THE University of Vermont HEALTH NETWORK

To: The Honorable Kevin Mullin, Chair, Green Mountain Care Board

From: Stephen Kenney, Chief Financial Officer, Central Vermont Medical Center
Jennifer Bertrand, Chief Financial Officer, Porter Medical Center
Rick Vincent, Chief Financial Officer, University of Vermont Medical Center

Date: July 1, 2019

Subject: The University of Vermont Health Network Fiscal Year 2020 Budget Narrative

---

1. Executive Summary

Background

In preparation for the third program year of the All-Payer ACO Model Agreement (APM), the University of Vermont Health Network submits the following FY 2020 budget narrative on behalf of its three Vermont hospitals: Central Vermont Medical Center, Porter Hospital, and the University of Vermont Medical Center. As we cross the halfway point in the five program years of the APM, this moment offers an opportunity to reflect on the leadership that brought us to today. The State of Vermont was ambitious to set a bold example for the rest of the nation in re-envisioning a health care system with a two-part goal of controlling health care system cost growth, while also creating healthier communities.

Two recent studies, one from the Centers for Medicare and Medicaid Services (CMS) and the other from Milbank Memorial Fund, recognize the early successes we have made in our efforts in this work through the State Innovation Model (SIM), which preceded the APM. The CMS[1] report noted that Vermont's ACO, one of nine alternative payment and delivery health care models tested, was the only ACO that resulted in confirmed Medicaid savings – $97 million of costs avoided across the system in the time studied. The independent Milbank[2] evaluation showed multiple areas of health care system improvement, including decreased hospital-based utilization – such as reduced Emergency Department (ED) visits and inpatient admissions – as well as lower Medicaid costs.

Challenges

Nationally, rural hospitals are struggling as costs rise, population in rural America declines and

---

[1] State Innovation Models (SIM) Initiative Evaluation: Model Test Year Five Annual Report. Prepared for CMS by RTI International. December 2018. https://downloads.cms.gov/files//cmmi/sim-rd1-mt-fifthannrpt.pdf

[2] Medicaid Accountable Care Organizations in Four States: Implementation and Early Impacts. The Milbank Quarterly. Volume 97, Issue 2. Pages 583-619. June 2019. https://onlinelibrary.wiley.com/doi/10.1111/1468-0009.12386

ages, and the health care workforce becomes increasingly scarce. According to a June 2019 analysis by Stroudwater Associates,[3] 107 rural hospitals across the nation have closed since 2010. These struggling hospitals often provide the only access to health care for miles, but poor economic performance continues to cause closures.

The health care community in Vermont is intimately aware of the challenges of maintaining and improving access to care in our rural state. Each of Vermont's 14 hospitals serve rural populations;[4] the Green Mountain Care Board's rural hospitals panel in April highlighted the stark challenges that face our state.

Hospitals represent multiple roles in their local communities, including health care providers and caregivers, large employers, and community partners. Continuing to play these parts while taking on increasing amounts of financial risk as we move further into the APM adds additional financial stress. It is imperative that hospitals earn the revenue needed to meet the needs of patients and families and to support investments and changing care under the APM.

According to U.S. Census Bureau data, the primary service area served by the UVM Health Network has seen population growth over the last decade at the same time the population has aged significantly. We have seen this trend occurring for some time, and we have been able to ameliorate the impacts on commercial payers that come from caring for a growing population because of increases in other sources of revenue and a reduction in our operating margins over time. To put it simply, we cannot continue to do that as those other sources of revenue plateau, and our margins reach points where we can no longer sustainably reduce them.

Additionally, like all health care providers and most organizations in Vermont, we have struggled to recruit skilled employees at all levels. This struggle – and our efforts to address it – is evident throughout this document as we see increases in temporary workforce and hard-to-recruit specialties.

The UVM Health Network has been laser-focused on the actions we must take today to ensure our hospitals are stronger tomorrow, and better equipped to care for our growing and evolving communities, delivering even better care while responsibly controlling costs for all Vermonters.

Our Commitment to the APM

We continue to see the APM as our best way forward to address these challenges. Collectively, we have an opportunity to offer a sustainable health care model for the rest of the country, fostering the resiliency of rural hospitals while increasingly shifting from the fee-for-service model to value-based payment, improving health care quality, and controlling health care costs for every person in our state. We see the APM as the path to a sustainable health care system focused on the right things. This is why we are all in on this work.

Through the Network's partnership with OneCare Vermont, all three of our Vermont hospitals

[3] Closed Rural Hospitals Since 2010. Stroudwater Associates. June 2019. https://public.tableau.com/profile/stroudwater.associates#!/vizhome/ClosedRuralHospitalsSince2010/ClosedRuralHospitals

[4] U.S. Department of Health and Human Services. January 2019. https://data.hrsa.gov/

are embedded in the APM, with all three participating payers – Medicare, Medicaid, and major commercial insurance – engaged. As we move forward in the APM, being "all in" on all three programs is critical as we work toward the statewide scale targets and increasing the numbers of covered Vermonters.

Our Approach

Our locally led, non-profit Network is working to preserve access to care, while also changing the way care is delivered to focus on wellness as much as illness and to control costs for all Vermonters.

The important work by which the UVM Health Network will make concrete progress on the overarching goals of the APM includes performance improvement metrics and the transition to high-value care, with an emphasis on care delivery optimization, population health management, and value-based contracting.

In order to preserve and expand access to necessary services, we are leading several initiatives. At CVMC, we are working collaboratively with state, provider, and community partners to address the mental health crisis by increasing access to therapeutic adult inpatient psychiatric beds. Our Network's Regional Transport and Transfer System (RTS) will improve outcomes and save lives by working in close collaboration with ground and air ambulance providers in the region to enable more efficient and timely transfer of patients. These are two examples of initiatives that are occurring while we transform the way we are reimbursed for care, and work to remove $115M from our future cost growth over the next three years. Leadership at the UVM Health Network will continue to make the difficult decisions necessary to maximize clinical and financial operations, including shared administrative services, to deliver high-value care as affordably as possible.

Necessary Steps for Success

Since the APM is to be our guiding force, all partners involved in this work must double down on the scale targets by the end of the five-year APM program – the point at which 90% of Vermont Medicare beneficiaries and 70% of all Vermonters need to be attributed. Currently, the providers and payers participating in the ACO are carrying the full burden of the APM. We will not reach the scale targets set forth by the end of our agreement without all of the players in our system coming to the table to move forward together. We have been encouraged by the progress made in recent months with leadership at BlueCross BlueShield of Vermont and OneCare Vermont – strengthening the partnerships between the ACO, payers, and Vermont's hospitals is essential if we are to meet our shared goals of the APM.

Under the APM, on top of a challenging financial environment, Vermont's hospitals are taking on more financial risk to keep the foundation of the state's health care system secure. As the UVM Health Network has noted in previous budget narratives and in multiple opportunities for productive communication with the Board, particular aspects of the regulatory landscape must adapt for the APM to succeed and for its goals to be realized.

The UVM Health Network has long been urging a higher level of coordination among the hospital budget review process, the commercial insurance rate-setting process, and the ACO

budget review process. These processes currently do not communicate with one another; they work at cross purposes to one another, as decisions made in one process may harm the stated goals of another. We welcome the survey and companion focus groups the Board is conducting to gather information on regulatory alignment. A dedicated and focused effort to examine alignment and cadence of the review processes is necessary to continue this transformation.

As an example, the regulatory processes should use consistent, per patient measures of the cost of care. This would mean shifting the focus to Per Member Per Month (PMPM) amounts, rather than Net Patient Revenue (NPR). While the FY 2020 budget guidance continues to regulate hospital budgets on the basis of NPR, that measure no longer actually gauges whether the APM, and participating hospitals, are succeeding in building and supporting a more affordable, sustainable, and predictable health care system. Specifically, if the UVM Medical Center were evaluated on a PMPM basis for FY 2020, its growth rate would be 1.9%. The UVM Health Network remains committed to developing a PMPM-based regulatory model that will enable effective regulation while encouraging innovation. A PMPM framework will take into account the number of patients receiving care and help providers and regulators alike truly understand shifts in the costs of providing care.

Hospitals participating in the APM have served as the financial backbone of the system, supporting the APM with operating dollars and taking on increasing financial risk. It is imperative for the Board to encourage hospitals to build and book reserves in yearly hospital budgets to support this risk. Health care providers all across the state who have proven their dedication to the APM are strategically making needed investments and modernizing equipment with the same end goals in mind: improving health care results while controlling costs to make health care more affordable for Vermonters. Making needed investments takes a great deal of financial risk, and having the ability to build reserves for APM transformation is an appropriate way to safeguard against those risks. Vermont hospitals joined OneCare Vermont and made commitments to the APM at a time when they had greater financial stability than today. At the UVM Health Network, we have seen this firsthand in the declining operating margins year over year. Our financial performance and sustainability are directly related to maintaining an A credit rating, which leads to lower overall costs for the system, and allows us the ability to continue to make needed investments.

Additionally, there are supports available to our health care transformation process that are being left on the table. Delivery System Reform (DSR) funds – program funds that the State of Vermont negotiated to be able to provide participating health care providers with needed dollars to be used in health system reform, such as infrastructure and programming – have been left largely untapped, resulting in hospitals using their operating budgets to fund transformation. Considering all of the transformative pieces that are necessary in the future, it is unsustainable for hospitals to be the only entities carrying this financial responsibility when there are federal dollars available that could not only alleviate this burden but also expand and accelerate transformation.

Lastly, leadership at the UVM Health Network has been urging the Board to regulate the Network as a single entity, rather than as three separate hospital budgets. The three Vermont affiliate hospitals are working in collaboration to effectively manage where services are provided

based upon a value-driven, per patient basis. As the UVM Health Network continues to shift towards a population- and value-based health care payment model, flexibilities to manage flows and patient and payment activities are necessary, thus making the strong case for regulating the three affiliate hospitals together as the single UVM Health Network.

FY 2020 UVM Health Network Budget

In its FY 2020 hospital budget guidance, the Board established a maximum growth target of 3.5% for individual hospitals' Net Patient Revenue and Fixed Prospective Payments (NPR/FPP). The Board has also allowed hospitals to justify targets above 3.5%, and included several factors it would consider in this justification: "the hospital's specific financial circumstances, including its Actual FY 2018 NPR/FPP and Expenses and its Year-to-Date and Projected FY 2019 NPR/FPP and Expenses; its historical ability to manage to its budget; its community needs; its operational investments for successful participation in the ACO program; and other relevant circumstances...For hospitals with Projected FY 2019 NPR/FPP that is greater than budgeted, the GMCB would not expect to see FY 2020 NPR/FPP greater than 3.5% unless clearly justified.[5]" We are seeking a higher growth target for CVMC, Porter Hospital and UVM Medical Center based on several factors, including physician transfers at CVMC and Porter Hospital, significant increases in unique patients for UVM Medical Center, and increases in Case Mix Index (CMI) due to older and sicker patients across the Network.

The overall FY 2020 UVM Health Network NPR/FPP increase we are requesting is 6.6%. For CVMC, physician transfers and the increase in CMI offset the NPR/FPP growth by 2.3%, which results in a remaining budget to budget growth of 3.5%. For Porter Hospital, physician transfers and the increase in CMI offset the NPR/FPP growth by 3.7%, which results in a remaining budget to budget growth of 1.1%. For UVM Medical Center, the increase in unique patients and increase in CMI offset the NPR/FPP growth by 4.2%, which results in a remaining budget to budget growth of 2.6%. Overall, the FY 2020 UVM Health Network NPR/FPP increase, when these factors (0.3% for physician transfers; 2.4% for unique patient growth; and 1.2% for CMI increases) are accounted for, is 2.7%.

[5] FY 2020 Hospital Budget Guidance and Reporting Requirements
https://gmcboard.vermont.gov/sites/gmcb/files/documents/FY2020%20Hospital%20Budget%20Guidance%20Final%20as%20of%202019-03-27%20updated%204%208%2019.pdf

The table below depicts these NPR/FPP changes for FY 2020:

GMCB Net Patient Revenue Cap
NET REVENUE CHANGE from 2019 Budget to 2020 Budget

	UVMHN		UVMMC		CVMC		PH	
NPSR + FFP Change from FY2019 to FY2020 Budget								
FY2019 Budget - Net Patient Revenue + FPP	$ 1,569,377,582		$ 1,273,460,046		$ 211,387,021		$ 84,530,515	
FY2020 Budget - Net Patient Revenue + FPP	$ 1,660,713,927		$ 1,351,201,703		$ 222,024,685		$ 87,487,539	
Difference in NPSR + FPP from FY2019 to FY2020 Budget	$ 91,336,345		$ 77,741,657		$ 10,637,664		$ 2,957,024	
Percent Change	5.82%		6.10%		5.03%		3.50%	
NPSR + FFP Change from FY2019 to FY2020 Budget with Accounting Adjustments for FY2019 Budget								
FY2019 Budget - Net Patient Revenue + FPP	$ 1,569,377,582		$ 1,273,460,046		$ 211,387,021		$ 84,530,515	
Accounting Change - payment reform investments move to deductions	$ (11,816,318)		$ (8,423,327)		$ (2,325,600)		$ (1,067,391)	
Accounting Change - Bad Debt Collection Fees moved to expense	$ 821,520		$ -		$ 821,520		$ -	
FY2019 Budget - Net Patient Revenue + FPP After Accounting Adjustment	$ 1,558,382,784		$ 1,265,036,719		$ 209,882,941		$ 83,463,124	
FY2020 Budget - Net Patient Revenue + FPP	$ 1,660,713,927		$ 1,351,201,703		$ 222,024,685		$ 87,487,539	
Difference in NPSR + FPP from FY2019 to FY2020 Budget	*$ 102,331,143*		*$ 86,164,984*		*$ 12,141,744*		*$ 4,024,415*	
Percent Change	*6.6%*		*6.8%*		*5.8%*		*4.8%*	
Changes in NPSR + FPP from 2019 Budget to FY2020 Budget								
Off-sets to Net Patient Revenue + FPP Rate of Growth								
Physician Transfers	$ 4,290,810	0.3%	$ -	0.0%	$ 3,179,852	1.5%	$ 1,110,958	1.3%
Unique Patient Change	$ 37,643,398	2.4%	$ 37,643,398	3.0%	$ -	0.0%	$ -	0.0%
CMI Change	$ 18,923,989	1.2%	$ 15,321,663	1.2%	$ 1,621,143	0.8%	$ 1,981,184	2.4%
Total Off-sets to Net Patient Revenues + FPP of Growth	$ 60,858,197	3.9%	$ 52,965,060	4.2%	$ 4,800,995	2.3%	$ 3,092,142	3.7%
Remaining Budget to Budget Net Patient Revenue + FPP Change	$ 41,472,946	2.7%	$ 33,199,923	2.6%	$ 7,340,749	3.5%	$ 932,273	1.1%

The commercial rate requests vary by hospital, and are driven by their payer mix. The blended commercial rate request for the UVM Health Network is 4.2% (5.9% for CVMC; 2.6% for Porter Hospital; and 4.0% for UVM Medical Center). This rate request is detailed further on page 30 of this narrative. Notably, in recent years, the commercial rate increases we have requested have been much lower than the requested and approved increases for the commercial payers. Rate increases have a compounding effect year over year when they are not at the level required to meet financial needs. For example, for UVM Medical Center, from 2017 through 2019, the compounded per year impact of receiving a commercial increase of 2.5%, 0.7% and 2.5% versus the 4% that was submitted and required those three years is $34M in FY 2019. When you look out to FY 2025, assuming we do not receive higher than required increases to make up for those years, the compounded annual impact grows to $44M. We have seen that effect the last few years and if this trend does not change, like other hospitals in Vermont, the UVM Medical Center will need to determine if we continue to meet all of the needs and provide all of the services that our community and region have come to rely on.

