

July 31, 2025
Emergency Board Meeting
Report on Medicaid for Fiscal Year 2025

Prepared by:
The Joint Fiscal Office
The Agency of Human Services
The Department of Vermont Health Access

32 V.S.A. § 305a(c) requires a year-end report on Medicaid and Medicaid-related expenditures and caseload. Each January, the Emergency Board is required to adopt specific caseload and expenditure estimates for Medicaid and Medicaid-related programs. Action is not required at the July meeting of the Emergency Board unless the Board determines a new forecast is needed in July. The data in this report reflects the most current fiscal year 2025 information. The comparison of fiscal year 2025 actuals to budgeted amounts reflects the changes made through the budget processes. Though unlikely, there may be further adjustments to actual year-end amounts as the close-out for the fiscal year is finalized. If necessary, changes will be included in a subsequent report.

Executive Summary

Legislative and Executive Branch staff have a long history of working together closely to interpret both short- and long-term trends on caseloads, expenditures, and revenues. The bullet points below provide a summary for fiscal year 2025 regarding Vermont's Medicaid, Global Commitment Waiver (GC), Children's Health Insurance Program (CHIP), and other related programs. This report also highlights a few issues to be aware of for the future. Detailed multi-year charts for overall program expenditures, enrollment, and year-end positions are included at the end.

- **Expenditures:** Overall fiscal year 2025 Medicaid and Medicaid-related estimated expenditures totaled \$2.45 billion (Exhibit 1), \$890,685 (0.04%) more than the budgeted amount (as adjusted by the Big Bill). This represents a 5.4% increase in spending over fiscal year 2024.
 - GC Waiver spending came in just under the adjusted targets (-0.2%), but there were higher fluctuations within each category. For example, GC Program spending and GC Investments came in \$3.9 and \$2.98 million above adjusted targets respectively, while Vermont Premium Assistance and Choices for Care came in \$1.36 and \$4.4 million below.
 - Overall program administration ran around 7%, which is consistent with fiscal years 2022, 2023, and 2024.
 - State-only funded Pharmacy costs came in \$5.8 million above what was budgeted because of a one-time refund of State-only rebates dating back to 2014.
 - CHIP ran \$2.9 million above expectations.
- **AHS GC General Fund Position:** The unexpended General Fund in the Agency of Human Services (AHS) GC line being carried forward into fiscal year 2026 is \$12.6 million, representing 1.8% of the GC General Fund budget. \$1.7 million will be used

as match for encumbered GC purchase orders within Agency departments, \$3.6 million will be for Choices for Care carryforward (\$9.6 million GC), \$1.9 million will be for the June 2025 Buy-In payment made in July (\$4.6 million GC), \$927,042 will be used as match for the Independent Care Workers bonuses (AFSCME CBA) paid out in July (\$2.3 million GC), and \$209,904 to offset fiscal year 2026 budget adjustment pressures. AHS has submitted a carryforward plan to the Agency of Administration (AoA) for the remaining funds.

- **Caseload:** Vermonters are eligible for coverage through Medicaid programs in a variety of ways – subject to income limits. Most Medicaid beneficiaries receive full or primary health care coverage through the program while other beneficiaries, whose primary coverage is from other sources such as Medicare or commercial plans, are eligible for supplemental coverage.

Fiscal year 2025 caseloads for all eligibility groups tracked very close to projections. Overall enrollment continued a post-pandemic trend of decreases in almost every eligibility group, save for CHIP enrollees and Aged Blind Disabled (ABD) adults. CHIP is a small category, but it is notable that enrollment increased by 18%. The increase in ABD adults was more modest (4%). Enrollment in Medicaid as a primary source of coverage decreased by roughly 12,000 beneficiaries (-8%) compared to fiscal year 2024, the majority of which were in the adult categories.

- **Health Care Revenues:** Health care revenues – which include cigarette and tobacco taxes, the health care claims tax, the employer assessment, and provider taxes – were previously deposited into a special fund. In 2019 these were redirected into the General Fund. As such they are now part of the General Fund forecast.

Provider taxes are currently paid by hospitals, nursing homes, pharmacies, and ambulance services. Hospital provider tax projections, which account for the majority of provider taxes, always have some level of volatility. The forecast is based on what hospitals will be billed by AHS, which is based on the Green Mountain Care Board's (GMCB) budgeted estimates. These are later reconciled based on actuals for the first three quarters, which may differ significantly from what was budgeted. Additionally, projections do not take into consideration hospitals that are in arrears. Provider taxes in general came in 1.5% above forecast, mostly driven by hospital provider taxes which came in \$3 million above projections. Overall, these revenues increased by 7% from fiscal year 2024. Most of the increase was from the hospital provider tax since it is the largest source of revenue among these sources.

