STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

AMENDMENT TO FY 2019 HOSPITAL BUDGET ORDER

In re: Springfield Hospital Fiscal Year 2019	)))	Docket No. 18-014-H

INTRODUCTION

On July 9, 2018, Springfield Hospital (Springfield) submitted its Fiscal Year 2019 (FY19) budget to the Green Mountain Care Board (GMCB or Board). Springfield sought a 1.0% increase in net patient revenue (NPR) and a rate (permitted average charge) increase of 5.0%. *In re: Springfield Hosp. Fiscal Year 2019*, Doc. No. 18-014-H (GMCB 2018). On September 12, 2018, the Board approved a FY19 budget for Springfield that included the requested 1.0% increase in NPR and 5.0% rate increase.

On March 27, 2019, Springfield asked the Board to modify the FY19 budget order and "approve an average charge increase of 5.0%" to go into effect May 1, 2019. Letter from Michael Halstead, Interim Chief Executive Officer, Springfield Hosp., to Kevin Mullin, Chairman, GMCB (Mar. 27, 2019) (Halstead Letter).[1] Specifically, Springfield sought this amendment to improve "the hospital's financial health during this 'crisis situation.'" *Id.*

On April 24, 2019, the Board unanimously approved Springfield's request for the reasons set forth below.

LEGAL FRAMEWORK

One of the Board's core regulatory responsibilities is to review, approve, and monitor the budgets of Vermont's 14 community hospitals. 18 V.S.A §§ 9374(b)(7), 9456. The Board's oversight of hospital budgets is guided by its statutory charge "to promote the general good of the state by: (1) improving the health of the population; (2) reducing the per capita rate of growth in expenditures for health services in Vermont across all payers while ensuring that access to care and quality of care are not compromised; (3) enhancing the patient and health care professional experience of care; (4) recruiting and retaining high quality health care professionals; and (5) achieving administrative simplification in health care financing and delivery." 18 V.S.A. § 9372.

In response to its own review of the hospital's performance or to a request from the hospital, the Board may adjust a previously established budget "upon a showing of need based upon exceptional or unforeseen circumstances." 18 V.S.A. § 9456(f); GMCB R. 3.000, § 3.401.

[1] Materials filed in support of Springfield's request are available on the Hospital Budget portion of the GMCB website. https://gmcboard.vermont.gov/content/fy19-individual-hospital-budget-information. Materials related to board meeting presentations are available on the Meeting Information portion of the GMCB website. https://gmcboard.vermont.gov/board.

When considering a possible adjustment, the Board considers the following factors:

> (1) The variability of a hospital's actual revenues, taking into account the resources of payers and the methods of payment used by the payers;
> (2) The hospital's ability to limit services to meet its budget, consistent with its obligations to provide appropriate care for all patients;
> (3) The financial position of the hospital in relation to other hospitals and to the health care system as a whole, using the statistics developed from information submitted in compliance with the uniform reporting manual;
> (4) The hospital's performance under budgets identified or established under subchapter 7 of Chapter 221 of Title 18 of Vermont Statutes Annotated for the previous three years and its budget projections for the next three years; and
> (5) Any other considerations deemed appropriate by the Board, including but not limited to other instances in which a hospital has less than full control over the expenditures limited by the budget.

GMCB R. 3.000, § 3.401(a)(1)-(5).

If the Board concludes a "hospital's performance has differed substantially from its budget," the Board may make appropriate adjustments to the hospital's current and future budgets. *See id.* § 3.401(c); *see also* 18 V.S.A. § 9456 (h)(2)(B)(i)(II) ("The Board may order a hospital to take such corrective measures as are necessary to remediate. . . the deviation. . . ."). Appropriate adjustments may include "allowing hospital rates (charges) to be increased for a hospital with a deficit caused by revenues that were less than projected, but whose actual expenditures were within budget limits." GMCB R. 3.000, § 3.401(c)(3).

