

Green Mountain Care Board

Health System and Hospital Budget Update

April 11, 2024

Agenda



1. Health System Trends
2. Fiscal Year 2023 (FY23) Vermont Hospital Reporting: Year-End Actuals
3. Coming Up Next

About Us

- Established in 2011 (Act 48)
- 5 Board Members
- 6-Year Staggered Terms
- The GMCB is an independent Board that is part of state government
- Quasi-judicial



THE BOARD & EXECUTIVE DIRECTOR



Owen Foster, JD
GMCB Chair



Jessica Holmes, PhD
GMCB Member



Robin Lunge, JD, MHCDS
GMCB Member



David Murman, MD
GMCB Member



Thom Walsh,
PhD, MS, MSPT
GMCB Member



Susan Barrett, JD
GMCB Executive Director

About Us



Mission Drive system-wide improvements in **access, affordability, and quality** of health care to improve the health of Vermonters.



Regulate major areas of Vermont's health care system in service to the public interest



Serve as an unbiased **source of information and analysis** on health system performance



Monitor and evaluate health care payment and delivery system reform to provide public transparency

Guiding Values



Non-Partisan

Six-year terms which span gubernatorial election cycles

Transparent

Decisions and supporting analysis conducted in public

System-wide View

Integrated regulatory approach to account for cross-system impacts

Public-Interest

Informed by agency partners, a broad spectrum of stakeholders, and public

Accountable

Understand the impact of its decisions on Vermonters

Data-Driven

Timely, consistent, and actionable analyses; data stewardship

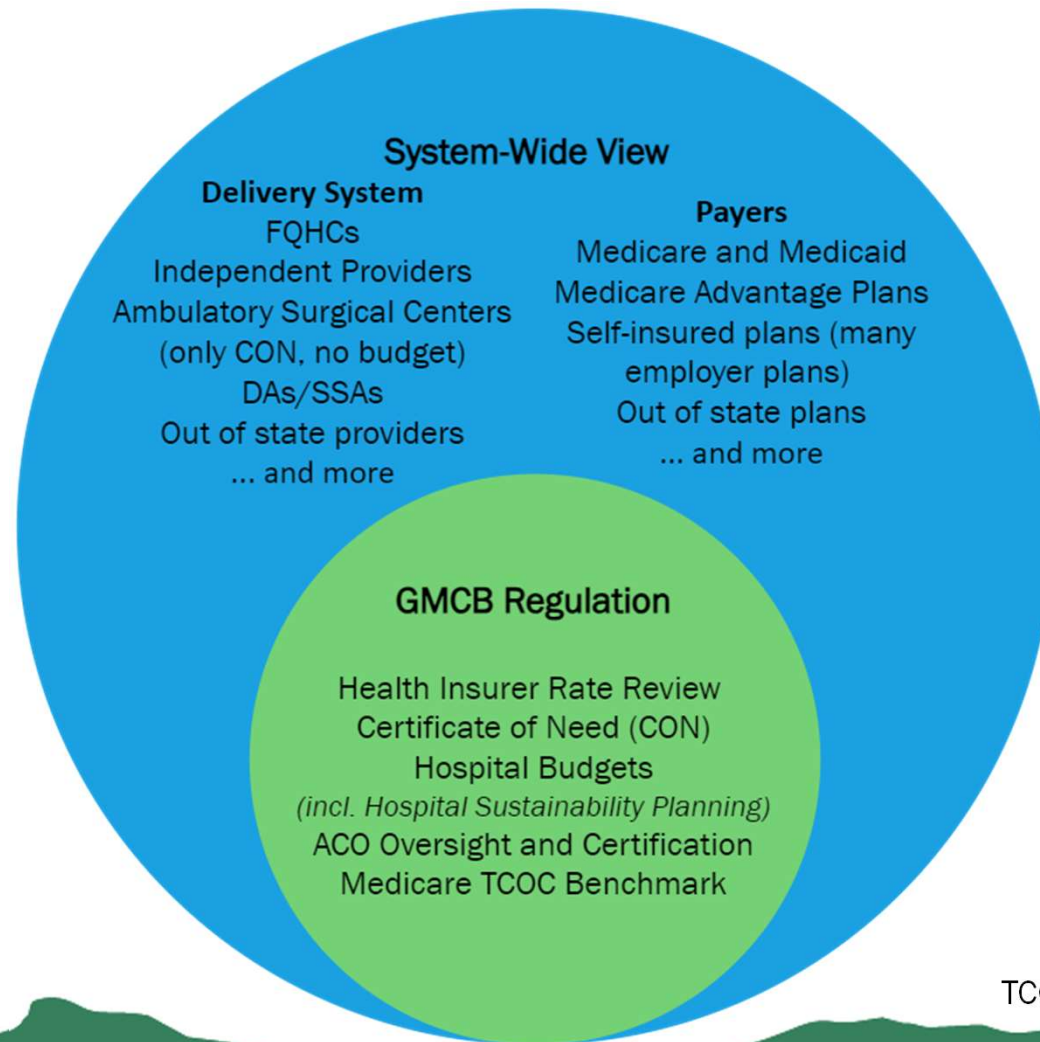
Transparency and Public Engagement



53 Public Meetings in 2023

 <p>PUBLIC COMMENT Submit a public comment to the Board</p>	 <p>2024 BOARD MEETING INFORMATION Updated Dec 27, 2023</p>	 <p>WHAT'S NEW Recent Updates from the Board</p>
 <p>DOCUMENT LIBRARY</p>	 <p>GMCB CALENDAR EVENTS</p>	 <p>PRESS RELEASES</p>

