

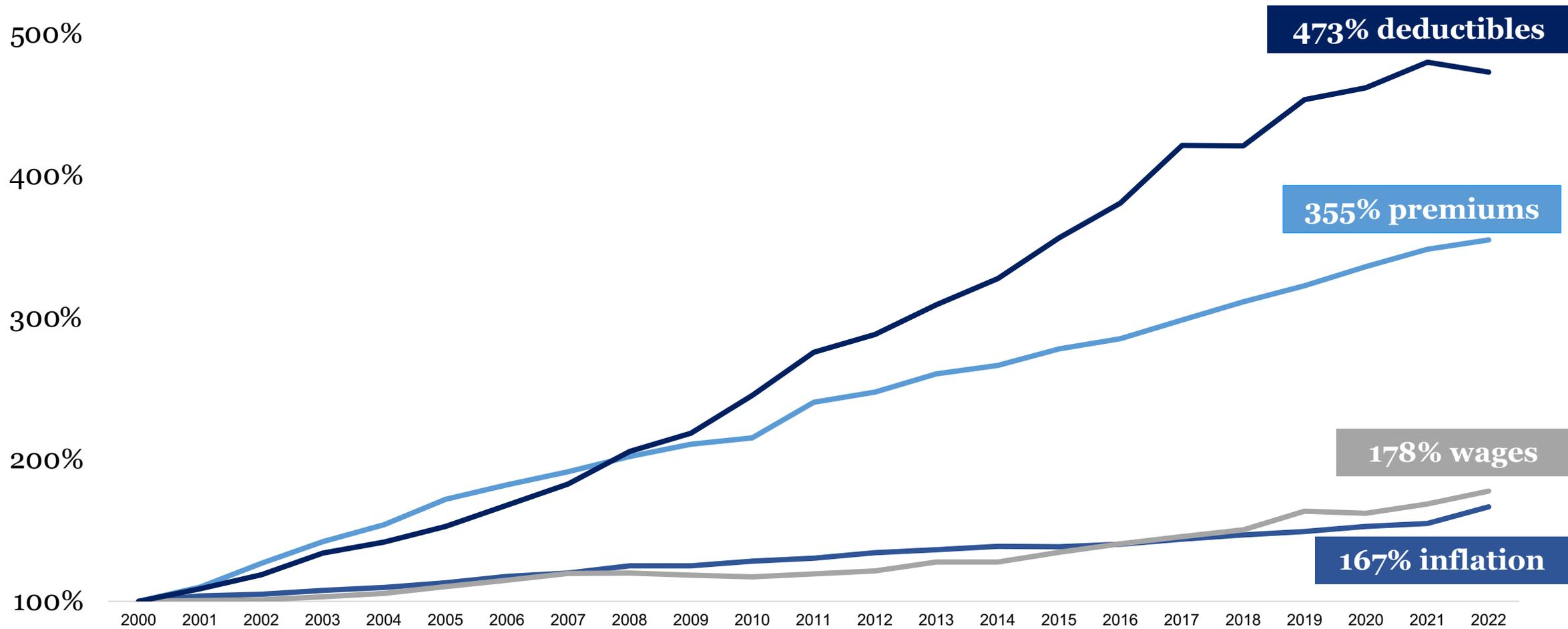
Vermont Healthcare Affordability: Cost Drivers and Economic Impacts

