

Green Mountain Care Board
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October 1, 2021

DELIVERED ELECTRONICALLY

Douglas DiVello
Chief Executive Officer
Grace Cottage Hospital
PO Box 216
Townshend, VT 05353

Dear Mr. DiVello:

Enclosed please find a Budget Order reflecting the Green Mountain Care Board's decision establishing your hospital's budget for fiscal year 2022. The Board and its staff analyzed your proposed budget, reviewed supplemental information, and took into account numerous additional considerations in rendering its decision during this process. That decision is described in the enclosed Order.

The hospital budget review process is a key tool in our efforts to constrain health care cost growth while improving the health of Vermonters. As part of this process, the Board considers hospital financial health, sustainability, and the importance of transitioning to a value-based system. We look forward to working with you and your staff to refine and improve the process for the next cycle and beyond. We appreciate the responsiveness and diligence that you and your staff have shown during the FY22 budget cycle, particularly in light of the ongoing COVID-19 pandemic.

As part of the Budget Order, your hospital shall participate in telephonic check-ins to be scheduled at the discretion of the Board Chair in consultation with Board staff based on your FY22 year-to-date operating performance and related matters. Also, as part of developing guidance for the FY23 hospital budget review process, your hospital and Board staff will work together to potentially identify and include measures in non-financial reporting to further several goals of the Vermont healthcare system, including developing strategies to reduce wait times and access to care issues, reducing potentially avoidable utilization, and continuing to participate in the Board's strategic sustainability planning process. Details of these requirements are scheduled to be discussed with stakeholders and will be communicated later.

If you have any questions regarding the Order or the implementation of its reporting requirements, please feel free to contact me or the Board's hospital budget staff. Again, thank you for your hard work and cooperation during this process.

Sincerely,



s/ Kevin Mullin

Chair, Green Mountain Care Board

cc: Stephen Brown, CFO
Mike DelTrecco, VAHHS
Kaili Kuiper, HCA



STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

FY2022 HOSPITAL BUDGET DECISION AND ORDER

In re: Grace Cottage Family Health and Hospital) Docket No. 21-006-H
Fiscal Year 2022)
_____)

INTRODUCTION

In July, the Green Mountain Care Board (GMCB or “the Board”) began reviewing the Fiscal Year 2022 (FY22) budgets of Vermont’s 14 general (community) hospitals for compliance with policy guidelines and financial targets adopted by the Board in March. The financial benchmarks include net patient revenue and fixed prospective payment (NPR/FPP) growth of not more than 3.5% over the approved FY21 budgets. See GMCB, FY 2022 Hospital Budget Guidance and Reporting Requirements, 5 (Mar. 31, 2021) (FY22 Guidance).¹ The Board permitted an allowance for NPR/FPP that exceeds the growth guidance for revenues (and expenses) related to COVID-19 vaccine clinics and testing. See *id.* The hospitals’ FY22 budget submissions reflect a systemwide average NPR/FPP growth request of 6.4%² over the approved, systemwide FY21 NPR/FPP. Preliminary Review of FY2022 Hospital Budget Submissions and Public Budget Hearing Exemptions, 16 (July 28, 2021) (FY22 Preliminary Review). Individual hospital NPR growth ranged from 3.0% to 13.4%. *Id.* Hospital budget submissions also reflected an overall estimated weighted average charge increase of 6.0%, with individual charge increases ranging from 2.2% to 8.3%. FY22 Preliminary Review, 12. Following public Board meetings, presentations by hospitals and GMCB staff, and a special public comment period that closed on September 1, 2021, the Board approved hospital budgets that are expected to result in a reduced systemwide NPR/FPP increase of 6.1% (6.0% after factoring in provider transfers and accounting adjustments) and an estimated weighted average charge increase of 5.2%. GMCB, Fiscal Year 2022 Approved Vermont Hospital Budget Submissions, 16, 18 (September 28, 2021) (Approved Budgets). The Board felt a 6.1% NPR/FPP increase was warranted in light of the many challenges facing Vermont’s hospitals, including the ongoing effects of the COVID-19 pandemic, growing evidence of pent-up demand and higher acuity patients, and the increased costs associated with inflationary pressures and significant staffing challenges.

