

March 22, 2022

Kevin Mullin, Chair, Green Mountain Care Board
via email

Hello Chair Mullin and Green Mountain Care Board:

Thank you for the opportunity to comment on the FY2023 hospital budget guidance.

Current Situation & Background

The strength and resiliency of our delivery system throughout the pandemic made it more evident than ever that Vermont hospitals are the backbone of the health care system and are critical to the vitality of their communities. As Vermont's hospitals slowly recover from the pandemic, they face a series of challenges no one could have predicted. As a result, they must be properly resourced to manage the issues before them, including but not limited to: workforce pressures and expenses, growing inflation, health reform unknowns and the constant possibility of another public health emergency.

On the workforce front, both locally and nationally hospitals are grappling with a severe and growing shortage of clinicians and other critical staff, as well as with skyrocketing costs in this space. Given these challenges and variables, it is vitally important that the primary focus be on improving the health and stability of our delivery system in the current moment.

Historically, hospital budget guidance has focused on a target net revenue growth rate of 3.5%. With salaries and benefits comprising approximately 60% of hospitals budgets, this growth rate often allows for only minimal annual wage increases, which then leaves insufficient resources for important investments in personnel, technology, capital improvement and other changes to improve patient care.

In many ways, the budget process and historical guidance has created a lean system. The resulting financial challenges have been magnified by the pandemic, and currently the number one resource-intensive issue hospitals face is workforce: vacancy rates, salary pressure, recruitment of nurses and physicians, and the ever-growing cost of travelers.

Reform Environment

Far from simply maintaining the status quo, hospitals have been committed to reform and the transition to value-based care. This was true before the pandemic, during the pandemic and will be into the future. In a powerful example, hospitals continue to participate in the All-Payer Model (APM) and have resourced all aspects of reform activities while investing in socioeconomic initiatives that go far beyond what would be considered traditional hospital services.

Unfortunately, these efforts have not been met with equal support by reform partners. Although hospitals have repeatedly requested and demonstrated the need for resources, government partners have not provided: 1) Medicaid inflationary increases, 2) reform transformation funds, 3) maximizing Medicare APM dollars and 4) growth rates that meet inflationary pressures outside hospital control.

We understand the challenge of affordability and how it must be balanced with access and quality. At the same time, our field is at a critical juncture. The FY2023 budget process should therefore be leveraged to help stabilize the delivery system, and this must be done prior to adopting any new delivery system reform models.

Requests for FY2023 Budget Guidance

- 1) Net Patient Revenue Target — Eliminate the net patient revenue target for FY 2023 and allow hospitals to submit budgets that reflect their need to stabilize following the pandemic.
- 2) Workforce — As outlined in H. 703, allow for and approve the extraordinary workforce costs in all budget submissions.
- 3) Access / Wait Times Reporting — A significant amount of work was recently completed by AHS on this issue. To minimize new burden on hospitals during the FY2023 budget cycle, there should be no new reporting requirements related to wait times at this time. As you have noted in your own deliberations, accurately capturing wait times can be very complicated. Therefore, we recommend examining the AHS data already collected, identifying the questions it generated and how best to answer them and then determining the best way forward. This is a more reasonable and productive approach than imposing burdensome and questionably valuable new reporting mandates on hospitals.
- 4) ACO and Supplemental Data — These additive sections, even with data being provided to hospitals, will still require hospitals to spend time and resources on significant analytics and review before they answer any questions. The value of this exercise is not worth the substantial burden of managing it, so we recommend eliminating this from the FY2023 budget guidance.
- 5) Hospital Assets — Although our system may appear to be strong in terms of days cash on hand, these dollars—a significant portion of which came from one-time funds and investment gains—could be easily and quickly be erased by negative margins and/or a downturn in the market, both of which hospitals are already experiencing in FY2022. Therefore, we ask that the change in these important assets not be held against hospitals as their budgets are considered.

As always, I thank the GMCB staff for the time and effort they have put into the development of the FY2023 guidance. Please be in touch with any questions or follow up.

Sincerely,



Jeff Tieman
President & CEO, VAHHS