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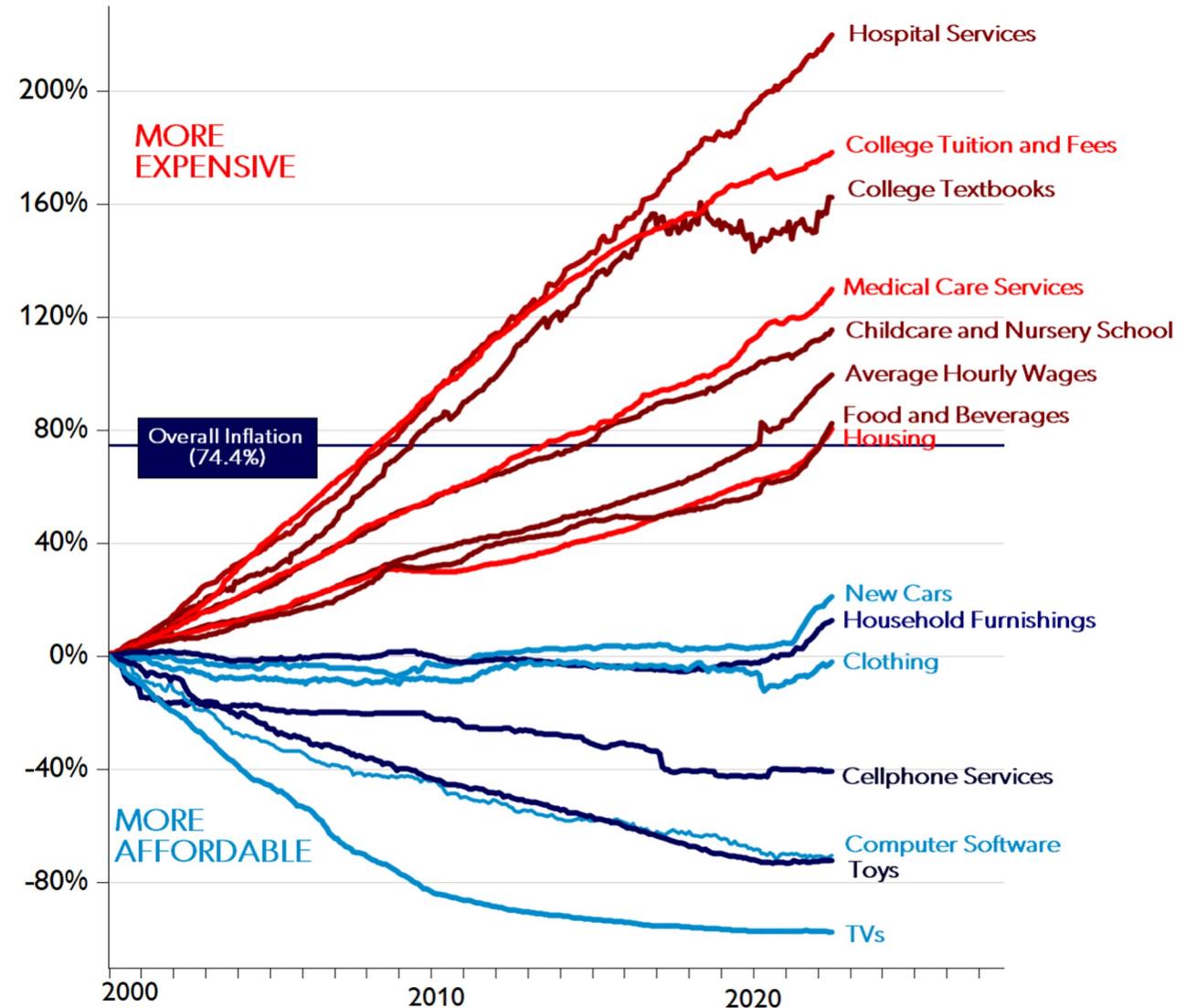
Premiums and deductibles have outpaced worker wages



Source: National data from the Federal Reserve Economic Data, KFF, and Medical Expenditure Panel Survey

Rising hospital prices drive spending growth

Price Changes: January 2000 to June 2022
Selected US Consumer Goods and Services, Wages



