

Hospital Sustainability and Healthcare Affordability: Analyses to Inform Act 159 of 2020 Section 4 Report

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Today's Agenda



1. Reminder: Why are we here today?
2. Hospital Payment & Cost Coverage Variation – 11:00 AM
HMA/Burns & Associates
Supplementary Analysis
Sarah Lindberg, Director of Health Systems Data Analytics
3. VT Hospital Quality Review & Capacity Planning – 1:30 PM
Berkeley Research Group

Rural Hospital Closures are Increasing across the U.S.



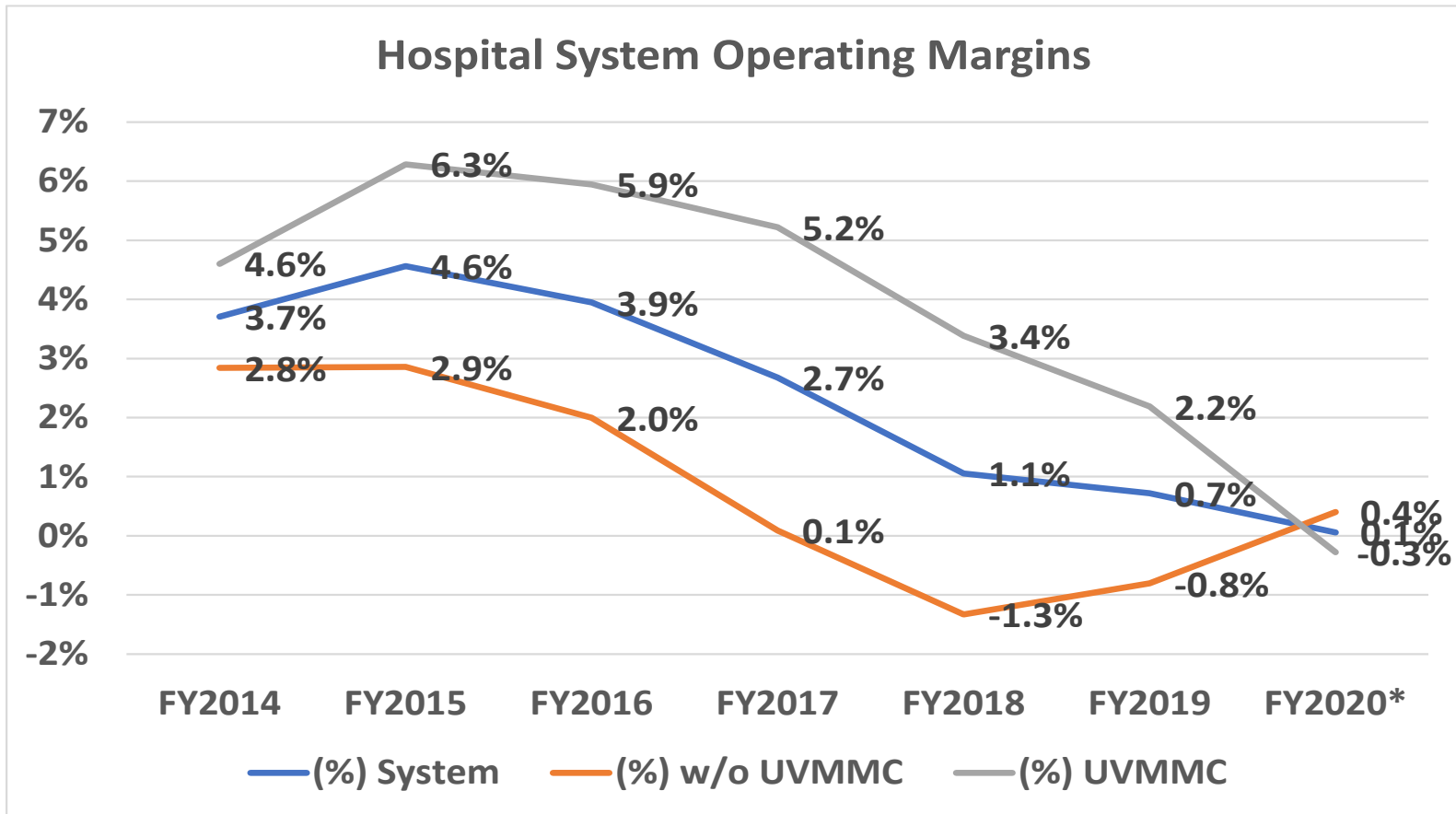
- Since 2005, **181 rural hospitals have closed** nationally, with 2020 closure rates higher than any previous year¹.
- In a study published in Health Affairs in 2020, rural hospitals that closed during the study period had a **median overall profit margin of -3.2% in their final year before closure**².
- Hospital closures threaten patient **access** to services and materially impact the **local economy**³.
- Vermont experienced its own hospital bankruptcy, alarming the Board, Legislators, and hospitals across the state.

