

Vermont Legislative Joint Fiscal Office

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FISCAL NOTE

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H.153 An act relating to Medicaid reimbursement rates for home- and community-based service providers – Draft No. 1.4

As Recommended by the House Committee on Human Services

<https://legislature.vermont.gov/bill/status/2022/H.153>

The bill would require the Agency of Human Services (AHS) to establish payment rates for Medicaid funded home- and community-based services provided to the following: individuals with mental conditions; individuals with substance use disorder; individuals with developmental or intellectual disabilities; older Vermonters; individuals with traumatic brain injury; and, individuals with physical disabilities. It would also require AHS to establish, by rule, a process for determining an annual inflationary rate adjustment, set forth a predictable timeline for redetermination of base rates, and use Vermont labor market rates and Vermont costs of operation. This would take effect on July 1, 2022 for rates effective beginning in fiscal year 2023.

Beginning in FY 2023, any future appropriations will depend on what rate increases AHS determines are adequate and reasonable to achieve the required outcomes, as well as future actions by the legislature to approve any recommended rate increases, as intended by this legislation. Based on the services outlined in this legislation, it is estimated that for every 1% increase, the fiscal impact would be approximately \$4.5 million gross (\$2 million general fund dollars). The following estimates different rate increases.

- 1% rate increase = \$4.5 million gross / \$2 million general funds
- 1.6% rate increase¹ = \$7.2 million gross / \$3.2 million general funds
- 2% rate increase = \$9 million gross / \$4 million general funds

Fiscal Impact of Rate Increases:

- FY 2022 – no appropriation required
- FY 2023 – TBD

Sec. 4 requires the Department of Vermont Health Access (DVHA) in collaboration with the Departments of Disabilities, Aging, and Independent Living (DAIL), of Health (VDH), and of Mental Health (DMH), conduct a rate study of the Medicaid reimbursement rates paid to providers of home- and community-based service. According to the Department, this would require both staff and contractual resources.

¹ Consumer Price Index for New England (CPI NE) increased by 1.6% in FY 2019 and 2020.

Fiscal Impact of Rate Study and Rate-setting:

- FY 2022 = **\$300,000.00 gross (\$148,940.00 general funds)**
 - Contractual needs (one-time) = \$200,000.00 (\$98,940.00 general funds)
 - 1 FTE (on-going) = \$100,000 gross (\$50,000 general funds)
 - In FY 2023, DVHA expects it would need to hire an additional FTE at an additional \$100,000.00 (\$50,000.00 general funds)

- Currently the bill does not include any appropriations for the rate study or rate-setting needs identified by DVHA (listed above) to carry out this work.