

Senate Health and Welfare Committee
April 17, 2025

Testimony by Steve Leffler on H. 482 - An act relating to Green Mountain Care Board authority to adjust a hospital's reimbursement rates and to appoint a hospital observer

Madam Chair and members of the committee, thank you for the opportunity to testify on H. 482. My name is Steve Leffler, and I am the President of the University of Vermont Medical Center. With the exception of my Emergency Medicine Residency in New Mexico, I'm a lifelong Vermonter, and I care deeply about this state and the people who live here.

We are facing an affordability crisis, and I am here to be part of the solution. Health care in our region is under real pressure. Rising costs have made care harder to afford and deliver.

In an effort to address health care costs, UVMHC and UVMHN recently submitted and GMCB unanimously approved a settlement agreement. The goal of this agreement is to restore trust, improve affordability, expand access, and make our health system work better for everyone. The plan includes, among other measures:

- **\$11 million in FY26** for non-UVMHN primary care providers, to help keep people healthier and out of the emergency department
- **\$12 million** to Blue Cross Blue Shield Vermont as part of an effort to settle past claims related to UVM Medical Center charges from previous years
- A commitment to submit **FY26 budgets for our Vermont hospitals** aligned with the GMCB's budget guidance and cost-growth limits and a pledge to **prioritize clinical services** if further budget reductions are needed
- A **five-member working group**—including representatives from the GMCB, our health system Board of Trustees, and an independent voice—to evaluate system-wide savings
- Aligning our **performance-based** leadership pay model with the State's health care priorities.

These efforts build on ongoing work to reduce costs and adjust commercial insurance rates to improve affordability. This plan reflects our commitment to reform and sustainability, but it won't be easy – it will require difficult choices. We're committed to making those choices thoughtfully, with transparency and with a focus on what's best for our patients and communities.

The work outlined in this agreement will span the next 16 months. Certain provisions of H. 482 could conflict with the terms of this agreement. Specifically, the section of the bill that allows for the appointment of an independent observer, which I will address first in my remarks.

Independent Observer

This week, the GMCB announced Mike Smith as the independent liaison this week and so this work will begin shortly and continue over the next 16 months. Mr. Smith, two members of the GMCB, and two UVMHN trustees will work with consultants to evaluate the Network and look for opportunities for improvement. The provision of H. 482 that would allow for the appointment of an independent observer seems duplicative and could conflict with the current agreement under which we are operating. Additionally, it seems clear this provision is directed at UVMHC and UVMHN, and we hope that agreeing to the liaison will negate the need for this. Further, we do not want to subject other Vermont hospitals to this provision since we were the intended subject. We would respectfully request that this provision be removed to allow the work under the agreement to play out.

Provision to allow the GMCB to adjust a hospital's commercial insurance reimbursement

While UVMHC and UVMHN agree that Blue Cross's current financial situation is concerning, we do not believe that H.482, as drafted, is in the best interest of the overall health care system in Vermont.

We are living through extremely turbulent and chaotic times. The volume and pace of changes coming out of the federal government are unprecedented and are wreaking havoc on the economy. Hospitals are particularly vulnerable to this economic instability due to the impact of tariffs, the loss of federal grant funds, and the uncertainty around potential changes to federal programs such as Medicaid. Given the foreseeable economic turbulence, adding another, highly unpredictable avenue for removing funds from the health care delivery side of our health system seems imprudent at this time.

The strength of our Balance Sheet is critical in allowing us to weather these types of financial situations. It allows us to mitigate the risk of breaching covenants that result from heightened inflation and decreased reimbursement that drive market volatility. If predictions hold true and we see wide sweeping increases in goods and services, it is highly likely that hospitals could face significant cost pressures that have not been

anticipated through our budget process. Depending on the severity of these pressures, the impact could result in increased spending and again a decline in our days cash on hand. Now is not the time to destabilize hospitals' sustainability.

Days Cash on Hand

Through March of FY25, our unrealized gain or loss (value of our investments) will be a negative amount and will likely remain in the red through the end of this fiscal year. The value of our investments and our cash balances determine our Days Cash on Hand (DCOH). DCOH measures the number of days an organization can continue paying its operating expenses if incoming cash were to stop. DCOH is vital for maintaining operations during disruptions, operating flexibility, strategic planning and creditworthiness. UVMMC ended FY 2024 with 134 days cash on hand. The S&P A rated median, which is critical to ensure access to low-cost loan and bond financing, is 200 days.

Should Add Guardrails and Processes to Align with Hospital Budget Process

As currently drafted, there are limited guardrails or processes in place to guide the GMCB in taking a significant action to reduce a hospital's commercial reimbursement mid-year. In contrast, the hospital budget setting process is clearly outlined and defined in statute and the GMCB's rules. It requires the hospitals and the GMCB to carefully consider the way in which budgets and rates affect Vermonters' access to high quality care. There procedural protections afford hospitals due process in the budget setting process. The proposed bill would allow for a reduction in commercial insurance rates without any consideration of the many other factors that we all believe are central to the rate-setting process. **We recommend adding more procedural guardrails and substantive standards to align with the budget setting process.**

Fleshing out the process in more detail to better reflect the budget setting requirements will ensure a uniform regulatory framework for consistent application of the law.

Triggers for the Bill Should Apply Consistently Across Hospitals

Additionally, as currently drafted, the bill has a disparate impact on hospitals within a network and independent hospitals. Specifically, § 9384(c) stipulates that the Board shall only take action against an independent hospital if the hospital has 135 days cash on hand **and** had a positive operation margin in the previous year. For a hospital that is part of a network, action can be taken if the network has 135 days cash on **or** if the network had a positive operating margin. A positive operating margin is one indicator of a hospital's financial health, but it can vary greatly from year-to-year. While a hospital may have a positive operating margin in one year, it can have a negative operating margin the next. This is not something that carries from year to year. Looking only at days cash on hand or the

previous year's margin is risky in this time of great turmoil when things change so quickly. **We recommend aligning these requirements to be consistent for hospitals within and outside a network to consider both days cash on hand and previous years operating margin.**

Vermont Health Care Dollars Should Not Go to Cut Out of State Insurers' Rates

We urge the legislature to consider a more structured and more collaborative path forward that recognizes our existing agreement with the GMCB. We want to be a part of addressing the health care affordability crisis in Vermont. Thank you for the opportunity to testify on H. 482.