

Green Mountain Care Board  
 FY 2017 hospital budget considerations  
 September 8, 2016

Background update

The hospital budget guidance was 3% plus 0.4% for health care reform spending. In addition, physician transfer acquisitions are allowed in the FY 2017 budget. Including all these factors, the allowed net patient revenue increase over the FY 2016 budget was 4.0%, or \$91.6 million.

An additional 1%, or \$23.0 million, was requested (above the 4% NPR identified above). Over \$4.7 million of this increase was approved in the budgets of Grace Cottage, North Country, Northeastern, and Springfield. Revenues were approved to support oncology, in-migration, and utilization for expanded physician utilization.

	Percent of Increase	Net Patient Revenue
Budget 2016 Approved NPR		\$ 2,307,481,048
Budget 3% Inflation Guideline	2.8%	\$ 65,587,484
Health Care Reform Allowed up to 0.4%	0.3%	\$ 7,297,004
Allowed Physician Transfers	0.8%	\$ 18,746,701
Allowed Increases Submitted	4.0%	\$ 91,631,181
Increases as Submitted	5.0%	\$ 114,454,068
Amount requested over allowed		\$ 22,822,887
Approved 9/1		\$ 4,721,896
Remaining under review		\$ 18,100,991

Decisions needed for:

**RRMC – I recommend approval.**

**Copley – See re-submitted budget proposal. NPR reduction of \$594,488. Approve pending additional information to understand FY 2016-17 budget changes from CON submission.**

**Other hospitals: Proposal to reduce NPR overage by 20% and equivalent commercial rate**

**SVMC -** NPR reduction would be \$429,951. Commercial rate reduced from 3.9% to 3.36%.

**CVMC**

**UVMC -** Combined NPR reduction would be \$2,560,726. Commercial rate for each reduced from 3.0% to 2.63%.

**NMC -** NPR reduction would be \$167,638. Commercial rate reduced from 1.8% to 1.52%.

Original submission had 2.9% Commercial rate increase; reduced at hearing to 1.8%.

## Review of hospital decision options

9/8/16

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)

### RRMC

#### Issue of Act 15

Submitted proposal for reducing rates to recognize the higher NPR that exceeded budget in 2015. Proposal accepted by the Board.

#### 2017 Budget testimony

Rate decrease of 1.8% submitted for FY 2017.

The FY 2017 budget is within the Board's 3.4% when physician transfers are included. Projected 2016 shows a higher surplus than budget and explains in part why a rate reduction has been filed.

The hospital requested the Board to recognize that the **2016 budget NPR over budget is due** to an increase in market share business as documented in their 8/1/2016 letter to the Board and their 2017 testimony. Much of the market share increase is also in the 2017 budget.

I contacted DVHA for a better understanding and they agreed that exact determination of FY 2017 estimates would be difficult to reconcile. Review of Medicaid estimates finds that the estimate is reasonable given that certain reimbursement allocations are still being examined.

I recommend approval of the budget.