1. <https://www.shepscenter.unc.edu/programs-projects/rural-health/rural-hospital-closures/>

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\(6\).](#)

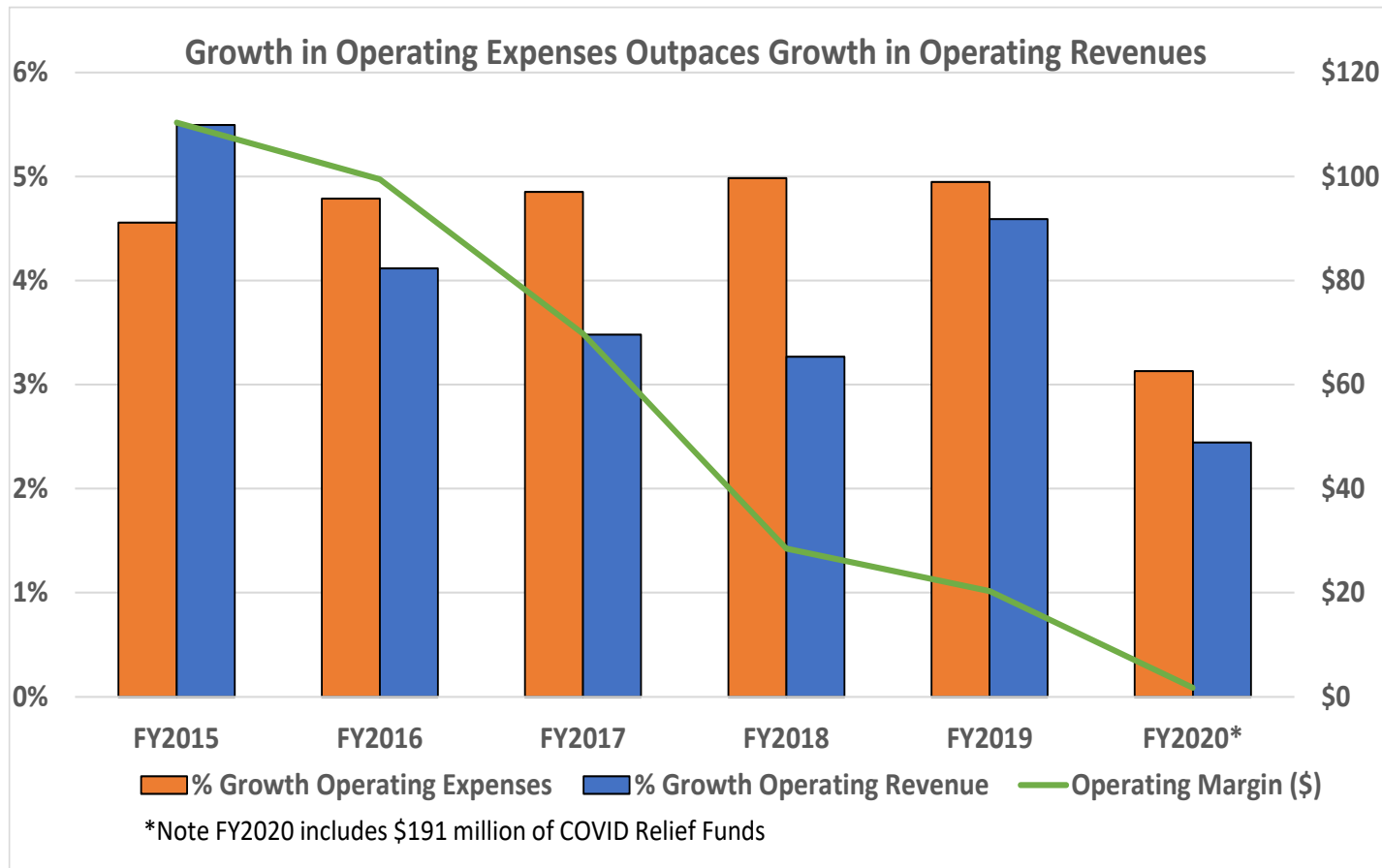
3. [Rural Health Services Report](#), Slides 44-47

