

Green Mountain Care Board

Vermont Hospitals
Update on Hospital Budget
Performance Reviews

For discussion purposes

Prepared June 22, 2016

Update on discussions with hospitals on review of actual 2015 operating results

- The FY 2015 budget reviews identified a need to examine our current enforcement (budget performance review) policy
- Our discussions have assumed going forward that the Board will want to continue to limit NPR growth and will want to constrain hospital commercial rate increases
 - Budget Performance Review must be transparent and less complex
 - Board guidance needs to provide accountability “guardrails”
 - Provide a context – How do we define success?
 - Examine performance of the GMCB regulatory processes
 - Hospital budget relationship to insurance rates
 - Compare Vermont spending with U.S. benchmarks
- What additional guidance can we provide for the FY 2017 budget hearings?
- Ongoing and future work – address other questions about process and expectations to improve hospital budget review performance

Update on discussions with hospitals on review of actual 2015 operating results

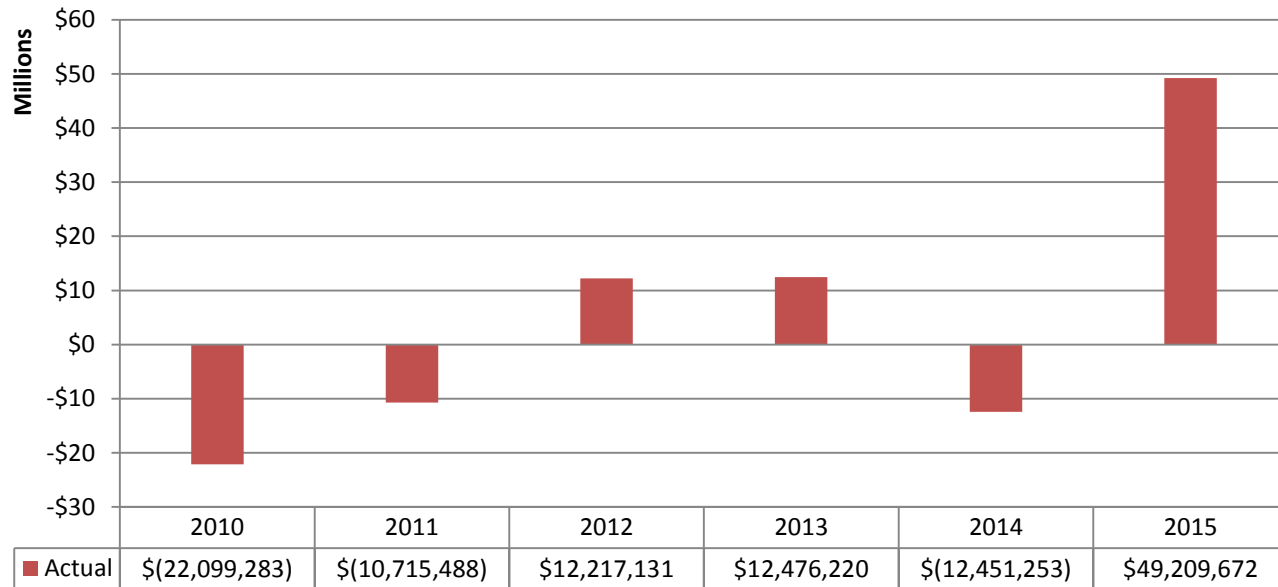
- What occurred in the review of FY 2015 actuals?
- How has the hospital budget review guidance worked?
- What has happened to rate (price) increases?
- How do we compare to National benchmarks?

Net Patient Revenue Change

The hospital system has been very close to budget the last several years, except for FY 2015. The 2015 actuals were heavily influenced by significant payer shifts.

