Draft Testimony – House Health Care Committee

Chair Black and members of the Committee, thank you for the opportunity to testify today.

We appreciate the opportunity to speak in the context of the other testimony you are hearing. The issue brief from the Joint Fiscal Office and the Department of Financial Regulation's Act 68 report both appropriately underscore the importance of collaboration, discipline, and stability to protect Vermonters and the broader healthcare system we all rely on.

The challenges outlined in those materials reflect real financial pressures that Blue Cross Vermont has experienced, and we want to be clear that we acknowledge those pressures directly. Our financial condition matters not only to our members, but to the stability and functioning of the entire healthcare ecosystem.

We are here today to report that meaningful financial progress is underway, and that progress has been achieved through close coordination with regulators, policymakers, and system partners, including hospitals.

In 2024, we faced significant financial stress primarily driven by unexpectedly high medical cost trends. -- This claims surge included utilization patterns that exceeded premium assumptions. Though the surge was especially severe in 2024, the cost of healthcare increased at an accelerated pace over multiple prior years and significantly depleted our member reserves. In response, and in partnership with the Department of Financial Regulation, the Green Mountain Care Board, and the Legislature, we implemented a comprehensive recovery plan focused on restoring solvency.

The good news is that 2025 results show notable improvement. Year-to-date through September, Blue Cross of Vermont saw a $47 million gain. Fourth quarter results are tracking close to expectations so far, although it will be a few weeks before we see final full-year results.

Financial results this year reflect both recurring and non-recurring components, which are important to distinguish clearly for the committee.

Approximately half of the 2025 gain, year-to-date through September, is attributable to improved alignment between premium rates and underlying medical cost experience, consistent with regulatory expectations under Act 68.

The other half of the 2025 gain so far reflects favorable one-time items. These items include claims and risk adjustment run-out from the 2024 plan year and inflows associated with contract settlements, including negotiated resolutions with UVMMC and Optum, our pharmacy benefit manager. While these items are unplanned and non-recurring, they are welcome additions that materially contribute to rebuilding member reserve levels.

In parallel, we reduced our operating expenses by approximately $7 million in 2025 compared to 2024, reflecting internal cost discipline, staffing controls, and administrative efficiencies. We want to emphasize this operating expense reduction to the committee. These reductions

required hard work and contribute to near-term sustainability. Despite the reductions, we remained committed to serving our members and clients with high quality service.

Taken together and compared to where we ended 2024, these actions materially strengthened our financial position in 2025. However, it is equally important to be clear about what this progress does not yet represent. Even with the improvement seen in 2025 so far, we are only about half-way to the minimum reserve levels established by DFR. We expect continued yet slower recovery for 2026as we cannot plan on further, favorable non-recurring items. This underscores why solvency restoration must be viewed as a multi-year process, not a single-year event.

As both the solvency issue brief and the Act 68 report emphasize, rebuilding reserves and stabilizing the insurance market requires sustained discipline over time. One year of positive performance is meaningful, and we are pleased with the hard work and collaboration it took to make it happen. It does not, however, eliminate the need for continued adequate premiums, ongoing focus on lowering the cost of healthcare, and careful management of pricing risk (i.e. ensuring our premium estimates for the future are sound).

That is why we strongly believe patience must accompany accountability. Our approach, in coordination with regulators, has been to address those underlying drivers directly, including hospital pricing, site-of-care differentials, payment integrity, and utilization management, while maintaining access and quality for Vermonters.

I cannot overstate the value of the hard work of the Legislature in its role addressing the underlying high cost of healthcare. The Act 55 pharmaceutical bill passed last year directly impacts our customers by lowering their rate increases for 2026 -- by about 4%. Sadly, this does not alleviate the harsh reality and catastrophic increases facing those losing their federal subsidies.

In 2025, we launched the Affordability Matters initiative to help Vermonters better understand the relationship between healthcare prices, utilization, premiums, and affordability. That effort reflects our belief that durable reform requires shared understanding and data-driven change.

As we look ahead to 2026, we remain committed to working collaboratively with DFR, the Green Mountain Care Board, and Legislature on key components of reform including reference-based pricing, site neutral billing, and other formative efforts. We welcome those conversations and believe they are most productive when informed by up-to-date data, demonstrated progress, and a clear understanding of system-wide impacts.

In closing, we share the Committee's goal of ensuring a healthcare system that is affordable, accessible, and financially sustainable over the long term. The progress achieved in 2025 demonstrates that collaboration is critical. With continued partnership, patience, and sustained focus on the true drivers of cost, we believe Vermont can continue moving toward greater stability and affordability.

Thank you, and I am happy to answer any questions.