

MEMORANDUM

To: The Joint Fiscal Committee

From: Cory Gustafson, Commissioner, Department of Vermont Health Access

Cc: Al Gobeille, Secretary, Agency of Human Services

Date: November 7, 2017

Re: Report on Medicaid Payment Alignment per Act 85 of 2017, Section E.306.2

This memorandum is submitted to fulfill the requirements of Section E.306.2 of Act 85 of 2017, titled *Medicaid Payment Alignment*. The Department of Vermont Health Access (DVHA) previously submitted a report to the Joint Fiscal Committee on this topic on September 14, 2017. That report can be [viewed here](#). This report should be considered as a supplemental addendum to the previous report, providing a brief update on health center reimbursement.

Health Centers

As discussed in the report submitted on September 14, 2017, the Department of Vermont Health Access (DVHA) has been engaged in a multi-year project to evaluate the way it pays health centers, both Federally Qualified Health Centers (FQHCs) and Rural Health Centers (RHCs). The project is intended to achieve two goals: (1) to bring DVHA into compliance with federal law related to health center reimbursement and (2) align DVHA's payment methodology for health centers with DVHA's overall payment reform goals, including the All-Payer Model. Additionally, DVHA believes the project will end longstanding confusion and disagreement between DVHA and health centers regarding reimbursement policy. Overall, DVHA anticipates that this will increase the aggregate reimbursement for health centers; however, the change is anticipated to be revenue neutral given previous rate adjustments made in State Fiscal Year 2018. The changes are highly technical, and a general description is provided below.

Health centers receive cost based reimbursement, and DVHA's re-basing project will make sure health centers are paid in compliance with the Prospective Payment System (PPS) set forth in the *Medicare, Medicaid, and*

SCHIP Benefits Improvement and Protection Act (BIPA) of 2000. Overall, the re-basing will include the following changes:

- Set new rates for 2018 based on a proper interpretation of BIPA,
- Institute a *Change of Scope* process that adjusts payments when a health center's scope of practice changes,
- Impose a Reasonable Cost Cap to protect taxpayers, and;
- Sunset health center specific alternative payment models by 2019 since current health center alternative payment models are neither focused on value nor aligned with the Vermont All-Payer Accountable Care Organization Model and the related Vermont Medicaid Next Generation program.

Final stakeholder discussions are ongoing, and DVHA has a goal of publishing proposed changes in the *Global Commitment Register (GCR)* in December for implementation on January 1, 2018.