Agency of Human Services Office of Health Care Reform

Health Care Spending Reduction Report

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8/1/2026	Health Reform Oversight Committee and Joint Fiscal Committee	Eli Hawgood, Health Reform Portfolio Director	4

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** have resulted in each geographic region identifying collaborative goals that will facilitate the expansion of this work into the larger health system.
- **Act 68 hospital transformation grant opportunity**: AHS launched a $2 million grant opportunity to support hospital transformation planning and implementation. All eligible hospitals have fully executed grant agreements and have submitted final transformation plans.
- **Technical assistance and enhanced analytics support**: Vendors are in place to provide technical assistance and analytical support for transformation work. This will 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.
- **Near-term next steps:**
    - Monitor process metrics related to affordability, access, quality and equity to ensure work is moving us in the desired direction.
    - Continuing to add new active initiatives to transformation work from hospitals and other provider groups.
    - Connect transformation initiatives to funding supports like Rural Health Transformation Funding.

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 2025; 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	~ $119,000,000	January 1, 2026	Implemented.
Hospital Budget Orders	Green Mountain Care Board budget review for hospital FY 2026	$94,584,978	October 1, 2025	Budgets were approved September 15th 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…".

Earlier iterations of this report can be found on the Health Care Reform website.

[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.

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 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

Geographic regional convenings, led by the Health Care Reform and Blueprint for Health teams, have brought together hospitals, primary care providers, designated agencies, home health and hospice organizations, emergency medical services, and other community partners to establish shared priorities and goals and work towards implementation.

- **Northeast:** Regional partners are expanding shared services and building on the success of NEK Prosper to strengthen cross-sector collaboration, better coordinate care, address health-related social needs, and maximize limited regional resources. These efforts support Act 68's emphasis on integrated, community-based care and more efficient service delivery.
- **Northwest:** Hospitals and community partners are redesigning care delivery to ensure patients receive care in the most appropriate setting by shifting services from tertiary care to community-based, outpatient, and primary care settings where appropriate. This work advances Act 68 by improving access, reducing unnecessary utilization of high-cost services, and strengthening the role of primary care.
- **Southeast:** Organizations are developing a more coordinated behavioral health system by strengthening partnerships among hospitals, mental health providers, primary care practices, and community organizations. Improving access to integrated mental health and substance use services supports Act 68's goals of expanding access to care, improving health outcomes, and better coordinating services across providers.
- **Southwest:** Regional partners are expanding the use of hospice and palliative care to ensure patients receive goal-concordant care in the most appropriate setting while improving support for families and caregivers. These efforts contribute to Act 68 by enhancing quality of care, reducing avoidable hospital utilization, and improving the patient experience.
- **Central Vermont:** Partners are strengthening collaboration across primary care, hospitals, home health, behavioral health, aging services, and community organizations to improve preventive care, chronic disease management, and care transitions. This work advances Act 68 by improving population health, supporting earlier intervention, and reducing preventable emergency department visits and hospitalizations.

Act 68 Grant Opportunity
Act 68 allocated $2 million to AHS to award grants to hospitals in state fiscal year 2026. The grants are to support hospitals 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." On September 22, 2025, the Agency launched the Hospital Transformation Grant Opportunity to advance the development and implementation of hospital and regional transformation plans.

All eligible hospitals are participating in this grant opportunity and have submitted final transformation plans. As of the time of this report, many hospitals have begun work on grant funded projects including service line analyses that will contribute to determination of future initiatives to support transformation.

Hospital Transformation Plans
All hospitals have submitted transformation plans containing focused initiatives that are ready for implementation in CY2026. Common themes emerging across the plans include expanding shared services to create back-end efficiencies, shifting care to more appropriate lower-cost settings, optimizing care delivery and resource allocation, and restructuring service profiles to improve quality, access, and long-term financial sustainability. Rural Health Transformation Program (RHTP) funding opportunities are serving as an important catalyst for many of these initiatives by providing targeted investments that support implementation of hospital transformation plans as well as complementary regional and statewide transformation activities. Individual hospital initiatives have been shared and can be referenced here.

Analytics Support
AHS staff have vendors in place to provide technical assistance and analytical support. These supports are beginning to roll out to hospitals and provider groups and will ensure that optimal resources are accessible 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 are available to all entities involved in this important work.

Primary Care Transformation

The Blueprint for Health is advancing a proposal for a phased payment model to support Vermont's transition to a more sustainable, outcomes-focused primary care system. Developed in collaboration with providers, payers, and state partners, the model pairs upfront practice investment with phased performance-based payments tied to quality, access, and health outcomes while reducing reliance on time-limited Rural Health Transformation Program (RHTP) funding.

What this means for Vermonters

- Faster access to primary care for both new and existing patients.

- Stronger team-based care that integrates primary care, mental health, substance use treatment, and community-based services.
- Greater use of evidence-based care pathways for chronic conditions.
- More procedures and services provided in primary care settings, reducing unnecessary specialty referrals, travel, wait times, and overall health care costs.

What this means for providers

- More stable, sustainable payment that supports comprehensive primary care.
- Upfront resources to expand care teams, improve access, and strengthen care coordination.
- Performance incentives focused on outcomes rather than service volume.
- Greater alignment across payers and reduced administrative complexity.

Rural Health Transformation Program Update

- Primary care Notices of Funding Opportunity (NOFOs) have closed and Blueprint is currently selecting awardees and executing grant agreements.
- RHTP investments will support workforce development, technical assistance, learning collaboratives, implementation supports, and mental health gap closure initiatives.
- Transitional funding is supporting Mental Health/Substance Use Disorder (MH/SUD) integration and Community Health Worker (CHW) capacity while long-term financing strategies are finalized.

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 Activities

AHS Hospital Care Transformation Activities	2025							2026									
Activity	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct
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								Draft plans due		Final plans due							
Procurement of vendor support to enhance analytics capacity and modeling																	
CMS Rural Health Transformation (RHT) Program, part of federal H.R.1						App. closes	CMS funding awarded										
Implementation and monitoring of transformation initiatives																	