**July 30, 2021**
**Emergency Board Meeting**
**Report on Medicaid for Fiscal Year 2021**

32 V.S.A. § 305a(c) requires a year-end report on Medicaid and Medicaid-related expenditures and caseload. Each January, the Emergency Board is required to adopt specific caseload and expenditure estimates for Medicaid and Medicaid-related programs. Action is not required at the July meeting of the Emergency Board unless the Board determines a new forecast is needed in July. The data in this report reflects the most current actual FY21 information to date. The comparison of FY21 actual to budgeted amounts reflects the changes made through the budget adjustment and big bill processes. Though unlikely, there may be adjustments to actual year-end amounts as the close-out for the fiscal year is finalized. If necessary, changes will be included in a subsequent report.

**Executive Summary**
FY21 continued with impacts from the unprecedented COVID-19 Public Health Emergency. The bullet points below provide the primary results of FY21 in the Vermont Medicaid, Global Commitment Waiver (GC), Children's Health Insurance Program (CHIP) and related programs. Also included are a few heads-up on issues to be aware of looking forward. Detailed multiyear charts for overall program expenditures, enrollment and year end positions follow this summary.

- **Expenditures:** Overall Medicaid and Medicaid-related expenditures (see page 5 chart) totaled $1.8 billion in FY21. This total is 3.9% or $74 million below the gross funds budgeted for FY21 through all BAA actions and is 1.4% below the amount spent in the FY20. However, the General Fund (GF) impact is much lower, this underspending results in $8 million GF carried forward and available for onetime use in the next budget cycle.

  The FY21 underspending is across several program areas, and the specific sources of state funding match matter in the context of understanding the GF fiscal impact. Underspending in the Success Beyond Six Program totaled $20.1 million but does not result in any GF fiscal impact as the match in this program is provided by the schools. The same is true for the other certified match programs. Underspending in the Choices for Care program does not free up GF to be used outside the CFC program as there are statutory requirements on reserving and reinvesting funds in this program.

  Collectively, the Global Commitment programs came in underbudget by $26 million, and this is the primary source of the $8 million GF carryforward. But the story is much more nuanced, the main claims-driven DVHA GC program was well over budget in FY21 by $22 million and was only able to be balanced at the end of the year via transfers internally from other DVHA programs or from other underspent GC programs in the Departments of Health, of Mental Health, and of Disabilities, Aging and Independent Living. The DVHA GC over spending is from higher claims and an alternative payment method for Brattleboro Retreat.

  Some of the overspending in claims is most likely due in part to a significantly higher than expected caseload for FY21 (see chart on page 4 and more discussion below). At same time,

more analysis is still needed to understand the nature of changing utilization trends driving claims and the impact of the pandemic on the use of health care services.

The GC underspending in other programs (Clawback) and departments (MH, VDH, DDAIL) also needs more analysis as well. We believe much of this is one-time or limited in nature and due to a combination of offsetting pandemic-specific federal funds and the atypical program utilization impacts caused by the pandemic.

**Choices for Care (CFC)–** The CFC GC program expenditures came in below the budgeted level by $10.4 million after transfers and obligated amounts. This is entirely from the nursing home side of the program. A portion of this program balance ($2.2m) was expected and accounted for in the FY22 budget. After fully funding the required 1% ($2m) CFC program reserve, there is $6.2 million of GC funds in the program available for reinvestment.

- **Caseload:** Vermonters are eligible for coverage through these programs in a variety of ways subject to income limits. For most of the caseload (75%+), these programs provide full or primary health care coverage. For the remaining caseload, the programs provide supplemental coverage for those whose primary coverage is from another source such as Medicare or commercial plans. The supplemental coverage caseload came in basically on target, in fact just a little bit below expectation for the year.

  However, even though increased caseload estimates for FY21 were adopted by the Emergency Board in January 2021, most of the adult eligibility categories came in significantly higher than expected; 11.1% over the estimate and nearly 22% over last year. This increase is a function of two factors: 1) the impact of the pandemic on employment and income for these Vermonters, and 2) the suspension of annual eligibility redeterminations. This suspension is a federal requirement for states to draw the enhanced federal match for the program that was passed in March 2020. This suspension has also resulted in lower collection of premiums by $1 million for those aspects of the program that have a premium.

