

September 30, 2024

Mr. Owen Foster, Chair  
Green Mountain Care Board  
144 State Street  
Montpelier, Vermont 05633

**Subject: Application for FY 2024 Budget Adjustment**

Dear Chair Foster,

Pursuant to 18 V.S.A. § 9456(f), Rutland Regional Medical Center (RRMC) submits this application for an FY 2024 budget adjustment (also referred to as “budget amendment”) and rebase due to unforeseen circumstances<sup>1</sup>.

**I. FY24 Budget Amendment and Adjustment Procedural Compliance**

RRMC is submitting a request for an adjustment/amendment to its budget before the end of the 2024 fiscal year. We have satisfied the following requirements pursuant to the board’s FY 2024 Budget Amendment and Adjustment Policy in this submission:

- Obtained approval from the RRMC Board of Directors, or in RRMC’s case the RRMC Executive Committee of the Board, recognizing the budget adjustment is a result of unanticipated changes in the FY 2024 budget, namely, unforeseen changes in utilization.
- This letter serves as RRMC’s request for a revised budget. We request that this amendment become effective on October 30<sup>th</sup>, retroactive to September 30, 2024.
- The contact information of the staff member available with knowledge of the budget to answer questions is Jennifer Bertrand and Kim McDonnell.
- RRMC provided, at the time of its FY 2025 budget submission, an updated full-year financial projection for FY 2024. We now incorporate this previous submission by reference.
- RRMC has enclosed information on the impact of the changes on gross revenue as well as NPR/FPP as notated above.
- RRMC is not requesting a rate increase.

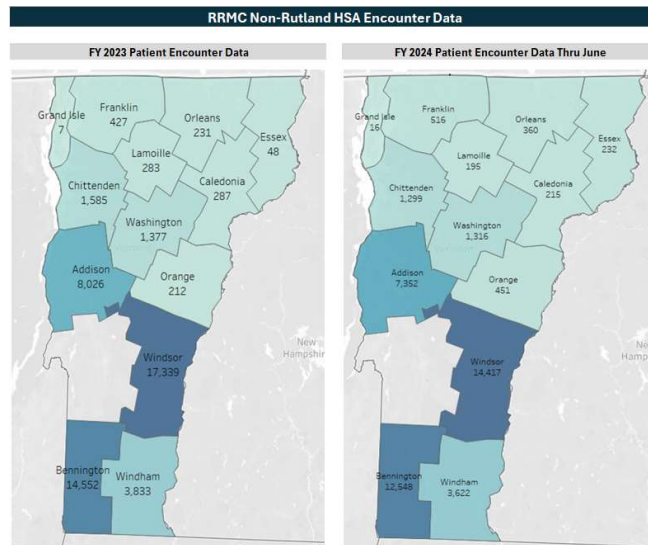
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<sup>1</sup> The statutory requirement is restated in the FY 2024 Budget Amendment and Adjustment policy to reflect “budget amendment” due to “unanticipated changes” namely, “unforeseen changes in utilization.” We cite this provision of the FY 2024 rule in conjunction with the statutory language of “unforeseen circumstances.”

Furthermore, this request is consistent with past GMCB precedent. In 2018, the GMCB conducted a “rebase” or “rebalancing” of six hospitals’ budgets to better reflect the actual budgetary performance and to cure “imbalances.”

## II. Unforeseen Circumstances

*Figure 1: The state maps provided below illustrate patient encounters originating from counties outside Rutland County in FY 2023 and Through June FY 2024.*



*Figure 2: FY 2024 annualized volume compared to FY 2023 Actual from Addison, Windsor, and Bennington County:*

County	Non-Rutland Encounter Data		
	FY 2023 Actual	FY 2024 Thru June	FY 2024 Annualized
Addison	8,026	7,352	<b>9,803</b>
Windsor	17,339	14,417	<b>19,223</b>
Bennington	14,552	12,548	<b>16,731</b>

### A. Unforeseen Surge in Patient Volume from Non-Rutland Counties

The data presented in *Figure 2* represents an estimated 15%, unanticipated increase in patient volume from three specific counties outside the Rutland Health Service Area (HSA): Addison, Windsor, and Bennington counties. Specifically (See *Figure 2*):

- **Addison County:** Patient encounters increased from 8,026 in FY 2023 to an annualized 9,803 in FY 2024, representing an increase of 1,777 encounters, or approximately 22.1%. This is a direct result of the retirement of a long-standing orthopedic surgeon in Middlebury and consequently those patients seeking orthopedic care from RRMC.

- **Windsor County:** Patient encounters increased from 17,339 in FY 2023 to an annualized 19,223 in FY 2024, marking an increase of 1,884 encounters, or approximately 10.9%.
- **Bennington County:** Patient encounters rose from 14,552 in FY 2023 to an annualized 16,731 in FY 2024, resulting in an increase of 2,179 encounters, or approximately 15.0%.

Collectively, these three non-HSA counties alone will contribute to an overall estimated 14.6% or 5,839 increase in patient encounters from FY 2023 to FY 2024. This influx exceeds any reasonable forecasting model and could not have been foreseeable during the creation of the FY 2024 budget submission.

## B. Financial Impact Directly Linked to Increased Utilization

The financial ramifications of this surge are substantial:

- **Gross Charges:** The projected gross charges from non-Rutland HSAs for FY 2024 are \$139.8M (See Figure 3), up from the budgeted \$126.6M. This represents an unanticipated increase of \$13.2M (See Figure 4), or approximately 10.4%, over budget.

