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S.290 – VCP Testimony

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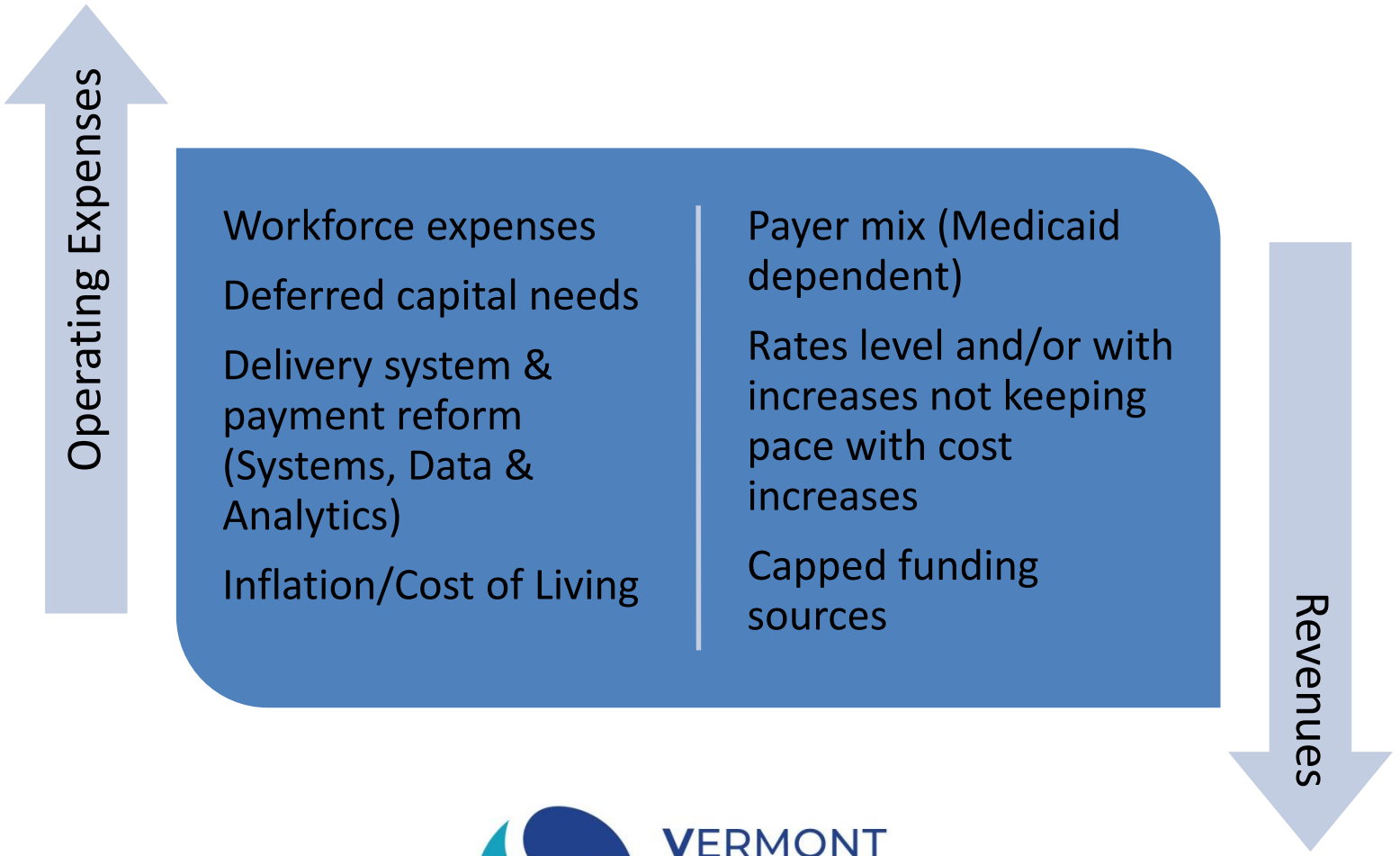
Problem: DA/SSA Financial Sustainability

