VERMONT
GREEN MOUNTAIN CARE BOARD

Hospital Sustainability Planning - Update

Alena Berube, Director of Health Systems Policy
in coordination with…
Patrick Rooney, Director of Health Systems Finance
Geoffrey Battista, Data Analytics Information Chief
Green Mountain Care Board
August 5th, 2020

Agenda

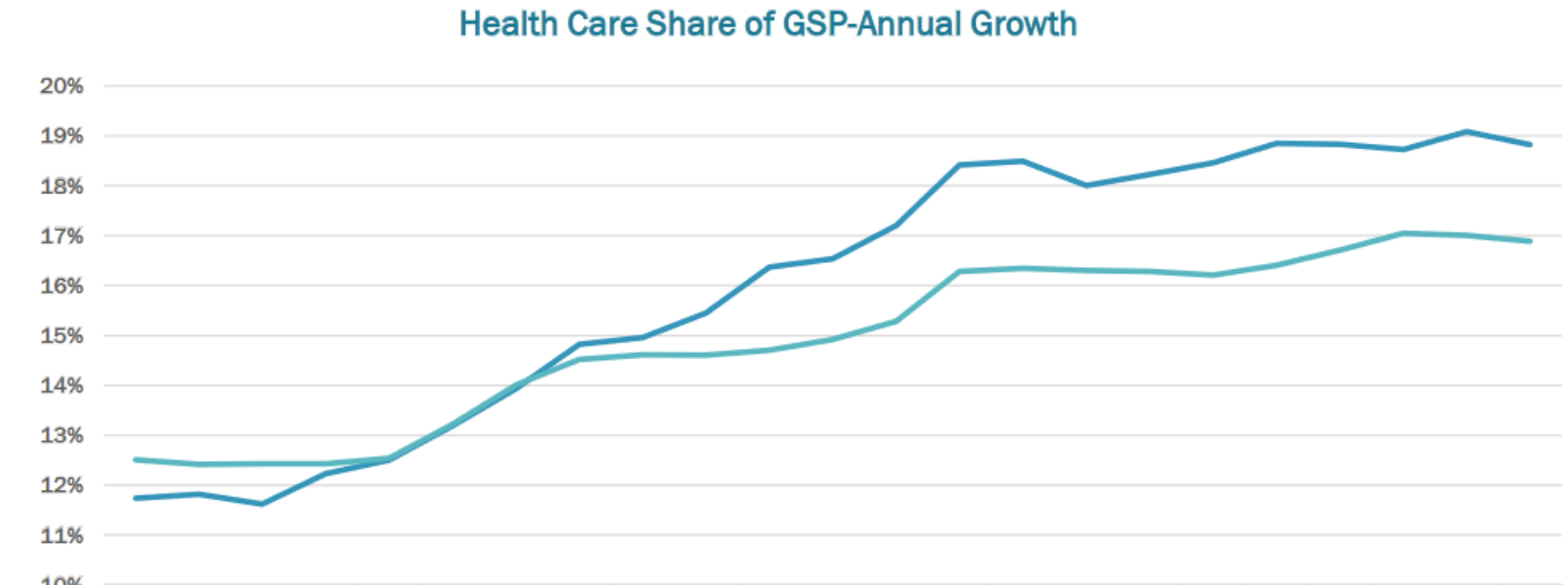
VERMONT
GREEN MOUNTAIN CARE BOARD

1. Background
2. Outline of the Framework
3. Staff Reflections on Public Comment
4. Proposed Next Steps
5. Board Discussion and Potential Vote
6. Public Comment

Health Care Spending as a Percent of Annual Growth in GSP

VERMONT
GREEN MOUNTAIN CARE BOARD

In the most recent year of the Vermont expenditure analysis (2018) the proportion of Vermont's state gross product devoted to health care spending is 18.8% vs. 16.9% as compared to the national average.