Grace Cottage Family Health and Hospital (GCH) submitted its budget on July 1, 2021, requesting an 8.2% increase in NPR/FPP, which remains an 8.2% increase in NPR/FPP after excluding revenue from COVID-19 clinics and testing, and a 5.0% overall change in charge. On

¹ The hospitals’ FY22 budget materials, including their budget narratives and responses to questions, are available on the GMCB website at: <https://gmcboard.vermont.gov/hospitalbudget/fy2022budget>. Transcripts of the hospital budget hearings and deliberations are available upon request.

² In accordance with the FY22 Guidance, hospitals may request “adjustments” to their approved FY21 NPR/FPP or FY22 request, which, if approved, are not factored into their total NPR/FPP increase. These adjustments most frequently reflect provider transfers but may also appear in other accounting adjustments. See FY22 Guidance, 6. After adjusting FY22 NPR/FPP budgets to remove COVID-19 vaccine clinics and testing revenue, the systemwide average NPR/FPP growth request for FY22 from approved FY21 approved budgets was 6.0%. See FY22 Preliminary Review, 16.

September 1, following GMCB staff presentations, and deliberations, the Board approved GCH's FY22 budget with a 6.8% increase in NPR/FPP from its approved FY21 budget, a reduction from GCH's submitted budget, and a change in charge of 5.0%.

LEGAL FRAMEWORK

Hospital budget review is one of the Board's core regulatory responsibilities. 18 V.S.A. §§ 9375(b)(7), 9456. The Board must establish each hospital's budget annually no later than September 15 and is required to issue written decisions reflecting each hospital's established budget by October 1. 18 V.S.A. § 9456(d)(1). In making its decisions, the Board is guided by its statutory charge "to promote the general good of the state by: (1) improving the health of the population; (2) reducing the per capita rate of growth in expenditures for health services in Vermont across all payers while ensuring that access to care and quality of care are not compromised; (3) enhancing the patient and health care professional experience of care; (4) recruiting and retaining high quality health care professionals; and (5) achieving administrative simplification in health care financing and delivery." 18 V.S.A. § 9372. Additionally, the Board must execute its duty of annually establishing each hospital's budget in a way that advances the principles of healthcare reform set forth in 18 V.S.A. § 9371. *See* 18 V.S.A. § 9375(a). The Board may adjust proposed budgets that fail to comply with the Board's established benchmarks and other guidance. GMCB Rule 3.000, § 3.305. The Board may also adjust a hospital's established budget based on the Board's independent review of a hospital's budget performance. 18 V.S.A. § 9456(f); GMCB Rule 3.000, § 3.401.

Hospitals bear the burden of persuasion in justifying their proposed budgets. GMCB Rule 3.000, § 3.306(a). During its review, the Board must consider numerous factors, including hospitals' utilization information and assumptions, community and state health care needs, the cost shift, hospitals' payer mix and performance under past budgets, public comments, and any other information the Board deems relevant. *See* 18 V.S.A. § 9456(b); GMCB Rule 3.000, § 3.306(b). Each approved budget must, among other requirements, be consistent with state and community health care needs, reflect the hospital's performance for prior years, take into consideration national, regional, or in-state peer group norms, according to indicators, ratios, and statistics established by the Board, and promote the hospital's efficient and economic operations. *See* 18 V.S.A. § 9456(c).

The Board annually adopts guidance by March 31 that establishes benchmarks for hospitals to use in developing and preparing their upcoming fiscal year's budgets. GMCB Rule 3.000, § 3.202. The Board issued guidance for FY22 budgets on March 31, 2021, after public meetings with Vermont hospitals, the Vermont Association of Hospitals and Health Systems, and other interested parties. *See* FY22 Guidance, 3, 4.³ For FY22, the Board set an NPR/FPP growth guidance of not more than 3.5% over the approved FY21 budgets. FY22 Guidance, 5.

