

FY 2022 HOSPITAL BUDGET GUIDANCE AND REPORTING REQUIREMENTS

Effective March 31, 2021

Prepared by:

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THIS TIMELINE IS SUBJECT TO CHANGE

Reporting Timeline

MARCH 31, 2021	GMCB provides hospitals with budget guidance due to the COVID-19 pandemic, including questions from the Office of the Health Care Advocate (HCA)
JULY 1, 2021	Hospitals submit budgets to GMCB, including answers to questions provided by the HCA in Part E
JULY-AUGUST 2021	GMCB staff review, analyze, and ask technical budget submission questions
JULY 28, 2021	GMCB staff provides preliminary budget overview at public board meeting (TENTATIVE)
WEEKS OF AUG. 16 & 23, 2021	Remote Hospital budget hearings (TENTATIVE)
SEPTEMBER 1-15, 2021	Board deliberations/votes to establish each hospital's budget at public board meetings
SEPTEMBER 15, 2021	Board issues budget decisions
SEPTEMBER 30, 2021	Hospital submission of most recent Form 990 and updated CHNA and/or progress report
OCTOBER 1, 2021	Budget orders sent to hospitals

INTRODUCTION

The COVID-19 pandemic is continuing to have a substantial impact on Vermont's community hospital system. As part of the Green Mountain Care Board's (GMCB or the Board) ongoing effort to align regulatory processes, the Fiscal Year 2022 (FY22) Hospital Budget Guidance and Reporting Requirements (the Guidance) was reorganized to reduce duplication, and to promote consistency between the Board's accountable care organization budget review and hospital budget review processes.

For FY22, the purpose of this schedule is to streamline July 1, 2021 budget submissions to focus on financial matters necessary to establish FY22 budgets. In balancing the Board's need for information necessary to establish budgets with the ongoing strains on the hospital system's clinical, financial, and operational resources, the Board **approved** the FY22 Hospital Budget Guidance and Reporting Requirements (the Guidance). **The Board continues to recognize the hospital budget submission challenges created from the COVID-19 pandemic and these uncertain and ever-changing times.**

The Guidance, the Uniform Reporting Manual, and the Adaptive Insights User Guide represent the Board's expectations for regulated hospitals regarding the FY22 budget review process.

A. INSTRUCTIONS

Budget submissions shall be accurate, timely, and organized according to the format outlined in the Guidance. To facilitate and expedite analysis and discussion, materials must include page numbers and citations to outside information referenced or discussed.

No later than September 30, 2021, please submit a full copy of the hospital's most recent Form 990 (for FY20), including the most current version of Schedule H that has been submitted to the Internal Revenue Service as part of the hospital organization's Form 990 reporting obligations under Section 501(c)(3) of the Internal Revenue Code.

In accordance with 18 V.S.A. § 9456(c)(3)(A), the Office of the Health Care Advocate (HCA), which represents the interests of Vermont health care consumers, must receive the hospital's budget filings and other materials, and will participate in the budget review process, including hearings.

SECTION I: BUDGET GUIDELINES & BENCHMARKS

The hospital must justify the requested Net Patient Revenue/Fixed Prospective Payment (NPR/FPP) and charge request compared to FY21. The hospital must provide quantitative and qualitative justifications for its requests that take into consideration actual and projected utilization and revenue impacts in FY21; utilization assumptions affecting FY22 revenue; and changes to payer mix.

The GMCB will review/evaluate the FY22 budget submission in the context of the hospital's actual FY20 and projected FY21 results and the challenges presented by the COVID-19 pandemic's impact.

The GMCB is aware that budgeting in a pandemic environment is exceptionally difficult. The GMCB also recognizes it may take multiple years for the hospitals to recover from the financial impact of COVID-19.

GMCB policies related to budget amendments and adjustments, exemptions from public hearing, and hospital budget enforcement can be found in **Part D** of the Appendices.

A. NET PATIENT REVENUE/FIXED PROSPECTIVE PAYMENT GROWTH CEILING

At its March XX, 2021 public meeting, the Board established a maximum Net Patient Revenue/Fixed Prospective Payment (NPR/FPP) growth limit of X.X% for FY22 (over each hospital's FY21 budget).

The Board is permitting an allowance in NPR/FPP for revenues (and expenses) related to COVID-19 vaccine clinics and testing.

In connection with establishing a hospital's NPR/FPP growth limit, the Board may review and adjust the hospital's proposed operating expenses.

B. CHARGE REQUEST

The GMCB will also review and may adjust requested changes to hospital charges.

