

THE BIG PICTURE

Moving Forward with Purpose & Promise



| March 4, 2026

I want to share an update on our financial performance and the work ahead of us as we prepare for Fiscal Year 2027. Our year-to-date performance is a complex story highlighting both progress and challenges that are only going to grow larger in the coming months and years. First, **the good news**: looking at October 2025 through January 2026, we are slightly ahead of budget. Our year-to-date operating margin stands at 0.5% which is barely above breaking even, but in the nonprofit hospital world, it's cause for celebration. Thank you for your part in this achievement.

The not-so-good news is that this performance is driven by a one-time boost of more than \$1 million in revenue related to pharmaceutical transactions. Without it, we would be trailing our budget and in fact, posting a net operating loss for the first four months of this fiscal year.

Why is staying on budget so important? Because it allows us to deliver on our promise to this community to provide the high-quality care our patients need and depend on. The continued healthcare workforce shortage, rising labor and supply costs and higher demand for services ask us to continually evaluate and assess our work ensuring that it aligns with the needs of our community and supports a financially sound future.

While there's a lot of great work in that regard underway, we need to recognize that we are not yet where we need to be. Like all partners in University of Vermont Health, we are preparing next year's (beginning October 1) budget as the pressures — on federal, state and regional levels — mount.

The effects of HR 1 (aka the Big Beautiful Bill) are coming into focus. We are seeing an increase in uninsured patients and can expect more bad debt write-offs. Anticipated changes to Medicaid coverage will likely accelerate this trend and a lower Medicaid enrollment could jeopardize our participation in vital programs like the 340B drug pricing discount program.

We know that FY27 will bring even stronger headwinds as additional changes in state and federal health care legislation take effect. Close to two-thirds of our patients are covered by Medicare and Medicaid so a reduction of any amount has an impact on our financial picture. While negotiations with private insurers, such as Anthem and UnitedHealthcare, continue, even strong contracts with them won't offset the impact of lower government payer reimbursement.

Stepping up the work to better manage expenses and improve revenue will be a major focus in the days ahead. Long-term sustainability requires steady and constant examination of our expenses, including wages and benefits, and a willingness to always be asking, "how can we do this differently to make better use of resources?"

There is no single lever we can pull to offset these pressures — no quick fix. **Maintaining our role as the North Country's essential health care provider requires collaboration, diligence, and embracing the notion that change is the one constant in our world.** I believe our organization can meet this moment because its foundation is based on strong people who care deeply about our patients and community. A webpage has been set up to continue to share how we're adapting to today's health care challenges.

Visit UVMHealth.org/NNYToday to learn more.

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ALICE HYDE MEDICAL CENTER
CHAMPLAIN VALLEY PHYSICIANS HOSPITAL

Rural Hospitals Continue to Struggle

Many rural facilities are ill-equipped to navigate further reductions in government payments and an increasing number are making difficult decisions to close services or reduce the number of their inpatient beds. Earlier this year, Claxton-Hepburn/Carthage in St. Lawrence County filed for bankruptcy, laying off 120 employees.

Town Hall Meeting Wednesday, March 11

Join me for a virtual Town Hall Meeting Wednesday, March 11 at 1 pm, where we'll discuss our current financial picture, the preparations underway across our health system for the Fiscal Year 2027 (which begins Oct. 1) and the variety of pressures playing a role in both.

I encourage you to ask questions and to share your ideas and concerns. It is a great opportunity to contribute to the work ahead and be part of the broader discussion about navigating our industry's shifting landscape while continuing to care for our patients and this community.



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