



September 11, 2024

Green Mountain Care Board
144 State Street
Montpelier, VT 05602

Dear Members of the Green Mountain Care Board:

We are writing on behalf of UVM Medical Center to respectfully request a review of our responses below related to the FY25 budget and FY23 potential enforcement. We deeply value our partnership with the Green Mountain Care Board and want to ensure transparency in our communications regarding the complexities of managing our financial resources in alignment with patient care.

Timeliness of Budget Submissions

Green Mountain Care Board staff noted that UVM Medical Center had a moderate delay in submitting our budget request. However, we would like to clarify that we did submit our FY25 budget request on time. Additionally, we kept the Board informed of the need for modifications as real-time expenses, particularly those related to nursing wages, began to exceed the initial budget assumptions. Our intent was to remain fully transparent and report material changes as they became known, and we regret any additional work this may have caused for GMCB staff.

Financial Health and Margin

It was stated that UVM Medical Center has “stellar” financial health and a “robust” margin. We would like to better understand the basis for these comments. As we have testified under oath, financial rating agencies do not perceive our margin in this way when measured against industry standards. We would welcome the opportunity for further dialogue to clarify this point.

Budgeting Practices and Commercial Rates

Staff also expressed concerns regarding our history of underbudgeting revenue and overbudgeting expenses, suggesting this could give the appearance that we require higher commercial rates than necessary. We would like to note that Slide 105, which illustrates NPR, does not account for volume adjustments. Additionally, UVM Medical Center continuously seeks funding opportunities throughout the year and does not knowingly over- or underbudget. We communicated this in our responses to follow-up questions and remain committed to accurate and responsible budgeting.

Expense Budgeting and Zero-Based Budgeting

During the September 9 Board meeting, it was suggested that by not employing a zero-based budgeting approach, unnecessary costs may persist. Prior to the September 9 Board meeting, we provided exhibits demonstrating the rigorous review process we undertake to identify and eliminate non-recurring and unnecessary costs. This process is a crucial part of how we manage our expenses and optimize the delivery of care.

Investment in Patient Care

UVM Medical Center remains steadfast in our mission to serve patients, and we believe that the additional patients we served in FY23 and FY24 align with this mission. The resulting NPR overage has been used to provide care and invest in our staff, equipment, and facilities, which are essential to providing high-quality care. Our days cash on hand, as well as our flat to declining margin, demonstrate that the additional NPR is fully utilized to cover the increased costs of delivering care to more patients.

We respectfully request, in accordance with Enforcement Rule 3.00, that the Green Mountain Care Board allow UVM Medical Center to retain the NPR generated by increased volume. This NPR was vital to covering the costs associated with providing care to the additional patients we served.

Please find the attached exhibits supporting this request. We appreciate your consideration and look forward to continuing our collaborative work to enhance health care access and quality for the communities we serve.

Sincerely,

Steve Leffler
President and COO

Judy Peek Lee
CFO

UVMHC FY23 NPR results – Basis and Request

Approved NPR Budget was \$1,658,725,627
 Actual result was NPR of \$1,729,015
 \$80,290,156 was the NPR overage for FY23.
 Breakdown:
 Utilization was \$121,231,384 (\$35.9M Medicare, \$10.2M Medicaid, \$15.7M Self-Pay & Other with \$59.4M being Commercial)
 Rate was not the driver.
 Actual overage of \$80.2M is less than the utilization overage of \$121.1M.*
 *Noting that rate and payer mix are both negative drivers for Major Comm.

Of special note: UVMHC began budgeting FY23 under a new CFO and with **\$19.98M loss** recorded as of February 2022. As budgeting continued and GACB FY23 presentations were underway, UVMHC was still suffering with a **\$33.5M loss** on record through August.

 UVMHC was in no way able to predict utilization at the level that occurred. UVMHC FY23 budget was based upon what was known and therefore **request** in accordance with Enforcement Rule 3.00 that GACB allow UVMHC to retain the NPR that was generated by volume as this NPR was used to cover the associated costs of providing the additional care sought by patients.

NPR	Total	Total Medicare	Total Medicaid	Total Major Comm	Total Self-Pay/Other	DSH
FY 2023 Approved Budget	\$ 1,658,725,627					
Utilization	\$ 121,231,384	\$ 35,910,847	\$ 10,220,678	\$ 59,413,576	\$ 15,686,283	
Rate	\$ (15,511,292)	\$ 10,586,135	\$ (14,890,742)	\$ (21,104,424)	\$ 9,897,738	
Payer Mix	\$ (59,705,167)	\$ 18,206,432	\$ 3,796,437	\$ (85,688,009)	\$ 3,979,972	
Bad Debt	\$ 26,478,210	\$ 10,190,879	\$ 1,439,339	\$ 11,496,151	\$ 3,351,842	
Free Care	\$ 6,866,039	\$ 1,503,154	\$ 2,801,639	\$ 2,131,402	\$ 429,844	
Changes in DSH	\$ (11,826,485)					\$ (11,826,485)
GME Reimbursement Change	\$ 30,713,364		\$ 30,713,364			
Administrative Write-Offs	\$ (17,955,898)				\$ (17,955,898)	
FY 2023 Actual Results	\$ 1,739,015,783	\$ 76,397,447	\$ 34,080,715	\$ (33,751,303)	\$ 15,389,782	\$ (11,826,485)

Enforcement or Adjustment – Rule 3.000



GMCB Rule 3.000, § 3.401(c). After determining that a hospital's performance has differed substantially from its budget, the Board may adjust its budget by:

1. changing hospital rates or prices by the amount of net revenues exceeding the budgeted net revenues;
2. changing the net revenue and/or expenditure levels of future budgets;
3. allowing hospital rates to be increased for a hospital with a deficit caused by revenues that were less than projected, but whose actual expenditures were within the budget limits;
4. allowing a hospital to retain surplus funds if the surplus was achieved while the hospital stayed within its established budget;
5. allowing a hospital to retain a percentage of surplus generated primarily by volume in excess of that projected for a particular year; or
6. any other circumstance the Board deems appropriate.