



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 2016**

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 15, 2016

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 annually on or before September 15 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 provide this information to the Joint Fiscal Committee at its September meeting. *Id.* § 37c(b). This report is listed on the non-action portion of the Joint Fiscal Committee’s September 15 meeting agenda, and is being submitted to satisfy that agenda item as well as § 37c(b) of Act 79.

Background

The General Assembly passed the initial legislation for this billback authority 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).

In 2012, the Legislature authorized the newly-formed Board to bill back to hospitals and insurance carriers the costs of certain activities related to health care system oversight. 2012, No. 171 (adj. sess.), § 5. The law provides that “[e]xpenses incurred to obtain information, analyze expenditures, review hospital budgets, and for any other contracts” that are authorized by either 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 statutory authority, the regulated entities, as a group, must pay 60 cents, with the State remaining responsible for the other 40. The 60/40 allocation has not changed and remains in effect at present.

In a February 2013 report,¹ the Board and the Department advised the Legislature that since the inception of the billback authority, the State has not billed back the full scope of expenses made eligible by the authorizing legislation. In response, the Legislature mandated this annual reporting and expanded the governing statute to afford the Board and the Department discretion over the scope and the amount of the billback. 2013, No. 79, § 37c; *id.* §§ 37a, 37b (amending 18 V.S.A. §§ 9374(h), 9415). Since the passage of that legislation, the Board and the Department are authorized to continue to utilize the 60/40 billback formula “if, in the Board’s

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

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 (HCA) 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 2016 Billback

In state fiscal year 2016 (FY16), the Board and the Department billed back approximately \$1,546,407, as shown in Appendix A of this report. This amount is slightly lower than the Board’s projected billback amount of \$1,527,475, which was established in the Board’s FY16 budget. Tables 1 and 2 below show how that amount breaks out among the hospitals and insurance companies that can be billed under 18 V.S.A. §§ 9374(h)(1) and 9415.

Table 1: Hospital Assessment FY16

HOSPITAL	Amount Billed
Brattleboro Memorial Hospital	\$13,457
Carlos Otis	\$1,251
Central Vermont Medical Center	\$32,431
Copley Hospital	\$13,774
University of VT Medical Center	\$158,270
Gifford Medical Center	\$10,813
Mt. Ascutney Hospital	\$3,225
Northeastern VT Regional Hospital	\$10,840
North Country Hospital	\$12,038
Northwestern Medical Center	\$20,173
Porter Medical Center	\$14,215
Rutland Regional Medical Center	\$48,832
Southwestern Medical Center	\$29,567
Springfield Hospital	\$17,714
Total	\$386,602

Table 2: Insurance Carrier Assessment FY15

CARRIER	Amount Billed
Blue Cross and Blue Shield of Vermont	\$386,602
The Vermont Health Plan, LLC	\$279,555
MVP Health Plan, INC.	\$107,047
MVP Health Insurance Company	\$237,307
Cigna Health & Life Insurance Company, Inc.	\$105,553
UnitedHealthcare Insurance Company	\$19,685
Aetna Life Insurance Company	\$11,506
Connecticut General Life Insurance Company, Inc.	\$5,255
4 Ever Life Insurance Company	\$3,116
QCC Insurance Company	\$2,505
State Farm Mutual Automobile Insurance Company	\$1,197
United States Life Insurance Company	\$129
American Heritage Life Insurance Co.	\$92
The United States Business of The Great-West Life Assurance Co.	\$88
AXA Equitable Life Insurance Company	\$57
Golden Rule Insurance Company	\$41
American Progressive Life & Health Insurance Company of New York	\$18
Prudential Insurance Company of America	\$17
Metropolitan Life Insurance Company	\$17
Celtic Insurance Company	\$17
Mutual of Omaha Insurance Company	\$1
Total	\$1,159,805

By way of comparison, the State billed back approximately \$395,000 in FY13, \$890,000 in FY14, \$1,474,300 in FY15, and \$1,546,407 in FY16. The Board’s approved FY17 budget includes a projected billback amount of \$2,045,927.

In order to help place the FY16 figures in context, Appendix A breaks out the Board’s total expenses by category and for each category, indicates the maximum amount that the Board has determined eligible to be billed back under Vermont law. For example, of the \$3,365,117 that was actually spent on personal services in FY16, the Board determined that up to \$909,842 was eligible to be billed back under 18 V.S.A. § 9374(h). *See* Appendix A, ‘Projected Budget FY16’ column, lines 2-3. The next three blocks of information present analogous information relative to operating expenses, grants, and contracts.