Vermont Hospital Operating Margins Continue to Decline



*Note FY2020 includes COVID Relief Funds and Expenses

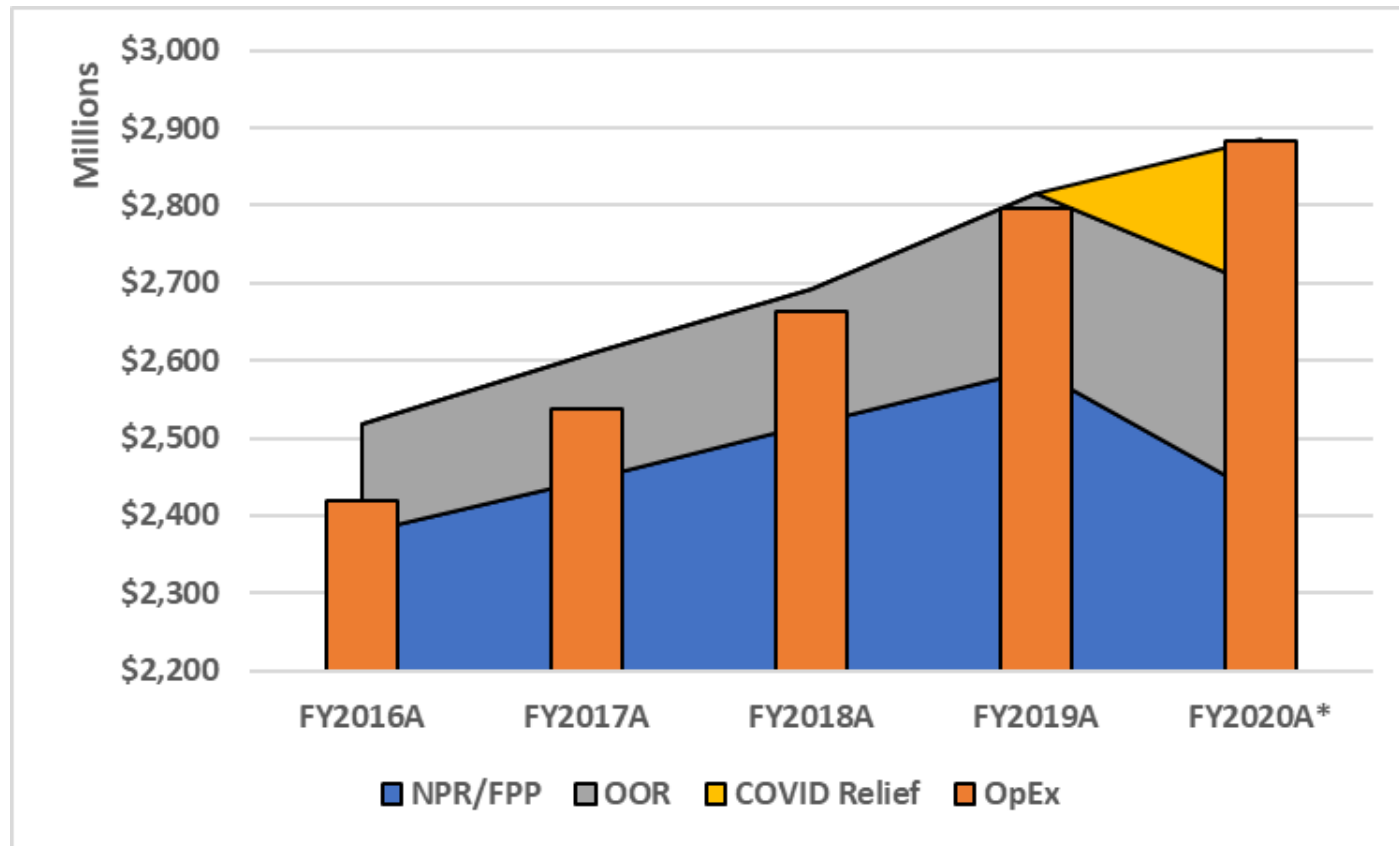
Operating Expenses are Outpacing Operating Revenues



