

FY 2023

Vermont Hospital Budget

Deliberations

September 12, 2022

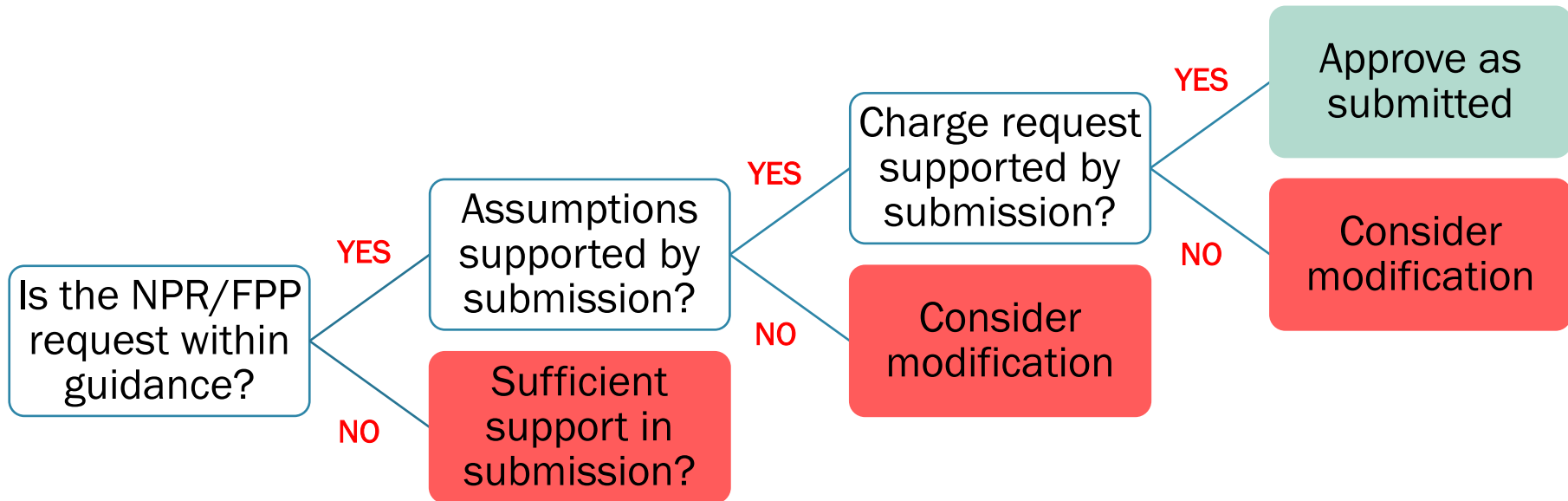
FY2023 Hospital Budget Decision Schedule



Budget Requests by Hospital

Staff Recommendation: Decision Tree

For more details, reference [August 31, 22 presentation](#):



Standard Budget Order Conditions



- A. [HOSPITAL]'s FY23 NPR/FPP budget is approved at a growth rate of [XX]% over its FY22 budget, with a total NPR/FPP of \$[XX] for FY23.
- B. [HOSPITAL]'s overall average charge increase is approved at not more than [XX]% over current approved levels.
- C. Beginning on or before November 20, 2022, and every month thereafter, [HOSPITAL] shall file with the Board the actual year-to-date FY23 operating results as of the end of the prior month. The report shall be in a form and manner as prescribed by GMCB staff.
- D. [HOSPITAL] shall participate in telephonic check-ins to be scheduled at the discretion of the Board Chair in consultation with Board staff based on the hospital's FY23 year-to-date operating performance
- E. [HOSPITAL] shall advise the Board of any material changes to its FY23 budgeted revenues and expenses, or to the assumptions used in determining its budget, including:
 - a. changes in Medicaid, Medicare, or commercial reimbursement;
 - b. additions or reductions in programs or services to patients; and
 - c. any other event that could materially change the approved NPR/FPP budget.

Standard Budget Order Conditions (cont'd)



- F. On or before January 31, 2023, [HOSPITAL] shall file with the Board, in a form and manner prescribed by GMCB staff, such information as the Board determines necessary to review the hospital's FY22 actual operating results.
- G. [HOSPITAL] shall file with the Board one copy of its FY22 audited financial statements and associated management letter(s), as well as the parent organization's audited consolidated financial statements, if applicable, 15 days after the hospital receives its statements, or by January 31, 2023, whichever is earlier.
- H. [HOSPITAL] shall participate in the Board's strategic sustainability planning process.
- I. [HOSPITAL] shall timely file all forms and information required for provider acquisitions and/or transfers as determined by GMCB staff, if applicable.
- J. [HOSPITAL] shall file all requested data and other information in a timely and accurate manner.
- K. After notice and an opportunity to be heard, the GMCB may amend the provisions contained herein, and issue an amended order, consistent with its authority as set forth in 18 V.S.A. Chapter 220, Subchapter 1, 18 V.S.A. Chapter 221, Subchapter 7, and GMCB Rule 3.000.
- L. All materials required above shall be provided electronically, unless doing so is not practicable.
- M. The findings and orders contained in this decision do not constrain the Board's decisions in future hospital budget reviews, future certificate of need reviews, or any other future regulatory or policy decisions.

Hospitals with NPR/FPP Growth > 8.6%

NPR/FPP (FY22P – FY23B)



		FY22 Projection to FY23 Budget	FY22 Budget to FY23 Budget (for reference)
YES	Gifford	1.8%	7.0%
	Southwestern	2.3%	6.4%
	Copley	4.2%	12.1%
	Porter	4.4%	10.9%
	Rutland	4.8%	16.1%
	Mt. Ascutney	5.0%	10.4%
	Northwestern	5.4%	8.6%
	Grace Cottage	6.1%	15.0%
	Northeastern VT	7.6%	13.0%
	North Country	9.9%	12.5%
NO	Brattleboro	10.5%	13.3%
	Central VT	10.7%	7.3%
	Springfield	13.6%	7.5%
	University of VT	15.7%	10.0%



Projected FY22
NPR under FY22
budget

University of Vermont Medical Center



NPR/FPP

FY22 Budget-to-Projection Variance	-5.0%
FY22 Budget (\$)	\$1,508,506,476
FY22 Projection (\$)	\$1,433,295,005
FY23 Request (\$)	\$1,658,725,627
FY23 Request (% Change FY22B)	10.0%
FY23 Request (% Change FY22P)	15.7%

Request

Overall Change in Charge	10.1%
NPR Due to Change in Charge	130,706,757
Value of 1% Change in Charge	9,925,269

Service Category

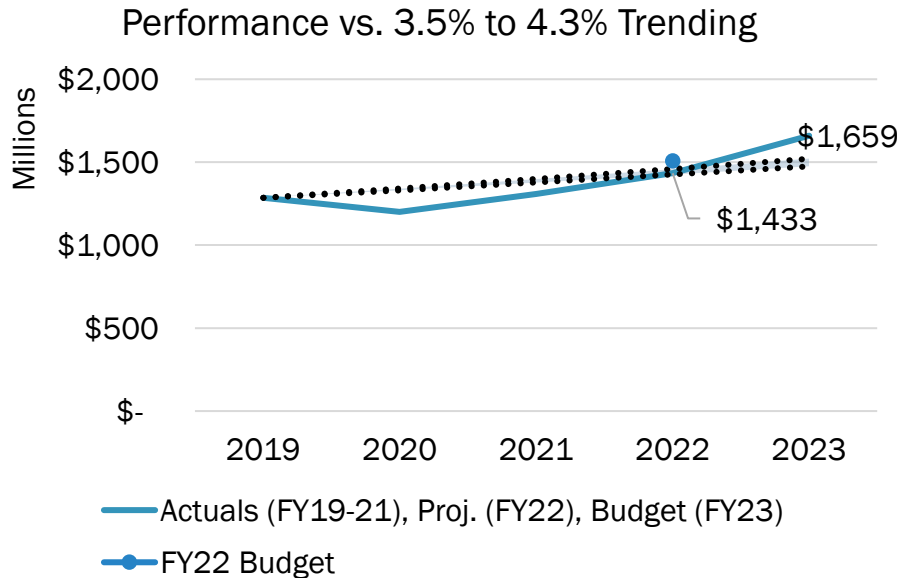
Hospital Inpatient Change in Gross Charges	10.1%
Hospital Outpatient Change in Gross Charges	10.1%
Professional Services Change in Gross Charges	9.9%

Payer

Commercial	117,520,136
Medicaid	(221,402)
Medicare	13,408,023

NPR/FPP & Change in Charge Increase

FY23 Request (\$ Change FY22B)	150,219,152
Change in Charge (\$)	130,706,757



	FY18	FY19	FY20	FY21	FY22	5-year Average
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Approved	0.0%	2.5%	3.0%	6.0%	8.6%	4.0%
Submitted	0.0%	3.0%	3.0%	8.0%	16.1%	6.0%

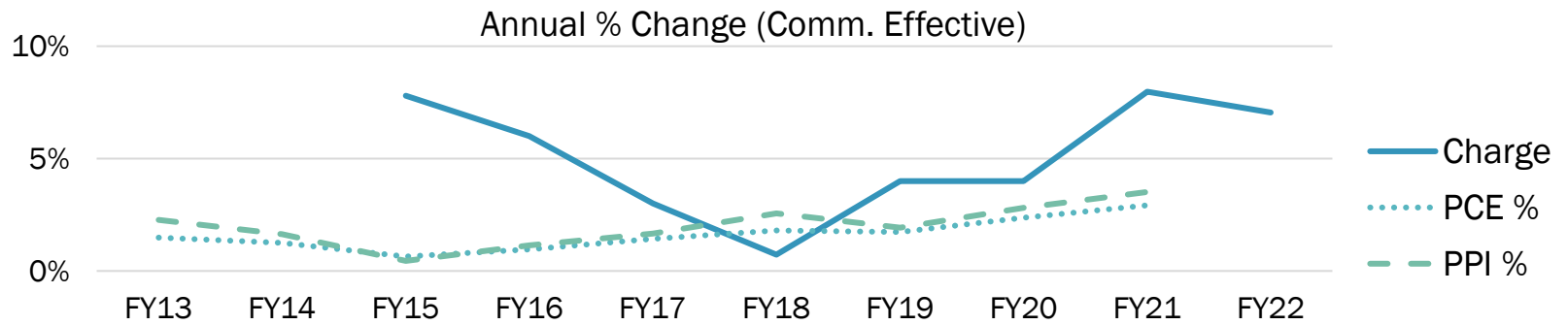
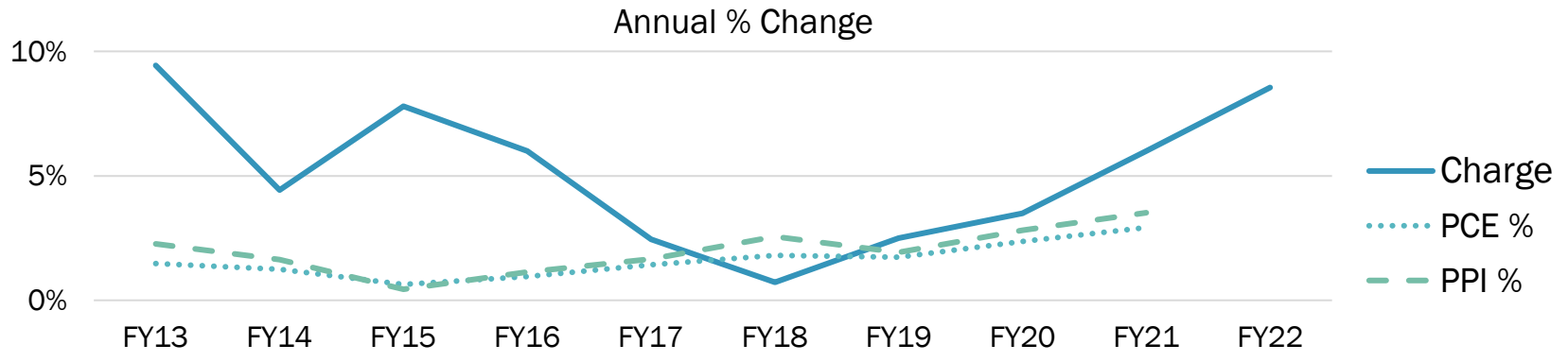
University of Vermont Medical Center



All Hospitals

	Hospital Value	Test	Min.	Median	Max.
NPR/FPP growth (FY22P to FY23B)	15.7%	<= 8.6%	1.8%	6.3%	15.7%
Compensation growth (FY21 to FY23)	12.4%	<= 13.8%	-12.8%	6.7%	12.4%
Other inflationary growth (FY22B to FY23B)	3.3%	< = 4.5%	-2.7%	2.1%	14.7%
Utilization (FY22B to FY23B)	7.7%	Supported in submission, aligned with market share, historical accuracy	-2.7%	2.1%	8.2%
Change estimate effective commercial rate (FY22B to FY23B)	19.9% rate	Supported in submission and resulting operation margin	2.9%	8.0%	19.9%
	2.0% operating margin		-3.7%	1.7%	11.4%

University of Vermont Medical Center



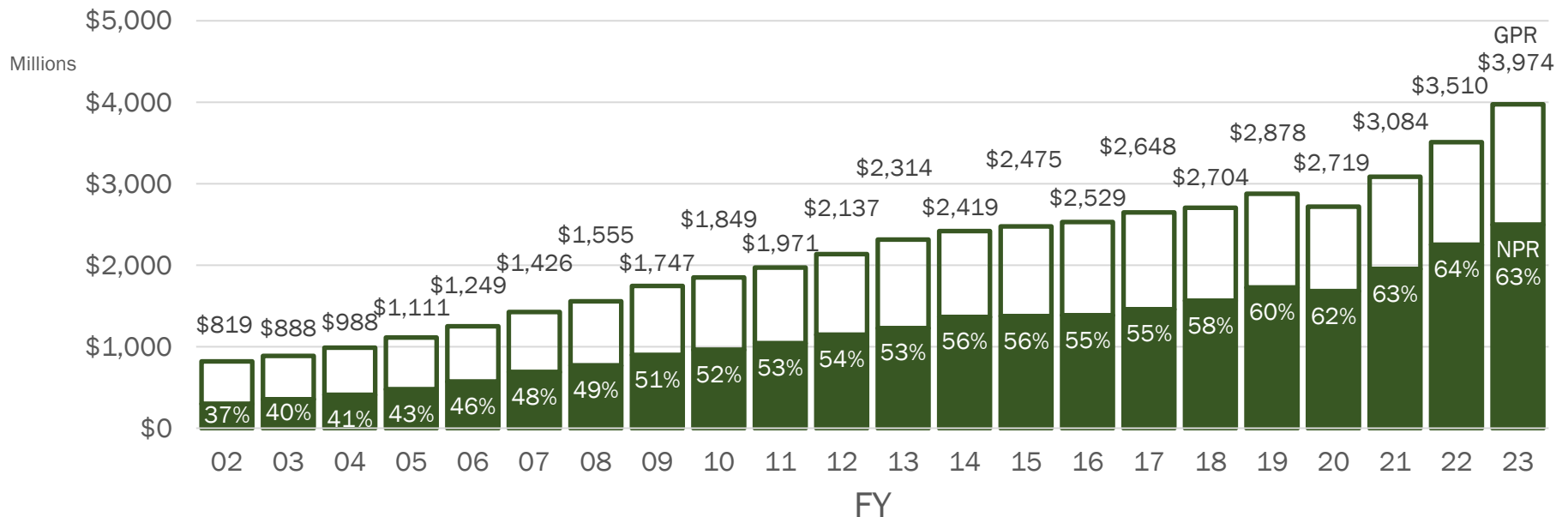
Note that the FY18 charge/commercial rate was approved as submitted (0.7%)

