



Vermont Health Policy Perspectives

December 2004

Vermont Association of Hospitals and Health Systems • 148 Main Street • Montpelier, Vermont 05602 • 802-223-3461

President's Message: Timing is Everything

I don't know who coined the phrase "timing is everything," but it's been on my mind often in preparing for the new Legislative biennium. From my vantage point, significant progress has been made in healthcare reform this past year, but I worry about the months ahead.

Legislators will face some incredibly tough healthcare issues that need immediate resolution. The state Medicaid program faces an estimated \$20 million funding gap for the current fiscal year and a \$60-70 million gap for FY 2006. To make matters worse, this funding gap could widen by FY 2009 to a projected \$300 million unless changes are made. Finding additional revenue and painless opportunities to reduce expenses will be enormously challenging.

Add premium inflation to the equation. In 2002, the approved premium increase for Vermont businesses and individuals was 15.8%. The cost of a family policy in Vermont is \$10,800 per year and up, not counting deductibles and co-pays. Consider that expense in light of the median family-of-four income in Vermont at \$62,331 and the healthcare access crisis becomes apparent.

Here's part of the challenge. The underlying problems for Medicaid and premium inflation have been decades in the making. Our aging population needs more and more healthcare services every year – and the number of elderly patients using healthcare services is increasing dramatically, particularly our low-income elderly patients, those eligible for both Medicare and Medicaid coverage. Nationwide, the 37 million Medicare beneficiaries we care for today will increase to 77 million in just 20 years. The system we have today must be re-engineered to address this unprecedented demand.

Another reality is that fifty percent of patients have a chronic illness – a percentage that will increase to more than 75% in the next two decades. Unless we work together to keep our patients healthy and out of hospitals

and nursing homes, we will never have enough resources to meet patient needs, no matter how healthcare is financed.

Vermont is also one of a handful of states where neither Medicare nor Medicaid pays for the full cost of care delivered to beneficiaries. VAHHS estimates that the 2005 shortfall for hospitals in federal and state payments for services will top \$70 million. Some estimate that if government paid for the cost of care, hospitals would be able to decrease their prices by 30%. Of course, if the government paid for the cost of care, the required revenue would come from the source of essentially all healthcare funding: taxpayers.

The good news is that several important efforts are underway to try and create systemic change that will attempt to address some of the underlying reasons for spiraling costs, eroding access and quality concerns. As I've written before (See *Perspectives*, October 2004 at www.vahhs.org/newsletter.htm), the Vermont Blueprint for Health, Coalition 21, the Health Resource Allocation Plan (HRAP) and the VAHHS Reform Priorities are aligned efforts just getting underway (not to mention the pending federal Medicare Modernization Act, which will create new changes and challenges for Medicare beneficiaries and the State).

The HRAP when complete in July will provide us with an unprecedented "view" of our state healthcare needs and

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ACT 53: VERMONT HOSPITALS PRODUCE COMMUNITY REPORTS

As required by a new state law (Act 53), all Vermont hospitals have recently published two reports designed to help educate communities on hospital performance and to involve communities in the hospital planning process.

Under the new law, each hospital in Vermont is required to produce an annual "Community Report" to show community members how the hospital performs on a variety of quality, safety and financial measures. In addition, Act 53 requires each hospital to produce a "Community Needs Assessment" that describes healthcare related needs of the population living in the hospital's community.

The Community Report is organized around six key goals for improving healthcare outlined by the Institute of Medicine in 2001. The Institute's book, Crossing the Quality Chasm, states that healthcare should be:

- o Effective,
- o Patient-centered,
- o Safe,
- o Timely,
- o Efficient, and
- o Equitable

Together, Vermont hospitals spent roughly \$1 million to produce the community reports. These costs include staff time and production costs.

Vermont's hospitals fully support the public reporting of performance data. We recommend one significant change to the process in future years, which will require legislative action. Because of the cost of developing individual community reports, we believe the Division of Healthcare Administration (HCA) should produce a single, comparative report that would include data from all hospitals as they already do for health plans. Hospitals would retain their role of distributing the reports and meeting with their communities.

In March 2005, HCA will post the reports' data in a format that allows for comparison among hospitals on its website. In the meantime, each report is available on the VAHHS website, www.VAHHS.org, and at the HCA website, www.bishca.state.vt.us. Click on "To Healthcare" to get to the report.

STATEWIDE COLLABORATION AND SHARING OF BEST PRACTICES

Vermont's hospitals have demonstrated a tremendous commitment both to increasing transparency and to improving performance. They have recognized that they have much to learn from each other and from hospitals across the country.

More than a year ago, all Vermont acute care hospitals agreed to participate in the voluntary America Hospital Association Quality Initiative - an effort that publicly reports data on similar measures. Vermont was one of the first states in the country to achieve 100% participation.

