



# Vermont . . .

Public Oversight Commission

Gregory B. Peters, Chair

September 10, 2007

Commissioner Paulette Thabault  
Vermont Dept. of Banking, Insurance, Securities and  
Health Care Administration  
89 Main Street, Drawer 20  
Montpelier, VT 05620-3101

Ref: 2007 Hospital Budget Hearings

Dear Commissioner Thabault:

The purpose of this report is to provide observations and recommendations resulting from the August 21-23 budget hearings, the most important of which are highlighted in the following executive summary.

- The hospital component of the state's health care delivery system is under considerable financial stress from reimbursement pressure and manpower shortages;
- The aggregate rate increases requested by the hospitals are not affordable now, nor sustainable over the longer term;
- The system is self-perpetuating. Hospitals tend to add programs and services, requesting rate increases to cover revenue shortfalls and to maintain operating margins;
- Government underpayment is a hidden tax on both consumers and employers. This tax has a significant negative impact on Vermont's economy;
- The shortage of physicians, nurses and allied health professionals is creating considerable pressure on wages and is a major cost driver in health care;
- Hospital strategic plans don't adequately reflect planning for downside, or alternative scenarios;
- Rate increases should be driven down to the general rate of inflation over the next 3 years. Rate increases should not be granted to bolster operating margins;
- The HRAP should be updated to reflect a clear vision of what the delivery system should look like in 2020. That vision should be clearly reflected in the CON guidelines;

- Consumer information on hospital performance should be ranked annually, using price and quality as criteria;
- Incentives in the regulatory process should be aligned with desired outcomes. We should reward the solid performers, not continue to reward the underperformers.

The Public Oversight Commission would like to recognize the hard work and dedication of the BISHCA staff in preparation for the budget hearings. Hopefully the above observations and recommendations, along with the attached report, will be of value to you and the department as you develop the 2008 Hospital Budget Orders and further refine state health care strategy and policy.

Sincerely yours,

Gregory B. Peters  
Chairman  
Public Oversight Commission

Cc: Honorable James H. Douglas, Governor  
Douglas Racine, Chairman, Senate Health and Welfare Committee  
Steven Maier, Chairman, House Health Care Committee