

April 17, 2017

Mr. Michael Davis  
Green Mountain Care Board  
89 Main Street  
Montpelier, VT 05620

Dear Mr. Davis,

The purpose of this letter is to communicate Southwestern Vermont Medical Center (hereafter "SVMC") comments related to the options reviewed on Thursday, April 13, 2017 at Green Mountain Care Board's (hereafter "GMCB") meeting related enforcement action on the Hospital's excess to the GMCB approved budget for FY 2016.

As reported SVMC exceeded its approved net patient service revenues (hereafter "NPR") by approximately \$7.9 million or 5.5% operating expenses to generate the additional revenues related to the volumes and cost of the services was up \$7.7 million or 5.4%. The operating surplus was \$916,000 higher than budget, however, the surplus only increased by over \$200,000 on the revenues generated from patient care related revenues and expenses. The most significant item for SVMC has been the increased costs of pharmaceuticals and revenues generated to recover the increase costs and patient volumes. SVMC management would like to meet with the GMCB to further discuss this individual service, since it is a continuing problem in the current environment and the budgeting process.

Overall, SVMC has been lower than the Vermont NPR growth rate as well as the operating expense growth rate for the past several years. Utilizing the Vermont Hospital's Financial Statistical Trends report below are a few points of interest:

- SVMC's NPR per adjusted admission is \$8,855. The Vermont median, all hospitals, is \$9,770 or 9.4% lower than the median;
- SVMC's operating expense per adjusted admission is \$8,705. The Vermont median, all hospitals, is \$9,948 or 12.5% lower than median.

These two indicators demonstrates that SVMC provides a high level of quality health care at a lower operating cost and receives lower payments from Vermonters than the median, thus costing Vermonters less.

SVMC is currently performing, in FY 2017, under budget. The FY 2017 submitted budget charge increase was reduced by over \$400,000 in the budget approval process for FY 2017. This is a contributing factor in SVMC's operating performance variance as well as others.


SVMC respectfully recommends the following action regarding our 2016 net revenue results:

- 1.) "No Action" at this time "since SVMC's history for NPR, expenditure growth and rates are favorable";
- 2.) SVMC has a follow up meeting with the GMCB to further discuss the pharmaceuticals revenue and expenses as well as other items.

The Board and Management of SVMC continue to be concerned with the cost of health care to the patients we serve and look forward to working together with the GMCB, insurance carriers, and others to make health care affordable to all Vermonters.

Tom Dee, President and CEO and/or I am available to discuss this or any other matter with you or the GMCB upon your request. Thank you for your time and efforts.

Sincerely,



Stephen D. Majetich  
Chief Financial Officer

*Cc: Tom Dee, CEO*