

**Green Mountain Care Board  
Hospital Budget Policy and Guidance:  
Physician Transfer and Acquisitions**

**Introduction**

In 2013, the Green Mountain Care Board (GMCB) voted to adopt budget review guidance for hospitals for fiscal years (FYs) 2014 through 2016. *See Guidance and Principles Governing the Green Mountain Care Board Hospital Budget Review Process for Fiscal Years 2014 through 2016.* The guidance referenced the GMCB’s intention to “create an expedient process to review all physician transfers.” For FY 2016, the GMCB adopted a written policy that outlined the information that an acquiring hospital must provide to the GMCB to enable it to monitor the impact of any physician transfer or acquisition on the hospital’s budget.

Act 143 of 2016<sup>1</sup> outlines specific criteria that the GMCB is required to include in its physician transfer<sup>2</sup> policy.<sup>3</sup> This document contains guidelines for hospitals that include those criteria, and supersedes the GMCB’s FY 2016 policy document previously approved by the GMCB.

**Background**

The GMCB is charged with improving the health of Vermonters while controlling and managing costs in the state’s health care system. Through the hospital budget review process, the GMCB can measure and track increases in health care spending for a segment of the system by focusing on the year-to-year growth of net patient revenue (NPR). An underlying principle for this review is to limit growth to a pace comparable to other sectors of the Vermont economy.

In Vermont, the majority of practicing physicians are employed by hospitals. When independent physicians move from outside of the hospital system to within, the dollars associated with the physician practice also shift to the hospital. Though these are not “new” dollars in the overall health care system, they can have a substantial impact on the acquiring hospital’s budget and NPR, and must be appropriately accounted for in the GMCB’s review process. Implementing a consistent policy for examining hospital physician acquisitions and transfers can help the GMCB to understand the net effect of these transactions on the growth in spending of the entire system and the impact on NPR and overall budget.

**Policy Guidelines**

Effective January 1, 2017, this policy is established to better understand and recognize the effect on hospital budgets as a result of physician acquisitions and transfers during the course of the current fiscal year, to appropriately document such changes in order to re-establish the current

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<sup>1</sup> The language of Act 43 (2016) § 1 is included at the end of this document.

<sup>2</sup> The term “physician transfers” will be used to denote “physician transfers and acquisitions.”

<sup>3</sup> The Act 143 criteria, although applicable to “physician acquisitions and transfers,” appear only applicable to transfers *into* a hospital, rather than out, and this policy similarly does not expressly address provider departures.

year budget base, and to satisfy legislation passed in 2016 concerning physician transfers. Note that the GMCB is not imposing a requirement that each physician transfer be approved by the GMCB separate from or in addition to the hospital budget review process.

The following guidelines are effective January 1, 2017:

- Hospitals should notify the GMCB of a physician transfer or acquisition by filing reporting documents, as shown below, at least 30 days prior to the transfer or acquisition. Upon review of the reporting documents, the GMCB may establish a new budget base for filings received no later than May 1.
- Where supported by the reporting documents, the GMCB will issue an updated Budget Order within 30 days of the date of the physician transfer or acquisition.
- Following issuance of an updated Budget Order, the acquiring hospital should consult with GMCB staff regarding submission of the updated budget information through the Adaptive reporting tool.
- For physician transfers occurring after May 1, an acquiring hospital should include the physician transfer reporting documents with its July 1 budget submission.

### **Confidentiality**

Vermont's Public Records Act specifically exempts from public disclosure "business records or information . . . which gives its user or owner an opportunity to obtain business advantage over competitors who do not know it or use it," 1 V.S.A. § 317(c)(9), and records related to contract negotiations. 1 V.S.A. § 317(c)(15). The GMCB recognizes that disclosing details of a pending physician transfer or acquisition transaction before they are agreed upon could hamper the parties' ability to negotiate, and could place the parties at a competitive disadvantage with respect to non-party hospitals or other providers. Accordingly, hospitals may request that the GMCB keep physician transfer information confidential and, assuming it meets either or both of the statutory exemptions, the GMCB will treat the information as confidential.

### **Reporting Requirements and Documentation**

#### **1. Notice to patients**

Act 143 requires a hospital to provide written notice about a new transfer or acquisition of health care provider(s) to each patient served by the health care provider(s). The notice shall:

- Notify the patient that the provider is now affiliated with the hospital;
- Provide the hospital's name and contact information;
- Notify the patient that the change in affiliation may affect the patient's out-of-pocket costs, depending on his or her health insurance plan and the services provided; and
- Recommend that the patient contact his or her insurance company with specific questions or to determine actual financial liability.

The hospital should include one copy of the written notice, not including patient name or any patient identifier, with the reporting documents outlined below.

