

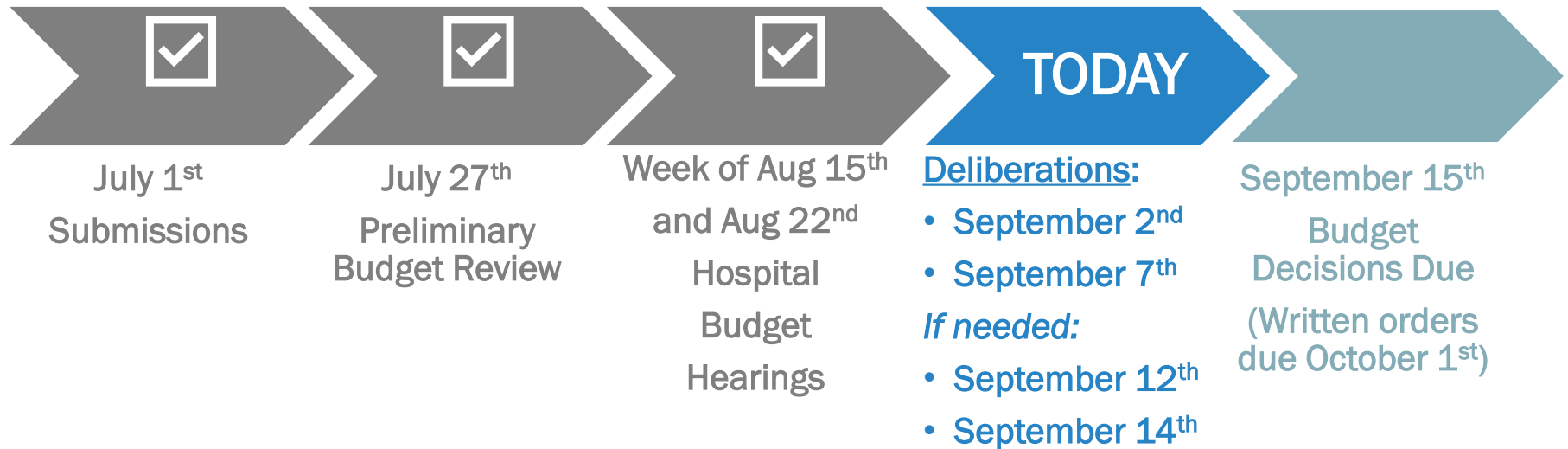
FY 2023

Vermont Hospital Budget

Deliberations

September 2, 2022

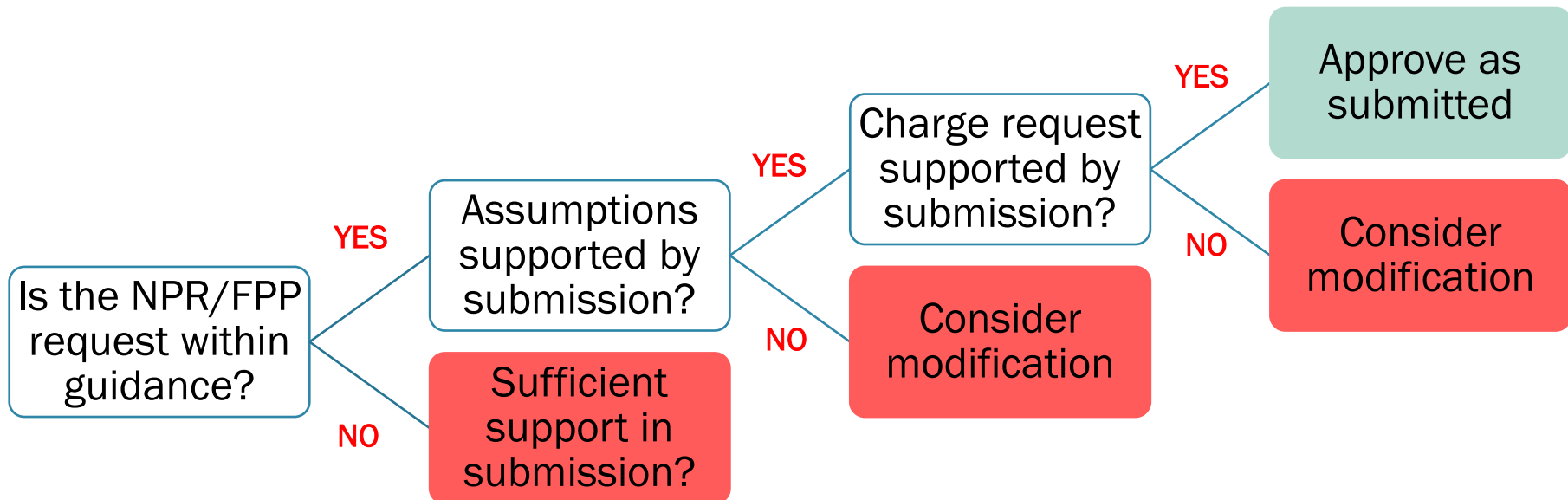
FY2023 Hospital Budget Decision Schedule



Budget Requests by Hospital

Staff Recommendation: Decision Tree

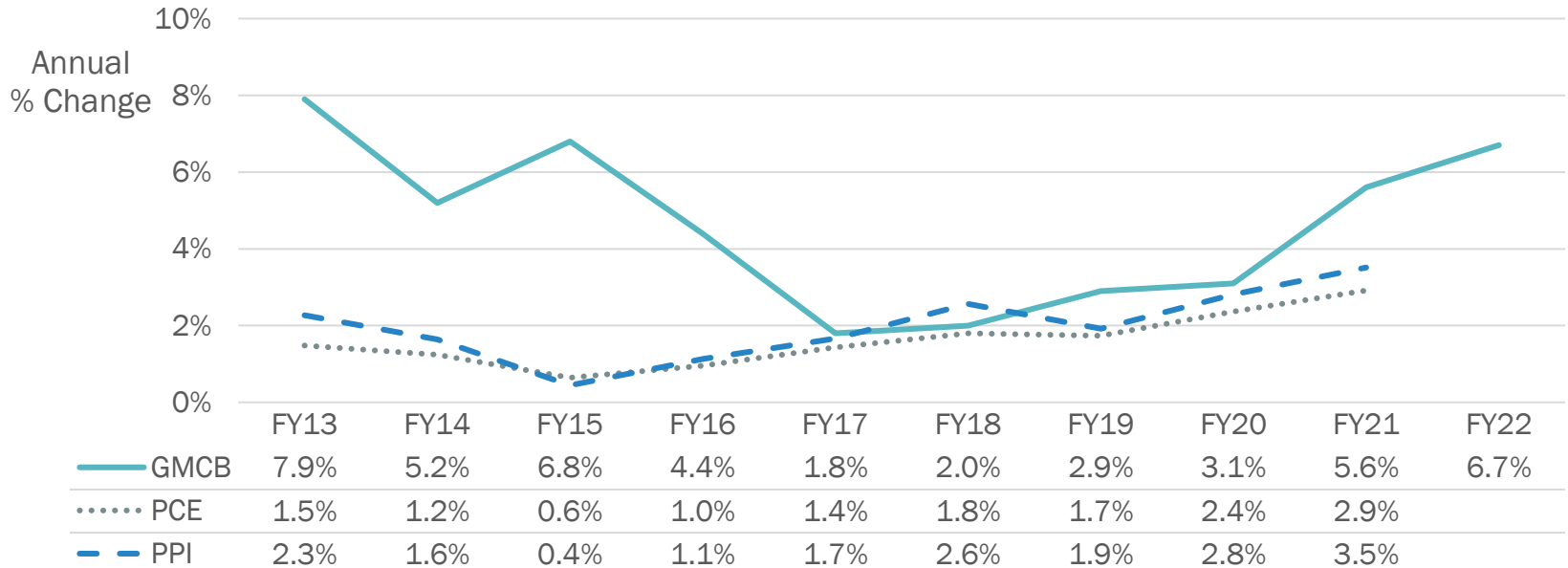
For more details, reference August 31, 2022 presentation:



GMCB Change in Charge Decisions and Medical Inflation



The GMCB’s approved change in charges were higher than measures of medical inflation in FY13 to FY16 and in FY21. The approved changes were near inflation in FY17 through FY20.



PCE = U.S. Bureau of Economic Analysis, Personal consumption expenditures: Services: Health care (chain-type price index) [DHLCRG3Q086SBEA]

PPI = U.S. Bureau of Labor Statistics, Producer Price Index by Industry: General Medical and Surgical Hospitals [PCU622110622110]

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.

Grace Cottage Hospital



NPR/FPP

FY22 Budget-to-Projection Variance	8.4%
FY22 Budget (\$)	\$22,072,030
FY22 Projection (\$)	\$23,917,239
FY23 Request (\$)	\$25,375,255
FY23 Request (% Change FY22B)	15.0%
FY23 Request (% Change FY22P)	6.1%

Request

Overall Change in Charge	5.0%
NPR Due to Change in Charge	1,208,344
Value of 1% Change in Charge	234,958

Service Category

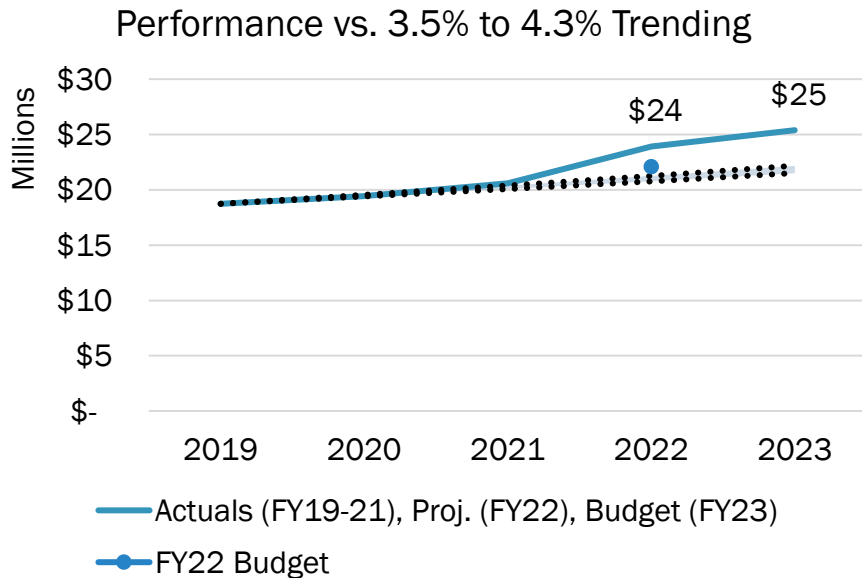
Hospital Inpatient Change in Gross Charges	5.0%
Hospital Outpatient Change in Gross Charges	5.0%
Professional Services Change in Gross Charges	5.0%

