

**Green Mountain Care Board**  
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October 1, 2021

**DELIVERED ELECTRONICALLY**

John Brumsted, MD  
President and CEO, UVMHN  
University of Vermont Medical Center  
111 Colchester Avenue  
Burlington, VT 05401

Dear Dr. Brumsted:

Enclosed please find a Budget Order reflecting the Green Mountain Care Board's decision establishing your hospital's budget for fiscal year 2022. The Board and its staff analyzed your proposed budget, reviewed supplemental information, and took into account numerous additional considerations in rendering its decision during this process. That decision is described in the enclosed Order.

The hospital budget review process is a key tool in our efforts to constrain health care cost growth while improving the health of Vermonters. As part of this process, the Board considers hospital financial health, sustainability, and the importance of transitioning to a value-based system. We look forward to working with you and your staff to refine and improve the process for the next cycle and beyond. We appreciate the responsiveness and diligence that you and your staff have shown during the FY22 budget cycle, particularly in light of the ongoing COVID-19 pandemic.

As part of the Budget Order, your hospital shall participate in telephonic check-ins to be scheduled at the discretion of the Board Chair in consultation with Board staff based on your FY22 year-to-date operating performance and related matters. Also, as part of developing guidance for the FY23 hospital budget review process, your hospital and Board staff will work together to potentially identify and include measures in non-financial reporting to further several goals of the Vermont healthcare system, including developing strategies to reduce wait times and access to care issues, reducing potentially avoidable utilization, and continuing to participate in the Board's strategic sustainability planning process. Details of these requirements are scheduled to be discussed with stakeholders and will be communicated later.

If you have any questions regarding the Order or the implementation of its reporting requirements, please feel free to contact me or the Board's hospital budget staff. Again, thank you for your hard work and cooperation during this process.

Sincerely,



s/ Kevin Mullin

Chair, Green Mountain Care Board

cc: Stephen Leffler, MD, President and COO, UVMC  
Judy Peek-Lee, CFO, UVMMC  
Rick Vincent, CFO, UVMHN  
Mike DelTrecco, VAHHS  
Kaili Kuiper, HCA



STATE OF VERMONT  
GREEN MOUNTAIN CARE BOARD

**FY2022 HOSPITAL BUDGET DECISION AND ORDER**

In re: University of Vermont Medical Center ) Docket No. 21-004-H  
Fiscal Year 2022 )  
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**INTRODUCTION**

In July, the Green Mountain Care Board (GMCB or “the Board”) began reviewing the Fiscal Year 2022 (FY22) budgets of Vermont’s 14 general (community) hospitals for compliance with policy guidelines and financial targets adopted by the Board in March. The financial benchmarks include net patient revenue and fixed prospective payment (NPR/FPP) growth of not more than 3.5% over the approved FY21 budgets. See GMCB, FY 2022 Hospital Budget Guidance and Reporting Requirements, 5 (Mar. 31, 2021) (FY22 Guidance).<sup>1</sup> The Board permitted an allowance for NPR/FPP that exceeds the growth guidance for revenues (and expenses) related to COVID-19 vaccine clinics and testing. See *id.* The hospitals’ FY22 budget submissions reflect a systemwide average NPR/FPP growth request of 6.4%<sup>2</sup> over the approved, systemwide FY21 NPR/FPP. Preliminary Review of FY2022 Hospital Budget Submissions and Public Budget Hearing Exemptions, 16 (July 28, 2021) (FY22 Preliminary Review). Individual hospital NPR growth ranged from 3.0% to 13.4%. *Id.* Hospital budget submissions also reflected an overall estimated weighted average charge increase of 6.0%, with individual charge increases ranging from 2.2% to 8.3%. FY22 Preliminary Review, 12. Following public Board meetings, presentations by hospitals and GMCB staff, and a special public comment period that closed on September 1, 2021, the Board approved hospital budgets that are expected to result in a reduced systemwide NPR/FPP increase of 6.1% (6.0% after factoring in provider transfers and accounting adjustments) and an estimated weighted average charge increase of 5.2%. GMCB, Fiscal Year 2022 Approved Vermont Hospital Budget Submissions, 16, 18 (September 28, 2021) (Approved Budgets). The Board felt a 6.1% NPR/FPP increase was warranted in light of the many challenges facing Vermont’s hospitals, including the ongoing effects of the COVID-19 pandemic, growing evidence of pent-up demand and higher acuity patients, and the increased costs associated with inflationary pressures and significant staffing challenges.

The University of Vermont Medical Center (UVMC) submitted its budget on July 1, 2021, requesting a 6.0% increase in NPR/FPP, which is a 5.5% increase in NPR/FPP after excluding revenue from COVID-19 clinics and testing, and a 7.05% overall change in charge.

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<sup>1</sup> The hospitals’ FY22 budget materials, including their budget narratives and responses to questions, are available on the GMCB website at: <https://gmcboard.vermont.gov/hospitalbudget/fy2022budget>. Transcripts of the hospital budget hearings and deliberations are available upon request.

<sup>2</sup> In accordance with the FY22 Guidance, hospitals may request “adjustments” to their approved FY21 NPR/FPP or FY22 request, which, if approved, are not factored into their total NPR/FPP increase. These adjustments most frequently reflect provider transfers but may also appear in other accounting adjustments. See FY22 Guidance, 6. After adjusting FY22 NPR/FPP budgets to remove COVID-19 vaccine clinics and testing revenue, the systemwide average NPR/FPP growth request for FY22 from approved FY21 approved budgets was 6.0%. See FY22 Preliminary Review, 16.

