



Chair Black and Members of the Committee,

Thank you for the opportunity to submit testimony regarding H.585.

We appreciate the seriousness with which this Committee is approaching issues of affordability and accountability in Vermont's health care system. Blue Cross and Blue Shield of Vermont share that commitment. Our statutory mission and our nonprofit status obligate us to act in the best interest of Vermonters. We understand the responsibility that comes with that role.

However, the sections on board appointments and executive compensation raise profound concerns that extend well beyond Blue Cross and Blue Shield of Vermont.

The Committee should carefully consider the precedent this legislation would establish.

Blue Cross and Blue Shield of Vermont is not only an insurer. We are a nonprofit organization. If the Governor is granted the authority to appoint board members to our organization, and if the Department of Financial Regulation is granted authority to intervene directly in executive compensation governance, what prevents this precedent from extending to other nonprofit institutions?

If I were on the board of the Vermont Foodbank, the Vermont Community Foundation, Lund Family Services, the Howard Center, any of our United Ways, Chambers, or any other vital social impact nonprofit in this state, I would be deeply concerned. How long is it before similar authority is sought over those organizations? How long before decisions about staffing, compensation, or governance are subject to political appointments or regulatory discretion? Thousands of your constituents either work or volunteer for nonprofits across the state.

The precedent is not narrow. It is not contained. It establishes the principle that state government may insert itself into nonprofit board governance structures when disagreement arises. That is a significant and far-reaching shift in Vermont's nonprofit tradition.

The Committee has repeatedly identified competition as a factor in affordability. It is important to ask how these sections affect that goal.

If I were an insurer evaluating entry into the Vermont marketplace, would I choose to operate in a state where the Governor may appoint members to my board of directors? Would I enter a market where a regulator has authority to override or require additional compensation analysis at my expense?

If I were MVP, Cigna, or any other insurer currently operating in Vermont, would the Government's direct impact on Blue Cross make me feel like the landscape is competitive?

These provisions do not increase competition. They may deter it.



An Independent Licensee of the Blue Cross and Blue Shield Association.

Vermont already operates in a small and complex insurance market. Introducing governance uncertainty and expanded regulatory intrusion into board composition and executive compensation may have unintended consequences for market participation.

It is also important for the Committee to understand that meaningful changes have already occurred.

From 2024 to 2025, Blue Cross and Blue Shield of Vermont implemented a projected 15 percent reduction in overall executive compensation. Those figures will be reflected in our public financial filings next week.

We have taken deliberate steps to align compensation more responsibly with our financial position and our mission. These actions were taken without statutory mandate and reflect the seriousness with which our board approaches its fiduciary responsibilities.

We do not believe the Committee has had full visibility into our current compensation governance structure.

We have a standing compensation committee composed of independent board members. That committee utilizes an external benchmarking vendor and follows a structured, fiduciary process designed to ensure fairness, competitiveness, and compliance with our regulatory standards, nonprofit law and IRS intermediate sanctions standards.

In the past three months, we have:

- Initiated a search for a new benchmarking vendor
- Evaluated the cost and scope of those benchmarking analyses
- Begun exploring elongating the time between full benchmarking studies in recognition of their expense

These studies are not inexpensive. They require a formal procurement process, expert analysis, and substantial cost. Under the language of H.585, if the Commissioner determines that a benchmarking analysis is insufficient, Blue Cross and Blue Shield of Vermont would be required to fund an additional independent analysis. That may result in similar findings. It may also result in data suggesting higher compensation benchmarks. The Committee should be clear-eyed about that possibility.

Mandating additional studies does not guarantee lower compensation. It guarantees additional expenses, which we are all trying to avoid.

Similarly, we do not believe the Committee has had full insight into our board recruitment and vetting process.

Board members of Blue Cross and Blue Shield of Vermont have access to highly sensitive and protected information. This includes proprietary provider contract terms, reimbursement methodologies, actuarial projections, pharmacy pricing arrangements, competitive strategy, litigation posture, vendor negotiations, and other confidential operational and financial data. The integrity of that information is not optional. It is

fundamental to our ability to negotiate responsibly, compete fairly, and protect Vermonters from unnecessary cost escalation.

The current language of this bill does not clearly articulate how gubernatorial appointees would be bound by identical fiduciary duties, confidentiality requirements, and conflict-of-interest standards as existing board members. Nor does it clearly define remedies in the event confidential or proprietary information is disclosed beyond appropriate governance purposes.

This is not a hypothetical concern. Disclosure of competitively sensitive information could directly undermine contract negotiations, disrupt rate filings, weaken competitive positioning, and ultimately increase costs borne by Vermonters. Even inadvertent disclosure of sensitive material could create material market consequences.

Additionally, the bill does not address potential limited liability protections associated with government-appointed board members. If appointees are treated differently under law, or if questions arise regarding indemnification, sovereign immunity, or public records treatment of board materials, it could create legal ambiguity and expose the organization to unnecessary risk.

Our current board members are subject to strict fiduciary duties of care, loyalty, and confidentiality under Vermont nonprofit law. They sign conflict-of-interest disclosures. They are bound by governance policies and confidentiality agreements. If the Legislature intends to alter board composition, it must be unequivocal in requiring identical fiduciary standards, enforceable confidentiality protections, and clear liability provisions for any appointed member.

Without explicit statutory safeguards, this bill risks introducing instability into governance at a time when stability is critical.

Protecting confidential information is not about shielding the organization from accountability. It is about protecting Vermonters from unintended market consequences that could increase costs and disrupt contractual relationships.

If the intent of this legislation is to strengthen oversight, then it must also strengthen and clarify protections around proprietary information and fiduciary responsibility.

Our board recruitment process includes structured prospect identification, vetting, evaluation of fiduciary expertise, community leadership review, and conflict-of-interest safeguards. In recent months, we have further strengthened those procedures to ensure that our board reflects strong governance standards and public trust.

Before altering board composition through gubernatorial appointment, we respectfully urge the Committee to take time to review the governance reforms already underway.



These sections propose significant structural changes. They reach into nonprofit governance, compensation oversight, and board composition in ways that extend beyond operational cost control. They establish a precedent that may affect the broader nonprofit sector. They may discourage competition in an already fragile market.

We strongly urge the Committee to pause before advancing these provisions. We welcome the opportunity to provide detailed briefings on:

- Our updated board recruitment and vetting process
- Our updated compensation committee structure and safeguards
- The reduction in executive compensation
- The cost, mechanics, and technical rigor of our compensation benchmarking

We believe transparency and dialogue are better tools than structural intrusion.

Blue Cross and Blue Shield of Vermont is committed to affordability, accountability, and accessibility. We ask only that governance reforms be grounded in evidence, proportionality, and an understanding of the broader precedent they set.

As currently written, we fundamentally oppose these two sections of H.585.

In regard to the remaining sections of the bill, we are in support of legislation that provides more flexibility in plan design for Vermonters and agree with the Committee's approach to achieving that flexibility. This includes changes to out-of-pocket maximums.

We feel confident that a pilot on Physical Therapy items and services in Site Neutral billing provides both hospitals and insurers with the opportunity to find a pathway to more affordable services for Vermonters. This pilot is small enough to ensure stability in hospitals, and large enough to give a sample size of how this might be rolled out in other areas in the future.

We appreciate the opportunity to share our ongoing efforts with the Committee and look forward to future revisions to H.585 that focus on affordability and accessibility for Vermonters.

Thank you for the opportunity,

Courtney Harness

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