

18 V.S.A. Section 9456 (8)(Budget Review) requires the Board to : “to consider the extent to which costs incurred by the hospital in connection with services provide to Medicaid beneficiaries are being charged to non-Medicaid health benefit plans and other non-Medicaid payers;”, also known as the cost-shift.

Budget submissions and testimony before the Board underscore the debilitating effects of the cost shift. When asked “when do we hit the breaking point where these structural forces in funding healthcare in Vermont just don’t work anymore?”, one hospital CFO stated “I would say we are there. That we have put our best foot forward in this budget. We have cut discretionary spending to the extent that we can. We have taken out FTEs. And have really demanded that staff take on more responsibility and change some work flows. Unless we see some type of relief, if we are held to living on rate increases due to commercial insurance, we will have to look at programs. And it is as simple as that.”

Further, another hospital CEO testified, “we have been very concerned about the cost shift, and the fact that the only people who are paying this are the private businesses and the folks that are providing health insurance for their folks. The government payers are not participating. And that is unsustainable”. And finally, another hospital CFO testified, “And the next important issue I want to talk about is the cost shift. The cost shift is real and the cost shift is concerning. Nearly every hospital has had the chance to speak with you all about the cost shift and the fact that solving it requires solving some fundamental issues at the root of our health care system.”

Further, during this year’s rate review process, the actuary for Blue Cross Blue Shield was asked about the impact of the cost shift on insurance premiums. He testified, “Yes, we’ve seen that premiums have continued to deteriorate because of the cost shift. We were able to use data that’s published by the Green Mountain Care Board to estimate that 35 percent of all commercial payments to hospitals are due to the cost shift, and, if we were able to fully eliminate the cost shift for Vermont hospitals, premiums would be lower by about 17 percent.”

Yet, despite the above, the Department of Health Access recently informed the Legislature regarding Medicaid that, “In 2021, DVHA will be level funding rates that do not have a federally mandated rule for increase such as FQHC services.”

In view of the above testimony profiling the severe, structural, and deleterious consequences of the cost shift, the Board will not whistle past the graveyard of the cost shift. The Board urges our state leaders during the current and next legislative session to improve the alignment between state funding of Medicaid benefits and providers costs of providing such benefits. Further, and pursuant to 18 V.S.A. Section 9456 (9)(Budget Review) the Board requires by January 1, 2021 that each hospital file with the Board, the Commissioner of the Department of Health Access and the Legislature’s Joint Fiscal Committee an analysis that reflects an annualized reduction in net revenue from commercial payers equal to an anticipated increase in Medicaid rates of three percent.