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Budget Adjustment Factors Impacting the SFY '17 Budget

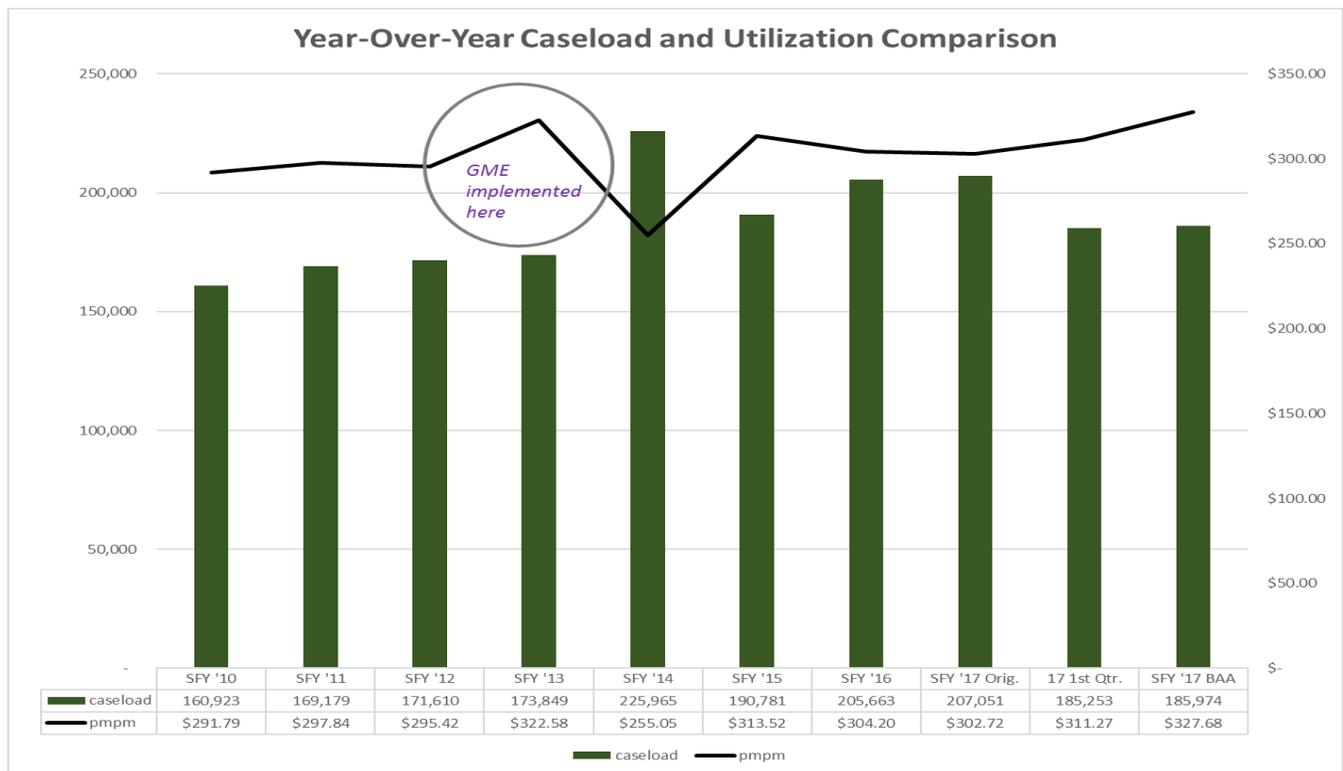
SFY '17 BUDGET ADJUSTMENT (\$11,701,190) gross / (\$6,734,358) state

The Department of Vermont Health Access (DVHA) budget adjustment request is a net decrease of \$11,701,190. This includes a decrease in program related expenditures of \$22,816,251 and an increase in administrative costs of \$11,115,061.

There are several issues that comprise the \$22,816,251 decrease requested in our program budget. The details are as follows:

**Caseload and Utilization Revisions (\$18,387,863) gross
 (\$8,374,558) 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. Due to the dramatic effect on enrollment driven by redeterminations, the State chose to engage the expertise of an independent firm to evaluate the drop in caseload as compared to the impacts on per-member per-month (pmpm) costs. Since individuals with higher-acuity medical needs more consistently qualify for re-enrollment, an acuity factor needs to be taken into consideration when establishing pmpm rates.



Please note: chart excludes individuals with Vermont Premium Insurance/Cost Sharing Reductions and the Healthy Vermonter’s program.

As evidenced in the chart above, when caseload grows disproportionately the pmpm decreases; whereas when there is a decline in caseload the pmpm increases.

