



Fiscal Year 2019 Vermont Hospital Budget Submissions Discussion and Preliminary Decisions

**Green Mountain Care Board Meeting
September 5, 2018
GMCB Hospital Budget Team**

Agenda

➤ Next Steps in Process

- Board review of hospitals; preliminary decisions
- Public comment closes on September 10
- Final decisions on September 14
- Orders on September 28

➤ System Summary

➤ Hospital-Specific Recommendations and Discussion

System Summary

Hospital	Net Patient Revenue (NPR) as submitted			Rate Request	Operating Margin %	Total Margin %	Days Cash On Hand
	FY2019 Submitted Budget	FY2018-FY2019 Budget to Budget % Growth	FY2018-FY2019 Projection To Budget % Growth				
Brattleboro Memorial Hospital	\$83,968,150	6.5%	6.8%	4.9%	0.3%	1.2%	196.2
Central Vermont Medical Center	\$211,387,021	6.5%	3.6%	2.8%	1.4%	3.3%	112.7
Copley Hospital	\$72,037,976	5.9%	8.4%	7.9%	2.0%	2.5%	66.4
Gifford Medical Center	\$55,894,653	-6.1%	9.8%	4.0%	2.5%	3.9%	177.5
Grace Cottage Hospital	\$19,292,581	3.5%	5.6%	3.2%	0.7%	4.2%	92.5
Mt. Ascutney Hospital & Health Center	\$51,195,770	5.2%	3.4%	2.9%	0.0%	1.6%	176.4
North Country Hospital	\$81,523,350	3.1%	5.5%	3.6%	1.1%	2.8%	196.3
Northeastern VT Regional Hospital	\$80,938,697	5.0%	4.0%	4.0%	1.7%	1.7%	122.3
Northwestern Medical Center	\$112,773,980	6.3%	6.3%	2.0%	2.3%	3.2%	306.5
Porter Medical Center	\$84,530,515	4.5%	2.8%	2.8%	3.7%	4.1%	133.0
Rutland Regional Medical Center	\$258,925,111	3.2%-3.1%	2.1%	3.0%-2.6%	2.3%	4.4%	205.7
Southwestern VT Medical Center	\$165,201,376	3.6%	3.7%	3.2%	3.6%	4.0%	46..3/180 with Parent
Springfield Hospital	\$59,996,953	1.0%	5.0%	5.0%	1.3%	2.7%	106.8
The University of Vermont Medical Center	\$1,273,460,046	1.7%	2.0%	4.0%	2.8%	5.1%	192.4
Totals	\$2,611,126,179	2.9%	3.2%	3.1%	2.4%	4.2%	174.3

Grace Cottage Hospital

- FY18 Base Budget: \$18,649,074
- **FY19 Proposed Budget: \$19,292,581** (0.7% of system total)
 - NPR growth: **3.5%**; \$643,507
- Health Reform Investments:
 - Requested \$0 for FY19 (0.4% allowance = \$74,596)
 - Not participating in ACO programs in 2018
- **FY19 Rate Request: 3.2%** (estimated value of 1% rate increase = \$88,273)

Grace Cottage Hospital

Financial Indicators:

- FY19B Operating Margin: 0.7%; \$151,817; projected operating loss in FY18
- FY19B Total Margin: 4.2%; \$894,524
- FY19B Days Cash on Hand: 92.5
- FY18P to FY19B NPR Growth: 5.6%

	FY19 Budget	Staff Recommendation	Preliminary Decision
NPR Growth Rate - FY18B to FY19B	3.5%	Accept <i>Low operating margin; recently hired providers</i>	
Commercial Rate Increase	3.2%	Accept <i>Charges for physician services near or below average from VDH website</i>	

Mt. Ascutney Hospital and Health Center

- FY18 Base Budget: \$48,682,309
- **FY19 Proposed Budget: \$51,195,770** (1.9% of system total)
 - NPR growth = **5.2%**; \$2,513,461
- Health Reform Investments:
 - Requested \$951,868 for FY19 (0.4% allowance = \$194,729)
 - Participating in Medicaid ACO program in 2018
- **FY19 Rate Request: 2.9%** (estimated value of 1% rate increase = \$489,084)

Mt. Ascutney Hospital and Health Center

Financial Indicators:

- FY19B Operating Margin: 0.0%; \$17,584
- FY19B Total Margin: 1.6%; \$878,584
- FY19B Days Cash on Hand: 176.4
- FY18P to FY19B NPR Growth: 3.4%