In summary, our FY 2020 NPR/FPP and commercial rate increase is necessary to meet the clinical needs of the patients we serve, is consistent with our goal of making health care more affordable for all Vermonters, will help us maintain our A bond rating further supporting overall affordability, allows the UVM Health Network to continue to participate fully in the APM, and will help to ameliorate against a storm of challenges we have been contending with for some time, as discussed throughout this document.

2. Payment and Delivery Reform

University of Vermont Health Network

As we work in partnership toward achieving the statewide scale targets described above, the UVM Health Network fully comprehends the role we play in moving this important work forward. All three of the UVM Health Network's Vermont hospitals are fully rooted in the APM, and each hospital participates with Medicare, Medicaid, and major commercial insurance.

UVM Medical Center employees are attributed to the OneCare self-insured risk program. CVMC and Porter Hospital employees are not attributed to OneCare at this time, and have not been incorporated into the FY 2020 budget. This may be reevaluated prior to the start of CY 2020, after an evaluation of the program's performance with UVM Medical Center.

Our hospitals in the UVM Health Network have been actively engaged in changing the allocation of resources to improve population health under the APM. These initiatives include implementing Epic across the UVM Health Network, along with the resources invested to support mental health and substance abuse needs. The Network's care coordination model provides a framework for patient-centered, community-based care coordination services through collaboration, effective communication, and integration of service delivery and support across health and social service organizations. The ACO uses a prospective risk stratification process incorporating demographic, clinical, and claims data for all attributed patients to identify an initial patient-specific risk score and recommended care coordination category. The care coordination model is designed to employ population health principles to risk stratify populations in a standardized way, and to give communities common language and tools for applying interventions to each of four risk categories. This approach emphasizes the value of all community partners, and recognizes that care coordination can be performed by a variety of organizations and staff. For example, patients in category one (e.g. low risk/healthy) benefit from health and wellness campaigns, as well as preventive care in a primary care setting (e.g. immunizations, health assessments, and health education). Patients in category four are often experiencing complex health and/or social situations and can benefit from a one-on-one regular relationship with a licensed lead care coordinator, completion and maintenance of patient-centered shared care plans, and care conferences with care team members. Care team members can collaborate and communicate through a central care coordination software platform, Care Navigator, to further ongoing community efforts to integrate care coordination across the continuum of care.

More examples of our population health initiatives are below:

Central Vermont Medical Center

- ED patients with complex social needs frequently utilize the ED; the ability to effectively case manage these patients with embedded dedicated ED care managers began last year. The ED Community Health Team (CHT) position is a multifaceted task force that utilizes the CHT model of care coordination for ED users who have complex care issues often related to the social determinants of health. This particular position also requires the candidate to utilize an SBIRT (Screening, Brief Intervention, Referral to Treatment) approach to helping those at risk or suffering from substance use disorders. ED CHT has been instrumental in

improving our ability to ensure care continuity at pre-existing medical homes, aid with medication acquisition, facilitate follow up for those without primary care, and delivery of on-site substance use services with the help of recovery coaches and linkage to critical services outside of the hospital. The ED CHT interface with the medical practice CHTs and outside agencies (i.e. home health, senior services) has allowed for "care loop closure" in many instances and provides the proper forum for robust and productive monthly care coordination meetings that target high frequency utilizers and develop care coordination strategies with the appropriate stakeholders to provide care in the right setting. As CVMC continues to expand the population health model, services like ED CHT will assume increasing importance in controlling costs and providing thoughtful care. CVMC has had a successful five year implementation of SBIRT in the ED, which expanded into primary care and women's health clinics. This work was aligned with Vermont's Hub and Spoke MAT model for opioid use disorder (OUD) treatment. What emerged was the need to build bridges and connect to a variety of regional resources in prevention, treatment, recovery, and workforce development.

- In 2015 CVMC convened local and regional stakeholders and formed the Washington County Substance Abuse Regional Partnership (WCSARP). WCSARP includes partners from state and local government, as well as nonprofit agencies involved in prevention, treatment, and recovery. To date, WCSARP has functioned to foster healthy interagency relationships, promoting care coordination which has produced early successes, including urgent access to MAT induction in the ED, access to community-based alcohol detox beds, and a program for 24/7 recovery coach access for ED patients with substance use disorders.

<u>Porter Hospital</u>

- Porter Hospital introduced the Farmacy program, which provides eligible participants with 12 weeks of food shares from a local community supported agriculture (CSA) in the Porter community.
- Established a Medication Assistance Program to provide eligible patients with financially subsidized or free medications.
- In June 2019, Porter introduced Cardiac Rehab services to the community, allowing patients to receive this much needed care locally, rather than having to drive longer distances or more adversely, forgoing the treatment. Additionally, patients will be offered a voucher to help offset the expense of a membership to a local gym for the 12 months following the completion of the program.
- Porter has fully expanded its Palliative Care program, which is now available five days per week, as opposed to two and a half days per week.
- Piloting a Telemedicine program in Porter primary care offices.
- RiseVT participation.
- Created several Outpatient Case Management and Educator positions to assist with the population health strategy.
- Instituted a program with local schools, which allows pediatric providers to perform wellness visits and provide health education to students.

University of Vermont Medical Center

- The UVM Medical Center has developed and implemented the Medical Home RN and Social Work Care Management Program. This program is focused on: assessing the need for registered nurse (RN) care management and/or social work support for well, risking risk, and our high and very high risk patient populations; outreaching to providers and patients; and engaging patients in the program to prevent and support management of chronic disease. Approximately 3,000 patients have been reviewed, outreach has occurred to over 500 patients, and 150 patients have engaged in the program. The model will be spread to all 10 UVM Medical Center primary care clinics in 2019.
- Healthy Planet, an application within Epic, has been implemented which provides risk identification, risk stratification, care management documentation tools, functionality to support patient outreach, care team quantification, and tools to organize data for provider and staff awareness and review. Further development is occurring to support access and utilization of Healthy Planet by community partners and practices, providing a common platform for coordination and communication. Healthy Planet also includes chronic disease registries to track patient blood pressure, diabetes, and chronic obstructive pulmonary disease (COPD).
- The UVM Medical Center is working with the Vermont Child Health Improvement Plan (VCHIP) Quality Improvement Facilitators in all Chittenden County community and Medical Group practices to support quality improvement (QI) projects focused on the APM goal to manage and prevent chronic disease.
- The UVM Medical Center has four Tobacco Treatment Specialists who work with patients who are inpatient at the hospital, as well as in the general surgery clinic and OB/GYN clinic at the hospital, to support smoking cessation efforts. Additionally, they are available to support patients throughout Chittenden County and run ongoing support groups.
- Our Self-Management Programs are designed to help patients meet their own health goals. Two programs in particular, Healthier Living with Diabetes and Healthier Living with Chronic Conditions, are available to support patients living with COPD, hypertension, and diabetes.
- Our Registered Dietitians and Certified Health Coaches are available to patients through their primary care offices to support health goals. The UVM Medical Center is supporting a pilot program to support patients with hypertension at one of the community primary care clinics by having a Health Coach available for a shared medical appointment.
- Through the primary care clinics, UVM Medical Center offers a one month free membership to a gym and two visits with a personal trainer to support patients' health and wellness goals.
- RiseVT is expanding to reach an even greater segment of the Chittenden County population to support preventative efforts and hopefully avoid chronic conditions.

Central Vermont Medical Center

In FY 2020, CVMC has assumed maximum upside and downside risk of $5,128,897. The risk is not budgeted, as it is unknown as to whether this would be an upside or a downside impact at the time of budgeting. CVMC currently has $3M on the books for CY 2018 and $500K for CY

2019.

At CVMC, provider incentives are based on quality measures, tied to the APM measures. These are monitored and tracked by panel coordination staff embedded in the practice to support coordination of care with timely follow-up visits and laboratory testing and results. Panel coordination staff also determine any barriers or gaps in care and work with the patient in planning and resolution.

CVMC's risk-based payments from OneCare Vermont also include $2,288,190 in Other Reform Payments in CY 2020.

Porter Hospital

The maximum risk the hospital is expecting for FY 2020 is $2,200,891. However, the current CY 2018 settlement data from OneCare Vermont is reflecting a favorable outcome, which has allowed Porter to reduce the amount of the reserve recognized in the FY 2020 budget. As such, the reserve amount incorporated into the FY 2020 budget is $1M.

The risk reserve is netted against the fixed prospective payments and is reflected in Net Revenue for internal reporting purposes. Porter's audited financials record this as premium revenue and is reflected in Other Revenue. The risk reserve is also booked to the balance sheet as a liability. Porter's budget incorporates the financial support necessary to manage business under the APM – where the hospital bears the risk, while continuing to ensure the delivery of high quality care to patients and maintaining financial stability.

Under the APM, providers must meet quality metrics and access targets. Providers are highly engaged in the transformation of the delivery of care model to achieve those goals.

By the end of CY 2020, Porter Hospital expects to receive the following Other Reform Payments from OneCare:

- Population Health Management Payments – $286,593
- Complex Care Coordination Payments – $210,376
- Other Reform Payments – $25,000

University of Vermont Medical Center

The UVM Medical Center has a signed contract with OneCare Vermont for all of its 2019 programs, Medicare, Medicaid, BlueCross BlueShield of Vermont QHP, and the UVM Medical Center self-insured employee plan. The Medical Center is currently developing a 2020 contract with the goal of continuing to participate in all programs.

The maximum upside and downside risk for the UVM Medical Center is $15.5M. The UVM Medical Center does not budget any reserves or receivables for these risk corridors. During the year the UVM Medical Center does book a reserve or receivable based on performance data provided by OneCare Vermont.

The UVM Medical Center budget is developed with the goal of affordability, and to ensure it has the resources necessary to meet the needs of its community and region. In addition to the

financial targets, providers must meet quality and access goals to participate in the APM, which ensures that the financial incentives do not have a negative impact on patient care.

The UVM Medical Center has budgeted to receive $3.8M in Other Reform Payments from OneCare Vermont.

The UVM Medical Center has been changing its allocation of resources towards the goal of improving the health of the population served for some time. It began many years ago with the transforming primary care initiative, which added resources to UVM Medical Center primary care clinics so that providers could better focus on improving the health of their patients, and continues to this day through strategic investments. Other initiatives include continued support of housing and healthy food initiatives. The FY 2020 non-financial reporting requirements document submitted to the Board at the end of April highlights many of the UVM Medical Center's investments to improve patients' health.

3. FY 2019 Budget to FY 2019 Full-Year Projection to FY 2020 Budget

	FY19 Budget	FY19 Projection	FY20 Budget	Comparison To FY19 Budget: FY19 Projection Variance	%	FY20 Budget Variance	%	FY19 Projection: FY20 Budget Variance	%
UVM Health Network									
NPSR + FPP + OCV Revenue	1,569,377,582	1,590,935,475	1,660,713,927	21,557,893	1.4%	91,336,345	5.8%	69,778,453	4.4%
Other Revenue	124,479,513	156,479,566	166,292,229	32,000,053	25.7%	41,812,715	33.6%	9,812,662	6.3%
TOTAL UNRESTRICTED REVENUE & OTHER	1,693,857,095	1,747,415,041	1,827,006,156	53,557,946	3.2%	133,149,061	7.9%	79,591,115	4.6%
Salaries, Payroll Taxes, and Fringe Benefits	964,638,597	987,848,869	1,029,433,225	(23,210,272)	-2.4%	(64,794,628)	-6.7%	(41,584,356)	-4.2%
Non-Salary Expense	683,426,982	716,315,888	743,438,838	(32,888,905)	-4.8%	(60,011,856)	-8.8%	(27,122,951)	-3.8%
TOTAL EXPENSES	1,648,065,579	1,704,164,757	1,772,872,063	(56,099,177)	-3.4%	(124,806,484)	-7.6%	(68,707,307)	-4.0%
NET INCOME (LOSS) FROM OPERATIONS	45,791,516	43,250,284	54,134,093	(2,541,232)		8,342,577		10,883,808	
Income (Loss) Margin	*2.7%*	*2.5%*	*3.0%*		-0.2%		0.3%		0.5%
INCREASE/(DECREASE) UNRESTRICTED NET ASSETS	83,369,392	63,642,529	76,851,687	(19,726,863)		(6,517,706)		13,209,158	
UVM Medical Center									
NPSR + FPP + OCV Revenue	1,273,460,046	1,297,458,297	1,351,201,703	23,998,251	1.9%	77,741,657	6.1%	53,743,406	4.1%
Other Revenue	105,693,036	135,251,437	143,711,911	29,558,401	28.0%	38,018,875	36.0%	8,460,474	6.3%
TOTAL UNRESTRICTED REVENUE & OTHER	1,379,153,082	1,432,709,734	1,494,913,614	53,556,652	3.9%	115,760,532	8.4%	62,203,880	4.3%
Salaries, Payroll Taxes, and Fringe Benefits	770,865,219	792,412,006	830,959,537	(21,546,787)	-2.8%	(60,094,318)	-7.8%	(38,547,531)	-4.9%
Non-Salary Expense	569,043,838	600,906,574	617,579,050	(31,862,736)	-5.6%	(48,535,212)	-8.5%	(16,672,476)	-2.8%
TOTAL EXPENSES	1,339,909,057	1,393,318,580	1,448,538,587	(53,409,523)	-4.0%	(108,629,530)	-8.1%	(55,220,007)	-4.0%
NET INCOME (LOSS) FROM OPERATIONS	39,244,025	39,391,154	46,375,027	147,129		7,131,003		6,983,873	
Income (Loss) Margin	*2.8%*	*2.7%*	*3.1%*		-0.1%		0.3%		0.4%
INCREASE/(DECREASE) UNRESTRICTED NET ASSETS	72,175,796	56,807,783	64,593,352	(15,368,013)		(7,582,444)		7,785,569	
Central Vermont Medical Center									
NPSR + FPP + OCV Revenue	211,387,021	209,649,672	222,024,685	(1,737,349)	-0.8%	10,637,664	5.0%	12,375,013	5.9%
Other Revenue	13,831,969	15,446,011	16,199,991	1,614,042	11.7%	2,368,023	17.1%	753,980	4.9%
TOTAL UNRESTRICTED REVENUE & OTHER	225,218,990	225,095,683	238,224,676	(123,307)	-0.1%	13,005,687	5.8%	13,128,994	5.8%
Salaries, Payroll Taxes, and Fringe Benefits	141,835,823	141,839,155	142,856,716	(3,332)	0.0%	(1,020,893)	-0.7%	(1,017,561)	-0.7%
Non-Salary Expense	80,127,127	82,578,064	91,199,419	(2,450,937)	-3.1%	(11,072,292)	-13.8%	(8,621,355)	-10.4%
TOTAL EXPENSES	221,962,950	224,417,219	234,056,135	(2,454,269)	-1.1%	(12,093,186)	-5.4%	(9,638,917)	-4.3%
NET INCOME (LOSS) FROM OPERATIONS	3,256,040	678,464	4,168,541	(2,577,576)		912,501		3,490,077	
Income (Loss) Margin	*1.4%*	*0.3%*	*1.7%*		-1.1%		0.3%		1.4%
INCREASE/(DECREASE) UNRESTRICTED NET ASSETS	7,502,689	3,136,447	8,141,087	(4,366,242)		638,398		5,004,640	
Porter Hospital									
NPSR + FPP + OCV Revenue	84,530,515	83,827,506	87,487,539	(703,009)	-0.8%	2,957,024	3.5%	3,660,033	4.4%
Other Revenue	4,954,509	5,782,118	6,380,326	827,609	16.7%	1,425,817	28.8%	598,208	10.3%
TOTAL UNRESTRICTED REVENUE & OTHER	89,485,024	89,609,624	93,867,866	124,600	0.1%	4,382,841	4.9%	4,258,241	4.8%
Salaries, Payroll Taxes, and Fringe Benefits	51,937,555	53,597,708	55,616,972	(1,660,153)	-3.2%	(3,679,417)	-7.1%	(2,019,264)	-3.8%
Non-Salary Expense	34,256,017	32,831,250	34,660,369	1,424,767	4.2%	(404,352)	-1.2%	(1,829,119)	-5.6%
TOTAL EXPENSES	86,193,572	86,428,958	90,277,341	(235,385)	-0.3%	(4,083,769)	-4.7%	(3,848,383)	-4.5%
NET INCOME (LOSS) FROM OPERATIONS	3,291,452	3,180,667	3,590,525	(110,785)		299,073		409,858	
Income (Loss) Margin	*3.7%*	*3.5%*	*3.8%*		-0.1%		0.1%		0.3%
INCREASE/(DECREASE) UNRESTRICTED NET ASSETS	3,690,907	3,698,299	4,117,248	7,392		426,341		418,949	

