

To: Chairperson William Lippert and the Vermont House Committee on Health Care  
RE: S.285 -- Global Hospital Budgets, Community-Based Care, RBP & Public Engagement  
Date: April 18, 2022  
Contacts: Mark Hage ([mhage@vtnea.org](mailto:mhage@vtnea.org)) and Julie Wasserman ([Julie.Wasserman@aol.com](mailto:Julie.Wasserman@aol.com))

We are writing on behalf of our respective organizations and the tens of thousands of Vermonters we represent and serve. We have closely followed your committee's deliberations on S.285. This memorandum articulates in brief our thinking and objectives with respect to this important bill.

1. Global Hospital Budgets. Fixed annual payments to hospitals that are predictable and cover verifiable operating costs for vital services are essential to the financial sustainability of our hospitals. Additionally, hospitals that are assured of funding sufficient to actual need will not have to bill for every procedure and can reduce unnecessary administrative expenses.
2. Community-Based Services. Primary care, nursing, mental health care, home health agencies, and hospice must be expanded and strengthened statewide, and their acute workforce shortages rectified. Savings from global payments to hospitals can be reallocated to help accomplish this.
3. Reference-Based Pricing. We call on you to add language to S. 285 that directs contracted analysts, AHS and GMCB to research and design reference-based pricing (RBP) models benchmarked to Medicare rates for inpatient and outpatient hospital services.<sup>1</sup> This approach standardizes charges so that a given procedure costs the same regardless of payer or provider. RBP should occur *prior to* determining global hospital payments to avoid excessive and inefficient charges getting "baked in" to annual budgets. RBP levels the playing field where pricing is concerned and realizes savings in the process.<sup>2</sup>
4. Public Engagement. There must be early, sustained, and robust engagement with providers, patients, employers, labor unions, community representatives, and advocacy organizations in the design, implementation and evaluation of hospital global budgets and community-based initiatives.

While the pandemic may make our work more challenging, it is also a wake-up call to restructure hospital budgeting with a commitment to sustainability and to revitalize community-based services that are foundational to population health. Now is the time to act, together.

Respectfully, we request an invitation to testify on S.285 before your committee finalizes its work on the bill. Thank you.

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<sup>1</sup> RBP benchmarked to Medicare rates can substantially lower hospital costs and eliminate or greatly reduce irrational price variations, without compromising fiscal solvency or the quality of care. These points are underscored by a major RBP initiative and subsequent [cost reductions](#) by the State of Montana (2017-2022) and by 2021 research [findings](#) on the viability of RBP for reducing health care costs for Vermont's state employees by State Auditor Doug Hoffer and his team.

<sup>2</sup> The GMCB's presentation to the House Health Care Committee on April 14, 2022, states that "unit cost (e.g. price), *not utilization*, is the primary driver of increased medical costs" - see slide 7 [here](#).

Sincerely,

Deb Snell *President, AFT-Vermont & Vermont Federation of Nurses and Health Professionals*

Don Tinney *President, Vermont-National Education Association*

Susan Ridzon *Executive Director, HealthFirst*

Sue Racanelli *President, League of Women Voters of Vermont*

Graham Unangst-Rufenacht *Policy Director, Rural Vermont*

Sarah Launderville *Executive Director, Vermont Center for Independent Living*

Kristen Murphy *Executive Director, Vermont Developmental Disabilities Council*

Paul Burns *Executive Director, Vermont Public Interest Research Group*

Tom Hamilton *Executive Director, Vermont Statewide Independent Living Council*

Julie Wasserman, MPH

Patrick Flood, Former Deputy Secretary of the Agency of Human Services