

Agency of Human Services Office of Health Care Reform

Health Care Spending Reduction Report

REPORT DATE:	SENT TO:	SENT FROM:	STAFF HOURS SPENT PREPARING THIS REPORT:
4/1/2026	House Committee on Health Care; Senate Committee on Health and Welfare	Sarah Rosenblum, Interim Director of Health Care Reform	3

KEY TAKEAWAYS

- **Act 68 of 2025** requires that the Agency of Human Services (AHS) identify ways to improve efficiency, care quality, and access to essential health services while reducing hospital spending by at least 2.5% for hospital fiscal year 2026.
- **Care transformation activities** are underway to ensure financial sustainability, improve access, strengthen the workforce, and improve outcomes. This includes strategic regionalization of services to align with population needs, establishing regional care delivery systems, and fostering partnerships between organizations.
- **Regional convenings** with hospital leadership and continuum of care partners were held in March to support hospital and regional transformation planning and implementation.
- **Act 68 Hospital Transformation Grant Opportunity:** AHS launched a \$2 million grant opportunity to support hospital transformation planning and implementation. All hospitals have submitted applications and at the time of this report seven hospitals have fully executed grant agreements. All hospitals have submitted final transformation plans.
- **Enhanced analytics support:** Vendors are under review to deliver advanced analytics, aligned with the specific supports required to advance transformation goals through data-driven decision-making.
- **Near-term next steps:**
 - Establish reporting cadence with hospitals on final transformation plan goals.
 - Monitoring use of grant money to hospitals for transformation planning supports.
 - Finalizing analytical and technical assistance support for providers across the continuum.
 - Supporting hospitals in ongoing transformation.

HEALTH CARE SPENDING REDUCTION CURRENT STATUS

Current Health Care Spending Reduction Efforts ¹				
Context	Specific Intervention	Estimated Associated Impact on Health Care Spending	Estimated Implementation Timing	Status
Short-term Transformation Focus Groups	1) Shared services and consolidation of hospital administration 2) Shifting care to non-hospital providers	Not quantified	Ongoing	Focus groups convened in June and August; work is being incorporated into medium and long-term care transformation and regional planning work.
Act 55 of 2025	Caps on provider-administered drug prices	Estimated \$100M	January 1, 2026	Not yet implemented.
Hospital Budget Orders	Green Mountain Care Board budget review for hospital FY 2026	\$94,584,978	October 1, 2025	Budgets were approved September 15 th for hospital FY 2026 beginning October 1, 2025.

BACKGROUND

Act 68 of 2025, an act relating to health care payment and delivery system reform, charged the Agency of Human Services (AHS) with identifying “opportunities to increase efficiency, improve the quality of health care services, reduce spending on prescription drugs, and increase access to essential services, including primary care, emergency departments, mental health and substance use disorder treatment services, prenatal care, and emergency medical services and transportation, while reducing hospital spending for hospital fiscal year 2026 by not less than 2.5 percent...”. The Act requires AHS to report on “the proposed reductions that it has approved pursuant to” the reductions in spending and on the “progress in implementing and achieving the hospital spending reductions identified...”.

¹ Savings estimates are not mutually exclusive; some strategies overlap, are co-dependent, and may be realized on different time scales (hospital fiscal year vs. calendar year). Reported amounts should be interpreted accordingly.

UPDATES ON HEALTH CARE SPENDING REDUCTION EFFORTS

Transformation Activities

Building on Act 167 (2022) and the Community Engagement Report issued by the GMCB, AHS, as directed by Act 51 of 2023 and Act 68 of 2025, is continuing to advance hospital and health system transformation efforts to ensure Vermonters receive timely, accessible, and affordable care. Priorities for care transformation include:

1. Transforming the health system to ensure cost sustainability, workforce retention and growth, improved patient access, and better care outcomes.
2. Designing strategic regionalization of services to align with population needs, establishing regional care delivery systems, and fostering partnerships between organizations.
3. Maintaining access to essential local services.

Regional Convenings

In March, the Health Care Reform and Blueprint for Health teams concentrated on assisting hospitals with finalizing their transformation plans and setting regional objectives.