C. FACTORS CONSIDERED DURING REVIEW

The Board may consider the following factors when reviewing NPR/FPP and changes to hospital charge requests:

- The financial metrics of the hospital, including days cash on hand and other routinely collected metrics or ratios.
 - May include year over year comparisons to other Vermont hospitals, as well as other benchmarks.
- Hospital's growth of operating expenses offset by expense reduction plans in conjunction with NPR/FPP growth.
- Hospital's other operating revenue in connection with operation expenses.
- The hospital's long-term strategic and financial plans for sustainability.
- Data and information provided by insurers and third-party administrators regarding actual and projected utilization and price changes.
- Impacts on Vermonters and employers in the commercial market, including self-funded employers, and considerations of Medicare and/or Medicaid payment changes on the commercial rate increases.
- Impacts of Medicare and/or Medicaid payment changes and changes to rate of uninsured.

- The hospital’s NPR/FPP and charge increases approved in prior budget years; and
- Other relevant factors proposed during the budget review process.

D. BUDGET AMENDMENTS AND ADJUSTMENTS

Hospitals may request changes to approved budgets to account for operational or financial changes, including provider transfers, accounting changes, or requests for mid-year rate changes. The Board expects to be informed of changes resulting in NPR/FPP increases or decreases in approved or submitted budgets. Please note the dates below, and refer to the Budget Amendments and Adjustments Policy in **Part D** of the Appendices for more information.

- Changes occurring prior to May 1: Hospitals are expected to promptly notify the Board of budget changes occurring during the current fiscal year. Changes occurring prior to May 1 of a given calendar year should be reported to the Board in a timely manner. Prompt reporting ensures accurate analysis of year-to-date performance.
- Changes occurring on or after May 1: Hospitals are expected to include changes occurring after May 1 in the hospital’s July 1 annual budget submission. The Board may consider those adjustments when establishing current budgets.

Please note, failure to notify the Board of budget changes in a timely manner may affect whether the Board recognizes requested changes during the budget review process.

SECTION II: INFORMATION COLLECTED VIA ADAPTIVE

The information collected in Adaptive is outlined in the Uniform Reporting Manual and the Adaptive Insights User Guide. Please see **Part A** in the Appendices for instructions.

SECTION III: NARRATIVE

The budget narrative, a key component of the budget submission, provides the hospitals an opportunity to explain any changes to their budgets and highlight areas of interest and/or concerns. The GMCB asks hospitals **to answer each question succinctly and to strictly follow the format below** by responding in sequence to each of the listed prompts.

In each narrative response, please include a discussion of any ongoing impact of COVID-19 on the hospital’s FY21 operating performance and FY22 budget.

Recognizing that narrative prompts may require related or similar information, please do not restate answers, and instead incorporate the information, data, responses, etc. by reference.

A. EXECUTIVE SUMMARY

Provide a summary of the hospital’s FY22 budget submission, including any information the GMCB should know about programmatic changes, such as staffing and operational changes and any

further impacts of COVID-19. Please include the hospital's response to COVID-19 vaccinations and how it affects operations.

B. YEAR-OVER-YEAR CHANGES

Explain each component of the budgeted FY22 based on the prompts below, please explain the hospital's budget-to-budget growth (or decline), budget-to-projection growth (or decline), including any ongoing COVID-19 assumptions.

Please provide revenues and expenses related to COVID-19 vaccination clinics and testing as part of the FY22 budget, as well as FY21 projection, in a separate schedule (i.e. income statement) in Appendix 5 of **Part B** in the Appendices section. If possible, please include employees.

i. NPR/FPP: Overview

- a. Referencing the data submitted in Appendix 1 of **Part B** below, explain each component of the budgeted FY22 NPR/FPP change over the approved FY21 budget, referencing relevant FY22 budget-to-projection variances.
 - i. Discuss changes in NPR/FPP expected from Medicare, Medicaid, and Commercial; and other reimbursements from government payers.
 - ii. Also include any significant changes to revenue assumptions from FY21 (e.g., Centers for Medicare and Medicaid Services (CMS) and Department of Vermont Health Access (DVHA) reimbursement policies, reimbursement adjustments, settlement adjustments, reclassifications, other accounting adjustments, rate changes, utilization, and/or changes in services).
 1. Include an analysis, as required under 18 V.S.A. § 9456(b)(9), that reflects a reduction in net revenue needs from non-Medicaid payers equal to any anticipated increase in Medicaid, Medicare, or another public health care program reimbursements, and to any reduction in bad debt or charity care due to an increase in the number of insured individuals.
 - iii. In the Vaccine Clinics and Testing tab of Appendix 5 of **Part B** include the revenues and expenses incurred by the hospital for providing employee and public COVID-19 vaccines and testing.
 1. Please discuss the impact COVID-19 vaccination clinics and testing has on the FY21 projection and FY22 budget.

