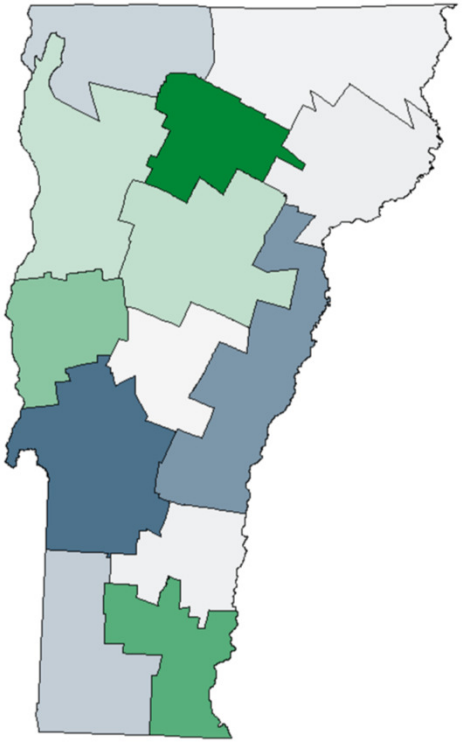

Fiscal Year 2017 Vermont Hospital System

Final Budgets as Approved

Published January 2017

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GREEN MOUNTAIN CARE BOARD

Table of Contents

This report provides a summary of the FY 2017 hospital budgets as they were approved by the Green Mountain Care Board (GMCB). The report also provides trends and indicators for the hospital system including the rates (price increases) approved by the GMCB.

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Introduction

Purpose of this Report

This report provides a system perspective of Vermont's fourteen community hospitals following the Green Mountain Care Board's annual approval of their FY 2017 budgets. A summary of **key findings** is supported by the **hospital system analysis** (found in the appendix) that describes net patient revenue growth, rate (price) increases, utilization trends, the cost shift, and a compilation of key performance indicators. The report also presents how the Vermont system key performance indicators (KPIs) benchmark against national, regional, and state peers.

The report is supported by detailed individual hospital reports that include a series of metrics that examine liquidity, productivity, profitability, capital structure, hospital and physician utilization and payer mix, and which are used to evaluate each hospital's budget as part of the GMCB's annual review process. The individual hospital reports are available upon request. Documentation on hospital reporting periods, glossary, data caveats, and definitions of hospital metrics used in this report are also provided.

Hospital budget regulation

The Board establishes each individual hospital's budget on an annual basis as required under 18 V.S.A. § 9456. The Board does not review the budgets of the Veterans Administration Hospital, the State Psychiatric Hospital or the Brattleboro Retreat, which are excluded from the definition of "hospital" for both licensing and budget review purposes. *See* 18 V.S.A. § 1902(1)(l); 18 V.S.A. § 9451(1).

Key Findings

Findings for Approved FY 2017 Budgets

The GMCB approved a hospital system net patient revenue (NPR) increase of 4.7% over FY 2016 budget levels.

Medicare (31.8%) and Medicaid (12.0%) represent 43.8% of total NPR in FY 2017. The 56.2% balance of NPR consists of Commercial, self pay revenues, and disproportionate share payments.

The GMCB approved hospital system rate (price) increases of 1.8% over FY 2016 budget levels.
This is the lowest Vermont hospital system rate increase on record.

After over 33 years of declining acute admissions, the Vermont hospital system saw a slight increase of 3.1% in FY 2015 for a total of 45,414 patients. The acute admissions are budgeted to increase to 46,352 by FY 2017. Vermont's admissions per 1000 population is 73, while the national number of admissions per 1000 is 74.

Physician office visits reached 3.9 million visits; the increase is in part attributable to the continued acquisition of physician practices by Vermont hospitals.

The GMCB projects that the Medicare and Medicaid cost shift will continue to increase in FY 2016 and FY 2017. The overall pace of this growth has slowed compared to previous years. This is in part due to declines in bad debt and free care.

The cost per adjusted admission is one metric used to evaluate increase in cost across hospitals. Vermont's cost per unit show an increase of 3.9% over the past 10 years. To put that in perspective, overall medical care inflation as measured by the Bureau of Labor Statistics showed a 3.1% average increase for FY 2008 – FY 2015.

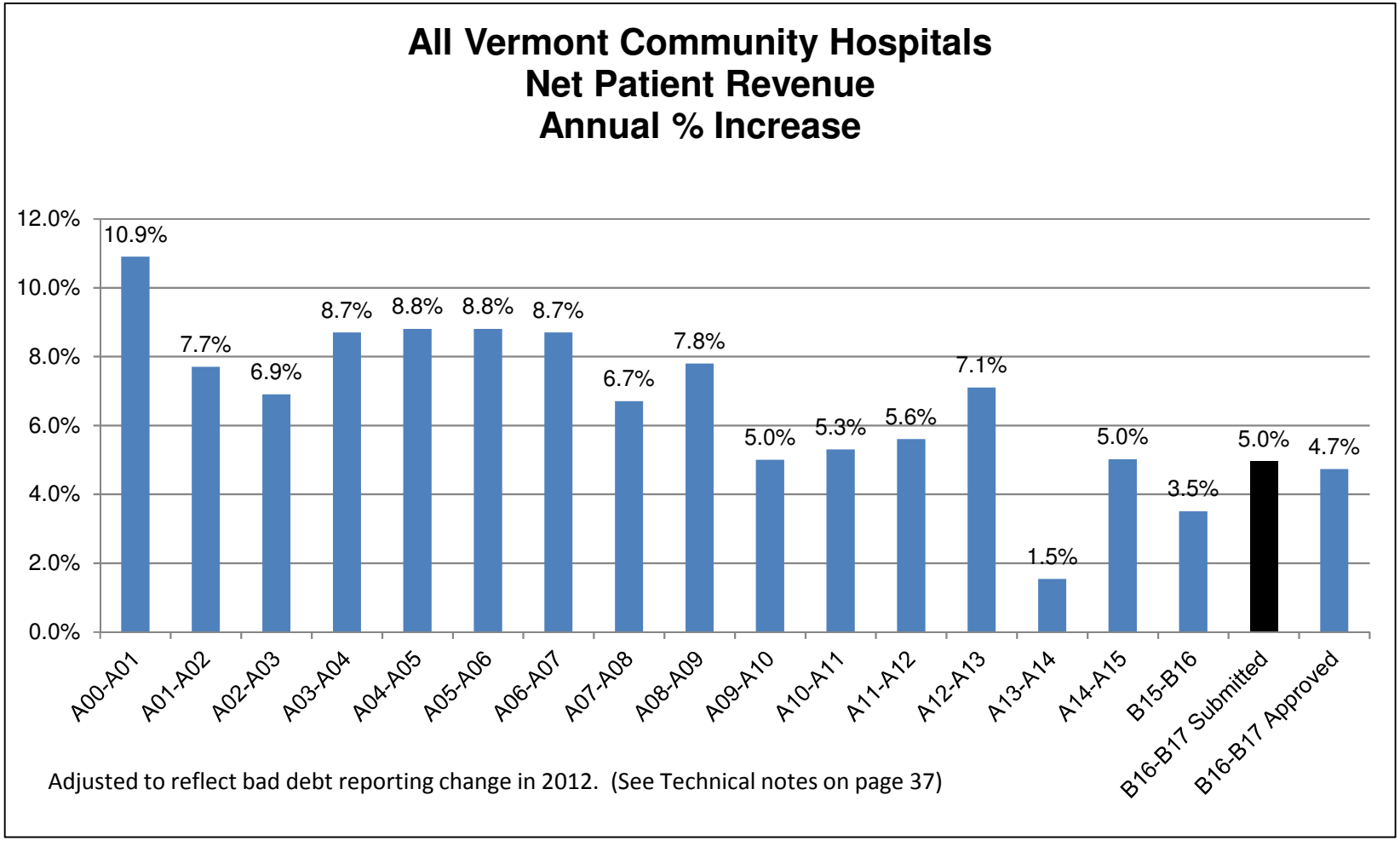
Vermont Hospital System
Approved FY 2017 Budgets

	2015 Actual	2016 Budget Approved	2016 Projection	2017 Budget Approved	2016 Budget to 2017 Budget $ Growth	2016 Budget to 2017 Budget % Change
Gross Patient Care Revenue	$ 4,823,931,807	$ 4,892,291,634	$ 4,932,595,593	$ 5,019,391,864	$ 127,100,230	2.6%
Net Revenue Deductions	$ (2,545,661,498)	$ (2,584,810,586)	$ (2,593,671,809)	$ (2,602,658,870)	$ (17,848,284)	-0.7%
Net Patient Care Revenue	$ 2,278,270,309	$ 2,307,481,048	$ 2,338,923,784	$ 2,416,732,994	$ 109,251,946	4.7%
Other Operating Revenue	$ 141,381,096	$ 138,177,577	$ 141,614,766	$ 144,655,262	$ 6,477,684	4.7%
Total Operating Revenue	$ 2,419,651,405	$ 2,445,658,625	$ 2,480,538,550	$ 2,561,388,255	$ 115,729,630	4.7%
Total Operating Expense	$ 2,309,283,512	$ 2,376,018,120	$ 2,410,993,243	$ 2,490,598,806	$ 114,580,685	4.8%
Net Operating Income (Loss)	$ 110,367,893	$ 69,640,505	$ 69,545,307	$ 70,789,450	$ 1,148,945	1.6%
Non-Operating Revenue	$ (20,910,214)	$ 30,710,453	$ 33,478,719	$ 36,146,043	$ 5,435,590	17.7%
Excess (Deficit) Of Revenue Over Expense	$ 89,457,679	$ 100,350,957	$ 103,024,026	$ 106,935,492	$ 6,584,535	6.6%
Operating Margin %	4.6%	2.8%	2.8%	2.8%		
Total Margin %	3.7%	4.1%	4.2%	4.2%		

Analysis of Net Patient Revenue Change

HOSPITAL	2015 Actual	2016 Budget Approved	2017 Budget Submitted	2017 Budget Approved	2016 Budget Approved to 2017 Budget Approved $ Change	2016 Budget Approved to 2017 Budget Approved % Change
				-		-
Brattleboro Memorial Hospital	$75,742,920	$73,896,151	$76,408,611	$76,408,611	$2,512,460	3.4%
Central Vermont Medical Center	$173,990,659	$173,996,286	$193,220,803	$191,831,143	$17,834,857	10.3%
Copley Hospital	$63,464,436	$60,987,719	$65,509,894	$65,509,894	$4,522,175	7.4%
Gifford Medical Center	$53,896,728	$56,201,733	$57,762,429	$57,762,429	$1,560,696	2.8%
Grace Cottage Hospital	$16,038,766	$18,375,041	$19,205,503	$19,205,503	$830,462	4.5%
Mt. Ascutney Hospital & Health Center	$45,514,515	$48,060,871	$47,744,700	$47,744,700	-$316,171	-0.7%
North Country Hospital	$73,297,094	$76,604,320	$81,189,662	$81,189,662	$4,585,342	6.0%
Northeastern VT Regional Hospital	$65,548,594	$68,095,300	$71,339,400	$71,339,400	$3,244,100	4.8%
Northwestern Medical Center	$97,798,763	$95,697,390	$102,867,017	$101,935,936	$6,238,546	6.5%
Porter Medical Center	$70,596,270	$75,581,083	$76,094,922	$76,094,922	$513,839	0.7%
Rutland Regional Medical Center	$228,328,637	$233,248,162	$243,415,448	$243,415,448	$10,167,286	4.4%
Southwestern VT Medical Center	$142,769,168	$144,025,568	$152,792,211	$152,362,260	$8,336,692	5.8%
Springfield Hospital	$55,926,090	$55,936,500	$59,147,241	$59,147,241	$3,210,741	5.7%
University of Vermont Medical Center	$1,115,357,666	$1,126,774,924	$1,175,237,274	$1,172,785,845	$46,010,921	4.1%
Total All Vermont Community Hospitals	**$2,278,270,306**	**$2,307,481,048**	**$2,421,935,115**	**$2,416,732,994**	**$109,251,946**	**4.7%**