Operating expense increases are outpacing revenue increases



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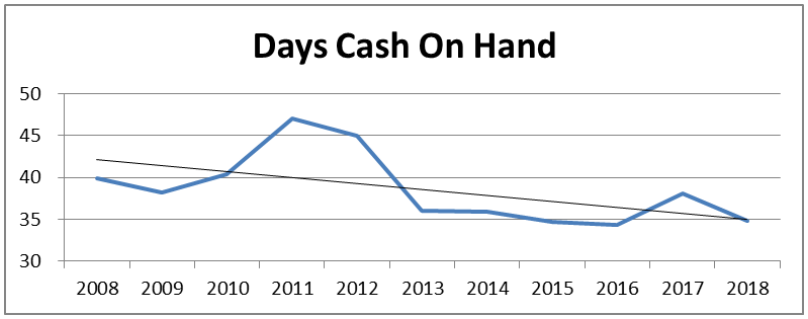
We've heard this before. What's different now?

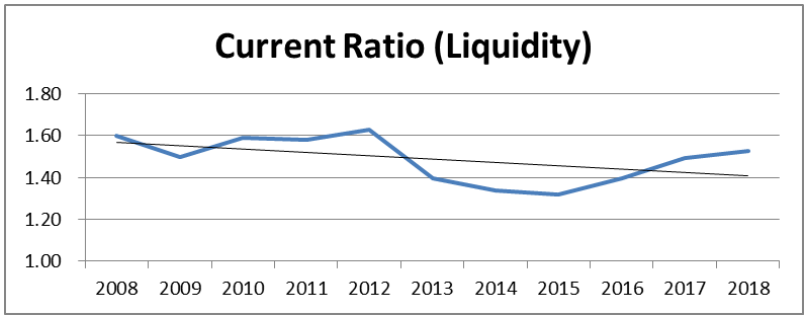
How we make it work:

In order to accommodate expense increases, community providers make substantial efforts to minimize all other costs that include decisions to close or reduce programs, defer capital and maintenance needs, and increase staff caseloads and productivity expectations.

Why it won't work long term:

The financial health of community based service organizations is increasingly compromised. Cash on hand continues to drop as does agencies' ability to cover liabilities. Workforce challenges continue. Research is clear that the sooner and closer to community the intervention can be the more cost effective. A disruption in community service provision will increase costs in other parts of the system.