  The suspension of redeterminations adds an additional challenge to the projection of caseload in the three adult eligible groups, since these are the most volatile groups in terms of 'churn' on and off the program depending on income and employment. The good news is the other eligibility groups are relatively stable and their enrollment appears to be less impacted by the pandemic or redetermination disruption.

- **FMAP:** The Federal Medical Assistance Percentage (FMAP) is the rate set annually (based on the federal fiscal year) for each state reflecting the share of costs the federal government will pay for eligible Medicaid expenses. The rate for each state is calculated based on state per capita income in comparison to overall national level, although no state can receive less than 50%. The income data is lagged by several years and is often countercyclical.

  Vermont's base FMAP is currently roughly 56% federal share and 44% state share for program costs. A 1% change in the base rate can impact the state GF budget by $14 million. There are instances where the FMAP is higher or enhanced due to federal action such as the

90% share for 'Childless New Adults' under Obamacare, the Children's Health Insurance Program, or state-specific agreements with CMS for certain types of expenditure.

Under the Families First Coronavirus Response Act passed in March 2020, states received a temporary increase in their FMAP rate of 6.2%. This increase is available for as long as the federal declaration of emergency is in place. Vermont has been drawing this enhanced funding percentage for all matched programs as follows:

- in SFY20, two quarters were drawn and saved the GF budget $42m,
- in SFY21, a full year of draw has resulted in $84m in GF budget savings
- in SFY22, the state budget projected this enhancement to be in place for three quarters through the end of March 2022 and has included a GF savings impact of $66m.

**Looking ahead**

- **FY22 Budget Adjustment and FY23 Baseline:** We do expect that the caseload and utilization trends that impacted the DVHA GC program in FY21 to result in a significant upward FY22 adjustment, higher than any adjustment the program has needed in quite some time, and this will likely also impact FY23 projections. It seems likely the FY22 impact some could be offset to some degree, but the longer-term fiscal implications are likely to be upward base GF fiscal pressure.

- **FMAP:** Monitoring the base FMAP as well as the various enhanced FMAP rates are a continuous part of the fiscal analysis of these programs. The American Recovery Plan Act (ARPA) contained a few more FMAP impacts. One is a 10% match increase for one year for Home and Community-Based Services (HCBS). This provision is expected to produce significant GF savings of $65 million and when matched this could provide as much as $162 million for programs as the use of these funds is restricted specifically to strengthening HCBS programs. The accounting and reporting requirements for this federal opportunity are new and significant. AHS is in the process, with engagement from stakeholders, of developing the plan for the use of these funds over a three-year period. The ARPA bill also has a multiyear enhanced FMAP where the federal share for mobile mental health crisis response expenditures will be 85%.

- **Global Commitment Waiver:** The current Global Commitment 1115 waiver is set to expire at the end of CY21. Negotiations are under way between the administration and their federal counterparts. An update can be found in the reports to the Health Reform Oversight Committee on June 28, 2021.

- **Health Care Revenues:** Healthcare revenues came in a little below expectation for FY21 and have been adjusted downward slightly for FY22 and beyond. The provider tax revenues (because they are billed amounts) are accounted for in the GF on an accrual basis not a cash basis like other GF revenue streams. The conclusion of the bankruptcy for Springfield hospital means there will be a GF write down $6.3m in FY22 from accrued provider tax obligations. This process did result in two promissory notes to the State totaling $5m over a specified time frame with most of these payments due by the end of 10 years.

