VERMONT
GREEN MOUNTAIN CARE BOARD

Green Mountain Care Board

January 22, 2025

Jessica Holmes

Owen Foster

Agenda

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1. About GMCB
2. Status of our health care system – Key statistics and trends
3. Update on GMCB's work on Act 167 – Hospital Transformation
4. Looking forward to 2025

About Us

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GREEN MOUNTAIN CARE BOARD

- Established in 2011 (Act 48)
- 5 Board Members
- 6-Year Staggered Terms
- The GMCB is an independent Board that is part of state government
- Quasi-judicial

THE BOARD & EXECUTIVE DIRECTOR


Owen Foster, JD
GMCB Chair


Jessica Holmes, PhD
GMCB Member

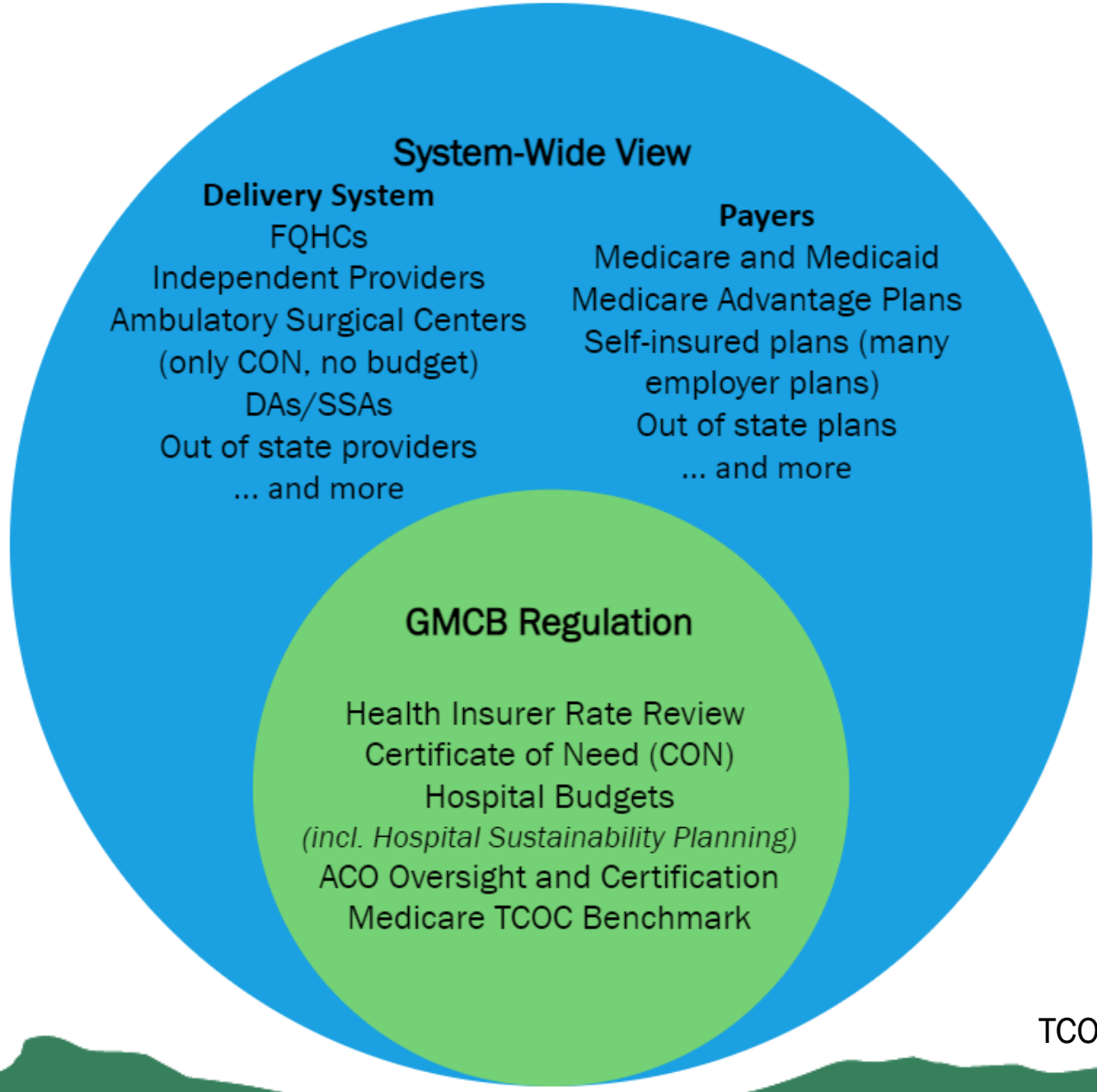

Robin Lunge, JD, MHCDS
GMCB Member


David Murman, MD
GMCB Member


Thom Walsh,
PhD, MS, MSPT
GMCB Member


Susan Barrett, JD
GMCB Executive Director

Role of GMCB



TCOC: Total cost of care

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AFFORDABILITY

Marketplace Premium Averages

Vermont is Higher than National Average

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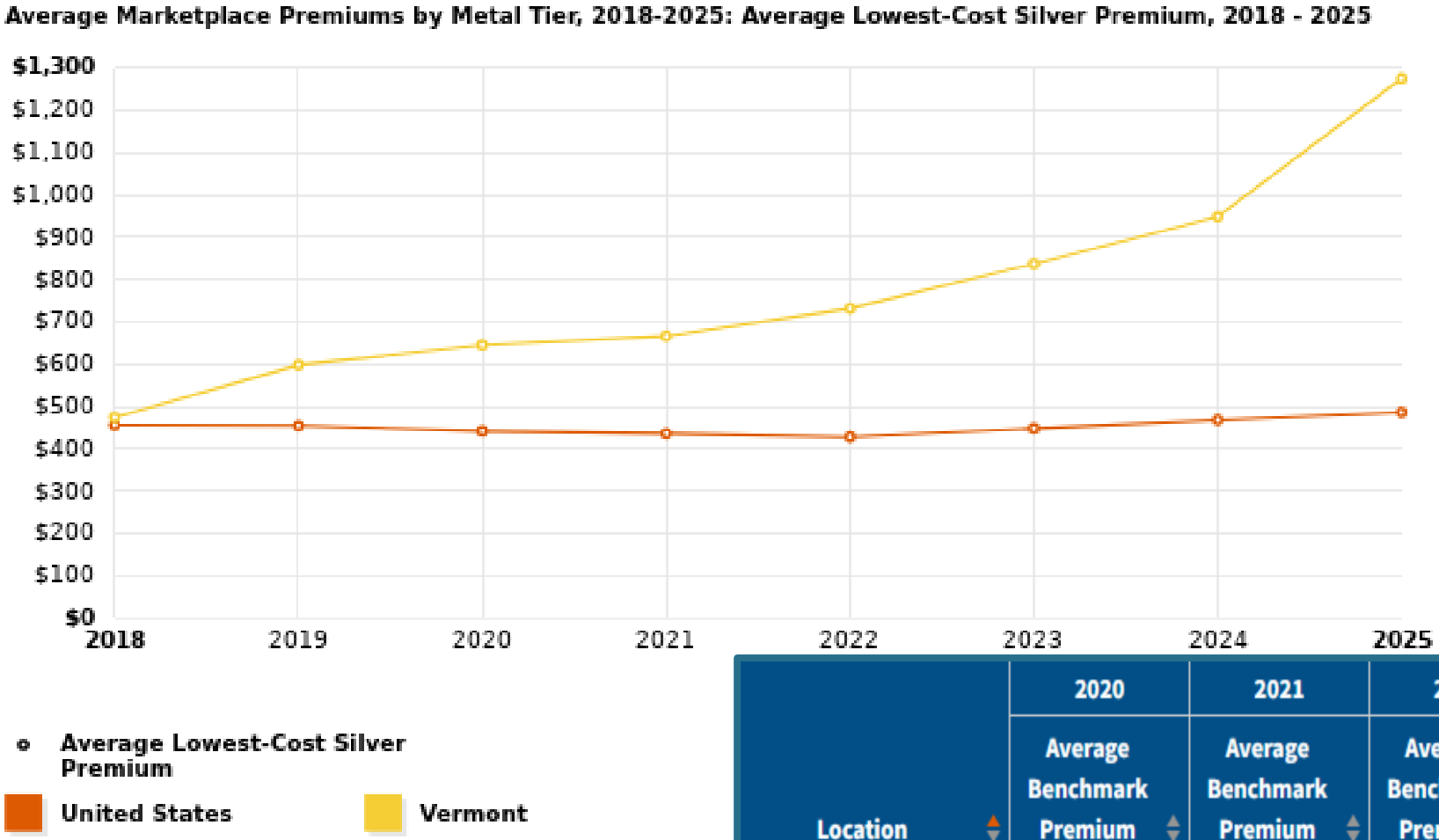

