

September 10, 2019

Attn: Ms. Susan Barrett, J.D. Executive Director
Green Mountain Care Board
89 Main Street, Third Floor, City Center
Montpelier, Vermont 05620

Re: Post-hearing NPR Follow-up

Dear Ms. Barrett,

This letter serves to respond to a post-hearing follow-up question regarding NPR. This subject was also reviewed at our hearing and with Dr. Perras. This request were not formally or included in the written questions following the hearing.

At our hearing, we presented the following slide:

MAHHC NPSR Justification			
FY20			
		NPSR	Formula
A	Bud 20 NPSR	\$ 55,007,317	
B	Bud 19 NPSR	\$ (51,195,770)	
C		\$ 3,811,547	(A-B)
D	% NPSR Growth Submitted	7.4%	(C/B)
E	Allowed 3.5% NPSR Growth	\$ (1,791,852)	(B*.035)
F		\$ 2,019,695	(C-E)
G			
H	NH% of Var > 3.5% Allowed	\$ 525,121	(F*.26)
I	Other Out of State % of Var > 3.5% Allowed	\$ 20,197	(F*.01)
J	Springfield % of Var > 3.5% Allowed	\$ 282,757	(F*.14)
K		\$ 828,075	(H+I+J)
L	Other NPSR Growth	\$ 1,191,620	(F+K)
	% Other NPSR Growth	2.33%	(L/B)

Our understanding is that the GMCB has reservations surrounding the \$1.1m that exceeds the 3.5% threshold and the business that has migrated from New Hampshire and from the Springfield service area.

Our written response to the formal, post-hearing questions reflect the difficulties associated with the ACO, the cost report, the data quality, etc. NPSR is the result of GPSR less deductions. GMCB analysis moves all ACO payment and deduction activity above NPSR so the reserves for

the cost report, the risk, and the overpayment liability have all been taken care of before we get to this number.

Our budget process, in brief, is driven by determining our anticipated volumes, calculating the salary/non-salary expenses to provide those services, and determining the NPSR and Other Operating Revenue needed to fund those expenses. While the NPSR has \$1.1m that is seemingly unaccounted for, there is more to be considered:

- Other Operating Revenue is budgeted to be less than FY19 budget and FY19 projected
 - \$360k less than FY19 Budget
 - \$575k less than FY19 Projected
- Our DSH reimbursement continues to be half of what it was a few years ago and this is not being made up for with reimbursement rates from payers and affects us annually. It is not a one-time hit (\$340k)
- Our expenses are also increasing roughly \$1.1m (5.2% Budget to Budget, 3.2% Projected to Budget)
 - Our measured growth of volume and intensity is at 9%
 - GMCB-measured Adjusted Admissions growth is 8.5% Budget to Budget
 - We are experiencing that growth currently
 - Expenses are growing slower than volume and intensity
 - We are projecting a 2% rate of expense growth for Projected 2019 despite volume and intensity growth
- Cost per Adjusted Admission is going up 1.5% versus volume and intensity growth of 9% and Adjusted Admission growth of 8.5%
- We have \$350k of ACO-related expenses, not netted in NPR via FFS or FPP payments
 - ACO Dues \$250k
 - \$100k subsidy to comply with Wellness/Prevention/Care Coordination/Population Health costs (ACO Other Operating Revenue less expense of providing the work)
- We have a reasonable margin of 1% (\$600k) with a substantial amount of uncertainty about our current financial position and that of the future

Here's a revised version of the slide that better illustrates the aggregate effect of these issues:

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L	Other NPSR Growth	\$ 1,191,620 (F+K)
	% Other NPSR Growth	2.33% (L/B)
	NPSR > than volume/intensity	\$ 1,191,620
	Ongoing annual DSH loss	\$ (340,000)
	Reduction of Other Operating Revenue	\$ (360,000)
	ACO-related Expenses not offset by FPP/FFS	\$ (350,000)
		\$ 141,620
	Operating Margin of 1%	\$ (600,000)
	Loss with \$1.1m removed	\$ (458,380)

* n.b. \$750,000 in expense growth covered by volume increases and NPSR above

MAHHC would be more than willing to remove this \$1.1m (or some portion) of NPSR if we can resolve the ACO cost report/payment issues, run an interim cost report, and determine our financial position accurately. We believe that much of this \$1.1m may be recovered or offset with an interim cost report to the benefit of all involved. It is literally impossible to determine the impact of this at this time.

Please let me know if there are further questions or concerns.

Regards,



David Sanville, Chief Financial Officer