

FY24 Hospital Budget Deliberations

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Overview

- Potential vote: standard hospital budget conditions
- Overview of hospital budget review statutory factors
- Rate request compared with inflationary growth
- Hospital budget deliberations:
 - Southwestern Medical Center
 - Northwestern Medical Center
 - Brattleboro Memorial Hospital
 - Mt. Ascutney Hospital and Health Care Center
 - North Country Hospital
 - Grace Cottage Hospital
 - Springfield Hospital

FY24 Standard Budget Conditions



- A. [HOSPITAL]’s FY24 NPR/FPP budget is approved at a growth rate of not more than [xx]% over its FY22 actual, with a total NPR/FPP of not more than \$[xx] for FY24 .
- B. [HOSPITAL]’s overall commercial rate increase is approved at not more than [xx]% over current approved levels, with no commercial rate increase for any payer at more than [xx]% over current approved levels. The commercial rate increase overall or with respect to any payer may be less than [xx]% as negotiated between the hospital and payer.
- C. The commercial rate increase cap in Paragraph B. is a maximum and is subject to negotiation between [HOSPITAL] and commercial insurers. [HOSPITAL] shall not represent the maximum commercial rate increase approved by the GMCB in Paragraph B. or the expected commercial NPR based on that rate increase as the amounts set or guaranteed by the GMCB in the hospital’s negotiations with insurers.
- D. [HOSPITAL]’s expected commercial NPR, based on its budget as adjusted in this Order, is \$[X]. [HOSPITAL] shall report its actual expected commercial NPR not later than **March 15 or such later date as specified by the Board Chair** and explain any variations from the expected commercial NPR.
- E. [HOSPITAL] shall file with the Board its actual year-to-date FY24 operating results on April 30, 2024 for October 1, 2023 through March 31, 2024. The report shall be in a form and manner as prescribed by GMCB staff.

FY24 Standard Budget Conditions (cont'd)



- F. On or before January 31, 2024, [HOSPITAL] 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 FY23 actual operating results.
- G. [HOSPITAL] shall file with the Board one copy of its FY23 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, 2024, whichever is earlier.
- H. [HOSPITAL] 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 FY24 year-to-date operating performance.
- I. [HOSPITAL] shall advise the Board of any material changes to its FY24 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.

FY24 Standard Budget Conditions (cont'd)



- J. Hospital shall develop a system to be able to measure and report to the GMCB the referral lag and the visit lag for each hospital-owned primary and specialty care practice as well as the top five most frequent imaging procedures. Referral lag means the percentage of appointments scheduled within 3 business days of referral (percentage of all referrals where the clinic or hospital has completed scheduling an appointment within 3 business days of receiving the referral, regardless of the date on which the appointment will take place). Visit lag means the percentage of new patient appointments scheduled for the patient to be seen within 2 weeks, 1 month, 3 months, and 6 months of their scheduling date (the scheduling date is the date the hospital or practice schedules the appointment, not the date the referral was received or the date the patient will be seen).
- Hospitals shall report to the GMCB the referral lag and the visit lag for each hospital-owned primary and specialty care practice as well as the top five most frequent imaging procedures on April 30, 2024, for February and March 2024, and as required by the GMCB's FY25 hospital budget guidance.

FY24 Standard Budget Conditions (cont'd)



- J. [HOSPITAL] shall participate in the Board's strategic sustainability planning process pursuant to Act 167.
- K. [HOSPITAL] shall timely file all forms and information required for practice acquisitions and/or transfers as determined by GMCB staff, if applicable.
- L. [HOSPITAL] shall file all requested data and other information in a timely and accurate manner.
- M. 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.
- N. All materials required above shall be provided electronically, unless doing so is not practicable.
- O. 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.

Standard Budget Conditions: Suggested Motion Language



Suggested motion language:

Move to approve the Standard Budget Conditions as presented to the Board [and with the modifications discussed today] to be included as the default conditions for the FY24 hospital budget orders, subject to any changes to the budget conditions or additional conditions approved by the Board for any specific hospitals.

