

THE
University of Vermont
 HEALTH NETWORK

December 22, 2023

Green Mountain Care Board
 c/o The Honorable Owen Foster, Chair
 144 State Street
 Montpelier, VT 05602

As required in the Fiscal Year 2024 UVM Medical Center, Central Vermont Medical Center and Porter Hospital budget orders, please accept this document as our plan for reducing costs from what was submitted to the Green Mountain Care Board on June 30, 2023.

Before getting into the details of the plan, we want to highlight two areas where administrative shared service data were used during discussions of our budgets differently than the methods we used to make these calculations.

In the first instance, we believe the assumptions and data we used at the UVM Health Network to perform these calculations for administrative shared services are different than the assumptions and data Board staff used for their calculations and resulting output used in the Board’s budget deliberations presentation on September 13, 2023, which showed the Vermont hospitals’ share of total administrative shared services were \$26.99M over the Syntellis median (slide 17 of the presentation below). Understandably, the Board and staff do not have access to the same data we have at the Network. We know based on our calculations that for the UVM Health Network in total, our FY24 budget is below the median (12.2% vs. 12.7%), so a calculation showing the Vermont hospitals’ share being over is not what we would expect to see.

Shared Admin Services



Shared Administrative Services - VT Share per GPR (84.6%)							
<i>millions</i>	FY24 Budget	Median (OpEx @ FY24 Budget)	Diff \$	Diff %	Median (OpEx @ 2YR Inflation)	Diff \$	Diff %
UVMHN	\$352.12	\$325.13	\$26.99	8.3%	\$303.12	\$49.00	16.2%
UVMHC	\$287.24	\$265.22	\$22.02		\$247.26	\$39.97	
CVMC	\$45.24	\$41.77	\$3.47		\$38.94	\$6.30	
Porter	\$19.64	\$18.14	\$1.51		\$16.91	\$2.73	

Shared Administrative Services - VT Share per FY22 Medicare Cost Reports (77.6%)							
<i>millions</i>	FY24 Budget	Median (OpEx @ FY24 Budget)	Diff \$	Diff %	Median (OpEx @ 2YR Inflation)	Diff \$	Diff %
UVMHN	\$322.98	\$325.13	(\$2.14)	(0.7%)	\$303.12	\$19.87	6.6%
UVMHC	\$263.47	\$265.22	(\$1.75)		\$247.26	\$16.21	
CVMC	\$41.50	\$41.77	(\$0.28)		\$38.94	\$2.55	
Porter	\$18.02	\$18.14	(\$0.12)		\$16.91	\$1.11	

Note: 2YR Inflation is 7% and Median is based on UVMHN's benchmarking data, Syntellis, provided in budget materials

We have attempted to recreate the budget deliberations presentation calculations below. One of the differences is likely that the \$21.1M of non-patient revenue administrative shared services generated were not factored into the budget deliberations presentation calculation. Those non-patient revenues were included on the exhibit we provided on page 45 of our narrative (please see below).

UVM Health Network	FY24 Budget		FY24 Budget FTES			FY24 Budget Salaries		
	Total Expense	Total Other Rev	Total	Management	Staff Other	Total	Management	Staff Other
Shared Administrative Services								
Employee Health	4,077,210	-	26	6	20	2,275,954	586,718	1,689,236
Finance Administration	24,055,548	420,487	161	39	122	15,745,344	6,462,588	9,282,756
HN DEI	4,184,383	22,844	16	6	10	1,853,207	1,055,830	797,377
HN Development	4,620,069	606,457	30	13	18	2,896,109	1,630,047	1,266,063
HN External Relations	9,729,032	-	44	14	30	5,250,630	2,388,221	2,862,410
HN Medical Group Admin	14,248,504	-	37	15	22	5,083,748	3,380,578	1,703,170
HN Medical Staff Admin	3,894,819	26,000	10	5	5	754,638	448,270	306,368
HR Operations	26,547,665	267,700	168	42	126	15,430,566	6,071,038	9,359,527
Legal and Compliance	7,020,774	0	22	6	16	3,085,181	1,256,150	1,829,031
Network Transformation	713,465	-	2	1	1	348,427	222,946	125,481
Quality	14,350,845	12,517	94	21	73	9,986,985	2,703,074	7,283,911
Revenue Cycle	82,398,878	309,020	973	84	889	59,584,765	8,803,695	50,781,070
Shared Services Budget Assumptions	(1,333,288)	-	(98)	-	(98)	(7,911,456)	-	(7,911,456)
Supply Chain	21,372,125	200,425	146	19	127	9,439,040	2,257,134	7,181,906
UVMHN Administration	21,540,831	3,094,995	36	17	19	8,942,211	7,440,653	1,501,558
IT EPIC	28,740,841	10,481	123	7	116	13,207,184	983,465	12,223,719
IT Operations	119,787,382	48,838	331	45	286	34,800,211	7,092,288	27,707,923
IT Other	7,108,241	-	45	8	37	5,637,996	1,427,032	4,210,964
PHSO	23,158,451	16,163,856	154	16	138	13,695,341	1,996,812	11,698,529
Total Shared Administrative Services	416,215,773	21,183,618	2,320	363	1,957	200,106,082	56,206,539	143,899,542

