



State of Vermont
Agency of Human Services

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Jenney Samuelson, *Secretary*
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April 1, 2022

Susan Barrett
Executive Director
Green Mountain Care Board

Dear Executive Director Barrett,

Thank you for the question you relayed on behalf of the members of the Green Mountain Care Board (GMCB) about the mid-year commercial rate adjustments proposed by Rutland Regional Medical Center, the University of Vermont Medical Center, and Central Vermont Medical Center. I understand that the Board is asking whether there are any alternative sources of funding to offset these rate increases either from available federal funds or through Vermont Medicaid.

The past two years of global pandemic have no comparison in recent history. Through the partnership and collaboration of state agencies and the health care system, Vermont has maintained one of the lowest COVID-19 death rates in the country. This work has been difficult, and people have made sacrifices for the greater good. In particular, health care professionals have maintained care and compassion at the bedside and have been crucial partners in the testing and vaccine response.

To support providers' efforts and offset financial impacts of COVID-19, the Agency of Human Services (AHS) has issued more than \$100 million in federal funding to hospitals over the course of the last two years. Given the extensive investments to date, AHS does not have additional federal funds to offset rate increases requested as mid-year adjustments. The costs outlined in the hospitals' requests for mid-year adjustments, including wage inflation, have been influenced by COVID-19 and the labor shortages it has caused. AHS urges hospitals to continue to pursue Federal Emergency Management Agency (FEMA) funding and to fully exhaust this option to alleviate cost pressures resulting from the pandemic.

Speaking directly to the Board's interest in whether Medicaid can increase its rates to offset the mid-year rate adjustments as requested, I emphasize the following three points:

- 1.) The State is required to manage spending within a budget neutrality cap for its Global Commitment to Health 1115 Demonstration Waiver. The budget neutrality cap is a primary concern when considering any new investment or adjustment to Medicaid rates, particularly as AHS is actively negotiating the terms of renewal for Vermont's waiver. I do not anticipate final terms prior to June, 2022.
- 2.) The Department of Vermont Health Access (DVHA) has already increased Medicaid payments for services offered by hospitals in 2022 and provides Disproportionate Share Hospital (DSH) payments to address a portion of the shortfall that hospitals experience from government payment rates.

- 3.) DVHA is leading the way in the transition to value-based payments through providing fixed, prospective payments for hospitals—this creates a predictable and stable revenue stream when service patterns are disrupted as evidenced by COVID-19.

In the attached document I go into more detail on each of these items – Health Care Stabilization Funding, Global Commitment to Health 1115 Waiver Demonstration Parameters, Medicaid Rate Increases, Disproportionate Share Hospital Payments, and Health Reforms in the form of alternate payment models.

In partnership with the GMCB, I am committed to advancing payment and delivery system transformation to improve health outcomes and moderate cost-growth trajectories to benefit all Vermonters. Health care spending growth should be more aligned with economic growth. As Vermont moves into recovery and revitalization from COVID-19, it is imperative that health care cost pressures are balanced against the need for further economic development. Without improvements in the economy, Vermonters cannot afford the trajectory of health care costs. Increases in rates, combined with broad inflationary and workforce pressures and the lack of economic development in our most rural communities, puts us on an unsustainable path. We need to continue aggressively pursuing health care reform, grounding our system in predictable, prospective payments while addressing Vermont's economic challenges.

To this end, I encourage the GMCB to carefully consider the proposals from the hospitals for mid-year adjustments – particularly in light of the available FEMA funding, and extensive support that has been provided by state and federal funding mechanisms – and weigh the need for short-term stabilization versus long-term sustainability.

Thank you,



Jenney Samuelson, Secretary, Agency of Human Services

Attachment

AHS Health Care Stabilization Funding

As you are aware, AHS has supported providers through early financial relief, and ongoing health care provider stabilization programming.

