VERMONT
GREEN MOUNTAIN CARE BOARD
112 State Street, 5th Floor
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MEMORANDUM

TO: Senate Committee on Health & Welfare
FROM: Green Mountain Care Board
RE: GMCB Response to VAHHS' H.482 Proposed Language
DATE: April 25, 2025

The Green Mountain Care Board (GMCB) supports H.482 as a critical and necessary emergency authority to (1) protect Vermonters and our economy from some of the largest health insurance premium increases in the nation and (2) ensure Blue Cross Blue Shield of Vermont's (BCBS) solvency and ability to pay claims on behalf of its members.

GMCB disagrees with the Vermont Association of Hospitals and Health Systems' (VAHHS) proposed changes because they are contrary to these legislative objectives and inconsistent with Vermont goals of affordable and sustainable healthcare. GMCB thanks the Senate Health & Welfare Committee for the opportunity to respond to each of VAHHS's proposals.

VAHHS PROPOSAL	GMCB POSITION & RATIONALE
Sunset entire bill in March of 2026, similar to emergency powers under COVID	**REJECT.** S.126 as passed by Senate Health & Welfare seeks to lower excessively high hospital charges for Vermonters. H.482's emergency authority to reduce prices on behalf of Vermonters, who rely on commercial insurance to pay for their care, is consistent with S.126. Moreover, there is no need to sunset the bill—let alone in less than a year. The trigger for reducing prices is *only* available where there is an imminent risk of insolvency. If this trigger is met, the Board needs the authorities outlined in this bill to protect Vermonters.
Replace rate adjustment with loan or lump-sum settlement	**REJECT.** Loan. Adding debt to a domestic insurer's balance sheet is antithetical to the goals of H.482. VAHHS's suggestion that hospitals become lenders to insurers, presumably with interest on the loan, would harm Vermonters who would be forced to pay even more for health insurance to cover the interest on the loans. Such a loan could further reduce an insurer's bond rating, which is at odds with H.482's goal of stabilizing an insurer at risk of insolvency. Lump-sum settlement. A settlement is an agreement intended to resolve a dispute. H.482 is not concerned with resolving disputes between an insurer and hospital. This bill is concerned with ensuring a domestic insurer's solvency in an emergency. For this

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	reason, a lump-sum settlement is not an appropriate tool. In practice, the GMCB already sets aggregate rate caps for hospitals. The GMCB knows how to model the monetary impact of these reductions, and hospitals and insurers have experience contracting within these caps. It is unnecessary to introduce a novel form of regulation in this emergency bill, and negotiating a settlement and lump sum payment adds further unnecessary complication.
Payment will not be considered violation of budget	**REJECT.** See above. Hospitals charging Vermonters for loans to an at-risk insurer paying claims is imprudent. Vermonters should not pay increased health insurance premiums to cover loans made by hospitals to their insurer.
Require that action does not breach financial covenants	**REJECT.** VAHHS's suggestion puts hospital financial covenants *above* the insurer's ability to pay claims for Vermonters. H.482 already contemplates the financial health of hospitals as only hospitals with positive margins and sufficient days cash on hand are subject to a reduction in reimbursement rates. Insurers may also breach covenants if this authority is not passed. Based on the low risk-based capital trigger in this bill, it could be far more disastrous to Vermonters than a breach of covenant for a hospital that had a recent positive operating margin and/or adequate days cash on hand.
Meet instead of exceed 200%/company action RBC—exceed is vague	**REJECT.** Exceed is not overly "vague," and hospitals are protected by the days cash on hand requirements.
A limit to amount given to domestic insurer to ensure that hospitals can continue to operate	**REJECT.** H.482 already has two limits. First, it limits any rate reductions to the amount necessary for a domestic insurer to be above the company action level event threshold. Second, it requires that reductions not decrease a hospital's or hospital network's cash on hand to less than 125 days.
Eliminate consolidated network level for 135 days' cash on hand—could impact hospital with 0 days' cash on hand.	**REJECT.** VAHHS's suggestion would allow a hospital to move its cash to its parent network, claim less than 135 days' cash on hand, and potentially avoid this emergency action. This would favor network hospitals and disadvantage smaller hospitals without network parents. VAHHS's recommendation is also inconsistent with the way network hospitals' bond ratings are calculated. Metrics used to evaluate network bond ratings, such as days' cash on hand, consider and evaluate the network-wide level.
Include due process from current hospital budget	**REJECT.** H.482 in its current form does not curtail hospitals' Due Process rights. The language that VAHHS recommends,

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enforcement section, which recognizes emergent nature	which is borrowed from the hospital budget statute (*see* 18 V.S.A. § 9456(h)(B)(ii)) is not compatible with this section. For example, VAHHS's language requires the Board, before it acts, to make a finding that a domestic insurer's financial circumstance poses an immediate threat of harm to the public. This is already the trigger for Board action. If Senate Health & Welfare decides to include language to clarify this process for the hospitals, GMCB recommends the following in lieu of VAHHS's suggestion. This language clarifies that hospitals can request relief from an ordered rate reduction. Hospitals already have the right to appeal a Board order under this section pursuant to 18 V.S.A. § 9381. 18 V.S.A. § 9384(d): The Board shall give a hospital opportunity to request relief from an ordered rate reduction.
Eliminate ability for GMCB to change budget based on the previous fiscal year—this is done through the budget enforcement process	**REJECT.** Allowing GMCB to adjust a budget based on the most recently completed fiscal year will expedite Vermonters' savings and encourage hospitals not to deviate from budget orders. This will spare significant burden and expense for hospitals and GMCB, strengthen hospital budget orders, and increase predictability for insurers and Vermonters paying for healthcare. To simplify and strengthen this subsection, GMCB recommends the following changes to this section: 18 V.S.A. § 9456(c): "Individual hospital budgets established under this section shall . . . reflect budget performances for prior years and, if not already addressed under subsection (h), account for ~~reconcile~~ any significant deviation in revenue during the ~~previous~~ most recently completed fiscal year in excess of the budget established for the hospital pursuant to this section~~, using a methodology established by the Board~~
Eliminate the ability for the board to adjust commercial rates any time in the hospital's fiscal year—this is done through the budget enforcement process	**REJECT**. This provision allows GMCB to more expeditiously address urgent financial distress. Hospitals come in mid-year to request increased commercial prices under 18 V.S.A. § 9456(f). Vermonters paying premiums to a domestic insurer should also benefit from a process to lower prices if a hospital is not operating within its established budget.

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For hospital observer—eliminate the noncompliant with budget piece—this is what the hospital budget process is for and adds expense to hospitals	**REJECT.** Hospital budget deviations are costly to Vermonters who are not in a position to pay the excess charges. Moreover, if a hospital is unable to manage its budget to what the Board has approved then additional oversight is necessary. The risk of having an observer will discourage hospitals from deviating from budget orders.
Page 1, lines 19-20 redline edit to change trigger from 8 V.S.A. § 8304 to § 8301	**REJECT.** VAHHS's proposal refers to a definition section of the statute and does not provide a sufficiently clear trigger. Section 8304 defines a regulatory action level event and should be used for purposes of clarity and consistency in this bill.