Our calculations indicate that UVMHC, CVMC and Porter’s gross patient revenue makes up 75.1% of the total UVMHN gross patient revenue. With those adjustments, the Vermont hospitals are \$28M under the Syntellis median, which is in line with us being under the median in total as a network.

	FY24 Budgeted Gross Patient Revenue	GPR % of Total	FY24 Budgeted Administrative Shared Service Costs	FY24 Budgeted Non-Patient Revenue Generated by Admin Shared Services	Net FY24 Budgeted Admin Shared Service Costs	FY24 Budgeted Operating Expenses	Operating Expense X Syntellis 12.7% Admin Shared Service Median	Difference Between Budgeted Admin Shared Services and Syntellis Median
UVMHN	\$ 7,473,243,324		\$416,215,775	\$ 21,183,620	\$395,032,155			
UVMHC	\$ 4,700,823,624	62.9%			\$248,483,343	\$ 2,131,689,985	\$270,724,628	\$ (22,241,285)
CVMC	\$ 682,232,116	9.1%			\$ 36,062,471	\$ 303,464,399	\$ 38,539,979	\$ (2,477,507)
Porter	\$ 225,993,336	3.0%			\$ 11,945,902	\$ 120,055,486	\$ 15,247,047	\$ (3,301,144)
Total VT Share	\$ 5,609,049,076	75.1%			\$296,491,717	\$ 2,555,209,870	\$324,511,653	\$ (28,019,937)

Secondly, the budget deliberations presentation pulled out a subset of administrative shared service areas that were over the Syntellis median to make the case that UVMHC, CVMC and Porter had a \$112M opportunity to reduce administrative shared services (slides 18 and 19 from the presentation below). This conclusion did not include the other areas that are below median, which bring total administrative shared services below the median.

The strategic priorities of an organization, local market factors, where a network may be in their journey towards standardized IT systems, and other factors determine how we prioritize specific components of the overall administrative shared service expenses. What is most important is that in total, they are driving towards being as cost effective as possible. UVMHN’s human resources, IT and revenue cycle costs are higher than other administrative shared services areas due to a number of factors, including the following:

- The workforce challenges in our region are greater than many other parts of the country (see New York Times [article](#)), requiring us to invest more in recruitment and retention efforts, which has a return on investment by reducing our reliance on contract labor.
- Being a relatively young network, we are still working through standardizing our systems. The main driver behind the higher IT costs is that we have more applications than other organizations; we are focused on reducing the number, but that will take time and resources.
- The constantly changing payer policies and complex payer environment in Vermont requires us to invest more than many other organizations to collect the money we are due. This has had a positive return on investment, as our revenue cycle collection metrics are at the higher end of Epic benchmarks. We would like to work with the Green Mountain Care Board, the Department of Vermont Health Access, and the State of Vermont to reduce controllable revenue cycle expenses.

