



State of Vermont
Green Mountain Care Board
89 Main Street
Montpelier VT 05620

Report to the Legislature

**REPORT ON THE TOTAL AMOUNT OF ALL EXPENSES ELIGIBLE
FOR ALLOCATION PURSUANT TO 18 V.S.A. §§ 9374(h) AND 9415 AND
THE TOTAL AMOUNT ACTUALLY BILLED BACK TO REGULATED
ENTITIES DURING STATE FISCAL YEAR 2014**

In accordance with Act 79 of 2013, Section 37c

*Submitted to the
House Committees on Health Care, Ways & Means, and Appropriations; the
Senate Committees on Health & Welfare, Finance, and Appropriations; and the
Joint Fiscal Committee*

*Submitted by the
Green Mountain Care Board & the
Department of Financial Regulation*

September 5, 2014

Introduction

Section 37c of Act 79 of 2013 requires that the Green Mountain Care Board (Board) and the Vermont Department of Financial Regulation (Department) submit a report showing “**the total amount of all expenses eligible for allocation pursuant to 18 V.S.A. §§ 9374(h) and 9415 during the preceding state fiscal year and the total amount actually billed back to the regulated entities during the same period.**” 2013, No. 79, § 37c(a). This report must be submitted to the House Committee on Health Care, the Senate Committees on Health and Welfare and on Finance, and the House and Senate Committees on Appropriations. *Id.* The Department and the Board must also present this information to the Joint Fiscal Committee at its September meeting. *Id.* § 37c(b).

On August 26, 2014, the Joint Fiscal Committee advised the Board that the billback information required by § 37c(b) was on the non-action portion of the Committee’s September 5 meeting agenda and requested that the information be provided by August 29. The Board requested an extension of that deadline, and the Committee agreed to allow the Board to provide (1) a summary of the information required by § 37c(a) in time for the September 5 meeting, (2) the report by September 15, and (3) testimony regarding the report at the Committee’s November meeting. On August 29, the Board provided a document reflecting a summary of the information required by § 37c(a) to the Committee. Appendix A to this report is an updated version of that document. Please note that none of the values in the table have changed since the August 29 submission.

Background

The General Assembly passed the initial authorizing legislation for this billback in 1996 to support the activities of the Health Care Authority (HCA). When the HCA moved into the Vermont Department of Banking, Insurance, Securities and Health Care Administration (BISCHA), the authority for this billback transferred to BISHCA (now the Department). Act 171 of the Acts of 2012 authorized the Board to bill back to hospitals and insurance carriers costs of certain activities related to health care system oversight. 2012, No. 171 (adj. sess.), § 5. Accordingly, prior to the 2013 legislative session, Vermont law provided that “[e]xpenses incurred to obtain information, analyze expenditures, review hospital budgets, and for any other contracts authorized by” the Department or the Board “shall be borne as follows:”

- 40% by the State;
- 15% by the hospitals;
- 15% by nonprofit hospital and medical service corporations;
- 15% by health insurance companies; and
- 15% by health maintenance organizations.

18 V.S.A. §§ 9374(h)(1) & 9415(a). In other words, for each dollar that the State bills back pursuant to this authority, the regulated entities, as a group, must pay 60 cents, with the State remaining responsible for the other 40.

In a February 2013 report to the Legislature,¹ the Board and the Department explained that, since the inception of this billback authority, the State has not billed back the full scope of expenses made eligible by the authorizing legislation. In response, the Legislature required this report, 2013, No. 79, § 37c, and added statutory language that affords the Board and the Department discretion over the scope and the amount of the billback. *Id.* §§ 37a, 37b (amending 18 V.S.A. §§ 9374(h), 9415). As a result, the Board and the Department “may determine the scope of the incurred expenses to be allocated pursuant to the [above] formula . . . if, in the Board’s discretion, the expenses to be allocated are in the best interests of the regulated entities and of the State.” 18 V.S.A. § 9374(h)(2); *see also* 18 V.S.A. § 9415(b) (same language for the Department).

Finally, Act 79 expanded the scope of the billback to include funding for the office of the Health Care Advocate and for staffing related to the publication of the hospital community reports required by 18 V.S.A. § 9405b. 2013, No. 79, §§ 37d, 50(c).

State Fiscal Year 2014 Bill Back

In state fiscal year 2014 (FY14), the Board and the Department billed back for approximately \$890,000.² The Board billed back for \$845,394, as shown in Appendix A of this report. This amount nearly matches the Board’s projected billback amount of \$845,842, which was established in the Board’s FY14 budget. Tables 1 and 2 below show how that amount breaks out among the hospitals and insurance companies under 18 V.S.A. §§ 9374(h)(1) and 9415.

Table 1: Hospital Assessment FY14

HOSPITAL	ASSESSMENT	
Brattleboro	\$	8,147
Carlos Otis	\$	950
Central Vermont Medical Center	\$	14,855
Copley	\$	7,572
Fletcher Allen Health Care	\$	94,276
Gifford Memorial	\$	6,029
Mt Ascutney	\$	1,923
Northeastern	\$	6,409
North Country	\$	6,647
Northwestern Medical Center	\$	10,611
Porter Hospital	\$	7,677
Rutland Regional Medical Center	\$	28,466
Southwestern Medical Center	\$	19,265
Springfield Hospital	\$	9,922
Total	\$	222,748.50

¹ Available at: http://gmcboard.vermont.gov/sites/gmcboard/files/Billback_Rpt_020113.pdf

² This discussion focuses on the Board because the functions eligible for this billback have largely been transferred to the Board. For FY14, DFR billed back for approximately \$45,000 of expenses related to administering the hospital community reports in 18 V.S.A. § 9405b. *See* 2013, No. 79, § 50(c).

