



State of Vermont

Department of Vermont Health Access

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Agency of Human Services

August 31, 2022

Jessica Holmes, Ph.D.

Interim Chair

Green Mountain Care Board

Dear Interim Chair Holmes,

Disproportionate Share Hospital Payments

Each year, the Department of Vermont Health Access (DVHA) utilizes a federally approved, annually audited methodology for distributing Disproportionate Share Hospital (DSH) payments. For the last several years, the amount of funding appropriated for DSH payments has been \$22.7 million, and a distribution of that amount was made in the first quarter of federal fiscal year (FFY) 2022.

The federal government sets each state's Medicaid limit for DSH payments on a FFY cycle. For FFY 2022, Vermont's preliminary Medicaid DSH limit was approximately \$48 million. In recognition of fiscal pressures on Vermont's hospital system and based on the availability of specially appropriated system stabilization funds in the current state fiscal year, DVHA will be issuing a one-time, additional DSH distribution of approximately \$23.7 million to DSH-eligible hospitals within FFY 2022, bringing the total FFY distribution to approximately \$46.4 million.¹ Hospitals eligible to receive DSH payments have been notified of their respective one-time DSH payment amounts.

DVHA will be issuing another disbursement of regularly scheduled DSH payments totaling \$22.7 million in the first quarter of FFY 2023.

Graduate Medical Education Payments

DVHA contracts with the University of Vermont (UVM) and the University of Vermont Medical Center (UVMMC) to issue payments to support Graduate Medical Education (GME) provided by UVM in conjunction with Vermont's only public academic medical center.² The GME payment mechanism relies on Intergovernmental Transfers (IGTs) from UVM to DVHA as the source of the state funds that are matched with federal funds. Each year, payments are issued to UVMMC in four equal quarterly disbursements and calculations are completed based on a federally approved methodology. Since 2011, DVHA's total annual

¹ [22-082-Proposed-GCR-One-Time-DSH-FFY-2022.pdf \(vermont.gov\)](#)

² [GME SFY22_SF25 Contract Final.pdf \(vermont.gov\)](#)

spending authority for GME payments has been \$30 million. However, the methodology consistently demonstrates that the total GME payment could exceed that threshold.

In the current state fiscal year (SFY 2023), DVHA, UVM, and UVMMC have agreed to change the GME payment schedule for the contracted \$30 million such that the full amount will be disbursed in the final quarter of hospital fiscal year 2022 and the GME contract has been amended accordingly.³ This allows the approved funding to be more immediately available to UVMMC as the hospital closes its fiscal year in September 2022. Beginning in hospital fiscal year 2023, DVHA plans to seek Global Commitment spending authority via the Budget Adjustment Act for SFY 2023 to increase the annual GME amount from the current \$30 million to approximately \$51 million (the full amount of GME payment potential demonstrated by the approved calculation methodology for SFY 2023). This mechanism will not require any additional General Fund dollars. If authorized, the remaining \$21 million would be disbursed to UVMMC in the second or third quarter of hospital fiscal year 2023.

Medicaid Reimbursement for Hospitals

For the last several years and throughout the public health emergency, DVHA has remained committed to maintaining Medicaid rates and implementing increases when possible based on the availability of funds. The following is a summary of rate increases that have interacted with hospital reimbursement since the beginning of 2021:

- 7/1/2021 update to payment for outpatient dental services⁴
- 1/1/2022 update to the Medicaid professional fee schedule⁵
- 1/1/2022 update to the Medicaid Outpatient Prospective Payment System⁶
- 7/1/2022 implementation of per diem payments for Medicaid members in Emergency Department settings waiting for inpatient psychiatric placements

Moreover, Vermont Medicaid has demonstrated its commitment to predictable payments to hospitals through DVHA's Vermont Medicaid Next Generation (VMNG) ACO program. In this model, DVHA makes fixed, unreconciled prospective payments to hospitals through its contract with OneCare Vermont. These fixed payments offered additional revenue predictability to hospitals as the health system shut down in 2020 and have been available consistently as services have resumed.

Thank you,



Andrea DeLaBruere
Commissioner, Department of Vermont Health Access

³ [GME Amendment 1 Final Clean.docx.pdf \(vermont.gov\)](#)

⁴ [21-029-Final-GCR-Dental-OPPS-methodology.pdf \(vermont.gov\)](#)

⁵ [21-036-Final-GCR-RBRVS-CY2022.pdf \(vermont.gov\)](#)

⁶ [21-034-Final-GCR-OPPS-CY2022.pdf \(vermont.gov\)](#)