University of Vermont Medical Center: GPR and NPR



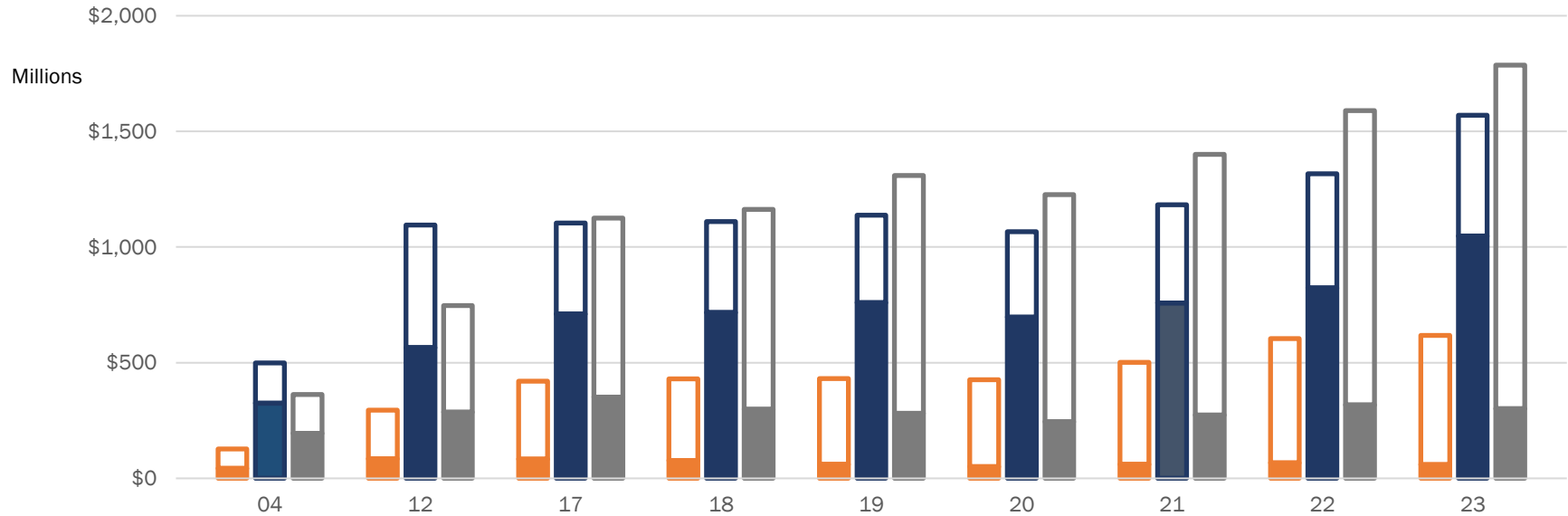
Gross patient revenue (GPR) is based on charges. Patients usually do not pay the charge, but charges are the same regardless of reimbursement.

NPR has grown more than GPR and some revenue has shifted from GPR to FPP (\$206 million in FY23 budget).



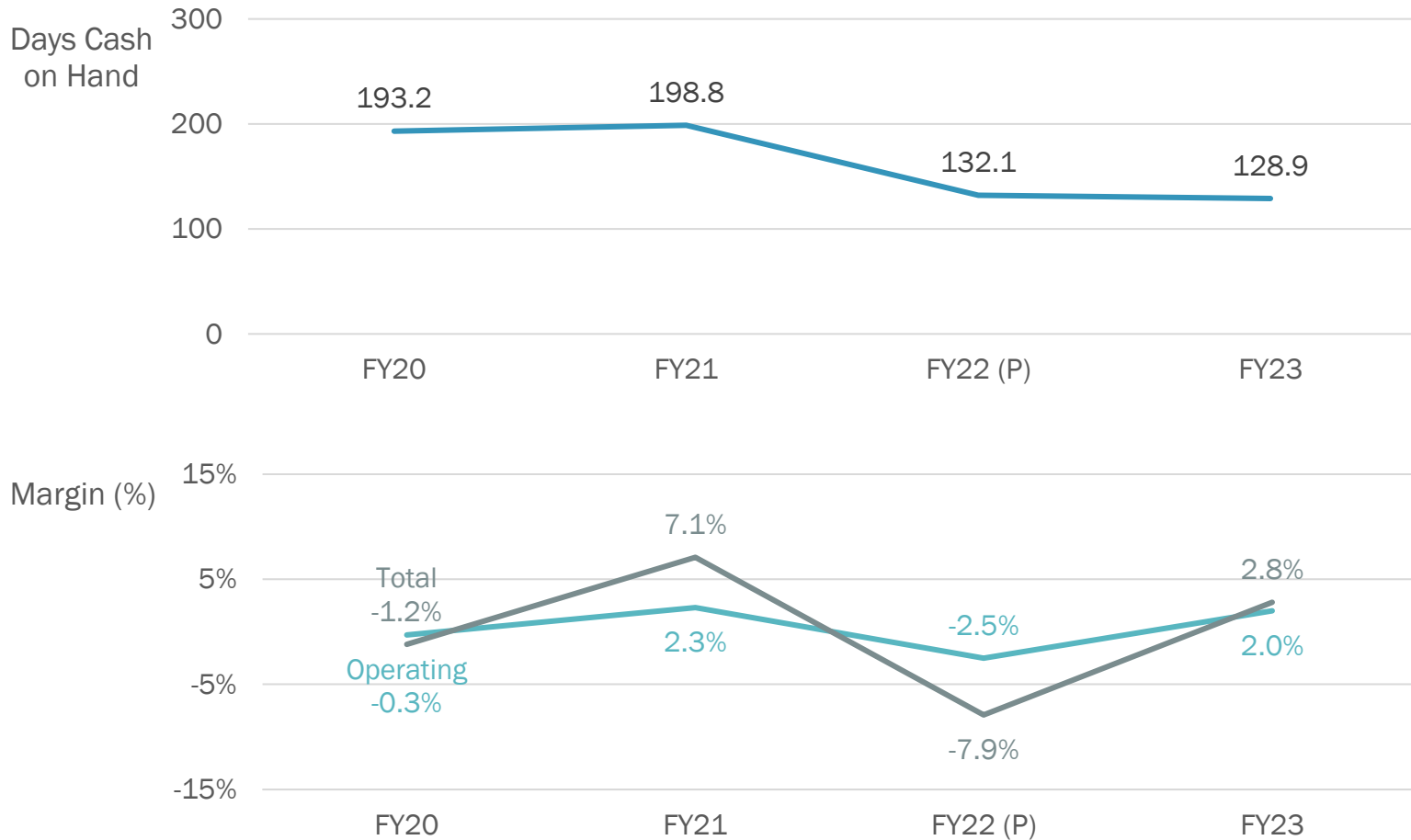
NPR = Gross Patient Revenue less contractual deductions. There are no adjustments for free care, bad debt, DSH, or GME. This is different than how the GMCB defines NPR+FPP for the budget approval process.

University of Vermont Medical Center: GPR and NPR



M'caid	GPR	\$127	\$295	\$420	\$431	\$431	\$426	\$501	\$604	\$618
	% NPR	34%	29%	20%	18%	14%	12%	12%	11%	10%
Comm.	GPR	\$499	\$1,095	\$1,104	\$1,110	\$1,137	\$1,067	\$1,182	\$1,317	\$1,569
	% NPR	65%	52%	64%	65%	67%	65%	64%	63%	67%
M'care	GPR	\$363	\$747	\$1,125	\$1,163	\$1,309	\$1,226	\$1,401	\$1,589	\$1,786
	% NPR	54%	38%	31%	26%	21%	20%	19%	20%	17%

University of Vermont Medical Center: Financial Trends



University of Vermont Medical Center: Effective Commercial Rate



UVMCMC	FY2022 Cost Inflation (above FY2022 Budget)	FY2023 Cost Inflation	Total Cost Inflation
Cost Inflation	\$66,109,926	\$84,661,860	\$150,771,787
Less:			
FY2022 Mid-Year Rate Increase	\$17,500,000	\$0	\$17,500,000
FY2023 - Medicare Rate Increase	\$0	\$6,367,829	\$6,367,829
FY2023 - Medicare ACO Rate Increase	\$0	\$8,500,000	\$8,500,000
FY2023 - Medicaid Rate Increase	\$0	\$150,172	\$150,172
FY2023 - Other Payer Changes	\$0	\$256,963	\$256,963
Impact on Bad Debt/Charity/Denials Calculation	\$0	(\$7,889,621)	(\$7,889,621)
Sub-Total	\$17,500,000	\$7,385,343	\$24,885,343
Required Funding from Commercial Rate	\$48,609,926	\$77,276,517	\$125,886,444
Per 1 % Impact of Commercial Rate:			
Calendar Year (12 months: Jan-Dec)	\$7,620,366		
Budget Year (9 months: Jan-Sept)		\$5,715,274	
Commercial Rate Increase in FY2023 Budget	6.38%	13.52%	19.90%

\$48.6 million
in FY22 cost
inflation

University of Vermont Medical Center: FY22 Cost Inflation



	FY2022 Cost Inflation Above FY2022 Budget	% Change from FY2022 Budget	FY2023 Cost Inflation	% Change from FY2023 Base to FY2023 Budget	Total Cost Inflation in FY2023 Budget	Total Cost Inflation
UVMCC						
Salaries, Payroll Taxes, and Fringe Benefits	44,424,609	6.5%	54,013,854	5.2%	98,438,463	11.6%
Traveler Costs	17,044,217		-		17,044,217	
Med Surg & Pharmaceutical Supplies	4,641,100	2.2%	13,701,734	6.2%	18,342,835	8.4%
Retail Pharmacy Supplies	-	0.0%	9,135,533	7.0%	9,135,533	7.0%
Provider Tax Expense	-	0.0%	6,928,506	7.8%	6,928,506	7.8%
Other	-	0.0%	10,017,766	2.9%	10,017,766	2.9%
Total	66,109,926	4.0%	93,797,393	5.1%	159,907,319	9.1%

University of Vermont Medical Center



After a series of public meetings to review and discuss the hospitals' FY 2017 budget performance, the Board on April 11, 2018 voted to direct UVMHC to self-restrict \$21 million in surplus funds. The following motion was approved:

Pursuant to GMCB Rule 3.00, §3.400, in order to address the FY 2017 actual budget performance at UVMHC's Vermont hospitals, the GMCB will provisionally allow UVMHC to self-restrict \$21M in surplus funds with the condition that such funds be used solely for investments that measurably increase inpatient mental health capacity in Vermont. Beginning July 1, 2018 and quarterly thereafter, the UVMHC shall report to the GMCB on details of its plan for making such investments, including all progress on GMCB-established milestones to date, and must quantify how the plan will significantly increase access to, and quality of, mental health treatment and lower overall system costs.

UVMHC shall continue to report quarterly until such time as the GMCB determines that: 1) UVMHC has made sufficient progress on its investment plan so that no further reporting is required, or that reporting may occur at longer intervals, or 2) that UVMHC has failed to make sufficient progress on its plan to substantially improve inpatient bed capacity to alleviate the mental health care crisis. If the GMCB determines that insufficient progress has been made, it may order that UVMHC use all or a portion of the \$21M to benefit ratepayers through a commercial rate reduction.

University of Vermont Medical Center



	Estimate	Budget	Difference	Rate impact
FY23 DSH	\$11.2 m	\$11.2 m	-\$26k	n/a
IPPS final rule	2.61%	2.62%	-\$17k	n/a
<i>Estimated</i> OPPS final rule	1.74% to 10.11%	0.86%	+\$1.0 to \$11.1 m	-0.18 to -1.94
FY23 Additional GME (if authorized)*	\$11.9 m	n/a	+ \$11.9 m	-1.56
Release MH restricted funds	\$19.1 m [^]	n/a	+ \$19.1 m	-2.51

The FY23 adjustments result in a range of -1.56% to -6.01% for a total effective commercial rate range of 13.89% to 18.34% (a reduction of 7.8 to 30.2%).

* https://gmcbboard.vermont.gov/sites/gmcb/files/documents/GMCB%20Letter_08-31-22.pdf

[^] Estimate of remaining self-restricted funds from [Feb. 2022 update](#).

University of Vermont Medical Center: Suggested Motion Language



Suggested motion language:

Move to approve University of Vermont Medical Center’s budget [as submitted / as modified hereby], with a [10.0]% **increase** from FY2022 to FY2023 budgeted NPR/FPP, a [10.1]% **increase** to overall charges, a [xx]% **increase** to commercial effective rate, and subject to the standard budget conditions as presented to the Board.