Payer

Commercial	442,064
Medicaid	89,365
Medicare	676,915

NPR/FPP & Change in Charge Increase

FY23 Request (\$ Change FY22B)	3,303,225
Change in Charge (\$)	1,208,344



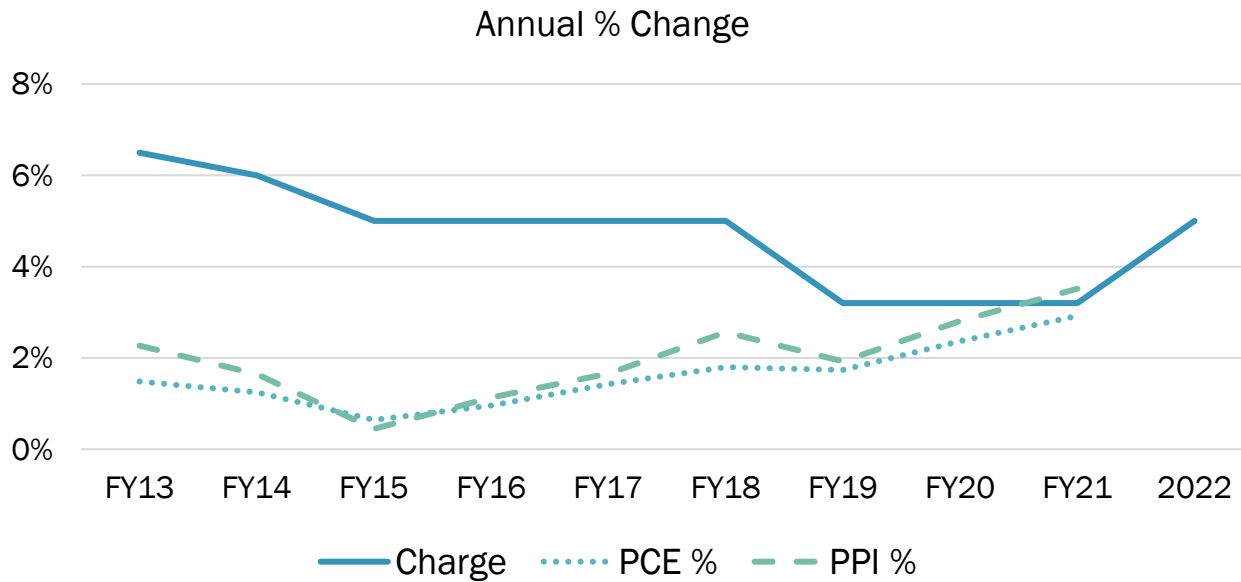
	FY18	FY19	FY20	FY21	FY22	5-year Average
Approved	5.0%	3.2%	3.2%	3.2%	5.0%	3.9%
Submitted	5.0%	3.2%	3.2%	3.2%	5.0%	3.9%

Grace Cottage

All Hospitals

	Hospital Value	Test	Min.	Median	Max.
NPR/FPP growth (FY22P to FY23B)	6.1%	<= 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)	0.7%	< = 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)	4.7% rate -3.7% operating margin	Supported in submission and resulting operation margin	2.9% -3.7%	8.0% 1.7%	19.9% 11.4%

Grace Cottage Hospital



Grace Cottage Utilization



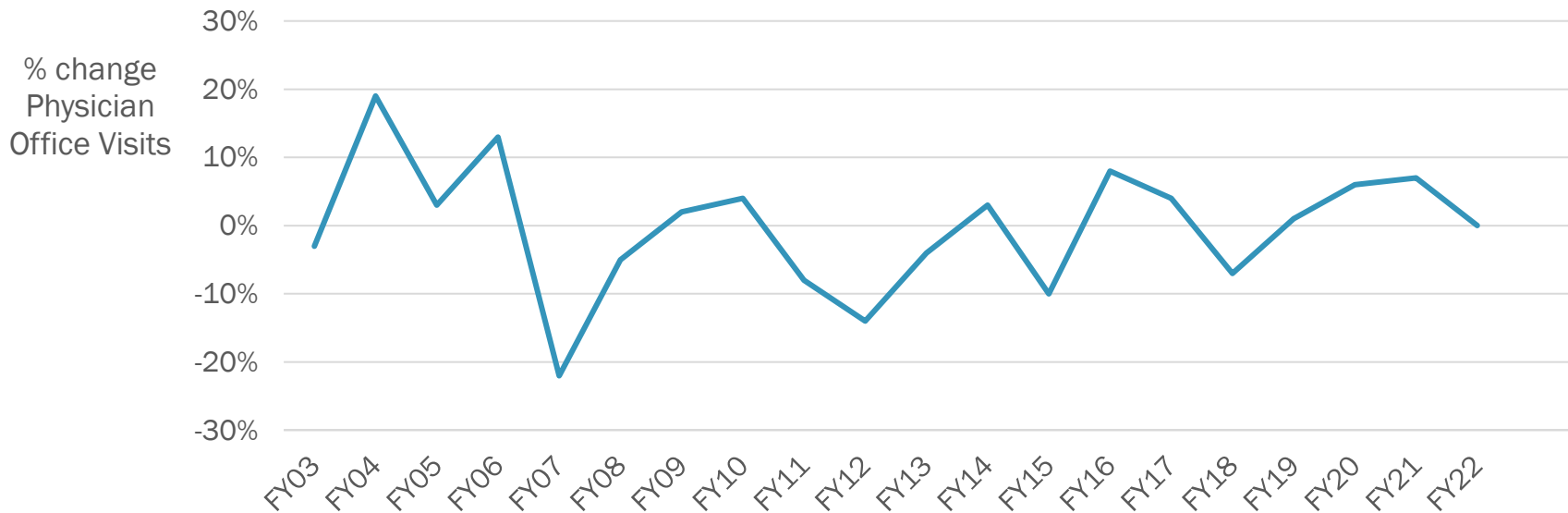
According to the narrative and budgeted utilization, Grace Cottage is expecting steady volume from their FY22 projections to their FY23 budget. The increase budgeted for office visits corresponds with the addition of providers. Staff does not recommend any resulting change to their approved budget.

Grace Cottage Hospital					
Douglas DiVello Stephen Brown					
Fiscal Year 2023 Submitted Budget					
Utilization Monthly	2020 A	2021 A	2022 P	2023 B	2022 P - 2023 B
Total Average Daily Census	10	10	10	10	0%
Total Admissions	320	292	323	323	0%
Total Patient Days	3,663	3,497	3,682	3,682	0%
Magnetic Resonance Image Procedures, Exams	-	-	-	-	#DIV/0!
Cat Scan Procedures	1,301	1,514	1,529	1,529	0%
Radiology - Diagnostic Procedures	2,945	3,143	3,353	3,353	0%
Emergency Room Visits	2,705	2,769	3,146	3,146	0%
Operating Room Procedure	-	-	-	-	#DIV/0!
Operating Room Cases	-	-	-	-	#DIV/0!
Physician Office Visits	20,246	21,699	21,806	24,602	13%

Grace Cottage Hospital: Physician Office Visits



The average change in office visits over time has ranges from -22% to 19% from FY02 to FY22 (projected) for an average change of $-0.1\% \pm 9.0\%$



Grace Cottage Hospital: Suggested Motion Language



Suggested motion language:

*Move to approve Grace Cottage Hospital's budget as submitted, with a 15.0% **increase** from FY2022 to FY2023 budgeted NPR/FPP, a 5.0% **increase** to overall charges, and subject to the standard budget conditions as presented to the Board.*

Northeastern Vermont Regional Hospital



NPR/FPP

FY22 Budget-to-Projection Variance	5.0%
FY22 Budget (\$)	\$97,368,788
FY22 Projection (\$)	\$102,271,200
FY23 Request (\$)	\$110,058,000
FY23 Request (% Change FY22B)	13.0%
FY23 Request (% Change FY22P)	7.6%

Request

Overall Change in Charge	10.7%
NPR Due to Change in Charge	4,688,800
Value of 1% Change in Charge	436,200

Service Category

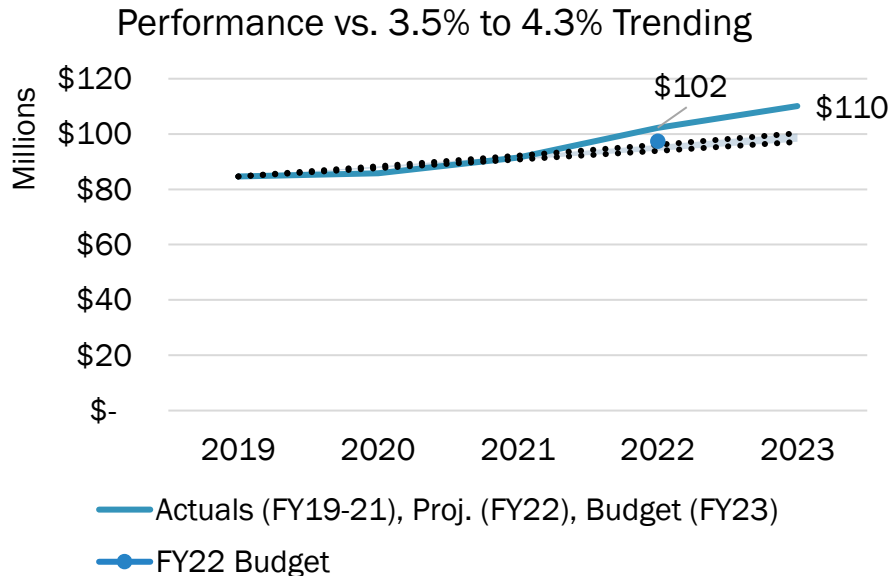
Hospital Inpatient Change in Gross Charges	12.2%
Hospital Outpatient Change in Gross Charges	12.2%
Professional Services Change in Gross Charges	0.0%