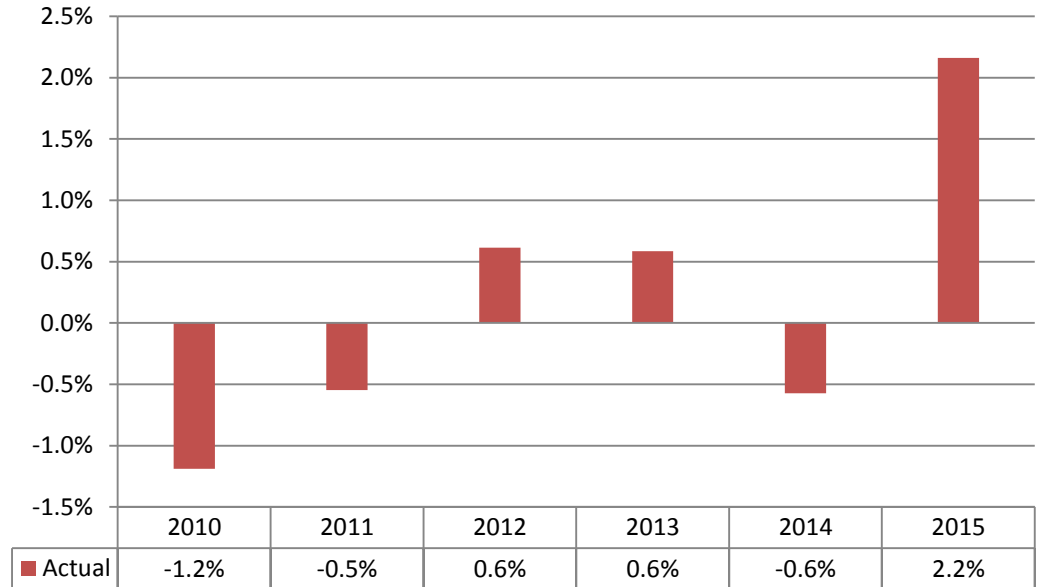
**Budget Performance
Over (under) Budget**

Vt. Hospital System



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Vt. Hospital System

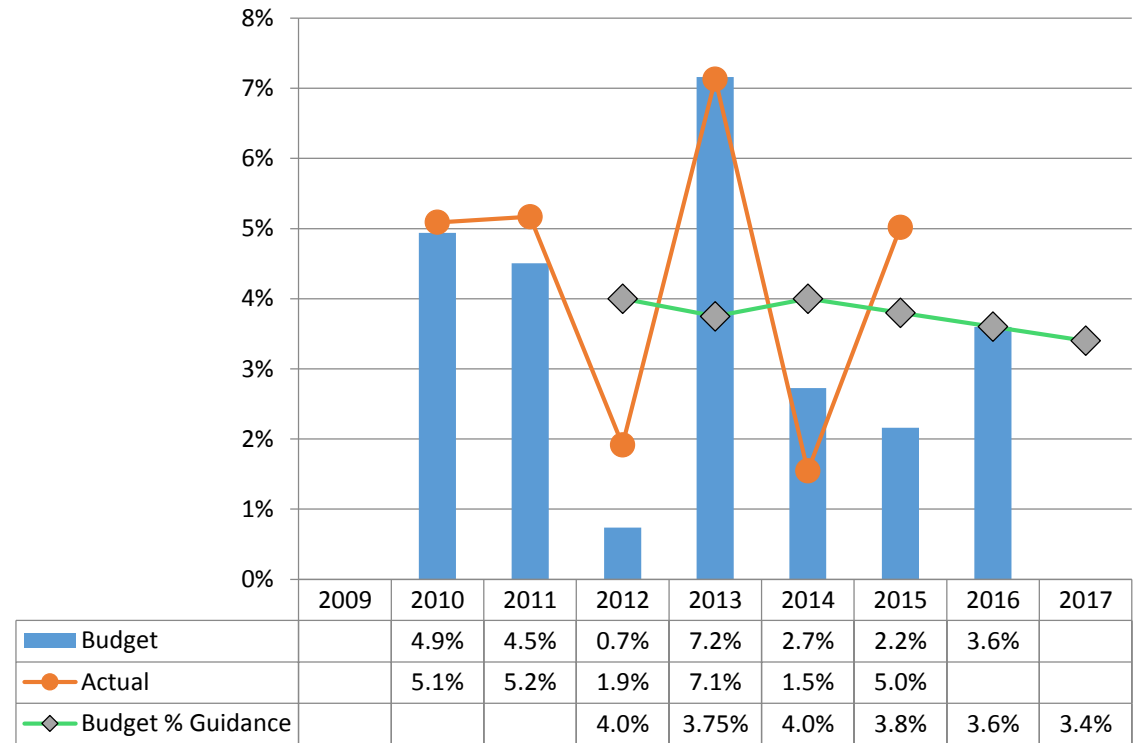


Note: Net patient revenues are earned by providing services to patients. These revenues are used to pay for expenses to deliver care. An operating surplus is also generated to support capital and debt.

