



February 20th, 2025

Thank you for the opportunity to comment on the Governor's proposed state budget for the fiscal year 2026.

The Vermont Health Care Association (VHCA) is a membership-based organization representing Vermont's nursing homes, assisted living residences, and residential care homes. We support the Governor's budget request for the statutory increases to nursing home reimbursement. The nursing home sector is still recovering from disruptions caused by the COVID-19 pandemic, in addition to managing rapidly rising labor costs, and it is appropriate to maintain Vermont's schedule of regular rate adjustments.

One piece missing from the Governor's proposed budget is any increase for Assistive Community Care Services (ACCS) and Enhanced Residential Care (ERC). These are the two payments that make up the core of Medicaid reimbursement for assisted living and residential care providers.

More than half of Vermont's ~6,000 residential long term care beds are in the assisted living and residential care category. These service providers are a critical part of the long-term care continuum. They make a tremendous difference to the individuals and families they serve directly, while also preserving capacity in other parts of the health care system for higher acuity or more complex patients.

In 2023, the Agency of Human Services completed a study of ACCS, ERC, and other home- and community-based services rates. The study found dramatic underpayment when comparing Medicaid rates to the actual costs of providing the services meant to be covered. The difference was too large to address in one budget cycle. As a result, certain rates (including ACCS) were prioritized for full funding in the first year, with an intention to phase in the remaining payment updates over the following years.

Vermont never completed full funding for the rate study. In that study, ERC rates across the three tiers of payment were a respective 13%, 37% and 60% below actual costs. Those costs have only increased since that time. In 2025, providers will have the additional financial stress of updating their operational systems to match new facility regulations. Providers are at the point of making difficult decisions on whether to remove access to care.

VHCA is part of the Long-Term Care Crisis Coalition, which supports completing the rate updates started in 2023. We estimate the cost to be \$6 million in general fund dollars. We also look forward to working with the Legislature and Agency of Human Services on establishing a system of regular rate updates to avoid falling so far behind again.

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