

FY 2023 HOSPITAL BUDGET GUIDANCE AND REPORTING REQUIREMENTS

Effective March 31, 2022

Prepared by:

**GREEN MOUNTAIN CARE BOARD
144 State Street
Montpelier, Vermont 05602**

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THIS TIMELINE IS SUBJECT TO CHANGE

Reporting Timeline

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| MARCH 31, 2022 | 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, 2022 | Hospitals submit budgets to GMCB, including answers to questions provided by the HCA in Part E |
| JULY-AUGUST 2022 | GMCB staff review, analyze, and ask technical budget submission questions |
| JULY 27, 2022 | GMCB staff provides preliminary budget overview at public board meeting |
| AUGUST 1, 2022 | Hospital submission of Capital Expenditure sheets in Adaptive-Not Later Than |
| WEEKS OF AUG. 15 & 22, 2022 | Remote Hospital budget hearings |
| SEPTEMBER 1-15, 2022 | Board deliberations/votes to establish each hospital's budget at public board meetings. Board will deliberate in order of budget hearings. |
| SEPTEMBER 15, 2022 | Board issues budget decisions |
| SEPTEMBER 30, 2022 | Hospital submission of most recent Form 990 and updated CHNA and/or progress report |
| OCTOBER 1, 2022 | 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 2023 (FY23) Hospital Budget Guidance and Reporting Requirements (the Guidance) continues the efforts of the last two years to reduce duplication, and to promote consistency between the Board's accountable care organization budget review and hospital budget review processes.

For FY23, the purpose of this schedule is to streamline July 1, 2022 budget submissions to focus on financial matters necessary to establish FY23 budgets. In balancing the Board's need for information necessary to establish budgets according to the Board's statutory mandate with the ongoing strains on the hospital system's clinical, financial, and operational resources, the Board approved the FY23 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 FY23 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, 2022, please submit a full copy of the hospital's most recent Form 990 (for FY21), 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 FY22. The hospital must provide quantitative and qualitative justifications for its requests that take into consideration actual and projected utilization and revenue impacts in FY22; utilization assumptions affecting FY23 revenue; and changes to payer mix.

The GMCB will review/evaluate the FY23 budget submission in the context of the hospital's actual FY19, FY20, FY21 and projected FY22 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 and hospital budget enforcement can be found in **Part D** of the Appendices.

A. NET PATIENT REVENUE/FIXED PROSPECTIVE PAYMENT GROWTH GUIDANCE

At its March 30, 2022 public meeting, the Board established a Net Patient Revenue/Fixed Prospective Payment (NPR/FPP) growth guidance of up to an aggregate of 8.6% for FY23 and FY24 combined (over each hospital's FY22 budget). The Board will consider a hospital budget with NPR/FPP growth of more than the growth guidance based on the specifics and support for that NPR/FPP growth provided by the hospital in its FY23 budget submission.

In connection with establishing a hospital's NPR/FPP growth limit, the Board may review and adjust the hospital's proposed operating expense growth in the aggregate commensurate with any adjustments made to the hospital's NPR/FPP in order to protect margins.

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.
- Population or demographic data, including patient migration data, based on census data as determined by the Board to be relevant and applicable.
- Hospital reimbursement variation data, cost, and cost coverage data.
- Data relative to payments to similar hospitals, relative costs for similar hospitals, and payer mix. Generally accepted measures of medical inflation.
- Hospital's extraordinary labor costs and investments, as well as the impacts of those costs and investments on the affordability of health care per H.654 (2022)
- 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 FY22 operating performance and FY23 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 FY23 budget submission, including any information the GMCB should know about programmatic changes, such as staffing, specific service lines, operational changes, any further impacts of COVID-19, and engagement in sustainability planning at the hospital. Specifically pertaining to sustainability planning, please describe how the hospital is preparing to engage in sustainability planning with the Green Mountain Care Board.

B. YEAR-OVER-YEAR CHANGES

Explain each component of the budgeted FY23 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.

i. NPR/FPP: Overview

- a. Referencing the data submitted in Appendix 1 of **Part B** below, explain each component of the budgeted FY23 NPR/FPP change over the approved FY22 budget, referencing relevant FY23 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 FY22 (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.

ii. NPR/FPP: Utilization

- a. Describe any significant variances from the FY22 budget and projection (including changes in reimbursements and utilization).

