

# Agency of Human Services Office of Health Care Reform

## *Health Care Spending Reduction Report*

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10/1/2025	Health Reform Oversight Committee, Joint Fiscal Committee	Sarah Rosenblum, Interim Director of Health Care Reform	14

## KEY TAKEAWAYS

- **Act 68 of 2025** directs the Agency of Human Services (AHS) to reduce statewide hospital spending by at least 2.5% for hospital fiscal year 2026.
- **Care transformation activities** are underway to ensure financial sustainability, improve access, strengthen the workforce, and improve outcomes. This includes strategic regionalization of services to align with population needs, establishing regional care delivery systems, and fostering partnerships between organizations.
- **Technical assistance provided to hospitals** produced preliminary analyses, including service line reviews, health service needs assessments, service tier definitions, and draft goal statements, which provide a foundation for ongoing transformation planning.
- **Regional convenings** were held in August and September 2025 with hospital leadership from 14 hospitals across five geographic regions. Hospitals have shown strong commitment to collaboration, with priority areas emerging:
  - Improving hospital-to-hospital transfers
  - Expanding shared business and administrative services
  - Redesigning clinical service delivery to improve outcomes, lower costs, and ensure the right care is delivered in the right setting
- **Act 68 Hospital Transformation Grant Opportunity:** AHS launched a \$2 million grant opportunity to support hospital transformation planning and implementation.
- **Enhanced analytics support:** AHS and the Green Mountain Care Board (GMCB) are collaborating to procure a vendor to strengthen modeling capacity. This will allow the state to evaluate hospital proposals in terms of quality, cost, and access, assess alignment with regional and statewide goals, and quantify potential cost savings using evidence-based methods.
- **Near-term next steps:**
  - Continued regular cadence of regional transformation meetings
  - Issuance of grants to hospitals to support hospital and regional transformation planning
  - Issuance of RFP for new analytics vendor

## HEALTH CARE SPENDING REDUCTION CURRENT STATUS

Current Health Care Spending Reduction Efforts <sup>1</sup>				
Context	Specific Intervention	Estimated Associated Impact on Health Care Spending	Estimated Implementation Timing	Status
Short-term Transformation Focus Groups	1) Shared services and consolidation of hospital administration 2) Shifting care to non-hospital providers	Not yet quantified	July-December 2025	Focus groups convened in June and August; work is being incorporated into medium and long-term care transformation and regional planning work.
Act 55 of 2025	Caps on provider-administered drug prices	Estimated \$100M	April 1, 2025	In progress, implemented retroactively to April 1, 2025
Hospital Budget Orders	Green Mountain Care Board budget review for hospital FY 2026	\$94,584,978	October 1, 2025	Budgets were approved September 15 <sup>th</sup> for hospital FY 2026 beginning October 1, 2025.

## BACKGROUND

[Act 68 of 2025](#), an act relating to health care payment and delivery system reform, charged the Agency of Human Services (AHS) with identifying “opportunities to increase efficiency, improve the quality of health care services, reduce spending on prescription drugs, and increase access to essential services, including primary care, emergency departments, mental health and substance use disorder treatment services, prenatal care, and emergency medical services and transportation, while reducing hospital spending for hospital fiscal year 2026 by not less than 2.5 percent...”. The Act requires AHS to report on “the proposed reductions that it has approved pursuant to” the reductions in spending and on the “progress in implementing and achieving the hospital spending reductions identified...”.

AHS submitted an [initial report](#) on July 1, 2025; this report provides updates on subsequent work.

## UPDATES ON HEALTH CARE SPENDING REDUCTION EFFORTS

### Short-term Transformation Activities (Implementation within one year or less)

From March to July 2025, AHS, GMCB, the Department of Financial Regulation (DFR), and the Office of the Health Care Advocate met weekly to identify short-term solutions to address affordability and

<sup>1</sup> Savings estimates are not mutually exclusive; some strategies overlap, are co-dependent, and may be realized on different time scales (hospital fiscal year vs. calendar year). Reported amounts should be interpreted accordingly.

access challenges in Vermont. In anticipation of double-digit commercial premium rate increases and reductions in federal financial support for health care, the state convened leaders from across Vermont's health care system to identify strategies for short-term cost savings. Following a series of workgroup meetings, providers presented proposals to the State on June 30<sup>th</sup>. AHS is working to advance two key strategies that emerged from these conversations: 1) shifting care to non-hospital providers, and 2) shared services and consolidation of hospital administration.

