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FY24 Hospital Budget Guidance

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Agenda

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- Recap work to date
- Review final proposed factors
  - Ratio of bad debt to free care
  - Financial indicators
  - Known pricing changes: Medicare and Medicaid
- Hearings and deliberations
- Walk through guidance
- Decision points in adopting guidance
  - Benchmark
  - Factors
  - Budget policies
  - Overall guidance

FY24 Budget Process

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- As the GMCB looks to update and improve its regulatory oversight, staff recommended an approach for FY24, which is a bridge between past and future practices.
- Feedback suggested it would be preferable to use the traditional benchmark, Net Patient Service Revenue, in this bridge year.
  - Factors associated with expense growth and commercial price growth would be assessed for each proposed budget, including relevant data sources.
  - Hospitals would indicate how factors were incorporated in the proposed budget and provide evidence to support assumptions.

Works in Progress for FY25

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- Quality
  - Staff recommend continuing to develop the Hospital Quality Framework monitoring quality outcomes across the delivery system.
- Productivity
  - Indicators are difficult to develop and validate. Substantial analysis and research is required to determine accurate and evidence-based metrics for hospital accountability.
- Patient Access
  - While the FY24 guidance will include a measure, staff recommend considering a partnership with another organization for more comprehensive indicators of patient access.
- Equity
  - Many measures are emerging, including some proposed by CMS. Staff recommend further exploration for GMCB's monitoring.
- Consumer Affordability
  - Staff recommend work in this area is developed to help inform the Board's larger regulatory work and determine how to consider it in hospital budget regulation.
- Per Capita Budgeting
  - These ideas are being explored as part of larger payment reform. GMCB will work on developing measurement in this area.

Factor: Uncompensated Care

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- The Health Care Advocate recommends assessing the ratio of bad debt to free care as a measure of operational effectiveness and efficiency.
- In last years comments, they suggested setting a target, such as a 1-to-1 ratio by FY25.
- This standard is not typical in traditional fiscal analysis.
- Staff recommended that the GMCB use submissions to summarize this ratio in FY24. Staff also recommend:
  - reviewing evidence
  - researching new information being reported on Medicare Cost Reports
  - digging more deeply into definitions across data sources and adjusting GMCB definitions accordingly

Factor: Financial Indicators

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- Given the current landscape of the industry, staff recommend continuing to use relative benchmarks for FY24.
  - Staff recommend continued development of standard metrics to use in combination with relative comparisons for FY25.
- Staff will review relative indicators available from a variety of sources:
  - Ratings agencies (i.e., Fitch, Moody's, S&P)
  - National Flash Reports produced by KaufmanHall
  - Cecil G. Sheps Center for Health Services Research at the University of North Carolina
  - Flex Monitoring Team
  - Medicare Cost Reports

Factor: Financial Indicators

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- Margins measure the overall ratio of revenue and expenses:
  - Operating
  - Operating EBITDA
  - Total
- Days cash on hand indicates the number of days that current expenses could be paid with the cash currently available.
- Debt service coverage ratio indicates how well cash flow can cover principal and interest payments
  - Many lending agreements include debt covenants related to this measure, which are being breached or at high risk of breach.
- Long-term debt to capitalization ratio compares how much hospitals are relying on lending versus financing their capital projects.
  - This indicator is likely to swing as solvency is weakened.
- Average Age of Plant provides a sense of a facilities' infrastructural age.

Factor: Known Pricing Changes for Medicare and Medicaid

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- GMCB staff will monitor and incorporate new information to keep it as up-to-date as possible.
- Medicare will likely release proposed and final rules related to inpatient and outpatient reimbursements for PPS hospitals that may be material to proposed budgets.
- Vermont Medicaid payments will also be monitored as part of the state appropriations process.
- Staff recommend considering these factors when evaluating the commercial price assumptions in proposed budgets.

FY24 Hearings and Deliberations

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- Staff recommend that instead of requiring hospitals to prepare presentations, GMCB staff would lead the Board through a standard process to review proposed budgets and their accompanying narratives.
- Hospitals would participate to answer questions, provide clarification, and engage in discussion during the review.
- Hearings would be no more than 2 hours for each hospital.
- GMCB and the HCA would provide questions in advance to allow hospitals to prepare responsive exhibits if indicated.

