Designated and Specialized Service Agencies

Providing an indispensable community-based system supporting mental health, substance use, and intellectual and developmental disability needs across Vermont

VERMONT CARE PARTNERS



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DA/SSAs are your community-based experts in Mental Health, Substance Use, and Intellectual and Developmental Disabilities

Specialized, long-term support: Agencies provide ongoing, community-based mental health, substance use, developmental disability services (like intensive case management, residential programs, psychiatric services, and peer support) that extend far beyond short-term interventions, ensuring critical support of Vermonters and partners like Primary Care, Hospital, and First Responders.

Safety net for vulnerable populations: They serve as Vermont's essential safety net, ensuring access to mental health, substance use, and developmental disability services regardless of insurance status or ability to pay

Continuity for complex needs: Agencies maintain sustained care coordination across months or years, filling the critical gap between acute hospital treatment and routine medical care.

Why Rates Are Not Just a Budget Issue

Rates Determine What Services Exist — and Whether They Can Be Delivered



THE CHALLENGES WITH THE CURRENT STRUCTURE:

- Vermont's DA/SSA Medicaid rates don't account for the breadth and intensity of services agencies are now delivering —Rate structures have not kept pace with inflation, workforce costs, or the expanded clinical complexity of the populations agencies now serve
- Agencies cross-subsidize underfunded services with revenue from others — creating financial fragility across the entire organization
- When a core service loses money with every encounter, agencies face an impossible choice: absorb the loss, reduce access, or exit the service
- Without adequate rates, no workforce strategy, no system reform, and no expansion of services is financially sustainable

THE CORE ARGUMENT

A rate bill is not a line-item request it is an acknowledgment that Vermont has asked its community mental health and developmental services system to do more, serve more people, and meet higher standards, without reconciling whether the rates that fund that system reflect what it actually costs.

Without this foundation, the outcomes we want and need are difficult to achieve.

System Change Without Rate Alignment Will Not Achieve Outcomes Vermonter's Deserve

Two Major Transformations — One Unresolved Question: Who Pays for What?

CCBHC DESIGNATION

CCBHC brings a new federal rate structure (PPS-1) designed to fund a comprehensive service model. But it also brings expanded staffing mandates, 24/7 access requirements, and quality reporting obligations.

The PPS-1 rate is only adequate if the underlying cost data is accurate — and Vermont's cost reports don't yet fully capture the real expense of operating at CCBHC standards.

Agencies pursuing designation are investing now against a rate that may not cover costs later. That risk lands entirely on the DA.

DS PAYMENT REFORM & COI

The Developmental Services COI and payment reform restructured how DS services are funded and how case management is separated from direct service delivery.

Agencies absorbed significant operational complexity — new billing systems, restructured staffing models, separated functions — ahead of a rate structure that reflects those changes.

The result: agencies are delivering a reformed service model at rates calibrated to the old one. The gap isn't theoretical — it shows up in operating deficits.

Why a Study — and Why Now

Vermont Cannot Reform What Has Not Been Formally Examined



THE CASE FOR A FORMAL SYSTEM STUDY:

- Vermont has not conducted a comprehensive, legislatively-directed review of what DAs and SSAs do, what it costs, and whether current structures support it
- CCBHC, DS Payment Reform, Act 167, and the COI transition are all reshaping agency responsibilities simultaneously — with no unified assessment of cumulative impact
- Without a study, policy decisions are made piecemeal: each reform looks reasonable in isolation, but together they are overwhelming systems that were never resourced for this scale
- Workforce, financial viability, and administrative burden are reaching a breaking point — a study creates the evidentiary record needed to act before the system fails
- Legislators cannot appropriate resources they don't know are needed — the study creates the foundation for every budget, rate, and policy decision that follows

WHAT THE STUDY MAKES POSSIBLE

The study is not an end in itself — it is the prerequisite for everything else.

Rate reform requires knowing what services cost. Workforce strategy requires understanding what's broken. Resource alignment requires knowing what's essential vs. what was informally added.

Vermont is building a more integrated health system — and the DA/SSA network is central to that vision. This study asks the question: do we know if the system can be successful?

Rate Adequacy & Calculation Requirements

What Must Be Factored In When Setting Payment Rates



BILL REQUIRES:

- Rates must be reasonable and adequate to achieve required outcomes for populations served
- Must account for the cost of any governmental mandate — State or federal — imposed on providers
- Must include a cost adjustment factor reflecting inflation and labor market dynamics
- May consider geographic differences in wages, benefits, housing, and real estate costs by region
- Rates must be recalculated at least annually and reported to House and Senate committees

WHY THIS MATTERS

Vermont's DA/SSA system has absorbed years of unfunded mandates and flat-rate Medicaid reimbursements that don't reflect actual costs. This provision creates a legal standard: rates must be adequate, not just set.

For CCBHC designation and DS payment reform to succeed, this foundation is essential.