GMCB Hospital Budget Process - Statutes



- The GMCB will execute its statutory duties consistent with its purpose to promote the general good of Vermont, as set forth in 18 V.S.A. § 9372, to review and establish hospital budgets consistent with the principles for health care reform in 18 V.S.A. § 9371, as required by 18 V.S.A. §9375(a) and (b)(7), and the GMCB will review and establish hospital budgets in adherence to the requirements of 18 V.S.A. § 9456. Information relevant to and bearing on the GMCB's statutory purpose and principles may be reviewed and considered by the GMCB, as will any testimony and public comment provided to the Board. *FY24 Guidance at pg. 3.*
- The Board's review process will be consistent with the principles for health care reform in 18 V.S.A. § 9371, as required by 18 V.S.A. § 9375(a) and (b)(7), including considering the extent to which a hospital's budget advances the principle that all Vermonters must receive affordable and appropriate health care at the appropriate time in the appropriate setting (18 V.S.A. § 9371(1)), the principle that overall health care costs must be contained and growth in health care spending in Vermont must balance the health care needs of the population with the ability to pay for such care (18 V.S.A. § 9371(2)), and will adhere to the hospital budget review requirements of 18 V.S.A. § 9456(c), including the requirement that established budgets shall promote efficient and economic operation of the hospital (18 V.S.A. § 9456(c)(3)). *FY24 Guidance at pg. 10.*

GMCB Hospital Budget Process - Statutes



18 V.S.A. § 9456(c)

(c) Individual hospital budgets established under this section shall:

- (1) be consistent with the Health Resource Allocation Plan;
- (2) take into consideration national, regional, or in-state peer group norms, according to indicators, ratios, and statistics established by the Board;
- (3) promote efficient and economic operation of the hospital;
- (4) reflect budget performances for prior years;
- (5) include a finding that the analysis provided in subdivision (b)(9) of this section is a reasonable methodology for reflecting a reduction in net revenues for non-Medicaid payers; and
- (6) demonstrate that they support equal access to appropriate mental health care that meets standards of quality, access, and affordability equivalent to other components of health care as part of an integrated, holistic system of care.

GMCB Hospital Budget Process - Statutes



18 V.S.A. § 9375

(a) The Board shall execute its duties consistent with the principles expressed in section 9371 of this title.

(b) The Board shall have the following duties:

.....

(7) Review and establish hospital budgets pursuant to chapter 221, subchapter 7 of this title.

GMCB Hospital Budget Process - Statutes



18 V.S.A. § 9371

The General Assembly adopts the following principles as a framework for reforming health care in Vermont:

(1) The State of Vermont must ensure universal access to and coverage for high-quality, medically necessary health services for all Vermonters. Systemic barriers, such as cost, must not prevent people from accessing necessary health care. All Vermonters must receive affordable and appropriate health care at the appropriate time in the appropriate setting.

(2) Overall health care costs must be contained, and growth in health care spending in Vermont must balance the health care needs of the population with the ability to pay for such care.

(3) The health care system must be transparent in design, efficient in operation, and accountable to the people it serves. The State must ensure public participation in the design, implementation, evaluation, and accountability mechanisms of the health care system.

GMCB Hospital Budget Process - Statutes



18 V.S.A. § 9371

(4) Primary care must be preserved and enhanced so that Vermonters have care available to them, preferably within their own communities. The health care system must ensure that Vermonters have access to appropriate mental health care that meets standards of quality, access, and affordability equivalent to other components of health care as part of an integrated, holistic system of care. Other aspects of Vermont's health care infrastructure, including the educational and research missions of the State's academic medical center and other postsecondary educational institutions, the nonprofit missions of the community hospitals, and the critical access designation of rural hospitals, must be supported in such a way that all Vermonters, including those in rural areas, have access to necessary health services and that these health services are sustainable.

(5) Every Vermonter should be able to choose his or her health care providers.

(6) Vermonters should be aware of the costs of the health services they receive. Costs should be transparent and easy to understand.

GMCB Hospital Budget Process - Statutes



18 V.S.A. § 9371

(7) Individuals have a personal responsibility to maintain their own health and to use health resources wisely, and all individuals should have a financial stake in the health services they receive.

(8) The health care system must recognize the primacy of the relationship between patients and their health care practitioners, respecting the professional judgment of health care practitioners and the informed decisions of patients.

(9) Vermont's health delivery system must seek continuous improvement of health care quality and safety and of the health of the population and promote healthy lifestyles. The system therefore must be evaluated regularly for improvements in access, quality, and cost containment.

(10) Vermont's health care system must include mechanisms for containing all system costs and eliminating unnecessary expenditures, including by reducing administrative costs and by reducing costs that do not contribute to efficient, high-quality health services or improve health outcomes. Efforts to reduce overall health care costs should identify sources of excess cost growth.

GMCB Hospital Budget Process - Statutes



18 V.S.A. § 9371

(11) The financing of health care in Vermont must be sufficient, fair, predictable, transparent, sustainable, and shared equitably.

(12) The system must consider the effects of payment reform on individuals and on health care professionals and suppliers. It must enable health care professionals to provide, on a solvent basis, effective and efficient health services that are in the public interest.

(13) Vermont's health care system must operate as a partnership between consumers, employers, health care professionals, hospitals, and the State and federal government.