Net Patient Revenue System Trend



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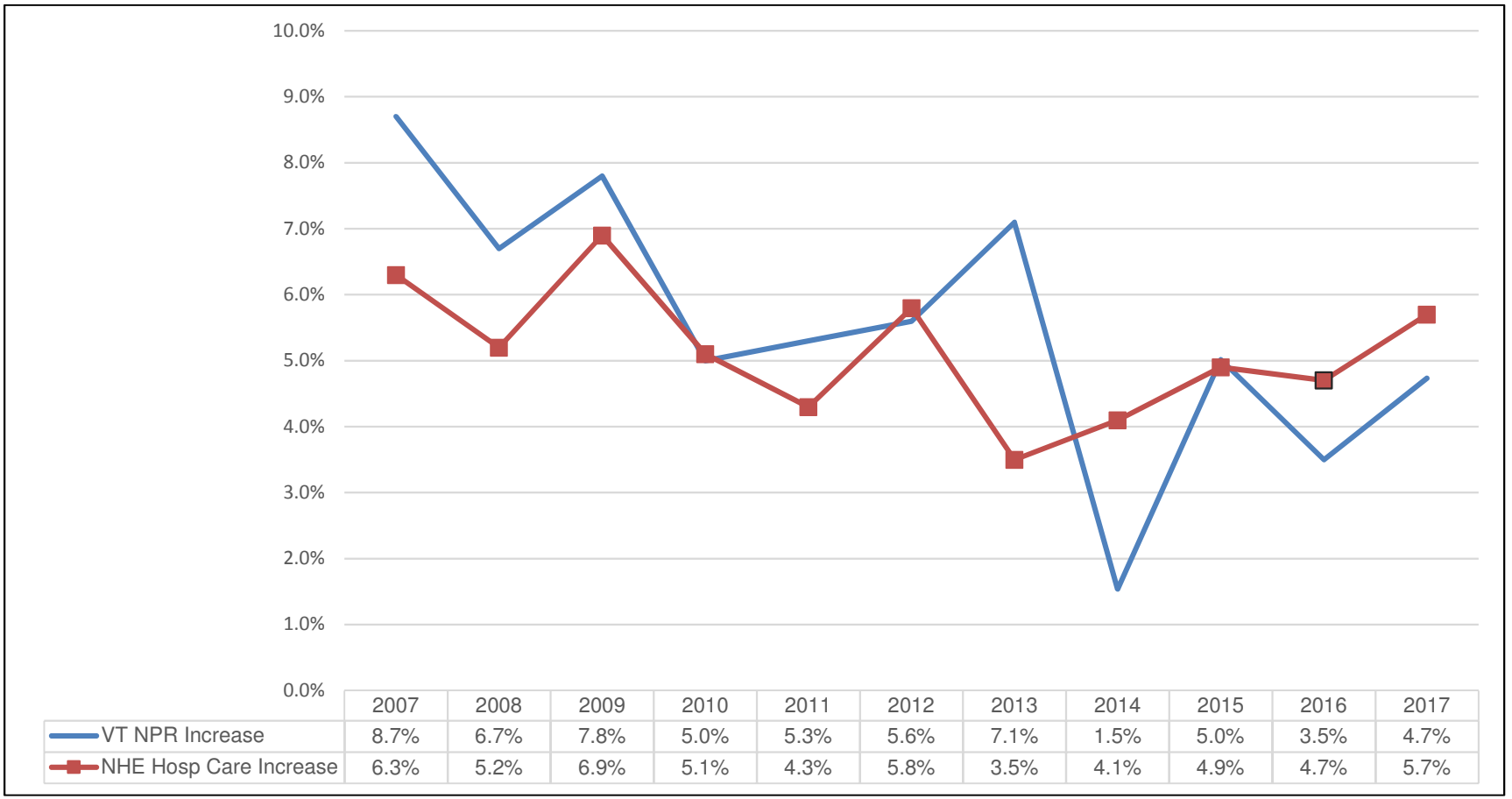
Vermont year-to-year net patient revenue increases compared with national increases



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
VT NPR Increase	8.7%	6.7%	7.8%	5.0%	5.3%	5.6%	7.1%	1.5%	5.0%	3.5%	4.7%
NHE Hosp Care Increase	6.3%	5.2%	6.9%	5.1%	4.3%	5.8%	3.5%	4.1%	4.9%	4.7%	5.7%

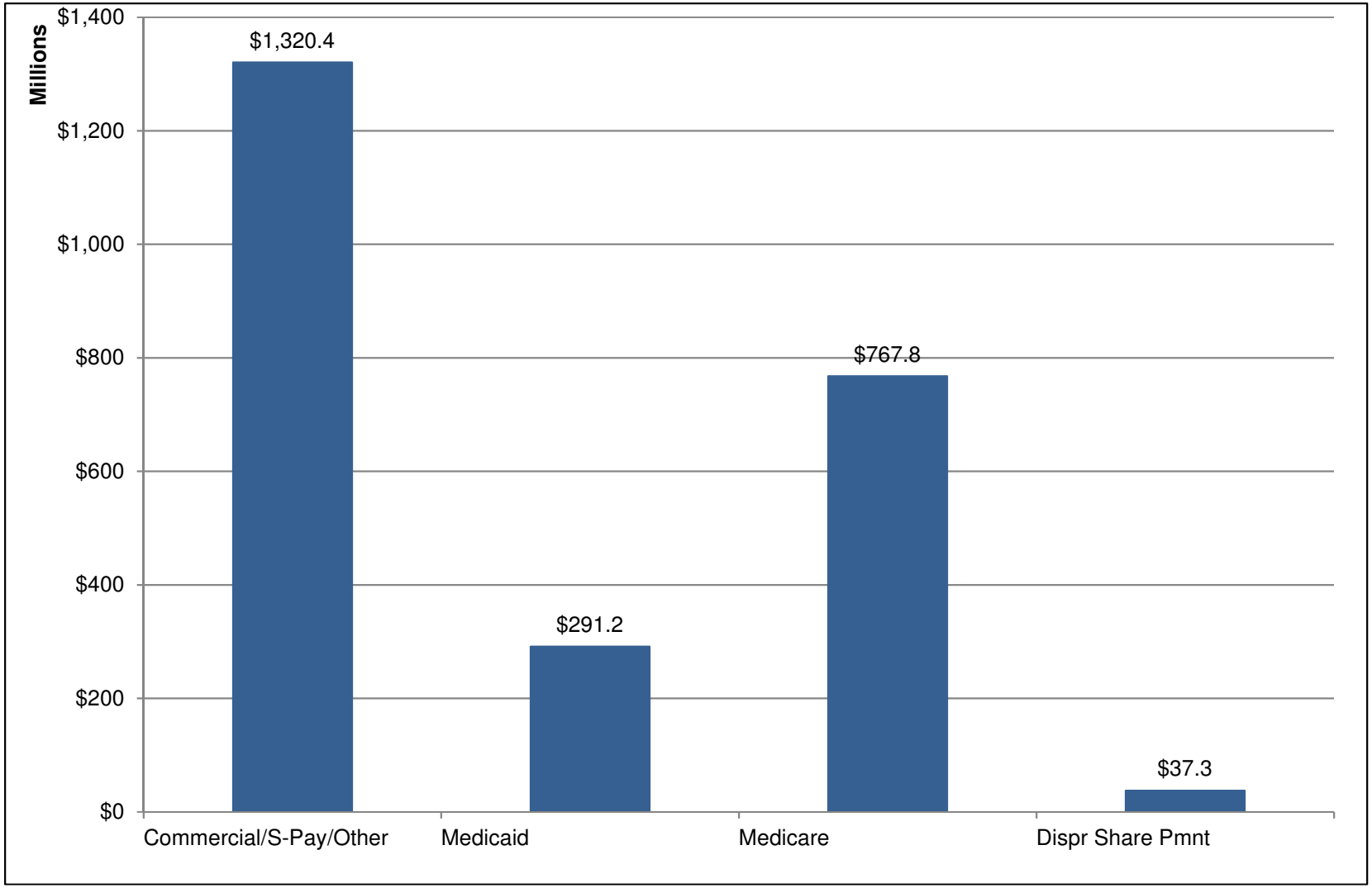
Note: VT data 2007 – 2015 are Actuals, and 2016 - 2017 are approved budgets.
National Health Expenditure (NHE) hospital data 2007 – 2014 are Actuals, and 2015 – 2017 are projected.

History of Rate (price) Increases

	2013		2014		2015		2016		2017	
	Submitted	Approved	Submitted	Approved	Submitted	Approved	Submitted	Approved	Submitted	Approved
Brattleboro Memorial Hospital	7.5%	5.2%	6.2%	5.8%	2.7%	2.7%	-1.2%	-1.4%	3.5%	3.5%
Central Vermont Medical Center	5.0%	5.0%	7.9%	6.9%	5.9%	5.9%	4.7%	4.7%	3.0%	2.45%
Copley Hospital	3.0%	3.0%	6.0%	6.0%	0.0%	0.0%	-3.0%	-4.0%	0.0%	0.0%
Gifford Medical Center	6.1%	6.1%	7.6%	7.6%	5.6%	5.6%	5.8%	5.8%	3.9%	3.9%
Grace Cottage Hospital	6.5%	6.5%	6.0%	6.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Mt. Ascutney Hospital & Health Ctr	7.0%	7.0%	5.0%	5.0%	3.2%	3.2%	5.7%	5.7%	4.9%	4.9%
North Country Hospital	4.6%	4.6%	8.0%	8.0%	8.3%	8.3%	4.8%	4.8%	3.5%	3.5%
Northeastern VT Regional Hospital	6.5%	6.5%	5.8%	5.6%	5.0%	5.0%	5.2%	5.2%	3.8%	3.8%
Northwestern Medical Center	2.9%	2.9%	4.6%	3.9%	6.4%	6.4%	-8.0%	-8.0%	2.9%	0.0%
Porter Medical Center	5.0%	5.0%	6.0%	6.0%	5.0%	5.0%	5.3%	5.3%	3.7%	5.3%
Rutland Regional Medical Center	10.3%	10.3%	4.8%	4.8%	8.4%	8.4%	3.7%	3.7%	-5.1%	-5.1%
Southwestern VT Medical Center	9.9%	6.8%	9.0%	7.2%	4.5%	4.5%	3.8%	3.8%	3.9%	3.4%
Springfield Hospital	6.0%	6.0%	6.0%	4.6%	5.5%	5.5%	2.8%	2.8%	0.0%	0.0%
The University of Vermont Medical Center	9.4%	9.4%	4.5%	4.4%	7.8%	7.8%	6.0%	6.0%	3.0%	2.45%
Weighted Average All Hospitals	**8.2%**	**7.9%**	**5.5%**	**5.2%**	**6.8%**	**6.8%**	**4.4%**	**4.4%**	**2.2%**	**1.8%**

The weighted average has been estimated to reflect the UVMMC and CVMC negotiated commercial rates in fiscal years 2015, 2016 and 2017. Porter's overall approved rate for FY 2017 is 3.7% and negotiated commercial rate for FY 2017 is 5.3%. See technical notes on page 37 of this report.