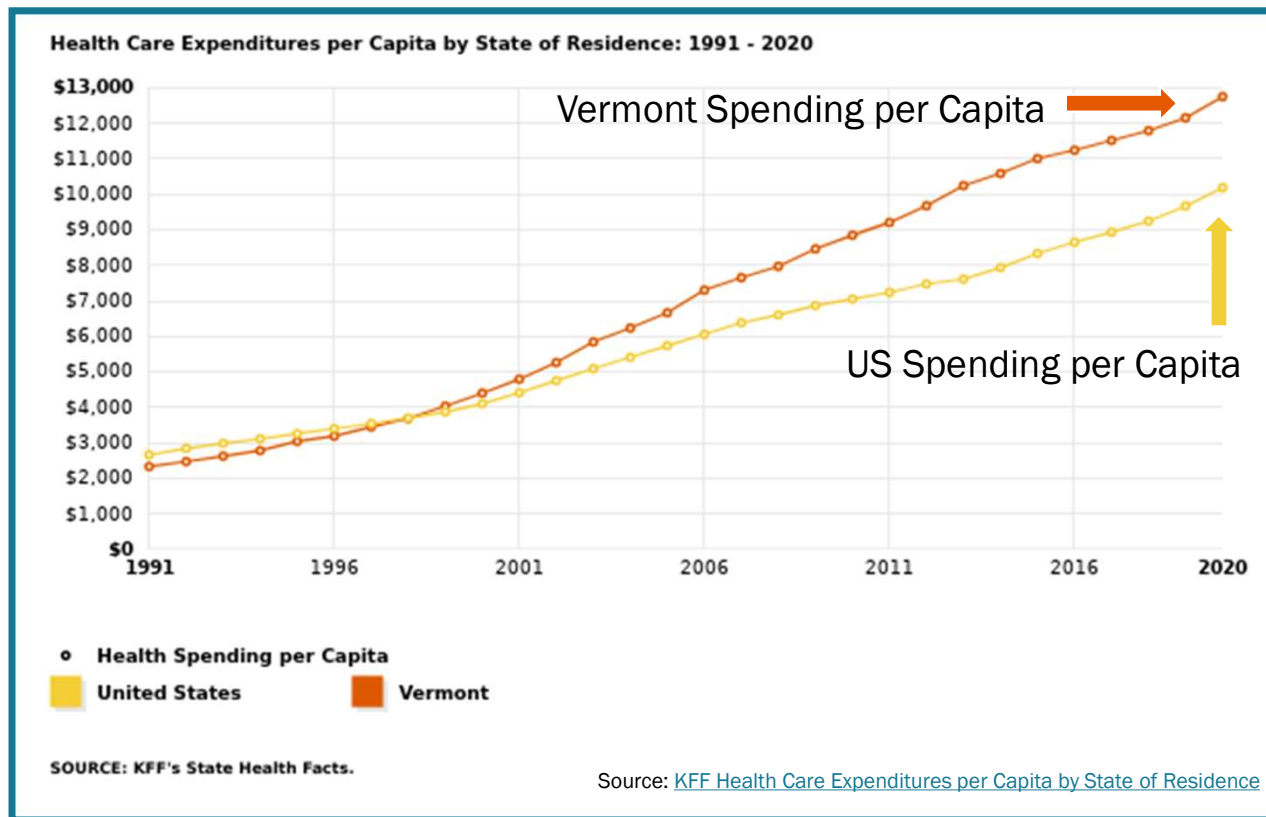
Role of GMCB



HEALTH SYSTEM TRENDS

Health Care Spending per Capita

Vermont Outpaces National Trends

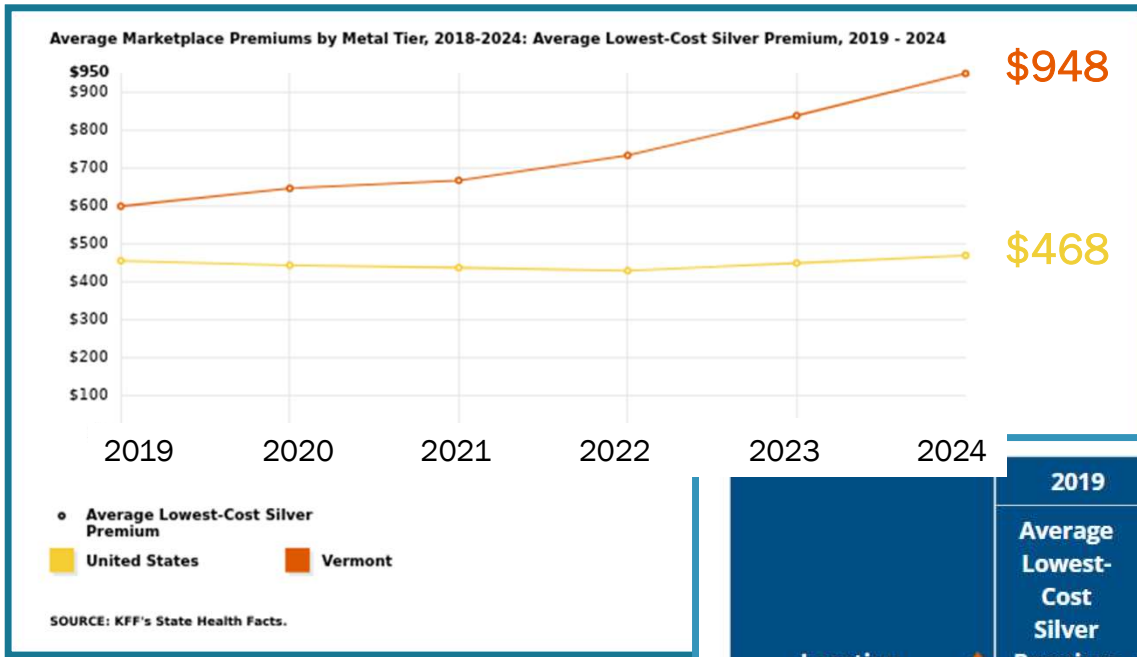


Notes

The Centers for Medicare and Medicaid Services (CMS) Office of the Actuary produces Health Expenditures by State of Residence and Health Expenditures by State of Provider every five years. The State Health Expenditure Accounts are a subcomponent of the National Health Expenditure Accounts (NHEA), the official government estimates of health spending in the United States. Additional information on data and methods is available [here](#).

