

FY 2023

Vermont Hospital Budget Debrief

September 28, 2022

Focus for Today

- Hospital budget **process**
 - We will not discuss any of the decisions or specific hospitals.
- It's only a start!
 - [A scope of work to redesign the hospital budget process is underway.](#)
 - Thinking about the hospital budget process while it's fresh will help frame this work.

<p>Current state <i>insights and observations</i></p>	<p>Near state <i>process improvements</i></p>	<p>Future state <i>goals</i></p>
<ul style="list-style-type: none"> • What went well? • What are the pain points? • What do we value? • Including economic metrics was helpful; more data driven • Having a framework was beneficial • Measurement of commercial price is a pain point 	<ul style="list-style-type: none"> • Document management • Filing timeliness • Summary information (dashboards?) • Regulation from budget to budget • Objective metrics to assess financial health (based on agreed upon benchmarks) • Administrative burden (what is essential?) <ul style="list-style-type: none"> • Leverage existing data • Improve alignment/sequencing with QHP rate review (consider prioritization collectively) • Expand relevant data and provide metrics in guidance • Refine and stabilize framework used in decision-making • Determine alternatives to change in charge to assess commercial prices (“commercial effective rate”) • Evaluate the amount of information we request from hospitals • Review hospital performance on a risk-adjusted per capita basis • Understanding fixed costs in budgets • Cost coverage by payer • Alternative measures/targets (e.g. operating margins, DCOH) • Consider corporate structure of hospital • Looking at in- and out-migration, especially revenue from OOS patients • Analysis timeliness – before hearings! • Ratio of Commercial to Medicare reimbursement • Hospital allocation decision-making (how hospital directing financial resources) • Bad debt to free care ratio • Operating efficiency • Quality metrics meaningful to patients • Assessment of low value care? • Sustainable margins 	<ul style="list-style-type: none"> • How do we know it’s working? • What do we do when it’s not working? • What are the goals for hospital budget regulation? • What can the GMCB do differently from a policy perspective to accomplish those goals? • Methodology for allowable rate of growth (Act 167) <ul style="list-style-type: none"> • Align with overall economic growth • Multi-year budgets • Integrating quality? Affordability? Access? Outcomes? Equity? • Assess hospital performance <ul style="list-style-type: none"> • Financial health/vulnerability

Wish List

- What else should the GMCB know about hospitals that is not currently captured?
 - Outcomes
 - Quality measures from DFR (referenced in white paper)
 - What existing information could/should GMCB be using?
 - Mindful of burden. Provide more analysis
 - Ratio of commercial to Medicare rates
 - Allocation decision-making (2021 Wang, et al)
 - % revenue charity care/free care/ surplus /
 - Bad debt to free care
 - Operating efficiency
 - Breakeven analysis (NASHP tool)
 - Integrate analyses with GMCB regulatory work
 - Innovation / HC reform adjustments?
 - Traveling Board meetings?

FY23 NPR/FPP Decisions



	FY22		FY23		Change	
	Budget	Projection	Submitted	Approved	B22 to B23	P22 to B23
Copley Hospital	\$85,656,271	\$92,195,985	\$96,033,233	\$96,033,233	12.1%	4.2%
Gifford Medical Center	\$54,224,079	\$56,996,381	\$58,010,676	\$58,010,676	7.0%	1.8%
Grace Cottage Hospital	\$22,072,030	\$23,917,239	\$25,375,255	\$25,375,255	15.0%	6.1%
Mt. Ascutney Hospital & Health Ctr	\$59,640,912	\$62,703,350	\$65,869,470	\$65,869,470	10.4%	5.0%
North Country Hospital	\$87,889,674	\$89,945,768	\$98,854,190	\$98,854,190	12.5%	9.9%
Northeastern VT Regional Hospital	\$97,368,788	\$102,271,200	\$110,058,000	\$110,058,000	13.0%	7.6%
Porter Medical Center	\$94,168,035	\$100,050,181	\$104,464,068	\$104,464,068	10.9%	4.4%
Springfield Hospital	\$54,689,913	\$51,720,948	\$58,778,639	\$58,778,639	7.5%	13.6%
<i>CAH subtotal</i>	<i>\$555,709,702</i>	<i>\$579,801,053</i>	<i>\$617,443,531</i>	<i>\$617,443,531</i>	<i>11.1%</i>	<i>6.5%</i>
Brattleboro Memorial Hospital	\$93,088,223	\$92,656,412	\$105,484,860	\$105,484,860	13.3%	13.8%
Central Vermont Medical Center	\$249,584,872	\$243,282,641	\$269,231,389	\$269,231,389	7.9%	10.7%
Northwestern Medical Center	\$115,925,533	\$119,365,274	\$121,093,673	\$121,093,673	4.5%	1.4%
Rutland Regional Medical Center	\$270,361,370	\$299,635,529	\$313,970,338	\$313,970,338	16.1%	4.8%
Southwestern VT Medical Center	\$177,594,439	\$184,557,483	\$188,872,209	\$188,872,209	6.4%	2.3%
University of Vermont Medical Center	\$1,500,593,928	\$1,433,295,005	\$1,658,725,627	\$1,658,725,627	10.5%	15.7%
<i>PPS subtotal</i>	<i>\$2,407,148,365</i>	<i>\$2,372,792,344</i>	<i>\$2,657,378,097</i>	<i>\$2,657,378,097</i>	<i>10.4%</i>	<i>12.0%</i>
All Vermont Community Hospitals	\$2,962,858,067	\$2,952,593,397	\$3,274,821,628	\$3,274,821,628	10.5%	10.9%

