Gov. Juan F. Luis Hospital & Medical Center

Schneider Regional Medical Center
Three Facilities, One Healthcare System, One Vision

V.I. GOVERNMENT HOSPITAL AND HEALTH FACILITIES CORPORATION

Office of the Chairman ***340-772-7324***

April 11, 2025

Senator Milton E. Potter
Senate President of 36th Legislature
Legislature of the Virgin Islands
Capitol Building
P.O. Box 1690
Charlotte Amalie, St. Thomas VI 00804

E-mail: mpotter@legvi.org

Re: Special Session on the Financial Position of the U.S. Virgin Islands Hospital System

Dear Senate President Potter,

We begin by recognizing and commending the extraordinary service of our physicians, nurses, allied health professionals, and support staff. These individuals continue to deliver high-quality, compassionate care under extraordinarily challenging conditions, and their efforts are the foundation of our healthcare system. Their unwavering commitment to patient care continues to inspire and guide our mission.

On behalf of the Governing Board of the Government Hospitals and Health Facilities Corporation (GHHFC), I extend our sincere appreciation to the 36th Legislature for convening this special session to address the financial condition of the U.S. Virgin Islands hospital system and its subsidiary hospitals. We also acknowledge the continued support of both the Legislative and Executive branches and are grateful for your recognition of the vital role these institutions play in the health and well-being of all residents and visitors to our Territory.

The Corporation acknowledges that the current financial challenges stem from longstanding structural inefficiencies that have impaired vendor payments, staffing, revenue cycle management, and the overall sustainability of operations. These conditions have been further exacerbated by chronic cash flow limitations, which have prevented timely investment in necessary systems and services. To that end, we respectfully submit the following recommendations, grouped into immediate, mid-term, and long-term priorities:

Immediate Priorities

1. **Stabilization Funding:**
   The Corporation seeks short-term stabilization support to address critical vendor obligations and protect access to core patient care services. While this assistance is necessary in the near term, it must be accompanied by structural changes to ensure sustainability and avoid the cyclical nature of emergency relief.

Vendor Debt Relief

2. Persistent cash flow constraints have led to accumulating vendor debt, operational bottlenecks, and reputational harm. The $6 million loan acquired by JFL in early 2024 to temporarily address payables is a clear indicator that structural changes—not simply temporary cash infusions—are necessary to improve the financial position of the hospital system. This loan addressed short-term obligations but did not resolve the underlying inefficiencies or operational limitations.

   The approximately $80 million in outstanding vendor debt across SRMC and JFL has accrued over decades of underpayment to essential service providers, suppliers, and support contractors. This debt reflects a long history of fiscal imbalance that can no longer be managed with temporary or incremental measures. The Corporation urges the Legislature to establish a reliable funding source to support a bond issuance, enabling the system to make vendors whole and responsibly manage future debt service obligations.

Mid-Term Priorities

3. **Operational Rightsizing and Efficiency Measures**

   The Corporation is currently undertaking a strategic restructuring initiative to modernize its administrative and operational framework. This initiative is guided by Ernst & Young Healthcare Consulting (EY), which is conducting a comprehensive assessment of the system's administrative, financial, and technological infrastructure.

   As a first step in this reorganization, the Corporation has begun recruiting for a centralized Chief Financial Officer (CFO) and Chief Technology Officer (CTO). These executive roles are intended to lead the centralization of finance and information technology functions across the hospital system. Upon completion of EY's full review, the Corporation plans to extend this centralization to additional administrative areas to reduce duplication, increase oversight, and fully leverage economies of scale.

   A key component of this operational transformation is the modernization of core technology systems. The Corporation strongly endorses the request for funding to transition to MEDITECH as a Service (MaaS), a modern, cloud-based, integrated electronic health record system. The current legacy platforms hinder effective supply chain management, timely revenue collection, and the seamless delivery of clinical services. Upgrading to MaaS will improve data integration, compliance, and decision-making capabilities, ultimately enhancing care quality and operational efficiency across all facilities.

