

The Federal Landscape and Vermont's Medicaid Program

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Federal Proposals with Most Traction

Potential Medicaid Changes	Description	Method	Fiscal Impact in Federal Dollars (annually)	Program Impact
Rescind/reduce New Adult FMAP	Under the Affordable Care Act, states receive a 90% FMAP rate for adults covered under the expansion eligibility group Would seek to reduce the 90% expansion FMAP to each states' normal FMAP	Legislative	\$80M	Limited to fiscal impact.
FMAP Formula Changes	Any change that would impact the FMAP received by states	Legislative	\$18-19M per FMAP point	Limited to fiscal impact.
Limit Provider Taxes	Congress has indicated that they may pursue restrictions on provider taxes states use to finance their Medicaid program.	Legislative	If 6% cap is reduced to 3% (per 1 proposal), approx. \$104M in State match would be lost. If state match wasn't backfilled, ~252M gross in Medicaid cuts would be needed.	Limited to fiscal impact.
Work Requirements	Would seek to create mandatory national work/community engagement requirements or a state option to create work/community engagement requirements	Legislative	-IT system development costs -Additional staffing -Cost savings from people no longer being eligible for Medicaid (\$ is dependent on final policy)	- IT system development - Additional Staffing -New burden to Medicaid members -Access issues -Churn -Reduced insurance coverage
Per Capita Caps	Would seek to replace open-ended FMAP structure with a per member cap on Medicaid spending for each state based on a defined formula	Legislative	Initial estimates are ~1B over 10 years.	Will be looking to understand impact on existing 1115 waivers. Services would need to be heavily managed to stay within caps
Rescind Health-Related Social Needs (HRSN) Waiver Authority	Would rescind HRSN authority granted under the Biden Administration to pay for 6 months of rent and medical respite.	Administrative	~35M/year gross (\$20.5M federal) built into budget neutrality for these services, but no State match has been appropriated.	Would not be able to implement HRSN Medicaid benefits

Other Federal Proposals

Potential Medicaid Changes	Description	Method	Fiscal Impact in Federal Dollars (annually)	Program Impact
Rescind 1115 waiver authority	This has not been included in the proposals seen to date out of congress, but the Trump administration has engaged CMS in pointed conversation and questioning around 1115 waivers. As such, it is a reasonable concern that the administration may renege on its approval of VTs 1115 waiver.	Administrative	\$320M	Revoking VTs 1115 waiver would have sweeping programmatic impacts. Would require an overhaul to the entire administrative model.
Block Grants	Would seek to replace open-ended FMAP structure with a global cap on Medicaid spending for each state based on a defined formula	Legislative	Unknown	Block grants would put VT at risk for caseload and utilization.
Changes Eligibility	Under current federal regulations, states must check eligibility every 12 months, but not more than every 12 months Proposal would seek to increase the frequency of required Medicaid eligibility checks (e.g., to once every 6 months)	Legislative	DVHA administrative costs would increase to handle [2x] current eligibility workload	DVHA eligibility staff would be required to process twice the renewals as current staff capacity allows. Additional staff would be needed. Churn would increase, generating access issues for members and increased administrative burden for payers and providers.
DSH Reform	Under federal law, states must make Medicaid disproportionate share hospital (DSH) payments to hospitals to offset the cost of uncompensated care. The specifics of this policy option are unclear	Legislative	Unknown	Unknown
Gender Affirmation Surgery	Declares the US will not fund, sponsor, promote, assist, or support gender affirmative care for individuals under 19.	Executive Order	No paid costs in 2024	Would require removing gender affirming surgery from Medicaid-covered benefits. State law requires coverage, so any costs would have to be paid out in general fund.

If federal funding is lost, what levers do we have?

- Backfill with state-only dollars
- Reduce rates
- Reduce eligibility
- Reduce services

ELIGIBILITY CATEGORIES AT PLAY

	Population	Fed. Requirement	Vermont Coverage
Full Medicaid	Children	138% FPL	317% FPL
	Pregnant Women	138% FPL	213% FPL
	New Adults	-	138% FPL
Limited Benefit Groups	Moderate Needs	-	300% FPL
	IHIP	-	213/317% FPL
	VPharm	-	225% FPL
	CRT	-	No limit
	SUD CIT*	-	225% FPL
	QHP Premium Assistance	-	300% FPL
	MSP Expansion	135%	195% FPL
	VT Cost Sharing Reduction		300% FPL

*Not yet implemented 5

Mandatory/Optional Medicaid Services

Mandatory Services
Inpatient hospital services
Outpatient hospital services
Rural health clinic services
Nursing facility services
Home health services
Physician services
Early and Periodic Screening, Diagnostic, and Treatment (EPSDT) services
Federally qualified health center services
Laboratory and X-ray services
Family planning services
Nurse midwife services
Certified pediatric and family nurse practitioner services
Freestanding birth center services (when licensed or otherwise recognized by the state)
Transportation to medical care

Optional Services	
Prescription drugs	Chiropractic services
Clinic services	Other practitioner services
Physical therapy	Private duty nursing services
Occupational therapy	Personal care
Eyeglasses	Hospice
Respiratory care services	Case management
Other diagnostic, screening, preventive, and rehabilitative services	Services for individuals age 65 or older in an institution for mental disease (IMD)
Podiatry services	Services in an intermediate care facility for individuals with an intellectual disability
Optometry services	Health homes for enrollees with chronic conditions
Dental services	Speech, hearing, and language disorder services
Tobacco cessation counseling	Inpatient psychiatric services for individuals under age 21
Prosthetics	Self-directed personal assistance services
<p>NOTE: Under Medicaid, states are required to cover MANDATORY benefits and may choose to cover OPTIONAL benefits.</p>	

Waiver-Only Services

Waiver Service
Investments
Permanent Supportive Housing
Medical Respite*
Rent*

*Not yet implemented