Expense Growth Drivers

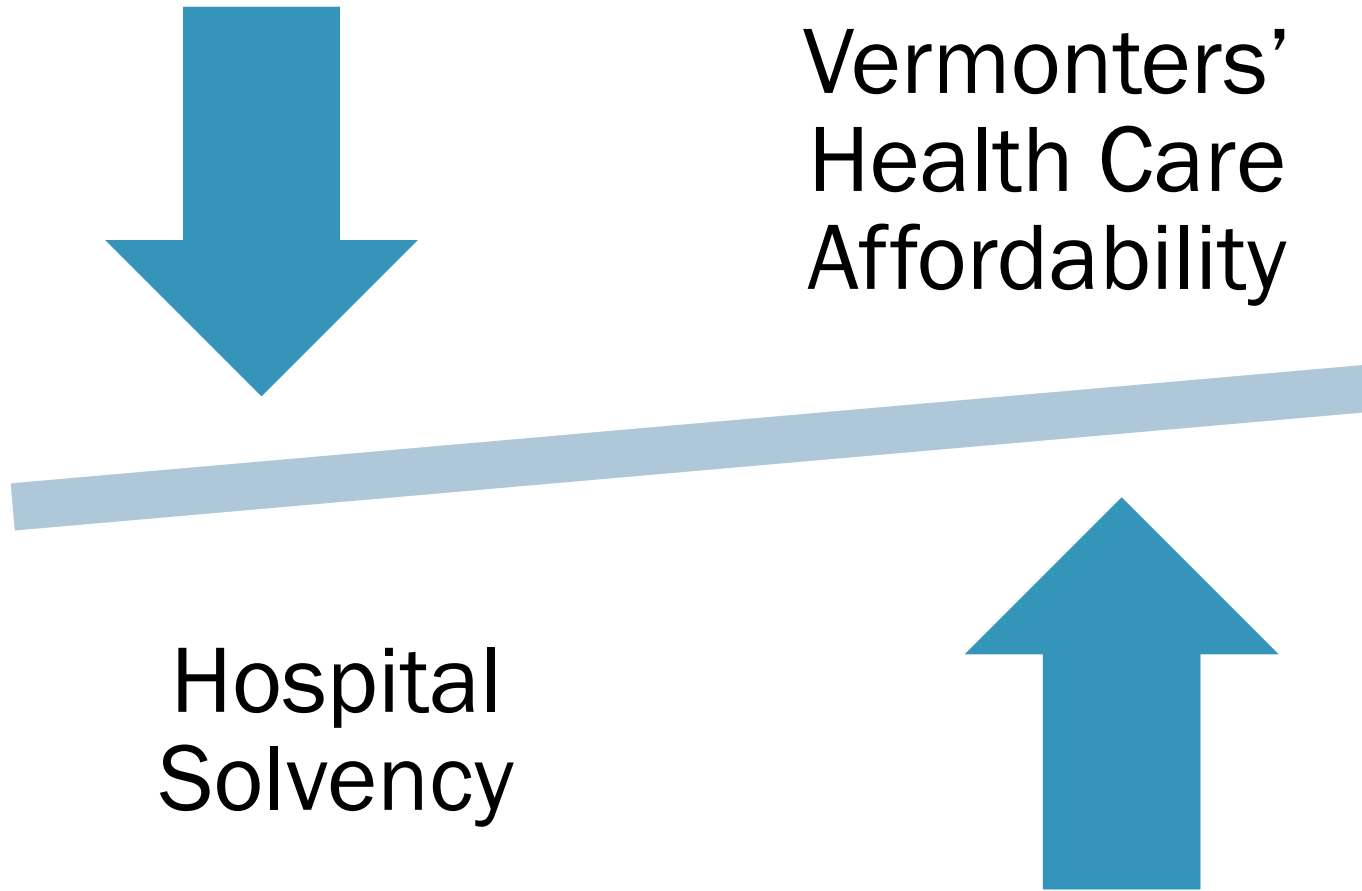
- Cost of Labor & Benefits (including travelers)
- Cost of Supplies, including Pharmaceuticals
- Aging population

