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Agency of Human Services

MEMORANDUM

To: Representative Martha Heath, Chair, Joint Fiscal Committee;
Representative Michael Fisher, Chair, House Committee on Health Care;
Senator Claire Ayer, Chair, Senate Committee on Health and Welfare;
Senator Tim Ashe, Chair, Senate Committee on Finance;
Representative Janet Ancel, Chair, House Committee on Ways and Means

From: Mark Larson, Commissioner of the Department of Vermont Health Access

Cc: Harry Chen, Secretary, Agency of Human Services

Date: December 11, 2014

Re: Cost Shift Legislative Reports

The Department of Vermont Health Access is sending this memorandum in order to request that the following four legislative reports involving the Medicaid cost shift be consolidated and reported out in the cost shift section of the Green Mountain Care Board's (GMCB) Annual Report released annually on January 15th. We appreciate your approval of our similar request last year¹.

1) Act 79 of 2014, Section 42. Medicaid Cost Shift Reporting:

- a) It is the intent of this section to measure the elimination of the Medicaid cost shift. For hospitals, this measurement shall be based on a comparison of the difference between Medicaid and Medicare reimbursement rates. For other health care providers, an appropriate measurement shall be developed that includes an examination of the Medicare rates for providers. In order to achieve the intent of this section, it is necessary to establish a reporting and tracking mechanism to obtain the facts and information necessary to quantify the Medicaid cost shift, to evaluate solutions for reducing the effect of the Medicaid cost shift in the commercial insurance market, to ensure that any reduction in the cost shift is passed on to the commercial insurance market, to assess the impact of such reductions on the financial health of the health care delivery system, and to do so within a sustainable utilization growth rate in the Medicaid program.
- b) Notwithstanding 2 V.S.A. § 20(d), annually on or before December 15, the chair of the Green Mountain Care Board, the Commissioner of Vermont Health Access, and each acute care hospital shall file with the Joint Fiscal Committee, the House Committee on Health Care, and the Senate Committee on Health and Welfare, in the manner required by the Joint Fiscal Committee, such information as is necessary to carry out the purposes of this section. Such information shall pertain to the provider delivery system to the extent it is available.

¹ The GMCB annual report, submitted on January 15, 2014, is available here:
<http://www.leg.state.vt.us/reports/2014ExternalReports/295987.pdf>. The 'Cost Shift' section can be found on page 10.

2) Act 79 of 2014, Section 41. Cost Shift Reporting:

Annually on or before January 15, the Board shall submit a report of its activities for the preceding calendar year to the House Committee on Health Care and the Senate Committee on Health and Welfare.

(1) The report shall include:

- (A) any changes to the payment rates for health care professionals pursuant to section 9376 of this title;
- (B) any new developments with respect to health information technology;
- (C) the evaluation criteria adopted pursuant to subdivision (b)(8) of this section and any related modifications;
- (D) the results of the system-wide performance and quality evaluations required by subdivision (b)(8) of this section and any resulting recommendations;
- (E) the process and outcome measures used in the evaluation;
- (F) any recommendations on mechanisms to ensure that appropriations intended to address the Medicaid cost shift will have the intended result of reducing the premiums imposed on commercial insurance premium payers below the amount they otherwise would have been charged;
- (G) any recommendations for modifications to Vermont statutes; and
- (H) any actual or anticipated impacts on the work of the Board as a result of modifications to federal laws, regulations, or programs.

(2) The report shall identify how the work of the Board comports with the principles expressed in section 9371 of this title.

3) Act 144 of 2014², Section 20. Increasing Medicaid Rates:

On or before January 15, 2015, the Secretary of Administration or designee, in consultation with the Green Mountain Care Board, shall report to the House Committees on Health Care and on Ways and Means and the Senate Committees on Health and Welfare and on Finance regarding the impact of increasing Medicaid reimbursement rates to providers to match Medicare rates. The issues to be addressed in the report shall include:

- (1) the amount of State funds needed to effect the increase;
- (2) the projected impact of the increase on health insurance premiums; and
- (3) to the extent that premium reductions would likely result in a decrease in the aggregate amount of federal premium tax credits for which Vermont residents would be eligible, whether there are specific timing considerations for the increase as it relates to Vermont's application for a Waiver for State Innovation pursuant to Section 1332 of the Patient Protection and Affordable Care Act.

4) Act 50 of 2014, Section E.345.1. Cost Shift Accountability:

² Act 144 of 2014, Section 9 also states that Board may satisfy its obligations under this section by including the information required by this section in the annual report required by 18 V.S.A. § 9375(d).

In fiscal year 2014 the amount of \$14,300,000 in Global Commitment Funds is appropriated in this act to the Agency of Human Services to address health care inflation and reduce costs shifted to private insurers due to the underpayment of health care providers by Medicaid and Medicaid waiver programs. This amount annualizes to over \$21,000,000. As part of the report required by 2000 Acts and Resolves No. 152, Sec. 117b on or before December 15, 2015³, the Department of Vermont Health Access shall report on the impact of investments on the cost shift.

Traditionally, Medicaid collaborates and provides data and other information to the GMCB for the purpose of reporting out on Medicaid cost shift. Allowing DVHA to utilize the single vehicle of the GMCB annual report instead of creating four separate, but related reports would significantly reduce administrative burden and help to streamline the process for publishing official information on the cost shift.

³ This information proposed to be included in the January 2016 GMCB annual report.