

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

From: Todd Keating, Interim 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 31, 2020

Subject: The University of Vermont Health Network Fiscal Year 2021 Budget Narrative

A. Executive Summary

University of Vermont Health Network

The University of Vermont Health Network submits our FY 2021 budget at a time of extraordinary uncertainty and financial strain on Vermont's health system. This financial strain predated COVID-19, but is exponentially exacerbated by the pandemic, and now requires us to focus our budget on the most essential aspects of meeting the needs of our patients, communities, and the health care heroes who show up every day to care for the most vulnerable.

Taking into account these very difficult challenges, we remain committed to reform. The good work that the Green Mountain Care Board, providers, and the payer community have done to build a system that focuses on the health of our citizens requires each participant's full effort to be successful. Our UVM Health Network budget request funds the essential services that our communities depend upon, and we put great thought and scrutiny into the net patient revenue (NPR) and commercial rate actions we require. We created this budget with no ability to know what will happen next in relation to the pandemic and with a financial crisis that we have not yet steered our way through.

The Network's budget is built on pre-COVID-19 inputs and reflects our best estimate as to where payer mix and volume will evolve throughout the fiscal year. We intentionally did not build a COVID-19 second wave impact model into this budget. There are many scenarios that are simply not knowable at this time, and we feel strongly that our base budget should reflect long standing financial trends and not try to predict a variety of potential outcomes.

With these factors in mind, the UVM Health Network's FY 2021 budget seeks to:

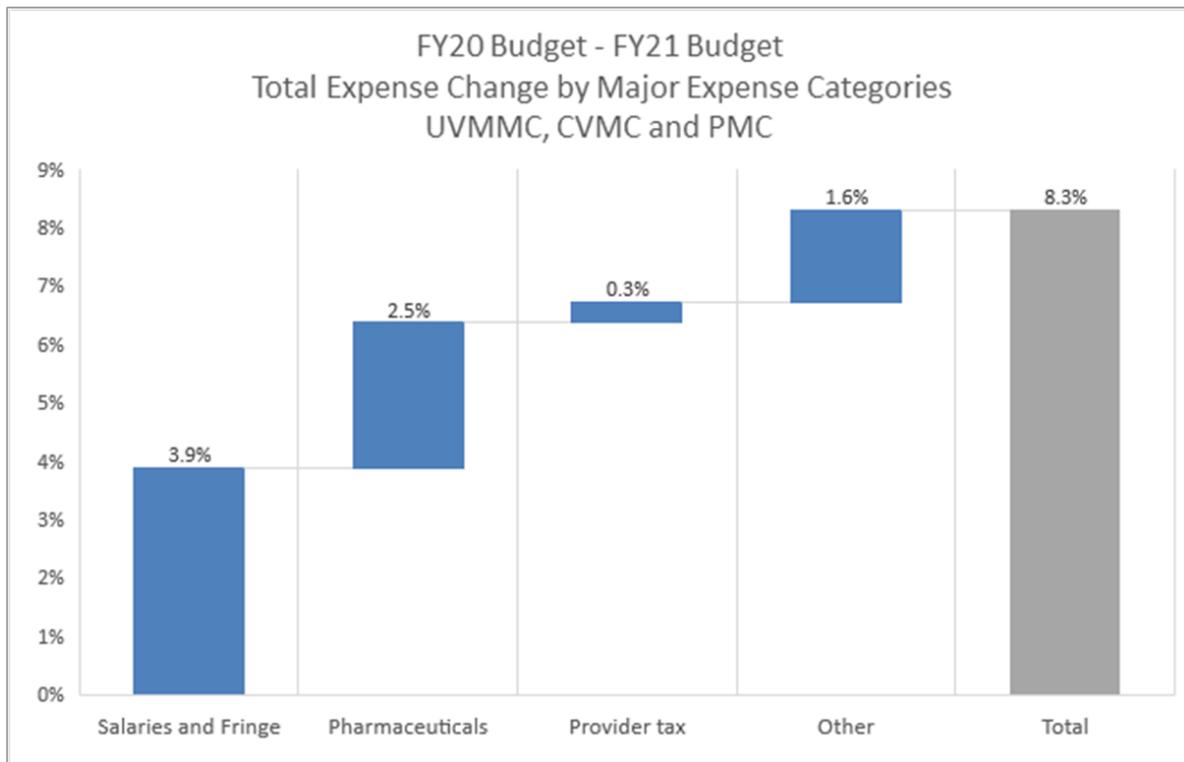
1. Ensure our capacity to meet essential patient care needs, while supporting our most important resource, our people;
2. Secure the UVM Health Network's ability to be resilient in the face of future crises, in light of our experience with COVID-19 to date;

3. Set the NPR growth target based on our best estimate of patient care volumes; and
4. Establish a commercial rate increase reflective of our payer mix, patient care needs, and cost pressures. It ensures the sustainability of our delivery system and is the product of several years of rate increases that have not kept up with the inflationary pressures facing hospitals, eroding our ability to reinvest in our patients and employees.

Financial pressures

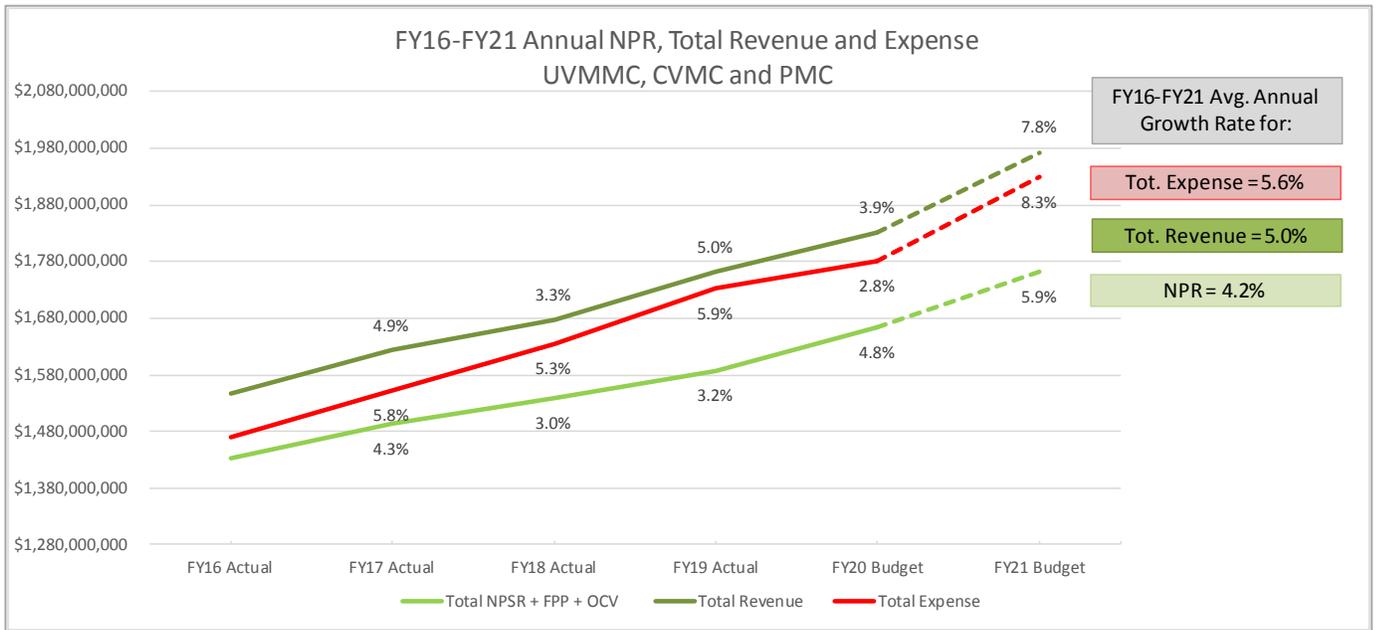
Even prior to the current public health emergency, the UVM Health Network was not immune to cost pressures impacting all rural hospitals. The growth of our expenses, especially those related to the rising costs of pharmaceuticals and a dramatically constrained labor market, are not factors unique to Vermont — these are national and regional challenges and are costs beyond the UVM Health Network’s or the Green Mountain Care Board’s control.