Net Patient Revenues Change

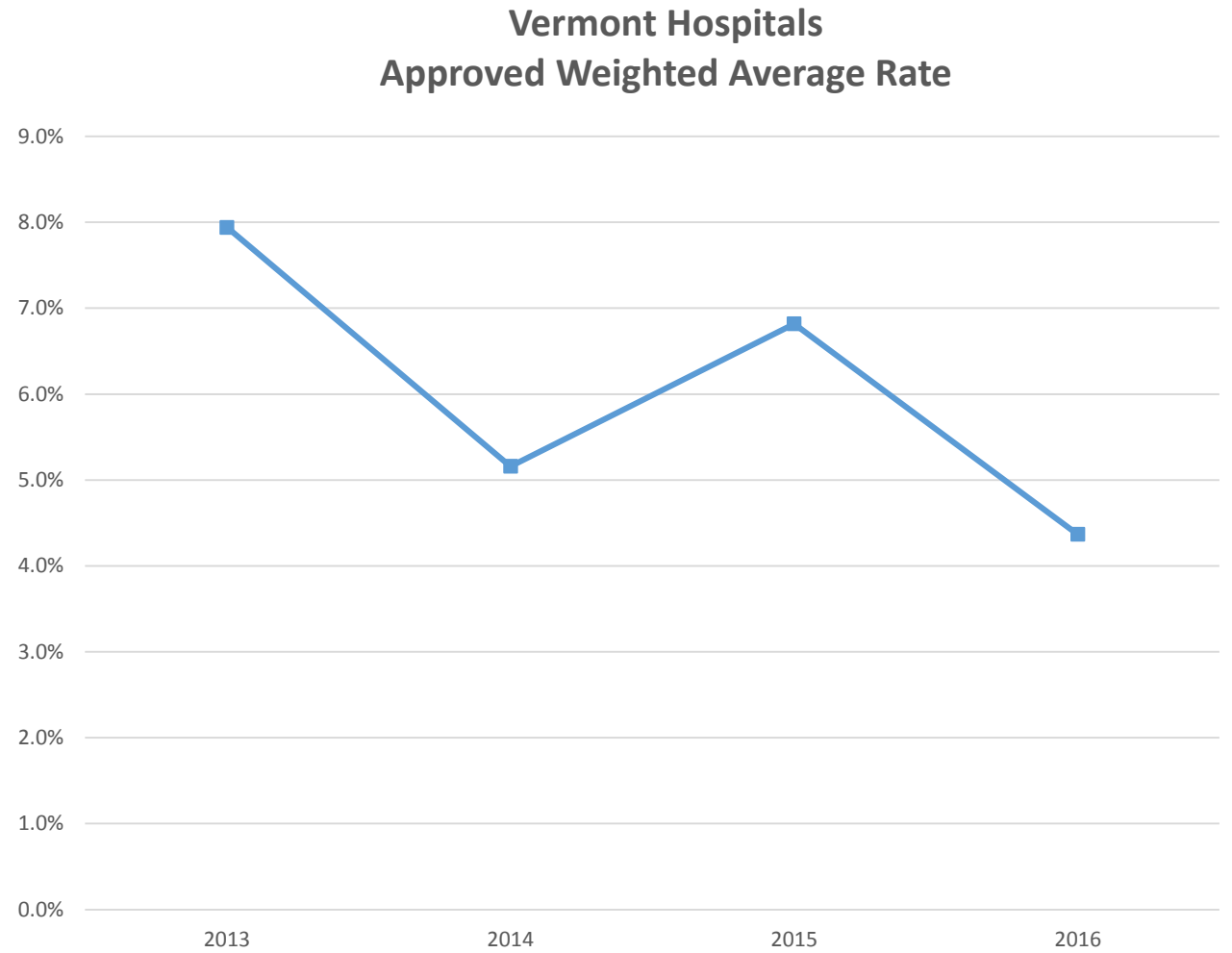
The average annual change from 2010 to 2015 is 3.4% for budget; 4.1% for actual.

