

March 11, 2022

Patrick T. Rooney, MSL  
Director of Health Systems Finances  
Green Mountain Care Board  
144 State Street  
Montpelier, Vermont 05602

Dear Patrick:

**1) What is RRMC's contingency plan if this request is not approved?**

- a. What is RRMC's ability to limit services to meet its budget, consistent with its obligations to provide appropriate care for all patients?**

We currently do not have a contingency plan should our request be denied. Our 2022 Budget was a breakeven budget so we will not have a budgeted operating margin to sustain operating losses. Left unmitigated, the projected operating losses will have a significant impact on our obligations to meet financial debt covenants.

We have reviewed our service offerings and feel that our services are in direct alignment with the needs of our community. If the rate increase is not approved, we may be required to make difficult decisions to limit certain clinical services. Unfortunately, the services that result in operational losses are services that are highly linked to primary care and are therefore services that would likely have broader utilization and cost implications.

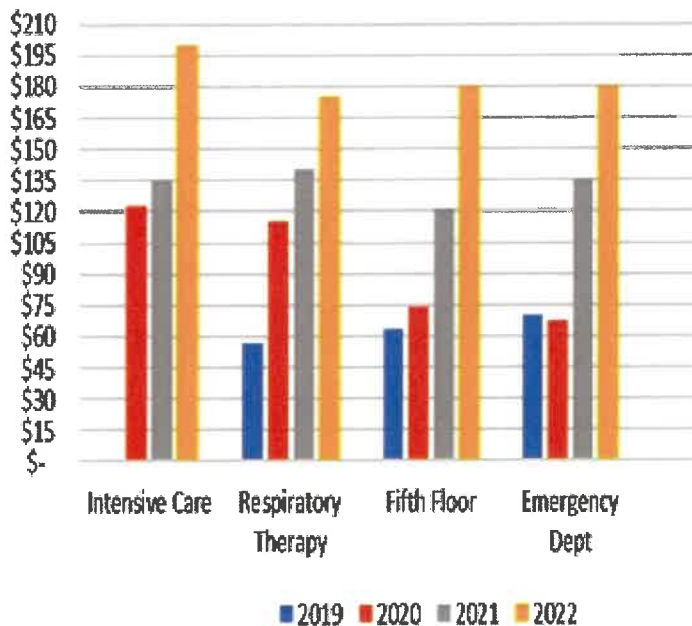
RRMC has a long-standing discipline to be extremely conservative in our commercial rate increases. RRMC has the lowest five-year average trend of 2.21% and as submitted our 2022 Budget request was 2.34% less than the weighted average for all hospitals. In fact, we received a comment from a GMCB member that they felt our rate request was too conservative.

We have been able to keep our rate requests low by enacting numerous cost savings initiatives that proved to lower our overall costs. Most importantly, we were able to keep our rates low by limiting our operating margins. The 2022 breakeven budget provides us with no ability to overcome the unexpected inflationary costs related to workforce, pharmaceutical and supply chain issues. While we feel there is a need to pass on costs, we have limited the requested rate increase, as much as possible. The expected cost overrun related to workforce shortages is \$35 million, however we have only requested \$7.5 million in rate relief.

**2.) Does RRMC’s mid-year request have any impact on any wait times issues that RRMC may be experiencing? If so, please elaborate.**

The mid-year rate request does not impact the hours of operation or access to care. Rather the rate increase is required entirely to respond to the inflationary costs, primarily related to workforce.

