

# **Potential Vote to Modify FY17 UVMMC Enforcement Action Regarding Self-Restricted Funds for Inpatient Mental Health Capacity**

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# Recap

- GMCB met February 22, 2023 to discuss update and staff recommendation to modify FY17 enforcement action:
  - Revise the FY17 enforcement action to make the use of the remaining funds (~\$18 million) more flexible in addressing current mental health needs.
  - Order UVMHN to develop a proposal in consultation with the Vermont Department of Mental Health outlining the planned use of the funds to address mental health need in Vermont.
    - The proposal shall be submitted to the GMCB by May 31, 2023.
- GMCB held special public comment period from February 22 to March 7.

# Interagency Support



- Vermont Department of Mental Health is supportive of changing the restriction so that funds can be used for mental health capacity without being limited to inpatient capacity.

# Updates from UVMHN

- In response to the additional information requested by the GMCB, UVMHN indicated that the funds have been maintained in unrestricted investments, which is included in days cash on hand calculations. UVMHN is currently holding these funds in **short-term reserves**.

	Always Maintain 30-90 Days Operating Expense		
Cash/Asset Category	Operating Accounts	Short-term Reserves	Long-Term Reserves
Investment Type	Cash & Equivalents	Short Duration Fixed Income	25% Fixed Income / 75% Equity
Days Cash Target Range	15-45	15-45	All Remaining Days Cash
Investment Vehicles	checking, savings, money market, CD, CP, investments with < 365 days to maturity	short duration fixed income with avg. maturity <= 3.0 yrs. and effective duration <= 2.0 yrs.	as per Investment Policy Statement, includes alternatives as applicable
Min. Credit Quality (security)	A1 / P1	BBB+	N/A
Min. Credit Quality (portfolio)	A1 / P1	A	A-
Balance Sheet Classification	Cash & Equivalents and/or Short-term Investments	Short-Term Investments and/or Board Designated Assets	Board Designated Assets
Purpose of Cash	Operating Expenses	Operating or Capital Projects	Reserves

# Updates from UVMHN (cont'd)



- UVMHN also provided information about the rate of return for these investments:
  - Cumulative return (April 1, 2018 to January 31, 2023): 21.2% (4.1% annualized)
  - Future expected annual returns are 4.1% for the short-term investment pool.
- From April 2018 to January 2023, CPI-U\* increased 20.1%.

\* [Seasonally-adjusted, All items, US city average, all urban consumers \(Series ID: CUSR0000SA0\)](#)

# Updates from UVMHN (cont'd)

- Finally, UVMHN sent a letter on March 6<sup>th</sup> that:
  1. Indicated that the current enforcement order was developed collaboratively to address unbudgeted revenue due to higher-than-expected patient volume.
  2. Highlighted work to date, including its utility for reuse and the benefits it reaped from significant collaboration with a broad set of stakeholders.
  3. Argued that the GMCB FY17 budget order did not require UVMHC to track or spend any earned returns on the approximately \$21 million.

# FY17 Enforcement Action



After a series of public meetings to review and discuss the hospitals' FY 2017 budget performance, the Board on April 11, 2018 voted to direct UVMHC to self-restrict \$21 million in surplus funds. The following motion was approved:

Pursuant to GMCB Rule 3.00, §3.400, in order to address the FY 2017 actual budget performance at UVMHC's Vermont hospitals, the GMCB will provisionally allow UVMHC to self-restrict \$21M in surplus funds with the condition that such funds be used solely for investments that measurably increase inpatient mental health capacity in Vermont. Beginning July 1, 2018 and quarterly thereafter, the UVMHC shall report to the GMCB on details of its plan for making such investments, including all progress on GMCB-established milestones to date, and must quantify how the plan will significantly increase access to, and quality of, mental health treatment and lower overall system costs.

UVMHC shall continue to report quarterly until such time as the GMCB determines that: 1) UVMHC has made sufficient progress on its investment plan so that no further reporting is required, or that reporting may occur at longer intervals, or 2) that UVMHC has failed to make sufficient progress on its plan to substantially improve inpatient bed capacity to alleviate the mental health care crisis. If the GMCB determines that insufficient progress has been made, it may order that UVMHC use all or a portion of the \$21M to benefit ratepayers through a commercial rate reduction.

# Public Comment

- The GMCB has received 10 public comments regarding the potential modification of the FY17 enforcement action. Comment letter from UVMHN was also received.
- Primary themes of public comments:
  - Urgent need for additional mental health services
  - Urgent need for additional inpatient capacity, including to address patients boarding in ED
  - Continued disparity in reimbursements for mental health services
  - Value of flexibility in to provide mental health services outside of inpatient setting to reduce hospitalizations
- Of public comments received, 5 supported retaining the scope of self-restricted funds to inpatient capacity, and 4 supported expanding the scope.



# Options

- No change to enforcement order, funds remain restricted to be used to increase mental health capacity.
- Since GMCB determined sufficient progress is no longer being made, the funds should be applied to reduce the commercial rate request in UVMHC's FY24 budget.
- Modify enforcement order to permit more flexible use of the funds and determine an expenditure plan in collaboration with the Vermont Department of Mental Health, with a proposed use required to be presented to GMCB by May 31.

# Staff Recommendation: Suggested Motion

*Move to modify the UVMMC FY17 enforcement action to permit the self-restricted funds to be used to increase capacity of mental health services in the state (not limited to inpatient capacity), and require UVMHN to develop a proposal, in consultation with the Vermont Department of Mental Health, for planned use of those funds and submit the proposal to the GMCB by May 31, 2023.*