ii. NPR/FPP: Utilization

- a. Describe any significant variances from the FY21 budget and projection (including changes in reimbursements and utilization).
- b. Referencing the data submitted in Appendix 3 of **Part B** below, explain changes in your utilization assumptions to support your NPR/FPP variances.

iii. Charge Request

- a. Referencing the data submitted in Appendix 2 of **Part B** below, explain the hospital's overall charge request on the charge master in Table 1.
 - b. Explain how the request impacts gross revenue, NPR and FPP by payer and what assumptions were used in quantifying the requested increase/decrease for each in Tables 2-3. Describe how the charge request affects the areas of service (for example, inpatient, outpatient, etc.) in gross revenues, NPR and FPP by payer. Explain the underlying assumptions and methodology used to make that allocation.
 - c. Please indicate the dollar value of 1% NPR/FPP FY22 in Table 3 of Appendix 2 of **Part B** below, overall change in charge.
- iv. Adjustments (physician transfers and accounting adjustments)
- a. Account for operational or financial changes, including provider transfers and/or accounting changes.
- v. Other Operating and Non-Operating Revenue
- a. Explain the budgeted FY22 other operating revenue and non-operating revenue changes over the approved FY21 budget, as well as relevant FY21 budget-to-projection variances.
 - b. Please denote the COVID-19 advances, relief funds, and other grants received/anticipated to be received in Appendix 7 of **Part B** below, and the respective treatment of each funding source as of September 30, 2020, projected as of September 30, 2021, and budgeted as of September 30, 2022.
 - c. Explain the relative stability of significant sources of other operating revenue and non-operating revenue and discuss strategies to address revenue streams the hospital considers unpredictable or unstable.
- vi. Operating Expenses
- a. Explain changes in budgeted FY22 operating expenses over the approved FY21 budget.
 - b. Describe any significant variances between your FY22 budget and FY21 projections (e.g., variances in costs of labor, supplies, utilization, capital projects) and how those variances affected the hospital's FY22 budget.
 - c. Referencing the information and data submitted in Appendices 1 and 4 of **Part B** below and relevant portions of the FY22 budget submission, please discuss the categories of inflation and their relevance to the hospital's budget and operations.
 - d. Describe any cost saving initiatives proposed in FY22 and their impact on the budget.
 - e. Describe the impact operating expenses have on requested NPR/FPP.

- vii. Operating Margin and Total Margin
- a. Discuss the hospital's assumptions in establishing its FY22 operating and total margins. Explain how the hospital's FY22 margins affect its overall strategic plan. If the hospital relied on third party benchmarks or targets, please identify those benchmarks and sources (e.g., lending institutions, credit rating agencies, industry standards, parent company/affiliate policy). Please also discuss any relevant FY21 budget-to-projection variances.
 - b. Does the hospital's budget request include support or a need to support any other entities outside of the physical hospital? An example includes a higher operating margin to transfer surplus to a subsidiary.

C. RISKS AND OPPORTUNITIES

- i. Please discuss the hospital's risks and opportunities in FY22. Recognizing the risks and opportunities in the current environment, please explain how the FY22 budget proposal supports strategies for addressing these issues.
- ii. Please describe the impact of COVID-19 on access to care/wait times at your organization, including the use of telehealth and telemedicine, COVID-19 related safety protocols, and other relevant factors.
- iii. Please discuss any lessons learned from the COVID-19 pandemic thus far, and any positive changes the hospital has adopted or plans to adopt for the future.

D. VALUE-BASED CARE PARTICIPATION

- i. Referencing the data submitted in Appendix 6 of **Part B** below. Is the hospital participating value-based care programs in CY 2022 and, if so, please state what payer programs? If the hospital is not planning to participate in value-based care, please explain why.
- ii. Please state what the hospital is projecting for ACO dues for FY21 and budgeting for FY22.
- iii. Has the hospital, and if so, how has the hospital, changed the way the hospital delivers care as a result of participating in value-based payment programs? Which value-based funding sources were most instrumental in driving that change?
- iv. What barriers and opportunities are there to further delivery system reform in your community?
- v. What factors support, or inhibit, hospital participation in more value-based payment programs?