Increasing Reliance on Other Operating Revenue



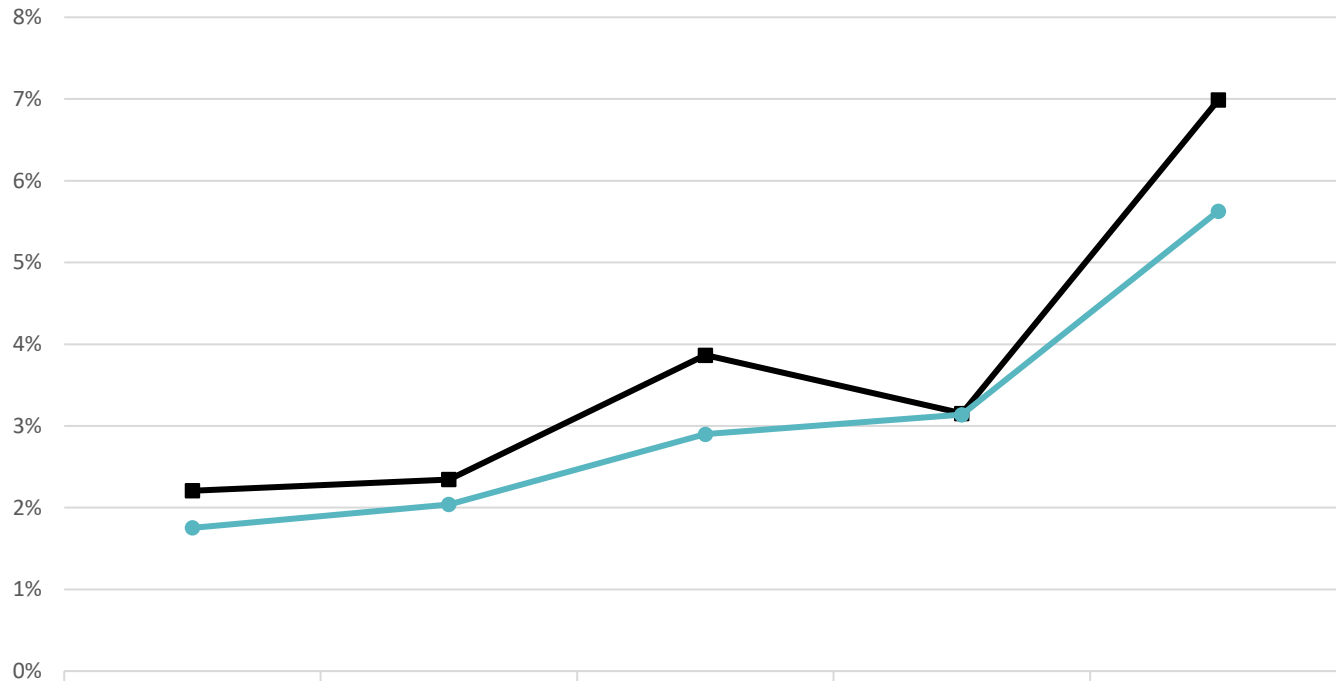
*Note FY2020 includes COVID Relief Funds



