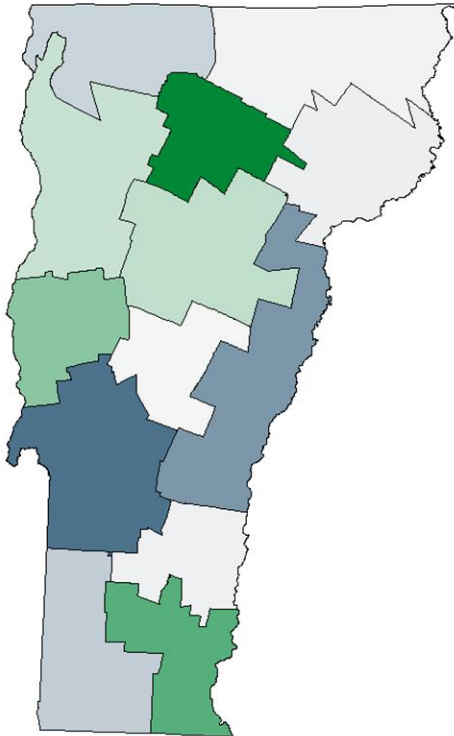


# Vermont Hospital Budgets: Fiscal Year 2019 Guidance

Green Mountain Care Board Meeting  
March 21, 2018

GMCB Hospital Budget Team



# Background for Hospital Presentations

- ❖ At its March 14 meeting, GMCB members introduced idea of rebasing FY2018 Budgets to create a base for FY2019 Net Patient Revenue (NPR) calculations.
  
- ❖ Six hospitals meet criterion of >2.0% variance between FY2017 Budget and Actuals for potential rebasing:
  - Gifford Medical Center
  - Grace Cottage Hospital
  - North Country Hospital
  - Porter Medical Center
  - Springfield Hospital
  - University of Vermont Medical Center
  
- ❖ The GMCB expressed interest in hearing from those hospitals, particularly those whose rebased budgets would be lower than their FY2018 Approved Budgets.

# Considerations for Hospitals Below Budget

- ❖ The NPR variance from FY2017 Actuals is a signal to the Board that FY2018 may also come in below budget.
- ❖ The Operating Gain/Loss variances from FY2017 Budget are a concern; hospitals should expect a continued focus on this area for 2018.
- ❖ Hospitals with FY2017 Actuals at least 2% below FY2017 Budget may not be asked to rebase for 2019 if they believe they are on target to hit their FY2018 Budget.
- ❖ These hospitals may be asked to calculate 2019 NPR off the lower of: FY2018 Projection or FY2018 Approved Budget.
- ❖ If a hospital stands by its FY2018 Budget when the FY2019 Budget is approved, and its FY2018 Actual is at least 2% below FY2018 Budget, its FY2019 Budget may be formally revised.

# Hospital Financial Summary

	FY17 Budget	FY17 Actual	FY17 Actual to Budget Change	FY18 Budget	FY18 Budget to FY17 Actual Change	FY18 Budget to FY17 Budget Change	FY18 Potential Rebased Budget	FY15 Actual vs. Prior Year	FY16 Actual vs. Prior Year	FY17 Actual vs. Prior Year	FY18 Rebased to FY17 Actual Change
<b>Gifford Medical Center</b>											
NPR	\$57.8	\$54.3	-6.1%	\$59.5	9.6%	2.9%	\$56.2	-7.5%	1.7%	-0.9%	3.5%
Operating Gain(Loss)	\$1.2	\$(0.9)	\$(2.1)	\$1.0	\$1.9	\$(0.2)					
Total Gain (Loss)	\$2.0	\$0.2	\$(1.8)	\$2.3	\$2.1	\$0.30					
<b>Grace Cottage Hospital</b>											
NPR	\$19.2	\$17.0	-11.5%	\$18.6	9.4%	-3.1%	\$17.5	3.2%	7.5%	-1.7%	2.9%
Operating Gain(Loss)	\$(0.2)	\$(1.6)	\$(1.4)	\$(0.6)	\$1.0	\$(0.4)					
Total Gain (Loss)	\$0.5	\$(0.1)	\$(0.6)	\$0.1	\$0.2	\$(0.4)					
<b>Springfield Hospital</b>											
NPR	\$59.1	\$52.0	-12.0%	\$59.4	14.2%	0.5%	\$53.6	12.5%	-4.1%	-3.1%	3.1%
Operating Gain(Loss)	\$1.8	\$(3.9)	\$(5.7)	\$1.0	\$4.9	\$(0.8)					
Total Gain (Loss)	\$2.5	\$(1.8)	\$(4.3)	\$2.3	\$4.1	\$(0.2)					