Option	Commercial Effective Rate	Percentage Change	Budgeted Revenue Effect
As submitted	19.9%	-	-
Adjust for additional GME	18.34%	-7.8%	-\$11.9 m
Adjust for GME + release MH restricted funds	15.83%	-20.0%	-\$14.3 m
Adjust for additional GME + OPPS minimum est.	18.16%	-8.7%	-\$12.7 m
(+ release MH restricted)	(15.65%)	(-21.4%)	(-\$31.8 m)
Adjust for additional GME + OPPS maximum est.	16.40%	-17.6%	-\$20.2 m
(+ release MH restricted)	(13.89%)	(-30.2%)	(-\$39.3 m)

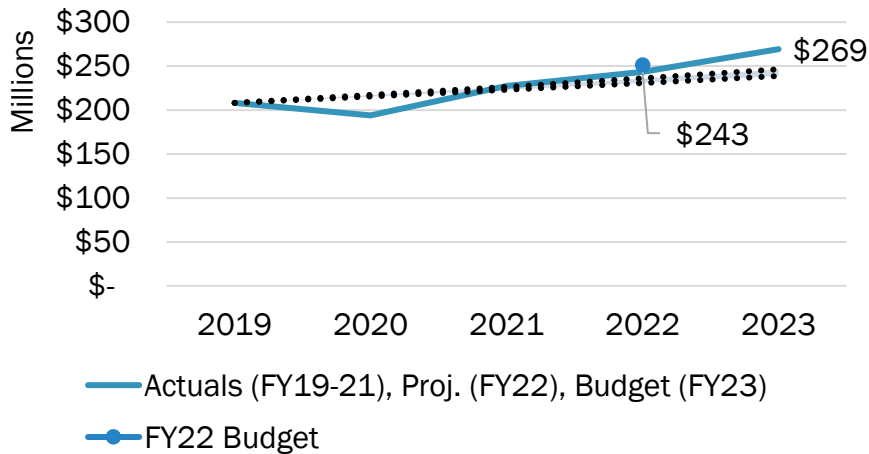
Central Vermont Medical Center



NPR/FPP

FY22 Budget-to-Projection Variance	-3.1%
FY22 Budget (\$)	\$250,954,727
FY22 Projection (\$)	\$243,282,641
FY23 Request (\$)	\$269,231,389
FY23 Request (% Change FY22B)	7.3%
FY23 Request (% Change FY22P)	10.7%

Performance vs. 3.5% to 4.3% Trending



Request

Overall Change in Charge	10.0%
NPR Due to Change in Charge	16,883,171
Value of 1% Change in Charge	1,748,570

Service Category

Hospital Inpatient Change in Gross Charges	12.0%
Hospital Outpatient Change in Gross Charges	9.3%
Professional Services Change in Gross Charges	10.0%

Payer

Commercial	12,118,889
Medicaid	625,709
Medicare	4,138,572

NPR/FPP & Change in Charge Increase

FY23 Request (\$ Change FY22B)	18,276,663
Change in Charge (\$)	16,883,171

5-year Average

	FY18	FY19	FY20	FY21	FY22	5-year Average
Approved	0.2%	2.3%	3.0%	6.0%	8.7%	4.0%
Submitted	0.2%	2.8%	3.0%	6.0%	16.0%	5.6%

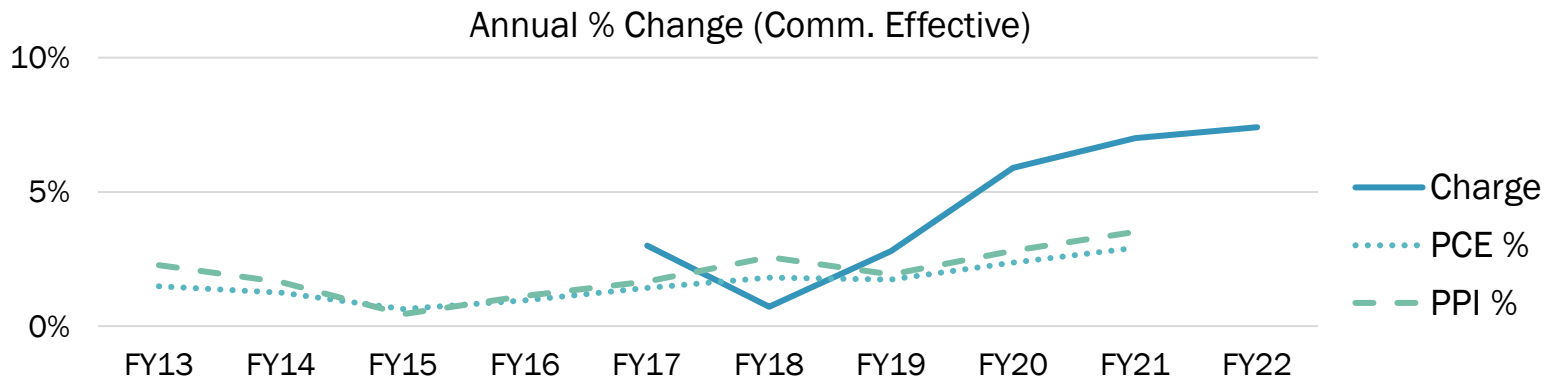
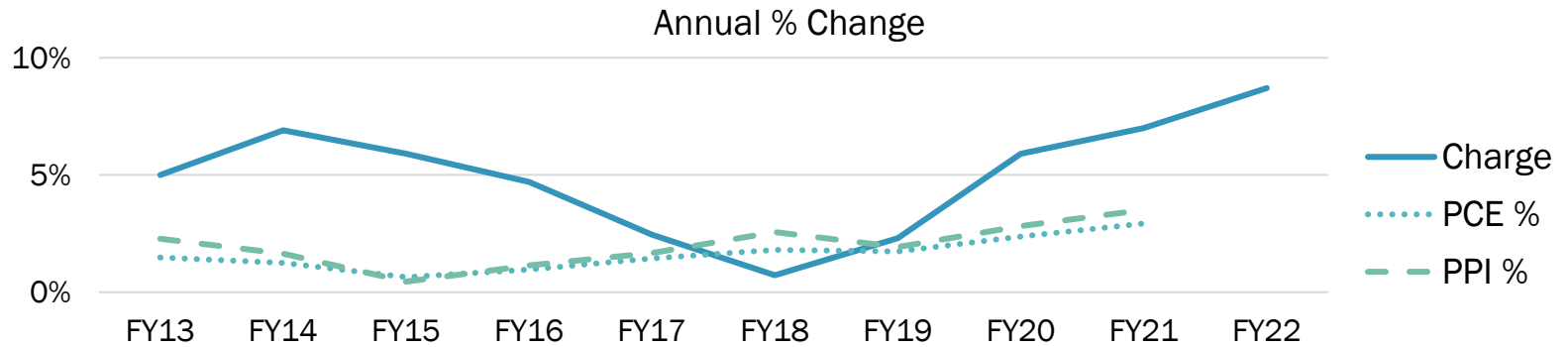
Central Vermont Medical Center



All Hospitals

	Hospital Value	Test	Min.	Median	Max.
NPR/FPP growth (FY22P to FY23B)	10.7%	<= 8.6%	1.8%	6.3%	15.7%
Compensation growth (FY21 to FY23)	5.2%	<= 13.8%	-12.8%	6.7%	12.4%
Other inflationary growth (FY22B to FY23B)	-1.0%	< = 4.5%	-2.7%	2.1%	14.7%
Utilization (FY22B to FY23B)	-1.0%	Supported in submission, aligned with market share, historical accuracy	-2.7%	2.1%	8.2%
Change estimate effective commercial rate (FY22B to FY23B)	14.52% rate 1.0% operating margin	Supported in submission and resulting operation margin	2.9% -3.7%	8.0% 1.7%	19.9% 11.4%

Central Vermont Medical Center



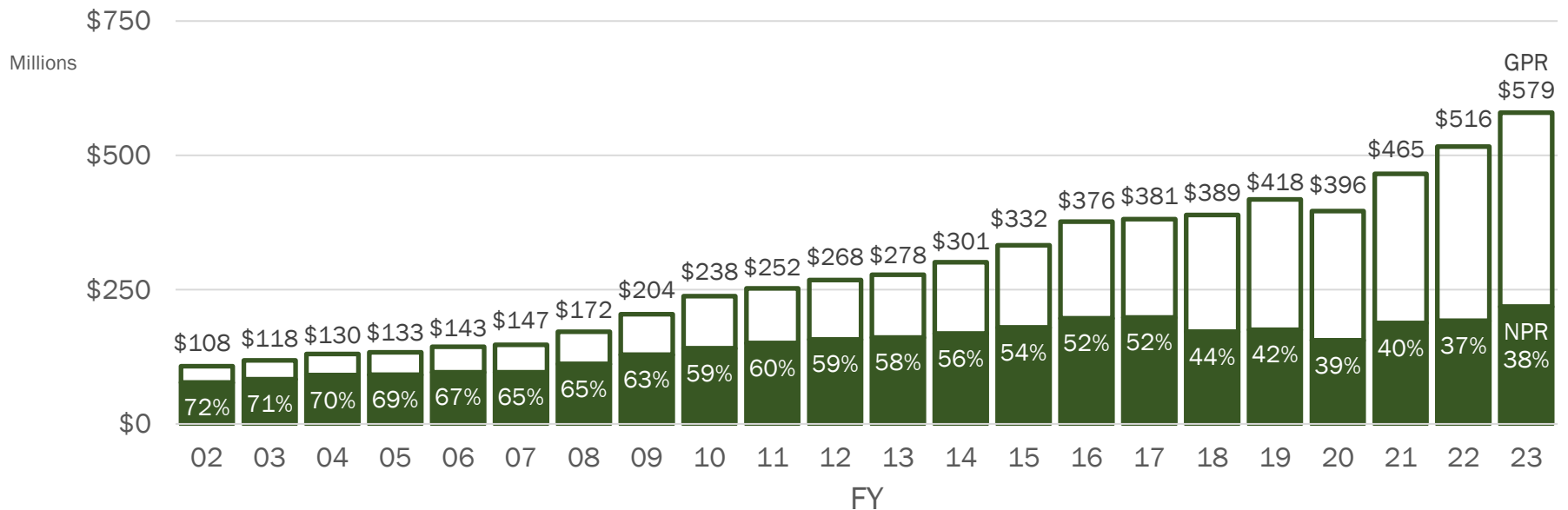
Note that the FY18 charge/commercial rate was approved as submitted (0.7%)

Central Vermont Medical Center: GPR and NPR



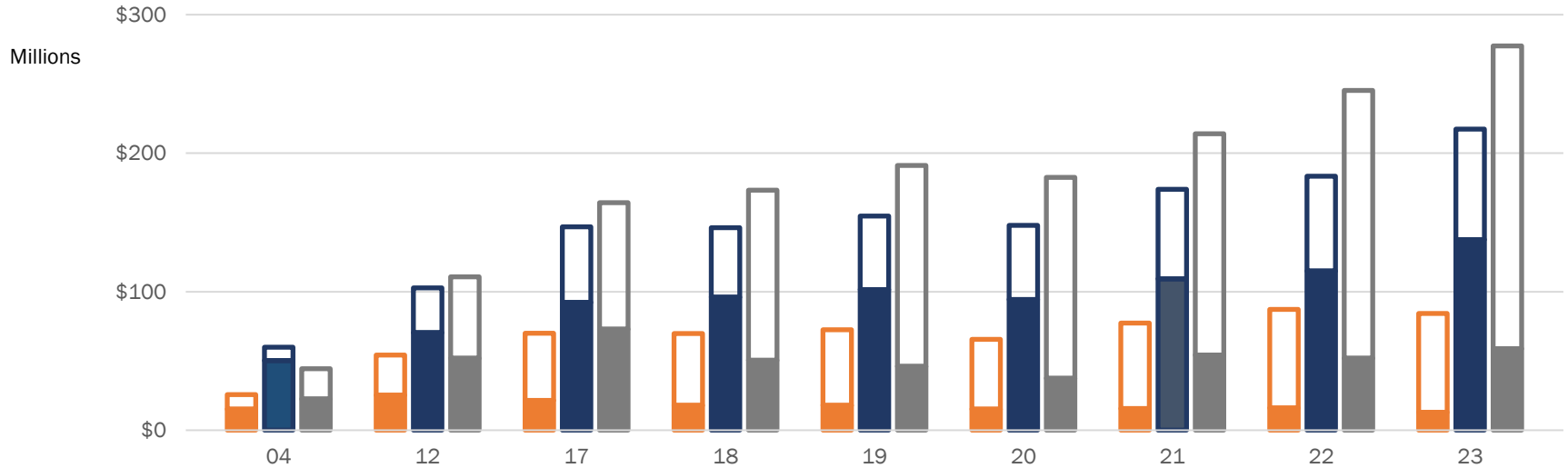
Gross patient revenue (GPR) is based on charges. Patients usually do not pay the charge, but charges are the same regardless of reimbursement.

GPR has grown more than NPR and some revenue has shifted from GPR to FPP (\$56 million in FY23 budget).



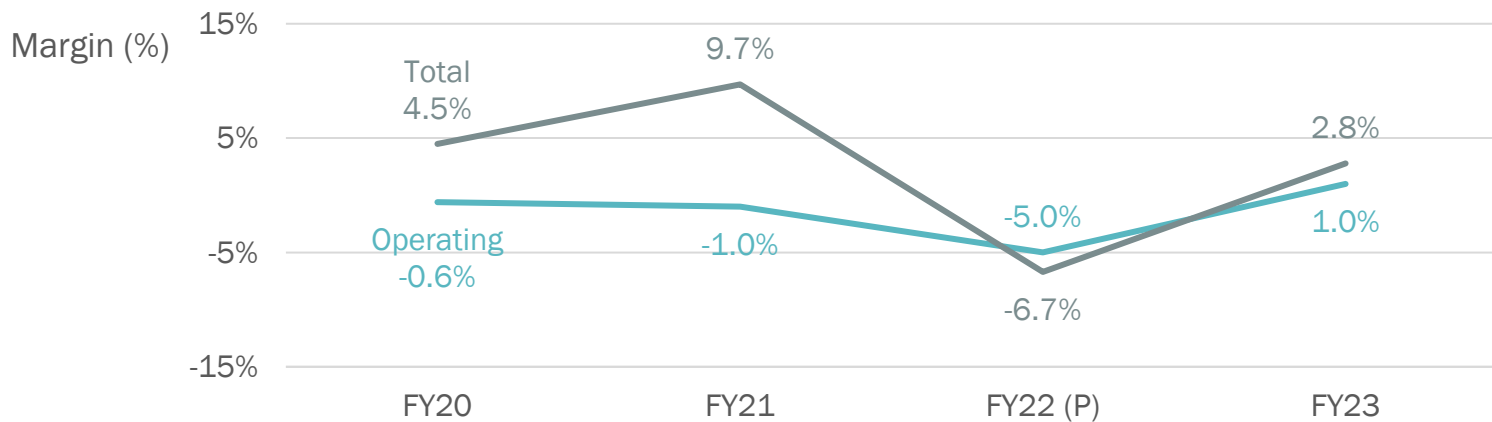
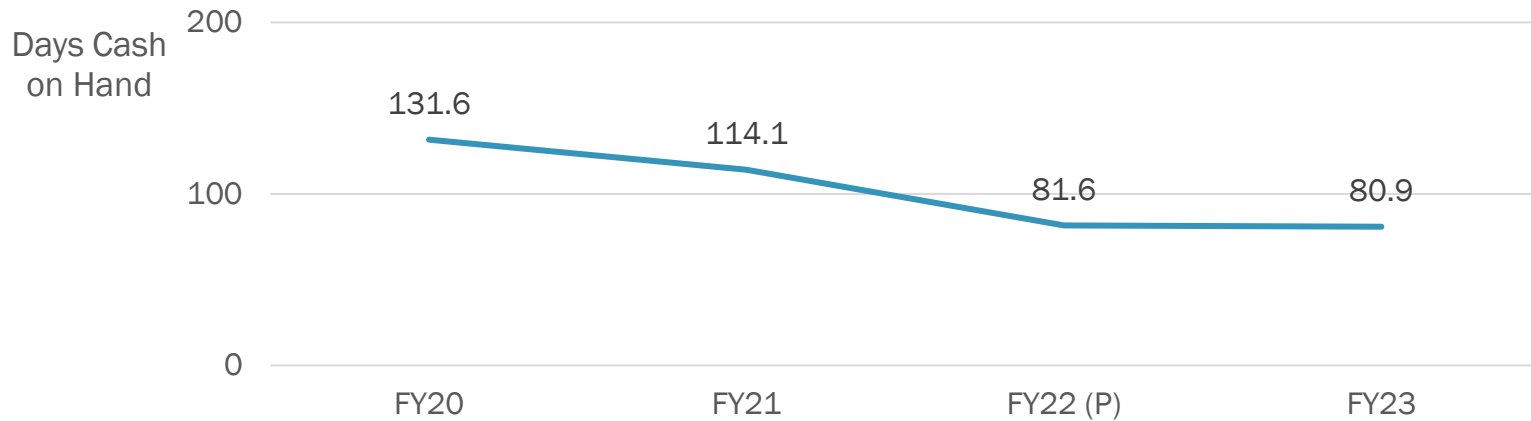
NPR = Gross Patient Revenue less contractual deductions. There are no adjustments for free care, bad debt, DSH, or GME. This is different than how the GMCB defines NPR+FPP for the budget approval process.