The Tension...



Hospital Commercial Charges

Vermont Hospitals Estimated Weighted Average Change in Charges 2017 to 2021



 Submitted Rate
 Approved Rate

	2017	2018	2019	2020	2021
Submitted Rate	2.2%	2.3%	3.9%	3.2%	7.0%
Approved Rate	1.8%	2.0%	2.9%	3.1%	5.6%

Estimated Weighted Average for all hospitals is calculated by factoring in each hospital's proportion of gross revenue to the change in charges (rate).

Health Care is Increasingly Unaffordable



According to the [2018 Vermont Household Health Insurance Survey](#):

- More than a quarter (**28%**) of those who are **uninsured** work for an **employer who offers health insurance**, with a **73% citing cost** as the only or primary reason they do not have health insurance
- More than a third of Vermonters under age 65 are underinsured (36%), and among those who have **private health insurance**, **40%** can be considered **underinsured**, an **increase** from **27%** in 2014.
- Uninsured and underinsured Vermonters are more likely to delay care than those with insurance

Identifying Potential Solutions for Hospital Sustainability



In 2019, GMCB required sustainability plans for 6 of 14 hospitals and then following COVID-19, expanded the effort to all hospitals.

Act 159 of 2020 - Sec 4: “The Green Mountain Care Board shall consider ways to increase the financial sustainability of Vermont hospitals in order to achieve population-based health improvements while maintaining community access to services.”

[...and equity and affordability]

Act 159: Defining the work



Hospital financial sustainability: How can we ensure that hospital revenues (provider reimbursement) are sufficient to cover the costs of operating a system that strikes the appropriate balance between efficiency and access in rural Vermont?

How can sustainable hospital reimbursement ensure:

1. Equitable access to essential services for all Vermont communities
2. Efficient and economic delivery of services (and affordability)
3. Improved health outcomes for Vermonters

Project Approach

Part 1 – Current State and Gap Analysis

1. Hospital financial health (GMCB)
2. Provider reimbursement and variation cost coverage (HMA/Burns & Associates)
3. Community access to essential services and resources needed to improve health outcomes of Vermonters, including an assessment of hospital system capacity and quality (Berkeley Research Group)

Part 2 – Hospital Engagement

Part 3 – Potential paths forward to improve hospital sustainability, equitable access to essential services, affordability, and preparedness for value-based care

The Green Mountain Care Board recognizes we are still in a pandemic and currently experiencing a surge in capacity at VT hospitals currently strained.

The work that follows began in 2020, uses pre-pandemic data, and is designed to help inform communities, their providers, and the state as they engage in post pandemic long-term planning, regulatory improvements, and negotiations with the federal government on potential next agreements.

The GMCB recognizes the strains hospitals, their frontline workers, and health care providers are currently under and we thank all of Vermont providers for their work over the last year and a half.

