# REPORT TO THE HOUSE COMMITTEE ON HEALTH CARE, THE SENATE COMMITTEE ON HEALTH AND WELFARE, THE SENATE FINANCE COMMITTEE, AND THE HOUSE AND SENATE COMMITTEES ON APPROPRIATIONS ON

# THE TOTAL AMOUNT OF ALL EXPENSES ELIGIBLE FOR ALLOCATION PURSUANT TO 18 V.S.A. §§ 9374(H) AND 9415 DURING THE PRECEDING STATE FISCAL YEAR AND THE TOTAL AMOUNT ACTUALLY BILLED BACK TO THE REGULATED ENTITIES DURING THE SAME PERIOD

GREEN MOUNTAIN CARE BOARD AND
VERMONT DEPARTMENT OF FINANCIAL REGULATION

September 16, 2013

Submitted by
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Section 37c of Act 79 of the Acts of 2013 requires that no later than September 15th, the Vermont Department of Financial Regulation (Department) and the Green Mountain Care Board (Board) submit a report regarding: "**the total amount of all expenses eligible for allocation pursuant to 18 V.S.A. §§ 9374(h) and 9415 during the preceding state fiscal year and the total amount actually billed back to the regulated entities during the same period.**" This report must be submitted to the House Committee on Health Care, the Senate Committees on Health and Welfare and on Finance, and the House and Senate Committees on Appropriations. The Department and the Board must also present this information to the Joint Fiscal Committee at its September meeting.

*Background*

The initial authorizing legislation for this bill back was passed in 1996 to support the activities of the Health Care Authority (HCA). When the HCA moved into the Vermont Department of Banking, Insurance, Securities and Health Care Administration (BISCHA), the authority for this bill back transferred to BISHCA (now the Department). Act 171 of the Acts of 2012 authorized the Board to bill back to hospitals and insurance carriers costs of certain activities related to health care system oversight. 2012, No. 171 (adj. sess.), § 5. Accordingly, prior to the 2013 legislative session, Vermont law provided that "[e]xpenses incurred to obtain information, analyze expenditures, review hospital budgets, and for any other contracts authorized by" the Department or the Board "shall be borne as follows:"

- 40% by the State;
- 15% by the hospitals;
- 15% by nonprofit hospital and medical service corporations; and
- 15% by health insurance companies, and 15% by health maintenance organizations.

18 V.S.A. §§ 9374(h)(1) & 9415(a).

In the February 1, 2013 "Report on How Hospitals and Health Insurers Finance Regulatory Activities,"[1] the Department and the Board explained that they have not been charging the full 60 percent burden of the regulatory processes described in statute. In recent years, the annual amount has ranged from $395,000-$650,000, which did not cover the allowable amount. Because of this, the Legislature requested in Act 79 that the Department and the Board report on what was billed back each year and why, if applicable, the Department and the Board did not charge the full 60 percent burden. 2013, No. 79 (adj. sess.), § 37c. Act 79 also added statutory language that affords the Board and the Department discretion over the scope and the amount of the bill back. *See* 18 V.S.A. § 9374(h)(2) ("The Board may determine the scope of the incurred expenses to be allocated pursuant to the [above] formula . . . if, in the Board's

[1] This report is found here: http://gmcboard.vermont.gov/sites/gmcboard/files/Billback_Rpt_020113.pdf

discretion, the expenses to be allocated are in the best interests of the regulated entities and of the State."); 18 V.S.A. § 9415(b) (same language for the Department). Finally, Act 79 expanded the scope of the bill back to include funding for the office of the Health Care Advocate and for staffing related to the publication of the hospital community reports required by 18 V.S.A. § 9405b. 2013, No. 79 (adj. sess.), §§ 37d, 50(c). Those changes are in effect for FY14 and do not affect the numbers in this report.

*FY13 Bill Back*

In FY13, the Department and the Board billed back for $395,117. All of the regulatory activities eligible for bill back exceed $3 million annually, and therefore the regulated entities' full 60 percent share would be at least $1.8 million. The Department and the Board, however, determined that the industry should not bear the full 60 percent burden of the regulatory processes spelled out in statute, recognizing that any additional burden to hospitals and insurance carriers will be passed through to Vermont's small businesses and consumers. Further, the Board and the Department are committed to limiting the impact of these government programs on Vermonters and sought to maximize other funding sources. In FY13, the Board and the Department received federal grant funding to offset many of these program costs and thereby limit the amount of the FY13 bill back.

The FY13 bill back detail is in Tables 1 and 2 below.

**Table 1: Hospital Budget Assessment FY13**

| Hospital Name | Assessment |
|---|---|
| **Brattleboro Memorial Hospital** | $3,530 |
| **Copley Hospital** | $3,735 |
| **Central Vermont Medical Center** | $6,783 |
| **Grace Cottage Hospital** | $426 |
| **Fletcher Allen Health Care** | $40,313 |
| **Gifford Medical Center** | $2,601 |
| **Mt. Ascutney Hospital** | $923 |
| **North Country Hospital** | $3,137 |
| **Northeastern Vermont Regional Hospital** | $2,700 |
| **Northwestern Medical Center** | $4,612 |
| **Porter Hospital** | $3,346 |
| **Rutland Regional Medical Center** | $13,671 |
| **Southwestern Vermont Medical Center** | $8,080 |
| **Springfield Hospital** | $4,947 |
| **TOTAL** | $98,804 |

*Note that Grace Cottage Hospital, Mt. Ascutney Hospital, Porter Hospital, and Rutland Regional Medical Center all received adjustments in the FY13 assessment due to credits from the prior year's assessments.

**Table 2: Insurance Carrier Assessment FY13**

| Insurance Carrier Name | Assessment |
|---|---|
| **Aetna** | $3,140 |
| **American Heritage** | $68 |
| **Blue Cross Blue Shield of Vermont-Medical Service Corporation** | $98,804 |
| **Blue Cross Blue Shield- TVHP** | $59,387 |
| **CIGNA** | $76,316 |
| **John Alden Life Insurance Company** | $110 |
| **MVP Health Insurance** | $14,756 |
| **MVP- Health Maintenance Organization** | $39,417 |
| **New York Life Insurance Company** | $196 |
| **QCC Insurance Company** | $763 |
| **State Farm** | $274 |
| **United Health Care** | $3,008 |
| **United States Life Insurance Company** | $74 |
| **TOTAL** | $296,313 |