Source: KFF Average Marketplace Premiums by Metal Tier, 2018-2024

Location	2020	2021	2022	2023	2024	2025
	Average Benchmark Premium	Average Benchmark Premium	Average Benchmark Premium	Average Benchmark Premium	Average Benchmark Premium	Average Benchmark Premium
United States	$462	$452	$438	$456	$477	$497
Vermont	$662	$479	$749	$841	$950	$1,277

Health Care Landscape Trends
Affordability

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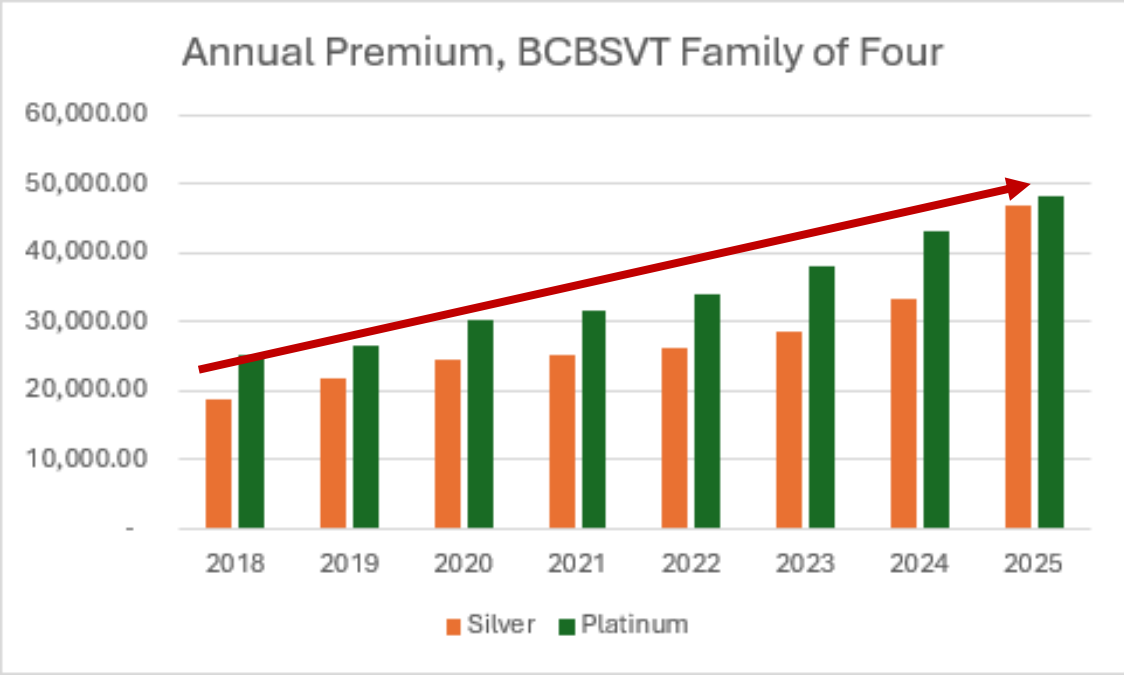

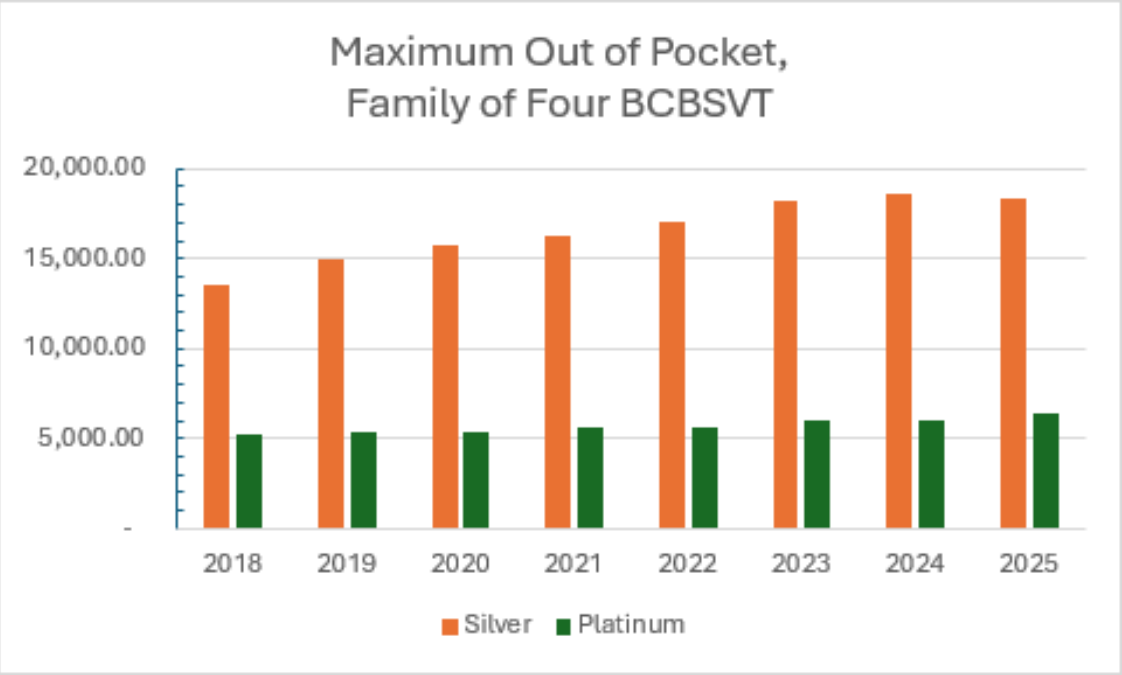

Note: Most VHC users are eligible for subsidies or tax credits. Most uninsured Vermonters are for VHC plan subsidies from APRA will continue through 2025.