Payer

Commercial	4,688,800
Medicaid	-
Medicare	-

NPR/FPP & Change in Charge Increase

FY23 Request (\$ Change FY22B)	12,689,212
Change in Charge (\$)	4,688,800



	FY18	FY19	FY20	FY21	FY22	5-year Average
Approved	3.2%	3.0%	3.0%	3.9%	3.0%	3.2%
Submitted	4.3%	4.0%	3.5%	3.9%	3.0%	3.7%

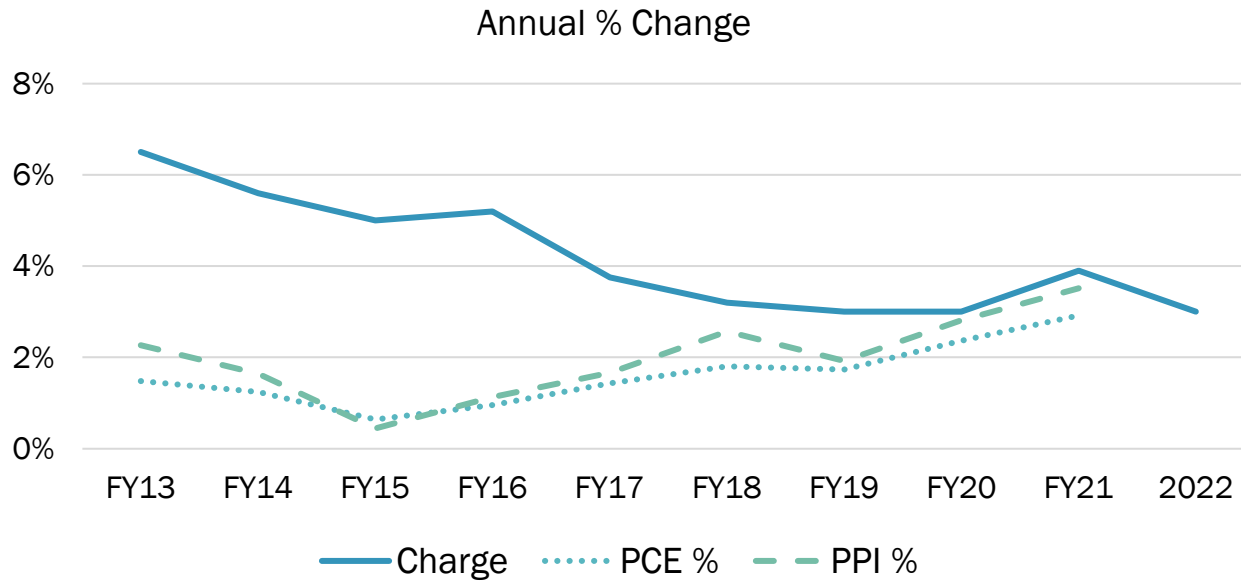
Northeastern Vermont Regional Hospital



All Hospitals

	Hospital Value	Test	Min.	Median	Max.
NPR/FPP growth (FY22P to FY23B)	7.6%	<= 8.6%	1.8%	6.3%	15.7%
Compensation growth (FY21 to FY23)	8.5%	<= 13.8%	-12.8%	6.7%	12.4%
Other inflationary growth (FY22B to FY23B)	0.3%	< = 4.5%	-2.7%	2.1%	14.7%
Utilization (FY22B to FY23B)	7.0%	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%
	0.2% operating margin		-3.7%	1.7%	11.4%

Northeastern Vermont Regional Hospital



Northeastern Vermont Regional Hospital: Utilization



- After correcting an error in the appendix, the budgeted utilization increase was 7.0% (and not 14.7%)
- NVRH attributes growth to increased acuity of inpatient stays, infusion drugs, and imaging.
- \$490k of the increased NPR is associated with a physician transfer
- Staff does not recommend changes based on these findings.

Northeastern Vermont Regional Hospital: Suggested Motion Language



Suggested motion language:

*Move to approve Northeastern Vermont Regional Hospital's budget as submitted, with a 13.0% **increase** from FY2022 to FY2023 budgeted NPR/FPP, a 10.8% **increase** to overall charges, and subject to the standard budget conditions as presented to the Board.*

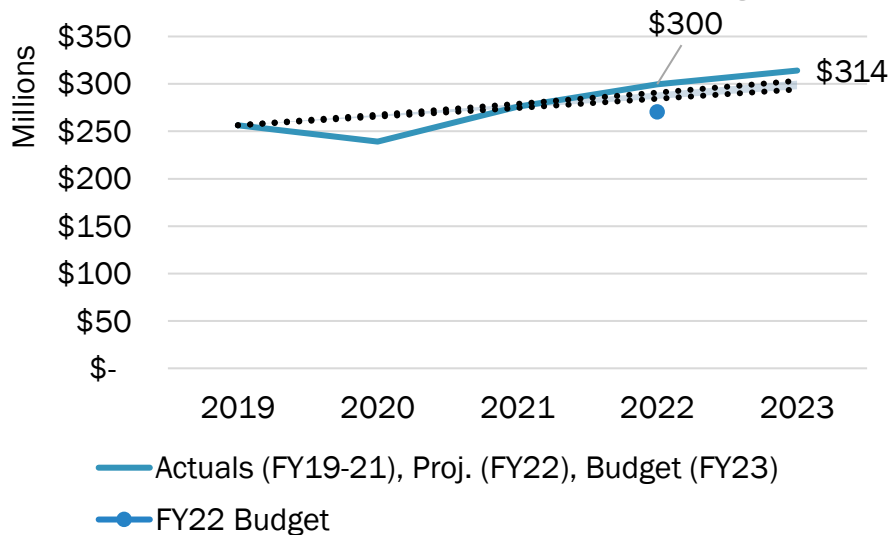
Rutland Regional Medical Center



NPR/FPP

FY22 Budget-to-Projection Variance	10.8%
FY22 Budget (\$)	\$270,361,370
FY22 Projection (\$)	\$299,635,529
FY23 Request (\$)	\$313,970,338
FY23 Request (% Change FY22B)	16.1%
FY23 Request (% Change FY22P)	4.8%

Performance vs. 3.5% to 4.3% Trending



Request

Overall Change in Charge	17.8%
NPR Due to Change in Charge	22,673,757
Value of 1% Change in Charge	1,276,149

Service Category

Hospital Inpatient Change in Gross Charges	18.1%
Hospital Outpatient Change in Gross Charges	17.3%
Professional Services Change in Gross Charges	19.4%

Payer

Commercial	22,673,757
Medicaid	-
Medicare	-

NPR/FPP & Change in Charge Increase

FY23 Request (\$ Change FY22B)	43,608,966
Change in Charge (\$)	22,673,757

	FY18	FY19	FY20	FY21	FY22	5-year Average
Approved	4.9%	2.6%	2.7%	6.0%	3.6%	4.0%
Submitted	4.9%	3.0%	2.7%	6.0%	12.6%	5.8%

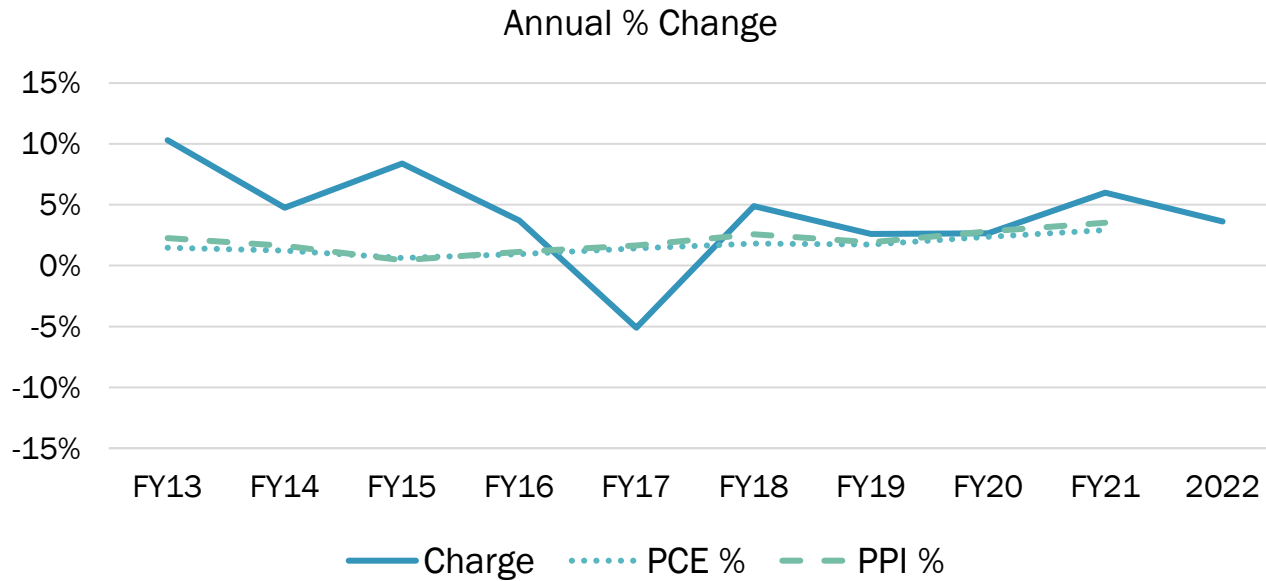
Rutland Regional Medical Center



All Hospitals

	Hospital Value	Test	Min.	Median	Max.
NPR/FPP growth (FY22P to FY23B)	4.8%	<= 8.6%	1.8%	6.3%	15.7%
Compensation growth (FY21 to FY23)	1.2%	<= 13.8%	-12.8%	6.7%	12.4%
Other inflationary growth (FY22B to FY23B)	0.3%	< = 4.5%	-2.7%	2.1%	14.7%
Utilization (FY22B to FY23B)	8.2%	Supported in submission, aligned with market share, historical accuracy	-2.7%	2.1%	8.2%
Change estimate effective commercial rate (FY22B to FY23B)	10.8% rate 2.6% operating margin	Supported in submission and resulting operation margin	2.9% -3.7%	8.0% 1.7%	19.9% 11.4%

Rutland Regional Medical Center



Note that the FY17 charge was approved as submitted (-5.1%).

