

Update on Financial Status of Vermont Hospitals

The Green Mountain Care Board (GMCB) is charged with containing health care cost growth while also promoting access to quality health care. Vermont’s 14 community hospitals account for about half of health care spending in the state. In [regulating hospital budgets](#), GMCB is focused on containing health care costs, while also ensuring that hospitals have sufficient funds to provide critical care to Vermonters.

Half of U.S. Hospitals Finished 2022 in the Red

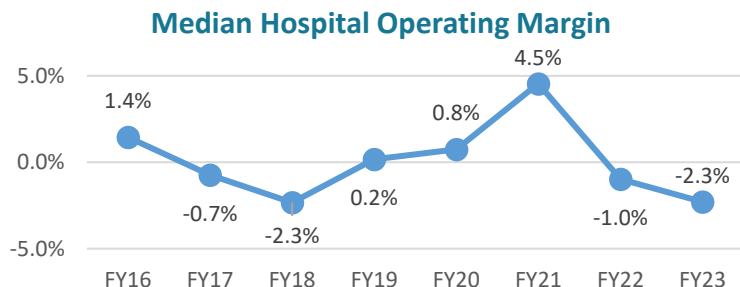
Vermont hospitals are experiencing financial challenges that align with national trends. Workforce shortages, unexpected price growth, and supply chain disruptions are increasing the costs of providing health care. Historically high costs associated with labor and supplies, coupled with changing patterns in health care demands have [strained hospitals’ finances](#). These growing health care costs are taking a toll on households, businesses, and taxpayers.

The current workforce and supply chain pressures have added to GMCB’s concern about the financial health of Vermont’s hospital system. GMCB has been focused on hospital sustainability for many years, both because of an uptick in rural hospital closures across the nation and because Vermont’s hospitals have been facing negative (red) operating margins in recent years. In 2022, the Vermont Legislature passed Act 167 with funding for [GMCB to deepen its work on hospital sustainability](#) in partnership with hospitals, other health care providers, insurers, Vermonters, and other State of Vermont partner agencies.

Vermont Hospitals Face Negative Operating Margins

GMCB monitors the financial health of Vermont’s 14 community hospitals. For FY22 (October 2021 – September 2022), which was the most financially challenging year for hospitals since the pandemic:

- Only 5 out of 14 hospitals had positive operating margins; and
- Only 3 out of 14 hospitals had positive overall margins.



Despite national indicators suggesting that 2023 is off to a better start, only 2 Vermont hospitals reported positive operating margins in FY23, year-to-date (YTD, Oct. 2022 – Feb. 2023). However, overall margins were more favorable YTD with almost all hospitals reporting in the black (positive). The difference between overall and operating margins is largely due to improved returns on investment activities. The stock market has been quite volatile, which makes longer-term planning a challenge.

Since January 2023 hospital financial indicators appear to be improving, driven in part by increased payment rates, including a historic 11.7% commercial rate increase* approved by GMCB. Nevertheless, GMCB remains concerned about the financial health of the State’s hospital system and health care affordability for Vermonters. In the [FY24 Hospital Budget Guidance](#), GMCB maintained its two-year revenue growth cap for Vermont hospitals and added objective, national benchmarks for evaluating hospital budget requests.

* Estimated commercial effective rate increase (weighted average)
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Financial Indicators for Vermont Community Hospitals

Figure 1: FY23 Year-to-Date (YTD) Median Operating Margin by Month

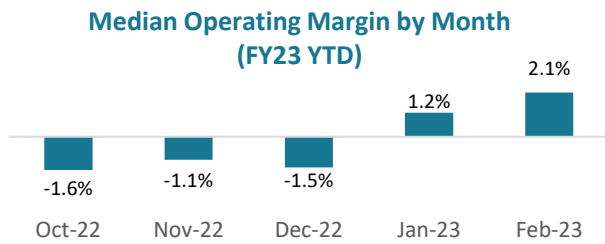


Figure 1 shows the median operating margin from October 2022 through February 2023. New, increased payment rates began in January 2023 and have brought median hospital operating margins from negative to positive. Payment rate increases include the [commercial rate increases approved by GMCB](#).

Figure 2: FY22 and FY23 (YTD) Hospital Metrics

	Operating Margin (%)		Overall Margin (%)		Days Cash on Hand	
	FY22	FY23 (Oct to Feb)	FY22	FY23 (Oct to Feb)	FY22	FY23 (Oct to Feb)
All Vermont Community Hospitals (median)	-1.0%	-2.3%	-4.2%	2.8%	120	118
UVMHN (median)	-1.2%	-1.7%	-10.6%	4.1%	113	118
<i>The University of Vermont Medical Center</i>	-1.2%	-1.7%	-10.6%	4.1%	113	118
<i>Central Vermont Medical Center</i>	-6.5%	-2.2%	-11.1%	2.4%	69	88
<i>Porter Medical Center</i>	3.1%	6.1%	-1.6%	13.6%	120	123
Prospective Payment Hospitals (median)	-3.8%	-3.1%	-9.1%	2.8%	157	153
<i>Rutland Regional Medical Center</i>	-3.8%	0.1%	-13.6%	11.3%	182	187
<i>Southwestern VT Medical Center¹</i>	-0.2%	-3.6%	3.8%	3.3%	38	21
<i>Northwestern Medical Center</i>	-4.3%	-7.0%	-10.1%	1.7%	252	224
<i>Brattleboro Memorial Hospital</i>	-3.8%	-2.6%	-8.0%	2.3%	132	120
Critical Access Hospitals (median)	0.2%	-2.4%	-1.0%	2.4%	106	108
<i>Northeastern VT Regional Hospital</i>	0.2%	-1.1%	-3.2%	2.4%	106	108
<i>Copley Hospital</i>	-0.7%	-0.8%	0.7%	-0.7%	66	52
<i>North Country Hospital</i>	-10.3%	-8.2%	-5.3%	-5.1%	213	172
<i>Mt. Ascutney Hospital & Health Ctr</i>	1.7%	-2.4%	-1.0%	4.5%	208	179
<i>Gifford Medical Center²</i>	7.0%	-0.4%	-0.3%	8.1%	204	180
<i>Springfield Hospital</i>	5.4%	-4.6%	8.2%	-4.5%	70	missing
<i>Grace Cottage Hospital</i>	-6.8%	-8.0%	-7.6%	3.7%	99	89

Operating Margin is specific to activities related to providing patient care. Overall Margin is broader and includes non-operating activities such as investments.

¹ Southwestern VT's days cash on hand does not reflect their parent organization, Southwestern Vermont Health Care.

² Gifford Medical Center's budget reflects that of its parent organization, Gifford Health Care, Inc.

