



Vermont Hospital Budgets

Proposed Budget Guidelines for FY 2018

March 2017

Timeline

Dec/Feb	Staff discusses development of hospital FY 2018 budget guidance at GMCB public meetings
Mar 23	General discussion of draft guidance
Mar 23-29	Public Comment accepted
Mar 30	Anticipated GMCB vote
Mar 31	FY 2018 budget guidance sent to hospitals

Hospital Budget Guidelines FY 2018

Budget Guidance -

What do the hospitals receive from us on March 31st?

- Letter from the Chair including guidance for FY 2018 and key changes
- Reporting Timeline
- Narrative and Financial Reporting Requirements
- Policies (NPR, CHNA, Enforcement and Physician Transfer)

Summary of Recommendations for FY 2018

Highlights of recommendations and changes:

Net patient revenue growth: 3.4%

- Below all-payer target of 3.5%
- Close to recent inflation trends
- Includes small increase over FY 2017 for regulatory changes and health care reform

Health Care Reform:

- No separate “cushion” for health care reform; it is included in the proposed 3.4% NPR growth
- Health care reform dollars are already in the base budget

Physician Transfers:

- Updated policy effective January 1, 2017
- 2017 physician transfers will become part of 2017 approved budget except for those that are annualized

Summary of Recommendations for FY 2018

Budget Performance Review/Enforcement:

- Consider requiring hospitals to adjust their budgets in immediate year after actuals are filed
- Would make process more efficient and consistent

Key Performance Indicator dashboard:

- Recommend using dashboard information as the PRIMARY basis for hospital budget approvals
- Rationale: The NPR target is important for monitoring growth, but not all growth is “bad.” Focusing singularly on NPR can distort a hospital’s budget and actual financial performance
- The dashboard is useful for evaluating changes over time of a hospital’s fundamental performance or infrastructure; pricing is included in the dashboard

Summary of Recommendations for FY 2018

Draft

Hospital example	Decision Dashboard								FY-2016A Vermont Median	US Regional Peer Group (FY-2015A)
	FY-2013B	FY-2013A	FY-2014B	FY-2014A	FY-2015B	FY-2015A	FY-2016B	FY-2016A		
Net Patient Care Revenue	65,889,615	68,187,907	69,793,064	71,512,773	71,284,572	75,742,920	73,896,151	73,164,810		0
Annual NPR Growth Rate		2.8%		4.9%		5.9%		-3.4%	4.9%	
Three Year NPR CAGR (FY2014 - FY2016)								2.4%	3.9%	
Three Year NPR CAGR (FY2013 - FY2015)								4.5%	4.0%	
Operating Expense	67,511,940	67,114,729	71,561,029	72,612,206	73,825,365	76,473,143	76,268,125	76,037,368		0
Annual OE Growth Rate		2.9%		8.2%		5.3%		-0.6%	4.8%	
Three Year OE CAGR (FY14-FY16)								4.2%	3.7%	
Three Year OE CAGR (FY13-FY15)								5.5%	2.0%	
Operating Margin %	0.5%	3.4%	0.2%	3.6%	0.3%	2.8%	0.0%	-0.6%	1.4%	0.0%
Total Margin %	1.7%	6.6%	0.8%	11.2%	1.2%	4.0%	0.9%	2.3%	2.9%	0.0%
Long Term Debt to Capitalization	21.7%	18.3%	19.6%	14.9%	16.9%	13.5%	13.4%	15.4%	25.7%	0.0%
Current Ratio	2.4	2.2	2.6	3.4	3.0	3.5	3.6	3.6	3.1	0.0
Debt Service Coverage Ratio	6.4	8.9	6.5	10.0	6.7	9.5	6.4	2.9	4.4	0.0
Capital Expenditures to Depreciation	353%	105%	151%	78%	78%	83%	103%	102%	90%	0%
Days Cash on Hand	117	179	132	169	159	196	187	229	135	0
Days Receivable	35	29	32	30	26	25	29	30	41	0
Days Payable	70	113	67	73	66	72	65	78	60	0
Age of Plant	9.3	9.8	9.3	8.8	9.4	8.6	10.3	9.4	11.9	0.0
Approved Rate per Latest Order	5.2%		5.8%		2.7%		-1.4%			

Notes: U.S. Peer group info being collected
 Schedule will be updated with 2017-18 when budgets submitted

Summary of Recommendations for FY 2018

Quality

- Readmissions can be a focus; how is the hospital working towards reducing readmissions?
- Describe the patient experience:
 - What is the overall Rating of the hospital?
 - How have patients responded about whether they are given sufficient information?
 - How have patients responded about value of advice upon discharge for hospital after care?

Bad debt/free care

- Budget guidance letter from the Board to the hospitals should note the recent reductions seen across the system the last few years
- Changes at the federal level makes future declines uncertain
- The Board should focus on variances in the 2018 budgets that deviate from 2016-2017 levels

ACO

- The narrative will require an update of current contracts or other work being contemplated with ACOs
- The Board could require ad hoc reporting of revenues prior to the budget hearing as better information becomes available

Mental health

- The hospital should report specific investments in mental health activities identified in the Community Health Needs Assessment
- The hospital should identify other community resources needed to address mental health needs as identified in the CHNA

Summary of Recommendations for FY 2018

Hospitals exempted from budget hearing (see attached)

- Per GMCB Rule, four hospitals can be exempted from a budget hearing in a given year
- Establish criteria to meet waiver
- Four largest hospitals, measured by NPR, are not eligible for exemption

Price transparency

- Pricing information for FY 2017 exists under Act 53 (hospital report card). It includes inpatient, outpatient, and physician prices. Should some of this information be presented in the budget process?

Future needs – beyond FY 2018

- Improve reporting:
 - Examine scope of current information collected
 - Revenue and utilization – Vermont vs. non-Vermont
 - ACO vs. non-ACO
 - Physician vs. hospital
- Change scope to meet All-Payer Model needs
- Consider multi-year budgets
- Consider more real time, dynamic process

Next steps

Discuss guideline information as presented

Provide for public comment to extend no later than 3/29/2017

Finalize guidelines and draft budget guidance letter for approval by 3/31/2017