Net Patient Revenue by payer
Total FY 2017 system - $2.4 billion



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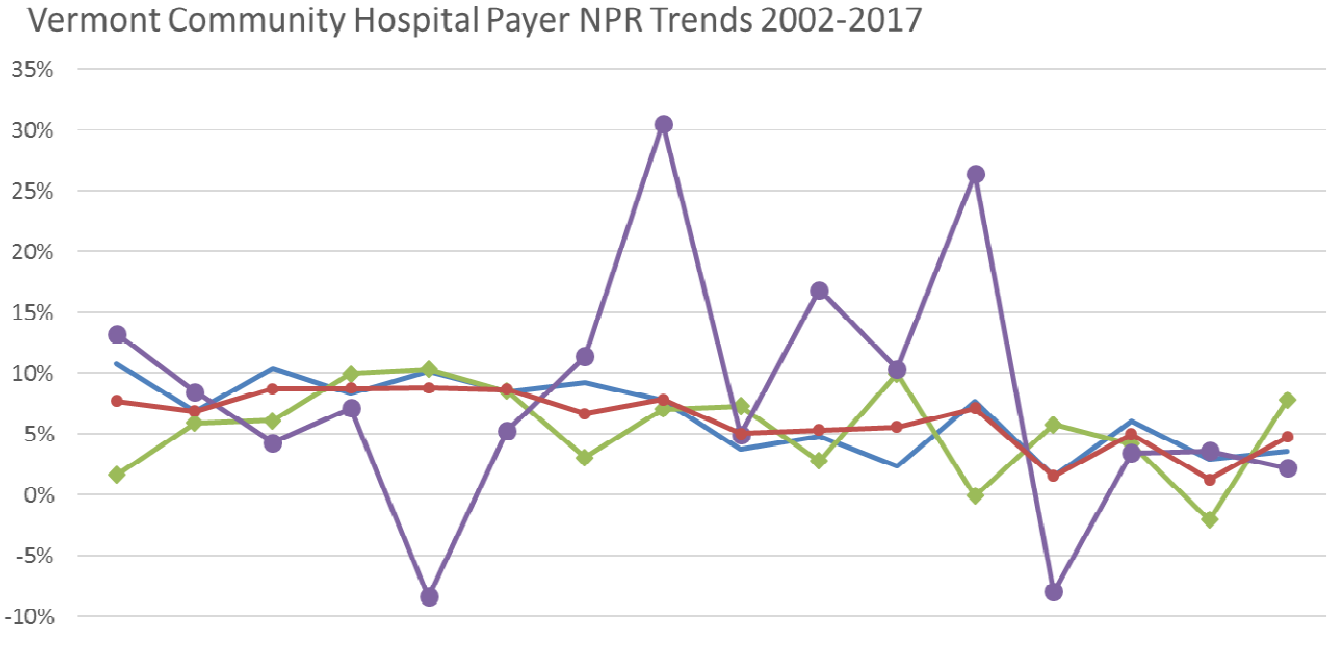
Annual Net Patient Revenue Increase by Payer Type

The hospital system NPR average annual increase is 5.0% over the last 10 years. The average annual increase for NPRs has been 4.5% for Medicare, 9.6% for Medicaid, and 4.9% for commercial payers. These trends are affected by factors such as change in patients receiving services, the type of services patients receive, payer reimbursement, and contract negotiation changes.



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Commercial	10.8%	6.9%	10.4%	8.3%	10.2%	8.5%	9.3%	7.7%	3.8%	4.8%	2.4%	7.7%	1.6%	6.0%	2.9%	3.6%
Medicare	1.6%	5.9%	6.1%	9.9%	10.3%	8.5%	3.1%	7.0%	7.3%	2.8%	10.0%	-0.1%	5.8%	4.2%	-2.1%	7.8%
Medicaid with GME	13.2%	8.5%	4.3%	7.1%	-8.4%	5.3%	11.4%	30.5%	5.0%	16.8%	10.3%	26.4%	-7.9%	3.4%	3.6%	2.2%
Vt. Hospitals - Total NPR growth	7.7%	6.9%	8.7%	8.8%	8.8%	8.7%	6.7%	7.8%	5.0%	5.3%	5.6%	7.1%	1.5%	5.0%	1.3%	4.7%

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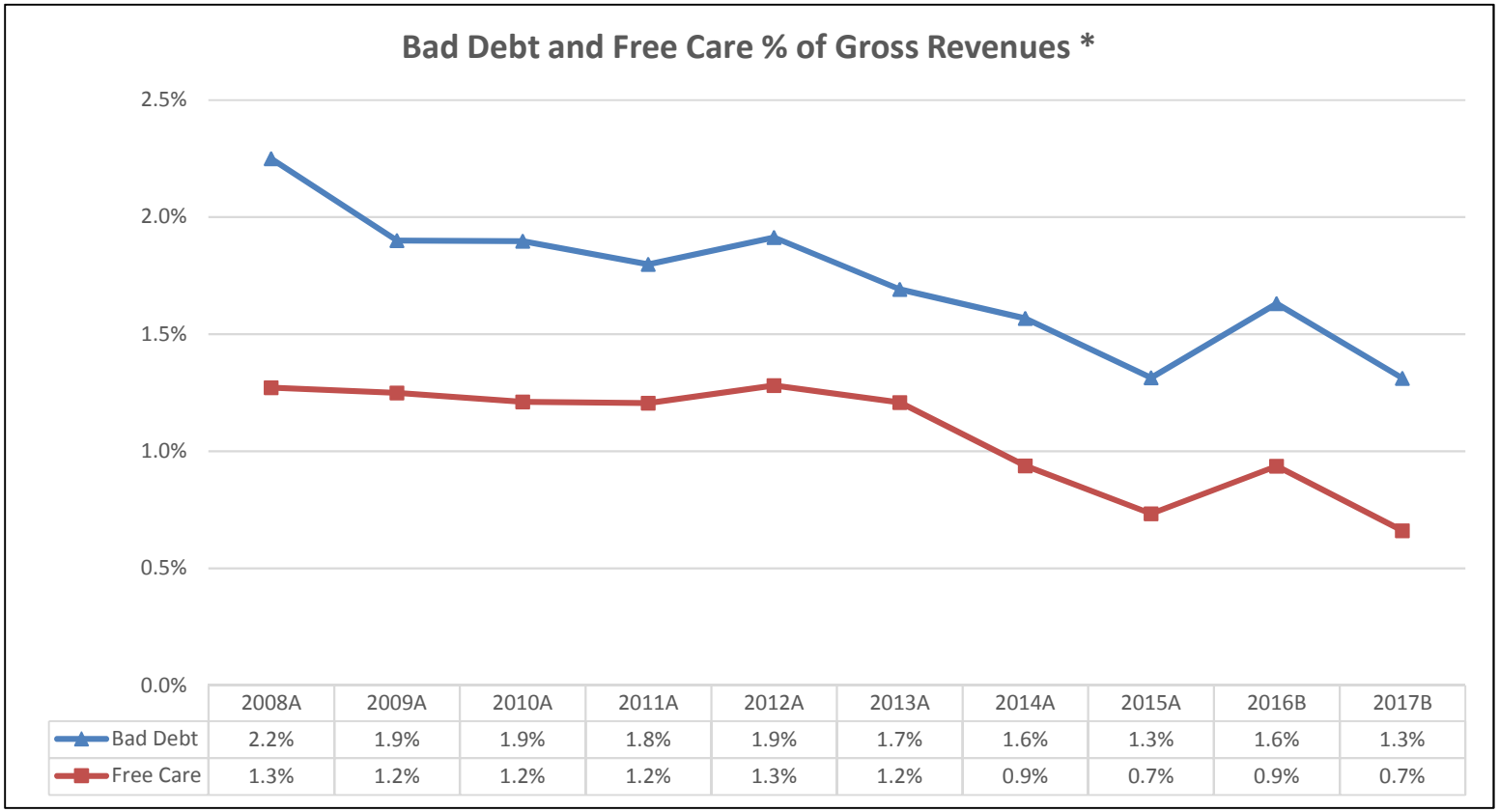
Uncompensated Care Change

The percentage of hospitals' gross revenues that constitutes bad debt and free care has been consistent since at least the early 2000s. In recent years, however, there has been a decline in the amount of bad debt and free care. The hospitals have explained that the decrease is related to improved insurance coverages with the implementation of the Affordable Care Act.

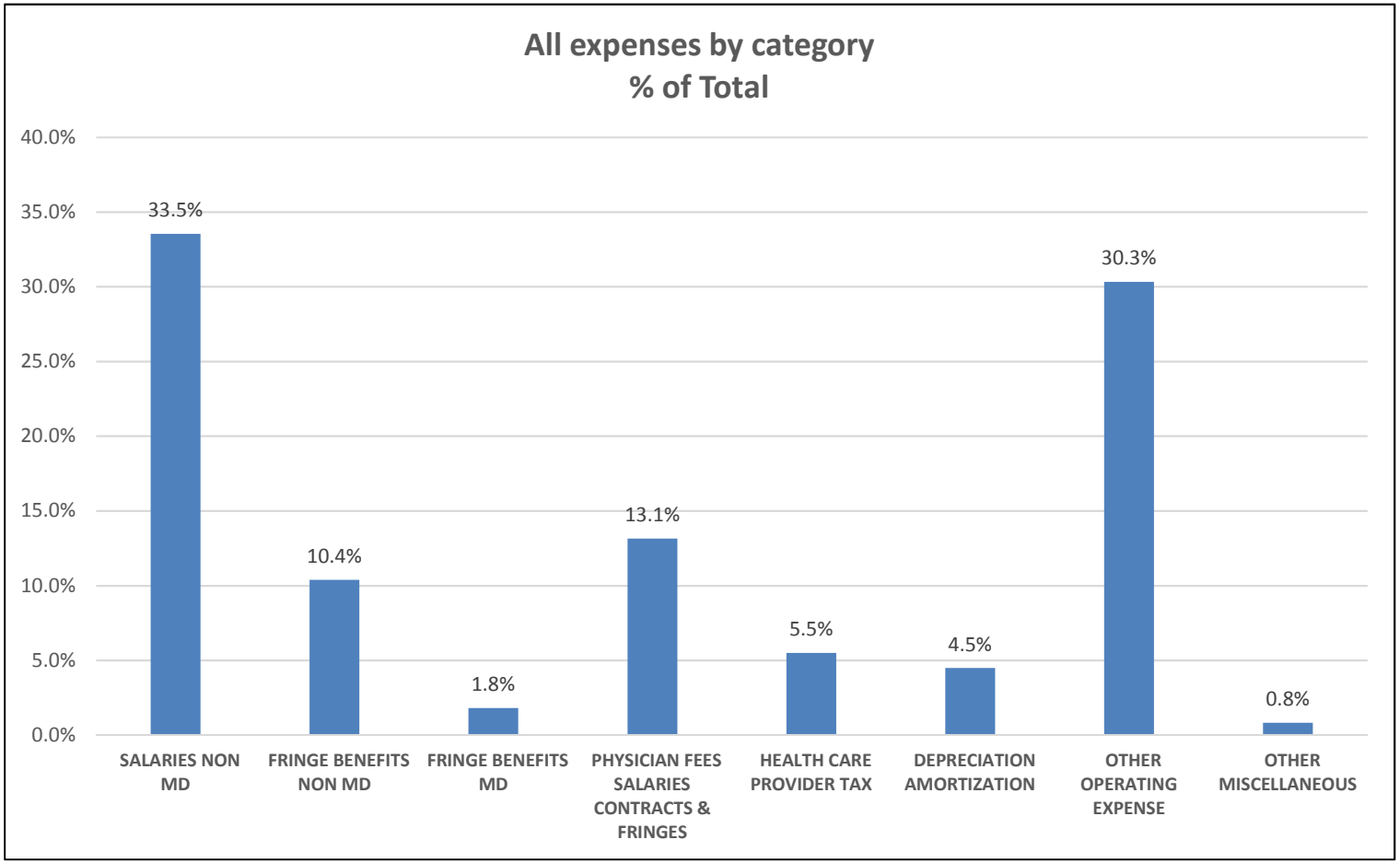


	2008A	2009A	2010A	2011A	2012A	2013A	2014A	2015A	2016B	2017B
Bad Debt	2.2%	1.9%	1.9%	1.8%	1.9%	1.7%	1.6%	1.3%	1.6%	1.3%
Free Care	1.3%	1.2%	1.2%	1.2%	1.3%	1.2%	0.9%	0.7%	0.9%	0.7%

* Bad debt is considered revenue not received by a patient that has the ability to pay while free care is revenue not collected from someone who does not have the ability to pay.

