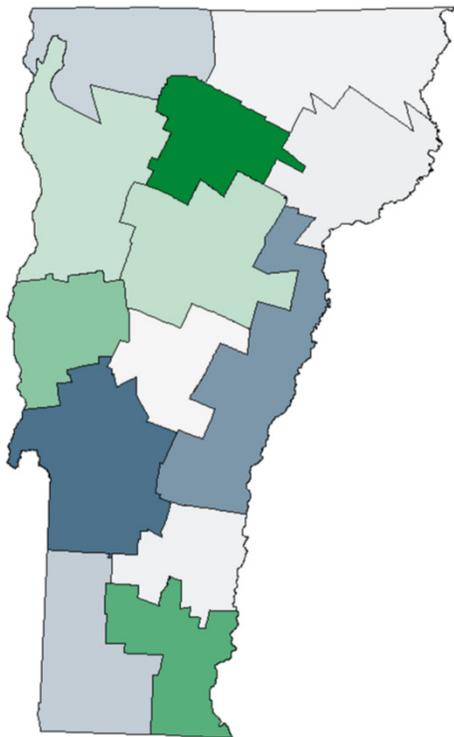


Fiscal Year 2017 Vermont Hospital System

APPENDIX

*Supporting Documentation
Evaluation of Net Patient Revenue Growth*

Published January 2017



Evaluation of Net Patient Revenue Growth

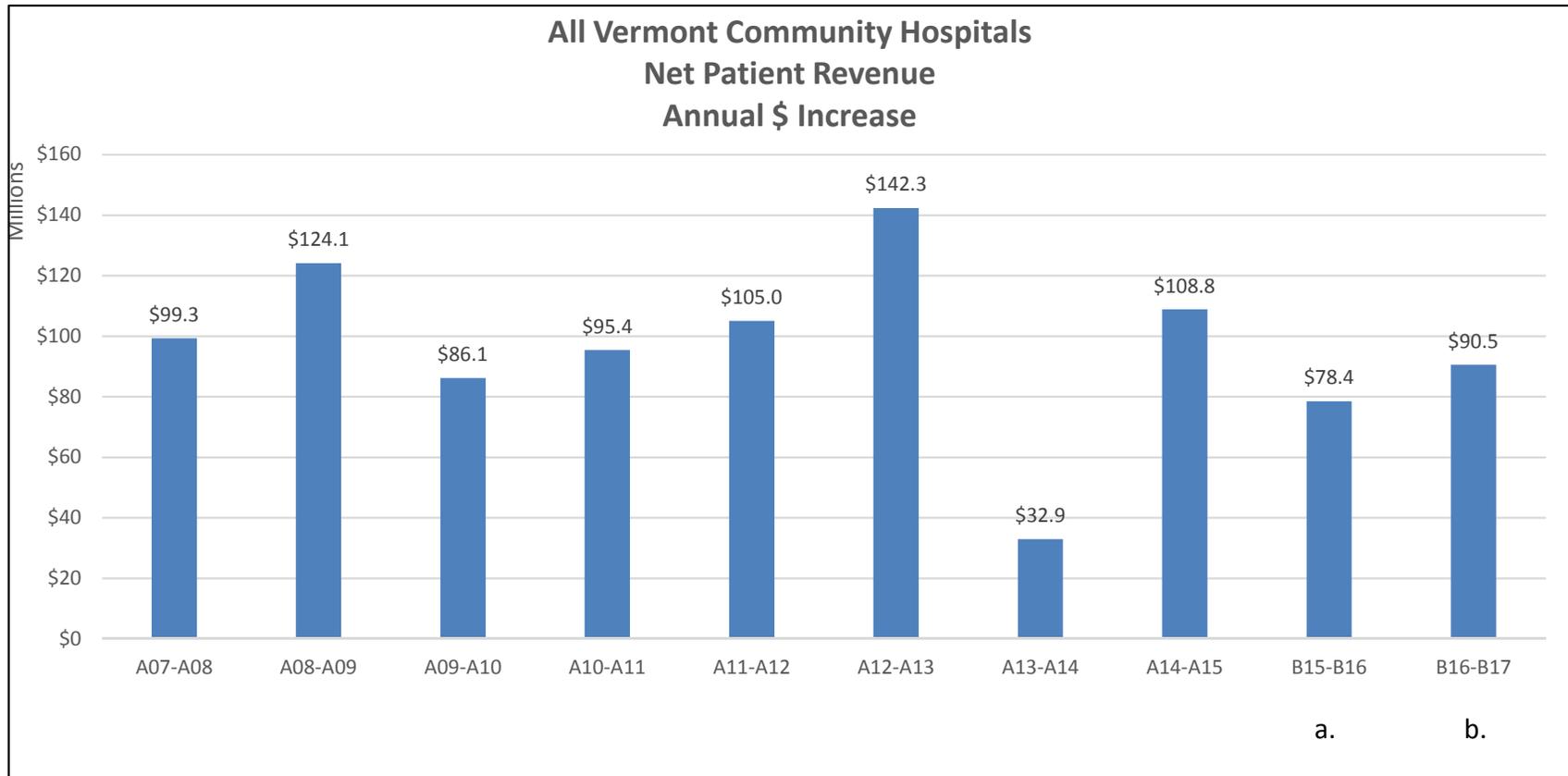
The Board chose net patient revenue (NPR) as its key budget measure and target because it is a good proxy for the amount of “new money” each hospital intends to spend in a given year. As submitted, the hospitals’ FY17 budgets requested a system-wide NPR increase—including amounts already in the system for physician transfers—of 5.0%, or approximately \$114.5 million over FY16 budgets. As approved by the Board, the NPR increase for FY17 was reduced to 4.7%, or \$109 million over FY 16 budgets.

