

## Cost Shift

In 2006, the Legislature in Act 191 created the Cost Shift Task Force. The cost shift occurs when hospitals and other health care providers charge higher prices to patients who have private insurance or no insurance to make up for lower reimbursement from Medicare, Medicaid, charity care, or bad debt. The GMCB is responsible for creating an annual report for the Legislature that describes the cost shift, quantifies its impact, and presents reporting recommendations that include:

- A standard reporting instrument;
- Improvements to physician payer data;
- Distinctions between the amount of Vermont Medicaid and non-Vermont Medicaid payments;
- Increased transparency in reporting on “disproportionate share”—the Medicaid payments to hospitals that serve populations with especially high coverage by Medicaid.

Act 79 of 2013 added a requirement that the GMCB’s annual report include “any recommendations on mechanisms to ensure that appropriations intended to address the Medicaid cost shift will have the intended result of reducing the premiums imposed on commercial insurance premium payers below the amount they otherwise would have been charged.” 18 V.S.A. § 9375(d)(1)(F).

In 2014, the Board found that there were no appropriations of Medicaid to address the cost shift in 2015. The Board’s evaluation included a review of the revenue estimates for each payer, including Medicaid. The following chart (Figure 4) shows the cost shift by payer.

Figure 4: Estimated Vermont Community Hospitals Cost Shift by Payer

Fiscal Year	Medicare	Medicaid	Free Care	Bad Debt		*Commercial Insurance & Other
<b>Actual 2008</b>	\$ 69,003,712	\$ 103,569,366	\$ 23,623,972	\$ 30,252,980	→	\$ 226,450,033
<b>Actual 2009</b>	\$ 73,627,496	\$ 119,979,398	\$ 24,292,187	\$ 32,391,214	→	\$ 250,290,295
<b>Actual 2010</b>	\$ 73,515,988	\$ 138,016,619	\$ 24,806,398	\$ 33,076,863	→	\$ 269,415,868
<b>Actual 2011</b>	\$ 88,399,861	\$ 152,256,740	\$ 25,784,124	\$ 34,331,093	→	\$ 300,771,818
<b>Actual 2012</b>	\$ 68,334,861	\$ 151,931,648	\$ 24,347,367	\$ 39,264,676	→	\$ 283,878,552
<b>Actual 2013</b>	\$ 128,033,776	\$ 105,998,937	\$ 24,685,204	\$ 37,386,222	→	\$ 296,104,139
<b>Budget 2014</b>	\$ 166,065,165	\$ 134,778,449	\$ 25,982,503	\$ 40,263,981	→	\$ 367,090,098
<b>Budget 2015</b>	\$ 175,171,362	\$ 150,394,735	\$ 26,137,170	\$ 41,464,624	→	\$ 393,167,892

Payer values include all hospital and employed physician services.  
 Medicaid values include non-Vermont Medicaid of approximately 5%.  
 \* The amount shifted to commercial insurance and self-pays.

The Medicaid cost shift for hospitals, while slowing in 2013 and 2014, is estimated to increase to \$150,000,000 in 2015. GMCB staff calculations show a significant increase in the Medicare cost shift for 2014 and 2015, largely the result of Medicare reimbursement changes anticipated at the federal level. The Medicare cost shift will total \$175,000,000 in FY 2015. Bad debt and “free care” also contribute to the cost shift, increasing from a total of \$60,000,000 in 2011 to \$68,000,000 in 2015. As seen on the following graph, this portion of the cost shift remained remarkably consistent over the last several years.

Figure 5: Vermont Community Hospitals Cost Shift Trends