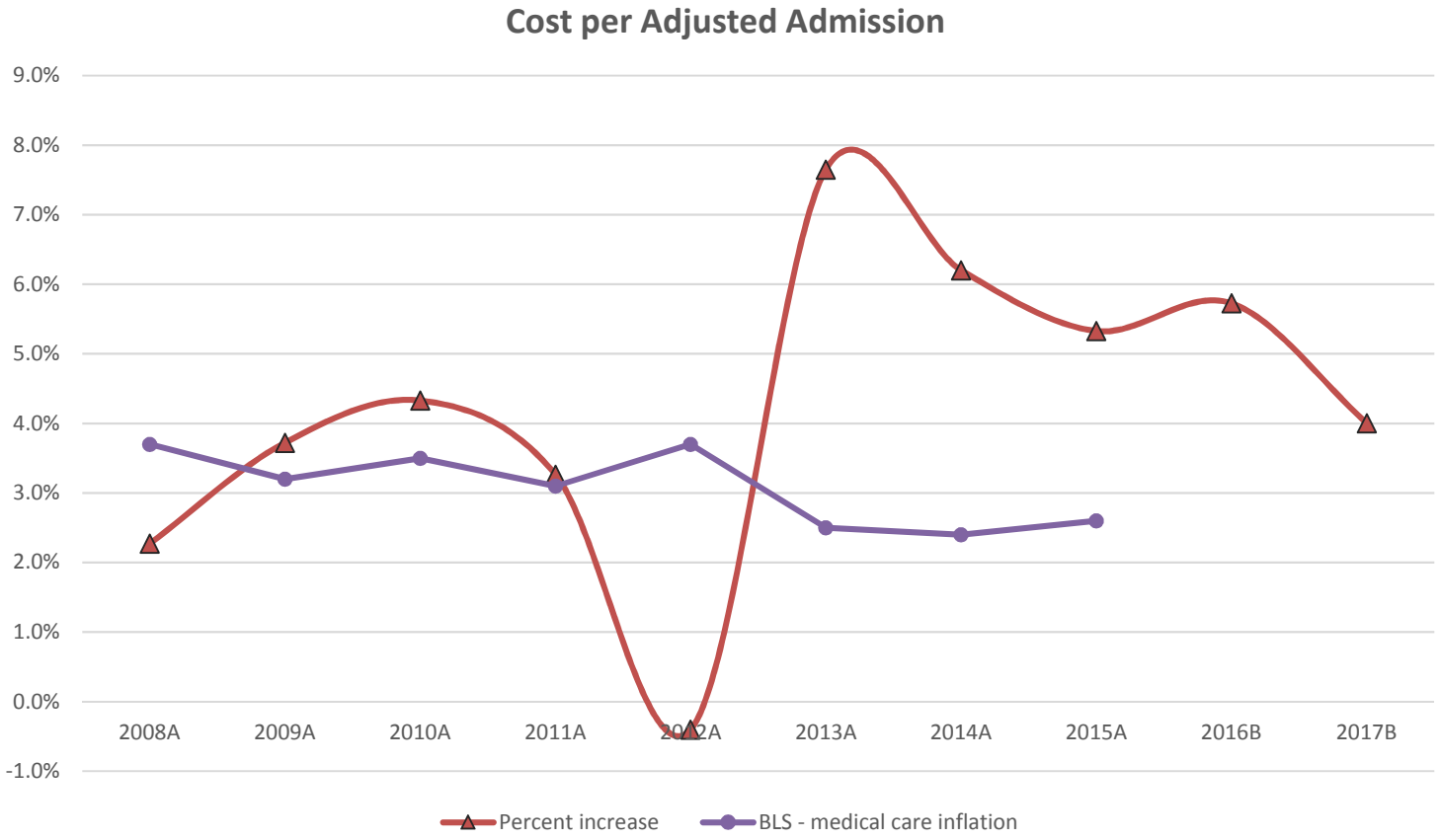
Operating Expenses

FY 2017 expenses are close to $2.5 billion. Labor costs, including physicians, make up almost 59% of total costs. The "other operating expense" category includes med/surgical supplies, marketing, pharmaceuticals, insurance, purchased services, and many other non-salary expenses that support the hospital and physicians.



Operating Expenses Metric

Cost per adjusted admission is an industry-wide metric that allows comparison across hospitals. The measure neutralizes the effect of utilization. This chart shows how this cost has trended against medical inflation (Bureau of Labor Statistics). Medical inflation is a broader measure than just hospitals, but provides a context.



Note: Prior to 2012, bad debt was recorded as an expense. The American Institute of Certified Public Accountants changed the reporting standard; from 2012 forward, bad debt is reported as a deduction from revenue. This explains the large drop 2011-2012, which then distorts the look from 2012- 2013.

Staffing: Non-MD Full Time Equivalents

Non-MD FTEs includes direct service nurses, mid level practitioners, residents & fellows, travelers, and all other personnel.

HOSPITAL	2014 Actual	2015 Actual	2016 Budget	2017 Budget	2016 B to 2017 B Change	2016 B to 2017 B % Change
Brattleboro Memorial Hospital	400	412	422	438	15.8	4%
Central Vermont Medical Center	1,050	1,135	1,151	1,257	106.2	9%
Copley Hospital	334	341	353	356	2.8	1%
Gifford Medical Center	398	363	322	306	-15.4	-5%
Grace Cottage Hospital	126	131	141	140	-0.4	0%
Mt. Ascutney Hospital & Health Ctr	312	307	314	309	-5.8	-2%
North Country Hospital	409	426	450	467	17.0	4%
Northeastern VT Regional Hospital	390	394	399	415	15.8	4%
Northwestern Medical Center	524	544	570	633	63.0	11%
Porter Medical Center	412	424	440	417	-22.6	-5%
Rutland Regional Medical Center	1,107	1,166	1,191	1,284	92.5	8%
Southwestern VT Medical Center	792	748	748	757	8.8	1%
Springfield Hospital	303	298	298	304	5.2	2%
The University of Vermont Medical Center	5,735	5,803	5,885	5,993	108.5	2%
Total	**12,294**	**12,491**	**12,683**	**13,075**	391.5	3%

Staffing: MD Full Time Equivalents

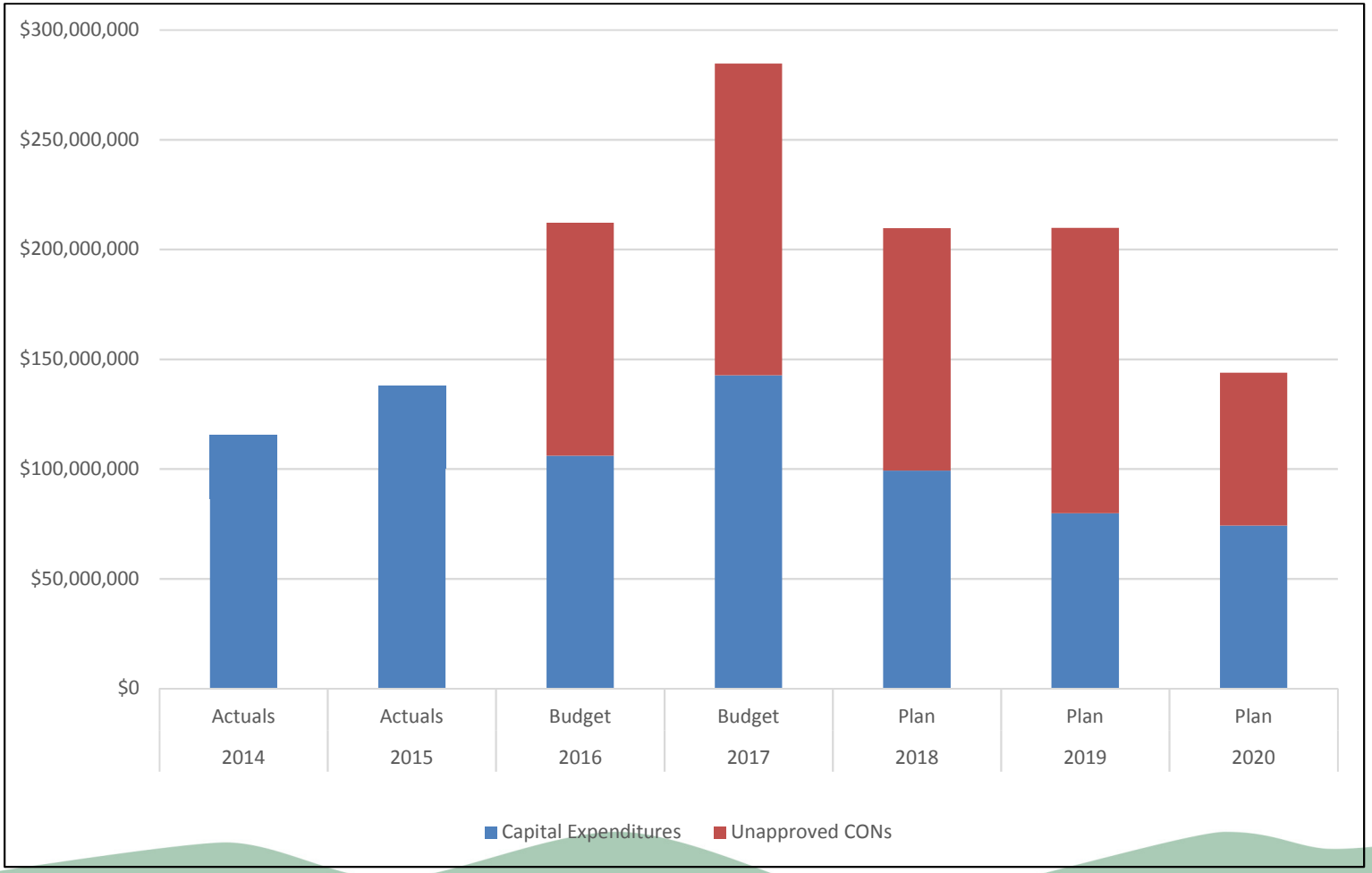
Vermont hospitals have increasingly employed more physicians over the last several years. Most of the growth occurred in the early 2000's and has now slowed. It is estimated that they employ about two-thirds of all active Vermont physicians.

HOSPITAL	2014 Actual	2015 Actual	2016 Budget	2017 Budget	2016 B to 2017 B Change	2016 B to 2017 B % Change
Brattleboro Memorial Hospital	38	44	54	50	-3.3	-6%
Central Vermont Medical Center	76	81	86	85	-0.5	-1%
Copley Hospital	17	15	19	17	-1.7	-9%
Gifford Medical Center	32	19	26	25	-1.0	-4%
Grace Cottage Hospital	8	9	10	10	-0.1	-1%
Mt. Ascutney Hospital & Health Ctr	21	22	22	20	-1.8	-8%
North Country Hospital	32	30	34	32	-2.1	-6%
Northeastern VT Regional Hospital	25	25	33	31	-2.8	-8%
Northwestern Medical Center	29	28	30	37	7.6	26%
Porter Medical Center	35	34	38	36	-2.3	-6%
Rutland Regional Medical Center	81	88	93	71	-22.3	-24%
Southwestern VT Medical Center	57	70	84	87	3.5	4%
Springfield Hospital	16	19	25	21	-3.9	-16%
The University of Vermont Medical Center	509	520	538	567	29.0	5%
Total	**977**	**1,006**	**1,089**	**1,088**	-1.6	0%

Residents & Fellows, Mid-level providers and Travelers are NOT included in MD FTEs.

Capital Budgets - Spending Trends

Capital spending on buildings and equipment is budgeted to increase this year and includes $142 million in anticipated CONs for FY 2017. Capital spending is planned to increase after 3 years of slower growth than budgeted.



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History of the Cost Shift

The cost shift continues to increase overall, though the budgeted increase has slowed compared to increases reflected in 2014, 2015, and 2016. The cost shift occurs when hospitals and other health care providers negotiate higher reimbursement for patients with commercial insurance coverage to make up for lower reimbursement from Medicare, Medicaid, charity care or bad debt.

