

Hospital Sustainability Planning - Update

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Agenda

1. Background
2. Outline of the Framework
3. Staff Reflections on Public Comment
4. Proposed Next Steps
5. Board Discussion and Potential Vote
6. Public Comment

Health Care Spending as a Percent of Annual Growth in GSP



In the most recent year of the Vermont expenditure analysis (2018) the proportion of Vermont's state gross product devoted to health care spending is 18.8% vs. 16.9% as compared to the national average.

Health Care Share of GSP-Annual Growth



Gross State Product (GSP) is a measurement of the economic output of a state. It is the sum of all value added by industries within the state and serves as a counterpart to the Gross Domestic Product (GDP), which measures national economic output.

Rural Hospital Sustainability is a National Problem pre-COVID



Sources:

[1. University of North Carolina Rural Health Research Program;](#)

[2. Bai G, Yehia F, Chen W, Anderson GF. Varying Trends in the Financial Viability of US Rural Hospitals, 2011-](#)

[17. Health Aff \(Millwood\). 2020;39\(6\).](#)

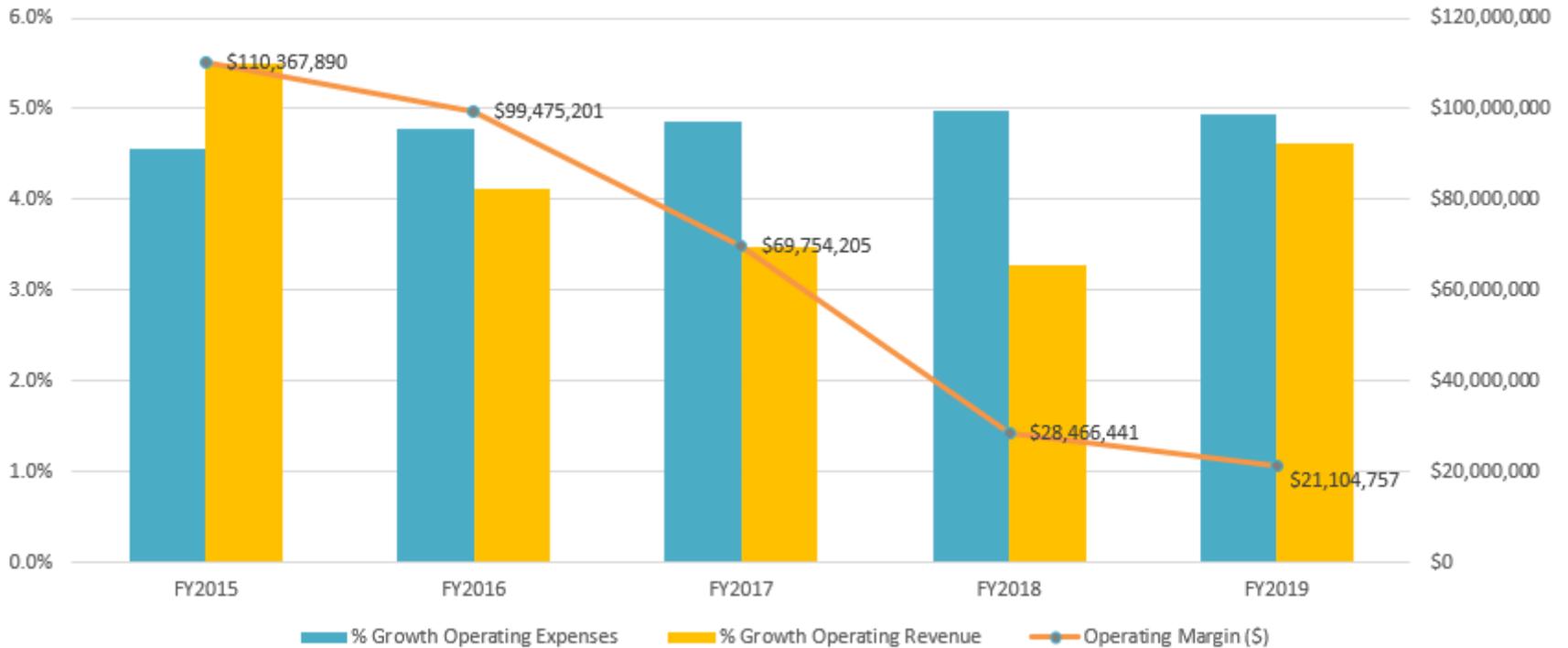
Since 2005, **170** rural hospitals have closed nationally, with 2019 closure rates higher than any previous year.

As of 2019, **25% of rural hospitals** were predicted to be at mid-high or high risk of financial distress.

A recent study found that rural hospitals that closed during the study period (2011-17), had a median overall **profit margin of -3.2% in their final year before closure.**

Vermont Hospitals pre-COVID

Growth in Operating Expenses Outpaces Growth in Operating Revenue



Source: Green Mountain Care Board

Hospital Sustainability & COVID



COVID has only put more strain on an already fragile system with rural hospitals expected to be among the hardest hit.