FY24 Proposed Schedule

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- Staff overview of submissions and analysis – Wed Aug 9

Meeting	Slot 1	Slot 2	Slot 3	# hospitals for day	# reviewed to date
Wed, Aug 9	Staff overview	10am to noon	1 to 3pm	2	2
Mon, Aug 14	8 to 9:30am			3	5
Fri, Aug 18				3	8
TBD				3	11
Wed, Aug 23				3	14
Wed, Aug 30	1 to 3pm	Deliberations			
Wed, Sept 6					
Mon, Sept 11	9 to 11am	Deliberations (if needed)			
Wed, Sep 13	1 to 3pm				

Walk through Final Draft of Guidance

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- Final draft of FY24 Hospital Budget Guidance

Decision Points

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1. Benchmark
2. Factors
3. Budget policies
4. Overall guidance

Decision Point: Benchmark

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- The FY23 guidance established a 2-year growth rate in net patient service revenue, fixed prospective payments, and reserves (NPSR) of 8.6% from FY22 to FY24 budgets.
- Staff recommend using growth from FY22 actuals, which would extend the practice used in the FY23 budget review.
- Staff consider this an ambitious target and expects many hospitals may have difficulty achieving this benchmark.

FY24 NPR Benchmarks

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	FY22 Actual	FY24 NPR Benchmark	FY23 Budget	FY23 to FY24
System	**$3,016,253,758**	**$3,275,651,581**	**$3,273,466,590**	**0.1%**
PPS TOTAL	**$2,341,127,007**	**$2,542,463,930**	**$2,550,538,240**	**-0.3%**
University of VT	$1,497,464,148	$1,626,246,065	$1,658,725,627	-2.0%
Rutland	$305,366,707	$331,628,244	$312,615,342	6.1%
Central VT	$240,386,620	$261,059,869	$269,231,389	-3.0%
Southwestern	$186,729,148	$202,787,855	$188,872,209	7.4%
Northwestern*	$111,180,384	$120,741,897	$121,093,673	-0.3%
CAH TOTAL	**$675,126,751**	**$733,187,652**	**$722,928,349**	**1.4%**
Northeastern VT*	$106,102,056	$115,226,833	$110,058,000	4.7%
Brattleboro*	$92,303,203	$100,241,278	$105,484,860	-5.0%
Porter	$98,711,768	$107,200,980	$104,464,068	2.6%
North Country	$85,710,463	$93,081,563	$98,854,148	-5.8%
Copley*	$93,650,087	$101,703,994	$96,033,233	5.9%
Mt. Ascutney	$62,582,387	$67,964,472	$65,869,470	3.2%
Springfield	$53,066,802	$57,630,547	$58,778,639	-2.0%
Gifford*	$59,880,936	$65,030,696	$58,010,676	12.1%
Grace Cottage	$23,119,049	$25,107,287	$25,375,255	-1.1%

* Adjusted for provider transfer/acquisition and accounting changes.

Potential Motion: Benchmark

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Suggested Motion Language:

Move that for the FY2024 hospital budget review process, the Green Mountain Care Board maintain the net patient revenue/fixed prospective payment (NPR/FPP) growth guidance established last year of no more than an aggregated 8.6% NPR/FPP growth over two years, but modified to measure the growth from FY2022 actuals to FY2024 budgeted NPR/FPP.

Decision Point: Factors

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- Labor
  - Employment Cost Index
- Utilization
  - Data submitted to GMCB finance team from hospitals
  - Vermont Uniform Discharge Data Set
  - GMCB patient migration report
  - Census data
  - Wait time data submitted by hospitals in narrative
- Pharmaceutical costs
  - Producer Price Commodity Index for Prescription Drugs
- Cost inflation
  - Producer Price Index for General Medical and Surgical Hospitals
  - Medicare Cost Reports
  - Cost and Payment Variation Data from Burns and Associates
- Commercial price
  - Cost and Payment Variation Data from Burns and Associates
  - RAND Relative Pricing Project
  - Yale Health Care Pricing Project
  - GMCB Reimbursement Variation Report
- Financial benchmarks
  - Rating agency benchmarks
  - KauffmanHall National Flash Reports
  - Medicare Cost Reports
  - Flex Monitoring Team
- Known pricing changes: Medicare and Medicaid
  - State and federal law
- Uncompensated care
  - Medicare Cost Reports
- Other
  - Dartmouth Atlas of Health Care
  - All-Payer Model Total Cost of Care
  - Potentially Avoidable Utilization

Potential Motion: Factors

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Suggested Motion Language:

- *Move to approve the factors and related data sources identified in the Hospital Budget Guidance as presented by Board staff [and with the modifications identified during this meeting].*

Decision Point: Policies

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- The FY24 guidance incorporates the existing Policy on Hospital Budget Enforcement
- There is also a draft Budget Amendments and Adjustments Policy renewing previous policy.

Potential Motion: Policies

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Suggested Motion Language:

- *Move to approve the Budget Amendments and Adjustments Policy as presented by Board staff.*

Potential Motion: Adopt Guidance

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Suggested Motion Language:

- *Move that for the FY2024 hospital budget review process, the Green Mountain Care Board approve and adopt the FY24 Hospital Budget Guidance as presented by Board staff [and with the modifications identified during this meeting] to be effective as of March 31, 2023.*