

Review of hospital decision options

8/31/16 draft

Outstanding considerations to evaluate as part of the budget review:

- a) Did they meet 2015 actual budget performance?
- b) What is the level of rate request?
- c) Are the bad debt/free care estimates valid?
- d) Do you accept the reported health care reform investments?
- e) Review other considerations (see page 3)

Hospital's within 3% NPR guideline

APPROVE	Gifford
APPROVE	Mt. Ascutney
APPROVE	Porter

Hospital's beyond 3.4% NPR guideline & physician acquisitions

LOW GROWTH TREND and

APPROVE	GRACE COTTAGE	- operating loss budgeted
APPROVE	NORTH COUNTRY	- unique increase in drug costs
APPROVE	SPRINGFIELD	- 0% rate increase budgeted

Brattleboro

Issue of Act 15

They exceeded the budget by \$4.4 million.

The increase was entirely related to Medicare reimbursement and utilization.

The effect was to improve the operating surplus from 0.2% to 2.8%.

2017 Budget testimony

BMH stated that \$1.2 million of the Medicare earned above is in dispute with CMS.

Option 1 – I recommend approval of the budget.

Northeastern Vt. Regional Hospital

Issue of Act 15 – none.

2017 Budget testimony

Requested “rebase” of 2016 budget to support 2017 Budget NPR level. Request based upon recapture of market share from NH. Most of the recapture has occurred during FY 2016.

Green Mountain Care Board
 FY 2017 hospital budget considerations

Option 1 – I recommend approval of the budget.

Option 2 – If you don't accept the rebase explanation, reduce the NPR budget to 3.4% increase. This would require a 2.7% rate decrease estimated at \$928,000 – about 2/3 of the budgeted operating surplus. To maintain the surplus would require a reduction in program and/or other costs.

(I will add and “before and after” income statement to show you the effect of option 2.)

Northeastern VT Regional Hospital

	Budget 2016 Approved	Budget 2017 Submitted	Adjustments	Budget 2017 As Approved	B16-B17 %change
Net Patient Care Revenue	\$68,095,300	\$71,339,400	(\$928,000)	\$70,411,400	3.4%
Other Operating Revenue	\$1,648,676	\$1,585,100	\$0	\$1,585,100	
Total Net Revenue	\$69,743,976	\$72,924,500	(\$928,000)	\$71,996,500	
Expenses	\$68,696,400	\$71,509,500	\$0	\$71,509,500	4.1%
Operating Surplus	\$1,047,576	\$1,415,000	(\$928,000)	\$487,000	
Non-Operating Surplus	\$0	\$0	\$0	\$0	
Total Surplus	\$1,047,576	\$1,415,000	(\$928,000)	\$487,000	
Operating Surplus %	1.5%	1.9%		0.7%	
Total Surplus %	1.5%	1.9%		0.7%	

Other budget considerations

Variance analysis

Did hospital exceed 3.0%?

Is the variance explained by:

health care reform of 0.4%?

physician transfer?

unusual event or circumstance?

If variance not explained:

Is variance described as:

Is it a rebase request? Rationale?

Is it an operating surplus increase?

2016 utilization? Other?

Recent trends

What is the hospital's recent trends in rate?

What is the hospital's recent trends in NPR?

Budget to budget Actual to actual

What has the budget to actual performance been?

Examination of a variety of key metrics.

Other factors

Unusual cost issues

What is the financial health of the hospital?

External state and community issues