Shared Admin Services



Admin Services (millions)	Shared Admin (UVMHN Total)	Shared Admin (VT Share)	Median (%)	Median (\$)	VT Share vs. Median (\$)	VT Percentile	VT Share vs. Median (%)	VT Share X of Median
UVMHN (Vermont Share)			77.6%					
Fiscal Services	\$24.1	\$18.7	0.68%	\$17.4	\$1.3	0.73%	7%	1.07
Human Resources	\$30.6	\$23.8	0.47%	\$12.0	\$11.7	0.93%	98%	1.98
Information Technology	\$155.6	\$120.8	2.77%	\$70.9	\$49.9	4.72%	70%	1.70
Revenue Cycle	\$82.4	\$63.9	0.63%	\$16.1	\$47.8	2.50%	296%	3.96
Supply Chain	\$21.4	\$16.6	0.59%	\$15.1	\$1.5	0.65%	10%	1.10
SASO Subtotal	\$314.1	\$243.7	5.14%	\$131.6	\$112.1	9.52%	85%	1.85

Key takeaways

- Despite taking the most conservative assumptions, shared Human Resources, IT, and Revenue remain between double and four times the median, using Syntellis benchmarks (provided by UVMHN)
- If we believe there is room to be more efficient with hospital-specific operating expenses, the denominator used here would be smaller, putting these and other lines items would be further over the median

Shared Admin: UVMHN Opportunity



Allocation (millions)	UVMHC	CVMC	PMC
% NPR/FPP	81.6%	12.8%	5.6%
\$ over Median	\$91.48	\$14.41	\$6.26

With that additional context, the plan we have developed focuses on administrative shared services. As an organization, we are constantly working to become more efficient in clinical and administrative areas. We have presented data showing we are doing well in both areas but have focused on administrative shared services because we wanted to not just describe a plan, but also to share with you a concrete outcome.

The fact that our relatively young network is already at a reasonable level for administrative shared services is a positive sign, but as we have stated in the past, we are not stopping there. It is expected that within the next three years we will complete the standardization of our IT systems, which will create additional efficiencies. We have opportunities to optimize how we use Epic to reduce costs, and we are continuing to implement and explore new artificial intelligence and robotic process automation technologies. When we submitted our budget at the end of June, we were not far enough along in implementing these new pursuits to include the cost savings in our budget. That is still the case today, but as a bridge to that point, we have made some reductions that are not ideal, but will hopefully show our commitment to reducing costs. We fear that the reductions will stress our already very stretched teams even further and potentially lead to some customer service issues, as detailed at the end of this communication.

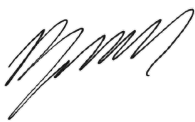
The chart below shows that we have eliminated \$19.1M, or 4.8%, in administrative shared service costs from the original budget we submitted at the end of June. The reductions impacted all areas. The Vermont hospital reductions are \$17.4M, or 5.5%. To give you some confidence that this is not just a budget exercise, October and November results have us below this revised budget. \$2M of this reduction is from increased administrative shared service-related revenue generation, \$8M is from FTE reductions (137 FTEs – the vast majority of which are unfilled positions that are no longer being recruited) and \$9M is from non-personnel reductions, primarily coming from purchased service, IT software, small equipment and travel. This revised administrative shared service budget of 11.6% puts us even further below the Syntellis median of 12.7%. These revised budget amounts for the Vermont hospitals have been loaded into Adaptive.

