

FY24 Hospital Budget Deliberations

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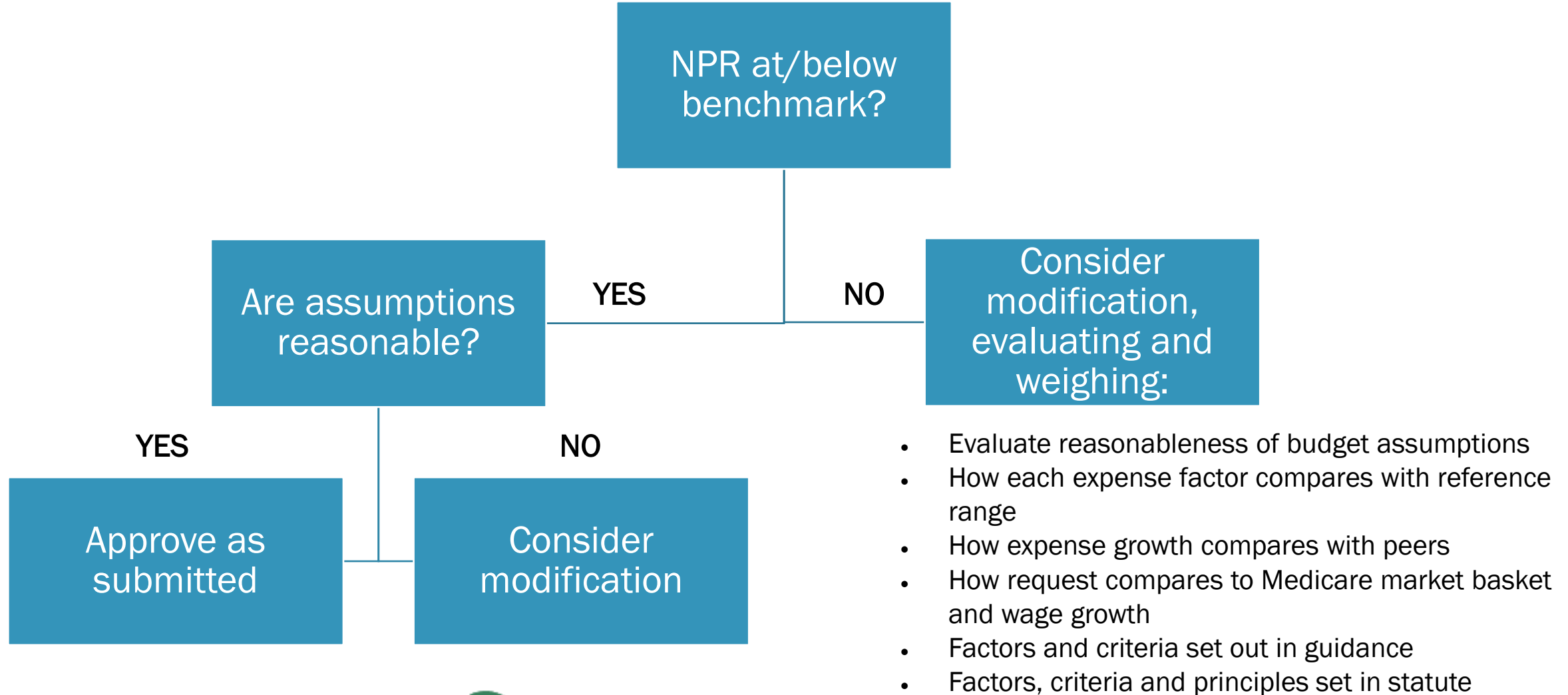
Sept. 15, 2023

A dark green silhouette of a mountain range spans the bottom of the slide.

