

# **FY2021**

# **Vermont Community Hospital**

# **Budget Guidance**

May 20, 2020

# May 13<sup>th</sup> Board Meeting



- The Board directed Staff to recommend Budget Guidance Option or Options Recognizing hospital budget submission challenges created from the COVID-19 pandemic during these uncertain and ever-changing times around the Change in Charge and 3.5% growth limits for FY21 and or FY22.

# Abbreviate Guidance Staff Recommendations

Recognizing that Budget Guidance is developed as a thoughtful and collaborative initiative, staff recommend the following deletions/additions to the previously discussed Budget Guidance:

- 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 - Change in Charge Proposal



- For Change in Charge the hospital's assumptions should include:
  - Regular charge increase
  - COVID-19 related charge increase with consideration given to loss of commercial revenue FY20, loss of utilization FY20
  - Recapture of utilization in FY21
  - Stimulus funds to date and projected
  - Payer Mix – What about Medicare and Medicaid?

# Abbreviated Guidance - Change in Charge Proposal



- The Board may consider:
  - 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

# Staff Example\* (50% NPSR reduction from April to Sept)



Expected NPSR % of FY20 Budget
50%

STEP 1:		50% Revenue Reduction Example		
		Vermont Hospital		FY20 Budget to FY20 Actual/Projected
		FY20 Actual & Proj.	FY20 Budget	
YTD FEB (5 months)		\$ 107,000,000	\$ 111,000,000	\$ (4,000,000)
March		\$ 19,300,000	\$ 22,300,000	\$ (3,000,000)
April-Sept (50% NPR Reduction)		\$ 67,000,000	\$ 134,000,000	\$ (67,000,000)
TOTAL NPSR		\$ 193,300,000	\$ 268,000,000	-27.9%
<i>Total NPSR Reduction</i>				\$ (74,000,000)
Post COVID NPSR Reduction		86,300,000	\$ 156,300,000	(70,000,000)
				-45%

\*This is just an illustration not an actual hospital

# Staff Example\* (50% NPSR reduction from April to Sept)

Expected NPSR % of FY20 Budget
50%

STEP 2:		Payer Mix Factor		
Hospital Payer Mix	Payer	Allocation	Add back StimGrants	Post Stim-Allocation
40%	Medicare	\$ (28,000,000)		\$ (28,000,000)
10%	Medicaid	\$ (7,000,000)		\$ (7,000,000)
50%	Commercial	\$ (35,000,000)		\$ (35,000,000)
		\$ (70,000,000)	\$ 13,600,000	\$ (56,400,000)

\*This is just an illustration not an actual hospital

# Board Discussion-continued



- Abbreviated Guidance-continued
- Change in Charge Guidance
  - Possible amended Mid-year change in charges
  - Hospital assumptions
  - Other Board Member Specific Considerations
- NPR growth target for FY21 target
  - Potential re-vote on growth
- Enforcement Policy
  - Reporting/monitoring for ALL hospitals
- Timeline



# Next Steps:

- Review Health Care Advocate Comments and Guidance Questions
  - Add guidance language around COVID-19 funds received and use of funds and requirements.
  - Questions:
    - FY20 and FY21 Commercial Rate chart by payer
    - Financial Assistance during COVID-19
    - Provider Recruitment- federal J-1 visa waiver program
- Public Comment until May 26<sup>th</sup> 10:00am
- Possible Board Vote May 27<sup>th</sup>
- Distribute Guidance to Hospitals and Post to the website