	Original Budget			Revised Budget			\$ Difference From Original to Revised Budget	% Difference From Original to Revised Budget
	FY24 Budgeted UVMHN Administrative Shared Service Costs	FY24 Budgeted UVMHN Non-Patient Revenue Generated by Admin Shared Services	Net FY24 Budgeted UVMHN Admin Shared Service Costs	FY24 Budgeted UVMHN Administrative Shared Service Costs	FY24 Budgeted UVMHN Non-Patient Revenue Generated by Admin Shared Services	Net FY24 Budgeted UVMHN Admin Shared Service Costs		
Employee Health	\$ 4,077,210	\$ -	\$ 4,077,210	\$ 3,942,354	\$ -	\$ 3,942,354	\$ (134,856)	
Finance Administration	\$ 24,055,548	\$ 420,487	\$ 23,635,061	\$ 23,409,600	\$ 458,487	\$ 22,951,113	\$ (683,948)	
HN DEI	\$ 4,184,383	\$ 22,844	\$ 4,161,539	\$ 3,393,259	\$ 22,844	\$ 3,370,415	\$ (791,124)	
HN Development	\$ 4,620,069	\$ 606,457	\$ 4,013,612	\$ 4,351,940	\$ 606,457	\$ 3,745,483	\$ (268,129)	
HN External Relations	\$ 9,729,032	\$ -	\$ 9,729,032	\$ 8,985,688	\$ -	\$ 8,985,688	\$ (743,344)	
HN Medical Group	\$ 14,248,504	\$ -	\$ 14,248,504	\$ 13,022,314	\$ -	\$ 13,022,314	\$ (1,226,190)	
HN Medical Staff Admin	\$ 3,894,819	\$ 26,000	\$ 3,868,819	\$ 3,760,671	\$ 26,000	\$ 3,734,671	\$ (134,148)	
HR Operations	\$ 26,547,665	\$ 267,700	\$ 26,279,965	\$ 26,844,947	\$ 267,700	\$ 26,577,247	\$ 297,282	
Legal and Compliance	\$ 7,020,774	\$ -	\$ 7,020,774	\$ 6,664,128	\$ -	\$ 6,664,128	\$ (356,646)	
Network Transformation	\$ 713,465	\$ -	\$ 713,465	\$ 706,409	\$ -	\$ 706,409	\$ (7,056)	
Quality	\$ 14,350,845	\$ 12,517	\$ 14,338,328	\$ 14,122,561	\$ 12,517	\$ 14,110,044	\$ (228,284)	
Revenue Cycle	\$ 82,180,413	\$ 309,020	\$ 81,871,393	\$ 78,481,156	\$ 255,020	\$ 78,226,136	\$ (3,645,257)	
Shared Services Budget Adjustments	\$ (1,333,288)	\$ -	\$ (1,333,288)	\$ 916,516	\$ 1,016,874	\$ (100,358)	\$ 1,232,930	
Supply Chain	\$ 21,372,125	\$ 200,425	\$ 21,171,700	\$ 20,998,830	\$ 200,425	\$ 20,798,405	\$ (373,295)	
UVMHN Administration	\$ 21,540,831	\$ 3,094,995	\$ 18,445,836	\$ 20,547,286	\$ 3,094,995	\$ 17,452,291	\$ (993,545)	
							\$ -	
IT Epic	\$ 28,740,841	\$ 10,481	\$ 28,730,360	\$ 28,132,218	\$ 10,481	\$ 28,121,737	\$ (608,623)	
IT Operations	\$120,005,847	\$ 48,838	\$ 119,957,009	\$112,634,623	\$ 102,838	\$ 112,531,785	\$ (7,425,224)	
IT Other	\$ 7,108,241	\$ -	\$ 7,108,241	\$ 6,767,037	\$ -	\$ 6,767,037	\$ (341,204)	
							\$ -	
PHSO	\$ 23,158,451	\$ 16,163,856	\$ 6,994,595	\$ 21,493,290	\$ 17,156,227	\$ 4,337,063	\$ (2,657,532)	
Total Administrative Shared Services	\$416,215,775	\$ 21,183,620	\$ 395,032,155	\$399,174,827	\$ 23,230,865	\$ 375,943,962	\$ (19,088,193)	-4.8%
Total UVMHN Expenses			\$ 3,236,317,726			\$ 3,236,317,726		
Admin Shared Services % of Total Expense			12.2%			11.6%		
Vermont Hospitals	\$335,222,029	\$ 17,061,380	\$ 318,160,649	\$319,379,357	\$ 18,650,237	\$ 300,729,120	\$ (17,431,529)	-5.5%

Note: Figures are admin shared service expenses in central and individual hospitals budgets

Please let us know if you have any questions regarding our plan. Thank you.

Sincerely,



Rick Vincent
Chief Financial Officer and Executive Vice President
The University of Vermont Health Network

Potential delays and customer service issues, as mentioned above:

- Service delays for revenue cycle customer service (outbound and inbound calls to and from patients)
- Delays in financial assistance support (financial clearance, exchange and Medicaid enrollment)
- Reduced training for new staff, provider coding guidance, audit and follow-up
- Delays in records release for hospitals and patients
- Inability to absorb revenue integrity work at CVMC (revenue integrity helps ensure appropriate charge capture, identifies inappropriate denials, etc.)
- Reduced tuition assistance budget, which will impact recruitment and retention
- Reduced labor and employee relations staff, at a time when union and employee needs are at the highest point in history
- Reduced HR learning and organizational development roles, which will impact employees' ability to grow and negatively impact retention
- Delays in IT application upgrades
- Reduction in IT system end-user support and training
- Delays in Epic system optimization and implementation of new technologies (AI and RPA)
- Reduced support for workforce and transformation analytics
- Longer turnaround times for Data Management Office (DMO) requests