Health Care Spending per Capita
Vermont Outpaces National Trends

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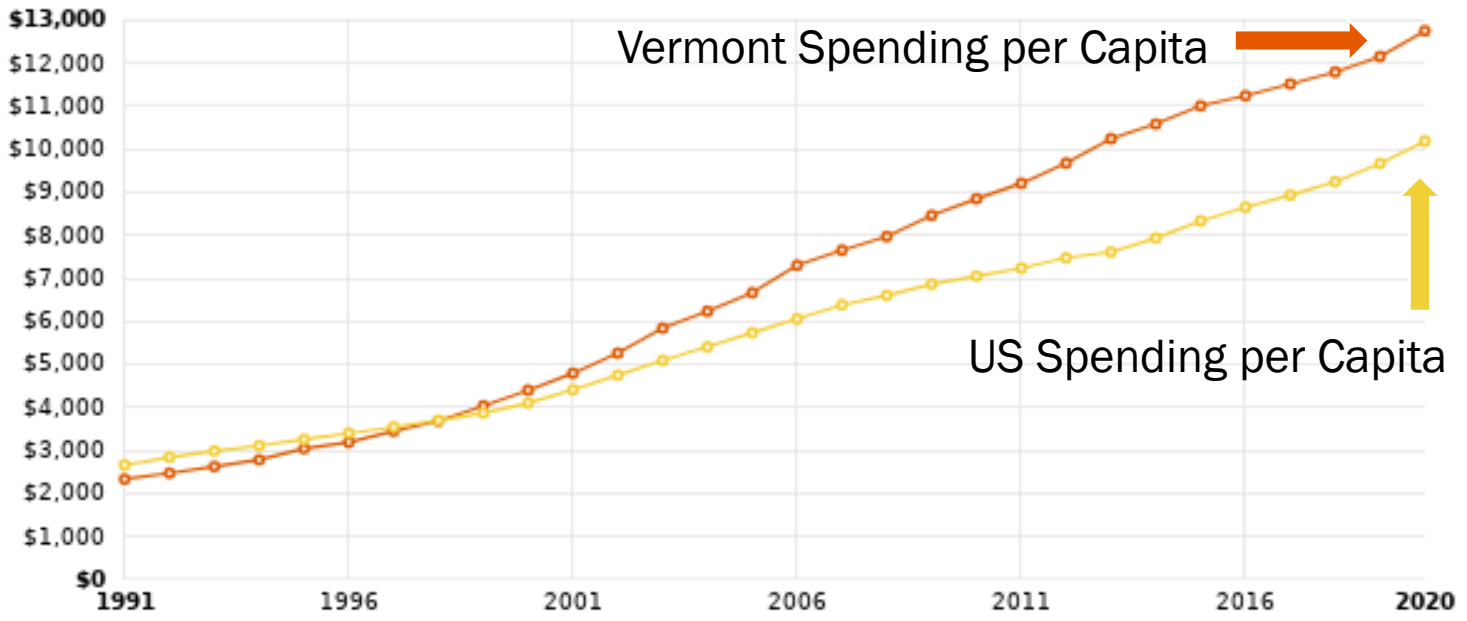

Source: KFF Health Care Expenditures per Capita by State of Residence

Notes

The Centers for Medicare and Medicaid Services (CMS) Office of the Actuary produces Health Expenditures by State of Residence and Health Expenditures by State of Provider every five years. The State Health Expenditure Accounts are a subcomponent of the National Health Expenditure Accounts (NHEA), the official government estimates of health spending in the United States. Additional information on data and methods is available here.

Rising Health Care Costs Are Impacting Property Taxes

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Key Considerations from the Administration's Point of View

For Vermonters and policymakers concerned about property taxes, housing affordability, or overall tax burden, this letter should sound a major alarm.

Even applying a projected $37 million surplus (including $13 million set aside from last year's surplus) to help offset rates this year in the Education Fund, **this forecast indicates average property tax bills will increase by approximately 18.5 percent for FY25.** Without the surplus, average property tax bills would be projected to increase by about 20 percent.

It is driven predominately by an estimated 12% increase in school spending. Information gathered by the Agency of Education in its survey of school districts indicates this estimated increase in school spending can primarily be attributed to:

1. The ending of one-time Federal ESSER funds – Many districts used those one-time funds to add new services and personnel to recover from the pandemic. A large portion of those districts believe these services continue to be necessary. That requires replacing those one-time federal dollars with state education funds.

2. A 16%+ increase in health care benefits – The vast majority of school employees receive health benefits. An increase of that magnitude in the cost of those benefits is approximately 3% in overall education spending for a district alone.

3. Overall inflation increasing the price of operating, living, and working in Vermont – fuel, electricity, buses, equipment, supplies, etc.

4. Debt service to new capital projects or renovations – Vermont's aging fleet of schools is becoming more expensive to maintain and repair as they continue to age.

Average property tax bills will increase by approximately 18.5% for FY25

Increase in school spending can be primarily attributed to

16%+ increase in health care benefits

Source: Dept. of Taxes Education Tax Rate Letter Nov. 30, 2023

HEALTH

How rising health care costs are driving up property taxes

Health care staff shortages, rising drug costs, and inflation are driving up health insurance rates. That, in turn, is driving up education spending — and Vermonters' property taxes.

By Peter D'Auria
March 1, 2024, 6:32 pm

Statement from Governor Phil Scott on Additional Projected Property Tax Increases

Press Release
December 2, 2024

Montpelier, Vt. – Governor Phil Scott today issued the following statement based on forecasted average increases of nearly 6% in property tax bills:

"One of the greatest issues facing Vermonters is affordability. With an already high tax burden, the last thing Vermonters need is yet another property tax increase. I know many will claim victory, and celebrate this increase being limited to single digits. But the fact is, with this projected increase, Vermonters will have seen a 33% increase in education property taxes in the last three years. This is the result of unsustainable costs, an aging demographic, and smaller workforce.

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SYSTEM SUSTAINABILITY

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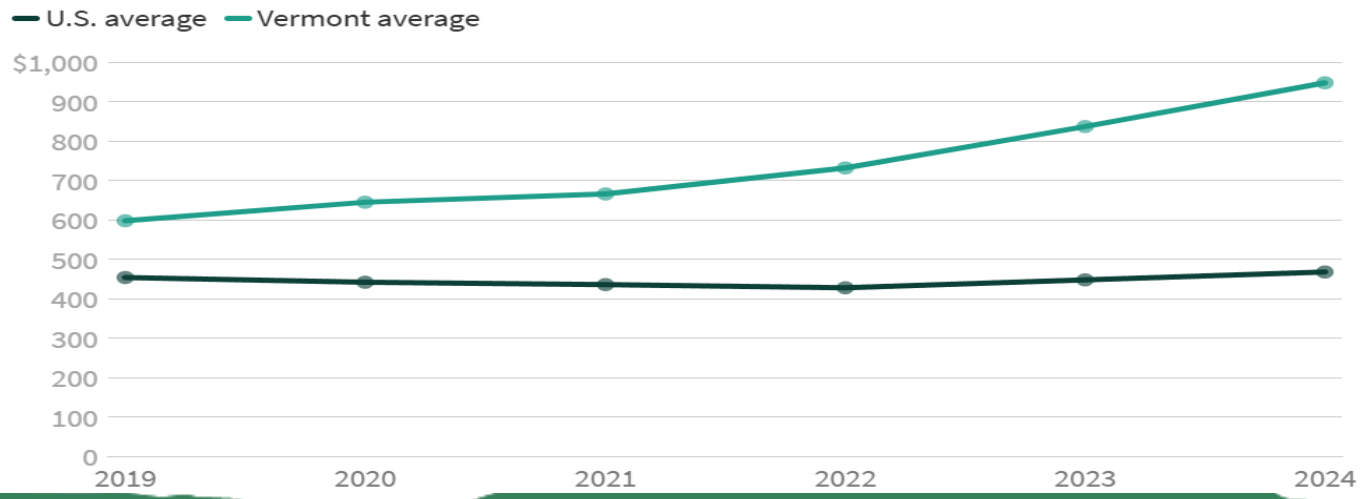
In Vermont, Where Almost Everyone Has Insurance, Many Can't Find or Afford Care

Vermont consistently ranks among the healthiest states, and its unemployment and uninsured rates are among the lowest. Yet Vermonters pay the highest prices nationwide for individual health coverage, and state reports show its providers and insurers are in financial trouble. Nine of the state's 14 hospitals are losing money, and the state's largest insurer is struggling to remain solvent. Long waits for care have become increasingly common, according to state reports and interviews with residents and industry officials.

Vermont ACA Insurance Costs Highest in US

Vermont for years has had the highest monthly Affordable Care Act marketplace premiums in the country, and the gap is widening.



FT SPECIALIST
health payer specialist

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Vermont's healthcare system is teetering on the brink, and **Blue Cross Blue Shield of Vermont** risks becoming its latest casualty.

That may seem surprising considering the Green Mountain State has the highest premiums in America. Still, they're not enough to keep BCBS of Vermont, and the other major insurer, **MVP Health Care**, afloat without staggering rises each year.

In fact, BCBS of Vermont just received approval for a 22.8% increase in small group premiums and a 19.8% jump for individual plans after a startling decline in its reserves.

Observers fear the same issues plaguing Vermont could pop up across the country. The state paradoxically has sky-high premiums and some of the biggest per capita healthcare expenditures in the country, but alongside one of the healthiest populations.

