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## **Policy on Hospital Budget Enforcement**

### **Background and Justification**

Vermont law requires that the Green Mountain Care Board (GMCB) establish the budgets of Vermont's hospitals and mandates that "[e]ach hospital . . . operate within the budget established." 18 V.S.A. §§ 9375(b)(7); 9456(d). GMCB Rule 3.000 outlines the review process and parameters that the GMCB will use to assess budget performance and adjustments. *See* GMCB Rule 3.000, § 3.401. In addition, the GMCB's annual Uniform Reporting Manual Supplement outlines a methodology to compare actual budget results for the fiscal year to the budget established by the GMCB.

In adopting performance guidelines in 2013, the GMCB found that Vermont hospitals' aggregate budget-to-actual performance had improved since the early 2000s, but that many hospitals nonetheless continued to exceed net revenue thresholds. Some of these budget-to-actual differences resulted from one-time events such as physician practice acquisitions, or from prior year Medicare settlements. Some hospitals, however, experienced greater reimbursement than had been forecasted. In such instances, prior to the GMCB's adoption of an enforcement policy, no meaningful regulatory action was taken. The GMCB is adopting this Enforcement Policy to provide guidance regarding enforcement of hospital budgets. The policy will govern enforcement of fiscal year budgets ending after the effective date specified below.

### **Hospital Budget Enforcement**

For fiscal year budgets ending after the effective date specified below:

- 1) Net Patient Revenue and Fixed Prospective Payments (NPR/FPP) amounts as ordered may be enforced.
- 2) The GMCB may review hospitals whose year-end NPR/FPPs exceed the NPR/FPP requirement by 1.0% above or below their approved NPR/FPP. This review will not necessarily lead to action by the GMCB.
- 3) Budget reviews will compare each hospital to results of the total system.
- 4) Reporting requirements for the review will be determined by the GMCB.
- 5) The GMCB will afford the hospital an opportunity for a hearing and will require a hearing if it deems one necessary.
- 6) If the GMCB determines that a hospital's performance has differed substantially from its budget, the GMCB may take actions including, but not limited to:
  - a) Reduce or increase the hospital's rates;



- b) Reduce or increase net revenue and/or expenditure levels in the hospital's budget;
- c) Use its finding as a consideration to adjust the hospital's budget in one or more subsequent years;
- d) Allow a hospital to retain a percentage or all of the surplus funds; and
- e) Any other actions the GMCB deems appropriate.

*See GMCB Rule 3.000, § 3.401(c).*

In addition, consistent with the overarching goal to restrain health care spending, the GMCB may issue further guidelines, after consultation with stakeholders and discussion in a public meeting, to help provide the hospitals with clear expectations concerning application of the GMCB's enforcement mechanisms. This policy does not limit the GMCB's authority or ability to review aspects of a hospital's budget performance other than NPR/FPP performance and does not limit the GMCB's authority to review a hospital's budget performance at any time, as specified in GMCB Rule § 3.401.

*Effective March 31, 2021*