Central Vermont Medical Center: GPR and NPR



M'caid	GPR	\$26	\$54	\$70	\$70	\$73	\$66	\$77	\$87	\$84
	% NPR	59%	47%	31%	26%	25%	23%	20%	18%	15%
Comm.	GPR	\$60	\$103	\$147	\$146	\$155	\$148	\$174	\$183	\$217
	% NPR	84%	68%	63%	66%	66%	64%	63%	63%	63%
M'care	GPR	\$44	\$111	\$164	\$173	\$191	\$183	\$214	\$245	\$277
	% NPR	51%	49%	44%	29%	24%	21%	25%	21%	21%

Central Vermont Medical Center: Financial Trends



Central Vermont Medical Center: Effective Commercial Rate



CVMC	FY2022 Cost Inflation (above FY2022 Budget)	FY2023 Cost Inflation	Total Cost Inflation
Cost Inflation	\$6,809,332	\$12,471,026	\$19,280,358
Less:			
FY2022 Mid-Year Rate Increase	\$2,700,000	\$0	\$2,700,000
FY2023 - Medicare Rate Increase	\$0	\$1,507,518	\$1,507,518
FY2023 - Medicare ACO Rate Increase	\$0	\$3,000,000	\$3,000,000
FY2023 - Medicaid Rate Increase	\$0	\$712,668	\$712,668
FY2023 - Other Payer Changes	\$0	(\$119,565)	(\$119,565)
Impact on Bad Debt/Charity/Denials Calculation	\$0	(\$917,605)	(\$917,605)
Sub-Total	\$2,700,000	\$4,183,016	\$6,883,016
Required Funding from Commercial Rate	\$4,109,332	\$8,288,010	\$12,397,342
<u>Per 1 % Impact of Commercial Rate:</u>			
Calendar Year (12 months: Jan-Dec)	\$1,044,078		
Budget Year (9 months: Jan-Sept)		\$783,059	
Commercial Rate Increase in FY2023 Budget	3.94%	10.58%	14.52%

\$4.1 million
in FY22 cost
inflation

Central Vermont Medical Center: FY22 Cost Inflation



	FY2022 Cost Inflation Above FY2022 Budget	% Change from FY2022 Budget	FY2023 Cost Inflation	% Change from FY2023 Base to FY2023 Budget	Total Cost Inflation in FY2023 Budget	Total Cost Inflation
CVMC						
Salaries, Payroll Taxes, and Fringe Benefits	4,667,868	4.2%	8,138,950	4.8%	12,806,818	9.0%
Traveler Costs	2,138,501		-		2,138,501	
Med Surg & Pharmaceutical Supplies	2,964	0.0%	2,355,793	6.3%	2,358,757	6.3%
Retail Pharmacy Supplies	-	0.0%	-	0.0%	-	0.0%
Provider Tax Expense	-	0.0%	821,195	5.5%	821,195	5.5%
Other	-	0.0%	1,155,088	2.2%	1,155,088	2.2%
Total	6,809,332	2.6%	12,471,026	4.6%	19,280,358	7.2%

Central Vermont Medical Center



	Estimate	Budget	Difference	Rate impact
FY23 DSH	\$1.4 m	\$1.5 m	-\$183k	+0.17
IPPS final rule	4.29%	1.44%	+\$1.1 m	-1.04
<i>Estimated</i> OPPS final rule	8.93% to 10.65 %	2.35%	+2.2 m to +\$2.7 m	-2.75 to -3.47

The FY23 adjustments result in a range of -4.34% to -0.87% for a total effective commercial rate range of 10.18% to 13.65% (a reduction of 6 to 30%).

Central Vermont Medical Center: Suggested Motion Language



Suggested motion language:

*Move to approve Central Vermont Medical Center’s budget [as submitted / as modified hereby], with a [7.3]% **increase** from FY2022 to FY2023 budgeted NPR/FPP, a [10.0]% **increase** to overall charges, a [xx]% **increase** to commercial effective rate, and subject to the standard budget conditions as presented to the Board.*

Option	Commercial Effective Rate	Percentage Change	Budgeted Revenue Effect
As submitted	14.52%	-	-
Add FY23 DSH; Adjust for IPPS	13.65%	-6.0%	-\$906 k
Add FY23 DSH; Adjust for IPPs + OPSS minimum est.	10.90%	-25.0%	-\$3.1 m
Add FY23 DSH; Adjust for IPPs + OPSS maximum est.	10.18%	-30.0%	-\$3.6 m

Brattleboro Memorial Hospital



NPR/FPP

FY22 Budget-to-Projection Variance	-0.5%
FY22 Budget (\$)	\$93,088,223
FY22 Projection (\$)	\$92,656,412
FY23 Request (\$)	\$105,484,860
FY23 Request (% Change FY22B)	13.3%
FY23 Request (% Change FY22P)	13.8%

Request

Overall Change in Charge	14.9%
NPR Due to Change in Charge	8,127,124
Value of 1% Change in Charge	645,113

Service Category

Hospital Inpatient Change in Gross Charges	20.0%
Hospital Outpatient Change in Gross Charges	20.0%
Professional Services Change in Gross Charges	1.0%

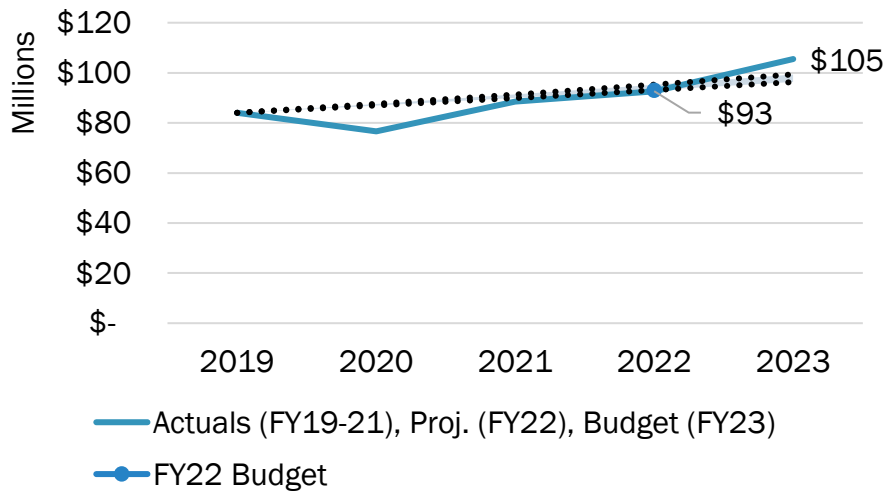
Payer

Commercial	8,127,124
Medicaid	-
Medicare	-

NPR/FPP & Change in Charge Increase

FY23 Request (\$ Change FY22B)	12,396,637
Change in Charge (\$)	8,127,124

Performance vs. 3.5% to 4.3% Trending



5-year Average

	FY18	FY19	FY20	FY21	FY22	5-year Average
Approved	5.7%	3.9%	3.4%	4.9%	4.6%	4.5%
Submitted	8.9%	4.9%	3.4%	4.9%	5.1%	5.4%

Brattleboro Memorial Hospital

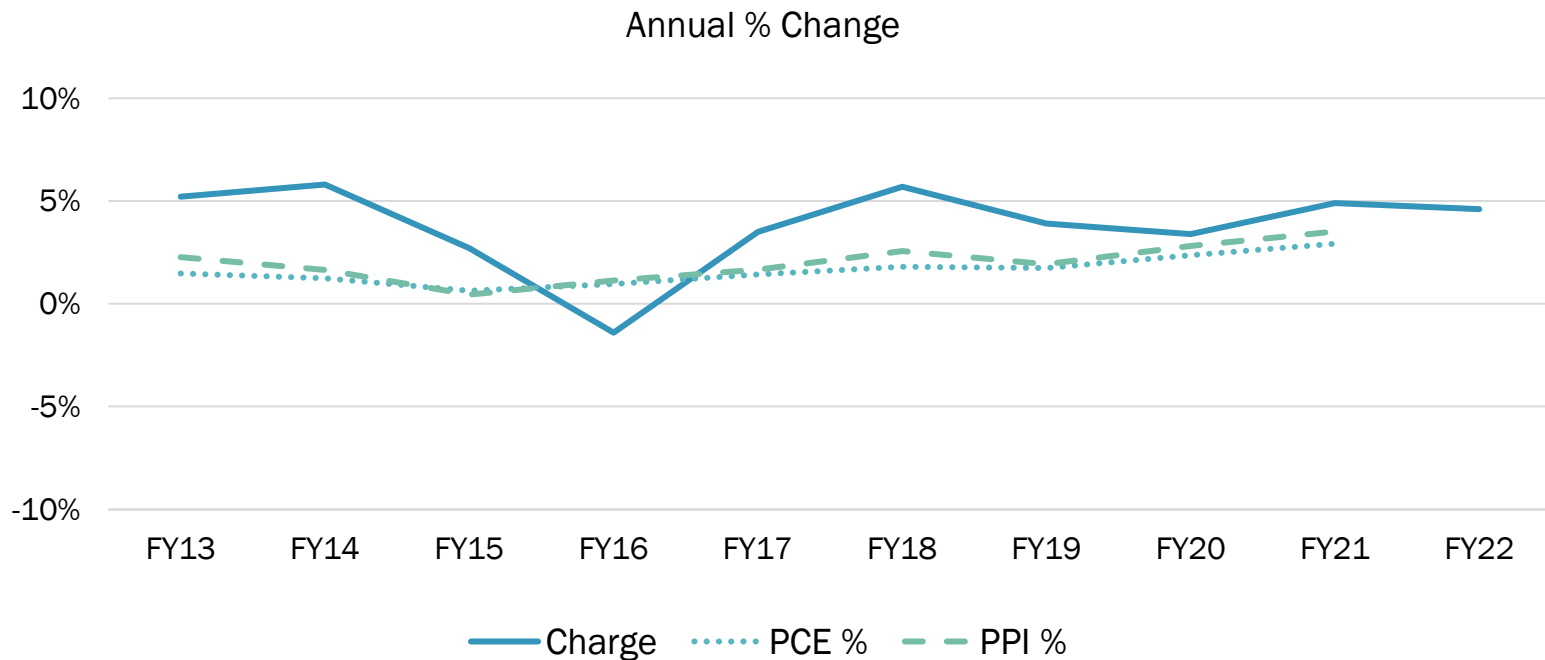


All Hospitals

	Hospital Value	Test	Min.	Median	Max.
NPR/FPP growth (FY22P to FY23B)	10.5%	<= 8.6%	1.8%	6.3%	15.7%
Compensation growth (FY21 to FY23)	6.9%	<= 13.8%	-12.8%	6.7%	12.4%
Other inflationary growth (FY22B to FY23B)	missing	< = 4.5%	-2.7%	2.1%	14.7%
Utilization (FY22B to FY23B)	missing	Supported in submission, aligned with market share, historical accuracy	-2.7%	2.1%	8.2%
Change estimate effective commercial rate (FY22B to FY23B)	10.5% rate*	Supported in submission and resulting operation margin	2.9%	8.0%	19.9%
	0.7% operating margin		-3.7%	1.7%	11.4%

* Staff estimate

Brattleboro Memorial Hospital



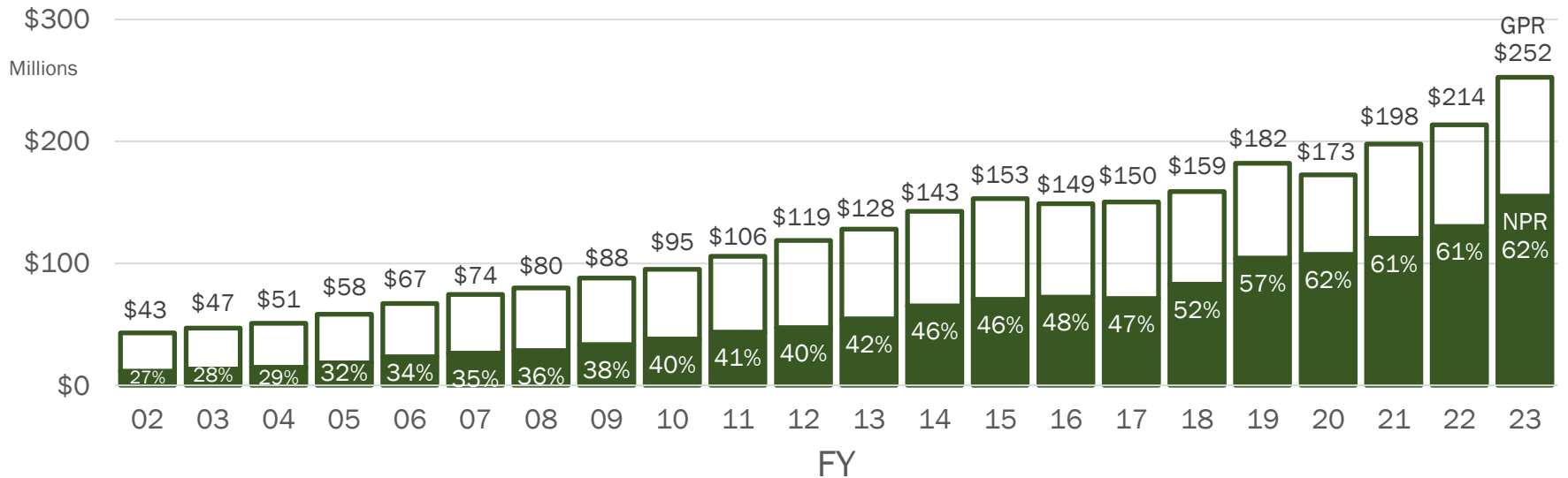
Note that the FY16 effective commercial rate was approved as submitted (-1.2%).