Appendix

Appendix I

Goals for the Sustainability Planning Framework

1. Engage in a robust **conversation** on maintaining **access to essential services in our communities**, preparing for a shift to **value-based care**, and understanding the threats to the **sustainability** of our rural health care system;
2. Encourage **hospital leadership, boards, and communities to work together** to address sustainability challenges and the shift to value-based care;
3. Identify **hospital-led strategies** for sustainability, including efforts to “right-size” hospital operations, particularly in the face of Vermont’s demographic challenges and making the shift to value-based care;
4. Identify “**external**” **barriers** to sustainability and making a successful shift to value-based care that are more aptly addressed by other stakeholders, policy-makers, or regulatory bodies, and generate insights to inform the state’s approach to planning for- and designing a proposal for a subsequent **All-Payer Model Agreement (APM 2.0)**.

Declining Operating Margin(%) is a System-Wide Issue



Hospital	FY2016	FY2017	FY2018	FY2019	FY2020*	5 yr. average
BMH	-0.6%	-3.1%	-2.4%	0.8%	0.6%	-0.9%
CVMC	1.0%	-0.9%	-3.8%	-2.1%	-0.6%	-1.3%
CH	-0.1%	-0.6%	-3.3%	-3.2%	-3.9%	-2.2%
GMC	3.9%	-1.6%	-10.7%	-0.8%	2.5%	-1.3%
GCH	-8.0%	-6.9%	-2.9%	-6.7%	1.1%	-4.7%
MAHHC	0.3%	2.7%	1.9%	-0.1%	0.9%	1.2%
NCH	0.2%	-2.3%	-2.3%	1.9%	3.7%	0.2%
NVRH	2.0%	1.9%	1.7%	1.8%	1.3%	1.7%
NMC	3.4%	-1.2%	-3.4%	-8.0%	-0.9%	-2.0%
PMC	1.9%	2.7%	1.8%	5.2%	4.1%	3.1%
RRMC	4.2%	1.6%	0.5%	0.4%	0.2%	1.4%
SVMC	3.4%	3.7%	4.6%	3.3%	2.8%	3.5%
SH	0.3%	-7.1%	-12.8%	-18.4%	-11.2%	-9.8%
UVMC	5.9%	5.2%	3.4%	2.2%	-0.3%	3.3%
Total	3.9%	2.7%	1.1%	0.7%	0.1%	1.7%

*Note FY2020 includes COVID Relief Funds and Expenses

Hospitals Performing Better on Total Margin, but Not All

Hospital	FY2016	FY2017	FY2018	FY2019	FY2020*	5 yr. average
BMH	2.3%	0.9%	1.1%	1.6%	9.5%	3.1%
CVMC	1.9%	6.7%	0.9%	-4.0%	4.5%	2.0%
CH	0.3%	3.9%	-2.4%	-2.6%	-3.2%	-0.8%
GMC	7.8%	0.3%	-6.2%	4.8%	5.8%	2.5%
GCH	-2.1%	1.3%	3.7%	-0.3%	6.2%	1.8%
MAHHC	2.6%	10.5%	5.3%	-4.0%	10.0%	4.9%
NCH	2.5%	2.3%	1.2%	3.0%	7.8%	3.4%
NVRH	3.2%	0.6%	2.3%	1.8%	3.8%	2.3%
NMC	6.2%	6.8%	0.5%	-7.6%	-1.1%	1.0%
PMC	5.9%	7.1%	6.1%	5.9%	4.3%	5.9%
RRMC	8.3%	7.5%	4.2%	2.1%	5.2%	5.5%
SVMC	3.8%	4.9%	5.8%	3.5%	4.6%	4.5%
SH	0.7%	-3.2%	-12.0%	-38.9%	-11.7%	-13.0%
UVMC	6.8%	6.7%	5.1%	4.5%	-1.2%	4.4%
Total	5.5%	5.8%	3.5%	1.9%	1.5%	3.6%

*Note FY2020 includes COVID Relief Funds and Expenses