Fiscal Year	Medicare	Medicaid	Free Care	Bad Debt		*Commercial Insurance & Other
Actual 2008	$ (69,003,712)	$ (103,569,366)	$ (23,623,972)	$ (30,252,980)	------->	$ 226,450,033
Actual 2009	$ (73,627,496)	$ (119,979,398)	$ (24,292,187)	$ (32,391,214)	------->	$ 250,290,295
Actual 2010	$ (73,515,988)	$ (138,016,619)	$ (24,806,398)	$ (33,076,863)	------->	$ 269,415,868
Actual 2011	$ (88,399,861)	$ (152,256,740)	$ (25,784,124)	$ (34,331,093)	------->	$ 300,771,818
Actual 2012	$ (74,383,192)	$ (151,931,648)	$ (24,347,367)	$ (39,264,676)	------->	$ 289,926,884
Actual 2013	$ (128,108,641)	$ (105,982,171)	$ (24,684,304)	$ (37,383,822)	------->	$ 296,158,938
Actual 2014	$ (155,622,607)	$ (148,344,481)	$ (19,370,131)	$ (34,885,055)	------->	$ 358,222,274
Actual 2015	$ (178,243,251)	$ (184,115,357)	$ (16,032,485)	$ (30,469,896)	------->	$ 408,860,990
Budgeted 2016	$ (190,902,198)	$ (176,505,430)	$ (20,475,712)	$ (38,158,176)	------->	$ 426,041,516
Budgeted 2017	$ (193,289,118)	$ (222,989,098)	$ (15,161,475)	$ (31,843,178)	------->	$ 463,282,869

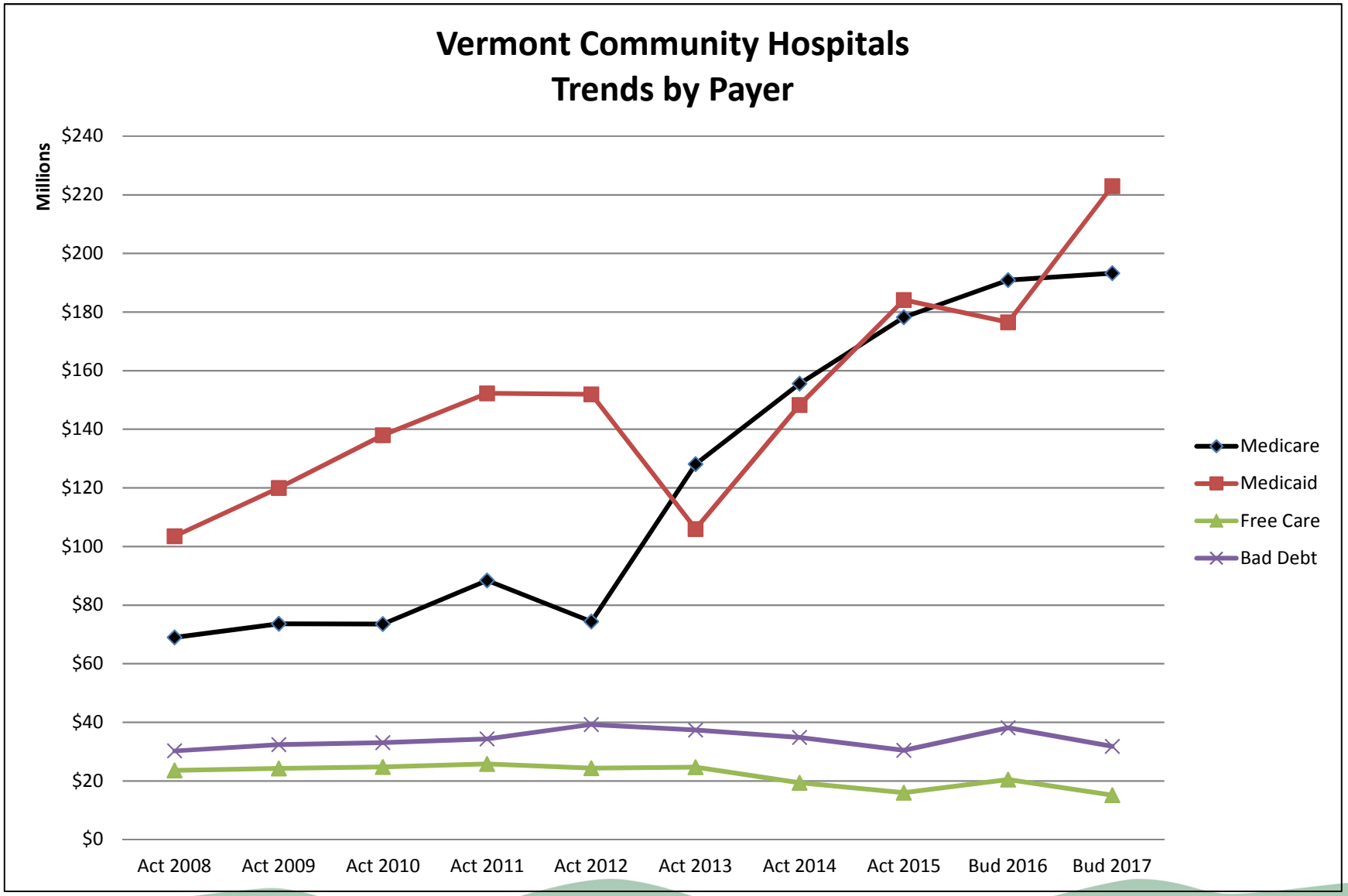
Payer values include all hospital and employed physician services.

Numbers in parentheses reflect the estimated cost of services that each payer shifted to other payers.

Medicaid values include non-Vermont Medicaid of approximately 5%.

* The amount providers shifted to commercial insurance and self pays.

History of the Cost Shift



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Appendix
FY 2017 VERMONT HOSPITAL BUDGETS

GMCB Hospital System Analysis and Supporting Budget Reports

FY 2017 Vermont Hospital System Analysis (1 of 4)

Approved Rate (Price) Trends

Over the past 10 years, the Vermont hospital system saw rates (prices) increase by an average of 6.1%. The rate of growth for FY 2017 over FY 2016, however, is 1.8%, the smallest increase on record for Vermont. The reduction in price growth is related to slower expenditure growth, increases in lower cost utilization, and reductions in bad debt and free care (uncompensated care). Both testimony and budget narratives from the Vermont hospitals in FYs 2015 through 2017 indicate that the reductions in uncompensated care result from more individuals being enrolled in health care coverage programs and enrollment shifts across the payers. Maryland, which also reviews hospital budgets, also saw declines in uncompensated care in FYs 2014 and 2015.*

Most of the increase in rates will be collected from commercial insurers, because Medicare and Medicaid reimbursement generally do not accept all hospital price changes. A lower rate increase means lower revenues will be needed from commercial insurance plans.

Net Patient Revenues (NPR) Trends

The hospital system grew 4.7% in FY 2017 over FY 2016. Over the last 10 years, the hospital as a system grew annually by 5.0%. From FY 2013 to FY 2017, however, the annual rate of growth has declined to 3.1%, in part due to the GMCB's regulatory policy to establish an NPR growth cap.

The slower growth trend in NPR is attributed to a smaller increase in utilization than in the past and a slowing of rate (price) increases. Underlying those changes are some shifts in reimbursement levels by payers, and a decline in the patients' share of bad debt and free care services. These factors result from changing demographics of the population and the influence of health care reforms designed to provide greater health care coverage.

Analysis of Vermont's NPR growth finds that it trends right along with the CMS National Health Expenditures (NHE) estimate of U.S. hospitals, which grew at 5.0% over the last 10 years. Since 2014, Vermont hospitals have exhibited a slower growth than the NHE.

*Maryland Health Services Cost Review Commission – Report to the Governor, FY 2016, pages 14-15

FY 2017 Vermont Hospital System Analysis (2 of 4)

Commercial, Medicaid, & Medicare Trends

Of the system-wide average annual NPR increase of 5.0% over the last 10 years, the average annual NPR increase for NPRs for Medicare has been 4.5%, for Medicaid 9.6%, and 4.9% for commercial payers. These trends are affected by factors such as changes in patients receiving services, the types of services patients receive, payer reimbursement, and contract negotiation.

Medicare (31.8%) and Medicaid (12.%) represent 43.8% of the NPR in FY 2017. Commercial insurers, worker's compensation, and self-pay individuals make up 54.7% of the NPR. Disproportionate share payments makes up the balance (1.5%) and that percentage has decreased overtime.

Utilization

Vermont's admissions rate per 1000 population is 73, falling below the national admissions rate per 1000 of 74.* After over 33 years of declining acute admissions, the Vermont hospital system saw a slight increase in FY 2015 (3.1%) for a total of 45,414 patients. This is budgeted to increase to 46,352 by FY 2017. The increase in acute admissions and the aging of Vermont's population explain much of the hospital utilization increase.

Acute care length of stay has trended at 4.5 – 4.7 days the last several years, similar to other hospitals in the northeast. Physician office visits are at 3.9 million visits and showing increases, in part because Vermont hospitals continue to acquire more physician practices.

* Kaiser http://kff.org/other/state-indicator/admissions-by-ownership/?currentTimeframe=0

FY 2017 Vermont Hospital System Analysis (3 of 4)

Cost shift

The Board projects that the Medicare and Medicaid cost shift will continue to increase in FY 2016 and FY 2017, largely the result of CMS payer reimbursement changes and because Medicaid provider rates have not increased as much as inflation. The bad debt cost shift declined from FY 2014 to FY 2015 by approximately $4.4 million and is expected to decline further in FY 2017. Free (charity) care declined $3.4 million from FY 2014 to FY 2015 and is expected to decrease another $0.9 million in FY 2017. In sum, while the overall cost shift continues to increase, the pace of its increase has slowed compared to recent years. A lower cost shift or slower growth in the cost shift eases the pressure on commercial rates.

Expenses

The cost per adjusted admission metric is used to evaluate increases in costs across hospitals. Vermont cost per unit shows an increase of 3.9% over the last 10 years. To put that in perspective, overall medical care inflation as measured by the Bureau of Labor Statistics showed a 3.1% average increase for the period 2008 – 2015.

The cost metrics to compare hospitals are changing so trying to find a useful consistent cost metric for the state and U.S. hospital industry is proving difficult. We see this in both Maryland and in other benchmarking sources. The cost per adjusted admission metric has been found to be less reliable as a measure since the hospital industry has shifted from inpatient care to greater outpatient care, as new payment methods are being developed, and the revenue and expense increases related to the acquisition of physician practices and the hiring of physicians that previously may have chosen to be independent. These changes also act to influence and distort the cost per adjusted admission measure. Alternative measures are now being advocated to improve the evaluation of costs across hospitals.* The GMCB will be reviewing hospital reporting in order to adapt the information to recognize these changes.

Other measures used to examine costs include salary and fringe per FTE and capital costs as a percent of capital. For each institution, these cost metrics fluctuate primarily because of the economic inflation, changes in program scope, union negotiations, utilization change, acquisitions of physician practices, and pharmaceuticals, etc. CON (certificate of need) approvals and other capital investments tend to be cyclical and will influence operating costs as major capital projects emerge.

* William O. Cleverly, “Time to replace Adjusted Discharges”, www.hfma.org, May 2014

FY 2017 Vermont Hospital System Analysis (4 of 4)

Key Performance Indicators

The budget information includes a calculation of ratios, statistics and key performance indicators that have been established by the Board for evaluating and comparing the hospital budget submissions. The law requires that measures be considered as part of the budget review and compare them to state, regional, and national peers.

The KPIs are used to assess the hospital's financial health, profitability, productivity, costs, debt, capital investment, payer mix, productivity, and utilization. The formulas used to calculate each statistic are referenced in the Appendix.

