

Cost Shift Excerpt from Annual Report filed January 15, 2016

In 2006, the legislature in Act 191 created the Cost Shift Task Force. The cost shift occurs when hospitals and other health care providers charge higher prices to patients who have private insurance or are uninsured to make up for lower reimbursement from Medicare, Medicaid, charity care, or bad debt. The Board is responsible for creating an annual report for the legislature that describes the cost shift, quantifies its impact, and presents reporting recommendations that include:

- A standard reporting instrument;
- Improvements to physician payer data;
- Distinctions between the amount of Vermont Medicaid and non-Vermont Medicaid payments;
- Increased transparency in reporting on “disproportionate share”—the Medicaid payments to hospitals that serve populations with especially high coverage by Medicaid.

In Act 79 of 2013, the legislature added a requirement that the annual report include “any recommendations on mechanisms to ensure that appropriations intended to address the Medicaid cost shift will have the intended result of reducing the premiums imposed on commercial insurance premium payers below the amount they otherwise would have been charged.” 18 V.S.A. § 9375(d)(1)(F).

In 2015, the Board found that there were no Medicaid appropriations to address the cost shift in 2016. The Board’s evaluation included a review of the revenue estimates for each payer, including Medicaid. The chart on the following page shows the cost shift by payer:

Figure 5: Estimated Vermont Hospitals' Cost Shift by Payer

| Fiscal Year | Medicare | Medicaid | Free Care | Bad Debt | | *Commercial Insurance & Other |
|-----------------|-----------------|-----------------|----------------|----------------|---|-------------------------------|
| Act 2008 | (\$69,003,712) | (\$103,569,366) | (\$23,623,972) | (\$30,252,980) | → | \$226,450,033 |
| Act 2009 | (\$73,627,496) | (\$119,979,398) | (\$24,292,187) | (\$32,391,214) | → | \$250,290,295 |
| Act 2010 | (\$73,515,988) | (\$138,016,619) | (\$24,806,398) | (\$33,076,863) | → | \$269,415,868 |
| Act 2011 | (\$88,399,861) | (\$152,256,740) | (\$25,784,124) | (\$34,331,093) | → | \$300,771,818 |
| Act 2012 | (\$74,383,192) | (\$151,931,648) | (\$24,347,367) | (\$39,264,676) | → | \$289,926,884 |
| Act 2013 | (\$128,108,641) | (\$105,982,171) | (\$24,684,304) | (\$37,383,822) | → | \$296,158,938 |
| Act 2014 | (\$155,622,607) | (\$148,344,481) | (\$19,370,131) | (\$34,885,055) | → | \$358,222,274 |
| Bud 2015 | (\$175,004,081) | (\$150,468,588) | (\$26,141,210) | (\$41,473,636) | → | \$393,087,516 |
| Bud 2016 | (\$190,902,198) | (\$176,505,430) | (\$20,475,712) | (\$38,158,176) | → | \$426,041,516 |

Payer values include all hospital and employed physician services
 Numbers in parentheses reflect the estimated cost of services that each payer shifted to other payers
 Medicaid values include non-Vermont Medicaid of approximately 5%.
 * The amount providers shifted to commercial insurance and self pays.

The Board projects that the Medicare cost shift will continue to increase in 2015 and 2016, largely the result of Medicare reimbursement changes anticipated at the federal level. The Medicaid cost shift for hospitals is also expected to increase in 2016, in part because Medicaid provider rates have not increased. Bad debt declined from 2013 to 2014 by approximately \$2.5 million and after a rise is expected to stabilize. Charity care (shown on Figure 4 as Free Care) is expected to decrease from \$24.6 million in 2013 to \$20.5 million in 2016. In sum, while the overall cost shift continues to increase, the pace of its increase has slowed compared to past years. Slower growth in the cost shift is reflective of the reduced need to provide free care as well as the restraint in Vermont hospitals' budget submissions; on the whole, hospitals' lower rate of growth eases the pressure on commercial rates.

The following graph illustrates Vermont cost shift trends:

Figure 6: Vermont Hospitals' Cost Shift Trends