4. **Revenue Cycle Management**

   Through a competitive RFP process currently underway, the Corporation is working to secure a new Revenue Cycle Management (RCM) vendor with the expertise to strengthen charge capture, streamline billing processes, improve coding accuracy, reduce denials, and increase collections across the system. These enhancements are essential to reversing historical revenue leakage and positioning the hospitals for long-term sustainability.

   A modern, data-driven RCM solution will also enable better analytics, forecasting, and performance tracking to guide administrative decision-making. It will allow leadership to focus more resources on direct patient care rather than administrative overhead. Additionally, the selected RCM partner will be expected to support training and development of internal staff, ensuring knowledge transfer and continuous performance improvement.

   The results of the RFP are expected to be presented to the Board at its upcoming meeting on April 23, 2025, at which point a decision will be made to proceed with implementation.

5. **Physician Workforce Modernization**

   The Corporation acknowledges that the last Collective Bargaining Agreement (CBA) with the Association of Hospital Employed Physicians (AHEP) was executed in the early 2000s, and we fully recognize the importance of returning to the table to modernize and formalize this critical relationship. Under the leadership of previous Chairman Christopher Finch, the Board encountered numerous bargaining units operating under expired CBAs and placed significant emphasis on bringing them current. Several CBAs were successfully renegotiated, including agreements with the Registered Nurses Leadership Union (RNLU) and the Virgin Islands State Nurses Association (VISNA), representing staff nurses and nurse supervisors, respectively.

   The RNLU negotiations were prioritized in response to a severe nursing crisis. At SRMC, during the height of the pandemic, travel nurse costs soared to over $1 million per month. The successful implementation of new nurse staffing contracts has significantly reduced reliance on contract labor, resulting in immediate and sustained financial relief, improved staffing consistency, and operational stability.

   The Corporation now seeks to achieve a similarly transformative outcome with AHEP by implementing a modern physician compensation model. This model would support the full employment of physicians and allow the hospital to bill for professional services. It would also establish a platform for expanding integrated outpatient services, promoting greater continuity of care and coordinated service delivery to the public. These services would not only improve access and consistency of care but would also provide an additional and sustainable funding stream.

Moreover, this transformation would generate a compounding benefit across the hospital system. With fully employed physicians at the center of care, departments such as pharmacy, laboratory, radiology, and rehabilitation would be better positioned to support those patients consistently and efficiently. This model enhances the quality and coordination of services while maximizing the clinical and financial value of each patient interaction.

6. **CRNA Supervisory Requirements**

We respectfully request legislative consideration of updated laws regarding Certified Registered Nurse Anesthetists (CRNAs). Granting CRNAs greater independence would increase surgical capacity, reduce dependence on contracted anesthesiologists, and address the growing revenue gap tied to underutilized surgical services.

Currently, 25 states and Guam have granted CRNAs full practice authority, allowing them to administer anesthesia without physician supervision. This model has proven especially effective in rural and underserved areas, where CRNAs represent over 80% of anesthesia providers and are often the sole anesthesia care providers. Evidence also shows that patient outcomes in states where CRNAs practice independently are comparable to those in states requiring physician supervision.

Aligning our laws with these national trends would allow hospitals in the Virgin Islands to enhance surgical access, alleviate provider shortages, and reduce reliance on high-cost locum tenens anesthesiologists. Expanded CRNA autonomy supports more efficient, sustainable, and patient-centered delivery of surgical services.

Long-Term Strategic Priorities

7. **Medicaid Policy Reform**

We respectfully ask that the Legislature consider **decoupling the 17% local Medicaid match** from the hospitals' general fund allotment. Currently, the federal government covers 83% of Medicaid expenditures, with the local government expected to contribute the remaining 17% in local funds to satisfy the full match requirement. However, this 17% is not directly transferred or paid on behalf of the hospitals. Instead, the hospital system's monthly allotment is presumed to include this local match—despite no actual transfer being made to Medicaid for this purpose.

This practice not only limits transparency but also places an unfair financial burden on the hospital system. The current allotment is expected to simultaneously cover the implicit Medicaid match and the full cost of uncompensated care—including services for uninsured individuals and abandoned patients (commonly referred to as "boarders")—despite the legal obligation of the hospitals to treat all patients regardless of ability to pay.

