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Dear Chair Mullin and Green Mountain Care Board members:

We appreciate the opportunity to comment on the proposed hospital sustainability planning process and applaud the Green Mountain Care Board's (Board) effort to apply a system perspective to how health care is provided at Vermont hospitals. The Office of the Health Care Advocate (HCA) provides the following comments on the Board's proposed hospital sustainability planning process.

Hospital Financial Sustainability Plans Should Require the Incorporation of Consumer Input

Consumer input is a critical component of any effort to examine the sustainability of Vermont hospital services. Hospital sustainability planning should be bottom-up. In particular, consumer views must be incorporated into the process of deciding which services are essential for any particular hospital to provide for its community.

To that end, consumer input should be explicitly incorporated into the five sustainability goals. This is not currently the case. For instance, Goal One states that "a robust conversation on community access to community services" should occur. Goal One does not, however, define who required participants in such conversations are or that such conversations should include consumers, whether patients or potential patients. Goal Two also fails to explicitly require that consumer views are incorporated into hospital sustainability planning.

Absent such consumer input, strategies generated through the hospital sustainability planning process are unlikely to be sufficiently context sensitive or responsive to consumer needs. We recognize that hospitals play a necessary role in hospital sustainability planning. However, their views are not sufficient. In light of this fact, the HCA respectfully requests the Board include explicit criteria related to incorporating consumer input into the hospital sustainability planning goals and the larger hospital sustainability planning process.

Hospital Financial Sustainability Plans Should Support the Development of System Interventions

The use of the S&P national and Canadian financial health benchmarks (S&P Benchmarks) to measure the financial health of Vermont hospitals is problematic. First, the S&P Benchmarks are behind a paywall and not subject to public scrutiny. The lack of transparency caused by this fact undermines the credibility of the use of the S&P Benchmarks for public purposes and necessarily limits the scope of possible discussion and thus to the universe of possible interventions.

Second, the use of the S&P Benchmarks, as applied to Vermont hospitals in the hospital sustainability planning process, will not provide useful between-hospital statistical variation. This lack of variation between Vermont hospitals is unlikely to yield useful information beyond the general observation that many Vermont hospitals have relatively weak financial performances compared to the universe of all hospitals included in the S&P Benchmarks. An example makes this issue clear: take the operating margin measure. Using the S&P operating margin benchmark, half of Vermont hospitals, based on FY2019 actuals, are "highly vulnerable." The utility of grouping fifty percent of hospitals in the lowest category when trying to develop effective and context-sensitive interventions related to operating margin is questionable at best.

Third, in many instance, comparing Vermont hospitals to national hospitals is inappropriate as many national hospitals do not operate in a state proactively attempting to control costs. For instance, many national hospitals, including non-profit hospitals, have margins that are large because, at least in part, they are not operating in a

regulatory environment that aims to reduce costs. Vermont hospitals may, for example, have smaller operating margins than the average national hospital. However, this could be indicative of increased cost savings due to regulation and the attempt to limit sky rocketing medical trends – a sign of regulatory success as opposed to financial weakness.

One possible solution to the problem of using the S&P Benchmarks is to construct ordinal financial performance scales for the various financial metrics by using Vermont-specific data. Such Vermont-specific benchmarks could be used, in conjunction with national benchmarks, to contextualize Vermont hospital performance relative to both the nation and the Vermont hospital system. Regardless of how the Board chooses to remedy the above identified issues, we respectfully contend that the S&P Benchmarks are not an appropriate measure of Vermont hospital financial performance.

We also note that the proposed method for tracking essential health services is unlikely to generate useful Vermont interventions. To define essential health services, the Board adopts the American Hospital Association's definitions found in the report from the Task Force on Ensuring Access in Vulnerable Communities. These definitions of essential services include transportation and referral system/transfer agreements as essential services. However, transportation and referral system/transfer agreements are not included in the Board's proposed Essential Service Line table (and thus not tracked). While transportation and referral system/transfer agreements are different sorts of items from traditional service lines, their explicit inclusion in the hospital sustainability planning process is critical. As such, we respectfully encourage the Board to incorporate a more robust method for evaluating transportation and referral system/transfer agreements in hospital sustainability planning

One option to respond to our observation would be to include lines for transportation and referral system/transfer agreements in the Essential Service Line Assessment table. The first two columns would be relevant and the remaining columns could be marked "NA." We recognize that Other Important Questions Q4(c) asks about transportation and referral system/transfer agreements. However, the question asks about prospective actions and does not provide any information about the current state of such services.

Lastly, questions about the adequacy of transportation services in Vermont must address the impact that weather conditions have on transportation system adequacy during the late fall, winter, and early spring. We do not have a specific recommendation about how this issue could be addressed but are happy to work with interested parties to develop a solution.

Hospital Financial Sustainability Plans Should Use Appropriate and Useful Measures

The Board should not use point-in-time measures to evaluate hospital financial performance. We recommend using multi-year or rolling averages to explore the import of hospital financial measures such as, for instance, payer mix, operating margin, and days-cash-on-hand. The Board used such averages to report on hospital operating margin, however, it did not use such averages to examine days-cash-on-hand. Absent an articulable justification, multi-year or rolling averages of financial performance should be used for all measures to increase consistency and because multi-year or rolling averages are less likely to be misinterpreted by third parties compared to point-in-time measures.

Finally, we encourage the Board to include some type of trend direction analysis in hospital sustainability planning. A trend direction analysis would allow the Board to identify hospitals with historically and currently poor financial indicator performance that are none the less improving financial indicators. Identification of and inquiry into such hospitals could yield operating "best practices" that might be applicable to other Vermont hospitals.

Thank you for considering these comments.

Sincerely,

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