On September 13, following GMCB staff presentations, and deliberations, the Board approved UVMMC's FY22 budget with a 6.0% increase in NPR/FPP from its approved FY21 budget and a change in charge of 6.05%, which is a reduction from UVMMC's submitted budget.

## **LEGAL FRAMEWORK**

Hospital budget review is one of the Board's core regulatory responsibilities. 18 V.S.A. §§ 9375(b)(7), 9456. The Board must establish each hospital's budget annually no later than September 15 and is required to issue written decisions reflecting each hospital's established budget by October 1. 18 V.S.A. § 9456(d)(1). In making its decisions, the Board is guided by its statutory charge "to promote the general good of the state by: (1) improving the health of the population; (2) reducing the per capita rate of growth in expenditures for health services in Vermont across all payers while ensuring that access to care and quality of care are not compromised; (3) enhancing the patient and health care professional experience of care; (4) recruiting and retaining high quality health care professionals; and (5) achieving administrative simplification in health care financing and delivery." 18 V.S.A. § 9372. Additionally, the Board must execute its duty of annually establishing each hospital's budget in a way that advances the principles of healthcare reform set forth in 18 V.S.A. § 9371. *See* 18 V.S.A. § 9375(a). The Board may adjust proposed budgets that fail to comply with the Board's established benchmarks and other guidance. GMCB Rule 3.000, § 3.305. The Board may also adjust a hospital's established budget based on the Board's independent review of a hospital's budget performance. 18 V.S.A. § 9456(f); GMCB Rule 3.000, § 3.401.

Hospitals bear the burden of persuasion in justifying their proposed budgets. GMCB Rule 3.000, § 3.306(a). During its review, the Board must consider numerous factors, including hospitals' utilization information and assumptions, community and state health care needs, the cost shift, hospitals' payer mix and performance under past budgets, public comments, and any other information the Board deems relevant. *See* 18 V.S.A. § 9456(b); GMCB Rule 3.000, § 3.306(b). Each approved budget must, among other requirements, be consistent with state and community health care needs, reflect the hospital's performance for prior years, take into consideration national, regional, or in-state peer group norms, according to indicators, ratios, and statistics established by the Board, and promote the hospital's efficient and economic operations. *See* 18 V.S.A. § 9456(c).

The Board annually adopts guidance by March 31 that establishes benchmarks for hospitals to use in developing and preparing their upcoming fiscal year's budgets. GMCB Rule 3.000, § 3.202. The Board issued guidance for FY22 budgets on March 31, 2021, after public meetings with Vermont hospitals, the Vermont Association of Hospitals and Health Systems, and other interested parties. *See* FY22 Guidance, 3, 4.<sup>3</sup> For FY22, the Board set an NPR/FPP growth guidance of not more than 3.5% over the approved FY21 budgets. FY22 Guidance, 5.

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<sup>3</sup> The Board's FY22 Guidance is available at <https://gmcbboard.vermont.gov/sites/gmcb/files/documents/FY22%20Hospital%20Budget%20Guidance-%20Final%203%2030%202021.pdf>.

To “prioritize and maximize direct patient care, safeguard the stability of health care providers, and allow for orderly regulatory processes that are responsive to the evolving needs related to the COVID-19 pandemic,” the Board was given authority to waive or permit variances from State laws, guidance, and standards with respect to several of its regulatory responsibilities, including hospital budget review. This Board authority expires six months following the termination of the state of emergency related to COVID-19. 2020, No. 91, § 5. The state of emergency related to COVID-19 ended on June 15, 2021. *See* State of Vermont, Executive Order No. 06-21 (June 15, 2021).

Pursuant to its authority under Act 91, the GMCB exempted any hospital that met specific criteria from a public hearing regarding its FY22 budget. *See* FY22 Guidance, 6-7. The criteria that a hospital was required to meet included an FY22 NPR/FPP rate increase at or under 3.5% from its FY21 approved budget (excluding NPR/FPP from COVID-19 testing and vaccine clinics), a change in charge request at or under 3.5% from its FY21 budget, continued involvement in value-based care reform, and a budget submission that complied with FY22 Budget Guidance, had schedules that reconciled, and was deemed reasonable. *See id.*

### **FY22 REVIEW PROCESS**

Hospitals submitted their FY22 budgets to the GMCB on or about July 1, 2021, and hospitals that were not exempt from public hearings presented their budgets at public GMCB meetings between August 17, 2021 and August 27, 2021. The Board and its staff reviewed and analyzed FY22 budget information submitted and presented by the hospitals, including detailed financial information, utilization data, inflation costs, population health goals, value-based care participation, patient access data and wait times, budget-to-budget NPR/FPP growth rates, trended NPR/FPP growth rates forward from FY19 as a pre-pandemic base year, prior budget performance, and requested changes in charges. In addition, the Board considered comments from the Office of the Health Care Advocate (HCA) and from members of the public. The Board also considered each hospital’s unique circumstances, including its health care reform efforts, capital and infrastructure needs, hospital-specific risks and opportunities, and applicable cost-reduction initiatives.