- AHA estimates **\$202.6 billion in losses** for America's hospitals and health systems, or an average of **\$50.7 billion per month**, from March through June 2020.
- In April 2020 alone, **hospital operating margins** dropped to **negative 29%**, showing a **282% decline** relative to the same period in 2019.
- Rural hospitals are especially vulnerable to COVID impacts due to thin margins, lower liquidity, lower occupancy rates, higher reliance on elective procedures to cover fixed costs, etc.

Federal and state relief has been helpful to address immediate cash flow needs of hospitals, but is only one-time money, and will not solve hospital sustainability.

“Our fee-for-service system is consistently showing itself to be insufficient for our most vulnerable Americans.”

– Director for the Centers for Medicare and Medicaid Seema Verma

FY 2021 Hospital Budgets: Change in Charge Requests



	2017		2018		2019		2020		2021	
	Submitted	Approved	Submitted	Approved	Submitted	Approved	Submitted*	Approved	Submitted*	COVID-19 Submitted**
Brattleboro Memorial Hospital	3.5%	3.5%	8.9%	5.7%	4.9%	3.9%	3.4%	3.4%	2.9%	2.0%
Central Vermont Medical Center*	3.0%	2.5%	0.7%	0.7%	2.8%	2.3%	5.9%*	3.0%	8.5%*	
Copley Hospital	0.0%	-3.7%	0.0%	-3.4%	7.9%	4.5%	9.8%	9.8%	8.0%	
Gifford Medical Center	3.9%	3.9%	4.0%	4.0%	4.0%	4.0%	5.0%	5.0%	4.0%	
Grace Cottage Hospital	5.0%	5.0%	5.0%	5.0%	3.2%	3.2%	3.2%	3.2%	3.2%	
Mt. Ascutney Hospital & Health Center	4.9%	4.9%	4.9%	4.9%	2.9%	2.9%	3.2%	3.2%	TBD	
North Country Hospital	3.5%	3.5%	5.0%	5.0%	3.6%	3.6%	4.2%	4.2%	TBD	
Northeastern VT Regional Hospital	3.8%	3.8%	4.3%	3.2%	4.0%	3.0%	3.5%	3.0%	2.1%	1.8%
Northwestern Medical Center	2.9%	0.0%	6.0%	3.5%	2.0%	2.0%	5.9%	5.9%	19.9%	1.2%
Porter Medical Center*	3.7%	5.3%	3.0%	3.0%	2.8%	2.8%	2.6%*	0.0%	5.8%*	
Rutland Regional Medical Center	-5.1%	-5.1%	4.9%	4.9%	3.0%	2.6%	2.7%	2.7%	6.0%	
Southwestern VT Medical Center	3.9%	3.4%	2.9%	2.9%	3.2%	3.0%	2.8%	2.8%	3.5%	
Springfield Hospital	0.0%	0.0%	6.5%	6.5%	10.0%	10.0%	0.0%	0.0%	4.0%	
The University of Vermont Medical Center*	3.0%	2.5%	0.7%	0.7%	4.0%	2.5%	3.5%*	3.0%	8.0%*	
Estimated Weighted Average For All Hospitals***	2.2%	1.8%	2.3%	2.0%	3.9%	2.9%	3.2%	3.1%	6.9%	

*Beginning in 2020, UVM Network submitted change in charge are effective rates.

**COVID-19 change in charge requests for 2021 are a one-time allowance.

****Estimated Weighted Average for All Hospitals* are based on each hospital's proportion of gross revenue to the change in charges; estimates for 2021 are preliminary and subject to change as hospital budget submissions are finalized.

Purpose of the GMCB

18 V.S.A. § 9372

1. Improve the health of the population;
2. Reduce the per-capita rate of growth in expenditures for health services in Vermont across all payers while ensuring that access to care and quality of care are not compromised;
3. Enhance the patient and health care professional experience of care;
4. Recruiting and retaining high-quality health care professionals; and
5. Achieving administrative simplification in health care financing and delivery.

Duties of the GMCB

18 V.S.A. § 9375



- The Board shall review and establish hospital budgets.
- Hospital Budget Review - 18 V.S.A. § 9456
 - (b)(2) – the Board shall consider Health Resource Allocation Plan (HRAP) identifying Vermont's critical health needs, goods, services and resources
 - (c)(3) – hospital budgets established should **promote efficient and economic operation of the hospital**

Hospital Duties

18 VSA § 9454(a)

Hospitals shall file the following information at the time and place and in the manner established by the Board:

1. a budget for the forthcoming fiscal year;
2. financial information, including costs of operation, revenues, assets, liabilities, fund balances, other income, rates, charges, units of services, and wage and salary data;
3. **scope-of-service and volume-of-service information**, including inpatient services, outpatient services, and ancillary services by type of service provided;
4. utilization information;
5. new hospital services and programs proposed for the forthcoming fiscal year;
6. known depreciation schedules on existing buildings, a four-year capital expenditure projection, and a one-year capital expenditure plan; and
7. **such other information as the Board may require.**