| Average Medicaid Caseload | | | | | | FY21 BAA As passed | | FY22 Budget As passed |
|---|---|---|---|---|---|---|---|---|
| (Based on Monthly Enrollment and Staff Group projections) | | | | | | **E-Board** Jan. 2021 | *July 16,2021* actual | **E-Board** Jan. 2021 |
| | actual | actual | actual | actual | | | | |
| | **FY17** | **FY18** | **FY19** | **FY20** | | **FY21** | **FY21** | **FY22** |
| **Full/Primary Coverage** (note1) | | | | | | | | |
| **Adult** | | | | | | | | |
| Aged, Blind, or Disabled (ABD) Adults | 8,759 | 6,779 | 6,485 | 6,292 | | 6,475 | 6,237 | 6,475 |
| General Adults | 14,876 | 12,705 | 10,148 | 8,366 | | 10,043 | 11,375 | 10,049 |
| New Adult Childless- began 1/1/2014 | 42,412 | 40,100 | 37,432 | 35,058 | | 37,550 | 42,649 | 35,802 |
| New Adult w/Kids - began 1/1/2014 | 17,787 | 18,618 | 19,101 | 20,196 | | 22,473 | 24,814 | 22,258 |
| Adult subtotal | 83,834 | 78,202 | 73,166 | 69,911 | | 76,541 | 85,076 | 74,584 |
| | -14.1% | -6.7% | -6.4% | -4.4% | | 4.6% | 21.7% | -2.6% |
| **Children** | | | | | | | | |
| Blind or Disabled (BD) Kids | 2,579 | 2,244 | 2,093 | 1,766 | | 1,634 | 1,619 | 1,594 |
| General Kids | 60,024 | 60,009 | 58,779 | 57,772 | | 59,540 | 60,801 | 59,588 |
| CHIP (Uninsured) Kids | 5,136 | 4,673 | 4,479 | 4,549 | | 4,450 | 4,331 | 4,374 |
| Child subtotal | 67,739 | 66,926 | 65,351 | 64,087 | | 65,624 | 66,751 | 65,556 |
| | -4.7% | -1.2% | -2.4% | -1.9% | | 0.4% | 4.2% | -0.1% |
| **Subtotal -Full/Primary** | **151,573** | **145,128** | **138,517** | **133,998** | | **142,165** | **151,827** | **140,140** |
| | -10.2% | -4.3% | -4.6% | -3.3% | | 2.6% | 13.3% | -1.4% |
| **Partial/Supplemental Coverage** | | | | | | | | |
| Choices for Care | 4,302 | 4,259 | 4,275 | 4,387 | | 4,477 | 4,432 | 4,596 |
| ABD Dual Eligibles | 17,651 | 17,761 | 17,651 | 17,546 | | 17,678 | 17,970 | 17,649 |
| Rx -Pharmacy Only Programs | 11,389 | 10,690 | 10,382 | 9,976 | | 9,889 | 9,963 | 9,568 |
| VPA-Vermont Premium Assistance (note2) | 17,961 | 18,275 | 17,163 | 16,237 | | 15,935 | 15,081 | 15,937 |
| *CSR-Cost Sharing Reduction (subset of VPA not in subtotal)* | *5,816* | *6,141* | *4,919* | *3,518* | | *3,235* | *3,018* | *3,236* |
| Underinsured Kids (ESI upto 312% FPL) | 873 | 624 | 563 | 568 | | 549 | 560 | 530 |
| **Subtotal -Partial/Supplemental Coverage** | **52,177** | **51,609** | **50,034** | **48,713** | | **48,528** | **48,005** | **48,280** |
| | 3.7% | -1.1% | -3.1% | -2.6% | | -3.0% | -1.5% | -0.5% |
| **Total Medicaid Enrollment** | **203,750** | **196,737** | **188,551** | **182,711** | | **190,693** | **199,832** | **188,420** |
| | -7.0% | -3.4% | -4.2% | -3.1% | | 1.1% | 9.4% | -1.2% |

Notes
1 Some Full Coverage enrollees may have other forms of insurance.
2 VPA-Vermont Premium Assistance counts are subscribers not individuals.

