

# **FY 2021 ABBREVIATED HOSPITAL BUDGET GUIDANCE AND REPORTING REQUIREMENTS**

*Effective* \_\_\_\_\_

**Prepared by:**

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<b>Reporting Timeline.....</b>	<b>3</b>
<b>INTRODUCTION .....</b>	<b>4</b>
A. INSTRUCTIONS .....	4
<b>SECTION I: BUDGET GUIDELINES &amp; BENCHMARKS.....</b>	<b>4</b>
A. NET PATIENT REVENUE/FIXED PROSPECTIVE PAYMENT (NPR/FPP) GROWTH TARGETS .....	4
B. BUDGET AMENDMENTS AND ADJUSTMENTS.....	4
<b>SECTION II: INFORMATION COLLECTED VIA ADAPTIVE.....</b>	<b>5</b>
A. USER ACCESS TO ADAPTIVE INSIGHTS .....	5
<b>SECTION III: NARRATIVE.....</b>	<b>6</b>
A. EXECUTIVE SUMMARY .....	6
B. YEAR-OVER-YEAR AND RECONCILIATION.....	6
C. CHANGE IN CHARGE REQUEST .....	6
D. ONECARE VERMONT PARTICIPATION .....	7
E. CAPITAL INVESTMENT CYCLE.....	7
<b>SECTION IV: PRESENTATIONS.....</b>	<b>7</b>
A. GENERAL PRESENTATION INSTRUCTIONS .....	7
B. PRESENTATION CONTENT.....	7
1. Introduction/Overview/Hospital Vision.....	7
2. Net Patient Revenue/Fixed Prospective Payments & Summary of Budget Request .....	7
3. Capital Budget Plans .....	8
<b>APPENDICES.....</b>	<b>8</b>

**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 conserve hospital resources during this critical time.

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. NET PATIENT REVENUE/FIXED PROSPECTIVE PAYMENT (NPR/FPP) GROWTH TARGETS**

At its March 18, 2020 public meeting, the Board established a maximum Net Patient Revenue and Fixed Prospective Payment (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 GMCB will review the FY21 budget submission in the context of the hospital's actual FY19 and projected FY20 results. The GMCB will also review requested changes to hospital charges, including changes to charges for commercial payers.

**The Board recognizes the hospital budget submission challenges created from the COVID-19 pandemic and these uncertain and ever-changing times.**

### **B. 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.

### **A. 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 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:

- **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)
- **FY 2021 Hospital Budget Guidance and Reporting Requirements (this document)**
- GMCB Uniform Reporting Manual FY2021
- GMCB Adaptive User Guide
- Appendix 1 Verification under Oath
- **An Abbreviated Excel budget template for each hospital will be used for the budget submission and the data will later be inputted into the Adaptive software.**
  - Revenue Replacement Funds worksheet
- **General Ledger Accounts that have been added or to be made aware of:**
  - Current Assets – **ACO Risk Reserve/Settlement Receivable**
  - Current Liabilities - **COVID-19**

- Current Liabilities – **ACO Risk Reserve/Settlement Payable**
- Long-Term Liabilities - **COVID-19**
- Other Operating Revenue - **COVID-19** Stimulus and Other Grant Funding
- 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, staffing, and operational changes, and the overall impact of COVID-19. **Please include information on the COVID-19 relief funds received from state or federal government.**

**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.

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**

- i. Explain how the hospital’s overall change-in-charge request in gross revenue was derived and what assumptions were used in quantifying the requested increase/decrease.
- ii. 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. 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))

- iii. Please indicate the dollar value of 1% NPR/FPP FY21 overall change in charge.

#### D. 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.

#### E. CAPITAL INVESTMENT CYCLE

1. Describe the hospital's capital 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).

### **SECTION IV: PRESENTATIONS**

#### A. GENERAL PRESENTATION INSTRUCTIONS

- The hospital's presentation must include accompanying PowerPoint slides, saved as a PDF, and simultaneously projected.
- 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.
- 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
  - i. Income statement, balance sheet, and cash flow statement
  - ii. NPR/FPP (Medicare, Medicaid, and Commercial Revenue Assumptions)
  - iii. Other Operating and Non-Operating Revenue
  - iv. Expenses
  - v. Change-in-Charge Request

vi. Adjustments (provider transfers and accounting)

3. 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

Appendix 5: FY 20201 Budget Performance and Enforcement

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