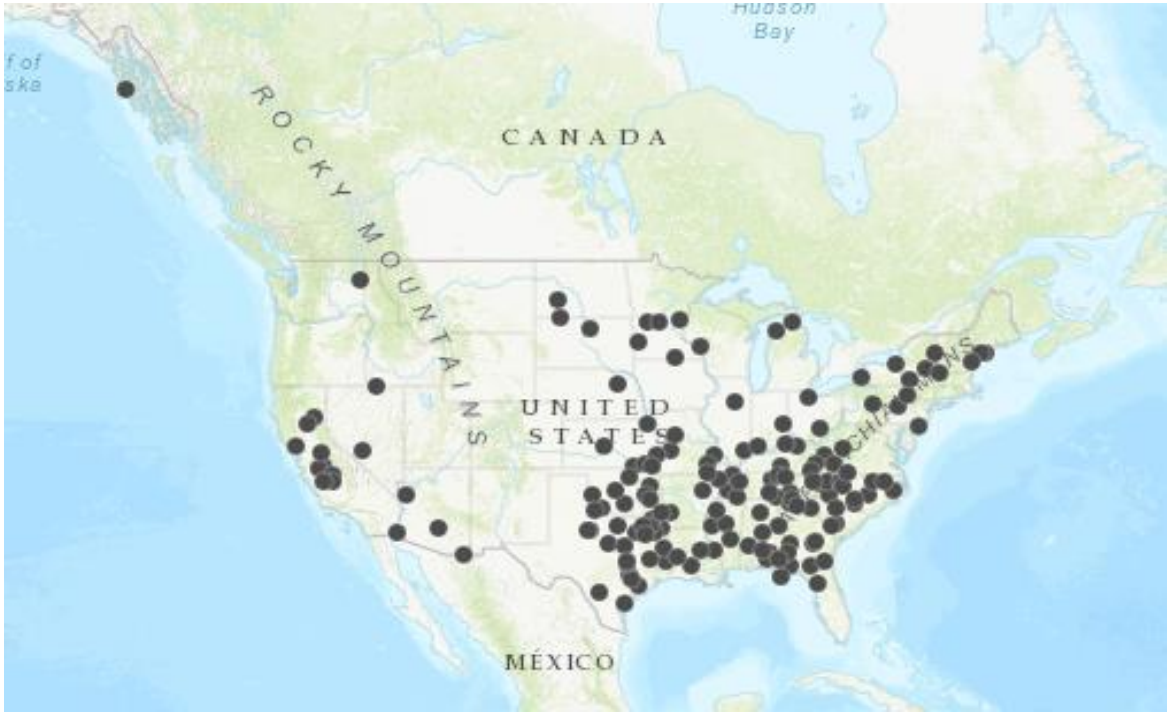


	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
VHCEA	11.7	11.8	11.6	12.2	12.5	13.2	13.9	14.8	15.0	15.4	16.4	16.5	17.2	18.4	18.5	18.0	18.2	18.5	18.8	18.8	18.7	19.1	18.8
U.S.HCE	12.5	12.4	12.4	12.4	12.5	13.2	14.0	14.5	14.6	14.6	14.7	14.9	15.3	16.3	16.3	16.3	16.3	16.2	16.4	16.7	17.0	17.0	16.9

Gross State Product (GSP) is a measurement of the economic output of a state. It is the sum of all value added by industries within the state and serves as a counterpart to the Gross Domestic Product (GDP), which measures national economic output.

Rural Hospital Sustainability is a National Problem pre-COVID

VERMONT
GREEN MOUNTAIN CARE BOARD



Sources:
1. University of North Carolina Rural Health Research Program;
2. Bai G, Yehia F, Chen W, Anderson GF. Varying Trends in the Financial Viability of US Rural Hospitals, 2011-17. Health Aff (Millwood). 2020;39(6).

