

May 24, 2023

Owen Foster, Chairperson  
Green Mountain Care Board  
144 State Street, Montpelier, VT 05602

**RE: Vermont-NEA Comments on FY2024 Hospital Budget Guidance**

Dear Chairperson Foster and Green Mountain Care Board Members:

On behalf of the approximately 12,000 union members and their families represented by the Vermont-National Education Association, I urge the Board to stay its course and constrain the growth of hospital budgets as outlined in the [FY2024 Hospital Budget Guidance](#).

As the union's trust administrator with the Vermont Education Health Initiative, a self-insured risk pool which serves school employees, active and retired, and their dependents – nearly 35,000 covered lives – I can speak definitively to the negative impact rising hospital prices are having on school employees and their families, the Vermont State Teachers Retirement System, and school boards.

Here is what VEHI communicated publicly when filing its FY24 rates for active school employees with the Department of Financial Regulation:

*Increases in medical and pharmacy prices are responsible for virtually the entire increase in FY24 premiums, with higher commercial rates charged by hospitals being the most significant factor.*

The year before, it was essentially the same message:

*This year, medical inflation, particularly higher hospital budgets and Rx price increases, accounted for approximately three-quarters of what BCBSVT estimated would be needed to cover FY23 expenses.*

I want to reiterate, too, important points Susan Ridzon, Executive Director of HealthFirst, proffered in her public comments on this matter: *Continued hospital budget growth is unsustainable for Vermonters so it's imperative that we work toward a more efficient system that is free of unnecessary administrative costs, waste, and low value and avoidable care.*

To be more pointed on the question of sustainability and cost efficiency, the funding needed in the long term to achieve these objectives and to lower hospital prices is already “baked” into the health care system, but in the wrong ways. As you know, analysts at Mathematica concluded that **22% to 37%** of **combined inpatient and emergency room revenue** at Vermont hospitals is **potentially avoidable**. This is a staggering sum of misspent money, even at the low end of “potentially avoidable.” Additionally, the Berkely Research Group has determined that **emergency room care** is the source of **more than 60 percent** of acute care volume at Vermont's hospitals.

These shocking percentages also circle us back to longstanding workforce, affordability, and access crises in community care. Patients who can't find, easily access, or afford care in community settings will inevitably wind up in a hospital ward or emergency room where they don't need to be and incur, along with their employers, Medicaid or Medicare, much higher bills. The State of Vermont is wasting, conservatively, hundreds of millions of health care dollars every year because it is trapped, by design, in a grossly expensive, hospital-dominated system where high-cost specialty care and margin drive mission. It doesn't have to be this way. Indeed, as you learned recently from presentations by Chris Whaley (RAND), Marilyn Bartlett (NASHP) and Christine Deacon (health policy expert with VerSan Consulting), which addressed reference-based pricing for hospital care benchmarked to Medicare rates, there are striking discrepancies in what certain hospitals are now being reimbursed by commercial payers and their lower "breakeven" points in relation to actual expenses.

Compelling our hospitals to live within the reasonable and rational parameters of your FY2024 Budgetary Guidance is a critical step to setting them – and our health care system – on a path ultimately to innovative payment and care delivery reforms that will serve the public interest and have primary care, prevention, and population health as its foundation.

Thank you for your considerable efforts on behalf of Vermonters and our health care system.

Sincerely,

Mark Hage  
Director of Member Benefit Programs  
Vermont-NEA