Accountable Care Organization (ACO) Savings Payout \$445,000 gross
\$202,652 state

DVHA engaged in contracts with two accountable care organizations whereby there was agreement that if the ACOs could demonstrate savings, then the State would share back up to 50% of those savings given quality measures were met. Only one of the two ACOs demonstrated savings during this performance year. As total savings was less than 5%, this ACO was only eligible for 25% of the total. When adjusted based on their quality score, this results in the ACO retaining 19% of the total savings. Please see below:

	CHAC	OneCare	VCP
Total Lives	28,648	50,091	N/A
Expected Aggregated Total	\$ 64,814,757	\$ 101,495,989	N/A
Target Aggregated Total	N/A	N/A	N/A
Actual Aggregated Total	\$ 62,405,070	\$ 102,802,367	N/A
Shared Savings Aggregated Total	\$ 2,409,687	\$ (1,306,378)	N/A
Total Savings Earned	\$ 2,409,687	\$ -	N/A
Potential ACO Share of Earned Savings	\$ 603,279	\$ -	N/A
Quality Score	57%	73%	N/A
% of Savings Earned	75%	95%	N/A
Achieved Savings	\$ 452,459	\$ -	N/A
<i>% of Actual Savings Achieved</i>	<i>19%</i>	<i>0%</i>	<i>N/A</i>

Buy-In Adjustment (\$1,111,013) gross
\$469,306 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.

Enhanced Primary Care Physician Rate Increase Missed \$800,000 gross
\$362,301 state

The state fiscal year 2017 big bill directed DVHA to use up to \$4,000,000 to increase reimbursement rates to Medicaid participating providers for Medicaid primary care services delivered on or after October 1, 2016. The purpose of the increase was to restore in part the primary care rate increase that was provided with federal funds through the Affordable Care Act and that expired on December 31, 2014. When the reimbursement increase was implemented, a subgroup of primary care providers was erroneously excluded. In order to ensure equity across all providers, and adjustment was required.

Drug Utilization Review Board Recommends Increase Hep. C Coverage \$1,000,000 gross
\$456,800 state

A new drug to treat hepatitis C was introduced to the market that has the ability to cure the disease. Unfortunately, the price of this treatment is so extreme, states (including Vermont) implemented a prior authorization process that – among other criteria - requires an individual reach a certain level of acuity before treatment will be approved. CMS is strongly encouraging states to not contemplate acuity as a component for

approval. This issue went in front of the Drug Utilization Review Board (DURB), and they recommend expanding the level of care requirements.

53rd Week Base Funding Rescission **(\$13,027,475) gross**
 (\$5,950,951) *state*

The 53rd week was paid for in fiscal year '16 using base funds appropriated to the Agency of Human Services. Since this was a one-time expenditure in '16, these funds will not be needed to cover base costs in '17. Therefore, appropriations can be reduced accordingly without impacting programs.

Blue Cross Blue Shield (BCBSVT) Settlement **\$3,500,000 gross**
 \$3,500,000 *state*

This represents funds transferred to BCBSVT to support reconciliation of 2015 premiums and claims paid. This is a result of change of circumstance delays experienced in 2015 and the respective accounts receivable balances.

DAIL Managed Long-Term Care Adjustments **\$3,965,099 gross**
 \$1,811,257 *state*

The long-term care component of the former Choices for Care waiver is 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 resides 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 (\$2,873,883 gross). Additionally, funding was provided to AHS to fund a 2% increase for Home and Community Based Providers. \$1,091,216 gross was allocated to long-term care.

DVHA's administrative budget has newly identified funding needs in the amount of \$11,115,061 due to the following:

Health Access Eligibility & Enrollment Unit Staff Modifications **\$4,748,756 gross**
 \$769,557 *state*

DVHA's SFY '17 budget included an expectation that there could be a reduction of 52 FTEs due to system functionality being fully operational. There continues to be improvements in system efficiency, though not to the point that these positions can be reduced in SFY '17. In addition, the ambitious Medicaid renewal timelines required by the State's mitigation plan with CMS has resulted in higher than anticipated staffing needs. \$4,234,549 is needed to continue the current staffing model. Additionally, 104 Benefit Program Specialists received a 2-paygrade increase in order to equalize reimbursement to staff across all of the functional areas (\$514,207).

Two Deputy Commissioner Positions Eliminated **(\$195,270) gross**
 (\$77,843) *state*

With the onset of a new administrative leadership, a decision was made to eliminate the Deputy Commissioner for the Exchange (a current vacancy) and the Deputy Commissioner for Payment Reform and Reimbursement.

Miscellaneous Contracting Needs \$6,561,575 gross
\$2,806,163 state

- DVHA contracts with Hewlett Packard Enterprises (HPE) to run our Medicaid Management Information System and provide fiscal agent services in order to effectively manage much of our \$1 billion programmatic expenditures. This contract needed to be extended resulting in an increase in the contract value.
- The Blueprint program has myriad administrative contracts that support the Community Health Team construct. To continue to advance the work of the Women’s Health Initiative, increases were required in these contracts.
- The Vermont Health Connect must rely upon a contractor to support the production of federally required tax forms (1095s) which includes complex data migration and manipulation. The State is working to replace this contract work with existing state employees, though support from this organization is needed until staff can be fully trained to take over this complex workload.
- Contracted temporary staff are needed to ensure the success of open enrollment and Medicaid redetermination processing.