AHS is addressing these topics through targeted initiatives and integration into medium and long-term transformation planning, covered in the next section. For example, the proposal focused on shifting care to non-hospital providers identified increasing hospice and palliative care as a critical strategy to reduce costs and improve patient experience. In late August 2025, AHS convened a group of provider representatives, including home health agencies, hospitals, and a Federally Qualified Health Center to assess challenges and opportunities. This group highlighted many existing innovative initiatives already underway and underscored the need to align and elevate these efforts within the broader care transformation process. The AHS Health Care Reform team is working in partnership with the Department of Disabilities, Aging and Independent Living to identify next steps. Importantly, in early regional transformation meetings, hospitals also identified the need to strengthen community-based services, including hospice, highlighting the opportunity to advance this work through regional transformation planning and implementation. Progress and opportunities related to shared services are described in more detail below.

### Medium- and Long-term Transformation Activities (Implementation within one-to-three years, and three or more years, respectively)

Building on Act 167 and the Community Engagement Report issued by the GMCB, AHS, as directed by Act 51 of 2022 and Act 68 of 2025, is continuing to advance hospital and health system transformation efforts to ensure Vermonters receive timely, accessible, and affordable care. Priorities for care transformation include:

1. Transforming the health system to ensure cost sustainability, workforce retention and growth, improved patient access, and better care outcomes.
2. Designing strategic regionalization of services to align with population needs, establishing regional care delivery systems, and fostering partnerships between organizations.
3. Maintaining access to essential local services.

#### *Hospital Transformation Planning and Technical Assistance*

Over the summer, AHS, supported by the Rural Health Redesign Center (RHRC), continued to engage all 14 Vermont hospitals in analysis and planning discussions. Key outputs from this work included:

- **Hospital Service Line Analysis:** Evaluating performance, expenses, growth potential, and financial contributions.
- **Health Service Need Assessments:** Analyzing population health demographics and needs across geographic areas.

- **Service Tier Definitions:** Establishing a framework for critical community services, regional accessibility, and state-level specialized services.

From these analyses, draft hospital and regional strategies were identified and shared with hospital leadership for review and discussion.

AHS identified a need to integrate regional and hospital transformation planning into a more aligned, responsive, and efficient process that reflects the needs of hospitals and other stakeholders. As part of this, the Agency concluded the engagement with the RHRC. The Agency appreciates the contributions RHRC has made to Vermont's work this year and is grateful for their collaboration with hospitals during this period. Importantly, the work completed with RHRC and hospitals will serve as a foundation that the Agency will continue to build upon. This change has been communicated to hospital leadership and other key stakeholders.

The AHS Health Care Reform team will serve as the primary lead for convening and transformation planning moving forward. To continue to support hospital and regional transformation activities, the Agency will provide resources, through grants and robust analytic supports, to assist hospitals with their planning efforts in a way that enables hospitals to operationalize transformation goals and align with overall system needs.

### ***Regional Convenings***

In August and September, the Health Care Reform and Blueprint for Health teams began convening hospital leadership teams in five geographic regions for discussions on regionalization opportunities. During the meetings, hospital leaders expressed strong commitment to transformation work and openness to partnership opportunities across a range of topics. Three strategic focus areas for hospitals and regions have emerged include:

1. **Hospital to Hospital Transfers:** Effective hospital to hospital transfers are critical for managing capacity and acuity, maintaining continuity of care, improving patient outcomes, and managing costs and resource allocation within the healthcare system.
2. **Shared business/administrative/purchasing opportunities:** Sharing essential non-clinical support, such as billing, human resources, IT, training systems, etc., present a considerable opportunity for increased focus on patient care, improving efficiencies and economies of scale, and can help independent organizations navigate the challenging landscape.
3. **Clinical Services Delivery Redesign:** The goal of clinical services redesign is to ensure "the right resources reach the right patient in the right place at the right time." Redesign will improve outcomes of care by changing how services will be enhanced for a specific population within a regional geographic area. By addressing health system organization, clinical pathways, information and transportation infrastructure, and provider collaboration, redesign can lead to improved patient outcomes, reduced costs, and standardized quality of care.