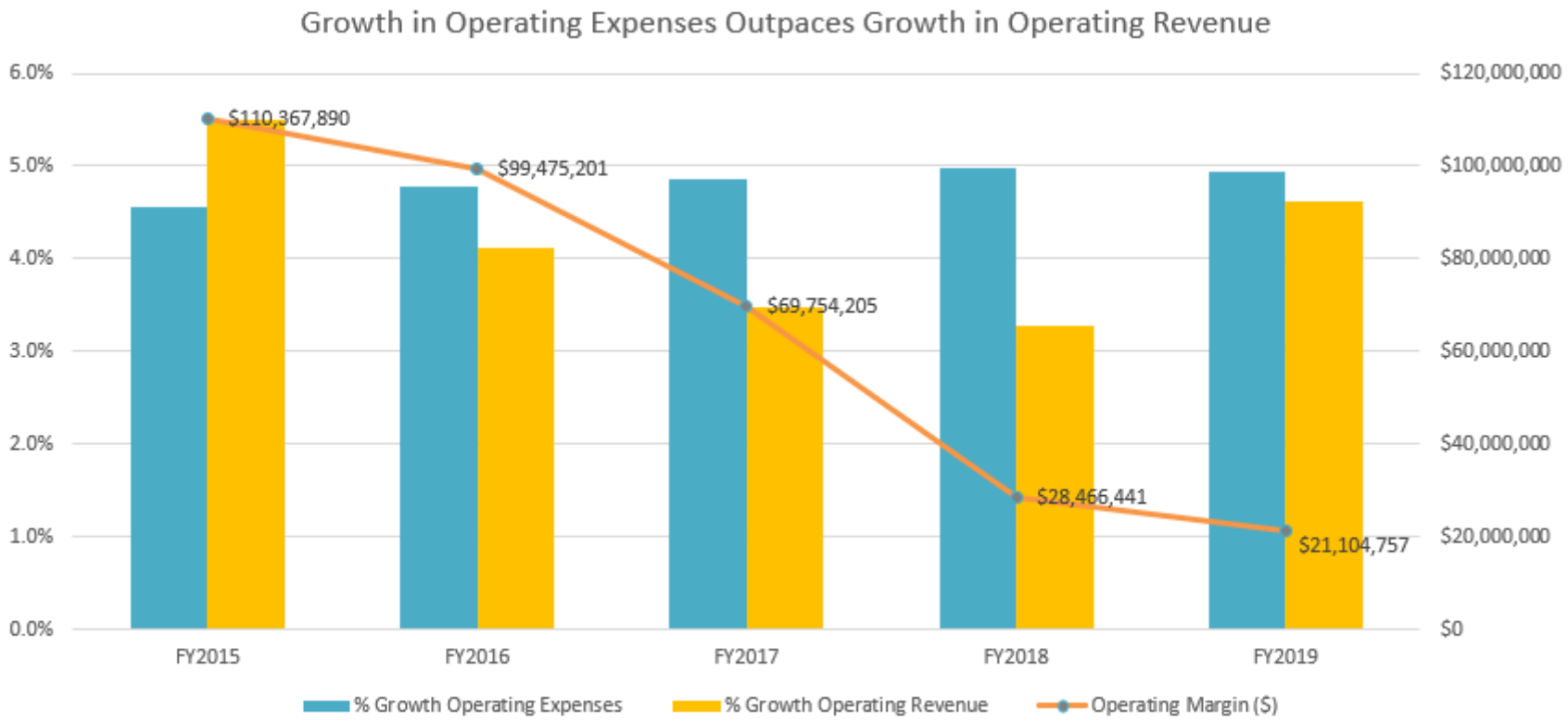
Since 2005, **170** rural hospitals have closed nationally, with 2019 closure rates higher than any previous year.

As of 2019, **25% of rural hospitals** were predicted to be at mid-high or high risk of financial distress.

A recent study found that rural hospitals that closed during the study period (2011-17), had a median overall **profit margin of -3.2% in their final year before closure**.

Vermont Hospitals pre-COVID

VERMONT
GREEN MOUNTAIN CARE BOARD



Source: Green Mountain Care Board

Hospital Sustainability & COVID

VERMONT
GREEN MOUNTAIN CARE BOARD

COVID has only put more strain on an already fragile system with rural hospitals expected to be among the hardest hit.

- AHA estimates **$202.6 billion in losses** for America's hospitals and health systems, or an average of **$50.7 billion per month**, from March through June 2020.
- In April 2020 alone, **hospital operating margins** dropped to **negative 29%**, showing a **282% decline** relative to the same period in 2019.
- Rural hospitals are especially vulnerable to COVID impacts due to thin margins, lower liquidity, lower occupancy rates, higher reliance on elective procedures to cover fixed costs, etc.

Federal and state relief has been helpful to address immediate cash flow needs of hospitals, but is only one-time money, and will not solve hospital sustainability.

"Our fee-for-service system is consistently showing itself to be insufficient for our most vulnerable Americans."

