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House Appropriations Committee Budget Adjustment Act Public Comment

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Testimony by Mary Kate Mohlman, Director, Vermont Public Policy, Bi-State Primary Care Association

Thank you, Madam Chair and Members of the Committee. My name is Mary Kate Mohlman, Vermont Director of Public Policy for Bi-State Primary Care Association. Bi-State is a nonprofit organization that supports Federally Qualified Health Centers (FQHCs) in Vermont and New Hampshire. I am here to discuss the Vermont health centers. Specifically, I would like to discuss the annual rate increase for FQHCs, which was included in Item 11 of DVHA's BAA presentation last week. I am first going to make my request and then provide some background supporting the request.

The annual rate increase in Item 11 of DVHA's BAA presentation uses the CY2022 Medicare Economic Index (MEI) of 2.1%. Bi-State and its FQHC members are asking the Legislature to use the CY2023 MEI, which is 3.8%. While we are still waiting for confirmation of these numbers by DVHA, but we believe this request would raise the annual rate increase for FQHCs from \$324,000 to \$586,287, a difference of \$262,287.

Regarding background, first, I would like to review what FQHCs are. Vermont has 11 health centers with sites located in every county. These health centers provide services to a third of Vermonters regardless of their ability to pay and insurance status. These services include:

- Primary care
- Mental health
- Substance use disorder treatment
- Oral health
- Supportive services such as translation and transportation.

Second, how are FQHCs funded? For Medicaid services, federal statute requires that state Medicaid programs, at a minimum, reimburse Medicaid-covered services with an encounter rate. In Vermont this encounter rate is inclusive of mental health, primary care, and wrap around services. Federal statute also requires that at a minimum, state Medicaid programs increase these encounter rates by the MEI inflation factor. Our request asks that the state use the most current MEI.

I would also note that raising the annual rate increase from \$324,000 to \$586,287 does not come close to closing the gap between the cost of providing Medicaid-covered services and the reimbursement health centers receive. Last summer, BerryDunn did an analysis of 2021 Medicaid cost and reimbursement data and found that the reimbursement gap across all Vermont health centers was more than \$14 million. Given inflationary pressures, this deficit will continue to grow.

Thank you very much for the opportunity to discuss this request with you.