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MEMORANDUM

To: Representative Kitty Toll, Chair, House Committee on Appropriations
From: Representative Bill Lippert, Chair, House Committee on Health Care
Date: February 16, 2018
Subject: House Health Care Committee's response to Governor's Proposed FY19 State Budget

The House Committee on Health Care appreciates the opportunity to provide recommendations on the Governor's FY19 budget proposals. We have reviewed and responded to many of the sections included in the House Committee on Appropriations' January 31, 2018 budget memo. Our recommendations fall into three categories: those proposals that the House Committee on Health Care supports, those proposals that the Committee cannot support, and one proposal that the Committee supports with modification and an additional recommendation. This memo does not address our recommendations regarding the budget for the Department of Mental Health; the Committee will submit to the House Committee on Appropriations a supplemental memo next week with additional comments and recommendations.

PROPOSALS SUPPORTED BY HOUSE COMMITTEE ON HEALTH CARE

Department of Vermont Health Access (DVHA) budget

Medicaid rate increase for Dartmouth Hitchcock Medical Center

Cost: \$5,576,707 gross/\$3,039,096 State

The House Committee on Health Care recognizes that the Medicaid rate increase for Dartmouth Hitchcock Medical Center is the result of settling the long-standing lawsuit between the parties and is not subject to further negotiation.

Cost avoidance due to increased coordination of benefit and program integrity activities

Savings: (\$1,959,716) gross/(\$905,585) State

The House Committee on Health Care supports DVHA's proposal to create a plan for coordination of benefits and program integrity activities within its existing resources.

Realignment of care Coordination Activities

Savings: (\$1,826,928) gross/(\$650,000) State

The House Committee on Health Care supports DVHA's proposal to restructure its care coordination operations to achieve greater alignment, performance, and efficiency.

Sec. E.306.1 - Cessation of premium processing

Savings: (\$2,136,305) gross/(\$1,106,606) State

The House Committee on Health Care supports DVHA's proposal to eliminate its Vermont Health Connect premium payment processing contract and to turn the responsibility for premium payment processing over to the health insurance carriers.

Design, development, and implementation

Savings: (\$25,787,416) gross/(\$2,570,631) State

The House Committee on Health Care supports DVHA's efforts to ensure that its budget matches its modular procurement and development strategy for Integrated Eligibility and MMIS implementations.

Health information technology (HIT) investment phasedown

Savings: (\$1,960,628) gross/(\$1,354,330) State

The House Committee on Health Care supports DVHA's efforts to decrease its reliance on Global Commitment funds for HIT investments as required by the Centers for Medicare and Medicaid Services.

PROPOSALS NOT SUPPORTED BY HOUSE COMMITTEE ON HEALTH CARE

The House Committee on Health Care cannot support proposed cuts that would reduce access to affordable health care services for vulnerable Vermonters. At this time of uncertainty and change in the State and federal health care systems, it is critically important to support affordability, access to primary care services, the Office of the Health Care Advocate, and the core functions of the Green Mountain Care Board.

The Committee recommends that the House Committee on Appropriations review the unexpended balance of the Health IT-Fund and look for places to cut in other budget proposals as potential sources of funding for the following indispensable programs and services.

DVHA budget

Sec. E.306 - Elimination of Vermont cost-sharing assistance program

Savings: (\$827,175) State

The House Committee on Health Care does not support DVHA's proposal to eliminate Vermont cost-sharing assistance for Vermonters on Exchange plans who have incomes between 200 percent and 300 percent of the federal poverty level (FPL). These Vermonters, whose incomes are marginally higher than the threshold for Medicaid eligibility, are in a more challenging position for accessing health care services than those served by Medicaid because of the high cost of purchasing their own health insurance. The Vermont cost-sharing assistance program builds on the cost-sharing reductions available under the Affordable Care Act to smooth out a portion of the benefits cliff. These reductions in out-of-pocket exposure allow Vermonters with lower income to receive health care services; without these reductions, they likely would be unable to afford the co-payments required by their health insurance plans in order to access health care.

Elimination of primary care case management fee

Savings: (\$3,327,479) gross/(\$1,490,870) State

The House Committee on Health Care does not support DVHA's proposal to eliminate the primary care case management fee. This \$2.50 per Medicaid member per month payment to primary care providers is an important investment in the sustainability of Vermont's primary care delivery system. A priority of the FY18 budget was increasing Medicaid reimbursement amounts to primary care providers and investing in Vermont's primary care workforce, so it seems especially short-sighted to consider cutting payments to primary care providers in the very next fiscal year. Eliminating the primary care case management fee would represent a critical loss of income to primary care providers in our communities, particularly independent providers and federally qualified health centers (FQHCs). It would also result in less care coordination and act as a disincentive for primary care providers to accept Medicaid patients, likely reducing Medicaid beneficiaries' access to primary care services.

