Costs and Contract Staffing for Private Nonmedical Institutions

In Accordance with Act 185

Submitted to: The Joint Fiscal Committee

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INTRODUCTION

The Division of Rate Setting in the Department of Vermont Health Access has responsibility for setting and maintaining rates for private nonmedical institutions (PNMI) in accordance with the Vermont Private Nonmedical Institutions Rule (V.P.N.M.I.R). There are 12 PNMI programs in Vermont offering residential care to youth and adolescents. In accordance with the rule, rates are based on each program’s unique historic costs and include components for treatment (paid using Medicaid program funds, primarily by the Department for Children and Families and the Department of Mental Health), room and board (paid using General Funds), and education (paid by the Agency of Education).

Section E.300.1 of Act 185 of 2022 requires the Agency of Human Services to report on a plan to address costs associated with contract staffing for private nonmedical institutions. The plan shall include a timeline to address the rate setting process for future ongoing base costs starting in State fiscal year 2023.

ASSESSMENT OF CONTRACT STAFFING COSTS

The Agency of Human Services, in consultation with the Division of Rate Setting, the Department for Children and Families, and the Department of Mental Health, is not aware of PNMI programs that are presently utilizing contract staffing. Over the pandemic contracted staffing, has been utilized at PNMI throughout the state, both on an emergent basis from the State’s staffing contract, as well as through contracts between PNMI providers and contract agencies directly. Since the beginning of calendar year 2022, the State has been working with providers who have been leveraging contracted staffing to create phasedown/staffing sustainability plans to reduce the reliance on contractor staffing.

Mechanisms exist within the rate setting rule that allow rates to be adjusted when providers’ cost structures change (rate adjustments) or when organizations are experiencing other fiscal pressures (extraordinary financial relief). These avenues are available to providers to address contract staffing costs. Since the beginning of calendar year 2022, three PNMI programs have requested rate adjustments and six have applied for financial relief. Through approved rate adjustments and financial relief applications in the calendar year to date, an additional $2.8 million has been added to the PNMI system of care.

1 Adopted V.P.N.M.I.R. Effective 9.8.15.pdf (vermont.gov)
Presently, PNMI rate setting rules have not accounted for inflation when using historical costs to set rates. The Division of Rate Setting, in collaboration with DCF, DMH, and the Agency of Education, and stakeholders will work to address base pressures in light of current workforce challenges and unprecedented inflationary pressures following the pandemic. PNMI rates, which are set on a state fiscal year (SFY) cycle, are based on the audited financial statements and cost reports from approximately two years earlier which places pressure on provider’s cashflow in terms of timely reimbursement. AHS is considering addressing this through a variety of approaches in SF23 and SF24 including a rate analysis intended to incorporate an annual inflationary adjustment that will track with national indicators of inflation.

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<tr>
<th>SFY 2023</th>
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<td>Q1</td>
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<tr>
<td>Develop methodology for to address base cost pressures &amp; draft rule language</td>
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<td>Rule promulgation, including stakeholder engagement, committee review &amp; hearings</td>
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<td>Finalize budget estimates for SFY ’24 methodology change</td>
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<td>File final rule</td>
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<td>Implement SFY ’24 rates using new inflation methodology*</td>
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*Contingent upon appropriations.