For instance, wages to hourly employees, travelers, and locums have risen an average of 6.9% each year over the past three years, due to our reliance on a limited and shrinking workforce. At UVM Medical Center the reliance on travelers to fill skilled staffing shortages has led to an average increased traveler cost of 38.9% each year over the past three years. The cost of the pharmaceuticals that we provide to our patients has risen an average of 11.6% each year over that same period, due to national market forces. These factors, combined with the rising cost of care provided to an aging population with ever-increasing health care service demand, have caused the Network’s total expense growth to average 5.6% (including this FY 2021 budget, see NPR 1 chart) annually since 2016. In the proposed FY 2021 Network budget, expenses solely for salaries, benefits, and pharmaceuticals are expected to grow by 6.4% — that constitutes over three quarters of our budgeted expense growth (see chart below).

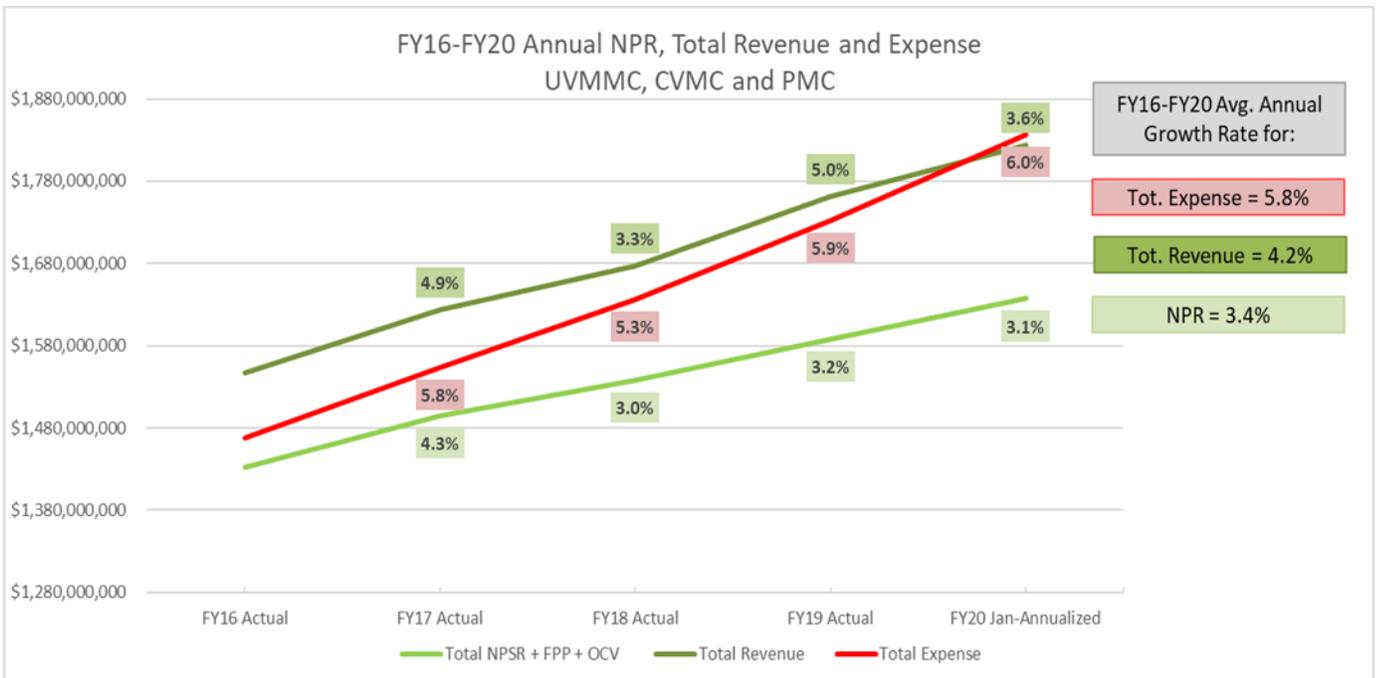


In the same five year period during which our expenses have grown at 5.6%, our NPR has grown at an average of 4.2%, and our total revenue (which includes 340B) has grown at 5.0%. The result — expenses rising faster than allowed revenues — is illustrated below (in NPR 2 chart). We provide both an illustration of our FY 2021 budget to budget impacts and the FY 2020 January annualized (NPR 1 and 2).

NPR 1:



NPR 2:



Simply put, over the past several budget cycles, the UVM Health Network’s allowed commercial rates, and therefore its revenues, have not kept up with these increasing expenses of caring for our patients. As detailed above, most of these expenses are driven by forces outside of either the UVM Health Network’s or the Board’s control. The result has been predictable: even prior to COVID-19, the operating margins of our Vermont hospitals had fallen below the healthy and sustainable levels that will allow us to continue to invest in necessary services that Vermonters expect to receive locally, and we are in real jeopardy of being unable to meet those patients’ needs in the future.

It is primarily for this reason that, prior to the COVID-19 pandemic in the United States, one of our ratings agencies — which provide an objective annual review of our financial position — issued us a downgraded rating for the first time in more than ten years.

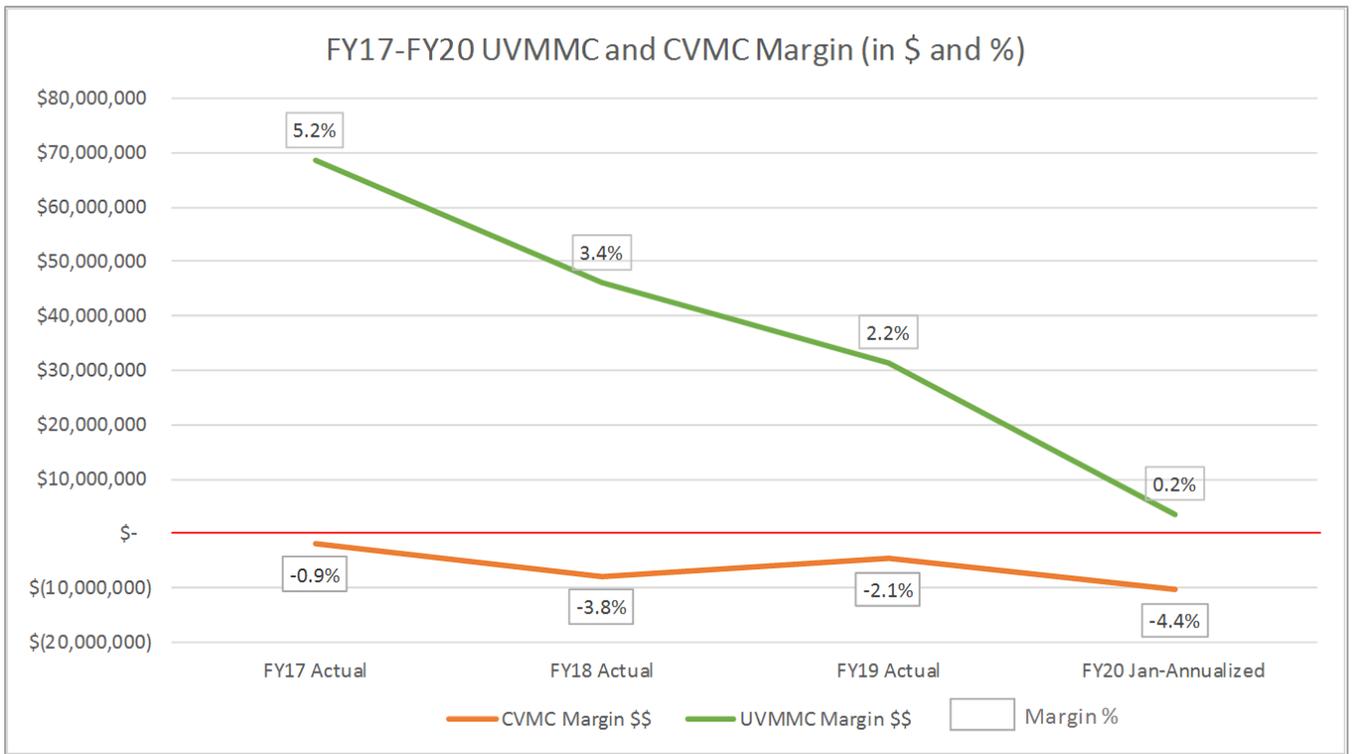
In the quarter ending December 31, 2019 — prior to any COVID-19 related losses — the UVM Health Network missed its budget target by 2.5%, or \$14.6M. The Network finished that quarter with a negative operating margin of 1.7%, or about \$10M. This comes after missing the margin target for the prior fiscal year (FY 2019).