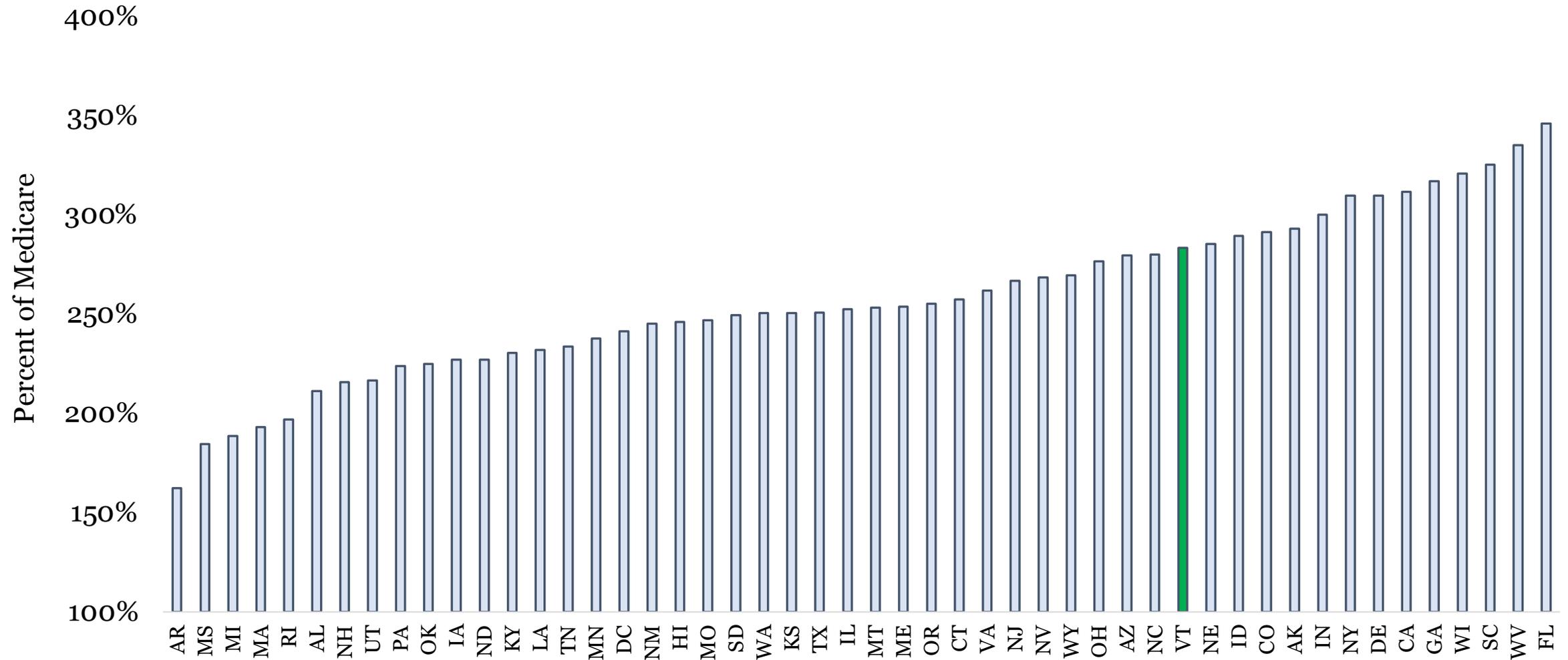
Source: Bureau of Labor Statistics

Percent of Medicare is a price benchmark, not a price endpoint

- Benchmarking to Medicare allows employers to compare prices between hospitals, relative to the largest purchaser in the world
- Medicare prices and methods are empirically based and transparent
- **Medicare Payment Advisory Commission (MedPAC):**
Medicare rates are close to break-even for efficient hospitals

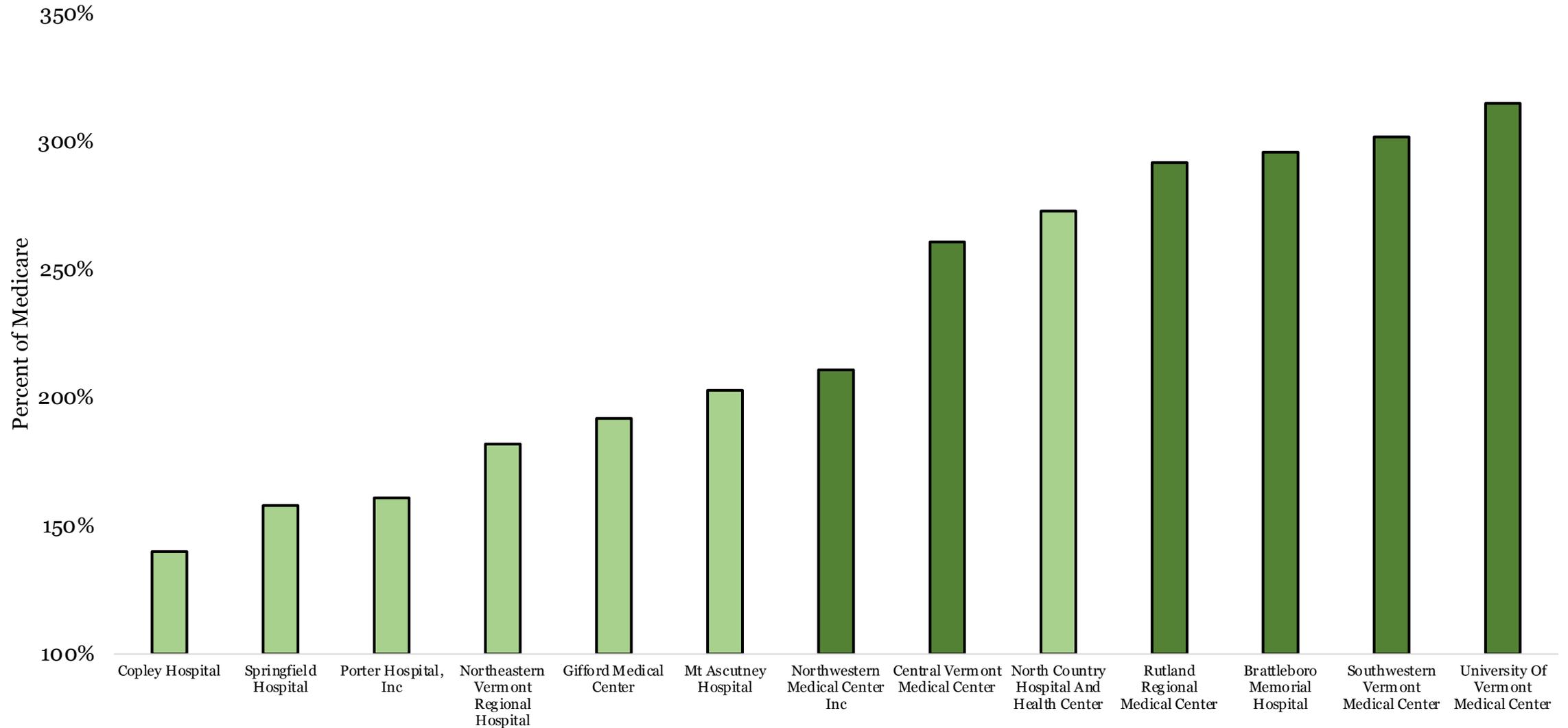
Vermont hospital prices are above the national average

