

September 5, 2024

Sent via e-mail

Dear Chair Foster and Members of the Green Mountain Care Board:

As we continue to work on addressing system challenges, payment models and transformation I respectfully ask the Green Mountain Care Board to support our local hospitals and approve the FY 2025 budgets as submitted. Reducing hospital budgets as recommended by the GMCB staff will further impede access to care and challenge the financial health of our delivery system. Every Vermont not-for-profit hospital is working very hard to keep care local, control cost and manage untenable challenges that have deep implications to delivering care and are often not in our direct control. Some of them include:

- Housing – there are many contours to having insufficient housing stock, one of which is the impact on health care. Having access to safe, modern and healthy homes is fundamental to creating vibrant healthy communities. Safe housing supports positive health outcomes and improves workforce retention and recruitment efforts.
- Workforce - our clinical care teams and administrative staff are exhausted and have deep moral injury. Recruiting and retaining nurses, doctors and support staff is very challenging. During the pandemic hospitals experienced the great resignation, and when overlaid with workplace violence, affordable housing, and other environmental pressures, recruiting for positions across the hospital delivery system is far more difficult and deeply concerning. Vermont hospitals are now competing in a national marketplace and as a result are paying increased wages to meet market demand.
- Access to long term care and skilled nursing impacts our ability to transition and care for patients in the appropriate setting. These bottlenecks create patient safety issues and increase the cost of delivering care. As of Tuesday, hospitals reported 126 patients who no longer need hospital care but don't have a placement option.
- Limited access to outpatient mental health and substance misuse support services make patient care handoffs very difficult. This issue alone is driving up the cost of healthcare.

Through the budget process, every hospital provided financial worksheets, detailed narratives that outlined budget components, including risks and opportunities, and written answers to both the GMCB and the Office of the Health Care Advocate. Each hospital also provided a comprehensive presentation, including follow-up questions from GMCB board members and the HCA. Some of the details include:

- efficiency efforts ranging from cost savings initiatives, shared physician arrangements and larger formal partnerships;

- inflationary pressure for purchased services, medical surgical supplies, pharmaceuticals, and wage inflation;
- workforce recruitment and retention challenges; and
- ecosystem challenges impacting the delivery of care from the front door of the emergency department to very specialized areas related to inpatient services.

This year the FY 2025 statewide budgeted rate increase average was approximately 5.7 percent, demonstrating stabilization efforts and improvement coming out of the pandemic. Budgeted rates increases, projected utilization and downward pressure on operating expenses generated a very modest operating margin of approximately 2.3 percent. Importantly, the majority (approximately 60 percent) of each hospital's request goes towards investing in our staff. As you well know, each hospital has its own unique set of circumstances; however, collectively, these budgets represent progress.


VAHHS is deeply concerned about the staff recommendations for the FY 2025 budget and the FY 2023 enforcement. For FY 2025 budgets it appears, with a few exceptions, that hospitals were brought to the target of 3.4% and it is unclear how enforcement decisions are being determined. As outlined above, hospitals presented to the GMCB and the public the specifics necessary to support their FY 2025 budgets proposal. In addition, prior to submitting their budgets to the GMCB each hospital also completed a detailed approval process with their individual finance committees and community boards.

When examining budget performance, specifically enforcement, the GMCB should consider the rebounding effect from the pandemic as well as Vermont's aging demographics. Vermont's aging demographics both negatively impacts Vermont's commercial market's risk pool and results in patients who have multiple issues or more complex care needs. The increased demand drives both an increase in revenues along with expenses. If monetary penalties are enacted, the resources to cover those expenses will fall short, further deteriorating hospital financial performance. Penalizing Vermont's hospitals for caring for Vermonters seems deeply at odds with improving access, keeping care local and supporting the very communities we live, work and play in. Furthermore, while the hospital budget orders may technically refer to the FY 2023 budgets, the GMCB, in its guidance, its hearings, and introduction to the budget decisions/orders document, created an expectation of a two-year growth increase. Enforcement on FY 2023 before FY 2024 results are finalized seems at odds with the intent of creating the two-year growth target.

All hospitals clearly understand the point-in-time we are at in health care and that is why each of them submitted stabilization budgets with significantly lower rate increases and better operating margin numbers than in the prior two years. Moving forward with the recommendations proposed by the GMCB staff will jeopardize access, limit opportunity for innovation and will further destabilize our hospitals not only today, but for years to come. VAHHS believes there is a more balanced approach to these recommendations and in fact, every hospital took that balanced approach when submitting their FY 2025 budgets. We

respectfully request that the GMCB approve the FY 2025 hospital budgets as submitted and reconsider the FY 2023 enforcement until FY 2024 actuals are finalized.

Sincerely,



Michael Del Trecco
President and CEO
Vermont Association of Hospitals and Health Systems