Marketplace Premium Averages

Vermont is Higher than National Average



	2019	2020	2021	2022	2023	2024
Location	Average Lowest-Cost Silver Premium	Average Lowest-Cost Silver Premium	Average Lowest-Cost Silver Premium	Average Lowest-Cost Silver Premium	Average Lowest-Cost Silver Premium	Average Lowest-Cost Silver Premium
United States	\$454	\$442	\$436	\$428	\$448	\$468
Vermont	\$598	\$645	\$470	\$732	\$837	\$948

Source: KFF [Average Marketplace Premiums by Metal Tier, 2018-2024](#)

Rising Health Care Costs Are Impacting Property Taxes



Key Considerations from the Administration's Point of View

For Vermonters and policymakers concerned about property taxes, housing affordability, or overall tax burden, this letter should sound a major alarm.

Even applying a projected \$37 million surplus (including \$13 million set aside from last year's surplus) to help offset rates this year in the Education Fund, **this forecast indicates average property tax bills will increase by approximately 18.5 percent for FY25**. Without the surplus, average property tax bills would be projected to increase by about 20 percent.

It is driven predominately by an estimated 12% increase in school spending. Information gathered by the Agency of Education in its survey of school districts indicates this estimated increase in school spending can primarily be attributed to:

1. The ending of one-time Federal ESSER funds – Many districts used those one-time funds to add new services and personnel to recover from the pandemic. A large portion of those districts believe these services continue to be necessary. That requires replacing those one-time federal dollars with state education funds.
2. A 16%+ increase in health care benefits – The vast majority of school employees receive health benefits. An increase of that magnitude in the cost of those benefits is approximately 3% in overall education spending for a district alone.
3. Overall inflation increasing the price of operating, living, and working in Vermont – fuel, electricity, buses, equipment, supplies, etc.
4. Debt service to new capital projects or renovations – Vermont's aging fleet of schools is becoming more expensive to maintain and repair as they continue to age.

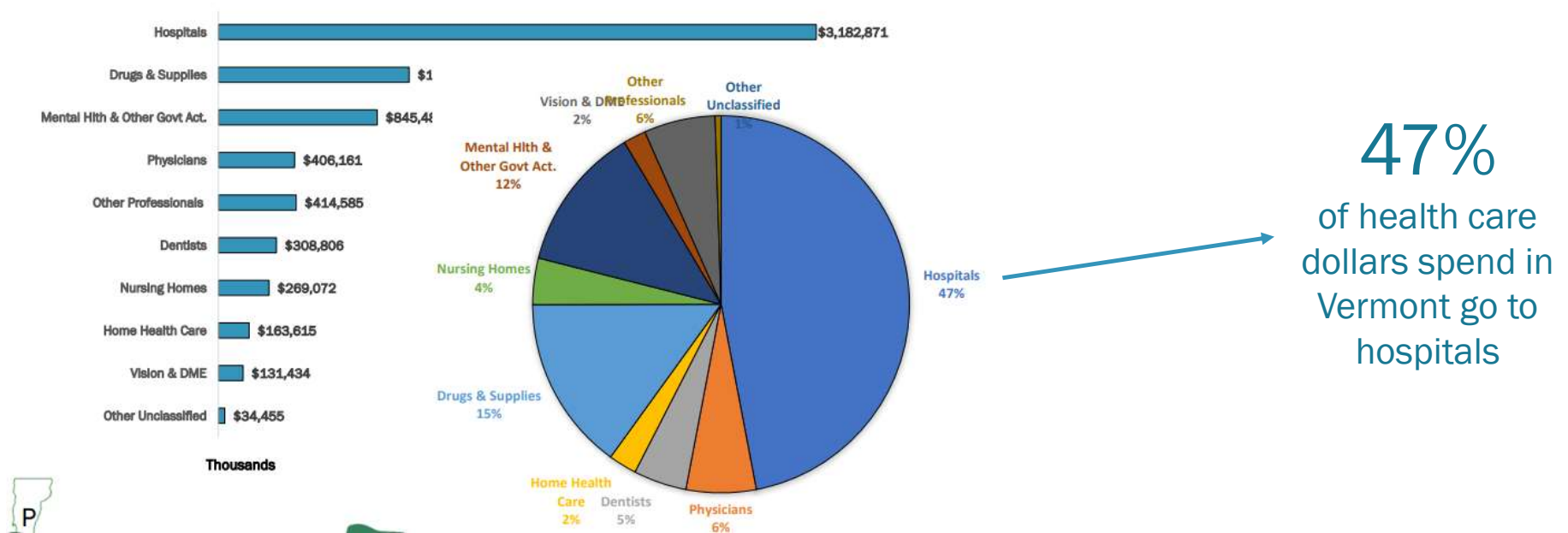
Average property tax bills will increase by approximately **18.5%** for FY25

Increase in school spending can be primarily attributed to **16%+** increase in health care benefits

