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TO: Sen. Jane Kitchel, Chair, and Members of the Senate Appropriations Committee
FROM: Peter Cobb, Director, VNAs of Vermont
DATE: Thursday, March 19, 2015

SUBJECT: S.139, Proposed Home Health Agency Amendments to Sec. 5

Dear Senator Kitchel and Members of the Committee:

On behalf of the members of the VNAs of Vermont, I respectfully request that when you discuss S.139, the health care bill, the VNAs of Vermont have an opportunity to discuss the proposed amendments to the legislation that are presented below. The time crunch due to last Friday's cross-over deadline prevented us from offering these prior to the Health and Welfare Committee's approval of this legislation. Sec. 5 switches Medicaid payments from fee-for-services to prospective payments for home health agencies. Sec. 13 contains an appropriation of \$1.25 million starting on January 1, 2016 (\$2.5 million annualized) to fund this payment reform initiative. Significantly, the Governor's proposed FY16 budget funds this payment reform initiative in Section E.307.4, which reads as follows:

Sec. E.307 Sec. HOME HEALTH: PAYMENT INCREASES

(a) Beginning January 1, 2016, the Department of Vermont Health Access shall modify reimbursement methodologies and amounts to home health agencies as defined in 8 V.S.A. § 4095 to provide prospective payments and to include a quality component and increasing available funding by \$1,250,000 in Global Commitment Funds.

EXPLANATION: Begins a payment reform for home health agencies and increases Medicaid reimbursement to home health agencies to invest in better health outcomes.

Our recommended changes to S.139 would:

1. Add an annual inflation adjustment.
2. Add a section that would base the payment determinations on the agencies' cost reports.
3. Add gains and losses risk corridors of 3 percent.
4. Add a section that would require home care representatives and the Department of Disabilities, Aging and Independent Living to study an alternate payment method for the Choices for Care program, which is not included in the PPS system that DVHA is directed to develop in Sec. 5.

Wording changes requested by VNAVt (additions, ~~subtractions~~) are as follows:

Sec. 5. §1901h PROSPECTIVE PAYMENT; HOME HEALTH SERVICES

* * *

(b) The Department shall develop the prospective payment methodology, based on the most recent costs reflected in the Medicare cost reports, in collaboration with representatives of home health agencies. ~~If practicable,~~ †The Department shall:

- (1) establish risk corridors of three percent, such that if a home health agency's profit for Medicaid PPS programs exceed three percent, the excess shall be paid to the Agency of Human Services or placed in a flexible fund for new or non-covered services, while if a home health agency's Medicaid PPS losses exceed three percent, the Agency of Human Services shall pay the difference to the home health agency; and
- (2) provide an annual inflation adjustment.

(3) If practicable, the Department:

- (1) shall align the methodology with Medicare to reduce the administrative burden on the agencies;
- (2) may include a quality payment in the methodology.

(c)The VNAs of VT and the Department of Disabilities, Aging and Independent Living (DDAIL) shall develop a prospective payment methodology or other payment reform methodology for the services paid for by DDAIL under the Choices for Care program. The VNAs of Vermont and DDAIL shall report their recommendations along with proposed payment reform legislation by November 15, 2015, to the House Health Care Committee and the Senate Health and Welfare Committee.

Should you have any questions, please let me know. Thank you for considering this request.

Sincerely,
Peter Cobb