Central Vermont Medical Center

FY 2019 Budget to FY 2019 Projected Variances

Salaries, Contract Labor, and Fringe: Salaries are under budget due to challenges with recruitment to high demand positions. In response CVMC has developed Licensed Nursing Assistant (LNA) and Clinical Care Associate (CCA) workforce education programs. CVMC applied for and received training grants from the State of Vermont to help support these programs. CVMC staff serve as faculty and mentors to the students. Additionally, pay ranges have been increased and job ladders have been created to provide growth and development opportunities for these employees.

Benefits are over budget driven by health insurance costs. CVMC is self-insured, and as such, can see fluctuations in cost. For FY 2019 CVMC is experiencing an increase in pharmacy and oncology/infusion costs and utilization. While medical costs are higher than budget, they are in most cases below BlueCross BlueShield Vermont Accountable Blue benchmarks.

Contract staffing is over budget due to the need to hire agency travel nurses in both Woodridge and the hospital to meet high census demands.

IT Related and Supply Expenses: CVMC is seeing a reduction in supply costs due to two initiatives. First is a new contract with MedLine as of October 2018. To leverage the opportunities in this new contract, all supply storerooms across the organization are being reset with new par levels. Supply Chain is taking over the stocking of these storerooms as they get reset. A "Low Unit of Measure" (LUM) par level was established, and LUM ordering implemented in which the supplier carries the case/pack inventory and ships only the amount of individual items needed. This methodology reduces waste, loss, and expired inventory.

CVMC has started a Value Analysis Committee (VAC). The VAC is led by Nursing and facilitated by Supply Chain. Supplies are targeted that have an opportunity to reduce cost while promoting safe, quality care.

Pharmacy costs are driven by higher costs and higher utilization of services. As one cost savings initiative, CVMC will be looking at adopting a new pharmacy perpetual inventory system in order to have better control for monitoring and tracking expense versus revenue. IT costs are higher than the FY 2019 budget, due to projects that need to occur prior to Epic go live, such as Workday, a new human resource and payroll management system.

Other Expenses: Depreciation is lower than budget, due to delayed capital spending and the Woodridge building being fully depreciated.

Porter Hospital

FY 2019 Projections vs. FY 2019 Budget: The current FY 2019 projection as it compares to the FY 2019 budget equates to an aggregated revenue increase of $365K and expense increase of $235K. Noteworthy variances exist within salaries, contracted labor, fringe benefits, IT related expenses, supplies expenses, and other expenses.

Revenue: The $365K increase in Net Revenue, inclusive of fixed prospective payments, is comprised of lower than anticipated volumes experienced throughout the year offset by the 2018 risk settlement and the release of a portion of the 2018 risk reserve, in addition to a favorable tentative cost report settlement for FY 2018. Additionally, volume projections include the newly added services related to physician transfers and audiology.

Salaries, Contract Labor, and Fringe: The $1.7M overall increase in expense is attributed to the salary and benefit component of the physician transfers in radiology and general surgery (which are described in further detail later in this narrative), and the continued reliance on temporary labor, specifically in the areas of nursing, laboratory technicians, radiology technicians, and pharmacy technicians.

IT Related and Supply Expenses: The IT related expense savings of $700K was associated with less than anticipated outlay for IT Epic consulting. In addition, by leveraging Porter's affiliation with the Network, the hospital was able to recognize considerable software savings for this fiscal year. The $410K in favorable supplies expense is attributed to additional insurance savings in excess of what was already incorporated into the FY 2019 budget.

Other Expenses: The additional expense of $305K is associated with the implementation of Workday, which is an Epic dependent payroll and HRIS system.

At the time of the FY 2019 budget submission, there was not a distinction between ACO incentive and participation deductions. For this reason, the Network auditing firm was unable to clearly delineate an expense for the participation fees separate from the deductions for incentives. Consequently, the FY 2019 budget was submitted with everything recognized as an expense. In the fall of the 2019 fiscal year and in partnership with the Board, OneCare, and our auditing firms, Porter was able to clearly define the participation fees separate from the deductions from revenue. This became effective during the calendar year 2019 contract. Therefore, the 2019 projected expense is reflecting favorably.

The ACO expenses that are being recognized in the FY 2019 projection are reflecting an increase of $448K.

University of Vermont Medical Center
FY 2019 Projections vs. FY 2019 Budget

Revenue: The UVM Medical Center's FY 2019 full-year projection exceeds FY 2019 budgeted expectations by approximately 1.9%. Major contributors to this positive variance include higher than budgeted inpatient and outpatient volumes within Radiology, Nursing, Pharmacy, and Perioperative Services, partially offset by increased Bad Debt. The positive variance in other revenue was driven by Contract Pharmacy and Specialty Pharmacy revenues higher than budget.

Salaries, Contract Labor, and Fringe: The negative variance in staff salaries was driven by FTEs related to patient volumes and 1:1 observation, mostly for patients with mental health needs. Additionally, this variance includes the impact of implementing two new union contracts.

IT Related and Supply Expenses: This negative variance resulted from higher medical, surgical, and pharmaceutical supplies related to volumes and case mix. Purchased services were also unfavorable.

4. Budget-to-Budget Changes

University of Vermont Health Network – Vermont Hospitals Statistics

TOTAL UVM HEALTH NETWORK (CVMC, Porter Hospital, UVM Medical Center)	FY18 Actual	FY19 Budget	FY19 Projected	FY20 Budget
Inpatient				
Discharges	28,570	28,585	28,848	28,940
Patient Days	152,026	150,909	157,769	155,894
Average length of stay (ALOS, Patient Days / Discharges)	5.32	5.28	5.47	5.39
Inpatient & Outpatient				
OR Cases	24,321	25,376	24,922	25,154
Cath lab & EP procedures	6,623	6,597	7,005	6,878
ED Visits	96,737	97,736	96,083	95,861
Radiology procedures	395,865	392,667	397,893	397,287
Radiation Oncology	44,804	42,675	45,703	44,807
Lab Tests	3,249,502	3,198,020	3,173,673	3,145,729
Professional				
Physician Work RVUs	3,261,633	3,402,317	3,304,039	3,418,392

University of Vermont Health Network – Vermont Hospitals FTEs

Type	FTE	% Increase
Nursing	68	0.8%
Volume Related (nursing, rehab, renal, radiology, pharmacy)	51	0.6%
EPIC	44	0.5%
Miller Building	35	0.4%
Hospital Operational changes	23	0.3%
Medical Group	35	0.4%
Patient Observers (higher complexity patients)	11	0.1%
GME	10	0.1%
Staff Vacancy Factor	(6)	-0.1%
Total	**271**	**3.4%**

University of Vermont Health Network – Vermont Hospitals Inflation Factors

Inflation (in 000s)			
	Physician Salaries	6,261	2.9%
	Staff salaries	22,821	3.9%
	Payroll Tax and Benefits	7,219	3.7%
	Supplies (Med/Surg, Nutrition, etc.)	3,630	3.0%
	Pharmaceuticals	5,921	4.0%
	Utilities / Other	3,842	0.9%
	Insurance	564	4.3%
		50,259	2.9%

Central Vermont Medical Center

CVMC is requesting a 5.8% increase in NPR/FPP as it compares to the FY 2019 approved budget, adjusting for the accounting change so that the budget-to-budget growth is an accurate comparison and before accounting for physician transfers and an increase in CMI. Adjusted for physician transfer volume and the CMI increase, the budget-to-budget increase in NPR is 3.5%. The additional 1.5% or $3M in physician transfer revenue is related to three specific service lines: Pulmonology, Oncology, and Dermatology.

Significant changes: CVMC is adding two Pulmonologists, one Dermatology provider and one Oncology Provider, which is a projected growth of $3.2M. Current wait times for a new patient visit for Pulmonology is three to four months, Dermatology is 35 days, and Oncology is 19 days. Dermatology in CVMC's service area was previously covered by private practices; one of those practices is no longer operating in the service area. CVMC is adding an Oncologist to reduce wait times for patients to see providers and receive services.

Cost saving initiatives: In FY 2018 CVMC engaged Vizient to complete a productivity analysis that compared CVMC units of service to establish benchmarks. In most cases the analysis showed CVMC to be on par with benchmarks. In cases where CVMC was either under- or over-staffed, adjustments were made. CVMC continues to use these measurements and benchmarks to analyze productivity on an ongoing basis and has made this review part of the monthly operations review.

Medicare: In FY 2019 Medicare instituted a reduction in 340B drug reimbursement, however, CVMC was not subject to these reductions due to our Sole Community Hospital status. It is unknown at this point whether CVMC could be in jeopardy of future 340B reimbursement reductions. Another major change instituted as part of the MC OPPS rules that did impact CVMC negatively by approximately $250K were the reductions made to provider-based reimbursement for non-excepted off-campus facilities. These reductions will continue into FY 2020 and will equal another $500K for a two year cumulative total reduction of $750K. CVMC has entered into a group appeal to contest these reductions. For the FY 2020 budget, Medicare inpatient reimbursement rates were estimated at a 1.1% increase and outpatient rates estimated at

a 3.6% decrease. CVMC's 340B retail pharmacy other revenue is budgeted at $8.8M for the 17 different contract pharmacies CVMC has agreements with. Meaningful use was budgeted at $26K.

Medicaid: CVMC left Medicaid reimbursement flat, no increases or decreases, due to the timing of information received. CVMC has subsequently received information that Medicaid is proposing to increasing outpatient reimbursement by 1%, and professional reimbursement by 3.4%. Inpatient rates won't be known until August.

Commercial: Reimbursement increase of 5.94% budgeted.

Significant changes: Inflation includes: Benefits 5%, Pharmacy 4%, Insurance 2%, Medical Supplies 3%, Other Supplies 2%, Purchased Services 1%, Rent and Utilities 2%, Salaries 2.5% plus 0.5% for market adjustments.

Cost savings: The supply cost reduction initiative centers around two projects mentioned previously. First, CVMC has a new contract with MedLine as of October 2018 and is establishing Low Unit of Measuring (LUM) ordering, which will reduce waste, loss, and outdated inventory. Second, CVMC has started a Value Analysis Committee (VAC) in order to standardize appropriate products.

Porter Hospital

NPR & FPP: Porter Hospital is requesting a 4.8% increase in NPR/FPP as it compares to the FY 2019 approved budget, adjusting for the accounting change so that the budget-to-budget growth is an accurate comparison and before accounting for physician transfers and an increase in CMI. With physician transfer volume and the increase in CMI, the budget-to-budget increase in NPR/FPP is 1.1%. The additional 1.3% or $1.1M in physician transfer revenue is related to two specific service lines, radiology ($750K) and general surgery ($361K). The remaining budget to budget NPR/FPP growth is primarily related to the growth in FPP revenue. As we strive to achieve scale target growth, Porter has, in conjunction with OneCare Vermont forecasts, incorporated a reasonable increase in attribution and fixed payment revenue.

There have been changes during the FY 2019 budget year that affect our FY 2020 proposed budget:

- *General Surgery* –The unexpected loss last year of one of our two independent general surgeons resulted in Porter Hospital supporting this much needed service in our community. Due to the future retirement of the second independent general surgeon, Porter will be employing him in the interim to ensure continuity of care during this significant transition and therefore facilitating seamless access for our patients while his replacement becomes established in our community.
- *Radiology* – Porter Hospital has had a longstanding relationship with Middlebury Radiologists, who have provided interpretation of our imaging. This relationship has allowed us to deliver indispensable imaging services throughout our community. With the transfer of this independent practice, Porter Hospital is able to offer a fully integrated service line as of June 2019. This integration will streamline the patient experience with

regard to the billing process. Please refer to the Provider Transfer section of the narrative for further information.

Porter Hospital has chosen, for the third consecutive year, not to implement an increase in charges, which is subsequently beneficial for any self-pay and patient portion balances that would be incurred.

Outlined below are the individual payer changes anticipated in the FY 2020 budget:

- Medicare revenues are budgeted in accordance with the Critical Access cost-based settlement process. Porter Hospital's estimates for the FY 2020 budget have taken this into account. Due to the recent experience with the FY 2018 cost report settlement, whereby CMS cautiously withheld a portion of Porter's receivable due to the unknown factors associated with a program in its infancy, it is important to reiterate the natural volatility we may experience while we are still in the early stages of the APM. Although Porter did not incorporate a contingency for this factor into our FY 2020 budget, we recognize that the possibility of future withholds is plausible.
- Medicaid revenues do not reflect a change in rate for the FY 2020 budget. However, subsequent to the close of our budget process, Medicaid proposed an increase to reimbursement. Therefore, due to the timing of when this information was received, Porter did not incorporate this change into the budget.
- Porter does not anticipate Disproportionate Share payments to increase as compared to the FY 2019 budget.
- Fee-for-service commercial revenue assumptions are reflective of a 2.6% rate increase.
- Other Revenue assumes an increase in 340B funding, which is reflective of recent trending. Additionally, in June 2019, Porter worked collaboratively with the Otorhinolaryngology department to re-align the model of how we deliver audiology services to our patients. Porter transitioned from a minimally essential contracted Audiology service to a fully integrated audiology model, which allowed Porter to offer expanded services to the community.

Provider Transfers: Porter Hospital is requesting the approval of two provider transfers during its FY 2020 budget submission. Both transfers commenced on June 1, 2019 and are related to the services of General Surgery and Radiology. For more detail, please reference the NPR & FPP section of this narrative.