Source: [Dept. of Taxes Education Tax Rate Letter](#) Nov. 30, 2023

Hospitals Make Up Almost Half of Health Care Dollars Spent in Vermont

2020 In- and Out-of-State Revenues for Patients Receiving Services by Provider Category: (\$6.4 billion)



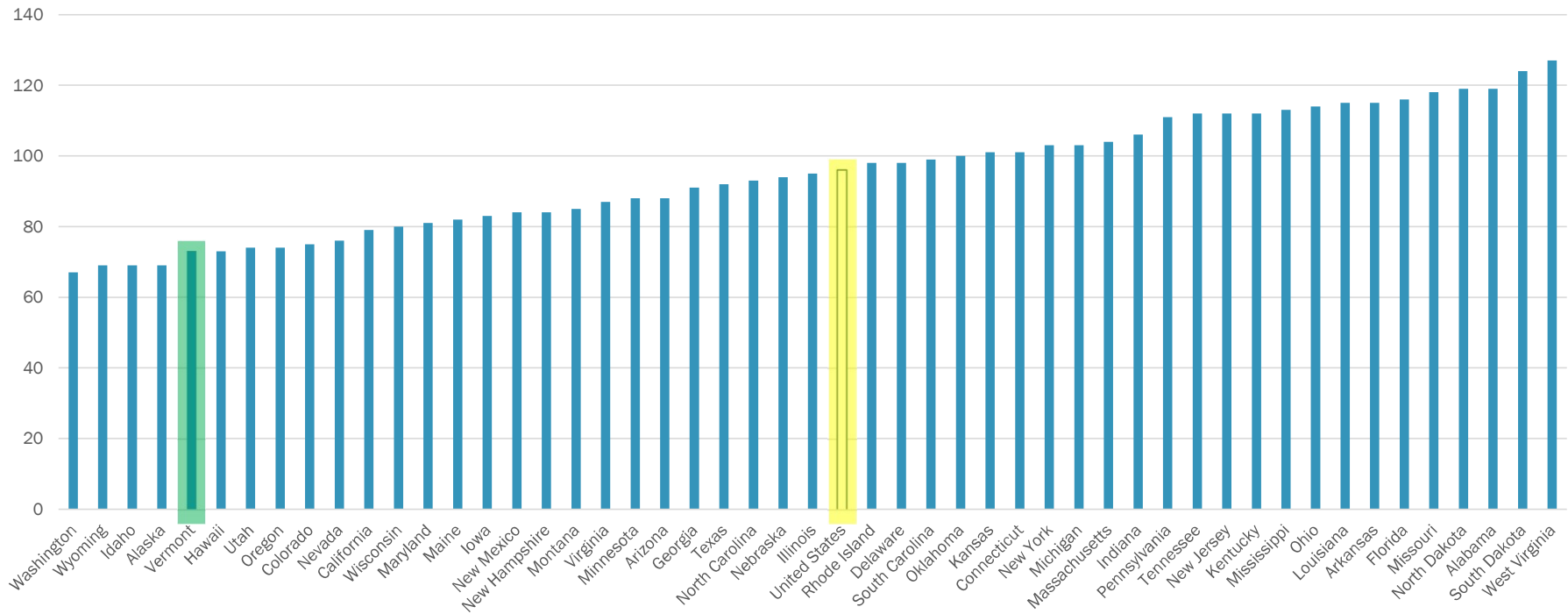
47%
of health care dollars spend in Vermont go to hospitals

Source: 2020 Vermont Health Care Expenditure Analysis
https://gmcbboard.vermont.gov/sites/gmcb/files/documents/2020_VT_Health_Care_Expenditure_Analysis_Final_May_9_2022.pdf

Hospital Admissions Per 1,000 Residents by State



Total Hospital Admissions Per 1,000 Residents, 2021



Source: KFF [Hospital Admissions per 1,000 Population by Ownership Type](#)

FISCAL YEAR 2023 (FY23) VERMONT HOSPITAL REPORTING: YEAR-END ACTUALS

FY2023 Hospital Budget Decisions



Charge Increases					
Hospital	FY23 Approved	FY24 Submitted	FY24 Approved	2-Year Submitted	2-Year Approved
System-Wide	10.5%	10.6%	4.1%	21.1%*	14.6%*
Brattleboro Memorial Hospital	14.6%	1.5%	1.5%	16.1%	16.1%
Central Vermont Medical Center (CVMC)**	10.0%	10.0%	5.0%	20.0%	15.0%

Charge Increases (continued)					
Hospital	FY23 Approved	FY24 Submitted	FY24 Approved	2-Year Submitted	2-Year Approved
Copley Hospital	12.0%	15.0%	8.0%	27.0%	20.0%
Gifford Medical Center	3.7%	3.6%	3.6%	7.3%	7.3%
Grace Cottage Hospital	5.0%	4.0%	4.0%	9.0%	9.0%
Mt Ascutney Hospital and Health Center	4.7%	5.1%	5.1%	9.8%	9.8%
North Country Hospital	12.2%	4.5%	4.0%	16.7%	16.2%
Northeastern Vermont Regional Hospital (NVRH)	10.8%	15.0%	8.0%	25.8%	18.8%
Northwestern Medical Center	9.0%	6.0%	6.0%	15.0%	15.0%
Porter Hospital**	3.5%	5.0%	3.1%	8.5%	6.6%
Rutland Regional Medical Center	17.4%	5.6%	5.6%	23.0%	23.0%
Southwestern Vermont Medical Center	9.5%	6.6%	6.6%	16.1%	16.1%
Springfield Hospital	10.0%	7.0%	6.0%	17.0%	16.0%
University of Vermont Medical Center (UVMHC)**	10.1%	10.0%	3.1%	20.1%	13.2%

In FY2023, the GMCB approved system-wide Net Patient Revenue growth of 8.5% and Commercial Charge growth of 10.5% over FY2022 actuals.

Source: Press Release [GMCB ESTABLISHES FY24 HOSPITAL BUDGETS BALANCING AFFORDABILITY AND SUSTAINABILITY](#)