(14) State government must ensure that the health care system satisfies the principles expressed in this section. (Added 2011, No. 48, § 3, eff. May 26, 2011; amended 2017, No. 200 (Adj. Sess.), § 14; 2019, No. 14, § 53, eff. April 30, 2019.)

GMCB Hospital Budget Process - Statutes



18 V.S.A. § 9372

It is the intent of the General Assembly to create an independent board 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. (Added 2011, No. 48, § 3, eff. May 26, 2011.)

Inflationary Growth Indicators



Indicator	Projected Growth FY22 to FY24	Projected Growth FY23 to FY24
Medicare Market Basket: Inpatient Hospital	7.0%	3.1%
Vermont Median Income	8.6%	3.9%

Sources: Median Household Income for 2021-2022 is from the U.S. Census Bureau and 2023-2029 forecasted by Moody's Analytics. Medicare Market Basket Data is sourced from the IHS Global Inc. (IGI) 2023Q1 Forecast released by CMS, OACT, National Health Statistics Group.

The historical, 2-year growth rates for medical inflation is a median of 5.8% (confidence interval of 1.1% to 10.5%).



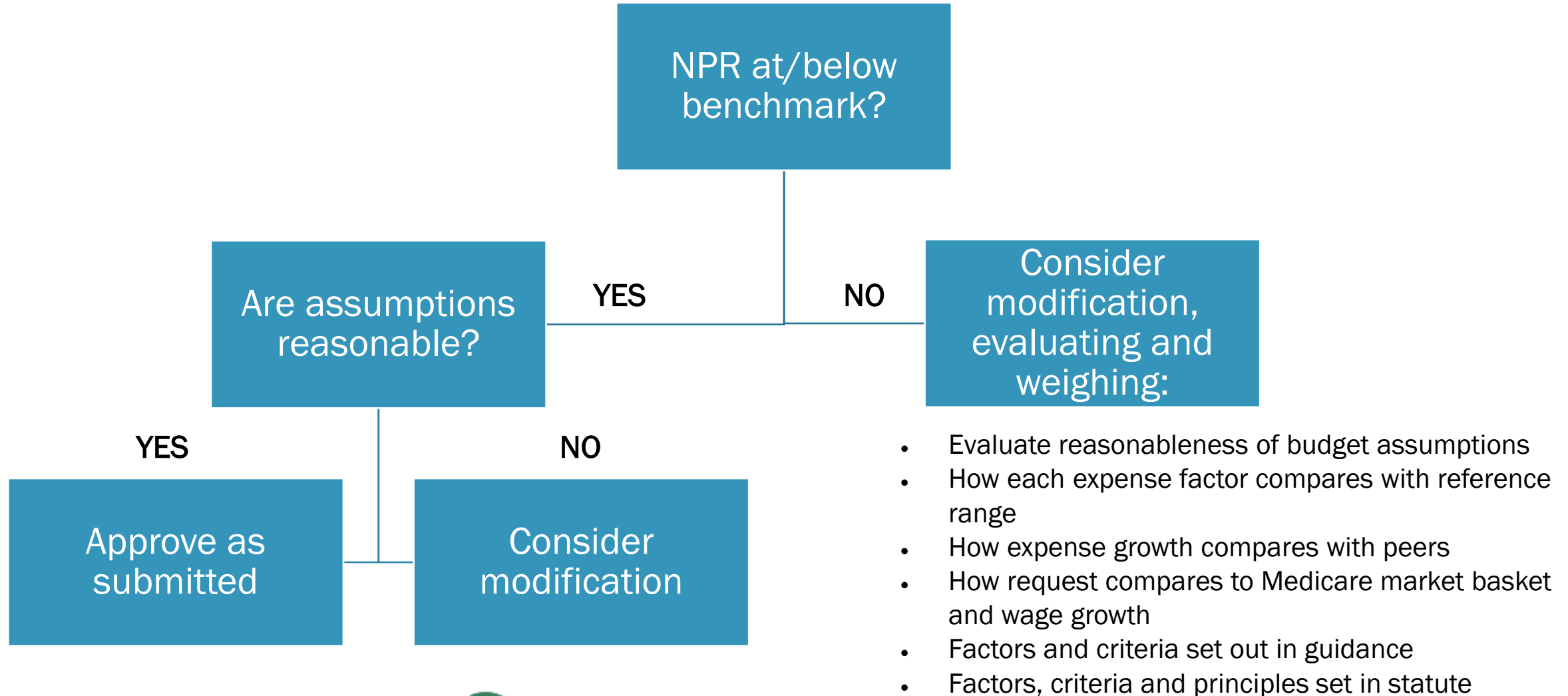
Reliance on commercial rate



