Vermont Legislative Joint Fiscal Office

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FISCAL NOTE

DRAFT

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S.107 - This bill proposes to create an Agency of Health Care Administration.

The bill would separate the current Agency of Human services into two entities through the creation of the new Agency of Health Care Administration. This would have direct impacts and initial costs over the course of the transition. Cost Considerations for the bill as introduced include:

1. Cost Allocation Plans (CAP) will have to be totally stripped down and rebuilt:

There is currently one cost allocation plan across six departments (AHS, DAIL, DCF, DMH, VDH, and DVHA) DOC does not need a CAP. Two plans, with pieces or parts of the rearranged departments, will be needed. A CAP is required in order to earn the federal dollars supporting the programs.

AHS financial staff estimates it will take at least a year and cost in the range of $250k to rebuild the CAPS and approximately $30k more in annual operating. In addition, there is likely a need for additional financial and operations staff to manage the new unit divisions. These costs will require funding as the new structure is identified and operationalized and could span more than one fiscal year.

2. Federal Cash/Reporting Functions; Allocations and Earnings

A federal grants unit will need to be developed in each agency. Currently AHS Secretary's Office does most of the draws for all of the grants with Medicaid, DCF, VDH, DAIL, and VR reflecting the most amount of work. The existing federal draw and reporting staff will need to be divided and likely augmented with up to two additional staff to address the Schedule of Expenditures of Federal Awards (SEFA) and Cash Management Improvement Act (CMIA) requirements and reporting.

During the transition, the currently shared grants/funding sources will need to be stripped and reassigned, with allocations decided and formalized. Decisions on "who owns the award" to determine funding availability, tracking, drawing, and reporting will have to be made on funding sources that currently cross Departments (SSBG, TANF, GC, VHC, etc.). What used to be able to be done through the CAP will likely have to be done through written MOUs or grants.

Indirect earnings will also be impacted upon separation. These will have to be recalculated and some backfilling with (net) state funds is likely if justification and access to Global Commitment earnings is limited and remaining federal funding sources are capped federal grants.

There are several Global Commitment (GC) waiver questions and implications that will require resolution.

a) The current waiver is being negotiated with CMS with a no-change request extension; minimizing the impact on this process will need to be considered in the transition process.

b) DAIL, DOC, and DCF which remain in the AHS entity will still need to use GC funds in a programmatic/administrative/investment capacity. How GC funding is structured and supporting the year-end closeout process will need to be considered and addressed.

c) Maintaining compliance with Managed Care Regulations 42 CFR Part 438 as mandated by the Waiver will need to be addressed with Medicaid policy staff, including the structure or other needed changes to the Intergovernmental Agreements (IGAs) under the waiver.

d) GC fiscal reporting is currently very challenging, compiling the reports of all the Departments. Working with two agencies with two cost allocation systems could be even more cumbersome. There is typically a 7-day window to compile the $400M+ quarterly report. Recent improvements to the current CAP helped with Agency-wide reporting.

e) How rate setting for PNMI works in the new structure needs to be determined, as well as where Long Term Care policy and management are located. This could also require additional resources.

3. Other operational "ownership" and management concerns

Districts and Space - Right now, AHS field directors and AHS-CO help negotiate space with the various departments in the districts. District operations and space will be impacted in the new two agency structure and this could have a cost impact.

Information Technology Projects –It is not clear yet what impact this would have on the IT projects associated with the Health & Human Services Enterprise that when complete is intended to allow for more integration across the current AHS structure.

In addition to the costs and potential costs noted above, initial funding in the range of $200,000 is recommended for consulting costs as the new structure of the Agency of Health Care Administration is formed and the remaining Agency of Human Services is reformed in this process. Additional funding for CAP rebuilding is anticipated at $250,000 and ongoing costs for supplemental positions and expenses in the range of $200,000 to $400,000 are anticipated once the new structure is in place. The new structure is intended to establish greater accountability and better management of the health care and human service resources of the state. Some offsetting savings may be identified for the ongoing costs as the operations under the new structure mature and/or strengthened management of resources is achieved.

Update on March 15, 2016 - Draft from SGO

An amendment to the SGO draft is recommended that clarifies the existing financial and legal services are consolidated at the Agency level. This would be consistent with the cost estimates above.

In the absence of clarification, the draft could establish significant additional operational and administration expenses in the range of $1m to $1.5m.