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health payer specialist

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BCBS Vermont CEO Looks to Outside Funding, Other Measures to Stay Afloat

Don George, who has run the payer since 2009, tells Health Payer Specialist he is looking at a number of options for a way out of the crisis but is also wary of digging a deeper hole for the company.

By Mansur Shaheen|August 5, 2024

In the report to the GMCB, **Kevin Gaffney**, commissioner of the DFR, outlined the health payer's tenuous finances. The state requires insurance companies who operate in the state to keep somewhere between 590% and 745% of expected claim spending in reserves. However, the Vermont insurer, the state's largest with 66% of the market, has not been able to do so since 2019, when its reserves fell to 567%.

While it was able to rebuild during 2020, when the Covid-19 pandemic kept claims down, the figure continued to fall since. In 2023, it was just 337%, a low point since these rules went into effect. After a surge in utilization in spring 2024, observers fear the company is on the brink.

The head of Vermont's largest insurance company says health care spending is out of control

Vermont Public | By Lexi Krupp
Published January 16, 2025 at 4:23 PM EST

The head of Vermont's largest insurance company says health care spending is out of control | Vermont Public

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"Vermont's commercial cost of care greatly exceeds that of the rest of the nation. Blue Cross VT's spend is 33.5% higher than the average for Blue Cross® and Blue Shield® plans in the Northeast and 42.7% higher than the national average. Why? Charges from Vermont hospitals and healthcare system account for most of the difference."

bcbs-letter.docx

Days Cash on Hand
Vermont Community Hospitals

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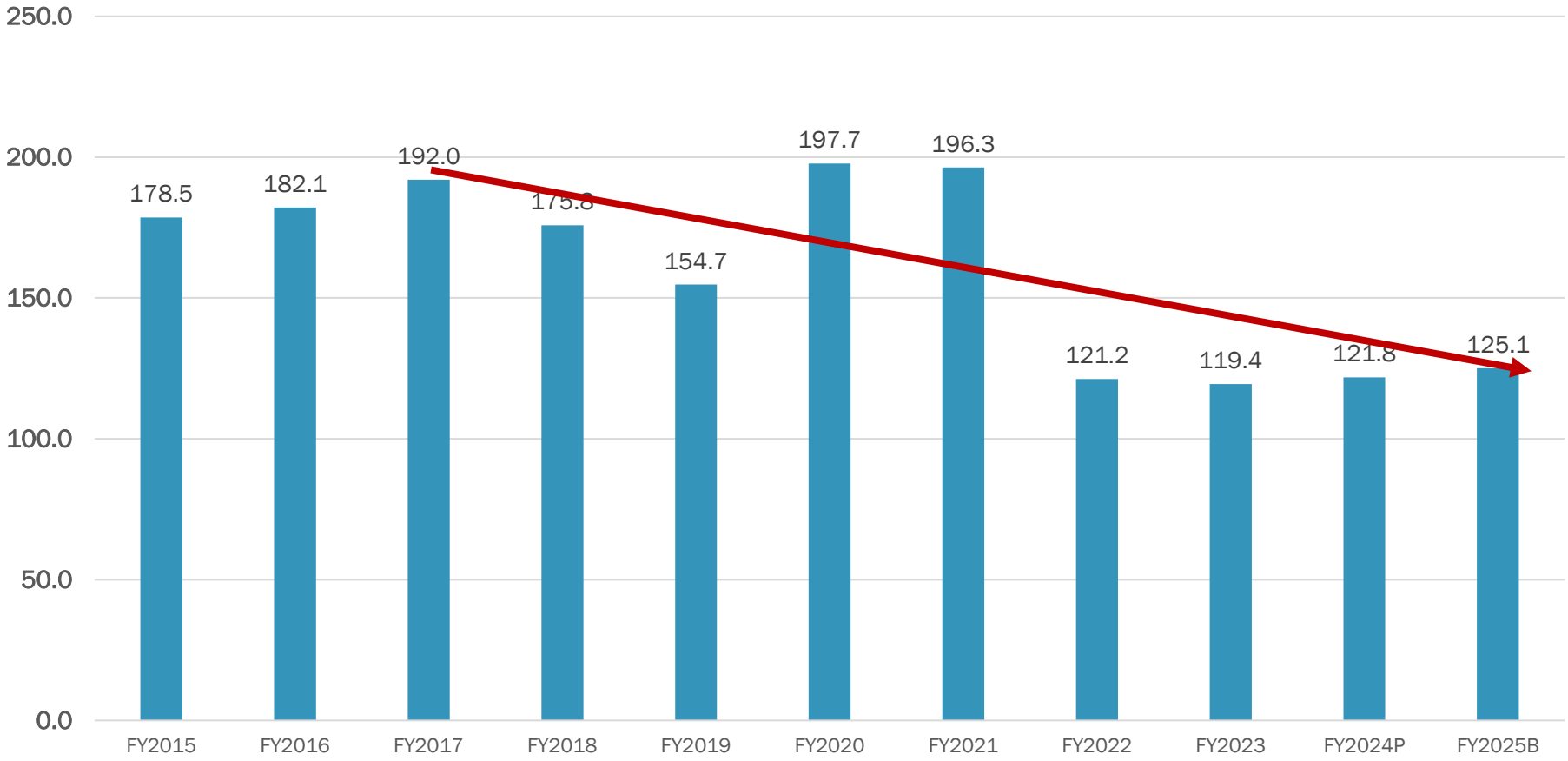

Note: Final FY24 actuals are due 1/31. The DCOH above reflects projections as submitted with FY25 budgets.

Preliminary Operating Margin by Hospital

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Hospital	FY19	FY20	FY21	FY22	FY23	FY24
Brattleboro Memorial Hospital	0.76%	0.55%	-1.71%	-3.81%	-1.72%	-0.15%
Central Vermont Medical Center	-2.09%	-0.56%	-1.02%	-6.51%	-6.52%	0.68%
Copley Hospital	-3.17%	-3.88%	5.08%	-0.71%	-1.76%	0.03%
Gifford Medical Center	-0.80%	2.53%	8.78%	6.97%	-8.32%	-4.32%
Grace Cottage Hospital	-6.70%	1.07%	8.02%	-6.83%	-7.19%	-6.68%
Mt. Ascutney Hospital & Health Ctr	0.22%	0.72%	9.14%	1.69%	2.01%	0.13%
North Country Hospital	1.91%	3.74%	4.60%	-10.31%	-8.86%	-0.37%
Northeastern VT Regional Hospital	1.83%	1.29%	2.88%	0.23%	0.48%	-0.74%
Northwestern Medical Center	-8.04%	-0.93%	4.73%	-4.26%	-6.63%	-0.78%
Porter Medical Center	5.14%	4.00%	7.73%	3.07%	7.56%	4.00%
Rutland Regional Medical Center	0.43%	0.19%	2.24%	-3.76%	2.14%	2.03%
Southwestern VT Medical Center	3.26%	2.76%	4.50%	-0.17%	-3.77%	1.10%
Springfield Hospital	-18.39%	-11.24%	1.17%	5.39%	-0.94%	0.12%
The University of Vermont Medical Center	2.19%	-0.27%	2.27%	-1.24%	3.12%	3.01%
All Vermont Community Hospitals	**0.73%**	**0.05%**	**2.77%**	**-1.77%**	**0.79%**	**1.90%**

Note: FY24 figures are projected as of 1/21/25 but subject to change as hospitals submit their final end-of-year actuals.