– Director for the Centers for Medicare and Medicaid Seema Verma

FY 2021 Hospital Budgets: Change in Charge Requests

VERMONT
GREEN MOUNTAIN CARE BOARD

	2017		2018		2019		2020		2021	
	Submitted	Approved	Submitted	Approved	Submitted	Approved	Submitted*	Approved	Submitted*	COVID-19 Submitted**
Brattleboro Memorial Hospital	3.5%	3.5%	8.9%	5.7%	4.9%	3.9%	3.4%	3.4%	2.9%	2.0%
Central Vermont Medical Center*	3.0%	2.5%	0.7%	0.7%	2.8%	2.3%	5.9%*	3.0%	8.5%*	
Copley Hospital	0.0%	-3.7%	0.0%	-3.4%	7.9%	4.5%	9.8%	9.8%	8.0%	
Gifford Medical Center	3.9%	3.9%	4.0%	4.0%	4.0%	4.0%	5.0%	5.0%	4.0%	
Grace Cottage Hospital	5.0%	5.0%	5.0%	5.0%	3.2%	3.2%	3.2%	3.2%	3.2%	
Mt. Ascutney Hospital & Health Center	4.9%	4.9%	4.9%	4.9%	2.9%	2.9%	3.2%	3.2%	TBD	
North Country Hospital	3.5%	3.5%	5.0%	5.0%	3.6%	3.6%	4.2%	4.2%	TBD	
Northeastern VT Regional Hospital	3.8%	3.8%	4.3%	3.2%	4.0%	3.0%	3.5%	3.0%	2.1%	1.8%
Northwestern Medical Center	2.9%	0.0%	6.0%	3.5%	2.0%	2.0%	5.9%	5.9%	19.9%	1.2%
Porter Medical Center*	3.7%	5.3%	3.0%	3.0%	2.8%	2.8%	2.6%*	0.0%	5.8%*	
Rutland Regional Medical Center	-5.1%	-5.1%	4.9%	4.9%	3.0%	2.6%	2.7%	2.7%	6.0%	
Southwestern VT Medical Center	3.9%	3.4%	2.9%	2.9%	3.2%	3.0%	2.8%	2.8%	3.5%	
Springfield Hospital	0.0%	0.0%	6.5%	6.5%	10.0%	10.0%	0.0%	0.0%	4.0%	
The University of Vermont Medical Center*	3.0%	2.5%	0.7%	0.7%	4.0%	2.5%	3.5%*	3.0%	8.0%*	
Estimated Weighted Average For All Hospitals* **	**2.2%**	**1.8%**	**2.3%**	**2.0%**	**3.9%**	**2.9%**	**3.2%**	**3.1%**	**6.9%**	

*Beginning in 2020, UVM Network submitted change in charge are effective rates.
**COVID-19 change in charge requests for 2021 are a one-time allowance.
***_Estimated Weighted Average for All Hospitals_ are based on each hospital's proportion of gross revenue to the change in charges; estimates for 2021 are preliminary and subject to change as hospital budget submissions are finalized.

Purpose of the GMCB
18 V.S.A. § 9372

VERMONT
GREEN MOUNTAIN CARE BOARD

1. Improve the health of the population;
2. Reduce the **per-capita rate of growth** in expenditures for health services in Vermont across all payers while ensuring that **access to care and quality of care** are not compromised;
3. Enhance the patient and health care professional experience of care;
4. Recruiting and retaining high-quality health care professionals; and
5. Achieving administrative simplification in health care financing and delivery.

Duties of the GMCB
18 V.S.A. § 9375

VERMONT
GREEN MOUNTAIN CARE BOARD

- The Board shall review and establish hospital budgets.
- Hospital Budget Review - 18 V.S.A. § 9456
  - (b)(2) – the Board shall consider Health Resource Allocation Plan (HRAP) identifying Vermont's critical health needs, goods, services and resources
  - (c)(3) – hospital budgets established should **promote efficient and economic operation of the hospital**

Hospital Duties
18 VSA § 9454(a)

VERMONT
GREEN MOUNTAIN CARE BOARD

Hospitals shall file the following information at the time and place and in the manner established by the Board:

1. a budget for the forthcoming fiscal year;
2. financial information, including costs of operation, revenues, assets, liabilities, fund balances, other income, rates, charges, units of services, and wage and salary data;
3. scope-of-service and volume-of-service information, including inpatient services, outpatient services, and ancillary services by type of service provided;
4. utilization information;
5. new hospital services and programs proposed for the forthcoming fiscal year;
6. known depreciation schedules on existing buildings, a four-year capital expenditure projection, and a one-year capital expenditure plan; and
7. such other information as the Board may require.

