

**From:** Eappen, Sunny <[Sunny.Eappen@uvmhealth.org](mailto:Sunny.Eappen@uvmhealth.org)>

**Subject:** Sharing the Facts on Our Budget Actions

Dear Colleagues,

I didn't intend to add to your inbox with another message today, but given the subject matter, I think it's important for you to hear directly from me. Yesterday was an incredibly difficult day for our organization and the people we serve. The changes we have to make to comply with Green Mountain Care Board (GMCB) budget orders are not steps we ever intended to take when we submitted our Vermont hospital budgets over the summer. We all know that our communities need us now more than ever. We should be doing *more* to care for our patients, not less. During Thursday's town halls, I heard clearly that you share this point of view, and I am so appreciative of both the supportive and critical feedback many of you expressed.

**First, I want to be clear: All areas and people impacted by these changes have had appropriate conversations. If you have not heard anything at this time, these steps do not directly affect your job. I recognize, though, that they impact our culture and our communities.**

Sadly, in 2024, we all know how it feels to be bombarded by conflicting voices trying to shout louder than one another to be accepted as truth, regardless of the facts. I remain convinced that we need to work together with our regulator, our state and federal governments, and health care providers across our region to solve the affordability and access problems we face. As the leader of this health system, my responsibility is to share the facts with you and our patients, so I want to be clear about some misinformation that I've heard directly, has been shared in the news, on social media and other channels:

***The GMCB didn't know about these reductions.***

- This is false. On October 21 we filed [legal motions](#) to delay the GMCB enforcement that led to these cuts. That filing had the following language: “[the enforcement] will necessitate spending cuts that will have an immediate and negative impact on access to health care services.” In that submission, we shared an unredacted version of [this document](#) with the GMCB, highlighting which services would be at risk if we had to move forward. Then, this past Wednesday, November 13, I spoke personally with the GMCB chair to share the steps we were taking.

***The GMCB did not approve these reductions.***

- It's accurate that the GMCB did not approve these reductions. It's not within their scope as our regulator to approve these service changes. They approve limits on revenue (care we can provide), limits on our commercial insurance rate increases and certificates of need for major new projects or investments. However, their budget orders specifically called on us to reduce “revenue.” As a health care provider, revenue is patient care. If we only reduced expenses, we would not be in compliance with their orders.

***UVM Health Network had other options to comply with the orders besides service cuts.***

- This is untrue. The GMCB's legal orders for UVM Medical Center and Central Vermont Medical Center called for \$122 million in revenue cuts from the original budgets we submitted over the summer. In health care, revenue is patient care – it's the amount of money we take in for performing services before we take out any expenses. No amount of expense cutting would satisfy the order because expenses – things like salaries, equipment, purchases, etc. are not revenue. Despite this fact, we still cut \$18 million in administrative expenses this year, on top of \$20 million in expense reductions last year. These cuts were made through eliminating open positions and asking each shared service to cut their budget by a certain amount – it was up to the senior leader over each area to determine how they wanted to reduce spending. Since we are paid a consistent amount for services covered by Medicare and Medicaid, even if we lowered prices for services covered under commercial insurance beyond the 1% cut we have been ordered to make this year at UVM Medical Center, we would not be able to avoid cuts to care.

***UVM Medical Center didn't account for revenue from government payers last year, driving up budget requests to the GMCB and contributing to the enforcement that requires care cuts.***

- This is misleading. Every year, typically around July 1, hospitals in Vermont must submit proposed budgets for the next year, which begins on October 1. During the months that lead-up to July 1, the budget teams work with all departments to build anticipated volumes and associated revenues and expenses. All known information is submitted to the GMCB as part of the budget submission. At the time the budget for last year was submitted, staff who prepared the budget were unaware that this government revenue would be granted to us and it therefore was not in the proposed budget. To be clear, the revenue was in the form of FEMA grants for care we provided during the pandemic and graduate medical education (GME) funding to train the next generation of physicians. However, GMCB staff were provided with updated budgets throughout the year, which included this new revenue. This was not a surprise to the GMCB.

***UVM Medical Center is owed \$60 million by CVPH and is supporting other health system hospitals financially.***

- This is misleading. This does not affect UVM Medical Center's commercial insurance rate requests or any aspect of the budget orders the GMCB issued that have led us to make these service cuts.

***Salary cuts for leaders would have avoided cuts to patient care.***

- As noted above, the GMCB specifically ordered us to cut revenue this year, which means patient care. Efforts to carefully manage pay for senior leaders are important for us as an organization but cannot help us meet the GMCB's order to reduce revenue. We strive to pay

everyone competitively while being careful with health care dollars, targeting the 50<sup>th</sup> percentile for similarly sized organizations nationally for *all* staff. Actual compensation for senior leaders, which is set by community volunteers on the UVM Health Network Board of Trustees, is well below that target – and totals just over 1 percent of our organization’s payroll. We have prioritized ensuring the rest of our staff are paid competitively and are moving forward with planned increases for staff this year to make sure we’re supporting you and recruiting staff for needed positions.

I realize this is a lot of information to process, but as people who are here because you care about our patients, you deserve to hear the facts, not rhetoric. Everything I’ve shared with you has been shared previously, under oath, with the GMCB in either official public hearings or in written messages documented on their website. We intend to respond formally to the GMCB when we submit our revised budgets later this month and we will do our best to correct misinformation with you, our patients and our communities.

I’m sorry for the stress and anxiety this is causing. If you have questions about your specific area, I encourage you to speak to your leader.

Thank you for everything you do. We’re going to get through this together.

Sincerely,

Sunny

**Sunny Eappen, MD, MBA**

President and CEO, The University of Vermont Health Network