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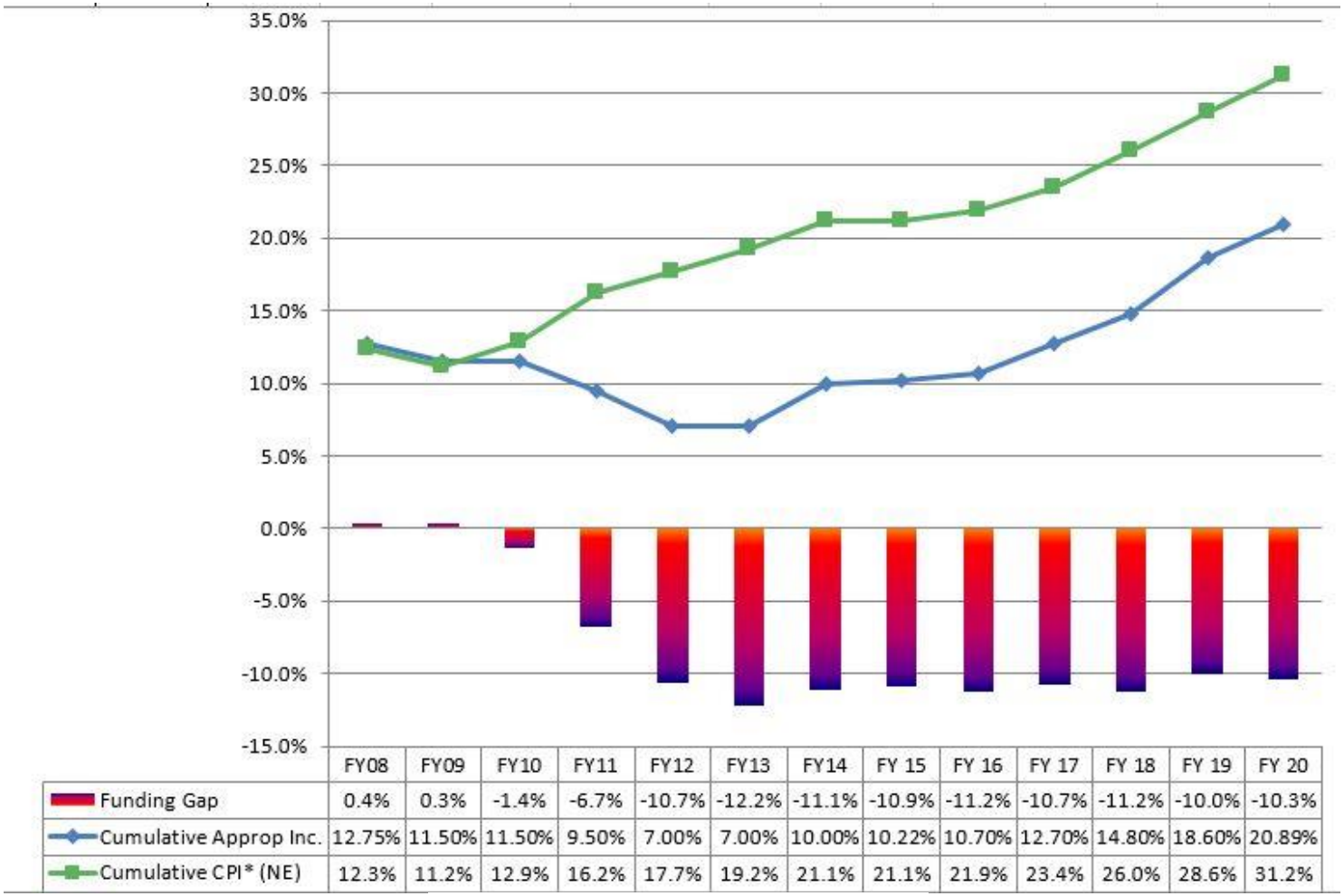
CPI vs. MH/DS Rate Increases



	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20
Funding Gap	0.4%	0.3%	-1.4%	-6.7%	-10.7%	-12.2%	-11.1%	-10.9%	-11.2%	-10.7%	-11.2%	-10.0%	-10.3%
Cumulative Approp Inc.	12.75%	11.50%	11.50%	9.50%	7.00%	7.00%	10.00%	10.22%	10.70%	12.70%	14.80%	18.60%	20.89%
Cumulative CPI* (NE)	12.3%	11.2%	12.9%	16.2%	17.7%	19.2%	21.1%	21.1%	21.9%	23.4%	26.0%	28.6%	31.2%

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Solution: Step 1 – Scope the issue

WHAT: Financial and Health System Analysis

WHY: Understand financial health and sustainability of community based providers to anticipate and mitigate impact of potential disruption of heath care system

WHO: Audience is Administration and Legislature ($, policy)

HOW: Objective 3rd party; common metrics (GMCB)

GOALS: (1) Engage funders and policy makers in financial state understanding beyond the profit and loss statement to understand how agencies are staying afloat and why it's unsustainable; and (2) Align funding and service delivery expectations.

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Current DA/SSA Financial Assessment

- There are currently multiple state departments with individual responsibilities (some overlapping) overseeing and monitoring various pieces of Designated Agency financial performance arguably creating redundancy and inefficiencies for the state and providers. There is currently no single entity responsible for comprehensively assessing Designated Agency operating performance on an individual entity level or as a system.