FY 2019 Projections vs. FY 2020 Budget: The FY 2020 budget as it compares to the FY 2019 projection equates to an increase of $3.9M. Noteworthy variances exist within salary and IT related expenses. The FY 2019 projection incorporates four months of salary expense for general surgery and radiology, whereas the FY 2020 budget includes a full-year impact. Inflationary assumptions incorporated into the FY 2020 budget as compared to the FY 2019 projection include $1.5M of increased cost of living expense, market adjustments to address wage compression, physician salary adjustments, and non-labor inflation. The IT related expense increase of $1.2M is primarily related to the Epic operating expense that will be incurred in the 2020 fiscal year. We anticipate future offsets to this expense with the sunsetting of our legacy systems.

FY2019 Budget vs. FY2020 Budget: There have been several changes that affect the Porter FY 2020 proposed budget:

- Porter will experience the full-year impact of the expense to maintain the General Surgery and Radiology programs.
- FY 2020 will be the first year Epic operating expenses will be incurred ($1.1M).
- Non labor inflation assumptions totaling $316K, specifically in the areas of rental expense, pharmaceuticals, medical surgical supplies, and purchased services.
- Labor related expense increases for cost of living adjustment and physician salary adjustment, totaling $975K.
- An adjustment for the accounting change, as previously mentioned.
- An additional programmatic change that has been incorporated into the FY 2020 budget is the merging of Porter's Bristol Internal Medicine practice into their other primary care locations throughout Addison County.

Porter Hospital's ongoing commitment to reduce costs has enabled savings across the organization without compromising the quality of care delivered to patients.

Porter's staffing control mechanism continues to be a successful means of controlling FTE growth. The FY 2020 budget is reflective of an FTE increase of 1.2 as it compares to the FY 2019 budget. The modest growth is attributed primarily to various reductions throughout the organization, offset by the necessary expansion of particular specialty practices and the addition of case management positions to support population health initiatives.

Porter is in the process of implementing a Value Analysis Committee that is comprised of nursing leaders, providers, and supply chain support representatives, with the purpose of identifying standardization opportunities across the organization to reduce cost and waste without impacting patient care or satisfaction.

Budgeted savings have also been achieved through the economies of scale available to Porter Hospital through the affiliation with the UVM Health Network. By leveraging the resources of the Network, Porter has been able to recognize further insurance and supply savings.

Another area of expense savings is a result of the merging of one of Porter's primary care practices into other remaining locations, therefore reducing the overhead expenses incurred with operating the practice.

University of Vermont Medical Center

The UVM Medical Center's NPR/FPP was rebased in FY 2018, and this year the Board developed new budget and reporting guidance. Both of these were positive steps forward that helped address some of the UVM Medical Center's concerns, however both did not address a key element that we have raised the last few years, which is that the NPR/FPP guidance does not account for the number of patients served. The per capita method of measuring revenue growth, PMPM, is currently used in the ACO and insurance budget review processes, and it is the only way to accurately measure the rate of change from one year to the next. Without it, we are not able to determine if a hospital is doing their part to control the cost of health care, and in

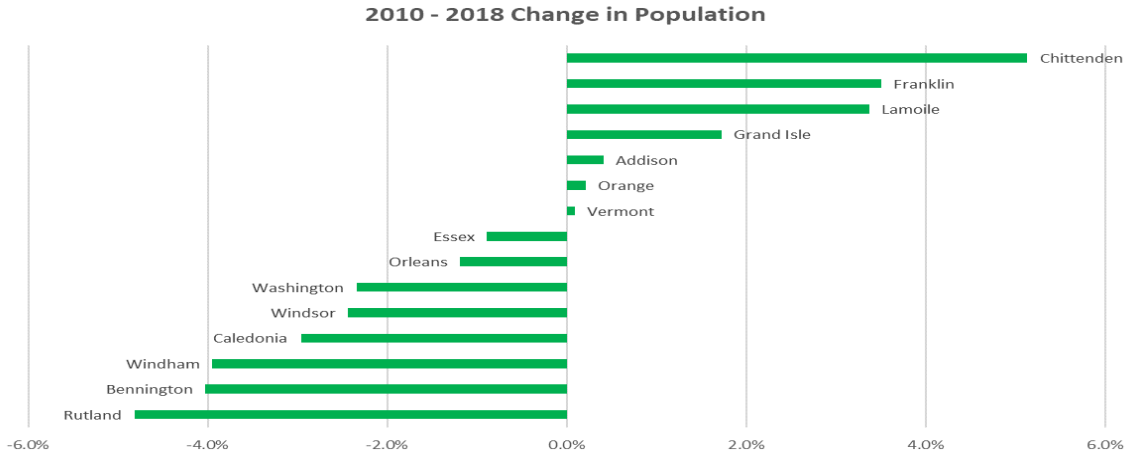
particular the appropriateness of the commercial rate increase that is being requested.

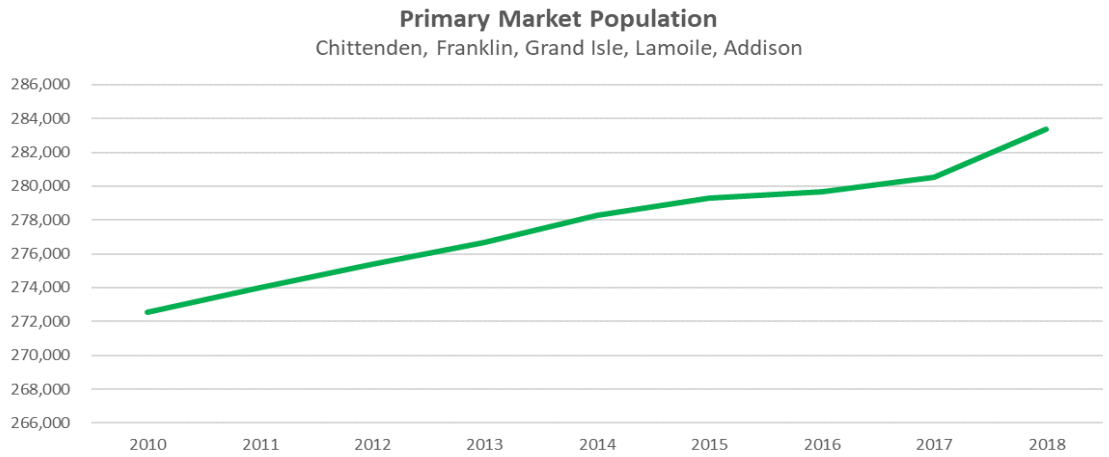
UVM Medical Center's NPR/FPP is growing by 6.8% from the FY 2019 budget to the FY 2020 budget, adjusting for the accounting change so that the budget-to-budget growth is an accurate comparison before adjusting for increases in the number of unique patients and CMI. After adjusting for the increase in number of unique patients treated and CMI, the budget-to-budget increase in NPR/FPP is 2.6%.

As we have shown in our last few budget narrative submissions, below is the rate of growth when adjusted for per unique patients served and their complexity, measured by CMI. This provides a much more accurate picture and puts into proper context our NPR/FPP growth. Using this model the growth over the last few years has stayed within 3.5%, and the FY 2019 budget to FY 2020 budget growth is 1.9%.

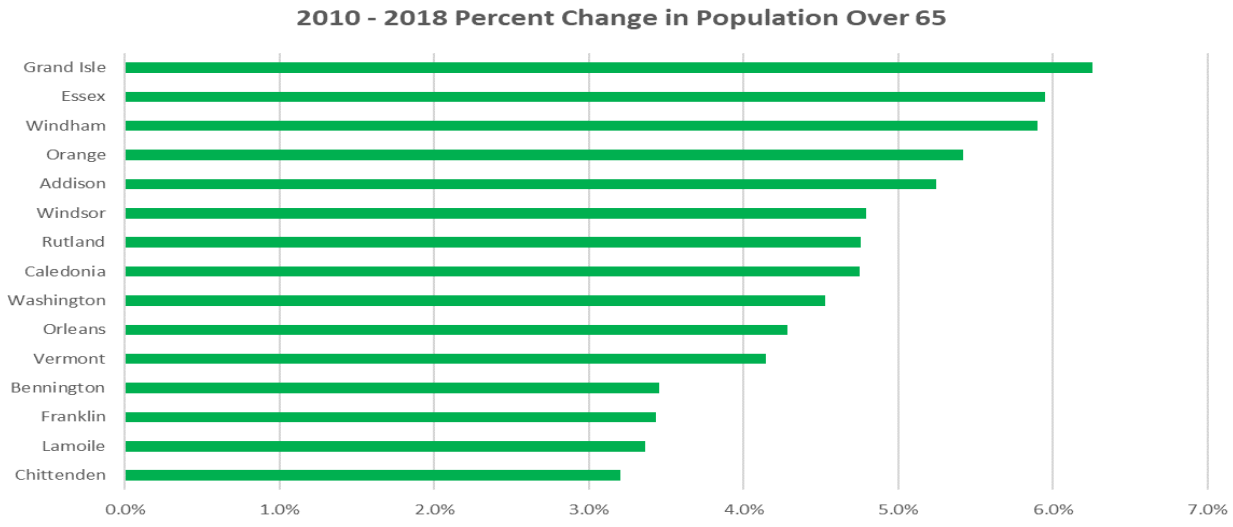
	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Budget	FY2019 Projected	FY2020 Budget
CMI Adjusted NPR/FPP per Unique Patient (After Bad Debt / Charity / Other Fix Pymnts)	$2,782	$ 2,877	$ 2,979	$ 3,006	$ 2,979	$ 3,064
Percent Change from Prior period	2.0%	3.4%	3.5%	0.9%	-0.9%	2.9%
Percent Change from FY2019 Budget to FY2020 Budget						1.9%

As we shared in our rebasing discussions of FY 2018, the population shift to Chittenden County and our primary market counties from other parts of Vermont is behind the increase in our patients. More recent data shows that this population shift has continued, and is not expected to change in the near future. Below is census data through 2018 that shows the change by county for the last eight years, and the growth of just our primary market counties. The primary market data shows an increase in the rate of growth from 2017 to 2018.



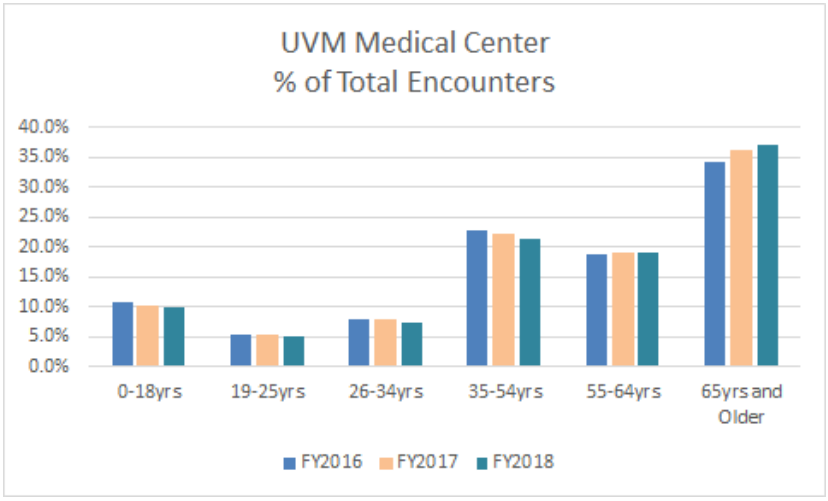


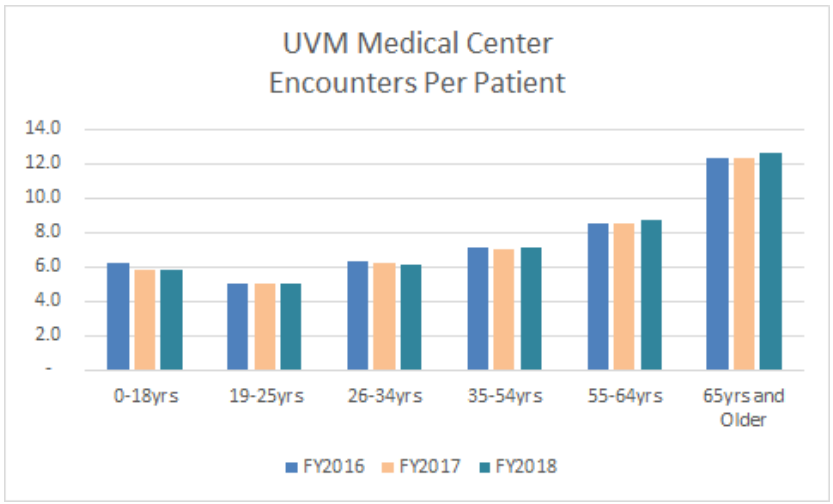
Also impacting the amount of NPR/FPP we generate is the complexity of the patients we serve. This is why we adjust our unique patient count by our CMI. Higher CMI tends to equate to higher utilization of services, thus generating more NPR/FPP. The primary driver behind the increase in our CMI is our aging population; this trend is impacting all Vermont counties. Below is census data on the increase in population over 65 by county. This age group in the UVM Medical Center primary market counties of Chittenden, Franklin, Grand Isle, Lamoille, and Addison have all grown by more than 3%.

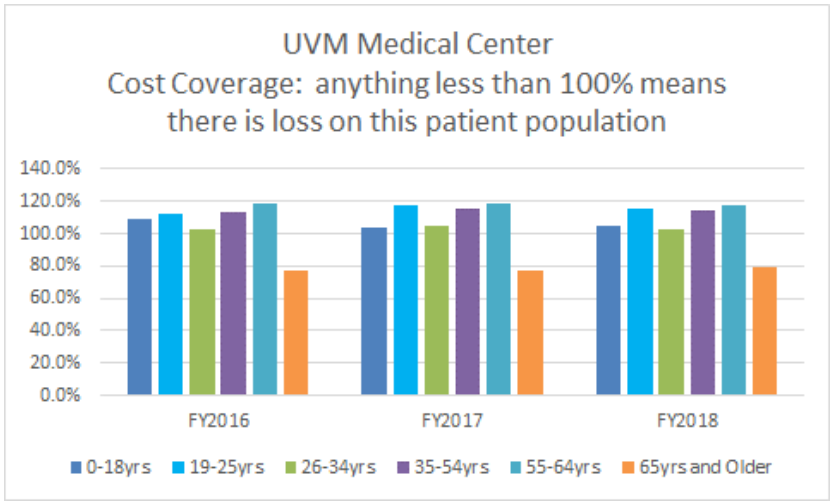


The increase in CMI captures most of this trend, and thus the increase in utilization per patient, but not all of it, as the CMI metric relies on accurately documenting the complexities of the patients in the medical record, and in coders identifying and accurately coding those complexities. Most organizations have opportunities to do better in this area, and the UVM Medical Center is no different.

The Encounters per Patient chart below shows how the aging population increases the rate of utilization, and thus CMI. The Cost Coverage chart shows how these services to the oldest 65 and older age bracket are provided at a financial loss.







For expenses, the FY 2020 budget has the full-year impact of the Miller Building and Epic implementation.

The continued increase in patient volumes, continued increase in patients with mental health needs, and the increasing acuity of our patients has again this year resulted in the need to add more nurses, more one-on-one observers (primarily for patients with mental health needs), and other direct care providers.

The volume of increasingly more expensive pharmaceuticals and the inflation on those drugs is continuing to have a significant impact on costs.

