

February 11, 2022

Dear Chair Mullin and Green Mountain Care Board members:

I write this letter as we close in on the 24-month mark of the COVID-19 pandemic. It is an understatement to say this virus has changed our individual lives in profound ways. It has also transformed our institutions including those in education, government and health care. We and they will never be the same.

By way of a roadmap, this letter intends to do four things:

- 1) Describe the current state of our hospitals and daily operational challenges they are managing,
- 2) Remind you of the extraordinary—and largely unbudgeted—work hospitals have done to respond to the pandemic and demand for hospital services generally,
- 3) Highlight the severity and cost of a workforce crisis that is proceeding unabated and
- 4) Identify expectations of budget guidance to ensure hospitals are safe and stable and can manage this set of circumstances now and into the future.

Hospital Status

In a systemwide snapshot, at times this week there were six available ICU beds across the entire state of Vermont. Despite a moderate decline in COVID hospitalizations, hospitals are full and patient acuity is increasingly severe. People are very sick and need a high level of care. In addition:

- Almost every day, the vast majority of hospitals report a severe staffing shortage.
- Central Vermont Medical Center has opened space in its Women's Health unit to accommodate medical-surgical overflow and is holding other patients in its Surgical Ambulatory Care area.
- Southwestern Vermont Medical Center has a census of 80 when it is staffed and budgeted for 56 beds.
- Northwestern Medical Center reports an average daily census of 35, compared to a budgeted 26. NMC's average daily census in the ICU grew from two to eight patients in the past three months, and the hospital has converted a trailer to supplement ED capacity. Sixty percent of NMC's nursing staff are travelers.
- The National Guard are assisting seven hospitals that need a range of personnel resources – from food service to patient observers – and would be challenged to carry out core functions without them. We are so grateful for their support.
- FEMA medical personnel and TLC-contracted nurses are assisting 10 hospitals with ICU, medical surgical, psychiatric, and vaccination / monoclonal antibody treatment supports.
- Emergency Departments regularly have patients awaiting mental health treatment or the right type of bed, creating crowding in increasingly busy EDs and not offering those patients the correct and most compassionate environment for their care. For example, last Monday there were 36 people who needed placement across Vermont's EDs, waiting 145 hours on average (approximately six days) and over 80% waiting more than a day.
- EDs also have medical-surgical patients who are boarding, with 13 patients waiting in EDs for medical-surgical beds yesterday.

- For the past several weeks, hospitals have reported nearly 100 patients waiting in hospital beds for post-acute placement. Recent efforts with the Vermont Healthcare Association and the Department of Disabilities, Aging, and Independent Living have been productive but long-term challenges persist and continue to restrict patient flow. At UVM Medical Center alone, at least 50 patients are routinely in this category.
- As explained in detail below, extremely expensive travelers comprise a constant and growing percentage of hospitals' workforce, not only in clinical but also technical and support areas.

Pandemic response

You know well that here in Vermont, our hospitals stepped up to meet urgent public health needs without fail. When government partners requested support—and usually before they did—hospitals responded quickly and effectively. Some examples include:

- Suspension of elective procedures to preserve capacity and PPE
- Construction of surge sites and expansion of hospital bed space
- Development and quick adoption of safety protocols and hospital visitation procedures
- Creation and distribution of vital public health messaging, in partnership with VAHHS and the Vermont Department of Health
- Coordination of patient transfers and placement
- Creation of test sites and drive-through options, even in earliest stages of pandemic
- Deployment of a nation-leading vaccine administration program.

We can all be proud of this work, which was a main reason Vermont's COVID response was lauded nationwide, including by Dr. Anthony Fauci.

In this moment, however, we face ongoing and worsening challenges that require our continued partnership, determination and ingenuity. The future of our health care system may be more significantly affected by how we act now than at any point in the pandemic thus far. Together we face structural and societal issues including workforce, an aging population and growing mental health crisis that must be properly resourced and improved. If not, we risk a collapse of the entire health care system in the months and years ahead.

