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Submitted via e-mail to the House Committee on Health Care

Re: FY24 Medicaid Budget Request

Chair Houghton and members of the Committee:

Thank you for the opportunity to provide additional information on how Vermont Medicaid reimburses federally qualified health centers (FQHCs) and the financial hardship they are facing. The funding gap between Medicaid reimbursement rates and the cost of care have created budget shortfalls, which are only increasing. Currently, multiple FQHCs are operating at a loss and are considering for the first time ever, reducing services offered. They are presenting unbalanced budgets to their board in hopes that these gaps will be filled and that they can continue to provide comprehensive services to their communities. The deficit in Medicaid funding, estimated at \$15.6 million for 2022, is a significant contributor to that loss.

Our belief is that Medicaid reimbursement should conform to applicable federal law and guidelines. Yet, recognizing the many needs within Vermont's health care system, Bi-State is amending its request made during the February 23rd hearing. We ask that the Legislature bring FQHC rates closer to what should be paid under federal law by allocating **\$6.9 million (gross state and federal funding)** in the FY2024 Budget for FQHCs and pair this adjustment with a requirement that Vermont FQHCs and state government continue to collaborate on aligning payment methodologies with federal law. The additional funds, in the short term, would allow FQHCs to continue to provide care to the State's most vulnerable and offer stability in the face of significant financial uncertainty. A legislative directive that the Department of Vermont Health Access continue its current work with Bi-State to **align Vermont Medicaid FQHC payments with federal law and guidelines by FY2025** would give our members assurances that FQHCs will be paid properly in the future. **A progress report on this methodology** could be provided to the Committee prior to the start of the next legislative session.

Regarding the question raised on reasonableness of FQHC costs, Vermont FQHC's average cost per visit is in line with FQHCs across Northern New England. The drivers of these costs include:

- Comprehensive services that extend beyond those typically thought of as primary care, including economic, mental health, and other services related to social drivers of health.
- Offering these comprehensive services to all patients regardless of ability to pay.
- Offering a sliding fee scale to those at or below the 200% federal poverty level to assist with any cost sharing responsibilities, including Medicaid.
- Intensive regulatory, quality, and data requirements imposed by the Health Services Resources Administration (HRSA), including annual filings to maintain grant funding and Operational Site Visits every three years to test FQHCs in nearly 100 areas of service and compliance.

Of note, the scope of FQHC services and their myriad regulatory requirements, including mandatory financial discounts for patients, mean that we cannot make apples-to-apples comparisons with reimbursement for non-FQHC primary care.

Thank you for the opportunity to provide additional information for the Committee's budget review process. We recognize the challenge of balancing multiple budget requests and appreciate the Committee's consideration of this request, which is grounded in the reality facing our health centers today. They are extraordinarily fragile and for Vermont's FQHCs to continue to provide the critical primary and preventive care to all their patients, this funding is critical.

If the committee has further questions regarding FQHCs, please let me know.

Sincerely,



Mary Kate Mohlman, PhD, MS
Director, Vermont Public Policy