Liquidity *refers to assets readily converted into cash and access to cash. KPIs include cash on hand, current ratio, days in accounts receivable, and average payment period.*

Financial health *measures the ability of a hospital to meet its total debt obligations and is generally an indicator of long-term financial health. KPIs include cash flow to total debt, debt service coverage ratio, and long term debt to total assets.*

Capital structure *measures the age of the hospital's fixed assets such as buildings and equipment and how efficient capital assets are used. KPIs include age of plant and capital expense % of total expense.*

Cost *measures expenses of the hospital from various perspectives. KPIs include overall cost per adjusted admission, salary and benefit per FTE, and compensation ratio.*

Productivity/efficiency *measures the efficiency of the hospital from various perspectives. KPIs include adjusted admissions per FTE, FTEs per 100 adjusted discharges, and overhead as a % of expense.*

Utilization *measures the units of services provided by the hospital for inpatient, outpatient and physician services. KPIs include acute admission, acute average length of stay, adjusted admissions, outpatient and physician visits.*

Payer Mix *measures the sources of revenue and utilization by payer type. KPIs include (payer type) NPR % of gross patient revenues, (payer type) % of gross patient revenues, bad debt and free care % of gross revenues.*

Profitability *measures a hospital's ability to generate earnings as compared to its revenues. Total margin and operating margin are typically KPIs.*

The Board at times groups Vermont's fourteen hospitals, for comparative purposes, as part of its budget evaluation process. Definitions for these peer groupings are found at: http://gmcboard.vermont.gov/sites/gmcb/files/files/hospital-budget/Peer_Group_Definitions_Formulas_and_Glossary.pdf

Key Performance Indicators

Vermont Hospital System					Vt Median	Northeast CAH	Other Non-Profit	100 - 199 Beds	All Teaching
KEY INDICATORS	**2014 A**	**2015 A**	**2016 B**	**2017 B**	**2017 B**	**U.S. Benchmarks FY2014**			
Net Patient Revenue Change	**1.5%**	**5.0%**	**1.3%**	**4.7%**					
Acute ALOS	4.7	4.6	4.7	4.5	3.3	-	-	-	-
Acute Admissions	44,009	45,414	43,868	46,352		-	-	-	-
Adjusted Admissions	174,851	173,569	168,912	174,478		-	-	-	-
Capital									
Age of Plant	10.2	11.4	11.9	12.3	12.0	11.3	11.3	11.2	11.2
Long Term Debt to Capitalization	29.7%	27.6%	31.3%	29.5%	26.9%	27.1%	31.2%	23.5%	30.6%
Debt Service Coverage Ratio	3.3	3.7	2.7	3.1	4.2	4.4	2.8	3.0	5.0
Revenue									
Bad Debt %	1.6%	1.3%	1.6%	1.3%	1.6%	5.6%	5.5%	6.7%	4.1%
Free Care %	0.9%	0.7%	0.9%	0.7%	0.7%	-	-	-	-
Operating Margin %	3.7%	4.6%	2.8%	2.8%	1.9%	-2.4%	0.7%	2.8%	3.0%
Total Margin %	5.7%	3.7%	4.1%	4.1%	3.2%	3.2%	3.7%	5.7%	5.6%

Source: US Benchmark data from Optum Almanac of Hospital Financial and Operating Indicators, 2016 edition (2014 data)

Key Performance Indicators

Vermont Hospital System					Vt Median	Northeast CAH	Other Non-Profit	100 - 199 Beds	All Teaching
KEY INDICATORS	**2014 A**	**2015 A**	**2016 B**	**2017 B**	**2017 B**	**U.S. Benchmarks FY2014**			
Productivity & Staffing									
Overhead Expense w/ fringe, as a % of Total Operating Expense	26.5%	26.9%	28.2%	28.0%	26.1%	-	-	-	-
Cost & Revenue Unit of Measure									
Cost per Adjusted Admission	12,632	13,305	14,067	14,275	10,264				
Liquidity									
Current Ratio	3.4	3.4	3.5	3.5	2.9	1.4	2.3	1.7	1.8
Days Cash on Hand	176	179	180	166	129	99	74	75	110
Payer									
Medicare Gross as % of Tot Gross Rev	41.6%	42.1%	41.5%	42.2%	41.5%	-	-	-	-
Medicaid Gross as % of Tot Gross Rev	16.4%	17.6%	17.3%	18.6%	19.0%	-	-	-	-
Comm/self Gross as % of Tot Gross Rev	42.0%	40.4%	41.2%	39.2%	37.1%	-	-	-	-
Disproportionate Share	1.7%	1.6%	1.5%	1.5%	1.5%	-	-	-	-
Medicaid % of Total NPR (less DSH)	12.3%	12.1%	12.3%	12.0%	12.7%	-	-	-	-
Medicare % of Total NPR (less DSH)	32.2%	31.9%	30.9%	31.8%	34.8%	-	-	-	-
Commercial % of Total NPR (less DSH)	53.8%	54.4%	55.3%	54.6%	51.4%	-	-	-	-

Source: US Benchmark data from Optum Almanac of Hospital Financial and Operating Indicators, 2016 edition (based on 2014 data)

Select System Trends (page 1 of 3)

Income Statement	FY2014A	FY2015A	FY2016B	FY2016P	FY2017B
Revenues					
Gross Patient Care Revenue	4,611,188,456	4,823,931,803	4,892,291,632	4,932,595,594	5,019,391,864
Disproportionate Share Payments	37,262,752	37,420,325	35,340,159	35,163,558	37,336,539
Bad Debt	(72,307,900)	(63,368,233)	(79,755,659)	(71,061,411)	(65,844,392)
Free Care	(43,261,680)	(35,384,897)	(45,838,756)	(40,422,787)	(33,183,078)
Deductions from Revenue	(2,393,706,295)	(2,514,328,693)	(2,524,556,330)	(2,547,351,169)	(2,570,967,939)
Graduate Medical Education	30,278,412	30,000,000	30,000,000	30,000,000	30,000,000
Net Patient Care Revenue	2,169,453,746	2,278,270,306	2,307,481,046	2,338,923,786	2,416,732,994
Other Operating Revenue	124,166,687	141,381,096	138,177,577	141,614,766	144,655,262
Total Operating Revenue	2,293,620,433	2,419,651,402	2,445,658,623	2,480,538,552	2,561,388,256
Expenses					
Salaries Non MD	731,072,297	766,891,215	791,878,294	802,876,981	835,143,529
Fringe Benefits Non MD	229,842,155	241,203,540	253,961,083	257,550,520	258,816,938
Physician Fees Salaries Contracts & Fringes	296,786,352	307,353,637	311,698,104	313,209,091	327,323,423
Non-Operating Expenses	0	0	0	0	0
All Other Expenses	912,079,600	953,127,648	974,956,951	994,165,386	1,024,113,929
Total Operating Expense	2,208,636,610	2,309,283,512	2,376,018,120	2,410,993,243	2,490,598,806
Net Operating Income (Loss)	84,983,822	110,367,890	69,640,503	69,545,308	70,789,450
Non-Operating Revenue	48,710,942	(20,910,214)	30,710,453	33,478,719	36,146,043
Excess (Deficit) of Revenue Over Expense	133,694,764	89,457,676	100,350,956	103,024,027	106,935,493
Operating Margin %	3.7%	4.6%	2.8%	2.8%	2.8%
Total Margin %	5.7%	3.7%	4.1%	4.1%	4.1%
Bad Debt %	1.6%	1.3%	1.6%	1.4%	1.3%
Free Care %	0.9%	0.7%	0.9%	0.8%	0.7%

Select System Trends continued (page 2 of 3)

Payer Schedule - Net Payer Revenue	FY2014A	FY2015A	FY2016B	FY2016P	FY2017B
Commercial NPR	1,168,035,961	1,238,522,248	1,274,950,788	1,277,443,907	1,320,423,425
Medicaid NPR	303,235,025	312,500,914	320,292,135	323,344,756	328,537,696
Medicare NPR	698,182,765	727,247,147	712,238,124	738,135,122	767,771,872
Total NPR	2,169,453,751	2,278,270,309	2,307,481,048	2,338,923,784	2,416,732,994
Total Hospital NPR	1,758,107,528	1,860,015,847	1,877,515,793	1,904,435,658	1,961,967,463
Total Physician NPR	411,346,223	418,254,462	429,965,255	434,488,127	454,765,530
Medicare Gross as % of Tot Gross Rev (no DSH)	41.6%	42.1%	41.5%	41.9%	42.2%
Medicaid Gross as % of Tot Gross Rev (no DSH)	16.4%	17.6%	17.3%	17.5%	18.6%
Comm/self Gross as % of Tot Gross Rev (no DSH)	42.0%	40.4%	41.2%	40.6%	39.2%
Medicare Net % of Total NPR (no DSH)	32.2%	31.9%	30.9%	31.6%	31.8%
Medicaid Net % of Total NPR (no DSH)	12.3%	12.1%	12.3%	12.3%	12.0%
Comm/Self Net % of Total NPR (no DSH)	53.8%	54.4%	55.3%	54.6%	54.6%
DSH% of Total NPR	1.7%	1.6%	1.5%	1.5%	1.5%
Staffing	**FY2014A**	**FY2015A**	**FY2016B**	**FY2016P**	**FY2017B**
Non MD FTE	12,293.9	12,491.2	12,683.5	12,732.3	13,074.9
Salary per FTE - Non-MD	59,466	61,326	62,434	63,058	63,874
Physician FTEs	977.1	1,005.6	1,089.4	1,042.8	1,087.8
Travelers	119.5	141.0	85.4	104.3	89.5
FTEs per 100 Adj Discharges	7.0	7.2	7.5	7.2	7.5
Overhead Expense w/ fringe, as a % of Total Operating Exp	26%	27%	28%	28%	28%
Utilization	**FY2014A**	**FY2015A**	**FY2016B**	**FY2016P**	**FY2017B**
Average Daily Census	828.5	836.4	807.8	806.8	809.8
Acute ALOS	4.7	4.6	4.7	4.6	4.5
Acute Admissions	44,009	45,414	43,868	45,707	46,352
Adjusted Admissions	174,851	173,569	168,912	175,664	174,478
Cost per Adjusted Admission	12,632	13,305	14,067	13,725	14,275
Outpatient Gross Revenue %	57%	58%	58%	58%	59%
Inpatient Gross Revenue %	25%	26%	26%	26%	27%
All Outpatient Visits	3,189,105	3,272,889	3,254,380	3,423,277	3,494,840
Emergency Room Visits	269,380	270,324	266,172	270,803	269,636
Physician Office Visits	3,485,236	3,621,172	3,728,277	3,679,981	3,880,528

Select System Trends continued (page 3 of 3)

Balance Sheet	FY2014A	FY2015A	FY2016B	FY2016P	FY2017B
Current Assets	748,179,672	708,326,460	735,874,194	735,686,487	728,430,143
Board Designated Assets	679,858,975	750,142,965	829,279,565	823,449,220	788,721,291
Net, Property, Plant And Equipment	785,724,257	818,767,048	992,034,203	987,736,163	1,093,291,797
Other Long-Term Assets	86,334,609	78,514,146	84,385,644	81,144,497	72,158,030
Total Assets	2,300,097,513	2,355,750,620	2,641,573,606	2,628,016,367	2,682,601,261
Current Liabilities	375,728,151	390,964,594	400,786,112	401,876,644	399,456,913
Long-Term Debt	535,013,218	504,446,347	659,528,898	668,952,806	636,690,081
Other Noncurrent Liabilities	118,653,655	133,601,457	131,959,335	133,406,892	124,422,261
Fund Balance	1,270,702,489	1,326,738,221	1,449,299,262	1,423,780,025	1,522,032,006
Total Liabilities and Fund Balance	2,300,097,513	2,355,750,620	2,641,573,607	2,628,016,368	2,682,601,261
Days Cash on Hand	176	179	180	175	166
Current Ratio	3.4	3.4	3.5	3.5	3.5
Long Term Debt to Capitalization	30%	28%	31%	32%	30%
Debt per Staffed Bed	788,204	787,911	928,563	934,966	901,063
Capital	**FY2014A**	**FY2015A**	**FY2016B**	**FY2016P**	**FY2017B**
Total Age of Plant	10.2	11.4	11.9	11.9	12.3
Total Capital Purchases (incl CONs)	115,704,108	137,979,707	212,105,819	206,510,238	284,694,991

