**FY 2020 Budget Analysis Questions – GMCB Staff and GMCB Board Members**
**UVM Medical Center**

**1. Have the hospital's projections for FY 2019 changed?**

UVM Medical Center does not anticipate any material changes to our submitted projection at this time.

**2. What is the total ACO reserve on the balance sheet for Projected FY 2019 and Budget FY 2020? If you have a pending settlement, please report the estimated amount of the settlement and which fiscal year it will effect. Are Other Reform Payments recorded in deduction NPR, if not, where are they recorded?**

UVM Medical Center does not have any ACO reserves on the balance sheet for FY 2019 or FY 2020. Taking into account all components of the 2018 settlement, UVM Medical Center owed money to OneCare Vermont. Yes, Other Reform payments come through as revenue and deductions fund other programs. OneCare infrastructure is the only item that continues to flow through as an expense.

**3. UVM Medical Center's FY 2019 Budget Order states the "Hospital shall consult with Vermont Information Technology Leaders (VITL) to facilitate patients' ability to electronically consent to adding their clinical data to the Vermont Health Information Exchange (VHIE)." What kind of headway has UVM Medical Center made to facilitate this?**

At UVM Medical Center, once patient consent is captured through registration, we then send a patient consent flag electronically. We are currently connected to VITL through Car E.

**4. What is the value of 1 day of Days Cash on Hand?**

Based on the FY 2020 budget as submitted, each day represents approximately $3.78M of operating expense. UVM Medical Center uses the following calculation: Total Expense - Depreciation / Calendar Days. Please note FY 2020 is a leap year, so there are 366 calendar days.

**5. Is the commercial rate the effective commercial rate increase? Please provide a worksheet with your calculations as to how the change in charge (rate) affects gross revenue by payer and net patient revenue by payer. Please provide this worksheet for FY 2016, FY 2017, FY 2018, FY 2019 and FY 2020.**

UVM Medical Center's fiscal year is based on October through September, while the majority of the commercial contracts are based on a calendar year. Due to the timing difference, UVM Medical Center will not realize the full commercial rate increase within the budget fiscal year. As an example, a 4% rate

increase starting January 1 would result in an overall net revenue increase of 3% for the budget year. UVM Medical Center's commercial rate increase is based on negotiated payment per service (fee schedule, DRG, etc.). In general, these payments are not impacted by changes in charge or list price. The following table shows the modeled impact of UVM Medical Center's charge increase.

| IMPACT OF CHARGE INCREASE | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 |
|---|---|---|---|---|---|
| **Gross Charge / List Price Increase** | **0.00%** | **0.00%** | **0.00%** | **3.00%** | **3.00%** |
| | | | | | |
| **Gross Revenue Impact** | **-** | **-** | **-** | **81,142,142** | **86,176,158** |
| Medicare | 0 | 0 | 0 | 37,781,214 | 43,907,277 |
| Medicaid | 0 | 0 | 0 | 13,130,658 | 12,894,860 |
| Commercial | 0 | 0 | 0 | 30,230,270 | 29,374,020 |
| | | | | | |
| **Net Revenue Impact due to Gross Charge / List Price Increase** | **0** | **0** | **0** | **0** | **0** |
| Medicare | 0 | 0 | 0 | 0 | 0 |
| Medicaid | 0 | 0 | 0 | 0 | 0 |
| Commercial | 0 | 0 | 0 | 0 | 0 |

**6. Please explain the variance between your calculation of 1% charge and the GMCB calculation.**

The UVM Medical Center's commercial rate calculation of $6.1M per 1% represents the major commercial payer 12 month equivalent, which factors contract renewal dates.

The GMCB calculated $9.1M per 1%. In their model there are 5 notable items which explain the difference between the amounts:

- GMCB calculation uses the amount of the Commercial and Non-Commercial payer rate amounts
- GMCB calculation uses the change in gross charge price of 3.0%
- UVM Medical Center calculation uses only the Major Commercial payer rate amounts
- UVM Medical Center calculation uses the net revenue commercial rate increase of 4.0%
- UVM Medical Center calculation then converts it from a budget impact to a full 12 month impact

**7. Please provide the amount of FY 2020 operating expenses attributable to the Miller Building and Epic implementation.**

Total incremental operating expense included in the FY 2020 budget for the Miller Building is approximately $16M ($13M is depreciation). Epic incremental operating expense in FY 2020 is approximately $5.9M.