	FY19 Budget	Staff Recommendation	Preliminary Decision
HCR Investments	\$951,868	Accept 0.4% allowance of \$194,729	
NPR Growth Rate – FY18B to FY19B	5.2%	Accept <i>Close to target when compared to 18P; specific and high out-of-state services; referrals from Dartmouth</i>	
Commercial Rate Increase	2.9%	Accept	

Gifford Medical Center

- FY18 Base Budget: \$59,514,010
- **FY19 Proposed Budget: \$55,894,653** (2.1% of system total)
 - NPR growth: **-6.1%**; (\$3,619,357)
- Health Reform Investments:
 - Requested \$590,000 = 1.0% for FY19 (0.4% allowance = \$238,056)
 - Not participating in ACO programs in 2018
- **FY19 Rate Request 4.0%** (estimated value of 1% rate increase = \$401,670)

Gifford Medical Center

Financial Indicators:

- FY19B Operating Margin: 2.5%; \$1,415,013; projected operating loss in FY18
- FY19B Total Margin: 3.9%; \$2,265,009; projected deficit in FY18
- FY19B Days Cash on Hand: 177.5
- FY18P to FY19B NPR Growth: 9.8%

	FY19 Budget	Staff Recommendation	Preliminary Decision
HCR Investments	\$590,000	Not needed, given negative NPR growth	
NPR Growth Rate – FY18B to FY19B	-6.1%	Accept <i>Hired 2 surgeons and 2 family practitioners; productivity increase expected after EMR implementation; slight shift from Medicaid to Medicare and Commercial</i>	
Commercial Rate Increase	4.0%	3.0% <i>Charges appear higher than average on VDH website</i>	

North Country Hospital

- FY18 Base Budget: \$79,074,579
- **FY19 Proposed Budget: \$81,523,350** (3.2% of system total)
 - NPR growth: **3.1%**; \$2,448,771
- Health Reform Investments:
 - Requested \$379,842 = 0.5% for FY19 (0.4% allowance = \$316,298)
 - Participating in Medicaid ACO program in 2018
- **FY19 Rate Request: 3.6%** (estimated value of 1% rate increase = \$649,294)

North Country Hospital

Financial Indicators:

- FY19B Operating Margin: 1.1%; \$958,597
- FY19B Total Margin: 2.8%; \$2,463,121
- FY19B Days Cash on Hand: 196.3
- FY18P to FY19B NPR Growth: 5.5%

	FY19 Budget	Staff Recommendation	Preliminary Decision
HCR Investments	\$379,842	Accept \$316,298 (0.4% allowance)	Accept 0.3% = \$237,224. <i>Results in requested 3.1% total NPR increase</i>
NPR Growth Rate – FY18B to FY19B	3.1%	Accept <i>Challenging social determinants and demographics; hired 2 surgeons</i>	
Commercial Rate Increase	3.6%	Accept <i>Low operating margin</i>	

Southwestern Vermont Medical Center

- FY18 Base Budget: \$159,497,504
- Proposed Adjustment to FY18 rebased budget:
 - Increase by \$581,310 for dental home CON project
- **FY19 Proposed Budget: \$165,201,376** (6.3% of system total)
 - NPR growth without proposed adjustment: **3.6%**; \$5,703,872
 - NPR growth with proposed adjustment: **3.2%**; \$5,122,562
- Health Reform Investments:
 - Requesting \$1,792,236 = 1.1% for FY19 (0.4% allowance = \$637,990)
 - Participating in Medicaid ACO program in 2018
- **FY19 Rate Request: 3.2%** (estimated value of 1% rate increase = \$811,177)

Southwestern Vermont Medical Center

Financial Indicators:

- FY19B Operating Margin: 3.6%; \$6,117,017
- FY19B Total Margin: 4.0%; \$6,766,231
- FY19B Days Cash on Hand: 46.3 (180-189 with Parent)
- FY18P to FY19B NPR Growth: 3.7%

	FY19 Budget	Staff Recommendation	Preliminary Decision
Adjustment to FY18 Base	\$581,310 for 7/2017 CON	Accept	
HCR Investments	\$1,792,236	Accept \$637,990 (0.4% Allowance)	
NPR Growth Rate – FY18B to FY19B	3.2% (w/adjustment)	Accept <i>Adjust if rate reduced</i>	
Commercial Rate Increase	3.2%	Options: Accept; consider reduction to 3.0% or less <i>Strong margins; greater OOS revenue than most</i>	

