

Agency of Human Services Office of Health Care Reform

Health Care Spending Reduction Report

REPORT DATE:	SENT TO:	SENT FROM:	STAFF HOURS SPENT PREPARING THIS REPORT:
1/1/2025	Health Reform Oversight Committee, Joint Fiscal Committee	Sarah Rosenblum, Interim Director of Health Care Reform	5

KEY TAKEAWAYS

- **Act 68 of 2025** requires that the Agency of Human Services (AHS) identify ways to improve efficiency, care quality, and access to essential health services while reducing 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.
- **Regional convenings** with hospital leadership were held in December to establish understanding of transformation planning requirements and initiate regional transformation planning by defining strategies and workstreams at the state, regional and hospital level.
- **Act 68 Hospital Transformation Grant Opportunity:** AHS launched a \$2 million grant opportunity to support hospital transformation planning and implementation. All hospitals are engaged and working toward full grant agreements, with one hospital still negotiating specifics of their award. All hospitals have begun transformation planning.
- **Enhanced analytics support:** Vendors are under review to deliver advanced analytics, aligned with the specific supports required to advance transformation goals through data-driven decision-making.
- **Near-term next steps:**
 - Creation of Regional and Hospital Transformation Plans
 - Distribution of Grant money to Hospitals for Supporting Transformation Planning at the Hospital and Regional Levels
 - Finalization of analytical and technical assistance support for providers across the continuum

HEALTH CARE SPENDING REDUCTION CURRENT STATUS

Current Health Care Spending Reduction Efforts ¹				
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 quantified	Ongoing	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	January 1, 2026	Not yet implemented.
Hospital Budget Orders	Green Mountain Care Board budget review for hospital FY 2026	\$94,584,978	October 1, 2025	Budgets were approved September 15 th 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...”.

UPDATES ON HEALTH CARE SPENDING REDUCTION EFFORTS

Transformation Activities

Building on Act 167 (2022) and the Community Engagement Report issued by the GMCB, AHS, as directed by Act 51 of 2023 and Act 68 of 2025, is continuing to advance hospital and health system

¹ 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.

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.

Regional Convenings

In December, the Health Care Reform and Blueprint for Health teams convened hospital leadership for region-specific meetings focused on discussing the hospital and regional transformation planning process, determining the priorities and opportunities for their communities, and beginning the process of setting regional transformation goals.

Workstream-specific meetings continue to convene, aimed specifically to advance opportunities identified from regionalization conversations (i.e., regulatory and legal, interoperability, statewide EMS and inpatient capacity). Many of these regionalization themes informed components of Vermont's H.R.1 Rural Health Transformation Program Application.

As part of the Acuity, Capacity, and Transfer Management workstream, AHS, in partnership with EMS providers and hospitals, is working towards specific, actionable recommendations to be considered at the State, Region, Tertiary, and CAH/rural hospital level to help ensure that Vermonters have access to the care they need—close to home and when they need it most. Assessment of implementation steps has begun for this body of work including governance needs, staffing plans and monitoring and adaptation frameworks.

These projects will be included in hospital transformation plans and regional plans as appropriate with the intention to prioritize for implementation as resources become available and hospital plans align.

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, 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.

As of December 22, all eligible hospitals have submitted applications with the majority (12 out of 13) receiving notice of award and continuing through the grant agreement process. The remaining hospital is engaging with AHS to refine their applications and ensure alignment with transformation goals. These grants are progressing toward being fully awarded with executed grant agreements in the near future.

All hospitals have started the transformation planning process and have been provided with templates and clear instructions for plan creation. Final plans are anticipated for early 2026.

Analytics Support

AHS staff are currently evaluating what the right vendor(s) are to provide technical assistance and analytical support to ensure that optimal resources are accessible to hospitals and all providers across the continuum of care to support data-driven decision making throughout the transformation process. It is critical that resources to support both predictive modeling at the system-level and project-level monitoring and evaluation support are available to all entities involved in this important work.

Primary Care Transformation

In early 2026, Blueprint plans to provide financial technical assistance to primary care practices. This Primary Care Technical Assistance provides an opportunity to bolster practices that have expressed concern about financial sustainability or have demonstrated indicators of financial risk. The purpose of this offering is to provide consultative expertise, tools, and training to improve financial sustainability, navigate complex payment systems, build capacity to improve overall operations, and recognize opportunities for cost efficiency and containment in Primary Care.

The Blueprint for Health has also engaged in early design work to model programs which can leverage potential federal RHTP and/or AHEAD model funding to enhance the foundational Blueprint medical home model. Vermont's federal H.R.1 Rural Health Transformation Program Application proposed strengthening primary care through developing the primary care workforce, building enhanced team-based care models, continuing to integrate holistic treatment and supports for mental health and substance use, incentivizing access, promoting collaboration between primary care and specialty providers, and enhancing practice capabilities to manage and monitor chronic conditions with technology.

CLOSING

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																		
AHS-led regional hospital transformation meetings																		
Development of hospital and regional transformation plans, supported by Act 68 Grants																		
Procurement of vendor support to enhance analytics capacity and modeling																		
Application for CMS Rural Health Transformation Fund (RHTF), part of H.R.1																		