

# BCBSVT Cost Shift Testimony

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January 21, 2015

**We'll see you through.**



**BlueCross BlueShield  
of Vermont**

An Independent Licensee of the Blue Cross and Blue Shield Association.

# Who We Are

- Independent
- Not-for-profit
- Single-state focus
- Local leadership
- Local jobs
- Focused on member experience



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# Objectives

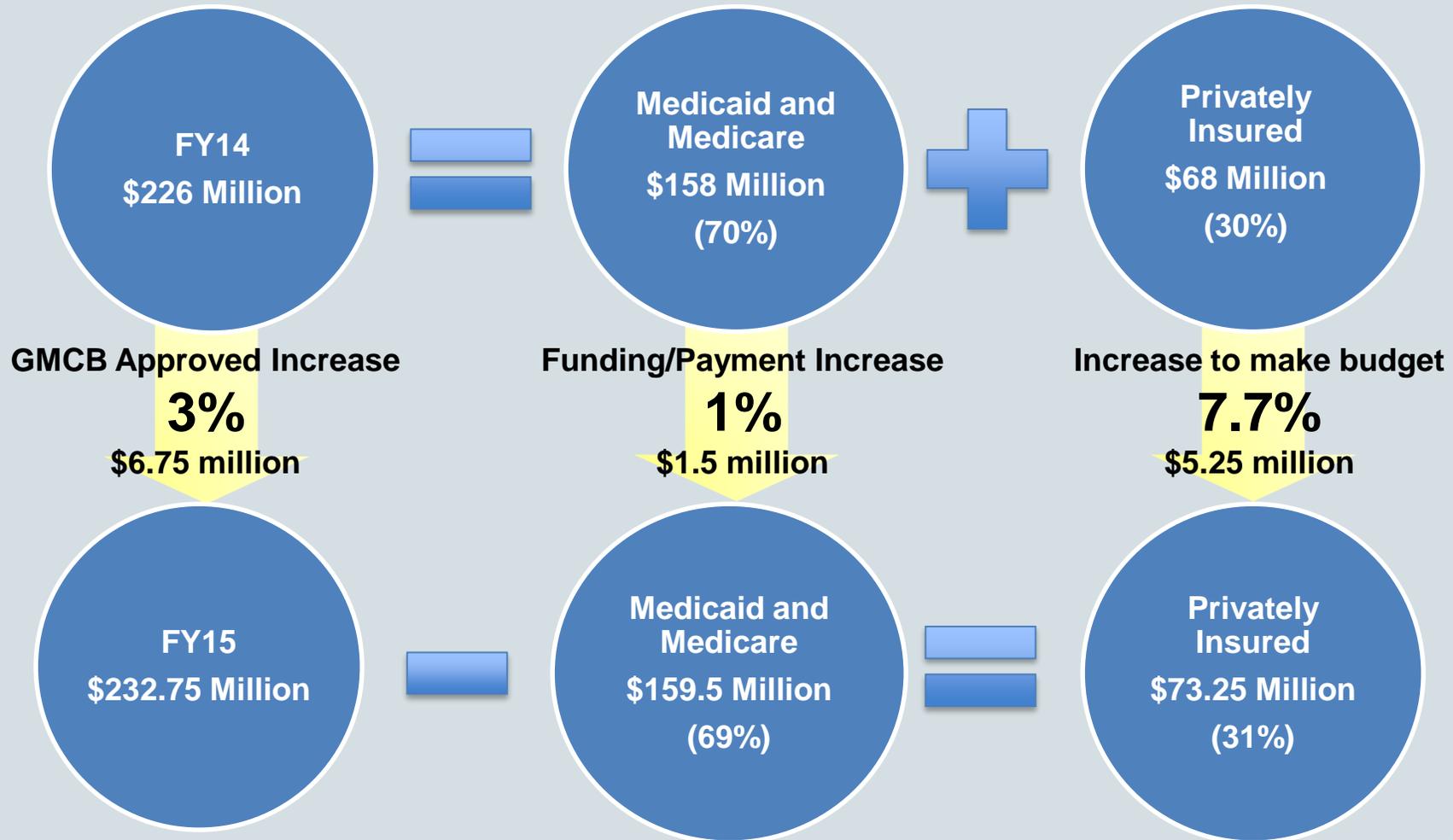
- **Cost shift overview**
  - Annual hydraulic
  - Aggregate growth over time
- **Medicaid increases into premium relief**
  - Net neutral for providers
  - Green Mountain Care Board regulation of execution

