Fact Sheet on University of Vermont Health Network Cuts and Closures

In the last month, we have received a lot of information about the Green Mountain Care Board's budget orders for the UVM Health Network, the UVMHN's planned service cuts and the community's response to the effects.

As a union, we wanted to show that the "facts" are not simply facts because our CEO is saying they are. Our union leadership has met with both UVMMC management and the GMCB, read the reports and examined this complex issue from every angle. Given that, here are the facts as we understand them. Apologies that this email is a long one, but this is important.

The GMCB did not "cut" the hospital's budget

The GMCB is not cutting the hospital's budget for FY25. They're increasing it by $64 million from FY24. UVMMC wanted significantly more, but the GMCB did not find it to be appropriate. To say that the budget has been cut isn't truthful.

The GMCB is not "penalizing" the hospital

The chair of the GMCB, Owen Foster, made it clear that UVMMC is not being "penalized". The UVMMC administration has gone over budget several times in the last few years, and the GMCB decided that their approved budget needs to be enforced this time. In fact, the GMCB does have some powers to directly penalize administrators who willingly violate budget orders, which they have not done.

The GMCB is an imperfect board, regulating a broken healthcare system. However, their goal is to look out for the people of Vermont by improving care and to try to reduce

the exploding costs of healthcare in this state. The notion that they're somehow the sole reason why these cuts are happening is simply false.

For more information on this particular issue, please refer to the following GMCB reports/statements:

GMCB Statement on the Service Cuts
GMCB FY25 Budget Order
GMCB Order to correct management's overspending from FY23

Revenue = Patient Care?
Sunny Eappen and other top administrators continue to say that net patient revenue = patient care and that capping revenue means that the amount of care delivered is also capped.

While cutting services reduces revenue, there are other ways too, such as reducing the high rates that the hospital charges patients. Some cuts to services may have been inevitable, but the GMCB's recommendations largely focused on increasing efficiency of patient placement and charging patients less. After all, UVMMC has some of the most expensive commercial prices in the country.

Meanwhile, the UVMHN administration says that reducing prices would not be effective, without providing much of an explanation why. They say "We've already been forced to cut prices by 1% by the GMCB." The GMCB's order did not force UVMMC to cut prices, however, it forced them to cut the rates the hospital charges commercial insurance providers (such as Blue Cross Blue Shield, United Healthcare, etc.) by 1%. Saying the GMCB already forced the hospital to cut prices is an oversimplification at best.

While Dr. Eappen, Dr. Leffler, etc. may be correct that lowering prices alone may not satisfy the entirety of the budget deficit, their insistence that the ONLY way to reduce revenue is to cut services is disingenuous. They are saying this in order to turn the public on the GMCB and deflect as much blame as possible off of the UVMHN.

Why isn't the GMCB forcing management to cut costs instead of revenue?
The GMCB does not have the power to cut costs for the hospital. Their power comes from capping revenue and capping commercial insurance rates that the hospital can charge. We are not here to defend the specific powers that the GMCB has or the way in which it is structured. However, UVMMC has the ability to comply with the reduction of revenue and then cut costs to adjust for the lower revenue.

One such cost cutting recommendation that we as workers/patients would prefer to see are "administrative costs that are significantly above benchmark," per the GMCB.

The UVMHN is a Top Heavy Organization

Dr. Eappen, Dr. Leffler, etc. have maintained that cutting admin costs would barely make a dent in the budget deficit. Obviously, as the top administrators, they are going to say that.

But it is a fact that the UVMHN has an administrative bloat problem. Healthcare in general has this issue, but multiple 3rd parties have pointed out ways in which the UVMHN is unique, such as in the 2024 Oliver Wyman Report:

University of Vermont Medical Center

FURTHER EXPLORATION IS NEEDED TO EXPLORE UVM'S PERFORMANCE ON COST AND ACCESS METRICS (1 OF 2)

We advise UVM to explore the following areas to improve the state of Vermont's healthcare costs with the counsel of an external consultancy.

