

May 3, 2023

Owen Foster, Chair
Green Mountain Care Board

Re: VAHHS Request for Amendment to the FY 2024 Hospital Budget Guidance

Dear Chair Foster,

I write to you today with a critical ask: On behalf of the Vermont Association of Hospitals and Health Systems (VAHHS) membership, I am requesting that the Green Mountain Care Board (GMCB) amend the FY 2024 Hospital Budget Guidance and Reporting Requirements (FY '24 Guidance). We are seeking amendment of the FY '24 net patient service growth rate to one that recognizes the current economic realities hospitals are managing and allows for a positive operating margin.

As you and other GMCB board members acknowledged in your March 29, 2023 meeting, the likelihood of hospitals being able to meet the FY '24 Guidance will be very difficult. Previous guidance allowed for small margins. We are extremely concerned with the 8.6% net patient service revenue growth rate on FY 2022 actuals because it will result in .1% of actual growth, falling short of covering operating costs. This means the system will likely operate at a deficit of approximately \$82million.

FY 2024 Estimated Budget with 8.6% NPSR Target over FY2022			
	Avg. % - 5 year	Median % - 5 year	CAGR % - 5 year
FY 24 NPSR	\$ 3,275,651,581	\$ 3,275,651,581	\$ 3,275,651,581
Other Operating Rev*	\$ 451,422,984	\$ 449,133,341	\$ 467,455,096
FY 24 NPSR + Other Oper Rev	\$ 3,727,074,565	\$ 3,724,784,922	\$ 3,743,106,677
Total Operating Expense*	\$ 3,809,101,707	\$ 3,763,850,346	\$ 3,863,291,394
Total Operating Margin	\$ (82,027,142)	\$ (39,065,424)	\$ (120,184,717)
Total Operating Margin %	-2.2%	-1.0%	-3.2%

*GMCB 2018 Actuals - 2023 Approved Budgets

Although the FY '24 guidance does not have the force of law, it will result in real costs to hospitals. If hospitals follow the guidance, they risk either defaulting on their debt covenants and downgraded bond ratings or quickly cutting services to the community. If they build a budget that meets their fiscal and mission-driven responsibilities, hospitals will have little insight into what their approved budget will be until two weeks before the start of the fiscal year, creating instability and risking financial penalties under 18 V.S.A. § 8456. Because this is a public process, either outcome will likely result in media coverage that will impact each hospital's reputation and ability to recruit and retain health care workers. As a result, we are respectfully requesting amendment to the FY 2024 guidance, pursuant to 3 V.S.A. § 806(b), that either: (1) utilizes a growth factor to support positive operating margins; or (2) stipulates to non-enforcement of the FY 2024 Actual Budgets. Your response will be considered a final action under 18 V.S.A. § 9381.

It is deeply concerning to see our system quickly go from a position of relative stability to one that is profoundly compromised in a way that is already impacting patient care, access, our ability to invest in

our people and meet other requirements to stay viable, such as debt covenants and our commitment to reform efforts. Providing guidance that prohibits the hospital system statewide from breaking even will further exacerbate hospital financial instability and uncertainty.

Thank you, as always, for your consideration.

Sincerely,



Michael Del Trecco
President & CEO, VAHHS