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Robert D. Hofmann, Secretary

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March 5, 2009

Via Email and US Mail

Ms. Jackie Garner, Acting Director
Center for Medicaid and State Operations
Department of Health and Human Services
Centers for Medicare and Medicaid Services
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Ms. Garner:

The State of Vermont and the Centers for Medicare and Medicaid Services have partnered to develop and implement one of the most innovative health care reform models in the country, the Vermont Global Commitment to Health.

Vermont has been a national leader in health care reform and has taken a broad-based approach to improve the health care system and the health status of Vermonters. The Demonstration is an integral part of Vermont's comprehensive reform effort. Vermont's goals for the Demonstration are to promote universal access, promote early intervention, promote quality care, ensure cost-effective care delivery, and develop public-private partnerships. Vermont believes that its broad-based reform efforts will serve to improve the health status of Vermonters and result in lower health care costs for the Medicaid program.

The economic downturn has placed additional strains on Vermont's public programs due to declining public revenues and increasing demand for public programs. Over the last year, public revenues have dropped by nearly 10 percent while caseloads for Vermont's health care programs have increased by 4.6 percent. In spite of these challenges, Vermont remains committed the Demonstration's goals and meeting the health care needs of low-income Vermonters.

Prior to the passage and President Obama's signing of the Stimulus Plan, Vermont policymakers were engaged in the process of identifying far-reaching cuts to the Vermont program. While the Stimulus Plan will serve to strengthen Vermont's health care system and stave off the elimination of coverage for thousands of Vermonters, Vermont continues to face significant budget shortfalls. In light of these shortfalls, spending for Vermont's health care programs must be curtailed and Vermont policymakers are deliberating on the reduction of current benefit levels and state-only coverage.

Vermont seeks to amend the Special Terms and Conditions for the Global Commitment to Health Demonstration in order to secure the authority to promote the Demonstration's goals. Vermont also seeks to modify and/or clarify a limited number of policies related to the current program design. All of the proposed modifications can be accommodated within the existing budget neutrality terms.

Vermont requests the following amendments to the Demonstration:

- Extend eligibility from the current level of 200 percent to 300 percent of the Federal Poverty Level (FPL) for low-income, uninsured Vermonters under its innovative employer-sponsored insurance initiative, ESI Premium Assistance program and private product, Catamount Premium Assistance program.
- Extend pharmacy benefits for low-income Medicare beneficiaries from the current level of 175 percent of FPL to 225 percent of FPL
- Expand the scope of pharmacy benefits available to low-income Medicare beneficiaries who do not receive the same benefits that are available to low-income, traditional Medicaid enrollees
- Modify policies and make technical clarifications related to eligibility, reporting and program design

Each of these proposed modifications is described in further detail, below.

Extend Eligibility for ESI Premium Assistance and Catamount Premium Assistance

The current Demonstration was amended in October, 2007 to include coverage for low-income Vermonters with incomes up to 200 percent of the FPL. Under this expansion, coverage is provided through the employer-sponsored insurance (ESI) Premium Assistance and Catamount Premium Assistance programs. Vermont sought authority to extend eligibility to 300 percent of the FPL as part of the October, 2007 amendment. However, the previous Administration was in the midst of negotiating the future of the SCHIP program and was unwilling to grant waiver authority for coverage above 200 percent of FPL. Vermont elected to sustain its commitment to universal access by extending coverage to the 300-percent level with state-only funds and indicated to CMS that it would continue to seek approval for extension of coverage under the Demonstration at a later date.

The economic recession has compelled the Vermont Administration and Legislature to make difficult decisions and has compromised its ability to continue its commitment to affordable access to health care. Vermont therefore seeks federal authority to extend eligibility to make coverage accessible under the Demonstration for adults with incomes up to 300 percent of the FPL.

This program modification will enable Vermont to promote the Demonstration's goals and can be funded within existing federal spending authority under the Demonstration. As described in greater detail later in this request, Vermont has accrued approximately \$386.7 million in waiver savings through the first three years of the Demonstration. The table on the following page provides a summary of the estimated enrollment and expenditures associated with this extension request, assuming an amendment effective date of July 1, 2009.

