
**Report to
The Vermont Legislature**

**Update on Premium Pay for Workforce
Recruitment and Retention**

**In Accordance with
ACT 83 OF 2022, SECTION 72**

Submitted to: Joint Fiscal Committee

Submitted by: Secretary Jenney Samuelson, Agency of Human Services

Prepared by: Fran Hodgins, Seán Sheehan, and Wendy Trafton

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Overview

Signed by Governor Scott on March 16, 2022, Section 72 of Act 83 of 2022 allocates \$60 million for a workforce recruitment and retention program for certain categories of health care and social service employers impacted by COVID-19. Of the funds made available, \$45 million are allocated for a first round of funding with a potential second round of funding for up to \$15 million in needs-based grants. These employees' efforts were instrumental throughout the public health emergency and remain vital to Vermonters' health, independence, and quality of life. However, this sector suffers from severe worker shortages. Since March, the Agency of Human Services (AHS) has been working to develop and launch the Premium Pay for Workforce Recruitment and Retention Program.

On April 15, 2022, AHS submitted an [Update on Premium Pay for Workforce Recruitment and Retention](#) to the legislature, describing early program design, application development, and stakeholder engagement. In accordance with Section 72 (g)(2) of Act 83 of 2022, this report provides a subsequent update to the Joint Fiscal Committee on the program's status. Highlights include:

- Application portal went live on May 18 as planned;
- Program responded to applicant and stakeholder feedback, including requests to count vacant positions, allow for lump sum and quarterly payment options, and extend application deadlines;
- Initial payments of \$3.5 million were issued to the first 54 successful applicants in late June, following grant letters awarding \$5.6 million to these providers;
- Nearly two-thirds of all applicants have received notice of approved grants, and AHS continues to help the remaining eligible applicants validate state and federal requirements so they can be approved in July;
- There was no funding deficiency for the first round of grants; AHS will announce the second round of need-based grants this summer.

Program Integrity and Medicaid Match

The Premium Pay for Workforce Recruitment and Retention program utilizes three funding sources: 1) State Fiscal Recovery (SFR) funds, 2) Home and Community-Based Services Federal Medical Assistance Percentage (HCBS FMAP) funds from Section 9817 of the American Rescue Plan Act, and 3) General Fund. Both SFR and HCBS FMAP funding sources have restricted uses per the U.S. Treasury and Centers for Medicare and Medicaid Services (CMS) respectively. AHS worked with the Agency of Administration to determine allowable uses for SFR funding and then developed program guidance, operational procedures, and an application process that is compliant with allowable uses of funding. These restrictions require AHS to ensure that grant recipients only use SFR funding to distribute premium pay to eligible workers after eligible work is performed, in alignment with the maximum allowable pay outlined in the [Coronavirus State and Local Fiscal Recovery Funds Final Rule](#). They also require AHS to ensure that HCBS FMAP funding is only provided to HCBS providers and not to other providers eligible for this program as established by the legislature.

On May 26, AHS received approval from CMS for this program to receive federal match under the State's Global Commitment to Health Section 1115 Waiver Demonstration, a critical step to ensuring coverage for the full gross cost of the program.

The legislature's appropriation of \$25 million from HCBS FMAP funds was greater than the funding allocated in the approved HCBS Spending Plan. Therefore, on April 18, AHS submitted a revised HCBS Spending Plan to CMS to reflect the increased allocation of funds for recruitment and retention to \$25 million. We anticipate that CMS will provide a response to this revision in the coming weeks.

Application Design and Launch

To prepare for the grant program, AHS consulted state and federal requirements, reviewed feedback on previous economic recovery grant programs, and met with health care provider associations. Stakeholders recommended that applicants be permitted to count vacant positions in their tally of full-time equivalents in order to direct more funding to understaffed providers. Stakeholders also encouraged flexibility to allow applicants to choose between lump sum and quarterly disbursements to the provider organizations. Each payment option has its advantages. Lump sum payments carry the benefit of a faster infusion of funds to struggling organizations along with minimal reporting requirements. The quarterly option, on the other hand, allows organizations to offer multiple premium payments to employees throughout the year and secure ongoing commitments from employees to work additional quarters. AHS confirmed it had the authority and the logistical capability to support both requests and then operationalized the two features.

AHS collaborated with the Agency of Digital Services (ADS) to develop an online application using the Salesforce platform. The Salesforce program was supplemented with functionality that will allow grant awardees to upload quarterly reports and allow AHS to reconcile quarterly payments as required. The application prompted providers to choose between a single lump sum payment that must be disbursed in 90 days or quarterly payments that must be disbursed within 12 months. AHS plans to compare vacancy rates and annual changes in vacancy rates across the employers who choose each option.

Applicant Support

AHS worked with departmental staff and provider associations to inform eligible providers about the grant opportunity. AHS staff held four town hall meetings between May 12 and June 27 to prepare eligible providers for the application process, educate applicants about state and federal requirements, and help potential awardees prepare premium payments for eligible employees. All application information was posted to the website in advance of the application period to give applicants more time to prepare their applications. Further information about the program, including guidance documents are posted online at: [Premium Pay for Workforce Recruitment and Retention | Agency of Human Services \(vermont.gov\)](https://www.vermont.gov/premium-pay-for-workforce-recruitment-and-retention).

AHS originally targeted a May 18 - May 26 application period, then extended the period at the request of interested providers. The grant application portal opened on May 18 as planned and accepted applications through June 1. After hearing from a small number of potential applicants that had

intended to apply but missed the deadline, AHS reopened the application portal for an additional two-day period in mid-June.

Ultimately, 151 organizations applied for grants. Preliminary analysis of these applicants and their subsidiary companies indicates that over 80% of Vermont's eligible employers applied for grants. AHS has confirmed the completeness, accuracy, and appropriateness of the majority of applications and is working with a subset of applicants on required modifications to the submitted materials. While the exact figures will shift once vetting and corrections are complete, the amounts requested in the first round of applications total \$33.8 million (or \$2,000 per each of the 16,905 full-time equivalent positions, including vacancies).

Awards to Date

As of this writing, AHS has issued grant payments to 54 provider organizations. Thirty-two of the initial awardees had selected a lump sum payment while 22 chose the quarterly option. The first round of awards totaled \$5.6 million, with \$3.5 million issued to providers in late June. Additional quarterly distributions to the 22 awardees that elected to receive quarterly payments will total \$2.1 million.

AHS has also notified an additional 38 providers that they have been approved for awards worth \$10.0 million. Initial payments to these providers will be issued in July.

With nearly two-thirds of all applicants having received approval of \$15.6 million in grants, this leaves an additional \$29.4 million of the \$45 million in round one funding available for distribution. AHS anticipates approving approximately \$18 million more to applicants in July and issuing payment per the awardees' preferred cadence. There are no funding deficiencies for the first round of grants.

Plans for Needs-Based Application

Act 83 of 2022 made a second round of funding available for up to \$15 million in needs-based grants. AHS will initiate a needs-based application process this summer.