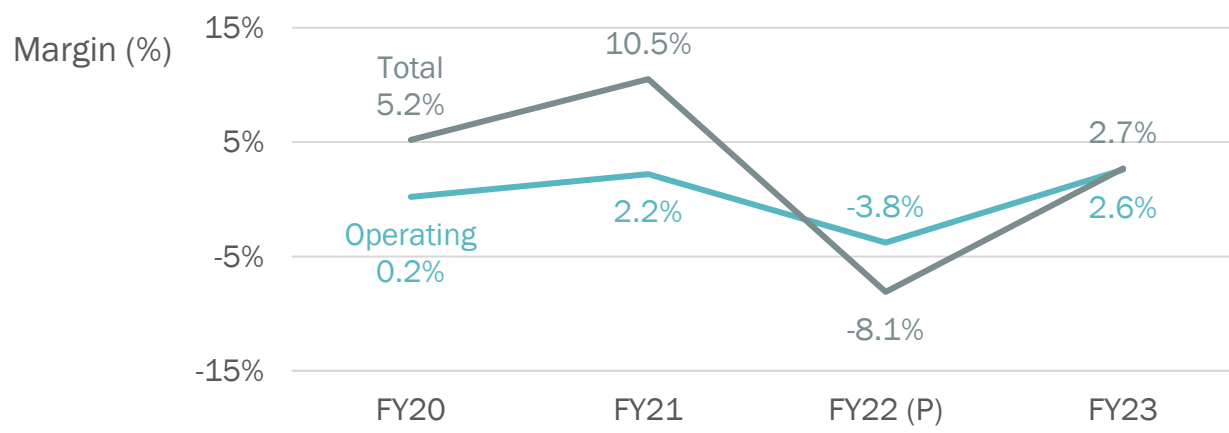
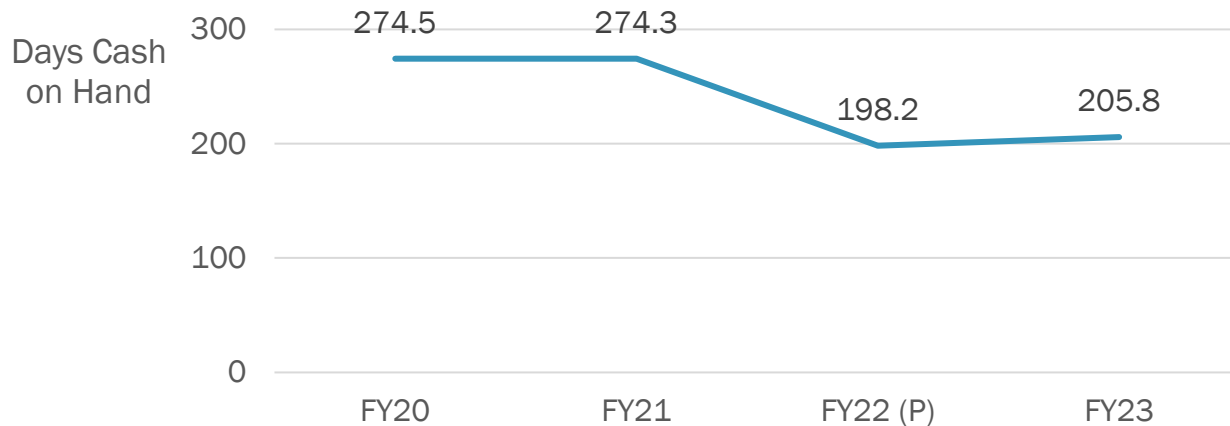
Rutland Regional Medical Center: Utilization

- Utilization in FY22 has been significantly greater than anticipated in the budget, contributing a GPR projected to be 9% higher than budgeted.
 - Utilization assumptions from the FY22 projection to the FY23 budget show a *decrease* of 0.8%.
- Rutland demonstrated long-term accuracy in budgeting.
- Staff does not recommend any resulting change to their proposed budget based on utilization assumptions.

Rutland Regional Medical Center: Charge request

- Rutland presented a projected loss of \$25 million dollars for FY22 (\$12 million operating loss).
- Rutland expressed concerns about longer term costs that may be incurred due to a breach of their bond covenant.
- Rutland has estimated productivity improvement of 17% compared with 2019.

Rutland Regional Medical Center: Financial Trends



Potential Modifications to Charge Request

	\$	Rate impact
Medicare IPPS final rule	600k	-0.5
FY23 estimated DSH variance	-144k	+0.1
Total	456k	-0.4

In their presentation, Rutland estimated \$600k in increased revenue due to the final IPPs rule.

GMCB also learned that the estimated DSH payment for FY23 was \$144k below what Rutland had budgeted for FY23.

Rutland Regional Medical Center: Suggested Motion Language



Suggested motion language:

*Move to approve Rutland Regional Medical Center's budget [as submitted / as modified hereby], with a 16.1% **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.*

Staff does not recommend changes for the NPR/FPP request.

Options for charge request:

- Approve as submitted (17.8)
 - Note: The *charge* increase is estimated to have an effective commercial increase of 10.7%.
- Modify within range of 17.3 to 17.9
 - Approximately, 10.2% to 10.8% estimated effective commercial increase.

Porter Medical Center



NPR/FPP

FY22 Budget-to-Projection Variance	6.2%
FY22 Budget (\$)	\$94,168,035
FY22 Projection (\$)	\$100,050,181
FY23 Request (\$)	\$104,464,068
FY23 Request (% Change FY22B)	10.9%
FY23 Request (% Change FY22P)	4.4%

Request

Overall Change in Charge	3.5%
NPR Due to Change in Charge	4,976,200
Value of 1% Change in Charge	770,460

Service Category

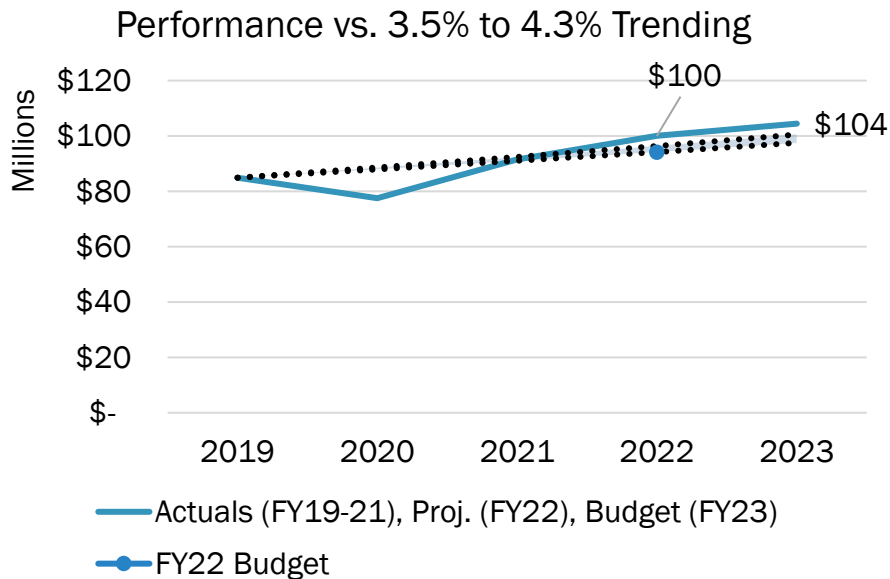
Hospital Inpatient Change in Gross Charges	3.5%
Hospital Outpatient Change in Gross Charges	3.5%
Professional Services Change in Gross Charges	3.5%

Payer

Commercial	3,695,889
Medicaid	(147)
Medicare	1,280,458

NPR/FPP & Change in Charge Increase

FY23 Request (\$ Change FY22B)	10,296,033
Change in Charge (\$)	4,976,200



5-year Average

	FY18	FY19	FY20	FY21	FY22	5-year Average
Approved	0.0%	-1.0%	0.0%	0.0%	4.0%	0.6%
Submitted	0.0%	-1.0%	0.0%	0.0%	5.9%	1.0%

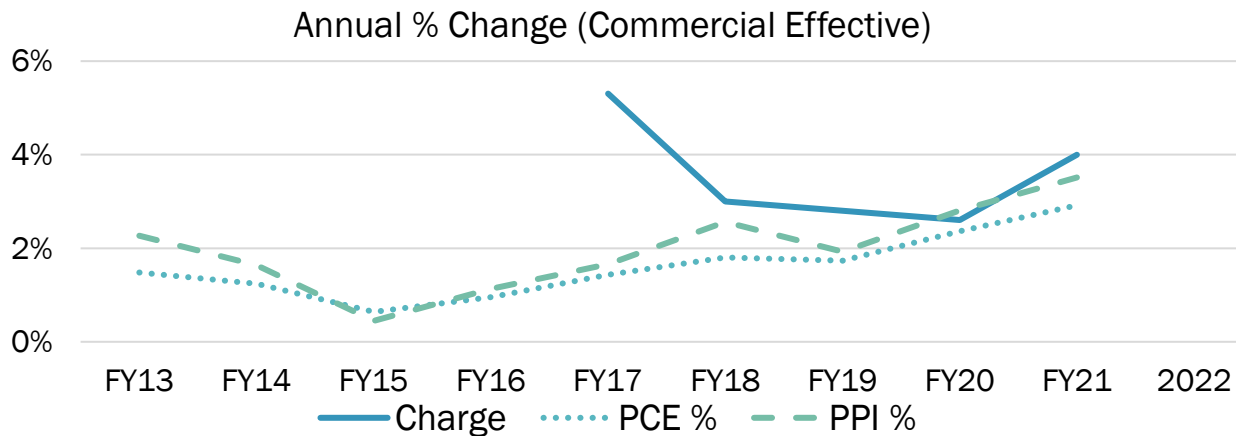
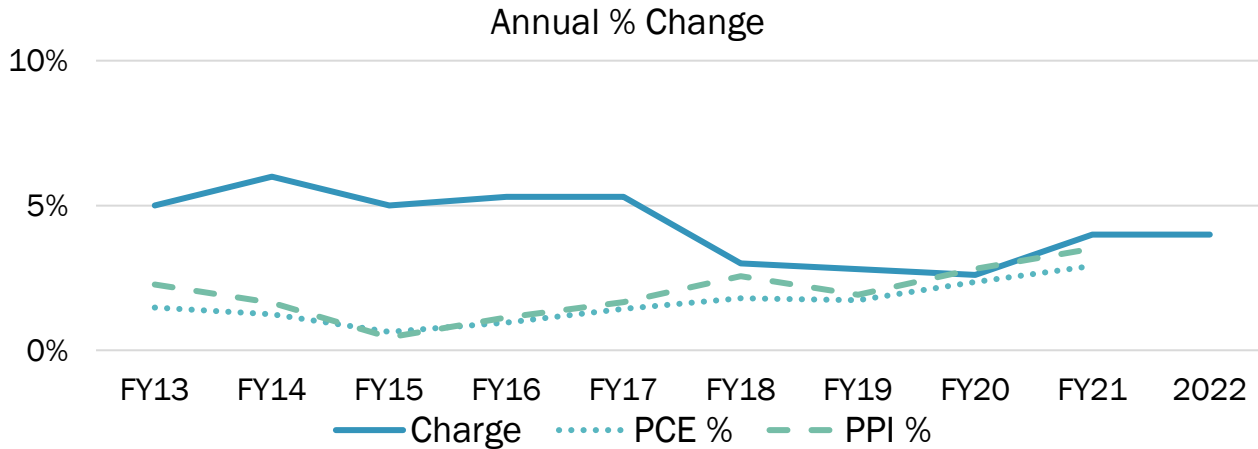
Porter Medical Center