The employer assessment came in approximately \$1.1 million (3.7%) higher than projected. The annual assessment increase is indexed to the rate increase of the second-lowest cost Silver Plan, whether offered inside or outside the Vermont Health Benefit Exchange. Looking forward, fiscal year 2026 employer assessment revenues will depend on both GMCB's final rate decision and continually evolving workforce environments, since employers pay an assessment based on the number of full-time equivalents (FTEs) they employ who lack health coverage or are covered by

Medicaid. BlueCross BlueShield of Vermont has requested an average annual rate increase of 23.3% for its individual market plans while MVP Health submitted a request for an average rate increase of 6.2% for its individual market plans.

The claims assessment came in on target and cigarette and tobacco taxes ended very close to expectations (1.4% above target). Clarification regarding the taxation of nicotine pouches added some revenue and slightly cushioned long-term decline in tobacco-related revenue sources. Nonetheless, cigarette and tobacco taxes still closed the year 3.6% below fiscal year 2024 levels.

- **FMAP:** The Federal Medical Assistance Percentage (FMAP) reflects the share of costs the federal government will pay for eligible Medicaid expenses. The rate for each state is based on a three-year average of state per capita income levels in comparison to the overall national level. No state's rate can be lower than 50%. The income data used for this calculation lags the present by several years and is often countercyclical.

Vermont's base FMAP for fiscal year 2024 was 57.83% federal share and 42.17% State share. A change of 1% in the base rate can impact the General Fund budget by as much as \$19 million. There are instances where the FMAP is higher or enhanced due to federal action, such as the 90% federal share for Childless New Adults under the Affordable Care Act (ACA), 70.48% federal share for CHIP, and State-specific agreements with the Center for Medicare and Medicaid Services (CMS) for certain types of administrative expenditures.

Looking Ahead

- **Federal Reconciliation and Federal Funding:** The Federal Reconciliation Bill was signed into law on July 4, 2025. The bill contains a number of provisions that could impact Vermont's Medicaid program in three primary ways: 1) loss of health insurance coverage; 2) loss of federal investment in Vermont's health care system, and 3) increase in administrative burden for Medicaid beneficiaries, providers, and State employees. Executive and Legislative branch staff are working to better understand both the immediate and long-term implications for Vermonters.
- **FMAP:** FMAP rates increase some years and decrease in others. Fortunately, Vermont's base FMAP for fiscal year 2026 will increase for the third year in a row (+0.82%). However, preliminary estimates from Federal Funds Information for States (FFIS) indicate the federal fiscal year 2027 FMAP could decrease by .81%, which would put pressure on the General Fund in fiscal years 2027 and 2028. The enhanced FMAP states received as part of the COVID-19 federal relief ended in December 2023.
- **Health Care Revenues:** While the federal reconciliation bill is not expected to impact hospital provider tax revenues in fiscal years 2026 or 2027, states will begin to feel the impacts in fiscal 2028 when the provider tax will be reduced from 6% to

5.5% and an additional 0.5% per year through 2032, when it reaches the 3.5% threshold. The new federal law will not impact Vermont's other provider taxes. The ambulance provider tax is already below 3.5% (3.3%) and the nursing home provider tax was exempt from the bill. That said, hospital provider taxes make up the lion's share of provider tax revenues to the State. Executive and Legislative branch staff will continue to work to refine the estimated fiscal impacts of these changes.

Regarding cigarette and tobacco taxes, the State economists expect a rapid growth in nicotine pouch consumption as the industry invests billions of dollars in ramping up manufacturing and marketing of the newest products. However, revenue effects may be muted as these products supplant other tobacco products, especially e-cigarettes. It should also be noted that these products are not as aggressively taxed as cigarettes. Nonetheless, the economists predict that over the five-year forecast period, nicotine pouch revenues will continue to soften the long-term decline in overall tobacco-related tax revenues, adding between \$1 to \$3 million per year relative to prior projections.

- **Pharmacy:** AHS is in the early process of re-procurement of Pharmacy Benefit Management (PBM) services.

