

August 25, 2023

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Green Mountain Care Board
144 State Street
Montpelier, VT 05620

Dear Members of the Green Mountain Care Board,

There is an inextricable link between the proposed FY 2024 hospital budget submissions and the prices charged for Vermont hospital services, including drugs, and the premiums that pay for the care provided to our members who are patients in these facilities. Currently, approximately 40% of the cost of Blue Cross VT member care is for the medical bills from Vermont hospitals.

Affordability in Every Forum

Health care affordability is a key issue for every Vermonter, whether they individually purchase health insurance coverage through Vermont Health Connect, are supported by their employer offering a plan, are covered by Medicaid, or are navigating Medicare supplemental coverage – everyone balances their household budgets against the inflationary pressures from groceries, gas, housing, heating, and childcare, all the while competing with ever growing health care costs. As you heard through the numerous verbal and written public comments on health insurance premium rates, Vermont ratepayers have hit the upper limit of their ability to afford care. Affordability needs to be considered in every regulatory, administrative, and legislative decision in order to have an impact on the overall cost of health care and to meet our state's total cost of care targets. Leaving the affordability question to only be discussed in insurance review is too late.

Hospital Prices Drive Premiums

We are compelled on behalf of the customers and members to provide comment on hospital budgets as a whole, as well as on specific issues within individual hospital narratives. Our [public comment](#) from last year, regarding bond ratings, appropriate performance benchmarks, the need for efficient hospital expense scrutiny, and 340B revenue transparency, all continue to be relevant and applicable to the FY 2024 hospital budget review. The proposed aggregate hospital budget increases will require millions more be paid by Vermont families and employers in 2024.

What is notable is the divergence in budgets among our local hospitals, with the NPR request of 7.18% and the highest at 28.4% increase. Each institution is operated differently, and the review process offers a glimpse at the impact of various management plans and choices among our 14 hospitals.

The misalignment between the rate review and hospital budget review processes leaves our actuaries with the fraught task of guessing in May of each year the amount of hospital budget submissions in July and the likely GMCB decisions in September. No one is ever satisfied with these estimates. Hospital budgets account for the lion's share of premium growth in 2024 and are a substantial risk in the approved rates which cannot be adjusted in the event that the GMCB hospital budget commercial rate decisions do not align with the assumptions made in rate review.

Strategic and Efficient Growth

As costs have grown exponentially, we need to evaluate expansion across the Vermont health care system and question capital investments including IT, the development of highly specialized services, and administrative-heavy expansion. Blue Cross VT strongly supports providing and paying for high quality care and services that improve the health and wellness of Vermonters, and we appreciate the value of academic medical institutions in our continuum of care. As a small, geographically dispersed state we will always be challenged by economies of scale, and we need to find a balance between a health care system we can afford and reasonable access to high quality care statewide.

The newly announced [statewide community engagement project](#) spearheaded by the GMCB in support of hospital transformation is essential to guide and coordinate these efforts. In the meantime, the GMCB must take a critical look at growth, and prioritize hospitals' focus on high quality clinical care, while not increasing administrative overhead, and avoid infrastructure and services that our population cannot support financially. Whether this is constructing the 2nd [most expensive Ambulatory Surgical Center project in the country](#), developing specialized services such as CAR-T, or building a Population Health Services Organization (PHSO) that rivals state sponsored health care reform and population health efforts in scale and expense, we need to critically review these projects against our collective vision for the future – balancing access, affordability, and quality.

Claims Review

This year's budgets contain criticism of health insurance efforts to review provider claims for accuracy, correct billing for the care provided, waste and fraud. Members and employers rely on their health plan to ensure that the bills for their care are appropriate. Our claims editing program follows American Medical Association (AMA) guidelines and CMS's National Correct Coding Initiative (NCCI) to ensure that claims are submitted with the correct codes that capture appropriately the services rendered and with the expectation that all medical record documentation can support the claim. We also follow contractual obligations for advanced education and notification. Claims editing catches mistakes (such as a bill for a 600-minute office visit instead of 60) along with more serious coding issues while applying consistent

industry standards. Through the use of claim edits, hospitals have identified systemic errors in coding of which they were otherwise unaware. Resolving identified claims issues requires sharing additional documentation to justify the charges. On behalf of the Vermonters we serve, we are obligated to review and adjudicate claims appropriately. There is a balance between ensuring provider revenue and protecting our members' pocketbooks when processing \$1.2 billion in health care claims annually.

340B Contract Pharmacy Revenue

The debate over drug revenue and costs is especially intense in the 340B and specialty pharmacy arena – but the bottom line is that patients are losing. Drug manufacturers, wholesalers, pharmacy benefit managers, pharmacies, and hospitals are all generating revenue from drug sales and have an interest in retaining their share of the pie. Hospitals generate 340B margins by retaining the spread between the discounted price that they paid for the drugs and the higher reimbursement paid by insurers and patients. Blue Cross VT's interests are squarely behind obtaining the lowest costs drugs for our members. That is why we invested in [CivicaScript](#) and are dedicated to disrupting the drug supply chain and bringing affordable generics and insulin to the market. Increasing transparency and reporting on the direct benefit to patients from 340B revenue at hospitals is a small step to help unwind the tangle of competing interests.

The GMCB has a challenging task made all the more dire each year as hospital and drug costs rise at a rate far beyond increases to Vermonters' incomes. Please hold hospital budgets to your guidance over two years. Vermont families are counting on you.

Sincerely,



Don George
President and CEO



Sara Teachout
Corporate Director
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