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January 9, 2024

Representative Lori Houghton, Chair  
House Health Care Committee

Senator Ginny Lyons, Chair  
Senate Health and Welfare Committee

RE: FY25 Budget Request for Federally Qualified Health Centers

**Delivered via email**

Dear Chair Houghton and Chair Lyons:

I would like to begin by reiterating how much Bi-State Primary Care Association's (Bi-State's) federally qualified health centers (FQHCs) appreciate the increase in funding received from the legislature for FY2024. However, FQHCs continue to be financially fragile. Many are operating at a loss and are, for the first time ever, considering reducing offered services. The funding sources our members relied on to balance their budgets in the past continue to dry up, and they can no longer cover the shortfalls in Medicaid's reimbursement. Furthermore, Vermont Medicaid's FQHC rates do not meet federal requirements. Therefore, we are requesting the legislature appropriate in **FY2025 \$2.8 million in state funding**, that would support DVHA in implementing federally compliant rates that better reflect each individual health center's reasonable costs.

Last session, the legislature took steps to address insufficient rates by directing the Department of Vermont Health Access (DVHA) to work with Bi-State to develop an alternative payment methodology and submit a progress report in October 2023, the *Report on an Alternative Payment Methodology for FQHCs* (Report). On November 1st, Bi-State submitted a letter to your committees regarding this Report. As stated in that letter, the Report did not address Bi-State's members' fundamental concern that the current Medicaid payments to FQHCs do not meet the minimum requirements set by federal law. Consequently, the State of Vermont underpays many health centers by a significant amount. The State, as a payer for health care services at Vermont's 11 FQHCs, must at least bring the rates for FQHCs into compliance with federal law.

According to federal law and guidelines, FQHC rates should be based on each individual health center's reasonable cost for the specific services it offers and the populations it serves resulting in unique reimbursement rates for each health center.

FQHCs are a key part of Vermont's health care system. They serve a third of Vermonters and Medicaid enrollees. They are key partners in the communities they serve. Bi-State members are safety net providers that deliver care regardless of a person's ability to pay. The services they provide go beyond what is typically thought of as primary care. FQHCs provide mental health, transportation, financial services, OB/G, substance use disorder treatment, nutritional access, and health education.

We recognize the challenge of balancing multiple budget requests and appreciate the committee's consideration of this \$2.8 million FY2025 ask. It is grounded in the reality facing our health centers today. They are extraordinarily fragile, and this funding is critical for Vermont's FQHCs to continue to provide the essential primary and preventive care to the more than 190,000 patients served in Vermont.

Thank you for the opportunity to make this vital request for FQHCs. I am also happy to respond to any additional questions the committee may have on FQHCs. Please do not hesitate to reach out.

Sincerely,



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

Cc: Senator Jane Kitchel, Chair, Senate Appropriations Committee  
Representative Diane Lanpher, Chair, House Appropriations Committee