**8. Please further explain the $8.4 million accounting adjustment – does this change impact FY 2019?**

In the FY 2019 budget there were $6,369,722 of associated fees from OneCare Vermont related to payment initiatives within the APM. The fees associated with these plans were budgeted as an expense on the P&L for the submission of the FY 2019 budget. Upon the recommendation of a joint GMCB and hospital CFO workgroup along with guidance from external accounting firms, it was determined any fees associated to the APM payment initiatives plans should be accounted for as a deduction to patient revenue. This accounting practice was implemented for FY 2019 actual and the FY 2020 budget. To allow apples to apples comparisons of the FY 2019 budget to the FY 2020 budget, the FY 2019 budget NPR should be reduced by $6,369,722.

**9. Are Medicare reimbursement assumptions still valid? Are your Disproportionate Share Payments valid?**

The final rule for inpatient Medicare came in unfavorable to UVM Medical Center's original assumption, and the proposed outpatient rule looks to be favorable. Overall, this would have a negative impact to our budget in the range of -$1M. UVM Medical Center's actual DSH payment in FY 2020 will be slightly unfavorable to the budgeted amount.

**10. Please describe the UVM Medical Center self-funded program, including how the program works, the risk, and the flow of dollars between the hospital, any involved payers, and OneCare Vermont.**

The UVM Medical Center self-funded program is an ACO agreement between OneCare Vermont and the UVM Medical Center health plan. The UVM Medical Center health plan contributes a $3.25 PMPM to OneCare, and OneCare offers its provider network the standard clinical model including the base $3.25 PMPM, care coordination funding, data and analytics support, and Value Based Incentive Fund opportunity. While all claims payments remain FFS, there is an agreed-upon spending benchmark against which provider performance is measured. This is an upside-only arrangement, and UVM Medical Center health plan costs (ex. $3.25 investment, actuarial costs) need to be earned back before shared savings will be paid. Any shared savings earned are split 70/30 with 70% being retained by the UVM Medical Center health plan.

**11. In Appendix VI-Bridges, Table 2, UVM Medical Center listed funds under "Other Expense." Please describe what these funds are.**

The major categories that fall into "Other Expenses" are insurance, small equipment, continuing education and professional development, and parking costs.

**12. Please explain the growth in bad debt for FY 2019 projection.**

The significant change in bad debt between FY 2019 projection and FY 2020 budget is related to a change in the bucket it falls into. UVM Medical Center made a change between what was flowing through bad debt versus contractuals. We didn't have the information in time to incorporate into the FY 2020 budget, which has contractuals overestimated and bad debt underestimated.

**13. Please explain assumption for budgeting 0 travelers in FY 2020.**

UVM Medical Center budgets for all the staff we need based on the volume and productivity assumptions we know at the time we are building the budgets. Travelers only fill vacant budgeted positions. The only part of travelers we do not budget is the cost above what we would pay our own employees. The thought is that if we have to hire a traveler, we will have less overtime, urgent, and called-in. Any net difference between the budgeted employed positions and the expense of travelers will be reflected as actual to budget variances.

**14. Please describe the UVM Medical Center self-funded program, including how the program works, the risk, and the flow of dollars between the hospital, any involved payers, and OneCare Vermont.**

Please refer to the response for question 10.

**15. Please describe the "Other" OneCare program category. If applicable, please describe the program, how it works, the risk, and the flow of dollars between the hospital, any involved payers, and OneCare Vermont.**

These are PHM dollars that flow to the hospital but are not payer-specific. For example, Regional Clinical Representatives, Blueprint (CHT or PCMH payments) and RiseVT matching funds are included in this bucket.

**16. For FY 2019 projections what departments are expenses exceeding revenues?**

Hospitals are not paid at the department level. They are paid mostly upon agreed to fee schedules for specific services, bundled services linked to a primary procedure, and/or all-inclusive services related to an inpatient/outpatient stay, which may include both services before and after the stay. When payments are received from a payer, they are credited to a general inpatient or outpatient revenue account on the P&L and not to individual departments. In addition to this, there are many departments whose expenses are not allocated within the P&L to the source of service.

