

August 31, 2023

Owen Foster, J.D., Chair  
Jessica Holmes, Ph.D.  
Robin Lunge, J.D., MHCDS  
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Thom Walsh, Ph.D., MS, MSPT

Green Mountain Care Board  
144 State Street  
Montpelier, VT 05620

Dear Members of the Green Mountain Care Board,

This is to explain the impact to Blue Cross VT commercial payments to a hospital if there is an increase in the average Case Mix Index (CMI) of our members. Because providers must be payer neutral with these changes, efforts to increase the CMI for Medicare will also result an increased CMI for commercial patients and increase payments from all payers who contract with a hospital under the DRG methodology. Increased commercial payments impact employer groups through higher claims spending, members directly through higher out-of-pocket costs, and rate payers through higher premiums.

We estimate that for every 0.01 increase in the average CMI at UVMHC for Blue Cross VT members, payments will increase by approximately 0.7%. During their hospital budget hearing, UVMHC discussed a DRG optimization program to increase their average CMI from 2.061 to 2.3. At our current negotiated rates and without any other changes, a corresponding increase in CMI for our members would result in approximately \$11 million of higher payments to the hospital. This amount will increase by the same percentage the GMCB approves in their budget order for 2024.

Blue Cross VT supports a hospital's effort to maximize the revenue from government payers, but we need to recognize that there will be a secondary impact on the payment from commercial payers.

Please let us know if you have any additional questions about the potential impact from an increase in the CMI on Blue Cross VT commercial payments.

Thank you,



Sara Teachout  
Corporate Director, Government and Media Relations