³ The Board's FY22 Guidance is available at <https://gmcbboard.vermont.gov/sites/gmcb/files/documents/FY22%20Hospital%20Budget%20Guidance-%20Final%203%2030%202021.pdf>.

To “prioritize and maximize direct patient care, safeguard the stability of health care providers, and allow for orderly regulatory processes that are responsive to the evolving needs related to the COVID-19 pandemic,” the Board was given authority to waive or permit variances from State laws, guidance, and standards with respect to several of its regulatory responsibilities, including hospital budget review. This Board authority expires six months following the termination of the state of emergency related to COVID-19. 2020, No. 91, § 5. The state of emergency related to COVID-19 ended on June 15, 2021. *See* State of Vermont, Executive Order No. 06-21 (June 15, 2021).

Pursuant to its authority under Act 91, the GMCB exempted any hospital that met specific criteria from a public hearing regarding its FY22 budget. *See* FY22 Guidance, 6-7. The criteria that a hospital was required to meet included an FY22 NPR/FPP rate increase at or under 3.5% from its FY21 approved budget (excluding NPR/FPP from COVID-19 testing and vaccine clinics), a change in charge request at or under 3.5% from its FY21 budget, continued involvement in value-based care reform, and a budget submission that complied with FY22 Budget Guidance, had schedules that reconciled, and was deemed reasonable. *See id.*

FY22 REVIEW PROCESS

Hospitals submitted their FY22 budgets to the GMCB on or about July 1, 2021, and hospitals that were not exempt from public hearings presented their budgets at public GMCB meetings between August 17, 2021 and August 27, 2021. The Board and its staff reviewed and analyzed FY22 budget information submitted and presented by the hospitals, including detailed financial information, utilization data, inflation costs, population health goals, value-based care participation, patient access data and wait times, budget-to-budget NPR/FPP growth rates, trended NPR/FPP growth rates forward from FY19 as a pre-pandemic base year, prior budget performance, and requested changes in charges. In addition, the Board considered comments from the Office of the Health Care Advocate (HCA) and from members of the public. The Board also considered each hospital’s unique circumstances, including its health care reform efforts, capital and infrastructure needs, hospital-specific risks and opportunities, and applicable cost-reduction initiatives.

The hospitals requested a systemwide NPR/FPP increase of 6.4% over the systemwide FY21 budgeted NPR/FPP. GMCB PowerPoint, FY 2022 Vermont Hospital Budgets, Board Deliberations, 11 (Sept. 1, 2021) (Deliberations I). After adjusting budgets to remove NPR/FPP related to COVID-19 vaccines and testing, the systemwide requested NPR/FPP increase was 6.0%. *Id.* After considering presentations from and discussions with hospital leadership, analysis prepared by GMCB staff, and input from the HCA and the public, the Board established hospital budgets that allow for a systemwide NPR/FPP growth rate for FY22 of 6.1% over the approved systemwide FY21 NPR/FPP. Approved Budgets, 16.

In addition, the Board reviewed each hospital’s proposed change in charge, which is the average amount by which a hospital increases its charges.⁴ Notably, the respective payers — Medicare, Medicaid, and commercial — do not reimburse each hospital the same amount for the same services. For example, commercial payers can negotiate reimbursements with each hospital

⁴ Changes to the actual charges vary by hospital and across service lines.

separately, resulting in pricing variations, while Medicaid and Medicare prices are not typically negotiable, and reimbursement is instead established through each payer's unique fee schedule and update factors. Medicaid reimbursements have not increased, and generally hospitals have not expected any increase in Medicaid reimbursement in FY22 budgets, despite increased costs associated with inflation. The larger rate increases that hospitals requested for FY22 are driven by that cost shift, as hospitals need higher commercial charges to cover inflation not reimbursed by public payers. Taking into consideration all adjustments, the Board reduced the estimated system weighted overall average change in charges from the requested 6.0% to 5.2%. Approved Budgets, 18.