Although NPR is a useful measure of the extent to which hospital budgets impact overall health care costs, NPR growth, viewed in isolation, may not always accurately reflect the extent that new money is being added to the health care system. For example, if a hospital divests itself of a particular service line that will continue to exist and serve the community through a different entity, the hospital’s budget indicates a decrease in NPR, even though the associated revenues are still a part of Vermont’s health care system. Conversely, if a previously non-affiliated entity becomes part of a hospital, the hospital’s NPR increases, even though there is no actual growth in the health care system at large. Both of these scenarios require the Board to make adjustments to the hospital’s budget—in the first case, an addition to NPR, and in the second a subtraction—so that the resulting changes in NPR more accurately reflect the increased revenues in the health care system as a whole. Note that in making these adjustments, the Board is not altering the hospitals’ budgets; rather, it is taking into account revenues already in the health care system which have moved from one entity to another. Making these adjustments allows the Board to better understand, and more accurately report to the public, the extent to which new money is being added to the health care system. As we review each hospital’s budget each year, we examine the extent to which this type of activity may prevent a hospital from meeting our NPR target.

When the budgets are adjusted to account for existing dollars, the GMCB’s final budget Orders result in an approved system-wide NPR increase of 3.92%. This increase, while higher than the 3.4% target set by the Board, includes the costs of new and expensive oncology drugs, Vermonters returning to be served in Vermont hospitals, increased medical utilization, expansion of emergency room services to meet demands for psychiatric care, and the expansion of needed primary care services. The GMCB press release is included in the following slides and describes the results of the GMCB approved budgets.

See Green Mountain Care Board Hospital Budget Policy: Physician Transfer/Acquisitions (Eff. May 2, 2013; Rev. Jan. 8, 2015), available at <http://gmcbboard.vermont.gov/sites/gmcb/files/files/hospital-budget/GMCB-Hosp%20Bud-Submission%20Rptng-Req-FY17-UPDATED-phys-language.pdf>