Brattleboro Memorial Hospital: GPR and NPR



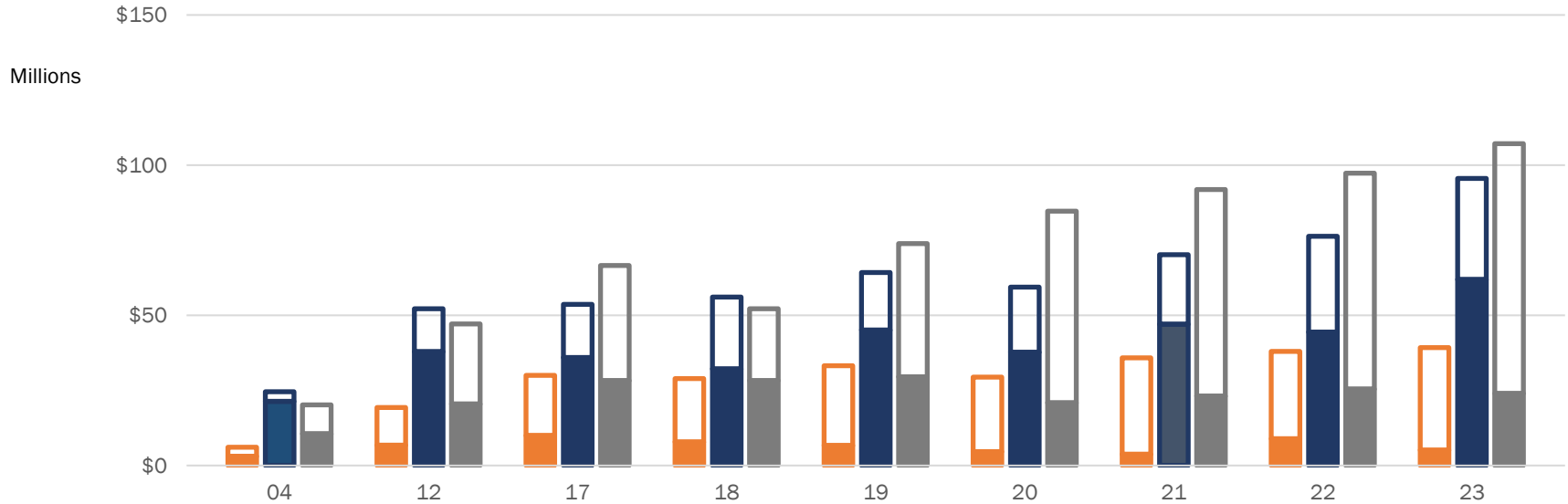
Gross patient revenue (GPR) is based on charges. Patients usually do not pay the charge, but charges are the same regardless of reimbursement.

NPR has grown more than GPR and some revenue has shifted from GPR to FPP (\$14 million in FY23 budget).



NPR = Gross Patient Revenue less contractual deductions. There are no adjustments for free care, bad debt, DSH, or GME. This is different than how the GMCB defines NPR+FPP for the budget approval process.

Brattleboro Memorial Hospital: GPR and NPR



M'caid	GPR	\$6	\$19	\$30	\$29	\$33	\$29	\$36	\$38	\$39
	% NPR	50%	35%	33%	27%	20%	16%	10%	23%	13%
Comm.	GPR	\$25	\$52	\$54	\$56	\$64	\$59	\$70	\$76	\$96
	% NPR	87%	73%	67%	57%	70%	63%	67%	58%	65%
M'care	GPR	\$20	\$47	\$67	\$74	\$85	\$84	\$92	\$97	\$107
	% NPR	52%	43%	42%	40%	25%	22%	25%	26%	22%

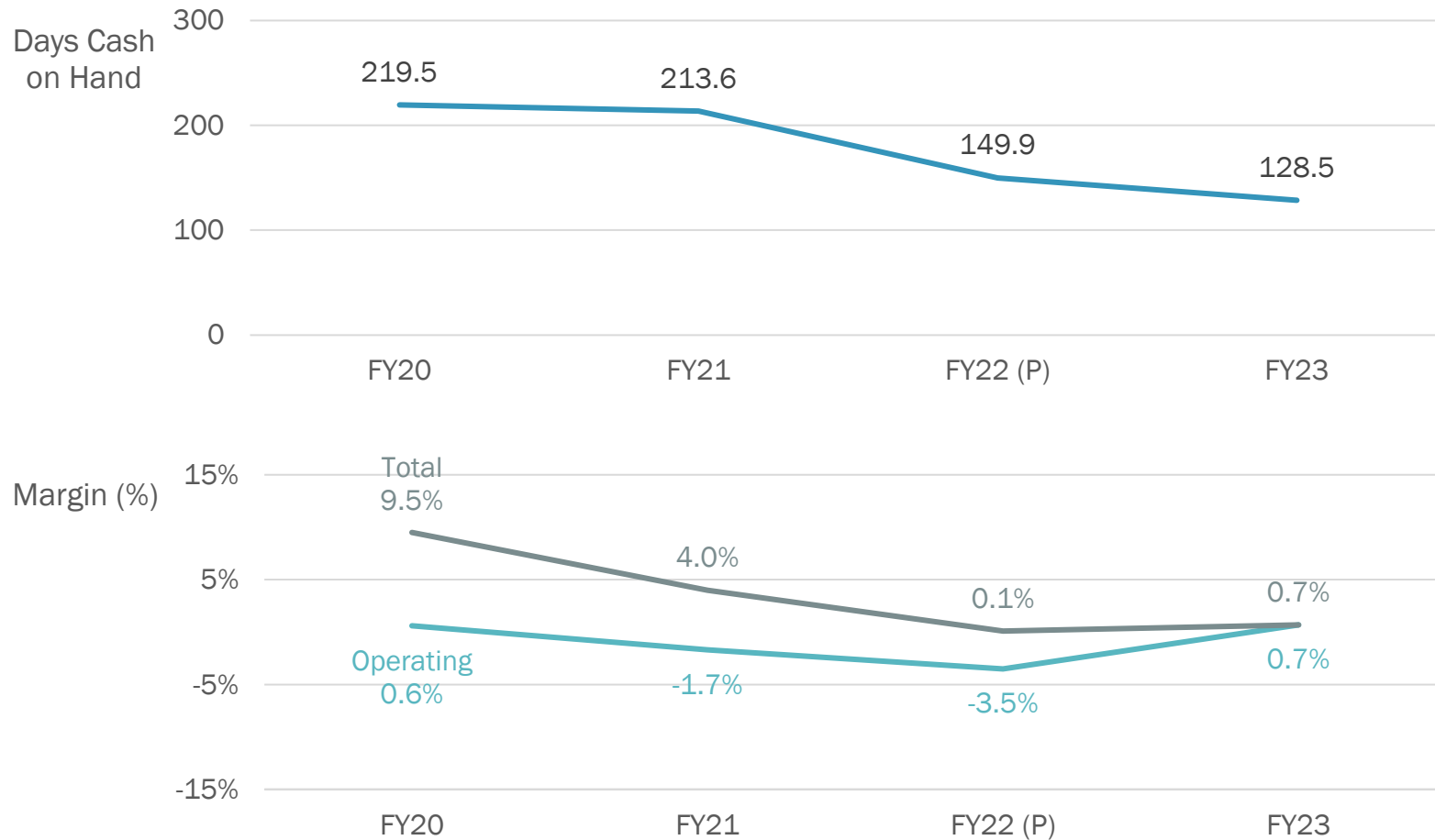
Brattleboro Memorial Hospital: Other inflationary growth

- Employment-related costs are the primary driver for expense growth in FY23.
- Brattleboro budgeted a \$700k increase in fuel expenses, which is in line with other hospitals' estimates.
- Staff does not recommend any adjustments based on other inflationary factors.

Brattleboro Memorial Hospital: Utilization

- 4.8% increase from FY22 budget
- 0.8% increase from FY22 projections
 - Volume increases in lab, reimbursable orthopedic supplies, joint replacement surgeries, pharmaceutical (infusion/chemo)
- Staff does not recommend changes based on these assumptions.

Brattleboro Memorial Hospital: Financial Trends



Brattleboro Memorial Hospital



	Estimate	Budget	Difference	Rate impact
FY23 DSH	\$575 k	\$617 k	-\$43 k	+0.07
Estimated impact of Medicare final rules	\$234 k	n/a	+\$234 k	-0.36

Note: if Brattleboro were to lose its designation as a Medicare Dependent Hospital and Low Volume additional payments, they would have a \$3 million dollar deficit.

Brattleboro Memorial Hospital: Suggested Motion Language



Suggested motion language:

*Move to approve Brattleboro Memorial Hospital's budget [as submitted / as modified hereby], with a [13.3]% **increase** from FY2022 to FY2023 budgeted NPR/FPP, a [xx]% **increase** to overall charges, and subject to the standard budget conditions as presented to the Board.*

Submitted change in charge: 14.9% (~10.5% effective commercial rate)

Potential adjustment for FY23 DSH + Medicare final rules:
14.61% (~10.21% effective commercial rate)

North Country Hospital



NPR/FPP

FY22 Budget-to-Projection Variance	2.3%
FY22 Budget (\$)	\$87,889,674
FY22 Projection (\$)	\$89,945,768
FY23 Request (\$)	\$98,854,190
FY23 Request (% Change FY22B)	12.5%
FY23 Request (% Change FY22P)	9.9%

Request	
Overall Change in Charge	12.5%
NPR Due to Change in Charge	8,611,152
Value of 1% Change in Charge	691,659

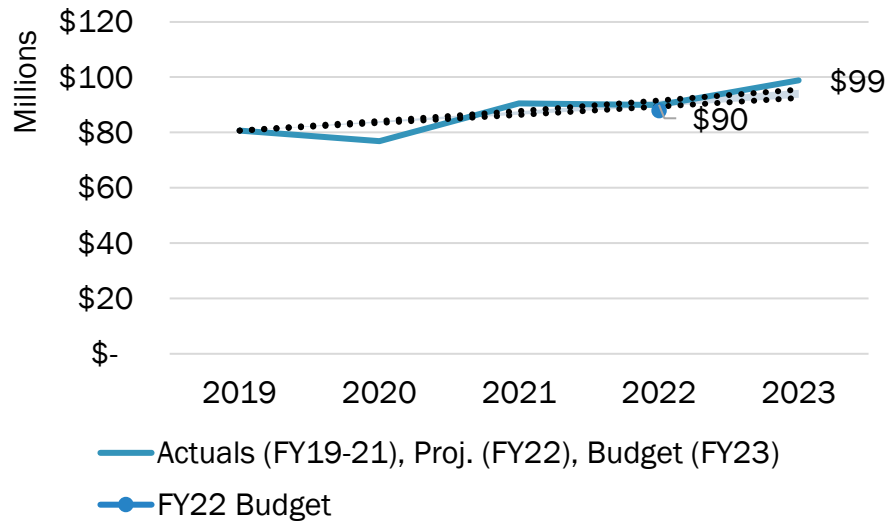
Service Category	
Hospital Inpatient Change in Gross Charges	14.0%
Hospital Outpatient Change in Gross Charges	14.0%
Professional Services Change in Gross Charges	0.0%

Payer	
Commercial	5,643,878
Medicaid	126,549
Medicare	2,840,725

NPR/FPP & Change in Charge Increase	
FY23 Request (\$ Change FY22B)	10,964,519
Change in Charge (\$)	8,611,152

	FY18	FY19	FY20	FY21	FY22	5-year Average
Approved	5.0%	3.6%	4.2%	3.6%	3.3%	3.9%
Submitted	5.0%	3.6%	4.2%	3.6%	4.9%	4.3%

Performance vs. 3.5% to 4.3% Trending



North Country Hospital



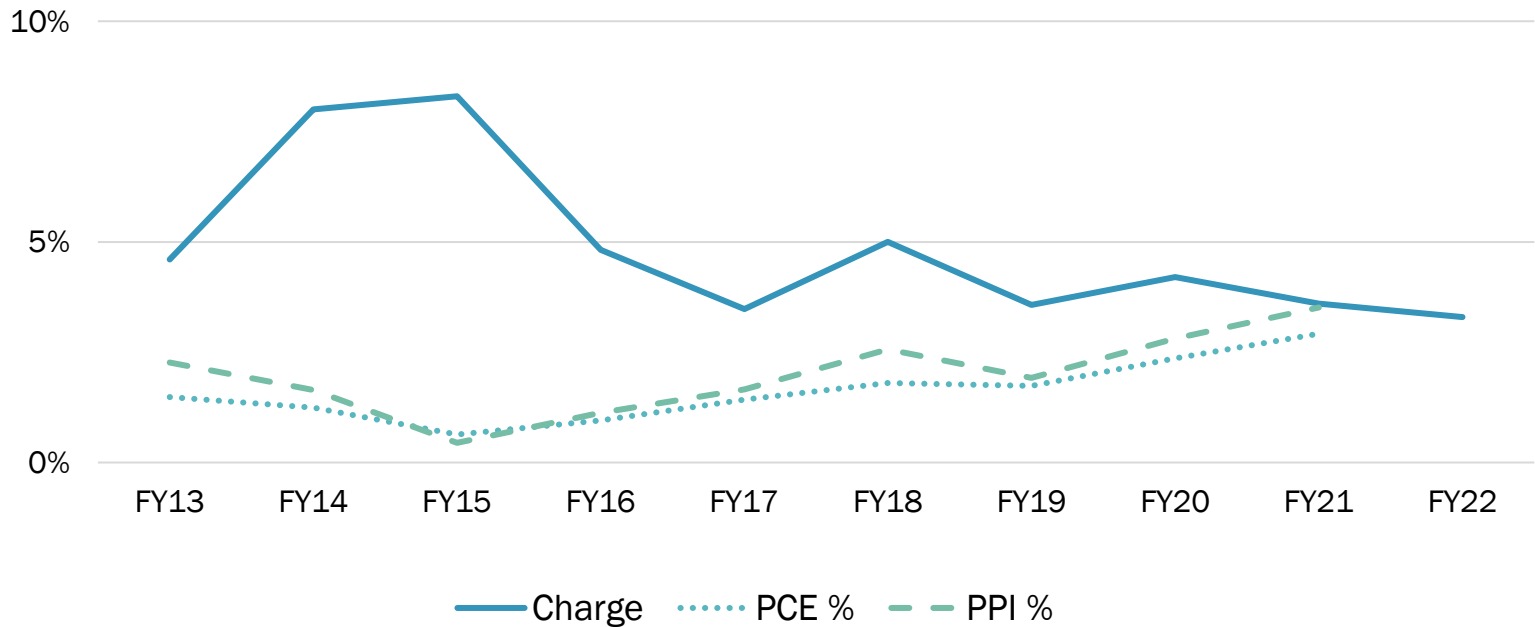
All Hospitals

	Hospital Value	Test	Min.	Median	Max.
NPR/FPP growth (FY22P to FY23B)	9.9%	<= 8.6%	1.8%	6.3%	15.7%
Compensation growth (FY21 to FY23)	1.7%	<= 13.8%	-12.8%	6.7%	12.4%
Other inflationary growth (FY22B to FY23B)	4.0%	< = 4.5%	-2.7%	2.1%	14.7%
Utilization (FY22B to FY23B)	-2.0%	Supported in submission, aligned with market share, historical accuracy	-2.7%	2.1%	8.2%
Change estimate effective commercial rate (FY22B to FY23B)	8.0% rate 2.0% operating margin	Supported in submission and resulting operation margin	2.9% -3.7%	8.0% 1.7%	19.9% 11.4%

