

FY 2021 ABBREVIATED HOSPITAL BUDGET GUIDANCE AND REPORTING REQUIREMENTS

Effective _____

Prepared by:

**GREEN MOUNTAIN CARE BOARD
144 State Street
Montpelier, Vermont 05602**

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**DUE TO UNCERTAINTY RELATED TO COVID-19,
THIS TIMELINE IS SUBJECT TO CHANGE**

Reporting Timeline

MAY X, 2020	GMCB provides hospitals with abbreviated budget guidance due to COVID-19 pandemic, including questions from the Office of the Health Care Advocate (HCA)
JULY 31, 2020	Hospitals submit budgets to GMCB, including answers to questions provided by the HCA in Appendix 2
AUGUST 1-12 2020	GMCB staff review, analyze, and ask technical budget submission questions
WEEKS OF AUG. 17 & 24	Hospital budget hearings (TENTATIVE)
AUGUST 24 or 26 , 2020	GMCB staff provides preliminary budget overview at public board meeting
SEPTEMBER 2-15, 2020	Board deliberations/votes to establish each hospital's budget at public board meetings
SEPTEMBER 15, 2020	Board issues budget decisions
SEPTEMBER 30, 2020	Hospital's most recent Form 990 due
OCTOBER 1, 2020	Budget orders sent to hospitals

INTRODUCTION

The COVID-19 pandemic is having a substantial impact on Vermont's community hospital system. In balancing the Board's need for information necessary to establish budgets with the ongoing strains on the hospital system's clinical, financial, and operational resources, the Board approved the FY2021 Hospital Budget Guidance and Reporting Requirements (the Guidance), an abbreviated version of the guidance and reporting requirements it ordinarily issues. The purpose of this action is to ensure hospitals can focus on the pandemic during this critical time. **The Board recognizes the hospital budget submission challenges created from the COVID-19 pandemic and these uncertain and ever-changing times.**

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. To facilitate and expedite analysis and discussion, materials must include page numbers and citations to outside information referenced or discussed.

No later than September 30, 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.

SECTION I: BUDGET GUIDELINES & BENCHMARKS

A. COVID-19 CONSIDERATIONS

COVID-19 has significantly affected the financial outlook for Vermont's hospitals and created ongoing uncertainty as the hospitals plan for FY21. As a result, the Board has adopted a two-pronged approach to account for each hospital's Net Patient Revenue/Fixed Prospective Payment (NPR/FPP) and change-in-charge requests. As described in greater detail below, hospitals are asked to submit an NPR/FPP request and a two-part change-in-charge request that will include the standard component and a temporary COVID-19-related component. The hospital may justify a higher NPR/FPP request related to COVID-19 by requesting a temporary adjustment. The COVID-19-specific components of a hospital's NPR/FPP and change-in-charge requests are intended to reflect the unique circumstances caused by the pandemic and the associated decreased revenue and utilization experienced by the hospitals in FY20.

The hospital must provide quantitative and qualitative justifications for its COVID-19-related requests that take into consideration the following: actual and projected utilization and revenue impacts in FY20; utilization assumptions affecting FY21 revenue; and changes to payer mix.

Because of the ongoing uncertainty, the Board plans to issue its FY21 enforcement guidance, if any, at a later time. The Board will solicit further comment from hospital representatives before issuing any FY21 enforcement policy.

The GMCB will review/evaluate the FY21 budget submission in the context of the hospital's actual FY19 and projected FY20 results and the challenges presented in estimating the COVID-19 pandemic's impact. **The GMCB is aware that it may take multiple years for the hospitals to recover from the financial impact of COVID-19.**

B. NET PATIENT REVENUE/FIXED PROSPECTIVE PAYMENT GROWTH TARGETS

At its March 18, 2020 public meeting, the Board established a maximum NPR/FPP growth limit of 3.5% for FY21 (over each hospital's FY20 budget). This maximum growth limit reaffirms the tentative 2-year growth limit the Board approved in its FY20 budget guidance. The Board will also consider an additional, temporary NPR/FPP adjustment to compensate for FY20 utilization that was not realized due to COVID-19. The hospital must justify the COVID-19 NPR/FPP portion of its request using the factors and considerations outlined in Part A, above.

C. CHANGE-IN-CHARGE REQUESTS

The GMCB will also review requested changes to hospital charges. Due to the pandemic, the hospital may request and the Board will consider two types of changes in charge: one request to reflect standard price growth and a second, time-limited charge request to offset FY20 commercial revenue losses due to COVID-19. The hospital should justify its COVID-19-related charge request using the factors and considerations outline in Section A, above. The time-limited COVID-related charge request may be reviewed and adjusted based on FY21 year-to-date revenue and utilization data.

D. FACTORS CONSIDERED DURING REVIEW

The Board may also consider the following factors when reviewing NPR/FPP and change-in-charge requests:

- The financial solvency of the hospital, including days cash on hand and other routinely collected metrics;
- The hospital's expense reduction plans;
- The hospital's long-term strategic and financial plans for sustainability;
- Data and information provided by insurers and third-party administrators regarding actual and projected utilization and price changes;

- The amount to which the hospital was compensated through COVID-related stimulus grants;
- Impacts on Vermonters and employers in the commercial market, including self-funded employers; and
- Other relevant factors proposed during the budget review process.

E. 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 4. 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.

SECTION II: INFORMATION COLLECTED VIA ADAPTIVE

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

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 may have access Adaptive.

