

TESTIMONY OF LOUIS JOSEPHSON, PH.D., BRATTLEBORO RETREAT, CEO TO SENATE HEALTH AND WELFARE COMMITTEE

Thank you for allowing me to testify on SB203 as it pertains to the Brattleboro Retreat (BR).

First, I would to address the BR's request for increased Medicaid rates for our inpatient psychiatric services. AHS Secretary Gobeille has stated publically that we are "underpaid" and we concur as our analysis shows that our Medicaid rates for inpatient services have been essentially flat over the last eight years. Medicaid reimbursement is now 70% of our inpatient service revenue and 50% of our overall revenue. We prioritize serving Vermonters and with that comes a high percentage of Medicaid payments. Our costs continue to rise with inflation, and without rate increases we fall behind. For example, our starting salaries are \$5-6 below market for new nurses according to recent market data. The lack of nurses has forced us to take five beds off line on one of our units for the last 18 months at a time when people are waiting for many days in hospital emergency rooms for an inpatient bed.

We hope that any rate increase will be coupled with some form of inflator to the rate so can keep pace with rising costs. The Retreat paid almost \$3 million in hospital provider tax in 2017, but receives no DSH dollars per federal DSH formula. But unlike like the other 13 acute care hospitals in Vermont, the Retreat lacks margin generating service lines that compensate for the lack of margin in psychiatric care. All of these factors point to the need for Medicaid rates increases.

Second, we support the idea that the BR would open 12 additional Level I beds by September 2019. We have the outline of the physical moves/construction necessary and believe that the \$5.5 million mentioned for construction would be in the zone needed for the project. No current bed capacity would be taken off line during the construction. Of course, running the new unit is also predicated on rate increases because we need to be able to hire enough staff to serve the patients. Removing the necessity for a CON will help us expedite the process in a time when many people wait for beds in hospital emergency rooms.

Third, we are working with DMH and Commissioner Bailey's team on possible solutions to the IMD issue. When the current exemption ends in 2021, approximately 50 beds at the Retreat would no longer be covered by Medicaid. The state would either have to find alternative funding for these beds or the Retreat will have to close them. This would be a huge loss for the state and would change the Retreat's operation dramatically. Our Board of Trustees is clear that we cannot wait until 2021 to decide how we will respond the to the end of the IMD exclusion. We feel that we need to have an outline for an IMD "fix" within the next year or the Retreat will be compelled to begin a process of reducing our inpatient capacity. I am concerned about the impact of such changes on patients, the mental health system and our staff. (The BR is the largest employer in Windham County.)

Thank you again for your attention to these issues. I am happy to respond to any questions.