NPR Growth vs. National & Regional Trends

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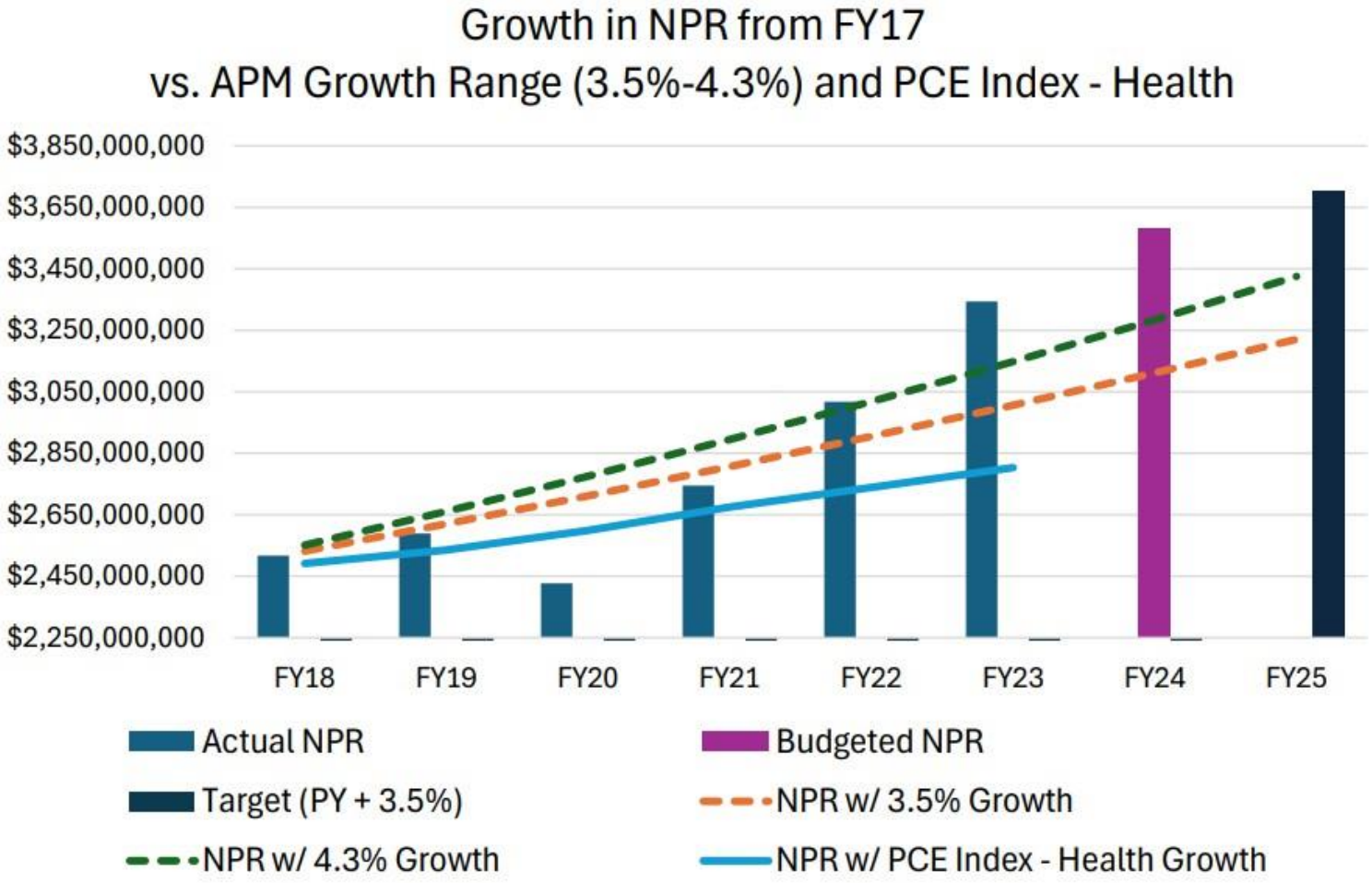

Compound NPR growth since 2017 has been just over **6%.**

If we stayed at 4.3% growth since 2017, FY25 would be **$3.43 B**; at 3.5% growth, FY25 would be **$3.22 B**

millions	FY25 NPR Benchmark	FY25 vs. FY24 B	FY25 vs. FY17 Trended
FY24 @ **3.5%**	$3,704	$125	$483
FY24 @ **4.3%**	$3,732	$154	$278

BECKER'S

Hospital CFO Report

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Financial Management

705 hospitals at risk of closure, state by state

Molly Gamble (Twitter) - Friday, November 22nd, 2024

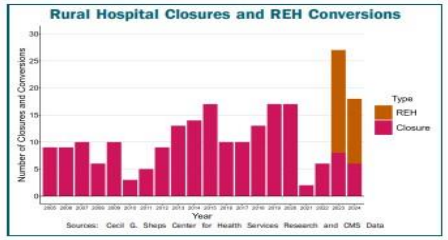
CENTER FOR HEALTHCARE QUALITY & PAYMENT REFORM

RURAL HOSPITALS AT RISK OF CLOSING

Millions of Americans No Longer Have Hospital Care in Their Community

Over the past two decades, nearly 200 rural hospitals have closed. As a result, the millions of Americans who live in those communities no longer have access to an emergency room, inpatient care, and many other hospital services that citizens in most of the rest of the country take for granted.

In addition, 31 hospitals eliminated inpatient services in 2023 and 2024 in order to qualify for federal grants that are only available for Rural Emergency Hospitals (REHs). Every year, more than 7,000 rural residents had received inpatient care in those hospitals, but now seriously ill individuals in their communities will have to be transferred to a hospital far from home in order to receive the services they need.

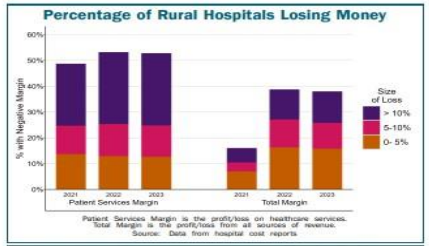


Hundreds More Rural Hospitals Could Close in the Near Future

More than 700 rural hospitals – over 30% of all rural hospitals in the country – are at risk of closing because of the serious financial problems they are experiencing. Over half (364) of these rural hospitals are at *immediate* risk of closing because of the severity of their financial problems. (See RuralHospitals.org for the methodology used to estimate risk of closing.)

- **Losses on Patient Services:** The majority of rural hospitals in the country are losing money delivering patient services. It costs more to deliver health care in small rural communities than in urban areas, and many health insurance plans do not pay enough to cover these costs.
- **Insufficient Revenues From Other Sources to Offset Losses:** Many hospitals have managed to remain open despite
- **Low Financial Reserves:** The hospitals at greatest risk of closing have more debts than assets, or they do not have adequate net assets (i.e., assets other than buildings & equipment, minus debt) to offset their losses on patient services for more than a few years.

Rural hospitals are at risk of closing in almost every state. In the majority of states, over 25% of rural hospitals are at risk of closing, and in 10 states, over 50% are at risk.



Rural Hospital Closures Harm Patients and the Nation's Economy

Most at-risk hospitals are in isolated rural communities, where closure of the hospital would force residents of the community to travel a long distance for emergency or inpatient care. Moreover, in many cases, the hospital is the only place where residents can get laboratory tests or imaging studies, and it may

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8 hospitals at risk of closing (62%)

4 at immediate risk of closing in next 2-3 years (31%)

