

FY 2021 HOSPITAL BUDGET GUIDANCE AND REPORTING REQUIREMENTS

Effective March 31, 2020

Prepared by:

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Reporting Timeline.....	4
INTRODUCTION	5
A. INSTRUCTIONS	5
B. DEFINITIONS	5
SECTION I: BUDGET GUIDELINES & BENCHMARKS.....	6
A. NET PATIENT REVENUE/FIXED PROSPECTIVE PAYMENT (NPR/FPP) GROWTH TARGETS	6
B. BUDGET AMENDMENTS AND ADJUSTMENTS.....	6
C. COMPARATIVE FINANCIAL METRICS.....	6
SECTION II: INFORMATION COLLECTED VIA ADAPTIVE.....	6
A. FY21 CHANGE TO ADAPTIVE INSIGHTS	6
B. USER ACCESS TO ADAPTIVE INSIGHTS	6
C. BUDGET SCHEDULES AND INPUT INSTRUCTIONS.....	7
SECTION III: NARRATIVE.....	7
A. EXECUTIVE SUMMARY	7
B. YEAR-OVER-YEAR AND RECONCILIATION.....	8
1. Net Patient Revenue and Fixed Prospective Payments (NPR/FPP): Overview	8
2. Net Patient Revenue and Fixed Prospective Payments (NPR/FPP): Utilization.....	8
3. Net Patient Revenue and Fixed Prospective Payments (NPR/FPP): Change-in-Charge Request	8
4. Other Operating Revenue	9
5. Non-Operating Revenue	9
6. Expenses	9
7. Operating Margin and Total Margin.....	9
C. OTHER INFORMATION	10
1. Capital Investment Cycle.....	10
2. Organizational Structure.....	10

3.	Service Line Assessment	11
D.	RISKS AND OPPORTUNITIES	11
E.	ACO PARTICIPATION AND HEALTH CARE REFORM	11
1.	Risk, Reserves, and Settlements	11
2.	Other	11
F.	COMPLIANCE WITH PRIOR BUDGET ORDERS	12
1.	Budget Orders from Prior Years	12
2.	Vermont Health Information Exchange Network	12
	SECTION IV: PRESENTATIONS.....	12
A.	GENERAL PRESENTATION INSTRUCTIONS	12
B.	PRESENTATION CONTENT	12
1.	Introduction/Overview/Hospital Vision	12
2.	Hospital Issues and Areas of Risk/Opportunity	12
3.	Net Patient Revenue/Fixed Prospective Payments & Summary of Budget Request.....	12
4.	Expenses (summary of budget, including costs savings initiatives).....	13
5.	Financial Performance (current and future).....	13
6.	Capital Budget Plans.....	13
7.	Compliance with Prior Budget Orders	13
	APPENDICES.....	13

Reporting Timeline

MARCH 31, 2020	GMCB provides hospitals with annual budget guidance, including questions from the Office of the Health Care Advocate (HCA)
April 30, 2020	GMCB provides hospitals with the Accountable Care Organization (ACO) prior year Reserve and Settlement Table (hospital response due with Part Two Submission)
MAY 15, 2020	Part One Submission: Hospitals submit off-cycle reporting requirements
JULY 1, 2020	Part Two Submission: Hospitals submit budgets to GMCB, including answers to questions provided by the HCA in Appendix 7
JULY-AUGUST 2020	GMCB staff review and analysis
JULY 27-29, 2020	GMCB staff provides analysis/questions to the hospitals
JULY 29, 2020	GMCB staff provides preliminary budget overview at public board meeting
AUGUST 7, 2020	Hospital responses to staff analysis/questions due
WEEKS OF AUG. 17 & 24	Hospital budget hearings (TENTATIVE)
AUGUST 31, 2020	Hospital's most recent Form 990 due
SEPTEMBER 2-15, 2020	Board votes to establish each hospital's budget at public board meetings
SEPTEMBER 15, 2020	Board issues budget decisions
OCTOBER 1, 2020	Budget orders sent to hospitals

INTRODUCTION

As part of the Green Mountain Care Board's (GMCB or the Board) ongoing effort to align regulatory processes, the Fiscal Year 2021 (FY21) Hospital Budget Guidance and Reporting Requirements (the Guidance) was reorganized to reduce duplication, to move several topics off-cycle, and to promote consistency between the Board's accountable care organization budget review and hospital budget review processes.