The hospitals requested a systemwide NPR/FPP increase of 6.4% over the systemwide FY21 budgeted NPR/FPP. GMCB PowerPoint, FY 2022 Vermont Hospital Budgets, Board Deliberations, 11 (Sept. 13, 2021) (Deliberations III). After adjusting budgets to remove NPR/FPP related to COVID-19 vaccines and testing, the systemwide requested NPR/FPP increase was 6.0%. *Id.* After considering presentations from and discussions with hospital leadership, analysis prepared by GMCB staff, and input from the HCA and the public, the Board established hospital budgets that allow for a systemwide NPR/FPP growth rate for FY22 of 6.1% over the approved systemwide FY21 NPR/FPP. Approved Budgets, 16.

In addition, the Board reviewed each hospital’s proposed change in charge, which is the average amount by which a hospital increases its charges.<sup>4</sup> Notably, the respective payers — Medicare, Medicaid, and commercial — do not reimburse each hospital the same amount for the same services. For example, commercial payers can negotiate reimbursements with each hospital

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<sup>4</sup> Changes to the actual charges vary by hospital and across service lines.

separately, resulting in pricing variations, while Medicaid and Medicare prices are not typically negotiable, and reimbursement is instead established through each payer's unique fee schedule and update factors. Medicaid reimbursements have not increased, and generally hospitals have not expected any increase in Medicaid reimbursement in FY22 budgets, despite increased costs associated with inflation. The larger rate increases that hospitals requested for FY22 are driven by that cost shift, as hospitals need higher commercial charges to cover inflation not reimbursed by public payers. For example, UVMMC represents that absent the cost shift the requested increase from commercial payers would be approximately \$22 million, but with the cost shift, the requested commercial increase is approximately \$39.6 million, or an additional \$17.6 million. *See* UVMMC Presentation, Slide 32. Taking into consideration all adjustments, the Board reduced the estimated system weighted overall average change in charge from the requested 6.0% to 5.2%. Approved Budgets, 18.

Vermont community hospitals continue to transition to a value-based health care system focused on prevention, wellness, and health. Hospitals' expected fixed prospective payments as a percentage of NPR/FPP for FY22 range from 0% to 24%. Preliminary Review, 21. Out of close to \$3 billion NPR/FPP for all Vermont community hospitals in FY22, \$409 million, or 14%, is expected to be in the form of fixed prospective payments for FY22. *Id.* For FY21, hospitals also project 14% of NPR/FPP to be in the form of fixed prospective payments.

The Board considered each hospital's submitted budget in the context of certain financial metrics that measure the hospital's performance against state, regional, and national peer groups. Financial metrics include operating margins, total margins, days cash on hand, days receivable, days payable, long-term debt to capitalization ratios, debt service coverage ratios, and average age of plant. *See* Deliberations II, 24-31. The financial metrics are compiled from data from Fitch Ratings Solutions, Inc. and Flex Monitoring.<sup>5</sup>

UVMMC filed its FY22 budget submission on July 1, 2021, and a revised narrative on July 13, 2021. UVMMC requested a 6.0% increase in its NPR/FPP and a 7.05% change in charge. The University of Vermont Health Network FY22 Budget Submission, Narrative, 3 (UVMMC Submission); GMCB Deliberations III, 116. UVMMC's 6.0% NPR/FPP increase exceeds the 3.5% NPR/FPP growth guidance set by the Board even after adjustments for COVID-19 vaccine clinic and testing revenue. UVMMC's FY21 budget-to-projection variance is -8.5% (i.e., its FY21 projected NPR/FPP is 8.5% less than its FY21 budget), and as a result the hospital's FY22 budgeted NPR/FPP represents a 15.8% increase from its projected FY21 results. *See* Deliberations III, 116.

UVMMC's senior leadership presented the FY22 budget to the Board at a public hearing held August 25, 2021. *See* UVMMC FY22 Budget Presentation (Aug. 25, 2021) (UVMMC Presentation), 1. On September 13, 2021, following GMCB staff presentations and deliberation, the Board approved UVMMC's budget, as adjusted in this Order, with a 6.0% increase in NPR/FPP for FY22 (which is a 6.34% increase after adjusting for a provider transfer) and a 6.05% increase in average overall charges.

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<sup>5</sup> The Flex Monitoring Team is a consortium of researchers from the Universities of Minnesota, North Carolina-Chapel Hill, and Southern Maine, funded by the Federal Office of Rural Health Policy to evaluate the impact of the Medicare Rural Hospital Flexibility Grant Program (the Flex Program).

Based on the above, the Board issues the following Findings, Conclusions, and Order:

## FINDINGS

### COVID-19 Pandemic

1. COVID-19 (SARS-CoV-2) and its variants have significantly impacted hospital operations and budgets in Vermont, from the first reported case in March, 2020, through the current hospital budget review process. Vermont's Governor declared a state of emergency on March 13, 2020, which lasted through June 15, 2021, to address the ongoing threat from COVID-19. See State of Vermont, Executive Order 01-20 (March 13, 2020).
2. Vaccines to treat COVID-19 were authorized for emergency use by the U.S. Food and Drug Administration in December 2020 and were rolled out to states, including Vermont, which then started distribution of the vaccine on an age-based basis from late 2020 through 2021. Vermont leads the nation in vaccination rates, with approximately 77% of the eligible population fully vaccinated as of September 2, 2021.<sup>6</sup> Despite its high vaccination rates, Vermont and its hospitals face continued challenges from COVID-19 and its emergent variants.
3. COVID-19 significantly affected hospital operations and finances in FY21. Systemwide, hospitals budgeted \$2.79 billion in FY21 NPR/FPP but projected \$2.69 billion for FY21 NPR/FPP at the time of submitting their FY22 budgets. Deliberation II, 7. The challenges hospitals faced creating FY21 budgets because of uncertainty and fluctuations resulting from the pandemic affected hospitals' budgeting process for FY22 also. See Deliberation II, 5.
4. Federal and state governments provided financial assistance to health care providers during the pandemic. Vermont hospitals received approximately \$191 million in COVID-19 related funding in FY20, and project approximately \$107 million in COVID-19-related funding for FY21 on a statewide basis. Deliberations II, 16. For FY22, only one hospital included any COVID-19 funding in its budget, in a total amount of \$200,000. *Id.*