Of course, the strain of COVID-19 has negatively added to the Network’s financial pressure in an unprecedented way, and we have responded with extraordinary expense cuts. We have furloughed hundreds of employees across the UVM Health Network, and reduced pay and benefits for many of those who remain. All told, the Network’s Vermont hospitals eliminated more than \$43M from their expenses over the second half of FY 2020.

Despite these expense cutting efforts, we again find ourselves in the position — now exacerbated by a global pandemic — of continually trying to make up ground for commercial rate increases that did not properly account for the cost shift, were below inflation, and below patient care related expense growth.

As explained and emphasized in past filings, the Green Mountain Care Board’s decisions to pressure and reduce UVM Medical Center and Central Vermont Medical Center’s commercial rates, beginning in FY 2017, weakened the hospitals’ financial health and continues to have lasting impact year over year.

Approved Commercial Rate	2017	2018	2019	2020	2021	5-year Average
Central Vermont Medical Center	2.5%	0.7%	2.3%	5.9%	8.5% required	3.98%
Porter Hospital	5.3%	3.0%	2.8%	2.6%	5.75% required	3.89%
University of Vermont Medical Center	2.5%	0.7%	2.5%	3.5%	7.97% required	3.30%



While we have been on the path to this reckoning for quite some time, we now respectfully request that the Board take the actions necessary to allow us to continue to invest in providing the health care Vermonters need and expect from these critical health care institutions — one of which is the state’s only academic medical center.

Arrival of COVID-19 in Vermont

The COVID-19 pandemic has created an unprecedented financial crisis for hospitals and health systems across the country. Hospitals of all sizes have experienced steep declines in patient volume and revenue, while incurring extraordinary costs to expand capacity and keep staff and patients safe. As the pandemic made its way into northern New York and Vermont, the UVM Health Network instituted a number of initiatives to reduce the spread of the virus, protect and support our patients and staff, and safeguard our supplies and protective equipment.

In alignment with declared states of emergency and to control the spread of the virus among patients and our staff, the UVM Health Network announced on March 17, 2020 the suspension of all elective, non-urgent procedures and appointments. Across the UVM Health Network, affiliates undertook extraordinary measures to stand up COVID-19 units, temporary testing facilities, and create additional capacity in anticipation of a surge in COVID-19 patients.

Despite the UVM Health Network’s deteriorating financial condition, and the additional financial burden caused by the suspension of non-urgent surgeries, the UVM Health Network has, in partnership with the State, led Vermont through the COVID-19 pandemic. We have partnered with providers across the region, as well as local and state governments, to respond to the health care crisis and meet the needs of our communities. Examples include:

- The Network, in collaboration with the Vermont Department of Health, was asked by the Governor to take on the statewide triaging of all COVID-19 tests. Our Department of Pathology and Laboratory Medicine worked tirelessly to meet the ever expanding testing needs of our state's COVID response. This round-the-clock work continues to this day, and we are very proud of our teammates and their incredible skill and adaptability. This simply could not happen without a state of the art laboratory that is both capital intense and reliant upon a highly skilled workforce.
- The Network established resource distribution protocols for scarce statewide resources, and became one of the primary purchasers for the State of Vermont for personal protective equipment (PPE).
- The Network, in collaboration with all Vermont hospitals and Dartmouth-Hitchcock, developed and instituted a Patient Transfer Center (PTC) to allow for the swift and timely movement of COVID-19 patients. This action, under the authority of the State of Vermont, was instrumental in developing the statewide surge plan.

Additionally, COVID-19 related impacts on our Network's FY 2020 financials were significant and required swift action to reduce expenses while simultaneously finding ways to support our frontline health care heroes. One example of this action was an additional week of pay as a one-time discretionary bonus for employees earning less than \$99K annually in an effort to support these employees during unprecedented times.

UVM Health Network leadership, faced with losses exceeding \$2M per day in early April, took decisive action to reduce expenses and attempt to remain within our bond covenants. The first step we took was to reduce executive compensation. Vice Presidents and above have taken a 10% base pay reduction and had their employer contributions to the 403(b) program suspended for the remainder of this fiscal year; Directors earning \$99K and above have taken a 5% pay reduction in addition to suspended retirement contributions. Variable compensation was eliminated through the end of FY 2020 for Directors and above, as well as physicians. We furloughed or reduced hours of almost 10% of our total staff, instituted a capital freeze, paused all new non-patient facing hires, and executed detailed expense reduction plans at all affiliates.

The swift and bold actions of local and state government leaders, coupled with an incredibly coordinated response by Vermont's entire health care delivery system, resulted in a COVID-19 initial surge that did not exceed our delivery system's capacity. Continued vigilance will be necessary as we look to the months and years ahead and work to prevent or address any further waves or surges of COVID-19 activity in our region while continuing to provide non-COVID related care necessary for our patients across the region.

Financial toll of the pandemic

COVID-19's financial toll for the UVM Health Network has been staggering. A combination of challenged finances predating the spread of COVID-19, a 50% reduction in patient care revenue due to the postponement of elective, non-urgent care, and increased expenses resulting from the pandemic have produced an estimated loss for FY 2020 of nearly \$115M (Vermont only) if no action had been taken. Those projected losses would jeopardize the financial footing of the UVM Health Network and would have violated a key bond covenant.

Our Network has worked to offset these losses by three primary actions: expense reductions, the efficient resumption of routine patient care, and government COVID-19 relief funding¹. We currently project to end FY 2020 with a loss of \$6.1M (Vermont only), narrowly missing a bond covenant violation. While these measures helped minimize our actual loss, the FY 2020 projected margin is more than \$55M off targeted performance for our Vermont hospitals. This significantly reduced available capital funds and will take years to recover.

Opportunity for telehealth expansion

Telehealth is a key strategic tool for improving access and health outcomes by providing patients expanded options for how they seek care. The UVM Health Network has been actively building our telehealth capacity and capability over the last several years. As the pandemic took hold in mid-March, we rapidly transitioned to caring for a large percentage of patients via telehealth. As we continue to expand our population health initiatives, telehealth is essential for continuing to provide high quality, cost-effective and patient-centered care to the communities we serve.

At our peak, across the UVM Health Network, we saw 7,000 patients per week using telehealth services spread across more than 100 clinical departments. This is compared to 60 visits per week prior to the pandemic. We have 3,200 providers and staff using telehealth platforms, compared to 150 users prior to the pandemic. In light of the tremendous effort to reopen in-person clinical space for more routine care, we have seen a “leveling off” in telehealth visits, and are now at just over 4,000 visits per week. This remains a remarkable advancement, and we believe gets us closer to the right balance of providing optimal in-person and remote patient care. Further, telehealth is welcomed — and demanded — by our patients as a preferred method of care delivery. It will be essential to maintain telehealth reimbursement rates at current COVID-19 levels and not migrate back to the reimbursement rates we received prior to the pandemic, as that would impede our successful transition of these vital population health initiatives.

Our new normal

As COVID-19 activity across Vermont and Northern New York decreases and stabilizes, and our regions slowly reopen, patients are returning to the Network’s hospitals and practices. Surges across the country, as well as local outbreaks, require us to maintain our vigilance.