The teams conducted meetings to inform continuum of care partners about the progress of transformation planning. Regional convenings are expanding to encompass all care providers across the state. In the southern region, mental health partners and visiting nurses associations are actively participating in these regional convenings, aligning with the established regional goals.

Act 68 Grant Opportunity

Act 68 allocated \$2 million to AHS to award grants to hospitals in state fiscal year 2026 that, “actively participate in health care transformation efforts to assist them in building partnerships, reducing hospital costs for hospital fiscal year 2026, and expanding Vermonters’ access to health care services, including those delivered via telehealth.” To support these goals, on September 22, the Agency launched the [Hospital Transformation Grant Opportunity](#) to provide funding to Vermont hospitals to advance the development and implementation of hospital and regional transformation plans.

As of February 20, all eligible hospitals have submitted applications. As of the time of this report, seven have fully executed agreements with the rest continuing through the grant agreement process as work on grant funded projects has begun.

Hospital Transformation Plans

As of March 16, all hospitals have submitted final transformation plans. These plans contain focused goals that are ready for implementation. AHS is in the process of reviewing these goals to determine where support is needed for implementation plans and progress tracking metrics. AHS will determine a standardized set of initial outcome metrics for tracking transformation based on these goals.

Analytics Support

AHS staff are in the process of procuring vendors to provide technical assistance and analytical support to ensure that optimal resources are accessible to hospitals and all providers across the continuum of care to support data-driven decision making throughout the transformation process. It is critical that resources to support both predictive modeling at the system-level and project-level monitoring and evaluation are available to all entities involved in this important work. At the time of this report, the analytical support vendor contract is under negotiation, and the technical assistance bids have been narrowed, and a request is out for best and final offers.

Primary Care Transformation

The Blueprint for Health has released a request for proposal (RFP) to provide financial and operational technical assistance to primary care practices. The initiative will support up to twenty-four practices through targeted financial assessments, action planning, and hands-on support. The goal is to strengthen practice sustainability, improve efficiency, and help practices adapt to Vermont's evolving value-based payment models. Contracts are expected to begin in May 2026.

The Blueprint for Health is also modernizing its payment and care delivery structure in response to state and national experience with advanced primary care models and using Rural Health Transformation (RHT) Program funding as a catalyst. The new payment structure will provide a single streamlined payment that is tiered based on the level of services provided, as well as the degree to which practices meet clear milestones that are tied to updated standards for access (e.g. extended hours), delivery of recommended and preventive care, management of chronic conditions (e.g. hypertension, diabetes), and management of complex patients such as those with chronic conditions, mental health, and substance use conditions. The result will be a more easily administered, performance-oriented payment structure that incentivizes care outside of the hospital setting. The shift promotes the State's priorities for quality of care, population health, reducing avoidable utilization, and improving affordability.

CLOSING

AHS remains committed to transparently communicating initiatives that reduce spending and improve affordability for Vermonters, consistent with the intent of Act 68. While not all savings are immediately measurable, particularly those tied to care delivery changes or population health investments, the Agency is working to track progress where possible and to build the analytic capacity needed to model longer-term impacts. We will continue regular check-ins with legislative partners to ensure this report evolves to meet both the intent of Act 68 and the state's broader health care reform goals.

Appendix: Timeline of Hospital Care Transformation Activities

AHS Hospital Care Transformation Activities	2025							2026									
Activity	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct
Contractor technical assistance to support hospital service line analysis, health service needs assessments, and tiering of services	Active	Active	Active	Active	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed
AHS-led regional hospital transformation meetings	Completed	Completed	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Completed	Completed	Completed	Completed	Completed
Development of hospital and regional transformation plans, supported by Act 68 Grants	Completed	Active	Active	Active	Active	Active	Active	Draft plans due	Final plans due	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed
Procurement of vendor support to enhance analytics capacity and modeling	Completed	Completed	Completed	Completed	Completed	Active	Active	Active	Active	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed
CMS Rural Health Transformation (RHT) Program, part of federal H.R.1	Completed	Completed	Completed	Active	Active	App. closes	CMS funding awarded	Active	Active	Active	Active	Completed	Completed	Completed	Completed	Completed	Completed
Implementation and monitoring of transformation initiatives	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Active	Active	Active	Active	Active	Active	Active	Active