



# VERMONT LEGISLATIVE Joint Fiscal Office

1 Baldwin Street • Montpelier, VT 05633-5701 • (802) 828-2295 • <https://ljfo.vermont.gov>

## Issue Brief

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Nolan Langweil, Principal Fiscal Analyst

## Developmental Services Payment Reform and Conflict-Free Case Management

### Executive Summary

Vermont is in the process of implementing major changes to how it administers and funds developmental services (DS) provided to the roughly 3,400 Vermonters with intellectual and developmental disabilities. After six years, including a pause during the COVID-19 pandemic, the process is now in the final phase of planning and changes are scheduled to take effect on October 1, 2025. This includes two separate yet interrelated reforms:

- **Conflict-free case management:** Case management is the process of working with service recipients, their families and the providers to assess needs, help find services and supports, develop care plans, coordinate services, and monitor progress. Going forward, the people or organizations that provide case management must be different from and have no financial connection to the people or organizations that provide the direct services. This is a change to the provision of case management services with the purpose of mitigating conflicts of interest in the DS system. This reform is needed to comply with federal regulations. Vermont is the only state not currently in compliance with federal law.
- **DS payment reform:** This is a fundamental change in how the State pays providers of developmental services. DAIL initially began efforts on DS payment reform in 2018 in response to findings by the State Auditor concerning how providers of developmental services were paid. Moving towards conflict-free case management has played a further role in designing the new payment methodology which will be more standardized and allow for more accountability and transparency in how money is spent on developmental services in the State. While the changes are intended to be budget neutral to the State, they could impact each provider differently.

*The State needs to ensure case management functions are provided separately from the delivery of direct services. Vermont is the only state not currently in compliance with federal law.*

### Developmental Services in Vermont

The Department of Disabilities, Aging and Independent Living (DAIL) oversees all community-based, long-term care services for Vermonters with intellectual and developmental disabilities through its Developmental Disabilities Services Division (DDSD). The total DAIL budget for DS in fiscal year 2025 was \$323.3 million and is budgeted to be approximately \$350.0 million in fiscal year 2026, of which 99.8% is funded through Global Commitment – Vermont’s Section 1115 Medicaid Waiver.<sup>1</sup>

<sup>1</sup> Global Commitment is the name of the agreement between the State of Vermont and CMS that is used to administer the majority of Vermont’s Medicaid Program. Federal funds make up approximately 60% of all Global Commitment spending.

DAIL DS Budget, FY 2023 – 2026

Fiscal Year	Actuals / Budgeted	Spending	Increase from Prior Year	
2023	Actuals	\$280.1	\$28.9	11%
2024	Actuals	\$303.1	\$23.0	8%
2025	Actuals	\$323.3	\$20.1	7%
2026	Budgeted	\$350.0	\$26.7	8%

Vermont's DS system is primarily delivered through 15 private, non-profit service providers around the State.<sup>2</sup> Ten are designated agencies (DAs) which are responsible for ensuring needed services are available through program delivery, local planning, service coordination, and monitoring outcomes within their geographic region. DAIL also contracts with 5 specialized services agencies (SSAs), which operate in more than one geographic area and provide services for individuals with distinctive needs.<sup>3</sup> There is also one Supportive Intermediary Services Organization (supportive ISO) that helps individuals and families who wish to manage their own services.

#### Developmental Services and Supports Include:

- Clinical Services
- Home Supports
- Supported Employment
- Community Supports
- Respite Support
- Crisis Services
- Service Coordination
- Family Managed Respite
- Flexible Family Funding
- Targeted Case Management
- Care Coordination for Children

## Conflict-Free Case Management

Federal law prohibits an entity, agency, organization or its employees from providing both case management activities and direct services to the same individual except in unique circumstances.<sup>4</sup> Under the current system (prior to October 1, 2025), DAs perform initial intake, eligibility determination and options-counseling. For those individuals who are eligible for Home- and Community-based Services (HCBS), the DAs perform a needs assessment and develop funding proposals. DAs also develop person-centered plans (individual support agreements) and provide direct services. In October of 2021, the Centers for Medicare and Medicaid Services (CMS) informed Vermont that it was out of compliance with federal home- and community-based services (HCBS) conflict of interest regulations. [CFR 441.730\(b\)](#) states:

*The State must define conflict of interest standards that ensure the independence of individuals and agency agents who conduct (whether as a service or an administrative activity) the independent evaluation of eligibility for State plan HCBS, who are responsible for the independent assessment of need for HCBS, or who are responsible for the development of the services plan. The conflict of interest standards apply to all individuals and entities, public or private.*

The State needs to ensure case management functions are provided separately from the delivery of direct services to comply with federal law. According to DAIL, Vermont is the only state not currently in compliance and failure to meet CMS requirements could jeopardize the State's ability to draw between \$180 to \$210 million in federal funds through Global Commitment used to support individualized services for Vermonters with developmental disabilities engaged in HCBS.<sup>5</sup>

<sup>2</sup> The [Administrative Rules on Agency Designation](#) defines the responsibilities and requirements of what constitutes a designated agency. DAs can also be found in [18 V.S.A. § 8907](#).