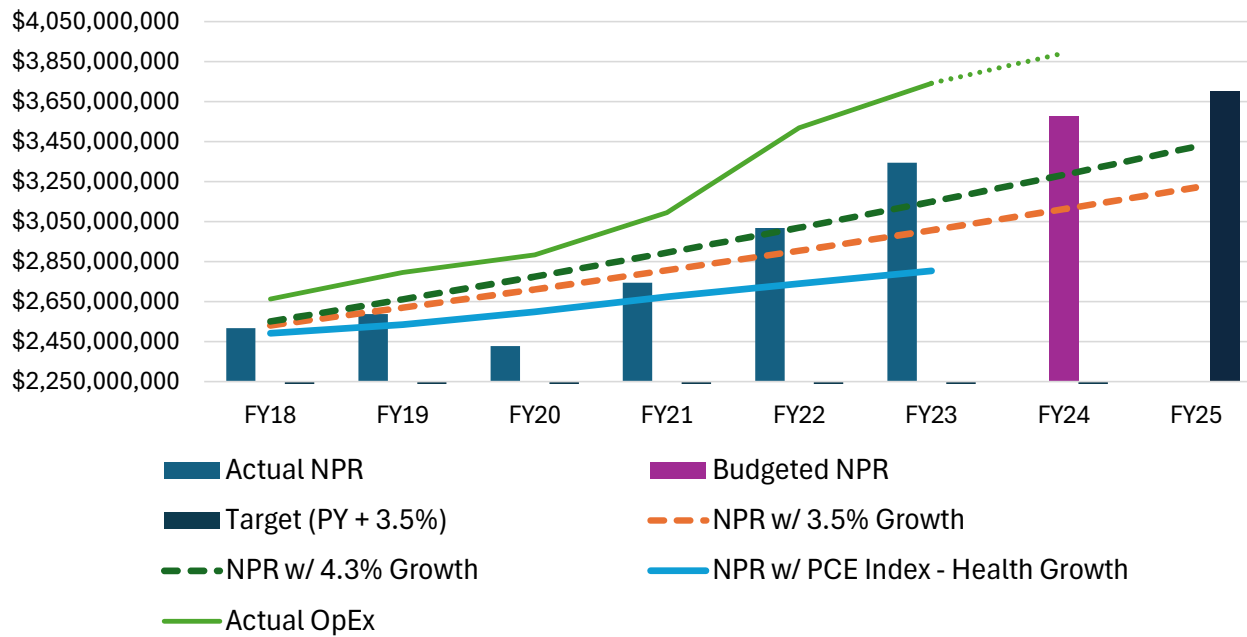
*The 2-year Medicare inpatient market basket growth is 7.0% from FY22-FY24. The 2-year median wage growth in Vermont is 8.6% from CY22-CY24. The weighted system-wide 2-year GMCB-approved charge increases from FY13-FY22 (including mid-year) is 8.8%.

** For FY23, the UVMHN hospitals used commercial effective rates as their approved rate increases, which were: 12.50% for CVMC, 11.50% for Porter Hospital, and 14.77% for UVMHC.

NPR Growth vs. National & Regional Trends



Growth in NPR from FY17
vs. APM Growth Range (3.5%-4.3%) and PCE Index - Health

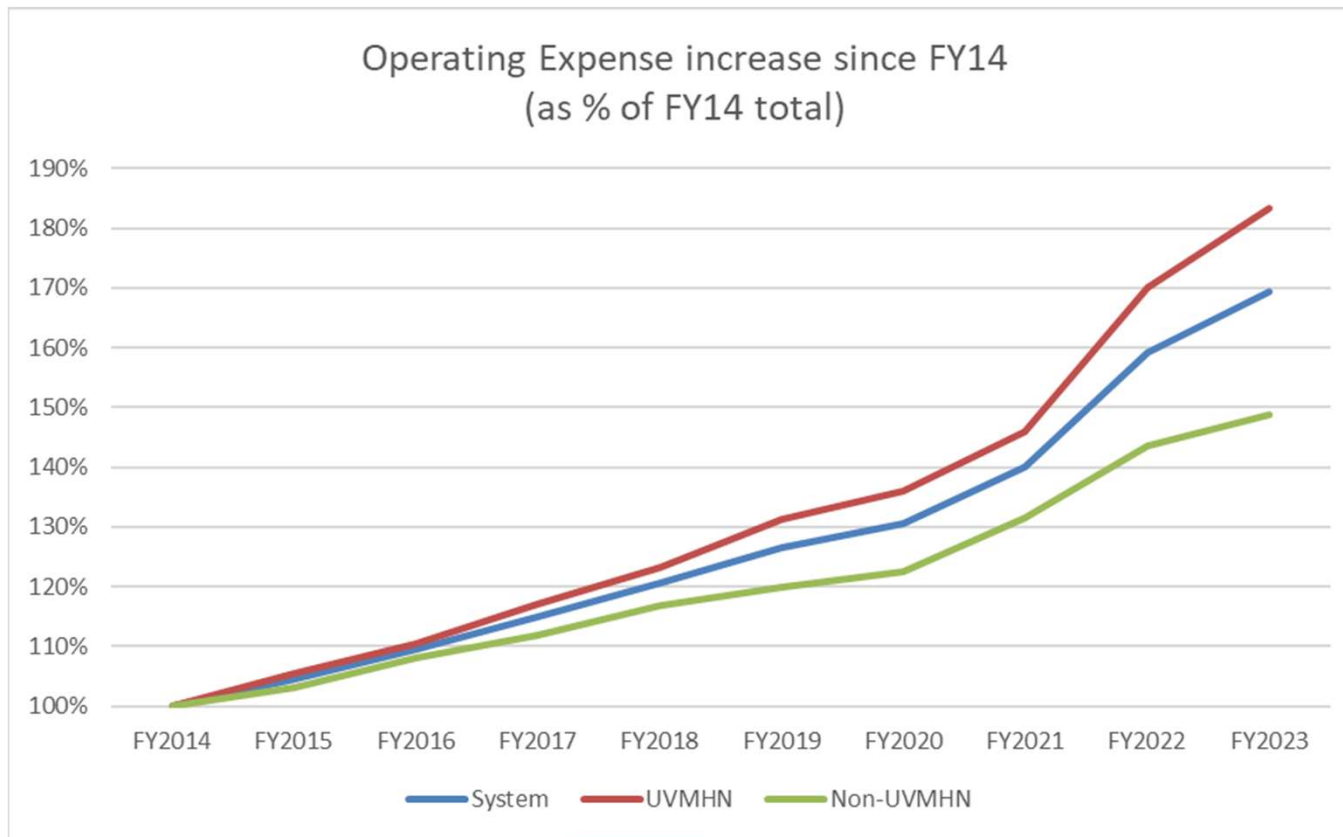


Compound NPR growth since 2017 has been just over **6%**.

