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August 31, 2016

Al Gobeille
Chair, Green Mountain Care Board
3rd Floor City Center
89 Main Street
Montpelier, Vermont 05620-3601

Re: HCA Comments Hospital Budget Review FY2017

Dear Chair and Members of the Green Mountain Care Board:

The Office of the Health Care Advocate respectfully submits the following comments for your consideration prior to the Board's September 1 meeting. We are still awaiting some information from hospitals and will submit a second set of comments in the coming weeks addressing additional issues that were raised during the budget review process. We are aware that the Board will start making decisions on the hospitals' budgets as soon as this week, so our second set of comments will focus on policy-related issues and recommendations for changes to improve the budget review process for future years.

We understand that there may be instances in which it is appropriate for the Board to allow a hospital to adjust its base budget ("rebase") to reflect its actual financial performance, or to exceed the Board's cap on net patient revenue growth. However, there should be a consistent, systematic process by which the Board decides when and how to rebase a hospital's budget or allow a net patient revenue increase greater than the cap. This process must answer the following questions in regard to the circumstances of the specific hospital:

- 1) What is the current pattern of regional and statewide health care utilization?
 - a. Where and at what rate is utilization increasing, decreasing, and holding steady?
 - b. What areas are underserved?
 - c. Does each community appear to get its health services from the most appropriate settings?
- 2) What factors are contributing to the revenue increase?
 - a. Are these factors beneficial to the overall health care system?
 - b. Are any of the contributing factors preventable by the hospital?
- 3) Are demographic changes such as aging in the community or in-migration factors in the revenue increase?
- 4) If volume increase is a factor in the revenue increase, does the volume increase reflect greater access to high-quality, cost-effective care?

- a. Does the volume increase improve access to care or quality of care for underserved populations?
 - b. If capturing market share from other hospitals in Vermont or in neighboring states is contributing to the volume increase, is that in the best interest of patients? Is it in the best interest of the health care system as a whole?
- 5) What is the hospital doing to prevent overutilization and to ensure that patients receive needed care in the most appropriate settings?
 - 6) How does the rebasing request and/or request to exceed the net patient revenue cap affect the hospital's current year budget?

Additionally, any hospital that the Board approves for rebasing or exceeding the net patient revenue cap in its budget should be required, at a minimum, to continue to provide its current level of community investments as a percent of revenue.

Thank you for your consideration of our comments.

Sincerely,

s/ Kaili Kuiper, Staff Attorney

s/ Lila Richardson, Staff Attorney

s/ Julia Shaw, Health Care Policy Analyst