State of Vermont
Global Commitment to Health
Waiver

Program Summary

January 2006

Presentation Goals

Overview of:

- Vermont's Medicaid Program (Statistics)
- Context for GC Waiver Agreement
- Financial Model & Organizational Structure
- Impact on Program Design, Operations & Beneficiaries
- Implementation Timelines

Vermont's Medicaid Program Stats

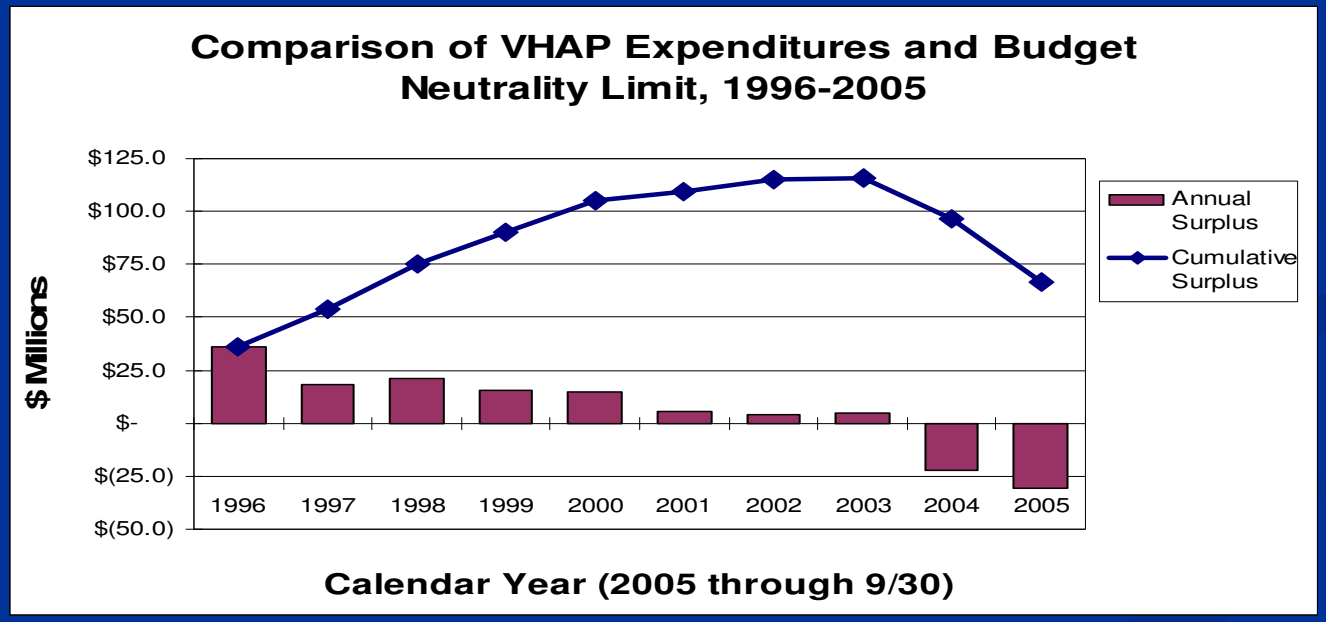
- 145,000 Covered Lives - 25% of Vermont's Population
- 51,200 Children – 34% of Vermont's Children
- $920 Million in SFY 2006 Total Medicaid Expenditures
- Largest Insurer in Vermont (9,000 Enrolled Providers)

What is an 1115 Demonstration Waiver?

- Federal government can "waive" many, but not all, of the laws governing Medicaid, including eligible people and services
- The 1115 Demonstration waiver program is designed to encourage state innovation in the Medicaid program.
- Often, states identify ways to save Medicaid funds and are permitted to use the savings to expand coverage.
- Programs Developed under previous (VHAP) 1115 waiver
  - Dr. Dynasaur – Up to 300% FPL
  - VHAP – Up to 185% FPL
  - Healthy Vermonters – Up to 400% FPL

Context: VHAP Waiver

- 1115 VHAP Waiver rolled into GC Waiver
- Budget neutrality surpluses are diminishing; an alternative approach needed to continue federal funding for the expansion populations



Context: Medicaid Expenditure Growth

- Without the new Waiver, current projections include a deficit in Medicaid expenditures (all Vermont programs) of:
  - $60 million GF in FY07
  - $370 million GF over next 5 years (cumulative)
- Projections based on:
  - Past growth trends for most line items
  - Slight decrease in OVHA growth rates
- Expenditures over next 5 years projected at $4.18 billion (cumulative)
- Major program changes would be needed to address deficit

Summary of New Global Commitment to Health Waiver

- Provides Vermont with:
  - Federal authority to continue VHAP-Uninsured, applicable pharmacy programs, and PCPlus programs
  - Framework to initiate program reforms approved by the legislature, but does not require program changes
  - Opportunity to invest in health care programs by OVHA becoming a Public Managed Care Organization (MCO)
- Does not include new Long-Term Care Waiver, VPharm Wrap, DSH and SCHIP