FY 2017 Individual Hospital Budgets As Approved (1 of 5)

	RATE	INCOME STATEMENT							
		Gross Revenue							
Hospital	Approved Rate	Inpatient Care Revenue	Outpatient Care Revenue	Physician Revenue	Chronic/SNF SwingRevenue	Total Gross Revenue	Deductions	Net Patient Care Revenue	Total Operating Revenue
Brattleboro Memorial Hospital	3.5%	$29,795,555	$110,296,412	$17,381,587	$0	$157,473,554	-$81,064,943	$76,408,612	$80,281,708
Central Vermont Medical Center*	2.45%	$86,881,714	$206,694,176	$55,860,463	$20,048,309	$369,484,662	-$177,653,519	$191,831,143	$203,194,981
Copley Hospital	0.0%	$35,507,760	$69,669,881	$4,110,303	$309,130	$109,597,074	-$44,087,180	$65,509,894	$66,988,462
Gifford Medical Center	3.9%	$31,393,921	$74,576,486	$13,587,816	$2,221,812	$121,780,035	-$64,017,606	$57,762,429	$59,240,671
Grace Cottage Hospital	5.0%	$1,479,494	$15,555,278	$4,966,088	$6,406,918	$28,407,778	-$9,202,275	$19,205,503	$20,391,880
Mt. Ascutney Hospital & Health Ctr	4.9%	$4,449,208	$47,436,819	$19,604,218	$19,931,024	$91,421,269	-$43,676,569	$47,744,700	$50,611,859
North Country Hospital	3.5%	$28,187,950	$129,372,829	$26,425,552	$615,549	$184,601,880	-$103,412,218	$81,189,662	$86,413,683
Northeastern VT Regional Hospital	3.8%	$30,834,700	$100,998,100	$18,885,100	$1,453,600	$152,171,500	-$80,832,100	$71,339,400	$72,924,500
Northwestern Medical Center	0.0%	$44,665,109	$108,057,061	$36,376,267	$77,181	$189,175,618	-$87,239,682	$101,935,936	$107,803,774
Porter Medical Center*	5.3%	$39,813,856	$93,922,384	$26,119,364	$794,898	$160,650,502	-$84,555,580	$76,094,921	$78,081,584
Rutland Regional Medical Center	-5.1%	$180,666,477	$257,142,036	$63,107,825	$0	$500,916,338	-$257,500,890	$243,415,448	$254,433,179
Southwestern VT Medical Center	3.4%	$66,835,959	$204,605,991	$52,663,750	$0	$324,105,700	-$171,743,440	$152,362,260	$155,173,809
Springfield Hospital	0.0%	$29,168,760	$87,776,144	$6,768,209	$181,000	$123,894,113	-$64,746,872	$59,147,241	$60,909,941
University of Vermont Medical Ctr*	2.45%	$737,421,623	$1,112,544,201	$627,428,060	$28,317,956	$2,505,711,841	-$1,332,925,996	$1,172,785,845	$1,264,938,225
SYSTEM	1.8%	$1,347,102,086	$2,618,647,798	$973,284,602	$80,357,377	$5,019,391,864	-$2,602,658,870	$2,416,732,994	$2,561,388,256
MEDIAN		$33,450,841	$104,527,581	$22,861,791	$705,224	$159,062,028	-$82,810,262	$76,251,767	$79,181,646

Note: = the rate for hospitals with an asterisk reflects their Commercial Ask.

FY 2017 Individual Hospital Budgets As Approved (2 of 5)

	INCOME STATEMENT				
Hospital	Operating Expense	Net Operating Income (Loss)	Non-Operating Revenue	Excess (Deficit) of Revenue Over Expense	Operating Margin %
Brattleboro Memorial Hospital	$80,123,835	$157,873	$582,602	$740,475	0.2%
Central Vermont Medical Center	$199,521,392	$3,673,589	$1,872,894	$5,546,483	1.8%
Copley Hospital	$66,743,216	$245,246	$2,603,000	$2,848,246	0.4%
Gifford Medical Center	$58,086,178	$1,154,493	$850,000	$2,004,493	1.9%
Grace Cottage Hospital	$20,591,302	-$199,422	$743,534	$544,112	-1.0%
Mt. Ascutney Hospital & Health Ctr	$51,856,343	-$1,244,484	$1,844,274	$599,790	-2.5%
North Country Hospital	$85,332,744	$1,080,939	$453,721	$1,534,660	1.3%
Northeastern VT Regional Hospital	$71,509,500	$1,415,000	$0	$1,415,000	1.9%
Northwestern Medical Center	$104,464,400	$3,339,374	$399,520	$3,738,894	3.1%
Porter Medical Center	$77,326,904	$754,680	$3,047,274	$3,801,954	1.0%
Rutland Regional Medical Center	$248,328,292	$6,104,887	$7,136,913	$13,241,800	2.4%
Southwestern VT Medical Center	$150,544,820	$4,628,989	$605,000	$5,233,989	3.0%
Springfield Hospital	$59,158,280	$1,751,661	$750,000	$2,501,661	2.9%
University of Vermont Medical Ctr	$1,217,011,600	$47,926,625	$15,257,311	$63,183,936	3.8%
SYSTEM	$2,490,598,806	$70,789,450	$36,146,043	$106,935,493	2.8%
MEDIAN	$78,725,370	$1,284,746	$800,000	$2,674,953	1.9%

FY 2017 Individual Hospital Budgets As Approved (3 of 5)

	UTILIZATION				STAFFING			
Hospital	Acute Beds (Staffed)	Physician Office Visits & Clinics Visits	All Outpatient Visits	Adjusted Admissions	Total NON-MD $/FTE	Compensation Ratio	Non-MD FTE	Physician FTEs
Brattleboro Memorial Hospital	38	254,193	102,063	8,324	$57,261	60.0%	438	50
Central Vermont Medical Center	90	244,829	451,087	18,086	$61,378	65.1%	1,257	85
Copley Hospital	21	27,988	101,586	5,173	$63,841	57.3%	356	17
Gifford Medical Center	20	37,475	57,862	5,283	$60,594	57.6%	306	25
Grace Cottage Hospital	7	22,477	22,757	2,727	$63,589	72.0%	140	10
Mt. Ascutney Hospital & Health Ctr	13	51,645	23,110	7,397	$60,541	62.9%	309	20
North Country Hospital	25	102,489	68,690	9,280	$57,527	59.0%	467	32
Northeastern VT Regional Hospital	23	73,981	91,122	6,559	$58,572	58.9%	415	31
Northwestern Medical Center	70	87,329	221,176	11,724	$60,639	59.5%	633	37
Porter Medical Center	25	97,862	64,451	6,226	$61,525	57.4%	417	36
Rutland Regional Medical Center	115	387,801	230,700	17,390	$64,365	55.7%	1,284	71
Southwestern VT Medical Center	80	160,062	285,036	16,201	$61,243	56.8%	757	87
Springfield Hospital	35	23,806	85,000	8,198	$58,728	48.2%	304	21
University of Vermont Medical Ctr	392	3,939,200	1,690,200	64,127	$67,082	55.7%	5,993	567
SYSTEM	954	5,511,137	3,494,840	174,478	$63,874	57.3%	13,075	1,088
MEDIAN	30	92,596	96,354	8,261	$60,941	58.2%	428	34

FY 2017 Individual Hospital Budgets As Approved (4 of 5)

BALANCE SHEET					
Hospital	Total Assets	Board Designated Assets	Net, Property, Plant And Equipment	Long Term Liabilities	Fund Balance (Net Assets)
Brattleboro Memorial Hospital	$ 78,246,205	$ 38,438,166	$ 27,211,671	$ 8,361,302	$ 55,705,780
Central Vermont Medical Center	$ 176,461,446	$ 45,000,000	$ 75,011,446	$ 19,500,000	$ 100,861,446
Copley Hospital	$ 54,494,263	$ 1,072,237	$ 26,647,263	$ 8,965,023	$ 36,613,368
Gifford Medical Center	$ 87,361,552	$ 19,647,906	$ 41,613,056	$ 23,972,000	$ 50,229,539
Grace Cottage Hospital	$ 11,987,340	$ 4,010,101	$ 3,756,642	$ 2,285,054	$ 6,562,455
Mt. Ascutney Hospital & Health Ctr	$ 46,122,455	$ 15,719,940	$ 19,422,454	$ 10,024,748	$ 21,091,953
North Country Hospital	$ 80,052,031	$ 29,543,000	$ 26,834,000	$ 928,000	$ 47,818,031
Northeastern VT Regional Hospital	$ 62,329,300	$ 15,176,800	$ 23,348,929	$ 11,326,400	$ 38,710,000
Northwestern Medical Center	$ 160,992,974	$ 21,350,000	$ 67,609,861	$ 33,100,000	$ 116,995,912
Porter Medical Center	$ 56,128,308	$ 5,470,135	$ 21,097,124	$ 11,466,138	$ 26,794,456
Rutland Regional Medical Center	$ 271,845,127	$ 118,841,066	$ 73,819,053	$ 56,102,482	$ 153,106,567
Southwestern VT Medical Center	$ 76,025,488	$ 6,440,385	$ 36,089,692	$ 9,881,339	$ 21,855,307
Springfield Hospital	$ 55,088,125	$ 1,618,667	$ 26,366,606	$ 12,326,595	$ 33,820,545
University of Vermont Medical Ctr	$ 1,465,466,647	$ 466,392,888	$ 624,464,000	$ 428,451,000	$ 811,866,647
SYSTEM	$ 2,682,601,261	$ 788,721,291	$ 1,093,291,797	$ 636,690,081	$ 1,522,032,006
MEDIAN	$ 77,135,847	$ 17,683,923	$ 27,022,836	$ 11,396,269	$ 43,264,016

FY 2017 Individual Hospital Budgets As Approved (5 of 5)

	UNCOMPENSATED CARE				CAPITAL			FINANCIAL INDICATORS	
Hospital	Free Care	Free Care % of Gr Rev	Bad Debt	Bad Debt % of Gr Rev	Total Capital Purchases	Non-Certificate of Need Capital Plans Total	Certificate of Need Capital Plans	Capital Expenditures to Depreciation	Capital Cost % of Total Expense
Brattleboro Memorial Hospital	$ 3,157,876	2.0%	$4,842,195	3.1%	$2,704,898	$2,704,898	$0	61.3%	5.7%
Central Vermont Medical Center	$ 2,464,000	0.7%	$4,842,995	1.3%	$14,134,000	$14,134,000	$0	139.8%	5.3%
Copley Hospital	$ 866,568	0.8%	$1,753,554	1.6%	$10,406,202	$10,406,202	$0	398.8%	4.0%
Gifford Medical Center	$ 606,337	0.5%	$3,152,951	2.6%	$4,168,177	$4,168,177	$0	122.4%	7.3%
Grace Cottage Hospital	$ 194,628	0.7%	$476,230	1.7%	$887,520	$887,520	$0	135.3%	3.9%
Mt. Ascutney Hospital & Health Ctr	$ 777,082	0.9%	$914,213	1.0%	$3,085,000	$3,085,000	$0	151.3%	5.5%
North Country Hospital	$ 1,200,997	0.7%	$3,862,806	2.1%	$3,495,000	$3,495,000	$0	75.8%	6.2%
Northeastern VT Regional Hospital	$ 3,045,300	2.0%	$2,977,400	2.0%	$4,825,805	$2,725,805	$2,100,000	104.6%	4.2%
Northwestern Medical Center	$ 1,355,047	0.7%	$3,020,833	1.6%	$27,872,229	$9,987,013	$17,885,216	213.2%	5.0%
Porter Medical Center	$ 1,062,113	0.7%	$2,460,638	1.5%	$4,000,000	$4,000,000	$0	121.6%	4.7%
Rutland Regional Medical Center	$ 3,569,908	0.7%	$6,626,902	1.3%	$42,929,000	$9,854,000	$33,075,000	74.9%	6.0%
Southwestern VT Medical Center	$ 1,601,666	0.5%	$5,000,000	1.5%	$13,100,000	$8,750,000	$4,350,000	143.3%	4.4%
Springfield Hospital	$ 2,604,562	2.1%	$5,201,151	4.2%	$2,100,000	$2,100,000	$0	137.2%	3.4%
University of Vermont Medical Ctr	$ 10,676,995	0.4%	$20,712,524	0.8%	$150,987,160	$66,341,160	$84,646,000	127.2%	5.4%
SYSTEM	$ 33,183,078	0.7%	$65,844,392	1.3%	$284,694,991	$142,638,775	$142,056,216	128.2%	5.3%
MEDIAN	$ 1,478,357	0.7%	$3,507,879	1.6%	$4,496,991	$4,084,089	$0	131.2%	5.1%

The Law – 18 V.S.A. § 9456

18 V.S.A § 9456. Budget review

(a) The Board shall conduct reviews of each hospital's proposed budget based on the information provided pursuant to this subchapter and in accordance with a schedule established by the Board.