# Hospital Financial Summary

	FY17 Budget	FY17 Actual	FY17 Actual to Budget Change	FY18 Budget	FY18 Budget to FY17 Actual Change	FY18 Budget to FY17 Budget Change	FY18 Potential Rebased Budget	FY15 Actual vs. Prior Year	FY16 Actual vs. Prior Year	FY17 Actual vs. Prior Year	FY18 Rebased to FY17 Actual Change
<b>University of Vermont Medical Center</b>											
NPR	\$1,172.8	\$1,211.1	3.3%	\$1,209.7	-0.1%	3.1%	\$1,252.3	5.7%	3.7%	4.7%	3.4%
Operating Gain(Loss)	\$47.9	\$68.6	\$20.7	\$50.4	\$(18.2)	\$2.5					
Total Gain (Loss)	\$63.2	\$89.8	\$26.6	\$68.4	\$(21.4)	\$5.2					
<b>Porter Medical Center</b>											
NPR	\$76.1	\$78.2	2.8%	\$78.3	0.1%	2.9%	\$80.9	5.8%	6.3%	4.2%	3.5%
Operating Gain(Loss)	\$0.8	\$2.2	\$1.4	\$(0.2)	\$(2.4)	\$(1.0)					
Total Gain (Loss)	\$3.8	\$6.0	\$2.2	\$2.7	\$(3.3)	\$(1.1)					
<b>North Country Hospital</b>											
NPR	\$81.2	\$76.7	-5.5%	\$79.1	3.1%	-2.6%	\$79.3	2.3%	6.1%	-1.4%	3.4%
Operating Gain(Loss)	\$1.1	\$(1.9)	\$(3.0)	\$0.7	\$2.6	\$(0.4)					
Total Gain (Loss)	\$1.5	\$2.0	\$0.5	\$1.9	\$(0.1)	\$0.4					

# VAHHS Presentation

## Hospital Presentations

# Agenda: 2019 Hospital Budget Guidance

- ❖ Discuss rebasing FY2018 Budgets for hospitals with variance between FY2017 Budget and Actuals.
- ❖ Discuss types of revenue (Fee-for-Service vs. Fixed Prospective Payments vs. all revenue) subject to NPR target.
- ❖ Discuss rate for FY2019 NPR target.
- ❖ Discuss allowance for health care reform investments.
- ❖ Decide on NPR target for FY2019 Guidance.

# Rebase FY2018 for FY2019

Consider Rebasing Hospitals with Variance Exceeding +/- 2.0%

Hospital	FY 2017 Approved Budget	FY 2017 Actuals	Variance	Exceeds +/- 2.0% for Rebase	FY 2018 Hospital- Reported ACO Payments (Jan-Sept 2018)	FY 2018 Hospital- Reported Non- ACO Payments (Oct 2017-Sept 2018)	FY 2018 Approved Budget	Did Hospital Budget for Health Reform Investments?  0.4%	FY 2018 Approved System NPR %  3% + 0.4%	FY 2018 Change FY 2018 Approved to FY 2017 Actual	FY 2018 Budget Rebased w/FY 2017 Actual
Brattleboro Memorial Hospital	76,408,611	75,062,532	-1.76%	No		78,879,432	78,879,432			-	78,879,432
Central Vermont Medical Center	191,831,143	195,237,530	1.78%	No	43,819,104	154,876,350	198,695,454			-	198,695,454
Copley Hospital	64,819,405	64,983,966	0.25%	No		68,024,531	68,024,531			-	68,024,531
Gifford Medical Center	57,762,429	54,307,372	-5.98%	Yes		59,514,010	59,514,010	Yes	3.40%	(3,360,187)	56,153,823
Grace Cottage Hospital	19,205,503	16,955,398	-11.72%	Yes		18,649,074	18,649,074	No	3.00%	(1,185,014)	17,464,060
Mt. Ascutney Hospital & Health Center	47,744,700	48,253,025	1.06%	No		48,682,309	48,682,309				48,682,309
North Country Hospital	81,189,662	76,686,887	-5.55%	Yes		79,074,579	79,074,579	Yes	3.40%	219,662	79,294,241
Northeastern VT Regional Hospital	77,069,500	76,794,700	-0.36%	No		78,818,099	78,818,099				78,818,099
Northwestern Medical Center	101,935,936	101,110,424	-0.81%	No	22,768,482	81,632,568	104,401,050				104,401,050
Porter Medical Center	76,094,922	78,203,218	2.77%	Yes	16,709,512	62,436,930	79,146,442	Yes	3.40%	1,715,685	80,862,127
Rutland Regional Medical Center	243,415,448	242,193,431	-0.50%	No		250,963,330	250,963,330				250,963,330
Southwestern VT Medical Center	152,362,260	152,602,902	0.16%	No		159,497,504	159,497,504				159,497,504
Springfield Hospital	59,147,241	51,999,349	-12.08%	Yes		59,375,198	59,375,198	No	3.00%	(5,815,869)	53,559,329
The University of Vermont Medical Center	1,172,785,845	1,211,118,975	3.27%	Yes	162,847,314	1,049,733,257	1,212,580,571	Yes	3.40%	39,716,449	1,252,297,020
	2,421,772,605	2,445,509,709			246,144,412	2,250,157,171	2,496,301,583			31,290,727	2,527,592,310



