VERMONT
GREEN MOUNTAIN CARE BOARD

Hospital Budget Review: FY25 Guidance & Staff Benchmark Proposal

March 20th, 2024

Agenda

VERMONT
GREEN MOUNTAIN CARE BOARD

FY25 Guidance:

1. Modeling of Proposed Benchmarks for FY2025
2. Uniform Reporting Manual
3. Hospital Budget Review Measures Inventory
4. Timeline & Next Steps

Hospital Budget Guidance Materials

VERMONT
GREEN MOUNTAIN CARE BOARD

Three separate documents: why? And how do they work together?

FY25 Guidance: Specifies how budgets will be evaluated and criteria for whether they will be adjusted.

Uniform Reporting Manual: Standard definitions for financial and non-financial reporting required by hospitals

Hospital Budget Review Measures Inventory: list of measures that staff will use to assess hospital budgets, including specifications so key analyses can be replicated (does not preclude the Board and staff from leveraging other publicly available data – e.g. Sage Transparency Dashboard ETA May 13, 2024)

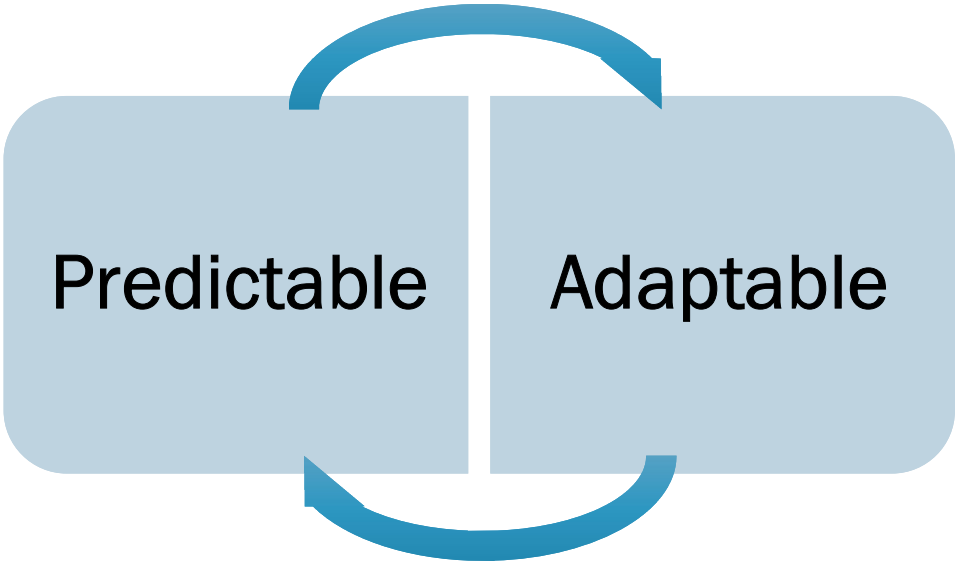
Stakeholder Input

VERMONT
GREEN MOUNTAIN CARE BOARD

Meeting Type & Participants	Date
Internal	
Board members	Ongoing since Oct 2023
Stakeholder Input	
VAHHS ARCC	Nov 9, 2023
VAHHS	Jan 9, 2024
HCA	Feb 2, 2024
VAHHS CFO	Feb 16, Mar 1, and Mar 7, 2024
CAH Hospital	Mar 11, 2024
Board meetings	
Staff Overview & Goals for FY25	Feb 21, 2024
Staff Presentation	Mar 20, 2024 (today)
Board Vote	Mar 27, 2024