Commercial Hospital Price (Inpatient + Outpatient, Facility + Professional), includes Critical Access Hospitals



Large variation in Vermont hospital commercial prices

Relative commercial price for inpatient and outpatient services



Source: Analysis of Prices Paid to Hospitals by Private Health Plans data. Whaley et al. 2024. Critical access hospitals light-shaded.

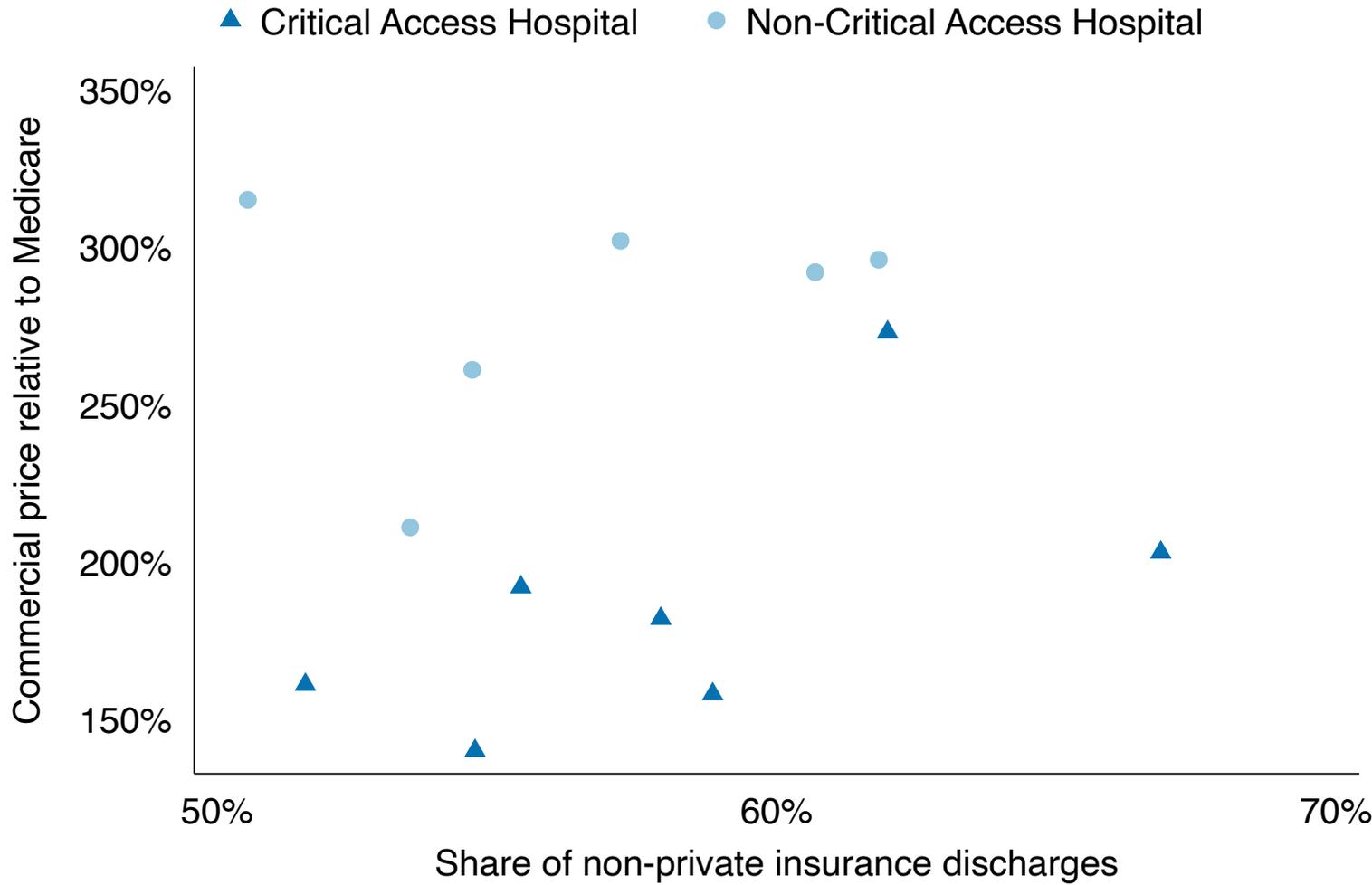
What drives prices?

