

March 15, 2021

Dear Chair Mullin and Green Mountain Care Board,

In our letter dated February 5th, we respectfully requested that you exercise the legal authority granted last year to suspend or simplify the annual hospital budget review process. We did not make this request lightly and expected the Board to give it due consideration.

We are just over one year into the global COVID-19 pandemic. Every hospital in our state has stepped up to coordinate and provide testing, vaccination and caring for both COVID+ patients and all others they serve. The combination of these responsibilities has stretched workforce and budgets to the limit. Even before the pandemic, hospitals had thin margins across our system, a growing concern for their continued ability to serve Vermonters.

With so much unknown and in flux, now is not the time for a complex budget process. Hospitals are still affected by COVID-19; it is impossible to know what the post-pandemic environment will bring and how it will change volume, revenue and operations. This landscape complicates the ability of the GMCB to make fully informed, sound, responsible regulatory decisions. Therefore, **we are asking once again that you suspend or simplify the budget review process and discuss the critical need for this approach at your next Board meeting.**

What we heard last week was a far cry from our request and caused growing concern among hospitals. The Board's extended discussion complicated the guidance instead of simplifying it and demonstrated a lack of awareness of — and respect for — the pandemic response hospitals have helped lead since last March.

While Board members claim to understand this concept, your public deliberations speak to a different reality where hospitals are financially healthy and have ample opportunity to further reduce expenses. This was not accurate before COVID-19 and it is not accurate today. Even with federal and state aid, margins are still thin.

Since the inception of the GMCB, Vermont's hospitals have reduced annual growth in net revenue, which once averaged eight percent or more, to levels that now fall below medical inflation. Absent FY 2020, the four-year growth rate is approximately 3.2%. More importantly, operating expenses have decreased in similar fashion. Even with the infusion of CARES Act funding, our entire \$2.4 billion system achieved an operating margin of just .1%, or \$3 million. Declining margins represent a troubling and dangerous trend.

The Board speaks about sustainability and then discusses steps that could threaten it, including evaluation of CARES Act funding that was desperately needed to stabilize hospitals at a crucial time. It would be highly problematic if the Board were to regulate the federal funding out of balance sheets and put hospitals in financial peril.

Our hospitals universally acknowledge and accept the importance of thorough and fair regulation. We are simply asking that as our nation begins to emerge from the greatest public health crisis in a century, our hospitals be allowed to focus on their core responsibilities. Again, we ask that you suspend or significantly simplify the FY 22 budget review process and that a discussion regarding this approach be part of this week's GMCB meeting.

Choosing the right course of action now will bring us out of the pandemic stronger — and enable a fair and complete regulatory assessment next year.

Sincerely,



Jeff Tieman
President & CEO, VAHHS

Sincerely,



Steven R. Gordon
President & CEO, Brattleboro Memorial Hospital
Chairman VAHHS Board of Trustees