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**Name**

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Vermont Education Health Initiative

**Town/City**

Berlin, Vermont

**Topic**

Hospital Budgets

**Comment**

The Vermont Education Health Initiative

Vermont School Boards Insurance Trust / Vermont-National Education Association

August 15, 2022

Jessica Holmes

Interim Chairperson

Green Mountain Care Board

Dear Chairperson Holmes:

The Vermont Education Health Initiative is the largest, self-insured, private insurance risk pool in Vermont, serving approximately 36,000 school employees, active and retired, and their dependents. Overwhelmingly, our active subscribers are employed by public schools. Every public school, in fact, is a member of VEHI, as is the Vermont State Teachers' Retirement System. Several private schools are also members.

We are writing because of the rate increases requested in FY23 by Vermont's hospitals, of which the most shocking are the commercial effective rates attributed to the University of Vermont Medical Center (19.9 percent) and Central Vermont Hospital (14.4 percent). No fewer than 9 hospitals by our count have submitted double-digit rate increases.

These rate proposals cannot be allowed to stand. If approved, hospital budgets would climb from approximately \$2.972 billion (FY22) to \$3.275 billion dollars (FY23), of which nearly \$1.7 billion would come out of the pockets of the commercially insured. This amounts to a budget increase in excess of 10 percent in relation to the budgets proposed in FY22. Your All Payer Model budgetary guidance, by way of comparison, calls for hospital budget increases not to exceed 3.5 percent annually. Given current prices, even that standard, if adhered to, will prove costly to schools and school personnel, and to all privately insured Vermonters and their employers. Just the same, your budgetary guidance must constitute a critical and indispensable guardrail in your decision-making. It should not be ignored or minimized in significance for any reason.

We implore you to exercise discipline, foresight, and resolve in your budgetary deliberations and rulings, particularly when it comes to UVMHN and UVMHC. This will require, among other measures, taking a hard look at UVMHN's A-category, bond-rating justification in its rate submission. How critical is an "A rating" now balanced against the public health imperative to provide affordable access to high-quality hospital care and to free up money where possible to expand and strengthen the capacities of community-based care services, like primary care, mental health, and home health? The latter initiative would immensely benefit local communities, families, and schools, and lower unnecessary hospital admissions and expenses. We ask that you raise this bond-rating matter at your budgetary hearings and consider requiring of UVMHN that it concede to a lower, but still responsible, bond rating to meet its medical and social obligations in a more affordable manner.

Neither VEHI nor the public can assess categorically the overall cost effectiveness, quality, and efficiency of UVMHC's stewardship of its operations. Therefore, prior to issuing a decision on UVMHC's budget submission, we call on GNCB to demonstrate to us and to all Vermonters that the state's largest hospital is conducting its medical and financial affairs at the highest level of competency, quality, and efficiency in comparison to other rural, academic medical centers whose services, staffing and infrastructure, financial standing, and medical outcomes justify a detailed comparison with UVMHC.

Turning to the matter of prescriptions, the second largest cost driver for VEHI and other payers, we recommend that you require of hospitals that they speak candidly about the income they earn from the 340B prescription program and, if they are not using this program now to exclusively lower drug costs but, rather, to add to their bottom line, to explain why. Compel the hospitals during your budget hearings to bring greater transparency to their prescription prices and to address the financial and medical ramifications for patients of their 340B programs as currently structured.

Hospital inpatient and outpatient services account for about 55 cents of every claim dollar VEHI expends. Prescriptions eat up another 20 percent. Annual medical inflation is, by far, the leading driver of VEHI premium increases. If proposed hospital budgets for FY23 are approved in their current iteration, our schools and school employees, like everyone else, will be negatively impacted, with absolutely no assurances that things will improve anytime soon, financially speaking or in respect to access to care or its quality. Respectfully, this is unacceptable. Something must change in the order of business where hospitals are concerned, and now is the time to start.

Please be the regulatory "firewall" between hospital management and Vermonters – patients and their families, public- and private-sector employees and employers, and taxpayers – that these times demand and that state statute empowers you to be. Take all necessary, prudent, and responsible measures to keep insurance premiums and health care prices from rising unjustifiably and dramatically because of proposed hospital budgets.

Sincerely,

Mark Hage, VEHI Trust Administrator/Vermont-NEA  
Bobby-Jo Salls, VEHI Trust Administrator/Vermont School Boards Insurance Trust  
Jon Steiner, VEHI Trust Administrator/Vermont School Boards Insurance Trust