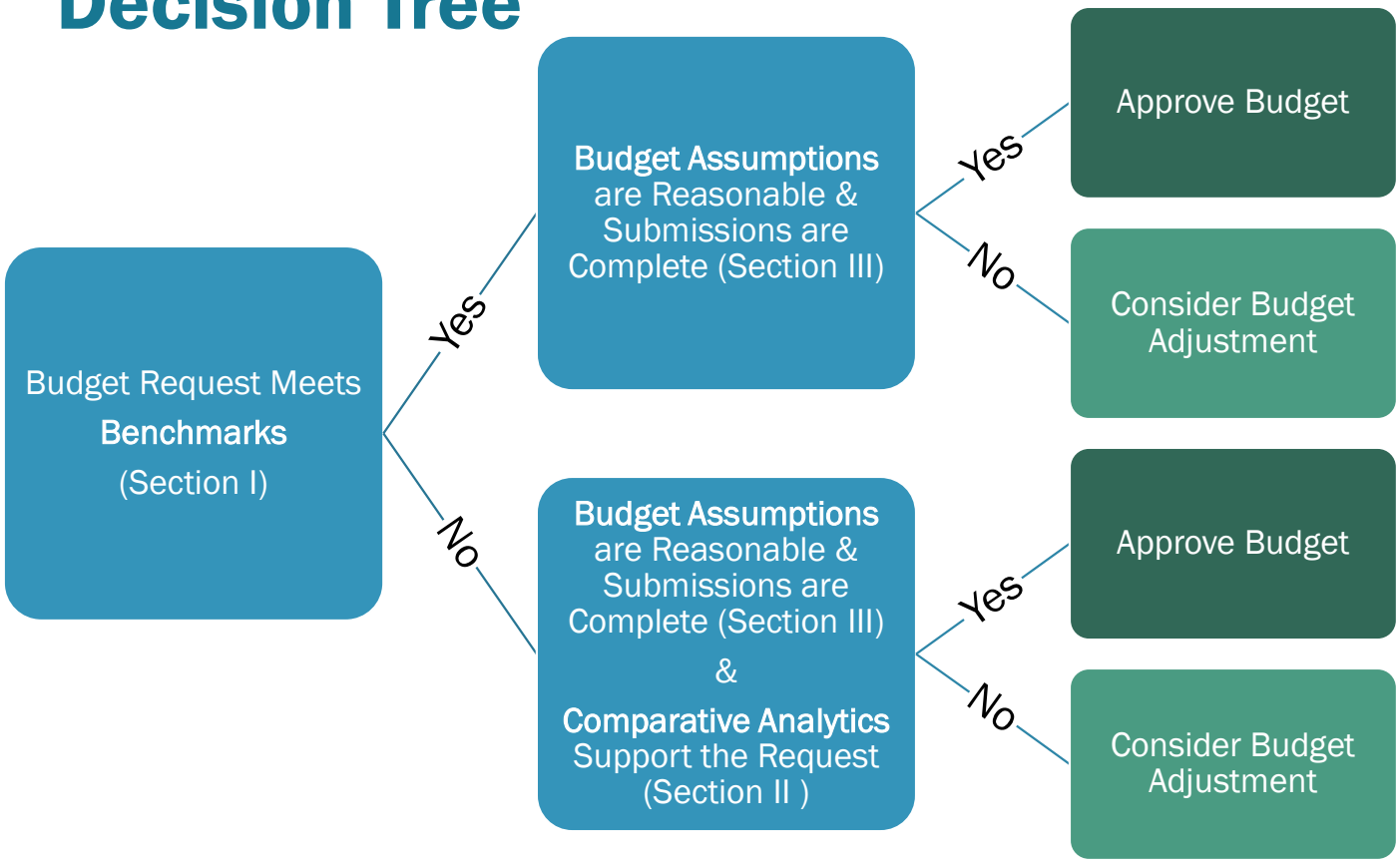
REMINDER: Hospital Budget Review Decision Tree

VERMONT
GREEN MOUNTAIN CARE BOARD



The revised Budget Guidance structure seeks to optimize two objectives (1) predictability of benchmarks, with (2) adaptability for hospital-specific challenges and a dynamic industry and economic environment.

REMINDER: Hospital Budget Review Decision Tree



VERMONT
GREEN MOUNTAIN CARE BOARD

Regardless of budget approval or adjustment, insights gained from data in any of the sections of this guidance may be used to facilitate conversations around improvement opportunities and may lead to general or hospital-specific budget order conditions.

