

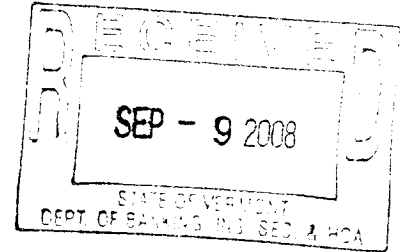


Vermont . . .
Public Oversight Commission

Gregory B. Peters, Chair

September 9, 2008

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



Ref: 2008 Hospital Budget Hearings

Dear Commissioner Thabault:

The purpose of this report is to provide observations and recommendations resulting from the August 26-28 budget hearings. They are as follows:

Major Observations:

- Overall healthcare delivery system cost increases are not sustainable;
- The budget and accompanying rate setting/cost regulation process is not working;
- There is a need for greater focus on utilization, quality and productivity metrics- not just cost;
- The HRAP is currently not useful as a tool for hospital strategic planning or for POC decision-making;
- The underfunding of government programs is creating tremendous stress on the rest of the system (cost shift);

In response to the above observations, The POC offers the following specific recommendations, in order of priority:

1. Revise the rate setting process; specifically go to a flat rate for all hospitals, initially set at CPI plus 2% for the next 3 years; longer term visibility on rates should provide management with greater clarity on revenue, encourage more effective strategic planning and yield more predictable results;
2. Fully-fund government initiated healthcare programs; if can't fully-fund, cut programs to fit what we as a state can afford; cost shift is killing Vermont

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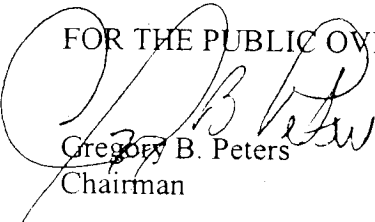
- competitiveness and deflating the real value of Vermonters' wages through excessively high, and escalating, commercial insurance premiums;
3. Tie incentives of cost, quality and productivity metric performance with the CON approval process; i.e. reward performance;
 4. Clarify the HRAP vision of what the healthcare delivery system should look like in the year 2020 and set goals for achieving/measuring progress toward achieving that vision.

Our report this year is purposely brief in the hope that its brevity and clarity may be more useful in helping drive actionable results.

The Public Oversight Commission would, once again, like to recognize the hard work and dedication of the BISHCA staff in preparation for the budget hearings. Should you wish to discuss the above observations and recommendations further, we would be pleased to do so with you.

Sincerely,

FOR THE PUBLIC OVERSIGHT COMMISSION



Gregory B. Peters
Chairman

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