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March 6, 2019

Kevin Mullin, Chair
Green Mountain Care Board
144 State Street
Montpelier, Vermont 05602

Re: FY2020 Hospital Budget Guidance

Chair Mullin and Members of the Green Mountain Care Board:

Thank you for the opportunity to comment on the FY2020 Hospital Budget Guidance. The Office of the Health Care Advocate (HCA) would like to thank the Board and its staff for including much of our earlier feedback in the proposed guidance that is now before the Board. These comments focus on the Board's consideration of a two-year net patient revenue (NPR) cap, the level of that cap, and health care affordability for Vermonters.

Patient Affordability and Hospital Costs

The HCA understands the Board's desire to set a predictable growth rate for hospitals to facilitate longer term planning. We also understand the hospitals' desire to increase their revenue. However, we have serious concerns that allowing 3.5% annual net patient revenue growth for the Vermont hospitals for two consecutive years¹ will unnecessarily exacerbate the state's health care affordability crisis. Commercially insured Vermonters bear the preponderance of the cost of hospital revenue increases, and 3.5% NPR allowances will likely result in hospitals requesting commercial price increases significantly larger than 3.5%. The Board regularly notes the relationship between the hospital budget review and rate review processes, and has used the hospital budget submissions to inform rate review decisions in the past.² Hospital budget increases translate into premium price increases for Vermonters. Health insurance premiums are already unaffordable for large segments of the state's population. Higher premium prices will cause more Vermonters to be unable to afford and access the care they need. As health insurance becomes more unaffordable and provides less value to Vermonters, healthier people are likely to leave the market, causing further premium price increases and more uncompensated care.

¹ Proposal discussed at the February 20, 2019 Green Mountain Care Board meeting

² GMCB-008-16rr Blue Cross Blue Shield of Vermont 2017 Vermont Health Connect Rate Filing Decision and Order.
https://ratereview.vermont.gov/sites/dfr/files/2016/BCBSVT/008-16rr_BCBSVT_Final_2.pdf

A two-year 3.5% NPR cap also assumes that hospitals will be able to meet or stay below their budgets. Under the All-Payer Model agreement with the Centers for Medicare and Medicaid Services, Vermont has committed to limiting health care costs growth for all major payers to 3.5%. By allowing the University of Vermont Medical Center and its owned hospitals, which constitute a large proportion of the Vermont health care system, to aim for 3.5% NPR growth, the Board would be wagering the success of the All-Payer Model on UVMMC's ability to manage to its budget. In fiscal year 2017, UVMMC and its two network hospitals in Vermont collectively exceeded their budgets by close to 44 million dollars.³ Furthermore, if the Board allows the regulated components of the health care system to grow at the statewide growth cap of 3.5%, for the All Payer Model to be successful it will be necessary for the unregulated components of the health care system to grow at or below 3.5% as well. The Board has no control over health care spending outside its regulatory purview.

In order to be sustainable, the growth of health care costs must be brought into line with other measures of economic growth, such as wage growth, inflation, and medical inflation. In recent years each of these indicators has been in the 2%-2.5% range.⁴ We ask the Board to implement a net patient revenue growth cap of no more than 2.0% for each of the next two fiscal years to ensure that hospital spending does not continue to outpace Vermonters ability to afford care. While a 2% increase would still have negative impacts on health care affordability for Vermonters, we believe this level would allow hospitals to easily manage inflationary increases in the context of the payment and service delivery changes that should be occurring under the All Payer Model.

Thank you for considering these comments. Please feel free to contact Julia Shaw with any questions.

Sincerely,

s\ Mike Fisher, Chief Health Care Advocate

s\ Kaili Kuiper, Staff Attorney

s\ Eric Schultheis, Staff Attorney

s\ Julia Shaw, Health Care Policy Analyst

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³ Vermont Hospital Budgets FY 2017 Budget to Actual. GMCB Meeting February 14, 2018.

<https://gmcboard.vermont.gov/sites/gmcb/files/A17%20Slides%20Feb14%20GMCB.pdf>

⁴ 2017-18 CPI-U all items growth: 2.07%; 2017-18 CPI-U medical care growth: 2.22%; 2016-17 Vermont average wage growth: 2.51%. CPI-U All Items (CUUR0100SA, all items, northeast region, 2017-18):

https://data.bls.gov/timeseries/CUUR0100AA0?amp%253bdata_tool=XGtable&output_view=data&include_graphs=true; CPI-U Medical Care (CUUR0100SAM, medical care, northeast region, 2017-18):

https://data.bls.gov/timeseries/CUUR0100SAM?amp%253bdata_tool=XGtable&output_view=data&include_graphs=true; VT Wage Growth (Vermont Dept. Labor, U.I. Covered Employment Wages – Annual Averages, 2016-2017):

<http://www.vtmi.info/indnaics.htm#mqa/>