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| Summary of Total Expenditures | | | | | | | |
|---|---|---|---|---|---|---|---|
| Medicaid and Medicaid Related | | | | | | | |
| | **FY17 Actual** | **FY18 Actual** | **FY19 Actual** | **F20 Actual** | **FY21 BAA Budgeted** | **F21 Actual** | **FY22 As Passed** |
| **Administration (not in Waiver)** | | | | | | | |
| Non Capitated Administration 50/50 | 42,336,781 | 80,088,129 | 72,558,595 | 76,839,254 | 73,228,360 | 70,450,346 | 79,326,428 |
| Non Capitated Administration 75/25 MMIS M&O | 6,576,855 | 14,272,895 | 17,333,783 | 20,103,827 | 22,087,208 | 20,862,489 | 23,508,074 |
| Non Capitated Administration 75/25 SPMP | 4,609,334 | 6,161,582 | 6,309,453 | 6,275,782 | 6,364,217 | 5,406,553 | 6,395,814 |
| *Sub-total Non Capitated Administration* | 53,522,970 | 100,522,606 | 96,201,831 | 103,218,863 | 101,679,785 | 96,719,388 | 109,230,316 |
| Non Capitated Administration 75/25 E&E M&O | 23,949,052 | 30,224,766 | 28,215,235 | 34,550,270 | 48,583,164 | 34,388,430 | 53,050,354 |
| ***Total Non Capitated Administration*** | **77,472,022** | **130,747,372** | **124,417,065** | **137,769,133** | **150,262,949** | **131,107,818** | **162,280,670** |
| | | | -4.8% | 10.7% | 9.1% | -4.8% | 23.8% |
| **Global Commitment Waiver** | | | | | | | |
| GC - Administration | 53,983,552 | n/a | n/a | n/a | n/a | n/a | n/a |
| GC - Program (DVHA, MH, DS etc) | 1,172,779,869 | 1,176,581,623 | 1,246,939,045 | 1,236,841,301 | 1,295,113,936 | 1,268,974,765 | 1,332,946,308 |
| GC - VT Premium Assistance | 6,162,611 | 6,332,790 | 5,941,367 | 5,864,311 | 5,625,792 | 5,689,738 | 5,615,851 |
| GC - Choices for Care (CY 2015 now in GC) | 190,393,133 | 193,956,348 | 206,204,809 | 221,591,137 | 223,609,075 | 206,345,993 | 227,924,004 |
| GC - Investments | 135,234,008 | 139,114,731 | 135,033,700 | 124,799,031 | 103,829,630 | 98,845,057 | 107,489,943 |
| GC - Certified (non -cash program & cnom) | 28,059,203 | 27,307,277 | 26,453,027 | 23,441,495 | 24,147,352 | 18,175,058 | 24,993,731 |
| **GC Waiver total** | **1,586,612,376** | **1,543,292,769** | **1,620,571,948** | **1,612,537,275** | **1,652,325,785** | **1,598,030,610** | **1,698,969,837** |
| | | | 5.0% | -0.5% | 2.5% | -0.9% | 6.3% |
| **Other Medicaid and Related Programs** | | | | | | | |
| Money Follows the Person (CFC FY08-CY15) | 2,244,110 | 2,607,149 | 766,828 | 2,379,542 | 3,186,175 | 1,388,847 | 3,186,175 |
| Cost Sharing Subsidy (State Only) | 1,355,318 | 1,533,802 | 1,482,370 | 1,170,612 | 1,076,393 | 1,176,262 | 1,130,724 |
| Vermont Premium Assistance (State Only) | (62,232) | 74,896 | - | - | - | - | |
| Pharmacy - State Only | (258,671) | 1,054,658 | 4,784,349 | 4,862,659 | 3,073,535 | 4,998,596 | 2,973,767 |
| DSH | 37,448,780 | 27,448,780 | 22,704,471 | 22,704,471 | 22,704,471 | 22,704,470 | 22,704,471 |
| Clawback (state only funded) | 31,738,186 | 33,676,089 | 34,453,902 | 35,532,471 | 32,882,779 | 30,355,530 | 36,711,213 |
| SCHIP | 13,081,552 | 11,055,931 | 12,093,133 | 13,744,946 | 13,118,778 | 14,664,289 | 12,895,777 |
| **Total Other** | 85,547,041 | 77,451,305 | 76,285,053 | 80,394,701 | 76,042,131 | 75,287,995 | 79,602,126 |
| | | | | | | | |
| **Total All Expenditures** | **1,749,631,439** | **1,751,491,446** | **1,821,274,067** | **1,830,701,108** | **1,878,630,864** | **1,804,426,423** | **1,940,852,633** |
| | 1.3% | 0.1% | 4.0% | 0.5% | 2.6% | -1.4% | 7.6% |
| Blue Cross Blue Shield VT Recon Settlement | 3,500,000 | 4,500,000 | | | | | |
| | | | | | | | |
| **Notes** | | - | | | | | |
| CY17 - Admin out of GC in new waiver agreement | | | | | | | |
| CY17 - Payments to ACO for attributed lives include in GC program expenditures | | | | | | | Doc# 343033 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Choices for Care Year End Summary - SFY21** | | | | | | | |
| CFC is managed as one budget, categories are estimated but funding is fluid within them. | | | | | | | |
| DeptID - 3460080000 | | | | | | State Share grossed up to GC | |
| | | SFY21 Budget Plan$s Available (Final Approp) | SFY21 Expend and Obligated | Balance of SFY21 Approp by fund | State Share Amt as of FY21 Year End | Available For FY22 CF/Savings Reinvestment | |
| | H&CB Money Follows the Person General Fd | $1,102,842 | $273,535 | $829,307 | $829,307 | $0 | $829,306.58 GF bal. being carried forward to SFY22 - staying as GF for H&CB Money Follows the Person obligations. |
| | H&CB Money Follows the Person Federal Fd | $2,083,333 | $1,115,342 | $967,991 | $0 | $0 | Federal Funds are available to use in SFY22 |
| | H&CB Global Commitment Fund | $80,492,945 | $80,654,977 | ($162,032) | ($68,880) | ($156,545) | |
| | Nursing Home Global Comittment Fund | $136,620,914 | $125,691,015 | $10,929,899 | $4,646,300 | $10,559,772 | |
| | CRF Funding - Nursing Home Emergency Financial Relief | $375,000 | $375,000 | $0 | $0 | $0 | |
| | Choices for Care Subtotal all funds | $220,675,034 | $208,109,871 | $12,565,163 | $5,406,727 | $10,403,227 | GC Carryforward from SFY21 into SFY22 available before obligations. |
| | | | | | | $0 | |
| | **NOTES** | | | | | $10,403,227 | GC Carryforward to SFY22 (44% GF) |
| 1) | CRF Funding is not included in the 1% reserve calculation. | | | | | ($2,077,349) | 1% reserve requirement, (CRF excl from expenses for calc) |
| | | | | | | ($2,159,239) | SFY22 Obligation of carryforward funds in the budget as passed. |
| | | | | | | **$6,166,640** | Gross GC amount available for "reinvestment" or **$2,713,321.39** GF. |

