

STATE OF VERMONT  
GREEN MOUNTAIN CARE BOARD

**FY2023 HOSPITAL BUDGET DECISION AND ORDER**

In re: North Country Hospital ) Docket No. 22-008-H  
Fiscal Year 2023 )  
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**INTRODUCTION**

This year the Green Mountain Care Board’s (GMCB or “the Board”) annual process to establish hospital budgets comes at a critical time for Vermont’s hospital and health care providers. The combination of the highest inflation rates in decades, tremendous staffing pressures and shortages, and the continued challenges of the evolving COVID-19 pandemic that have beset hospitals and stretched hospital operations and finances. These extraordinary pressures and continued uncertainty have also impacted hospitals’ ability to make assumptions upon which to build budgets. The budgets established by the GMCB this year reflect the unprecedented situation facing Vermont’s hospitals. Nine of Vermont’s 14 community hospitals are projecting negative operating margins for FY22, with a systemwide total of approximately \$63.2 million in operating losses. See Preliminary Review of FY2023 Hospital Budget Submissions and Public Budget Hearing Exemptions, 25-26 (July 27, 2022) (Preliminary Review).

In July, the Board began reviewing the Fiscal Year 2023 (FY23) budgets of Vermont’s 14 general (community) hospitals for compliance with policy guidelines and financial targets adopted by the Board. The financial benchmarks include net patient revenue and fixed prospective payment (NPR/FPP) growth of not more than 8.6% in total for FY23 and FY24 over the approved FY22 budgets. See GMCB, FY 2022 Hospital Budget Guidance and Reporting Requirements, 5 (Mar. 31, 2022) (FY23 Guidance).<sup>1</sup> Utilizing its authority under Act 85 of 2022, the Board decided in August to allow hospital’s NPR/FPP growth to be evaluated from the hospitals’ FY22 projections to FY23 budget. The assumptions built into the hospitals’ FY22 budgets were proving to be inaccurate – inflation in FY22, as one prominent example, exceeded what hospitals were anticipating in their FY22 budgets – and the Board concluded that using projections based on FY22 actual results provided a more realistic view of growth. The hospitals’ FY23 budget submissions reflected a systemwide average NPR/FPP growth request of 10.2%<sup>2</sup> over the approved, systemwide FY22 NPR/FPP. Preliminary Review, 14. Individual hospital NPR/FPP growth ranged from 4.5% to 16.1% on a budget-to-budget basis. Id. Individual hospital NPR/FPP growth on a projection-to-budget basis ranged from 1.8% to 15.7%. See FY 2023 Vermont Hospital Budget Deliberations, 31 (August 31, 2022)

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<sup>1</sup> The hospitals’ FY23 budget materials, including their budget narratives and responses to questions, are available on the GMCB website at: <https://gmcboard.vermont.gov/FY23HospitalBudgets>. Transcripts of the hospital budget hearings and deliberations are available upon request.

<sup>2</sup> In accordance with the FY23 Guidance, hospitals may request “adjustments” to their approved FY22 NPR/FPP or FY23 request, which, if approved, are not factored into their total NPR/FPP increase. These adjustments most frequently reflect provider transfers but may also be driven by other accounting adjustments. See FY23 Guidance, 6.

(Deliberations I). Hospital budget submissions also reflected an overall estimated weighted average charge increase of 10.7%, with individual charge increases ranging from 3.5% to 17.8%. Preliminary Review, 10. The submitted charge increases would have resulted in an estimated weighted average commercial rate increase of 14.8%, with a range of approximately 2.9% to 19.9%. GMCB, FY 2023 Vermont Hospital Budget Debrief, 7 (September 28, 2022) (Approved Budgets).

Following public Board meetings, presentations by hospitals and GMCB staff, a special public comment period that closed on August 30, 2022, and a presentation and report on inflation from the State's economists, the Board deliberated on each hospital's budget using a decision tree approach and approved each hospital's budgeted NPR/FPP increase as submitted, resulting in an expected systemwide growth of 10.2%. The Board concluded that the hospitals' submitted NPR/FPP increase was warranted in light of the unprecedented challenges and the need to ensure access to care at Vermont's hospitals. The Board approved an estimated weighted average charge increase of 10.5%, with minimal change from the submitted change in charge, but the Board reduced the overall effective commercial rate increases by approximately \$31.7 million. The reduction in commercial rates were offset by projected increases in Medicare reimbursements and additional financial support from the Department of Vermont Health Access that was not known at the time hospitals submitted their FY23 budgets. See GMCB, Short Term Stabilization Drives FY 2023 Hospital Budget Decisions Long Term Hospital Sustainability Work on the Horizon (September 12, 2022).