**Vermont Hospitals  
Net Patient Revenues selected adjustments as reported**

Hospital	Net Patient Revenue as submitted				Allowed changes & other adjustments				Recommended adjustments					
	2016 Bud	2016 ProI	2017 Bud	Net Patient Rev Growth	NPR % change	Increase if established at 3% or under	Health care reform established at 0.4%	Physician transfers or acquisitions	Total allowed increases as submitted	Amount over 3% HCI & physician transfers	Recommended NPR adjustments	Final Net Patient Rev Growth	Final rate increase	Submitted rate increase
Brattleboro Memorial Hospital	\$73,896,151	\$72,991,814	\$76,408,611	\$2,512,460	3.4%	\$2,216,885	\$295,585	\$0	\$2,512,460	\$-	\$-	3.4%	3.50%	3.5%
Central Vermont Medical Center	\$173,996,286	\$188,326,158	\$193,220,803	\$19,224,517	11.0%	\$5,219,889	\$600,203	\$2,804,070	\$8,624,162	\$10,600,355	\$(2,120,071)	9.8%	2.63%	3.0%
Copley Hospital	\$60,987,719	\$62,479,008	\$65,509,894	\$4,522,175	7.4%	\$1,829,632	\$243,951	\$0	\$2,073,582	\$2,448,593	\$(594,448)	6.4%	0.00%	0.0%
Gifford Medical Center	\$56,201,733	\$55,825,622	\$57,762,429	\$1,560,696	2.8%	\$1,560,696	\$0	\$0	\$1,560,696	\$-	\$-	2.8%	3.94%	3.9%
Grace Cottage Hospital	\$18,375,041	\$17,242,729	\$19,205,503	\$830,462	4.5%	\$551,251	\$0	\$0	\$551,251	\$279,211	\$-	4.5%	5.00%	5.0%
Mt. Ascutney Hospital & Health Center	\$48,060,871	\$46,612,145	\$47,744,700	(\$316,171)	-0.7%	(\$316,171)	\$0	\$0	(\$316,171)	\$-	\$-	-0.7%	4.87%	4.9%
North Country Hospital	\$76,604,320	\$81,823,147	\$81,189,662	\$4,585,342	6.0%	\$2,298,130	\$306,417	\$0	\$2,604,547	\$1,980,795	\$-	6.0%	3.48%	3.5%
Northeastern VT Regional Hospital	\$68,095,300	\$69,210,200	\$71,339,400	\$3,244,100	4.8%	\$2,042,859	\$272,000	\$0	\$2,314,859	\$929,241	\$-	4.8%	3.75%	3.8%
Northwestern Medical Center	\$95,697,390	\$99,725,077	\$102,867,018	\$7,169,628	7.5%	\$2,870,922	\$382,790	\$3,080,325	\$6,334,036	\$835,692	\$(167,638)	7.3%	1.52%	2.9%
Porter Medical Center	\$75,581,083	\$73,456,764	\$76,094,922	\$513,839	0.7%	\$513,839	\$0	\$0	\$513,839	\$-	\$-	0.7%	3.70%	3.7%
Rutland Regional Medical Center	\$233,248,162	\$244,117,555	\$243,415,448	\$10,167,286	4.4%	\$6,997,445	\$832,993	\$2,372,983	\$10,303,421	\$(136,135)	\$-	4.4%	-5.10%	-5.1%
Southwestern VT Medical Center	\$144,025,568	\$147,356,927	\$152,792,211	\$8,766,643	6.1%	\$4,320,767	\$576,102	\$1,720,462	\$6,617,331	\$2,149,312	\$(429,951)	5.8%	3.36%	3.9%
Springfield Hospital	\$55,936,500	\$56,775,906	\$59,147,241	\$3,210,741	5.7%	\$1,678,095	\$0	\$0	\$1,678,095	\$1,532,646	\$-	5.7%	0.00%	0.0%
University of Vermont Medical Center	\$1,126,774,924	\$1,126,774,924	\$1,175,237,274	\$48,462,350	4.3%	\$33,803,248	\$3,686,964	\$8,768,861	\$45,259,072	\$2,203,277	\$(440,655)	4.3%	2.63%	3.0%
Totals	\$2,307,481,048	\$2,342,717,977	\$2,421,935,116	\$114,454,068	4.96%	\$65,587,484	\$7,297,004	\$18,746,701	\$91,631,181	\$22,822,887	\$(3,752,764)	4.8%	1.93%	2.2%
Increase over 2016 budget						2.8%	0.3%	0.8%	4.0%			4.80%		
<b>UVMC &amp; CVMC COMBINED</b>														
University of Vermont Medical Center	\$1,126,774,924	\$1,126,774,924	\$1,175,237,274	\$48,462,350	4.3%	\$33,803,248	\$3,686,964	\$8,768,861	\$46,259,072	\$2,203,277	\$(440,655)	\$0	\$0	\$0
Central Vermont Medical Center	\$173,996,286	\$188,326,158	\$193,220,803	\$19,224,517	11.0%	\$5,219,889	\$600,203	\$2,804,070	\$8,624,162	\$10,600,355	\$(2,120,071)	\$0	\$0	\$0
UVMC & CVMC	\$1,300,771,210	\$1,315,101,082	\$1,368,458,077	\$67,686,867	5.2%	\$39,023,136	\$4,287,167	\$11,572,931	\$54,883,234	\$12,803,632	-\$2,560,726	\$0	\$0	\$0
Increase over 2016 budget														5.01%