- b. Please provide your occupancy rate per licensed and staffed bed, occupancy rate, and average daily census for FY23 versus FY22 and FY21.
 - c. 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 (specifically, inpatient, outpatient, professional services, 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 FY23 in Table 3 of Appendix 2 of **Part B** below, overall change in charge.
 - d. Please provide the following updates from the hospital's GMCB approved change-in-charge for FY22:
 - i. Did the hospital receive the full amount of its approved FY22 rate increase from the commercial payers?
 - ii. Did the hospital increase its charges to the full approved amount for FY22, if not, why not and by how much did the hospital increase those rates?
 - iii. How did the resulting increase impact areas of service (specifically, inpatient, outpatient, professional services, etc.).
- 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 FY23 other operating revenue and non-operating revenue changes over the approved FY22 budget, as well as relevant FY22 budget-to-projection variances.
 - b. Please denote the COVID-19 advances, relief funds, and other grants received in Appendix 6 of **Part B** below, and the respective treatment of each funding source as of September 30, 2021, projected as of September 30, 2022, and budgeted as of September 30, 2023.

- c. Please discuss to the best of the hospital’s knowledge, any potential funds that could be received by the hospital (with an estimated timeframe) related to COVID-19 advances, relief funds, and other grants.
- d. 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 FY23 operating expenses over the approved FY22 budget.
- b. Describe any significant variances between your FY23 budget and FY22 projections (e.g., variances in costs of labor, supplies, utilization, capital projects) and how those variances affected the hospital’s FY23 budget.
- c. Referencing the information and data submitted in Appendices 1 and 4 of **Part B** below and relevant portions of the FY23 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 FY23 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 FY23 operating and total margins. Explain how the hospital’s FY23 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 FY22 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. If so, please provide the name of the subsidiary, the budgeted amount of the subsidy that will be required as part of the hospital’s budget request and the financial impact of that subsidy on the subsidiary.

C. EQUITY

- i. What is your hospital doing to recognize and correct inequities in your community, and prepare for the development of health equity measures?
 RAND defines a health equity measurement approach as “an approach to illustrating or summarizing the extent to which the quality of health care provided by an organization contributes to reducing disparities in health and health care at the population level for those

patients with greater social risk factor burden by improving the care and health of those patients.”

D. WAIT TIMES

The Board staff and up to two Board members will establish a working group to include hospitals, Vermont Association of Hospitals and Health Systems, the Vermont Department of Financial Regulation, the Office of the Health Care Advocate, and other interested parties to determine by May 2, 2022, appropriate wait time metrics that hospitals shall submit as part of the FY23 budget process. If the workgroup is unable to determine appropriate metrics, the hospitals shall report the following for each hospital owned practice (for each primary care and specialty care), as well as, the top five most frequent imaging procedures. Specifically, please report for each practice and imaging procedure:

- i. Referral lag, the percentage of appointments scheduled within 2 days of referral.
- ii. Visit lag, the percentage of new patients seen within 2 weeks, 1 month, 3 months, and 6 months of their scheduling date.

In each case, hospitals shall outline steps to resolve wait times.

E. RISKS AND OPPORTUNITIES

- i. Please discuss the hospital’s risks and opportunities in FY23. Recognizing the risks and opportunities in the current environment, please explain how the FY23 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 evolution of the COVID-19 pandemic thus far, and any positive changes the hospital has adopted or plans to adopt for the future.
- iv. Please discuss the workforce challenges of the hospital as it relates to the following:
 - a. Vacancy rate by Primary Care MD, Specialty MD, RN, Nursing Support and All Other.
 - b. Provide your average turnover rates by Primary Care MD, Specialty MD, RN, Nursing Support and All Other for FY2018-FY2021.
 - c. Report on initiatives and funding sources to reduce workforce pressures through recruitment and retainment.
 - d. Please comment on and quantify the impact of nursing and MD travelers on your budget request.

- e. Provide salaries per FTE, FTEs per adjusted occupied bed, and salaries expense to NPR

F. VALUE-BASED CARE PARTICIPATION

- i. Referencing the data submitted in Appendix 5, if there are any value-based care programs that the hospital is **not** participating in for CY 2023, **please explain why and describe any barriers that exist.** What changes, if any, to each of these programs would need to be made in order to facilitate your participation?

Assuming participation in one or more value-based care program(s) through OCV:

- ii. Understanding that the pandemic has just started to recede, what changes in **each** of the hospital's cost centers that relate to value-based care initiatives (e.g. population health management, care coordination, chronic condition management, etc.) have been made as a result of participating in the ACO? Be specific in describing each cost center and how it has changed since joining the ACO. **Additionally, speak to how the fixed payments or other ACO payments from OCV are or are not advancing value-based care at your hospital.**
- iii. A. As the pandemic recedes, what specific population health priorities are emerging for the hospital?