<sup>3</sup> A list of the DAs and SSAs providing developmental services in Vermont can be found [here](#).

<sup>4</sup> [42 CFR 441.301\(c\)\(1\)\(vi\)](#)

<sup>5</sup> DAIL Developmental Disabilities Services Division Legislative [Report](#) – SFT 2024 (March 1, 2025). Page 3.

CMS allowed Vermont to develop a multi-year plan to come into full compliance with requirements to separate eligibility, assessment, and case management from the provision of direct services. The specific HCBS programs affected are the Choices for Care program, Development Disabilities Services, the Brain Injury Program, Community Rehabilitation and Treatment (CRT), and Enhanced Family Treatment (Intensive HCBS services).

As part of the implementation to meet the federal requirements, Vermont contracted with two case management organizations (CMOs) – Benchmark Human Services (based in Indiana) and the Columbus Organization (based in Pennsylvania) – both of which will only provide case management services based in Vermont starting on October 1, 2025. Both CMOs will also be required to have advisory committees made up of participants and family members.<sup>6</sup> Starting October 1, designated agencies will no longer provide case management services to DS clients in Vermont.

## Developmental Services Payment Reform

A 2014 [review](#) by the State Auditor of how development services were paid for showed that DAIL could not track how service recipient budgets were spent or monitor what services they received.<sup>7</sup> It also underscored a lack of continuity in how services were being provided to recipients across the State; providers were neither paid the same rate for the same services, nor were the needs assessments done the same way across the state. As a result of the findings by the State Auditor, DAIL began efforts to reform how providers of development services were paid. Moving towards conflict-free case management has played a further role in the DS payment reform process. The intent of the new payment reform methodology is to:<sup>8</sup>

- Use a standardized needs assessment across the state<sup>9</sup>
- Create service recipient budget ranges based on needs (person-centered planning)
- Pay the same rates for the same services across the state using a standard fee schedule
- Pay for the services that people receive
- Improve transparency by better tracking individual budgets and services delivered both at individual and system level
- Allow flexibility through an exception process in the event services don't fit in the budget range determined by case management
- Allow for periodic reconciliation of payment for service provided

Sec. E.333 of Act 27 of 2025, required DAIL to submit a written [progress report](#) to the Joint Fiscal Committee (JFC) in advance of the Committee's July 2025 meeting regarding the Department's design of a DS payment reform model for potential implementation on October 1, 2025. A [final report](#) to JFC was also required in advance of their September 2025 meeting.<sup>10</sup> DAIL plans to implement payment reform beginning October 1, 2025. These changes are intended to be budget neutral to the State; however, they could impact each service provider differently.<sup>11</sup> Burns & Associates (a division of Health Management Associates) was hired by DAIL to design the financial modeling for determining the new rates.<sup>12</sup>

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<sup>6</sup> More information on the CMOs can be found [here](#).

<sup>7</sup> [Report](#) of the Vermont State Auditor. Designated Agencies, October 14, 2014.

<sup>8</sup> Payment Reform presentation presented by Jessica Barnard, Deputy Director of Payment Reform, Developmental Disabilities Services Division, DAIL.

<sup>9</sup> The new model will use the [Supports Intensity Scale-Adult \(SIS-A\)](#) needs assessment, which is a standardized assessment tool designed to measure the pattern and intensity of supports that a person with intellectual and developmental disabilities requires to be successful in community settings.

<sup>10</sup> [Act 27 \(H.493\) of 2025](#), Sec. E.333. Page 202.

<sup>11</sup> Budget neutral in this case means that the changes would not require any additional base appropriations compared to what base appropriation would be needed absent any reform, taking into consideration inflationary pressures. DAIL did receive an additional appropriation of \$1.289 million in the fiscal year 2026 budget for additional administrative costs associated with case management, including 5 new positions and eligibility determination contractor costs associated with conflict-free case management.