### UVMMC Budget Submission

5. UVMMC is a prospective payment system hospital with its primary location in Burlington, Vermont. UVMMC is the Vermont's largest hospital and the state's only tertiary care hospital and academic medical center. UVMMC's FY22 submitted NPR/FPP accounted for approximately 50.6% of the total submitted NPR/FPP for all 14 community hospitals in the State. See Deliberations III, 10. UVMMC is a member of the University of Vermont Health Network (UVMHN), a health system that includes two other hospitals in Vermont—Porter Medical Center and Central Vermont Medical Center—and three hospitals in New York—Alice Hyde Medical Center, Champlain Valley Physicians Hospital, and Elizabethtown Community Hospital. See UVMMC Presentation, Slide 6.

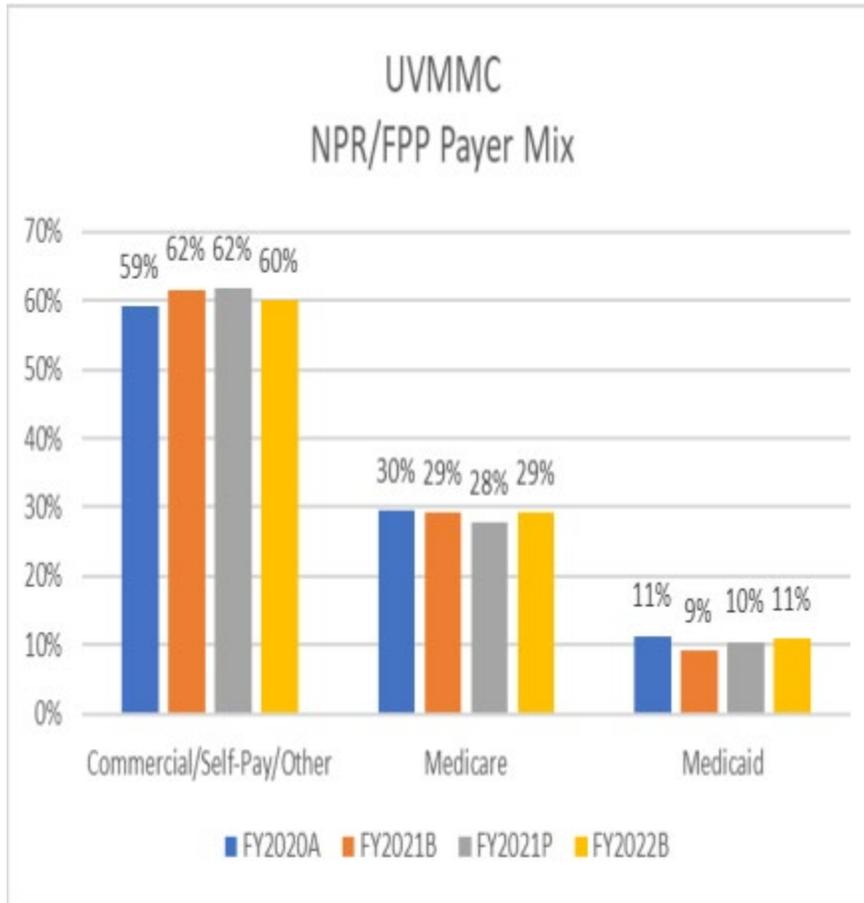
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<sup>6</sup> See Vermont Department of Health, COVID-19 Vaccine Dashboard, available at: <https://www.healthvermont.gov/covid-19/vaccine/covid-19-vaccine-dashboard>.