Financial Model

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Budget Neutrality Ceiling

- Vermont Medicaid will operate under a 5-year budget neutrality ceiling (i.e., Waiver Spending Limit, Cap)
- Ceiling based on FY04 expenditures trended forward at 9% each year → $4.7 billion cumulative over 5 years (gross dollars -state and federal)
- VHAP surplus ($66m) as of 9/30/05 was "rolled forward" into the GC Budget Neutrality agreement
- Administrative costs are in the ceiling; however, traditional federal claiming rules will be used for administrative costs
- Expenditure projections for the 5-year period are significantly below the 5-year ceiling , providing room for program growth

MCO Capitation (Premium) Payment

- AHS will pay the MCO (OVHA) a lump sum premium each month to provide all necessary services
- Pursuant to federal managed care rules, AHS obtains actuarial certification of the premium amount
  - Based on Vermont's actual experience and regional experience, where appropriate
  - Actuary certifies a range of rates, based on the benefits authorized and appropriated by the Legislature each year
  - State establishes the actual premium payment amount within the certified range

MCO Investments

- Each year, there will be state health care investment opportunities, depending on the difference between the actual program expenditures and the premium amount
- MCO savings can be invested in programs consistent with the following parameters:
  - Reduce the rate of uninsured and/or underinsured in Vermont;
  - Increase the access of quality health care to uninsured, underinsured, and Medicaid beneficiaries;
  - Provide public health approaches to improve the health outcomes and the quality of life for Medicaid-eligible individuals in Vermont; and
  - Encourage the formation and maintenance of public-private partnerships in health care.

MCO Investments *continued*

- Using these parameters, examples of programs in which the MCO can invest include:
  - Respite programs
  - Tobacco Cessation
  - Emergency Mental Health Services
  - Newborn Screening
  - Substance Abuse Services
- Savings as a result of these health care investments will help us to afford our current Medicaid programs and expand to new populations

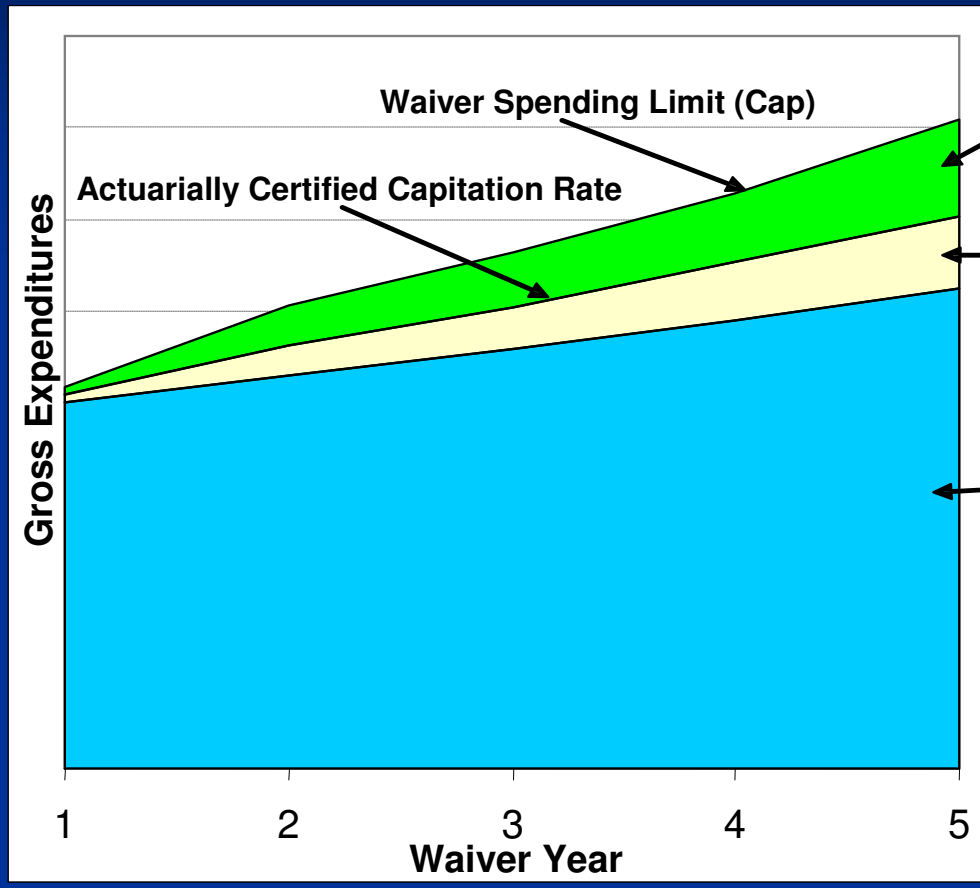
GC Waiver –v– Block Grants

Block Grants	Global Commitment
■ A defined amount of funding, often less than traditionally spent in exchange for total flexibility ■ Funds are not tied to amount of services provided ■ Bush Block Grant: automatically decreased federal support to states over time ■ Amount can be increased or decreased at any time	■ A ceiling amount available for reimbursement based on historical expenditure growth ■ Funds based on program expenditures and costs ■ Waiver ceiling increases annually based on 9% inflationary trend ■ Ceiling is permanent for 5-year term of agreement ■ Additional, but limited flexibility to operate program