Vermont community hospitals continue to transition to a value-based health care system focused on prevention, wellness, and health. Hospitals' expected fixed prospective payments as a percentage of NPR/FPP for FY22 range from 0% to 24%. Preliminary Review, 21. Out of close to \$3 billion NPR/FPP for all Vermont community hospitals in FY22, \$409 million, or 14%, is expected to be in the form of fixed prospective payments for FY22. *Id.* For FY21, hospitals also project 14% of NPR/FPP to be in the form of fixed prospective payments.

The Board considered each hospital's submitted budget in the context of certain financial metrics that measure the hospital's performance against state, regional, and national peer groups. Financial metrics include operating margins, total margins, days cash on hand, days receivable, days payable, long-term debt to capitalization ratios, debt service coverage ratios, and average age of plant. See Deliberations I, 22-29. The financial metrics are compiled from data from Fitch Ratings Solutions, Inc. and Flex Monitoring.⁵

GCH filed its FY22 budget submission on July 1, 2021, its narrative on July 6, 2021, and a revised narrative on July 12, 2021. GCH requested an 8.2% increase in its NPR/FPP and a 5.0% change in charge. GCH FY22 Budget Submission, Narrative, 1 (GCH Submission); GMCB Deliberations I, 75. GCH's 8.2% NPR/FPP increase exceeds the 3.5% NPR/FPP growth guidance set by the Board even after adjustments for COVID-19 vaccine clinic and testing revenue. GCH's FY21 budget-to-projection variance is 3.2% (i.e., its FY21 projected NPR/FPP is 3.2% more than its FY21 budget), and as a result the hospital's FY22 budgeted NPR/FPP represents a 4.8% increase from its projected FY21 results. *See* Deliberations I, 75.

GCH's senior leadership presented the FY22 budget to the Board at a public hearing held August 27, 2021. *See* GCH FY22 Budget Presentation (Aug. 27, 2021) (GCH Presentation), 1. On September 1, 2021, following GMCB staff presentations and deliberation, the Board approved GCH's budget, as adjusted in this Order, with a 6.8% increase in NPR/FPP for FY22 and a 5.0% increase in average overall charges.

Based on the above, the Board issues the following Findings, Conclusions, and Order:

FINDINGS

⁵ The Flex Monitoring Team is a consortium of researchers from the Universities of Minnesota, North Carolina-Chapel Hill, and Southern Maine, funded by the Federal Office of Rural Health Policy to evaluate the impact of the Medicare Rural Hospital Flexibility Grant Program (the Flex Program).

COVID-19 Pandemic

1. COVID-19 (SARS-CoV-2) and its variants have significantly impacted hospital operations and budgets in Vermont, from the first reported case in March, 2020, through the current hospital budget review process. Vermont's Governor declared a state of emergency on March 13, 2020, which lasted through June 15, 2021, to address the ongoing threat from COVID-19. See State of Vermont, Executive Order 01-20 (March 13, 2020).
2. Vaccines to treat COVID-19 were authorized for emergency use by the U.S. Food and Drug Administration in December 2020 and were rolled out to states, including Vermont, which then started distribution of the vaccine on an age-based basis from late 2020 through 2021. Vermont leads the nation in vaccination rates, with approximately 77% of the eligible population fully vaccinated as of September 2, 2021.⁶ Despite its high vaccination rates, Vermont and its hospitals face continued challenges from COVID-19 and its emergent variants.
3. COVID-19 significantly affected hospital operations and finances in FY21. Systemwide, hospitals budgeted \$2.79 billion in FY21 NPR/FPP but projected \$2.69 billion for FY21 NPR/FPP at the time of submitting their FY22 budgets. Deliberation II, 7. The challenges hospitals faced creating FY21 budgets because of uncertainty and fluctuations resulting from the pandemic affected hospitals' budgeting process for FY22 also. See Deliberation II, 5.
4. Federal and state governments provided financial assistance to health care providers during the pandemic. Vermont hospitals received approximately \$191 million in COVID-19 related funding in FY20, and project approximately \$107 million in COVID-19-related funding for FY21 on a statewide basis. GMCB PowerPoint, FY 2022 Vermont Hospital Budgets, Board Deliberations, 16 (Sept. 3, 2021). (Deliberations II). For FY22, only one hospital included any COVID-19 funding in its budget, in a total amount of \$200,000. *Id.*