(b) In conjunction with budget reviews, the Board shall:

(1) review utilization information;

(2) consider the goals and recommendations of the health resource allocation plan;

(3) consider the expenditure analysis for the previous year and the proposed expenditure analysis for the year under review;

(4) consider any reports from professional review organizations;

(5) solicit public comment on all aspects of hospital costs and use and on the budgets proposed by individual hospitals;

(6) meet with hospitals to review and discuss hospital budgets for the forthcoming fiscal year;

(7) give public notice of the meetings with hospitals, and invite the public to attend and to comment on the proposed budgets;

(8) consider the extent to which costs incurred by the hospital in connection with services provided to Medicaid beneficiaries are being charged to non-Medicaid health benefit plans and other non-Medicaid payers;

(9) require each hospital to file an analysis that reflects a reduction in net revenue needs from non-Medicaid payers equal to any anticipated increase in Medicaid, Medicare, or another public health care program reimbursements, and to any reduction in bad debt or charity care due to an increase in the number of insured individuals;

(10) require each hospital to provide information on administrative costs, as defined by the Board, including specific information on the amounts spent on marketing and advertising costs; and

(11) require each hospital to create or maintain connectivity to the State's Health Information Exchange Network in accordance with the criteria established by the Vermont Information Technology Leaders, Inc., pursuant to subsection 9352(i) of this title, provided that the Board shall not require a hospital to create a level of connectivity that the State's Exchange is unable to support.

(c) Individual hospital budgets established under this section shall:

(1) be consistent with the Health Resource Allocation Plan;

(2) take into consideration national, regional, or instate peer group norms, according to indicators, ratios, and statistics established by the Board;

(3) promote efficient and economic operation of the hospital;

(4) reflect budget performances for prior years; and

(5) include a finding that the analysis provided in subdivision (b)(9) of this section is a reasonable methodology for reflecting a reduction in net revenues for non-Medicaid payers.

(d)(1) Annually, the Board shall establish a budget for each hospital on or before September 15, followed by a written decision by October 1. Each hospital shall operate within the budget established under this section.

(2)(A) It is the General Assembly's intent that hospital cost containment conduct is afforded state action immunity under applicable federal and State antitrust laws, if:

(i) the Board requires or authorizes the conduct in any hospital budget established by the Board under this section;

(ii) the conduct is in accordance with standards and procedures prescribed by the Board; and

(iii) the conduct is actively supervised by the Board.

The Law – 18 V.S.A. § 9456

(B) A hospital's violation of the Board's standards and procedures shall be subject to enforcement pursuant to subsection (h) of this section.

(3)(A) The Office of the Health Care Advocate shall have the right to receive copies of all materials related to the hospital budget review and may:

(i) ask questions of employees of the Green Mountain Care Board related to the Board's hospital budget review;

(ii) submit written questions to the Board that the Board will ask of hospitals in advance of any hearing held in conjunction with the Board's hospital review:

(iii) submit written comments for the Board's consideration; and

(iv) ask questions and provide testimony in any hearing held in conjunction with the Board's hospital budget review.

(B) The Office of the Health Care Advocate shall not further disclose any confidential or proprietary information provided to the Office pursuant to this subdivision (3).

(e) The Board may establish a process to define, on an annual basis, criteria for hospitals to meet, such as utilization and inflation benchmarks. The Board may waive one or more of the review processes listed in subsection (b) of this section.

(f) The Board may, upon application, adjust a budget established under this section upon a showing of need based upon exceptional or unforeseen circumstances in accordance with the criteria and processes established under section 9405 of this title.

(g) The Board may request, and a hospital shall provide, information determined by the Board to be necessary to determine whether the hospital is operating within a budget established under this section. For purposes of this subsection, subsection (h) of this section, and subdivision 9454(a)(7) of this title, the Board's authority shall extend to an affiliated corporation or other person in the control of or controlled by the hospital to the extent that such authority is necessary to carry out the purposes of this subsection, subsection (h) of this section, or subdivision 9454(a)(7) of this title. As used in this subsection, a rebuttable presumption of "control" is created if the entity, hospital, or other person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing 20 percent or more of the voting securities or membership interest or other governing interest of the hospital or other controlled entity.

(h)(1) If a hospital violates a provision of this section, the Board may maintain an action in the Superior Court of the county in which the hospital is located to enjoin, restrain, or prevent such violation.

(2)(A) After notice and an opportunity for hearing, the Board may impose on a person who knowingly violates a provision of this subchapter, or a rule adopted pursuant to this subchapter, a civil administrative penalty of no more than $40,000.00, or in the case of a continuing violation, a civil administrative penalty of no more than $100,000.00 or one-tenth of one percent of the gross annual revenues of the hospital, whichever is greater. This subdivision shall not apply to violations of subsection (d) of this section caused by exceptional or unforeseen circumstances.

(B)(i) The Board may order a hospital to:

(I)(aa) cease material violations of this subchapter or of a regulation or order issued pursuant to this subchapter; or

(bb) cease operating contrary to the budget established for the hospital under this section, provided such a deviation from the budget is material; and

(II) take such corrective measures as are necessary to remediate the violation or deviation and to carry out the purposes of this subchapter.

(ii) Orders issued under this subdivision (2)(B) shall be issued after notice and an opportunity to be heard, except where the Board finds that a hospital's financial or other emergency circumstances pose an immediate threat of harm to the public or to the financial condition of the hospital. Where there is an immediate threat, the Board may issue orders under this subdivision (2)(B) without written or oral notice to the hospital. Where an order is issued without notice, the hospital shall be notified of the right to a hearing at the time the order is issued. The hearing shall be held within 30 days of receipt of the hospital's request for a hearing, and a decision shall be issued within 30 days after conclusion of the hearing. The Board may increase the time to hold the hearing or to render the decision for good cause shown. Hospitals may appeal any decision in this subsection to Superior Court. Appeal shall be on the record as developed by the Board in the administrative proceeding and the standard of review shall be as provided in 8 V.S.A. § 16.

(3)(A) The Board shall require the officers and directors of a hospital to file under oath, on a form and in a manner prescribed by the Board, any information designated by the Board and required pursuant to this subchapter. The authority granted to the Board under this subsection is in addition to any other authority granted to the Board under law.

(B) A person who knowingly makes a false statement under oath or who knowingly submits false information under oath to the Board or to a hearing officer appointed by the Board or who knowingly testifies falsely in any proceeding before the Board or a hearing officer appointed by the Board shall be guilty of perjury and punished as provided in 13 V.S.A. § 2901.

Technical Footnotes

BAD DEBT REPORTING CHANGE

Fiscal Year 2012 was the first year that bad debt was reported as a deduction to revenue rather than an expense. To account for net patient revenue on a consistent basis over time, we have made the same accounting change to NPR for all years prior to FY2012.

KEY ABBREVIATIONS

Adj – Abbreviation for "adjusted". Adjusted in this report relates to calculations used to measure and compare total utilization across hospitals.

NPR – acronym for Net Patient Revenue

Fiscal Year Labels – Information may be shown as actuals, projections, or budget. The "A" in the label "2017A" stands for Actual; the "B" in the label "2017B" stands for Budget; the "P" in the label "2017P" stands for Projection.

DSH – acronym for Disproportionate Share Payments

CON – acronym for Certificate of Need.

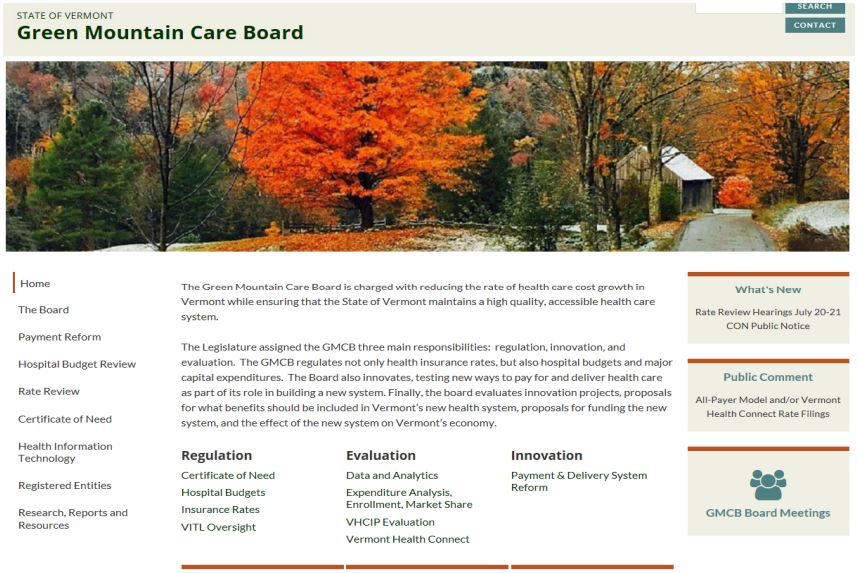
HOSPITAL OVERALL RATE INCREASE

Hospital price services internally and typically do not price all services with the same increase (or decrease). These prices are calculated to comprise an **overall rate (price)** increase or decrease. While all payers will see a rate (price) increase, the increase is not accepted by all payers. As a result, the **commercial rate** can sometimes exceed the overall rate.

EVALUATION OF NET PATIENT REVENUES GROWTH

Analysis of the hospital budgets often requires accounting adjustments. The adjustments are done to allow each hospital's budget change to be evaluated consistently. See the link on the next page for a more complete discussion.

Available reports and information



- Link to Fiscal Year 2017 Hospital Budget Information on our website: http://gmcboard.vermont.gov/hospital-budget/2017
- GMCB Fiscal Year 2017 Vermont Hospital System – Appendix (Supporting Documentation – Evaluation of Net Patient Revenue Growth) – http://gmcboard.vermont.gov/sites/gmcb/files/files/certificate-need/Summary%20of%20Approved%2017%20Appendix.pdf
- Reporting Requirements and Policies http://gmcboard.vermont.gov/sites/gmcb/files/files/hospital-budget/GMCB-Hosp%20Bud-Submission%20Rptng-Req-FY17-UPDATED-phys-language.pdf
- Peer Group Definitions, Glossary, and formulas for statistics: http://gmcboard.vermont.gov/sites/gmcb/files/files/hospital-budget/Peer_Group_Definitions_Formulas_and_Glossary.pdf
- Hospital Budget Narratives - Fiscal Year 2017: http://gmcboard.vermont.gov/hospital-budget/2017/Narratives

Questions? Call (802) 828-2177, Hospital Budget Team: Michael Davis, Janeen Morrison or Lori Perry

End of Report

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GREEN MOUNTAIN CARE BOARD