July 30, 2024
Emergency Board Meeting
Report on Medicaid for Fiscal Year 2024

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 fiscal year 2024 information. The comparison of fiscal year 2024 actuals 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

While the COVID-19 Public Health Emergency lockdowns are in the rear-view mirror, the effects on Vermont's health care system continue to linger. This and other underlying issues that existed prior to the pandemic continue to impact the health care system.

Legislative and Executive Branch staff have a long history of working together closely to interpret both short-term and long-term trends on caseloads, expenditures, and revenues. The bullet points below provide a fiscal summary for fiscal year 2024 regarding Vermont's Medicaid, Global Commitment Waiver (GC), Children's Health Insurance Program (CHIP), and related programs. Also included are a few issues to be aware of looking forward. Detailed multi-year charts for overall program expenditures, enrollment, and year-end positions follow this summary.

- **Expenditures:** Overall the estimated fiscal year 2024 Medicaid and Medicaid-related all funds estimated expenditures totaled $2.3 billion (see Exhibit 1). This was $13.4 million (0.6%) above all the funds budgeted amount as passed in Act 87 (2023; the fiscal year 2024 budget adjustment act) and a 5.2% increase in total spending over fiscal year 2023.
    - Global Commitment Program spending came in $6.2 million (0.6%) below projections, while overall GC Waiver spending came in $25 million (1.2%) above projections, the bulk of which was from the Department of Disabilities, Aging and Independent Living (DAIL) Choices for Care program (CFC). The primary drivers of CFC spending were twofold: nursing home bed day utilization rates above recent years' levels and continued need for Extraordinary Financial Relief (EFR).
    - Overall program administration ran around 7%, which is consistent with fiscal years 2022 and 2023, yet came in 6.3% below what was budgeted in Act 87.
    - Clawback came in $2.1 million (5%) below budgeted, while CHIP ran $1.8 million (12.2%) above expectations.

- **AHS GC General Fund Position:** The unexpended General Fund in the Agency of Human Services (AHS) Global Commitment line being carried forward into fiscal year 2025 is $3.7 million. $1.1 million will be used as match for encumbered GC purchase orders with Agency departments, $0.73 million will be carried forward for CFC ($1.7 million gross GC), and the remaining $1.9 million will be used for anticipated fiscal year 2025 budget adjustment Medicaid Consensus and GC-funded caseload and utilization needs.

- **Caseload:** Vermonters are eligible for coverage through Medicaid programs in a variety of ways subject to income limits. Most Medicaid beneficiaries receive full or primary health care coverage through the program while other beneficiaries, whose primary coverage is from other sources such as Medicare or commercial plans, are eligible for supplemental coverage through Medicaid.

  Fiscal year 2024 caseload for all eligibility groups tracked very close to projections. Overall Medicaid enrollment decreased as expected, mainly due to the end of the COVID-era Medicaid Continuous Enrollment requirements and resumption of annual eligibility redeterminations. The General and Childless New Adult Medicaid eligibility categories, which saw the largest enrollment increases under these policies, saw the largest enrollment decreases with the end of them.

- **Health Care Revenues:** Health care revenues – which include cigarette and tobacco taxes, the health care claim tax, the employer assessment, and provider taxes – were previously deposited into a special fund. In 2019 these were redirected into the General Fund. As such they are now part of the General Fund forecast.

  Provider taxes are currently paid by hospitals, nursing homes, pharmacies, and ambulance services. The home health provider tax sunset at the end of fiscal year 2023. Hospital provider taxes projections, which account for the majority of provider taxes, always have some level of volatility. The forecast is based on what hospitals will be billed by AHS, which is based on the Green Mountain Care Board's (GMCB) budgeted estimates. These are later reconciled based on actuals for the first three quarters, which may differ significantly from what was budgeted. Additionally, projections do not take into consideration hospitals that are in arrears. At the close of fiscal year 2024 four hospitals were in arrears for a total of $6.6 million, the majority of which was due from one hospital. Provider taxes in general came in 3% above forecast, mostly driven by hospital provider taxes which came in $6.8 million above projections.

  The employer assessment came in 2% (approximately $592,000) higher than projected. The annual assessment increase is indexed to the rate increase of the second-lowest cost silver plan, whether offered inside or outside the Vermont Health Benefit Exchange. Both BlueCross BlueShield of Vermont and MVP Health have again submitted rate filing requests to the GMCB for double-digit average annual rate increases across their individual and small group plans. Looking forward, fiscal year 2025 employer assessment revenues will depend both on the GMCB's final rate

decisions as well as continually evolving workforce environments, for which employers pay based on the number of full-time equivalents (FTEs) they employ who lack health coverage or are covered by Medicaid.

