

Opening

- Good afternoon, thank you for the opportunity to provide an update on UVMH
- Since January, we have been focused on fundamentals:
- Reducing costs
- Improving access to care

Driving Quality and Safety for our patients

- Being transparent and clear about our financial position
- Shared this same update with ~2,500 staff at our recent town hall last week

Current State

- Major revenue changes are now in effect:
- New 2026 contract with Blue Cross Blue Shield of Vermont
- ~12% reduction in commercial rates
- Some services are down as much as 25%. MRI/CT/Labs
- Act 55 outpatient drug pricing caps implemented
- These changes are lowering costs for patients
- However:
- Premiums and out-of-pocket costs remain high
- Access challenges persist
- State and federal financial outlook worsening
- Bottom line: urgency has increased—we need to move faster

What We're Doing

1. Administrative Cost Reduction

- \$8M annually removed from executive leadership expenses in 2026

- Next phase: shared services integration (HR, Finance, IT)
- Reduce duplication
- Improve efficiency and decision-making

2. Access & Physician Productivity

Focus of Mike Smith and the Liaison team

- Identified gap vs. national benchmarks
- Focus areas:
 - Optimize scheduling (reduce gaps, no-shows)
 - Expand patient self-scheduling
 - Shift physicians toward more clinical care, less admin work
- Goal: see more patients, sooner, at lower cost

3. Sustainability Council

- Incident command structure to accelerate decisions
- Targeting ~\$20M/month in expense reductions at scale. \$100 million by October

Financial Update

Town Hall last week

- Projected >\$200M annual revenue reductions from policy and insurance market changes
- Liaison report will project likely additional downside risk:
 - Expect:
 - Less commercial revenue in 2026 vs. 2024
 - Further decline in 2027
 - This is a result of multiple factors:
 - Regulatory guidance (GMCB). \$100 million reduction

- Act 55 drug pricing caps. \$110 Million reduction
- Renegotiated payer contracts. Additional 20 million
- Federal Medicaid uncertainty

Current Performance

- January–March losses: ~\$42M
- Lost 20 DCOH since October
UVMHC 148-128
UVMH 151-137
- Expenses significantly exceeding revenues about \$460,000/day at UVMHC
- Clear need to align cost structure with declining revenue

Key Message

- Changes are improving affordability for patients
- But require rapid and significant expense reduction
- This will be difficult and ongoing

Closing

- I fully acknowledge that the Cost of care remains too high
- Input costs (labor, supplies, equipment) continue to rise
- Our Insurance market is under strain
- Our revenue has dropped quickly and significantly
- Our expenses must follow
- We can't delay
- Federal environment increasingly uncertain
- Committed to working with:

- Legislature
- GMCB
- Agency of Human Services
- Payers and partner hospitals
- Focus: transparency, speed, and affordability