Summary of Enrollment and Expenditures: Catamount and ESI Premium Assistance Programs

<i>Waiver Year:</i>	Four [1/4-Yr]	Five	Total
Enrollment			
Catamount	2,319	9,393	
ESI	158	638	
Total	2,477	10,031	
Expenditures			
Catamount	\$3,979,243	\$16,408,410	\$20,387,653
ESI	\$91,091	\$375,613	\$466,703
Total	\$4,070,334	\$16,784,022	\$20,854,356

Extend Pharmacy Benefits for Low-Income Medicare Beneficiaries with Incomes At or Below 225 Percent of the Federal Poverty Level

Vermont and the federal government have partnered for more than ten years to address the pharmacy benefit needs of Medicare beneficiaries who do not qualify for traditional Medicaid. Since the inception of Vermont’s first Demonstration in 1996, the Vermont Health Access Plan, Vermont has applied Demonstration savings to offer pharmacy coverage for low-income Medicare beneficiaries. This commitment continued under the current Demonstration when Vermont sought federal authority to extend coverage to 225 percent of FPL in 2005. Again, the previous federal administration was not willing to extend authority beyond 200 percent of the FPL and the State of Vermont opted to offer coverage with state-only funds.

Vermont requests an amendment to the Special Terms and Conditions in order to extend coverage to low-income beneficiaries with incomes at or below 225 percent of the FPL. Vermont believes that inclusion of this benefit under the Demonstration is critical to sustain coverage for those currently enrolled.

As previously referenced, the Demonstration has a significant budget neutrality surplus and existing spending authority is sufficient to include this benefit under the Demonstration. The table below provides a summary of projected enrollment and expenditures associated with this extension request for the remainder of the initial five-year term for the Demonstration.

Summary of Enrollment and Expenditures: Pharmacy Assistance

<i>Waiver Year:</i>	Four [1/4-Yr]	Five	Total
Average Monthly Enrollment	2,741	2,789	
Expenditures	\$859,511	\$3,523,993	\$4,383,504

Extend Cost Sharing Assistance for Low-Income Medicare Beneficiaries

Prior to implementation of the Medicare Part D pharmacy benefit, the Vermont Demonstration extended pharmacy benefits to low-income Medicare beneficiaries who do not qualify for traditional Medicaid benefits. While Part D transferred the primary responsibility for pharmacy coverage to the Medicare program, cost sharing obligations continued to place a financial burden on low-income Vermonters. Vermont elected to continue cost sharing assistance to low-income

Vermonters using state-only funds in order to assure that program participants would be “held harmless” following implementation of Part D.

Vermont believed that this was an important step to eliminate the need for Vermont’s seniors and individuals with disabilities to decide between filling needed prescriptions and meeting other household expenses. The fiscal crisis has pressured the State to re-examine this commitment.

The Demonstration currently includes low-income Medicare beneficiaries. However, Demonstration funds are available only for the coverage of drugs not covered under Part D. Vermont seeks to modify the current restriction on accessing Demonstration funds for the purpose of meeting cost sharing obligations for Part D-covered drugs. Vermont recognizes that this restriction would continue to be applicable to traditional Medicaid populations; that is, full benefit dual Medicare/Medicaid eligibles.

The table below summarizes the additional expenditures under the Demonstration resulting from this amendment request.

Summary of Expenditures: Extension of Cost Sharing Assistance for Part D-Covered Drugs

<i>Waiver Year:</i>	Four [1/4-Yr]	Five	Total
Expenditures	\$1,061,171	\$4,125,299	\$5,131,470

Technical Modifications and Clarifications

Vermont seeks to amend the existing Special Terms and Conditions to accommodate a limited number of important policy changes and clarifications. These modifications are summarized below:

- *Authority to modify the waiting period*-Vermont seeks Demonstration authority to modify the length of time individuals must be uninsured prior to qualifying for coverage. The Demonstration currently specifies a waiting period of twelve months; Vermont seeks authority to reduce this waiting period to six months, if fiscally feasible, in order to respond to the economic downturn.
- *Authority to provide immediate coverage for individuals who are victims of domestic violence*-Vermont seeks to waive the waiting period under which individuals must be uninsured prior to qualifying for victims of domestic violence. The purpose of this request is to remove the barrier to health coverage for individuals who lose coverage as a result of household changes.
- *Clarification of the role of the Office of Vermont Health Access (OVHA) under the Demonstration*-OVHA serves a dual role as administrator of the Medicaid program and the public managed care model under the Demonstration. Vermont seeks to clarify OVHA’s roles in order to acknowledge the efficiencies of the dual role and to assure that any potential regulatory and/or audit concerns are addressed.
- *Clarification of Reporting Requirements*-Vermont seeks to clarify inconsistencies contained in the current Special Terms and Conditions related to reporting of expenditures for populations that overlap among Medical Eligibility Groups (MEGs) and between Vermont’s long-term care Demonstration (Choices for Care) and the Global Commitment to Health Demonstration.

- Clarification of Waiver Close-Out Activities*-Vermont's Global Commitment to Health is the first demonstration in the country to undertake comprehensive reform through a statewide, public managed care model. CMS and the State collaborated throughout the transition to resolve numerous issues, including those related to federal claiming. Vermont transitioned federal claiming from the previous VHAP Demonstration; the Global Commitment Demonstration assumed liability for claims incurred prior to the start date of the waiver. However, Vermont did not have available resources to pay for claims that were incurred prior to the start of the Demonstration and make capitation payments to OVHA as the public managed care organization. Therefore, capitation revenues were used to pay for claims incurred prior to the start of the Demonstration. Vermont seeks an assurance from CMS that it intends to work with the State to develop an equitable funding approach for payment of claims subsequent to termination of the waiver or waiver renewal that recognizes the unique nature of Vermont's public managed care model.

Status of Budget Neutrality

The State of Vermont has accumulated approximately \$386.7 million in program savings through the first three years of the Demonstration. The following table provides a summary of expenditures, compared to the annual waiver limit, for the first three years.

Summary of Demonstration Spending Authority and Current Expenditures

Waiver Year	Cumulative Spending Limit	Cumulative Expenditures	Waiver Surplus (Deficit)
1	\$1,015,000,000	\$786,399,414	\$228,600,586
2	\$1,936,000,000	\$1,612,732,433	\$323,267,567
3	\$2,848,000,000	\$2,461,319,888	\$386,680,112

Impact of Proposed Modifications on Budget Neutrality

The total estimated impact for the proposed amendments is \$30.4 million, which can be accommodated within the existing budget neutrality agreement. The proposed amendments would require the use of less than ten percent of the existing budget neutrality surplus.

The table on the following page summarizes the total impact of the proposed modifications, by Waiver Year.

Summary of Impact of Proposed Amendment on Budget Neutrality

Waiver Year:	Four [1/4-Yr]	Five	Total
Extension of ESI and Catamount Premium Assistance to 300% of FPL	\$4,070,334	\$16,784,022	\$20,854,356
Extension of Pharmacy Benefit to 225% of FPL	\$859,511	\$3,523,993	\$4,383,504
Extension of Cost Sharing Assistance for Part D-Covered Drugs	\$1,006,171	\$4,125,299	\$5,131,470
Total Impact of Proposed Amendment	\$5,936,015	\$24,433,314	\$30,369,329

Estimated Budget Neutrality Surplus (through first three years)	\$386,680,112
Estimated Budget Neutrality Surplus with Amendment	\$356,310,783

Status of Evaluation Plan

Evaluation of the Demonstration is proceeding on schedule. The State is in the process of collecting enrollee and provider data through telephone and mail surveys. It also is in the process of developing its baseline analysis of claims data to assess the cost-effectiveness of the Demonstration.

Vermont is in the process of preparing a revised evaluation plan. The draft evaluation plan is being circulated for internal review. A revised plan will be submitted to CMS for review in the next month.

Status of Vermont Health Reform Initiatives

Access to affordable health care is a critical component of our reform efforts. Individuals who are unable to access affordable health insurance are less likely to receive appropriate primary and preventive care. When uninsured individuals' health care needs become complex and costly, the health care system and the Vermont Medicaid program bear the cost of care. The Demonstration and the public managed care model serve as the foundation for Vermont's statewide health care reform initiatives.