- Act 54 of 2015 required the Green Mountain Care Board to analyze the budget and Medicaid rates of at least one designated agency (DA) using criteria similar to those used in the Board's annual review of hospital budgets . Report concluded *"**our analysis revealed that (DAs) current budget does not adequately fund the institution's desire to accomplish its client service missions, as evidenced by lengthy waiting lists, over 100 staff vacancies, and the closure of valued community services. Indeed, the agency has budgeted no operating margin and very low days cash on hand … we find that the agency has constructed a responsible budget that maintains needed community services, controls expenses while allowing limited compensation increases, and does so within the reality of limited revenue growth…Further, we believe that the underfunding and resulting understaffing of this institution results in substantial unmet needs, which in turn affects many Vermonters."***

- The DA System collectively self-reports and self-monitors financial documents and health metrics.

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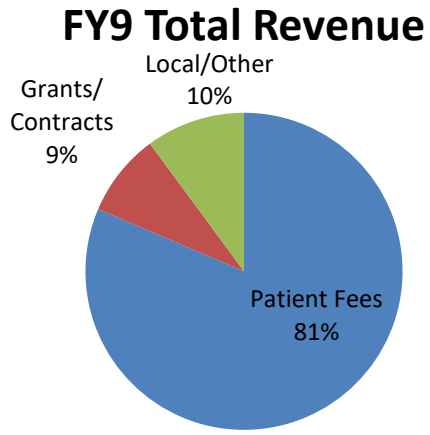
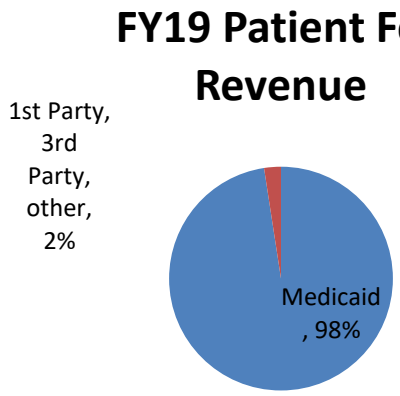
Funding/Payer Mix





- AHS Primary Funder (Medicaid and Grants/Contracts)
- Capitated funding for DMH and most DVHA
- DMH & DAIL:
  - AHS Sets Medicaid Rates
  - Rates not reflective of costs
  - Legislature determines funding increases (if any) for core services
  - Funding for core services typically restricted to wages and benefits
- ADAP, DVHA:
  - AHS Sets Medicaid Rates
  - Rates not reflective of costs
  - Other Medicaid rates largely untouched
- DCF, Corrections, PNMI:
  - Other contracts
    - CIS rate reduction with increase utilization
    - IFBS rate reduction with increase utilization
    - PNMI rates result in significant financial losses

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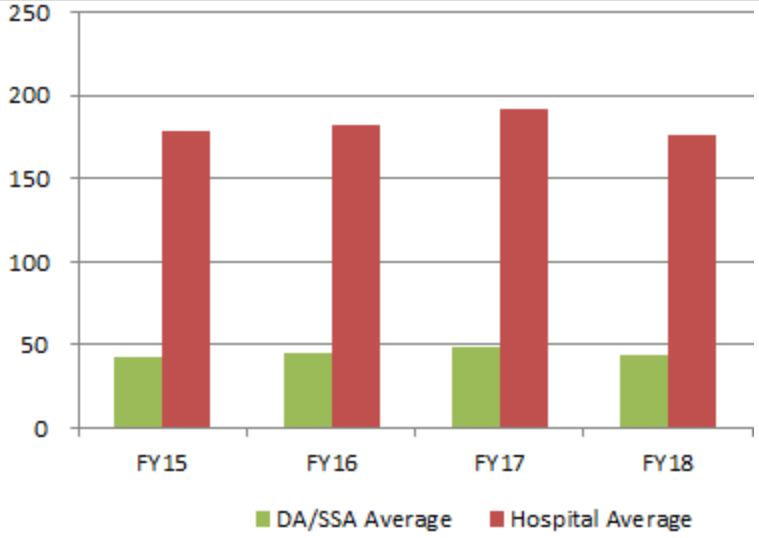
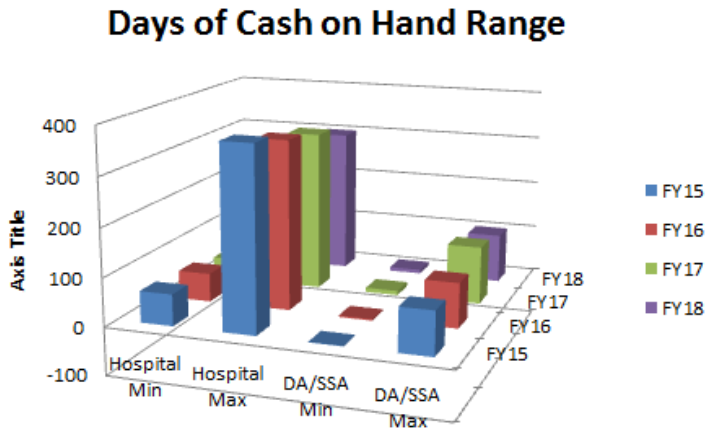
Days Cash on Hand