Waiver Savings

- Waiver savings = the difference between the Waiver ceiling (cap) and the premium amount paid to the MCO
- If the state has general funds to draw down the federal funds, the state can propose new initiatives or populations for approval by CMS
  - If approved, these would be able to be included in the future years actuarially-certified rates for the MCO

Summary



Waiver Savings, or CNOM:
Cushion above projected expenditures

MCO Savings
May be used for health-related expenditures under 4 broad parameters

MCO Expenditures:
Costs to provide existing services for existing populations

Organizational Structure

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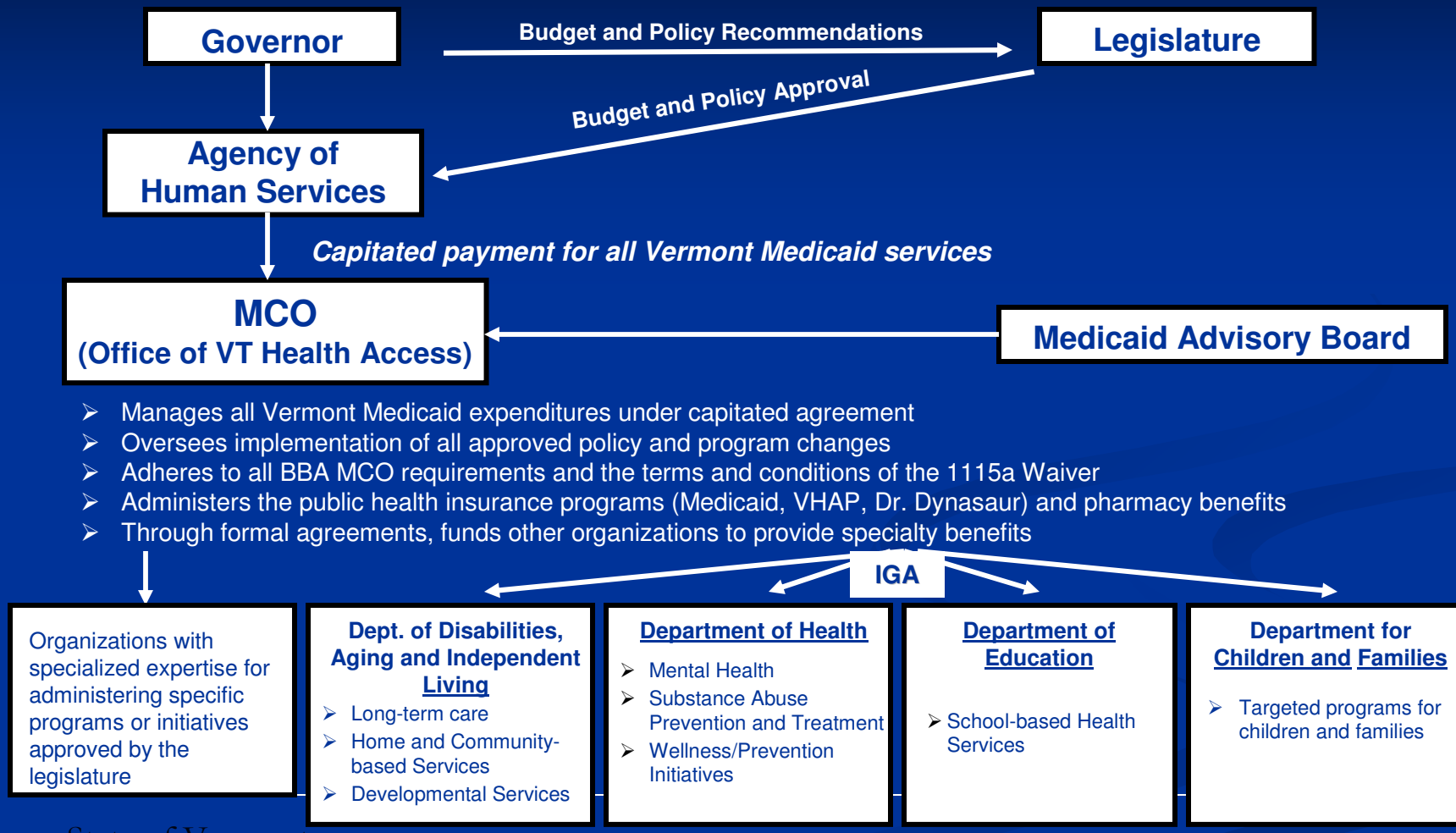
Organizational Structure