The claims assessment came in 2% (approximately $406,000) above projected, while cigarette and tobacco taxes came in 3% ($2.3 million) under. After growing 22% in fiscal year 2022 and 37% in fiscal year 2023 the sale of electronic cigarettes declined 1.2% in fiscal year 2024, resulting in $1.4 million less than projected. Early speculation is that this may be due to the increased popularity of nicotine pouches (which are not currently taxed).

- **FMAP:** The Federal Medical Assistance Percentage (FMAP) is the federally set rate for each state. It reflects the share of costs the federal government will pay for eligible Medicaid expenses. The rate for each state is based on a three-year average of state per capita income levels in comparison to the overall national level. No state's rate can be lower than 50%. The income data used for this calculation lags the present by several years and is often countercyclical.

  Vermont's base FMAP for fiscal year 2024 was 56.52% federal share and 43.48% State share for program costs. A change of 1% in the base rate can impact the State General Fund budget by as much as $18.7 million. There are instances where the FMAP is higher or enhanced due to federal action, such as the 90% federal share for Childless New Adults under the Affordable Care Act (ACA), 69.56% federal share for the Children's Health Insurance Program (CHIP), and state-specific agreements with the Center for Medicare and Medicaid Services (CMS) for certain types of administrative expenditures.

  Fiscal year 2024 saw the tail end of the temporary 6.2% FMAP rate increase as part of the federal government's COVID relief, which began phasing down during the previous fiscal year and ceased completely at the end of December 2023. There will be no COVID-related enhanced FMAP in fiscal year 2025.

Looking ahead

- **FMAP:** While the fiscal year 2025 base FMAP increased by 1.31% in the State's favor, the complete phase-out of the enhanced FMAP States had been receiving as part of the COVID-19 federal relief ended in December 2023. The benefit of the enhanced FMAP had been handled as a one-time positive effect to the General Fund in fiscal year 2024.

- **Clawback:** Federal Funds Information for States (FFIS) has projected a relatively modest increase (5.7%) for calendar year 2025 for Vermont as compared to last calendar year (15.9%). Preliminary estimates indicate a General Fund impact of $2.5 million, which is $590,000 less than what was assumed in the fiscal year 2025 budget. AHS will revisit these estimates and review and update the Medicare Savings Plan expansion estimates, which take effect January 2026.

- **1115 Reentry demonstration:** AHS received approval from CMS for pre-release services under the Reentry Demonstration that would provide case management, Medication-assisted treatment services, a 30-day supply of prescription medications, peer supports, and treatment for Hepatitis C for incarcerated individuals 90 days prior to their expected release based on a Medicaid eligibility application filed before or during incarceration. AHS is working with CMS on its plan submission, which is due within 120 days of the demonstration approval. CMS will then have 60 days to provide feedback.

- **Change Healthcare Cyberattack:** In February, Change Healthcare – which provides clearinghouse and administrative services for health care providers in Vermont, including Vermont Medicaid, MVP Health Care, BlueCross BlueShield of Vermont and CIGNA – experienced a widespread cyberattack that impacted providers, payers, and policy holders across the country. The attack's disruption of pharmacy rebates led to costs of $18.3 million. AHS and the Department of Vermont Health Access (DVHA) expect these rebates will be paid in fiscal year 2025. Using a combination of rebates that were paid by June 30, as well as available appropriations across AHS at year-end via GC closeout adjustments, the Agency was able to avoid borrowing from the Human Services Caseload Reserve. Remaining fiscal year 2024 rebates that are received in fiscal year 2025 will be used toward fiscal year 2025 budget adjustment Medicaid Consensus GC Program budget pressures. DVHA will report throughout fiscal year 2025 on rebates received attributable to fiscal year 2024 billings.