NPR annual increase adjusted to reflect new money requests

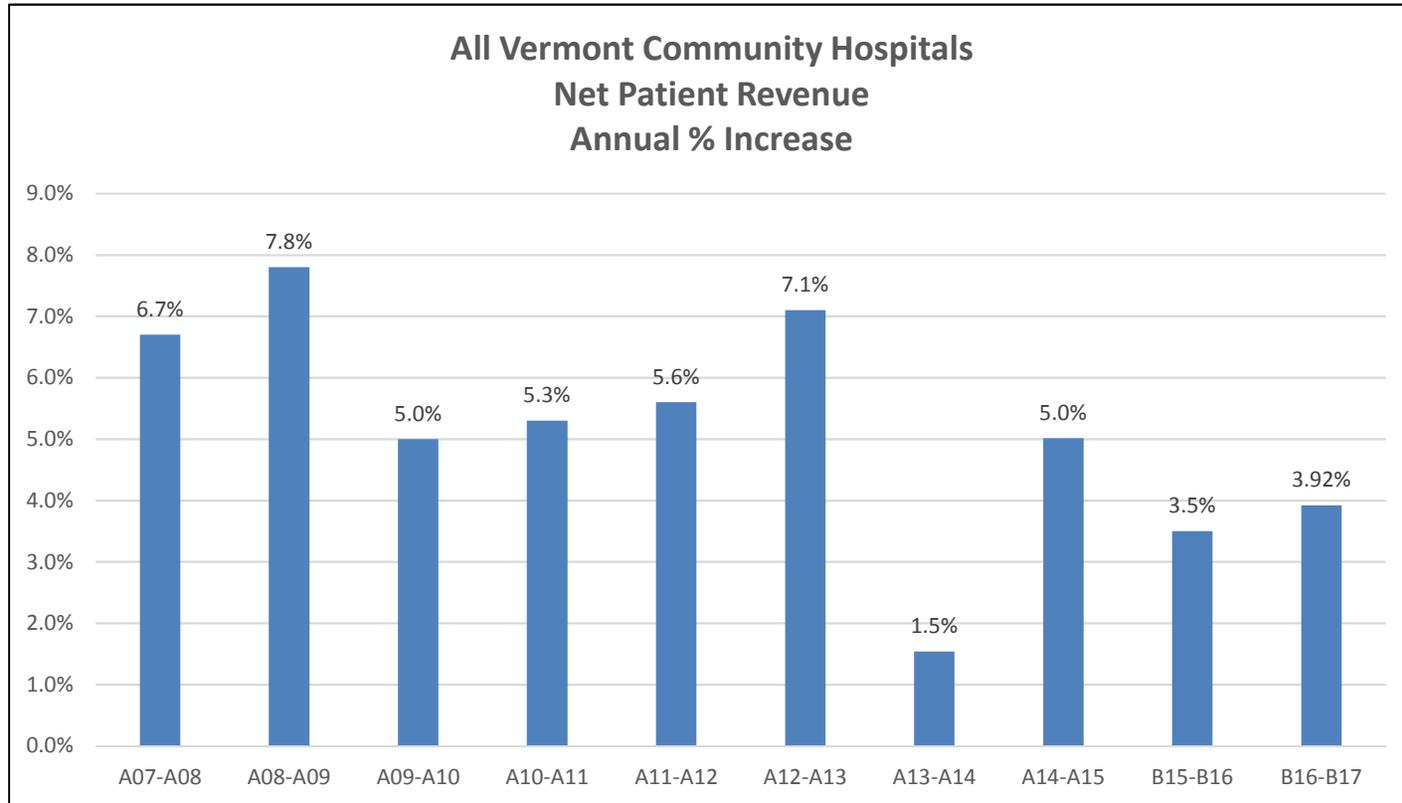


a. Budget increase as approved by GMCB.

b. Budget increase as adjusted to reflect real increase in new money, such as physician practice acquisitions and other program changes.

Adjusted to reflect bad debt reporting change in 2012

NPR annual increase adjusted to reflect new money requests



a. b.

a Budget increase as approved by GMCB.

b Budget increase as adjusted to reflect real increase in new money, such as physician practice acquisitions and other program changes.

Adjusted to reflect bad debt reporting change in 2012

FY 2017 Press Release

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FOR IMMEDIATE RELEASE: September 22, 2016

For more information, contact Mike Davis 802.828.2989

GREEN MOUNTAIN CARE BOARD ANNOUNCES 2017 HOSPITAL BUDGET DECISIONS

Montpelier, VT - The GMCB announced their hospital budget decisions today for Vermont's 14 community hospitals. The FY 2017 budgets are effective October 1st. The Hospitals initially requested a 5% or roughly \$114-million-dollar increase to health care costs within our state. After a thorough review, the Board approved a 3.9% Net Patient Revenue increase. The Board made reductions to budgets for volume overages and bad debt and free care estimates, and adjusted for the hospitals' physician acquisition dollars.

"Vermonters struggling to afford insurance or pay expensive co-pays will not be comforted by talk of multi-million dollar reductions", said Board Chair Al Gobeille, "but we must remember these increases are historical lows. The four-year average hospital net patient growth of 3.3% allowed for the hospitals' low commercial health insurance price increase of 1.75%."

