



# Vermont Medicaid – Current Issues

Steve Kappel  
Joint Fiscal Office

# What is Medicaid?

- Created by Congress in 1965
- Health financing system
- Federal – State partnership
- Provides benefits for about 1 in 5 Vermonters
  - Comprehensive benefits for many
  - Limited benefits such as pharmacy for others

# Federal – State Partnership

- Structural
  - Federal law establishes mandatory and optional eligibility categories and benefits, states have latitude in optional areas.
  - Federal government can waive many requirements and limits in the interest of improving the program
    - Vermont's VHAP Uninsured, VHAP Pharmacy, VScript, and Home & Community programs are created under waivers

# Federal – State Partnership

- Financial
  - States receive federal matching funds for Medicaid spending.
  - Match rate depends on each state's relative per capita income, and varies over time
  - Vermont's rate is about 59%. Minimum is 50%. Current maximum is about 78% (Mississippi)

# How Does Vermont Use Medicaid Funds?

- Medicaid program
  - Administered by the Office of Vermont Health Access
  - About two-thirds of state Medicaid spending, all from Health Access Trust Fund
- Other departments which provide services to Medicaid eligibles (Health, DAIL, DCF)
- Local schools draw federal match

# The Problem

- Projections when the FY 2005 budget was enacted indicated that the Health Access Trust Fund would have adequate funds for the current fiscal year, but would be \$52.7 million in deficit in FY 2006.
- In the first 5 months of FY 2005, HATF spending has exceeded budget. Current estimates are for a \$15 to \$20 million shortfall in FY 2005 and \$60 to \$70 million shortfall in FY 2006.

# Components of FY 2005 shortfall

- Enrollment – budget assumptions were for declines in programs with new or increased premiums. This decline did not occur.
- Per capita costs – spending in several eligibility categories is well above budget, particularly in pharmacy
- Reduction of claims inventory

# Components of FY 2005 shortfall

- VScript Expanded waiver. The FY 2004 and FY 2005 budgets included an assumption that VScript Expanded would be incorporated into the state's Medicaid waiver, qualifying it for matching funds. Discussions with CMS indicate that this is not going to happen.

# Components of FY 2005 shortfall

- Many Medicaid payments are made on a weekly basis. FY 2005 includes a “53<sup>rd</sup> week.” This spending was not accounted for in the original budget.