Workforce Challenges

Vermont's hospitals report at least 2,600 personnel vacancies exist in their facilities right now, stretched across clinical and operational areas (based on a recent survey conducted by VAHHS).

Of all our challenges, the workforce shortage is the most pressing because hospitals cannot meet the most basic health care needs of our communities without the caregivers and support staff to do this essential work. In response, hospitals are employing all the tools and strategies available to retain valued providers while also seeking creative new solutions in partnership with federal and state officials.

In the near term, hospitals are also adjusting schedules, deploying clinical staff to units where need is greatest, and readily accepting staff offers to take additional shifts or move from leadership roles to the bedside. While this work is incredibly stressful and wholly unsustainable, it is also a terrific example of the leadership and selflessness hospital teams display every day.

Labor costs, which constitute the single largest hospital expense, are rising at a rate that challenges hospitals' ability to manage, and the financial effects are substantial: Based on a preliminary analysis conducted by VAHHS, in just the first quarter of FY22 salary expenses exceeded budgeted amounts by an estimated \$12.7 million across our small hospital system. Similarly, hospitals have traveler costs that exceed budgeted amounts by some \$37.5 million. This problem is not unique to Vermont, nor is it something hospitals can solve on their own, even with the most creative approaches. Hospitals have no choice but to pay for this staff to keep their facilities safe and available.

Clearly this unsustainable cost structure requires a federal solution. On that front, VAHHS and our members are actively engaged with Vermont's congressional delegation, including Congressman Peter Welch who led an effort in the U.S. House of Representatives to collect 200+ signatures on a letter encouraging action from the Biden Administration. We are also working with our partners at the American Hospital Association on this issue.

Budget Guidance Expectations

At this critical moment, it is important to balance the need for access to important and sometimes scarce health care services with short- and long-term affordability. Recognizing this can be a difficult balance to strike, we must nevertheless do so to meet the growing—not shrinking—health care needs of our aging and rural state.

This will require responsible and justified commercial rate increases for many hospitals. It would be short sighted and potentially dangerous to deprive health care providers of the resources they need to care for their patients and communities.

As you prepare for the annual hospital budget review process, we request that guidance be clearly and carefully connected to the realities our hospitals face. We ask that you rely on relevant and timely information to inform your guidance and steer clear of unrealistic goals while we work to stabilize the system. Arbitrary targets that represent what you hope to achieve, but not what is possible, will only create confusion and disruption instead of simplicity, clarity and sustainability.

Although in some cases hospital finances may appear to be reasonably healthy, COVID-driven revenue is likely to dissipate as labor expenses only continue to grow. For all hospitals, budget guidance and deliberations must recognize the need for budgets that:

- Do not make the problem worse but instead put hospitals on more solid financial footing
- Cover inflationary growth (e.g., in the first quarter of FY2022, hospitals spent nearly \$20 million on COVID-related supplies and pharmaceuticals)
- Sufficiently cover labor costs for employee retention and recruitment, including travelers
- Recognize hospitals continue to support value-based care and have bent the cost curve.

In addition, the budget process itself should be as simple and unchanged from previous years as possible. Hospitals do not have the bandwidth for burdensome new requirements and reporting.

Hospitals and the people they serve must be able to understand the rationale for mandated revenue targets. In return, as has always been the practice, hospitals develop thoughtful and comprehensive budgets to reach greater financial stability; invest adequately in staff, equipment and facilities; and position communities statewide to emerge safely and wisely from the pandemic. If we take this approach, together we will continue to deliver on our shared promise of timely access to high-quality and affordable health care. The people of Vermont deserve no less.

Thank you for your thoughtful consideration. VAHHS welcomes additional dialogue as budget guidance is developed and stands ready to contribute however we can.

Sincerely,



Jeff Tieman
President & CEO, VAHHS