VERMONT ASSOCIATION OF
HOSPITALS AND HEALTH SYSTEMS

MEMORANDUM

TO: SENATE FINANCE COMMITTEE

FROM: JILL OLSON

SUBJECT: VAHHS WRITTEN TESTIMONY ON S.135

DATE: 4/23/2015

Thank you for the opportunity to testify on S.135. This memo is based on draft 4.6 of the bill. Below please find a list of the provisions we support and oppose, some specific comments on provider parity, and a discussion of the DFR/GMCB duties sections. Provisions not mentioned are ones on which we have no position at this time.

Provisions Supported by VAHHS

- Exploration of all-payer model (Sec. 1)
- Medicaid Coverage for Primary Care Telemedicine (Sec. 6)
- Consumer Information/price transparency (Sec 12)
- Transfer of DFR responsibilities in hospital conversion to the GMCB (Sec. 25)
- Report on oversight of DVHA as a managed care organization (Sec. 33)
- Extension of claims tax sunset that supports VITL

Provisions Opposed by VAHHS

VAHHS strongly supports payment reform in Vermont. Global budgets, GMCB rate setting and reductions in payment variation may all be a part of a larger payment reform approach. We are concerned that the relevant provisions in S.135 represent a piecemeal approach to payment reform and payment variation and are premature given the all payer model effort underway.

- Hospital global budgets if the all payment model has not been developed by January 1, 2016 (Sec. 2)
- GMCB Authority Over Medicaid Rates and Blueprint Payments (Secs. 14 and 15)
- Provider Payment Parity (Sec. 16);

Provider Parity Comments

- We support addressing payment variation as an element of Vermont's larger payment reform effort.
- In most Vermont communities, there is no distinction between commercial rates for employed physicians and commercial rates for independent physicians. BCBSVT has only two physician fee schedules, community and tertiary. The community fee schedule applies to physicians – whether employed by hospitals or not – except those employed by a tertiary care center.
- Physicians seek employment for a myriad of reasons and often hospitals employ physicians to preserve their services in the community. It is not unusual for the salaries of employed physicians to exceed the revenue their services generate for the organization.
- Hospitals pay a six percent tax on net patient revenue for physician services, the maximum allowed under federal law. Vermont has never imposed the provider tax on independent physicians.

Transferring Department of Financial Regulation Duties

VAHHS objects to several of the provisions as they appear in the draft but we have worked with the Green Mountain Care Board and the Administration to develop mutually agreeable alternative proposals that they will present today.

- Changes to oversight of managed care organizations: We support many of the changes, including the elimination of the triennial audit, but want to ensure that adequate protections, reporting requirements and oversight remain in place and believe the issue needs further study.
- Changes to CON interested party status (S.135 Sec 27: We support the changes to notice provisions sought by the Green Mountain Care Board which we agree are technical. We oppose making changes to the CON interested party status (9440(c)(2)(B)(7) at this time because we believe this is a substantive change that has not been adequately vetted.