

## **APPENDIX 4**

### **BUDGET AMENDMENTS AND ADJUSTMENTS**

#### **A. Introduction**

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. Recognizing that changes may occur frequently and vary in scale, the Board expects to be reasonably informed of changes greater than x% in approved or submitted budgets pursuant to the policies outlined below. Changes below the X% threshold should be reported in the required reporting due each month.

- 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.

#### **B. Independent Provider/Service Transfers**

The Green Mountain Care Board's (the GMCB or the Board) provider transfer policy regarding independent providers and services sets forth a standardized process of review that accounts for the budgetary effects of a transfer. This policy applies to hospital acquisition of an independent health care practice, hospital divestment of a health care practice and a hospital's response to the anticipated gap in service when an independent provider leaves the community. This policy does not apply to a hospital's ongoing recruitment efforts.

The Board's policy addresses two issues related to the movement of dollars into and out of a hospital organization. First, as part of its oversight of hospital budgets, the Board tracks existing health care dollars as they move from an independent practice into a hospital organization, or when a hospital separates from or closes a practice. When independent providers move from outside of a hospital organization to within, the dollars associated with the provider practice also shift to the hospital. Similarly, when a hospital practice separates from a hospital organization, the dollars associated with the divestment leave the hospital organization. Though a transfer does not introduce "new" dollars to the health care system, it can have an impact on the acquiring/divesting hospital's budget.

Second, Act 143 of 2016 requires that the Board maintain a policy regarding the review of provider transfers and acquisitions and ensure a hospital provides notice to patients when it acquires a health care practice.<sup>1</sup>

This policy does not require that the Board approve a practice transfer or acquisition. This policy outlines the process by which the Board tracks and acknowledges the resulting changes to a hospital's budget and ensures patients receive notice of the transfer.

### **Reporting Requirements**

To appropriately document the budget effect of transfers, the hospital shall file the following information:

- Any new affiliation shall require filing of Schedule A, a copy of the Notice to Patients and a cover letter. The cover letter shall explain the need for the transfer, plans to provide the service at the same, or decreased cost, as the previously independent service, and service level expectations;
- Documents shall be filed with the GMCB 30 days prior to formal establishment of the acquisition or transfer;
- No filings will be recognized by the GMCB for establishing a new budget base after May 1;
- The GMCB may issue an updated Budget Order within 30 days of its acceptance of an acquiring hospital's filing;
- Following issuance of an updated Budget Order, the acquiring hospital shall file its updated budget information through the Adaptive reporting tool, as directed by GMCB staff.; and
- Transfers occurring after May 1 shall be reported in the July 1 budget submission for the coming year. Reporting documents must be filed in addition to the budget submission.

### **Notice to Patients**

If the applicant hospital is acquiring a health care practice, Act 143 requires that the hospital must provide written notice to each patient served by the health care provider(s). The notice shall:

- Notify the patient that the provider is now affiliated with the hospital;
- Provide the hospital's name and contact information;
- Notify the patient that the change in affiliation may affect the patient's out-of-pocket costs, depending on his or her health insurance plan and the services provided; and
- Recommend that the patient contact his or her insurance company with specific questions or to determine actual financial liability.

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<sup>1</sup> Act 143 refers to both "physicians" and "health care providers." We construe the law to include practices that may employ non-physicians, such as, for example, advanced practice registered nurses or physician assistants, and therefore use the terms "provider" or "health care provider" throughout the policy.

The hospital shall include one copy of the written notice, not including patient name, when it submits its request to the Board.

### **Confidentiality**

The GMCB recognizes that information regarding transfers and acquisitions may be sensitive during the negotiation stage. Vermont’s Public Records Act (PRA) specifically exempts from public disclosure “business records or information . . . which gives its user or owner an opportunity to obtain business advantage over competitors who do not know it or use it,” 1 V.S.A. § 317(c)(9), and records related to contract negotiations, 1 V.S.A. § 317(c)(15). Accordingly, a hospital may request that the GMCB keep provider transfer information confidential by submitting a request in writing that identifies the PRA exemptions it believes apply and relevant facts supporting the confidentiality request.

### **C. Accounting Adjustments**

Hospitals may request that the Board acknowledge accounting adjustments to an approved budget (an adjustment occurring prior to May 1) or in a budget submission (an adjustment occurring on or after May 1). Accounting adjustments that result in a reclassification of revenue may require an amendment to an existing budget. **If the hospital is requesting an amendment to an existing budget order, it must comply with the requirements of the section entitled “Amendments to Approved Budgets,” below.**

Examples of accounting adjustments include:

- Reclassification of revenue to/from NPR/FPP either to and from Other Operating Revenue or to and from Operating Expenses. (E.g., Lab Reference Revenue is being reclassified to Other Operating Revenue);  
Reclassification of revenue from Non-Operating Revenue to NPR/FPP or to Operating Revenue (E.g., 340B pharmacy revenue); or
- Adjustments that are recognizing new forms of revenue.

### **D. Amendments to Approved Budgets**

A hospital may request a budget amendment to account for unanticipated changes to its approved budget. Examples of unanticipated changes include requests for interim changes in charge or unforeseen changes in utilization. Hospitals requesting a modification to its approved budget before the end of that fiscal year must do the following:

- Obtain approval of the change from its Board of Directors;
- Submit a letter of intent to the Green Mountain Care Board regarding a revised budget. The submission should be delivered to the GMCB no less than 30 days prior to the date proposed amendment would become effective;
- Provide contact information for the available staff member with knowledge of the budget to answer questions.

- Provide an updated full-year financial projection for FY21 (i.e., an updated Profit and Loss Statement comparing FY21 Projections to FY20 Year-End Actuals and to the approved FY21 Budget). Include the impact of the proposed changes, as well as any other changes that the hospital is anticipating;
- Provide information on the impact of the proposed amendment on gross revenue as well as NPR/FPP, describe the assumptions you are making to support the estimated impact on NPR/FPP, and indicate why those assumptions are warranted and the level of certainty associated with each assumption.

GMCB staff will review the request within 15 days after receiving a complete request and will make its recommendations to the Board. The Board will decide on the request as soon thereafter as possible.