

FY2023 Hospital Budget Guidance

March 23, 2022

GMCB Health System Finance Team
with assistance from the Legal, Policy, and Analytics Teams

FY2023 Hospital Budget Guidance: Board Meetings

March 16th

- Overview
- Review Appendices
- Review Draft Budget Guidance

March 23rd

- Review Draft #2 Budget Guidance
- Potential Vote

March 30th

- Review Draft #3 Budget Guidance (If necessary)
- Vote (If necessary)

Public Comment on FY23 HB Guidance Received (as of March 22nd)



- VAHHS submitted public comment on 3/22/2022

FY2023 Hospital Budget Discussion topics/changes

(As of March 16, 2022)



CHANGES - FY2023 Hospital Budget Guidance:

- Added sustainability planning discussion to Executive Summary (Narrative, Section A)
- Added FY22 approved change-in-charge results (Narrative, Section B, iii)
- Added Health Equity question (Narrative, Section C)
- Added re-imagined Value-based participation questions (Narrative, Section E)
- Added supplemental data monitoring pilot; Population/demographic data, reimbursement variation data and data relative to payments/costs/payer mix to similar hospitals (Narrative, Section G) Reports due to Hospitals June 2022
- REMOVED hospital budget hearing exemption criteria

FY2023 Hospital Budget

Discussion topics/changes

(As of March 16, 2022)



CHANGES - Part B Appendices:

- Appendix 4: Added Inflation table example for reference
- Appendix 5: Updated breakout of Commercial Value-Based Participation by payer
- Appendix 6: Updated COVID PRF tab removing FY20, adding FY23
- REMOVED: Covid vaccine clinic tab
- **DISCUSS:** FY23 NPR growth over FY22
- **DISCUSS:** How would the GMCB like to continue access to care/wait times monitoring in the FY23 process?

Guidance Changes from March 16, 2022



- Hospital Budget Guidance:
 - Section I (Guidelines and Benchmarks) added FY19 and FY20 for context with FY23
 - Section I-C (Factors Considered During Review) added “including patient migration data” and removed sustainability reference
 - Section III-A (Executive Summary) added specific service line changes as a topic and built out language on sustainability planning
 - Section III-B-ii (NPR/FPP Utilization) Added productivity statistics
 - Section III-B-iii (Charge Request) added specific request for charge impact on areas of service
 - Section III-B-vii (Oper. & Total Margin) added language requesting more detail on subsidiary, amount of need and financial impact.

Guidance Changes from March 16, 2022



- Hospital Budget Guidance:
 - Section III-C (Equity) Added Rand definition of health equity measurement
 - Section III-D (Wait Times) Added potential measurements relating to referral and visit lag
 - Section III-E-iv (Risks & Opportunities) Added several topics relating to workforce
 - Section III-H-I (Supplemental Data Monitoring) Added patient migration data language
- Appendices:
 - Appendix 5 changes: revised inflation table example