North Country Hospital



Annual % Change

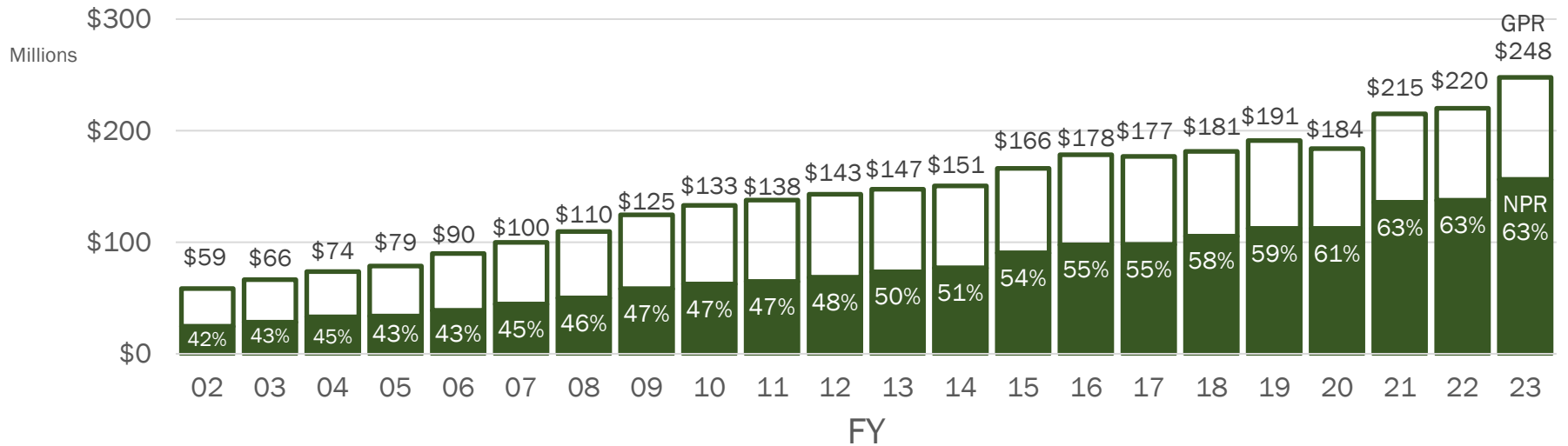


North Country Hospital: GPR and NPR



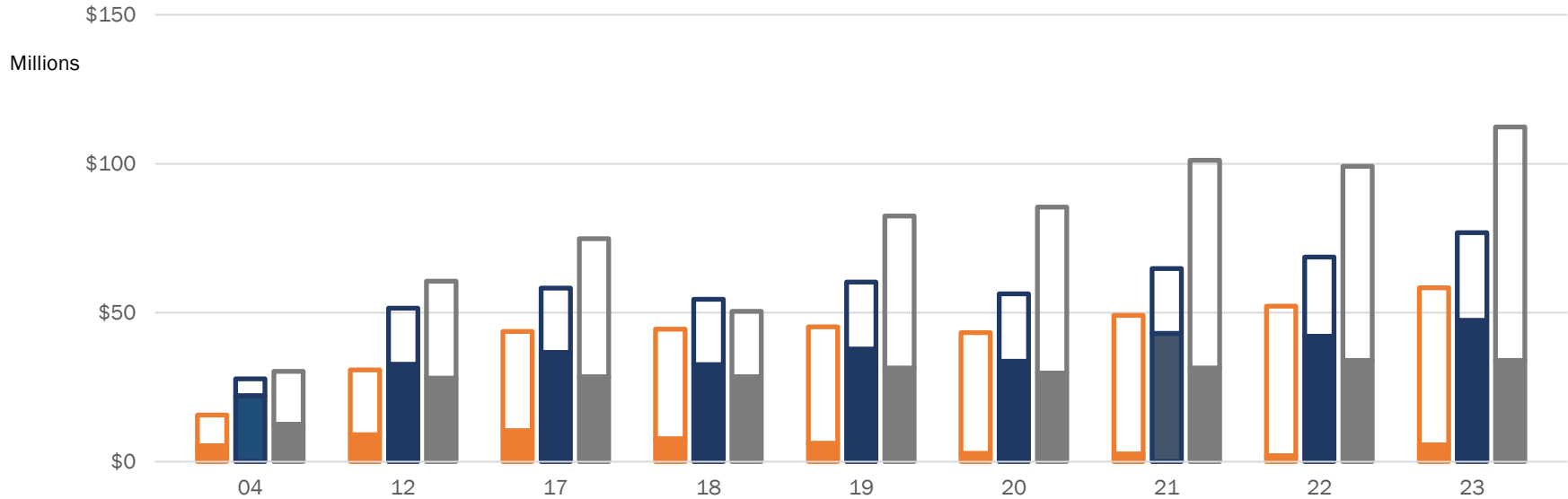
Gross patient revenue (GPR) is based on charges. Patients usually do not pay the charge, but charges are the same regardless of reimbursement.

NPR has grown more than GPR and some revenue has shifted from GPR to FPP (\$10 million in FY23 budget).



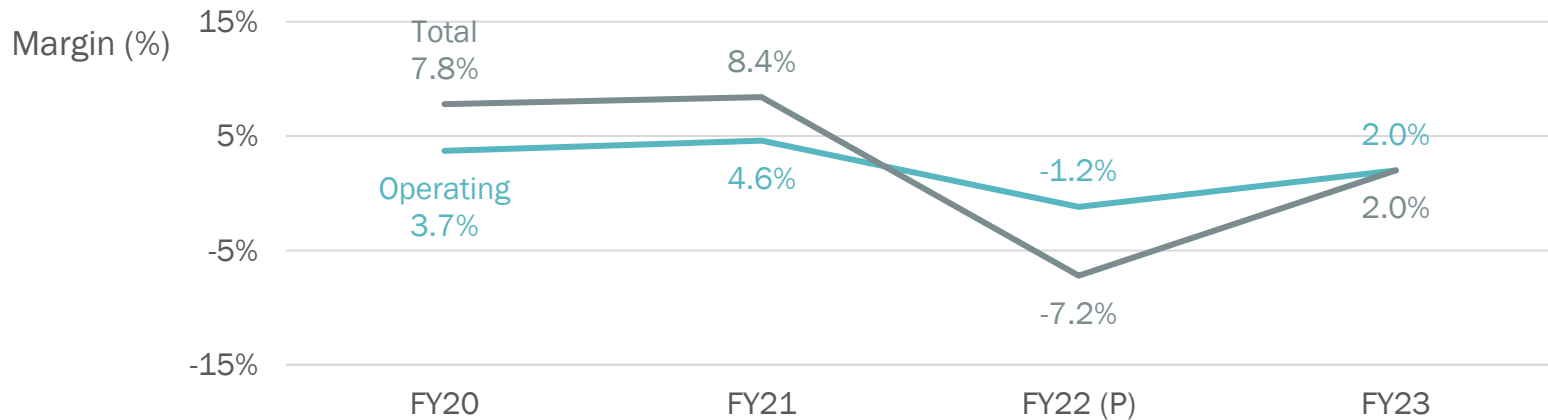
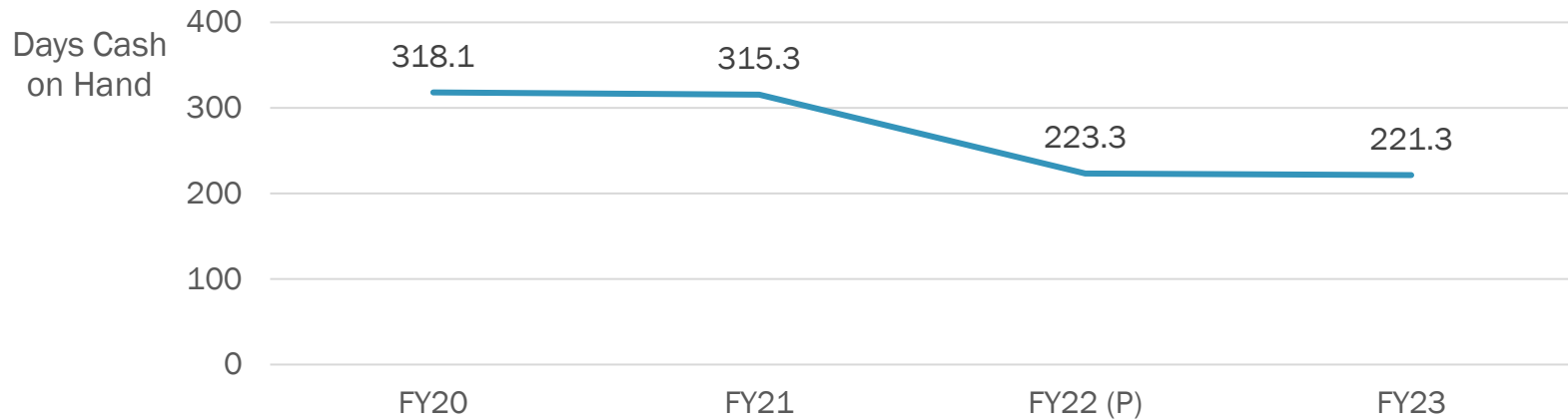
NPR = Gross Patient Revenue less contractual deductions. There are no adjustments for free care, bad debt, DSH, or GME. This is different than how the GMCB defines NPR+FPP for the budget approval process.

North Country Hospital: GPR and NPR



M'caid	GPR	\$16	\$31	\$44	\$44	\$45	\$43	\$49	\$52	\$58
	% NPR	34%	29%	24%	17%	14%	6%	5%	4%	10%
Comm.	GPR	\$28	\$52	\$58	\$55	\$60	\$56	\$65	\$69	\$77
	% NPR	80%	63%	63%	60%	63%	60%	66%	61%	62%
M'care	GPR	\$30	\$61	\$75	\$82	\$85	\$84	\$101	\$99	\$112
	% NPR	41%	46%	38%	38%	35%	36%	31%	34%	30%

North Country Hospital: Financial Trends



North Country Hospital



	Estimate	Budget	Difference	Rate impact
FY23 DSH	\$722 k	\$623 k	+\$99 k	-0.21

- DVHA estimates more DSH in FY23 than North Country expected when budgeting. Applying the additional DSH to their FY23 budget would decrease the needed revenue.
- This change would reduce the change in charge to 12.24% (7.8% estimated effective commercial rate).

North Country Hospital: Suggested Motion Language



Suggested motion language:

*Move to approve North Country Hospital's budget [as submitted / as modified hereby], with a [12.5]% **increase** from FY2022 to FY2023 budgeted NPR/FPP, a [xx]% **increase** to overall charges, and subject to the standard budget conditions as presented to the Board.*

Submitted change in charge: 12.45% (~8.0% effective commercial rate)

Potential adjustment for FY23 DSH: 12.24% (~7.8% effective commercial rate)

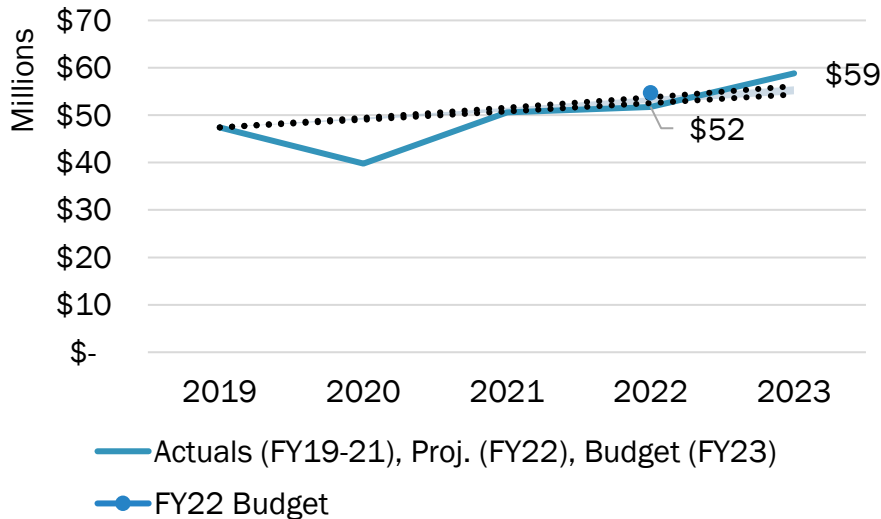
Springfield Hospital



NPR/FPP

FY22 Budget-to-Projection Variance	-5.4%
FY22 Budget (\$)	\$54,689,913
FY22 Projection (\$)	\$51,720,948
FY23 Request (\$)	\$58,778,639
FY23 Request (% Change FY22B)	7.5%
FY23 Request (% Change FY22P)	13.6%

Performance vs. 3.5% to 4.3% Trending



Request

Overall Change in Charge	10.0%
NPR Due to Change in Charge	2,847,925
Value of 1% Change in Charge	400,305

Service Category

Hospital Inpatient Change in Gross Charges	10.0%
Hospital Outpatient Change in Gross Charges	10.0%
Professional Services Change in Gross Charges	10.0%

