

November 14, 2024

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

Green Mountain Care Board  
144 State Street  
Montpelier, VT 05620

Re: Public Comment of Blue Cross and Blue Shield of Vermont regarding GMCB Docket No. 22-004-H, Order Correcting Budget Deviation and Denying Budget Adjustment Request (Oct. 10, 2024)

Dear Members of the Green Mountain Care Board,

In service to our members and all Vermonters, Blue Cross and Blue Shield of Vermont (Blue Cross VT) supports the Green Mountain Care Board's efforts to lower health care costs. The Board's enforcement action in Docket No. 22-004-H will reduce prices on average by 1% at the University of Vermont Medical Center (UVMC) in 2025 and will return half of the \$80.3 million of additional FY23 revenue UVMC collected from patients, employers, and consumer reserve funds next year. As health care leaders, we must embrace our responsibility to stabilize our health care system and ensure a future that includes access to high-quality, affordable care for all Vermonters.

### **Enforcement is Essential**

For Vermonters to benefit from the hospital budget review process, hospitals must manage their revenue and expenses to the levels approved annually by the Board. Only through budget enforcement actions can the Board ensure a functional regulatory process that supports those who need care. By upholding the hospital budget orders, health care costs are comprehensively regulated, and the Board can balance affordability for families and patients with access and hospital financial stability.

### **Impact on Commercially Insured**

Vermonters with commercial insurance coverage pay for the largest share of hospital revenue, and annual commercial price increases raise their premiums. When hospitals exceed their approved commercial revenue limits, costs increase further. For FY23, UVMC received approval for a 14.77% commercial price increase from the Board and then exceeded its approved budget by over

\$80 million. This overage is equivalent to an additional 8.8% commercial price increase – a total of 23.57% for those commercially insured. Each time a hospital exceeds its budget limit, Vermont families and employers feel the pressure and pay for these costs.

### **Impact on Members and Employers**

**1. Without hospital budget enforcement, Vermont families and employers will pay more.**

A retraction of the 4.4% enforcement will force Vermont families and employers to pay more for their care. Instead of benefiting from a 1% reduction in commercial prices at UVMHC, Vermonters will instead pay 3.4% more, on top of some of the nation's highest prices for hospital services. These costs are prohibitive and unsustainable for many Vermonters and push their access to affordable health care further out of reach.

**2. Without hospital budget enforcement, self-funded employers will endure financial harm.**

The excess revenue collected by UVMHC harms self-funded employers and negatively impacts their ability to budget, price and provide affordable health insurance coverage.

The Vermont Education Health Initiative (VEHI), for example, is the largest self-funded entity in the state, covering approximately 35,000 school employees and their families. Each year, VEHI determines the premium for employees based on the expected health care prices and utilization for its members, of which the hospital commercial rate increase at UVMHC is a major determining factor. When UVMHC exceeds its approved commercial revenue, the amount charged to school employees is inadequate to cover their collective medical expenses, which means the unanticipated bills must be paid with funds from VEHI's reserves. This situation compelled the VEHI Board to impose an additional premium when setting rates this year for FY26 to ensure the financial viability of the active school employees' reserve fund. VEHI's FY26 rates were impacted positively by the UVMHC's FY23 enforcement action.

Without the enforcement action, VEHI would need to either raise its premiums by approximately \$3 million or endure further losses to its reserve fund. Excess revenue and high prices at UVMHC, therefore, result in an increase in premiums, an increase in property taxes, and a reduction in the balance within the VEHI Trust Fund's reserves.

This is the financial reality for employers across the state – small businesses, nonprofit organizations, municipalities, and larger entities. They all struggle to provide insurance for their employees with health care costs that outstrip other business expenses.

### **Impact on Blue Cross VT**

Like our members and customers, Blue Cross and Blue Shield of Vermont understands firsthand the tremendous strain of skyrocketing medical costs. Parallel to the financial challenges created for VEHI and other self-funded employers, Blue Cross VT faces financial challenges when hospital and medical costs routinely exceed approved budget levels and projected expenses. Our member reserves are below the level required by our regulators.<sup>1</sup> To protect our members and ensure their

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<sup>1</sup> [DFR Solvency Opinion](#) July 12, 2024 "Over the past five years, BCBSVT has cumulatively collected inadequate premium rates to cover expected claims and expenses. This has resulted in a deterioration and immediate threat to the insurer's solvency."

continued access to health coverage, Blue Cross VT implemented a solvency plan, but these efforts are undermined by the continuing surge in hospital claims and the significant deviation from approved hospital budget levels. The repeal of the UVMMC enforcement action will further exacerbate the financial situation for Blue Cross VT, our customers, and our members.

### **Stabilize Vermont's Health Care System**

The Green Mountain Care Board has the authority to manage health care spending across Vermont. From rate review decisions and hospital budget orders to enforcement actions, the Board is well-positioned to help stabilize Vermont's health care system with effective financial guidance and regulatory oversight. This momentous work requires the support and collaboration of all impacted stakeholders. We must set aside our self-interest, focus on solutions and work together to create a health care system that is strong, effective, resilient and socially responsible. We support the Board's efforts to lower health care costs, enforce hospital budget limits, promote affordability and access, and transform our state's struggling health care system into one that all Vermonters deserve.

Thank you,

A handwritten signature in black ink, appearing to read "Andrew Garland", with a stylized flourish at the end.

Andrew Garland  
Vice President of Client Relations and External Affairs