Overall inflation in the proposed FY 2020 budget is higher than it has been in recent years, with the key driver being the 4.1% increase from the FY 2019 to FY 2020 budget for staff and advanced practice providers. Required market adjustments across several job categories, and the continued movement towards our $15 per hour minimum in FY 2021 (moving to $14 per hour in FY 2020) have all contributed to this higher than normal growth. With a very tight labor market, we expect that this higher than normal wage inflation will continue for some time.

The largest increases in FTEs are related to direct patient care (nursing, medical group, and hospital operational changes), due to increasing volume and increasing complexity of the patients they care for. The FY 2020 budget also includes 79 new FTEs for the Miller Building and Epic implementation (full-year impact). The table on page 15 breaks out the FTE increases by major category for the UVM Health Network.

The UVM Medical Center is constantly looking for ways to become more efficient and cut costs, while not sacrificing the care we provide. From FY 2017 through FY 2019 we are projected to have achieved approximately $66M in cost reduction, cost avoidance, and increases in non-patient revenue activities. As we have highlighted in past narratives, some of the activities have included: reducing the administrative costs associated with our self-insured health plan; implementing wellness activities to reduce the utilization of our self-insured health plan; implementing IT systems and interfaces that have reduced FTEs; reducing interest costs through debt refinancing; reducing the amount we spend on small equipment, books, subscriptions, dues and travel; implementing numerous supply chain initiatives; and expending our 340B program.

This past year we launched our Robotic Process Automation program. We purchased the software for building the bots, have three internal builders who have been trained on how to build the bots, and have engaged with two external vendors for helping to also build bots. This program and technology has the potential to significantly impact our costs, and to address the growing concern we have, given our very tight labor market, of being able to find all the people we need to run our organization and meet our community's needs. Right now the bots we have built or are in the process of building in revenue cycle, accounts payable, and payroll are replacing simple linear processes, but the future of this technology is expected to move towards machine learning and artificial intelligence (AI).

5. Bad Debt

Central Vermont Medical Center	Amount (in $)
Total Bad Debt at End of FY 2017	$ 5,837,575
Total Bad Debt Incurred in FY 2018	$ 2,929,091
Total Bad Debt Sent to Collections During FY 2018	$ 5,683,685
Total Bad Debt Recovered from Collections During FY 2018	$ 424,220
Total Bad Debt Written Off During FY 2018	$ 4,899,870
Total Bad Debt at End of FY 2018	$ 3,052,588

Porter Hospital	Amount (in $)
Total Bad Debt at End of FY 2017	$ 3,658,766
Total Bad Debt Incurred in FY 2018	$ 1,743,941
Total Bad Debt Sent to Collections During FY 2018	$ 3,954,393
Total Bad Debt Recovered from Collections During FY 2018	$ 243,191
Total Bad Debt Written Off During FY 2018	$ 4,231,996
Total Bad Debt at End of FY 2018	$ 4,231,055

University of Vermont Medical Center	Amount (in $)
Total Bad Debt at End of FY 2017	$ 89,073,013
Total Bad Debt Incurred in FY 2018	$ 0
Total Bad Debt Sent to Collections During FY 2018	$ 28,839,362
Total Bad Debt Recovered from Collections During FY 2018	$ 3,810,715
Total Bad Debt Written Off During FY 2018	$ 27,622,582
Total Bad Debt at End of FY 2018	$ 86,479,078

Collection Agencies: The UVM Health Network's Vermont hospitals have contracts with the following collection agencies:
Central Vermont Medical Center: Marcam Associates and Arcadia Recovery Bureau
Porter Hospital: Balanced Healthcare Receivables Inc. and Gragil
University of Vermont Medical Center: Collection Bureau Collection Services Inc., Balanced Healthcare Receivables Inc., and BDM Ltd
Patient Friendly Billing: These collection agencies follow patient friendly billing and are in compliance with federal 501r tax regulations.

6. Operating Margin and Total Margin

	FY19 Budget	FY19 Projection	FY20 Budget	Comparison To FY19 Budget: FY19 Projection Variance	%	FY20 Budget Variance	%	FY19 Projection: FY20 Budget Variance	%
UVMHN - VT Hospitals									
NPSR + FPP + OCV Revenue	1,569,377,582	1,590,935,475	1,660,713,927	21,557,893	1.4%	91,336,345	5.8%	69,778,453	4.4%
Other Revenue	124,479,513	156,479,566	166,292,229	32,000,053	25.7%	41,812,715	33.6%	9,812,662	6.3%
TOTAL UNRESTRICTED REVENUE & OTHER	1,693,857,095	1,747,415,041	1,827,006,156	53,557,946	3.2%	133,149,061	7.9%	79,591,115	4.6%
Salaries, Payroll Taxes, and Fringe Benefits	964,638,597	987,848,869	1,029,433,225	(23,210,272)	-2.4%	(64,794,628)	-6.7%	(41,584,356)	-4.2%
Non-Salary Expense	683,426,982	716,315,888	743,438,838	(32,888,905)	-4.8%	(60,011,856)	-8.8%	(27,122,951)	-3.8%
TOTAL EXPENSES	1,648,065,579	1,704,164,757	1,772,872,063	(56,099,177)	-3.4%	(124,806,484)	-7.6%	(68,707,307)	-4.0%
NET INCOME (LOSS) FROM OPERATIONS	45,791,516	43,250,284	54,134,093	(2,541,232)		8,342,577		10,883,808	
Income (Loss) Margin	*2.7%*	*2.5%*	*3.0%*		-0.2%		0.3%		0.5%
INCREASE/(DECREASE) UNRESTRICTED NET ASSETS	83,369,392	63,642,529	76,851,687	(19,726,863)		(6,517,706)		13,209,158	

University of Vermont Health Network

The overall UVM Health Network FY 2019 operating margin of 2.5% is projected to be below the FY 2019 budget of 2.7%, primarily due to the implemented commercial rate increases being lower than what was budgeted. The FY 2020 proposed budget is expected to come in higher at 3.0%, due to a projected growth in 340B related programs, commercial rates that are back in line with what is needed to cover inflation, an increase in the number of patients we expect to care for, and an increase in the acuity of those patients.

The overall UVM Health Network FY 2019 total margin of $63.6M is projected to be below the FY 2019 budget of $83.4M, primarily due to lower market returns. The FY 2020 proposed budget of $76.8M is expected to be higher than the FY 2019 projection due to improvement in market returns, but still lower than the FY 2019 budget.

It is important to point out that in addition to market returns, there are other items in total margin that are beyond the control of hospitals, which is why the focus should be on operating margin. Operating margin indicates what hospitals are generating on their core operations, which is taking care of patients.

Porter Hospital

Porter Hospital has been dedicated to its financial recovery from the past and has been focused on increasing days cash to reach a level of sustainability, consequently concentrating on improving operating margin performance. Our more recent financial position has not only allowed us to focus on moderate capital needs, but has also permitted us to adequately invest in selected programs that are genuinely needed in our community, in addition to supporting the operations of an entity that cares for those most vulnerable in our community. Helen Porter Rehabilitation and Nursing Home is a separate organization under the parent corporation of Porter Medical Center (please refer to the organizational chart contained in this narrative at Attachment A). Porter Hospital is the primary revenue source for the entire organization and therefore subsidizes any losses incurred by any of the other three entities. Please reference Table A below that depicts the contribution of each entity under Porter Medical Center.

Helen Porter is essential to our population health strategy in order to care for our patients from cradle to grave. As part of this effort, in May 2018, Helen Porter was a fortunate participant in a pilot program that waived the three day Medicare skilled nursing facility requirement. This rule

requires a patient to have a qualifying inpatient hospital stay for three consecutive days in order to be eligible for Medicare coverage for inpatient skilled nursing facility care. In addition to waiving the qualifying hospital stay, the waiver also allows for direct admits from observation, the ED, and from home. This waiver was available to Helen Porter in partnership with OneCare Vermont.

Under this waiver, we are able to deliver a lower cost of care to our participating patients. This achieves the goals of population health by providing care in the most appropriate, convenient, and cost effective setting, therefore lowering the total cost of care to our community. This speaks directly to our goal of providing the right care, in the right place, at the right time. Please reference Table B, which exhibits the total cost of care savings impact on a per patient basis.

Table A:

Porter Medical Center Margin Summary					
	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Projected	FY 2020 Budget
Porter Hospital Operating Margin	4,425,221	5,221,786	4,583,740	3,180,667	3,590,525
Helen Porter Operating Margin	(2,896,107)	(2,417,487)	(2,045,939)	(3,258,627)	(1,288,948)
PMC & PREH	342,835	425,920	300,117	294,530	294,791
Operating Margin	**1,871,949**	**3,230,219**	**2,837,918**	**216,570**	**2,596,368**
Consolidated Operating Margin %	**2.1%**	**3.4%**	**3.0%**	**0.2%**	**2.5%**

Table B:

Per Patient 3 Day Waiver Savings Impact								
	2018 Actual				2019 YTD			
	Patient Count	Days	Average Charge Per Day	Total Per 3 Day Increment	Patient Count	Days	Average Charge Per Day	Total Per 3 Day Increment
Hospital Setting	1	3	$ 7,000	$ 21,000	1	3	$ 6,700	$ 20,100
SNF Setting	1	3	$ 467	$ 1,401	1	3	$ 471	$ 1,413
Savings to System Per Stay			**$ 6,533**	**$ 19,599**			**$ 6,229**	**$ 18,687**

Total Program to Date 3 Day Waiver Savings Impact								
	2018 Actual				2019 YTD			
	Patient Count	Total Days	Average Charge Per Day	Total Per 3 Day Increment	Patient Count	Days	Average Charge Per Day	Total Per 3 Day Increment
Hospital Setting	19	57	$ 7,000	$ 399,000	29	87	$ 6,700	$ 582,900
SNF Setting	19	72	$ 467	$ 33,624	29	87	$ 471	$ 40,977
Total Savings to System			**$ 6,533**	**$ 365,376**			**$ 6,229**	**$ 541,923**
Grand Total Program Savings From May 2018 to May 2019								***$907,299.00***

*Average Charge Per Day calculation includes the average of all procedures and room rate for Medicare beneficiaries.

7. Charge Request

For further clarification, please refer to the gross revenue and net revenue table on page 30.

Central Vermont Medical Center

Charge increases are applied to our chargemaster and are not payer specific. CVMC charges one price to all insurers. Of the 3% increase in gross revenue rate increases which is equal to $12.5M, CVMC will get an additional $4.5M from the commercial payers in Net Patient Service Revenue (NPSR). Because Medicare and Medicaid rates are non-negotiable, CVMC needs to request rates from our insurers that will cover our costs and the unreimbursed costs from Medicare and Medicaid.

Our reimbursement rates and the methodology in which we are paid are different for each insurer and different depending upon the patient types. Therefore, a 3% charge request will not translate into the same NPSR increase for each payer.

CVMC's payor mix is 65% Medicare, Medicaid, self-pay, and public agency. Hospitals must provide a wide range of services to the community and provide them to all patients, regardless of their ability to pay. Many of these services cost far more to provide than the revenue that comes into the organization from the uninsured, Medicare, and Medicaid. The unreimbursed cost of these services is often shifted to commercial insurers, who in turn shift this cost to beneficiaries in the form of higher deductibles and co-pays.

Porter Hospital

Porter Hospital's budget proposes a 0% price increase for both inpatient and outpatient fees; as a result, charges will not reflect an increase within those service areas and therefore will not have an impact on gross or net revenue.

A significant portion of Porter Hospital's commercial reimbursement is based on Diagnostic Related Groups (DRGs), fee schedules, and percent of charge, which in relation leaves a small percentage of its reimbursement affected by price changes. The purpose of this approach is to address the disconnect between an overall price increase and actual net revenue change. Therefore, increases to list prices do not always result in improved reimbursement. Porter Hospital's budget relies on a commercial rate increase of 2.6%, which is lower than medical expense inflation.

Porter Hospital has been able to find alternative ways to absorb the funding burden of the cost shift, as the entirety of the burden has not been conveyed to commercial payers. Whether it be through the increase in non-patient related revenues, decreases in cost, and (due to our more recent financial stability) reductions to margin, the hospital has been able to shoulder the disparity between true inflationary factors and what is being passed to the commercial payers. The aforementioned alternatives for funding the cost shift are becoming fewer and smaller each year.

University of Vermont Medical Center

The UVM Medical Center is budgeting a 3% aggregate gross rate increase. Our required commercial increase to meet our financial targets for FY 2020, and thus the needs of our

community and region, is 4%.

As we have shown in previous budget narratives, the amount of commercial increase required to cover expense inflation, in the past referred to as the cost shift, is approximately 6%. A 6% increase is needed on 50% of the revenue base to cover 3% expense inflation on total revenue.

In the last three years, UVM Medical Center's commercial rate increase has been less than this 6% threshold, and combined with the growth in our 340B related programs, the chart below shows the impact that has had on our finances.

	FY16	FY17	FY18	FY19	FY20
Commerical Rate Increase	6.0%	2.5%	0.7%	2.5%	4.0%
Value of 1% Increase	$ 5,700,000	$ 5,702,000	$ 5,784,000	$ 5,746,000	$ 6,152,000
Difference Between Required 6% and Actual Increase	$ -	$ 19,957,000	$ 30,655,200	$ 20,111,000	$ 12,304,000
Net Increase in 340B Related Programs from Prior Year	$ 6,929,203	$ 12,423,218	$ 5,569,780	$ 15,556,152	$ 5,175,189
Difference Between 340B Increase and Required 6% Commercial Increase Gap	$ 6,929,203	$ (7,533,782)	$ (25,085,420)	$ (4,554,848)	$ (7,128,811)
Operating Margin	6.3%	5.2%	3.4%	2.8%	3.1%

In FY 2016, the last year UVM Medical Center had at least a 6% commercial rate increase, the growth in our 340B program helped us achieve a 6.3% operating margin. To put this margin in context, the Association of Academic Medical Colleges (AAMC) median for academic medical center operating margin is 6%.

In FY 2017 our commercial rate increase was less than 6%. The increase was pushed down to 2.5%, primarily due to the increase in patients we were seeing not being recognized in the Board's enforcement guidelines. UVM Medical Center grew our 340B programs by a fair amount that year, but not enough to offset the required 6% commercial rate increase, and our operating margin dropped to 5.2%.

In FY 2018 our commercial increase reached a historic low of 0.7%, again primarily due to the Board's enforcement action not recognizing the increase in patients, and with a smaller growth in our 340B programs that year, that 0.7% increase had a significant impact on our operating margin, dropping it to 3.4%. In 2018 the assumption was that our participation in the ACO programs would help reduce the required 6% increase from commercial payers to fully cover our inflationary increases. The assumption was that we would receive a 3.5% PMPM rate of increase in total for the three programs combined, but we did not meet that target. One reason is that we have learned more about the Medicare component of the APM, and that achieving the 3.5% growth rate will be difficult given the current structure of the program. The other is that the commercial rate increase to get to 3.5%, which is supposed to be a "solve for" (3.5% minus Medicare growth minus Medicaid growth equals commercial growth), has been less than that amount.

In FY 2019 the increase was again below 6%, and the participation in the ACO programs is not making up for much of this difference, but fortunately we have been able to grow our 340B programs by a significant amount – otherwise our margin would be even lower than 2.8%.