With payments not posted at the department level and expenses not fully assigned to the revenue source within the P&L, it is challenging to fairly and accurately determine which department's expenses are truly exceeding revenues.

**17. Please suggest a statistic the GMCB can monitor to better understand the trends in the total number of staffed beds in the hospital versus the number of beds available for use, and how full or empty those beds are from month to month?**

UVM Medical Center has a report that calculates occupancy using total available bed days and actual bed days.

Total patient days / (Total available beds X days in the period)

These occupancy numbers can fluctuate significantly from day to day, but can be fairly accurately represented on a monthly basis.

**18. What is the impact of the now known Medicaid reimbursement increases? Any update on inpatient Medicaid reimbursement changes?**

UVM Medical Center is estimating a 2% increase for OP Vermont Medicaid 7/1/19 through 6/30/20 and a 1% increase for Professional Vermont Medicaid for the same time period, which would have a positive impact to the budget of approximately $375K. We do not yet have any additional information on IP Vermont Medicaid reimbursement changes, which would go into effect as of 10/1/19.

**19. How can the DSR funds referred to in page 4 be tapped into?**

Delivery System Reform (DSR) funds – program funds that the State of Vermont negotiated to be able to provide participating health care providers with needed dollars to be used in health system reform, such as infrastructure and programming – have been left largely untapped, resulting in hospitals using their operating budgets to continue funding health care delivery system transformation as we move further into the APM. Considering all of the transformative pieces that are necessary into the future, it is unsustainable for hospitals to be the only entities carrying this financial responsibility when there are federal dollars available that could not only alleviate this burden but also expand and accelerate transformation.

DSR funds make it possible to invest in the hospital without using operating dollars, such as funding initiatives to increase access to primary care, to update aging technology and health information systems, and to increase resources for care coordination, prevention and wellness, and population health approaches to health care. As we transition further into the APM, DSR dollars make these investments possible without increasing financial risk on the Vermont hospital system.

**20. Quantify Epic duplicative costs across the Network in FY 2020.**

The UVM Medical Center is currently in the process of implementing Epic across multiple hospitals for electronic health record and patient accounting platform in accordance with the approved CON. As part of the CON, there were three phases to the project. The phase 1 first go-live is planned for 11/1/19;

phases 2 and 3 are respectively planned for go-live in years 2020 and 2021.

With UVM Medical Center going live on 11/1/19 with both hospital and ambulatory applications of Epic, they will begin to have the opportunity to yield savings related to sun-setting of systems/applications replaced by Epic on 11/1/19. Depending on the system and/or application, the full rate of the savings will take varying times to realize. As an example, patient accounts receivable from the legacy system will take months to work down and sunset before the full savings opportunity can be realized. CVMC, Porter, and CVPH will be going live with the ambulatory component on 11/1/19, which will provide some opportunity but will be limited, as they will not begin to see the full opportunity of savings until both ambulatory and hospital applications are live on Epic.

In accordance with the CON, UVM Medical Center submits project progress reports to the GMCB twice a year based on activity through 6/30 and 12/31 related to the project's CON budget. These reports provide a good context of project status and actual spend related to budget.

**21. What are the future offsets with the sun setting of legacy systems in the Network?**

We are still on track for a total of $12.43M worth of legacy system offsets within the UVM Health Network, with $7.19M coming from UVM Medical Center. This is over the course of the TCO, as submitted in the CON, and we will start realizing some of those savings in FY 2020.

**22. How does the 44 FTEs for Epic and 35 for Miller compare to your CON submission?**

Epic and Miller FTEs are in line with the CON submissions.

**23. How much of unique patient CMI change is in FY 2019 forecast from budget? What is table on page 6 based on, forecast?**

The table on page 6 of the budget narrative reflects the change from FY 2019 budget to FY 2020 budget; the basis for FY 2020 budget is FY 2019 YTD actual run-rate.

