

# **FY2021**

# **Vermont Community Hospital**

# **Budget Guidance**

May 27, 2020

# May 20<sup>th</sup> Board Meeting



- The Board directed Staff to work with our legal counsel to recommend Budget Guidance language around:
  - Change in Charge
  - 3.5% growth limits for FY21 and or FY22 and
  - 2-year budget growth
- This language was ready for Friday 5/22/20 and posted to the website for public comment.

# Abbreviate Guidance

## Staff Recommendations



The GMCB will review/evaluate the FY21 budget submission in the context of the hospital's actual FY19 and projected FY20 results and the challenges presented in estimating the COVID-19 pandemic's impact. **The GMCB is aware that it may take multiple years for the hospitals to recover from the financial impact of COVID-19.**

- ✓ Submission date changed from July 1<sup>st</sup> to July 31<sup>st</sup>
- ✓ An Abbreviated Excel budget template for each hospital will be used for the budget submission and the data will later be entered into the Adaptive software.
- ✓ Eliminate Part One: “Non-Financial Reporting” requirement
- ✓ Limit questions to those of a technical or clarifying nature.
  - Remove questions that may be inconclusive or “kick off” longer-term projects
- ✓ Add COVID-19 impact
- ✓ Within the Narrative explain
  - Service line adjustments
  - Risk and Opportunities

# Abbreviated Guidance - Proposal - Adopt a two-pronged approach - NPR/FPP



- At its March 18, 2020 public meeting, the Board established a maximum NPR/FPP growth limit of 3.5% for FY21 (over each hospital's FY20 budget). This maximum growth limit reaffirms the tentative 2-year growth limit the Board approved in its FY20 budget guidance.
- The Board will also consider an additional, temporary NPR/FPP adjustment to compensate for FY20 utilization that was not realized due to COVID-19.
- The hospital must justify the COVID-19 NPR/FPP portion of its request using the factors and considerations outlined in Slide 6.

# Abbreviated Guidance - Proposal - Adopt a two-part approach for Change in Charge

- Due to the pandemic, the hospital may request, and the Board will consider two parts of changes in charge:
- Part One: the request will reflect standard price growth and
- Part Two: a time-limited charge request to offset FY20 commercial revenue losses due to COVID-19. The time-limited COVID-related charge request may be reviewed and adjusted based on FY21 year-to-date revenue and utilization data.
- The hospital must justify the COVID-19 Change in Charge portion of its request using the factors and considerations outlined in Slide 6.

# Abbreviated Guidance - Proposal-cont.



The hospital must provide quantitative and qualitative justifications for its COVID-19-related requests that take into consideration the following:

- actual and projected utilization;
- revenue impacts in FY20;
- utilization assumptions affecting FY21 revenue;
- changes to payer mix.

# Abbreviated Guidance - Proposal-cont.



- The GMCB will review/evaluate the FY21 budget submission in the context of the hospital's actual FY19 and projected FY20 results and the challenges presented in estimating the COVID-19 pandemic's impact. **The GMCB is aware that it may take multiple years for the hospitals to recover from the financial impact of COVID-19.**
- The following factors may be considered:
  - Hospital's
    - Solvency
    - Expense Reduction Plans
    - Long-term strategic and financial plans for sustainability
  - Insurer information regarding actual and projected utilization and price changes
  - Impact on Vermonters and employers in the commercial market
  - Other relevant factors

# Abbreviated Guidance - Proposal- Enforcement



Due to the ongoing uncertainty related to COVID-19, the Board may issue enforcement at a later date.



# Board Discussion-continued



- Abbreviated Guidance-continued
- NPR growth target for FY21 target - Proposal
  - Potential re-vote on growth
- Change in Charge Guidance - Proposal
- Enforcement Policy - Discussion
  - Reporting/monitoring for ALL hospitals
- Oath – Proposed COVID-related alterations
- Timeline

# Next Steps:



- Possible Board Vote May 29<sup>th</sup>
- Distribute Guidance to Hospitals and Post to the website