- Between March 2020 and December 2021, AHS invested \$185M in support of Vermont's health care system.
- Of this \$185M, \$105M was invested in hospitals.
- Of this \$105M, \$90.4M was invested specifically in the three hospitals currently requesting mid-year commercial rate adjustments.
- AHS is providing additional financial support to hospitals for expanding ICU capacity during the most recent COVID-19 surge.
- AHS has provided additional support to hospitals with staffing through the Federal Emergency Management Agency (FEMA), the State of Vermont and the National Guard.
- In addition to monies and support directed to health care providers by the State of Vermont, hospitals have also been awarded a total of \$183.4M in direct relief from the U.S. Department of Health and Human Services.

Global Commitment to Health 1115 Demonstration Waiver Parameters

The state and federal Medicaid program in Vermont is administered through the Medicaid State Plan and the Global Commitment to Health 1115 Demonstration Waiver. This framework allows more flexibility to meet the needs of Vermonters enrolled in the Medicaid program. AHS is currently negotiating a renewal of its 1115 waiver that will include a budget neutrality cap. Per the terms of any 1115 Demonstration Waiver, if spending exceeds the cap, then any health expenditures above the cap will be the sole responsibility of the State. In this case, the state would need to identify new state funding to cover entitlement services which will impact the budget and taxpayers.

If Medicaid were to increase rates to meaningfully impact the 9-10% increases hospitals proposed as mid-year budget adjustments, the State could find itself at risk hitting or exceeding the budget neutrality cap. Having one provider group consume the gap between planned expenditures and the cap would impact the State's ability to consider proposed rate increases necessary to ensure the solvency of non-hospital providers to include, mental health, substance use treatment, and home and community-based services providers.

DVHA Rate Increases in 2022

The Department of Vermont Health Access (DVHA) has already increased Medicaid payments for services offered by hospitals in 2022. As the GMCB knows, hospitals own a large proportion of the primary care practices operating in the State of Vermont. DVHA prioritizes maintaining primary care reimbursement rates at 100% of Medicare's rates and as a result is a national leader in Medicaid primary care reimbursement. In January 2022, Resource-Based Relative Value Scale (RBRVS) professional fee schedule updates represented a 9.0% overall increase and included rate changes for both primary care and specialty providers employed by hospitals.¹

¹ <https://humanservices.vermont.gov/sites/ahsnew/files/documents/MedicaidPolicy/GCRProposedPolicies/21-036-Proposed-GCR-RBRVS-CY2022.pdf>

DVHA has prioritized keeping outpatient rates for Critical Access Hospitals (CAH) greater than or equal to 110% of Medicare and attempts to accommodate increases for other hospital peer groups to the extent the budget allows.

In 2022, Medicaid outpatient payments increased by 1.6%.²

Disproportionate Share Hospital (DSH) Funding

Vermont Medicaid issues Disproportionate Share Hospital (DSH) payments that are intended to address a portion of the shortfall hospitals experience for providing care to Medicaid-enrolled and uninsured individuals. In recent State Fiscal Years, DSH payments to Vermont hospitals have totaled approximately \$22.7M annually. In 2022, UVMMC received \$11,219,802, CVMC received \$1,554,183, and RRMC received \$3,342,142 in DSH payments.

DVHA Alternative Payment Model Health Reform

DVHA began fixed prospective payments for hospitals participating in the Vermont Medicaid Next Generation (VMNG) Accountable Care Organization (ACO) model in 2017. Today, VMNG includes approximately 70% of Medicaid beneficiaries and all 14 hospital service areas in the state. DVHA negotiates with OneCare Vermont to establish the price for health care services for these Vermonters, including hospital services. This model affords hospitals both revenue predictability and flexibility to provide high quality and high value care. DVHA's commitment to predictable, fixed prospective payments surpasses that of any other payer. These types of payments helped to sustain hospitals during periods in the pandemic when there would have been shortfalls in the usual fee-for-service based payment systems.

² <https://humanservices.vermont.gov/sites/ahsnew/files/documents/MedicaidPolicy/GCRFinalPolicies/21-034-Final-GCR-OPPS-CY2022.pdf>