All Hospitals

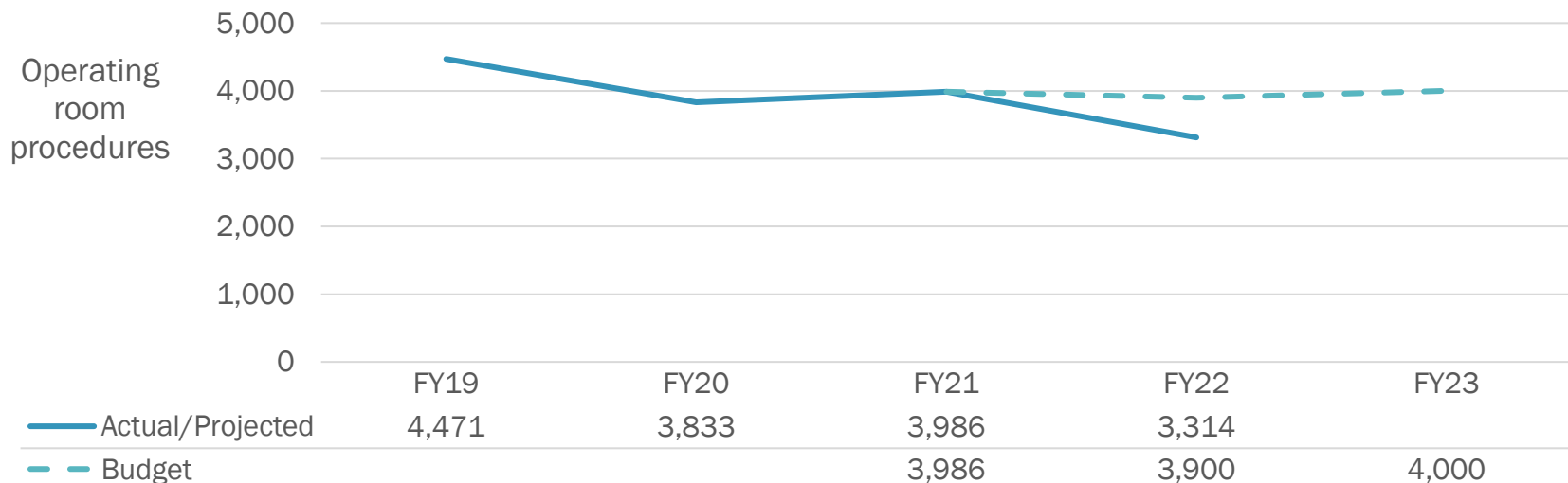
	Hospital Value	Test	Min.	Median	Max.
NPR/FPP growth (FY22P to FY23B)	4.4%	<= 8.6%	1.8%	6.3%	15.7%
Compensation growth (FY21 to FY23)	8.9%	<= 13.8%	-12.8%	6.7%	12.4%
Other inflationary growth (FY22B to FY23B)	0.6%	< = 4.5%	-2.7%	2.1%	14.7%
Utilization (FY22B to FY23B)	6.8%	Supported in submission, aligned with market share, historical accuracy	-2.7%	2.1%	8.2%
Change estimate effective commercial rate (FY22B to FY23B)	11.5% rate 3.2% operating margin w/ Helen Porter (5.7% hospital)	Supported in submission and resulting operation margin	2.9% -3.7%	8.0% 1.7%	19.9% 11.4%

Porter Medical Center



Porter Medical Center: Utilization

- Utilization accounts for a 3.6% change in NPR from the 22 budget to 23 budget and a 0.7% increase from 22 projections.
- Most of the increase is associated with operating room procedures, budgeted to return to FY21 levels.
- Staff does not recommend changes based on utilization assumptions.



Porter Medical Center: Change in effective commercial rate



Deductions include budget risk

PMC	FY2022 Cost Inflation (above FY2022 Budget)	FY2023 Cost Inflation	Total Cost Inflation
Cost Inflation	\$6,773,617	\$5,593,270	\$5,593,270
Less:			
FY2022 Mid-Year Rate Increase	\$0	\$0	\$0
FY2023 - Medicare Rate Increase	\$0	\$3,278	\$3,278
FY2023 - Medicare ACO Rate Increase	\$0	\$1,280,000	\$1,280,000
FY2023 - Medicaid Rate Increase	\$0	\$560,438	\$560,438
FY2023 - Other Payer Changes	\$0	\$62,566	\$62,566
Impact on Bad Debt/Charity/Denials Calculation	\$0	(\$291,024)	(\$291,024)
Sub-Total	\$0	\$1,615,258	\$1,615,258
Required Funding from Commercial Rate		\$3,978,012	\$3,978,012
Per 1 % Impact of Commercial Rate:			
Calendar Year (12 months: Jan-Dec)	\$463,233		
Budget Year (9 months: Jan-Sept)		\$347,425	
Commercial Rate Increase in FY2023 Budget	0.00%	11.45%	11.45%
Greyed highlighted areas excluded from FY2023 Commercial Rate Calculation			

No request for \$6.8 million in FY22 losses

Porter Medical Center: Suggested Motion Language

Staff recommend approving Porter's budget as submitted.

Suggested motion language:

*Move to approve Porter Medical Center's budget [as submitted / as modified hereby], with a [10.9]% **increase** from FY2022 to FY2023 budgeted NPR/FPP, a [3.5]% **increase** to overall charges, a [11.5]% **increase** to commercial effective rate, and subject to the standard budget conditions as presented to the Board.*

