

# 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:
5/1/2026	House Committee on Health Care; Senate Committee on Health and Welfare	Sarah Rosenblum, Interim Director of Health Care Reform	4

### 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** have resulted in each geographic region identifying collaborative goals that will facilitate the expansion of this work into the larger health system.
- **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 are working toward fully executed grant agreements. All hospitals have submitted final transformation plans.
- **Technical assistance and enhanced analytics support:** Contract negotiations are underway with 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.
- **Near-term next steps:**
  - Monitor process metrics related to affordability, access, quality and equity to ensure work is moving us in the desired direction.
  - Finalizing analytical and technical assistance support for providers.
  - Supporting hospitals in ongoing transformation.

# HEALTH CARE SPENDING REDUCTION CURRENT STATUS

Current Health Care Spending Reduction Efforts <sup>1</sup>				
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	~ \$119,000,000	January 1, 2026	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 <sup>th</sup> 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...”.

Earlier iterations of this report can be found on the Health Care Reform [website](#).

<sup>1</sup> 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

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## 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

Geographic regional convenings, led by Health Care Reform and Blueprint for Health teams, concentrated on assisting hospitals with finalizing their transformation plans and setting regional objectives.

- In the Northeast, efforts are centered on expanding shared services and expanding NEK prosper, the robust community collaborative in the region.
- In the Northwest, hospitals are focused on shifting services away from the tertiary care setting to better match patients with the right level of care.
- In the Southeast, hospitals are working to build a more coordinated and integrated mental health system.
- In the Southwest, efforts have been targeted toward increased utilization of hospice services to better support patients and families at a patient's end of life.
- In Central Vermont, the focus is on deepening engagement with the continuum of care partners to strengthen preventative care.

Together these regional efforts connect local priorities to Vermont's statewide transformation 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.

All eligible hospitals are participating in this grant opportunity, and five<sup>2</sup> hospitals have fully executed grant agreements. All hospitals have submitted final transformation plans. As of the time of this report, many hospitals have begun work on grant funded projects including service line analyses that will contribute to determination of future initiatives to support transformation.

### **Hospital Transformation Plans**

All hospitals have submitted final transformation plans. These plans contain focused goals that are ready for implementation. Themes have arisen from the hospital planning process including shared services to create back-end efficiencies, moving care to more appropriate lower cost settings, optimizing care needs and resource allocation and restructuring service profiles to be more cost effective. Individual initiatives by hospital have been shared and details can be referenced [here](#).

### **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, both of these vendor contracts are under negotiation.

### **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. The procurement opportunity has now closed and the Blueprint team is reviewing applications to inform awards. 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, improved health outcomes, reducing avoidable utilization, and improving affordability.

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<sup>2</sup> The previous iteration of this report (April 1) incorrectly stated that seven hospital grant agreements were fully executed. Five hospitals have fully executed grant agreements and the remaining eight agreements are awaiting finalization.

## CLOSING

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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	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█
AHS-led regional hospital transformation meetings	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█
Development of hospital and regional transformation plans, supported by Act 68 Grants	█	█	█	█	█	█	█	Draft plans due	█	Final plans due	█	█	█	█	█	█	█
Procurement of vendor support to enhance analytics capacity and modeling	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█
CMS Rural Health Transformation (RHT) Program, part of federal H.R.1	█	█	█	█	█	App. closes	CMS funding awarded	█	█	█	█	█	█	█	█	█	█
Implementation and monitoring of transformation initiatives	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█