Little Rivers Health Center

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Community Health Centers

The need: Days in Cash

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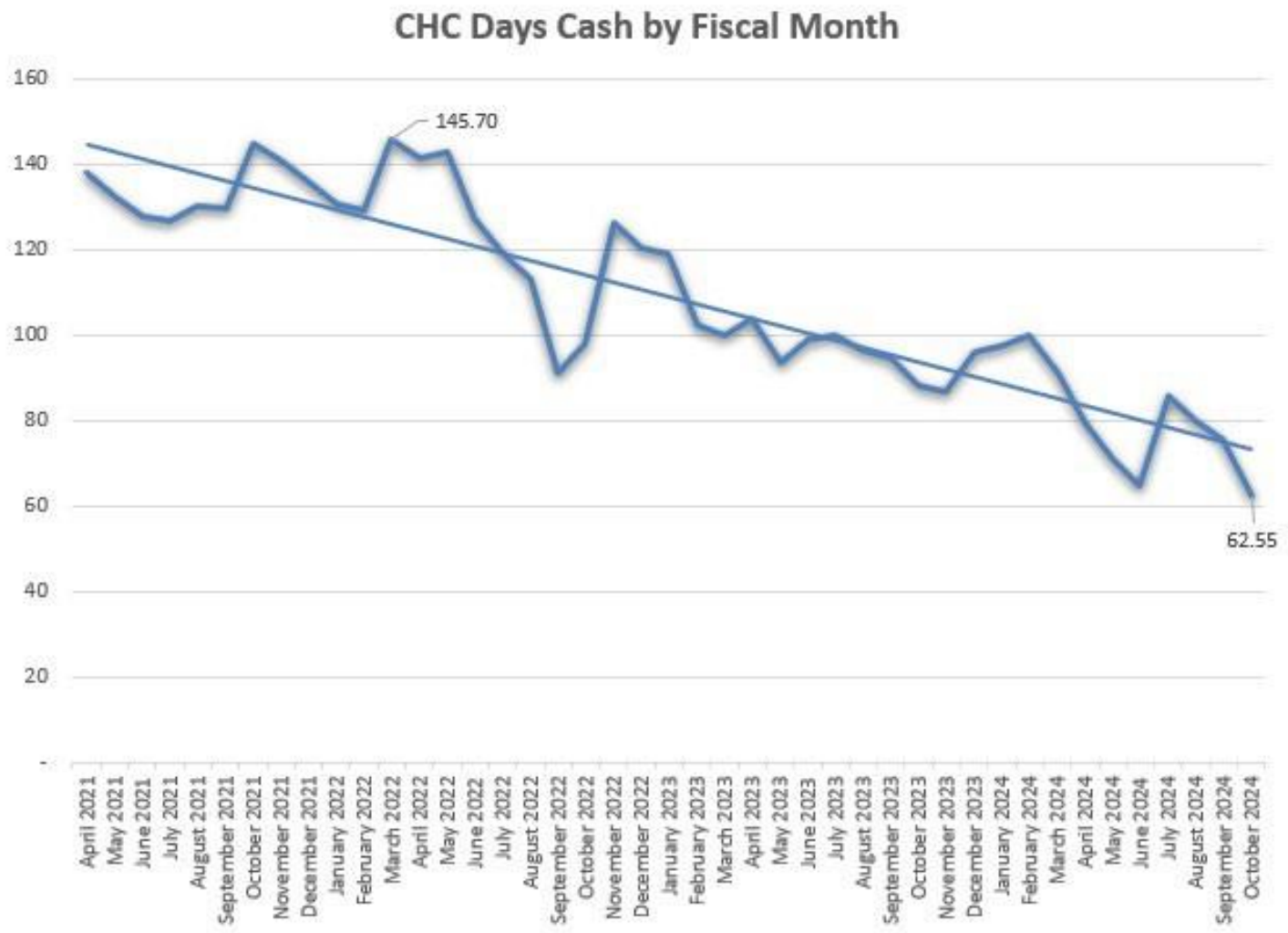

CHC Gain (Loss) by Fiscal Year

	2018	2019	2020	2021	2022	2023	2024	2025 Projected
Change in Net Assets	$968,653	$364,232	$531,029	$5,846,402	$1,308,478	$(401,187)	$(655,209)	$(2,328,249)
Trend	$968,653							$(2,328,249)

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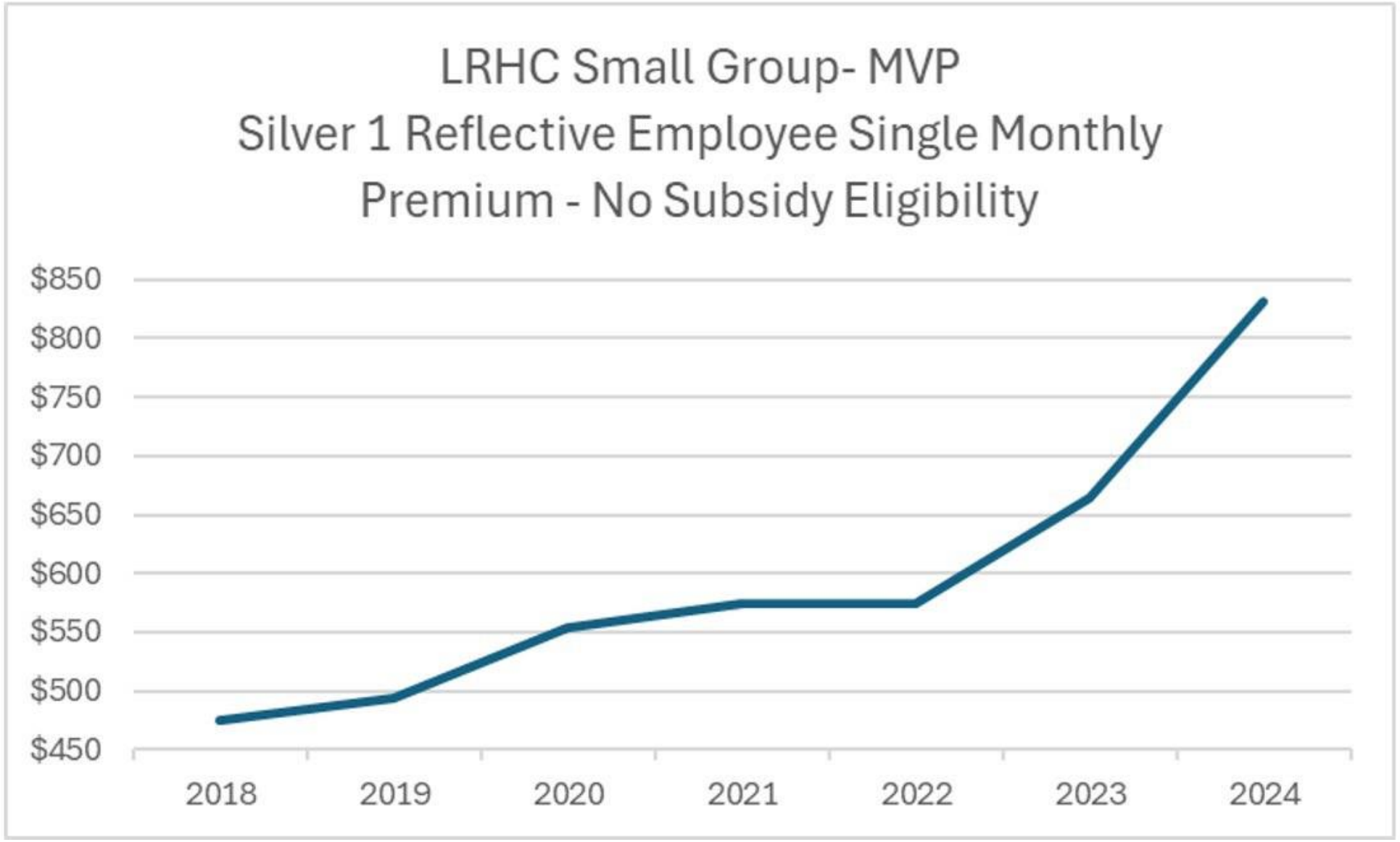

