are seeking Patient Centered Medical Home (PCMH) recognition and participation in the Blueprint for Health. PCMH recognition triggers multi-payer per patient medical home payments to the practices and community health team payments to the communities. In light of the current budget climate, Blueprint agreed to eliminate this arrangement.

**Reduce Grant to Fund LADCs [Net-neutral] . . . . . (\$160,000) (gross)**  
*(\$71,952) (state)*

DVHA had special projects money in a UVM grant to support certain analytical and programmatic needs. Again, due to the known budget pressures and the need to increase services to individuals in need of alcohol or drug abuse treatment, a decision was made to eliminate these administrative supports.

**Funding Backfill for SFY '15 Costs Paid in SFY '16 . . . . . \$13,280,434 (gross)**  
*\$7,081,012 (state)*

DVHA’s SFY '15 total programmatic expenditures exceeded funds appropriated through budget adjustment. This necessitated freezing administrative contract encumbrances and invoice payments, deferring expenditures into SFY '16. Waterfall funding was earmarked to address this need.

	GF	SF	ldptT	FF	VT Health Connect	Medicaid GCF	Invmnt GCF	Total
<b>FY16 BAA Department Request - DVHA</b>								
<b>DVHA Administration - As Passed FY16</b>	1,447,997	797,332	9,201,544	84,243,588		77,703,344	8,904,971	182,298,776
<b>Personal Services:</b>								
2015 Act 58 Section B. 1104	(13,990)			(148,797)	(15,168)	(843,694)		(1,021,649)
Swaps SHCRF for Exchange, Replaced with IDT			(15,168)		15,168			0
Retirement Incentive	(307)			(307)		(30,032)		(30,646)
								0
<b>Operating Expenses:</b>								
2015 Act 58 Sections B. 1103 and B. 1104	(4,545)			(8,212)		(5,338)		(18,095)
<b>FY16 after other changes</b>	<b>(18,842)</b>	<b>0</b>	<b>(15,168)</b>	<b>(157,316)</b>		<b>(879,064)</b>	<b>0</b>	<b>(1,070,390)</b>
<b>Total after FY16 other changes</b>	<b>1,429,155</b>	<b>797,332</b>	<b>9,186,376</b>	<b>84,086,272</b>		<b>76,824,280</b>	<b>8,904,971</b>	<b>181,228,386</b>
<b>FY16 after other changes</b>								
<b>Personal Services:</b>								
Position Transfer to AHS CO from DVHA (AHS Net-neutral)	(130,381)							(130,381)
VT Health Connect (VHC) Personnel Services Budget Realignment					(145,794)	5,652		(140,142)
VHC Overhead Budget Realignment					(181,581)	(777,278)		(958,859)
VHC Contracts Budget Realignment					1,219,505	(102,180)		1,117,325
VHC OAPD Enhanced Funding for M&O Contracts (AHS GF net-neutral)	4,493,707			13,481,121		(17,974,828)		0
Blueprint Contract Reduction						(91,350)	(58,650)	(150,000)
Gross GC Spending Authority for Waterfall Funds (SFY15 Deferred Costs)						11,265,531		11,265,531
SFY15(VHC Sustainability Costs Deferred to SFY16 - Spending Authority					2,014,903			2,014,903
Swaps SHCRF for Exchange, replaced with IDT (SFY15 VHC deferred costs)			2,014,903		(2,014,903)			0
Swaps SHCRF for Exchange, replaced with IDT			892,130		(892,130)			0
								0
<b>Grants:</b>								
Reduce Grant to Fund Licensed Alcohol and Drug Abuse Counselors (LADC) [Net-neutral]						(160,000)		(160,000)
<b>FY16 BAA Changes</b>	<b>4,363,326</b>	<b>0</b>	<b>2,907,033</b>	<b>13,481,121</b>	<b>0</b>	<b>(7,834,453)</b>	<b>(58,650)</b>	<b>12,858,377</b>
<b>FY16 BAA Gov Recommended</b>	<b>5,792,481</b>	<b>797,332</b>	<b>12,093,409</b>	<b>97,567,393</b>	<b>0</b>	<b>68,989,827</b>	<b>8,846,321</b>	<b>194,086,763</b>
<b>FY16 BAA Legislative Changes</b>								
<b>FY16 BAA Subtotal of Legislative Changes</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>FY16 BAA As Passed - Dept ID 3410010000</b>	<b>5,792,481</b>	<b>797,332</b>	<b>12,093,409</b>	<b>97,567,393</b>	<b>0</b>	<b>68,989,827</b>	<b>8,846,321</b>	<b>194,086,763</b>
<b>FY16 BAA Department Request - DVHA</b>								
<b>DVHA Program - As Passed FY16</b>	144,786,830	0	0	141,792,900		659,633,970	7,989,887	954,203,587
<b>Grants:</b>								
2015 Act 54 Increase payments to patient-centered medical homes and community health teams						2,446,075		2,446,075
