



March 11, 2020

Kevin Mullin, Chair
Green Mountain Care Board
144 State Street
Montpelier, VT 05602

Dear Chair Mullin:

As the VAHHS Board of Trustees, we are writing to comment on the GMCB's direction for budget guidance and its proposed framework for hospital sustainability plans.

Budget Guidance and Regulatory Oversight

Vermont's hospitals want and expect to be held accountable for cost containment, quality improvement, access availability and meeting community need. These are not just regulatory obligations but fit squarely into our mission as nonprofit organizations that exist to serve and improve the health of our communities.

While we have made progress streamlining some dimensions of budget guidance in recent years, the administrative burden has continued to increase without a clear benefit. We believe there is still significant room to simplify this process to assist GMCB and hospitals alike.

As outlined in the Rural Health Services Task Force study, Vermont hospitals are leading the way in reform but still face all the challenges of delivering care in a rural setting. A good example is the current COVID-19 outbreak that puts our facilities and staffs in the center of managing a public health crisis.

Whether it is the COVID-19 situation, or the overnight loss of the Vermont Psychiatric Hospital after the 2012 flood, Vermont's hospitals respond to treat and protect our neighbors, communities and especially the most vulnerable. At all times we must be fully prepared and adequately resourced to meet community need—even a brand new and rapidly evolving need like COVID-19.

To ensure hospitals are always ready to serve—and to optimize health reform and the chance to achieve the Triple Aim in Vermont—we should devote less energy to managing NPSR caps and instead take into full account the investments hospitals are making, the risks they are taking and the expectation that they be always there and ready to care.

VAHHS has previously urged the GMCB to regulate hospitals' growth in a full-picture way rather than through the single lens of the target growth rate of 3.5%. We support a process wherein the GMCB evaluates hospitals based on their individual circumstances and allows for responsible growth rates that would help stabilize Vermont's financially fragile health care delivery system.



Specifically, we recommend the following:

- 1) Move away from a uniform, statewide growth rate target to focus more on individual hospitals' circumstances and sustainability. Incorporate these considerations:
 - a. Factors beyond hospitals' control such as salary and wage growth (given Vermont's limited and shrinking workforce) and pharmaceutical costs (our fastest growing area of expense)
 - b. Expense growth associated with increased acuity and our aging patient demographic, which may include costs associated with increasing access
- 2) Evaluate hospital financial health based on ratio performance and, in so doing, ensure commercial rates are sufficient to cover inflation and cost-shift pressures inside and outside of the All Payer Model.
- 3) Base budget decisions on objective data and information.

Sustainability Observations and Recommendations

As we have said in writing and public comment many times, VAHHS members agree on the need to assess hospitals' short- and long-term financial sustainability.

In that spirit, we proposed back in January a straightforward, metrics-driven framework that stemmed from dialogues between GMCB members and staff; VAHHS staff; hospital leaders including CEOs, CFOs, CMOs; and hospital trustees, who made the point that it is each Board's responsibility to identify how best to serve their communities. The work of the GMCB should focus on regulation, not governance. The Board's responsibility is to approve budgets, not manage clinical and community decision making.

The budget order language for sustainability plans indicated that the "format and content" would be determined "in consultation with hospital representatives." It was therefore disappointing to see a proposed sustainability structure that appears not to include much of the feedback collected during the December meetings with hospital and GMCB officials.

It was equally alarming to learn the specific and onerous details of the sustainability plans GMCB now envisions. If hospitals are held to the current structure, they will be encumbered with a second reporting process nearly as exhaustive and resource-intensive as their existing annual budget obligation.

Hospital leaders are estimating as many as 24 months to complete this work, corresponding with the possible need to hire FTEs or contract consultants. And even if the requested analyses



can be reliably conducted for every hospital, the cost would be great while the benefit in new, helpful information would be minimal.

We therefore request that the sustainability plan framework be simplified to ensure that it is productive for the GMCB, communities throughout our state and hospitals themselves.