Instructions on how to input the budget into Adaptive or upload the Abbreviated Excel budget template 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:

1. **User Access Request Form for Adaptive Insights** (To add or remove users, please submit the User Access Request Form (or contact the GMCB for a copy of the form)
2. **FY 2021 Hospital Budget Guidance and Reporting Requirements (this document)**
3. GMCB Uniform Reporting Manual FY2021

4. GMCB Adaptive User Guide (data entry into Adaptive)
5. Appendix 1 Verification under Oath
6. **An Abbreviated Excel budget template for each hospital will be used for the budget submission and the data including planned capital projects will later be inputted into the Adaptive software.**
 - a. Revenue Replacement Funds worksheet
7. **General Ledger Accounts that have been added or to be made aware of:**
 - a. Current Assets – **ACO Risk Reserve/Settlement Receivable**
 - b. Current Liabilities - **COVID-19**
 - c. Current Liabilities – **ACO Risk Reserve/Settlement Payable**
 - d. Long-Term Liabilities - **COVID-19**
 - e. Other Operating Revenue - **COVID-19** Stimulus and Other Grant Funding
8. New metric Days Cash on Hand-**COVID-19**

SECTION III: NARRATIVE

The budget narrative, a key component of the budget submission, provides the hospitals an opportunity to explain any changes to their budgets and highlight areas of interest and/or concerns. 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 prompts.

The Board believes it is important to understand the overall impact of the COVID-19 pandemic on hospitals' operating performance. In each narrative response, please include a discussion of the impact of COVID-19 on the hospital's FY20 operating performance and FY21 budget. Please indicate if relevant information is unknown, known or unavailable.

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 changes such as telemedicine, as well as staffing and operational changes and the overall impact of COVID-19. Please include COVID-19 information on the relief funds received from state or federal government, including the amounts, how the hospital has and or plans to use the funding, and if there were any requirements related to the funding (e.g. a prohibition on balance billing uninsured patients).

B. YEAR-OVER-YEAR AND RECONCILIATION

Explain each component of the budgeted FY21 based on the prompts below, please explain the hospital's budget-to-budget growth (or decline), in the context of its FY20 projection, including the COVID-19 assumptions.

1. Net Patient Revenue and Fixed Prospective Payments (NPR/FPP)
2. Other Operating and Non-Operating Revenue

3. Operating Expenses
4. Operating Margin and Total Margin

C. CHANGE IN CHARGE REQUEST

1. Explain how the hospital's overall change-in-charge request in gross revenue was derived and what assumptions, including those related to COVID-19, were used in quantifying the requested increase/decrease.
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. Explain how the change-in-charge request affects bad debt and free care. 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))
3. Please indicate the dollar value of 1% NPR/FPP FY21 overall change in charge.

D. SERVICE LINE ADJUSTMENTS

Please explain if the hospital plans to add or reduce service lines.

E. RISKS AND OPPORTUNITIES

Please discuss the hospital's risks and opportunities in FY21. Recognizing that risks and opportunities in the current environment, please explain how the FY21 budget proposal supports strategies for addressing these issues.

F. ONECARE VERMONT PARTICIPATION

1. Is the hospital participating in OneCare Vermont's provider network in CY 2021 and, if so, please state what payer programs? If the hospital is not planning to participate in all of OneCare's payer programs, please explain why. Please state what the hospital is projecting for ACO dues for FY2020 and budgeting for FY2021.
2. What is the value of your maximum risk liability by payer for CY2021?
3. A risk reserve table will be distributed to the hospitals in late summer early fall.

G. CAPITAL INVESTMENT CYCLE

1. List the hospital's capital investments and describe the investment cycle and how it relates to the hospital's overall strategic plan, including the challenges facing Vermont's hospitals in response to the COVID-19 pandemic (e.g., pauses in capital improvement projects). In accordance with 18 V.S.A. § 9435(f), "routine replacements of nonmedical equipment and fixtures, including furnaces, boilers, refrigeration units, kitchen equipment, heating and cooling units, and similar items" that are not subject to Certificate of Need review must be included in a

hospital's proposed budget. The Board will seek additional, more detailed information about anticipated capital improvement projects when FY21 budget data is inputted into Adaptive.

SECTION IV: PRESENTATIONS

A. GENERAL PRESENTATION INSTRUCTIONS

1. The hospital's presentation must include accompanying PowerPoint slides, saved as a PDF, and simultaneously projected.
2. The hospital's presentation slides must include (on separate slides) the hospital's income statement and balance sheet as submitted on August 1 and a cash flow statement showing FY20 projections to FY21 budget.
3. The presentation is an opportunity to discuss the effects of COVID-19, before and after, and expectations for future occurrences.

B. PRESENTATION CONTENT

1. Introduction/Overview/Hospital Vision
2. Net Patient Revenue/Fixed Prospective Payments & Summary of Budget Request
3. Income statement, balance sheet, and cash flow statement
 - a. NPR/FPP (Medicare, Medicaid, and Commercial Revenue Assumptions)
 - b. Other Operating and Non-Operating Revenue
 - c. Expenses
 - d. Change-in-Charge Request
 - e. Adjustments (provider transfers and accounting)
4. Service Line Adjustments
5. Risks and Opportunities
6. Capital Budget Plans

APPENDICES

PART A: ADDITIONAL INFORMATION

Appendix 1: Verifications Under Oath

Appendix 2: Questions from the Office of the Health Care Advocate

PART B: POLICIES

Appendix 3: Exemptions from Public Hearing

Appendix 4: Budget Amendments and Adjustments

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