No correlation with Medicare, Medicaid, or uncompensated patients (“cost shifting” not true)

Minimal correlation with quality and outcomes

Strong correlation with market power and concentration

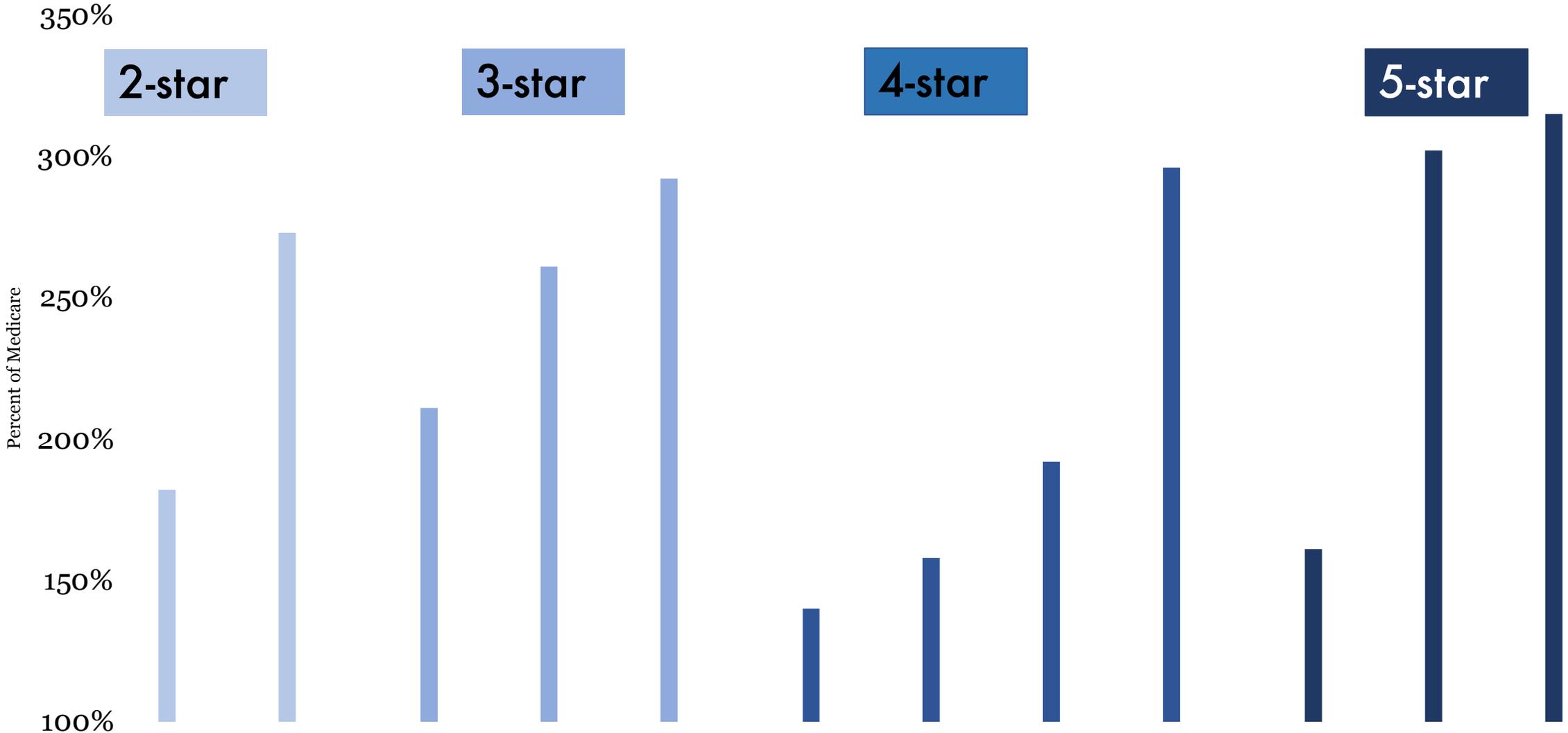
No relationship between Vermont hospital prices and cost-shifting



