



Public Hearing on FY27 State Budget- Written Testimony to Vermont Senate and House Committees on Appropriations regarding State FY 2027 Budget

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To the Committees on Appropriations:

Thank you for the opportunity to submit testimony on the FY 2027 state budget. I am writing on behalf of the Designated Agency serving Rutland County to highlight the pressures facing Vermont's community-based mental health, substance use, and developmental services agencies during an unprecedented period of health care system reform. Rutland Mental Health Services is also one of the first two Certified Community-Based Integrated Health Centers (CCBHC) in Vermont.

Designated Agencies strongly support Vermont's health care reform goals, including CCBHC implementation and Developmental Services Conflict-Free Case Management and payment reform. However, the pace and layering of multiple reforms, combined with payment models that have not kept up with real-world costs, are creating significant financial strain and risk to system stability.

The Current Environment

As community providers, we are simultaneously managing:

- Complex CCBHC implementation.
- Developmental Services conflict-free case management and utilization-based payment reform.
- Significantly expanded reporting, compliance, and administrative requirements.
- Ongoing inflationary pressure on wages and benefits in a highly competitive labor market.

These reforms are occurring faster than payment systems have been adjusted to support them. Providers are expected to maintain access, quality, and crisis response without interruption, while absorbing structural financial losses.

Key Issues for Consideration by the Committees in the State FY27 Budget

Medicaid Rate Increase

For FY27, a 3.5% Medicaid rate increase is needed to move Vermont's system of care toward stability. This increase would help address inflationary pressures, workforce retention challenges, and structural gaps exposed during reform implementation.

- A 3.5% increase equates to approximately \$5.8 million in General Fund dollars.

- While not a complete solution, this adjustment is a necessary step to prevent further erosion of service capacity and access statewide.

Stability During Reform

Mental Health and Developmental Services must be protected from sudden funding disruptions during system reform. These services cannot be easily paused or rebuilt, and instability risks workforce loss, reduced access, and higher downstream costs.

Mental Health as Public Safety Infrastructure

Community-based mental health services reduce pressure on law enforcement, emergency departments, EMS, and corrections through crisis services, diversion programs, and treatment courts. Underfunding these services shifts costs elsewhere rather than saving money.

Rural Reality

Rural providers face higher costs due to workforce recruitment challenges, travel time, geographic dispersion, and increasing client acuity. Payment models must reflect these realities to preserve access in rural communities.

Human Services Must Not Be Crowded Out

As education finance reform and other major fiscal initiatives move forward, it is critical that mental health, substance use, and developmental services are not financially crowded out or used to offset unrelated reforms.

Closing

Designated Agencies remain committed partners in Vermont's health care reform efforts and are actively adapting services and operations to meet new expectations. Reform without adequate stabilization funding jeopardizes providers and clients and increases pressure- and cost- across the rest of the health care and public safety systems.

Stability in FY27 funding will protect prior investments, preserve access to essential services, and support the long-term success of Vermont's reform goals. Thank you for your consideration.

Respectfully submitted,

Dick Courcelle