

**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<sup>1</sup> on the hospital’s budget.

Act 143 of 2016<sup>2</sup> outlines specific criteria that must be included in the GMCB’s physician transfer policy.<sup>3</sup> This document contains reporting guidelines for hospitals inclusive of 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.

Accordingly, the GMCB needs a consistent policy for examining hospital physician acquisitions and transfers to understand the net effect of these transactions on the growth in spending of the entire system and the impact on the NPR and overall budget.

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<sup>1</sup> The term “physician transfers” will be used to denote “physician transfers and acquisitions.”

<sup>2</sup> The language of Act 43 (2016) § 1 is included at the end of this document.

<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. Because an outgoing transfer may substantially impact a hospital’s budget, however, the hospital should notify the GMCB when such transfers are pending to determine the need for any additional reporting requirements.

## **Policy Guidelines**

Effective January 1, 2017, this policy is established to better understand and recognize the effect on hospital budgets of physician transfers and acquisitions that occur during the course of the current fiscal year. Consistent with Act 143 of 2016, this policy only applies to transfers and acquisitions of existing physician practices, and does not apply to the expansion of a hospital's physician service line as a result of ongoing physician recruitment.

To appropriately document the budget effect of new physician affiliations, the hospital shall file as follows:

- Any new affiliation shall require filing of reporting documents as discussed below, to document the acquisition or transfer.
- Such documents shall be filed with the GMCB 30 days prior to formal establishment of the acquisition or transfer.
- No filings will be recognized by the GMCB for establishing a new budget base after May 1.
- The GMCB shall issue an updated Budget Order within 30 days of its acceptance of an acquiring hospital's filing.
- Following issuance of an updated Budget Order, the acquiring hospital shall file its updated budget information through the Adaptive reporting tool, as directed by GMCB staff.
- Physician transfers occurring after May 1 shall be reported in the July 1 budget submission for the coming year. Reporting documents must be filed in addition to the budget submission.

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.

## **Confidentiality**

The GMCB recognizes that that pending physician transfers and acquisitions generally cannot be made public during the negotiation stage. Disclosing details of a 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. 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). 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 acquisition or transfer 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 shall include one copy of the written notice, not including patient name, with the reporting documents outlined below.

### 2. Reporting documents

The GMCB requires hospitals to file Schedules A and B (available in Excel format at <http://gmcboard.vermont.gov/hospital-budget>) at least 30 days prior to the effective date of an acquisition or transfer occurring no later than May 1. Both a full annualized effect and a partial year effect must be completed for these "off-cycle" transfers. Physician acquisitions and transfers occurring after May 1 must be reported with the annual budget submission in accordance with the instructions outlined below

In addition to the information requested here, 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	Current Year	Partial Current
	Months	Projection 12	Year
		Months	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 Orig Budget
Net Patient Revenue - Hospital			\$ -	\$ -	#DIV/0!
Net Patient Revenue - Physician				\$ -	#DIV/0!
Total Net Patient Revenue	\$ -	\$ -	\$ -	\$ -	#DIV/0!
Other Operating Revenue					#DIV/0!
Expenses - Hospital			\$ -	\$ -	#DIV/0!
Expenses - Physician				\$ -	
Total Expenses	\$ -	\$ -	\$ -	\$ -	#DIV/0!
Surplus	\$ -	\$ -	\$ -	\$ -	

Annualized Effect

		Current Year Approved Budget (12 Months)	Annualized	Budget for Next FY Including Change	% Change from Orig Budget
Net Patient Revenue - Hospital	\$ -	\$ -	\$ -	\$ -	#DIV/0!
Net Patient Revenue - Physician	\$ -	\$ -	\$ -	\$ -	#DIV/0!
Other Operating Revenue	\$ -	\$ -	\$ -	\$ -	#DIV/0! #DIV/0!
Expenses - Hospital	\$ -	\$ -	\$ -	\$ -	#DIV/0!
Expenses - Physician	\$ -	\$ -	\$ -	\$ -	#DIV/0!
Surplus	\$ -	\$ -	\$ -	\$ -	#DIV/0!

Policy effective January 1, 2017

**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.