As a result, the hospitals are constrained in their ability to plan, budget, and operate effectively. To address this structural deficiency, we respectfully request that the Legislature require the 17% local Medicaid match to be paid directly through the Department of Human Services—*in addition to* and *not within* the monthly hospital allotment. We further request that the Legislature advocate for and require the Department of Human Services to submit a State Plan Amendment (SPA) to the Centers for Medicare and Medicaid Services (CMS) to allow hospitals to bill for professional services rendered by their fully employed physicians. This adjustment would level the playing field with private providers, significantly improve the hospitals' ability to recruit and retain physicians and ensure that Medicaid—currently comprising approximately 30% of the patient population—becomes a more reliable and equitable funding source for physician compensation and care delivery.

8. **Retirement Plan Flexibility**

Recruitment and retention of clinical and administrative personnel are hindered by the lack of flexible retirement options. We request that the Legislature authorize a **tiered retirement structure** like the one used by the University of the Virgin Islands, allowing a defined contribution plan as an alternative to the GERS-defined benefit structure. This would make our employment offering more competitive, especially for transient, hard-to-recruit professionals such as physicians and specialists.

Flexible retirement plans are increasingly important in attracting younger professionals who prioritize portability and control over their retirement savings. According to the Pew Charitable Trusts, 60% of workers under 30 do not expect to remain with their current employer until retirement, underscoring the need for retirement plans that accommodate career mobility. Additionally, a report by Wilmington Trust indicates that 47% of employees consider the availability of retirement plans a significant factor in their decision to join an organization.

By offering flexible retirement options, we can enhance our ability to recruit and retain a dynamic workforce, ensuring that our healthcare system remains robust and responsive to the needs of our community.

9. **Senior Abandonment Legislation**

The Corporation respectfully asks the Legislature to consider enacting laws to address the long-standing issue of elderly and incapacitated individuals being abandoned in hospitals, referred to as "boarders." These individuals often remain in acute care settings far beyond the medical necessity of their stay, occupying critical beds and driving up operational costs. For every boarder occupying a bed, there is one less bed available for a patient scheduled for an elective surgery—leading to cancellations and delays. It may mean a patient who has been stabilized in the emergency room cannot be transferred to the medical ward because no inpatient bed is available. As a result, emergency room beds are tied up, leading to longer wait times for incoming patients in urgent need of care. Legislation would provide a legal framework for appropriate discharge planning, coordination with long-term care services, and family accountability.

10. **Medical Technology and Economic Development**

    The Corporation is planning to engage the University of the Virgin Islands' Research and Technology Park (RT Park) to explore the potential development of a **Medical Technology Park**. This proposed initiative would aim to attract private-sector healthcare partners to the Territory, expand access to telemedicine and diagnostic services, and position the Virgin Islands as a regional hub for digital health innovation. If, through collaboration, the RT Park determines that such an initiative is viable and aligned with its strategic goals, the Corporation intends to return to the Legislature and Executive Branch to formally request support for its development and implementation. If realized, this model could significantly improve patient care delivery while generating new revenue streams to strengthen the Territory's healthcare infrastructure.

In closing, the Corporation remains committed to transparency, accountability, and long-term transformation. While short-term support is deeply appreciated and urgently needed, we respectfully emphasize that only sustained reform—across funding mechanisms, workforce policies, and structural operations—will lead to the stability and future viability of the Territory's hospital system. We look forward to working in close collaboration with the Legislature, Executive Branch, and our community stakeholders in pursuit of this shared goal.

Thank you for your leadership and partnership in this vital matter.

Respectfully submitted,

Dr. Jerry R Smith, PT, DPT, MHA, ATC
Chairman, VI Government Hospital & Health Facilities Corporation
Territorial Board

Cc: Albert Bryan, Jr., Governor of Virgin Islands of United States
Stacey Plaskett, Delegate to Congress
Members of the 36th Legislature
Members of VI Government Hospital & Health Facilities Corporation