REVIEW PROCESS

The Board established Springfield's FY19 budget on September 12, 2018. *In re: Springfield*, Doc. No. 18-014-H. On March 27, 2019, Springfield asked the Board to amend its FY19 budget order, approving an increase of 5.0% to Springfield's permitted average charge, effective May 1, 2019. Halstead Letter.

GMCB staff presented on Springfield's amendment request at GMCB board meetings held March 27, 2019 and April 24, 2019. Springfield's interim Chief Executive Officer (CEO) (Michael Halstead) and interim Chief Financial Officer (CFO) (Wayne Scholz) presented at the April 24, 2019 GMCB board meeting. The Board received two written public comments on Springfield's budget amendment request and several oral comments at the April 24, 2019 hearing. On April 24, 2019, the Board voted unanimously to approve the amendment to Springfield's FY19 budget.

FINDINGS

1. In recent years, critical access hospitals (CAHs) in Vermont and throughout the country have faced increasing financial challenges driven by several factors including "decrease[s] in patients seeking inpatient care and across-the-board Medicare payment reductions."

Government Accounting Office (GAO), Rural Hospital Closures: Number and Characteristics of Affected Hospitals and Contributing Factors, 23 (Sept. 2018) (GAO Report).[2] Because of these financial struggles, many CAHs have closed throughout the country, leaving those who live in rural areas without access to basic medical services and emergency care. *See id.* at 1.

2. Springfield, one of eight CAHs in Vermont, has faced a challenging financial landscape for several years. *See* Springfield PowerPoint Revision (from Apr. 24, 2019 presentation), 3-5 (updated May 1, 2019) (Springfield PowerPoint) (providing income statements from FY2016-present and noting "overly optimistic" budget projections); *see also* Halstead Letter. For the past two years (FY17 and FY18), Springfield has had negative operating margins (-7.1% and -12.8%, respectively). GMCB PowerPoint, "Fiscal Year 2018 Springfield Hosp.," 7 (Apr. 24, 2019) (GMCB Enforcement).

3. The Board approved Springfield's FY19 budget on September 12, 2018, setting the following parameters:

   - NPR of $59,996,953 or 1.0% growth as compared to Springfield's FY18 budget;

   - An increase of 5.0% in average charges (rate) as compared to Springfield's FY18 budget.

   In re Springfield, Doc. No. 18-014-H, Order, ¶¶ A-B.

4. On March 27, 2019 Springfield submitted a letter of intent asking that the Board amend its FY19 budget order to approve an average charge increase of 5.0% – from 5.0% to 10.0% – effective May 1, 2019. Halstead Letter. Springfield asked for this increase to improve its "financial health during this 'crisis situation.'" *Id.* Springfield seeks to use the requested rate increase, in combination with nearly $6.5 million of expense reductions, to improve its operating and total margins and stabilize Springfield's overall financial health. *Id.* Springfield projects the requested rate increase will generate approximately $488,000 in additional revenue for the remainder of FY19 and an annualized increase of almost $1.2 million in additional revenue. Springfield PowerPoint, 3; GMCB PowerPoint, "Fiscal Year 2019 Amended Budget Request Staff Recommendation," 1 (Apr. 24, 2019).

5. On March 12, 2019, Springfield's Board of Trustees authorized Springfield's management to request this amendment. *Id.*

6. Springfield has faced financial challenges for several years. *E.g.*, Tr., GMCB Meeting (Apr. 24, 2019) 19:22-20:6; Springfield PowerPoint, 3; GMCB Enforcement, 7. In FY17, Springfield suffered a net loss of approximately $1.78 million. Springfield Fin. Statements with Supplementary Info., BerryDunn, 4 (Audited Financials); GMCB Enforcement, 7.

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[2] *Available at* https://www.gao.gov/assets/700/694125.pdf; *see also* GMCB, Report on Financial Health of Vermont's Critical Access Hospitals, 9 (Jan. 2019) (CAH Report) *available at* https://gmcboard.vermont.gov/sites/gmcb/files/Merged%20letter%20and%20CAH%20report%201.9.2019.pdf.