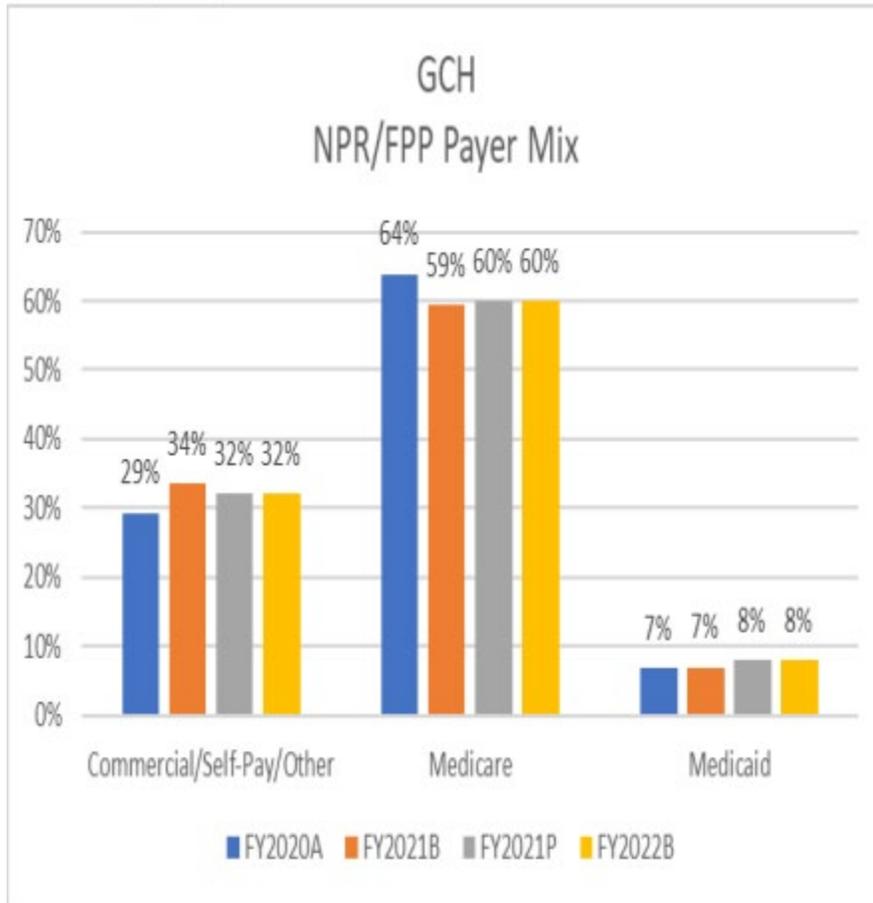
GCH Budget Submission

5. GCH is a critical access hospital located in Townshend, Vermont. GCH is the smallest of Vermont community hospitals by NPR/FPP; its FY22 submitted NPR/FPP accounted for approximately 0.8% of the total submitted NPR/FPP for all 14 regulated hospitals in the State. See Deliberations I, 10.
6. GCH filed its FY22 budget submission on July 1, 2021, its narrative on July 6, 2021, and a revised narrative on July 12, 2021. GCH's budget requested an 8.2% growth in NPR/FPP, for a total of \$22,353,530. See Deliberations I, 75; GCH Submission, Staff Analysis, Income Statement, 4. GCH's FY21 budget-to-projection variance is 3.2%, meaning that GCH's projected FY21 NPR/FPP is 3.2% greater than its FY21 budget and that its budgeted FY22 NPR/FPP is 4.8% greater than projected FY21 NPR/FPP. See Deliberations I, 75. In order to normalize NPR/FPP growth and exclude the impacts of COVID-19, the Board trended NPR/FPP at a 3.5% rate from FY19 approved budgets to FY22 as a point of comparison to

⁶ See Vermont Department of Health, COVID-19 Vaccine Dashboard, available at: <https://www.healthvermont.gov/covid-19/vaccine/covid-19-vaccine-dashboard>.