2015 Act 54 Increase reimbursement rates to primary care providers						1,036,540		1,036,540
2015 Act 54 Increase to reimbursement rates for mental health and substance abuse treatment not through DAs						111,185		111,185
Appropriation adjustments due to Global Commitment and Choices For Care waiver consolidation	(93,750,824)			(114,723,364)		180,716,934		(27,757,254)
Appropriation adjustments due to GC and CFC waiver consolidation						27,757,254		27,757,254
2015 Act 54 Increase to reimbursement rates for HCBS						139,945		139,945
2015 Act 54 Cost-sharing subsidies	761,308							761,308
<b>FY16 after other changes</b>	<b>(92,989,516)</b>	<b>0</b>	<b>0</b>	<b>(114,723,364)</b>		<b>212,207,933</b>	<b>0</b>	<b>4,495,053</b>
<b>Total after FY16 other changes</b>	<b>51,797,314</b>	<b>0</b>	<b>0</b>	<b>27,069,536</b>		<b>871,841,903</b>	<b>7,989,887</b>	<b>958,698,640</b>
<b>FY16 after other changes</b>								
<b>Grants:</b>								
Caseload and Utilization	(282,933)			142,879		52,406,607	(668,164)	51,598,389
Buy-in	0			236,311		(1,204,978)	24,205	(1,180,773)
Buy-in Premium Increase (6 months)						2,126,800		2,363,111
Clawback	2,425,279							2,425,279
Applied Behavioral Analysis (ABA) with Current Rate Structure						2,800,000		2,800,000
ABA Rate Increase						2,500,000		2,500,000
ABA funding for NCSS from DVHA to DMH (AHS net-neutral)						(429,099)		(429,099)
Accountable Care Organizations (ACOs)						6,500,000		6,500,000
Blue Cross Blue Shield VT Settlement	1,600,000							1,600,000
Cystic Fibrosis Drug						3,036,458		3,036,458
Licensed Alcohol and Drug Abuse Counselors (LADC) [net-neutral]						160,000		160,000
CFC Carryforward Funds from SFY15 into SFY16						2,104,197		2,104,197
CHIP FMAP Including Federal Participation Increase	(549,507)			549,507				0
Reduce Opioid Detox						(1,489,882)		(1,489,882)
Projected Savings due to Medicaid Redeterminations						(422,890)		(422,890)
Group Psychotherapy Reimbursement Rate						(1,833,333)		(1,833,333)
Long Acting Reversible Contraception (LARC)						(2,375,000)		(2,375,000)
CFC Carryforward Funds from SFY15 into SFY16						2,104,197		2,104,197
CHIP FMAP Including Federal Participation Increase	(549,507)			549,507				0
<b>FY16 BAA Changes</b>	<b>3,192,839</b>	<b>0</b>	<b>0</b>	<b>928,697</b>		<b>63,878,880</b>	<b>(643,959)</b>	<b>67,356,457</b>
<b>FY16 BAA Gov Recommended</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>752,759,707</b>	<b>0</b>	<b>752,759,707</b>
<b>FY16 BAA Legislative Changes</b>								
<b>FY16 BAA Subtotal of Legislative Changes</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>FY16 BAA As Passed - Dept ID 3410015000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>752,759,707</b>	<b>0</b>	<b>752,759,707</b>
<b>TOTAL FY16 DVHA Big Bill As Passed</b>	<b>146,234,827</b>	<b>797,332</b>	<b>9,201,544</b>	<b>226,036,488</b>	<b>0</b>	<b>737,337,314</b>	<b>16,894,858</b>	<b>1,136,502,363</b>
<b>TOTAL FY16 BAA DVHA Reductions &amp; other changes</b>	<b>(93,008,358)</b>	<b>0</b>	<b>(15,168)</b>	<b>(114,880,680)</b>	<b>0</b>	<b>211,328,869</b>	<b>0</b>	<b>3,424,663</b>
<b>TOTAL FY16 BAA DVHA Starting Point</b>	<b>53,226,469</b>	<b>797,332</b>	<b>9,186,376</b>	<b>111,155,808</b>	<b>0</b>	<b>948,666,183</b>	<b>16,894,858</b>	<b>1,139,927,026</b>
<b>TOTAL FY16 BAA DVHA ups &amp; downs</b>	<b>7,556,165</b>	<b>0</b>	<b>2,907,033</b>	<b>14,409,818</b>	<b>0</b>	<b>56,044,427</b>	<b>(702,609)</b>	<b>80,214,834</b>
<b>TOTAL FY16 BAA DVHA Gov Recommended</b>	<b>60,782,634</b>	<b>797,332</b>	<b>12,093,409</b>	<b>125,565,626</b>	<b>0</b>	<b>1,004,710,610</b>	<b>16,192,249</b>	<b>1,220,141,860</b>
<b>TOTAL FY16 BAA DVHA Legislative Changes</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL FY16 BAA DVHA As Passed</b>	<b>60,782,634</b>	<b>797,332</b>	<b>12,093,409</b>	<b>125,565,626</b>	<b>0</b>	<b>1,004,710,610</b>	<b>16,192,249</b>	<b>1,220,141,860</b>