In FY 2020, as UVM Medical Center did last year, they are submitting a budget with a 4% commercial increase. This increase is required to cover their inflationary increase, with the assumption that the ACO programs will help make up the difference to the historically required 6%. This 4% is also again the "solve for" in the APM calculation to arrive at the 3.5% PMPM growth target.

The relationship depicted in the chart above between our historic commercial increase and the growth in our 340B programs, and the impact that relationship has had on our operating margin, is not meant to represent all of the different variables at play during that time period. On the revenue side there are changes in payer mix, bad debt rate, and Medicare settlement reserves that have up and down impacts. On the expense side in FY 2019 and FY 2020 we have the new Miller Building and Epic unified health record related expenses, and higher than normal salary inflationary increases impacting the margin, but it is meant to highlight the key point, which is we cannot continue to reduce the required commercial rate increase as it is having a very negative impact on the finances of UVM Medical Center and our ability to meet the needs of our community and region.

In Section 4 we highlighted some of our cost reduction activities. The chart below shows the impact of those activities, and shows that we are not solely relying on rate increases to meet our financial needs. When you apply the same CMI adjusted unique patient count to costs (less 340B drugs and depreciation) that we applied to our patient revenues, you can see that we have kept the year growth to a very reasonable level. The larger increases in FY 2017 and FY 2018 were primarily due to very large increases in pharmaceutical costs, with FY 2018 also being impacted by higher than normal wage inflation.

	FY16 Actual	FY17 Actual	FY18 Actual	FY19 Projected	FY20 Budget	FY19 Budget	Bud to Bud Change
CMI Adjusted Cost per Unique Patient	$2,659	$2,788	$2,949	$2,990	$3,038	$2,974	
Percent Change from Prior Year	2.0%	4.9%	5.8%	1.4%	1.6%		2.2%

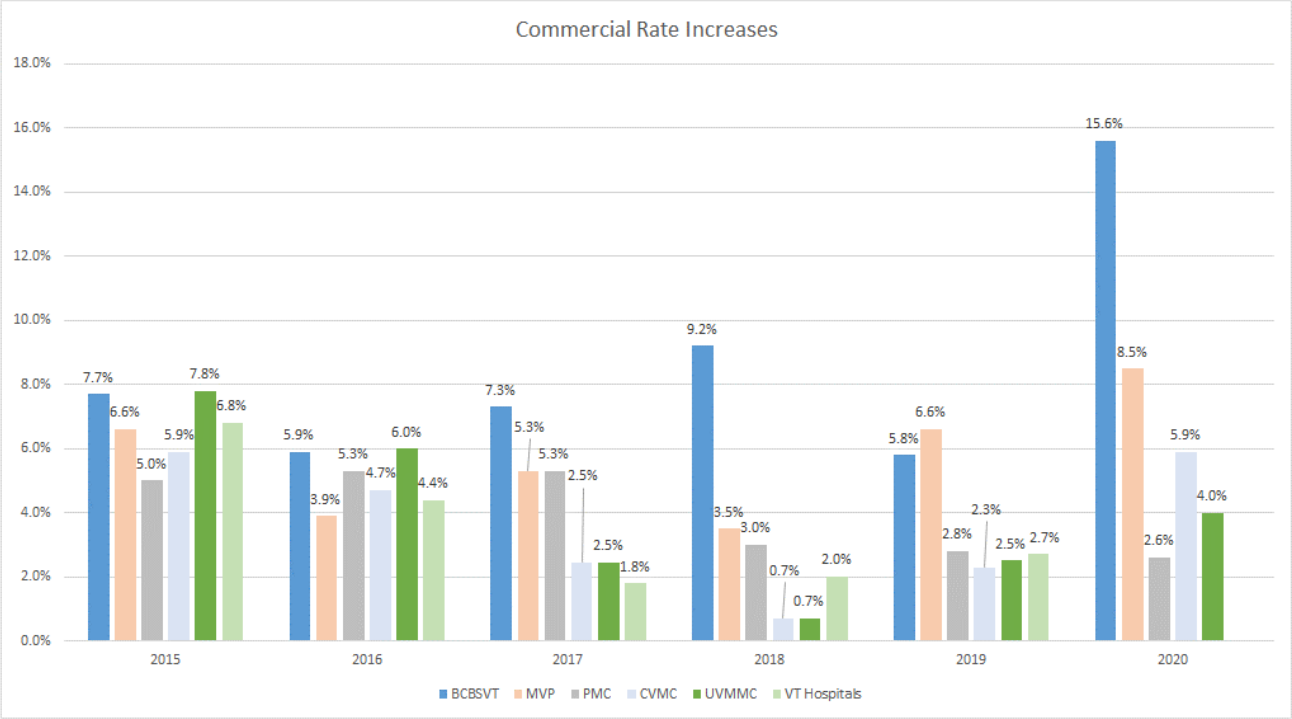
* Cost excludes 340B drugs and depreciation

As a result, we cannot continue to rely on cost cutting initiatives and our 340B programs helping to make up the difference in what the commercial increase needs to be. The UVM Medical Center continues to be near the 25th percentile for cost and revenue per wage and CMI adjusted patient day compared to other academic medical centers, and now their margin is near that level as well. Rate increases have a compounding effect year over year when they are not at the level required to meet financial needs. For example, for UVM Medical Center, from 2017 through 2019, the compounded per year impact of receiving a commercial increase of 2.5%, 0.7% and 2.5% versus the 4% that was submitted and required those three years is $34M in FY 2019. When you look out to FY 2025, assuming we do not receive higher than required increases to make up for those years, the compounded annual impact grows to $44M.

We have seen that effect the last few years and if this trend does not change, like other hospitals in Vermont, the UVM Medical Center will need to determine if we continue to meet all of the needs and provide all of the services that our community and region have come to rely on.

University of Vermont Health Network – Vermont Hospitals:
Gross Revenue Price Changes and Net Revenue Rate Changes

	Gross Revenue	Net Revenue Increase Assumption				
Category	Overall Rate / Price Increase	Total Net Patient Revenue Increase	Commercial Payer Increase	Self Pay / Other Increase	Medicaid Increase	Medicare Increase
UVM Health Network (UVM Medical Center, CVMC, Porter Hospital)						
Hospital Inpatient	4.6%	3.5%	4.9%	0.8%	0.0%	1.4%
Hospital Outpatient	4.4%	2.0%	5.0%	0.5%	0.0%	-2.2%
Professional Services	-3.2%	0.7%	0.7%	-1.0%	0.0%	0.0%
SNF	3.0%	4.2%	0.0%	3.1%	3.8%	0.0%
Overall All Request	**2.8%**	**2.2%**	**4.2%**	**0.2%**	**1.2%**	**-0.3%**
UVM Medical Center						
Hospital Inpatient	5.0%	3.8%	5.0%	0.8%	0.0%	1.5%
Hospital Outpatient	5.0%	1.8%	5.0%	0.6%	0.0%	-2.2%
Professional Services	-3.9%	-0.3%	0.0%	-1.3%	0.0%	0.0%
SNF	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Overall All Request	**3.0%**	**2.0%**	**4.0%**	**0.2%**	**0.0%**	**-0.4%**
Central Vermont Medical Center						
Hospital Inpatient	3.0%	2.1%	5.9%	0.0%	0.0%	1.1%
Hospital Outpatient	3.0%	3.0%	5.9%	-0.2%	0.0%	-3.6%
Professional Services	3.0%	9.2%	5.9%	2.5%	0.0%	0.0%
SNF	3.0%	4.2%	5.9%	3.1%	3.8%	0.0%
Overall All Request	**3.0%**	**3.9%**	**5.9%**	**0.7%**	**1.2%**	**-0.4%**
Porter Hospital						
Hospital Inpatient	0.0%	0.1%	0.1%	0.0%	0.0%	0.0%
Hospital Outpatient	0.0%	2.3%	4.1%	0.0%	0.0%	0.0%
Professional Services	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
SNF	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Overall All Request	**0.0%**	**1.5%**	**2.6%**	**0.0%**	**0.0%**	**0.0%**
NOTES:						
Inpatient Rate increase based on date of renewal (Com - Jan, MCR-Oct, MCD -Jan)						
Outpatient Rate increase based on date of renewal (Com - Jan, MCR-Jan, MCD -Jan)						
Professional Rate increase based on date of renewal (Com - Jan, MCR-Jan, MCD -Jan)						



Notes:

1. BCBSVT & MVP rate increases are representative of VT Health Connect PMPM increases & FY2020 Rate Requests
2. Hospital Rates Increase represent approved increases & FY2020 Rates as submitted with the FY2020 Hospital Budget filings

8. FY 2018 Variances

Central Vermont Medical Center, Porter Hospital, and UVM Medical Center did not receive a letter regarding FY 2018 budget-to-actual variances.

9. Capital Budget Investments

The UVM Health Network's major anticipated capital investments in FY 2019 through FY 2023 are described in Attachment B.

Regional Capital Planning:

The UVM Health Network has a Network-wide business planning process to ensure that major capital investments are planned on a system-wide basis that takes into account regional population needs, not simply the needs of individual hospitals or service areas. The process includes representatives from the Network members' operations, planning, and finance teams. All of our planning is undertaken in the context of our commitment to a system of care that supports managing the health of populations, in alignment with the APM.

Prioritization of Network Capital Spending:

Consistent with our drive toward population health, greater affordability, and the expectation that revenues will continue to decrease over time, any capital investments we make must be tightly managed and prioritized. Over the past several years this process has led to an overall decrease in planned long-term capital spending for the UVM Health Network, which is an ongoing and iterative process and will be used to balance our FY 2020 capital budget to our financial

framework capital amounts.

As we have reduced the capital budget, we must prioritize which programs and projects are funded. Those decisions involve a broad array of individuals in our organizations, who balance competing capital needs. We believe our long-term capital plans are balanced between what we need to invest in patient care operations and the continuing investments necessary to support population health management.

The proposed spending is included in the UVM Health Network's long-term financial framework. That model, reviewed and updated periodically by the UVM Health Network and our Board of Trustees, allows us to plan for needed capital investments over time within the financial parameters established by the Board, which focus on making health care more affordable, while providing us with tools to manage how and when capital spending occurs. The framework's premise is that the UVM Health Network should meet national financial benchmarks that support our current A rating on the bond market within the Board's parameters.

Our financial framework builds in realistic assumptions for margin performance across the Network in light of significant initiatives commencing the first quarter of FY 2020 – Epic EHR and revenue management implementations. The financial framework anticipates a temporary decline in margins, with a return to a 3.0% operating margin in FY 2022, but it will be critical for the financial performance in the first quarter of FY 2020 to be on plan and there be no significant system conversion issues with the roll-out of Epic. Should we not achieve the targeted 3.0% margin over this period of time, we will revisit the total capital for all projects in the five-year plan, as well as all other operating spending, and either reduce it, reprioritize projects, or delay projects to make certain our operating performance can support the capital spending while maintaining A-rating performance standards.

Over the last few years we have taken steps to be able to absorb the increased costs that will come from opening the Miller Building and the network-wide Epic implementation. While these expected changes are reflected in our budgets, our recent financial performance in relation to budget underscores the key relationship between our margin and our available capital for investing in improvements in patient care and population health. We are currently working hard to perform consistent with our updated financial framework, but if our commercial rates continue to be limited to a number below the rate of inflation, it is unlikely we will be able to stay on this path, which would have an impact on our bond rating and on our ability to reinvest in our services, our people, and our community.

FY 2020 Investments:
The capital spending plan in Attachment B includes $105.5M in capital spending in FY 2020, including $46.3M in combined routine capital spending for CVMC, Porter Hospital, and UVM Medical Center.

Porter's capital plan includes no projects for FY 2020 that will be subject to CON review.

CVMC's capital plan for FY 2020 includes an estimated $7.1M (of the total $8.6M project) for updates to the Woodridge post-acute care facility. These updates will be subject to CON review,

as described below.

UVM Medical Center's plan for FY 2020 includes $52.1M for projects that have been or may be subject to CON review, as described below.

All of our capital investments have been budgeted for as part of the UVM Health Network's financial framework, a multi-year financial model that incorporates future years' projected operating results and planned capital investments, allows us to project the impact of key variables on financial, operational, debt, and balance sheet statistics, and tests the affordability and reasonableness of our investments. All expenses associated with any CONs are also accounted for within that framework.

Capital Projects:

- *Request for an Amendment to the Epic CON to add Elizabethtown Community Hospital and Alice Hyde Medical Center to the Project ($15.8M):* A CON was issued in January 2018, approving UVM Medical Center's application to replace the current electronic health records and related information technology systems (EHR systems) at four UVM Health Network hospitals (UVM Medical Center, CVMC, CVPH, and PMC), with an integrated and unified Epic EHR that will be hosted by UVM Medical Center, as the licensee of the Epic EHR system. The CON approved capital expenditures of $112.4M by UVM Medical Center and operating expenditures of $42.4M to be allocated across the four participating hospitals. In the CON application for the project, we noted UVM Health Network's future plans to implement Epic at Elizabethtown Community Hospital (ECH) and Alice Hyde Medical Center (AHMC). A feasibility assessment of the costs and timeframe for implementing Epic at ECH and AHMC was recently completed, and we have determined that the most cost-effective option is to add ECH and AHMC to the now pending Epic implementation, for a total capital cost of $15.8M and additional operating expenses of $4.2M. Our analysis shows that including AHMC and ECH as part of the ongoing Epic implementation will result in cost savings of $9.5M, as we will be able to leverage existing project management support for a lower overall cost. Including these two hospitals in the current implementation will allow us to accelerate plans for adopting the electronic medical record to our Home Health & Hospice affiliate, enabling full communication and Epic workflows between health care delivered to our patients at their homes and our patients' primary care and specialty care providers. Similar to the pending project, UVM Medical Center would pay for the capital costs of the expanded project scope, as it is the host and licensee of the EHR system, while the operating costs will be allocated across all participating UVM Health Network hospitals in accordance with their patient volumes. Since adding ECH and AHMC to the project will result in an expansion of the scope and cost of the approved project, we are preparing a request for an amendment to the CON seeking approval of this change. No CON amendment has been filed at this time.
- *NICU McClure 6 Renovations ($16.3M):* The UVM Medical Center's current NICU space is divided into two locations on different floors of different buildings, making care operationally inefficient. Planned renovations include upgrades to meet current

standards, offer more privacy, better control of light and noise, and provide improved family and staff support spaces. No CON has been filed at this time.

