



An Independent Licensee of the Blue Cross and Blue Shield Association.

September 1, 2020

Kevin Mullin, Chair  
Jessica Holmes, Ph.D.  
Robin Lunge, J.D., MHCDS  
Tom Pelham  
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Green Mountain Care Board  
144 State Street  
Montpelier, VT 05620

Dear Members of the Green Mountain Care Board,

Vermont is facing a severe economic and health crisis brought on by the historic and life altering pandemic. Providing access to affordable, high quality health care is Blue Cross and Blue Shield of Vermont's number one priority. It is with this purpose in mind that we write you on behalf of our customers. Hospitals are a critical component of Vermont's health care system and key regional employers. Medical and pharmaceutical charges at hospitals make up 40 percent of the health care spending of the Vermonters we serve.

While Vermonters and other stakeholders clearly understand that premium increases directly impact individual finances, what has been less clear to many is that hospital budgets directly impact Vermonters' wallets as well. When a hospital increases its budget, individual Vermonters pay for that increase, whether directly, through increased out of pocket costs, or indirectly through increased premiums. In addition to consistent unit cost increases, local Vermont businesses are forced to bear the weight of the Medicaid cost shift as their premiums increase to supplement inadequate government funding.

The hospital budget decisions, including the allowed unit cost increases for commercial coverage, are one of the primary factors driving insurance premium increases every year. While we appreciate the need to ensure the financial stability of these important institutions and their role in providing access to rural Vermonters, it is critically important that the hospital budget reviews focus on reducing health care costs and making premiums affordable.

The GMCB must align hospital budget decisions with premium rate decisions. To do otherwise threatens the stability of the system over time and leaves future rate payers to foot the bill.

The policy alignment between the hospital budget process and rate review decisions is especially critical this year. The recent [GMCB Regulatory Alignment White Papers](#) acknowledge the crux of this dilemma. Insurance premium rates have been approved in advance of hospital budget decisions, and any misalignment has significant consequences.

The 2021 initial hospital budget increase proposals range up to 19.9 percent, exclusive of COVID-19 requests. These are some of the highest increases ever proposed. If granted, the increases will ensure that the 2021 insured premiums will be inadequate to cover member health care costs and will push 2022 rates ever upward. The GMCB rejected the BCBSVT projections about the need for increased premiums based on the possible hospital budget decisions and instead chose to add additional risk to policyholder reserves:

“We understand that if we end up approving hospital charge increases that are higher than what we are approving in this decision, it may further reduce the company’s CTR or come out of the company’s surplus. However, given that the high hospital budget increases this year are to some extent related to COVID-19, this would not be inconsistent with the company’s commitment to pay for COVID-19 related claims costs out of surplus. See Findings, ¶ 26.” [BCBSVT 2021 Rate Order page 19](#)

BCBSVT rejects the premise that this year’s hospital increases are COVID related and need not be sustainably funded. In direct contradiction of the Board’s characterization, Southwestern Vermont Medical Center CFO Stephen Majetich said in their budget hearing, “This is the new normal.” The vast majority of the 2021 hospital budget proposals are for permanent price increases not directly related to the COVID-19 response. These expenses are not “COVID-19 claims” and will result in even larger premium increases in 2022, as rates must keep up with the ongoing costs of medical care.

Policyholder reserves cannot financially sustain the Vermont state health care system. Significant federal resources through the CARES Act and Coronavirus Relief Funds need to fiscally support hospitals through the COVID pandemic. There must be alignment between rate review decisions and permanent, enforced, hospital budget decisions.

The decisions made this year are a critical balance between sustaining our health care system and imposing additional costs on ratepayers that compromise affordability. Ultimately, affordability needs to be addressed through the spending side of the health care equation—this requires viewing hospital budget asks through the lens of ratepayer affordability rather than funding them through BCBSVT policyholder reserves.

We are in unprecedented times and our health care system is under significant stress. Vermonters must continue to have access to affordable, high quality hospital care. On behalf of our customers, we ask the Board not to allow hospital increases that exceed the assumptions in the 2021 rates that have been approved, protecting Vermonters access to needed hospital care long-term.

Sincerely,



Ruth Greene  
Vice President, Treasurer and CFO

Cc: Susan Barrett, GMCB Executive Director