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To: Open Letter to Vermont Health Care Leaders, Legislators and Community Stakeholders

Re: Vermont's Health Care System: We Need a New Path Forward

It is no secret that Vermont's health care system is under great stress. Key components of it are on the verge of collapse. Our health insurance rates are now amongst the highest in the nation. Vermont's rate of medical debt is the highest of all New England states and among the highest in the country. The two largest health insurers in the state and many of our hospitals are struggling financially. The evidence that healthcare in Vermont is simply not affordable for most Vermonters has never been more clear.

Solving any problem requires staring directly at root causes. However, many have only just begun to consider the elephant in the room: hospital prices at many of Vermont's hospitals – particularly those at the University of Vermont Medical Center – are now amongst the highest in the nation. Any credible solution to meaningfully address Vermont's health care financing crisis must begin by reducing excessively high hospital prices. Any health reform discussion that ignores the role of hospital prices is like hosting a firefighters' conference where no one is allowed to talk about the fire.

For all the complexity of our system, how cost is calculated remains the same: the price of something multiplied by how much it is used. When health care prices are unfairly inflated in a small state, its impact shows up everywhere. It drives up health insurance rates, which contributes to needing double digit property tax increases to fund our local schools. It increases costs for small and larger businesses, forcing many to offer worse plans to their employees or forego offering health insurance at all. It reduces access to care and depresses wages.

Making progress on tough problems requires that all parties act in good faith. The University of Vermont Health Network's (UVMHN) recent and abrupt decision to cut essential medical services for Vermonters - despite being in a strong financial position by well-established measures - harms our collective ability to chart a path forward to stabilize health care financing. UVMHN has presented no credible evidence as to why reducing medical services was the only viable option. Reducing medical services to patients is an option of last resort for a financially distressed hospital network. In this case, it comes across as a punitive political strategy by a profitable one. While planned cuts to non-clinical services may make good policy sense, eliminating essential medical services - such as inpatient mental health - will certainly negatively impact Vermonter's ability to get care.

We have many strong and committed health care leaders and providers across Vermont. They care deeply about their communities. The impulse to reactively attack the regulator who is seen as disrupting hospital's business as usual approach is not surprising. However, we need the best versions of ourselves to show up to the policy table if we are going to have a shot at

seeing the big picture: maintaining and improving Vermonter's access to care despite the headwinds. To do so, we need leaders who are willing to honestly recognize the roles that their institutions play in our health care financing crisis.

It also bears remembering that the legislature felt it was essential to give the Green Mountain Care Board a statutory duty to "contain costs and to provide, as a public good, comprehensive, affordable, high-quality, publicly financed health care coverage for all Vermont residents in a seamless manner regardless of income, assets, health status, or availability of other health coverage." UVM has accused the Board of penalizing them for bringing in more net revenue than its approved budget, but it is important to remember that just six years ago, they requested that the Board *not* give them a commercial rate increase because they made more money than they expected. UVM wrote (in part): "In order to ensure that the FY 2017 unbudgeted patient revenue is appropriately returned to Vermont's commercially insured patients, the UVM Medical Center proposes that the GMCB mandate a 0.0% change in the Medical Center's Vermont commercial rates in FY 2019."

This is the version of UVMHN that Vermonters need to return to the negotiating table.

What can we do? We call on the Vermont legislature and the Scott administration to clearly recognize the need for a strong independent regulator to set and enforce hospital budgets in a way that reduces costs, improves affordability, and stabilizes our health care system. To make that happen, the legislature should mandate that the Board exercise its authority to implement referenced-based pricing at Vermont's hospitals beginning next year. While UVM Medical Center is rightly the focus of a lot of attention given its size and role in our health care system, they are not alone in being expensive: eight of the fourteen hospitals in Vermont are above the 60th percentile nationally in terms of outpatient prices.

Only with a professionally implemented tool like referenced-based pricing can we begin to address the health care affordability and financing crisis. We know what happens if we do not reduce prices and costs at Vermont hospitals because it has already happened in back-to-back years: double-digit health insurance rate increases that vastly exceed wage growth and inflation. Failure to act decisively will price all but the highest margin businesses and wealthiest Vermonters out of being able to afford the care that they need. We will continue to lose small and medium-sized provider systems that are critical to helping Vermonters stay healthy. More and more Vermonters will go into medical debt and go without medical care.

Reasonable minds can disagree about how to move to a more sustainable future. But we can all agree that business as usual, blaming of others and an inability to be critical of our own institutions will not result in the outcomes we need. Only by working together with the urgency that this crisis demands, will we improve our care delivery systems.

Vermonters deserve a strong community system of care that we can afford.

Michael Fisher
Chief Health Care Advocate