<sup>12</sup> More information on the proposed rate model can be found [here](#).

At a very high level, reimbursement for DAs and SSAs prior to October 1, 2025, has been a per-member per-month reimbursement based upon individual client services budgets, where the service rates are set by the agencies. There is not a formal rate setting process, although DAs and SSAs are required to provide the state with annual financial audits. DAs and SSAs began the fiscal year with an allocation reflecting the sum of the authorized service budgets for the program recipients they serve. Annual rate increases are dependent on the State budget.

According to DAIL, the new payment methodology will be more standardized and equitable, allow for more accountability and transparency regarding how money is spent on services, reduce conflict of interest, and allow for both flexibility and periodic reconciliation regarding provider payments for services. Providers will also receive some upfront money to help with the case management transition.

## Other considerations

There continues to be points of dissonance between some in the provider community and DAIL regarding these reforms. While this document does not detail how the new rates and payment methodology were determined or the financial implications these might have on each provider agency, the Joint Fiscal Office offers the following summary of some of those key differences, concerns, and considerations:

### Transition

While payment reform aims to maintain current statewide funding levels (taking into consideration annual inflationary increases), it will impact each provider agency differently. There continues to be a gap in understanding between some providers and DAIL of the financial implications to individual providers from this transition.

Separating case management activities and direct services will be a shift for Vermont; up to now DAs and SSAs have provided both case management and direct services. According to DAIL, roughly 40% (approximately \$8.6 million) of the total funding previously paid to providers for case management will be reallocated to cover the costs of the two new case management organizations (CMOs).<sup>13</sup> Although the funds have been reallocated, the work has as well. The DAs estimate that this change will decrease revenues for DAs and SSAs in Vermont by approximately \$6 million.<sup>14</sup>

Payment reform will also change how providers are paid by the State for the services they provide. While rates will increase, some providers question whether the overall payment methodology will adequately support their ability to provide the set of services recipients are authorized to receive and expected to utilize. Providers emphasize that this would further contribute to the fragility of their financial situations.

### Workforce

Workforce issues continue to affect the DAs' and SSAs' ability to fully provide the authorized and needed services of the people they serve in their regions as well as their ability to draw sufficient revenue under both the old and new payment methodologies. Furthermore, there appears to be some competition for the existing workforce between the DAs and SSAs and the new two new case management organizations. According to Vermont Care Partners, DAs and SSAs have lost more than 60 staff members, many of which came from two of the State's largest DAs, to the CMOs because they lack the financial resources to compete with them on compensation.

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<sup>13</sup> DAIL also received an additional of \$5.3 million in Global Commitment funds to cover monthly CMO Medicaid costs.

<sup>14</sup> The \$6 million estimate was provided by Vermont Care Partners. It has not been verified by DAIL.

### Service Participant Concerns

The Vermont Developmental Disabilities Council (VTDDC), which advocates for people with developmental disabilities in Vermont, has long maintained that conflict-free case management and DS payment reform are in the best interest of service recipients and their families.<sup>15</sup> VTDDC contends that independent case management – delivered separately from the direct services providers – resolves the conflict of interest that many service recipients and their families feel have prevented them from advocating for the services they need in the amounts and manners they have been determined to need. VTDDC holds that the new payment structure is better aligned with CMS rules and incentivizes providers to fill the service hours that individuals have been assessed to need. Nonetheless, VTDDC has relayed continued anxiety among service recipients, particularly regarding the transition to new case management providers, and has conveyed the need for better communication between the State and service recipients.

## Appendix: Resources

- Payment Reform [Progress Report](#) submitted to the Joint Fiscal Committee in accordance with Act 27 (2025), submitted July 31, 2025.
- Payment Reform [Progress Report](#) submitted to the Joint Fiscal Committee in accordance with Act 27 (2025), submitted September 16, 2025.
- [Developmental Services Payment Reform Informational Session Presentation](#). Prepared by Jessica Bernard, Deputy Director of Payment Reform, Developmental Disabilities Services Division (DDSD), April 2025.
- Developmental Services Payment Reform: Review of Home and Community Based Services (HCBS) Fee Schedule, [Final Rate Models](#). Prepared by Burns & Associates, August 26, 2025
- Proposed Rate Model Presentations [website](#)
- Vermont HCBS-COI [website](#)

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<sup>15</sup> 56 states and territories have federally funded development disabilities councils. The Vermont Developmental Disabilities Council is housed within the Vermont Agency of Human Services.