North Country Hospital (NCH) submitted its budget on July 8, 2022, requesting a 12.5% increase in NPR/FPP, and a 12.5% overall change in charge. On September 12, 2022 following GMCB staff presentations and deliberations, the Board approved NCH's FY23 budget with a modification. FY 2023 Vermont Hospital Budget Deliberations, 47 (September 12, 2022) (Deliberations III)

## **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 FY23 budgets on March 31, 2022, after public meetings with Vermont hospitals, the Vermont Association of Hospitals and Health Systems, the Office of the Health Care Advocate (HCA) and other interested parties. *See* FY23 Guidance, 3, 4.<sup>3</sup> The Board set an NPR/FPP growth guidance of not more than an aggregate of 8.6% for FY23 and FY24, combined, over the approved FY22 budgets. FY23 Guidance, 5.

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, through March 31, 2023. Act 85 of 2022, §5(a).

Pursuant to its authority under Act 85, on August 31 the GMCB voted to allow each hospital's FY23 NPR/FPP to be reviewed based on its growth from the hospital's projected FY22 NPR/FPP, as provided by the hospital, in addition to comparing the NPR/FPP on a budget-to-budget basis, to determine how the hospital aligns with the Board's guidance. *See* 2023 Hospital Budget Deliberations (August 31, 2022) (Deliberations Hearing), Hearing Transcript 120:19-121:23. Using a hospital's growth from projected FY22 NPR/FPP to FY23 budgeted NPR/FPP provided a view of the hospital's growth that reflects the economic and operational pressures hospitals faced in FY22.

### **FY23 REVIEW PROCESS**

Hospitals submitted their FY23 budgets to the GMCB on or about July 1, 2022 and presented their budgets at public GMCB meetings between August 15, 2022 and August 26, 2022. The Board and its staff reviewed and analyzed FY23 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 specific

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<sup>3</sup> The Board's FY22 Guidance is available at <https://gmcboard.vermont.gov/sites/gmcb/files/documents/FY23%20Hospital%20Budget%20Guidance-%20FINAL.pdf>.

quantitative and qualitative measures for patient wait times, budget-to-budget and projected-to-budget NPR/FPP growth rates, trended NPR/FPP growth rates forward from FY19 as a pre-pandemic base year, prior budget performance, requested changes in charges, and the estimated impact of changes in charge on commercial rates.

In addition, the Board commissioned the State's economists to provide a review and analysis of generally accepted measures of medical inflation, which the State's economists provided to the Board in a report<sup>4</sup> and at a public meeting on August 31, 2022. The Board received and considered comments from the 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 10.2% over the systemwide FY22 budgeted NPR/FPP. Preliminary Review, 14. 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 approved each hospital's NPR/FPP growth as submitted. Approved Budgets, 5.

The Board also reviewed each hospital's proposed change in charge, which is the average amount by which a hospital increases its charges.<sup>5</sup> A hospital's overall change in charge is not the same as the increase paid by commercial payers. The Board collected and reviewed from each hospital its estimated impact on commercial rate payers that would result from the hospital's budgeted change in charge. The respective payers — Medicare, Medicaid, and commercial — do not reimburse each hospital the same amount for the same services. See Deliberations, 18-20. For example, commercial payers can negotiate reimbursements with each hospital 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. Hospitals generally did not budget for an increase in Medicaid reimbursement in FY23. After hospitals submitted their budgets and before the Board deliberated, increased Medicare reimbursement rates were announced, along with additional funding being made available by the Vermont Department of Health Access. See Medicare Program; Hospital Inpatient Prospective Payment Systems for Acute Care Hospitals and the Long-Term Care Hospital Prospective Payment System and Policy Changes and Fiscal Year 2023 Rates; etc. (CMS-1771-F), 87 Fed. Reg. 48,780 (August 10, 2022); Medicare Program: Hospital Outpatient Prospective Payment and Ambulatory Surgical Center Payment Systems and Quality Reporting Programs; etc. (CMS-1772-P), 87 Fed. Reg. 44,502 (proposed July 26, 2022); Letter from Andrea DeLaBruere, Commissioner, Department of Vermont Health Access (August 31, 2022).<sup>6</sup>

Vermont community hospitals continue to transition to a value-based payment system

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<sup>4</sup> A copy of the report is available at [https://gmcboard.vermont.gov/sites/gmcb/files/documents/GMCB\\_Report%2008.22.22\\_FINAL\\_withAppendix.pdf](https://gmcboard.vermont.gov/sites/gmcb/files/documents/GMCB_Report%2008.22.22_FINAL_withAppendix.pdf).

