

EXECUTIVE OFFICE

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Burlington, VT 05401

March 24, 2016

The Honorable Alfred Gobeille, Chair
Green Mountain Care Board
89 Main Street, Third Floor, City Center
Montpelier, VT 05620

Re: FY 2015 budget actuals (UVM Medical Center and Central Vermont Medical Center)

Dear Chairman Gobeille:

I am filing this letter on behalf of the University of Vermont Medical Center (UVM Medical Center) and Central Vermont Medical Center (CVMC), the two Vermont-based members of the University of Vermont Health Network whose budgets are subject to annual review by the Green Mountain Care Board.

Our actual FY 2015 budget performance was different than the budgets that were approved for our two hospitals. Our collective actual performance yielded an increase in net patient revenues (NPR) of 2.8% over the approved amount, or \$29.1 million above the 0.5% variance allowed by the Board's budget enforcement policy adopted by the GMCB in 2013.

As required by the GMCB's budget enforcement policy, we propose to address this departure from the approved NPR levels through rate reductions as well as investments tied to our network's commitment to improving peoples' lives through population health management. That includes developing a population-based payment system that encourages collaboration across the care continuum and strengthens our community-based services to improve patient outcomes and keeps cost increases down over time. Those investments are outlined in more detail below.

BACKGROUND

As you know, budgets are estimates of revenues and expenses in a given year. In FY 2014, both UVM Medical Center and CVMC were very close to their approved budgets (\$2.7 million, or less than one-quarter of 1%, lower than the approved NPR). FY 2015's performance was different for a number of reasons, including:

- Our bad debt and free care was considerably lower than budgeted. This was due, we believe, to the number of people who obtained insurance through Vermont Health Connect or through the Medicaid expansion.

- We provided care to a greater number of patients than expected, due to increased insurance coverage through Vermont Health Connect and the Medicaid expansion and the relatively ineffective flu vaccine.
- While the new Express Care service offered by CVMC helped reduce Emergency Department utilization, it also attracted more patients than anticipated, perhaps reflecting primary care access issues in general.

We also note that while our NPR exceeded our approved budgets, our net margin – excess revenues over expenses, taking into account all sources of income and expense – was \$18 million less than budgeted.

INVESTMENT PROPOSALS

Outlined are three categories of investment that meet our shared goals of supporting health care reform work, both at the system level and the patient service level, and reducing costs for Vermonters.

Investments in Community Needs

Proposals in this investment category are tied to the areas identified in our most recent Community Needs Health Assessment (CHNA) work. While our CHNAs are not yet finalized, preliminary findings from our extensive community outreach reflect consistent themes: the need for more substance abuse and mental health services, the need for affordable housing, and a lack of dental services.

We propose to invest a total of \$12 million into services that address these urgent community needs, including:

- \$3 million to the Champlain Housing Trust to support the development of additional housing for vulnerable individuals;
- \$3 million for mental health investments, including through partnerships with Washington County Mental Health (\$1 million) and the Howard Center (\$1.5 million), and grants to the UVM Medical Center’s Community Health Investment Committee (\$500,000); and
- \$6 million in substance abuse investments in response to the ongoing opiate addiction crisis, including expanding hub-and-spoke services through the UVM Medical Center’s Day One program, and developing a complex pain management program that would be unique to the state, as well as expanding access to dental care.

Investments in Health Care Delivery System and Payment Reforms

The UVM Health Network is also making a commitment toward the transition costs of statewide ACO-based reform as it moves into the Next Generation ACO program.

Under the All-Payer Model, the draft Term Sheet states that “Vermont will use an accountable care organization (ACO) model to carry out its payment and delivery system transformations.”

Vermont’s unified ACO plan under development includes a strong focus on increasing independent physician practice revenue models; continuing to build the informatics infrastructure required to support coordinated care delivery and quality improvement across Vermont; integrating the efforts of community-based providers who address mental health, substance abuse, and social barriers to health outcomes; and managing the transition to taking true financial accountability for an affordable health care system for Vermonters.

Given the challenge of making concurrent progress in achieving these objectives, UVM Health Network pledges financial “start-up” support in the amount of \$3 million toward this approach.

Reduction in Commercial Rates

Vermonters who are commercially insured should see savings as part of this plan. Per your guidance, we propose to address this element of our investment proposals during the FY 2017 budget review cycle when the implications of any Medicaid payment changes are better understood.

We are pleased to offer this proposal as a budget adjustment for the Board’s consideration, and I look forward to the opportunity to present it to you on Thursday. We are committed to ensuring that our patients and community partners are strengthened through this work.

Sincerely,



John Brumsted, MD
President and CEO, UVM Health Network
CEO, UVM Medical Center