7/16/09 – Cimaglio
3.e.2.

VERMONT

State of Vermont
Department of Health
108 Cherry Street • PO Box 70
Burlington, Vermont 05402
HealthVermont.gov

[phone] 802-863-7281
[fax] 802-951-1275
[toll free] 800-464-4343

Agency of Human Services

Proposed Substance Abuse Residential Provider Rate Determination Process
Revised Final Draft
July 15, 2009

Each year, no later than September 1, the provider shall submit to the Division of Alcohol and Drug Abuse Programs, a proposed revenue and expense budget for the next State fiscal year. That submission shall include:

1. The previous fiscal year actual revenue and expense utilization detail and include schedules which list individual positions and detail by wages, benefits and other compensation, which are reconciled to the total line item amounts on audited financial statements.
2. Projected revenue and expense utilization budget detail for the present fiscal year. For providers on a July/June fiscal year, projected expense will be budgeted expenses for the present fiscal year. For providers on a calendar year, projected expenses will be a combination of six months actual and original submitted budgets for the second half of the calendar year.
3. The proposed revenues and expense utilization budget for the next fiscal year, in a format that shows total dollar and percentage increases for each line item as compared to the present fiscal year budget and/or the last audited financial statement available at the time of submission.
4. Providers will submit a final audited fiscal year end financial statement to ADAP as soon as it is available, but no later than 180 days after the close of the fiscal year.

Any change of over 3% in the current fiscal year shall be explained in the submission. Changes of over 3% in the current fiscal year will only be allowable subject to approval by ADAP prior to their implementation. Changes which are simply moving funds from one category to another, but do not increase the "bottom line" by over 3% on an annual basis, should be explained, but do not require prior approval. Requests for approval of such changes and ADAP's response shall be in writing. In this initial "rate determination" year (FY11), the percent change shall be based on 6% over the most recently completed audit actuals (7.5% for those on a calendar year fiscal cycle). Increases which fall under these growth points (3% annual, 6% for two years) do not constitute automatic approval. Requests for approval of such changes will be submitted by September 15 and ADAP's response shall be in writing by November 1 ADAP may request any additional budget detail as is reasonable and necessary to making a final determination of the rate

The State review process shall identify those expense budget categories disallowed by ADAP and deleted from the expense budget, as established by ADAP following discussion with the Provider not later than July 1, with a brief narrative rationale for the disallowance. Any subsequent changes to disallowed cost categories shall be made by ADAP, with notice to the provider, no later than May 1 of any fiscal year, following discussion with the provider. ADAP shall notify the provider in writing of the rate decision no later than 5 business days following the presentation of the Governor's budget request. All decisions regarding the coming fiscal year budget are subject to the legislative budget process.

Unless otherwise set by provider contract, the rate shall be determined on a cost based basis by dividing the allowable expenses by 85% of the licensed capacity of the provider, unless otherwise negotiated by ADAP and the provider. The provider's submission shall include the calculated rate using this formula.

Provider appeals of a rate determination decision shall be made first to the Commissioner of Health who will generate a response within 30 days of receipt, with final appeal decisions resting with the Secretary of Human Services who will generate a response within 30 days of receipt.

In any given year, when the only change to the provider budget is an inflationary increase, ADAP and the Provider may forego the rate setting process by mutual agreement and ADAP may establish the rate so agreed upon. This process will be documented as part of the budget building process. However, financial documentation shall be submitted in every year, regardless of such an agreement, in order to maintain consistent information over time regarding program budgets.

Disallowed Expenses: The following are "disallowed expenses".

1. Lobbying
2. Advertising not related to recruiting for jobs or soliciting bids for contract work*
3. Patient Medication that is not directly related to detoxification
4. Marketing , including some printing services
5. Bad debt related to uninsured ADAP-funded patient co-pay
6. Fundraising
7. Any total compensation which is not within Office of Personnel Management Guidelines (Note: This reference will require a website location for review of material)
8. Any items not allowed by OMB A-133 regulations.

*Outreach activities, including "advertising" that urge individuals addicted to alcohol or other drugs to seek help, are allowable expenses, provided they do not direct individuals solely to a specific program.

Surplus Revenues: Surplus revenue in any given year shall not be applied to the next year. Income related to State reimbursed patients that results in surplus revenue over a three year period of time, may result in an adjustment to the occupancy formula.

Implementing New Rate Setting Procedures: The "base" budget used in the initial rate setting procedures being implemented as above shall be the provider budget for the current fiscal year in which the rate setting occurs. For example, if providers are rate set under the above procedures in FY 2010 (for a rate to be applied in FY 2011, then the providers 2010 budget shall be the base. Any subsequent changes in procedures shall apply the same procedure regarding base budgets.

This process will be reviewed every two years and updated as necessary. This will be done collaboratively with the residential treatment providers.