

# Why Regulate Hospitals?



Higher hospital spending is a major contributor to unaffordable health insurance premiums and out-of-pocket costs.

Higher spending in one sector (e.g. hospital spending) limits resources that could otherwise be allocated to other parts of the delivery system (e.g. primary care, mental health, preventative services, social determinants of health, etc.) or to other parts of the economy.

Vermont's health care system is highly concentrated. Regulation is essential to contain costs in monopoly markets. This is particularly salient in rural settings where there is less opportunity for efficient competition.

# Vermont's Regulation of Hospital Budgets: A Brief History



1983

Vermont establishes  
Hospital Budget  
Review  
18. V.S.A. § 9456

1992

**Vermont Health  
Care Authority  
Established**

Merges Health  
Policy Council,  
Health Data Council  
and Certificate of  
Need Review Board

1995

**Banking,  
Insurance,  
Securities, and  
Health Care  
Administration  
(BISHCA)**

Established  
authority to limit  
hospital budgets

2011

**Green  
Mountain Care  
Board**

Transfers some  
authorities  
previously at  
BISHCA to GMCB  
renaming BISHCA to  
Dept. of Financial  
Regulation (DFR)

# Hospital Budget Review



- The Board establishes budgets for hospitals by September 15 and issues written decisions by October 1. 18 V.S.A. § 9456(d)(1).
- When establishing budgets, the Board must be consistent with the state's health care goals, which are defined in statute.
- Hospitals bear the burden of persuasion in justifying their budgets. GMCB Rule 3.000, § 3.306(a).
- If a hospital does not justify that its budget conforms to the state's health care goals, the Board adjusts the budget to meet the goals.

## What are the State's Health Care Goals?



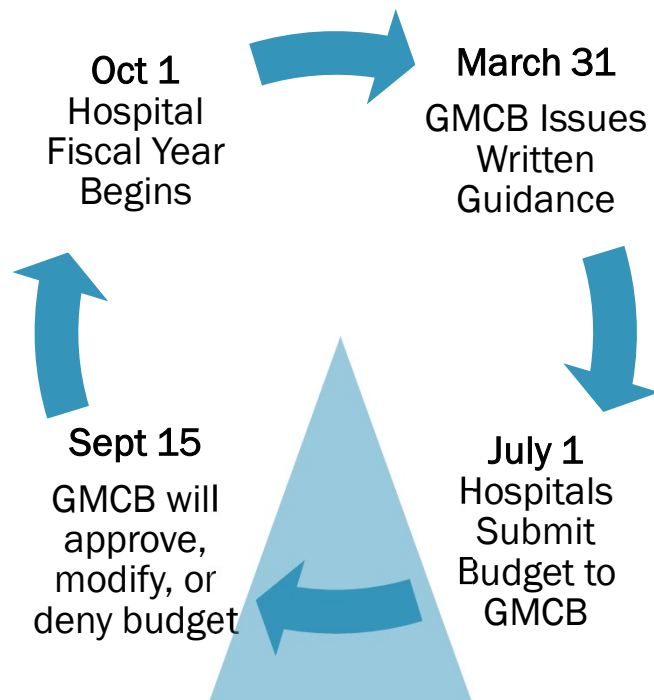
- Budgets established by the Board must be consistent with statute.
- When reviewing a hospital budget, the Board must consider:
  - Its statutory purpose and charge. 18 V.S.A. § 9372.
  - Its duty to regulate consistent with the principles for health care reform. 18 V.S.A. § 9371; 18 V.S.A. § 9375(a).
  - Its duty to consider factors defined in the hospital budget statute. 18 V.S.A. § 9456.
- At a very high level, the common goal expressed in statute is high-quality and appropriate care, delivered by efficient providers, that people can actually access and pay for.

# Annual Benchmarks



- The Board has discretion to set annual benchmarks. If a hospital meets the benchmarks, the Board can waive parts of review that would otherwise be required. 18 V.S.A. § 9456(e).
- The Board establishes benchmarks for hospital use in developing budgets. GMCB Rule 3.000, § 3.202(a).
  - Board meets with VAHHS & Health Care Advocate to obtain input.
  - Benchmarks issued in the Board's guidance document by March 31.
- Benchmarks help the Board consider whether budget adjustment is necessary. GMCB Rule 3.000, § 3.202(b).
- For the next budget year, the Board set benchmarks for growth in patient revenue, commercial rate, and operating expense.

# Hospital Budget Review Process



- **November:** staff meet with hospital CFOs to debrief FY24.
- **January-March:** staff meet with stakeholders to solicit input on benchmarks and other aspects of the process.
- **February:** open special public comment (Today).
- **February/March:** Staff continue collecting input on guidance from interested parties.
- **March:** Board issues hospitals written guidance for FY25.
- **April-July:** Hospital continue to develop FY25 budgets.
- **July:** GMCB receives budgets (due 7/1), staff begins review.
- **August:** Hospital Budget hearings.
- **September:** Board publicly deliberates to approve, modify, or deny budgets by 9/15.
- **October:** Budget orders delivered to hospitals by 10/1 (start of hospital fiscal year).