Table 2: Insurance Carrier Assessment FY14

CARRIER	ASSESSMENT
Blue Cross and Blue Shield of Vermont	\$ 222,749
The Vermont Health Plan, LLC	\$ 140,521
MVP Health Insurance Company	\$ 82,228
Connecticut General Life Insurance Company	\$ 115,203
Aetna Life Insurance Company	\$ 16,844
Cigna Health and Life Insurance Company	\$ 4,631
UnitedHealthcare Insurance Company	\$ 16,054
MVP Health Insurance Company of New Hampshire, INC.	\$ 10,693
MVP Health Plan, INC.	\$ 52,669
BCS Insurance Company	\$ 477
The United States Life Insurance Company in the City of New York	\$ 321
QCC Insurance Company	\$ 3,095
New York Life Insurance Company	\$ 713
State Farm Mutual Automobile Insurance Company	\$ 1,311
American Heritage Life Ins. Co.	\$ 228
4 Ever Life Insurance Company	\$ 121
The MEGA Life and Health Insurance Company	\$ 123
Celtic Insurance Company	\$ 77
Total	\$ 668,058

By way of comparison, the State billed back for approximately \$395,000 in FY13, and the Board's approved FY15 budget includes a projected billback amount of \$1,392,045.

In order to help place the FY14 figures in context, Appendix A breaks out the Board's total expenses by category and shows, for each category, the maximum amount that the Board has determined could be billed back under the law. For example, of the \$2,534,512 the Board actually spent on personal services in FY14, the Board determined that, in theory, up to \$834,860 was eligible to be billed back under 18 V.S.A. § 9374(h). See Appendix A, middle column, lines 2-3. The next three blocks of information present analogous figures for operating expenses, grants, and contracts.

The final block, entitled "Billback," shows the maximum amount that could have been billed to regulated entities and the budgeted and actual amounts. As Appendix A shows, the Board

actually billed back \$845,394, or approximately 43%, of the potential industry portion of \$1,956,919.

The Appendix also shows that, based on the Board's approved FY15 budget, the Board projects a budgeted industry portion of \$1,392,045 in FY15. This represents approximately 63% of the potential industry portion.

The increase in the industry billback portion actually billed from FY13(\$395,000) to FY14 (\$845,000), and the budgeted increase for FY15 (\$1,392,045), demonstrate the Board's commitment to better implement the statutory intent to use billback to defray certain categories of expenses while controlling the burden on regulated entities, which ultimately gets passed on to Vermonters. To this end, the Board recognizes the need to limit the impact of these government functions on Vermonters by maximizing funding from other sources, including federal grants. To the extent a function otherwise eligible for billback is being funded through federal or other grants, the Board uses its discretion under 18 V.S.A. § 9374(h)(2) to exclude those dollars from the billback actually charged to industry. This explains, in large part, the variance shown in the last line of Appendix A.

BILLBACK DETAIL

	Projected FY 2014	Actual FY 2014	Final Appropriation FY 2015	
Total Expenses	\$ 7,538,135	\$ 6,928,567	\$ 8,301,647	
Personal Services	\$ 2,333,293	\$ 2,534,512	\$ 2,937,172	
Total Billback	\$ 835,000	\$ 834,860	\$ 612,663	
Industry Portion	\$ 501,000	\$ 500,916	\$ 367,598	
Operating	\$ 289,000	\$ 357,744	\$ 369,860	
Total Billback	\$ 71,403	\$ 62,012	\$ 91,990	
Industry Portion	\$ 42,842	\$ 37,207	\$ 55,184	
Grants	\$ -	\$ -	\$ 437,000	Health Care Advocate
Rate review portion	\$ -	\$ -	\$ 147,500	
Total Billback portion	\$ -	\$ -	\$ 329,500	
Industry Portion	\$ -	\$ -	\$ 173,700	
Contracts	\$ 4,915,671	\$ 3,996,311	\$ 4,602,333	
Gross Potential Billback*	\$ 3,643,500	\$ 3,458,972	\$ 4,152,333	
Grants/altern Funding	\$ (1,340,000)	\$ (1,094,313)	\$ (1,500,000)	
Net Potential Billback	\$ 2,303,500	\$ 2,364,659	\$ 2,652,333	
Total Billback	\$ 503,333	\$ 576,510	\$ 1,142,831	
Industry Portion	\$ 302,000	\$ 345,906	\$ 767,831	
Billback				
Total Net Potential Billback	\$ 3,209,903	\$ 3,261,531	\$ 3,686,486	
Potential Industry Portion	\$ 1,925,942	\$ 1,956,919	\$ 2,211,892	
Budgeted Industry Portion	\$ 845,842	\$ 884,029	\$ 1,557,079	
Billback Adjusted to appropriation	\$ -	\$ (38,635)	\$ (165,034)	
Final billback	\$ 845,842	\$ 845,394	\$ 1,392,045	
Budgeted Industry Billback as % of Potential	43.9%	43.2%	63%	
Variance (Potential less Budgeted)	\$ 1,080,100	\$ 1,111,525	\$ 819,847	

Notes:

We reserve the ability to change the above amounts if we develop better information.

Appropriation adjustment in 2015 is RWJ grant funds included as "Special funds".

FY 2015 will be updated once new funding sources are approved and obligated.

Actual 2014 reflects amounts billed to industry based upon budgeted plans.

* A portion of VHCURES related contract expenses directly support the analysis of health care expenditures and review of the hospital budgets - the Board functions subject to billback under 18 V.S.A. 9374(h)(1). Therefore, the Board will actually bill the regulated entities for only that portion, as reflected in the "Net potential Billback" line and the "Total Billback" line in the "Contracts" section above.