H.585 Sections 10-13

Devon Green, VAHHS

devon@vahhs.org

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Section 10: High Dollar Claims

- Need more information on whether the savings would outweigh the administrative burden for both provider and insurer.
- Gross charges?
- Inflation?

Section 11: Prior Authorization Reinstatement for Hospitals

- Elimination of prior authorization was recently implemented. We do not have enough data to determine the effects.
- 2024 report found that 99% of clinicians report that PAs increase burnout and 32% believe PAs led to a serious adverse event like hospitalization or death.
- A GMCB study from 2017 found that regulatory and administrative burden was the greatest threat to hospital and independent clinical practices.

Section 12: Site Neutrality Past Work

- In 2017, health insurers were required to propose implementation of a site-neutral reimbursement plan
- Hospitals have offered to reduce prices deemed too high
  - GMCB rate cap keeps changes narrow for all services– can't reduce one service and partially make up for it in another service
  - Billing complications
  - Value-based contracts

Section 12: Need a Comprehensive Look at Payment System

- Medicaid and in many cases, Medicare, do not cover the current costs of delivering care to patients.
- Data from 2022 GMCB Meeting

Section 12: Site Neutral and Financial Loss to Hospitals

Hospitals are different:

- Open 24/7
- Social workers
- Housekeeping
- Security
- IT infrastructure
- Lab techs
- Regulatory compliance
- Training/teaching
- 6% provider tax

Sec. 12: Site Neutral Assumptions

- Absent a clear definition of Site Neutral Payments, VAHHS modeled an impact scenario using the AHA's OPPS Medicare Impact estimate which was based off a June 2023 MedPac recommendation to Congress.
  - Assumption: The VAHHS model treated Medicare and Commercial reimbursing as equals even though they have very different reimbursement methodology.
  - This assumption likely yields a conservative impact estimate.

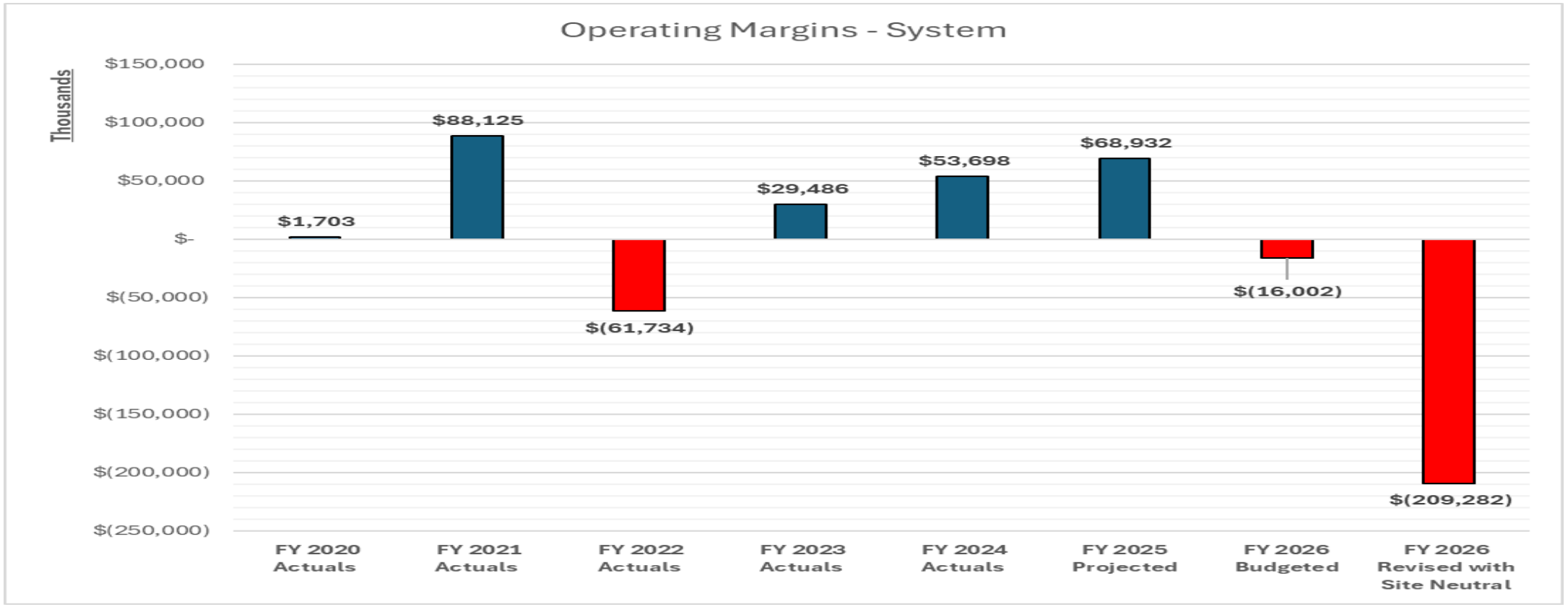
Sec. 12: Site Neutral Impact Logic

	Site Neutral Impact Estimate		
A)	VAHHS Hospital Focus Group - System Extrapolation for Commercial O/P Revenues		$ 1,171,604,782
B)	AHA Site Neutral Medicare Revenue Reduction Impact for VT OPPS Per Year (Based on MedPac Recommendation)		-17.55%
C)	**Net Commercial Revenue Impact to VT Hospitals**	**A * B = C**	**$ (205,616,639)**

- Convened a subset of hospitals for the Focus Group.
- Goal: To estimate Commercial O/P Revenues and apply against AHA Medicare Revenue Reduction estimate.
- Result: Arrive at impact estimate for VT Hospitals.
- Next: Apply impact to VT Hospitals and reconstruct a system-wide Income Statement.