Hospital Sustainability 2019-Present

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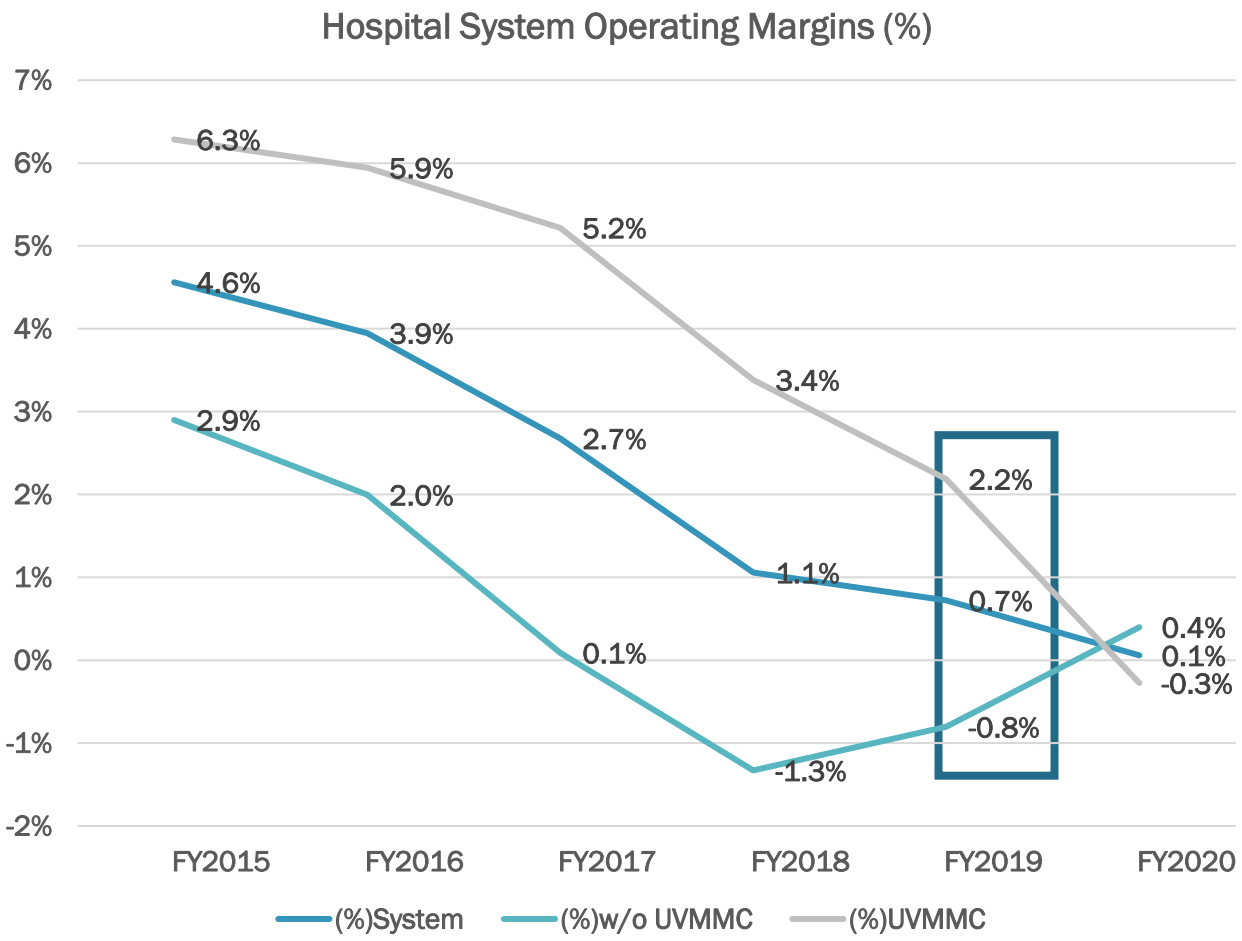

*Note FY2020 includes COVID Relief Funds and Expenses

Vermont's Springfield Hospital Files For Bankruptcy

Vermont Public | By Howard Weiss-Tisman
Published June 27, 2019 at 10:19 AM EDT

▶ LISTEN • 3:29

Howard Weiss-Tisman / VPR

Hospital Sustainability 2019-Present

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2019

Trends of Rural Hospital Closures

- GMCB convenes Rural Health Services Task Force (Act 26 of 2019)
- GMCB requires 6 of 14 hospitals to develop sustainability plans

2020

Expanded focus on Sustainability Planning

- GMCB requirement for sustainability planning expanded to all hospitals
- Legislature passes Act 159 requiring GMCB to provide recs to improve hospital sustainability

2021

GMCB Develops Recommendations

- GMCB's Act 159 Hospital Sustainability Report provides recommendations for hospital sustainability

2022

Legislature Passes Act 167

- Act 167 Sec 1 and 2 provide funding to implement the recommendations from the hospital sustainability report, including community engagement to support hospital transformation

2023

Act 167 Work Begins

- Act 167 outlined multiple work streams that support hospital sustainability

2024

Act 167 Work Continued

- GMCB concludes Community Engagement to Support Hospital Transformation project and contractors publish final report outlining options and recommendations for sustainability
- GMCB will assess the recommended regulatory changes.

2025

Transformation

- Per Act 51 of 2023, the Agency of Human Services will lead implementation of hospital transformation

Taken from Oliver Wyman's Act 167 Final Report

SCOPE AND APPROACH: TO IMPROVE THE VERMONT HEALTHCARE DELIVERY SYSTEM, WE SOUGHT OUT INPUT FROM COMMUNITY STAKEHOLDERS OVER 12 MONTHS

Act 167 (of 2022) requires GMCB, in collaboration with the Agency of Human Services, to develop and conduct a data-informed, patient-focused, community-inclusive engagement process for Vermont's hospitals to **reduce inefficiencies, lower costs, improve population health outcomes, reduce health inequities, and increase access to essential services**

Green Mountain Care Board: *Community and Provider Engagement*

Agency of Human Services: *System Transformation*

Aug-Sept 2023	*Sept-Nov 2023*	*March – July 2024*	*Aug – Sep 2024*	*Sept 2024 - ?*
Step 1. Finalize engagement plan and interview scheduling	Step 2. Develop current state understanding in 1st round interviews	Step 3. Develop solution options, vet with community	**Step 4. Develop and deliver final report**	**Step 5. Transform healthcare delivery system**
Identify and schedule interviews with key stakeholders: • Hospital leaders • Provider organizations • Community leaders and members • Diverse populations • State of Vermont partners and Legislators • Health related organizations	Obtain community perspective on: • Hospital Service Area (HSA) characteristics • Hospital & healthcare delivery system performance • Community needs • Desired health system future state	• Develop solutions to address current needs and reach the desired future state while considering Act 167 goals – *In conjunction with analytics contractor* • Obtain stakeholder perspective on the impact of recommendations on hospital performance and healthcare delivery	• Document and socialize confirmed current state understanding, designed future state, and recommended steps to achieve future state (including pros and cons) • Publish report	• Devise action plan and budget allocations • Implement chosen healthcare delivery system transformations
	Completed Phases		***Focus of This Report***	

Taken from Oliver Wyman's Act 167 Final Report

WE WORKED WITH STATE AGENCIES, HOSPITALS, COMMUNITY PROVIDERS AND PATIENTS TO BETTER UNDERSTAND CURRENT AND FUTURE NEEDS OF VT'S HEALTHCARE SYSTEM

3100+ PARTICIPANTS — Across all stakeholder types and meetings[1]

~68 PARTICIPANTS — On average per Ph2 community meeting, including state-wide meetings