Payer

Commercial	2,349,580
Medicaid	145,523
Medicare	352,822

NPR/FPP & Change in Charge Increase

FY23 Request (\$ Change FY22B)	4,088,727
Change in Charge (\$)	2,847,925

	FY18	FY19	FY20	FY21	FY22	5-year Average
Approved	6.5%	10.0%	0.0%	4.0%	8.3%	5.8%
Submitted	6.5%	10.0%	0.0%	4.0%	8.3%	5.8%

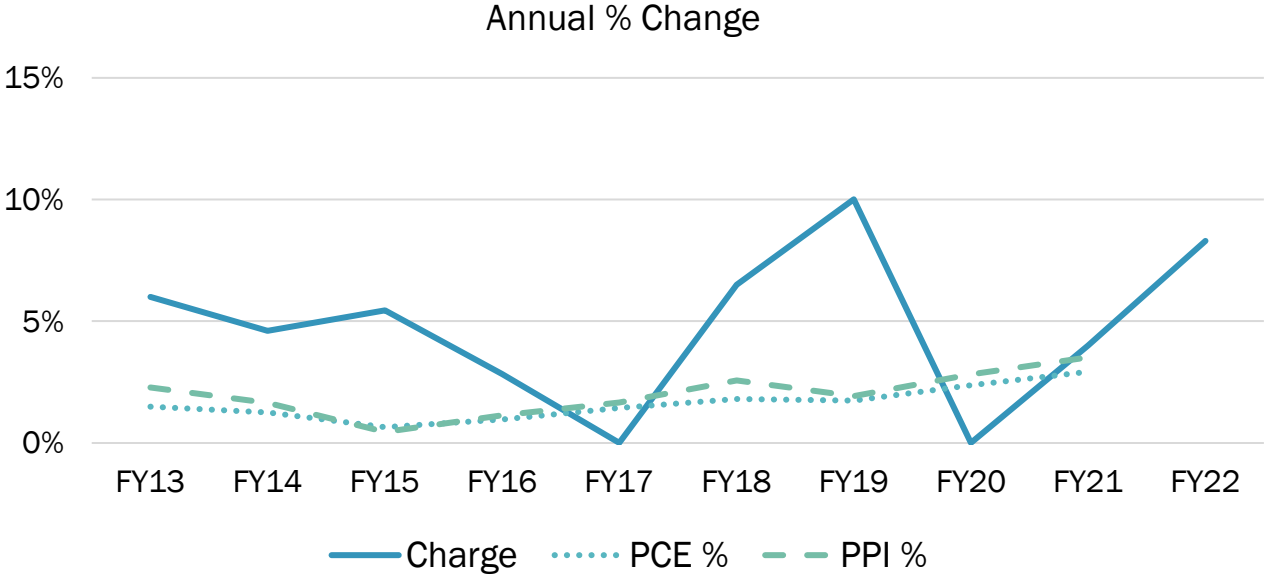
Springfield Hospital



All Hospitals

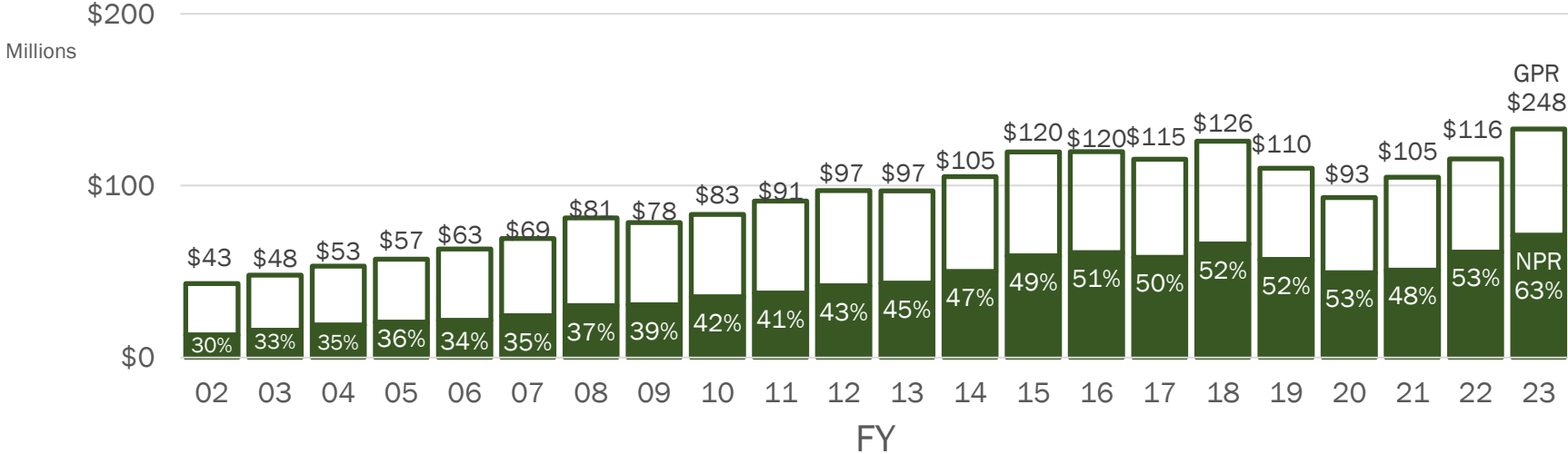
	Hospital Value	Test	Min.	Median	Max.
NPR/FPP growth (FY22P to FY23B)	13.6%	<= 8.6%	1.8%	6.3%	15.7%
Compensation growth (FY21 to FY23)	-12.8%	<= 13.8%	-12.8%	6.7%	12.4%
Other inflationary growth (FY22B to FY23B)	0.7%	<= 4.5%	-2.7%	2.1%	14.7%
Utilization (FY22B to FY23B)	1.59%	Supported in submission, aligned with market share, historical accuracy	-2.7%	2.1%	8.2%
Change estimate effective commercial rate (FY22B to FY23B)	6.4% rate 0.7% operating margin	Supported in submission and resulting operation margin	2.9% -3.7%	8.0% 1.7%	19.9% 11.4%

Springfield Hospital



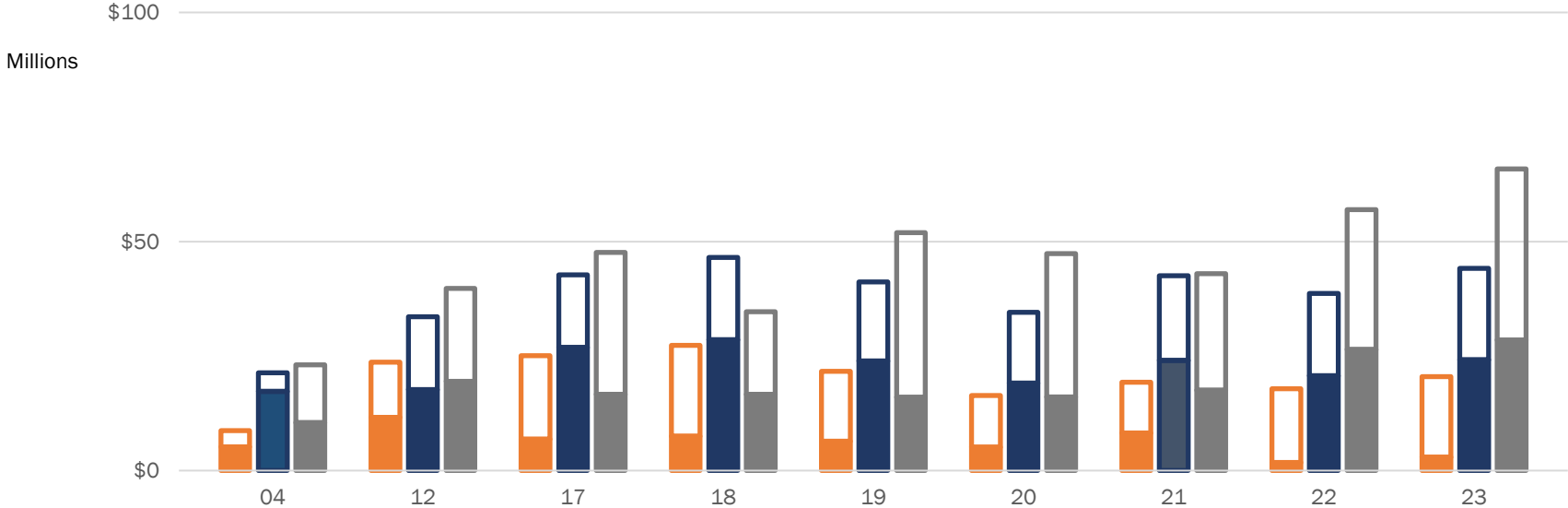
Gross patient revenue (GPR) is based on charges. Patients usually do not pay the charge, but charges are the same regardless of reimbursement.

NPR has grown more than GPR and some revenue has shifted from GPR to FPP (\$3.4 million in FY23 budget).



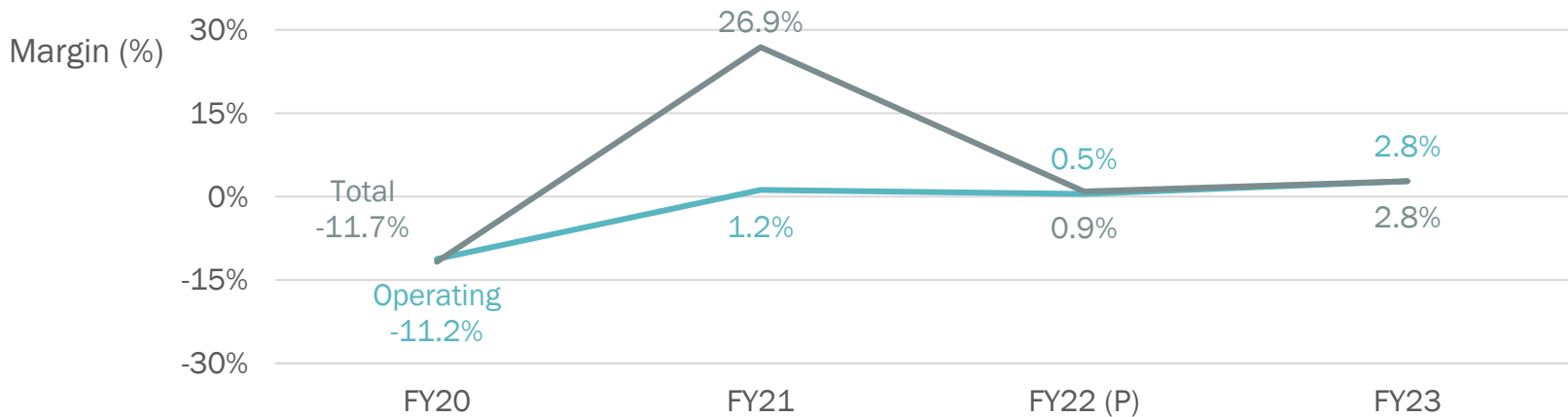
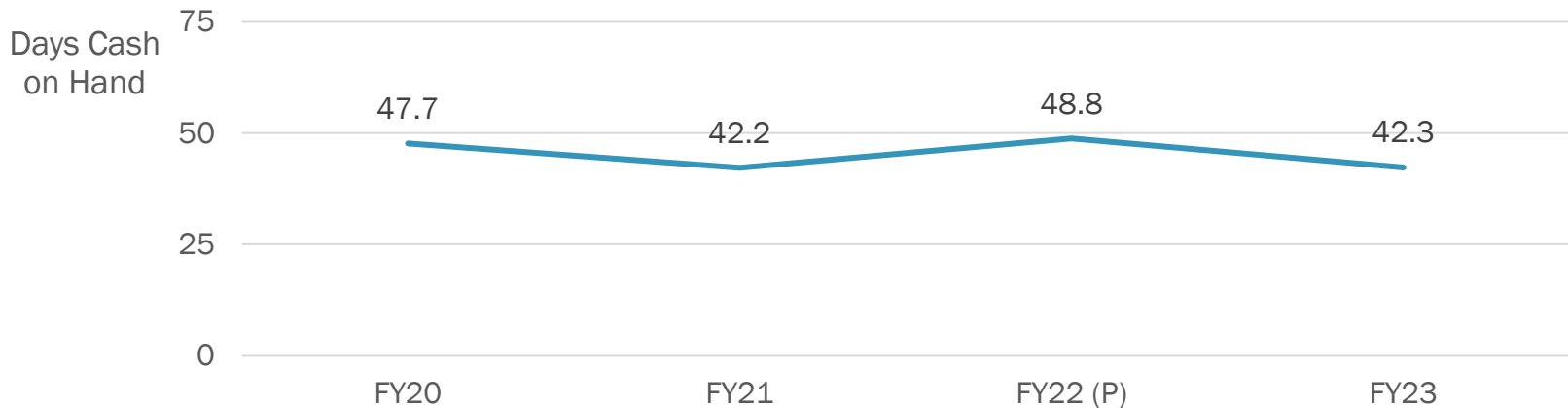
NPR = Gross Patient Revenue less contractual deductions. There are no adjustments for free care, bad debt, DSH, or GME. This is different than how the GMCB defines NPR+FPP for the budget approval process.