As the UVM Health Network navigates the path to financial recovery in this environment, we will look for opportunities to sustain new and smarter ways of working and providing high quality health care, such as further expansion of telehealth services. What will remain unchanged is the Network’s commitment to its patients, communities, and people.

¹ COVID-19 relief funding received is identified later in this narrative, outlining any recoupment and/or repayment requirements, limitations to the use of funding, and administrative criteria required of UVM Health Network.

FY 2021 UVM Health Network budget needs

	UVM Medical Center	Central Vermont Medical Center	Porter Hospital
NPR/FPP Change	5.70%	8.70%	2.70%
Effective Commercial Rate	7.97%	8.50%	5.75%

Components of the Effective Commercial Rate

Changes in Payment Rates (FY20)	1.30%	0.69%	1.28%
Unit Cost Inflation	6.70%	7.93%	7.10%
Financial Sustainability	0.59%	0.65%	0.00%
<u>Other Payer Offsets² (FY21)</u>	<u>-0.62%</u>	<u>-0.76%</u>	<u>-2.62%</u>
Net Effective Commercial Rate Change	7.97%	8.50%	5.75%

Access remains a challenge in our hospital service areas, and we face the impacts of both an aging demographic and higher acuity patients. The needs of our communities guide our projections for the NPR changes over time in our budgets. We are committed to improving access to our critical services and these estimates, while in excess of the 3.5% cap, are necessary to fulfill the clinical needs of the people we serve.

Central Vermont Medical Center

Central Vermont Medical Center continues to provide high quality care and services to the population we serve. The COVID-19 pandemic response exemplified our deep commitment to assuring the health care needs for our patients, residents, and families. These measures were necessary — often required — and without government funding, would have impacted CVMC’s financials by over \$23M through June. On March 8, 2020, CVMC began using a virtual command center model, pivoting the current workforce and day-to-day core job responsibilities of staff and employees to quickly implement systems and processes to address this evolving pandemic. CVMC took several steps to prepare to treat COVID-19 patients and/or prevent the spread throughout the community, including increasing the capacity of negative pressure rooms to a total of 27 patient care rooms in April. This capacity included six negative pressure rooms in our long term care and rehab facility. CVMC increased ICU capacity by 128% by converting medical surgical beds to this higher level of care with the use of cardiac monitors. In the ED, we developed protocols for COVID-19 airway and code drills, expanded triage and treatment capacity by utilizing tents, and cross-oriented anesthesiologists and primary care providers to support a potential surge. In addition, CVMC created a COVID-19 pop-up testing site, an acute respiratory clinic, and a call center to triage patients to the appropriate level of care and respond to the public demand for information related to the virus. CVMC served as a resource for area social service agencies, nursing homes, and private care homes and completed N-95 fit testing

² Rate changes from all other payers, such as Medicare, Medicaid, non-major commercial, etc.

for other agencies in the region. As of July 20, CVMC has had no COVID-19 positive residents in the Woodridge Rehabilitation and Nursing facility, and only five staff across our facilities have tested positive to date. This remarkable result was achieved by prioritizing infection prevention and use of PPE to assure the safety of those in our care and the staff providing that care across all our facilities.

Significant expansion of our telehealth services has allowed our providers to offer remote clinic visits to patients who required care during Vermont's stay at home order. CVMC plans to continue this option for patients in both primary and specialty care as appropriate. This telehealth service was supported through new reimbursement mechanisms, however, this may be challenging going forward as both public and commercial payers have indicated anticipated changes. Use of thermal scanning technology to screen staff, patients, and visitors upon entry into the hospital campus has enabled us to return staff to their pre-COVID job duties. For safety and efficiency, we are also leveraging technology to enable staff to work remotely versus being onsite. We will continue to assess work at home programs to see if there are opportunities to reduce costs and increase productivity.

As part of CVMC's COVID-19 response, a number of investments have been made to operational systems. These include, but are not limited to: securing PPE; increasing our negative pressure room capacity; thermal scanning technology; and purchase of additional cardiac monitors. CVMC purchased iPads to enable Woodridge residents and acute care patients access to family during this time of visitor restrictions. We continue to screen patients, visitors, vendors, and employees across CVMC facilities prior to entry into our buildings. We are in the process of calculating the total cumulative impact of these COVID-19 related expenses and have created additional cost centers in order to track the associated costs. To the extent possible, we have tried to minimize costs by redeploying staff to support our COVID-19 response including assisting with employee screening, training on proper use of PPE, and staffing our call center.

In FY 2020, CVMC received a total of \$26.8M of COVID-19 relief funds. CARES Act/US Department of Health and Human Services (HHS) funding accounted for \$17.1M of the total funding, broken down as follows: \$5M for safety net hospitals; \$432,500 for skilled nursing facilities; \$594,746 of a general distribution; and \$3.6M of general provider relief funds. Medicare Accelerated Payments, which must be paid back, account for another \$9.6M, and the remaining \$32K came from Vermont Association of Hospitals and Health Systems (VAHHS) and Vermont Healthcare Emergency Preparedness Coalition (VHEPC) state grant funding. HHS stimulus funds will be used to offset lower than normal NPR due to mandatory and voluntary procedure cancellations. The VHEPC grant was used to partially offset the cost of additional respirators. The VAHHS Assistant Secretary for Preparedness and Response (ASPR) grant was used to purchase an infrared scanner to assist and expedite the employee screening process.

COVID-19 Relief Funds -- Central Vermont Medical Center			
Source of funds	Amount	How funding will be used	Funding requirements
CARES Act	\$17,111,308	Offset lost NPSR	Must be used for COVID related expenses or lost revenue; those expenses or lost revenue cannot be covered by another source; will need to submit reports (content and frequency of reports TBD); need to maintain records of expenses and lost revenue; cannot collect out of pocket expenses from out of network COVID suspected or positive patients that is greater than what would have been collected if the patient was in network; cannot use funds to pay salaries in excess of the Executive Level II limit, for gun control advocacy, lobbying, abortions, embryo research, promotion of legalization of controlled substances, pornography, funding ACORN, funding needle exchange except in limited circumstances, and unpaid federal tax liabilities
VAHHS Assistant Secretary for Preparedness and Response (ASPR)	\$18,441	Infrared thermal scanner	Complete CDC checklist, participation in calls, performance metrics TBD
Vermont Healthcare Emergency Preparedness Coalition (VHEPC)	\$13,636	Halo respirators	Funding under these awards may only be used for minor alteration and renovation (A&R) activities. Construction and major A&R activities are not permitted. A&R of real property generally is defined as work required to change the interior arrangements or installed equipment in an existing facility so that it may be more effectively utilized for its currently designated purpose or be adapted for an alternative use to meet a programmatic requirement. The work may be categorized as improvement, conversion, rearrangement, rehabilitation, remodeling, or modernization, but it does not include expansion, new construction, development, or repair of parking lots, or activities that would change the "footprint" of an existing facility (e.g., relocation of existing exterior walls, roofs, or floors; attachment of fire escapes).
Medicaid Retainer Payments	\$156,999	Offset lost NPSR	Continue to deliver services to VT Medicaid patients; performance metrics gathered through claims data will determine how much of retainer payments can be retained, but not more than 10% will be recouped; the proposed performance metrics are adult access to preventive ambulatory health services, detail on the number of services provided, children's and adolescent's access to primary care practitioners, and percent of total expenditures allocated to retainer payments
Medicare Accelerated Payments	\$9,611,433	To help support cash reserves during the peak of the surge when revenues and cash collections were much lower	Recoupment of accelerated payments starts 120 days after the issuance of the payment and must be completely paid back within one year of issuance; recoupment will be completed through claims adjudication; will not be paid on current claims until the balance is paid off

CVMC's FY 2021 budget includes a commercial rate increase of 8.5%. Over the past four years, the approved rate request has not kept pace with inflation, which has put our organization at a financial disadvantage. CVMC is requiring an 8.5% commercial rate increase to meet both the internal and external financial burdens on our organization.