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

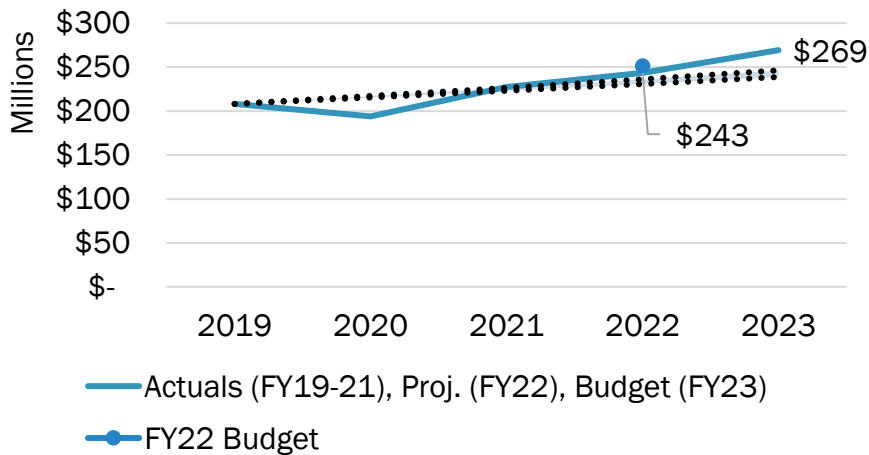
Central Vermont Medical Center



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%

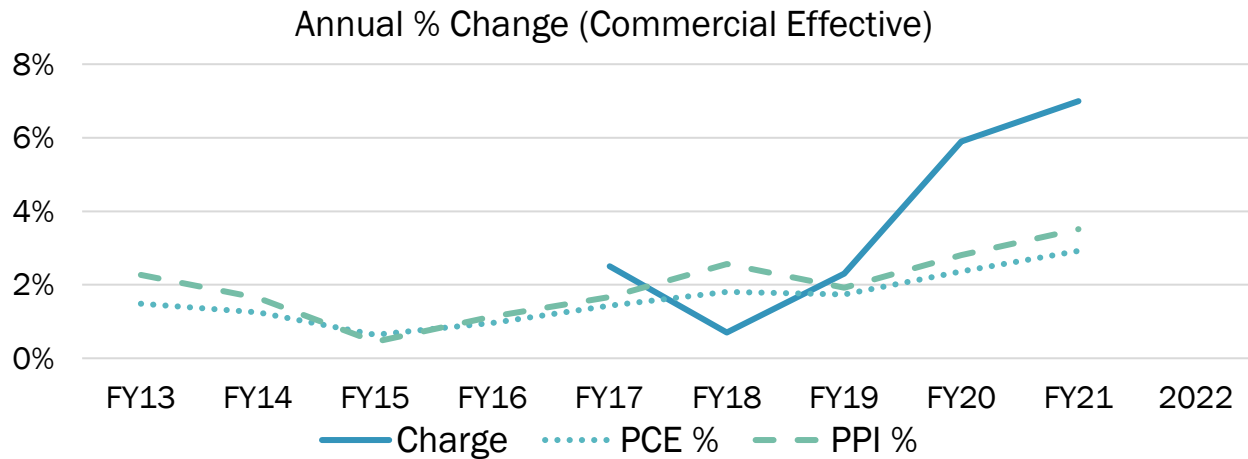
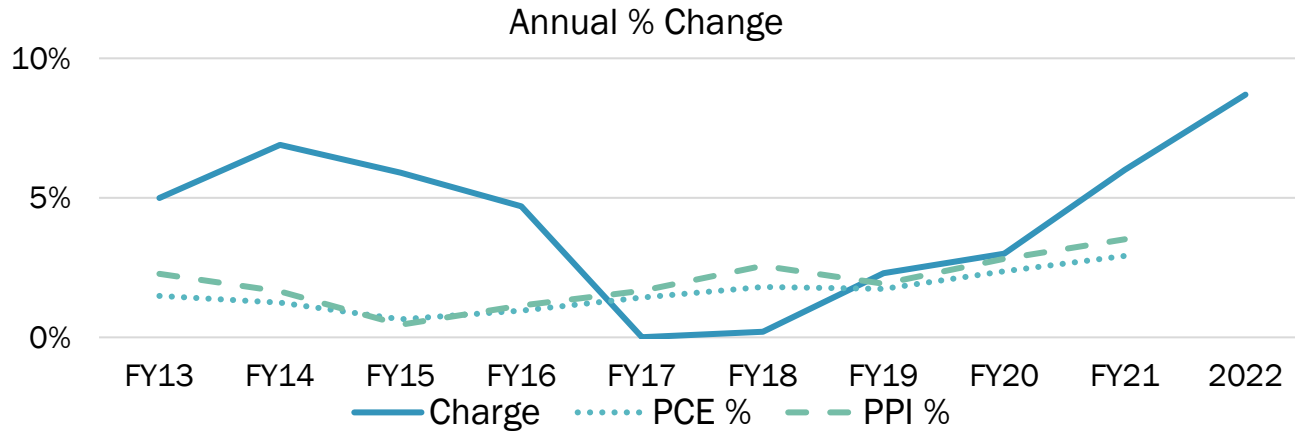
Central Vermont Medical Center



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



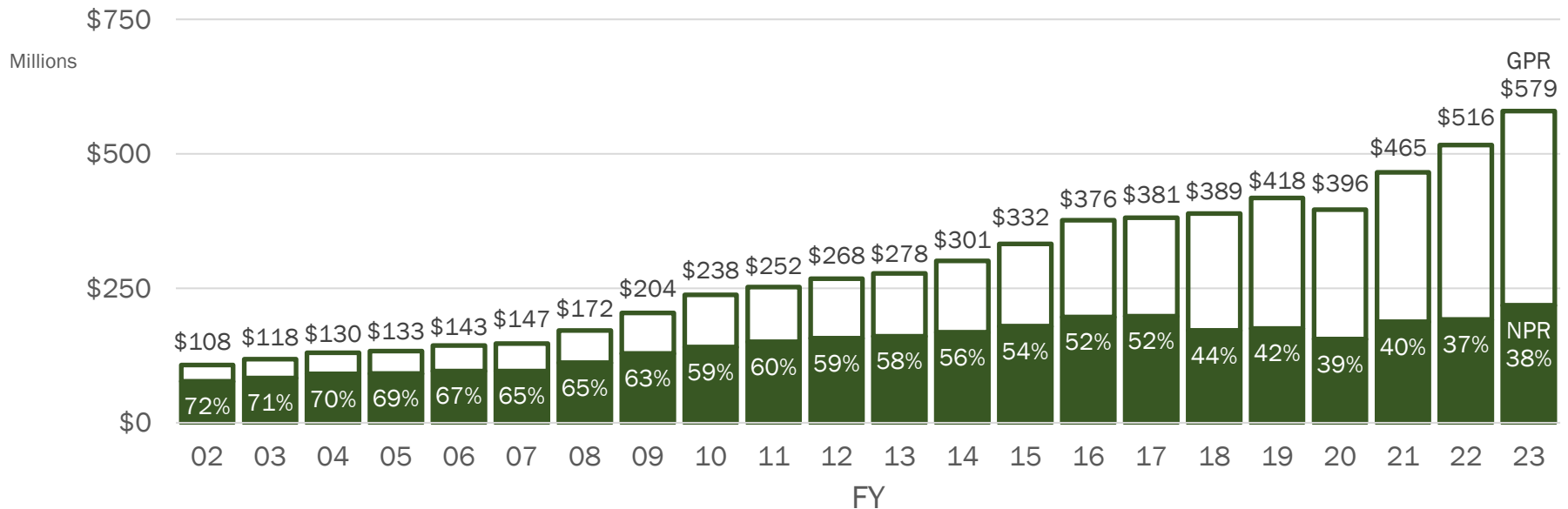
Note that the FY18 effective commercial rate was approved as submitted (0.2%).

Central Vermont Medical Center: GPR and NPR



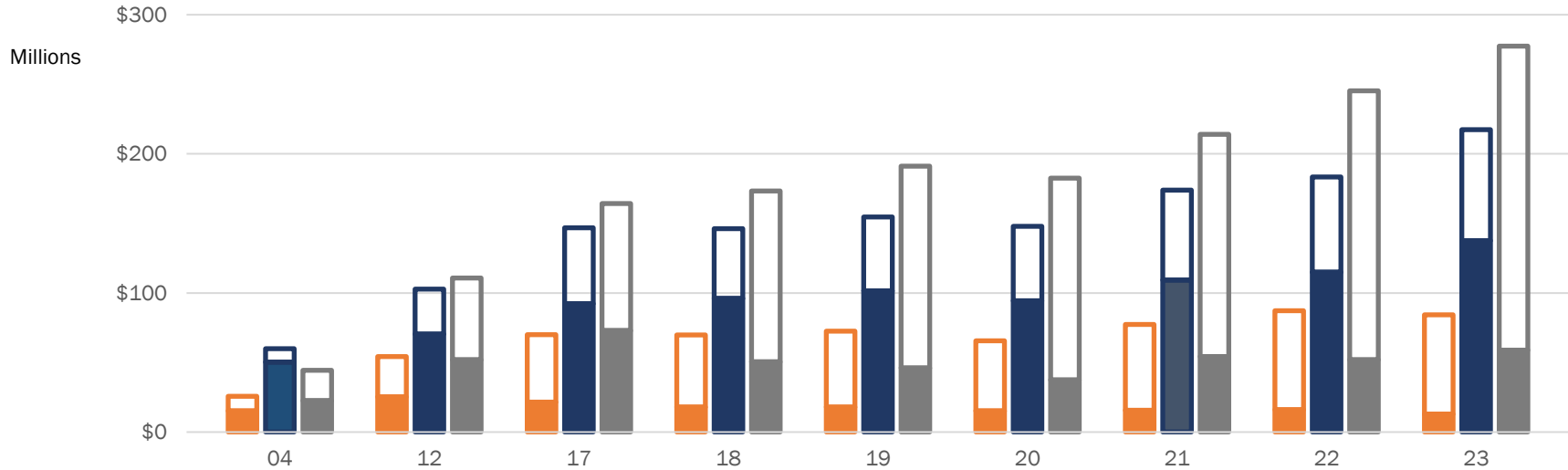
Gross patient revenue (GPR) is based on charges. Patients usually do not pay the charge, but charges are the same regardless of reimbursement.

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



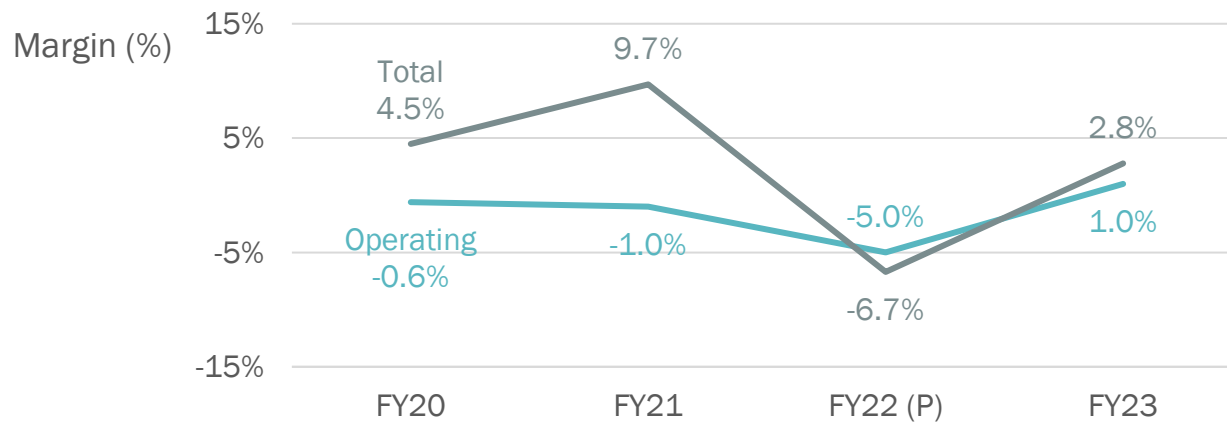
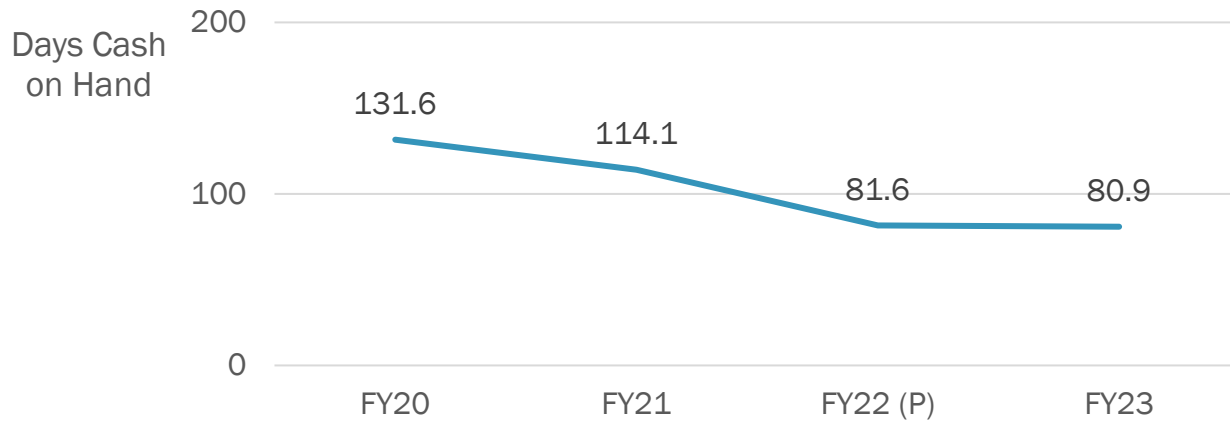
NPR = Gross Patient Revenue less contractual deductions. There are no adjustments for free care, bad debt, DSH, or GME. This is different than how the GMCB defines NPR+FPP for the budget approval process.

