

THE  
**University of Vermont**  
HEALTH NETWORK

May 23, 2023

*Submitted via e-mail*

Green Mountain Care Board  
c/o The Honorable Owen Foster, Chair  
144 State Street  
Montpelier, VT 05602

Dear Chair Foster:

In March, the UVM Health Network requested the Green Mountain Care Board amend its then-proposed FY2024 hospital budget guidance, specifically commenting on the Board's contemplation at the time of maintaining its two-year, 8.6% net patient revenue (NPR) growth guidance level. The March letter further urged the Board to shift to a budget review process guided by a per-capita rate of growth measure. The Board rejected these requests, and instead formalized budget guidance for the coming fiscal year that would immediately place several hospitals out of compliance, including our state's only academic medical center and tertiary care provider, the University of Vermont Medical Center.

We write to you in response to the special public comment period the Board initiated after reviewing the Vermont Association of Hospitals and Health Systems' (VAHHS') May 3 letter requesting the FY2024 hospital budget guidance be amended. We echo VAHHS' request that the Board amend "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."<sup>1</sup> You will likely hear from our colleagues across the state regarding the effects that would result from the Board enforcing the FY2024 NPR growth guidance it has established, including reductions in access to care, limitations on recruitment of talented clinicians and staff, limited-to-no investment in critical infrastructure, and more. The potential effects are real, especially as hospitals like those of the UVM Health Network work hard to meet increasing patient care needs, leading directly to increasing NPR.

As the Chair of the Board of Trustees and Chief Executive Officer of the University of Vermont Health Network, we are commenting at a system level (across our three Vermont hospitals) about your guidance. Our teams are constantly focused on cost savings and increased efficiency, especially as our financial performance eroded over the last several years due to the COVID-19 pandemic and resulting global hyperinflation for goods and salaries. Every year, we go through extensive and rigorous budget-setting processes, where we challenge our internal finance and leadership teams to significantly reduce budget requests, as we seek to balance necessary investments with our community's ability to pay for services. This is inherently the role of a management team and their governing board – not one any of us relishes, but one we know is fundamental. This is not, in our view, the role of a regulator, especially

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<sup>1</sup><https://gmcbboard.vermont.gov/sites/gmcb/files/documents/GMCB%20Letter%20on%20FY24%20Hospital%20Budget%20Guidance%20Reconsideration%205%203%2023.pdf>

when not guided by “national, regional, or in-state peer group norms, according to indicators, ratios, and statistics,”<sup>2</sup> all of which would point to continued significant inflation, particularly in the health care sector. According to Kaufman Hall’s April 2023 National Hospitals Flash Report, “[i]ncreased material costs associated with drugs and supplies as a result of inflationary pressures continue to negatively affect hospital margins. Additionally, workforce shortages persist, driving up the cost of labor, albeit at a slower pace than material costs.”<sup>3</sup>

The Board has set a NPR growth guidance level that:

- does not take into account any actual cost or utilization pressures being experienced by your regulated entities;
- does not take into account the very actions your Board took on hospital FY2023 budgets;
- would knowingly result in a system wide *negative* operating margin for the coming year absent significant variation; and
- is at odds with those externally-derived benchmarks the Board has included in its budget guidance validating the significant cost pressures facing all hospitals.

In doing so, you have chosen to cast yourselves in the role of management team and governing body, rather than a thoughtful, data-guided regulator. And by maintaining NPR growth guidance that (a) is badly out of step with the financial reality facing hospitals, (b) contradicts a number of the Board’s own hand-selected external benchmarks, and (c) ignores the Board members’ own stated concerns about the financial health of Vermont’s not-for-profit hospital system, the Board will only heighten the impression that the budget guidance is arbitrary, at best.

We urge you to listen to the very people who are working every day to ensure access to high-quality care for the people of Vermont, to consider the destabilizing message the Board has sent with its current budget guidance, and reconsider your decision.

Sincerely,



*Allie Stickney*

Allie Stickney  
Board Chair  
The UVM Health Network

Sunil Eappen, MD, MBA  
President & CEO  
The UVM Health Network

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<sup>2</sup> 18 V.S.A. § 9456: <https://legislature.vermont.gov/statutes/section/18/221/09456>

<sup>3</sup> [https://www.kaufmanhall.com/sites/default/files/2023-05/KH-NHFR\\_2023-04.pdf](https://www.kaufmanhall.com/sites/default/files/2023-05/KH-NHFR_2023-04.pdf)