

March 21, 2023

Owen Foster, Chair  
Green Mountain Care Board

Re: VAHHS Comments on FY 2024 Hospital Budget Guidance Proposal

Dear Chair Foster,

Thank you for the opportunity to comment on the fiscal year 2024 (FY24) Hospital Budget Guidance. As the findings from Mathematica Policy Research indicated, hospitals need predictability in the regulatory process during this time of soaring labor costs, scarce workforce, patient volumes at or exceeding capacity, increased patient acuity, violence in the workplace, inflation and more. We have significant concerns about the process and impact of the budget guidance recommendations.

**Process: Two weeks for guidance introduces unnecessary instability into the budget process**

The FY24 guidance presented at last week's meeting is a significant departure from the customary revenue target. With only two weeks remaining until the March 31 budget guidance deadline, it is unclear to us how hospitals would incorporate these changes into their budget development work. Further, there are any number of unanswered questions, such as how the board will evaluate local market pressures that differ from the benchmark data that has yet to be established. How will the board ensure the ranges established are consistent with Vermont's economic realities? How will the board ensure the ranges established allow hospitals to adapt and invest to meet patient demand and community need? How will the board evaluate expenses that hospitals have little or no control over i.e., pharmaceutical costs, inflation, traveler expenses, energy, and multi-year union contracts?

Further, Act 167 requires the Green Mountain Care Board to assess the impacts of regulatory processes on the financial sustainability of Vermont hospitals and identifying potential opportunities to use regulatory processes to improve hospitals' financial health. This analysis should occur prior to significant changes to the hospital budget process.

**Impact: Focusing on Expense over appropriate growth jeopardizes stabilization efforts**

While we appreciate the movement towards more objective indicators, we noticed that the Green Mountain Care Board emphasized expenses over appropriate growth benchmarks that reflect the actual economic impacts experienced by hospitals. Prior to moving forward with new measures the Green Mountain Care Board should present its analysis outlining the development of measures and how they compare to the growth benchmarks identified in Act 167.

Furthermore, if we share the goals to maintain quality, preserve access and work to reduce costs of health care in our rural state, this guidance if not done carefully, could jeopardize our efforts. Simply put, capping expenses for equipment, labor and supplies will not return savings to patients, it will continue to threaten our ability to care for our patients and communities. Additionally, and very importantly, our labor costs represent our investment in the brilliant, skilled caregivers who are all too often undervalued in this process. Approximately 58% of our budgets are driven by labor. We are a people-intensive industry and always will be, even with innovations in robotics and automation. Labor

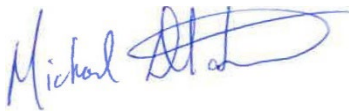
costs at our hospitals have increased by nearly 20% from 2020 – 2022. A limit of 7.0% plus or minus 3.2% on labor is not aligned with actual experience and will further compromise the many workforce issues we already are managing.

We strongly urge you to allow for more time and input before finalizing this FY24 budget guidance proposal. We are not asking for leniency; we are asking for a process that is predictable, flexible and grounded in the realities of health care and guided by a commitment to the goals outlined above.

Our hospital leaders, providers and staff show up every day, in extreme situations, to care for their patients and communities. They need to know their work is valued. We are deeply concerned that a completely new and unpredictable process will continue to harm our ability to recover from the ongoing financial, workforce and capacity crisis that we are managing. We would appreciate a fair, balanced, and transparent process.

Thank you, as always, for your consideration.

Sincerely,



Michael Del Trecco  
President & CEO, VAHHS