Porter Hospital

Over the last several years, Porter has strived to maintain financial stability in order to adequately invest in capital, our workforce, population health initiatives, and services that meet the needs of our community and provide necessary access to care. This year's budget supports the strategy of advancing our efforts in these areas. The FY 2021 budget also incorporates the balance of three principles: remaining dedicated to our patient-centered, mission-driven approach; ensuring continuous investment in initiatives that sustain high quality care; and ensuring appropriate stewardship of our resources.

It was our commitment to the patients and the community we serve that we were able to swiftly confront the impact of the COVID-19 pandemic. Even during the most challenging and complex days of the pandemic, as Porter planned and prepared for a potential surge of patients and suspended all elective and non-urgent procedures to prepare for the worst, our inpatient unit, birthing center, ED, urgent care center, and skilled nursing facility remained open and ready to meet the most urgent needs of the people who depend on us for care.

During the pandemic, Porter has necessitated a reduction of hours for both non-MD and MD staff. Porter has also reassigned staff to other areas as needed for screening, testing, and anticipated surge activities. Presently, Porter has returned to 95% of its normal staffing levels. Additionally, due to COVID-19, Porter has found it necessary to hire temporary staff to address the essential screening, sanitizing, and operational requirements brought on by the pandemic. Porter does continue to actively evaluate furlough and layoff options as we continue to navigate the impacts of COVID-19 on our operating needs and financial performance.

COVID-19 Relief Funds -- Porter Hospital			
Source of funds	Amount	How funding will be used	Funding requirements
CARES Act Stimulus Funding	\$1,714,246	Used to offset the loss of revenue experienced between March through May	Must be used for COVID related expenses or lost revenue; those expenses or lost revenue cannot be covered by another source; will need to submit reports; maintain records of expenses and lost revenue; cannot use funds to pay salaries in excess of the Executive Level II limit, for gun control advocacy, lobbying, abortions, embryo research, promotion of legalization of controlled substances, pornography, funding ACORN, funding needle exchange (except in limited circumstances), and unpaid federal tax liabilities.
CARES Act Rural Relief Fund	\$4,748,050	Used to offset the loss of revenue experienced between March through May	https://www.hhs.gov/sites/default/files/terms-and-conditions-rural-relief-fund.pdf
HRSA COVID-19 Uninsured Program	\$2,736	Offset the cost of treating uninsured individuals with a COVID-19 diagnosis	To participate, providers must attest to the following: You have checked for health care coverage eligibility and confirmed that the patient is uninsured; you will accept defined program reimbursement as payment in full; you agree not to balance bill the patient; you agree to program terms and conditions and may be subject to post-reimbursement audit review.
Medicare Accelerated Payments	\$3,154,061	Used to support cash flow needs during the height of the pandemic when revenue and cash collections were significantly impacted	For most providers, repayment begins 120 days past receipt and expected to be repaid in full within 12 months for CAHs and three months for others. At the end of the 120-day period, 100% of claims submitted by the provider will be offset to repay the accelerated/advanced payment. Hardship exceptions allowed if necessary. Interest: interest free for first 395 days (one year plus 30-day notification period) for CAHs and 210 days (six months plus 30-day notification period) for others. Interest at 10.25% after 30-day notification period.
CARES Act Employer Social Security Tax Deferral	\$1,003,704	Used to support cash flow needs through the remainder of the calendar year	Section 2302 of the CARES Act provides employers the option of deferring the employer portion of Social Security taxes between 3/27/2020 and 12/31/2020 with 50% repayment on 12/31/2021 and 50% repayment on 12/31/2022. No penalties or interest if deposited on stated dates.
SHIP Grant	\$84,305	Used to offset COVID related expenses incurred during the pandemic	Grantee will be reimbursed for COVID-19 hospital preparation and response activities up to \$84,317 for expenses incurred between Jan. 20, 2020 and Sept. 30, 2021. Cover expenses related to COVID-19 preparation and response, including: ensuring hospitals are safe for staff and patients; detecting, preventing, diagnosing and treating COVID-19; and maintaining hospital operations.
Vermont Healthcare Emergency Preparedness Coalition (VHEPC)	\$13,636	Temporary shelter - surge preparedness	Mini grant for reimbursement of supplies, PPE, etc. purchased for COVID-19 response. Documentation for expenses must be submitted and may include purchases made since Feb. 1, 2020. Applicants may not double dip if planning to apply for Public Assistance through FEMA.
ASPR Grant	\$66,965	Used to offset COVID related expenses incurred during the pandemic	Hospital will comply with activities described in the Project Abstract set forth in the MOU. Hospital will maintain a financial management system that demonstrates that hospital has control over and accountability for all Award Funds and items purchased with Award Funds as required by 45 C.F.R. § 75.302(b).
Sequestration Suspension	\$44,416	Used to offset the loss of revenue experienced during the pandemic	Section 3709 of the CARES Act temporarily suspends the 2% payment adjustment currently applied to all Medicare Fee-For-Service (FFS) claims due to sequestration. The suspension is effective for claims with dates of service from May 1 through Dec. 31, 2020.

University of Vermont Medical Center

For the last three years, UVM Medical Center has highlighted in its budget narratives and budget presentations the impact that the 3.5% budget to budget revenue growth cap — which does not recognize the increased number of patients being served by UVM Medical Center — has had on

our financial stability. The 2.5% commercial rate increase in FY 2017, 0.7% in FY 2018, 2.5% in FY 2019, and 3.5% for the current year (FY 2020) have not covered the cost of our expense inflation. There also was an assumption in prior budget submissions that our participation in OneCare Vermont programs would provide some rate increase to lessen the amount needed from commercial payers through our direct negotiated contracts, but that has not materialized. As a result, UVM Medical Center's margin and cash reserves have continued to deteriorate over the last four years.

As expenses rise, the prices charged for our goods and services must keep pace. The failure to "keep up" consumes the margin we rely upon to invest in our people, modernize our facilities, and stay on top of technological advancements. The very real expense growth we experience cannot be met by the increases we receive from government payers. This puts us in the position of relying upon commercial payers to cover this growth. We estimate this average yearly rate "need" at 6%. In any year where the academic medical center's rate request falls below this mark, our margin deteriorates. This can be seen in the margin chart included earlier in this narrative.

One may assume that new volume or new patients can help offset the need for a rate increase that covers expense inflation; this is not the case. New volume or new patients come with new expenses, which is why our expense base, in particular the number of patient-facing clinical FTEs (nurses, radiology techs, pharmacists, physicians, etc.), have been increasing the last several years. Depending on the service, some of this new volume and new patients generates a margin, and some does not. The result is that, on average, uninflated revenue increases from one year to the next generally cover uninflated expense growth so that the margin impact is minimal.

This year more than ever, UVM Medical Center requires a rate increase that will cover the cost of expense inflation, and make up for some of the below inflation increases we have received the past four years. The required rate increase is 7.97%. It will take time to rebuild the margin and reserves of the organization so that we can better absorb unknown events, like the COVID-19 pandemic in which we currently find ourselves, or unexpected results from our commitment to continued emphasis on population health. We understand that achieving margin will take time, but this year's budgeted margin of 2.5% would start us on the path towards that target and more secure financial footing.

UVM Medical Center needs to get back to generating a 4% margin. A 4% margin is the level that allows an academic medical center like ours (median margin from the Council of Teaching Hospitals survey is 5%) to meet the needs of our community and our region. It allows us to take care of employees by providing annual salary increases that keep pace with inflation and the market, to reinvest in the organization to keep our equipment and facilities current, and to continue investing in population health initiatives that will improve the overall health of the community and region we serve.

Specifically related to COVID-19, UVM Medical Center's response was swift. Through collaborations with the Vermont National Guard and others, the UVM Medical Center created additional ED capacity for triaging patients, established a temporary testing facility at the Champlain Valley Fair Grounds, and stood up and staffed a temporary field hospital and surge

site at UVM’s Patrick Gymnasium. UVM Medical Center reacted quickly to local outbreaks at skilled nursing facilities. As an example, our own staff were redeployed to Birchwood Terrace Rehab and Healthcare to provide onsite care because the alternative would have overwhelmed the hospital’s resources. These types of responses are expected of UVM Medical Center and require a skilled and talented workforce.