Goals for the Sustainability Planning Framework

VERMONT
GREEN MOUNTAIN CARE BOARD

1. Engage in a robust **conversation** on **ensuring community access to essential services** and removing **barriers to the sustainability** of our rural health care system;
2. Utilize insights gained through hospital sustainability planning to inform the state's proposal for a subsequent **All-Payer Model Agreement (APM 2.0)** and continue moving away from fee-for-service toward **value-based care; ensure hospitals have sufficient resources** to provide **essential services;**
3. Encourage **hospital leadership, boards, and communities** to **work together** to address sustainability challenges and formalizing their approach in their strategic plans over time; and
4. Identify both (1) **hospital-led strategies** for sustainability, including efforts to "right-size" hospital operations, particularly in the face of Vermont's demographic challenges and Federal and State payment reform efforts, as well as (2) **"external" barriers** to sustainability that are more aptly addressed by other stakeholders, policy-makers, or regulatory bodies.

Outline of the Framework

VERMONT
GREEN MOUNTAIN CARE BOARD

1. Financial Health of the Hospital

   GMCB will provide hospitals with financial indicators (along with state/regional medians and benchmarks where relevant), identifying those metrics for which the hospital is at risk, and ask hospitals to identify strategies for improved financial performance.

2. Ensuring Provision of Essential Services

   This stage will ask hospitals to assess the provision of essential services in their communities, identify service gaps and finally, develop plans to ensure the sustainable delivery of essential services as we move to a value-based world.

3. Sustainability of Other Services

   This stage seeks to illuminate the efficiency and quality with which hospitals deliver other services (beyond those defined as "essential" by the AHA), and how the delivery of these services supports the hospital's ability to operate in a value-based world. Essentially this stage asks hospitals to conduct service line optimization viewed through the lens of value-based payment, not fee-for-service.

4. Strategic Planning

   The purpose of this final stage is for hospitals to reflect on the analyses of prior stages and discuss their plans for sustainability in a value-based world, recognizing those barriers and opportunities that are within as well as outside of their control.

Public Comment to Date

VERMONT
GREEN MOUNTAIN CARE BOARD

HCA

- This work is critical to ensuring Vermonters access to essential services.
- Recognize challenges with the proposed timeline.

VAHHS recommendations:

- "Assess each organization's sustainability within the hospital budget process, which collects ample data and is well designed to account for the factors informing hospital health.
- Rethink and postpone the broader conversation connecting sustainability with reform and transformation until after the annual hospital budget process is complete. This would offer space for a more thorough and public dialogue about what the process should look like and achieve."

Other Public Comment

- A system-wide capacity study could be a useful exercise to project demand for services.
- This framework represents an ideal, but hospitals may not be tracking information at this level of detail.

Staff Reflection on Recent Public Comment

VERMONT
GREEN MOUNTAIN CARE BOARD

1. Staff stand by the spirit and timeliness of this framework, which is critical to ensuring the provision of essential services in our communities as health reform continues to move away from fee-for-service toward value-based care.
2. All Vermont hospitals should be in scope as this is a question about the sustainability of our broader system.
3. How will the Board use the details of this framework?
    1. Having this more nuanced information will allow the Board to make better decisions as it relates to hospital budgets and determinations of NPR/Change in Commercial Charges.
    2. Lessons learned through the details of this framework could inform the development of APM 2.0 proposal development (due December 2021), particularly as it relates to ensuring the sustainability of rural hospitals.

Staff Reflection on Recent Public Comment Cont'd

VERMONT
GREEN MOUNTAIN CARE BOARD

4. We recognize variation in hospital technology and resources and look forward to working with stakeholders to understand the constraints and nuances of capacity planning and service optimization at each hospital.
5. We agree that a system-wide capacity study, recognizing demographics and population dynamics could be a helpful companion analysis. GMCB staff are also already exploring demand for services and resource needs at a community level and statewide through HRAP.