Only Vermont data included. Relationship not statistically significant

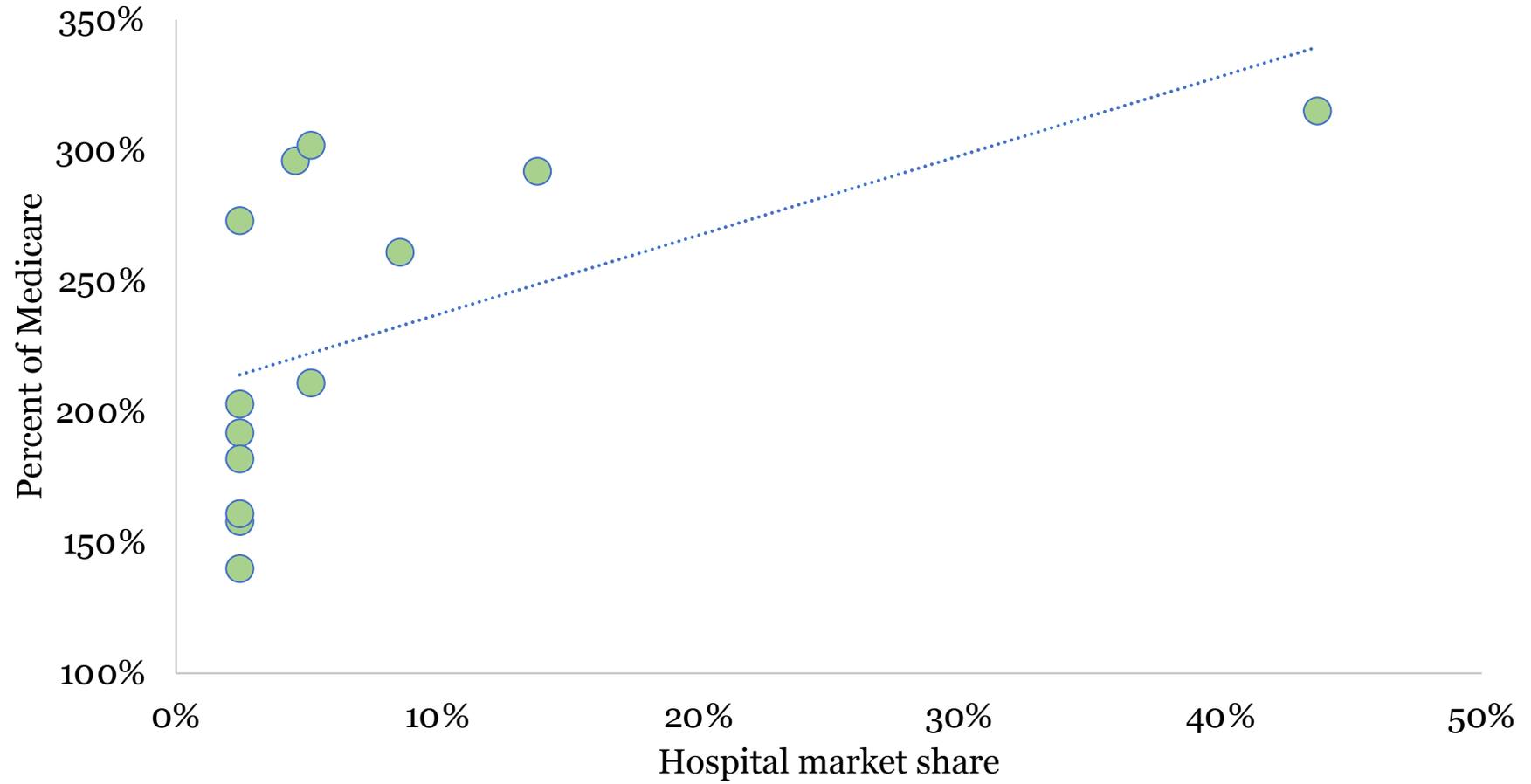
Source: Analysis of Prices Paid to Hospitals by Private Health Plans data. Whaley et al. 2024