6. UVMMC filed its FY22 budget submission on July 1, 2021, and a revised narrative on July 13, 2021. UVMMC's budget requested a 6.0% growth in NPR/FPP, for a total of \$1,500,593,928. *See* Deliberations III, 116; UVMMC Submission, Staff Analysis, Income Statement, 4. UVMMC's FY21 budget-to-projection variance is -8.5%, meaning that UVMMC's projected FY21 NPR/FPP is 8.5% less than its FY21 budget and that its budgeted FY22 NPR/FPP is 15.8% greater than projected FY21 NPR/FPP. *See* Deliberations III, 116. In order to normalize NPR/FPP growth and exclude the impacts of COVID-19, the Board trended NPR/FPP at a 3.5% rate from FY19 approved budgets to FY22 as a point of comparison to the hospital's proposed NPR/FPP. This hypothetical 3.5% NPR/FPP increase would result in an FY22 NPR/FPP of \$1,424,962,123, which is approximately \$75.6 million less than UVMMC's budgeted NPR/FPP for FY22. *See id.*
7. UVMMC's FY22 budget includes an adjustment for provider transfers from UVMMC to Central Vermont Medical Center (CVMC). *See* UVMMC Submission, Narrative, 3; Deliberations III, 120. At the end of FY20, UVMMC transferred three practices to CVMC – general surgery, family medicine, and ENT practices. *See* FY 2021 Vermont Hospital Budgets Provider Transfers, 4 (May 19, 2021) (Provider Transfers). The transfers increased CVMC's NPR/FPP for FY21 by approximately \$4.5 million and decreased UVMMC's NPR/FPP by the same amount. Provider Transfers, 5. When adjusted for provider transfers, UVMMC is requesting a 6.34% increase in NPR/FPP for FY22 over its FY21 budget. *See* UVMMC Submission, Narrative, 3.
8. On May 19, 2021, the Board unanimously acknowledged the provider transfers from UVMMC to CVMC, and instructed the hospitals to include appropriate adjustments in their FY21 budgets when submitting their FY22 budgets. GMCB Meeting Minutes, 2 (May 19, 2021).
9. UVMMC's \$84.9 million increase from budgeted FY21 NPR/FPP to FY22 includes what the hospital refers to as its FY21 rate difference (\$72.2 million), rate effect (\$42.6 million), and COVID-19 testing (\$6.5 million), and is offset by decreases from budgeted FY21 NPR/FPP in reimbursement and payer mix (-\$22.2 million), utilization (-\$6.6 million), provider acquisition (-\$4.5 million), and bad debt and free care (-\$3 million). *See* Deliberations III, 117.
10. UVMMC's FY22 budget assumes that overall volume will mostly return to pre-COVID-19 levels. *See* UVMMC Submission, Narrative, 20. UVMMC budgeted a 6.7% increase in gross revenues from its FY21 budget as a result of utilization. *See* UVMMC Submission, Appendices, Appendix 3 – Utilization.
11. UVMMC has budgeted its FY22 monthly volumes to match or exceed its actual FY21 volumes in most service areas in March through June, in some cases significantly exceeding FY21 levels. *See* UVMMC Presentation, Slide 61; Testimony of Al Gobeille, Hearing Transcript, Volume I, 93:9-95:12.

12. At the time of its budget hearing, UVMMC was seeing very high demand and patient volume, particularly in its ED, medical-surgical units, and ICUs. See Testimony of Al Gobeille, Hearing Transcript, Volume I, 23:17-24:3. That patient volume is largely a result of care that was delayed. *See id.* The hospital categorizes each day's census into one of three levels of capacity, from level 1, which means normal operations, to level 3, which means operations aren't normal and the hospital must divert staff from normal operations to provide care. *See* Testimony of Dr. Stephen Leffler, Hearing Transcript, Volume I, 68:7-68:20. March and April of this year had 8-9 days at level 1, 18-19 days at level 2, and 3-4 days at level 3. *See* UVMMC Presentation, Slide 45; Testimony of Dr. Stephen Leffler, Hearing Transcript, Volume I, 68:21-69:4. May and June had no days at level 1, and more than half of the days in June were are level 3. *See id.*
13. UVMMC is seeing a surge in patient volume and also in patient acuity, as patients arrive at the hospital sicker and requiring a higher level of care. See Testimony of Al Gobeille, Hearing Transcript, Volume I, 125:2-125:11.
14. UVMMC's FY21 operations were affected by a cyberattack and the closure of the Fanny Allen ambulatory surgery center, in addition to the impact of the COVID-19 pandemic. UVMMC was the target of a cyberattack in October of 2020, and as a result the hospital had to rebuild its IT infrastructure. See Testimony of Al Gobeille, Hearing Transcript, Volume I, 29:5-30:10; UVMMC Presentation, Slides 18-19. The closure of Fanny Allen added to COVID-19 pandemic related backlogs for radiology and the OR at UVMMC. See UVMMC Submission, Narrative, 28. Both events impacted UVMMC's FY21 NPR/FPP, with the cyberattack being the most significant (with an impact of approximately \$45 million), followed by the pandemic, and then the Fanny Allen closure. See Testimony of Rick Vincent, Hearing Transcript, Volume II, 4:2-4:9, 9:19-9:23.
15. UVMMC has \$30 million in coverage for cyber insurance and has filed a claim with its insurer but had not received payment from its insurance company. *See* Testimony of Rick Vincent, Hearing Transcript, Volume II, 10:14-11:5. UVMMC is uncertain how much its insurance company will pay on the claim. *See id.*
16. UVMMC has an issue providing timely access to care for many specialists. UVMMC provided a percentage of new patients who are able to get an appointment within two weeks. *See* UVMMC Submission, % of New Patients Seen Within 2 Weeks. UVMMC acknowledged wait times are an issue. *See* Testimony of Dr. Stephen Leffler, Hearing Transcript, Volume II, 70:23-70:25.
17. The State of Vermont has opened an inquiry into access to care and wait times at Vermont hospitals, led by the Agency of Human Services, GMCB, and the Department of Financial Regulation. UVMMC stated that it is working to improve access to care and has taken action to reduce staff shortages, use technology to improve patient flow, and add or upgrade facilities and equipment to create greater capacity. See Letter from Dr. John Brumsted to GMCB Chair Kevin Mullin, Depart of Financial Regulation Commissioner Mike Pieciak, and Agency of Human Services Secretary Mike Smith, 1-2 (September 7, 2021).