For FY21, the Board will continue to collect information on a two-part submission schedule. The purpose of this schedule is to streamline July 1, 2020 budget submissions to focus on financial matters necessary to establish FY21 budgets. "Off-cycle" reporting requirements, due May 15, 2020, focus on prior years' data related to quality, access to care, community health needs, and supplemental information that provides context for the hospital's overall operating performance.

The Guidance, the Uniform Reporting Manual, and the Adaptive Insights User Guide represent the Board's expectations for regulated hospitals regarding the FY21 budget review process.

A. INSTRUCTIONS

Budget submissions shall be accurate, timely, and organized according to the format outlined in the Guidance; materials should include:

- Page numbers: include page numbers on narrative, presentation, and any supporting materials
- Citations: if citing outside resources, provide a link or the supplemental information as an appendix
- Consistency: Narrative and presentation data must match the hospital's Adaptive entry

No later than August 31, 2020, please submit a full copy of the hospital's most recent Form 990 (for FY19), including the most current version of Schedule H that has been submitted to the Internal Revenue Service as part of the hospital organization's Form 990 reporting obligations under Section 501(c)(3) of the Internal Revenue Code.

In accordance with 18 V.S.A. § 9456(c)(3)(A), the Office of the Health Care Advocate (HCA), which represents the interests of Vermont health care consumers, must receive the hospital's budget filings and other materials and will participate in the budget review process, including hearings.

B. DEFINITIONS

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SECTION I: BUDGET GUIDELINES & BENCHMARKS

A. NET PATIENT REVENUE/FIXED PROSPECTIVE PAYMENT (NPR/FPP) GROWTH TARGETS

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B. BUDGET AMENDMENTS AND ADJUSTMENTS

Hospitals may request changes to approved budgets to account for operational or financial changes, including provider transfers, accounting changes, or requests for mid-year rate changes. GMCB policies for these adjustments are available in Appendix 9. The Board expects to be informed of changes resulting in NPR/FPP increases or decreases in approved or submitted budgets.

- Changes occurring prior to May 1: Hospitals are expected to promptly notify the Board of budget changes occurring during the current fiscal year. Changes occurring prior to May 1 of a given calendar year should be reported to the Board in a timely manner. Prompt reporting ensures accurate analysis of year-to-date performance.
- Changes occurring on or after May 1: Hospitals are expected to include changes occurring after May 1 in the hospital's July 1 annual budget submission. The Board may consider those adjustments when establishing FY21 budgets.

Please note, failure to notify the Board of budget changes in a timely manner may affect whether the Board recognizes requested changes during the budget review process.

C. COMPARATIVE FINANCIAL METRICS

As part of the Board's review of each hospital budget, it may conduct comparative analysis of various financial indicators. The analysis may include year-over-year comparisons, comparisons to the Vermont hospital system, and comparisons to regional/national benchmarks, including the Flex Monitoring Program (critical access hospitals) and S&P Global Rankings. Indicators and relevant FY21 benchmarks may be found in the Uniform Reporting Manual and the Adaptive Insights User Guide.

SECTION II: INFORMATION COLLECTED VIA ADAPTIVE

The information collected in Adaptive is outlined in the Uniform Reporting Manual and the Adaptive Insights User Guide.

A. FY21 CHANGE TO ADAPTIVE INSIGHTS

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B. USER ACCESS TO ADAPTIVE INSIGHTS

Budget information should be provided through the Adaptive Insights (Adaptive) website. A maximum of three individuals (users) from each hospital are allowed to access Adaptive. To add or remove users, please use the User Access Request Form for Adaptive Insights found in the following Adaptive Directory (or contact the GMCB for a copy of the form):

Reports>Shared Reports>FY 2021 BUDGET>HOSPITAL DIRECTORY>Hospital Budget Instructions >User Access Request Form for Adaptive Insights

C. BUDGET SCHEDULES AND INPUT INSTRUCTIONS

Instructions on how to input the budget into Adaptive can be found by logging into the website and going to:

Reports>Shared Reports>FY 2021 BUDGET>HOSPITAL DIRECTORY>Hospital Budget Instructions

The directory includes the following:

FY 2021 Hospital Budget Guidance and Reporting Requirements (this document)

Oath Appendix 6 (also found in this document)

The following documents (Documents 1 through 3) are the most helpful for input of the budget: GMCB Hospital Budget Checklist (a quick list for input of each sheet; also found in User Guide); GMCB User Guide (a complete step-by-step guide to using Adaptive Insights software); and GMCB Uniform Reporting Manual.