Exhibit 1

Average Medicaid Caseload

(Based on Monthly Enrollment and Staff Group projections)	actual	actual	actual	*Ebrd Jan'24*	actual	FY25 Bud. Est. *Ebrd Jan'24*
	FY21	**FY22**	**FY23**	**FY24**	**FY24**	**FY25**
Full/Primary Coverage (note1)	***Redeterminations suspended during pandemic emergency***					
Adult						
Aged, Blind, or Disabled (ABD) Adults	6,229	6,108	6,401	7,428	7,116	8,005
General Adults	11,308	16,837	18,626	15,337	14,100	15,000
New Adult Childless- began 1/1/2014	42,064	47,797	50,596	41,237	41,426	38,000
New Adult w/Children - began 1/1/2014	24,409	24,540	25,925	23,171	24,217	22,500
Adult subtotal	84,010	95,282	101,548	87,173	86,859	83,505
	20.2%	13.4%	6.6%		-14.5%	
Children						
Blind or Disabled (BD) Kids	1,636	1,542	1,619	1,925	1,930	1,800
General Kids	60,658	61,895	62,070	58,344	57,734	57,840
CHIP (Uninsured) Kids	4,356	4,687	4,635	4,388	4,462	4,411
Child subtotal	66,650	68,124	68,324	64,657	64,126	64,051
	4.0%	2.2%	0.3%		-6.1%	
Subtotal -Full/Primary	**150,660**	**163,406**	**169,872**	**151,830**	**150,985**	**147,556**
	12.4%	8.5%	4%		-11.1%	
Partial/Supplemental Coverage						
ABD Dual Eligibles (Including Choices for Care)	22,507	22,830	23,263	22,376	22,939	22,380
Rx -Pharmacy Only Programs	9,965	9,586	9,096	9,245	9,192	9,481
VPA-Vermont Premium Assistance (note2)	15,187	12,471	10,842	12,541	13,272	14,165
CSR-Cost Sharing Reduction (subset of VPA)	*3,044*	*3,041*	*3,106*	*3,900*	*3,074*	*4,995*
Underinsured Kids (ESI upto 312% FPL)	569	618	664	640	517	640
Subtotal -Partial/Supplemental Coverage	**48,227**	**45,505**	**43,865**	**44,802**	**45,920**	**46,666**
	-1.0%	-5.6%	-3.6%		4.7%	
Total Medicaid Enrollment	**198,887**	**208,911**	**213,737**	**196,632**	**196,905**	**194,222**
	8.9%	5.0%	2.3%		-7.9%	

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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Exhibit 2

Summary of Total Expenditures

Medicaid and Medicaid Related

	FY21 Actual	FY22 Actual	FY23 Actual	FY24 Budgeted - As Passed	FY 24 Budgeted - BAA	FY24 Actuals (estimated)	FY25 Budgeted - As Passed
Administration (not in Waiver)							
Non Capitated Administration 50/50	70,450,346	69,159,795	86,530,426	78,089,560	85,709,486	88,577,430	89,802,905
Non Capitated Administration 75/25 MMIS M&O	20,862,489	25,587,964	33,543,182	33,923,782	36,625,532	33,581,104	31,655,578
Non Capitated Administration 75/25 SPMP	5,406,553	8,804,095	9,426,210	9,855,350	11,121,385	10,373,449	11,146,660
Sub-total Non Capitated Administration	96,719,388	103,551,853	129,499,818	121,868,692	133,456,403	132,531,983	132,605,143
Non Capitated Administration 75/25 E&E M&O	34,388,430	32,052,293	28,214,963	53,751,020	43,959,201	33,747,084	57,200,710
Non Capitated Administration total	**131,107,818**	**135,604,147**	**157,714,781**	**175,619,712**	**177,415,604**	**166,279,067**	**189,805,853**
Global Commitment Waiver							
GC - Program	1,268,974,765	1,413,780,286	1,542,860,852	1,601,426,984	1,612,199,451	1,605,929,826	1,603,735,223
GC - VT Premium Assistance	5,689,738	4,524,778	4,139,283	3,576,184	4,793,679	5,627,707	5,414,437
GC - Choices for Care	206,345,993	226,674,507	257,115,067	265,767,104	286,929,610	308,883,285	290,635,966
GC - Investments	98,845,057	108,638,216	115,396,199	106,311,159	106,942,708	116,739,000	116,139,456
GC - Certified (non -cash program & cnom)	18,175,058	21,178,030	20,590,111	25,050,921	25,050,921	23,704,052	24,301,185
GC Waiver total	**1,598,030,610**	**1,774,795,817**	**1,940,101,511**	**2,002,132,352**	**2,035,916,369**	**2,060,883,870**	**2,040,226,267**
Other Medicaid and Related Programs							
Money Follows the Person	1,388,847	4,643,428	2,434,893	2,948,579	2,948,579	2,422,983	2,948,579
Exchange Cost Sharing Subsidy (State Only)	1,176,262	985,102	1,151,486	1,153,124	1,449,969	1,681,009	1,857,076
Pharmacy - State Only	4,998,596	2,891,746	3,538,163	2,678,653	3,596,285	3,816,693	3,798,639
DSH	22,704,470	22,704,469	46,365,645	22,704,471	22,704,471	22,704,470	22,704,471
Clawback (state only funded)	30,355,530	33,191,145	35,919,289	42,762,070	43,719,725	41,550,604	45,821,144
SCHIP	14,664,289	14,045,476	15,161,223	14,294,295	15,255,496	17,114,050	15,311,640
Other Medicaid & Related total	**75,287,995**	**78,461,367**	**104,570,698**	**86,541,194**	**89,674,526**	**89,289,809**	**92,441,550**
Total All Expenditures	**1,804,426,423**	**1,988,861,331**	**2,202,386,991**	**2,264,293,258**	**2,303,006,499**	**2,316,452,747**	**2,322,473,670**