Adjusted Timeline

VERMONT
GREEN MOUNTAIN CARE BOARD

Phase I
Assessment of Hospital Financial Health
~December 2020

Phase II
Ensuring the Provision of Essential Services
~March 2021

Phase III
Sustainability of Other Services
~May 2021
(w/ non-Financial Reporting)

Phase IV
Planning for Sustainability in a Value Based World
~July 2021
(w/ FY 2022 Budget)

GMCB to receive in time to inform FY 2022 Hospital Budget Guidance

GMCB to receive in time to inform APM 2.0 proposal development, due to CMMI December 2021

**Subject to change pending COVID resurgence in the fall of 2020*

Proposed Next Steps

VERMONT
GREEN MOUNTAIN CARE BOARD

1. GMCB staff to continue examining nexus between sustainability planning and **HRAP** and explore a **system-wide capacity study.**
2. GMCB Staff to work with stakeholders to understand hospital-specific **reporting constraints.**
3. Continue identifying and documenting opportunities for continuous improvement to support **APM 2.0 proposal development.**

Board Discussion & Potential Vote

VERMONT
GREEN MOUNTAIN CARE BOARD

Potential Board vote to approve the outline of the framework and adjusted timeline in order to allow staff to:

1. Fine-tune feasible deliverables for each phase; and
2. Begin data collection/analysis.

Board to agree to extend this planning exercise to all hospitals with a formal vote taking place for the currently excluded hospitals during the upcoming hospital budget process.

Questions/ Public Comment

VERMONT
GREEN MOUNTAIN CARE BOARD

Relevant GMCB Resources

VERMONT
GREEN MOUNTAIN CARE BOARD

- FY 2021 Hospital Budget Review
- Vermont All Payer Model
- Health Resource Allocation Plan (HRAP)
- Rural Health Services Task Force

Proposed Timeline

VERMONT
GREEN MOUNTAIN CARE BOARD

Phase I
Assessment of Hospital Financial Health
~December 2020

Phase II
Ensuring the Provision of Essential Services
~March 2021

Phase III
Sustainability of Other Services
~May 2021
(w/ non-Financial Reporting)

Phase IV
Planning for Sustainability in a Value Based World
~July 2021
(w/ FY 2022 Budget)

GMCB to receive in time to inform FY 2022 Hospital Budget Guidance

GMCB to receive in time to inform APM 2.0 proposal development, due to CMMI December 2021

**Subject to change pending COVID resurgence in the fall of 2020*

Act 54 (2015) & Act 143 (2016) – Provider Reimbursement Reports

VERMONT
GREEN MOUNTAIN CARE BOARD

- October 1, 2017 Fair Reimbursement Report
  - Memorandum to Health Reform Oversight Committee
  - Attachment A - Clinician Landscape Study Report
  - Attachment B - Payment Differential and Provider Reimbursement Reports: Update and Discussion
  - Attachment C - Onpoint Health Data Blueprint primary care analysis data table
  - Attachment D - Letter to Kevin Mullin from Sara Teachout, Director, Government, Public and Media Relations, BCBSVT (Sept. 28, 2017)
  - Attachment E - Letter to Kevin Mullin, Chair, from Todd Keating, Chief Financial Officer, University of Vermont Health Network (Sept. 1, 2017)
- August 28, 2017 Board Meeting Materials
  - Payment Differential and Provider Reimbursement Reports: Update and Discussion
- April 27, 2017 Board Meeting Materials
  - GMCB Presentation - Act 54 (2015) and Act 143 (2016) Payment Differential and Provider Reimbursement Reports: Overview of GMCB Process and Progress Update
  - GMCB Act 143 Update
  - UVMHN Presentation - Act 54 and Act 143: "Fair and Equitable Payments" and Site Neutrality

Act 54 (2015) & Act 143 (2016) – Provider Reimbursement Reports (continued)

VERMONT
GREEN MOUNTAIN CARE BOARD

- All Hospital Budget Letters for Board Meeting (4/20/17)
- UVMHN Hospital Budget Letter (4/18/17)
- RRMC Hospital Budget Letter (4/17/17)
- MVP Act 143 Addendum (3/31/17)
- GMCB Letter to MVP (3/21/17)
- MVP Act 143 Submission (3/15/17)
- BCBSVT Act 143 Revised Reimbursement Plan (3/17/17)
- Act 143 of 2016, Section 4, Provider Reimbursement Report, February 1 , 2017
- Act 143 of 2016, Section 5, Reducing Payment Differentials, Memo, December 1, 2016
- MVP Implementation Plan for Fair and Equitable Reimbursement, July 1, 2016
- BCBSVT Implementation Plan for Fair and Equitable Reimbursement, July 1, 2016