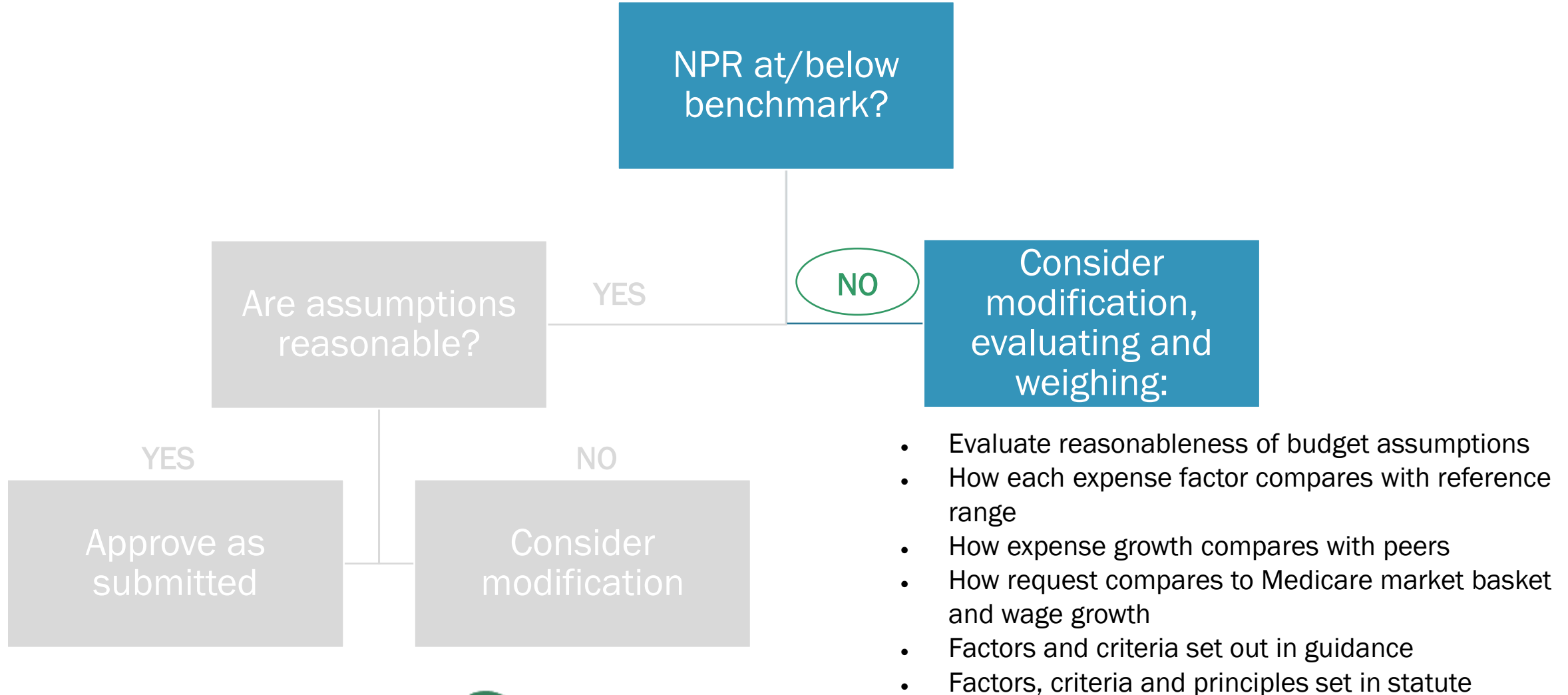
- For hospitals submitting budgets above the benchmark, there is variation in how heavily they rely on commercial rate increases (approved rate increase weighted by commercial share of gross revenue).

	FY22 to FY24	FY23 to FY24	
Copley	10.6%	5.8%	More than a percentage point above market basket
University of VT	10.5%	5.0%	
Northeastern VT	8.2%	4.8%	
Central VT	8.2%	3.8%	
Springfield	7.5%	3.1%	Within one percentage point of market basket
Northwestern	7.4%	3.0%	
Porter	6.6%	2.0%	Below market basket
Brattleboro	5.7%	0.5%	
Southwestern VT	5.1%	2.0%	
North Country	5.0%	1.3%	
Grace Cottage	3.7%	1.7%	
Mt. Ascutney	3.0%	1.6%	

FY24 Hospital Budget Decision Tree



FY24 Hospital Budget Decision Tree



Suggested motion language



Suggested motion language (modify as needed):

*Move to approve [HOSPITAL]'s budget [as submitted / as modified hereby], with a [xx]% **increase** from FY2022 actual to FY2024 budgeted NPR/FPP, a [xx]% charge **increase** from FY2023 to FY2024, and subject to the standard budget conditions as approved by Board [and any other conditions].*