100+ ORGANIZATIONS — Contacted

120 PUBLIC COMMENTS — Received

14 HOSPITALS — Visited in person

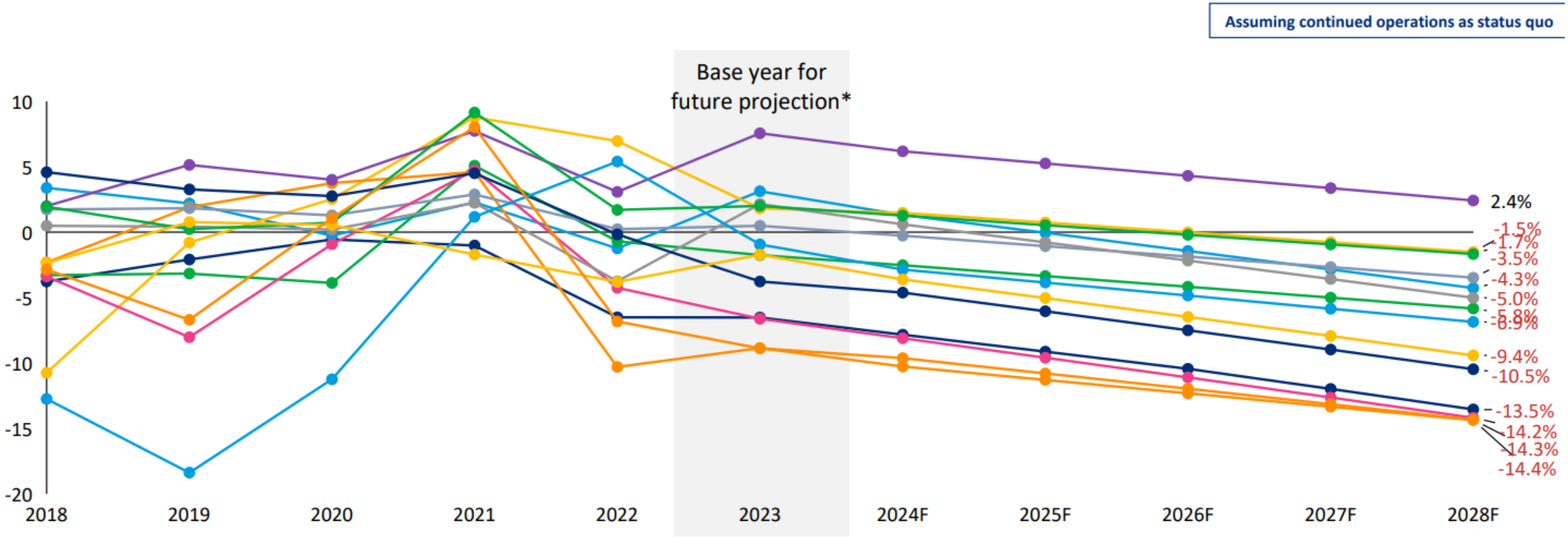
Meeting Type	# of Meetings	Estimated # of Attendees[1]
Stakeholder meetings on engagement plan	16	91[2]
Hospital Leadership and Boards	57	243
Diverse Populations	15	96
State Partners	45	109
Community Leaders	10	29
Community Meetings *(public HSA level)*	50	1947
Provider Meetings	35	596
Payers / insurer meetings	3	5

1. The number of attendees provided is an estimate as there are pending meetings, and technical errors/malfunctions in producing some attendance reports;
2. The 91 participants are excluded from the total as they are accounted for in the other meeting types

Taken from Oliver Wyman's Act 167 Final Report

THE TREND OF DECLINING FINANCES IS EXPECTED TO CONTINUE, WITH ALL BUT ONE HOSPITAL PROJECTED TO REPORT A LOSS IN 2028

Vermont hospital operating margin forecasts, assuming 3.5% non-340B revenue growth and 5% expense growth annually
(%, 2018-2028F)



*Gifford Medical Center using hypothetical 2023 jump-off assuming 1.84% operating margin for FY2023

Taken from Oliver Wyman's Act 167 Final Report

VERMONT LEGISLATORS AND AGENCIES NEED TO START ON TRANSFORMATION PRIORITIES IN 2025 TO ALLOW FOR ORDERLY SYSTEM TRANSFORMATION TO COMPLETE BY 2028

Priority policy changes for Vermont legislators to approve in 2025

1. Remove barriers to building affordable housing for VT residents and newcomers to the State
2. Approve funding for EMS transformation
3. Expand broadband coverage to rural areas (e.g. Star Link)
4. Review existing AHS agency structure and program list to identify overlaps and opportunities for efficiency
5. Develop state regulations and provision details for Rural Emergency Hospital and free-standing birthing centers
6. Expand professional licensure and practice scope for nurses, EMT and pharmacists

Form the critical **infrastructure and regulatory foundations** for implementation of health system transformation

Priority transformation programs for AHS to initiate in 2025

1. Regionalize of specialty care services across hospitals
2. EMS professionalization and regionalization
3. Improved care coordination and management for heavy utilizers (e.g., elderly, mental health, and neuro-divergent and foster care)
4. Dual eligible targeting, care planning and coordination
5. State-wide electronic medical record coordination and optimization

Devise **realistic operational details and implementation plan** for transformation initiatives

Priority regulatory changes for GMCB to apply starting 2025

1. Permit no further increases in commercial subsidization for hospital financial shortfalls
2. Refrain from licensing any further hospital-based outpatient department unit
3. Simplify and shorten CON process
4. Encourage free-standing diagnostic, ASC, birthing centers
5. Begin movement to reference-based pricing ideally at 200% of Medicare or less for PPS hospitals
6. Require all hospitals to use the same accounting agency and method to construct hospital financials and budget submissions

Align system incentives and guardrails to desired transformation goals

Taken from Oliver Wyman's Act 167 Final Report

TRANSFORMATION IS COMPLEX AND REQUIRES CLARITY IN GOVERNANCE ROLES

Agency of Human Services

- Improve efficiency of AHS by consolidating efforts directed at same populations
- Reduce administrative complexity and paperwork for applicants and providers
- Accelerate construction of affordable housing/transportation
- Facilitate and fund EMS Regionalization
  - Fund broadband access for EMTs (e.g. Starlink)
- Expand workforce efforts
- Re-evaluate efforts at VITL and complete changes by FY 2026
- Convene community stakeholders to evaluate, choose and implement ways to move care out of the inpatient hospital and into the home and community (Act 167 Report)
- Convene community stakeholders from several communities to decide on regionalization of health services (Act 167 Report)
- **Support Needed:** Project Management Office and Facilitation Support

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- Add Division of Planning and Effectiveness
  - Calculate impacts of changes in the sites of care on hospital budgets, prices to consumers and availability of long-term care
  - Monitor access to and affordability of community providers
  - Monitor progress of transformation / assist AHS in calculations
  - Monitor progress on Quality / Access/ Equity measures
    - Access to Services
    - Low volume procedures
    - Physician work effort
    - Measures of equity in access to health services and health
    - Move payment model for all providers to reference-based pricing over next 3-5 years
- Modify hospital budgets to account for movement of services to a regional model
- Require alignment of Quality / Access / Equity metrics across all payers and Agencies and link to payment for all healthcare providers
- Link payments to Primary Care providers to those of Hospitals
- **Support Needed**: Project Management Office and analytic support while additional staff are hired and automation is installed

Healthcare Reforms

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- Single-Payer
- All-Payer Model
- AHEAD Global Budgets?
- Reference-Based Pricing?
- Other?

All-Payer Model

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Discussion

The analyses in this memo demonstrate a range of results, from $42.28 million in losses for Medicaid and commercial payers up to $21.43 million in savings for Medicaid. When removing 2020 from any of these analyses, savings significantly decrease, and losses significantly increase.

Table 5: Summary of Results

METHOD	Page	RESULT	RESULT w/o 2020
1a. OneCare's Administrative Expenses Compared to Performance against all-payer target	Pg 7	$14.67 million in savings	$51.22 million in losses
1b. OneCare's Administrative Expenses Compared to Performance against Medicaid and Commercial Insurer-blended target (Medicare omitted)	Pg 7	$42.28 million in losses	$89.56 million in losses
1c. Medicaid's contribution towards Administrative Expenses against Performance against Medicaid Target	Pg 8	$21.43 million in savings	$9.99 million in savings
2. OneCare's Administrative Expenses Compared to all-payer settlement	Pg 9	$39.52 million in losses	$46.18 million in losses
3. OneCare's Administrative Expenses Compared to all-payer settlement [OneCare's submission]	Pg 11	$18.23 million in savings	$32.38 million in losses

Continued analysis of any of these or other methods will require additional analytics support. One consideration that could be explored is the effect on health care pricing on the observed financial performance of OneCare. While reducing utilization and improving outcomes are two goals of the ACO, financial performance could ultimately be a reflection of, or at least impacted by, what providers are charging for health care services rather than a sign of decreased utilization and improved health.

MEMORANDUM

TO: Owen Foster, Chair, GMCB
CC: Susan Barrett, Executive Director, GMCB; Michael Barber, General Counsel, GMCB
FROM: Marisa Melamed, Deputy Director of Health Systems Policy and Regulation, GMCB; Michelle Sawyer, Health Policy Project Director, GMCB
RE: OneCare Vermont "Return on Investment" Analysis
DATE: May 9, 2024

OneCare Vermont ROI Analysis (5.13.24) (002).pdf

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QUESTIONS/COMMENTS?