7. When it submitted its FY19 budget proposal on July 9, 2018, Springfield projected it would conclude FY18 with an operating loss of approximately $922,000 and total loss of approximately $264,000. GMCB Enforcement, 7. Three weeks later, in response to Board questions, Springfield updated its projected FY18 operating loss to approximately $2.5 million (as compared to $922,000 operating loss Springfield projected in its FY19 budget proposal). *Id.* at 4 & 7; *see also* Letter from Scott Whittemore, CFO, Springfield Hosp. to GMCB (Aug. 9, 2018) (Whittemore Letter). Springfield attributed the increased loss to "a combination of surgical and outpatient volume being less than originally projected and locum and employee health care costs continuing to run over budget." Whittemore Letter.

8. As part of hospital budget submissions, the Board requires that the hospital CEO and CFO verify, under oath, the truth and accuracy of the information submitted to the Board. *See, e.g.*, GMCB, FY 2019 Hosp. Budget Guidance & Reporting Requirements, Exhibit A – Form of Verification Under Oath, App. II, p. 18-19 (Mar. 2018). As part of that verification, the CEOs and CFOs acknowledge their obligation to notify the Board if the information in the budget submission "becomes *untrue, inaccurate or incomplete in any material respect*." *Id.* ¶ 6 (emphasis added). The verification requires that they provide notice to the Board "as soon as [they] know, or reasonably should know" of the inaccuracy. *Id.* Springfield CEO Timothy Ford and CFO Scott Whittemore both submitted signed verifications in support of Springfield's FY19 budget submission.

9. Notwithstanding its obligation to notify the Board when information contained in the budget submission becomes inaccurate or incomplete in any material respect, Springfield did not provide the Board updated financial projections for the final quarter of FY18 or the first quarter of FY19 during the fall of 2018.[3] The first week of December, Chair Mullin received a telephone call from a concerned community member who reported that Springfield was not current on its pending bills, that it had run out of fuel to heat doctors' offices, and other critical financial concerns. This telephone call was the first notice the Board received about the severity of the situation at Springfield, and Chair Mullin immediately contacted Springfield's CEO to investigate the accuracy of the information. Shortly thereafter, information about Springfield's financial challenges surfaced in the media. *E.g.*, Nora Doyle-Burr, *Money, Employee Morale Put Springfield Hospital's Health in Question*, Valley News, Dec. 8, 2018;[4] Katy Savage, *Springfield Hosp. Can't Pay its Bills*, VT Digger, Dec. 11, 2018 (Savage Article).[5] Springfield's CEO and CFO both left their positions at the hospital in early December. *See* Savage Article; Jeff Epstein, *Tim Ford Steps Down as CEO of Springfield Hosp.*, Eagle Times, Dec. 13, 2018.[6] Shortly after their departure, Springfield retained Quorum Health Resources – a national health care consulting firm – to analyze its financial landscape and provide interim executives. Tr., 16:14-18:5; 31:8-18.

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[3] Springfield failed to submit any financial data to the Board between its August 26, 2018 presentation and February 2019.

[4] *Available at* https://www.vnews.com/Springfield-Medical-Care-System-s-Ongoing-Financial-Struggles-Worry-Some-Community-Members-22018851

[5] *Available at* https://vtdigger.org/2018/12/11/vermonts-springfield-hospital-cant-pay-its-bills-amid-budget-woes/.

[6] *Available at* https://www.eagletimes.com/news/tim-ford-steps-down-as-ceo-of-springfield-hospital/article_d6030a40-fe75-11e8-9675-6fe4a70fe871.html.