Rutland Regional Medical Center

- FY18 Base Budget: \$250,963,330
- **FY19 Proposed Budget: \$258,925,111** (9.9% of system total)
 - NPR growth in submitted budget: **3.2%**; \$7,961,781
 - Revised NPR growth from 8-27-18 presentation: **3.1%**
- Health Reform Investments:
 - Requested \$1,012,440 = 0.4% for FY19 (0.4% allowance = \$1,003,853)
 - Not participating in ACO programs in 2018; planning to participate in Medicaid in 2019
- **FY19 Rate Request:**
 - **3.0% in submitted budget** (estimated value of 1% rate increase = \$829,651)
 - Revised rate request from 8-27-18 presentation: **2.6%**

Rutland Regional Medical Center

Financial Indicators:

- FY19B Operating Margin: 2.3%; \$6,403,720
- FY19B Total Margin: 4.4%; \$12,342,957
- FY19B Days Cash on Hand: 205.7
- FY18P to FY19B NPR Growth: 2.1%

	FY19 Budget	Staff Recommendation	Preliminary Decision
HCR Investments	\$1,012,440	Accept	
NPR Growth Rate – FY18B to FY19B	Revised 3.1%	Accept	
Commercial Rate Increase	Revised 2.6%	Accept	

Copley Hospital

- FY18 Base Budget: \$68,024,531
- **FY19 Proposed Budget: \$72,037,976** (2.8% of system total)
 - NPR growth: **5.9%**; \$4,013,445
- Health Reform Investments:
 - Requested \$66,351 = 0.1% for FY19 (0.4% allowance = \$272,098)
 - Not participating in ACO programs in 2018
- **FY19 Rate Request: 7.9%** (estimated value of 1% rate increase = \$392,275)

Copley Hospital

Financial Indicators:

- FY19B Operating Margin: 2.0%; \$1,485,911; projected operating loss in FY18
- FY19B Total Margin: 2.5%; \$1,862,811; projected deficit in FY18
- FY19B Days Cash on Hand: 66.4
- FY18P to FY19B NPR Growth: 8.4%

	FY19 Budget	Staff Recommendation	Preliminary Decision
HCR Investments	\$66,351	Accept for 0.1% addition to 2.8% NPR growth target	
NPR Growth Rate – FY18B to FY19B	5.9%	<p>Options: Accept; reduce; ask hospital to suggest alternative budget</p> <p><i>Reduction to 2.9% eliminates margin if no expense cuts</i></p>	
Commercial Rate Increase	7.9%	<p>Options: Accept; reduce; ask hospital to suggest alternative budget</p> <p><i>Reduction to 4.0% eliminates margin if no expense cuts</i></p>	

Northeastern Vermont Regional Hospital

- FY18 Base Budget: \$77,077,400
- Proposed Adjustment to FY18 Base:
 - Increase by \$129,700 for provider transfer (approved)
- **FY19 Proposed Budget: \$80,938,697** (3.1% of system total)
 - NPR growth without proposed adjustment: **5.0%**; \$3,861,297
 - NPR growth with proposed adjustment: **4.8%**; \$3,731,597
- Health Reform Investments:
 - Requested \$300,000 = 0.4% for FY19 (0.4% allowance = \$308,310)
 - Not participating in ACO programs in 2018; planning to participate in Medicaid in 2019
- **FY19 Rate Request: 4.0%** (estimated value of 1% rate increase = \$384,400)

Northeastern Vermont Regional Hospital

Financial Indicators:

- FY19B Operating Margin: 1.7%; \$1,439,200
- FY19B Total Margin: 1.7%; \$1,439,200
- FY19B Days Cash on Hand: 122.3
- FY18P to FY19B NPR Growth: 4.0%

	FY19 Budget	Staff Recommendation	Preliminary Decision
Adjustment to FY18 Base	Provider Acq. of \$129,700	Accept	Accept
HCR Investments	\$300,000	Accept	
NPR Growth Rate – FY18B to FY19B	4.8% (w/adjustment)	Options: Accept; reduce by \$700,000 <i>Psychiatrist appears to have been financed by 2018 HCR \$; \$602K</i>	
Commercial Rate Increase	4.0%	Options: Accept; reduce for NPR reduction	

Brattleboro Memorial Hospital

- FY18 Base Budget: \$78,879,433
- Proposed Adjustment to FY18 Base:
 - Restore FY18 NPR reduction of \$1,323,198
- **FY19 Proposed Budget: \$83,968,150** (3.2% of system total)
 - NPR growth without proposed adjustment: **6.5%**; \$5,088,717
 - NPR growth with proposed adjustment: **4.8%**; \$3,765,519
- Health Reform Investments:
 - Requested \$776,000 = 1.0% for FY19 (0.4% allowance = \$315,518)
 - Participating in all 3 ACO programs in 2018
- **FY19 Rate Request: 4.9%** (estimated value of 1% rate increase = \$392,275)