There are several reports that can be run (e.g. income statement, balance sheet, edits report) to review the input. These reports are in the following directory:

Reports>Shared Reports>FY 2021 BUDGET>HOSPITAL DIRECTORY>HOSPITAL REPORT PACKAGE

SECTION III: NARRATIVE

The budget narrative, a key component of the budget submission, provides the hospitals an opportunity to explain any changes in their budgets and highlight areas of interest and/or concerns for the GMCB. The GMCB asks hospitals **to answer each question succinctly, and to strictly follow the format below** by responding in sequence to each of the listed sections.

Recognizing that narrative prompts may require related or similar information, please do not restate answers and instead incorporate the information, data, responses, etc. by reference.

A. EXECUTIVE SUMMARY

Provide a summary of the hospital's FY21 budget submission, including any information the GMCB should know about programmatic, staffing, and operational changes.

B. YEAR-OVER-YEAR AND RECONCILIATION

Based on the prompts below, please explain the hospital's budget-to-budget growth (or decline), in the context of its FY20 projection. The components of year-over-year changes are available in the Appendix 1 Bridge tables and should be referenced as appropriate. A template for FY20 projection variances is available in the Adaptive Report "01. Summary Statement of Revenue & Expense with Simple." Hospitals are expected to run this report and include as a reference as appropriate. This report is available in Adaptive Folder:

Reports>Shared Reports>FY 2021 BUDGET>HOSPITAL DIRECTORY>Hospital Report Package >01. Summary Statement of Revenue & Expense with Simple.

1. Net Patient Revenue and Fixed Prospective Payments (NPR/FPP): Overview

- i. Referencing the data submitted in Appendix 1 and Adaptive Report 01, explain each component of the budgeted FY21 NPR/FPP change over the approved FY20 budget, referencing relevant FY20 budget-to-projection variances. Discuss changes in NPR/FPP expected from Medicare, Medicaid, and Commercial; and other reimbursements from government payers (e.g., disproportionate share (DSH), graduate medical education (GME), Medicare-dependent hospital (MDH), low-volume hospital (LVH), sole community hospital (SCH)). Also include any significant changes to revenue assumptions from FY20 (e.g., CMS and Department of Vermont Health Access (DVHA) reimbursement policies, reimbursement adjustments, settlement adjustments, reclassifications, rate changes, utilization, and/or changes in services).
- ii. Describe any significant variances from the FY20 budget (including changes in reimbursements and utilization) and any related impact on the FY21 proposed budget.

2. Net Patient Revenue and Fixed Prospective Payments (NPR/FPP): Utilization

Please identify each underlying utilization assumption; explain the supporting rationale for each assumption and whether it is consistent with the state's health care reform and population health goals related to cost, quality, and access to health care. If budgeted utilization is inconsistent with the state's goals, explain clinical or other efforts to address the issue(s). Also, provide an estimate of each assumption's impact on the hospital's overall NPR/FPP request. Please reference data submitted in Adaptive and corresponding appendices, as appropriate.

3. Net Patient Revenue and Fixed Prospective Payments (NPR/FPP): Change-in-Charge Request

- i. Explain how the hospital's overall change-in-charge request in gross revenue was derived and what assumptions were used in quantifying the requested increase/decrease.
- ii. Referencing the data submitted in Appendix 2, describe how the change-in-charge request affects the categories of service. Explain the underlying assumptions and methodology used to make that allocation.