Total amount of accessible cash.
Cash reserves important for Capital investment and to weather unanticipated needs.
Typical goal is 4-6 months, not to exceed two years.

	FY15	FY16	FY17	FY18
DA/SSA Average	43	45	49	44
Hospital Average	179	182	192	176



	FY15	FY16	FY17	FY18
Hospital Min	65	59	43	38
Hospital Max	375	350	331	300
DA/SSA Min	1	(3)	9	8
DA/SSA Max	90	93	119	102



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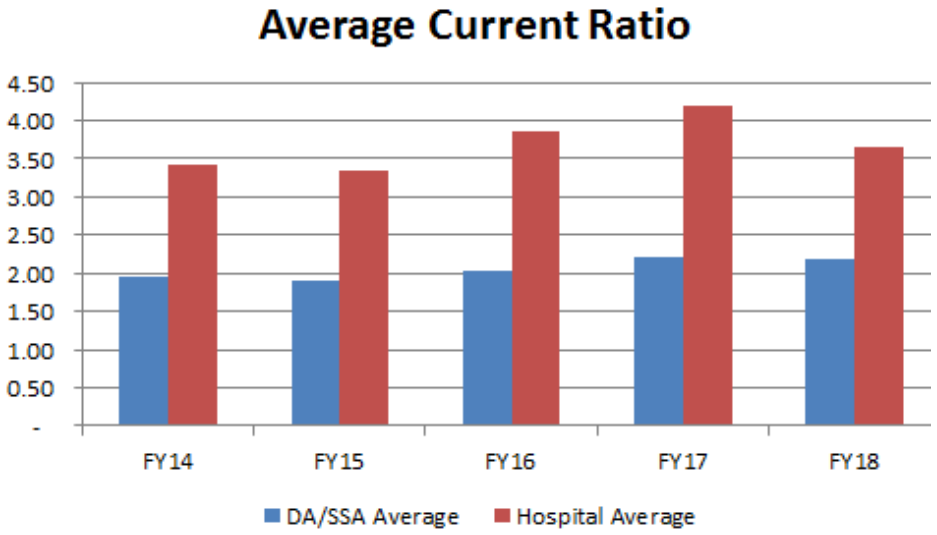
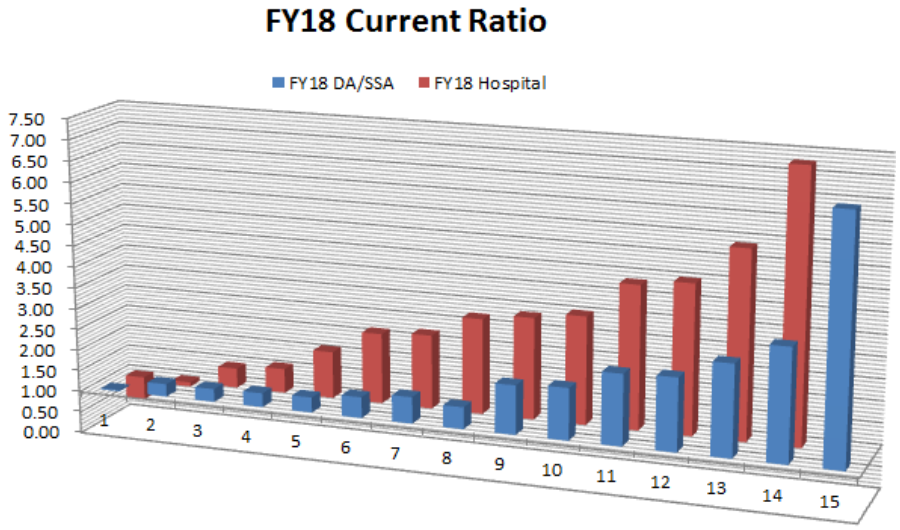
Current Ratio