*Figure 3: Projection of gross revenue associated with serving patients outside of RRMC's HSA:*

	2020	2021	2022	2023	2024B	2024P
Non-Rutland HSA Gross Charges	72,003,184	85,608,715	96,043,973	118,683,991	126,637,643	139,796,357

*Figure 4: RRMC projects an increase of \$13.2M in gross revenue above the initial budget, attributed to serving patients from outside the Rutland area:*

FY 2024 Projected Non-Rutland HSA Gross Charges	139,796,357
FY 2024 Budget Non-Rutland HSA Gross Charges	126,637,643
<b>Increase in Projected Non-Rutland HSA Gross Charges</b>	<b>13,158,714</b>

- **Net Revenue:** The additional net revenue attributed to the increased utilization from non-Rutland HSAs amounts to \$5.1M (See Figure 5).

*Figure 5: The unanticipated net revenue associated with patient utilization from outside the Rutland service area is estimated at \$5.1M, which equates to 64% of the net revenue increase:*

<b>Net Revenue Associated with Non-Rutland HSA Utilization</b>	<b>5,139,778</b>
<b>Net Revenue Increase as a Result of Non-Rutland HSA Volume</b>	<b>64%</b>

- This accounts for **64%** of the total FY 2024 net revenue increase over budget, \$8,070,217 (See Figure 6), experienced by RRMC.

Figure 6: RPMC's net revenue will surpass budgeted expectations:

FY 2024 Projected Net Revenue	336,891,917
FY 2024 Budgeted Net Revenue	328,821,700
<b>Total Increase in Net Revenue</b>	<b>8,070,217</b>

This data underscores the direct link between the unanticipated non-Rutland services area patient volume being the most significant driver of net revenue exceeding FY 2024 budget.

### C. Limitations of Budgetary Forecasting

The FY 2024 budget was developed with diligence, utilizing historical data and reasonable assumptions. However, the unprecedented nature of the non-Rutland service area patient volume increase presented challenges beyond standard forecasting capabilities:

- **Post Budget Development Volume Increase:** The FY 2023 increase in patient volume from non-Rutland counties was substantial, resulting in a 23.6% rise over FY 2022. The FY 2024 budget, however, was developed using data from October 2022 to March 2023, prior to the surge in volume that began in May of 2023, as detailed in RPMC's response to post budget hearing question #7. Consequently, it was not feasible to budget for this surge in FY 2024, as the budget was based on pre-surge data from 2023.
- **Predictive Models:** No existing models or indicators suggested such a substantial shift in patient behavior or regional healthcare demand at the time of budget preparation. This is further evidenced by research. For instance, in one study by the Official Journal of the Medical Care Section, American Public Health Association, the finding was that "No system is particularly effective at predicting next-year acute care cost, likely because acute events are often by definition unexpected."<sup>2</sup>

Expecting RPMC to perfectly predict this extraordinary patient volume would impose an unreasonable standard and disregard the inherent uncertainties present in healthcare service demand.

### D. Response to the Volume

RPMC's response to the increased volume aligns with its legal duties:

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<sup>2</sup> Huang, Xiaotong MPH\*; Peterson, Sandra MSc\*; Lavergne, Ruth PhD†; Ahuja, Megan MPH\*; McGrail, Kimberlyn PhD\*. Predicting the Cost of Health Care Services: A Comparison of Case-mix Systems and Comorbidity Indices That Use Administrative Data. Medical Care 58(2):p 114-119, February 2020.

- **Emergency Medical Treatment and Labor Act (EMTALA):** Under federal law, RRMC is required to provide emergency medical treatment to all individuals, regardless of their financial status or county of residence.

RRMC also responded to the increase in FY 2024 volume via strategic initiatives planned in FY 2025. One example is that RRMC had planned to expand access to MRI services so that 1,400 new patients could receive care. The other example is RRMC had planned and already scheduled the opening of a fifth operating room to improve access and decrease wait times. The final example is the expansion of infusion chairs due to the significant need for infusions, both cancer-related and non-cancer related, in our community.

Due to the FY 2023 enforcement and FY 2025 budget decisions, RRMC has been forced to pause – and may even have to abandon – critical plans to expand access for our community. Despite these constraints, we made every effort in our FY 2025 budget to address the growing demand for care. Any further reductions or enforcement, due to the unanticipated net revenue of FY 2024, would further hinder our ability to address access and reduce wait times, limiting the care we can provide to those who need it.

### III. Conclusion

We respectfully urge the Green Mountain Care Board to recognize the unforeseen and extraordinary circumstances that led to the unanticipated increase in net patient revenue for FY 2024. The significant surge in patient volume from outside RRMC's primary health service area could not have been reasonably predicted at the time of our budget submission.

Considering this, we request that the GMCB adjust RRMC's FY 2024 budget to its FY 2024 projection.

As you are aware, Vermont Act 167 emphasizes the critical role of rural healthcare facilities in sustaining access to essential services. It acknowledges both the challenges and the strengths inherent in serving rural populations. The independent consultant, Oliver Wyman, further validated that growth for RRMC is necessary, reflecting our commitment to responsibly expanding access to care. Granting this budget adjustment aligns with the spirit of Act 167, the GMCB's statutory charge to promote access to healthcare, and the ongoing efforts to collaborate with hospitals across the state.

Respectfully,

*J. Bertrand*

Jennifer Bertrand  
Chief Financial Officer  
Rutland Regional Medical Center