<sup>5</sup> Changes to the actual charges vary by hospital and across service lines and by procedure.

<sup>6</sup> A copy of the letter is available at [https://gmcboard.vermont.gov/sites/gmcb/files/documents/GMCB%20Letter\\_08-31-22.pdf](https://gmcboard.vermont.gov/sites/gmcb/files/documents/GMCB%20Letter_08-31-22.pdf).

focused on prevention, wellness, and health. Hospitals expected fixed prospective payments as a percentage of NPR/FPP for FY23 range from 0% to 21.7%. Preliminary Review, 19. Out of approximately \$3.3 billion NPR/FPP for all Vermont community hospitals in FY23, \$384 million, or 12%, is expected to be in the form of fixed prospective payments for FY23. *Id.* The percentage of NPR/FPP in the form of fixed prospective payment in FY23 is a decrease from FY22, which had approximately 14% of NPR/FPP in the form of fixed prospective payments. Preliminary Review, 18.

The Board also considered each hospital's extraordinary labor costs and investments, as well as the impacts of those costs and investments on the affordability of health care, in accordance with Act 85 of 2022. See FY23 Guidance, 6. Other factors considered by the Board in reviewing each hospital's budget included the 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, hospital reimbursement variation data, cost, and cost coverage data, Data relative to payments to similar hospitals, relative costs for similar hospitals, and payer mix, and generally accepted measures of medical inflation. See *id.*

To organize and facilitate the consistent review of each hospital, GMCB staff presented a review of each hospital in the form of a decision tree that analyzed whether the hospital's proposed budget fell within the Board's NPR/FPP growth guidance, whether the hospital's budget assumptions were supported in its budget submission, and whether the hospital's charge request was supported by its submission. See FY23 Guidance, 5-6. To review the hospital's budget in the context of generally accepted measures of medical inflation and increased labor costs, the Board reviewed each hospital's compensation growth and other inflationary growth against benchmarks reviewed by the State's economists. See Deliberations, 27-28.

NCH filed its FY23 budget submission on July 8, 2022. NCH requested a 12.5% increase in its NPR/FPP from its FY22 budget and a 12.5% overall change in charge. North Country Hospital FY23 Budget Submission, Narrative, 1-2, (NCH Submission); NCH Submission, Appendices, Appendix 2; Deliberations III, 40. NCH's FY22 budget-to-projection variance is 2.3% (i.e., its FY22 projected NPR/FPP is 2.3% more than its FY22 budget), and as a result the hospital's FY23 budgeted NPR/FPP represents a 9.9% increase from its projected FY22 results. See Deliberations III, 40. NCH's FY23 NPR/FPP increase, measured from FY22 budget or FY22 projections, exceeds the 8.6% NPR/FPP growth guidance established by the Board.

NCH's senior leadership presented the FY23 budget to the Board at a public hearing held August 24, 2022. See North Country Hospital Fiscal Year 2023 Budget Presentation (Aug. 24, 2022) (NCH Presentation), 1. On September 12, 2022, following GMCB staff presentations and deliberation, the Board approved NCH's budget with a 12.5% increase in NPR/FPP for FY23, as submitted, and a 12.24% increase in average overall charges, modified from 12.5%.

