

DVHA BUDGET CONSIDERATIONS – STATE FISCAL YEAR 2021 RESTATEMENT

The Department of Vermont Health Access (DVHA) budget request includes a decrease in administration of \$1,533,974 and an increase in program of \$12,632,168 for a total of \$11,098,194 in new appropriations as compared to the FY21 Governor’s Recommended spending authority.

DVHA is meeting the general fund pressure increases with the 6.2% federally matching percentage increase due to the CARES Act.

The programmatic changes in DVHA’s budget are spread across three different covered populations: Global Commitment, State Only, and Medicaid Matched Non-Waiver; the descriptions of the changes are similar across these populations so these items are consolidated for purposes of discussion but the items are repeated appropriately in the Ups/Downs document.

PROGRAM	\$12,632,168 GROSS (\$19,322,796) STATE
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Caseload & Utilization Changes \$15,121,620 (\$15,668,225) state

DVHA engaged in a special consensus caseload estimate process with the Joint Fiscal Office, the Department of Finance and Management, and the Agency of Human Services due to the growth in Medicaid enrollment as a result of the pandemic. The general fund change reflects the estimated FMAP increase.

Vermont is required to maintain continuous health care benefits for Medicaid and CHIP enrollees during the period of public health emergency to continue to receive the 6.2% federal participation increase authorized in the CARES Act. To ensure continuous health care coverage DVHA is:

- Extending Medicaid coverage periods (meaning the Department is not processing the redeterminations that could result in loss of Medicaid) until after the Emergency ends.
- Not ending Medicaid coverage during the Emergency period unless the customer requests it.

DVHA is also facilitating enrollment during the Emergency period by:

- Temporarily waiving financial verifications required for those seeking to enroll in health insurance.
- Temporarily waiving Dr. Dynasaur premiums, beginning with the April bills for the premium due in May.
- Offering a Special Enrollment Period for those who do not currently have health insurance to enroll in a qualified health plan (QHP) and receive premium and cost-sharing assistance, if eligible. (This period closed on August 14th, 2020.)

Each of these emergency activities contributes to an increased caseload. Please see the program descriptions below to view caseload trend data by Medicaid Eligibility Group. Caseload had been trending downward before the COVID-19 pandemic. This projection assumes that enrollment will continue to grow through this calendar year before declining once redeterminations resume.

Caseload Changes	SFY '18 Actuals	SFY '19 Actuals	SFY '20 Actuals	SFY '21 Gov. Rec. January	SFY '21 Restated
Adults	<u>Avg. Enrollment</u>	<u>Avg. Enrollment</u>	<u>Avg. Enrollment</u>	<u>Avg. Enrollment</u>	<u>Avg. Enrollment</u>
Aged, Blind, or Disabled (ABD)	6,799	6,485	6,298	6,475	6,475
CFC Acute-Care Services	4,232	4,275	4,326	4,165	4,329
Dual Eligibles	17,659	17,651	17,522	17,898	17,439
General	12,664	10,148	8,287	7,899	8,114
New Adult Childless	39,967	37,432	35,009	33,834	35,000
New Adult W/Child	18,568	19,101	20,177	19,988	19,988
Subtotal Adults	99,889	95,092	91,619	90,259	91,345
Children					
Blind or Disabled (BD)	2,241	2,093	1,758	2,150	1,604
General	59,821	58,779	57,691	57,393	57,698
Underinsured	601	563	561	509	509
SCHIP (Uninsured)	4,667	4,479	4,535	4,274	4,450
Subtotal Children	67,330	65,914	64,546	64,326	64,261
Pharmacy					
Pharmacy Only - GC	10,717	10,382	9,988	9,664	9,664
Pharmacy Only - State Only	10,717	10,382	9,988	9,664	9,664
Pharmacy Only Programs	10,717	10,382	9,988	9,664	9,664
QHP Assistance					
Premium Assistance	18,275	17,163	16,237	16,515	16,515
Cost Sharing	6,141	4,919	3,518	3,879	3,481
Subtotal QHP Assistance	18,275	17,163	16,237	16,515	16,515
Actuals/Projected Caseload	196,211	188,551	182,389	180,764	181,785

Utilization impacts are derived by comparing year-over-year changes in per-member per-month (PMPM) costs by category of service, taking into consideration any policy changes that might drive that change (such as rate increases or reductions). In 2021, DVHA will be level funding rates that do not have a federally mandated rule for increase such as FQHC services.

Adult PMPMs are forecasted to be 3.71% greater than the 2021 Governor's Recommended Budget with the largest increases seen in Acute services for Choices for Care eligible members. Children's PMPMs are expected to be lower than the Governor's Recommended 2021 budget by 0.8%, with a large decline in services for the General and CHIP kids with increased cost for the BD Children.

Medicare Clawback 6.2% FMAP Increase Impact (\$3,089,452) (\$3,089,452) state

The Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act enacted March 27, 2020 was a change to the Federal Medical Assistance Percentages (FMAP) rate that retroactively increased the Federal reimbursement rates applied to the Clawback payments. This retroactive increase resulted in a \$2,027,626.64 credit in the payment made in July, for the period of January 2020 through May 2020, and will lower the price per member from \$145.19 to \$132.31 for the duration of the COVID-19 Emergency, currently estimated through December 2020.