COVID-19 Relief Funds -- University of Vermont Medical Center			
Source of funds	Amount	How funding will be used	Funding requirements
CARES Act	\$30,002,192	To cover lost revenue; through June, UVM Medical Center has incurred \$108M of lost revenue	Must be used for COVID related expenses or lost revenue; those expenses or lost revenue cannot be covered by another source; will need to submit reports (content and frequency of reports TBD); need to maintain records of expenses and lost revenue; cannot collect out of pocket expenses from out of network COVID suspected or positive patients that is greater than what would have been collected if the patient was in network; cannot use funds to pay salaries in excess of the Executive Level II limit, for gun control advocacy, lobbying, abortions, embryo research, promotion of legalization of controlled substances, pornography, funding ACORN, funding needle exchange except in limited circumstances, and unpaid federal tax liabilities
VT Medicaid Retainer Payments	\$2,659,694	To cover lost revenue; through June, UVM Medical Center has incurred \$108M of lost revenue; projecting to be able to retain 90% of the \$2.9M received	Continue to deliver services to VT Medicaid patients; performance metrics gathered through claims data will determine how much of retainer payments can be retained, but not more than 10% will be recouped; the proposed performance metrics are adult access to preventive ambulatory health services, detail on the number of services provided, children's and adolescent's access to primary care practitioners, and percent of total expenditures allocated to retainer payments
Medicare Accelerated Payments	\$75,697,634	To help support cash reserves during the peak of the surge when revenues and cash collections were much lower	Recoupment of accelerated payments starts 120 days after the issuance of the payment and must be completely paid back within one year of issuance; recoupment will be completed through claims adjudication; will not be paid on current claims until the balance is paid off

B. Year-Over-Year and Reconciliation

Central Vermont Medical Center

Net Patient Revenue and Fixed Prospective Payments (NPR/FPP):

The aggregate growth for NPR and FPP from budget to budget is 8.7%. 2.9% is attributed to better than expected performance in FY 2020 prior to COVID-19. We are not projecting any volume related to the suspension of elective and non-urgent procedures to carry over into FY 2021.

Other Operating and Non-Operating Revenue:

Other operating revenue is projected to increase by \$1.3M budget to budget due to the addition of five new 340B retail pharmacies offset by a one-time adjustment included in the calculation of the FY 2020 budget, which was not a recurring transaction. Non-operating revenue is projected to increase \$1.2M due to interest rates. Prior to COVID-19, the other operating and non-

operating revenue was \$560K below budget.

Operating Expenses:

Operating expenses are projected to increase by 8.21% or \$19.2M. The major contributors to the increase are: salary and benefits \$7.6M (5.3%); pharmaceuticals \$6.4M (32.7%); software and IT maintenance \$1.4M (21.8%); medical surgical supplies \$1.3M (13%); provider tax expense \$1.2M (9.3%); and Epic related costs \$1.1M (35.4%). Pre COVID-19, operating expenses were \$3.5M over budget. Expense reductions from the COVID-19 shutdown has resulted in a positive expense variance through July.

Operating Margin and Total Margin:

The operating margin for FY 2021 is \$1.2M or 0.47%, versus a breakeven margin for FY 2020. The total margin for FY 2021 is budgeted at 2.4%, versus the FY 2020 budget of 1.7%. The operating margin was a \$4.4M loss pre-COVID with a total margin at breakeven. The operating margin has been improving, and CVMC has been working its way back to budget through a combination of expense management and stimulus funds.

Porter Hospital

Net Patient Revenue and Fixed Prospective Payments (NPR/FPP):

Porter Hospital is requesting a 2.7% increase in NPR as it compares to the FY 2020 approved budget. The NPR growth is primarily related to the net effective rate increase of 5.75% and changes in ACO reserve methodology as a result of favorable Medicare performance in CY 2018 and CY 2019.

The FY 2021 NPR budget as it compares to the FY 2020 projection (inclusive of stimulus funding) equates to an increase of 7.0%. This was primarily driven by lower than anticipated practice revenue prior to the impact of COVID-19, as a result of the Epic Ambulatory go-live in November, and increased usage of provider combined time off (CTO) due to the holiday calendar and the expiration of the Epic vacation freeze.

Other Operating and Non-Operating Revenue:

FY 2021 budgeted other operating revenue assumes an increase in 340B funding as it compares to the FY 2020 projection and FY 2020 budget, which is reflective of recent trending and the addition of a local contract pharmacy arrangement. Additionally, other operating revenue for FY 2020 is much higher than expected as a result of the stimulus grant funding that is related to COVID-19 relief efforts.

FY 2021 budgeted non-operating revenue assumes an increase in interest income as compared to the FY 2020 projection and FY 2020 budget, as Porter's investment funds are in the process of being transitioned to the Network.

Operating Expenses:

FY 2020 Projection versus FY 2021 Budget:

The FY 2021 budget as it compares to the FY 2020 projection equates to an increase of \$4.7M. Noteworthy variances exist within salary, volume related medical supply expense reductions as a result of COVID-19, and inflation. The FY 2020 projection incorporates physician, Vice

President, and Director level salary and benefit expense savings that will not be recognized in FY 2021. Additionally, the FY 2020 projection is reflective of reduced staffing hours and hiring delays as a result of COVID-19 that was not incorporated into Porter's FY 2021 budget. Inflationary assumptions incorporated into the FY 2021 budget as compared to the FY 2020 projection include \$2.1M of increased cost of living expense, market adjustments to address wage compression, physician salary adjustments, and non-labor inflation.

FY 2020 Budget versus FY 2021 Budget:

The FY 2021 budget as it compares to the FY 2020 budget equates to an increase of \$2.1M. Noteworthy variances exist within salaries and benefits. Inflationary assumptions incorporated into the FY 2021 budget as compared to the FY 2020 budget include an increase in cost of living, market adjustments to address wage compression, physician salary adjustments, and non-labor inflation. The reliance on temporary labor continues to have an unfavorable impact on overall expenses, and Porter has incorporated an increase in expense in the FY 2021 budget.

Operating Margin and Total Margin:

The FY 2021 proposed budget assumes a 4.5% operating margin and a 5.2% total margin. This is an increase over the FY 2020 budget, however, more in line with FY 2019 actual results. FY 2020 projection anticipates a 3.1% operating margin and a 3.4% total margin. When evaluating Porter Hospital's operating margin, it is important to consider it is the primary revenue source for the entire organization and therefore subsidizes any losses incurred by any entity under the parent corporation of Porter Medical Center. This is particularly the case when accounting for the support Porter Hospital provides to Helen Porter Nursing Home, as the hospital's margin is considerably diminished; the FY 2021 consolidated operating margin for Porter Medical Center is 2.5% and total margin is 3.2%.

University of Vermont Medical Center

Net Patient Revenue and Fixed Prospective Payments (NPR/FPP):

NPR + FPP is increasing by \$77M or 5.7% from the FY 2020 budget to the FY 2021 budget. The breakdown of that increase includes:

- 1.9% Pharmaceutical revenue increase
- 3.0% Aggregate rate increase (commercial and government payers)
- (1.2%) Deterioration in collection rate/payer mix shift
- 1.7% Increase in patients
- 0.3% Increase in CMI

Other Operating and Non-Operating Revenue:

Non-patient revenue is increasing by \$42M or 29% from the FY 2020 budget to the FY 2021 budget. The breakdown of that increase includes:

- \$40M Growth in outpatient pharmacy business (new contracts with local pharmacies, expanded mail to home program, expanded meds to beds program, and new specialty drugs)
- \$7M Change in recording grant revenue as operating revenue versus non-operating revenue (audit finding that required the change, grant expense now also reflected as operating so no impact on margin)
- (\$5M) Lower external laboratory revenue

Operating Expenses:

Operating expenses are increasing by \$125M or 8.7% from the FY 2020 budget to the FY 2021 budget. The breakdown of that increase includes:

- \$35M Expense inflation
- \$54M Increase in staff and provider FTEs for increased patient volume (salary and benefits)
- \$27M Increase in outpatient pharmacy pharmaceuticals for increased non-patient volume/revenue increase
- \$9M Increase in medical/surgical and pharmaceutical expense for increased patient volume
- \$7M Change in recording grant expense as operating expense versus non-operating expense (audit finding that required the change, grant revenue now also reflected as operating so no impact on margin)
- (\$7M) Reduction in insurance, lease and rental, maintenance and repairs, and depreciation

Operating Margin and Total Margin:

The operating margin is decreasing from 3.1% in the FY 2020 budget to 2.5% in the FY 2021 budget. The main driver is a deterioration in the collection rate from the FY 2020 budget to the base FY 2021 budget before the rate increases are applied. The FY 2021 rate increases are essentially just covering the cost of our expense inflation from the FY 2020 budget to the FY 2021 budget.