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

## FINDINGS

### Systemic Factors

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.
2. 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 approximately \$128 million in COVID-19-related funding for FY21 on a statewide basis. All Vermont Community Hospitals, Fiscal Year 2023 Submitted Budget, 3 (All Hospital Summary). For FY22, hospitals projected approximately \$55 million in COVID-19-related funding, and for FY23, hospitals have budgeted a statewide total of approximately \$5 million in COVID-19 funding. *Id.*
3. Average hourly earnings increased 8.5% from June, 2021 to June, 2022, according to the U.S. Bureau of Labor Statistics (BLS). See U.S. Bureau of Labor Statistics, Employment, Hours, and Earnings from the Current Employment Statistics survey (National), Average hourly earnings of production and nonsupervisory employees, hospitals, seasonally adjusted (2020-2022), available at <https://beta.bls.gov/dataViewer/view/timeseries/CES6562200008>. Forecasts for personal income growth from 2022 to 2023 include an estimate of 4.5% from the Centers for Medicare and Medicaid Services and 5.3% from Moody's. Initial Economic Analysis and Summary Consensus Recommendations Associated with Green Mountain Care Board Budgetary Review Process, Economic and Policy Resources, Inc. and Kavet, Rockler & Associates, LLC (August 22, 2022), 42. Combined, a reasonable growth range for labor costs would be 13.0% to 13.8%.
4. Measures of anticipated inflation for 2022 to 2023 include forecasted growth of PCE-Services of 4.1%, a GDP Deflator of 4.4%, and a CPI-U of 4.5%. Initial Economic Analysis and Summary Consensus Recommendations Associated with Green Mountain Care Board Budgetary Review Process, Economic and Policy Resources, Inc. and Kavet, Rockler & Associates, LLC (August 22, 2022), 44-45. The different benchmarks are explained in the economists' report. See *id.*, 7-8.

### NCH Budget Submission

5. NCH is a critical access hospital with its primary location in Newport, Vermont. NCH's FY23 submitted NPR/FPP accounted for approximately 3.0% of the total submitted NPR/FPP for all 14 regulated hospitals in the State. See Preliminary Review, 15.
6. NCH submitted its FY23 budget on July 8, 2022. NCH requested a 12.5% growth in NPR/FPP from its FY22 budget, for a total of \$98,854,190. See NCH Submission, Staff Analysis, Income Statement, 3. NCH's growth in NPR/FPP from its FY22 projections to FY23 budget is 9.9%. Deliberations III, 40. NCH's FY22 budget-to-projection variance is 2.3%. See Deliberations III, 40; NCH Submission, Staff Analysis, Income Statement, 3.

7. NCH's FY23 NPR/FPP increase from its FY22 budget includes a utilization increase of -2.0%. *See* Deliberations III, 41; NCH Submission, Appendices, Appendix 3. NCH budgeted an approximately \$7.4 million increase in NPR/FPP as a result of its utilization changes for FY23, which accounts for approximately 67% of the hospitals budgeted NPR/FPP increase. *See* NCH Presentation, Hearing Transcript, Testimony of Tracey Paul, 12:1-12:8. NCH budgeted increased utilization in its emergency department, inpatient – medical surgical, radiology, and laboratory services; the increases are based on actual FY22 volumes. *See* NCH Submission, Narrative, 2. NCH anticipates an increased orthopedic volume based on more provider availability and a return of its cardiology volumes with a new cardiologist in FY23. *See* NCH Presentation, Hearing Transcript, Testimony of Brian Nall, 60:18-61:7; NCH Presentation, Hearing Transcript, Testimony of Tracey Paul, 50:1-51:17. The range of increases for utilization assumptions in all Vermont hospital budgets was -2.7% to 8.2%, with a median of 2.1%. *See* Deliberations III, 41.
8. NCH's FY23 NPR/FPP increase from FY21 includes compensation growth of 1.7%. *See* Deliberations III, 41; NCH Submission, Appendices, Appendix 4. The range for the submitted budgets for all Vermont hospitals is -12.8% to 12.4%, with a median of 6.7%. *See* Deliberations III, 41.
9. NCH's FY23 NPR/FPP increase from its FY22 budget includes other inflationary growth of 4.0%. *See* Deliberations III, 41; NCH Submission, Appendices, Appendix 4. The range for submitted budgets for all Vermont hospitals is -2.7% to 14.7%, with a median of 2.1%. *See* Deliberations III, 41.
10. NCH submitted its FY23 budget with a requested average overall charge increase of 12.5%. *See* NCH Submission, Appendices, Appendix 2; Deliberations III, 41. NCH's effective commercial rate increase is approximately 8.0%. *See* Deliberations III, 41. The range of commercial rate increases proposed by all Vermont hospitals was 2.9% to 19.9%, with a median of 8.0%. *See* Deliberations III, 41.
11. NCH's requested 12.5% change in charge for FY23 is above the estimated weighted average of 10.7%. Preliminary Review, 10. NCH's six year (FY17-FY22) median approved change in charge is approximately 4%, with a range from approximately 3% to 5%. Preliminary Review, 11.
12. NCH's FY23 budget assumptions include no increase in Medicaid payment rates for the hospital, and an increase in charge does not increase Medicaid reimbursements because Medicaid reimburses on a per diem or according to a fee schedule. *See* NCH Submission, Narrative, 2-3. NCH's change in charge does increase some Medicare reimbursement, which is reimbursed at a percent of charge. *See* id.
13. NCH included an analysis with a reasonable methodology showing how its change in charge is less than its total change in rates in an amount equal to increases in Medicaid and Medicare, at the time of its budget submission, and changes in bad debt and charity care. *See*