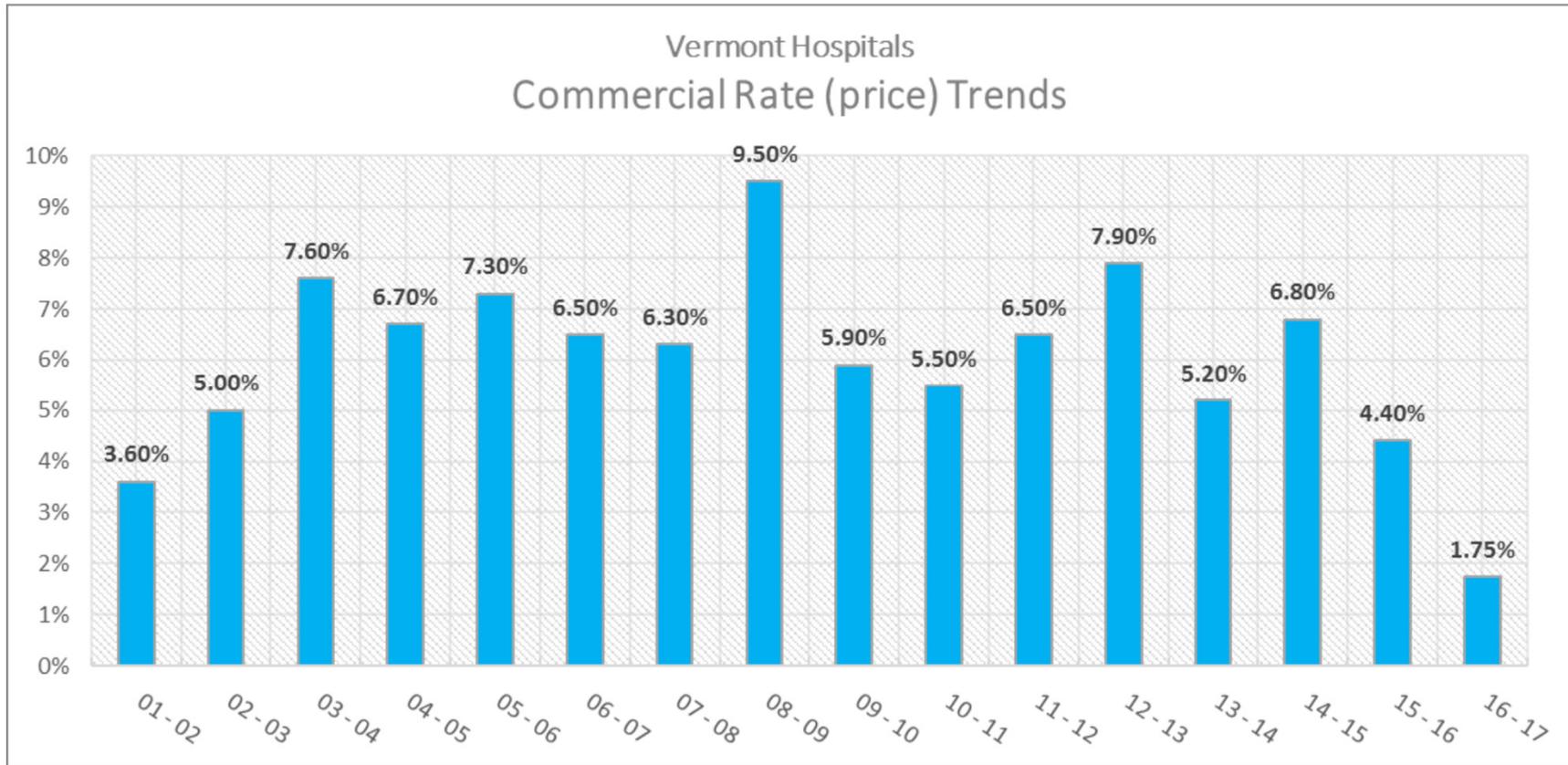
This regulatory work, combined with the Board's commercial insurance rate review, has reduced the premium inflation that Vermonters face when compared to the double-digit growth experienced nationally. For example, MVP's average annual 3% increase over the past two years in the individual and small group market is a direct reflection on this work. As a result, Vermont's rate of premium inflation is one of the lowest in the nation. In fact, this year Vermonters will see one of MVP's silver plans cost less, in real dollar terms than the year before.

Volume of services will continue to be a major driver of health care expenditures and the Board and providers will continue to work together to ensure a system that rewards high quality rather than just volume.

For more information on the GMCB hospital budget review process, including submissions from each hospital and their responses to GMCB questions on those submissions, see the GMCB website: <http://gmcboard.vermont.gov/hospital-budget>.

FY 2017 Press Release

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Note: This graph was prepared 9/22/16 prior to final corrected budgets. Final updates showed approved rate increase to be 1.80%.