Two major structural themes have consistently emerged from discussions with hospital leadership: emergency transportation systems and interoperability. Regional meetings have repeatedly identified these areas as critical opportunities to enhance efficiency, sustainability, and cost savings. Advancing statewide strategies that align with existing initiatives would not only strengthen these systems but also help hospitals address the substantial expenses associated with hospital-to-hospital transfers.

Additionally, every conversation has underscored the need for regulatory and payment reform, with particular emphasis on establishing a statewide mechanism to address antitrust concerns. The group continues to evaluate the most effective approach to achieve this. Such a mechanism would enable hospitals and regions to initiate and accelerate clinical service delivery redesign and realize related cost-saving opportunities.

The Agency is continuing to convene hospital leadership regularly to support the development of hospital and regional transformation plans. Simultaneously, the Agency is engaging in conversations relevant to hospital-to-hospital transfers with Dartmouth Hitchcock Medical Center and University of Vermont Medical Center as well as established collaboratives, such as the New England Collaborative Health Network.

The conversations are designed to identify opportunities and build consensus on shared goals among hospitals, with the aim of advancing operational and clinical efficiencies while maintaining or improving care outcomes for their communities. They are also informing Vermont's application to the HR.1 Rural Health Transformation Program—a unique, one-time opportunity to secure federal funding in support of these efforts.

While initial conversations are focused on hospitals, additional participants will be included as priorities are identified, and regional goals take shape.

### *Act 68 Grant Opportunity*

Act 68 allocated \$2 million to AHS to award grants to hospitals in state fiscal year 2026 that, “actively participate in health care transformation efforts to assist them in building partnerships, reducing hospital costs for hospital fiscal year 2026, and expanding Vermonters’ access to health care services, including those delivered via telehealth.” To support these goals, on September 22, 2025, the Agency launched the [Hospital Transformation Grant Opportunity](#) to provide funding to Vermont hospitals to advance the development and implementation of hospital and regional transformation plans.

Successful applicants must report on the development of their transformation plan at three stages throughout the grant award period: Draft Strategies Outline, Draft Plan, and Final Plan. AHS will review and approve the transformation documentation at each phase. The initial Strategies Outline is due on October 10<sup>th</sup> and asks hospitals to identify which strategic priorities each hospital proposes for further development. The outline will help the Agency identify additional required inputs and support the application process for the H.R.1 Rural Health Transformation Program.

### *Analytics Support*

AHS, in collaboration with the GMCB, is developing a Request for Proposals (RFP) to procure additional analytic support for transformation planning, an area of need that hospitals have also identified. This capacity is critical to enable AHS to assess proposed changes from hospitals and evaluate their potential impact on quality, cost, and access in the context of regional and statewide goals. As hospital and regional transformation plans are developed, the vendor will play a key role in quantifying potential cost savings. This support will allow for robust modeling and scenario planning, drawing on evidence-based practices and national standards to inform transformation efforts.

### *Primary Care Transformation*

In spring 2025, the state invited primary care practices to apply for technical assistance to strengthen financial sustainability, workforce recruitment, population health strategies, and technology. AHS received strong interest, with 25 applications submitted. Based on these applications and other developments with federal, state, and payer partners, the Agency has gained a deeper understanding of the financial and operational support primary care practices may need. Because the demand exceeds the scope of our existing contract, the Agency is adjusting its approach. The Blueprint for Health will now seek to procure technical assistance specifically aimed at enhancing the financial and operational sustainability of primary care organizations.

## Closing

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AHS remains committed to transparently communicating initiatives that reduce spending and improve affordability for Vermonters, consistent with the intent of Act 68. While not all savings are immediately measurable—particularly those tied to care delivery changes or population health investments—the Agency is working to track progress where possible and to build the analytic capacity needed to model longer-term impacts. We will continue regular check-ins with legislative partners to ensure this report evolves to meet both the intent of Act 68 and the state’s broader health care reform goals.

## Appendix: Timeline of Hospital Care Transformation Initiatives

AHS Hospital Care Transformation Activities	2025												2026					
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Kick-off meetings with each hospital, hospitals submit data																		
On-site visits with each hospital to discuss early data & needs																		
Health Care Regional Transformation Planning Meetings																		
Contractor technical assistance to support hospital service line analysis, health service needs assessments, and tiering of services																		
Regional hospital transformation meetings																		
Development of hospital and regional transformation plans, supported by Act 68 Grants																		
Application for CMS Rural Health Transformation Fund (RHTF), part of H.R.1																		
Procurement of vendor support to enhance analytics capacity and modeling																		