

REDUCING HEALTH CARE COSTS FOR ALL VERMONTERS

Proposed: A Data-Backed Strategy for Reference-Based Pricing

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EXECUTIVE SUMMARY

As the Legislature and the Green Mountain Care Board consider reference-based pricing reforms for FY27 and beyond, hospital financial stability remains a central concern.

The current GMCB proposal to cap all QHP services at 250% of Medicare base rates does not extend system-wide benefits to all Vermonters.

Blue Cross VT proposes a data-backed strategy that targets high-priced services first, reframing reference-based pricing from a blunt QHP cap to a sustainable affordability pathway.

- Reduces costs for ALL Vermonters, not just QHP members.
- Protects hospital revenue stability through predictable, gradual implementation.
- Aligns cost containment with statewide public relief.

| PROPOSED FY27 REFERENCE-BASED PRICING STRATEGY | |
|---|--|
| • Labs reduced to 300% of Medicare* | • Radiology reduced to 500% of Medicare* |
| BENEFITS | |
| • Focuses on high-variation, commodity services | • Provides budget predictability |
| • Minimizes operational shock to hospitals | • Targets areas with clear price disparities |
| OUTCOME | |
| By FY28, when the Green Mountain Care Board completes full hospital modeling, prices will already be trending toward more reasonable and sustainable levels, with total impact estimated at \$100M. | |

* Estimates only; not valid for other uses. Excludes professional fees.

Why Labs and Radiology?

Lab and imaging services exhibit extreme price variation across settings, represent high-volume utilization, and are frequently shoppable. They also don't generally require hospital-level overhead.

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SECONDARY & TERTIARY BENEFITS: MEASURABLE SAVINGS FOR PUBLIC EMPLOYERS AND TAXPAYERS

| The University of Vermont Employee Plan | Vermont Education Health Initiative (VEHI) | Vermont State Employees' Association (VSEA) |
|---|---|---|
| Using 2025 claims data, we can model what savings the University of Vermont would have realized on its employee health plan if lab and radiology pricing aligned to these benchmarks, demonstrating system-wide employer benefit. | Blue Cross VT administers coverage for Vermont educators. Reduced lab and radiology pricing will: <ul style="list-style-type: none"> • Lower plan spend. • Reduce pressure on school district health contributions. • Potentially mitigate upward property tax pressure. | Reduced lab and radiology pricing will: <ul style="list-style-type: none"> • Reduce general fund health care obligations. • Improve budget predictability. • Create direct taxpayer benefit. |

BROADER FISCAL IMPLICATIONS: BENEFITING ALL VERMONTERS

Properly modeled and communicated, this targeted strategy for reference-based pricing helps correct extreme price variation in high-volume services in a predictable manner that benefits all Vermonters. This strategy may also lead:

- Downward pressure on hospital and school district health costs
- Downward pressure on property tax growth
- Reduced state budget exposure
- A measurable affordability narrative for legislators

RECOMMENDED NEXT STEPS FOR BLUE CROSS VT

1. **Model 2025 claims impact for:**
 - The University of Vermont employee plan
 - Vermont educators
 - Vermont state employees
2. **Quantify projected property tax and state budget impact scenarios**