10. When the Board received Springfield's results from FY18, the results showed that Springfield closed its fiscal year on September 30, 2018, with an operating loss of more than $6.9 million and a total loss of more than $6.6 million. Springfield PowerPoint, 3; Audited Financials, 4. Springfield's other financial health indicators showed dramatic decline in the last quarter of FY18. For example, Springfield closed FY18 with more than $23 million in current liabilities[7] (nearly $8.1 million more than Springfield's current liabilities at the close of FY17), including almost $8.2 million in accounts payable[8]. GMCB Fiscal Year 2018 Analysis, Springfield Hosp., 6 (Mar. 25, 2019). Additionally, Springfield's days payable[9] increased from 100 days at the conclusion of FY17 to more than 141 days at the conclusion of FY18. *Id.* at 4.

11. In February 2019, the Agency of Human Services provided Springfield an $800,000 advance on Medicaid payments that helped the hospital meet its payroll obligations. Tr. 31:19-24.

12. On March 27, 2019, Springfield described its "cash position as tenuous at best" and requested a 5.0% increase in the average charge approved for its FY19 budget, effective May 1, 2019. Halstead Letter. In its request, Springfield said it "has been working on expense reductions the last few months approaching $6.5 million but the gap in [its operating margin] continues to remain short of 'break-even.'" *Id.*

13. On April 24, 2019, Springfield's interim CEO and CFO presented to the Board and provided more information about Springfield's financial health. Specifically, Springfield testified that the "revenue and expenses [projected in the FY18 and FY19 budgets] were significantly overly optimistic." Tr. 18:20-22. Both Springfield's inpatient and outpatient utilization, its "driver[s] for revenue," were lower than budgeted, while Springfield's expenses had increased dramatically (11% from FY17-FY19). *Id.* at 18:20-19:25. Springfield had experienced its increase in expenses, in large part, due to increases in the costs associated with its employee health insurance, locum (contracted) provider expenses, and physician fees. Springfield PowerPoint, 7; Tr. 21:24-23:10.

14. As part of its expense reduction plan, Springfield has taken the following steps:

    - Reduced its workforce (including through employee turnover);
    - Reduced its employee benefits (including changes to paid-time-off accrual limits and the elimination of Springfield's 401(k) matching program);
    - Contracted with a new emergency room services provider;
    - Terminated its child birth services; and
    - "Revamped" hospitalist and surgical services staffing;

    Springfield PowerPoint, 10; *see generally* Tr. 31:1-37:8.

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[7] "Current liabilities" measures the total money an entity will owe to its creditors and others within the next year.
[8] "Accounts payable" measures the amount of money an entity owes its vendors for supplies and services purchased.
[9] "Days payable" measures the average number of days that elapse between when vendors' payments are due and when an entity submits payment to the vendors.

15. Additionally, Springfield continues to work with its bank and vendors to negotiate more favorable repayment terms for its debts, evaluate other legal options (e.g., bankruptcy protection), and possible opportunities to join a larger health system. Springfield PowerPoint, 13; Tr. 35:20-15, 80:11-25.

16. Without the requested increase in average charge for the remainder of FY19, Springfield projects an operating loss of more than $6.0 million and a net loss of more than $11.6 million.[10] Springfield PowerPoint, 3; Tr. 20:4-6. With the 5.0% increase in average rate for the remainder of FY19, Springfield projects an operating loss of $5.6 million and a net loss of $11.1 million. Springfield PowerPoint, 3.

CONCLUSIONS

As the Board works to improve the health of Vermonters while reducing the per capita growth rate of health care costs and maintaining access to care, we remain committed to working with health care providers and other stakeholders to address the financial challenges facing Vermont's hospitals. *See, e.g.*, CAH Report, 12. Part of that commitment includes review of multiple financial performance metrics, individualized analysis of specific circumstances each hospital faces, and collaboration with hospital officials to identify and implement the most appropriate solutions given the larger, systemic goals. *See generally* CAH Report. CAHs are an important part of health care reform efforts, in part because they provide rural Vermonters with access to necessary health care services. *Id.* at 9 (citing GAO Report).

