



June 28, 2019

Green Mountain Care Board
144 State Street
Montpelier, VT 05602

Dear Green Mountain Care Board Members,

On behalf of the Northwestern Medical Center Board of Directors, it is important that I share insight on this particularly challenging development of the FY2020 budget. The Board has been highly engaged in this process to ensure we are responding to the needs of the community while balancing our financial stewardship in providing cost effective high quality care. Northwestern Medical Center is pivotal to the success of our community providing jobs to nearly 900 and providing healthcare to over 55,000 in Franklin and Grand Isle counties. This community is supportive of providing the right care locally and very engaged with the sustainability of this healthcare delivery system. Over the past 10 years we have intentionally aligned our services collaborating across the community for an accountable communities for health. We are disproportionately investing in outpatient and prevention services. With national consultants evaluating work flows and developing effective systems, our plans are in motion to position us for the future. These plans have been intentional to reduce cost, provide access to the right services for a community hospital, enhance the quality of services, and create high reliability in the patient experience.

The hospital itself has seen marginal growth while the growth in outpatient services has increased by over 20% in order to stabilize access to necessary care. This is exactly what we should be doing to shift care to the outpatient setting. Although this is the right thing to do, the reimbursement does not align with this transformation. The 10% rate reduction in 2016 and the continual high rate of medical inflation have, despite our efforts to reduce expenses, complicated our ability to have a positive margin over the past 3 years. Two percent of this rate reduction was provided to NMC to invest in care management and RiseVT which we have successfully implemented. Our outcomes are sited as innovative and well beyond what others are attempting and achieving. That being said the RiseVT funding from NMC is in jeopardy. Our board has guided and held the leadership team accountable to reduce costs and evaluate every service. Positions and people have already been reduced earlier this year and as a result of the FY 2020 budget more will be eliminated. This is alarming to remaining staff as we try to focus on the work that still needs to be done to position us for the future. At the same time investments in recruiting providers and nurses has added locum coverage costs, and investments in safety have increased security efforts and staff. The pace of change is creating turnover and impacting our ability to recruit top talent. The care of the mentally ill patient in the emergency department challenged us to restructure the care plan, the staffing, and infrastructure to ensure safety and the best services for these patients. Our surgical program is being redefined as an ambulatory surgical center enters our market. Competition is good when the rules are the same. The necessary integration of our electronic health record has negatively impacted our bottom line, increased the need of resources to support the system and decreased the access to services. Our community is significantly impacted due

to a 50% reduction in patient visit scheduled to accommodate the challenges of the system. We hope we can save the system implementation and achieve our plan for a fully integrated medical record.

At the same time Northwestern Medical Center is a leader in OneCare VT and the success of the all payer model. It is challenging to have a revenue cap on one hand and hold the responsibility to fund the transformation and carry the risk of an emerging capitated system. We have been all in from the start reducing avoidable emergency department visits and readmissions, and investing in the proven steps for our sustainable future in care management, health coaching, and primary prevention with RiseVT. All initiatives supported by the GMCB as the right things to do. The challenge is funding the future when there is no reimbursement for prevention, there is insufficient Medicaid reimbursement, and literally no incentive for providers and the population to align in this new reality. It is a major investment of time and money. All while maintaining our low cost position. Our board grapples with the lack of payment transformation that rewards systems for keeping the patient/population healthy. This budget presents a margin of 1.05% which is inadequate knowing the risks identified and a stretch from our current performance. The leadership team is fully engaged to make the necessary changes. The impact is real for us; our balance sheet is showing the strain of our proactive positioning.

Our Board, Leadership Team, and Medical leaders met June 27th to review the strategic analysis and conclusions of consultants, and to engage in conversation about our next three year strategic plan. From demographics, community feedback, community health needs assessment, and forecasting the healthcare landscape, we will redefine the hospital we now know as Northwestern Medical Center over the next several months. The next phase of our work will be identifying where we invest and where we divest in order to get back to a sustainable operating margin of 3%. This dynamic environment requires a strong balance sheet to fund this future and to weather the uncertainties on this journey. We must recognize how quickly a hospital can change as we transition to the vision of value based care. It is important necessary work that takes time and perseverance. As I write this our bond covenants is out of compliance simply due to our electronic health record functionality resulting in a compromised patient schedule. Our ability to rebound remains unclear as we resource the problem. Our providers and staff are challenged with keeping pace. As a board we must make the right decisions for our community and this organization.

As you review this budget and those of our peer organizations, we ask for your leadership in aligning priorities and reimbursement with the stakeholders who influence the future. Hospitals are in a very vulnerable position in their ability to provide the right care, at the right time, in the right place, to meet the needs of the community with the weight of the world on the success of the all payer model. The stakes are too high to not understand the true impact of decisions and mandates on well-intended and highly engaged hospital systems. We are a trusted and proven partner in this transformation. We expect to be held accountable. With this responsibility we ask for the flexibility and latitude to lead.

Sincerely,

A handwritten signature in cursive script that reads "Leon Berthiaume".

Leon Berthiaume, Board Chair