18. UVMMC's requested NPR/FPP increase of 6.0% from FY21 budget is slightly less than the systemwide total for all Vermont community hospitals of 6.4%. *See Deliberations III, 11.* UVMMC's NPR/FPP increase from FY21 projections to FY22 budget of 15.8% is the second highest among Vermont community hospitals. *See id.* UVMMC's compound annual growth rate for NPR/FPP from FY19 to FY22 is 5.3%, which is larger than the systemwide total of 4.7% for Vermont community hospitals during that period. *See Id.*
19. UVMMC submitted its FY22 budget with a requested change in charge of 7.05%. *See UVMMC Submission, Narrative, 3; Deliberations III, 116.* The change in charge is distributed evenly across inpatient, outpatient, and professional services. *See Deliberations III, 122.*
20. UVMMC's requested 7.05% change in charge for FY22 is the third highest among Vermont community hospitals; the estimated weighted average is 6.0%. *Deliberations III, 8.* In its FY21 budget, UVMMC requested an 8.0% change in charge and received 6.0%. *Deliberations III, 122.* UVMMC's five year (FY17-FY21) average approved change in charge is 2.3%, and its median for that period is 2.5%. *Deliberations III, 9.*
21. UVMMC's FY22 budget includes no expected increase from Medicaid reimbursement changes. *See Deliberations III, 122; Testimony of Marc Stanislas, Hearing Transcript, Volume I, 52:8-52:53:9; UVMMC Presentation, Slide 32.* Increases from Medicare are budgeted at approximately \$4.2 million, reflecting increases between 0% and 2.5%, and increases from commercial payers at \$39.5 million. *See id.*
22. On September 7, 2021, UVMMC requested an increase in Medicaid reimbursement, noting that there are no inflation increases built into Vermont Medicaid's FY22 budget even though the cost of treating Medicaid enrollees, as with other populations has increased. *See Letter from Dr. John Brumsted to Department of Vermont Health Access Interim Commissioner Adaline Strumolo, 1 (September 7, 2021).*
23. UVMMC's proposed FY22 budget includes the following allocation of NPR/FPP by payers:



See Deliberations III, 123.

24. The ratio of gross to net revenue collection rates for commercial to Medicare for UVMHC is 234% in its FY22 budget, which is the highest ratio among Vermont community hospitals. See Deliberations III, 145.
25. UVMHC’s FY22 budget includes total operating expenses of \$1,662,751,679, an increase of approximately \$101 million, or 6.5%, over budgeted FY21, and approximately \$137.9 million more than projected FY21 operating expenses. UVMHC FY22 Budget, Staff Analysis, Income Statement, 3-4. Most of the increased operating expenses from FY21 budget result from expense inflation (\$41.2 million), increases for full time equivalent (FTE) staff and provider salary increases (\$32.9 million), increases in purchased services driven by ongoing Epic implementation (\$7.3 million), increases in medical-surgical supplies for COVID-19 testing (\$4.6 million), other expenses (\$3.7 million), and additional provider tax tied to NPR (\$2.8 million). See UVMHC Submission, Narrative, 25.
26. Staffing shortages are the “key problem” that UVMHC faces. See Testimony of Al Gobeille, Hearing Transcript, Volume I, 27:4-27:7. UVMHC is working on recruiting and retaining staff, having a pipeline to colleges, and being an employer of choice. See Testimony of Dr. Stephen Leffler, Hearing Transcript, 66:13-66:23.

27. For FY22, UVMMC budgeted an operating margin of \$51,425,310, or 3.0%, and a total margin of 4.2%. UVMMC FY22 Budget, Staff Analysis, Income Statement, 4. UVMMC projects a 3.4% operating margin (equal to \$52,871,159) and a 7.7% total margin in FY21. UVMMC FY22 Budget, Staff Analysis, Income Statement, 3. For FY20, UVMMC had an operating margin of -0.3% (reflecting an operating loss of approximately \$4 million) and a -1.2% total margin. Deliberations III, 121; UVMMC FY22 Budget, Staff Analysis, Income Statement, 3. As an operating margin benchmark for A rated hospitals based on rating agencies, UVMMC cites a range of 1.5% to 2.8%. See UVMMC Presentation, Slide 23.
28. UVMMC recognized approximately \$76.7 million in state and federal COVID-19 stimulus and relief funds in FY20 and \$85.9 million in FY21. See UVMMC Presentation, Slide 16. UVMMC has not budgeted any recognized COVID-19 stimulus or relief funds for FY22. UVMMC FY22 Budget, Staff Analysis, Income Statement, 4. The state and federal funds account for the majority of UVMMC's 3.4% operating margin projected in FY21, and without those funds the hospital would have been facing a \$30 million loss from the combination of the cyberattack, the COVID-19 pandemic, and the Fanny Allen closure. See Testimony of Al Gobeille, Hearing Transcript, Volume I, 27:19-28:18; Testimony of Rick Vincent, Hearing Transcript, Volume II, 4:2-4:9, 9:19-9:23.
29. UVMMC has been an active participant in Vermont's health care reform efforts, and UVMMC will continue to participate in OneCare Vermont's Medicare, Medicaid, and commercial and self-insured ACO programs in FY22. See UVMMC Submission, Narrative, 31; Deliberations III, 32.
30. UVMMC budgeted approximately \$182.3 million of its FY22 patient services income paid in FPPs. See Deliberations III, 13. This represents 12.1% of UVMMC's budgeted FY22 NPR/FPP, which is less than the systemwide total of 13.8% of NPR/FPP paid as FPP. Deliberation III, 13. For FY21, UVMMC budgeted approximately \$226 million of its \$1.4 billion NPR/FPP, or 16%, to be paid in FPPs. See UVMMC Submission, Staff Analysis, Income Statement, 3.
31. UVMMC receives fixed prospective payments under its Medicare and Medicaid ACO programs, but not commercial. See UVMMC Submission, Appendices Workbook, Appendix 6 – Value-Based Care Participation. UVMMC participates in the BlueCross BlueShield and MVP ACO programs, which have a spend target and then settle at the end of the year instead of receiving fixed prospective payments throughout the year. See Testimony of Rick Vincent, Hearing Transcript, Volume II, 61:11-62:2. UVMMC indicated that it would participate in a commercial payer's true FPP program if a commercial payer would provide an adequate program with actuarially-derived total cost of care targets that allows the hospital to have the portion of the premiums that would flow through the ACO to support care management. See Testimony of Dr. John Brumsted, Hearing Transcript, Volume II, 62:8-62:13.
32. UVMMC's budget anticipates 184.8 days cash<sup>7</sup> on hand in FY22. UVMMC FY22 Budget, Staff Analysis, Balance Sheet, 5. UVMMC expects to have 208.9 days cash on hand at the