Exhibit 3

Choices for Care Year End Summary - SFY24

CFC is managed as one budget

DeptID - 3460080000

	CFC SFY24 Final Appropriation	SFY24 Expense Totals	Fund balances of SFY24 Final Appropriation	CFC Reinvestment Calculation	
General Fund	$ 1,320,686.81	$ 1,287,613.75	$ 33,073.06	$ -	General Funds carryforward to SFY25 for Money Follows the Person expenses in SFY25.
H&CB Money Follows the Person Federal Fund	$ 2,450,000.00	$ 1,135,369.00	$ 1,314,631.00	$ -	Federal Funds are available for use in SFY25
H&CB & Nursing Home Global Commitment Fund	$ 310,614,341.00	$308,883,285.36	$ 1,731,055.64	$ 1,731,055.64	
Choices for Care Subtotal all funds	$ 314,385,027.81	$311,306,268.11	$ 3,078,759.70	$ 1,731,055.64	GC Carryforward from SFY24 into SFY25 available before obligations.
				$ -	
				$ 1,731,055.64	GC Carryforward to SFY25
				$ (3,113,062.68)	Less: 1% reserve calculated by taking 1% of SFY24 expenses
				$ (1,382,007.04)	Total GC available after obligating a 1% reserve. If amount here is negative there are no funds available for reinvestment.
				$ -	Total funds available for reinvestment.

Exhibit 4

Official Forecast Worksheet
Healthcare Revenues
(formerly in SHCRF now in GF)

Fund	GF FY21 Actual	GF FY22 Actual	GF FY23 Actual	Jan-24 GF *FY24 Forecast*	Jul-24 GF FY24 Actual	Jan-24 GF *FY25 Forecast*	Jul-24 GF *FY25 Forecast*	Jul-24 GF *FY26 Forecast*	Jul-24 GF *FY27 Forecast*	Jul-24 GF *FY28 Forecast*
Cigarette and Tobacco taxes	**77.47**	**75.99**	**74.85**	*72.30*	**69.99**	*71.40*	*66.40*	*64.30*	*63.30*	*62.30*
Claims Assessment (GF portion only)	**16.37**	**17.57**	**18.02**	*21.40*	**21.81**	*22.00*	*22.90*	*24.05*	*25.25*	*26.51*
Employer Assessment	**18.36**	**21.89**	**24.93**	*26.30*	**26.89**	*28.30*	*28.23*	*29.65*	*31.13*	*32.68*
Hospital Provider Tax	**143.66**	**161.53**	**173.87**	*185.50*	**192.38**	*193.80*	*209.29*	*219.75*	*230.74*	*242.28*
Nursing Home Tax	**14.56**	**14.66**	**14.58**	*14.41*	**14.36**	*14.41*	*14.41*	*14.41*	*14.41*	*14.41*
Home Health Tax	**5.81**	**5.79**	**6.12**	*0.00*	**0.00**	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*
Ambulance Tax	**0.99**	**0.99**	**1.11**	*1.20*	**1.25**	*1.20*	*1.20*	*1.25*	*1.25*	*1.25*
Pharmacy $0.10/script	**0.81**	**0.86**	**0.85**	*0.84*	**0.86**	*0.84*	*0.84*	*0.86*	*0.86*	*0.86*
Nursing Home Transfer Tax	**0.00**	**0.00**	**0.00**	*0.00*	**0.00**	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*
Total	**278.1**	**299.3**	**314.3**	*322.0*	**327.5**	332.0	343.3	354.3	366.9	380.3

SHCRF = State Health Care Resources Fund
GF = General Fund