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TO: Representative Bill Lippert, Chairman, House Health Care Committee

FROM: Kate Slocum, Financial Director

DATE: March 15, 2017

RE: GMCB Billback Options for HHC to Consider

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As you are aware a team at the GMCB have been diligently working on various scenarios to recraft the current industry assessment portion of the GMCBs Billback Authority. The charge was to present to your committee, House Healthcare Committee, options on how the membership within the assessment grouping could change as well as modify the way the assessment is performed to lessen the impact on insurance rates. What the team came up with was 4 feasible options as listed below, and further detailed in the attached document. We request these options hold the caveat that (1) a sunset of three years be applied with the intent to revisit the industry membership at that time, (2) the committee be aware that without legislation clarifying how costs are spread within the carriers covered lives, carriers may pass the cost burden on to select groups and not their entire VT business, and (3) the GMCB should now enforce more detailed reporting within the ASSR data for specific membership as well as billback rate impact information in the rate cases.

All Scenarios are based on using Percentage of Premiums for the Carriers and the Net Patient Revenue for the Hospitals. Both metrics were used as they are the reliable and stable numbers available. They also best represent revenue within the two categories which is what other industry assessments, nationally and internationally, use to apply regulatory fees. Scenarios 1 A & B eliminate the current four categories identified in 18 V.S.A. §§ 9374(h) and create two categories, Hospitals and Commercial Insurers. From there the allocation within the categories is based on commercial insurance market share with the remaining placed on the hospitals. The difference between A & B is that B utilizes a direct billback allowance for the Insurance Rate Case Review like the CON direct billback process. Scenarios 2 A & B also eliminate the current four categories identified in 18 V.S.A. §§ 9374(h) and create two categories, Hospitals and Commercial Insurers. From there the allocation within the categories is split 50/50. The difference again between A & B is B utilizes a direct billback allowance for the Insurance Rate Case Review like the CON direct billback process. This is more clearly outlined in the attached document.