The table below highlights changes from FY 2019 budget, FY 2019 projected, and FY 2020 budget.

| UVMMC | | FY2017 Actual | FY2018 Actual | FY2019 Budget | FY2019 Projected | FY2020 Budget |
|---|---|---|---|---|---|---|
| Unique Patients | A | 247,941 | 248,201 | 247,759 | 254,703 | 254,878 |
| NPR + FPP | B | $ 1,211,118,975 | $ 1,254,036,510 | $ 1,267,090,324 | $ 1,297,458,296 | $ 1,351,201,702 |
| Net Payments per Unique Patients | C = B / A | $ 4,885 | $ 5,053 | $ 5,114 | $ 5,094 | $ 5,301 |
| CMI | D | 1.70 | 1.69 | 1.71 | 1.71 | 1.73 |
| CMI Adjusted NPR/FPP per Unique Patient (After Bad Debt / Charity / Other Fix Pymnts) | E = C / D | $ 2,873 | $ 2,990 | $ 2,991 | $ 2,979 | $ 3,064 |
| Percent Change from Prior period | | | 4.0% | 0.0% | -0.4% | 2.9% |
| Percent Change from FY2019 Budget to FY2020 Budget | | | | | | 2.5% |

Note FY2019 Budget NPR + FPP is adjusted for the accounting change of $(6,369,722)

**24. Any impact of Ambulatory Surgery Center in numbers for FY 2020?**

It is not clear what impact the Ambulatory Surgery Center will have on the UVM Medical Center at this time, therefore no change was factored into the FY 2020 budget. We will address this after the Center opens, and we have experience with changes in patient care trends.

**25. If you assumed Medicare increases, what is the value and what would a reduction in commercial be to maintain your NPR?**

Each 1% of Medicare rate change for traditional Medicare would equal approximately +/-0.35% of commercial rate. There are many variables to consider when thinking about a comparison like this, such as effective date and mix of business, which may cause the number to vary.

**26. What is your basis for booking ACO-related reserves, and how do you evaluate those reserves through the year?**

UVM Medical Center books reserves and/or receivables for the Medicaid, Medicare, and BlueCross BlueShield FPP programs based on the numbers represented on the monthly OneCare Risk Settlement Status Reports.

**27. Do you believe your ACO-related reserves affect other types of reserves (e.g., bad debt) that you carry on your balance sheet? If so, how?**

UVM Medical Center does not believe there is any impact on other reserves due to the ACO specific reserve.

## Health Care Advocate Questions

**1. Please provide your budgeted changes in utilization by payer and service category (e.g., inpatient, outpatient, professional).**

UVM Medical Center does not budget these volume changes at a payer level.

**2. Commercial Charge/Rate Change and Net Patient Revenue**
**a. Please explain in detail how you plan to implement your commercial charge or rate change, if applicable.**

Changes are implemented based on contract renewal dates.

**b. What is your anticipated commercial charge/rate change for each service area (e.g., inpatient, outpatient, professional)?**

Please see the table on page 30 of the budget narrative.

**c. What commercial utilization assumptions for each service area were used to determine how the commercial charge/rate change translates to the commercial net patient revenue change included in your budget?**

Please refer to Appendix VI.

**i. Do these utilization assumptions align with those in the Green Mountain Care Board's 2020 Vermont Health Connect rate filings? If no, please explain any differences.**

In order to fairly respond to this question, there would need to be much better alignment between the hospitals' and Vermont Health Connect's rate setting processes to determine how UVM Medical Center's FY 2020 budget commercial rate increase of 4.0% aligns with BCBSVT's 12.4% and MVP's 10.1% approved 2020 Vermont Health Connect rate increases.

**3. Pharmacy Costs**
**a. Please provide your budgeted medical pharmacy trend for commercial payers, separated by unit cost and utilization.**

UVM Medical Center cannot provide unit cost by payer.

**b. Please separate any change in unit cost by expense (cost of obtaining the drug) and profit margin.**

The budget is not built by unit cost.

**c. How does the hospital determine its profit margin for each drug (e.g., flat fee, percent of cost)?**

There is no clear way to determine the profit margin for each drug. There is a tiered pricing algorithm for drugs, which incorporates direct and indirect pharmacy costs.

**4. How would you approach splitting your expenses into medical, administrative, and other categories?**

For us to approach this in a common manner, there would have to be an agreed-upon, single definition for any of these categories. Those definitions would need to be consistent across 990 reporting, Medicare cost settlement reporting, and internal hospital reporting. Once those definitions are clear and consistent, we would be in a better position to respond to this question.