The final block, entitled “Pers[onal] Services, operating, grants, contracts,” shows the maximum amounts that could have been billed to regulated entities under the statutory 60/40 formula, the amounts budgeted to be billed back, and the actual amounts billed back. As Appendix A shows, the Board actually billed back \$1,546,407, or approximately 67%, of the

potential industry portion of \$2,297,318.68.

In addition, Appendix A shows that based on its approved FY17 budget, the Board projects it will bill industry \$1,973,522 in FY17 under its statutory billback authority. This represents 100% of the potential industry portion.

Both the budgeted increase of \$1,973,522 for FY17 and the increases in the amounts actually billed back to industry from FY13 to FY16 (\$395,000 in FY13; \$890,000 in FY14; \$1,474,300 in FY15; and \$1,546,407 in FY16) demonstrate the Board's commitment to utilize its billback authority consistent with legislative intent. The Board therefore acknowledges the need to defray certain categories of expenses through the billback function, but to also utilize its discretion when appropriate to limit the burden on regulated entities, which ultimately pass these expenses on to Vermont health care consumers. Further, the Board will maximize funding from other sources, including federal grants, for its activities that may otherwise be funded through the billback function. In other words, to the extent an expense 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.

APPENDIX A

TO GMCB FY 2016 BILLBACK REPORT

Green Mountain Care Board
Al Gobeille, Chair

9/15/2016

BILLBACK DETAIL	Projected Budget FY 2016	Actual Budget FY 2016	Actual Expended FY 2016	Total Projection FY 2017
Total Expenses	\$ 9,595,361.72	\$ 9,481,753.31	\$ 6,766,817.07	\$ 9,572,404.00
Personal Services	\$ 3,365,117.45	\$ 3,365,117.45	\$ 2,924,039.92	\$ 3,468,390.08
Total Billback	\$ 909,841.80	\$ 909,841.80	\$ 701,956.91	\$ 1,269,823.88
Industry Portion	\$ 543,921.95	\$ 543,921.95	\$ 422,646.76	\$ 761,997.73
Operating	\$ 638,789.09	\$ 638,789.54	\$ 353,758.04	\$ 835,995.00
Total Billback	\$ 248,053.72	\$ 248,251.26	\$ 122,110.45	\$ 250,798.50
Industry Portion	\$ 122,164.22	\$ 122,278.92	\$ 96,281.80	\$ 150,479.10
Contracts	\$ 5,591,455.18	\$ 5,487,323.35	\$ 3,489,019.11	\$ 5,268,018.92
Gross Potential Billback*	\$ 5,591,455.18	\$ 5,487,323.35	\$ 3,489,019.11	\$ 5,268,018.92
Alternate Funding	\$ (2,920,486.23)	\$ (2,947,469.15)	\$ (2,340,198.08)	\$ (3,499,438.30)
Net Potential Billback	\$ 2,670,968.95	\$ 2,539,854.20	\$ 1,148,821.03	\$ 1,768,580.62
Total Billback	\$ 1,488,560.28	\$ 1,528,286.65	\$ 827,511.72	\$ 1,768,580.62
Industry Portion	\$ 834,720.59	\$ 1,015,159.00	\$ 532,493.04	\$ 1,061,044.97
Pers Services, operating, grants, contracts				
Total Net Potential Billback	\$ 3,828,864.47	\$ 3,697,947.25	\$ 1,972,888.39	\$ 3,289,203.00
Potential Industry Billback	\$ 2,297,318.68	\$ 2,218,768.35	\$ 1,183,733.03	\$ 1,973,521.80
Budgeted Industry Billback	\$ 1,546,406.76	\$ 1,681,359.87	\$ 1,051,421.60	\$ 1,973,521.80
Billback Adjusted to Appropriation	\$ -	\$ -		
Final billback	\$ 1,546,406.76	\$ 1,681,359.87	\$ 1,051,421.60	\$ 1,973,521.80
Budgeted Industry Billback as % of Potential	67%	76%	89%	100%
Variance	\$ 750,911.92	\$ 537,408.48	\$ 132,311.43	\$ -

Notes:

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

Actual 2016 reflects amounts billed to industry based upon budgeted plans.