If we stayed at 4.3% growth since 2017, FY25 would be **\$3.43 B**; at 3.5% growth, FY25 would be **\$3.22 B**

<i>millions</i>	FY25 NPR Benchmark	FY25 vs. FY17 Trended
FY24 @ 3.5%	\$3,704	\$483
FY24 @ 4.3%	\$3,732	\$278

FY23 VT Hospital Year-End Reporting Operating Expense Growth

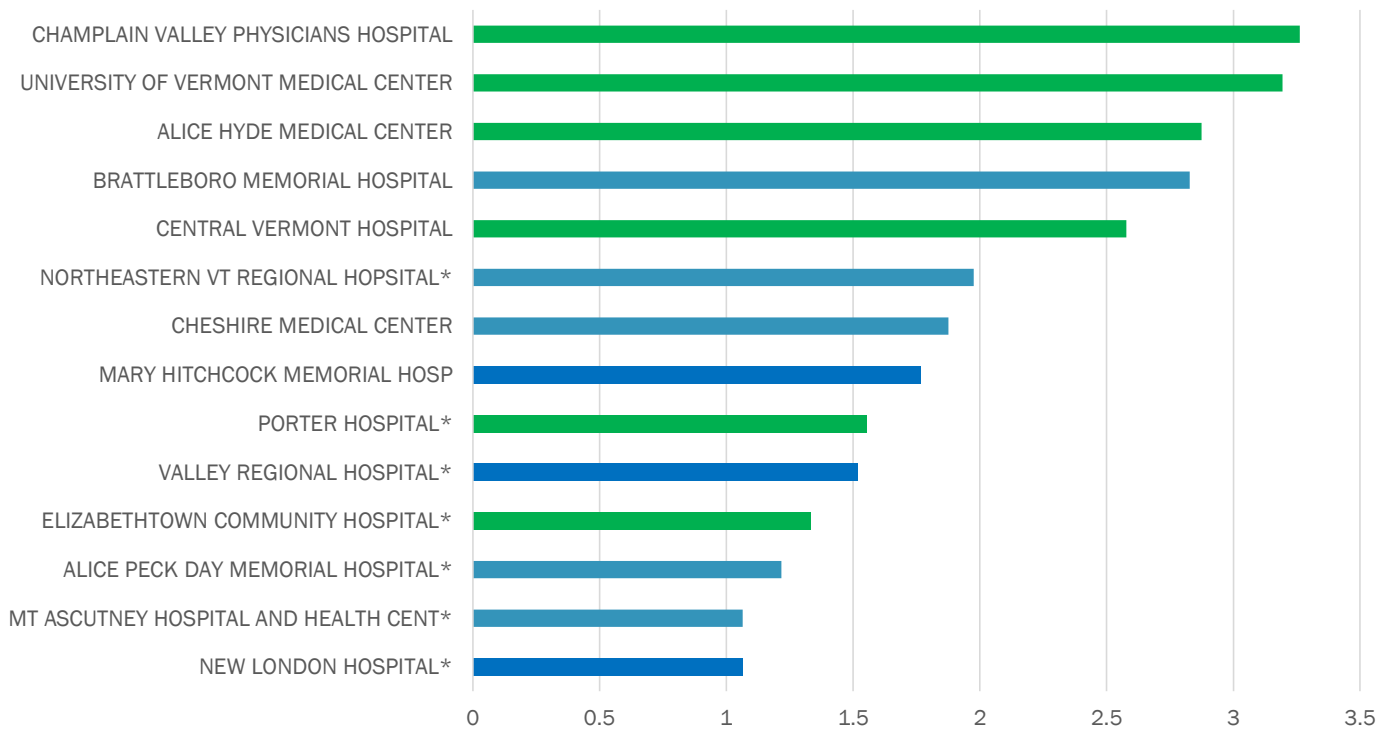


Operating Expense growth has been greater for **The University of Vermont Health Network** than the **rest of the system** (40% vs. 24% respectively from FY19 to FY23).

Comparative Prices



RAND 4.0: Commercial Prices Relative to Medicare



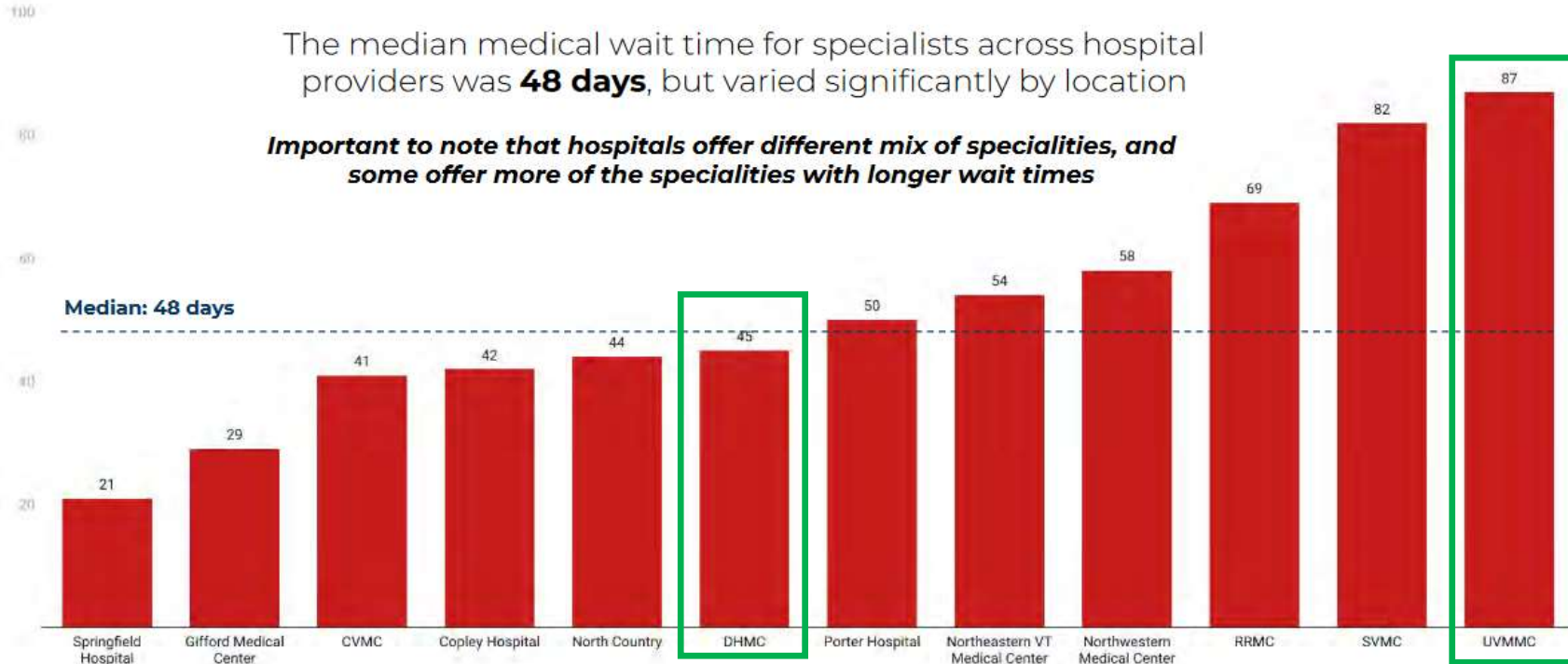
RAND 4.0 Price indicates prices paid to hospitals by employers and private insurers for both inpatient and outpatient services as a percentage of Medicare (2020). **Green** bars include hospitals that are a part of the *University of Vermont Health Network*, those in **Blue** are part of *Dartmouth Health*. (RAND 5.0 coming out in May 2024). *Indicates Critical Access Designation.