Performance Areas	Recommendation	Rationale
Overhead Costs	Reduce administrative costs	• Total administrative costs including staff salaries significantly exceed benchmarks from other academic medical centers (>400% of peer benchmarks)[1] • UVM is the single provider system driving most of Vermont' statewide commercial spend: >56% of total statewide commercial hospital spend at UVM, >67% commercial hospital spend at UVM network hospitals[2]
	Reduce operating costs to Medicare payment levels	• Medicare payment to cost ratio in 2022 was lower than peer intuitions at 72% (<97% ratio indicates poor cost efficiency per MedPac 2024 report)[3]
Cost of Care	Revise outpatient and inpatient treatment protocols to reduce clinical variation to achieve 10% cost savings	• Clinical protocols can reduce care variations that lead to high-cost procedures, tests, etc.
	Evaluate financial sustainability of low volume (<50 patients) sub-specialty service lines for referrals to out-of-state medical centers, low volume procedures for other VT hospitals	• Highly specialized services with low patient volumes (e.g., kidney transplant program) and low volume procedures (e.g., small bowel resection) below clinical excellence thresholds may not be clinically / financially sustainable
	Explore emergency department referrals to community-based hospitals or community-based settings (including non-UVM network)	• Community-based providers deliver the same level or more appropriate level of care (e.g., outpatient / home-based settings) at a lower price
	Re-evaluate the need for population health management programs	• State of Vermont and private payers lack basic infrastructure to support population-based programs (e.g., financial and information system infrastructure), substantiating a closer examination of program performance

1. 56% of total statewide commercial hospital spend for UVMMC and 67% includes UVM affiliated hospitals: Central Vermont Medical Center and Porter Medical Center based on net payer revenue and fixed prospective payments in FY 2023
Sources: 1. GMCB Board Meeting in August 2024: analysis completed by Tom Rees, 2. GMCB Financial Records 2023, 3. GMCB Board Meeting in August 2024: analysis completed by Bartholomew-Nash & Associates, OW Analysis

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Some additional context we think is important to know:

The UVM Health Network employs 1 management level position for every 6 employees.

There are several high-paid administrative positions that are redundant at both the network and hospital level.

Nearly 1/3rd of physicians employed by the hospital are in administrative roles instead of patient care roles.

Sunny Eappen, despite the network failing many benchmarks in budgeting, safety, quality of care, etc. received nearly a half million dollar BONUS while laying off employees and closing down critical infrastructure to patient care. We're not going to argue whether or not he deserves his $1.3 million salary or call his skills/abilities into question. That being said, his defense of top level admin costs and ignoring major parts of the GMCB's cost cutting recommendations cannot be ignored.

Sunny Eappen and Steve Leffler have in virtually every email, town hall and media interview said they already cut $18 million in administrative expenses. To find out more details, the unions sent official information requests to see which admin positions are being eliminated, the estimated cost savings from the eliminated positions and the estimated pay reduction or freeze in executive positions. The hospital's response was to question the relevance of the questions, only revealing that "15 administrative positions will be impacted." Frankly, it's ridiculous that they question the relevance of these questions when publicly touting the $18 million number repeatedly. What do they have to hide?

Why are our Unions Defending the GMCB?

The truth is that we are not defending the GMCB. It is our job as union members to hold our employer accountable to these life-altering decisions, and to inform our members that the UVMHN administration is not blameless in these service cuts.

Their stories simply do not match the statements and reports being made by the GMCB, and it's important people know that.

Honestly, this battle between hospital executives, insurance companies and government regulators is just another example of why our country and state need a single-payer healthcare system (Medicare for All) like every other developed country in the world. The GMCB's original mandate (Act 48) was to create groundwork for single-payer in Vermont, and that conversation needs to be had. We welcome hospital leaders to have that conversation with us. As healthcare workers, we must hold our employer to the highest possible standard and look out for our patients and community.

Please fill out our petition to hold the UVMHN administration accountable and reverse the worst of the cuts. If you are interested in learning more about this, please reach out to me at jacob.berkowitz@supportstaffunited.org.

In Solidarity,

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