Changes in Funding due to OADP Expansion and Global Commitment Renegotiation . . . \$0 gross
(\$1,770,431) state

Prior year Global Commitment administrative expenditures were funded at the program match rate. The most recent GC negotiations has the State reverting to drawing in 50% federal/50% state for traditional admin and 75% federal/25% state for Skilled Professional Medical Personal and MMIS and Eligibility systems and staff costs. Though this shift does not produce a gross change to DVHA’s budget, there is a general fund savings due to these adjustments.

In addition to DVHA’s budget adjustment request, the legislature requested we provide the Medicaid Ambulance Reimbursement Report. This document is included as an attachment here.

	GF	SF	IdptT	FF	VHC	Medicaid GCF	Inmnt GCF	Total
DVHA Administration - As Passed FY17	6,551,086	799,894	10,604,077	99,758,443		62,996,293	8,804,256	189,514,049
other changes:								
Personal Services:								
S.243 - Opioid Abuse - Acupuncture (Evidence-Based Education and Advertising Fund)		200,000						200,000
Operating Expenses:								0
FY17 after other changes	0	200,000	0	0	0	0	0	200,000
Total after FY17 other changes	6,551,086	999,894	10,604,077	99,758,443	0	62,996,293	8,804,256	189,714,049
FY17 after other changes								
Personal Services:								
52 HAEU Staff	651,602			3,347,914	235,034			4,234,549
2 PG Bump for 104 BPS	117,955			362,521	33,731			514,207
2 Deputy Comm. Workforce Reduction	(77,843)			(109,230)	(8,197)			(195,270)
Grants:								
Temporary Staff Contracts	737,741			737,741	173,115	2,885,315		4,533,912
Additional OAPD Revenue	1,589,579			4,768,738		(6,358,317)		0
VHC Contract Increases (Optum, Speridian)	181,367			544,101	50,898			776,366
Base Contract Increases (MMIS, Blueprint)	511,023			1,533,069				2,044,093
DDI Contract Changes		49,784	8,236	(850,816)				(792,796)
Admin @ 50/50	10,805,270			10,805,270		(21,610,539)		0
Enhanced FMAP for SPMP	89,196			267,588		(356,784)		0
Enhanced MMIS Match	1,457,409			4,372,227		(5,829,637)		0
Funding Shifts due to Cost Allocation Impacts		(49,784)	971,378	(512,290)	(2,446,536)		511	0
Swaps SHCRF for Exchange, replaced with IDT			(1,961,956)		1,961,956			0
FY17 BAA Changes	16,063,300	0	(982,342)	25,266,834	0	(29,233,241)	511	11,115,061
FY17 BAA Gov Recommended	22,614,386	999,894	9,621,735	125,025,277	0	33,763,052	8,804,767	200,829,110
DVHA Global Commitment - As Passed FY17	55,813,197	0	0	29,453,975	0	942,009,237	7,922,526	1,035,198,935
other changes:								
Grants:								
H.620 - LARC Reimbursement						34,864		34,864
FY17 after other changes	0	0	0	0	0	34,864	0	34,864
Total after FY17 other changes	55,813,197	0	0	29,453,975	0	942,044,101	7,922,526	1,035,233,799
FY17 after other changes								
Grants:								0
Caseload and Utilization	811,590			910,328		(21,116,545)	1,006,764	(18,387,863)
ACO Savings	152			1,546		443,302		445,000
Buy-in Adjustment				(83,636)		(1,027,377)		(1,111,013)
EPCP rate bump missed	763			7,779		791,458		800,000
Hep C						1,000,000		1,000,000
53rd week base funding rescission (AHS net neutral)						(13,027,475)		(13,027,475)
BCBSVT settlement	3,500,000							3,500,000
2% non-DA CFC H&CB increase from AHSCO (AHS net neutral)						1,091,216		1,091,216
Carry forward funds from SFY16 into SFY17						2,873,883		2,873,883
FY17 BAA Changes	4,312,505	0	0	836,018	0	(28,971,539)	1,006,764	(22,816,252)
FY17 BAA Gov Recommended	60,125,702	0	0	30,289,993	0	913,072,562	8,929,290	1,012,417,547
TOTAL FY17 DVHA Big Bill As Passed	62,364,283	799,894	10,604,077	129,212,418	0	1,005,005,530	16,726,782	1,224,712,984
TOTAL FY17 DVHA Reductions & other changes	0	200,000	0	0	0	34,864	0	234,864
TOTAL FY17 BAA DVHA Starting Point	62,364,283	999,894	10,604,077	129,212,418	0	1,005,040,394	16,726,782	1,224,947,848
TOTAL FY17 BAA DVHA ups & downs	20,375,805	0	(982,342)	26,102,852	0	(58,204,780)	1,007,275	(11,701,190)
TOTAL FY17 BAA DVHA Gov Recommended	82,740,088	999,894	9,621,735	155,315,270	0	946,835,614	17,734,057	1,213,246,658
TOTAL FY17 BAA DVHA Legislative Changes	0	0	0	0	0	0	0	0
TOTAL FY17 BAA DVHA As Passed	82,740,088	999,894	9,621,735	155,315,270	0	946,835,614	17,734,057	1,213,246,658