The current framework is problematic for the following reasons:

- 1) Too much information is being requested and the burden of gathering the data would outweigh any benefit:
 - a. All of our hospitals are nonprofit and strive to meet community need, not secure a margin from every service.
 - b. It is not currently possible for the majority of our hospitals to accurately calculate a contribution margin on a particular service line. Many factors and assumptions are involved, which differ from hospital to hospital. For example, expenses can be differently allocated across service lines.
 - c. Most of our small, rural hospitals do not have the sophisticated and expensive cost accounting and decision support systems needed to support this kind of analysis. It would take considerable time and money to establish the accounting framework and cost accounting tools needed to produce meaningful information.
- 2) This plan framework exceeds the reasonable statutory authority of the Board. GMCB has authority to approve hospital budgets. Any sustainability plan must fit within this context. Themes intended to be addressed by the budget process—e.g., efficient and economic hospital operation, adherence to peer group norms and provision of an integrated holistic system of care—are lost in the proposed service line analysis.

The annual hospital budget process is already a time- and resource-intensive operation. Adding a brand new set of reporting obligations, many of which are difficult to derive, surpasses the Board's reasonable authority and purview.

- 3) Sustainability planning could be better achieved with a simpler structure. Late last year we held two long and thoughtful conversations with hospital and GMCB leaders to craft useful sustainability plans. Our recommendations on how to structure the plans—as outlined in a January 14 letter—were based in large part on those discussions and suggested informative, objective metrics to reliably evaluate hospital financial health.



In that letter, we suggested a simpler but still robust sustainability planning framework that would complement guidance rather than add an entire new process. We also said it should be applied to all hospitals so that sustainability could be assessed system wide.

All of us share the goal of strong hospitals that are sustainable for Vermont's communities. Members of the VAHHS staff and Board are happy to work with GMCB to create a simpler, less onerous but still effective way to plan for our collective sustainability.

It would be a disservice to Vermonters and our system of care if hospitals' sustainability is threatened by the scope of their regulatory burden.

To reiterate, our recommendations for budget guidance and sustainability planning are:

- 1) Move away from a uniform, statewide growth rate target to focus more on individual hospitals' circumstances and sustainability.
- 2) Evaluate hospital financial health based on ratio performance.
- 3) Base budget decisions on objective data and information.
- 4) Continue to work with VAHHS and hospitals on a sustainability framework that is reasonable and productive for everyone, and which reflects more of the proposed version shared in our January 14 letter.

Thanks, as always, for listening. We welcome your feedback and further discussion.

Sincerely,

A handwritten signature in black ink that reads "Jeff Tieman". The signature is written in a cursive, flowing style.

Jeff Tieman
President & CEO, VAHHS

A handwritten signature in black ink that reads "Steven R. Gordon". The signature is written in a cursive, flowing style.

Steven R. Gordon
President & CEO, Brattleboro Memorial Hospital
Chairman VAHHS Board of Trustees

A handwritten signature in blue ink that reads "Claudio Fort". The signature is written in a cursive, flowing style.

Claudio Fort
President & CEO, Rutland Regional Medical Center



Dan Bennett
President & CEO, Gifford Medical Center



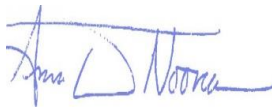
Jill Berry Bowen
CEO, Northwestern Medical Center



Brian Nall
CEO, North Country Hospital



John R. Brumsted, MD
President & CEO, University of Vermont Health Network



Anna Noonan, RN, BSN, MS
President & COO, Central Vermont Medical Center



Louis Josephson, Ph.D
President & CEO, Brattleboro Retreat



Joseph Perras, MD
President, CEO & CMO, Mt. Ascutney Hospital



Stephen Leffler, MD
President & COO, University of Vermont Medical Center



Todd Gregory, MD
Medical Director, Emergency Department, Rutland Regional Medical Center



Mike Halstead
Interim CEO, Springfield Hospital



Tom Dee
President & CEO, Southwestern Vermont Health Care



Tom Thompson
Interim President & COO, Porter Medical Center



Doug DiVello
President & CEO, Grace Cottage Hospital



Joseph Woodin
President & CEO, Copley Hospital



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Kathleen McGraw, MD
Chief Medical Officer & CIO, Brattleboro Memorial Hospital

A handwritten signature in black ink, appearing to read "Michael Costa". The signature is stylized and cursive.

Michael Costa
CEO, Northern Counties Health Care

A handwritten signature in black ink, appearing to read "Shawn Tester". The signature is stylized and cursive.

Shawn Tester
CEO, Northeastern Vermont Regional Hospital