

Agency of Human Services – Vermont's Global Commitment Waiver – Financial Perspective

Rural Health Committee

December 6, 2019

State Medicaid Waivers Give States Flexibility and Financial Support in Exchange for Budget Neutrality and/or Savings

- Why does Vermont have a Waiver?
 - Medicaid is traditionally limited to what is approved by CMS in the Medicaid State Plan – mandatory and optional populations and services. Federal financial participation (ffp) is automatically guaranteed.
 - A Waiver can be granted to seek ffp for populations and services that are not authorized under the State Plan (i.e. **Investments**, Marketplace subsidy, CRT (133-185 federal poverty limit), Global Rx)
- When the GC Waiver was extended at the end of CY 2016, CMS implemented a new Budget Neutrality framework with the goals of:
 - Strengthening fiscal accountability with States
 - Preventing the federal government's exposure to excessive expenditures under an 1115 demonstration

The 1115 Waiver Sets How Budget Neutrality is Calculated

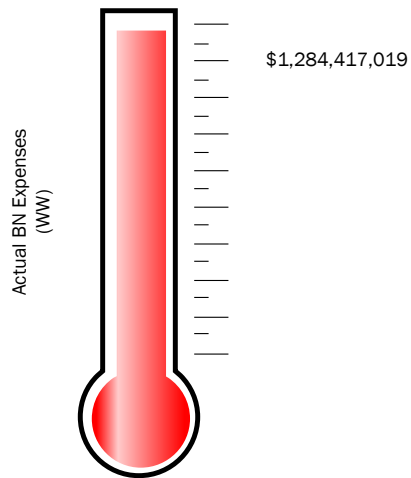
- Longstanding CMS policy requires that Medicaid Section 1115(a) demonstrations be budget neutral to the federal government; meaning that federal Medicaid expenditures for a state cannot be allowed to exceed what would have occurred without the waiver.
- The “without waiver” budget ceiling is calculated using a CMS and State agreed upon methodology with growth trends that estimate what the cost of Medicaid services would be absent the demonstration.
- For a waiver to be budget neutral, actual Medicaid service expenditures – plus the cost of any expenditure authorities authorized under the demonstration – cannot be greater than the projected “without waiver” expenditures.

Bottom Line: 1115 Waivers and Budget Neutrality

- Situation
 - The new cap is real and we are approaching it
- Complications
 1. We have to manage to the cap
 2. The problem to solve has changed:
 - a) Old 1115 Waiver created plenty of room for spending if you could find state dollars to get FFP
 - b) New waiver has very little room for spending and leaders need to be mindful of the cap in all decisions
- Result
 - Analyze every Medicaid policy decision against the cap – including investments
 - Each investment pushes us closer to the budget neutrality cap and needs to be examined carefully

Budget Neutrality

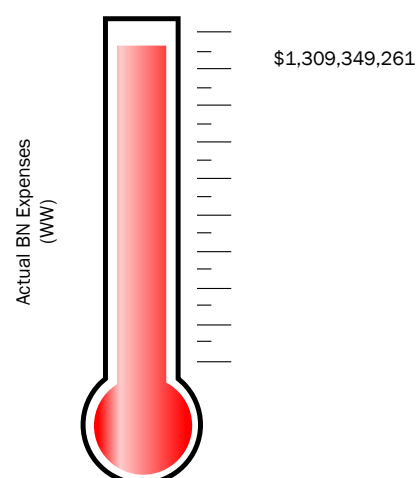
\$1,405,628,349 (Actual BN Limit WOW)



JAN - DEC 2018

(Difference) Savings:
\$121,211,330 or 9%

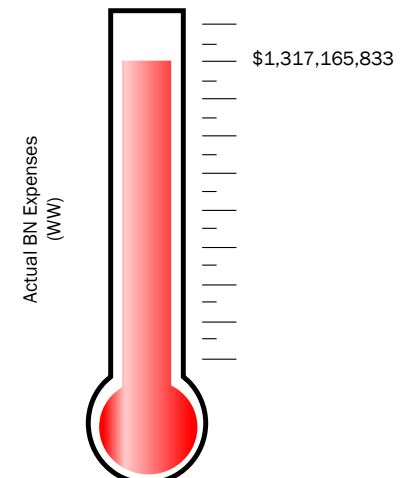
\$1,424,229,672 (Projected BN Limit WOW)



JAN - DEC 2019

(Difference) Savings:
\$114,880,411 or 8%

\$1,486,493,929 (Projected BN Limit WOW)



JAN - DEC 2020

(Difference) Savings:
\$169,328,096 or 11%

Investments Summary

- Within the Budget Neutrality limit is a sub-limit for Investment spending
- Amounts cannot be rolled over from DY to DY
- Accounts for the following known changes:
 - Brattleboro Retreat rate increase
 - Brattleboro additional bed capacity
 - Delivery System Reform Investments
 - SUD IMD expenses to be claimed as GC Program
- Still negotiating % of Mental Health IMD phasedown in CY2021 (assumes 5% beginning in CY2021)

	CY2017	CY2018	CY2019	CY2020	CY2021
Annual Investment Limit	\$ 142,500,000	\$ 148,500,000	\$ 138,500,000	\$ 136,500,000	\$ 136,500,000
Projected Spending	\$ 142,332,671	\$ 148,500,000	\$ 138,195,371	\$ 131,177,478	\$ 115,144,971
Balance	\$ 167,329	\$ 0	\$ 304,269	\$ 5,322,522	\$ 21,355,029

Timeline for 1115 Waiver Renewal

- Current Waiver expires on 12/31/2021
- AHS is currently in the planning phases and will be requesting legislative authority in FY21 Big Bill
- Negotiations with CMS will begin in January 2021
- New waiver should be in effect on 1/1/2022

Considerations for 2022 Renewal

- Budget Neutrality Cap
 - Longstanding CMS policy requires that Medicaid Section 1115(a) demonstrations be budget neutral to the federal government; meaning that federal Medicaid expenditures for a state cannot be allowed to exceed what would have occurred without the waiver.
 - For a waiver to be budget neutral, actual Medicaid service expenditures – plus the cost of any expenditure authorities authorized under the demonstration – cannot be greater than the projected “without waiver” expenditures.
- Rebasing
 - CMS plans to rebase Vermont’s budget neutrality in 2020. This will result in a lower overall budget neutrality limit.
 - In order to continue to receive FFP on with waiver programs in 2022, Vermont will need to find additional savings in without waiver costs.
- Federal Administration