- *ED Renovations ($15.8M):* This project is an expansion of the UVM Medical Center's Emergency Department with a goal of increasing dedicated mental health treatment space to accommodate patients seeking acute care and oftentimes awaiting psychiatric inpatient placement. Additionally, this renovation includes a shell space expansion to create a dedicated pediatrics ED with adjacent pediatrics waiting area. No CON has been filed at this time.
- *Rutland Dialysis Replacement $(14.3M):* The leased real estate currently hosting our Rutland renal site is becoming increasingly functionally obsolete and fast approaching its end of life. This is in addition to the potential for a lease termination by the lessor. Considerable investments are planned to ensure continuity of this vital service. This project includes the construction of a new facility for this service. No CON has been filed at this time.
- *Replace Berlin Dialysis Site ($8.4M):* As CVMC continues to develop their long-term campus strategy, it is becoming increasingly difficult to justify UVM Medical Center's outpatient renal dialysis services on their main campus. UVM Medical Center has long planned to relocate this site to accommodate CVMC's space needs. This project will achieve that goal. No CON has been filed at this time.
- *LINAC ($6.0M):* Providing high-quality radiation oncology care to our patients is a key health care service offered by the UVM Health Network. All three of UVM Medical Center's linear accelerators are nearing their end-of-life and will need replacement in order to continue to serve the needs of cancer patients in our community without interruption. No CON has been filed at this time.
- *194 Tilley Drive Ophthalmology ($5.1M):* This project will co-locate two Ophthalmology clinics to a single leased space at 194 Tilley Drive and would allow patients to receive outpatient ophthalmology services in a lower-cost location with easy parking and access. No CON has been filed at this time.
- *194 Tilley Drive Dermatology ($4.2M):* Likewise, locating our Dermatology providers at a leased space at 194 Tilley Drive would create an expanded clinic with easy parking and access, as well as create additional space at UVM Medical Center for services best provided on the UVM Medical Center campus. No CON has been filed at this time.
- *CT Scanner ($1.5M):* Routine replacement of end of life imagine equipment at UVM Medical Center. No CON has been filed at this time.
- *CVMC – Inpatient Psychiatry ($21.0M – this $21.0M commitment will be incorporated into a larger CON filing, which will be higher):* This is a high priority project to build a 40-bed inpatient psychiatric unit embedded within CVMC's current hospital campus; this reflects the addition of 25 inpatient psychiatric beds to the 15 beds currently at CVMC. This project will include any necessary expansion of space for support services within CVMC to accommodate the additional patient volume. We will provide specific information to the Board as we go through our rapid planning process, and the vehicle will continue to be the quarterly reports. No CON has been filed at this time.
- *CVMC – Woodridge Update ($8.6M):* A building assessment of this aging facility revealed significant deficiencies related to the building system and the overall site, and parking infrastructures due to erosion. This investment would stabilize these issues for

continued operation as well as refresh patient care spaces. No CON has been filed at this time.

- *CVMC – LINAC ($3.0M):* As stated earlier, the UVM Health Network is committed to providing high-quality cancer care to our patients. CVMC's linear accelerator is also approaching its end of life; we are budgeting $3M in capital funds for a new linear accelerator to ensure that patients in Central Vermont receive their cancer care without interruption. No CON has been filed at this time.

Other Anticipated Major Investments FY 2021 – FY 2023:
Our current capital plans anticipate needed investments in existing practices and infrastructure in this time period that may be subject to CON review, including: a number of projects related to the relocation and replacement of services currently offered at our Fanny Allen site; the relocation and expansion of our primary care facilities in Burlington and Colchester; equipment replacement for mammography and interventional radiology; an ambulatory care facility at CVMC; CVMC facility plan funding for their overall master plan and inpatient psychiatry project; and set of facilities projects at Porter Medical Center as outlined in Phase 1 of their master facility plan, including lab relocation, ED expansion, and ambulatory care space.

10. Technical Concerns

There are three technical items which warrant notation for budget review purposes.

In the FY 2019 budget, all fees associated with OneCare Vermont were budgeted as an expense. Upon review post FY 2019 budget approval, there was a workgroup established with Board staff and some hospital CFOs to review the accounting and reporting structure related to fees charged from OneCare Vermont to participating members. It was deemed fees associated with population-based payment reform initiatives and programs be accounted for as a deduction from revenue, and administrative expenses to support OneCare Vermont be recorded as an expense. The UVM Health Network hospitals changed to this accounting structuring in FY 2019 actual reporting and FY 2020 budget. FY 2019 budget should be adjusted for this accounting structure to compare apples to apples for FY 2019 budget to FY 2020 budget comparisons, and FY 2019 budget to FY 2019 actual comparisons.

The following two items only affect Central Vermont Medical Center.

In the FY 2019 budget, CVMC reported bad debt collection agency fees as deduction from revenue. Upon guidance from their external auditor PWC, these fees are now being reported as an expense for FY 2019 actual and FY 2020 budget. For fair comparisons of their FY 2019 budget, FY 2019 actual, and FY 2020 budget, the FY 2019 budget should be adjusted.

In FY 2019, CVMC converted their general ledger reporting system from Meditech to Premier Connect. While this change should not affect any of the total amounts reported, there could be some movements between expense categories when comparing FY 2019 budget to FY 2020 budget categories.

Salary Information

The UVM Health Network submitted to the Board the most recent 2016 Form 990 and Schedule H for the UVM Medical Center, Central Vermont Medical Center, and Porter Hospital; these were submitted to the Board for FY 2017 actuals once those documents were filed. We will provide the new 2017 documents once they have been filed.

Compensation Tables:

Provide Headcount & Box 5 Wages from 2018 W2s – Central Vermont Medical Center				
Salary Range	**Total # of Staff**	**Total Salaries (includes incentives, bonuses, severance, CTO, etc.)**	**% of Total Staff in this Salary Range**	**% of Total Salaries in this Salary Range**
$0 - $199,999	1,895	$82,414,040	96.14%	78.81%
$200,000 - $299,999	52	$12,947,858	2.64%	12.38%
$300,000 - $499,999	20	$6,797,378	1.01%	6.50%
$500,000 - $999,999	4	$2,408,804	0.20%	2.30%
$1,000,000 +	0	$0	0.00%	0.00%
TOTALS	1,971	$104,568,080	100.00%	100.00%

Provide Headcount & Box 5 Wages from 2018 W2s – Porter Hospital				
Salary Range	**Total # of Staff**	**Total Salaries (includes incentives, bonuses, severance, CTO, etc.)**	**% of Total Staff in this Salary Range**	**% of Total Salaries in this Salary Range**
$0 - $199,999	673	$26,703,115	95.87%	76.32%
$200,000 - $299,999	23	$5,432,251	3.28%	15.53%
$300,000 - $499,999	4	$1,586,546	0.57%	4.53%
$500,000 - $999,999	2	$1,267,623	0.28%	3.62%
$1,000,000 +	0	$0	0.00%	0.00%
TOTALS	702	$34,989,534	100.00%	100.00%

Provide Headcount & Box 5 Wages from 2018 W2s – UVM Medical Center				
Salary Range	**Total # of Staff**	**Total Salaries (includes incentives, bonuses, severance, CTO, etc.)**	**% of Total Staff in this Salary Range**	**% of Total Salaries in this Salary Range**
$0 - $199,999	8,878	$448,321,113	96.30%	79.75%
$200,000-299,999	159	$37,958,441	1.72%	6.75%
$300,000 - $499,999	149	$54,715,991	1.62%	9.73%
$500,000 - $999,999	32	$19,136,143	0.35%	3.40%
$1,000,000 +	1	$2,005,830	0.01%	0.36%
TOTALS	9,219	$562,137,518	100.00%	100.00%

Compensation Policies: The UVM Health Network's Executive Compensation Philosophy is included at Attachment C. It applies to executives (Senior Vice President/Vice President) at all UVM Health Network hospitals. The individual Network hospitals currently have their own compensation philosophies for various other categories of employees. The UVM Health Network is in the process of evaluating compensation policies for all employees across the Network to ensure that its hospitals continue to attract and retain the skilled workforce necessary to provide high-quality and high-value care.

Benchmarking: The UVM Health Network uses Integrated Healthcare Strategies/Gallagher as its consultant for benchmarking executive positions. The list of peers used by the Network and its compensation consultants to benchmark executive compensation is also included at Attachment D. For professional and clinical positions, the Network looks to regional data generally in the Northeast and New England, but tries to avoid data from Boston/Massachusetts and Southern New England.

When setting base pay for executives, the UVM Health Network targets the market median (50^{th} percentile) rate. The actual base pay for executives is currently, on average, 1% over the market median. When setting total direct compensation (base pay plus variable pay) for executives, the UVM Health Network targets the market 65^{th} percentile. The actual total direct compensation for executives is currently, on average, 3.5% below that target.

The UVM Medical Center occasionally uses Integrated Healthcare Strategies/Gallagher to benchmark Director level roles, but the rest are benchmarked in-house using over 18 market surveys and utilizing a software called Payfactors, which aggregates all the survey data. For non-executive pay, the UVM Medical Center targets the market median (50^{th} percentile). According to the latest available data sources, compensation for non-executive staff is 0.7% below the market median.

For physician total compensation (base pay plus adjustable pay), the Faculty Practice Division of the UVM Health Network Medical Group currently targets the 45^{th} percentile of a blended all practice benchmark (Medical Group Management Association), plus a pure academic benchmark (AAMC). Using just the academic (AAMC) benchmark, the target is the 60^{th} percentile. For the Porter and CVMC Practice Divisions, the target is the 50^{th} percentile of the blended all practice MGMA benchmark.

Central Vermont Medical Center and Porter Hospital have historically used their own outside consultants and peer group data to analyze and benchmark compensation for non-executive and provider employees. CVMC currently uses Compensation Resources and Gallagher and look to the following peer groups: Vermont and New Hampshire, as well as regional Northeast and National data. Porter uses Astron to analyze both executive and non-executive benchmark data. CVMC and Porter have normally targeted the mid-point of relevant peer groups. As with their compensation policies, the individual hospitals' benchmarking processes are in the process of being evaluated and rationalized across the UVM Health Network, with the goal of ensuring compensation that allows the hospitals to attract and retain the workforce necessary to provide our patients with the highest quality care and to promote success under a value-based payment model.

Organizational Structure

The UVM Health Network organizational chart, which includes all of its Vermont hospitals, is located at Attachment A.

Questions from the Office of the Health Care Advocate

1. Net Patient Revenue

Please refer to Appendix VI budget-to-budget bridges table, as submitted to the Board.

2. Financial Performance

We do not track hospitals' financial performance in that manner. Please see Section 2 for further information on payment and delivery reform measures.

3. Initiatives to Address Mental Health Treatment

The UVM Health Network Mental Health Strategic Plan is located as Attachment E.

4. Initiatives to Address Substance Use Treatment

Central Vermont Medical Center

There are a total of 293 patients currently enrolled in MAT at CVMC, including Medicaid, Medicare, commercial, and self-pay.

A Generalized Anxiety Disorder (GAD 7) screening is completed for all patients in primary care to evaluate for possible substance use disorders (SUD). If positive, a Screening Brief Intervention and Referral to Treatment (SBIRT) clinician follows up with the patient via phone call for referral to treatment, if desired by the patient. ED patients are similarly screened for SUD. Screening Brief Intervention and Navigation to Services (SBINS) clinicians and peer recovery workers are available seven days a week for brief intervention and referral to treatment, if desired.

CVMC currently has 12 providers engaged in medication assisted treatment (MAT). Support for the providers and their patients is through the Blueprint MAT teams and coordinator. CVMC currently has no waiting period for MAT in the primary care clinics or through the local HUB, the BAART Clinic.

The CVMC ED was the first in the state to provide rapid access to MAT (RAM). For patients who meet criteria, a health screening is done and patients are initiated on suboxone in the ED. If the patient tolerates the treatment well, after an observation period they are discharged on a three day supply of suboxone with a follow up appointment at either the HUB or an outpatient MAT clinic, if appropriate. Similarly, if patients are admitted to the hospital and identified as having an untreated opioid use disorder, they are initiated on suboxone with follow up care arranged upon discharge. Support for ED and inpatients are provided by recovery coaches who staff the ED full time, by peer recovery coaches from the Turning Point Center, and by the outpatient MAT team.

CVMC is providing MAT services in the ED (rapid access to MAT described above), in outpatient clinics, and in the inpatient setting. CVMC currently does not have a waitlist for either outpatient suboxone or for methadone or suboxone at the HUB.

The CVMC opioid stewardship program is focused on inpatient (hospital, peri-surgical, and ED) acute opioid prescribing, including following best practices for prescribing, patient consent, and Narcan prescribing. The focus for outpatient chronic opioid prescribing includes best practices for chronic opioid use, patient consent, and monitoring and compassionate tapering. Narcan is prescribed to appropriate patients (on high dose opioids and patients on opioids in combination with benzodiazepines) and is available free at several facilities.

Through a grant with the Turning Point Center, CVMC provides peer recovery workers in the ED who are also available to do consults in the hospital for inpatients. Washington County Substance Abuse Regional Partnership (WCSARP) is a multi-organization group that meets monthly to discuss and develop initiatives around the care of people with substance use disorders, and sharps boxes have been distributed throughout Washington County, including in the hospital lobby, for safe disposal of used needles.

Porter Hospital

Porter has been building their MAT program over the last two years. The majority of Porter's MAT patients have been seen at the Bristol Primary Care office, which closed on 4/12/19 due to the departure of two providers over a short period of time. Porter had reached a zero waiting list as of last year. The primary MAT provider, Dr. Will Porter, will be moving his practice to the Mt. Health Federally Qualified Health Center (FQHC) practice in Bristol, along with the Blueprint support team. Most, if not all, of his MAT patients are going to continue with Dr. Porter at that location. Other MAT patients will be able to transfer to one of several other MAT providers at Mt. Health. Other MAT patients will be encouraged to transfer to Porter's Vergennes Primary Care site, where three Porter providers offer MAT. Porter providers are encouraged to seek waivers and incorporate MAT into all primary care patient panels at the primary care sites. Between all of Porter's primary care sites, there are currently six providers treating 23 MAT patients.

Porter Hospital has worked hard to grow the MAT program, resulting in a waiting list of zero at the end of 2018. With the help of the MAT program and the increase in care management in Porter practices, as well as a dedicated focus on primary care access, Porter Hospital has been able to move the needle on providing better care for patients with these conditions.

Deaths related to drug overdose have decreased by approximately 50% in Addison County over the last three years. There is likely a relationship between this decrease and the growth of the HSA's MAT programs. The Porter Medical Group's efforts to control and decrease the prescribing of narcotics has no doubt also contributed.

Providing care management and support through the Blueprint Community Health Teams is another factor that has contributed to patients getting the necessary wrap-around services within the medical home primary care offices.

University of Vermont Medical Center

The total number of MAT patients served by UVM Medical Center (including Addiction Treatment Program – ATP) is 319. The total number of MAT patients served by UVM Medical Center excluding ATP is 284. The total number of MAT patients served at UVM Medical Center including ATP is 248 (UVM Medical Center primary care providers (PCPs), COGS/Women's Health and Pain Clinic). The total number of MAT patients served at UVM Medical Center excluding ATP is 213. ATP is the higher level of care "Spoke" in our county. Some of those normally receive treatment at a Spoke site (PCP office) and may need a temporary increase in level of care, and others there are just starting their treatment and will be transferred to the other Spokes (UVM Medical Center, Community Health Centers of Burlington, Howard Center) – 35 patients are there today. MAT staff provide MAT services at nine community sites that are not part of UVM Medical Center – 71 patients.

Currently, the UVM Medical Center has 50 waivered providers (greater Chittenden County has 99 waivered providers) across the ED, all adult and pediatric primary care, including medical homes, palliative care, OBGYN, addiction treatment, pain management, and urgent care. The core belief is that the treatment of opioid use disorders should be managed within the medical home, which assists in reducing stigma and begins to normalize care delivery. As such, maintaining an engaged and trained provider workforce is imperative. The UVM Medical Center has incorporated training each new primary care provider as they join the team to provide a greater understanding of the disease of addiction and its treatment. The number of waivered providers has increased largely due to word of mouth between providers and support from various departments' leadership to waiver providers and all new residents, as well as a strong UVM Medical Center presence in community MAT meetings, partnerships, and the local Chittenden County Opioid Alliance (CCOA). UVM Medical Center has invested in the CCOA for a coordinated approach to children and families affected by substance abuse to reduce deaths.

