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

<table>
<thead>
<tr>
<th>Inflation (6 mos)</th>
<th>CPI (Medical Care Services)</th>
<th>PPI (Health Care Services)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016-9 thru 2017-2</td>
<td>0.8%</td>
<td>0.7%</td>
</tr>
<tr>
<td>2017-3 thru 2017-8</td>
<td>0.7%</td>
<td>0.6%</td>
</tr>
<tr>
<td>2017-9 thru 2018-2</td>
<td>1.1%</td>
<td>1.2%</td>
</tr>
<tr>
<td>2018-3 thru 2018-8</td>
<td>0.7%</td>
<td>0.9%</td>
</tr>
<tr>
<td>2018-9 thru 2019-2</td>
<td>1.8%</td>
<td>1.2%</td>
</tr>
<tr>
<td>2019-3 thru 2019-8</td>
<td>2.4%</td>
<td>1.1%</td>
</tr>
<tr>
<td>2019-9 thru 2020-2</td>
<td>2.8%</td>
<td>1.2%</td>
</tr>
<tr>
<td>2020-3 thru 2020-8</td>
<td>2.4%</td>
<td>2.0%</td>
</tr>
<tr>
<td>2020-9 thru 2021-2</td>
<td>0.6%</td>
<td>1.6%</td>
</tr>
<tr>
<td>2021-3 thru 2021-8</td>
<td>0.4%</td>
<td>0.9%</td>
</tr>
<tr>
<td>2021-9 thru 2022-2</td>
<td>2.0%</td>
<td>1.8%</td>
</tr>
<tr>
<td>2022-3 thru 2022-8</td>
<td>2.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>2022-9 thru 2023-2</td>
<td>2.0%</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

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

### Historical inflation

<table>
<thead>
<tr>
<th></th>
<th>PPI: Health Care Services (Mean)</th>
<th>PPI: Health Care Services (Median)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-COVID Avg. 6-mo inflation</td>
<td>0.98%</td>
<td>1.08%</td>
</tr>
<tr>
<td>COVID Avg. 6-mo inflation</td>
<td>1.57%</td>
<td>1.70%</td>
</tr>
<tr>
<td><strong>Increase</strong></td>
<td><strong>61%</strong></td>
<td><strong>57.04%</strong></td>
</tr>
</tbody>
</table>

### Projected inflation

<table>
<thead>
<tr>
<th></th>
<th>PPI: Health Care Services (Mean)</th>
<th>PPI: Health Care Services (Median)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-COVID Avg. 6-mo inflation</td>
<td>0.98%</td>
<td>1.08%</td>
</tr>
<tr>
<td>COVID Avg. 6-mo inflation</td>
<td>1.72%</td>
<td>1.88%</td>
</tr>
<tr>
<td><strong>Increase</strong></td>
<td><strong>75%</strong></td>
<td><strong>73.5%</strong></td>
</tr>
</tbody>
</table>

### NPR Growth Recommendation

<table>
<thead>
<tr>
<th></th>
<th>(A) Current NPR</th>
<th>(B) Inflation Factor</th>
<th>(C) New NPR (A x B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Historical Projection</td>
<td>3.50%</td>
<td>61%</td>
<td>5.63%</td>
</tr>
<tr>
<td></td>
<td>3.50%</td>
<td>75%</td>
<td>6.13%</td>
</tr>
</tbody>
</table>

(A) Current NPR
(B) Inflation Factor
(C) New NPR (A x B)
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