| Global Commitment Fund - Cash Balance Sheet | FY17 Actual | FY18 Actual | FY19 Actual | FY20 Actual | FY21 Budgeted (BAA) | FY21 Actual |
|---|---|---|---|---|---|---|
| **Revenues - Cash Capitated Payments** | **1,554,409,832** | **1,512,050,358** | **1,589,240,101** | **1,584,840,976** | **1,628,178,433** | **1,579,855,552** |
| **Expenses - Cash Capitated** | | | | | | |
| **Administration** | 53,983,552 | | | | | |
| **Program** | 1,369,335,613 | 1,376,870,761 | 1,457,678,900 | 1,460,127,802 | 1,524,348,803 | 1,481,010,495 |
| **Investment** | 131,087,882 | 135,179,597 | 131,473,726 | 124,799,031 | 103,829,630 | 98,845,057 |
| **Total Cash Expenses** | **1,554,407,047** | **1,512,050,358** | **1,589,152,626** | **1,584,926,833** | **1,628,178,433** | **1,579,855,552** |
| **Transfer to 27/53 Reserve- 53rd week portion** | **(5,287,591)** | **(1,700,000)** | **(1,760,000)** | | | |
| **Transfer to Human Service CR - IBNR** | | | **(64,022,729)** | | | |
| **Transfer to Human Service CR - Medicaid** | | | **(14,064,254)** | | | |
| **Change in Fund Balance** | **(5,284,806)** | **(1,700,000)** | **(79,759,508)** | **(85,857)** | **0** | **0** |
| **Prior Year Fund Balance** | **86,831,874** | **81,547,068** | **79,847,068** | **101,899** | **16,042** | **16,042** |
| **Total Fund Balance** | **81,547,068** | **79,847,068** | **87,560** | **16,042** | **16,042** | **16,042** |
| **Actual balance** | **81,561,150** | **79,861,148** | **101,899** | | | |
| **variance** | **14,082** | **14,080** | **14,339** | | | |
| **Non-cash expenses** [(a)] | 28,059,203 | 27,307,277 | 27,770,489 | 23,441,495 | $ 24,147,352 | 18,175,058 |
| **Non-cash revenues** [(b)] | 28,059,203 | 27,307,277 | 27,770,489 | 23,441,495 | $ 24,147,352 | 18,175,058 |