Brattleboro Memorial Hospital

Financial Indicators:

- FY19B Operating Margin: 0.3%; \$254,950; projected FY18 operating loss
- FY19B Total Margin: 1.2%; \$1,012,950; projected FY18 deficit
- FY19B Days Cash on Hand: 196.2
- FY18P to FY19B NPR Growth: 6.8%

	FY19 Budget	Staff recommendation	Preliminary Decision
Adjustment to FY18 Base	Restore FY18 NPR reduction of \$1,323,198	Accept	Accept
HCR Investments	\$776,000	Accept all except neurologist; allow 0.4% allowance of \$315,518	
NPR Growth Rate – FY18B to FY19B	4.8% (w/adjustment)	Options: Accept; reduce	
Commercial Rate Increase	4.9%	Options: Accept; reduce <i>Reducing to 4.4% would nearly eliminate low operating margin if no expense cuts; most charges below average on VDH website.</i>	

Northwestern Medical Center

- FY18 Base Budget: \$106,128,223
- Proposed Adjustment to FY18 Base:
 - Increase by \$3,249,654 for provider transfers
- **FY19 Proposed Budget: \$112,773,980** (4.3% of system total)
 - NPR growth without proposed adjustment: **6.3%**; \$6,645,757
 - NPR growth with staff-recommended adjustment: 4.6%; \$4,918,584
 - NPR growth with proposed adjustment: **3.2%**; \$3,396,103
- Health Reform Investments:
 - Requested \$424,513 = 0.4% for FY19 (0.4% allowance = \$424,513)
 - Participating in all 3 ACO programs in 2018
- **FY19 Rate Request: 2.0%** (estimated value of 1% rate increase = \$529,558)

Northwestern Medical Center

Financial Indicators:

- FY19B Operating Margin: 2.3%; \$2,696,711
- FY19B Total Margin: 3.2%; \$3,848,130
- FY19B Days Cash on Hand: 306.5
- FY18P to FY19B NPR Growth: 6.3%

	FY19 Budget	Staff Recommendation	Preliminary Decision
Adjustment to FY18 Base	Provider Acq. \$3,249,654	Accept \$1,727,123 for occupational health transfer <i>Remaining \$1,522,481 is for services that begin in FY19</i>	
HCR Investments	\$424,513	Accept	
NPR Growth Rate – FY18B to FY19B	4.6% (w/adjustment)	Options: Accept; reduce <i>Reduction of \$1.5M results in 3.2% NPR growth</i>	
Commercial Rate Increase	2.0%	Accept	

Springfield Hospital

- FY 2018 Base Budget: \$59,375,198
- **FY 2019 Proposed Budget: \$59,996,953** (2.3% of system total)
 - NPR growth: **1.0%**; \$621,755
- Health Reform Investments:
 - Requested \$0 for FY19 (0.4% allowance = \$237,501)
 - Participating in all 3 ACO programs in 2018
- **FY19 Rate Request: 5.0%** (estimated value of 1% rate increase = \$318,779)

Springfield Hospital

Financial Indicators:

- FY19B Operating Margin: 1.3%; \$810,362; projected operating loss in FY18
- FY19B Total Margin: 2.7%; \$1,670,362; projected deficit in FY18
- FY19B Days Cash on Hand: 106.8
- FY18P to FY19B NPR Growth: 5.0%

	FY19 Budget	Staff Recommendation	Preliminary Decision
NPR Growth Rate – FY18B to FY19B	1%	Accept	
Commercial Rate Increase	5.0%	<p>Options: Accept; slight reduction</p> <p><i>1% reduction is nearly 40% of operating margin if no expense cuts</i></p>	

Central Vermont Medical Center

- FY18 Base Budget: \$198,452,560
- Proposed Adjustments to FY18 Base:
 - Increase by \$2,561,709 for ACO accounting change
 - Increase by \$353,227 for provider transfers (\$102,702 approved, \$250,525 not effective until FY19)
- **FY19 Proposed Budget: \$211,387,021** (8.1% of system total)
 - NPR growth without proposed adjustments: **6.5%**; \$12,934,461
 - NPR growth with staff-recommended adjustment: **6.5%**; \$12,831,759
 - NPR growth with all proposed adjustments: **5.0%**
- Health Reform Investments:
 - Requested \$766,000 = 0.4% for FY19 (0.4% allowance = \$793,810)
 - Participating in all 3 ACO programs in 2018
- **FY19 Rate Request: 2.8%** (estimated value of 1% rate increase = \$1,226,764)