Measures liquidity or ability to pay off short-term debts.
Acceptable ratios vary across industries but are generally between 1.5% and 3% for healthy business.
Less than 1% = can't pay short term debt





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Total Margin %

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Limited ability to withstand financial losses due to insufficient reserves.

Losses are mitigated by suppressing cost including strategies such as: below market compensation; deferred facility maintenance and capital improvements; and insufficient investment in data systems.

Fiscal Year	FY15A	FY16A	FY17A	FY18A	FY19*	5 -yr avg
CM	1.4%	1.3%	1.0%	0.5%	1.6%	1.2%
CSAC	1.1%	3.0%	0.9%	1.4%	0.9%	1.5%
NCSS	2.4%	1.8%	1.3%	1.1%	3.4%	2.0%
HCRS	-1.4%	-1.0%	1.9%	2.0%	0.9%	0.5%
HC	0.8%	0.3%	0.6%	2.6%	1.8%	1.2%
LCMH	1.6%	1.4%	0.9%	-0.8%	0.4%	0.7%
NFI	1.2%	2.1%	1.4%	1.8%	0.4%	1.4%
NKMH	1.0%	-1.0%	1.6%	2.2%	1.9%	1.2%
RMHS	-1.0%	0.2%	1.2%	0.1%	1.0%	0.3%
UCS	0.2%	1.2%	0.5%	1.6%	0.2%	0.8%
WCMH	-0.8%	0.9%	0.3%	0.2%	1.6%	0.5%
CCS (DS Only)	0.7%	-0.1%	1.6%	0.4%	0.7%	0.7%
FF (DS Only)	4.7%	3.2%	2.9%	2.3%	0.9%	2.8%
LSI (DS Only)	2.8%	2.5%	4.7%	3.0%	4.2%	3.4%
GMSS (DS Only)	0.0%	1.7%	2.2%	1.5%	-0.1%	1.1%
UVS (DS Only)	0.0%	0.4%	0.4%	0.3%	0.7%	0.3%
System Total Margin%	**0.3%**	**0.6%**	**1.2%**	**1.4%**	**1.5%**	**1.0%**

**FY19 preliminary*

Current provider revenue outlook

- DMH Case Rate Reallocation 7/1/2020 *
- DS Payment Reform est. 7/1/2021 *
- CIS Funding Reallocation 7/1/2020 *
- Program/service sustainability reviews
- Potential system impact of program/service changes
- Waitlists for services
- Balance rates/grants continued flat

**Actual/potential funding reductions*

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Solution: Step 2 and beyond

- Align rates/reimbursement with the true cost of service provision
- Assess need
- Identify service priorities
- Align funding and service delivery expectations

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VCP PROPOSED LANGUAGE

Green Mountain Care Board shall collect and review data from each designated and specialized services agency, which may include audited financial statements and key performance indicators. Additional data that may be reviewed includes: scope and volume of services, payer mix, quality, coordination with other aspects of the health care system, and financial condition. The Board's processes shall be appropriate to designated and specialized service agencies' scale and their role in Vermont's health care system, and the Board may consider ways in which designated agencies can be integrated into system wide payment and delivery system reform.

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