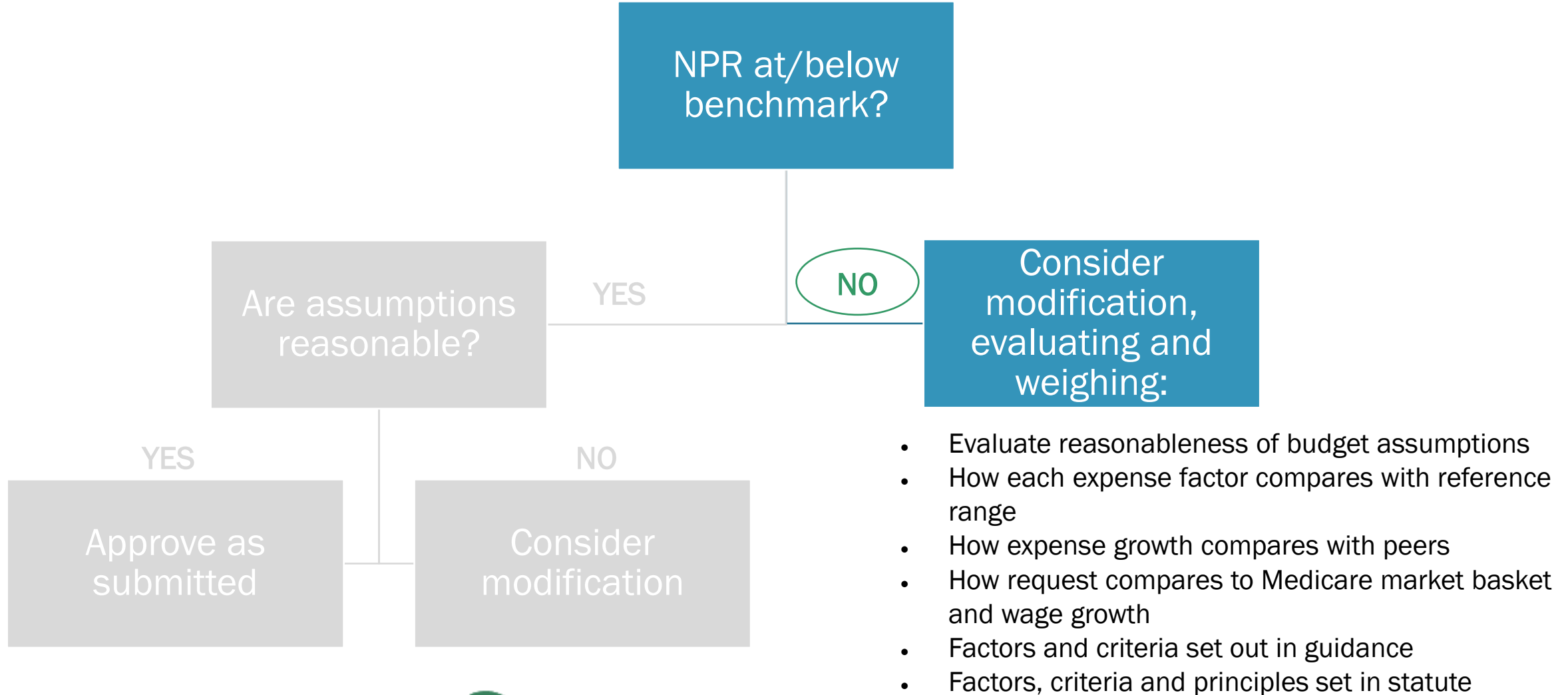
Overview

- Overview of hospital budget review process
- Hospital budget deliberations:
 - Central Vermont Medical Center
 - Porter Medical Center
 - Copley Hospital
 - Northeastern Vermont Regional Hospital
- Standard Budget Order Conditions

FY24 Hospital Budget Decision Tree



FY24 Hospital Budget Decision Tree



Copley Hospital Budget Request



INFLATIONARY REFERENCE RANGE

	FY23 Approved	FY24 Submitted	FY22 Actual to FY24 Submitted	7.0% over 2 years		3.1% over FY23P	
				One Year FY23P to FY24B	Two Year FY22A to FY24B	One Year FY23P to FY24B	Two Year FY22A to FY24B
NPR+FPP	\$96 M	\$111 M	+ \$20 M	- \$19 M		-\$11 M	
	5.1%	12.8%	21.3%	-17.7%		-10.5%	
Change in charge	12.0%	15.0%	27.0%	-5.0%	7.0%	3.1%	15.1%