Source: RAND 4.0 from NASHP Hospital Cost Tool

Access to Vermont Hospitals: Median Wait Times

Secret Shopper: Wait Time for Specialist Appointment by Site

Median wait time in days



Metrics From FY24 Hospital Budget Review: University of Vermont Medical Center



	Hospital	Relative performance (<i>Lower better</i>)
Expense growth (FY22 to FY24)	15.3%	92 nd percentile among VT hospitals
Proportion of admin and general salaries to clinical salaries	24.36%	71 st percentile among AAMC hospitals
CMI-adjusted cost per Medicare discharge	\$14,277	83 rd percentile among AAMC hospitals
Standardized price – Inpatient	\$28,896	50 th percentile among major teaching hospitals
Standardized price – Outpatient	\$351	84 th percentile among major teaching hospitals
5-year approved change in charge (FY19 to FY23)	CER = 36.8% (Δ charge = 30.2%)	92 nd percentile among VT hospitals (Δ charge = 62 nd)
10-year approved change in charge (FY14 to FY23)	CER = 53.8%, FY15 to FY23 (Δ charge = 34.6%)	92 nd percentile among VT hospitals (Δ charge = 15 th)

FY23 VT Hospital Year-End Reporting

Days Cash on Hand by Hospital



Days Cash on Hand	FY2019	FY2020	FY2021	FY2022	FY2023
Brattleboro Memorial Hospital	156.9	219.5	213.6	131.7	108.4
Central Vermont Medical Center	95.5	131.6	114.1	68.7	78.5
Copley Hospital	62.1	199.8	125.7	65.8	42.5
Gifford Medical Center	236.8	332.9	326.4	203.5	146.4
Grace Cottage Hospital	92.5	240.8	249.0	99.1	87.9
Mt. Ascutney Hospital & Health Ctr	144.4	207.0	246.1	207.5	220.0
North Country Hospital	220.5	318.1	315.3	212.6	186.9
Northeastern VT Regional Hospital	107.4	206.6	189.2	105.7	98.2
Northwestern Medical Center	255.2	289.8	297.9	251.9	223.9
Porter Medical Center	128.5	166.5	173.9	120.0	98.2
Rutland Regional Medical Center	201.8	274.5	274.3	181.9	188.7
Southwestern VT Medical Center	40.7	69.9	52.5	37.5	48.8
Springfield Hospital	16.6	47.7	42.2	70.4	71.0
The University of Vermont Medical Center	169.4	193.2	198.8	112.5	115.4
System Average	154.7	197.7	196.3	121.2	119.6

COPLEY MID-YEAR BUDGET MODIFICATION REQUEST

Copley Mid-Year Budget Modification Request



Request & Rationale: **12.7%** commercial rate increase

- FY24 projected Operating Margin of **-2.88%** and Days Cash on Hand of **42.5**
- Copley's prices are low and unable to make up the deficit by serving more patients

Outcome: GMCB approved a **7%** mid-year increase for Copley Hospital, resulting in commercial price increases up to **15%** higher than FY23 for the remainder of the year, but this will have a relatively small impact on the system given that they reflect **3%** of system-wide NPR.

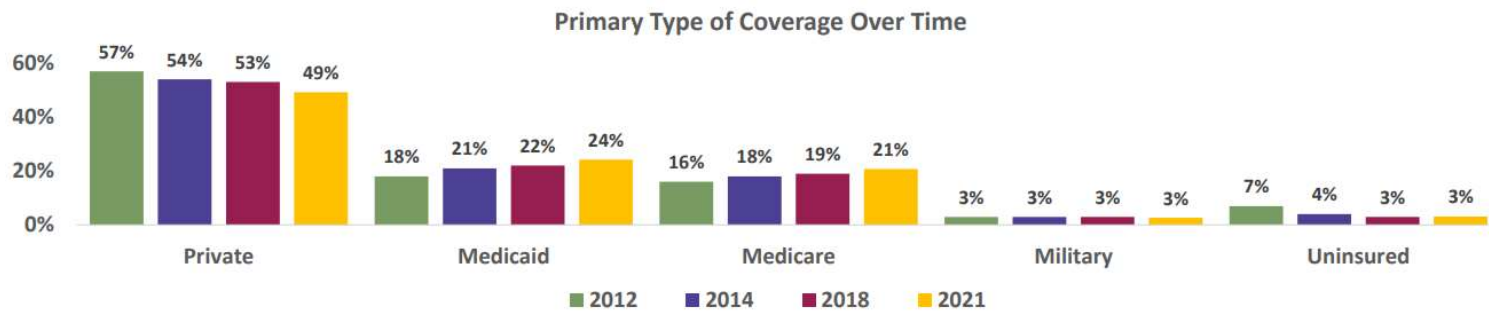
- Note: change in charge increases are a cap on commercial price increases, but hospitals and payer negotiate prices, so this increase is not guaranteed

