

**STATE OF VERMONT  
GREEN MOUNTAIN CARE BOARD**

<b>In re: Mount Ascutney Hospital and Health Center Fiscal year 2025</b>	)	<b>Docket No. 24-007-H</b>
	)	
<b>Northwestern Medical Center Fiscal Year 2025</b>	)	<b>Docket No. 24-010-H</b>
	)	
<b>Southwestern Vermont Medical Center Fiscal Year 2025</b>	)	<b>Docket No. 24-013-H</b>
	)	
<b>Springfield Hospital Fiscal year 2025</b>	)	<b>Docket No. 24-014-H</b>

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**BLUE CROSS AND BLUE SHIELD OF VERMONT’S REPLY TO RESPONSE TO THE  
GREEN MOUNTAIN CARE BOARD’S REQUEST FOR BRIEFING REGARDING  
HOSPITAL’S REQUEST TO AMEND CONDITION B OF ORDER**

Now comes Blue and Blue Shield of Vermont (Blue Cross VT) and pursuant to the Green Mountain Care Board’s (GMCB) request for briefing, hereby offers the following memorandum with respect to the above dockets, and respectfully requests that the GMCB not amend Condition B of its October 1, 2024 Orders (Orders).

**I. *Background:***

The Orders in question each included a “Condition B,” which state:

Mount Ascutney Hospital and Health Center

MAHHC’s overall change in charge and commercial negotiated rate increase are approved at not more than 2.2% over current approved levels, with no commercial negotiated rate increase for any payer at more than 2.2% over current approved levels. The commercial negotiated rate increase overall or with respect to any payer may be less than 2.2% as negotiated between the hospital and payer.

Northwestern Medical Center

NMC’s overall change in charge and commercial negotiated rate increase are approved at not more than 3.4% over current approved levels, with no commercial negotiated rate increase for any payer at more than 3.4% over current approved

levels. The commercial negotiated rate increase overall or with respect to any payer may be less than 3.4% as negotiated between the hospital and payer.

Southwestern Vermont Medical Center

SVMC's overall change in charge and commercial negotiated rate increase are approved at not more than 3.4% over current approved levels, with no commercial negotiated rate increase for any payer at more than 3.4% over current approved levels. The commercial negotiated rate increase overall or with respect to any payer may be less than 3.4% as negotiated between the hospital and payer.

Springfield Hospital

Springfield's overall change in charge and commercial negotiated rate increase are approved at not more than 2.2% over current approved levels, with no commercial negotiated rate increase for any payer at more than 2.2% over current approved levels. The commercial negotiated rate increase overall or with respect to any payer may be less than 2.2% as negotiated between the hospital and payer.

Aside from the rates, which are specific to each hospital, the language of each Condition B is the same.

Following the issuance of the Order, Mount Ascutney Hospital and Health Center, Northwestern Medical Center, Southwestern Vermont Medical Center, and Springfield Hospital each requested that the GMCB "amend or remove the charge cap language in Condition B of the...FY25 budget orders." See Email from Mark Hengstler, dated Oct. 21, 2024. The GMCB requested briefing from the parties regarding Condition B.

Blue Cross VT does not support amending Condition B of the FY25 Hospital Budget Orders. The Orders should remain as originally written to limit commercial rate increases to a cap that does not exceed the approved amount of net patient revenue.

**II. Discussion:**

The language of Condition B is not significantly different from similar language included in the FY24 hospital budget orders. The concerns now raised by hospitals for FY25 budgets were never raised during the rate and negotiation processes in the context of the FY24 hospital budgeting process.

A. *The term “rate increase” does not involve a complex equation. Rather, “rate increase” means the year over year change in commercial payments. Furthermore, commercial rate increases are not the only tool for hospitals to meet their revenue targets.*

Historically, the GMCB’s orders have followed a commonsense approach to the term “rate increase”: *the year over year change in commercial payments*. This approach has a direct correlation to the rates charged to Blue Cross VT subscribers, and to the change in out-of-pocket costs borne by members. Furthermore, many hospitals and providers use this same definition of a rate increase. In fact, Blue Cross VT relies on this definition of rate increase in our own rate filings with the Board. Defining a “rate increase” as the change in net commercial payments over the gross charges, as some hospitals propose, would obscure the actual year-over-year rate change commercial payers will see, while it will inevitably lead to more confusion in landscape that could use less.

Ultimately, hospital budgets provide a revenue cap, they do not provide a guarantee each hospital will meet that cap. Hospitals should not expect to meet the revenue cap simply by raising commercial rates—which would result in a disproportionate burden on Vermont’s commercially insured population. Hospitals have many tools to increase revenue, including: reducing costs to increase margin, increasing access to more patients, increasing utilization of services from existing patients, performing more costly services and procedures, treating patients who require more complex care, and billing for more intense services. Even more to the point, hospitals have non-commercial insurance sources of revenue. All of these factors are levers that are used to increase revenue in addition to price increases.

*B. Condition B of the Order allows for the “change in charge” to be different rate than the “commercial negotiated rate.”*

Contrary to the hospital’s assertion, Condition B of the Order does not require the “change in charge” to be set at the same value as the “commercial negotiated rate.” Though it may be true that the “change in charge” must be higher than the “commercial negotiated rate,” Condition B does not require the factors to be the same. Rather, Condition B simply sets the same ceiling for both factors.

The hospital’s requested remedy, allowing the “change in charge” to exceed the order in Condition B will not increase their commercial revenue. Each hospital Order sets the maximum commercial increase that can be negotiated with any payer. In other words, even if there was no cap on the “change in charge,” hospitals would still be limited to the additional commercial revenue (“commercial negotiated rate”) contained within each Order. Any increase in the “change in charge” would necessitate a negotiation in payment terms to ensure the higher charges resulted in commercial payments that are still compliant with the cap on the commercial rate increase. Amending the cap on “change in charge” would do nothing to change the commercial negotiated rate, and would only serve to complicate negotiations between hospitals and payers,

*C. NPR targets can be met even when commercial rates are capped below NPR.*

Finally, the argument—that the NPR/FRP revenue levels will not be reasonably attainable if the change in charge and the commercial negotiated rate increase are held to the same percentage—is inconsistent with historical facts. Last year, in FY24 a number of hospitals exceeded their NPR targets even while commercial rates were capped well below the NPR increase. While exceeding budgeted revenue might not be the desired policy outcome, it is evidently quite possible.

WHEREFORE, for all the reasons discussed herein, Blue Cross VT respectfully requests that the Board not amend Condition

Respectfully submitted on this 28<sup>th</sup> day of October 2024,

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