the hospital's proposed NPR/FPP. This hypothetical 3.5% NPR/FPP increase would result in an FY22 NPR/FPP of \$20,771,499, which is approximately \$1.6 million less than GCH's budgeted NPR/FPP for FY22. *See id.*

7. GCH's FY22 NPR/FPP increase from its FY21 budget is comprised primarily of rate effect (approximately \$775,000) and reimbursement and payer mix (approximately \$851,000). *See Deliberations I, 76.*
8. GCH's FY22 budget assumes that overall volume will be consistent with projected FY21 volumes, with a decrease in total visits to its provider practice and a decrease in outpatient laboratory, which assumes no COVID-19 testing. *See GCH Submission, Narrative, 2; GCH Presentation, Slide 7; Testimony of Douglas DiVello, Hearing Transcript, 11:16-12:12.*
9. GCH's requested NPR/FPP increase of 8.2% from FY21 budget is larger than the 6.4% budgeted FY22 NPR/FPP increase for all Vermont community hospitals. *See Deliberations I, 11.* GCH's NPR/FPP increase from FY21 projections to FY22 budget is 4.8%, which is lower than the 10.4% increase for all Vermont community hospitals. *See id.* GCH's compound annual growth rate for NPR/FPP from FY19 to FY22 is 6.1%, which is larger than the 4.7% compound annual growth rate for all Vermont community hospitals during that period. *See Id.*
10. GCH submitted its FY22 budget with a requested average overall charge increase of 5.0%. *See GCH Submission, Narrative, 1; Deliberations I, 75.* The change in charge is distributed evenly across inpatient, outpatient, and professional services. *See Deliberations I, 80.* The value of a 1% change in charge for GCH is \$212,891. *Id.*
11. GCH's requested 5.0% change in charge for FY22 is less than the estimated weighted average for all Vermont community hospitals of 6.0%. *Deliberations I, 8.* In each of its budgets from FY19 through FY21, GCH requested and received a 3.2% change in charge. *Deliberations I, 80.* GCH's five year (FY17-FY21) average approved change in charge is 3.92% and its median approved change in charge was 3.2%. *Deliberations I, 9.*
12. GCH's FY22 budget includes a \$16,883 increase related to higher Medicaid reimbursement from its change in charge. *See Deliberations I, 80; Testimony of Stephen Brown, Hearing Transcript, 20:9-20:25.* Medicaid pays less than half of what it costs GCH to care for Medicaid patients. *See Testimony of Stephen Brown, Hearing Transcript, 20:22-20:25.* GCH's FY22 budget includes a \$511,253 increase related to higher Medicare reimbursements, which represents an increase of approximately 4.2% from FY21 Medicare payments. *See Deliberations I, 80; GCH Submission, Appendices Workbook, Appendix 1 – Reconciliation Tables.* GCH has a high percentage of Medicare patients, and Medicare comes close to covering GCH's cost of caring for Medicare patients. *See Testimony of Stephen Brown, Hearing Transcript, 20:16-20:20.*
13. GCH's proposed FY22 budget includes the following allocation of NPR/FPP by payers:



See Deliberations I, 81.

14. The ratio of gross to net revenue collection rates for commercial to Medicare for GCH is 72% in its FY22 budget, which is the lowest among Vermont community hospitals. See Deliberations II, 139.
15. GCH's FY22 budget includes total operating expenses of \$24,518,885, an increase of approximately \$2.1 million, or 9.5%, over budgeted FY21, and approximately \$1.1 million more than projected FY21 operating expenses. GCH FY22 Budget, Staff Analysis, Income Statement, 3-4. GCH's increased expenses result from the increased cost of travelers, increased costs for supplies, adjustments to salaries to recruit and retain qualified staff, new positions for staff in GCH's physical therapy practice, and additional support staff due to increased demand for reporting, data requirements, prior authorizations for referrals, and inpatients with more comorbidities. See GCH Presentation, Slide 14; Testimony of Stephen Brown, Hearing Transcript, 18:1-20:1.
16. For FY22, GCH budgeted an operating loss of \$890,024, for a -3.8% operating margin, and a total margin of 0.2%. GCH FY22 Budget, Staff Analysis, Income Statement, 4. GCH projects a 12.3% operating margin (equal to \$3,288,464) and a 15.3% total margin in FY21. GCH FY22 Budget, Staff Analysis, Income Statement, 3. For FY20, GCH had an operating

margin of 1.1% (equal to \$237,545) and a 6.2% total margin. Deliberations I, 79; GCH FY22 Budget, Staff Analysis, Income Statement, 3.