Exhibit 1

Average Medicaid Caseload

(Based on Monthly Enrollment and Staff Group projections)				FY26 Bud. Est.		
	actual	actual	actual	Ebrd Jan'25	actual	Ebrd Jan'25
	FY22	FY23	FY24	FY25	FY25	FY26
Full/Primary Coverage (note1)	<i>Redeterminations suspended during pandemic emergency</i>					
Adult						
Aged, Blind, or Disabled (ABD) Adults	6,108	6,401	7,116	7,529	7,402	7,577
General Adults	16,837	18,626	14,100	11,098	12,351	11,098
New Adult Childless	47,797	50,596	41,426	36,205	35,417	34,166
New Adult w/Children	24,540	25,925	24,217	22,298	21,348	20,198
Adult subtotal	95,282	101,548	86,859	77,130	76,519	73,039
	13.4%	6.6%	-14.5%		-11.9%	
Children						
Blind or Disabled (BD) Kids	1,542	1,619	1,930	1,907	1,928	1,882
General Kids (note 2)	61,895	62,070	57,734	54,751	55,192	51,612
CHIP (Uninsured) Kids	4,687	4,635	4,462	4,631	5,279	4,660
Child subtotal	68,124	68,324	64,126	61,289	62,399	58,154
	2.2%	0.3%	-6.1%		-2.7%	
Subtotal -Full/Primary	163,406	169,872	150,985	138,419	138,918	131,193
	8.5%	4%	-11.1%		-8.7%	
Partial/Supplemental Coverage						
ABD Dual Eligibles (Including Choices for Care)	22,830	23,263	22,939	21,559	21,991	20,557
Rx -Pharmacy Only Programs	9,586	9,096	9,192	9,263	9,207	9,380
VPA-Vermont Premium Assistance (note 3)	12,471	10,842	13,272	15,440	12,999	16,390
CSR-Cost Sharing Reduction (subset of VPA)	3,041	3,106	3,074	3,010	2,175	823
Underinsured Kids (ESI upto 312% FPL)	618	664	517	See note 2	See note 2	See note 3
Subtotal -Partial/Supplemental Coverage	45,505	43,865	45,920	46,262	44,196	46,327
	-5.6%	-3.6%	4.7%		-3.8%	
Total Medicaid Enrollment	208,911	213,737	196,905	184,681	183,114	177,520
	5.0%	2.3%	-7.9%		-7.0%	

Notes 1 Some Full Coverage enrollees may have other forms of insurance.

2 Underinsured kids now counted in General Child category (as of FY 25)

3 VPA-Vermont Premium Assistance counts are subscribers not individuals.

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Exhibit 2

Summary of Total Expenditures

Medicaid and Medicaid Related

	FY23 Actual	FY24 Budgeted - As Passed	FY 24 Budgeted - BAA	FY24 Actuals	FY25 Budgeted - As Passed	FY 25 Adjusted Budget*	FY25 Actuals (estimated)	FY26 Budgeted - As Passed
Administration (not in Waiver)								
Non Capitated Administration 50/50	86,530,426	78,089,560	85,709,486	96,742,153	89,802,905	85,709,486	101,545,172	101,202,883
Non Capitated Administration 75/25 MMIS M&O	33,543,182	33,923,782	36,625,532	32,400,853	31,655,578	36,625,532	33,977,268	41,132,010
Non Capitated Administration 75/25 SPMP	9,426,210	9,855,350	11,121,385	10,649,782	11,146,660	11,121,385	11,371,853	12,010,289
<i>Sub-total Non Capitated Administration</i>	129,499,818	121,868,692	133,456,403	139,792,788	132,605,143	133,456,403	146,894,293	154,345,182
Non Capitated Administration 75/25 E&E M&O	28,214,963	53,751,020	43,959,201	34,268,502	57,200,710	43,959,201	31,730,049	57,698,175
<i>Non Capitated Administration total</i>	157,714,781	175,619,712	177,415,604	174,061,290	189,805,853	177,415,604	178,624,341	212,043,357
Global Commitment Waiver								
GC - Program	1,542,860,852	1,601,426,984	1,612,199,451	1,602,656,908	1,603,735,223	1,673,063,254	1,676,985,563	1,717,237,243
GC - VT Premium Assistance	4,139,283	3,576,184	4,793,679	5,627,707	5,414,437	6,758,229	5,398,599	7,174,053
GC - Choices for Care	257,115,067	265,767,104	286,929,610	308,883,285	290,635,966	344,427,543	340,035,341	343,909,515
GC - Investments	115,396,199	106,311,159	106,942,708	120,011,918	116,139,456	124,890,409	127,874,094	121,835,350
GC - Certified (non -cash program & cnom)	20,590,111	25,050,921	25,050,921	23,704,052	24,301,185	28,307,335	26,718,892	27,868,051
<i>GC Waiver total</i>	1,940,101,511	2,002,132,352	2,035,916,369	2,060,883,870	2,040,226,267	2,177,446,770	2,177,012,489	2,218,024,211
Other Medicaid and Related Programs								
Money Follows the Person	2,434,893	2,948,579	2,948,579	2,422,983	2,948,579	2,948,579	430,297	2,948,579
Exchange Cost Sharing Subsidy (State Only)	1,151,486	1,153,124	1,449,969	1,681,009	1,857,076	1,107,076	797,858	357,076
Pharmacy - State Only	3,538,163	2,678,653	3,596,285	3,816,693	3,798,639	4,766,591	10,620,856	3,718,861
DSH	46,365,645	22,704,471	22,704,471	22,704,470	22,704,471	22,704,471	22,704,471	22,704,471
Clawback (state only funded)	35,919,289	42,762,070	43,719,725	41,550,604	45,821,144	45,821,144	39,946,500	45,821,144
SCHIP	15,161,223	14,294,295	15,255,496	18,901,995	15,311,640	19,646,967	22,611,075	21,419,011
<i>Other Medicaid & Related total</i>	104,570,698	86,541,194	89,674,526	91,077,754	92,441,550	96,994,829	97,111,057	96,969,143
<i>Total All Expenditures</i>	2,202,386,991	2,264,293,258	2,303,006,499	2,326,022,914	2,322,473,670	2,451,857,203	2,452,747,887	2,527,036,711