The Medicare Prescription Drug Improvement and Modernization Act of 2003 (MMA), which established the Medicare Part D prescription drug program, eliminated Medicaid prescription drug coverage for people dually eligible for Medicare and Medicaid (duals) and required all duals to receive their drug coverage through a Medicare Part D plan. This reduced state costs; however, MMA also required states to reimburse the federal government for costs associated with the transfer of prescription drug coverage for this population from state Medicaid programs to Medicare.

Delaying Implementation of PDL Management of HIV/AIDS Medication \$600,000 \$277,206 state

DVHA had proposed a cost savings reduction of \$1,200,000 in the 2021 Governor’s Recommended budget associated with this line item. While DVHA has garnered much legislative and stakeholder support, this change requires legislative language changes which were included in the budget bill and not enacted. The current statute prohibits the Department of Vermont Health Access from managing HIV- and AIDS-related medications any more strictly than the Vermont Medication Assistance Program (VMAP) administered by the Vermont Department of Health.

This change allows DVHA to take advantage of supplemental drug rebates for HIV- and AIDS-related medications (supplemental drug rebates are not available absent a Preferred Drug List and are thus not currently being collected by the State of Vermont for this therapeutic class of medications) and has minimal impact on patients and providers.

DSH & CHIP 6.2% FMAP Increase \$0 (\$842,325) state

The Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act enacted March 27, 2020, was a change to the Federal Medical Assistance Percentages (FMAP) rate that retroactively increased the Federal reimbursement rates applied to the DSH and CHIP programs. This is the fiscal year 2021 impact for two quarters.

ADMINISTRATION (\$1,533,974) GROSS / \$928,322 STATE

Salary & Fringe Changes (\$374,880) (\$145,448) state

The Administration’s hiring freeze reduces the salary and fringe obligations for 2021.

Contract Changes \$3,366,650 \$1,108,025 *state*

1. Wex Health Increase. \$1,100,000 \$577,500 *state*
Wex Health is currently responsible for collecting insurance premiums for QHP members and the Dr. Dynasaur program. DVHA has an IE project workstream to revert premium collections to the QHP carriers directly which would have cost savings for the State. The coronavirus pandemic required DVHA and the carriers to evaluate the risks due to diverting internal resources to pandemic response efforts and away from this development activity. As the required development work must occur before Open Enrollment and launch would need to begin effective with the start of a plan year (January), it was decided to delay the implementation for one year. This increase allows DVHA to engage with Wex for the QHP premium collection activity for the fiscal year 2021.

2. Maximus Contract Increase. \$565,914 \$137,872 *state*
DVHA renegotiated a 5-year amendment with Maximus for call center activities effective July 1st 2020, which includes increases related to staffing costs. In the 2021 Governor’s Recommended budget, DVHA had anticipated savings under this contract as actual spending on this talk-time variable contract was less than budgeted. This increase is less than the 2021 reduction and less than the annual cost originally proposed by Maximus. DVHA leadership was able to negotiate some savings as compared to the 2020 Maximus budget.

3. Archetype Contract Increase. \$1,979,597 \$429,827 *state*
The Business Intelligence (BI) project was intended to allow the State to transition from the standalone Oracle data warehouse leveraged by DVHA eligibility and enrollment operations to a Microsoft data warehouse solution already owned and maintained by the Agency of Digital Services to save money and improve the performance of the system. During the fiscal year 2020, it was determined that the need to re-engineer over 700 reports and 130 operational reports was not going to work and a contingency plan was instigated. This contingency plan relies on the current vendor, Archetype, to continue to provide reporting solutions in an upgraded environment. Cost increases in this area are partially offset by federal spending decreases in the ADS MOU line item.

4. Burns & Associates Contract Increase. . . . \$175,562 \$87,826 *state*
DVHA has been engaged in payment reform activities for the Agency and this increase is needed to support the rate development of those activities.

5. One-time Reduction to the DXC Contract . . .(\$500,000) (\$125,000) *state*
DVHA requested vendors to review potential areas of spending reductions in SFY 2021. DXC responded through planned underspending for system specification order hours as DVHA had not utilized the previous year’s balance and has adequate carryforward of hours to continue working on priority projects. DXC and DVHA will work together to ensure the reduction target is met.

Changes to Operations (\$4,480,247) (\$35,225) *state*

1. 5% Reduction to ISF per F&M. (\$122,662) (\$21,747) *state*

DVHA portion of the state-wide reduction to planned internal service fund obligations.

2. ADS planned spend reduction. (\$4,357,595) (\$13,478) *state*

DVHA had previously anticipated ADS would be billing for BI activities that have since been diverted to contract increases for Archetype and Optum, both DVHA held contracts. Also, this was an area that DVHA has had more federal spending authority than is required for its planned activities at the current federal participation levels.