- a. What is the “tipping point” or threshold, defined as the percentage that true FPP comprises of total NPR/FPP, necessary to support the successful transformation of your delivery system to a system substantially based on value-based care?
- b. Assuming Medicare and Vermont commercial payers offered a true actuarially sound population based fixed payment tomorrow, over what time horizon would you estimate you could reach your local tipping point? How long would it take your hospital to move operationally to a mostly fixed budget through participation in all-payer fixed payment programs)?
- c. What would the Medicare and Commercial fixed payment programs need to look like to facilitate your participation?

vi. What is the value of your maximum risk liability by payer for CY 2022?

vii. *A risk reserve table will be distributed to the hospitals in late summer/early fall.*

E. CAPITAL INVESTMENT CYCLE

- i. Identify and explain the budgetary impact of any Certificate of Need (CON) applications the hospital plans to submit in FY22. Please also describe the budgetary impact of relevant ongoing CONs.
- ii. Identify and describe the status of other major investments that are not subject to the CON process (ongoing or expected to start in FY22) and the corresponding impact on the hospital’s budget.
 - i. In accordance with 18 V.S.A. § 9435(f), “routine replacements of nonmedical equipment and fixtures, including furnaces, boilers, refrigeration units, kitchen equipment, heating and cooling units, and similar items” that are not subject to CON review must be included in a hospital’s proposed budget.
- iii. Please discuss the impact of planned investments (and related financing) on the hospital’s long-term cash/borrowing needs and expenses associated with borrowing.
- iv. Discuss how the hospital’s capital investment cycle has changed as a result of COVID-19.
- v. If any of the hospital’s anticipated capital investments are required improvements (e.g., regulatory or accreditation requirements), please identify and explain.

SECTION IV: PRESENTATIONS

A. GENERAL PRESENTATION INSTRUCTIONS

1. The hospital's presentation must include accompanying PowerPoint slides, saved as a PDF, and simultaneously projected with slide numbers.
2. The hospital's presentation slides must include (on separate slides) the hospital's income statement and balance sheet as submitted on July 1 and a cash flow statement showing FY21 projections to FY22 budget.

The presentation is an opportunity to discuss the effects of COVID-19.

B. PRESENTATION CONTENT

1. Introduction/Overview/Hospital Vision
2. Net Patient Revenue/Fixed Prospective Payments & Summary of Budget Request
3. Income statement, balance sheet, and cash flow statement
 - i. NPR/FPP (Medicare, Medicaid, and Commercial Revenue Assumptions)
 - ii. Charge Request
 - iii. Adjustments (provider transfers and/or accounting adjustments)
 - iv. Other Operating and Non-Operating Revenue
 - v. Operating Expenses
 - vi. Operating Margin and Total Margin
4. Risks and Opportunities
5. Value-Based Care Participation
6. Capital Investment Plans
7. Other: Impact of COVID-19 on access to care/wait times at your organization, including the use of telehealth and telemedicine, COVID-19 related safety protocols, and other relevant factors.

APPENDICES

PART A: INFORMATION COLLECTED VIA ADAPTIVE

USER ACCESS TO ADAPTIVE INSIGHTS

Budget information should be provided through the Adaptive Insights (Adaptive) website. A maximum of three individuals (users) from each hospital may have access Adaptive.

Instructions on how to input the budget into Adaptive or upload the Abbreviated Excel budget template can be found by logging into the website and going to:

Reports>Shared Reports>FY 2022 BUDGET>HOSPITAL DIRECTORY>Hospital Budget Instructions

The directory includes the following:

1. User Access Request Form for Adaptive Insights (To add or remove users, please submit the User Access Request Form (or contact the GMCB for a copy of the form))
2. FY 2022 Hospital Budget Guidance and Reporting Requirements (this document)
3. GMCB Uniform Reporting Manual FY2022
4. GMCB Adaptive User Guide (data entry into Adaptive)
 - a. Enter all data fields for the income statement, balance sheet, and payer revenue sheets
 - b. Enter all hospital utilization (units) in hospital physician revenue sheet
 - c. Enter all FTE's in Staff/FTE sheet
 - d. Enter Capital Expenditures in appropriate sheets
5. **Part E:** Verification under Oath
6. **PART B:** VARIANCE ANALYSIS/FINANCIAL WORKBOOK Appendices 1-7

PART B: VARIANCE ANALYSIS/FINANCIAL WORKBOOK (Due July 1, 2021)

Note: Variance Analysis/Financial Workbook is located in Adaptive under: Reports>Shared Reports>FY 2022 BUDGET>HOSPITAL DIRECTORY>Hospital Budget Instructions

Appendix 1: Reconciliation

Appendix 2: Charge and NPR Detail

Appendix 3: Utilization

Appendix 4: Inflation

Appendix 5: Vaccine Clinics and Testing

Appendix 6: Value-Based Care Participation

Appendix 7: COVID-19 Advances, Relief Funds, and Other Grants

PART C: REQUIRED UPDATED DOCUMENTS

Form 990 Most Recent (Due September 30, 2021)

Community Health Needs Assessment (CHNA) and/or work plan (Due September 30, 2021)

PART D: GMCB POLICIES

Exemptions from Public Hearing Policy

Budget Amendments and Adjustments Policy

Policy on Hospital Budget Enforcement

PART E: ADDITIONAL INFORMATION

Verification under Oath

Questions from the Office of the Health Care Advocate

DRAFT