## Components of 2015 Exchange Rate Request Increase

Component	Impact
Contribution to Reserve	0.6%
Membership Assumptions	(2.5%)
Administrative Charges	(0.6%)
Other BCBSVT Adjustments	(1.7%)
Medical Price Increases	<u>7.9%</u>
<b><i>Subtotal BCBSVT Rating Components *</i></b>	<b>3.4%</b>
ACA-Related Changes	2.8%
Benefit-Related Changes	<u>1.3%</u>
<b>Total</b>	<b>7.7%</b>

\*Amount of increase requested excluding mandated changes associated with the Affordable Care Act and Vermont benefit decisions

# How do 3% increases in Hospital budgets produce higher premium increases?



# Impact of Cost Shift on Hospitals

## Underpayment for Services by Individual Community Hospitals- Budget 2009

	Medicare	Medicaid	Bad Debt and Free Care	Total Cost Shifted	Percent of Total Budget
<b>Copley Hospital</b>	\$147,817	\$3,585,989	\$1,800,182	\$5,533,988	12%
<b>Brattleboro Memorial Hospital</b>	\$5,109,005	\$3,299,360	\$2,452,124	\$10,860,490	20%
<b>UVM Medical Center</b>	\$20,071,548	\$57,778,448	\$23,233,498	\$101,083,494	12%
<b>Rutland Regional Medical Center</b>	\$25,918,823	\$8,375,727	\$6,121,875	\$40,416,425	23%

Banking, Insurance, Securities, and Health Care Administration. (2009). *2009 Vermont health care cost shift analysis*. Montpelier, VT: State of Vermont. Retrieved from <http://www.leg.state.vt.us/reports/2009ExternalReports/242646.pdf>

# Aggregate Impact Over Time

Aggregate Vermont Hospital System Cost Shift Over Time					
	Medicare	Medicaid	Free Care	Bad Debt	Total Cost Shifted
2005	\$55,848,000	\$57,652,000	\$40,836,000	In Free Care	\$154,335,000
2006	\$53,748,000	\$81,612,000	\$41,375,000	In Free Care	\$176,735,000
2007	\$59,774,000	\$88,256,000	\$48,247,000	In Free Care	\$196,277,000
2008	\$69,004,000	\$103,569,000	\$23,624,000	\$30,253,000	\$226,450,000
2009	\$73,627,000	\$119,979,000	\$24,292,000	\$32,391,000	\$250,290,000
2010	\$73,516,000	\$138,017,000	\$24,806,000	\$33,077,000	\$269,416,000
2011	\$88,400,000	\$152,257,000	\$25,784,000	\$34,331,000	\$300,772,000
2012	\$68,625,000	\$151,847,000	\$27,273,000	\$39,243,000	\$286,988,000
2013	\$128,033,776	\$105,998,937	\$24,685,284	\$37,386,222	\$296,104,139
<b>Budget 2014</b>	\$166,065,165	\$134,778,449	\$25,982,503	\$40,263,981	\$367,090,098
<b>Budget 2015</b>	\$175,171,362	\$150,394,735	\$26,137,170	\$41,464,624	\$393,167,892

- Green Mountain Care Board. (2012). *GMCB hospital budget review*. Retrieved from State of Vermont, Green Mountain Care Board, Resources and Reports: <http://gmcboard.vermont.gov/sites/gmcboard/files/GMCB%20Hospital%20Budget%20Review.pdf>
- Green Mountain Care Board. (2015) *Annual Report to the General Assembly*. Retrieved from State of Vermont, Green Mountain Care Board, Resources and Reports: [http://www.gmcboard.vermont.gov/sites/gmcboard/files/GMCB\\_2015\\_AnnualRpt\\_Web.pdf](http://www.gmcboard.vermont.gov/sites/gmcboard/files/GMCB_2015_AnnualRpt_Web.pdf)

# Turning Medicaid increases into premium relief

- **Net neutral for providers**
  - Carrying out premium relief for Vermonters will require providers bottom lines to be neither hurt or helped in the process
  - Medicaid payment increases should produce appropriate commercial reimbursement decreases, leading to health insurance savings for Vermont individuals and businesses
- **Green Mountain Care Board regulation of execution**
  - Variable payer mixes and normal regulatory timelines make GMCB oversight vital to success