- iii. Referencing the data submitted in Appendix 2, describe how the change-in-charge request affects each payer type (Medicare, Medicaid, Commercial). Explain the underlying assumptions and methodology used to make that allocation.
 - iv. Referencing the data submitted in Appendix 2, please explain your government payer reimbursement assumptions and how they affect your non-government-payer change-in-charge request and underlying assumptions. (*See* 18 V.S.A. § 9456(b)(9))
4. Other Operating Revenue
- i. Explain the budgeted FY21 other operating revenue change over the approved FY20 budget, as well as relevant FY20 budget-to-projection variances.
 - ii. Explain the relative stability of significant sources of other operating revenue and discuss strategies to address revenue streams the hospital considers unpredictable or unstable.
5. Non-Operating Revenue
- i. Explain the budgeted FY21 non-operating revenue change over the approved FY20 budget, as well as relevant FY20 budget-to-projection variances.
 - ii. Explain the relative stability of significant sources of non-operating revenue and discuss strategies to address revenue streams the hospital considers unpredictable or unstable.
6. Expenses
- i. Explain changes in budgeted FY21 expenses over the approved FY20 budget.
 - ii. Describe any significant variances between your FY20 budget and FY20 projections (e.g., variances in costs of labor, supplies, utilization, capital projects) and how those variances affected the hospital's FY21 budget.
 - iii. Referencing the information and data submitted in Appendix 4 and relevant portions of the FY21 budget submission, please discuss the categories of inflation and their relevance to the hospital's budget and operations.
 - iv. Describe any cost saving initiatives proposed in FY21 and their impact on the budget.
7. Operating Margin and Total Margin

Discuss the hospital's assumptions in establishing its FY21 operating and total margins. Explain how the hospital's FY21 margins affect its overall strategic plan. If the hospital relied on third party benchmarks or targets, please identify those benchmarks and sources (e.g., lending institutions, credit rating agencies, industry standards, parent company/affiliate policy). Please also discuss any relevant FY20 budget-to-projection variances.

C. OTHER INFORMATION

1. Capital Investment Cycle

- i. Describe the hospital's capital investment cycle and how it relates to the hospital's overall strategic plan. Please also describe how the hospital's FY21 budget and relevant financial indicators (e.g., days cash on hand, depreciation, age of plant, debt) support the hospital's capital investment strategy.
- ii. Please discuss the impact of planned investments (and related financing) on the hospital's long-term cash/borrowing needs and expenses associated with borrowing.
- iii. Identify and explain the budgetary impact of any certificate of need (CON) applications the hospital plans to submit in FY21. Please also describe the budgetary impact of relevant ongoing CONs.
- iv. Identify and describe the status of other major investments that are not subject to the CON process (ongoing or expected to start in FY21) and the corresponding impact on the hospital's budget.
- v. If any of the hospital's anticipated capital investments are required improvements (e.g., regulatory or accreditation requirements), please identify and explain.
- vi. Describe the hospital's current EHR system, addressing whether it is uniform throughout the hospital's in-patient, out-patient, and physician practice services; and whether it is integrated with other operational IT systems (e.g., billing, accounting, scheduling). If a recent EHR upgrade affected the hospital's FY20 performance, quantify and discuss that impact, referencing Adaptive Report 01 as appropriate. Please discuss any upgrades or related investments the hospital anticipates in the next three years and the corresponding impact on the hospital's operating budget.

2. Organizational Structure

- i. If the hospital's organization structure has changed since the last budget cycle, provide an update of the hospital's organizational chart including parent companies, subsidiaries, affiliated entities, etc.
- ii. Describe all entities that are related financially to the hospital, the purpose of each entity, and the financial relationships between the entities (e.g., parent organization, subsidiary organization, membership organization). Identify any entities that the hospital or its parent organization owns in part or in full; identify any entities that own the hospital in part or in full; and indicate whether any members of the hospital's senior management team are paid by entities other than the hospital, itself. **To the extent funds are moved between the hospital and its related entities, please quantify and discuss relevant transfers.**

- iii. Identify and describe areas of financial risk associated with financial relationships identified in response to Question III.C.3.ii., above. If there is a quantifiable financial or operating impact associated with these relationships, please explain.

3. Service Line Assessment

Please explain the hospital's approach to service line assessment and optimization, including considerations for quality, cost, community needs, and the transition to value-based payment models.

D. RISKS AND OPPORTUNITIES

Please discuss the hospital's risks and opportunities in FY21. Recognizing that risks and opportunities exist on local, regional and national levels, please identify the hospital's ability to influence each risk/opportunity and explain how the FY21 budget proposal supports strategies for addressing these issues.