The total margin is decreasing from 4.3% in the FY 2020 budget to 3.4% in the FY 2021 budget due to a pension plan adjustment UVM Medical Center will be making next July related to terminating our pension plan and transferring the pension liability to an insurance company. The adjustment will be to recognize all prior period actuarial losses that must now be recognized all in one year instead of over the 30+ year time horizon of the pension plan.

C. Change in Charge Request

Central Vermont Medical Center

CVMC is proposing a 6% increase to our price and an 8.5% increase to our commercial rates. These changes are based on the growth in medical inflation versus prior year commercial lifts. The growth in pharmaceutical costs and the growth in the cost of labor are the major contributors to expense growth. It should also be noted that CVMC has been impacted by a negative payer mix shift with a decrease in commercial patients and an increase in Medicare patients. The FY 2021 budget includes a payer mix which has 51% of its NPR coming from Medicare and Medicaid patients. The impacts of COVID-19 were not part of the request for FY 2021.

Medicare and Medicaid reimburses based on Diagnostic Related Groups (DRGs), fee schedule, and fixed reimbursement, so therefore the change in charge request has no impact on the reimbursement for these payers.

Bad debt and charity care are budgeted as a percent of overall gross revenue, 2.27% for FY 2021 budget versus 2.19% for FY 2020 budget. The associated dollar increase to bad debt and charity care related to the change in charge is \$682K.

The FY 2021 budgeted value of a 1% change in commercial rate is equivalent to \$625,383. The annual impact is \$919,421. In our budget presentation we will describe the components of the 8.5% commercial rate request.

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. Porter has not incorporated any assumptions related to COVID-19 impacts in its FY 2021 budget.

Porter Hospital's commercial reimbursement is based on DRGs, fee schedules, and percent of charge. In proportion, this leaves only a moderate percentage of its reimbursement affected by price changes. Therefore, Porter relies on the commercial rate increase to address the disconnect between an overall price increase and actual net revenue change. Correspondingly, increases to list prices do not always result in improved reimbursement. Porter Hospital's budget relies on a commercial rate increase of 5.75%.

Over the last three years, Porter Hospital has been able to find alternative ways to absorb the funding burden of the cost shift, the financial and administrative impacts of payer policy changes³, and a portion of the increase in inflation expense. Thus, the entirety of the funding burden has not been conveyed to commercial payers. Whether through the increase in non-patient related revenues, decreases in cost, or (due to our more recent financial stability) reductions to margin, the hospital has been able to shoulder the disparity between the aforementioned factors and what is being passed on to the commercial payers. Due to recent challenges, Porter cannot continue to bear a sizeable portion of the funding burden for FY 2021 and is relying on an overall effective commercial rate increase of 5.75%.

Medicare revenues are budgeted in accordance with Porter's Critical Access cost-based settlement process. Medicaid revenues do not reflect any assumptions for a change in rate.

Bad debt and charity care are budgeted as a percent of overall gross revenue:
Bad debt — 3.0% for the FY 2021 budget versus 2.5% for the FY 2020 budget.
Charity care — budgeted at 0.9% for both the FY 2021 and FY 2020 budget.

The FY 2021 budgeted value of a 1% change in commercial rate is equivalent to \$277,831.

³ Policy changes cannot be underestimated and require time to review, analyze, dispute, and negotiate. Policy changes can and have had the effect of completely eliminating commercial rate increases that are negotiated based on Hospital Budget Orders. This creates administrative, clinical, and financial uncertainty to commercial rate increases, and commercial payers implement the unilateral changes with 30 to 60 days advance notice at any time during the contract year.

University of Vermont Medical Center

The gross charge increase of 7.97% was derived from UVM Medical Center's FY 2021 required commercial rate increase. UVM Medical Center is making both of these the same this year, as the last few years of 0% gross rate increases combined with 0.7% to 3.5% commercial rate increases has caused the commercial reimbursement on some service codes to be almost the same as the gross rate.

The gross rate increase is applied to individual service codes; it is not allocated differently based on payer. The allocation applied to service codes is based on market data and maintaining, when possible, a consistent gross charge to average reimbursement ratio across all service codes.

The change in the gross rate combined with projections for what we expect to incur in bad debt and charity care next year is causing the bad debt rate to increase from 0.96% in the FY 2020 budget to 1.08% in the FY 2021 budget, and for the charity care rate to increase from 0.63% to 0.70%.

Based on current information provided by CMS, we have a 3.7% Medicare rate increase for inpatient services factored into the UVM Medical Center budget. This rate increase is supporting the inflationary expense increases on inpatient Medicare business. The commercial rate increase is supporting the inflationary expense increases on the rest of the business.

A gross rate increase does not translate to an increase in NPR/FPP. However, a 1% increase in our commercial rate generates \$6,243,000 in NPR/FPP.

D. Service Line Adjustments

Central Vermont Medical Center

CVMC's FY 2021 budget did not incorporate any materially significant additions or deletions of service lines.

Porter Hospital

Porter Hospital's FY 2021 budget did not incorporate any materially significant additions or deletions of service lines.

University of Vermont Medical Center

UVM Medical Center's FY 2021 budget did not incorporate any materially significant additions or deletions of service lines.

E. Risks and Opportunities

Central Vermont Medical Center

During the pandemic response, it was clear how critical CVMC's viability is to the health of the community we serve. Return of COVID-19 in the form of a surge poses the most challenging risk this fall. Reducing elective and non-urgent services to create capacity and divert PPE to

assure the safety of those caring for COVID-19 patients would, once again, significantly impact our revenue streams.

The continued shift from commercial to Medicare/Medicaid payers, currently at 51%, poses additional risk, as does any loss of support for telehealth reimbursement, which is now part of our clinical operations in our practices. Pharmaceutical inflation and the continued challenge of workforce supply and labor costs continue to test CVMC, along with all other UVM Health Network affiliates.

CVMC's opportunity lies in the continued expansion of our LNA to LPN program, launched in FY 2019. To date, all 18 students enrolled in the program have successfully completed the prerequisites required to begin the clinical component of the program in August of this year. This program, along with our LNA program, has reduced our reliance on travelers and provided opportunity for staff currently employed at CVMC, and encouraged members of our community to join the CVMC team. Lastly, implementation of a retail pharmacy program will enable us to better support our patients, initiate meds to beds programs, and capture additional revenue.

Porter Hospital

Risks: As a small rural hospital, Porter faces many challenges making it vulnerable. Porter is continuously striving to maintain fiscal stability in an effort to safeguard its financial future, which will allow us to adequately invest in our workforce, capital improvements and equipment, population health initiatives, and enhanced services. Like all hospitals in Vermont, some of the most significant challenges we face are inflationary wage pressure, wage compression, and workforce availability. This continues to impact the balance between financial viability and adequately supporting the needs of our workforce. Porter's FY 2021 budget has incorporated a cost of living adjustment for all of our workforce, has included a modest amount of funding for wage compression, and a market adjustment for physician salaries.

In March of 2021, Porter will go-live with the second phase of Epic. As with any electronic medical record (EMR) implementation, there is the risk of a delay in receipts, which will require us to draw on our days cash to float the difference in cash flow.