NCH Submission, Narrative, 2-3; NCH Submission, Appendices, Appendix 2; NCH Presentation, 23.

14. After submission of its FY23 budget, the amount of expected 2023 Disproportionate Share Payments (DSH) for NCH increased by approximately \$99,000, from a budgeted \$623,000 to an estimated \$722,000. See Letter from Andrea DeLaBruere, Commissioner, Department of Vermont Health Access (August 31, 2022); Deliberations III, 46.
15. NCH's FY23 budget includes total operating expenses of \$102,753,726, an increase of approximately \$9.3 million, or 10.0%, over budgeted FY22. NCH Submission, Staff Analysis, Income Statement, 3. NCH's budgeted FY23 operating expenses are approximately \$4.8 million more than its projected FY22 operating expenses because the hospital's projected FY22 operating expenses are 4.8% greater than its budgeted FY22 operating expenses. See *id.*
16. For FY23, NCH budgeted an operating margin of \$2,095,266, or approximately 2.0%, and a total margin of 2.0%. NCH Submission, Staff Analysis, Income Statement, 3. NCH projects a -1.2% operating margin and a -7.2% total margin in FY22. NCH Submission, Staff Analysis, Income Statement, 3. For FY21, NCH had an operating margin of 4.6% and a 8.4% total margin. *Id.*
17. NCH's "largest challenge is availability of workforce for all types of jobs in the hospital, clinical and non-clinical in almost all departments." See NCH Submission, Narrative, 1; NCH Presentation, 27. To recruit and retain staff, NCH is investing in workforce development programs and initiatives, including sign on bonus for new employees, referral awards for existing employees, relocation assistance, loan repayment, longevity incentives, nurse extern program, RN new graduate residency program. See NCH Submission, Narrative, 6. NCH increased salaries, including a 4% wage increase across the board, market adjustments for necessary key positions along with many other amounts that are being paid out to recruit and retain employees. See NCH Submission, Narrative, 4.
18. NCH's primary focus for cost savings is through reducing traveling and temporary labor usage. See NCH Submission, Narrative, 4. NCH has other cost savings initiatives, including group purchasing, inventory management, and leveraging its new EMR system. See NCH Submission, Narrative, 4.
19. A source of other operating revenue for NCH comes from the 340B Drug Pricing Program. NCH budgeted approximately \$3.7 million in 340B revenue for FY23, which is a -16.1% decrease from the hospital's FY22 budget and consistent with NCH's projected 340B revenue for FY22. See NCH Submission, Staff Analysis, Income Statement, 3.
20. For 2023, NCH plans to be a participating provider in OneCare Vermont's Medicaid and commercial programs. See NCH Submission, Narrative, 7. NCH projects that approximately \$11.3 million of its FY23 patient services income will be paid in FPPs. See NCH Submission, Staff Analysis, Income Statement, 3. This represents 11.4% of NCH's budgeted FY23 NPR/FPP, which is less than the systemwide total of 12% of NPR/FPP paid as FPP.



See *id.*; Preliminary Review, 19. For FY22, NCH budgeted approximately \$11.3 million of its \$87.9 million NPR/FPP, or 12.8%, to be paid in FPPs. See NCH Submission, Staff Analysis, Income Statement, 3.