FY 2017 Press Release

Final 2017 Budgets As Approved

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	Unadjusted Net Patient Revenue change				Net Patient Revenue change - adjusted to reflect real growth	
	2016	2017	2017	2016 to 2017	2017	2016 to 2017
	Approved	Submitted	Approved	% Change	* Approved & adj for phys transfers	% Change
Brattleboro Memorial Hospital	\$73,896,151	\$76,408,611	\$76,408,611	3.4%	\$76,408,611	3.4%
Central Vermont Medical Center	\$173,996,286	\$193,220,803	\$191,831,143	10.3%	\$189,027,073	8.6%
Copley Hospital	\$60,987,719	\$65,509,894	\$65,509,894	7.4%	\$65,509,894	7.4%
Gifford Medical Center	\$56,201,733	\$57,762,429	\$57,762,429	2.8%	\$57,762,429	2.8%
Grace Cottage Hospital	\$18,375,041	\$19,205,503	\$19,205,503	4.5%	\$19,205,503	4.5%
Mt. Ascutney Hospital & Health Ctr	\$48,060,871	\$47,744,700	\$47,744,700	-0.7%	\$47,744,700	-0.7%
North Country Hospital	\$76,604,320	\$81,189,662	\$81,189,662	6.0%	\$81,189,662	6.0%
Northeastern VT Regional Hospital	\$68,095,300	\$71,339,400	\$71,339,400	4.8%	\$71,339,400	4.8%
Northwestern Medical Center	\$95,697,390	\$102,867,018	\$101,935,937	6.5%	\$98,855,612	3.3%
Porter Medical Center	\$75,581,083	\$76,094,922	\$76,094,922	0.7%	\$76,094,922	0.7%
Rutland Regional Medical Center	\$233,248,162	\$243,415,448	\$243,415,448	4.4%	\$241,042,465	3.3%
Southwestern VT Medical Center	\$144,025,568	\$152,792,211	\$152,362,260	5.8%	\$150,641,798	4.6%
Springfield Hospital	\$55,936,500	\$59,147,241	\$59,147,241	5.7%	\$59,147,241	5.7%
The University of Vermont Medical Center	\$1,126,774,924	\$1,175,237,274	\$1,172,785,845	4.1%	\$1,164,016,984	3.3%
	\$2,307,481,048	\$2,421,935,116	\$2,416,732,994	4.7%	\$2,397,986,293	3.92%

* "Real growth" was calculated by adjusting for physician transfers, which four of the hospitals experienced as follows:
 CVMC \$(2,804,070), NMC \$(3,080,325), RMMC (\$2,372,983), SVMC \$(1,720,462) and UVMC \$(8,768,861)

Available reports and information



STATE OF VERMONT
Green Mountain Care Board

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Home
The Board
Payment Reform
Hospital Budget Review
Rate Review
Certificate of Need
Health Information Technology
Registered Entities
Research, Reports and Resources

The Green Mountain Care Board is charged with reducing the rate of health care cost growth in Vermont while ensuring that the State of Vermont maintains a high quality, accessible health care system.

The Legislature assigned the GMCB three main responsibilities: regulation, innovation, and evaluation. The GMCB regulates not only health insurance rates, but also hospital budgets and major capital expenditures. The Board also innovates, testing new ways to pay for and deliver health care as part of its role in building a new system. Finally, the board evaluates innovation projects, proposals for what benefits should be included in Vermont's new health system, proposals for funding the new system, and the effect of the new system on Vermont's economy.

Regulation	Evaluation	Innovation
Certificate of Need Hospital Budgets Insurance Rates VITL Oversight	Data and Analytics Expenditure Analysis, Enrollment, Market Share VHCIP Evaluation Vermont Health Connect	Payment & Delivery System Reform

What's New
Rate Review Hearings July 20-21
CON Public Notice

Public Comment
All-Payer Model and/or Vermont Health Connect Rate Filings

GMCB Board Meetings

- Link to FY 2017 Hospital Budget Information on our website: <http://gmcboard.vermont.gov/hospital-budget/2017>
- GMCB Fiscal Year 2017 Vermont Hospital System Report: <http://gmcboard.vermont.gov/sites/gmcb/files/files/hospital-budget/Summary%20of%20Approved%2017.pdf>
- Reporting Requirements and Policies <http://gmcboard.vermont.gov/sites/gmcb/files/files/hospital-budget/GMCB-Hosp%20Bud-Submission%20Rptng-Req-FY17-UPDATED-phys-language.pdf>
- Peer Group Definitions, Glossary, and formulas for statistics: <http://gmcboard.vermont.gov/sites/gmcb/files/files/hospital-budget/Peer Group Definitions Formulas and Glossary.pdf>
- Hospital Budget Narratives - Fiscal Year 2017: <http://gmcboard.vermont.gov/hospital-budget/2017/Narratives>

Questions? Call (802) 828-2177, Hospital Budget Team: Michael Davis, Janeen Morrison or Lori Perry

End of Report