Springfield Hospital: GPR and NPR



M'caid	GPR	\$9	\$24	\$27	\$25	\$27	\$22	\$16	\$19	\$18
	% NPR	59%	49%	27%	27%	29%	31%	43%	10%	14%
Comm.	GPR	\$21	\$34	\$43	\$47	\$41	\$35	\$43	\$39	\$44
	% NPR	81%	53%	63%	61%	58%	55%	56%	54%	55%
M'care	GPR	\$23	\$37	\$48	\$48	\$52	\$47	\$42	\$43	\$57
	% NPR	45%	49%	32%	35%	31%	34%	35%	41%	46%

Springfield Hospital: Financial Trends



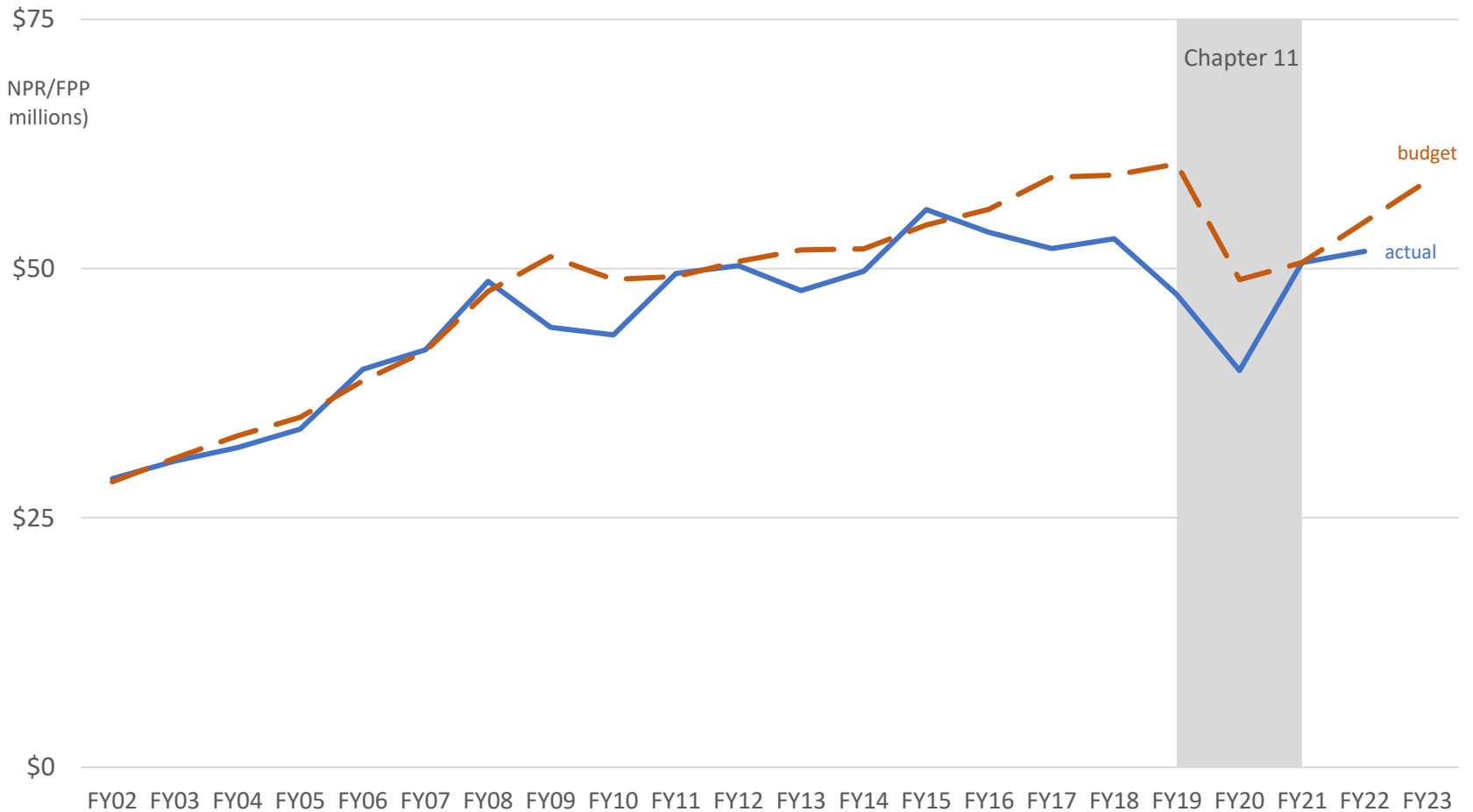
Springfield Hospital



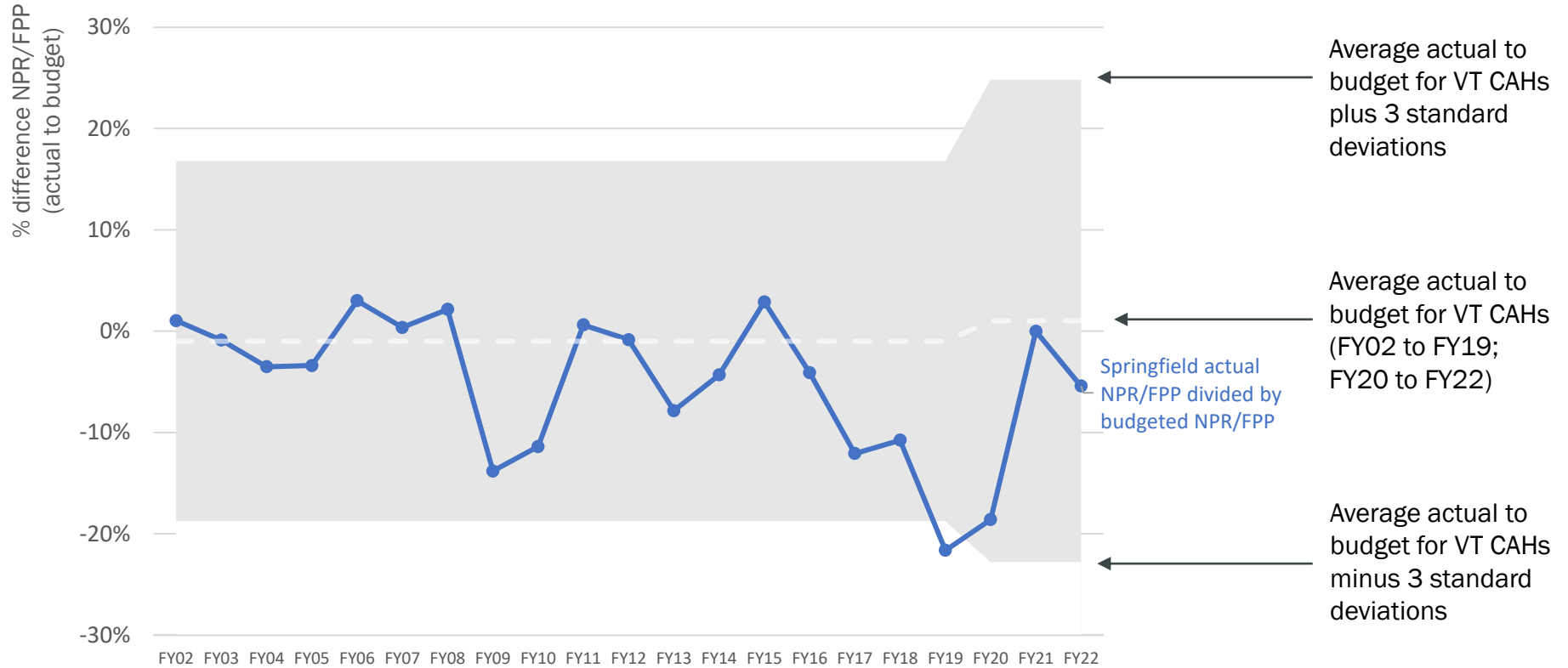
	Estimate	Budget	Difference	Rate impact
FY23 DSH	\$782 k	\$750 k	+\$32 k	n/a

- Staff does not recommend any adjustments based on FY23 DSH.

Springfield Hospital: NPR/FPP Trends



Springfield Hospital: Actual NPR/FPP to Budget (%)



Springfield Hospital



- Investments in recruitment
- New software to enhance recoupment of reimbursements
- New staff in place
- Addressing community need

Springfield Hospital



	Budget	Projection	FY22 Bonus DSH	With Bonus DSH
FY22	\$54,689,913	\$51,720,948	\$709,835	\$52,430,783
8.6% Growth	\$59,393,245	\$56,168,950		\$56,939,831
Change from FY23 Proposed Budget	+\$614,607 +1.0%	-\$2.6 m - 4.4%		-\$1.8 m -3.1%
Change from FY22 Budget	8.6%	2.7%		4.1%

Springfield Hospital: Expense

- The proposed adjustments would restrict Springfield to a -0.1% to 1.3% growth in operating expenses in order to maintain their budgeted operating margin.
- The approved budgets to date allowed 4.0% in operating expense growth.
- Springfield's budget includes 4.5% in operating expense growth.

Springfield Hospital: Suggested Motion Language



Suggested motion language:

*Move to approve Springfield Hospital’s budget [as submitted / as modified hereby], with a [7.5]% **increase** from FY2022 to FY2023 budgeted NPR/FPP, a [10.0]% **increase** to overall charges, and subject to the standard budget conditions as presented to the Board.*

Option	NPR/FPP (from FY22 proj.)	Change in charge	Difference from FY23 submission
Approve as submitted	7.5% (13.6%)	10.0% (~6.4% effective commercial)	n/a
8.6% growth from FY22 projection	2.7% (8.6%)		-\$2.6 m
8.6% growth from FY22 projection including FY22 bonus DSH	4.1% (10.1%)		-\$1.8 m

Key Indicators



	DCOH			Long-term Debt to Capitalization			Days Payable		
		↑			↑			↓	
	FY22B	FY22P	FY23B	FY22B	FY22P	FY23B	FY22B	FY22P	FY23B
BMH	160	160	128	17%	17%	17%	58	58	67
CVMC	113	82	81	9%	13%	9%	63	78	73
CH	41	89	88	22%	26%	25%	51	63	69
GMC	298	265	304	18%	16%	15%	70	89	97
GCH	145	123	109	19%	10%	6%	48	44	38
MAHHC	187	215	212	44%	40%	37%	107	90	91
NCH	270	223	221	19%	18%	16%	68	73	69
NVH	143	108	105	11%	20%	18%	56	49	49
NMC	322	240	236	17%	16%	16%	89	43	50
PMC	148	153	170	14%	16%	14%	55	63	61
RRMC	255	198	206	14%	15%	13%	40	45	48
SVMC*	43	38	38	14%	41%	38%	65	78	74
SH	20	49	42	80%	62%	55%	54	85	72
UVMC	187	132	129	24%	28%	25%	47	48	46

*Southwestern's Days Cash on Hand does not consider the hospital's parent company.

↑ increasing values are favorable; ↓ decreasing values are favorable

Key Indicators



	Days Receivable			Debt Service Coverage Ratio		
	FY22B	↑ FY22P	FY23B	FY22B	↑ FY22P	FY23B
BMH	62	62	76	3	5	3
CVMC	39	74	67	3	-1	1
CH	29	42	42	7	2	6
GMC	40	51	48	6	8	8
GCH	38	36	35	0	0	0
MAHHC	34	32	32	4	3	4
NCH	34	55	42	3	2	4
NVH	44	40	41	5	2	4
NMC	39	28	26	4	2	3
PMC	54	41	40	10	8	11
RRMC	33	26	25	3	0	4
SVMC*	34	38	37	9	1	2
SH	39	64	53	3	1	3
UVMC	49	51	50	4	1	3

↑ increasing values are favorable; ↓ decreasing values are favorable

Financial Metrics Key



	Vermont CAH		Vermont PPS		Northeast CAH	U.S. CAH	Northern NE	Northeast
	2022P	2023B	2022P	2023B	2020	2020	2020	2020
Operating Margin %	-2.1%	2.0%	-2.1%	2.0%	4.3%	3.6%	-0.8%	-0.3%
Total Margin %	-5.6%	2.8%	-5.6%	2.8%	6.7%	5.4%	0.7%	1.3%
DCOH	137.58	135.79	137.58	135.79	174.81	192.28	178.00	196.00
Days Payable	55.44	54.33	55.44	54.33	-	-	113.00	99.00
Days Receivable	47.49	46.15	47.49	46.15	40.23	47.25	38.00	41.00
DSCR :1	1.09	3.32	1.09	3.32	9.53	4.16	1.70	2.70
LTD to Capitalization	24.2%	22.0%	24.2%	22.0%	33.1%	31.2%	39.0%	38.0%
Age of Plant	13.89	14.70	13.89	14.70	14.06	12.32	14.00	12.00

Glossary

Critical Access Hospital: designation given to eligible rural hospitals by the Centers for Medicare and Medicaid Services. CAH designation aims to reduce the financial vulnerability of rural hospitals and improve access to healthcare by keeping essential services in rural areas. To accomplish this goal, CAHs receive certain benefits, such as cost-based reimbursement for Medicare services.

Prospective Payment System: A Prospective Payment System (PPS) is a method of reimbursement in which Medicare payment is made based on a predetermined, fixed amount. The payment amount for a particular service is derived based on the classification system of that service (for example, diagnosis-related groups for inpatient hospital services).

Gross Patient Revenue: A hospital's total billed revenue for providing goods and services to patients. This is the total revenue amount billed before contractual allowances, commercial discount agreements, bad debts and free care are deducted.

Bad Debt: An expense billed and due but not received. Assumption is that individual has the ability to pay but will not pay or has disputed the bill. See free care definition that distinguishes bad debt from free care.

Free Care: Term used to recognize loss of revenue billed/due but not received. Considered "free" because individual has limited or no ability to pay, as established by the hospital or other provider. .

Net Patient Revenue (NPR): Revenue a hospital will receive for services rendered. It is the amount resulting after contractual allowances, commercial discounts, bad debt and free care are deducted from gross charges.

Glossary

Fixed Prospective Payment (FPP): fixed payments from the ACO that cover the cost of medical care provided to lives attributed to the ACO, net of value-based incentive program deductions. Participation fees are recorded in Operating Expenses.

Other Operating Revenue (OOR): Revenue earned by hospital that is indirectly related to patient care. Examples: income from cafeteria, parking, physician office rentals, etc.

Total Operating Revenue: $\text{NPR} + \text{FPP} + \text{Other Operating Revenue}$

Operating Expenses: All input costs required to provide goods and services to patients. This includes salaries, fringes, insurance, professional fees, depreciation, interest, etc.

Operating Surplus: (sometimes called Operating Margin or Profit) Operating revenues (NPR/FPP + Other Operating Revenue) less Operating expenses resulting in profit or surplus.

Non-Operating Revenue: Revenue earned by hospital that is not related to patient care. Examples: income from investments, investment unrealized gains/losses, general contributions, gain/loss from assets, rentals, and transfers from related organizations,

Total Margin: Excess (Deficit) of All Revenues over Expenses

Glossary-metrics

Operating Margin %: $\text{Operating Surplus} / (\text{NPR} + \text{FPP} + \text{Other Operating Revenue})$

Total Margin %: $(\text{Operating Surplus} + \text{Non-Operating Revenues}) / (\text{NPR} + \text{FPP} + \text{Other Operating Revenue} + \text{Non-Operating Revenue})$

Days Cash on Hand (DCOH): $(\text{Cash} + \text{Investments} + \text{Unrestricted Funded Depreciation (Board Designated Assets)} + \text{Unrestricted Other Board Designated Assets}) * 365 / (\text{Total expense} - (\text{Depreciation} + \text{Amortization}))$

Days Payable: $\text{Current Liabilities} / (\text{Total Expenses} - (\text{Depreciation} + \text{Amortization} + \text{Interest}))$

Days Receivable: $\text{Net Patient Accounts Receivable} / \text{NPR} * 365$

Debt Service Coverage Ratio (DSCR): $(\text{Net Operating Income} + \text{Depreciation} + \text{Amortization} + \text{Interest}) / (\text{Current Portion of Long Term Debt} + \text{Interest})$

Long-Term Debt to Capitalization % : measures the percentage of total capital that is debt. $\text{Long Term Debt} / (\text{Long Term Debt} + \text{Net Assets})$

Average Age of Plant: measures the average age in years of the fixed assets of an organization. $\text{Accumulated Depreciation} / \text{Depreciation Expense} * (365/\text{days in period})$

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