Copley Hospital Performance Summary



	Hospital	Relative performance (<i>Lower better</i>)
Expense growth (FY22 to FY24)	12.1%	69 th percentile among VT hospitals
Proportion of admin and general salaries to clinical salaries	16.4%	42 nd percentile among critical access hospitals
CMI-adjusted cost per Medicare discharge	\$10,672	42 nd percentile among critical access hospitals
Standardized price – Inpatient	\$18,305	52 nd percentile among critical access hospitals
Standardized price – Outpatient	\$246	22 nd percentile among critical access hospitals
5-year approved change in charge (FY19 to FY23)	36.3%	1 st percentile among VT hospitals
10-year approved change in charge (FY14 to FY23)	31.2%	8 th percentile among VT hospitals

Copley Hospital FY23 margin below budget



Financial Indicators

	Copley Hospital				Vermont Hospitals
	FY22 Actual	FY23 Approved	FY23 YTD	FY24 Submitted	FY24 Median
Op Margin	-0.7%	1.6%	-0.7%	3.0%	1.2%
Op-EBIDA Margin	3%	5%	3%	6%	5.6%
Total Margin	0.7%	1.9%	-0.6%	3.2%	3.8%
DCOH	65.8	88.1	40.1	59.6	109.64
Debt Service Coverage Ratio	3.1	6.1	3.3	8.4	4.56
LT Debt to Capitalization Ratio	20.1%	24.6%	26.0%	32.4%	0.17
Age of Plant	12.5	13.7	13.0	12.4	16.02

CH's margin performance is underbudget, driven primarily by higher-than-budgeted salary/benefit/contractual expenses.

Copley Hospital

Staff recommendation



- Modify budget from submitted as follows:
 - Approve NPR+FPP growth 21.3% as submitted
 - Adjust 15.0% change in charge to 8.0%
- Rationale:
 - Historical low reliance on rate increases; however larger increases in recent years
 - At or below median in admin-to-clinical salary ratio and costs/standardized price
 - Brings 2-year growth in rate closer to peers

Suggested motion language



Suggested motion language (modify as needed):

Move to approve Copley Hospital's budget as modified hereby, with a **21.3% increase** from FY2022 actual to FY2024 budgeted NPR/FPP, a **8.0% charge increase** from FY2023 to FY2024 (reduced from 15.0%); and subject to the standard budget conditions as approved by Board [**and any additional conditions**].

Northeastern Vermont Regional Hospital Budget Request



INFLATIONARY REFERENCE RANGE

				7.0% over 2 years		3.1% over FY23P	
	FY23 Approved	FY24 Submitted	FY22 Actual to FY24 Submitted	One Year FY23P to FY24B	Two Year FY22A to FY24B	One Year FY23P to FY24B	Two Year FY22A to FY24B
NPR+FPP	\$110 M	\$124 M	+ \$17 M	- \$21 M		- \$13 M	
	4.2%	11.4%	16.3%	- 16.2%		- 10.2%	
Change in charge	10.8%	15.0%	25.8%	- 3.8%	7.0%	3.1%	13.9%



Northeastern Vermont Regional Hospital

Performance Summary



	Hospital	Relative performance (<i>Lower better</i>)
Expense growth (FY22 to FY24)	14.6%	85 th percentile among VT hospitals
Proportion of admin and general salaries to clinical salaries	21.0%	46 th percentile among critical access hospitals
CMI-adjusted cost per Medicare discharge	\$13,224	71 st percentile among critical access hospitals
Standardized price – Inpatient	\$22,634	75 th percentile among critical access hospitals
Standardized price – Outpatient	\$418	75 th percentile among critical access hospitals
5-year approved change in charge (FY19 to FY23)	23.7%	38 th percentile among VT hospitals
10-year approved change in charge (FY14 to FY23)	46.5%	54 th percentile among VT hospitals