In addition to the general challenges facing rural hospitals throughout Vermont, Springfield's financial situation has become particularly precarious and uncertain during the past six months. While questions remain regarding the precise circumstances surrounding Springfield's fiscal deterioration in the last quarter of FY18 and the first quarter of FY19, we conclude decreased revenue coupled with increased expenses are the impetus for Springfield's failure to meet its budgeted revenue and operating margins. Springfield's new management team has made extensive efforts to understand the situation and develop a multifaceted plan to correct Springfield's financial realities. As discussed above, Springfield has implemented a dramatic cost reduction program including work force reductions, benefit reductions, a new contractor for emergency services, and the decision to close its birthing center. Springfield is also exploring additional ways to reduce its expenses.

Springfield is an important part of the Vermont health care network and provides needed health care services to the members of its community. Springfield's current outlook is less than certain, but the Board, the State, and the community should do whatever possible to give Springfield its best chance to recover from its current challenges.

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[10] The PowerPoint that Springfield presented to the Board on April 24, 2019 projected an operating loss of approximately $6 million and a net loss of approximately $6.9 million without the rate increase; and an operating loss of approximately $5.5 million and a net loss of approximately $6.4 million with the rate increase. In response to questions from Board members during the hearing and requests for additional information from GMCB staff, Springfield provided the updated projections cited above. The increased projected net losses were primarily due to losses Springfield incurred when it liquidated many of its investments in December 2018. Those losses were not reflected in Springfield's April 24, 2019 presentation.

The Board's authority to oversee and adjust hospital budgets is the primary way we can assist Springfield with the problems it now faces. However, we also acknowledge that granting Springfield's requested increase may provide short term assistance, but, based on projections, it will generate only limited revenue. The impact these increases have is particularly limited when hospital utilization is low. Average charge adjustments alone will not return Springfield or other struggling Vermont hospitals to profitability. We are cognizant that this charge increase will most directly affect Springfield's commercial payers, which will be factored into insurance prices. This type of cost shift cannot be a long-term solution for the financial sustainability of Vermont's rural hospitals. Because of Springfield's urgent need for revenue and the exceptional and difficult financial road Springfield must navigate, we believe the charge increase it seeks is appropriate at this time.

For the foregoing reasons and given the critical financial situation Springfield faces, we approve its request to increase its average charge and amend its FY19 budget order.

ORDER

Based on our findings and authority granted by Chapter 221, Subchapter 7 of Title 18, we amend Springfield Hospital's FY19 Budget Order, approved on September 12, 2018, as follows:

> Effective May 1, 2019, Springfield's overall rate (average charge) is increased an additional 5.0% over the rate previously established in *In re Springfield*, Doc. No. 18-014-H, Order ¶ B.

So ordered.

Dated: May 10, 2019
Montpelier, Vermont

s/ Kevin Mullin, Chair	)	
	)	GREEN MOUNTAIN
s/ Robin Lunge	)	CARE BOARD
	)	OF VERMONT
s/ Tom Pelham	)	
	)	
s/ Maureen Usifer	)*	

**Board member Jessica Holmes was absent from the Board's April 24, 2019 meeting and did not participate in the vote on this amendment.*

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Filed: May 10, 2019

Attest: s/ Jean Stetter
Green Mountain Care Board
Administrative Services Director

NOTICE TO READERS: This document is subject to revision of technical errors. Readers are requested to notify the Board (by email, telephone, or in writing) of any apparent errors, so that any necessary corrections may be made. (Email address: Harriet.Johnson@vermont.gov).

Attachment: FY19 Budget Order

STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

FY19 HOSPITAL BUDGET DECISION AND ORDER

In re: Springfield Hospital	)	Docket No. 18-014-H
Fiscal Year 2019	)	
______________________________	)	

Introduction

In July, the Green Mountain Care Board (GMCB, or the Board) began its review of the Fiscal Year 2019 (FY19) budgets of Vermont's 14 regulated hospitals for their compliance with policy guidelines and financial targets, including a net patient revenue (NPR) growth target of 2.8% with an additional allowance of up to 0.4% for health care reform spending. *See* FY 2019 Hospital Budget Guidance and Reporting Requirements.[1] The FY19 submissions reflected a system-wide average NPR growth request of 2.9% (including health care reform investments) over the approved Fiscal Year 2018 (FY18) base, and an estimated weighted average rate increase of 3.1%. For the purposes of our orders, NPR is inclusive of budgeted fixed prospective payments (FPP) for those hospitals participating in health care reform programs, such as Accountable Care Organization (ACO) programs, that provide FPP.

