Private Nonmedical Institutions: Plan to Address Costs

Andrea De La Bruere, Commissioner
Department of Vermont Health Access

September 21, 2022

AGENCY OF HUMAN SERVICES
DEPARTMENT OF VERMONT HEALTH ACCESS

PRIVATE NONMEDICAL INSTITUTIONS; COSTS
(a) On or before September 1, 2022, the Agency of Human Services shall report to Joint Fiscal Committee on a plan to address costs associated with contract staffing for private nonmedical institutions. The plan shall include a timeline to address the rate setting process for future ongoing base costs starting in State fiscal year 2023.

VERMONT

AGENCY OF HUMAN SERVICES
DEPARTMENT OF VERMONT HEALTH ACCESS

Overview

- 12 private nonmedical institution (PNMI) programs in Vermont offer residential care to youth and adolescents.

- The Division of Rate Setting in the Department of Vermont Health Access is responsible for setting and maintaining rates for these programs in accordance with the Vermont Private Nonmedical Institutions Rule.

- Rates are based on each program's unique historic costs and include components for:
  - Treatment – Paid primarily by the Department for Children and Families and the Department of Mental Health using Medicaid program funds
  - Room and Board - Paid using General Funds
  - Education - Paid by the Agency of Education

VERMONT

AGENCY OF HUMAN SERVICES
DEPARTMENT OF VERMONT HEALTH ACCESS

Utilization of Contract Staffing in Private Nonmedical Institution Programs

- The Agency of Human Services is not aware of private nonmedical institution programs that are presently utilizing contract staffing.

- Over the pandemic, contracted staffing has been utilized at private nonmedical institution programs throughout the state in the following scenarios:
  - on an emergent basis from the State's staffing contract; and
  - through direct contracts between private nonmedical institution providers and contract agencies.

- Since the beginning of calendar year 2022, the State has been working with providers who have been leveraging contracted staffing to create phasedown/staffing sustainability plans to reduce reliance on contractor staffing.

VERMONT

AGENCY OF HUMAN SERVICES
DEPARTMENT OF VERMONT HEALTH ACCESS

- Mechanisms within the rate setting rule allow rates to be adjusted:
  - When providers' cost structures change (rate adjustments), or,
  - When organizations are experiencing other fiscal pressures (extraordinary financial relief).
- Both avenues are available to providers to address contract staffing costs.
- Since the beginning of calendar year 2022, three programs have requested rate adjustments and six have applied for financial relief.
- Through approved rate adjustments and financial relief applications in the 2022 calendar year, to date an additional $2.8 million has been added to the private nonmedical institution system of care.

VERMONT

AGENCY OF HUMAN SERVICES
DEPARTMENT OF VERMONT HEALTH ACCESS

- Private nonmedical institution rate setting rules have not accounted for inflation when using historical costs to set rates.

- These rates, which are set on a state fiscal year (SFY) cycle, are based on the audited financial statements and cost reports from approximately two years earlier which places pressure on providers' cash flow in terms of timely reimbursement.

- The Division of Rate Setting, in collaboration with the Department for Children and Families, the Department of Mental Health, the Agency of Education, and stakeholders will work to address base pressures in light of current workforce challenges and unprecedented inflationary pressures following the pandemic.

- AHS is considering a variety of approaches to address these pressures in SFY 2023 and SFY 2024 including a rate analysis intended to incorporate an annual inflationary adjustment that will track with national indicators of inflation.

VERMONT

AGENCY OF HUMAN SERVICES
DEPARTMENT OF VERMONT HEALTH ACCESS

Timeline to Address Ongoing Base Costs

Activity	State Fiscal Year (SFY) 2023				SFY 2024
	Q1	Q2	Q3	Q4	Q1
Develop methodology to address base cost pressures & draft rule language	▨				
Rule promulgation, including stakeholder engagement, committee review, and hearings		▨	▨	▨	
Finalize budget estimates for SFY '24 methodology change		▨			
File final rule				▨	
Implement SFY '24 rates using new inflation methodology*					▨

Contingent upon appropriations.

VERMONT

AGENCY OF HUMAN SERVICES
DEPARTMENT OF VERMONT HEALTH ACCESS