FY2023 Hospital Budget Guidance Policies

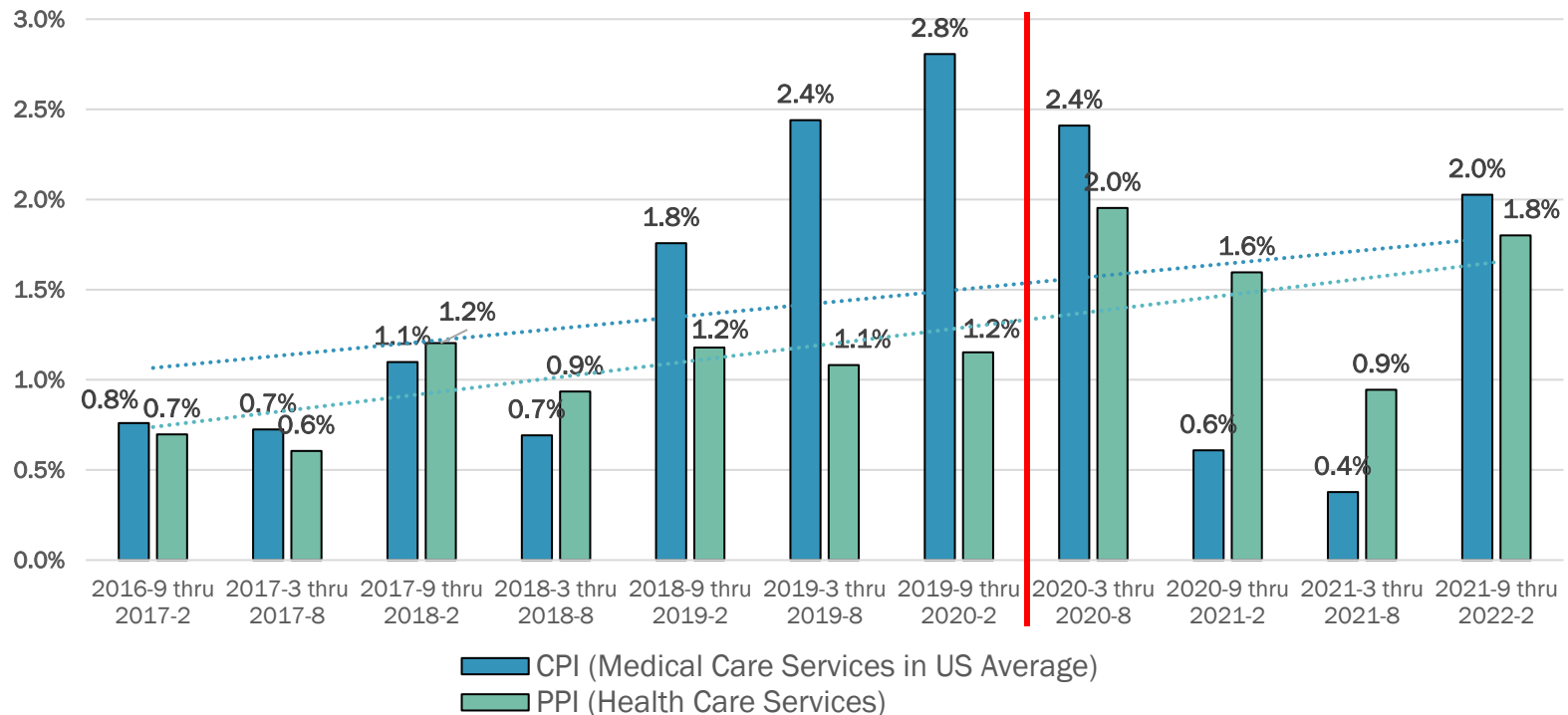


Walk through of Hospital Budget policies incorporated into
Guidance

- Budget Amendments and Adjustments Policy – review changes
- Policy on Hospital Budget Enforcement – standing policy adopted by Board March, 2021; no changes.

Recommended FY23 NPR/FPP Growth Ceiling

Inflation - Price Indices: Consumer Medical Care & Producer Health Services
6-month periods



[Consumer Price Index for All Urban Consumers: Medical Care Services in U.S. City Average](#)

[Producer Price Index by Commodity: Health Care Services](#)

Recommended FY23 NPR/FPP Growth Ceiling Cont'd



	Inflation (6 mos)		
	CPI (Medical Care Services)	PPI (Health Care Services)	
2016-9 thru 2017-2	0.8%	0.7%	Pre-COVID
2017-3 thru 2017-8	0.7%	0.6%	
2017-9 thru 2018-2	1.1%	1.2%	
2018-3 thru 2018-8	0.7%	0.9%	
2018-9 thru 2019-2	1.8%	1.2%	
2019-3 thru 2019-8	2.4%	1.1%	
2019-9 thru 2020-2	2.8%	1.2%	
2020-3 thru 2020-8	2.4%	2.0%	
2020-9 thru 2021-2	0.6%	1.6%	
2021-3 thru 2021-8	0.4%	0.9%	
2021-9 thru 2022-2	2.0%	1.8%	
2022-3 thru 2022-8	2.0%	2.0%	
2022-9 thru 2023-2	2.0%	2.0%	

Historical inflation

	PPI: Health Care Services (Mean)	PPI: Health Care Services (Median)
Pre-COVID Avg. 6-mo inflation	0.98%	1.08%
COVID Avg. 6-mo inflation	1.57%	1.70%
Increase	61%	57.04%

Projected inflation

	PPI: Health Care Services (Mean)	PPI: Health Care Services (Median)
Pre-COVID Avg. 6-mo inflation	0.98%	1.08%
COVID Avg. 6-mo inflation	1.72%	1.88%
Increase	75%	73.5%

*Assumes trend of 2.0% inflation (per 6 mos.) over the next year

NPR Growth Recommendation

	(A) Current NPR	(B) Inflation Factor	(C) New NPR (A x B)
Historical	3.50%	61%	5.63%
Projection	3.50%	75%	6.13%

Staff Recommendation

- Staff recommend that the GMCB establish an NPR growth ceiling figure and allow NPR growth for FY23 of 6.1% over FY22, tied to Consumer and Producer Price Indices data
- No recommended guidance on average change-in-charge for FY23 due to unprecedented, rapidly changing, environmental factors and challenges
- Elimination of budget hearing exemptions
- Inclusion of added factors for review as amended 3/23/22
- Addition of sustainability planning discussion component to Narrative Section A (Executive Summary) as amended 3/23/22
- Addition of change-in-charge results questions from FY22 GMCB approved rate in Narrative, Section B, iii (Charge Request) as amended 3/23/2022
- Addition of health equity question in Narrative Section C (Equity) as amended 3/23/2022

Staff Recommendation Cont'd



- Addition of re-imagined value-based care participation questions in Narrative Section E (Value-based Care Participation)
- Addition of supplemental data monitoring pilot in Narrative Section F (Supplemental Data Monitoring) Reports due to hospitals June 2022 as amended 3/23/2022
- Continued deferment of Quality budgetary component until collaboration with VPQHC quality task force results become available (due August 2022).
- Update to the Budget Amendment and Adjustment Policy (Appendix - Part D) as amended 3/23/2022
- Recommend other changes made on slides 6 and 7.
- ***Need to include HCA contribution prior to a vote.***

FY2023 Hospital Budget Guidance: Board Meetings

March 30th

- Review Draft #3 Budget Guidance
- Final Vote

July 1st

- Budget Submissions
- Appendices
- Other materials requested