



**FY27 BUDGET BILL
VCP REQUEST**

January 29, 2026

www.vermontcarepartners.org

Please support an inflationary increase, based on the Medicare Economic Index, for Designated and Specialized Service Agencies:

Bottom Line

Designated and Specialized Service Agencies deliver 24/7 crisis services, ongoing mental health care, intellectual and developmental services, and substance use treatment in every region of the state. These services are required by statute and/or contract and are foundational to Vermont's health and human services system.

The Ask

For FY27, a 3.5% Medicaid rate increase is needed to work toward stability of our system of care - this equates to roughly \$5.8M in General Fund dollars.

The Impact

An inflationary increase helps to improve Vermonters' access to essential care, stabilization of the workforce, and prevention of service reductions across the state.

The Drivers Behind This Request:

As the state implements new payment models for services, other critical programs remain funded through base appropriations that do not automatically adjust for inflation. This creates a growing gap: some services are updated to reflect rising costs, while others must absorb those same pressures without adjustment.

More than 80% of provider budgets are personnel costs, meaning inflation directly affects the ability to hire and retain the staff needed to deliver care.

Key Pressures on the System

- Rising wages and benefits across the healthcare and human services workforce
- Escalating operating costs, including health insurance, utilities, transportation, and technology
- Workforce competition with hospitals, schools, and private employers
- Increasing service demand and complexity, without corresponding base funding growth
- Programs outside recent payment reforms have no mechanism to absorb these costs without cutting staff or services