E. ACO PARTICIPATION AND HEALTH CARE REFORM

1. Risk, Reserves, and Settlements

- i. Please explain how the hospital quantifies and accounts for the risk associated with ACO participation (up- and downside), including where the hospital books anticipated settlements, the data the hospital analyzes to quantify ACO participation risk, the frequency of this analysis, methodologies for estimating the magnitude of the risk, and any data availability challenges.
- ii. Please describe any accounting challenges associated with ACO participation by payer program (e.g., challenges related to revenue recognition guidance provided by FASB and writing off bad debt associated with attributed populations supported with a capitated payment).
- iii. By April 30, 2020 the GMCB will provide hospitals with the ACO prior year Reserve and Settlement Table. Referencing this table, please discuss how funds were used if the settlement was positive, or how obligations were met if the settlement was negative.

2. Other

- i. Please indicate whether the hospital's employees are attributed to OneCare Vermont, either through participation in a OneCare Vermont self-insured program or, if fully insured, through the hospital's insurer? If not, please explain why.
- ii. Please describe opportunities and risks that ACO participation has provided to the hospital.

- iii. Please describe the hospital's plans for the coming year to invest in the integration of mental health and social services (within the organization or the community), including the projects/services, the amount of the investment, and the estimated impact on patient care/outcomes.

F. COMPLIANCE WITH PRIOR BUDGET ORDERS

1. Budget Orders from Prior Years

Please discuss the hospital's compliance with the Board's budget orders in prior years, including the hospital's performance with respect to its approved NPR/FPP growth limit targets.

2. Vermont Health Information Exchange Network

Is the hospital's EHR (including in-patient, out-patient, and physician practices) connected to the Vermont Health Information Exchange Network (VHIE), managed by Vermont Information Technology Leaders (VITL), as mandated in the Board's FY19 budget orders? If not, please explain why not and provide plan to ensure complete connectivity consistent with statute and the Board's budget orders.

SECTION IV: PRESENTATIONS

A. GENERAL PRESENTATION INSTRUCTIONS

- The hospital's presentation must include accompanying PowerPoint slides, saved as a PDF, and simultaneously projected.
- The hospital's presentation slides must include (on separate slides) the hospital's income statement and balance sheet as submitted on July 1 and a cash flow statement showing FY20 projections to FY21 budget.

B. PRESENTATION CONTENT

1. Introduction/Overview/Hospital Vision
2. Hospital Issues and Areas of Risk/Opportunity
3. Net Patient Revenue/Fixed Prospective Payments & Summary of Budget Request
 - i. NPR/FPP
 - ii. Change-in-Charge Request
 - iii. Medicare, Medicaid, and Commercial Revenue Assumptions
 - iv. Utilization Assumptions for FY21 (compared to FY20 approved budget and FY20 projections)
 - v. Adjustments (provider transfers and accounting)

- vi. Income statement, balance sheet, and cash flow statement
- 4. Expenses (summary of budget, including costs savings initiatives)
- 5. Financial Performance (current and future)
 - i. Evaluation of Financial Metrics and Statements
 - ii. ACO Participation and Reserves
 - iii. Barriers to Financial Health and Long-Range Financial Outlook (4-5 years)
- 6. Capital Budget Plans
- 7. Compliance with Prior Budget Orders

APPENDICES

PART A: BUDGET DATA

Appendix 1: Bridge Tables

Appendix 2: Change in Charge

Appendix 3: Utilization

Appendix 4: Inflation

PART B: ADDITIONAL INFORMATION

Appendix 5: Accountable Care Organization (ACO) Participation

Appendix 6: Verifications Under Oath

Appendix 7: Questions from the Office of the Health Care Advocate

PART C: POLICIES

Appendix 8: Exemptions from Public Hearing

Appendix 9: Budget Adjustment Policies

Appendix 10: Budget Performance and Enforcement for FY 2021 Hospital Budget Submissions

PART D: OFF-CYCLE REPORTING (Due May 15, 2020)

Access to Care/Wait Times

All Payer Model Quality Measures

Community Health Needs Assessment

Health Service Area Cost and Patient Origin

ACO Questions

W-2 Salary Information

Compensation Policies

Bad Debt

Collection Agency Information

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