Starting with Acts 190 and 191 (Acts Relating to Health Care Affordability for Vermonters) and augmented by Acts 70 and 71 in 2007 and Acts 203 and 204 in 2008, Governor Douglas and the Vermont Legislature have worked across party lines to facilitate broad-based reform, designed to simultaneously achieve the following three goals:

- Increase access to affordable health insurance for all Vermonters
- Improve quality of care across the lifespan
- Contain health care costs

Entering 2009 with over 60 active (or completed) reform initiatives, projects and programs, statewide reform is well under way to improve, refine, and transform the health care delivery system, improve quality of care, expand access to coverage, and improve system performance.

Vermont is making steady strides in covering its uninsured. Between November 2007 and December 2008, over 11,500 more Vermonters enrolled in health care programs offered through Green Mountain Care, the state's family of comprehensive health coverage programs for the uninsured. As of December 2008, Vermont's uninsured rate has fallen from 9.8% of those living without health insurance to 7.6%.

Other aspects of the state's comprehensive health care reform efforts include the following:

- Starting in July 2008, Vermont launched the Blueprint multi-payer Integrated Medical Home Pilots in three areas of the state and continued the successes of the statewide Healthy

Living self-management classes for people with chronic conditions. The MCO is a participant in these pilots.

- Vermont is collaborating with Maine, New Hampshire, Massachusetts and Rhode Island, with support from the Milbank Foundation, to develop a New England-wide medical home pilot initiative.
- During 2008, Vermont implemented a Health Information Technology Fee to support health care information technology for primary care providers and to further a statewide health information exchange network.
- In addition, Vermont:
 - ✓ Implemented a 340B Pharmacy program to decrease the pharmaceutical cost for FQHC patients;
 - ✓ Initiated an information technology project that makes patient medication history data available to providers in approved hospital emergency departments;
 - ✓ Made significant progress on public health and prevention efforts related to promoting healthy weight for Vermonters;
 - ✓ Promulgated rules to allow Vermont health insurance carriers to offer cost sharing discounts for enrollee adherence to health promotion and disease prevention programs, as well as rules to facilitate the availability of transparent price and quality information for health care consumers;
 - ✓ Initiated its implementation of a multi-payer claims database to facilitate understanding of our health care utilization, expenditures, and performance across all payers and services; and
 - ✓ Implemented an outreach tracking tool to further assist our Green Mountain Care enrollment efforts.
- Vermont is participating in two external two-year evaluations (funded by the Robert Wood Johnson Foundation) regarding the success of our efforts to improve access and affordability for health care coverage.

The Director of OVHA now has responsibility for assuring that Vermont's comprehensive health care reform initiatives are coordinated across state government and with other public and private partners, fostering a collaborative, inclusive approach to the implementation of health care reform to ensure its consistency and effectiveness.

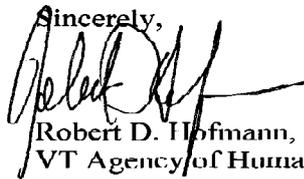
Vermont believes that the success of statewide reform is dependent upon the successful development of public-private partnerships. Reform efforts include collaboration with such entities as private insurance carriers, health care advocacy organizations, health care providers and hospitals, Vermont Information Technology Leaders, University of Vermont Medical School, the business community and many others.

Summary

Vermont, like most other states, is struggling with the challenge of containing program costs while we strive to make health care accessible and improve the quality of our health care system. We

Vermont's Governor and legislature are currently engaged in developing the SFY 2010 budget; if this amendment can be executed by June 15th, it would be helpful addressing the overarching pressures currently facing the State.

Thank you for your consideration of our proposal. I request that you coordinate any requests for additional information with Suzanne Santarcangelo.

Sincerely,

Robert D. Hofmann, Secretary
VT Agency of Human Services

cc: Susan Besio, Director, Office of Vermont Health Access
Suzanne Santarcangelo, Director, AHS Healthcare Operations, Compliance and Improvement
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