21. NCH's budget anticipates 221.3 days cash on hand in FY23. NCH Submission, Staff Analysis, Balance Sheet, 4. NCH expects to have 223.3 days cash on hand at the end of FY22. *Id.* NCH's FY23 cash position is budgeted to be less than it had budgeted for FY22 (270.4 days cash on hand), less than it had in FY21 (315.3 days cash on hand), and less than it had for FY20 (318.1 days cash on hand). *Id.* NCH's days cash on hand is more the Vermont median for critical access hospitals of 136, and above the benchmarks for Northern New England and Northeast critical access hospitals. See Preliminary Review, 44.
22. NCH's narrative, presentation, and other filed budget information comply with the Board's FY23 hospital budget requirements.
23. Approving NCH'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 NCH's Health Service Area.

### CONCLUSIONS

Vermont's hospitals continue to face significant, arguably unprecedented, strain from the combination of inflation, staffing and workforce challenges, and the impact of the evolving COVID-19 pandemic. The effect is being felt in hospitals' operations, their finances, and by their health care providers and other staff daily.

NCH's FY23 NPR/FPP growth exceeds the Board's guidance, whether the growth is measured from the hospitals FY22 budget, at 12.5%, or from the hospitals FY22 projections, at 9.9%. See Findings ¶¶ 6. Because NCH did not meet the budget guidance, we reviewed its budget carefully to determine if the submission supported approving growth in excess of the guidance. We concluded that NCH's FY23 NPR/FPP is justified as submitted by NCH's budgeted utilization increase, which accounts for most of its NPR/FPP growth from FY22. See Findings ¶¶ 7. The hospital's expected volume increase is reasonable based on FY22 volumes and expected additional providers. See *id.* NCH's compensation growth from FY21 to FY23 is 1.7%, which is less than 13.8%, which is based on generally accepted data from BLS, CMS and Moody's. See Findings ¶¶ 3, 8. NCH's other inflationary growth, at 4.0%, is less than CPI-U, a generally accepted measure, although greater than the median for all Vermont hospitals. See Findings ¶¶ 4, 9. NCH's effective commercial rate increase, at approximately 8.0%, is at the median of all hospitals. See Findings ¶¶ 10.

NCH's budget does not include a change in FY23 DSH that was not known when NCH prepared its budget, but if applied to NCH's rate it would decrease the hospital's change in charge by approximately \$99,000, or from an increase of 12.5% to an increase of 12.24%. See Findings ¶ 14. Applying the DSH variance to NCH's submitted change in charge, we modified NCH's budget by reducing its overall change in charge from 12.5% to an increase of 12.24%,

and we approved NCH's budget with a 12.5% increase in NPR/FPP from its FY22 budget, as submitted.

### **ORDER**

Based on our findings and conclusions and the authority granted by Chapter 221, Subchapter 7 of Title 18, NCH's budget is approved as modified for FY23 subject to the following terms and conditions:

- A. NCH's FY23 NPR/FPP budget is approved at a growth rate of 12.5% over its FY22 budget, with a total NPR/FPP of \$98,854,190 for FY23.
- B. NCH's overall average charge increase is approved at not more than 12.24% over current approved levels.
- C. Beginning on or before November 20, 2022, and every month thereafter, NCH shall file with the Board the actual year-to-date FY23 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. NCH 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 FY23 year-to-date operating performance
- E. NCH shall advise the Board of any material changes to its FY23 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, 2023, NCH 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 FY22 actual operating results.
- G. NCH shall file with the Board one copy of its FY22 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, 2023, whichever is earlier.
- H. NCH shall participate in the Board's strategic sustainability planning process.
- I. NCH shall timely file all forms and information required for provider acquisitions and/or transfers as determined by GMCB staff, if applicable.
- J. NCH shall file all requested data and other information in a timely and accurate manner.

- K. 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.
- L. All materials required above shall be provided electronically, unless doing so is not practicable.
- M. The findings and orders contained in this decision do not constrain the Board’s decisions in future hospital budget reviews, future certificate of need reviews, or any other future regulatory or policy decisions.

**So ordered.**

Dated: September 30, 2022  
 Montpelier, Vermont

s/ <u>          Jessica Holmes, Interim Chair          </u>	)	
	)	GREEN MOUNTAIN
s/ <u>          Robin Lunge          </u>	)	CARE BOARD
	)	OF VERMONT
s/ <u>          Tom Pelham          </u>	)	
	)	
s/ <u>          Thom Walsh          </u>	)	

Filed: September 30, 2022

Attest: s/ Jean Stetter  
 Green Mountain Care Board  
 Administrative Services Director

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