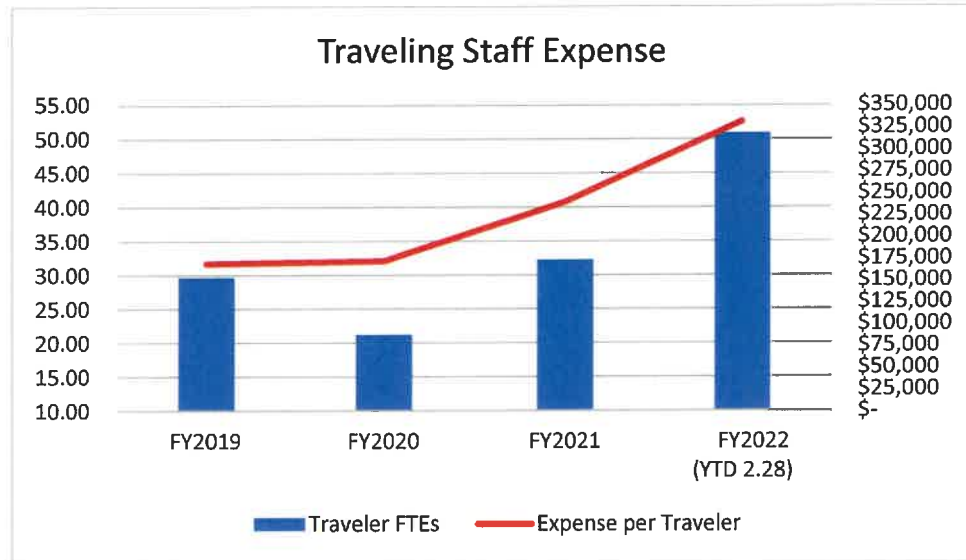
RRMC’s staffing costs are now projected to be 27% greater than the amount in RRMC’s approved 2022 budget, which adds an additional \$35 million in operating expense, \$11.6 million of which reflects the inflated costs associated with traveling staff. The hourly rates for traveling staff have increased between 250% and 300% since FY 2019. For instance, the rate for an emergency department nurse in 2019 was \$70 per hour and has risen to \$180 per hour in 2022. The rate for a traveling ICU nurse was \$120 per hour in 2020 and is now \$200 per hour. The rate for a traveling respiratory therapist was \$55 per hour in 2019 and is now \$175 per hour.



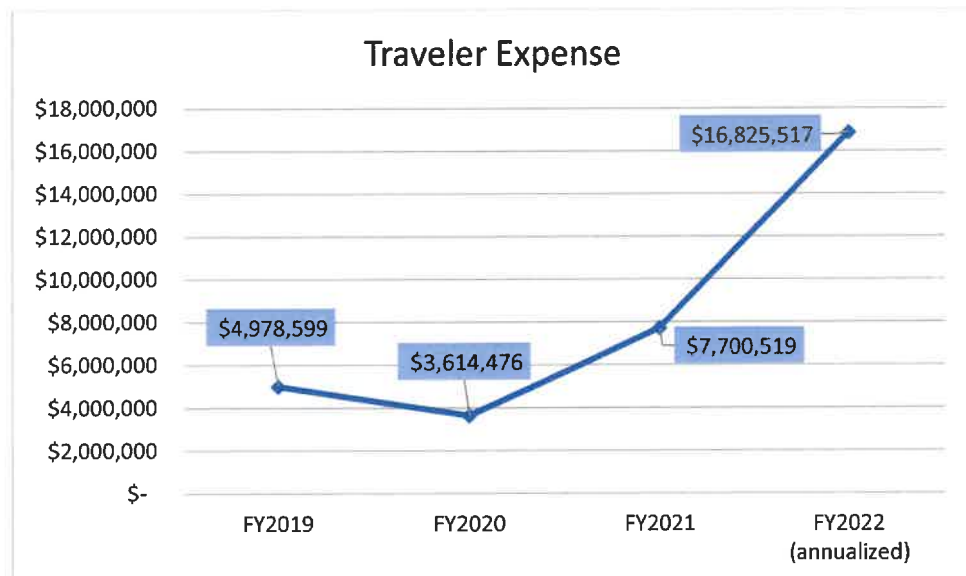
The costs to retain and recruit staff and to contract temporary “traveling” staff are not going to decrease. Despite the compensation increases and incentive programs RRMC has implemented, we still have over 170 open positions, 84 of which are nurse or licensed nursing assistant (LNA) positions. As a result, RRMC’s assumptions on staffing costs for the balance of the fiscal year as set forth above are likely underestimated.