Central Vermont Medical Center

Financial Indicators:

- FY19B Operating Margin: 1.4%; \$3,256,040
- FY19B Total Margin: 3.3%; \$7,502,689
- FY19B Days Cash on Hand: 112.7
- FY18P to FY19B NPR Growth: 3.6%

	FY19 Budget	Staff recommendation	Preliminary Decision
Adjustment to FY18 Base	Provider Acq. of \$353,227 ACO Accounting Adjustment= \$2,561,709	Accept \$102,702 acquisition Do not accept	Accept \$102,702 acquisition as adjustment to FY18 Base
HCR Investments	\$766,000	Accept	
NPR Growth Rate – FY18B to FY19B	6.5% (w/adjustment)	Options: Accept; reduce <i>Could reduce to 3.2% over FY18P</i>	
Commercial Rate Increase	2.8%	Options: Accept; reduce <i>Could reduce if NPR reduced</i>	

Porter Medical Center

- FY18 Base Budget \$78,348,499; **rebased to \$80,862,127**
- Proposed Adjustments to FY18 rebased budget:
 - Increase by \$1,067,391 for ACO accounting change
- **FY19 Proposed Budget \$84,530,515** (3.3% of system total)
 - NPR growth without proposed adjustment: **4.5%**; \$3,668,387
 - NPR growth with proposed adjustment: **3.2%**; \$2,600,996
- Health Reform Investments:
 - Requested \$335,000 = 0.4% for FY19 (0.4% allowance = \$323,449)
 - Participating in all 3 ACO programs in 2018
- **FY19 Rate Request: 2.8%** for commercial; -1.0% overall (estimated value of 1% rate increase = \$396,963)

Porter Medical Center

Financial Indicators:

- FY19B Operating Margin: 3.7%; \$3,291,451
- FY19B Total Margin: 4.1%; \$3,690,906
- FY19B Days Cash on Hand: 133.0
- FY18P to FY19B NPR Growth: 2.8%

	FY19 Budget	Staff Recommendation	Preliminary Decision
Adjustment to FY18 Base	ACO Accounting adjustment= \$1,067,391	Do not accept	
HCR Investments	\$335,000	Accept	
NPR Growth Rate – FY18B (rebased) to FY19B	3.2% (w/ adjustment) 4.5% (w/o adjustment)	Options: Accept; reduce <i>Could reduce growth in NPR w/o adjustment; strong margins</i> Question: Accept ACO reserves of \$2,191,379 not in NPR?	
Commercial Rate Increase	2.8%	Options: Accept; reduce <i>Could reduce if NPR reduced</i>	

University of Vermont Medical Center

- FY18 Base Budget: \$1,209,654,762; **rebased to \$1,252,297,020**
- Proposed Adjustments to FY18 rebased budget:
 - Increase by \$7,919,705 for ACO accounting change
- **FY19 Proposed Budget: \$1,273,460,046** (48.8% of system total)
 - NPR growth without adjustment: **1.7%**; \$21,163,026
 - NPR growth with adjustment: **1.1%**; \$13,243,321
- Health Reform Investments:
 - Requested \$8,572,000 = 0.7% in FY19 (0.4% allowance = \$5,009,188)
 - Participating in all 3 ACO programs in 2018
- **FY19 Rate Request: 4.0%** commercial; **3.0%** overall (estimated value of 1% commercial rate increase = \$4,500,353; 1% overall rate increase = \$6,337,346)

University of Vermont Medical Center

Financial Indicators:

- FY19B Operating Margin: 2.8%; \$39,244,024
- FY19B Total Margin: 5.1%; \$72,175,796
- FY19B Days Cash on Hand: 192.4
- FY18P to FY19B NPR Growth: 2.0%

	FY19 Budget	Staff Recommendation	Preliminary Decision
Adjustment to FY18 Base	Accounting Adj. of \$7,919,705	Do not accept	
HCR Investments	\$8,572,000	Accept \$5,009,188 (0.4% Allowance)	
NPR Growth Rate – FY18B (rebased) to FY19B	1.7% (w/o adjustment)	Accept <i>Growth estimates lower than recent years</i>	
Commercial Rate Increase	4.0%	Options: Accept; reduce (3% or 2%?) <i>In FY17 Actuals discussion, UVMCC indicated 0% rate increase for FY19 <u>before</u> inpatient MH decision. Highest FY19B total margin in system.</i>	