More Vermonters have health insurance, but fewer are commercially insured



Primary Type of Coverage Over Time

In 2021, the percentage of Vermonters reporting their primary source of health insurance as private insurance (49%) has significantly decreased since 2012 (57%). The percentage reporting Medicaid has significantly increased since 2012 (24% in 2021 compared to 18% in 2012) as has the percentage reporting Medicare (21% in 2021 compared to 16% in 2012).



Insurance Type	Estimated Population Over Time			
	2012	2014	2018	2021
Private	355,900	341,100	329,800	304,600
Medicaid	111,800	132,800	136,900	150,000
Medicare	100,500	110,900	121,100	128,200
Military	15,500	18,600	16,900	16,600
Uninsured	42,800	23,200	19,800	19,400

WHAT'S NEXT?

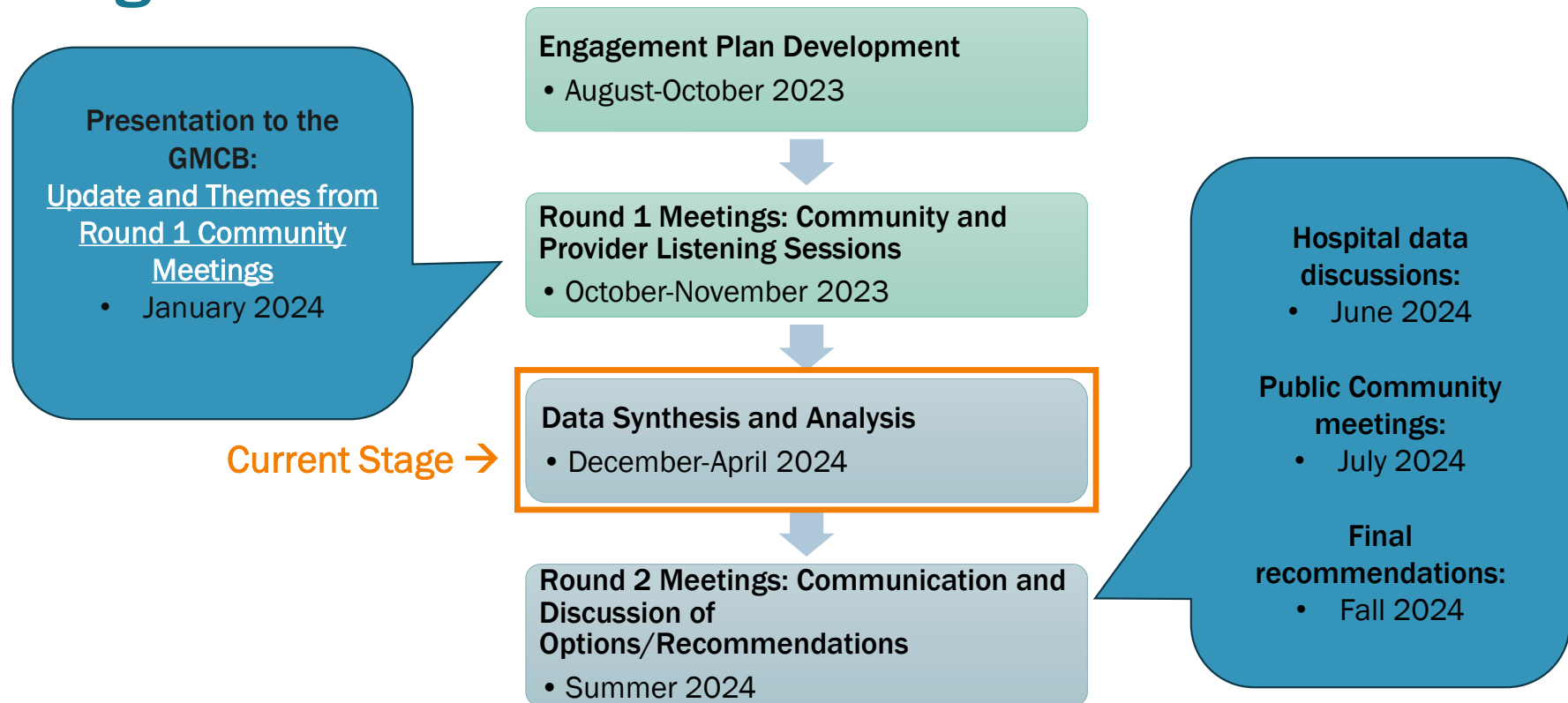
FY25 Hospital Budgets



On March 27, 2024, GMCB issued guidance establishing benchmarks against which to evaluate FY25 hospital budgets:

1. Net Patient Revenue Growth: 3.5% over FY24 Budget
2. Commercial Price Growth: 3.4% over FY24 Budget
3. Operating Margin > 0%

Statewide Community Engagement: Progress and Timeline



[Community Engagement to Support Hospital Transformation | Green Mountain Care Board \(vermont.gov\)](https://www.vermont.gov)

Key Takeaways



Health care is **unaffordable** in Vermont, as health care costs are **higher and rising faster** than the national trend and other aging New England states, impacting Vermonters, businesses, and property taxes.

Hospital spending represents approximately half of Vermont's health care spending (~\$3 Billion) and **budget increases** consistently **outpace inflation and wage growth**.

Hospitals' **financial health is worsening** and **commercial rate increases** are not a viable path forward. **Hospital system transformation is critical**.