

FY 2020 HOSPITAL BUDGET GUIDANCE AND REPORTING REQUIREMENTS

BUDGET GUIDELINES

Net Patient Revenue and Fixed Prospective Payments FY 2020

At its March 27, 2019 public meeting, the GMCB established a maximum 3.5% growth target of X% for individual hospital's Net Patient Revenue and Fixed Prospective Payments (NPR/FPP) for FY 2020 (over FY 2019 budgeted). Should hospital budgets appear to be trending in 2019 and 2020 in alignment with the overall All-Payer Model target, the GMCB also established a tentative maximum NPR/FPP growth target of Y% for FY 2021 (over FY 2020 budgeted). Each hospital is required to submit an annual budget for each of the two fiscal years, by July 1 of the preceding year per year, for FY 2020 and FY 2021 (each hospital is required to submit an annual budget for each of the two fiscal years, by July 1 of the preceding year). In addition to considering the FY 2020 ~~this~~ growth target, the GMCB will consider, and each hospital should carefully consider, the hospital's specific financial circumstances, including its Actual FY 2018 NPR/FPP and Expenses, and its Year-to-Date and Projected FY 2019 NPR/FPP and Expenses; its historical ability to manage to its budget; its community needs; its operational investments for successful participation in the ACO program; and other relevant circumstances.

For hospitals with Actual FY 2018 and Projected FY 2019 NPR/FPP that is at least 2% below budgeted NPR/FPP, the GMCB expects NPR/FPP and Expenses in the FY 2020 budget submission to align with the hospital's Actual FY 2018 and Projected FY 2019 results. For these hospitals, the GMCB would not expect to see NPR/FPP more than 5% greater than Projected FY 2019 NPR/FPP unless there is a clear explanation and documentation describing why a larger increase in NPR/FPP is considered justified. For hospitals with Projected FY 2019 NPR/FPP that is greater than budgeted, the GMCB would not expect to see FY 2020 NPR/FPP greater than X% unless clearly justified.

The GMCB is not providing a health care reform investment allowance with a lower growth target in this guidance, because all but two small hospitals have joined the accountable care organization model. It's the Board's view that fixed prospective payments provide sufficient incentive for hospitals to focus on the operational changes necessary to meet the growth targets set forth in the Vermont All-Payer Accountable Care Organization Model Agreement with the Centers for Medicare and Medicaid Services, and that continuing a health care reform investment allowance is not needed at this time. The Board, however, reserves the right to modify the growth target in FY 2021 should these circumstances change.

The GMCB will also review proposed changes in hospital charges, including changes in charges for commercial payers. GMCB's hospital budget review process will include alignment with the transition of hospital revenues from fee-for-service to value-based payments, in support of the

Vermont All-Payer Accountable Care Organization Model, financial sustainability of Vermont's hospital system, and affordable health care for Vermonters.

By setting hospital revenue targets and monitoring other financial health indicators (see Appendix IV), the Board can better track total system costs, identify areas of potential excess growth and priorities for data analysis, and utilize the information gathered to inform its review of health insurer rate increases. Through its ongoing oversight of hospital budgets in a transparent, public process, the Board believes that Vermont hospitals will be able to maintain their financial health so they can continue to provide needed, quality services to their communities.

Effective March 31, 2019