*SFY 2025 budgeted appropriation was adjusted in the 2026 Budget Big Bill

Exhibit 3

Choices for Care Year End Summary - SFY25

CFC is managed as one budget

DeptID - 3460080000

	CFC SFY25 Final Appropriation	SFY25 Expense Totals	Fund balances of SFY25 Final Appropriation	CFC Reinvestment Calculation	
General Fund	\$ 531,652.06	\$ 281,652.06	\$ 250,000.00	\$ -	General Funds carryforward to SFY26 for Money Follows the Person expenses in SFY25.
H&CB Money Follows the Person Federal Fund	\$ 2,450,000.00	\$ 148,645.30	\$ 2,301,354.70	\$ -	Federal Funds are available for use in SFY26
H&CB & Nursing Home Global Commitment Fund	\$ 349,677,543.00	\$ 340,035,341.23	\$ 9,642,201.77	\$ 9,642,201.77	
Choices for Care Subtotal all funds	<u>\$ 352,659,195.06</u>	<u>\$ 340,465,638.59</u>	<u>\$ 12,193,556.47</u>	<u>\$ 9,642,201.77</u>	GC Carryforward from SFY25 into SFY26 available before obligations.
				\$ 9,642,201.77	GC Carryforward to SFY26
				\$ (3,404,656.39)	Less: 1% reserve calculated by taking 1% of SFY25 expenses
				\$ (9,625,625.03)	Less: Obligation for 3 Nursing Homes (Rutland, Springfield and St. Johnsbury)
				\$ (3,388,079.65)	Total GC available after obligating a 1% reserve and known obligations. If amount here is negative there are no funds available for reinvestment.
				\$ -	Total funds available for reinvestment.

Exhibit 4

Official Forecast Worksheet

Healthcare Revenues

(formerly in SHCRF now in GF)

				Jan-25	Jul-25	Jan-25	Jul-25
Fund	GF	GF	GF	GF	GF	GF	GF
	FY22	FY23	FY24	FY25	FY25	FY26	FY26
	Actual	Actual	Actual	Forecast	Actual	Forecast	Forecast
Cigarette and Tobacco taxes	76.0	74.8	70.0	66.5	67.4	63.5	65.1
Claims Assessment (GF portion only)	17.6	18.0	21.8	22.9	23.0	24.0	24.2
Employer Assessment	21.9	24.9	26.9	30.7	31.8	33.0	35.0
Hospital Provider Tax	161.5	173.9	192.4	209.3	212.3	219.8	225.1
Nursing Home Tax	14.7	14.6	14.4	14.4	14.4	14.4	14.4
Home Health Tax	5.8	6.1	0.0	0.0	0.0	0.0	0.0
Ambulance Tax	1.0	1.1	1.3	1.1	1.4	1.2	1.4
Pharmacy \$0.10/script	0.9	0.8	0.9	0.8	0.9	0.9	0.9
Nursing Home Transfer Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	299.3	314.3	327.5	345.8	351.3	356.8	366.1

SHCRF = State Health Care Resources Fund

GF = General Fund