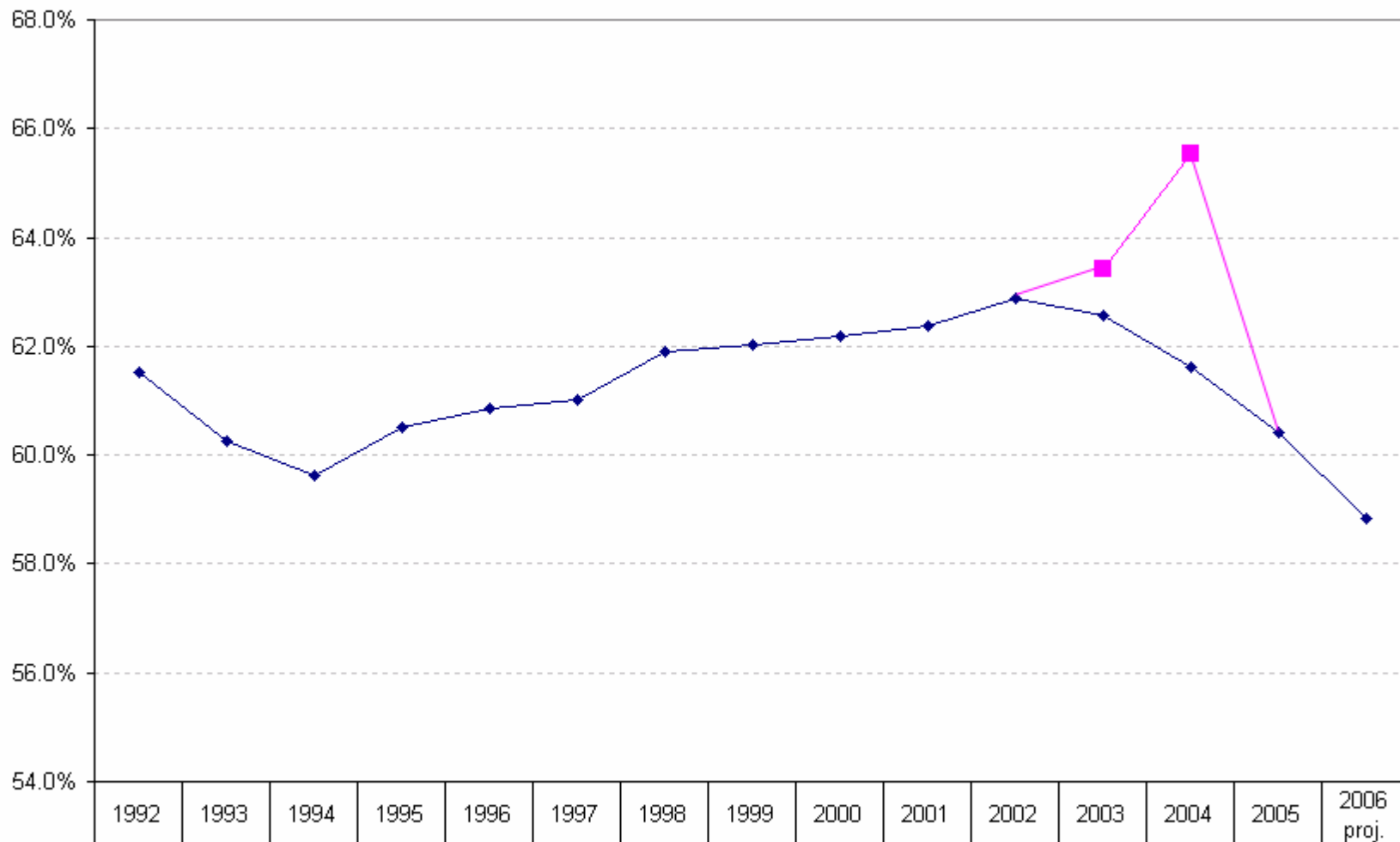
# Effects on Future Years

- About half of the FY 2005 shortfall will not affect future years
  - 53<sup>rd</sup> week
  - Reduction of claims inventory
- The remainder will be in the base for future year growth

# Components of the Problem

- Declining federal match rate
- Imbalance between revenue and spending
- *Note that even the FY 2005 budget as passed included a \$25 million operating shortfall. However, the trust fund had a sufficient balance to cover this.*

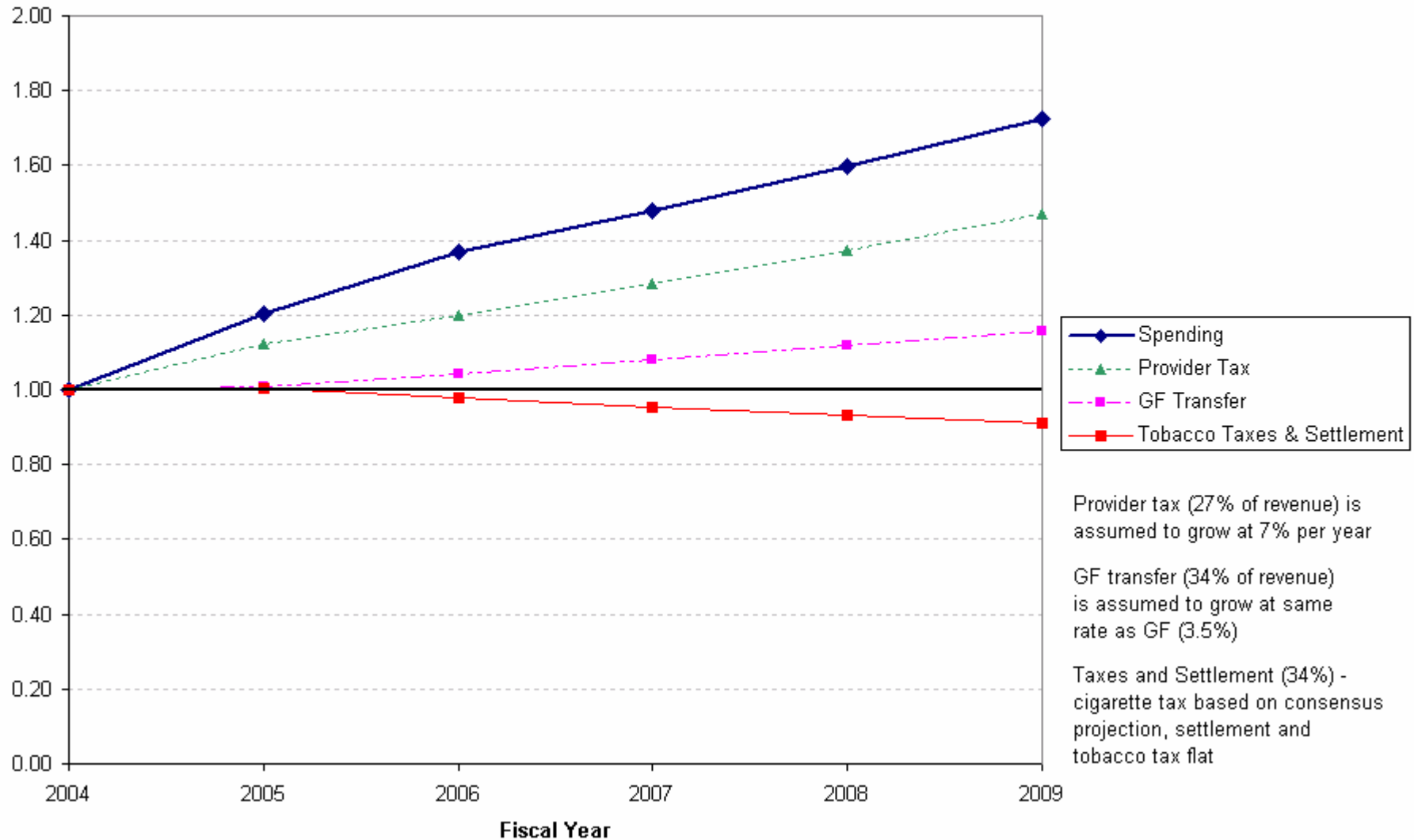
## Federal Medical Assistance Percentage (FMAP), Vermont, 1992-2006



◆ FMAP

■ FedFiscAsst

## HATF Spending and Major Revenue Sources - Relative Growth



# What Are the Policy Options?

- Last year, the legislature created a sustainable health care study group, including the members of the Joint Fiscal Committee, the chair and vice-chair of the Health Access Oversight Committee, the Secretaries of Administration and Human Services, and the Commissioner of BISHCA
- Policy options report (11/29/2004)

# Medicaid in Vermont - Options