Vermont hospitals are the first in the nation to achieve statewide participation in a national effort to develop "breakthrough improvements" in the delivery of healthcare. The effort, IMPACT, is a project of the Institute for Healthcare Improvement and includes over 100 hospitals nationwide. IMPACT encourages its members to see themselves as a working community that focuses on collaboration, innovation, and results. Hospitals are working on projects that range from access to primary care to reducing surgical site infections.

Two years ago, VAHHS in partnership with the Northeast Healthcare Quality Foundation (NHCQF) began a statewide improvement initiative focused on heart attacks, heart failure and pneumonia. They have recently added surgical site infections to the project. That process has included sharing data and improvement strategies; reviewing strategies used by hospitals around the country; on-site audits of patient care by the NHCQF; on-site meetings with the NHCQF and key hospital staff, physicians and administrators; and presentations by the NHCQF to all hospital CEOs identifying the strengths and weaknesses of their systems.



VPQHC COLLABORATIVE: SIGN UP NOW!



The Vermont Chronic Care Collaboratives are all about health care professionals and communities partnering together to find ways to improve the care of diabetes and heart disease

through accelerated learning, innovation and change. The Collaboratives also serve as a laboratory for change informing the Vermont Blueprint for Healthcare, a statewide public private partnership to advance the Chronic Care Model.

The Third Collaborative will begin in April 2005, and you are invited to participate.

Through participation in the Collaborative, your practice or clinic will:

- Share experiences, materials and lessons learned with other teams
- Develop a proactive approach to care of diabetes and heart disease
- Reorganize your practice system to better meet patient needs
- Understand the value of clinical information systems in chronic care
- Make progress in meeting other quality-based accreditation standards as required by your organization
- Increase job satisfaction among your staff
- Demonstrate leadership in your community
- Have an opportunity to work with health plans and community resources to foster and reward quality

Each practice team, consisting of health care providers and their staff, will test a series of small-scale changes in consultation with other teams and experts from around the state. This rapid-cycle improvement method will result in a diabetes and heart disease prevention and management program that is tailored to individual practices. Practice management consultation will be available.

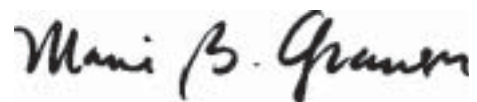
For additional information or to register a team, contact Dail Riley at 802-229-2152 or e-mail her at Dail@vpqhc.org before February 11, 2005.

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available resources. The Blueprint is fully engaged in actually implementing changes at the patient and provider level that have begun to improve care (and fewer expensive complications) for patients with diabetes. The long-term vision for the Blueprint is to "spread" these improvements over our entire healthcare system. Coalition 21 just succeeded in corralling 40 diverse stakeholders, ranging in ideology from the Chamber of Commerce to Vermont Healthcare for All in agreeing on five fundamental reform principles. No small feat, although it is just the beginning of what this group hopes to accomplish. The VAHHS Seven Reform Priorities for starters have already resulted in hospitals leading the nation in efforts related to quality improvement and the development of a statewide health information technology strategy.

All great stuff - critical in fact - toward solving our system's problems. With the exception of the HRAP, they are all very frail efforts. Like healthcare, healthcare reform efforts are very labor-intensive, complex and expensive. Most of the efforts mentioned (there are others too I haven't even mentioned here) are under-funded and have been driven by both hard-working volunteers and health policy stakeholders who have other full-time responsibilities.

The timing of these efforts couldn't be better - or worse - depending on your point of view. The timing is great in the sense that many of the health-policy "stars" seem to be aligned. In particular, changes on the federal level related to quality and increased federal guidance and support on issues such as HIT will help current Vermont-based efforts. On the other hand, Vermont's current funding realities could mean that these efforts will remain under-supported in order to address the Medicaid crisis and other short-term priorities. Allocating precious resources is never easy, but many stakeholders, including VAHHS, stand ready to work with legislators to address our short-term issues while supporting these vital longer-term solutions.





VAHHS 2005 EDUCATIONAL CALENDAR

FEBRUARY 17TH	IHI SHARING SUMMIT FIRESIDE INN, W. LEBANON, NH
MARCH 9TH	"HOSPITAL DAY" AT THE STATE HOUSE MONTPELIER, VT
MAY 23RD	RURAL CONFERENCE TOP NOTCH RESORT, STOWE, VT
SEPTEMBER 7TH-9TH	VAHHS ANNUAL MEETING STOWEFLAKE RESORT, STOWE, VT
NOVEMBER 15TH	VAHHS SHARING SUMMIT KILLINGTON GRAND, KILLINGTON, VT
NOVEMBER 16TH	JCAHO EDUCATION SESSION KILLINGTON GRAND, KILLINGTON, VT

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