

Memo to: Members of the Green Mountain Care Board  
From: Tom Rees  
Date: March 24, 2022  
Subject: Mid-term Rate Increase requested by UVMMC and CVMC

I would like to set the context for the attached profile data. For those of you who I have not had the opportunity to meet, I am a native Vermonter whose original training in hospital management began as a ward clerk and then department head at the Medical Center Hospital of Vermont. After acquiring an MBA with a concentration in health administration from the University of Florida, I have spent half of my career as a hospital CEO (hospitals in VT, KS, and PA) finishing that portion of my career as a member of the senior executive team at Geisinger. Since then, I have had the honor of consulting with academic medical centers (Mayo, Harvard, Penn, Texas, Florida, Northwestern, and Rush), large systems of hospitals (CHI, Sentara, Lehigh Valley, Sharp). Most recently, I have dedicated over ten years as a member of teams crafting performance improvement recommendations for underperforming Ascension Health local ministries (Kalamazoo, Detroit, Washington, Baltimore, Milwaukee, Saginaw, Indianapolis, Tucson, Austin, and Nashville). These years have been filled with learning from data.

Attached is a very “high level” comparative profile representing the type of analysis that I have performed for each Ascension ministry management team prior to a first meeting with them. It is publicly available self-reported data that I have drawn for seven hospitals “comparable” to UVMMC, i.e., academic medical centers serving a rural or semi-rural population with a concentration of northeastern providers. I have included Geisinger in the profile due to the Board’s recent interest in that model of care. Here is what the data is saying to me:

A. UVMMC must increase its **operating efficiency**

1. UVMMC patients present with a 7% lower case mix index than peers
2. UVMMC has 7% more employees than the average
3. UVMMC has 32% more employees per bed than the average
4. UVMMC has 28% fewer discharges per employee than the average
5. UVMMC utilizes 54% more employee hours per discharge than the average

RESULTS

- I. UVMMC could reduce employee count by 400 by staffing to the average
- II. UVMMC would reduce operating expenses by \$31.9M by staffing to the average

B. UVMMC must restructure present **cash position**

1. UVMMC Net Income was 62% lower than the average
2. UVMMC Investment Income was 91% lower than the average
3. UVMMC Cash on Hand was 19% lower than the average
4. UVMMC Days of Cash on Hand was 39% lower than the average
5. UVMMC General Fund Investments were 217% higher than average

## RESULTS

- I. Increase cash on hand to meet peer averages
  - II. Increase investment income
  - III. Reduce general fund investments
- C. Rutland Regional Medical Center must restructure its **cash position**
1. RRMCM has cash and investments totally almost \$208M
  2. RRMCM has \$153M in General Fund Reserves
  3. RRMCM has more general fund investment than 3 AMC 4 to 5 times its size
  4. RRMCM has general fund investment reserves that are 89% of the profiled ACM

## RESULTS

- I. Reduce general fund investments retuning them to the community in lower rates

In view of the above data observations, I would suggest the following alternative responses to the UVMCM requested rate increase:

1. Deny the rate increase insisting that UVMCM must draw down its invested cash to make up for any operating deficits incurred in the second half of 2022. It would damage public policy to not do so;
2. Instruct UVMCM leadership to, within 90 days, submit to the Board a recommendation for engaging a deeply experience hospital performance improvement consulting firm (not a big 8 nor Kaufman Hall – UVMCM present system advisor);
3. Instruct UVMCM leadership to bring back an implementation budget plan to reduce operating expenses by 5% or \$75M during 2023;
4. Draft legislation that reflects the need for GMCB to have the tools and the imprimatur to fully regulate a monopoly delivering health care services to the residents of Vermont.
5. Deny the rate increase for RRMCM and request that the Board and RRMCM prepare a joint announcement that a portion of the general fund investments are being returned to the community in the form of reduced rates.

Thank you for your time to review and contemplate this data. We are at a profoundly serious crossroads for health care in Vermont. I do not envy your position of having to shepherd it. However, it is my belief that, if you are to find success, you will have to be given the tools required, including comprehensive data, to respond to the health care monopoly UVMCM truly represents. Our future access to high value health care depends upon that happening.