**Notes:**

(a) Non-cash expenses include certified programs in which non-federal

(b) Non-cash revenues include certified programs in which non-federal

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| **Medicaid Staff Group** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Official Forecast Worksheet** | | | | | | | | |
| **Healthcare Taxes (formerly in SHCRF)** | | | | | | | | |
| | | | | **Jan-21** | | **Jan-21** | **Jul-21** | **Jul-21** |
| | *Cash* | *Accrual* | *Accrual* | *Accrual* | *Accrual* | *Accrual* | | |
| Fund | SHCRF | GF | GF | GF | GF | GF | GF | GF |
| | FY18 | FY19 | FY20 | FY21 | FY21 | FY22 | FY22 | FY23 |
| | Actual | Actual | Actual | Forecast | Actual | Forecast | Forecast | Forecast |
| **Cigarette and Tobacco taxes** | **76.69** | **71.07** | **69.19** | **78.60** | **77.47** | **76.60** | **78.32** | **76.65** |
| **Claims Assessment (GF portion only)** | **15.91** | **15.64** | **16.87** | **15.77** | **16.37** | **15.84** | **16.00** | **16.00** |
| **Employer Assessment** | **19.84** | **19.75** | **20.23** | **17.92** | **18.36** | **17.92** | **20.50** | **21.50** |
| **Hospital Provider Tax** | **143.50** | **146.34** | **150.19** | **145.97** | **143.66** | **148.74** | **150.00** | **151.50** |
| **Nursing Home Tax** | **14.85** | **14.80** | **14.71** | **14.63** | **14.56** | **14.63** | **14.66** | **14.66** |
| **Home Health Tax** | **4.70** | **4.80** | **5.58** | **5.81** | **5.81** | **5.81** | **6.56** | **6.60** |
| **Ambulance Tax** | **0.94** | **0.93** | **1.01** | **0.80** | **0.99** | **0.90** | **0.90** | **1.00** |
| **ICFMR Tax** | **0.07** | **0.09** | **0.08** | **0.09** | **0.03** | **0.09** | **0.00** | **0.00** |
| **Pharmacy $0.10/script** | **0.81** | **0.77** | **0.80** | **0.80** | **0.81** | **0.80** | **0.80** | **0.80** |
| **Nursing Home Transfer Tax** [note] | **0.00** | **0.80** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** |
| | | | | | | | | |
| **Total** | **277.3** | **275.0** | **278.7** | **280.4** | **278.1** | **281.3** | **287.7** | **288.7** |
| | | | | | | | | |
| **Claims Assessment (HIT portion only)** | **3.91** | **3.92** | **3.81** | **3.94** | **4.07** | **3.96** | **4.00** | **4.00** |
| **Total Claims HIT and GF portions** | 19.83 | 19.56 | 20.68 | 19.71 | 20.44 | 19.80 | 20.00 | 20.00 |
| | | | | | | | | |
| *Note: There are potential nursing home sale transactions pending in FY22. As of June 30, 2020 approval has not been granted to potential* | | | | | | | | |
| *aquiring entities, onetime transfer revenue will estimated in Jan. 2022 if transfers of ownership are approved by that time.* | | | | | | | | doc# 349713 |