Variation in Vermont hospital prices is not linked to CMS quality stars



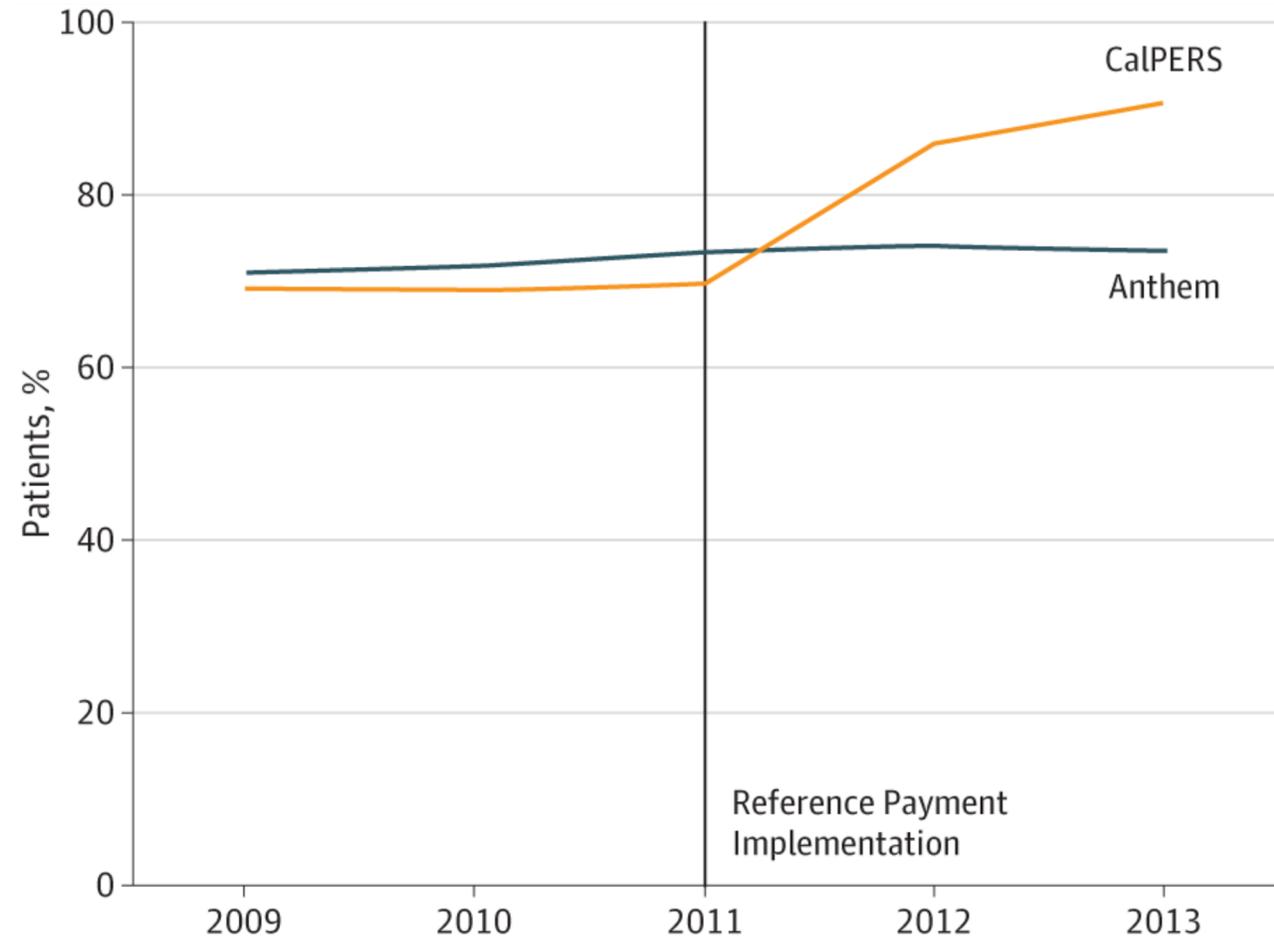
Source: Analysis of Prices Paid to Hospitals by Private Health Plans data. Whaley et al. 2024

Positive relationship between Vermont hospital prices and market share



CalPERS uses reference pricing to increase use of ASCs

- Large price differences between sites-of-care
- Targeted financial incentives to use ASCs vs. HOPDs
- 20% savings on shoppable services and quality improvements
- \$100 billion savings / year nationally



Reference-based pricing reduces spending

Impact of Oregon's RBP model

Beneficiaries: Oregon public employees and teachers

Cap: 200% of Medicare reference-based prices

Impact: \$48 million in savings / year



Sources: Hospital Facility Prices Declined As A Result Of Oregon's Hospital Payment Cap, Hospital Payment Caps Could Save State Employee Health Plans Millions While Keeping Hospital Operating Margins Healthy. Murray et al. Health Affairs 2024