# Revenue Subject to NPR

- ❖ Consideration at March 14<sup>th</sup> meeting: Apply NPR target to Fee-for-Service (FFS) revenue only.
- ❖ Fixed Prospective Payment (FPP) revenue would not be subject to NPR target.
- ❖ Intent was to support participation in All-Payer Model.
- ❖ Operational complexity and concerns regarding unintended consequences expressed by BCBSVT and ACO warrant reconsideration of proposal.
- ❖ Recommendation: For FY2019, apply NPR target to all revenue. Continue to explore proposal to apply NPR target to FFS revenue for potential implementation in future years.

# Measures of Health Care Price, Cost, and Expenditure

Measures Related to Price	Projected % Increase 2019
Projected 2019 CPI Medical Care Services*	2.21%
Projected 2019 CPI Medical Care (Overall)*	2.34%
Prices for Medical Goods and Services^	2.5%
Projected 2019 CPI Hospital Services*	4.3%
Vermont All-Payer Model Measures	Annual Growth Targets
All-Payer Total Cost of Care (TCOC) Per Beneficiary Growth Rate Target	No more than 3.5%
TCOC Growth Rate “Not on Track”	>4.3%
Measures Related to Expenditures (Price and Utilization)	Projected % Increase 2018
National Health Expenditures – Hospital Care^	5.1%
National Health Spending Growth^	5.3%

\*15-year average calculated from bls.gov CPI data search created 3/19/18; data from Jan. 2002 to Feb. 2018, using Annual 2002 to Annual 2017 for projections.

^From CMS National Health Expenditures data.

## Growth in Hospital Budgets and Actuals vs. Gross State Product

	FY 2013 Growth Rate	FY 2014 Growth Rate	FY 2015 Growth Rate	FY 2016 Growth Rate	FY 2017 Growth Rate
All VT Community Hospital Budgets	7.2%	2.7%	2.2%	3.5%	5.0%
All VT Community Hospital Actuals	7.1%	1.5%	5.0%	4.4%	2.8%
Gross State Product	1.8%	2.5%	3.2%	2.4%	n/a

# Health Care Reform Investments

From Draft Hospital Budget Guidance (3-14-18):

“Whether or not it is participating in the ACO, a hospital may qualify for an additional NPR allowance of 0.4% above the XX% FFS growth target for health care reform investments and activities. To qualify, the hospital must link the investments to health care reform goals that 1) reduce health care costs, 2) support the transition toward value-based purchasing, 3) increase access to primary care, 4) reduce deaths from suicide and drug overdose, or 5) reduce the prevalence and morbidity of chronic disease. Each of these investments must be specifically identified in the budget and accompanied by a detailed plan to measure the return on the investment.”

# Decision Points

Rebase FY2018 Budgets for hospitals with >2% variance between FY2017 Budget & Actual?

- Recommendation: Rebase for FY2019 if variance persists in 2018
- Consider factors outlined on Slide 3

Apply NPR target to all revenue, including revenue from ACO Fixed Prospective Payments, or to Fee-for-Service revenue only?

- Recommendation: Apply NPR target to all revenue

Appropriate rate for FY2019 NPR?

- 2.5% suggested on March 14 if FPP excluded from base
- Recommendation: 2.75% if FPP not excluded from base

Allowance for health care reform investments?

- 0.4% suggested on March 14
- Recommendation: Increase to 0.45% if FPP not excluded from base