Following a series of discussions at public board meetings, presentations by hospital leadership and GMCB hospital budget staff, and a public comment period that extended to September 10, 2018, the Board on September 12, 2018 voted to approve 1% in growth of NPR and a 5.0% increase in rate for Springfield Hospital (Springfield).

Legal Framework

Hospital budget review is one of the Board's core regulatory responsibilities. 18 V.S.A. §§ 9375(b)(7), 9456. Annually no later than September 15, the Board must establish each hospital's budget, and is required to issue a written decision reflecting the established budget by October 1. 18 V.S.A. § 9456(d)(1). In making its decision, the Board is guided by its statutory charge "to promote the general good of the state by: (1) improving the health of the population; (2) reducing the per capita rate of growth in expenditures for health services in Vermont across all payers while ensuring that access to care and quality of care are not compromised; (3) enhancing the patient and health care professional experience of care; (4) recruiting and retaining high quality health care professionals; and (5) achieving administrative simplification in health care financing and delivery." 18 V.S.A. § 9372. The Board may adjust a hospital's budget based on its showing of exceptional or unforeseen circumstances, *see* 18 V.S.A. § 9456(f), or based on the Board's independent review of a hospital's budget performance. GMCB Rule 3.000 (*Hospital Budget Review*) § 3.401.

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[1] The hospital's 2019 budget materials, including its budget narrative and responses to questions, are available on the Board's website at: http://gmcboard.vermont.gov/hospitalbudgets. Transcripts of the hospital budget hearing are available upon request.

The Board first adopted guidelines for the hospital budget review process in 2013, and last updated them this past April.[2] As a key performance indicator for FY19, the Board set an overall system NPR[3] growth target of 2.8% over each hospital's approved FY18 budget base. The Board established an additional NPR growth allowance of up to 0.4% for health care reform activities, investments and initiatives that reduce health care costs and improve quality of care over the long term by 1) supporting the transition toward value-based purchasing, 2) increasing access to primary care, 3) reducing deaths from suicide and/or drug overdose, and/or 4) reducing the prevalence and/or morbidity of chronic disease. Hospitals requesting the additional allowance must specifically identify the health reform investment(s) in their budgets and provide a plan to measure the return on investment.

FY19 Review Process

The Board and its staff have reviewed and analyzed FY19 budget information submitted by the hospitals which includes detailed financial information, utilization data, payment and delivery reform investments, population health goals, quality measure results, provision of mental health services, patient access data, budget-to-budget NPR growth rates, prior budget performance, and requested rate increases. In addition, the Board has taken into consideration comments from the Office of the Health Care Advocate (HCA) and from members of the public. The Board considered each hospital's unique circumstances, including its health care reform efforts and its efforts to address issues identified in its community health needs assessment (CHNA).

As submitted for FY19, the hospitals requested a system-wide NPR increase of 2.9% over their FY18 base NPR. Most hospitals included health care reform investments at the 0.4% allowance. Following presentations by hospital leadership, ongoing discussions between Board members, GMCB staff and the hospitals, input from members of the public and the HCA, and Board-approved adjustments to some hospitals' FY18 base NPR[4], we establish an actual system-wide hospital NPR growth rate over FY18 of 2.1%.

In addition, the Board has reviewed each hospital's proposed rate increase, which is the average overall amount by which a hospital increases its charges.[5] Notably, each respective payer—Medicare, Medicaid and commercial—does not reimburse each hospital the same amount for the same services. For example, commercial payers can negotiate reimbursements with each hospital separately, resulting in pricing variations, while Medicaid and Medicare prices are not typically negotiable and reimbursement is instead established through each payer's

[2] The FY19 Hospital Budget Guidance and Reporting Requirements are available at http://gmcboard.vermont.gov/sites/gmcb/files/GMCB%20FY19%20Hospital%20Budget%20Guidance%20%20Reporting%20Requirements%20Final%20Apr23%20Update.pdf.