17. GCH projects approximately \$4.1 million in COVID-19 stimulus and other grants for FY21. See GCH FY22 Budget, Staff Analysis, Income Statement, 3. GCH has not budgeted for any COVID-19 stimulus or relief funds for FY22. GCH FY22 Budget, Staff Analysis, Income Statement, 4.
18. GCH has strong financial support from its community, and through its philanthropy program the hospital will receive approximately \$2 million in gifts and donations for FY21, which is a record for GCH. See Testimony of Douglas DiVello, Hearing Transcript, 22:4-22:9.
19. GCH does not participate with OneCare Vermont. Deliberations I, 30; GCH Submission, Narrative, 5. GCH is reviewing the potential to participate in OneCare's Medicaid programs starting in FY23. See GCH Submission, Narrative, 5. GCH received \$0 of its patient service income in the form of fixed prospective payments. Deliberations I, 12.
20. GCH's budget anticipates 149.7 days cash⁷ on hand in FY22. GCH FY22 Budget, Staff Analysis, Balance Sheet, 5. GCH projects 219.3 days cash on hand at the end of FY21. *Id.* GCH's cash position for FY21 is projected to be better than it had budgeted for FY21 (163 days cash on hand), but less than its FY20 days cash on hand of 240.8. *Id.* GCH's days cash on hand for FY22 is approximately equal to the Vermont median for critical access hospitals of 148.6, and more than the benchmarks for Northern New England and Northeast CAH hospitals. See Deliberations I, 24.
21. GCH's narrative, presentation, and other filed budget information comply with the Board's FY22 hospital budget requirements.
22. Approving GCH's budget as outlined below will promote the efficient and economic operation of the hospital and is consistent with the current Health Resource Allocation Plan (HRAP) and ongoing community needs in GCH's Health Service Area.

CONCLUSIONS

Our review of FY22 budgets comes during a challenging period for Vermont hospitals, which are struggling to manage the ongoing COVID-19 pandemic, care for a growing number of patients who deferred care during the pandemic and are now arriving at the hospital sicker, address significant staffing challenges, and cover the costs associated with inflation. The COVID-19 pandemic has placed significant strain on hospital operations, hospital finances, and the health care workforce. The pandemic has also created uncertain and highly variable hospital utilization, making it difficult for hospitals to budget accurately.

⁷ The systemwide average for FY22 budgets is approximately 176 days cash on hand.

Hospitals also face significant challenges providing adequate staffing to handle demand. Staffing challenges are not new for hospitals,⁸ nor are the challenges limited to the State of Vermont, but staffing shortages have been exacerbated by the strain and other effects of the pandemic. Staffing shortages are playing out across the system in the form of higher costs for full-time providers, travelers, and other staff, employee burnout, and long patient wait times for certain services.

The cost-shift continues to be a serious concern facing Vermont community hospitals. Hospitals have generally budgeted no increase or only small increases for Medicaid reimbursements for FY22, which will not cover the cost of inflation, leaving hospitals to increase commercial rates more to cover that unreimbursed cost for public payers.

Based on our review, GCH's presentation, staff analysis, deliberations on September 1, 2021, we approve GCH's budget with the adjustments set out below. GCH's budgeted NPR/FPP growth of 8.2% is high, exceeding our 3.5% guidance, and the hospital has a five-year compound annual growth that is 2% greater than the system as a whole. *See Findings of Fact (Findings), ¶¶6, 9.* Consequently, we think it is appropriate to adjust GCH's growth to more closely align with guidance and the overall growth of Vermont community hospitals. Reducing GCH's NPR/FPP growth to 3.5% from its budgeted FY21 NPR/FPP, however, would essentially hold GCH level from its FY21 projections, which are 3.2% above its FY21 budget. *See Findings, ¶6.* To allow GCH room for NPR/FPP growth in FY22, we approve GCH's budget with a 3.5% increase from its projected NPR/FPP, as presented to us, which results in an FY22 NPR/FPP that is 6.8% greater than the hospitals approved FY21 budget.