FY23 Change in Charge Decisions



Vermont Community Hospitals History of Annual Increases in Charges

	2020	2021			2022			2023				
	Approved	Submitted	Commercial	Approved	Commercial	Submitted	Submitted	Approved	Submitted	Commercial	Approved	Commercial
			Effective Rate		Effective Rate		Amend			Effective Rate		Effective Rate
Brattleboro Memorial Hospital	3.4%	4.9%		4.9%		5.1%	5.1%	4.6%	14.90%		14.61%	
Central Vermont Medical Center	3.0%	6.0%	8.5%	6.0%	7.0%	7.4%	16.0%	8.7%	10.00%	14.52%	10.00%	12.50%
Copley Hospital	9.8%	8.0%		6.0%		5.0%	5.0%	4.0%	12.00%		12.00%	
Gifford Medical Center	5.0%	4.0%		4.0%		3.5%	3.5%	3.5%	3.65%		3.65%	
Grace Cottage Hospital	3.2%	3.2%		3.2%		5.0%	5.0%	5.0%	5.00%		5.00%	
Mt. Ascutney Hospital & Health Center	3.2%	4.6%		4.6%		2.2%	2.2%	2.2%	4.70%		4.70%	
North Country Hospital	4.2%	3.6%		3.6%		4.9%	4.9%	3.3%	12.45%		12.24%	
Northeastern VT Regional Hospital	3.0%	3.9%		3.9%		3.0%	3.0%	3.0%	10.75%		10.75%	
Northwestern Medical Center	5.9%	21.1%		13.0%		3.0%	3.0%	3.0%	9.00%		9.00%	
Porter Medical Center	0.0%	0.0%	5.8%	0.0%	4.0%	5.9%	5.9%	4.0%	3.50%	11.45%	3.50%	11.45%
Rutland Regional Medical Center	2.7%	6.0%		6.0%		3.6%	12.6%	3.6%	17.80%		17.40%	
Southwestern VT Medical Center	2.8%	3.5%		3.5%		4.8%	4.8%	4.8%	9.50%		9.50%	
Springfield Hospital	0.0%	4.0%		4.0%		8.3%	8.3%	8.3%	10.00%		10.00%	
The University of Vermont Medical Center	3.0%	8.0%	8.0%	6.0%	6.0%	7.1%	16.1%	8.6%	10.06%	19.90%	10.10%	14.77%
Estimated Weighted Average For All Hospitals**	3.1%	6.8%		5.6%		6.0%	12.2%	6.7%	10.6%	16.0%	10.5%	13.3%

**Estimated Weighted Average for All Hospitals is calculated by factoring in each hospital's proportion of gross revenue (FY22 Projected) to the change in charges (rate).

FY23 Estimated Change in Commercial Effective Rate



The GMCB requested the estimated effective rate of the requested change in charge to for commercial payers. These estimates ranged in their estimated precision and should be considered as informational.

	Submitted	Approved
Brattleboro Memorial Hospital	10.5%	10.2%
Central Vermont Medical Center	14.5%	12.5%
Northwestern Medical Center	6.0%	5.6%
Rutland Regional Medical Center	10.8%	10.4%
Southwestern VT Medical Center	7.6%	7.6%
The University of Vermont Medical Center	19.9%	14.8%
<i>PPS Weighted Average</i>	16.2%	12.8%
Copley Hospital	8.0%	8.0%
Gifford Medical Center	2.9%	2.9%
Grace Cottage Hospital	4.7%	4.7%
Mt. Ascutney Hospital & Health Ctr	3.2%	3.2%
North Country Hospital	8.0%	7.8%
Northeastern VT Regional Hospital	10.5%	10.5%
Porter Medical Center	11.5%	11.5%
Springfield Hospital	6.4%	6.4%
<i>CAH Weighted Average</i>	6.2%	6.2%
Systemwide Weighted Average	14.8%	11.9%

Weighted average based on FY22 approved budget for NPR/FPP.