

## **H.482 Senate Health and Welfare Committee**

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### Introduction

Thank you for inviting me to testify on H.482. I appreciate all of the work done by the Legislature, the GMCB, and the Administration to support Vermont's health care system and Blue Cross VT while we navigate through these unprecedented financial challenges.

In a letter wrote to you in January, I was candid about the crisis in our health care system and open and transparent about its impacts on Blue Cross VT.

- In 2024, claims were up more than 15% from the previous year as part of an unprecedented and sustained three-year cost surge.
- As a result, in 2024, Blue Cross VT lost \$65 million and concluded the year with an RBC ratio of 214%, which equates to \$58 million in member reserves
- However, this total includes a \$30 million surplus note from Blue Cross Blue Shield of Michigan for which we are now paying 8% interest.
- To put 2024 in perspective, consider that at the end of 2021 our RBC ratio was over 600% (the bottom of the range mandated by DFR) which equates to \$136M in member reserves.
- Over three years, due to the sustained claims/cost surge in VT, our member reserves were depleted by \$107 million.
- Our non-surplus note reserves dropped from \$136 million to \$28 million in just three years.

As we work together to make much needed changes to our health care system, it is critical that we both: 1) safeguard the near-term finances of the system; while we also, 2) work on addressing our larger system problems.

The provisions of H.482, specifically the emergency authority of the GMCB provide an essential safeguard for our members, providers, and the entire state health care system.

When Blue Cross VT issues a policy to our members we make a promise to cover their health care claims. Given the current state of our health care system and Blue Cross VT member reserves, the protection within H.482 for our members is truly essential for 2026.

In addition to member obligations, Blue Cross VT is also critical to the functioning of our health care economy. We pay out on average \$35 million per week in claims. Our member reserves are essential to ensuring that claims are paid in any circumstances

The recent settlement agreement by UVMHN and the GMCB is important to addressing our larger system problems, but nothing in the agreement ensures that this surge in claims will cease. Nothing safeguards the near-term financing of the health care system like H.482.

H.482 and the UVMHN/GMCB Agreement for different reasons are both mutually essential for Vermonters.

It is not feasible nor fiscally responsible for Blue Cross VT to borrow more, and with the reserve levels we have now, we cannot sustain another year like 2024.

Blue Cross VT has responded to this situation with a comprehensive recovery plan that we are working on with DFR

- reducing our share of financial risk in Vermont Blue Advantage
- limiting our already low administrative expenses
- affiliation with Michigan is part of our longer-term strategy, and in 2024 we achieved \$24 million in value
- and we are continuing to review every decision and all available options

### Summary

The Vermont health care system is in crisis, and while we hope to never trigger the provisions in H.482, this bill ensures that the GMCB can act to avert a crisis, to protect Vermonters health care coverage, and importantly the continuity of their care.

All Vermont healthcare stakeholders should endorse H.482, and by doing so, Vermont healthcare stakeholders would be saying we are all in this together, and in a crisis we are willing to make mid-year adjustments in financing of our system to protect Vermonters health care coverage.

I appreciate all this Committee has done to address larger structural health system issues, and we are asking you to pass H.482 as a protection Vermont consumers.