The UVM Medical Center maintains a commitment to adding to the waivered prescriber group by offering in-house waiver trainings twice a year and making efforts to have all residents waivered. Training is completed largely by UVM Medical Center's Dr. Sanchit Maruti. Additionally, many of the non-UVM Medical Center waivered providers are part of the UVM Medical Center MAT spoke system by having the UVM Medical Center MAT staff team with them to work directly with their patients – as referenced above.

The UVM Medical Center also began initiating MAT in the ED. Recently, the UVM Medical Center MAT supervisor began meeting one-on-one with newly waivered providers, and will do so with others, as part of ongoing efforts to encourage them to increase their panel to operate at the maximum of their waivers. After its first full program year, 453 individuals received recovery coaching in the UVM Medical Center ED.

The DOST, formerly the Day One Suboxone Transition, is now called the Addiction Treatment Program (ATP). There were 159 total patients in ATP between 3/1/18 through 2/28/19 (41 current patients, 118 previous patients). 83 patients transitioned from ATP to PCPs. The average length of stay at ATP was nine weeks, and there is currently no waitlist. Coordination continues with the Howard Center, primary care, and ATP to address the management of patients with the opioid agreement/protocol, Buprenorphine pathway (shared between the ATP and

primary care providers), and self-management goals. The ATP continues to provide suboxone therapy along with counseling in a bridge to primary care approach, which has been highly successful.

The Comprehensive Pain Program launched in fall 2018 and is focused on treating patients with chronic pain, with the goal of minimizing/eliminating dependence on opioids. The program offers alternative approaches to managing chronic pain including yoga, nutrition, massage, acupuncture, and a new cohort program, and is supported through a bundled payment initiative launched in collaboration with BlueCross BlueShield of Vermont.

There has been development of a standardized ethyl alcohol (ETOH) treatment/detox pathway that includes more frequent and earlier referrals to ED Recovery Coaches (Turning Point Center) and also aims to standardize the medication assistance and follow up to programs like Day One for this patient population when appropriate. In April 2019, Day One put into place a standing next day program intake appointment for patients in the ED for ETOH use disorders.

5. Patient Bed Days Awaiting Skilled Nursing Facility Placement

This is not information that is readily available at Central Vermont Medical Center, Porter Hospital, or UVM Medical Center, nor is it tracked.

6. Drug Units Dispensed

This information is not tracked at this level of detail, and we do not measure profit margin at this level of detail.

7. Shared Decision Making Programs

Central Vermont Medical Center

CVMC considers the involvement of our community as key in providing patient-focused care. CVMC has initiated a Patient Family Centered Care program that includes Patient and Family Advisors (PFAs) as a key part of this program. Currently, CVMC has 22 PFAs. Our PFAs partner with CVMC by participating as members of hospital patient care focused committees and rounding on current inpatients. Our PFAs also participate in new hire staff orientation, training staff on our customer-focused care through the Cleveland Clinic's Communicate with Heart program. These same PFAs have assisted in training all current CVMC staff in Communicate with Heart, as well.

CVMC continues to advance our program of Patient Family Centered Care with the goal of providing care to meet the community's needs, integrate the voice of the communities we serve in our care processes, and involve the patient and family members in the care processes and choices for the patient.

Porter Hospital

Patient and Family Advisory Council was fully implemented during the fall of 2018. This is a group comprised of patients or patient family members that provide a voice that represents all patients and families of patients who receive care at Porter Medical Center. Working collaboratively with our clinical leaders and departmental staff whereby feedback is provided

based on their own experiences to help Porter improve the quality of care delivered to patients. This help can be in the form of short term projects that assist in planning and designing a resource or helping create educational or informational materials.

To enhance the patient experience and to be able to address any concerns a patient may have in real time, we have implemented Patient Advocate rounding to meet with patients throughout the organization each day, having one on one conversations regarding their care. It is the patient's view of their care that has a direct correlation to their satisfaction and rounding is a critical point of communication between patients and hospital staff which supports this core metric of quality care. Having a patient centered rounding process allows us to address areas of improvement in a way that has an immediate impact on each patient's experience at Porter.

The Transitions of Care Committee is new within our organization and reviews how transitions occur between the hospital and nursing home and barriers that may need to be addressed to streamline the process for the patient by ensuring that the right care is provided at the right time, and right place for our patients. The committee reviews patient's needs, where there may be gaps in care, and how to allocate resources to meet those needs. The committee also works with(in) the community to address patients' needs that are now able to be addressed due to the nursing home's participation in the Medicare 3-day waiver pilot program (please see section 6 of the narrative to Green Mountain Care Board for more details on this program). Members of this committee include nurses, physicians, therapists, and advanced practice practitioners who are dedicated to ensuring a seamless transition of care for patients.

University of Vermont Medical Center

To better serve patients, families, and providers, the RN Care Management team and Outpatient Social Work team have recently been integrated into one functional team. This allows for robust care coordination, creation of detailed patient-centric care plans, and efficiency of communication. Through a series of assessments, patient and family interviews, and risk scoring, patients and their support network are invited to engage in a care team model, identifying the resources and services they require to meet their individual treatment and self-management goals. Patients and their support system are the driver of the goals set, and through an established cadence of touch points (telephone visits and in-person visits), plans are adjusted accordingly.

The UVM Medical Center formed and implemented an interdisciplinary Multi-Visit Patient (MVP) Acceleration Network Team. This team focuses on improving care delivery to high readmission patients through motivational interviewing, brief interventions, and multi-focused supports. The team includes community, ED, and patient and family engagement.

8. Financial Assistance

University of Vermont Health Network

In Attachment F, we have included copies of all three hospitals' financial assistance policies, plain language summaries, and financial assistance applications. All of these documents, along with additional detailed information about financial assistance, can be accessed through the hospitals' websites:

https://www.cvmc.org/our-patients/patient-financial-services/financial-assistance

http://www.portermedical.org/patient_financial_information.html

https://www.uvmhealth.org/medcenter/pages/patients-and-visitors/billing-insurance-and-registration/financial-assistance.aspx

Patients and prospective patients can also access the same information through telephone and in-person conversations with the hospitals' financial assistance program staff, who are available on site at each hospital.

Central Vermont Medical Center

CVMC uses the criteria listed under 501r program requirements to screen patients for the Financial Assistance Program. During FY 2018 CVMC approved 76% of patients that applied for financial assistance, and 18% were found eligible for Vermont Medicaid. All self-pay ED, inpatient, and inpatient psychiatry patients are financially cleared and offered assistance in obtaining insurance coverage via Health Connect, Medicaid, and our Financial Assistance Program. CVMC also assists patients with pharmacy coverage applications to ensure compliance with medication treatment plans.

The following criteria must be met to be eligible for financial assistance from CVMC:

- You must be a permanent resident within the CVMC financial eligibility area, which includes all of Vermont.
- Household income and assets must be within guidelines.
- The services that were provided to you must be considered medically necessary, essential health care services.
- The following types of services are not eligible for financial assistance:
    - Cosmetic services, unless medically necessary based upon diagnosis with physician review
    - Birth control, infertility treatments, fertility services, sterilization and reversal of sterilization
    - Services that have been placed in collections beyond 120 days of placement
    - General dentistry, unless extenuating circumstances are presented by the dental practice
    - Services to residents outside of the financial eligibility area, unless provided in an ED setting
    - Services reimbursed directly to you by your insurance carrier or already covered by a third party

In addition to the information provided above and in the attached policies, please see the table below:

UVMHN CVMC Financial Assistance Program	FY14	FY15	FY16	FY17	FY18	FY19TD
Screened Patients				**2579**	**2942**	**2022**
Total Applications	1040	881	866	2194	2137	1627
% of Patients				85.07%	72.64%	80.46%
Approved/Granted						
<=200% Federal Poverty Level	549	394	389	451	685	535
201%-400%	258	290	325	294	351	377
Approved/Granted Total	**807**	**684**	**714**	**745**	**1036**	**912**
Health Connect Navigator Appointments - Insurance Added				**388**	**498**	**432**
Health Connect Navigator Appointments - Medicaid Added				**912**	**462**	**198**
Denied						
Miscellaneous Notes	12	47	16			
No Current/Scheduled Charges	2	2	8	1	1	
No Eligible Charges	0	0	0	13		
Incomplete Application	133	99	86	103	102	56
Out of Service Area	1	1	1	1		
Over Assets**				6	11	9
Over Income**				25	27	20
Over Income/Assists	85	48	41		1	
Denied Total	**233**	**197**	**152**	**149**	**141**	**85**
Open						41

Financial Advocates and Navigators aid underinsured and uninsured populations by providing financial counseling services, which includes enrollment in State, Federal, and CVMC financial assistance programs. Financial Advocates work closely with patients and their families throughout the application process. In addition to offering financial aid and finding available government programs, they also advocate on behalf of patients and their families whose resources exceed program guidelines; in those cases, Financial Advocates help establish reasonable payment options.

Porter Hospital

Porter Hospital is committed to improving the health of our community one patient at a time, regardless of their financial situation. In addition to the information provided above and in the attached policies, please see the table below:

PMC Financial Assistance Program	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 YTD May	Grand Total
APPLICATIONS							
Total Applications	732	583	676	786	855	640	4,272
Total Household Members	1,336	1,052	1,215	1,403	1,562	1,159	7,727
APPROVED/GRANTED							
20%	22	13	22	26	45	42	170
40%	29	42	54	57	73	46	301
60%	46	51	43	62	72	58	332
80%	98	79	96	99	88	76	536
100%	393	320	367	440	416	309	2,245
APPROVED/GRANTED Total	**588**	**505**	**582**	**684**	**694**	**531**	**3,584**
DENIED							
Over Income/Assets	40	36	40	62	95	58	331
Insufficient Application Information Received	104	42	54	40	66	51	357
DENIED Total	**144**	**78**	**94**	**102**	**161**	**109**	**688**
OPEN APPLICATIONS	**-**	**-**	**-**	**28**	**9**	**23**	**60**

University of Vermont Medical Center

The UVM Medical Center does not currently track the number of patients screened for financial assistance, given screening crosses multiple locations, departments, and staff. As we work to develop and implement the Epic system, we hope to improve our tracking through a consolidated tool.

There have been no changes to our financial assistance policy and program. To improve awareness of our program within the community, we plan to proactively provide the summary and/or rack cards to locations where the underserved may reside or access services, such as the Vermont Refugee Resettlement Program, Area Agencies on Aging, and Cathedral Square. As noted above, we have multiple ways to inform, proactively counsel, and assist our patients in application completion.

In addition to the information provided above and in the attached policies, please see the table below:

UVMMC Patient Assistance Program	FY14	FY15	FY16	FY17	FY18	FY19 YTD May	Grand Total
Total Applications	4124	4004	4189	4334	4434	3101	24186
Total Household Members	5899	5590	5791	6085	6302	4629	34296
APPROVED/GRANTED							
<=200% FPL	2571	2281	2305	2321	2277	1587	13342
201%-250%	358	436	469	483	518	374	2638
251%-300%	264	298	339	374	406	272	1953
301%-350%	155	203	230	240	249	177	1254
351%-400%	99	127	164	173	198	114	875
(blank)	6	8	13	9	2	2	40
APPROVED/GRANTED Total	**3453**	**3353**	**3520**	**3600**	**3650**	**2526**	**20102**
DENIED							
Miscellaneous Notes	3	3	6	70	82	43	207
No Current/Scheduled Charges	16	4	9	9	10	14	62
No Eligible Charges	13	7	5	4	7	13	49
Incomplete Application/No Response from Patient	475	457	463	489	540	232	2656
Out of Area Scheduled Charges	2	2	1	3	4	1	13
Over Assets	66	87	59	23	17	8	260
Over Income	79	78	9	132	113	87	498
Over Income/Assets	17	13	17	1	2	4	54
(blank)					9	1	10
DENIED Total	**639**	**617**	**643**	**709**	**784**	**403**	**3795**
OPEN						**172**	**172**
% Patient Population Received Assistance	2.5%	2.5%	2.2%	2.1%	2.2%	1.7%	

9. Inpatient Discharges

UVM Medical Center Summary

Item	FY15	FY16	FY17	FY18	FY19 Budget	FY19 GMCB Proj	FY20 Budget
Total Discharges	21,240	22,211	22,357	22,513	22,300	22,836	22,910
All Payer Case Mix Index	1.66	1.69	1.70	1.69	1.71	1.68	1.72
Average Cost per Adjusted Discharge	$ 14,055	$ 13,896	$ 15,090	$ 16,525	$ 17,217	$ 17,175	$ 17,601
% change from prior period		-1.1%	8.6%	9.5%	4.2%	-0.2%	2.5%
% change from FY2019 Budget to FY2020 Budget							2.2%

Porter Summary

Item	FY15	FY16	FY17	FY18	FY19 Budget	FY19 GMCB Proj	FY20 Budget
Total Discharges	1,980	1,850	1,845	1,865	1,924	1,896	1,903
All Payer Case Mix Index	NA	1.12	1.15	1.19	1.19	1.31	1.35
Average Cost per Adjusted Discharge	$ 8,267	$ 8,453	$ 8,971	$ 9,123	$ 9,660	$ 9,588	9,795
% change from prior period		2.2%	6.1%	1.7%	5.9%	-0.7%	2.2%
% change from FY2019 Budget to FY2020 Budget							1.4%

CVMC Summary

Item	FY15	FY16	FY17	FY18	FY19 Budget	FY19 GMCB Proj	FY20 Budget
Total Discharges	NA	4,553	4,451	4,192	4,361	4,116	4,127
All Payer Case Mix Index	NA	1.18	1.19	1.25	1.26	1.33	1.33
Average Cost per Adjusted Discharge	NA	$ 9,709	$ 10,075	$ 10,280	$ 10,559	$ 11,346	11,473
% change from prior period			3.8%	2.0%	2.7%	7.5%	1.1%
% change from FY2019 Budget to FY2020 Budget							8.7%

10. Negotiations with Insurers

University of Vermont Health Network

As stated previously, the UVM Health Network has long been urging a higher level of coordination among the hospital budget review process, the commercial insurance rate-setting process, and the ACO budget review process. These processes currently do not communicate with one another; they work at cross purposes to one another, and decisions are made in one process that may harm the stated goals of another. By way of example, the regulatory decision and order states each UVM Health Network hospital in Vermont was granted a specific "…commercial rate [as] established at X% over current approved levels." With this, there is an inherent recognition by the regulatory body that this commercial rate increase is reasonable and necessary to support the hospital budget(s). Despite this, the commercial payers were ordered to "vigorous[ly] negotiate" during their contractual negotiations with the individual hospitals. By instructing the commercial payers to negotiate what has previously been deemed as reasonable and necessary, it undermines the regulatory process set out for hospital budgets. Although the UVM Health Network was granted a specific commercial rate increase, we did vigorously negotiate with commercial payers through our last negotiation period to a degree that seemed unhelpful to our shared goal of engaging as partners in reforming our health care system, rather than adversaries at a negotiating table. The UVM Health Network is not at liberty to disclose the results of those negotiations and/or the implementation thereof due to contractual confidentiality provisions.