As previously noted, Porter Hospital subsidizes the operating deficit of Helen Porter Nursing Home; it is our goal to maintain this vital service in our community to meet population health goals and to appropriately serve our patients and residents. Porter's FY 2021 budgeted margin permits the continued financial support of this resource that is such an integral part of our community.

Similarly to all hospitals in our state, Porter continues to struggle to meet the mental health challenges in our community.

Porter continues to focus on its goal of preserving access to care to fully realize and sustain the tenets of the All-Payer ACO Model Agreement.

Lastly, like all health care institutions across the nation, a genuine risk lies in the potential future impacts of COVID-19 — whether it be a substantial wave of increased cases or simply navigating the continuing effects this will have on our organizations.

Opportunities: Continuing to advance our population health strategy will allow us to focus on improving the overall wellness of our community versus caring solely for the sick and injured. Porter's FY 2021 budget has incorporated continued and increased support of its Farmacy (food share) initiative, implementation of a food bag and transportation program, continued support of its medication assistance program, RiseVT initiatives, and local partnerships with designated agencies to address the needs of our substance use disorder patients.

Porter will work in conjunction with our government and commercial partners in order to maintain, enhance, and expand telehealth services. Porter strives to ensure adequate investment in existing services that meet the needs of our community and provide necessary access to care.

Lastly, Porter will leverage the new Epic EMR system to provide improved care for the patients we share across our Network.

University of Vermont Medical Center

The largest risk in the UVM Medical Center budget is the possibility of seeing a surge of COVID-19 patients at the hospital in the fall, requiring us to reduce elective, non-urgent services to create enough inpatient capacity to care for those patients. If that occurs, we will not achieve our revenue budget, and our margin will likely be significantly impacted.

The key in FY 2021, if we do see a surge in COVID-19 patients, will be to react quickly and do all we can to reduce our expense base to match the level of volume and revenue we have during that surge period. We have learned a great deal over the last several months and feel we have a good plan in place to minimize the financial impact as best we can.

F. OneCare Vermont Participation

University of Vermont Health Network

The UVM Health Network will submit this information on September 1, 2020.

G. Capital Investment Cycle

University of Vermont Health Network

The UVM Health Network continues to pursue an enterprise-level approach to capital budgeting, and our FY 2021 capital budget process and submission reflects a continued commitment to this goal. This approach allows for the budgeting of routine capital expenses to be done on a hospital level while reserving larger, strategic investments to be prioritized at a Network level, ensuring that capital expenditures and organizational commitments:

- Adequately support our ability to provide high quality patient care;
- Are consistent with the UVM Health Network's long-term strategic plan;
- Meet identified community needs;
- Have the necessary components for success; and
- Comply with state and federal regulations.

Additionally, and perhaps most importantly, this method allows for a consistent and systematic approach to managing capital expenses in conjunction with financial performance (i.e. pulling back on capital swiftly when financial performance necessitates it, such as we have done as a result of COVID-19). This fiscal policy also contains a quarterly capital spend cadence that ensures adequately timed cash flows, providing further budgetary control. This approach will continue into FY 2021 as we emphasize our ability to restrict capital as needed and where clinically safe, while allowing our budget to be enhanced if and when financial targets are met. Our current five year capital framework has been updated and revised to reflect a reduction in projected margin performance, decreasing the amount of available capital overall.

For FY 2021, the Vermont region of the UVM Health Network is proposing a capital budget not to exceed \$91.3M with an additional \$7.2M projected to be carried forward from FY 2020. The table below gives additional detail regarding the forecasted capital allocation by expense type. As the financial picture becomes clearer, additional work will occur to prioritize specific strategic initiatives, giving further detail on specific capital investments for the fiscal year. We intend to keep the Green Mountain Care Board apprised as this develops.

	Routine Capital		Major Capital ¹			Emergent Reserve	TOTAL
	Equipment and Facilities	IT	In-Progress Capital Projects ²	New Facilities and Equipment Projects	New IT Projects		
UVMMC	\$ 23,901,800	\$ 3,803,970	\$ 21,000,000	\$ 23,158,393	\$ 2,535,821	\$ 5,832,800	\$ 80,232,783
UVMHN - CVMC	\$ 3,770,000	\$ 599,995	\$ -	\$ 2,786,660	\$ 399,972	\$ 920,000	\$ 8,476,627
UVMHN - PMC	\$ 1,736,700	\$ 251,998	\$ -	\$ -	\$ 167,988	\$ 386,400	\$ 2,543,086
							\$ 91,252,495
Carry Forward from FY20 ³	\$ -	\$ -	\$ 7,216,672	\$ -	\$ -	\$ -	\$ 7,216,672
Total FY21 + Carry Forward							\$ 98,469,167

¹ Major capital is defined as a capital project of \$750K or more

² This reflects the Epic Implementation project (including the AHMC/ECH implementation costs)

³ This is a projection of carryforward capital from FY20 that will likely be spent in FY21 - This includes \$5.2M in projected Epic implementation carry forward

Questions from the Office of the Health Care Advocate

1. Commercial Rate

University of Vermont Health Network

UVM Health Network affiliates are unable to disclose specific commercial payer rate increases, as we are bound by the confidentiality provisions contained within the underlying commercial payer agreements. Any negotiated rate, however, complies with the associated Hospital Budget Orders as set forth by the Green Mountain Care Board.

2. Hospital Financial Assistance during COVID-19

Central Vermont Medical Center

CVMC has not changed our patient financial assistance policies. As a Network, all collection efforts were ceased during the COVID-19 emergency. Collection efforts were resumed on July 1, 2020.

4,772 patients had bills sent to collection agencies during the first three quarters of FY 2020.

9,188 patients currently have bills in collections. Historically, CVMC has not tracked this number.

Porter Hospital

Alongside the Network, Porter Hospital modified its collection efforts throughout the period of mid-March through June 30, 2020. During this time, Porter ceased all customary collection efforts; outstanding patient balances were not forwarded to collection agencies, nor were patients contacted or solicited for payment via phone or email. All statement notifications referencing collection efforts were removed from the statement itself during the aforementioned timeframe.

During the first three quarters of FY 2020, 2,203 patients had their balances sent to collection agencies.

9,634 patients currently have bills in collections. This is reflective of a point in time and fluctuates depending on a multitude of variables. Evaluating the variance to prior years does not provide an applicable comparison.

University of Vermont Medical Center

UVM Medical Center has not changed our patient financial assistance policy. Our policy accommodates catastrophic as well as presumptive cases, and we approve based upon current, not historic, financial circumstances. For example, if a patient was employed previously and perhaps would not have qualified, their change in employment and income would allow for a re-review and potential grant based upon current circumstances. This has been our practice and is not a change based upon COVID-19.

UVM Medical Center sent statements as usual but did not make any outbound collection calls or send any accounts to collection from mid-March to July 1, 2020. When patients called expressing concerns about paying their bills due to job uncertainty, we worked with them to either give them more time, set up a lesser payment arrangement, or modified the expected payment on existing payment plans. Additionally, we are identifying self-pay patients who meet the requirements for claim submission/coverage under the CARES Act being administered by HRSA.

The following number of patients had bills sent to collection agencies during each of the first three quarters of FY 2020:

Q1 7,271
Q2 8,103
Q3 399

30,747 patients currently have bills in collections. This figure is about 2,000 less than last year.

3. Provider Recruitment

Central Vermont Medical Center

CVMC has hired six physicians over the last six years via the J-1 visa waiver program. We currently have one physician completing her initial three years; four of the remaining five physicians are still employed with CVMC. One physician left after his initial three year commitment.

Porter Hospital

Porter Hospital has not yet encountered an opportunity to leverage the J-1 waiver in its provider recruitment.

University of Vermont Medical Center

UVM Medical Center has utilized the J-1 visa waiver program for hiring qualified health care providers. Below are the number of applications we have filed the last few years.

- 2017 – 2
- 2018 – 2
- 2019 – 6
- 2020 – 4