RBP could lower Vermont spending by \$445 million

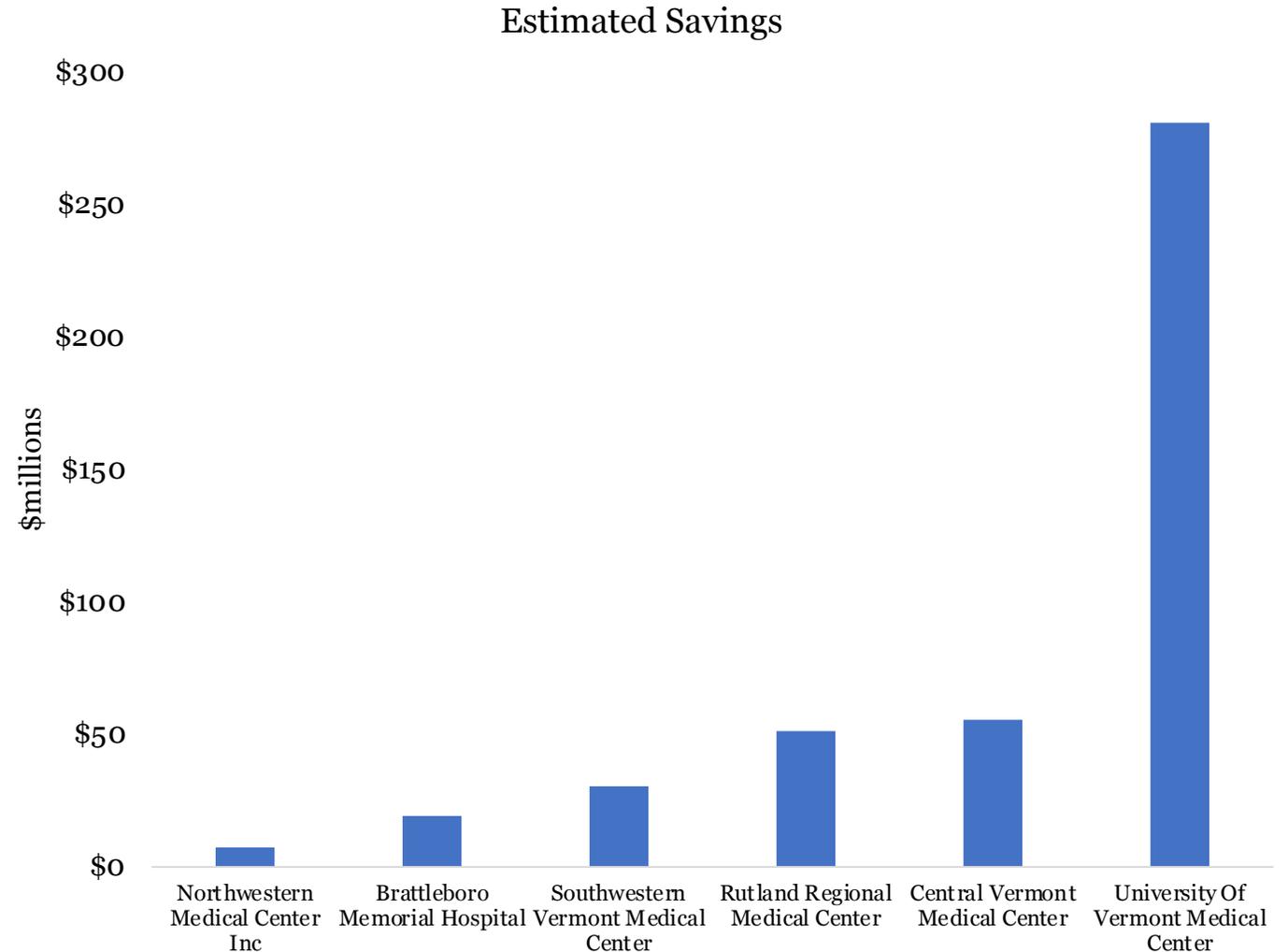
At 200% of Medicare RBP, estimated total impact of \$445 million/ year

Savings apply to patients and purchasers

Concentrated from UVM

RBP reduces administrative costs and simplifies contracting

Consider policies that guarantee savings are passed along to patients and lower premiums



Sources: Calculations from Hospital Payment Caps Could Save State Employee Health Plans Millions While Keeping Hospital Operating Margins Healthy. Murray et al. Health Affairs 2024

Conclusions

- **Rising costs strain businesses and workers.** Employers face financial pressure, and high health care costs limit wage growth
- **Unequal hospital pricing creates opportunities for savings.** Vermont can reduce costs by addressing price disparities
- **Transparency is essential.** Purchasers must demand clear, accessible pricing data to understand and control their expenses
- **Policy reform is needed.** State and federal policies have the potential to ensure fair competition and give purchasers equal footing in the health care market

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Thank you!

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