NOTE: VAHHS is applying the Medicare Revenue Reduction impact from the AHA to Commercial Revenue impact which likely yields a conservative estimate as those two payers have very different reimbursement models.

Site Neutral Impact Estimate to Operating Margin



Site Neutral Impact By Hospital

Hospital	Approved 2026 NPR	Proportion of SYSTEM NPR	LESS: Hospital Allocation of Site Neutral based on proportional of 2026 NPR	Revised 2026 Approved NPR	Other Operating Revenues	Approved Operating Expenses	Provider Tax Add-Back	Revised Operating Margin
BMH	$ 113,499,959	3.0%	$ (6,242,810)	$ 107,257,149	$ 5,937,590	$ 119,192,986	$ 374,569	$ (5,623,679)
COP	$ 128,904,314	3.4%	$ (7,090,092)	$ 121,814,222	$ 1,758,979	$ 127,856,556	$ 425,406	$ (3,857,950)
CVMC	$ 301,641,023	8.1%	$ (16,591,087)	$ 285,049,936	$ 16,322,366	$ 317,830,067	$ 995,465	$ (15,462,300)
GCH	$ 30,201,165	0.8%	$ (1,661,147)	$ 28,540,018	$ 2,462,751	$ 32,408,481	$ 99,669	$ (1,306,043)
GMC	$ 65,060,532	1.7%	$ (3,578,508)	$ 61,482,024	$ 2,227,010	$ 65,721,059	$ 214,711	$ (1,797,315)
MAHHC	$ 75,343,734	2.0%	$ (4,144,113)	$ 71,199,621	$ 5,890,847	$ 80,643,414	$ 248,647	$ (3,304,299)
NCH	$ 107,314,867	2.9%	$ (5,902,613)	$ 101,412,254	$ 4,335,825	$ 110,896,623	$ 354,157	$ (4,794,387)
NMC	$ 130,887,475	3.5%	$ (7,199,172)	$ 123,688,303	$ 7,738,836	$ 146,596,865	$ 431,950	$ (14,737,775)
NVRH	$ 131,373,037	3.5%	$ (7,225,879)	$ 124,147,158	$ 5,207,945	$ 135,466,166	$ 433,553	$ (5,677,510)
PMC	$ 134,821,993	3.6%	$ (7,415,581)	$ 127,406,412	$ 6,887,484	$ 131,939,035	$ 444,935	$ 2,799,796
RRMC	$ 336,642,584	9.0%	$ (18,516,269)	$ 318,126,315	$ 20,822,203	$ 362,432,388	$ 1,110,976	$ (22,372,894)
SPR	$ 69,804,489	1.9%	$ (3,839,439)	$ 65,965,050	$ 800,000	$ 70,578,940	$ 230,366	$ (3,583,524)
SVMC	$ 214,723,065	5.7%	$ (11,810,360)	$ 202,912,705	$ 11,441,978	$ 230,491,761	$ 708,622	$ (15,428,456)
UVMMC	$ 1,898,078,939	50.8%	$ (104,399,569)	$ 1,793,679,370	$ 433,336,189	$ 2,347,415,128	$ 6,263,974	$ (114,135,594)
SYSTEM TOTALS:	$ 3,738,297,176	100.0%	$ (205,616,639)	$ 3,532,680,537	$ 525,170,003	$ 4,279,469,469	$ 12,336,998	$ (209,281,931)

Provider Tax Impact Assessment of Site Neutral

Provider Tax and Federal Matching Funds Impact Estimates	2026 Approved Budgets	Revised 2026 Provider Tax	2026 Site Neutral Lost P. Tax/GF Revenues
A) Provider Tax	$ 224,297,831	$ 211,960,832	$ (12,336,998)
B) Matching Federal Dollars	$ 322,903,513	$ 305,142,930	$ (17,760,582)
C) TOTAL Provider Tax Impact (A + B) = C	**$ 547,201,343**	**$ 517,103,762**	**$ (30,097,581)**

- As stated in previous slides, the estimate of revenue impact is likely conservative. This means that the impact on Provider Tax and Federal Match is also conservative.

NOTE: Provider Tax estimate based on 6% tax rate for FFY. SFY calculation may yield slightly different results. This estimated impact on Provider Tax does not factor in additional impacts due to a reduction in revenues from Act 55 of 2025 ASP legislation or pending Federal phasedown of the Provider Tax cap beginning in 2028.

Hospital Affordability Action Plan

Now/FY 2026: Eliminate $230M from budgets

- Legislature through Act 55 and GMCB through hospital budget process restricted premium growth to second lowest in the nation
- Hospitals did this work through:
  - Cutting administrative positions
  - Reducing or eliminating certain services after careful consideration
  - Coordinating non-clinical functions

FY 2027 & 2028: Eliminate $100M in operating costs

- The GMCB's Oliver Wyman Report recommended cutting administrative and operating expenses by $300M by FY2030.
- In partnership with the GMCB and the legislature, hospitals would achieve reductions of $330M by 2028, 2 years ahead of the Oliver Wyman timeline.

Transformation

- For further savings, hospitals will continue to partner with the State and their communities to eliminate, reduce, or consolidate service lines.
- Savings are estimated to be about $40M over two years

Section 13: Federal Reinsurance

- VAHHS is supportive