Vermont Association of Hospitals and Health Systems

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Green Mountain Care Board
144 State Street
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Sent via e-mail

Dear Chair Foster and Members of the Board:

Thank you for the continued opportunity to comment on the FY25 budget process and FY23 enforcement actions.

For both the FY25 budget orders and the FY23 hospital enforcement process, the GMCB has largely ignored volume and acuity in net patient revenue (NPR) citing that this is Vermonters' money and needs to be controlled without further considerations. For the FY23 enforcement, rate, utilization and payer impacts must be analyzed. A significant portion of NPR is federal funding through Medicare, Medicare Advantage and Medicaid and not commercial dollars. Also, increasing access has been a key priority, and hospitals will not turn away patients seeking care to meet the NPR benchmark. The GMCB has cited public health interventions to reduce NPR, but efforts to improve coordination of care and slow NPR growth are not mutually exclusive. Elderly patients and all Vermonters still have comprehensive care needs that will and need to be managed. Primary care interventions may have prevented a patient's heart attack ten years ago, but that patient may need cancer treatment today, especially as our demographics shift towards the very old.

VAHHS also objects to the GMCB's timing of enforcement actions. Enforcement letters were sent out in May or June, when most hospital budgets were finalized, and enforcement determinations are being made concurrently with the FY25 hospital budget orders. Hospitals need time to incorporate enforcement actions into the FY25 budgets, otherwise they are set up to fail. Historically, enforcement discussions happened outside the budget review process making for a clearer process and understanding of each distinct issue of budget approvals and enforcement. Short of moving back to this practice we need clear analysis of NPR revenue impacts that take into account the variables of payer mix, utilization, and acuity. Moving forward without understanding this level of detail creates deep uncertainty. With the already challenged financial state of hospitals there should be no swift action taken. To that end, we appreciate recognition of the two-year enforcement period. At the same time, if: 1) the downward pressure on rates creates a situation where payments do not cover the costs of all services; or 2) volume changes by payor or from current levels, enforcement at this time will drive margin into further negative territory. Hospitals must have the necessary resources to weather the transformation work as well as the evaluation of payment reform models—without improved financial performance we will certainly accelerate Oliver Wyman's prediction of hospitals failing within five years. Because of these very specific concerns VAHHS recommends eliminating enforcement for FY 2023.

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As it relates to the budget orders for FY 2025, hospitals need clarity on the total NPR being reduced and what each component is related to. For example, enforcement and the specific motion language # 1 and # 2 being made for each hospital have been comingled, making it very difficult to distinguish the impacts of each item. Historically, working to identify these NPR reductions has been an important part of understanding the dollars behind the percentages. We ask again for clarity—it is critical to understand the magnitude of these changes along with possible implications of these adjustments.

Additionally, VAHHS requests clarification on the reference point for the two-year enforcement period. In March of 2022, the GMCB established "a Net Patient Revenue/Fixed Prospective Payment growth guidance of 8.6% for FY23 and FY24 combined (over each hospital's FY22 budget)."[1] This reference to the FY22 budget was reflected in FY23 budget orders and is how the GMCB is currently enforcing FY23 budgets. For FY24 budget guidance process, however, the GMCB shifted to use FY22 actuals as opposed to budget. This change was codified in FY 2024 budget orders for each hospital. It is unclear to VAHHS how hospitals are to proceed when they have two different reference points for the same year. For consistency's sake, the anchor year should be FY22 Actuals.

Finally, VAHHS is deeply concerned that this process is completely broken. It has become a pattern for the Board to change or introduce new metrics, data points and tools—hospitals have had no input and little understanding of how the information will support the GMCB's decision making process. For example, this year each hospital presentation included several charts, graphs and metrics and the first time much of this information was made available was five minutes before the first deliberation on September 6, 2024. Wouldn't we be better serving Vermonters if we eliminated the element of surprise, and all had a more complete understanding of what is being measured and how we are moving forward? Additionally, the GMCB needs to improve definitions that utilize health care finance terms not ones that are developed to meet the regulatory process. By way of example, hospitals have one chargemaster. Hospitals charge all payers and patients the same for each chargemaster item(s) or service(s) it would be illegal to do otherwise. There is a difference in the amount collected by each payer, but there is no "commercial rate."

Our staff, caregivers and patients deserve better from this budget and enforcement process, and we would all benefit if this process had clear parameters from the start to support a well-informed dialogue at hearings. VAHHS and our members will always be ready to improve, and we stand ready to engage in a productive relationship that meets both the needs of the regulator and the regulated.

[1] Green Mountain Care Board, FY 2023 Hospital Budget Guidance and Reporting Requirements, March 31, 2022, pg. 5.

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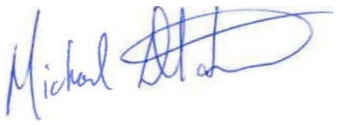
Sincerely,



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