B. How will each of these priorities be conveyed to providers to in order to impact care delivery?

C. How will success be measured for each of these initiatives?
- iv. As of CY2022, OCV is providing each HSA with quarterly quality reports. How are the results of these reports being communicated to providers in a way that will impact care delivery and quality outcomes?
- v. A. Regarding the CY2020 settlement information for the hospital (Separate tables will be provided by GMCB), what are the planned investments of those dollars in furthering the hospital's health care reform goals? If no investments in health care reform were made with these dollars, how were they invested?

B. If the hospital experienced a net shared loss during this time period, how is the hospital using that information to inform change to the delivery system?

G. CAPITAL INVESTMENT CYCLE

- i. In accordance with 18 V.S.A. § 9435(f), describe the investment cycle and how it relates to the hospital's overall strategic plan. Discuss how the hospital's capital

investment cycle has continued to evolve as a result of COVID-19. Please mention certain items and the resulting status as a result of COVID-19 (i.e. cancelled, postponed, rescheduled, etc.)

- ii. If any of the hospital's anticipated capital investments are required improvements (e.g., regulatory or accreditation requirements), please identify and explain.

H. SUPPLEMENTAL DATA MONITORING

- i. Market Share Report. This will be a snapshot which will show the change in market share for "key service lines" over the past 5 fiscal years as reported by the state's hospital discharge database, VUHDDS. Market share will be defined as the percentage of service line charges from local residents (within a hospital's service area) versus non-local residents (outside a hospital's service area). Market share will be disaggregated by primary payer. See [Patient Origin dashboard](#)/"Patient Origin by Hospital" tab for an example.
 - a. Does this report reflect material changes in your NPR actuals over this time period?
 - b. If not, how does the market share report distort or omit components of NPR?
- ii. Reimbursement Analysis. This will outline patterns in the cost to deliver care for Vermont residents as reported to the state's all-payer claims database, VHCURES. Cost will be assigned at a claim level as specified in Medicare's cost reporting. Service lines will be reported by Medicare Diagnosis Related Group for inpatient services and by Ambulatory Payment Classifications for outpatient services. Note that only services with Medicare costs associated with them will be included in the report. (See links [1](#) and [2](#) for details about the methodology.) All results will be summarized in hospital-specific comparison tables broken down by primary payer group (Medicare, Medicaid, commercial). In addition, the report will highlight providers with exceptionally low or high costs, reimbursements, and/or proportion of costs covered.
 - a. For any service lines in which your hospital is highlighted, comment on any observations about this service line and how it may be reimbursed differently from other service lines you provide.
 - b. Are there any errors in the data as shown? Cite your own data where possible.
- iii. Demographic Report. This report will summarize demographic data from the 2020 Census. Particular attention will be paid to CDC/ATSDR [Social Vulnerability Index](#) measures that relate to age and socioeconomic disadvantage.
 - a. How does the current makeup of your service area affect your budget assumptions?
 - b. Does the makeup of other service areas affect your budget assumptions? 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 FY22 projections to FY23 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. Equity
5. Wait Times
6. Risks and Opportunities
7. Value-Based Care Participation
8. Capital Investment Plans
9. Supplemental Data Monitoring
10. 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 2023 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 2023 Hospital Budget Guidance and Reporting Requirements (this document)
3. GMCB Uniform Reporting Manual FY2023
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 (Due not later than August 1, 2021)
5. **PART E:** Verification under Oath
6. **PART B:** VARIANCE ANALYSIS/FINANCIAL WORKBOOK Appendices 1-6

PART B: VARIANCE ANALYSIS/FINANCIAL WORKBOOK (Due July 1, 2022)

Note: Variance Analysis/Financial Workbook is located in Adaptive under: Reports>Shared Reports>FY 2023 BUDGET>HOSPITAL DIRECTORY>Hospital Budget Instructions

Appendix 1: Reconciliation

Appendix 2: Charge and NPR Detail

Appendix 3: Utilization

Appendix 4: Inflation

Appendix 5: Value-Based Care Participation

Appendix 6: COVID-19 Advances, Relief Funds, and Other Grants

PART C: REQUIRED UPDATED DOCUMENTS

Form 990 Most Recent (Due September 30, 2022)

Community Health Needs Assessment (CHNA) and/or work plan (Due September 30, 2022)

PART D: GMCB POLICIES

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