3. Can RRMC indicate what percentage of their workforce is employed FTEs vs. traveling staff and how have those figures changed from prior year?

The following graph shows our traveling staff utilization trend since September 2019. While we have had an increase of 21 travelers (96% increase) during this time, the larger issue relates to the increase in traveler costs. During this same time the cost of the travelers has more than doubled.



The result is that RRMC is expecting to incur \$16.8 million in temporary staffing expense for FY 2022.



4. RRMC's request shows the impact if approved for the remainder of FY 2022 (4/1-9/30). What would gross and net revenues impacts be if this was a full year request? I'm assuming your projection with increase is effectively from April 1-September 30 (6 months) but, I don't want to run a simplified calculation on our end (e.g. double the gross and net effect as a 12 month impact) and have that not be accurate due to other assumptions you and your staff have built in. Is that something you could provide?

If we assume that utilization stays the same for the 12-month period, the rate increase would double. The rate increase would raise gross revenue by \$63.5 million and net revenue by \$14.7 million. We have begun to see a decrease in utilization, both inpatient and outpatient services, that is in direct correlation to the decline in COVID case counts. It is too early to predict the longer-term impact of this decline. We will continue to review to determine impact on 2022 performance and our 2023 Budget.

5. RRMC was originally approved for a 3.64% rate increase. To be clear we want to ensure RRMC is asking for an additional 9% over the original 3.64%. Can you confirm that? Second, my math (assuming approval at 9% in addition to the original approval) would bring RRMC's FY2022 approved rate increase to 12.9% ( $1.09 \times 1.0364 = 1.1296$ ; or 12.9%). Is this in line with RRMC's math?

Original 5-Year History	FY2018	FY2019	FY2020	FY2021	FY2022	5-Year Avg.	5-Year Med.
Approved	4.90%	2.60%	2.70%	6.00%	3.64%	3.97%	3.64%

5-Year w/Adjustment	FY2018	FY2019	FY2020	FY2021	FY2022*	5-Year Avg.	5-Year Med.
Approved	4.90%	2.60%	2.70%	6.00%	12.90%	5.82%	4.90%

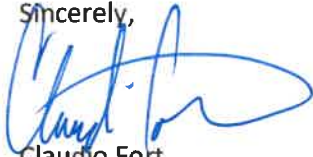
\*Combined rate if approved at 9%

The requested rate increase is in addition to the 3.64% that was approved effective October 1, 2021. The overall annual average rate increase needs to be weighted for the effective dates of rate changes. The model would provide a 3.64% rate increase for the first 6-months and a 12.64% for the last 6 months of the year. The 2022 weighted average is 8.14%.

<u>Time Period</u>	<u>Rate Increase</u> (a)	<u>Months in Period</u> (b)	<u>Extended Weight</u> (c) = (a) * (b)	<u>RRMC Weighted 2022 Rate Increase</u> (c) / (b)
<u>October – March</u>	<u>3.64%</u>	<u>6</u>	<u>21.84</u>	
<u>April - September</u>	<u>12.64%</u>	<u>6</u>	<u>75.84</u>	
		<u>12</u>	<u>97.68</u>	<u>8.14%</u>

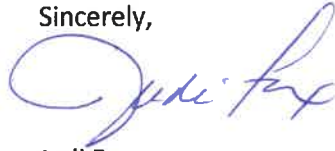
5-Year w/Adjustment	FY2018	FY2019	FY2020	FY2021	FY2022*	5-Year Avg.	5-Year Med.
Approved	4.90%	2.60%	2.70%	6.00%	8.14%	4.32%	4.90%

Sincerely,



Claudio Fort  
CEO & President  
Rutland Regional Medical Center

Sincerely,



Judi Fox  
Chief Financial Officer  
Rutland Regional Medical Center