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**Report to  
The Vermont Legislature**

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**Considerations for Providing Designated Agency and Specialized Service Agency Budgets to  
the Green Mountain Care Board**

**In Accordance with Act 200 Sec. 8  
An Act Relating to Systemic Improvements to the Mental Health System**

**Submitted to:** House Committee on Appropriations  
House Committee on Health Care  
House Committee on Human Services  
Senate Committee on Appropriations  
Senate Committee on Health and Welfare

**Submitted by:** Al Gobeille, Secretary, Agency of Human Services

**Prepared by:** Ena Backus, Director of Health Care Reform, Agency of Human Services

**Report Date:** January 15, 2019

## Statutory Charge

2) On or before January 15, 2019, present a proposal, in conjunction with the Green Mountain Care Board and the designated and specialized service agencies, for providing the designated and specialized service agency budgets to the Board for informational purposes for its work on health care system costs to the House Committees on Appropriations, on Health Care, and on Human Services and to the Senate Committees on Appropriations and on Health and Welfare. The presentation shall be consistent with the long-term goals of payment reform to address the potential for a review process of the designated and specialized service agency budgets by the Board as part of an integrated health care system.

## Background

In 2016, the Green Mountain Care Board analyzed the budget of the state's largest Designated Agency (DA), the Howard Center. The Board's review process was guided by its existing protocol for reviewing hospital budgets. In its 2016 report to the Legislature, the Board described the Howard Center budget review process in the following way,

- Board staff met with the Howard Center to establish the initial submission of information, identifying the need for the Center's current (FY16 at the time) budget, general ledger, and system-level information.
- Staff worked with the Howard Center to refine and supplement its information to align as closely as possible with information submitted by hospitals.
- Howard Center representatives presented to the Board at an open meeting modeled after hospital budget hearings. The presentation included substantial back and forth with the Board during which time questions were posed and answered. Time was also allotted to respond to public comment.

In its recommendations to the Legislature on the topic of future Designated and Specialized Service Agency (DA and SSA) budget review, the Board concluded,

...the All-Payer Model term sheet provides that the State will define a pathway to assess whether and how to include mental health services, substance abuse services, and long-term services in the financial targets at the heart of the all-payer model. More specifically, if the All-Payer Model moves forward, the State will facilitate a process designed to determine whether and how the State and these providers can ready themselves for including these providers in the all-payer model financial targets. This approach recognizes that the services provided by entities like the DAs and SSAs are critical to our evolving health care system's success in meeting Vermonters' needs and moving towards financial sustainability.

## Existing Process for Considering DAs and SSAs as Part of an Integrated Health Care System

The State of Vermont entered into the All-Payer Model Agreement in October 2016 and is required to create a plan for how Mental Health, Substance Abuse, and Home and Community Based Services would be included in the All-Payer financial targets in a subsequent agreement. To that end, the Agency of Human Services (AHS), through the Department of Vermont Health Access (DVHA) has worked

collaboratively with the DAs and SSAs to implement payment reform in 2019 for Adult's and Children's mental health services. As cited in its 2019 Delivery System Reform report to the Legislature, AHS in consultation with the Green Mountain Care Board (GMCB), recognizes that,

...the new payment model shares many characteristics of other value-based payment models that the State is implementing or considering for future implementation; such alignment contributes to both State and provider readiness for an increasingly integrated health care delivery system and aids the State in developing a strategy for inclusion of additional services in All-Payer financial targets in the future.

## Recommendation

As described in its 2016 report, the Board's budget review process is a high-level review of self-reported information. This review includes a comprehensive comparison of each hospital's financial performance indicators to national and regional benchmarks to support solvency analysis and baseline trending of fiscal health. Hospital budget review is not an assessment of hospital operational performance and does not include a financial audit, nor does the Board have the capacity to do so. If the Board were asked to conduct financial auditing and performance level analysis, it would require upwards of 40 new Certified Public Accountant level personnel. Today the Board has approximately 2.5 FTEs to collect and analyze the hospital budget submissions to support the Board's review and approval of hospital Net Patient Revenue (the total approved for all 14 Vermont community hospitals was \$2.6 billion for fiscal year 2019). The Board's current staffing would not be adequate to conduct a comprehensive review of DA budgets.

If mirrored with the hospital budget process, as was modeled previously, Board review of DA and SSA budgets would be a straightforward assessment of self-reported information. Larger concerns such as the actual need for services, cost to produce the services, or potential for innovative options at the community level would remain unanswered. These are important topics that should be prioritized as they relate to Vermont's health care system and the role of Mental Health and Specialized Services. To relegate this discussion to a particularly narrow financial review process does not achieve the goal of considering DAs and SSAs as part of an integrated health care system.

The Agency of Human Services, the GMCB, and Vermont Care Partners (representing the DAs and SSAs) agree that it is important to work collaboratively to develop a strategy for potential inclusion of additional services in the All-Payer financial targets. Vermont Care Partners believes that this work should be complementary to a budget review process. Conversely, for the reasons explained above, the Board and AHS cannot see how a new process of DA and SSA budget review would be of benefit to the DAs and SSAs, nor the people of our state.