## 2. Reporting documents

For transfers or acquisitions occurring no later than May 1 (“off-cycle transfers”), the hospital should file Schedules A and B (available in Excel format at <http://gmcboard.vermont.gov/hospital-budget>) with the GMCB at least 30 days prior to the transfer’s effective date. Both a full annualized effect and a partial year effect should be completed for these transfers.

Physician acquisitions and transfers occurring after May 1 should be reported with the annual budget submission in accordance with the instructions outlined below

In addition, a hospital may file any other information it deems appropriate to further describe the budget effect of the physician transfer. The GMCB may also request additional information to assist it in its review.

- 1) Off-cycle Budget change (transfers occurring after budget approval but no later than May 1)
  - a. Budget Schedule A will be required to provide financial information about why the transaction is budget-neutral.
  - b. Budget Schedule B will be required to provide financial information about the effect on the current year and the next projected budget.
  - c. A narrative must be submitted with the Schedules to describe the physician transfer and any related budgetary issues.
- 2) Annual Budget Submission
  - a. Budget Schedule A will be required to provide financial information about why the transaction is budget neutral.
  - b. Physician budget detail will be reported as described in the GMCB User’s Guide for Adaptive Insights.
  - c. The narrative will include a brief description of the transfer as outlined on page 6 of this document.

### Physician Practice Transfer and/or Acquisitions Worksheet - Budget Schedule A

Hospital Name:

Physician Practice Name:

Effective Date of Transfer or Acquisition:

Please include a brief letter or narrative explaining the transfer/acquisition.

**Physician Practice Financial Information**

	A	B	C
	Prior Year 12 Months	Current Year Projection 12 Months	Partial Current Year Projections
Gross Patient Care Revenue			
Deductions from Revenue			
Net Patient Revenue - Physician			
Provider Salaries			
Provider Fringe Benefits			
Staff Wages & Benefits (Non MD)			
Malpractice			
Depreciation/Amortization			
Rent			
Billing Service			
Medical/Surgical Supplies			
Other Costs			
	\$	\$	\$
Total Operating Expense	-	-	-
	\$	\$	\$
Net Operating Income/Loss	-	-	-
Utilization			
Relative Value - Units of Service			
Total Physician FTEs Acquired or Transferred			

A: The operations of the practice for the previous 12 months.  
 B: The operations of the practice for the projected year (12 months).  
 C: The operations of the practice from the beginning effective date of transfer to year end.

Physician Practice Transfer and/or Acquisitions  
Worksheet - Budget Schedule B

Hospital Name:
Physician Practice Name:
Effective Date of Transfer or Acquisition:

Please include a brief letter or narrative explaining the transfer/acquisition.

Hospital Budget and Physician Practice  
Financial Information

Partial Year Effect

	Prior Year 12 Months Actual	Current Year Approved Budget (12 Months)	Partial Current Year Projections	Final Current Year Budget Including Change	% Change from Original Budget
Net Patient Revenue - Hospital			\$ -	\$ -	
Net Patient Revenue - Physician				\$ -	
<b>Total Net Patient Revenue</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
Other Operating Revenue					
Expenses - Hospital			\$ -	\$ -	
Expenses - Physician				\$ -	
<b>Total Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Surplus</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	

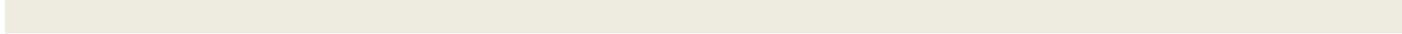
Annualized Effect

	Current Year Approved Budget (12 Months)	Annualized	Budget for Next FY Including Change	% Change from Original Budget
Net Patient Revenue - Hospital	\$ -	\$ -	\$ -	
Net Patient Revenue - Physician	\$ -	\$ -	\$ -	
<b>Total Net Patient Revenue</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
Other Operating Revenue				
Expenses - Hospital	\$ -	\$ -	\$ -	

Expenses - Physician

\$	\$	\$	\$
-	-	-	-
\$	\$	\$	\$
-	-	-	-
\$	\$	\$	\$
-	-	-	-

Surplus



Policy effective January 1, 2017

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**Act 143 of 2016 § 1.**

**Sec. 1. GREEN MOUNTAIN CARE BOARD; NOTICE TO PATIENTS OF NEW AFFILIATION**

The Green Mountain Care Board shall maintain a policy for reviewing new physician acquisitions and transfers as part of the Board's hospital budget review responsibilities. The policy shall require hospitals to provide written notice about a new acquisition or transfer of health care providers to each patient served by an acquired or transferred health care provider, including:

- (1) notifying the patient that the health care provider is now affiliated with the hospital;
- (2) providing the hospital's name and contact information;
- (3) notifying the patient that the change in affiliation may affect his or her out-of-pocket costs, depending on the patient's health insurance plan and the services provided; and
- (4) recommending that the patient contact his or her insurance company with specific questions or to determine his or her actual financial liability.