



STATE OF VERMONT
AGENCY OF HUMAN SERVICES

MEMORANDUM

To: Senator Jane Kitchel and Representative Diane Lanpher, respective Chairs of the Senate and House Committees on Appropriations

From: Jenney Samuelson, Secretary of AHS

Handwritten signature of Jenney Samuelson in cursive.

Cc: Adam Greshin, Commissioner of the Department of Finance and Management (DFM)

RE: Brattleboro Retreat CY 2023 Reconciliation Payment

Background

The financial viability of the Retreat was uncertain before the pandemic, with financial auditors questioning their ability to continue as a going concern. In 2021, AHS entered into an Alternative Payment Method (APM) agreement with the Retreat to pay a fixed daily rate for a baseline number of beds per year, with conditions related to over-or-under-utilization from the baseline bed days. Actual utilization is addressed in an annual reconciliation process. The APM approach was undertaken to:

- Maintain access to needed inpatient psychiatric services for the population the State is required to serve.
- Maintain and strengthen overall system stability and relieve pressure in hospital EDs from patients in need of inpatient psychiatric services.
- Provide a path to financial sustainability for the Retreat to avoid detrimental effects across the health care, social services, criminal justice and other systems of care in Vermont.

APM - CY 2023 (Year 3) Reconciliation

CY 2023 is the first time under the APM upon reconciliation that there was higher than projected utilization of bed days at the Retreat, resulting in an additional payment owed to the Retreat. A summary of the reconciliation is provided here:

Base Bed Days:	18,615
2023 Days Used:	<u>22,549</u>
Days over Base:	3,934 overutilization of 21.1% over base days
Less Risk Corridor:	<u>- 372</u> no payment/no penalty for +/- utilization within 2% of base days
Net days:	3,562 bed days for reconciliation payment
Reconciliation total	\$11.04 million¹ (net days X \$3,100 per day)
Less net offsets	<u>-\$ 2.02</u> million various ² prior accounts receivables net owed by Retreat
After offsets	\$ 9.02 million
Provider taxes owed	<u>-\$ 2.26</u> million applied a portion of recon payment in FY24 to release tax lien
Payment pending	\$ 6.76 million remaining recon payment

The funding for the \$6.76 million payment was identified within the AHS FY24 close-out process and made available to carryforward into SFY25, pending DFM's approval.

¹ CY2023 total expenditure of \$68.74m is allocated by funding source: \$44.6m GC, \$23.4m GF and \$0.8m CHIP.

² Older provider accounts consolidation receivables, prior year Level 1 cost settlements and prior year APM reconciliations

Additional Context

The 2023 audited financial reports no longer contain the 'going concern' statement and show the Retreat has come out of forbearance with its lenders. This payment should further strengthen the Retreat by either providing additional days of cash on hand, or for uses its board and executive team deem as most appropriate for the Retreat's operations and sustainability.

The Retreat's utilization trend this CY is projected to be greater than CY2023. AHS will review the APM's reconciliation terms with the Retreat for this CY's agreement to arrive at a mutually agreeable threshold and reduce the anticipated need for a BAA appropriation.