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



	NPR/FPP	% difference FY23 Budget	GPR	% difference FY23 Budget
Approved FY22 Budget	\$249,584,872	7.9%	\$525,187,153	11.0%
Midyear FY22 Budget	\$250,954,727	7.3%	\$532,049,268	8.9%
Projection	\$243,282,641	10.7%	\$516,050,376	12.2%
FY23 Budget	\$269,231,389		\$579,156,151	

Central VT’s 7.3% request from budget-to-budget is within the GMCB guidance (7.3%). However, when looking at the projection-to-budget they exceed it (10.7%).

Utilization is expected to increase NPR/FPP by 2.1% from the FY22 projection to the FY23 budget.

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 losses

Central Vermont Medical Center

Additional FY22 DSH



	\$	Commercial rate increase
FY22 cost inflation	\$4.1 million	3.94%
Additional FY22 DSH	\$1.7 million	1.59%
Remaining FY22 cost inflation	\$2.4 million	2.35%

The additional DSH payment for FY22 would reduce the effective commercial rate increase from 3.94% to 2.35% (for an overall change from 14.52% to 12.93%, an 11% reduction).

DECISION POINT: To the knowledge of staff, losses from a previous FY have never been explicitly included in previous hospital budget decisions.

Central Vermont Medical Center



- Some options
 - Approve budget as submitted
 - Approve budget with adjustment to FY22 cost inflation
 - Approve 7.3% NPR/FPP increase
 - Approve 12.93% effective commercial rate
 - Approve budget with DSH adjustment to FY22 cost inflation (-1.59% effective commercial rate)
 - Approve 7.3% NPR/FPP increase
 - Approve 10.58% effective commercial rate
 - \$2.4 million (1% budgeted FPP/NPR) would be in the budget and require funding from elsewhere.

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 [xx]% **increase** from FY2022 to FY2023 budgeted NPR/FPP, a [xx]% **increase** to overall charges, a [xx]% **increase** to commercial effective rate, and subject to the standard budget conditions as presented to the Board.*

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%

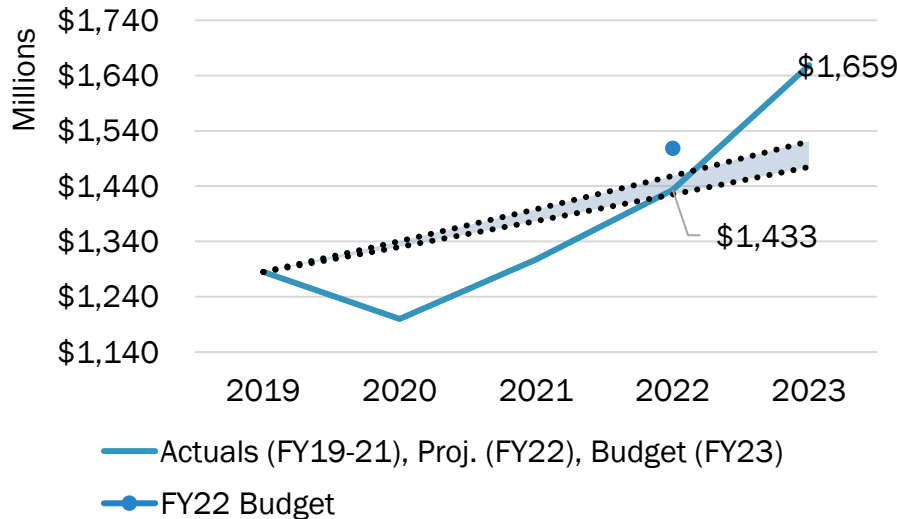
Payer

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

Performance vs. 3.5% to 4.3% Trending



	FY18	FY19	FY20	FY21	FY22	5-year Average
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%

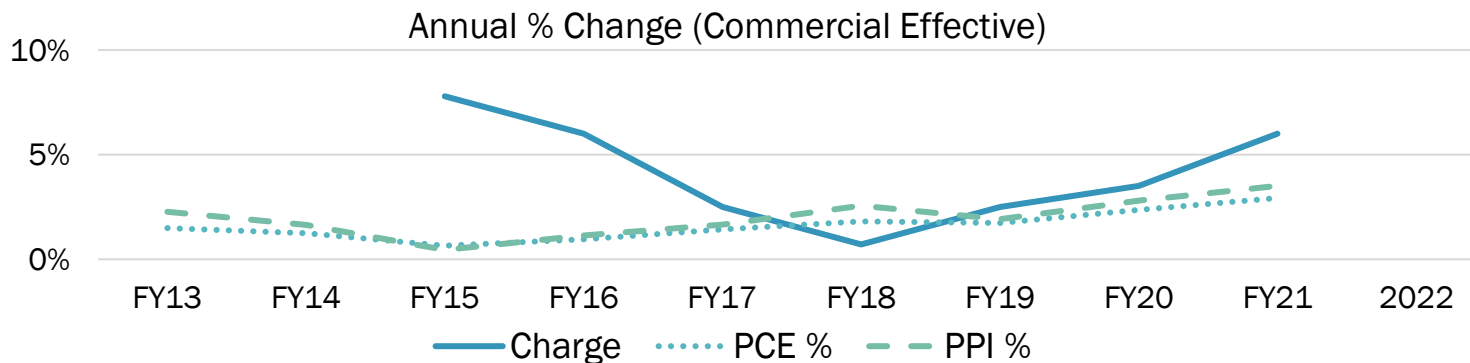
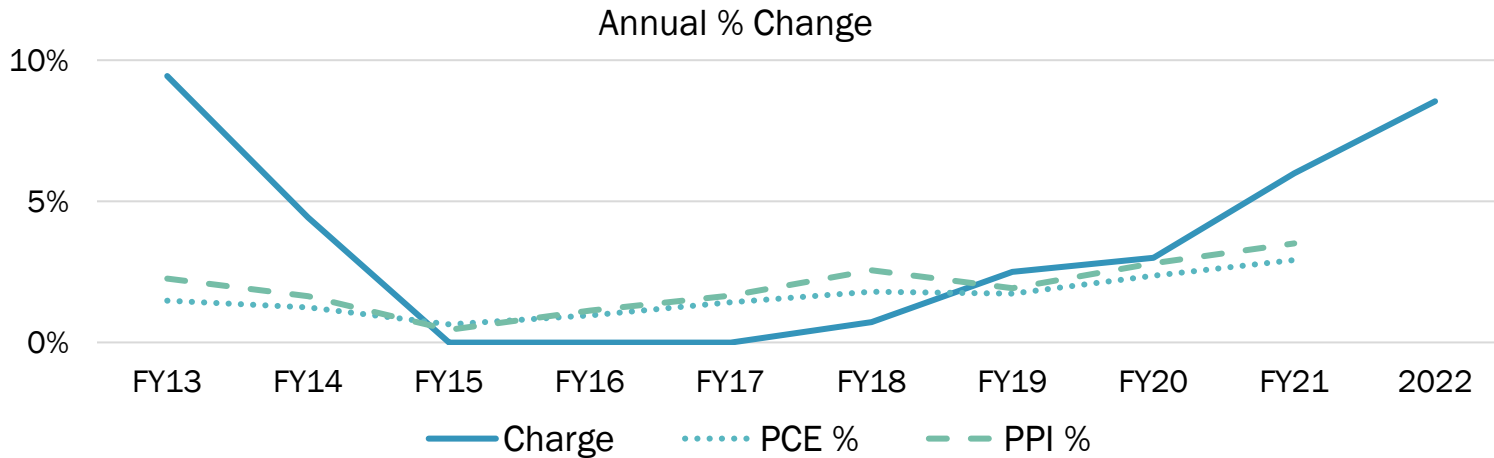
University of Vermont Medical Center



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 2.0% operating margin	Supported in submission and resulting operation margin	2.9% -3.7%	8.0% 1.7%	19.9% 11.4%

University of Vermont Medical Center



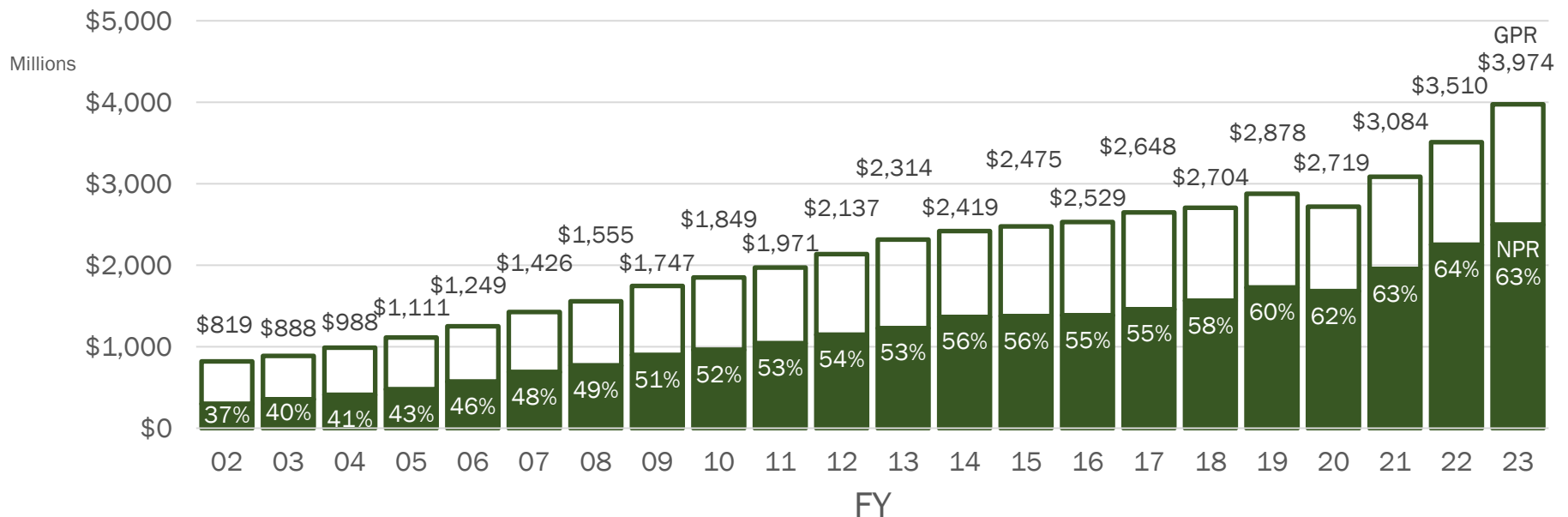
Note that the FY18 effective commercial rate was approved as submitted (0.7%).