We next approve GCH's change in charge as submitted at 5%. While we are concerned by a large 5% change in charge, the increase only supports a break-even budget for GCH, with a negative operating margin and a 0.2% total margin. *Findings, ¶16.* GCH's requested and approved changes in charge for the past three years have been relatively low, at 3.2%, and its five year average is 3.9%. *Findings, ¶11.* Based on those factors, we approve a 5% change in charge for GCH this year. GCH's FY22 budget is approved with a NPR/FPP growth of 6.8% from its approved FY21 budget and a 5.0% change in charge.

ORDER

Based on our findings and conclusions and the authority granted by Chapter 221, Subchapter 7 of Title 18, GCH's budget is approved with the adjustments below for FY22 subject to the following terms and conditions:

- A. GCH's FY22 NPR/FPP budget is approved at a growth rate of 6.8% over its FY21 budget, with a total NPR/FPP of \$22,072,030 for FY22.
- B. GCH's overall average charge increase is approved at not more than 5.0% over current approved levels.

⁸ See, e.g., GMCB Board Meeting January 30, 2019 on Health Care Workforce.

- C. Beginning on or before November 20, 2021, and every month thereafter, GCH shall file with the Board the actual year-to-date FY22 operating results as of the end of the prior month. The report shall be in a form and manner as prescribed by GMCB staff.
- D. GCH shall participate in telephonic check-ins to be scheduled at the discretion of the Board Chair in consultation with Board staff based on the hospital's FY22 year-to-date operating performance
- E. GCH shall advise the Board of any material changes to its FY22 budgeted revenues and expenses, or to the assumptions used in determining its budget, including:
 - a. changes in Medicaid, Medicare, or commercial reimbursement;
 - b. additions or reductions in programs or services to patients; and
 - c. any other event that could materially change the approved NPR/FPP budget.
- F. On or before January 31, 2022, GCH shall file with the Board, in a form and manner prescribed by GMCB staff, such information as the Board determines necessary to review the hospital's FY21 actual operating results.
- G. GCH shall file with the Board one copy of its FY21 audited financial statements and associated management letter(s), as well as the parent organization's audited consolidated financial statements, if applicable, 15 days after the hospital receives its statements, or by January 31, 2022, whichever is earlier.
- H. GCH shall participate in the Board's strategic sustainability planning process.
- I. GCH shall review the data and information in Mathematica's report Potentially Avoidable Hospital Utilization at Rural Hospitals⁹ regarding potentially avoidable utilization in their ED and inpatient settings, and hospitals will work with Board staff to potentially include these measures in non-financial reporting as part of the FY23 hospital budget review process, with the goal of developing strategies to reduce potentially avoidable utilization.
- J. GCH shall timely file all forms and information required for provider acquisitions and/or transfers as determined by GMCB staff, if applicable.
- K. GCH shall file all requested data and other information in a timely and accurate manner.
- L. After notice and an opportunity to be heard, the GMCB may amend the provisions contained herein, and issue an amended order, consistent with its authority as set forth in 18 V.S.A. Chapter 220, Subchapter 1, 18 V.S.A. Chapter 221, Subchapter 7, and GMCB Rule 3.000.

⁹ See Mathematica, Potentially Avoidable Hospital Utilization at Rural Hospitals (August 11, 2021), available at: https://gmcboard.vermont.gov/sites/gmcb/files/documents/PotentiallyAvoidableHospitalUtilizationatRuralHospitals_Mathematica_BoardPres_20210811.pdf; see also Mathematica, Rural Health PAU Dashboard, available at: <https://rural-health.vrdc.mathematica-stg.net/landing>.