[3] NPR is a key indicator used to assess changes in hospital budgets and includes payments received from patients, government, and insurers for patient care, but does not include hospital revenues from activities such as cafeterias, parking, and philanthropy.

[4] After Board-approved adjustments to hospitals' FY18 base NPR were finalized on September 11 and 12, the hospital-proposed systemwide NPR growth rate was 2.2%.

[5] Actual changes in the rates charged by the hospital will vary across service lines and goods and services provided by the hospital.

unique fee schedule and update factors. Taking into consideration all adjustments, we reduce the estimated overall system weighted average rate increase from the submitted 3.1% to 2.7%.

Finally, as we move into Year 2 of the All-Payer ACO Model Agreement, the Board, through a transparent public process, will continue to refine how it conducts its hospital budget, ACO budget and certification, and health insurance rate review processes to better understand and align its regulatory work. We encourage the hospitals to continue their efforts to favorably position their institutions, individual providers, and their served populations as we move away from a fragmented, fee-for-service system to an integrated delivery system and value-based provider reimbursements.

Based on the above, the Board issues the following Findings of Fact, Conclusions and Order.

Findings

1. Springfield is a 35-bed critical access community hospital with its primary location in Springfield. The hospital is part of Springfield Medical Care Systems, a Federally Qualified Health Center. The hospital's FY19 submitted NPR accounted for approximately 2.3% of the total submitted NPR for all 14 regulated Vermont hospitals.

2. Springfield submitted its FY19 budget on July 9, 2018, including total NPR of $59,996,953, and seeking a 1% increase in NPR of $621,755 over budgeted FY18, and a rate increase of 5.0%.

3. Springfield's FY19 budget includes total operating expense of $60,641,591, an increase of approximately 1.4% over budgeted FY18 and approximately 1.7% over projected FY18.

4. Springfield's FY19 budget includes reasonable estimates of $22,366,872 in Medicare NPR, an increase of 5.0% over budgeted FY18 and 7.5% over projected FY18.

5. Springfield's FY19 budget includes reasonable estimates of Medicaid NPR of $11,365,601, a decrease of 2.8% from budgeted FY18, and an increase of 3.1% over projected FY18.

6. Springfield's FY19 budget includes reasonable estimates of $25,205,786 in commercial NPR, a decrease of 1.1% from budgeted FY18, and an increase of 3.2% over projected FY18.

7. Springfield has not requested additional NPR for investments in health care reform.

8. The hospital is participating in the Medicaid, Medicare, and Commercial Next Generation ACO programs in 2018, and plans to continue its participation in ACO programs with all three payers in 2019.

9. Springfield's growth in NPR from projected FY18 to budgeted FY19 is 5.0%.

10. For FY19, Springfield has budgeted an operating margin of $810,362, or 1.3%, and is projecting an operating loss in FY18. The hospital has budgeted a total margin of 2.7% for FY19.

11. The FY19 budget reflects 106.8 days cash on hand.

12. Consistent with recognized community needs, the hospital has developed programs in the areas of aging, breast cancer, colorectal cancer, diabetes, heart health, and mental health.

13. Springfield's narrative, testimony, and other filed budget information comply with the Board's FY19 hospital budget requirements.

14. After reviewing Springfield's submission, the Board and the HCA posed written questions and Springfield provided written responses. Springfield participated in a public hearing before the Board on August 29, 2018, where it presented information and answered questions from the Board and the HCA, and the Board discussed all 14 hospital budgets at subsequent public meetings. On September 12, 2018, the Board established Springfield's FY19 budget.

15. Approving Springfield's budget as outlined below will promote the efficient and economic operation of Springfield, and is consistent with the current Health Resource Allocation Plan (HRAP).

