

Hospital Sustainability Planning Report (Act 159 of 2020, Section 4)

Key Takeaways for Improving Hospital Financial Sustainability and Vermonters' Equitable Access to High-Quality Affordable Care

Overview: While COVID-relief funds have been instrumental in keeping hospitals afloat during the pandemic, once these one-time subsidies cease, underlying inefficiencies in the system will continue to challenge hospitals' abilities to deliver quality, affordable care. Without intervention, Vermont hospital financial health will continue to deteriorate, exacerbating the health care affordability crisis and increasing the probability that hospitals will shed essential services or close.

Summary of Key Findings

1. **Absent reform, Vermont hospitals' financial health will continue to decline** and commercial prices will likely continue to outpace economic growth, making health care even less affordable, eroding quality of care over time, and threatening Vermonters' continued access to care in their communities.
2. **There is significant reimbursement disparity across hospitals** in the extent to which their reimbursements cover their costs of delivering a particular service, even after controlling for case-mix.
3. **Accelerated delivery system transformation is the only solution** to address both hospital financial sustainability and ensure Vermonters' access to high quality, affordable care.

Recommendations

1. **Accelerate shift to value-based payment & delivery**¹ – see accompanying document
 - a. \$1.4 million – Design Hospital Global Payments that are predictable, flexible, and sufficient to equitably deliver high-quality, affordable care to Vermonters as recommended by legislative consultant Donna Kinzer.
 - b. \$600,000 – Design and Development of Potential Subsequent Federal Agreement with CMMI to include Medicare in the hospital global payment and Vermont care transformation initiatives.
 - c. \$3 million – Community Care Delivery Transformation & Technical Assistance to Communities, engaging health systems optimization experts in a patient-focused, community-inclusive redesign to reduce inefficiencies, lower costs and improve population health outcomes; support hospitals in delivery system transformation.
2. **Incorporate quality into the hospital budget review process:** GMCB to continue partnership with VPQHC and stakeholders to develop a hospital quality framework and ensure its incorporation into the hospital budget review process.
3. **Ensure sustainable Medicaid payments**
 - a. Support DVHA work to professionalize Medicaid reimbursement methods in FY23; appropriate necessary funds.
 - b. Analyze potential enhancements to budgeting process (e.g., 32 V.S.A. § 307(d)) to consider medical inflation and sustainability.
 - c. Ensure timely reporting from DVHA to GMCB of any Medicaid impacts on hospitals to ensure the hospital budget process incorporates appropriate Medicaid assumptions.

¹The funding described here is a one-time FY23 request. Depending on the resulting global payment design and what is learned through community engagement, additional resources may be required to implement the desired payment model and to support delivery system transformation work that extends beyond the hospital.