



April 17, 2017

Green Mountain Care Board
89 Main Street, Third Floor, City Center
Montpelier, VT 05620

Dear Members of the Green Mountain Care Board:

I am writing in response to the Green Mountain Care Board's (GMCB) request of hospitals to suggest approaches to deal with net patient revenue (NPR) generated in fiscal year 2016 that exceeded budgeted NPR. Three options being considered by the GMCB are: a mid-year 2017 rate reduction effective on May 1st, requiring hospitals to reduce the fiscal year 2018 rate increase request by a specific percentage and to have extra fiscal year 2016 NPR be one of the many factors to consider when reviewing the fiscal year 2018 budget. I suggest the best approach is for the extra fiscal year 2016 NPR to be one of many factors to be considered when the GMCB reviews the hospital's fiscal year 2018 budget. I make this suggestion in light of the many unknowns that NVRH and other Vermont hospitals face as we start the fiscal year 2018 budget process. These factors include:

- The Vermont House passed a budget that includes a 20% reduction in Disproportionate Share Revenue to hospitals. That translates to an aggregate \$7.5 million DSH revenue reduction to Vermont Hospitals and a \$350,000 reduction of DSH revenue to NVRH, starting July 1, 2017.
- The amount of additional NPR and additional expenses resulting for the continued in-migration of orthopedic patients from NH hospitals is unknown. From VHCURES data we were able to gauge the magnitude of commercially-insured patients previously receiving services at NH facilities. However the amount of Medicaid and Medicare dollars previously spent in NH from patients in our service area could not be determined. That said, we are aware that number of orthopedic patients with government-sponsored insurance has increased.
- NVRH will invest additional dollars in health care reform activities. These investments may include payments to the Vermont Care Organization and support for the Caledonia and S. Essex Accountable Health Community ACO.
- NVRH has agreed to participate in the All Payer Model Next Generation Risk track starting in 2018. At this time we do not have sufficient details to know what, if any, effect this will have on 2018 NPR.

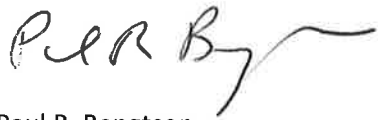
- The Affordable Care Act (ACA) faces an uncertain future. Changes to the ACA that are being considered would significantly increase the amount of uncompensated care Vermont hospitals provide. If the ACA was repealed in its entirety, NVRH and other Critical Access Hospitals would no longer qualify for the 340B program. Loss of the 340B program would reduce our operating margin by \$1.7 million annually

- Other considerations:
 - Will a savings to insurance companies from mid-year rate reductions result in savings to employers and others who actually pay insurance premiums?
 - NVRH has a good track record both in results and working with the GMCB and staff on realistic budgets. We expect to work as a partner with the GMCB to improve health, improve patient experience and keep healthcare affordable to the people we serve.

In summary, there are many unknowns at both the local and federal level that could have a significant effect on NVRH's fiscal year 2018 budget. Therefore, I suggest that fiscal year 2016 NPR in excess of budget be taken into consideration as part of the fiscal year 2018 budget process when we should have more clarity on some of the issues presented above.

I appreciate the GMCB providing hospitals the opportunity to offer suggestions on how best to deal with net patient revenue generated in fiscal year 2016 in excess of budget.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul R. Bengtson", with a stylized flourish at the end.

Paul R. Bengtson
Chief Executive Officer