**Budget Performance
Net Patient Revenues
Annual Increase
Vt. Hospital System**



Hospital rate (price) increases over time

The straight average change from 2013 to 2016 is 6.1%.



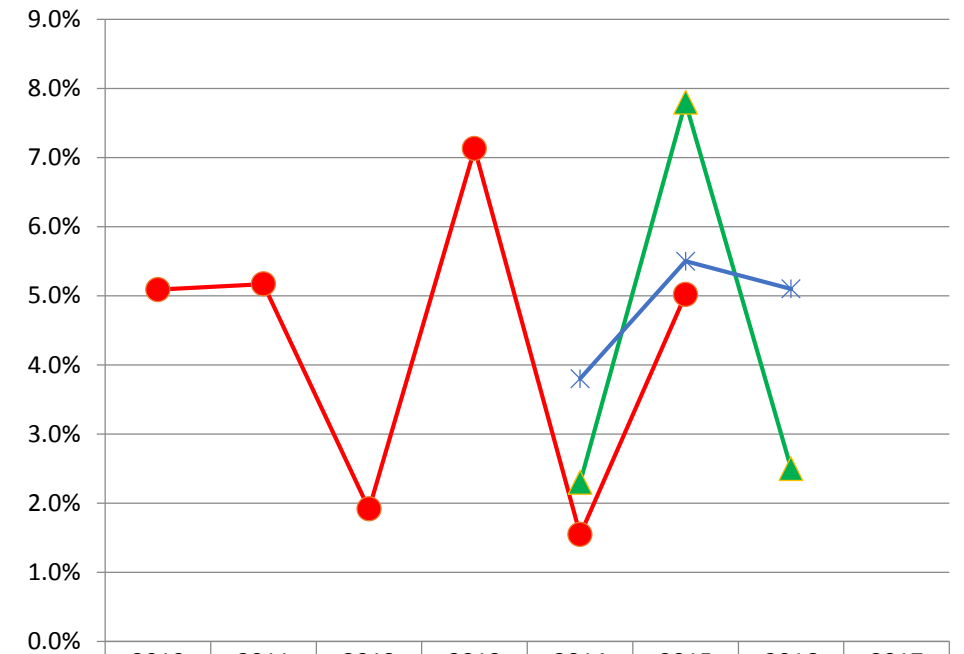
Hospital spending compared to U.S.

Vermont net patient revenues contrasted against recent national health spending estimates.

(Altarum Institute, The Center for Sustainable Health Spending)

May 2016

Vermont Hospitals vs. National Spending Trends



	2010	2011	2012	2013	2014	2015	2016	2017
Actual	5.1%	5.2%	1.9%	7.1%	1.5%	5.0%		
Altarum - NHE est - hosp					2.3%	7.8%	2.5%	
Altarum - NHE est - clinical					3.8%	5.5%	5.1%	

Budget Review Performance of Hospital Budgets

Establish consistent review

- Quantify the variance from budget
- Determine the reason for the increases
 - Utilization * Pass through costs
 - Reimbursement * Health care reform effects
- Examine the history of NPR and rates, not just one year budget to budget increase
 - 3 year trend, performance
 - Show utilization effects
- Examine the budget using a scorecard with key metrics
 - Total margin %
 - Cash on hand
 - Productivity, quality?
- Establish options for adjusting the budget

Budget Review Performance of Hospital Budgets Next Steps

- * Continue discussions to develop a clearer Budget Review Performance policy
- * Send additional guidance to the hospitals for the August hearings
- * Adopt some of the analysis concepts for this year's budget reviews