Conclusions

Springfield has submitted a budget that is reasonable and consistent with the Board's guidelines, policies and prior orders. Its requested NPR is well below the Board's target. Although the hospital has recently lost volume in surgical and outpatient services, it is rebuilding its surgical services, particularly in orthopedics, and it has incorporated a new urologist into an established practice, which should support its 1.0% NPR growth rate and the 5.0% growth over FY18 projections.

We conclude, by a majority vote, that Springfield's budgeted 5.0% increase in rate is reasonable. The requested increase is lower than the rate increase budgeted and approved for FY18, although higher than for FYs 2016 and 2017. Springfield has seen low NPR and expense trends over the past five years, and is participating in all three ACO programs. The service area is characterized by difficulties related to demographics, the health status of the population, economic outlook, and payer mix. We note that the rate increase approved by the Board does not constrain negotiations between the hospital and insurance carriers, and that actual rates should reflect underlying cost and market rates for comparable services.

Accordingly, the Board establishes Springfield Hospital's FY19 Net Patient Revenue at $59,996,953, an increase of 1.0% from its FY18 budget, and a 5.0% overall increase in rate.

Order

Based on our findings and authority granted by Chapter 221, Subchapter 7 of Title 18, Springfield's budget is approved for FY19 subject to the following terms and conditions:

A. Springfield's FY19 NPR budget is approved at 1.0% growth over its FY18 budget, or $59,996,953.

B. Springfield's overall rate is established at 5.0% over current approved levels.

C. Beginning on or before November 19, 2018 and every month thereafter, Springfield shall file with the Board the actual year-to-date FY19 operating results for the prior month. The report shall be in a form and manner as prescribed by the Board.

D. Springfield shall advise the Board of any material changes to FY19 revenues and expenses or to the assumptions used in determining its budget, including:

   a. changes in Medicaid, Commercial, or Medicare reimbursement;
   b. additions or reductions in programs or services to patients; and
   c. any other event that could materially change the approved NPR budget.

E. On or before January 31, 2019, Springfield shall file with the Board, in a form and manner prescribed by the Board, such information as the Board determines necessary to review the hospital's FY18 actual operating results in order to determine whether the hospital's budget meets the Board's budget performance review policy.

F. On or before January 31, 2019, Springfield shall file with the Board one copy of its FY18 audited financial statements and associated management letter(s), as well as the hospital's parent organization's audited consolidated financial statements, if applicable.

G. Springfield shall timely file all forms as required for provider acquisitions and/or transfers, if applicable.

H. Springfield shall consult with Vermont Information Technology Leaders (VITL) to facilitate patients' ability to electronically consent to adding their clinical data to the Vermont Health Information Exchange (VHIE).

I. Springfield shall explore the option of providing health insurance coverage for its employees through a self-insured program that participates in OneCare Vermont, if the hospital provides a self-insured program.

J. After notice and an opportunity to be heard, the GMCB may amend the provisions contained herein, and issue an Amended Order, consistent with its authority as set forth in 18 V.S.A. Chapter 220, Subchapter 1, 18 V.S.A. Chapter 221, Subchapter 7, and GMCB Rule 3.000.

K. All materials required above shall be provided electronically, unless doing so is not practicable.

L. The findings and orders contained in this decision do not constrain the Board's decisions in future hospital budget reviews, future certificate of need reviews, or any other future regulatory or policy decisions.

So ordered.

Dated: September 28, 2018
Montpelier, Vermont

s/ Kevin Mullin, Chair	)	
	)	GREEN MOUNTAIN
s/ Jessica Holmes	)	CARE BOARD
	)	OF VERMONT
s/ Robin Lunge	)	
	)	
s/ Tom Pelham	)*	

** Member Maureen Usifer dissented from the Board's vote to approve Springfield's budget as submitted.*

Filed: September 28, 2018

Attest: s/ Jean Stetter
Green Mountain Care Board
Administrative Services Director

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