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<sup>7</sup> The systemwide average for FY22 budgets is approximately 176 days cash on hand.

end of FY21. *Id.* UVMMC's cash position for FY21 is projected to be better than it had budgeted for FY21 (185.6 days cash on hand) and more than its FY19 and FY20 days cash on hand of 169.4 and 193.2, respectively. *Id.* UVMMC's days cash on hand is more than the Vermont median for PPS hospitals of 170.5, and more than the benchmarks for Northern New England and Northeast CAH hospitals. *See* Deliberations III, 26.

33. UVMMC's narrative, presentation, and other filed budget information comply with the Board's FY22 hospital budget requirements.
34. Approving UVMMC's budget as outlined below will promote the efficient and economic operation of the hospital and is consistent with the current Health Resource Allocation Plan (HRAP) and ongoing community needs in UVMMC's Health Service Area.

### CONCLUSIONS

Our review of FY22 budgets comes during a challenging period for Vermont hospitals, which are struggling to manage the ongoing COVID-19 pandemic, care for a growing number of patients who deferred care during the pandemic and are now arriving at the hospital sicker, address significant staffing challenges, and cover the costs associated with inflation. The COVID-19 pandemic has placed significant strain on hospital operations, hospital finances, and the health care workforce. The pandemic has also created uncertain and highly variable hospital utilization, making it difficult for hospitals to budget accurately.

Hospitals also face significant challenges providing adequate staffing to handle demand. Staffing challenges are not new for hospitals,<sup>8</sup> nor are the challenges limited to the State of Vermont, but staffing shortages have been exacerbated by the strain and other effects of the pandemic. Staffing shortages are playing out across the system in the form of higher costs for full-time providers, travelers, and other staff, employee burnout, and long patient wait times for certain services.

The cost-shift continues to be a serious concern facing Vermont community hospitals. Hospitals have generally budgeted no increase or only small increases for Medicaid reimbursements for FY22, which will not cover the cost of inflation, leaving hospitals to increase commercial rates more to cover that unreimbursed cost for public payers.

Based on our review, UVMMC's presentation, staff analysis, deliberations on September 13, 2021, we approve UVMMC's budget with the adjustment to change in charge set out below.

First, we are including in this Order a specific condition related to access to care and wait times. While these issues are not limited to any one hospital in Vermont, it is apparent that the Burlington HSA and UVMMC, as the state's largest hospital and only tertiary care facility, have been particularly affected by surging demand following care that was delayed because of the COVID-19 pandemic, the cyberattack against UVMMC, and the closure of Fanny Allen. *See* Findings of Fact (Findings), ¶¶10, 11, 12, 13, 14. Access to care and wait times are

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<sup>8</sup> See, e.g., GMCB Board Meeting January 30, 2019 on Health Care Workforce.

fundamentally connected to workforce and staffing issues, among other things, which the GMCB has hosted discussion about and which UVMMC highlights in its FY22 budget submission. See Findings, ¶¶17, 26. The condition requires UVMMC to develop and implement a strategic plan to address access to care. Addressing this problem requires a long-term solution, and to that end we are requiring UVMMC to provide regular updates to the Board on its progress under the strategic plan. To track the issue and progress to a solution, GMCB staff will work with UVMMC to identify appropriate metrics to measure access to care and wait times. We strongly encourage UVMMC to prioritize its efforts to reduce patient wait times and address access to care wherever possible when UVMMC is making discretionary budget decisions.

Next, we approve UVMMC's NPR/FPP growth as presented at 6.0% (which is 6.34% with adjustments for the acknowledged provider transfers) from its FY21 budget. The growth exceeds the Board's 3.5% guidance, but we conclude that the increase is justified based on the increased patient volumes, pent-up demand and backlogs, increased patient acuity, and the expanded access that we expect UVMMC to provide. See Findings, ¶¶10, 11, 12, 13, 17. While the growth represents a significant increase from UVMMC's FY21 projections we recognize that the cyberattack, COVID-19 pandemic, Fanny Allen closure, and other factors kept UVMMC's FY21 revenue lower than it could otherwise have been.