Reductions in disproportionate share hospital (DSH) payments

Savings: (\$4,744,310) gross/(\$2,192,364) State

The House Committee on Health Care does not support DVHA's proposal to reduce DSH payments to hospitals. The total amount of uncompensated care provided in hospitals increased 17 percent during the most recent hospital fiscal year, based on a 23 percent increase in free care and a 13 percent increase in bad debt. The FY18 budget cut DSH payments by \$10 million, a 27 percent reduction. Vermont's hospitals provide essential health services to Vermonters regardless of a patient's ability to pay, and the Committee recommends against making additional cuts to their DSH payments in the FY19 budget.

Department of Health budget**Elimination of health care professional loan repayment program**

Savings: (\$667,000) gross/(\$308,221) State

The House Committee on Health Care does not support the Department of Health's proposal to eliminate the loan repayments for health care professionals administered by the Area Health Education Centers. Vermont has health care professional shortages in many areas, including primary care providers, psychiatrists, dentists, and nurses, and the loan repayment program is a critical component of the State's efforts to remain competitive in recruiting high-quality health care professionals to practice in Vermont. Elimination of the State's contribution to the loan repayment program means not only the loss of the federal matching funds, but also the loss of matching funds offered by many prospective medical employers. The State needs to recruit and retain health care professionals, which is why the Committee recommends that the \$308,221 State investment should be considered one of the State's workforce development initiatives.

Green Mountain Care Board budget**Sec. E.300.2 - Reduction in funding for the Office of the Health Care Advocate**

Savings: (\$110,833) gross/(\$34,358) State

The House Committee on Health Care does not support the Governor's proposal to reduce funding for the Office of the Health Care Advocate (HCA) by \$34,358 in State funds, resulting in a total reduction of \$110,833 below its FY18 budget level. The demands on HCA have continued to grow in recent years as the health care system has become increasingly more complex. The General Assembly has asked the HCA to take on a formal role as part of

the Green Mountain Care Board's regulation and oversight of health insurance rates, hospital budgets, certificates of need, and accountable care organizations. The HCA will be playing an important part in consumer outreach, education, and support regarding the new reflective silver plans authorized by the General Assembly last month in S.19. The HCA will continue to offer assistance to consumers seeking help in accessing care under Medicaid, Vermont Health Connect, and other health insurance plans, and understanding accountable care organizations, the All-Payer Model, and other health care-related issues. In addition, the HCA adds immeasurably to the Legislature's policymaking deliberations and represents the consumer perspective on numerous committees and working groups. At this time of uncertainty and change in the health care system, it would be short-sighted and irresponsible to reduce the funding for this important public resource.

Elimination of three positions at the Green Mountain Care Board

Savings: (\$292,649) gross/(\$79,015) State

The House Committee on Health Care does not support the Governor's proposal to eliminate three positions at the Green Mountain Care Board. The General Assembly created the Green Mountain Care Board as an independent body and directed it to regulate multiple entities and to implement massive changes to the health care system. It cannot be expected to regulate, innovate, and constrain rates of cost growth with a diminished workforce. The Green Mountain Care Board's core functions are health care reform and regulation involving many parts of the health care system, including health insurance rates, hospital budgets, certificates of need, accountable care organizations, VITL, and the All-Payer Model, and the General Assembly consistently adds new duties and report requests to the Green Mountain Care Board's workload. The Committee also finds it disconcerting that the Governor's budget proposed direct cuts to the staff of an independent board rather than requesting the board to identify its own cuts in order to achieve a specified budget reduction.

PROPOSAL SUPPORTED WITH MODIFICATION AND ADDITIONAL RECOMMENDATION

Department of Vermont Health Access (DVHA) budget

Delivery system reform investments

Cost as proposed by DVHA: \$2,625,000 gross/\$941,438 State

Cost as recommended by House Committee on Health Care: \$2,150,991 gross/\$771,438 State

Vermont's Global Commitment to Health Section 1115 Medicaid waiver authorizes the State to receive federal matching funds for certain delivery system reform investments. DVHA is requesting \$941,438 in State dollars to fund the State's portion of these investments related to OneCare Vermont during calendar year 2018. While the House Committee on Health Care is generally supportive of the efforts of DVHA and OneCare through the Vermont Medicaid Next Generation Program and the All-Payer Model, the Committee recommends reducing the appropriation for the delivery system reform investments by \$170,000 and investing those funds in increasing the amount provided to Vermont's free clinics by \$340,000, as described below.

Recommendation for addition to Department of Health budget

Recommendation for increase to free clinics

Cost: \$340,000 gross/\$170,000 State

Vermont's nine free clinics provide care to Vermonters without imposing charges or fees. The number of patients they serve annually has more than doubled over 10 years, but they have not received any increases to their annual funding allotments during that time. The House Committee on Health Care recommends that \$170,000 of the State funds requested by DVHA for its delivery system reform investments be appropriated instead to the Department of Health and directed to the Department's grant to the Vermont Coalition of Clinics for the Uninsured, where it will provide an additional \$340,000 to enable them to continue providing essential health care services to uninsured and underinsured Vermonters.