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Vermont Care Partners: Developmental Services Payment Reform & Conflict of Interest-Free Case Management – Testimony for Joint Fiscal Committee on 7/31/25

BACKGROUND & CONTEXT

Vermont is making major changes to how developmental services for people with intellectual and developmental disabilities are funded and managed. These reforms include:

- *DS Payment Reform*: Changing how agencies are paid based on assessments, utilization and tiers, and improved encounter data collection.
- *Conflict of Interest-Free Case Management (COI)*: Separating case management from service provision, moving case management to two independent Case Management Organizations (CMOs).

While these changes aim to improve transparency, fairness, and federal compliance, they raise significant concerns across agencies, staff, and families.

DEVELOPMENTAL SERVICES PAYMENT REFORM

Understanding the Impact: State Outlook and Provider Insights:

- The state and their contractor (DAIL, HMA) have noted that 85% of people with I/DD won't see service reductions; some may even receive more.
- Many agencies report much higher rates of potential reductions - up to 56% of individuals are at risk of losing services based on SIS-A/variance process data.
- Communication to individuals and families has lacked transparency, leaving many unprepared for changes to their support.

Key Concerns with DS Payment Reform:

Misalignment Between Payment Mechanisms and Service Expectations:

- The current payment model proposed by the state will create inequities between people who will receive up to 80% of their authorized services and those who will receive far less.
- This is the result of the formula DAIL is negotiating with agencies, which forces providers into an impossible position: either reduce services below what individuals

need or absorb the cost of unfunded services until a reconciliation process months later.

- Most agencies cannot afford to float these costs. Proposed rates are insufficient in many areas, creating a disconnect between authorized services and actual funding that makes meeting needs nearly impossible.
- Up to 56% of individuals in the SIS-A/variance process are already at risk of losing services.
- Agencies vary in terms of days of cash on hand. Some may manage short-term risk, but most cannot. Those appearing stable must also cover underfunded programs and are deferring critical capital maintenance.

Utilization Data and Funding Risks:

- The state initially proposed reimbursing agencies based on the assumption that people receive about 80% of their authorized services, citing this as a national benchmark.
- However, the data currently being used to set payment levels is drawn from the old system, not the new model, and agencies are actively reviewing it with the state to identify significant errors and inconsistencies.
- Some agencies are being quoted payments based on utilization as low as the 50% range of authorized services, which does not reflect actual needs or service delivery realities.
- This creates a concerning cycle where agencies are paid based on partial service delivery, limiting their ability to hire staff and meet full-service needs, which in turn keeps the percentage of services delivered low.
- Agencies are requesting that utilization data be assessed quarterly, and at times monthly for specific agencies, to adjust reimbursement percentages more responsively.
- When asked, the state acknowledged that if everyone received 80% of their authorized services, there wouldn't be enough funding in the system to cover all services.

Financial Models Don't Support System Stability:

- Current methodologies, whether based on historical or future service targets, do not support long-term sustainability.
- They fail to account for workforce shortages, service complexity, or infrastructure costs.
- A break-even model limits system growth, innovation, and consistent access, reducing overall resilience.

Transition II's Future is Uncertain

- Transition II, supporting older Vermonters who self-manage outside agencies, may be diminished or phased out.
- These Vermonters have built lives around autonomy and community living; their voices must be central to decisions.

CONFLICT OF INTEREST-FREE CASE MANAGEMENT (COI)

What is COI?

- Federal law requires case management to be independent of direct service providers to avoid conflicts of interest.
- Vermont has created separate Case Management Organizations (CMOs) to meet this requirement.

Meeting the Mandate: The Reality of COI on the Ground:

- Vermont providers have lost **60** staff members to CMOs, creating a workforce crisis.
- CMOs offer significantly higher pay (up to $20,000 more) than provider agencies, pulling staff and leadership away.
- CMOs may develop detailed service plans, but agencies often lack staff to implement them, leading to frustration and unmet needs.
- There is uncertainty about CMO funding; many fear it comes from savings created by lowering payment tiers or utilization caps.
- Providers still handle much daily coordination and paperwork but receive no funding for this increased workload, now shifted to CMOs.
- Outstanding manuals, workflows, and clear guidance on collaboration between providers and CMOs are lacking, causing confusion and inefficiency.

REFORM IN MOTION: WHAT'S NEEDED FOR OCTOBER 1 READINESS

- **Clear statewide financial impact:** Agencies lack an updated analysis showing how the funding model affects the system; initial data indicated a $6M shortfall.
- **Accurate cost assumptions:** Questions remain about whether staff benefits and shared living rates reflect actual costs, risking underfunding.
- **Utilization data clarity and responsiveness:** Agencies are requesting that utilization data be assessed quarterly, and at times monthly for specific agencies, to allow timely adjustments to reimbursement percentages.

- **Utilization rate clarity:** Caps on non-residential services, including nursing and therapy, lack written guidance, causing financial risk.
- **Role in self-directed services:** Agency responsibilities in budgeting and safety for self-directed care remain unclear.
- **Crisis services funding:** Guidance on funding, billing, and staffing for crisis beds and supports is missing.
- **Completed rules and manuals:** Key documents like exceptions processes and billing rules are still drafts or unavailable.
- **Transportation clarity:** Funding and mileage reimbursement rules need clarification to ensure access.
- **Plain-language communication:** Individuals and families lack clear materials explaining these changes, risking confusion and disengagement.
- **Clear understanding of financial management tool:** For over 30 years, DAs/SSAs have relied upon a waiver spreadsheet reconciliatory process to know what the annual allocation is to support clients served. There has been no communication regarding how these funds and processes will be managed post payment reform (October 1).

Until these concerns are addressed, agencies face operational and financial uncertainty, and most importantly Vermonters risk access to authorized services and service gaps.