Finally, we adjust UVMMC's change in charge from 7.05% to 6.05%. We believe a 7.05% change in charge is very high, particularly coming a year after UVMMC received a 6% change in charge. See Findings, ¶20. We are balancing the need of the hospital for resources against the cost that commercial rate payers are required to support. In this balancing, we also look at UVMMC's cash position, the possibility that UVMMC could receive proceeds of an insurance claim to cover some losses from the cyberattack, and the large rate increase that UVMMC received last year and should benefit from as its volumes return from several factors that affected FY21. See Findings, ¶¶14, 15, 32. Based on those factors, we approve UVMMC's FY22 budget with a 6.05% change in charge but caution that a 6.05% change in charge is high and is not a new standard, and UVMMC should not expect approval of such high changes in charge in the coming years.

### **ORDER**

Based on our findings and conclusions and the authority granted by Chapter 221, Subchapter 7 of Title 18, UVMMC's budget is approved with the adjustments below for FY22 subject to the following terms and conditions:

- A. UVMMC's FY22 NPR/FPP budget is approved as submitted at a growth rate of 6.0% (which is a 6.34% increase after adjusting for the acknowledged provider transfers) over its FY21 budget, with a total NPR/FPP of \$1,500,593,928 for FY22.
- B. UVMMC's charge increase is approved at not more than 6.05% over current approved levels.
- C. UVMMC shall develop and implement a strategic plan to address access to care and patient wait times, and UVMMC shall share the strategic plan with GMCB. UVMMC shall work with GMCB staff to identify applicable measures to track access to care. UVMMC shall

make quarterly reports on the progress of its strategic plan and improving access to care in a format as directed by the GMCB Chair. The first quarterly report shall be at the end of the first quarter of FY22.

- D. Beginning on or before November 20, 2021, and every month thereafter, UVMMC shall file with the Board the actual year-to-date FY22 operating results as of the end of the prior month. The report shall be in a form and manner as prescribed by GMCB staff.
- E. UVMMC shall participate in telephonic check-ins to be scheduled at the discretion of the Board Chair in consultation with Board staff based on the hospital's FY22 year-to-date operating performance
- F. UVMMC shall advise the Board of any material changes to its FY22 budgeted revenues and expenses, or to the assumptions used in determining its budget, including:
  - a. changes in Medicaid, Medicare, or commercial reimbursement;
  - b. additions or reductions in programs or services to patients; and
  - c. any other event that could materially change the approved NPR/FPP budget.
- G. On or before January 31, 2022, UVMMC shall file with the Board, in a form and manner prescribed by GMCB staff, such information as the Board determines necessary to review the hospital's FY21 actual operating results.
- H. UVMMC shall file with the Board one copy of its FY21 audited financial statements and associated management letter(s), as well as the parent organization's audited consolidated financial statements, if applicable, 15 days after the hospital receives its statements, or by January 31, 2022, whichever is earlier.
- I. UVMMC shall participate in the Board's strategic sustainability planning process.
- J. UVMMC shall review the data and information in Mathematica's report Potentially Avoidable Hospital Utilization at Rural Hospitals<sup>9</sup> regarding potentially avoidable utilization in their ED and inpatient settings, and hospitals will work with Board staff to potentially include these measures in non-financial reporting as part of the FY23 hospital budget review process, with the goal of developing strategies to reduce potentially avoidable utilization.
- K. UVMMC shall timely file all forms and information required for provider acquisitions and/or transfers as determined by GMCB staff, if applicable.
- L. UVMMC shall file all requested data and other information in a timely and accurate manner.

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<sup>9</sup> See Mathematica, Potentially Avoidable Hospital Utilization at Rural Hospitals (August 11, 2021), available at: [https://gmcboard.vermont.gov/sites/gmcb/files/documents/PotentiallyAvoidableHospitalUtilizationatRuralHospitals\\_Mathematica\\_BoardPres\\_20210811.pdf](https://gmcboard.vermont.gov/sites/gmcb/files/documents/PotentiallyAvoidableHospitalUtilizationatRuralHospitals_Mathematica_BoardPres_20210811.pdf); see also Mathematica, Rural Health PAU Dashboard, available at: <https://rural-health.vrdc.mathematica-stg.net/landing>.

- M. After notice and an opportunity to be heard, the GMCB may amend the provisions contained herein, and issue an amended order, consistent with its authority as set forth in 18 V.S.A. Chapter 220, Subchapter 1, 18 V.S.A. Chapter 221, Subchapter 7, and GMCB Rule 3.000.
- N. All materials required above shall be provided electronically, unless doing so is not practicable.
- O. The findings and orders contained in this decision do not constrain the Board's decisions in future hospital budget reviews, future certificate of need reviews, or any other future regulatory or policy decisions.

**So ordered.**

Dated: October 1, 2021  
 Montpelier, Vermont

s/ Kevin Mullin, Chair	)	
	)	GREEN MOUNTAIN
s/ Jessica Holmes	)	CARE BOARD
	)	OF VERMONT
s/ Robin Lunge	)	
	)	
s/ Tom Pelham	)	
	)	
s/ Maureen Usifer	)	

Filed: October 1, 2021

Attest: s/ Jean Stetter  
 Green Mountain Care Board  
 Administrative Services Director

*NOTICE TO READERS: This document is subject to revision of technical errors. Readers are requested to notify the Board (by email, telephone, or in writing) of any apparent errors, so that any necessary corrections may be made. (Email address: Lori.Perry@vermont.gov).*