Prospective Payment, Methodology & Stabilization

How Rates Are Structured, Delivered, and Reconciled



BILL REQUIRES:

- Rate adequacy studies required for each service type at least once every five years
- Monthly prospective payments issued on the 1st of each month — based on per-member per-month amounts from approved individual budgets
- Predictable timeline required for base rate redetermination and annual inflationary adjustments
- Must use Vermont labor market rates and Vermont costs of operation — not national averages
- Providers at imminent risk of closure may request stabilization from the Agency
- Monthly encounter data and annual reconciliation required — including census validation and value-based performance metrics

WHY THIS MATTERS

Retroactive, unpredictable payments have forced DAs and SSAs to operate on thin margins without reliable cash flow. Prospective monthly payments tied to approved budgets are a structural fix — not just a policy preference.

The stabilization provision is a direct response to the real closure risk facing rural providers.

Current Services Review

Mapping What We Actually Do



STUDY MUST EXAMINE:

- Comprehensive inventory of all services provided by Designated and Specialized Service Agencies
- Identification of essential services delivered on behalf of the State
- Identification of specialty services — beyond baseline expectations
- Clarity on which services exist due to statute, contract, or informal expectation

WHY THIS MATTERS

Vermont has never formally catalogued what DAs and SSAs actually deliver. Without a clear map, it's impossible to distinguish core functions from scope creep.

Statutory & Contractual Framework

Clarifying Expectations, Responsibilities & Authority



STUDY MUST EXAMINE:

- Review of the statutory framework governing DA and SSA operations
- Analysis of contractual obligations and how they align with statute
- Review of administrative guidance and informal expectations placed on agencies
- Identification of gaps, conflicts, or ambiguities in the current framework

WHY THIS MATTERS

DAs and SSAs operate under a complex web of statutes, contracts, and unwritten expectations, many of which have never been reconciled with each other.

Expanded Responsibilities Over Time

How Pilots and Reforms Have Shifted the Load



STUDY MUST EXAMINE:

- Analysis of how CCBHC designation has expanded scope and compliance demands
- Examination of how DS Payment Reform and COI have altered operational expectations
- Explicit connection between DA/SSA services and Act 167 and health system integration strategies across the state.
- Documentation of pilot programs and initiatives absorbed without formal renegotiation

WHY THIS MATTERS

The DA/SSA systems has been flexible and responsive to service requests over time. Responding to state directed program expansions and community needs. This is rarely accompanied by commensurate resources or explicit agreement.

Section B(4)

System Sustainability

Workforce, Financial Viability & Administrative Burden



STUDY MUST EXAMINE:

- Workforce capacity: vacancy rates, wage compression, rural recruitment challenges
- Financial viability: Medicaid rate adequacy vs. true cost of service delivery
- Administrative burden: compliance, reporting, and documentation overhead
- Cross-subsidy analysis: which programs subsidize others and at what cost

WHY THIS MATTERS

Vermont's DA/SSA system is at a structural breaking point. Sustainability is not an abstract concern, it is the immediate condition of agencies operating today.

Recommendations

Clarify, Align, and Stabilize the System



STUDY MUST EXAMINE:

- Define essential services with specificity and align them with dedicated funding
- Establish a formal process before any new responsibilities are assigned to agencies
- Develop wage parity benchmarks compared to FQHCs, hospitals, and ACO-affiliated providers
- Create a framework ensuring that expanded expectations require prior resource agreement

WHY THIS MATTERS

The goal is not simply to document problems, it is to produce recommendations with enough specificity to drive legislative and administrative action.

A Vulnerable Population at Risk

Who They Are — and What the COI Shift Changed



WHO IS THIS POPULATION:

- Adults with Serious Mental Illness (SMI) living in residential settings
- Long-term, complex needs — often aging — that are not time-limited or episodic
- Require habilitative supports: stable, ongoing care to maintain function and housing
- Do not fit the rehabilitative model, which assumes recovery toward independence
- A small but highly vulnerable subset — without targeted policy, they fall through the cracks

WHAT THE COI SHIFT CHANGED

Conflict-of-interest free case management requirements, implemented to improve Medicaid compliance, shifted residential mental health services to a rehabilitative billing structure.

For most people, this was appropriate. But for individuals with long-term habilitative needs, the shift removed the funding mechanism that made their housing and care sustainable.

The result: agencies cannot bill appropriately, housing is destabilized, and a small group of highly vulnerable people is at serious risk.

The Stakeholder Process & Path Forward

From Problem Identification to a Funded, Sustainable Plan



PROCESS & KEY REQUIREMENTS:

- DMH initiates stakeholder meetings by July 15, 2026, holding up to five sessions
- Stakeholders include: DMH Commissioner, DAIL Commissioner, Vermont Care Partners, and legislative reps from Health Care and Health & Welfare Committees
- Group examines options to ensure housing stability, clinical care continuity, and Medicaid billing compliance for the habilitative population
- AHS submits a formal plan as part of the FY 2028 budget presentation to House and Senate Appropriations and Health committees
- Plan must include a spending proposal that prioritizes agency support and client care

WHY THIS APPROACH WORKS

This legislation does three things the system currently lacks:

1. Names the population explicitly so they aren't absorbed into a reform that doesn't fit their needs.

2. Creates a cross-agency process; DMH and DAIL at the same table with providers and legislators, before solutions are imposed.

3. Requires a funded plan, not just a report. The FY28 budget vehicle ensures any recommendations come with a spending proposal attached.