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:
11/1/2025	Health Reform Oversight Committee, Joint Fiscal Committee	Sarah Rosenblum, Interim Director of Health Care Reform	7

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 were held in October to conduct a second round of discussions on statewide regionalization themes. These include Inter-facility transfer coordination, group purchasing, clinical service redesign, regulatory and financing, electronic medical record interoperability, and workforce.
- **Act 68 Hospital Transformation Grant Opportunity**: AHS launched a $2 million grant opportunity to support hospital transformation planning and implementation. Applications are being reviewed with notice of award planned for early November.
- **Enhanced analytics support**: A Request for Proposal was posted October 21 to procure a vendor to strengthen modeling capacity. This will allow the state to evaluate hospital proposals in terms of quality, cost, and access, assess alignment with regional and statewide goals, and quantify potential cost savings using evidence-based methods.
- **Near-term next steps:**
    - Planning and Implementation Steps for Regional Transformation
    - Distribution of Grants to Hospitals for Supporting Transformation Planning at the Hospital and Regional Levels
    - Appointment of a New Analytics Vendor

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 yet quantified	July-December 2025	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 15th 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…".

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 2022 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] 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.

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 October, the Health Care Reform and Blueprint for Health teams convened hospital leadership by geographical regions for a second set of meetings to review the Statewide regionalization themes (inter-facility transfer coordination, group purchasing, clinical service redesign, regulatory and financing, electronic medical record interoperability, and workforce) that surfaced from initial regional meetings, describe the subsequent workstreams forming from these themes, and discuss state/regional/hospital roles in advancing transformation in each area. The second round of meetings also served as an opportunity for hospital leaders to ask questions and share strategies identified in their Act 68 grant applications and next steps and for AHS to receive additional input on the federal HR1 Rural Healthcare Transformation Program (RHTP) application process. Hospital leaders continue to demonstrate strong commitment to transformation work and openness to collaboration opportunities.

Workstream-specific meetings were also held throughout the month of October, aimed specifically to advance opportunities identified from regionalization conversations where AHS uniquely is positioned to advance transformation activities at this time:

1) **Inter-facility Transfer Coordination.** AHS and Blueprint convened five critical access hospitals, two tertiary hospital transfer centers, and statewide EMS leaders to begin visioning possibilities for development of a statewide system-integrated transfer network which fills beds appropriately while preserving patient safety, proximity, and fiscal health. Similar meetings will be held in the northeast and southern parts of the State before the end of the month. This workstream specifically aims to enhance hospital acuity and capacity management, find efficiencies for inter-hospital transfers, and reduce the cost and adverse impact on patient experience associated with Vermonters being transferred to distant out of state health systems.
2) **Workforce - Specialist Recruitment and Retention.** AHS and Blueprint met with UVMHN Medical Group to review potential opportunities for Statewide specialty recruitment, fractional coverage, and virtual consultation. These conversations will inform the array of options for hospitals/regions struggling with individual hospital and/or regional recruitment of specialty providers, inform potential analytic needs and modeling considerations for hub and spoke program design, and inform opportunities for **strategic investment to strengthen recruitment and retention of critical workforce needs.** This workstream specifically aims to reduce high costs associated with specialist vacancies/locums and turnover, reduce specialty wait times, support local community hospitals to expand service offerings without adding staff and treat more complex patients in place, and enable more patients to receive specialty care without leaving their community.
3) **Regulatory Navigation.** AHS and Blueprint legal team members are assisting with research and education on antitrust considerations for hospitals, which has been cited as a major barrier to initiating many conversations on clinical collaboration. The AHS policy and legal teams met with

the Vermont Association of Hospitals and Health Systems (VAHHS) administrative and legal teams in late October to review potential legal and regulatory pathways for developing collaborative arrangements, such as the establishment of a Certificate of Public Advantage (COPA) process to support and oversee certain collaborations. This workstream aims to foster a policy environment that encourages collaboration while balancing the benefits of partnership with safeguards against anti-competitive behavior—such as large-scale consolidation—and mitigating risks related to potential Federal Trade Commission (FTC) enforcement actions.

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, 2025, 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 October 22, all eligible hospitals have submitted applications. This is another indicator of hospital engagement with AHS in development of their transformation plans. Throughout the grant award period hospitals will move from Draft Care Transformation Strategy Outlines to Draft Plans, and Final Plans, with AHS review and approval at each phase. Final plans are anticipated for early 2026.

Analytics Support

AHS, in partnership with the Green Mountain Care Board (GMCB), has issued a Request for Proposals (RFP) to secure additional analytic support for transformation planning, addressing a need identified by hospitals. This enhanced capacity is essential for AHS to evaluate proposed hospital changes and assess their potential impact on quality, cost, and access, aligning with regional and statewide objectives. As hospital and regional transformation plans are developed, the selected vendor will be instrumental in quantifying potential cost savings. This support will facilitate comprehensive modeling and scenario planning, utilizing evidence-based practices and national standards to guide transformation efforts. Responses are due by October 28. AHS and GMCB will be jointly scoring applicants, meet to discuss and come to a final decision on a vendor.

Primary Care Transformation

The Blueprint for Health is currently in final stages of developing a Request for Proposal for a revised Primary Care Technical Assistance Offering. This proposal takes the place of the Rural Health Redesign Center (RHRC) Primary Care Technical Assistance work begun earlier this year and was informed by practice discovery calls conducted by RHRC and subsequent stakeholder engagement with the Department of Vermont Health Access (DVHA), Vermont Medical Society (VMS), Health First, and Bi-State Primary Care Association. This Primary Care Technical Assistance is a finite opportunity to bolster practices that have expressed concern about financial sustainability or have demonstrated indicators of financial risk. The purpose of this offering is to provide consultative expertise, tools, and training to improve financial sustainability, navigate complex payment systems, build capacity to improve overall operations, and recognize opportunities for cost efficiency and containment. When a successful bidder

has been identified, this Technical Assistance offering will be prioritized for PCMHs that previously engaged with the Technical Assistance Application Process, with highest priority reserved for PCMHs demonstrating imminent financial risk and/or that have received stabilization grant funding.

The Blueprint for Health has also engaged in early design work to model programs which can leverage potential federal RHTP and/or AHEAD model funding to enhance the foundational Blueprint medical home model to drive and sustain improvements in patient access, complex case management, mental health and substance use disorder integration, and coordination with specialty care providers.

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 Initiatives