Goals for the Sustainability Planning Framework

1. Engage in a robust conversation on ensuring community access to essential services and removing barriers to the sustainability of our rural health care system;
2. Utilize insights gained through hospital sustainability planning to inform the state's proposal for a subsequent All-Payer Model Agreement (APM 2.0) and continue moving away from fee-for-service toward value-based care; ensure hospitals have sufficient resources to provide essential services;
3. Encourage hospital leadership, boards, and communities to work together to address sustainability challenges and formalizing their approach in their strategic plans over time; and
4. Identify both (1) hospital-led strategies for sustainability, including efforts to “right-size” hospital operations, particularly in the face of Vermont’s demographic challenges and Federal and State payment reform efforts, as well as (2) “external” barriers to sustainability that are more aptly addressed by other stakeholders, policy-makers, or regulatory bodies.

Outline of the Framework



1. Financial Health of the Hospital

GMCB will provide hospitals with financial indicators (along with state/regional medians and benchmarks where relevant), identifying those metrics for which the hospital is at risk, and ask hospitals to identify strategies for improved financial performance.

2. Ensuring Provision of Essential Services

This stage will ask hospitals to assess the provision of essential services in their communities, identify service gaps and finally, develop plans to ensure the sustainable delivery of essential services as we move to a value-based world.

3. Sustainability of Other Services

This stage seeks to illuminate the efficiency and quality with which hospitals deliver other services (beyond those defined as “essential” by the AHA), and how the delivery of these services supports the hospital’s ability to operate in a value-based world. Essentially this stage asks hospitals to conduct service line optimization viewed through the lens of value-based payment, not fee-for-service.

4. Strategic Planning

The purpose of this final stage is for hospitals to reflect on the analyses of prior stages and discuss their plans for sustainability in a value-based world, recognizing those barriers and opportunities that are within as well as outside of their control.

Public Comment to Date



HCA

- This work is critical to ensuring Vermonters access to essential services.
- Recognize challenges with the proposed timeline.

VAHHS recommendations:

- “Assess each organization’s sustainability within the hospital budget process, which collects ample data and is well designed to account for the factors informing hospital health.
- Rethink and postpone the broader conversation connecting sustainability with reform and transformation until after the annual hospital budget process is complete. This would offer space for a more thorough and public dialogue about what the process should look like and achieve.”

Other Public Comment

- A system-wide capacity study could be a useful exercise to project demand for services.
- This framework represents an ideal, but hospitals may not be tracking information at this level of detail.

Staff Reflection on Recent Public Comment



1. Staff stand by the spirit and timeliness of this framework, which is critical to ensuring the provision of essential services in our communities as health reform continues to move away from fee-for-service toward value-based care.
2. All Vermont hospitals should be in scope as this is a question about the sustainability of our broader system.
3. How will the Board use the details of this framework?
 1. Having this more nuanced information will allow the Board to make better decisions as it relates to hospital budgets and determinations of NPR/Change in Commercial Charges.
 2. Lessons learned through the details of this framework could inform the development of APM 2.0 proposal development (due December 2021), particularly as it relates to ensuring the sustainability of rural hospitals.

Staff Reflection on Recent Public Comment Cont'd



4. We recognize variation in hospital technology and resources and look forward to working with stakeholders to understand the constraints and nuances of capacity planning and service optimization at each hospital.
5. We agree that a system-wide capacity study, recognizing demographics and population dynamics could be a helpful companion analysis. GMCB staff are also already exploring demand for services and resource needs at a community level and statewide through HRAP.

Adjusted Timeline



*GMCB to receive in time to inform
FY 2022 Hospital Budget Guidance*

*GMCB to receive in time to inform APM 2.0 proposal
development, due to CMMI December 2021*

**Subject to change pending COVID resurgence in the fall of 2020*

Proposed Next Steps

1. GMCB staff to continue examining nexus between sustainability planning and **HRAP** and explore a **system-wide capacity study**.
2. GMCB Staff to work with stakeholders to understand hospital-specific **reporting constraints**.
3. Continue identifying and documenting opportunities for continuous improvement to support **APM 2.0 proposal development**.

Board Discussion & Potential Vote

Potential Board vote to approve the outline of the framework and adjusted timeline in order to allow staff to:

1. Fine-tune feasible deliverables for each phase; and
2. Begin data collection/analysis.

Board to agree to extend this planning exercise to all hospitals with a formal vote taking place for the currently excluded hospitals during the upcoming hospital budget process.

Questions/ Public Comment



Relevant GMCB Resources



- [FY 2021 Hospital Budget Review](#)
- [Vermont All Payer Model](#)
- [Health Resource Allocation Plan \(HRAP\)](#)
- [Rural Health Services Task Force](#)