- Manages all Vermont Medicaid expenditures under capitated agreement
- Oversees implementation of all approved policy and program changes
- Adheres to all BBA MCO requirements and the terms and conditions of the 1115a Waiver
- Administers the public health insurance programs (Medicaid, VHAP, Dr. Dynasaur) and pharmacy benefits
- Through formal agreements, funds other organizations to provide specialty benefits

IGA

Organizations with specialized expertise for administering specific programs or initiatives approved by the legislature

Dept. of Disabilities, Aging and Independent Living
- Long-term care
- Home and Community-based Services
- Developmental Services

Department of Health
- Mental Health
- Substance Abuse Prevention and Treatment
- Wellness/Prevention Initiatives

Department of Education
- School-based Health Services

Department for Children and Families
- Targeted programs for children and families

Authority for OVHA as a MCO

- FY06 Budget Bill approved the creation of OVHA as a Public MCO
- Approval authorizes AHS to contract with OVHA to serve as a Public MCO
  - OVHA must comply with the federal MCO requirements

MCO Requirements

- Member Handbook
- Member Helpline
- Primary Care Home
- Interpreter Services
- Information about Advanced Directives
- Provider Directory
- Single Grievance and Appeal Process
- Quality Assurance / Improvement Plans and Activities
- Fiscal Reporting

Vermont Experience with Public MCOs

- 1115 VHAP Waiver operated under an MCO model
  - OVHA contracted with private health plans from October 1996 through April 2000
  - OVHA transitioned to a PCCM model, known as PCPlus
  - OVHA has operated under federal managed care rules for PCCM programs
  - Because OVHA has been operating PCPlus, many managed care requirements already are met

Impact and Implementation Timelines

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Program Design and Operations

- Provides Vermont with greater flexibility with regard to program design and operations
- Program benefits in FY06 (and subsequent years) would continue as authorized by the Legislature
- Departments will continue to receive appropriations through existing budget and legislative process
- New flexibilities will be available to:
  - Cover health services not available under Title XIX
  - Explore alternative reimbursement approaches (e.g., case rates)
  - Invest funds in programs designed to improve health outcomes
  - Encourage inter-departmental collaboration and consistency across programs

Beneficiaries

- Will only experience changes if approved by the Vermont Legislature
- Does not authorize Vermont to change benefits for mandatory populations and mandatory benefits
- There is a 5% corridor for Vermont to make changes to the benefits provided to optional and expansion populations, if authorized by the Vermont Legislature
- Program reforms approved by the Vermont Legislature that significantly increase or decrease program benefits or eligibility would require federal approval
- Some individuals previously not participating in PCPlus will be required to select a 'medical home' or PCP, pursuant to federal managed care requirements

Implementation Timelines

- October 1, 2005
  - Vermont Legislative approval (preliminary) to begin waiver implementation
  - Notification by CMS of Interim Premium Rates to be used until actuarial certification is completed and a rate is chosen by the State
  - IGA signed by AHS and OVHA
  - Fiscal systems in place to draw federal funds under new arrangement
- November 17, 2005
  - Joint Fiscal Committee meets to Vote on Final Approval
  - Letter of Acceptance from State to CMS
- December 13, 2005
  - Monthly Premium Amount Paid to the OVHA Established at $65,371,811
- By March 2006
  - IGAs signed between MCO and Departments
  - Evaluation plan submitted to CMS
- Various Dates
  - MCO requirements implemented

Bottom Line

- Establishes a 5-Year spending cap
- Includes a 9% Trend
- Allows for the continuation of Vermont expansions
- Allows benefit changes in a 5% Corridor
- Places the State at risk for caseload, inflation, utilization
- Provides flexibility regarding payment mechanisms, program re-structuring, etc.

Documents & Information

Website:
www.ovha.state.vt.us/globalhome.cfm

Acronyms

AHS	Agency of Human Services
CMS	Centers for Medicare and Medicaid Services
CNOM	Costs Not Otherwise Matchable
DS	Developmental Services
DSH	Disproportionate Share Hospital
FMAP	Federal Medical Assistance Percentage
FPL	Federal Poverty Level
FY	Fiscal Year
GC	Global Commitment
GF	General Fund
IGA	Intergovernmental Agreement
LTC	Long Term Care
MCO	Managed Care Organization
PCCM	Primary Care Case Management
PCP	Primary Care Physician
SCHIP	State Children's Health Insurance Program
OVHA	Office of Vermont Health Access
VHAP	Vermont Health Access Plan