Northeastern Vermont Regional Hospital FY23 Performance vs. Budget



Financial Indicators

	Northeastern Vermont Regional Hospital				Vermont Hospitals
	FY22 Actual	FY23 Approved	FY23 YTD	FY24 Submitted	FY24 Median
Op Margin	0.2%	0.2%	1.1%	1.0%	1.2%
Op-EBIDA Margin	4%	4%	5%	4%	5.6%
Total Margin	-3.2%	0.4%	3.0%	1.0%	3.8%
DCOH	105.7	104.9	66.6	66.4	109.64
Debt Service Coverage Ratio	4.2	4.2	4.7	5.5	4.56
LT Debt to Capitalization Ratio	18.0%	17.9%	17.3%	21.0%	0.17
Age of Plant	14.4	14.5	14.9	14.4	16.02

NVRH’s margin performance is outperforming its budget, driven primarily by higher-than-budgeted NPR+FPP.

Northeastern Vermont Regional Hospital Staff Recommendation



- Modify budget from submitted as follows:
 - Adjust NPR+FPP growth from 16.3% to 9.0% with adjustment of operating expenses by \$7.7 M
 - Adjust 15.0% change in charge to 8.0%
 - Include additional condition for monthly reporting and to submit within 3 months an improvement plan addressing areas of particular concern
- Rationale:
 - Brings 2-year growth in rate closer to peers
 - Costs and standardized prices near 75th percentile
 - Relatively high expense growth

Suggested motion language

Suggested motion language (modify as needed):

*Move to approve Northeastern Vermont Regional Hospital's budget as modified hereby, with a **9.0% increase** from FY2022 actual to FY2024 budgeted NPR/FPP (reduced from 16.3%) and a commensurate reduction in operating expenses from the submitted budget, a **8.0% charge increase** from FY2023 to FY2024 (reduced from 15.0%), and subject to the standard budget conditions as approved by Board and **an additional condition:***

- NVRH shall submit to the Board within 3 months a plan addressing NVRH's efforts to reduce costs and control overall expense growth. Further, NVRH is required to meet monthly with Board staff for monitoring purposes.

FY24 Standard Budget Conditions (correction)



- A. [HOSPITAL]’s FY24 NPR/FPP budget is approved at a growth rate of not more than [xx]% over its FY22 actual, with a total NPR/FPP of not more than \$[xx] for FY24 .
- B. [HOSPITAL]’s overall **change in charge and** commercial rate increases **are** approved at not more than [xx]% over current approved levels, with no commercial rate increase for any payer at more than [xx]% over current approved levels. The commercial rate increase overall or with respect to any payer may be less than [xx]% as negotiated between the hospital and payer.
- C. The commercial rate increase cap in Paragraph B. is a maximum and is subject to negotiation between [HOSPITAL] and commercial insurers. [HOSPITAL] shall not represent the maximum commercial rate increase approved by the GMCB in Paragraph B. or the expected commercial NPR based on that rate increase as the amounts set or guaranteed by the GMCB in the hospital’s negotiations with insurers.
- D. [HOSPITAL]’s expected commercial NPR, based on its budget as adjusted in this Order, is \$[X]. [HOSPITAL] shall report its actual expected commercial NPR not later than March 15 or such later date as specified by the Board Chair and explain any variations from the expected commercial NPR.
- E. [HOSPITAL] shall file with the Board its actual year-to-date FY24 operating results on April 30, 2024 for October 1, 2023 through March 31, 2024. The report shall be in a form and manner as prescribed by GMCB staff.

Standard Budget Conditions: Suggested Motion Language



Suggested motion language:

Move to approve the correction to the standard budget conditions as presented to the Board.