University of Vermont Medical Center: GPR and NPR



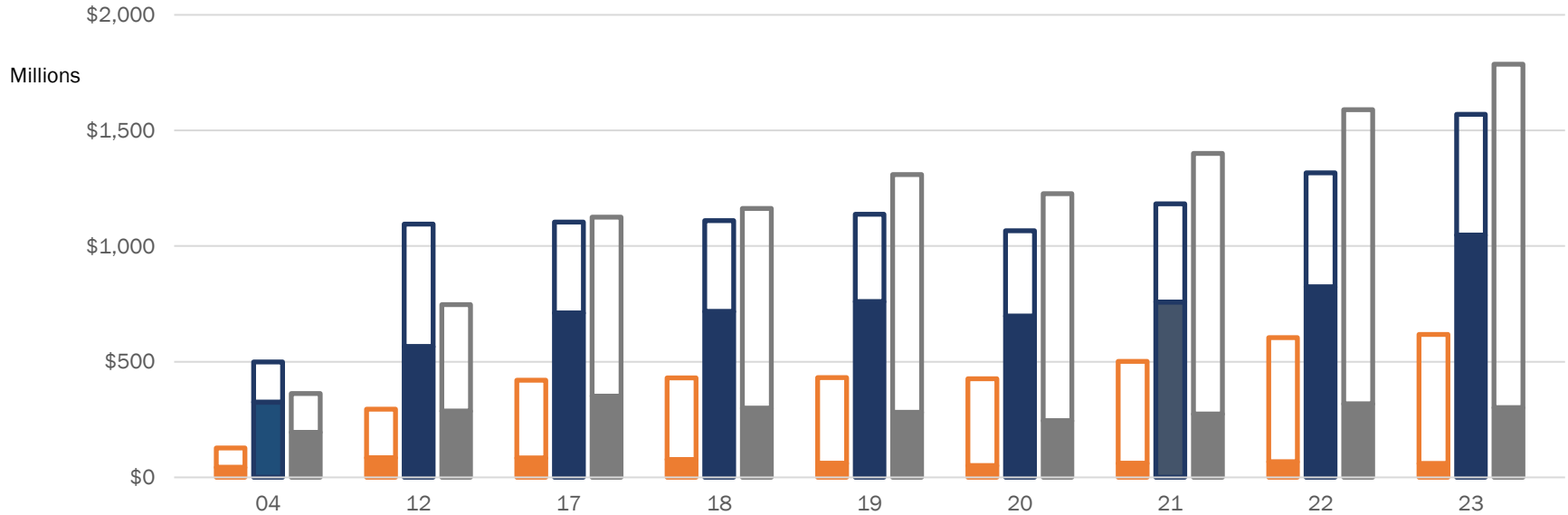
Gross patient revenue (GPR) is based on charges. Patients usually do not pay the charge, but charges are the same regardless of reimbursement.

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



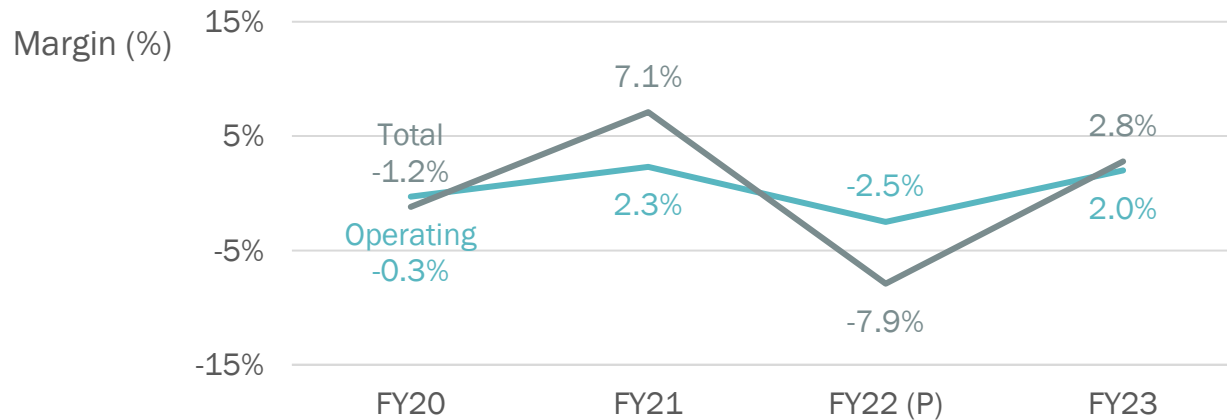
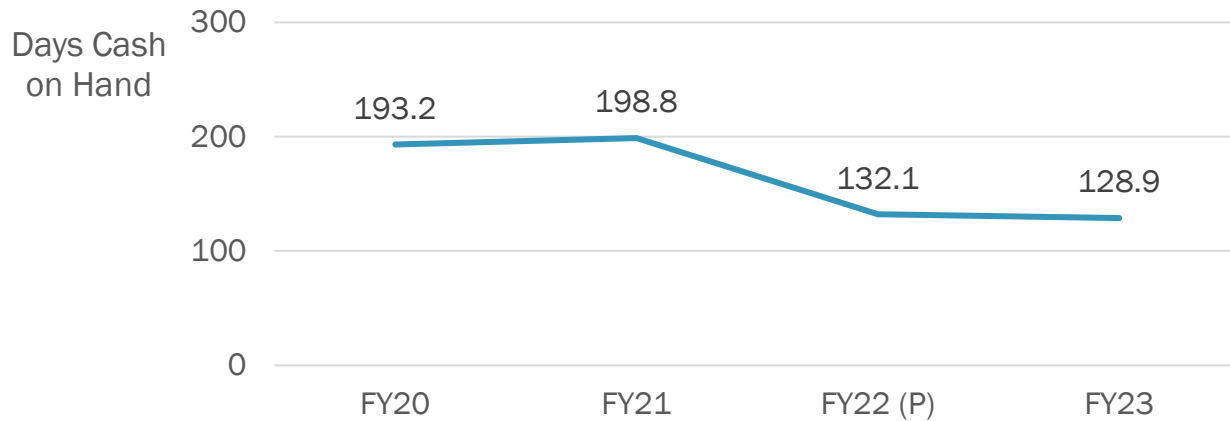
NPR = Gross Patient Revenue less contractual deductions. There are no adjustments for free care, bad debt, DSH, or GME. This is different than how the GMCB defines NPR+FPP for the budget approval process.

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



	NPR/FPP	% difference FY23 Budget	GPR	% difference FY23 Budget
Approved FY22 Budget	\$1,500,593,928	10.5%	\$3,453,151,359	15.0%
Midyear FY22 Budget	\$1,508,506,476	10.0%	\$3,495,196,116	13.7%
Projection	\$1,433,295,005	15.7%	\$3,510,235,552	13.2%
FY23 Budget	\$1,658,725,627		\$3,973,779,987	

Neither the budget-to-budget (10.0%) nor projection-to-budget (15.7%) are within the GMCB guidance.

Utilization is expected to increase NPR/FPP by 3.0% from the FY22 projection to the FY23 budget.

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 losses

University of Vermont Medical Center: Additional FY22 DSH



	\$	Commercial rate increase
FY22 cost inflation	\$48.6 million	6.38%
Additional FY22 DSH	\$11.8 million	1.55%
Remaining FY22 cost inflation	\$36.8 million	4.83%

The additional DSH payment for FY22 would reduce the effective commercial rate increase from 6.38% to 4.83% (for an overall change from 19.90% to 18.35%, an 8% reduction).

DECISION POINT: To the knowledge of staff, losses from a previous FY have never been explicitly included in previous hospital budget decisions.

University of Vermont Medical Center: FY23



	\$	Commercial rate increase
FY23 cost inflation	\$77.3 million	13.52%
Estimated impact of IPPs final rule	\$2-3 million	0.35% to 0.52%
Potential impact of OPPs final rule	\$8-9 million	1.40% to 1.57%
<u>Additional GME (if authorized)*</u>	\$21 million	3.67%
Remaining FY23 cost inflation	\$44.3 to \$46.3 million	7.76% to 8.10%

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

University of Vermont Medical Center



- Some options
 - Approve budget as submitted
 - Approve budget with adjustment to FY22 cost inflation
 - Approve 10.0% NPR/FPP increase
 - Approve 18.35% effective commercial rate
 - Approve budget with DSH adjustment to FY22 cost inflation (-1.55% effective commercial rate)
 - Approve 10.0% NPR/FPP increase
 - Approve 7.76% - 8.1% effective commercial rate
 - \$36.8 million (2.2% budgeted FPP/NPR) would be in the budget and require funding from elsewhere.

UVM Self-restricted funds



- UVMCMC and the State of Vermont Department of Mental Health are in close contact to partner in addressing Vermont's mental health needs.
- If the remaining ~\$18 million were used to reduce the commercial rate, the impact would be a reduction of ~3.15%.
- Staff recommends allowing more time to assess progress.

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 [xx]% **increase** from FY2022 to FY2023 budgeted NPR/FPP, a [xx]% **increase** to overall charges, a [xx]% **increase** to commercial effective rate, and subject to the standard budget conditions as presented to the Board.*

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: NPR + FPP + 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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