Section I – Proposed Benchmarks: Affordability

VERMONT
GREEN MOUNTAIN CARE BOARD

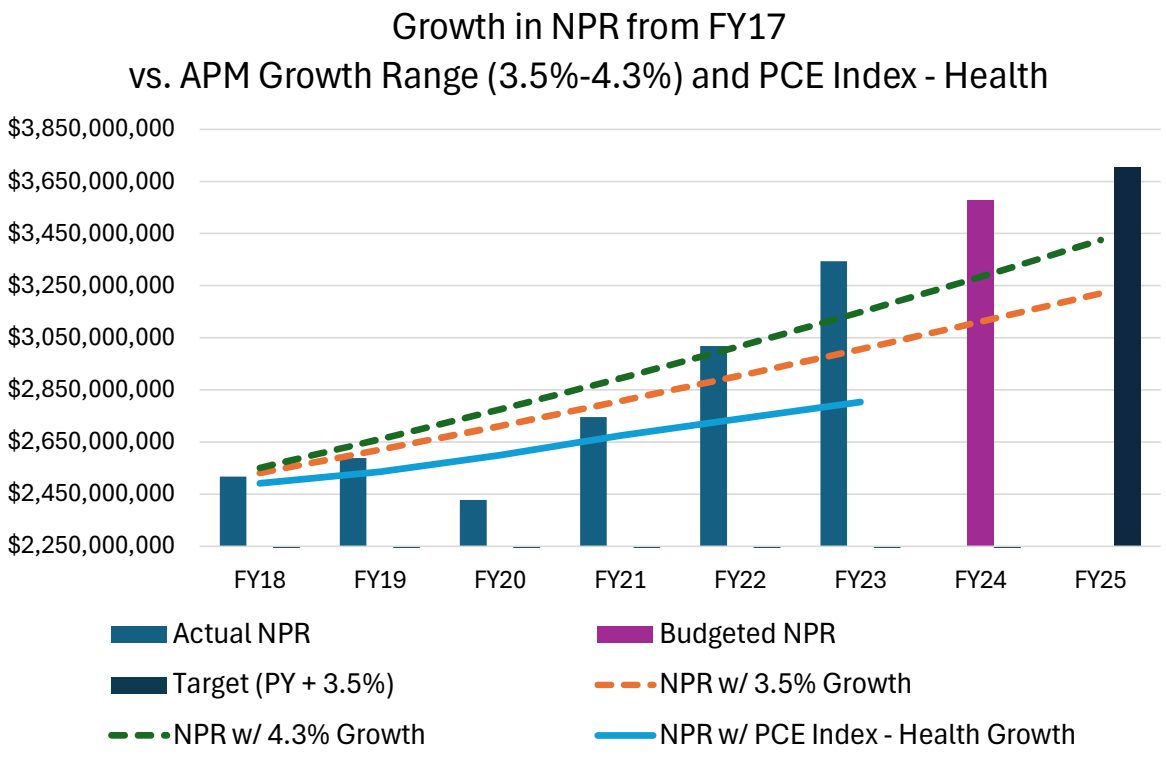
(1) More **aggregate health care spending** (i.e. price x utilization) translates into higher costs of health insurance, which means higher premiums and out-of-pocket costs; thus, we propose…

*…a **cap** on system-wide hospital **Net Patient Revenue (NPR)** that is no more than 3.5 – 4.3% above prior year budget, in line with the Vermont All Payer Model Agreement.*

Hospitals exceeding this benchmark will be required to justify with evidence.

NPR Growth vs. National & Regional Trends

VERMONT
GREEN MOUNTAIN CARE BOARD



Compound NPR growth since 2017 has been just over 6%.

If we stayed at 4.3% growth since 2017, FY25 would be **$3.43 B**; at 3.5% growth, FY25 would be **$3.22 B**

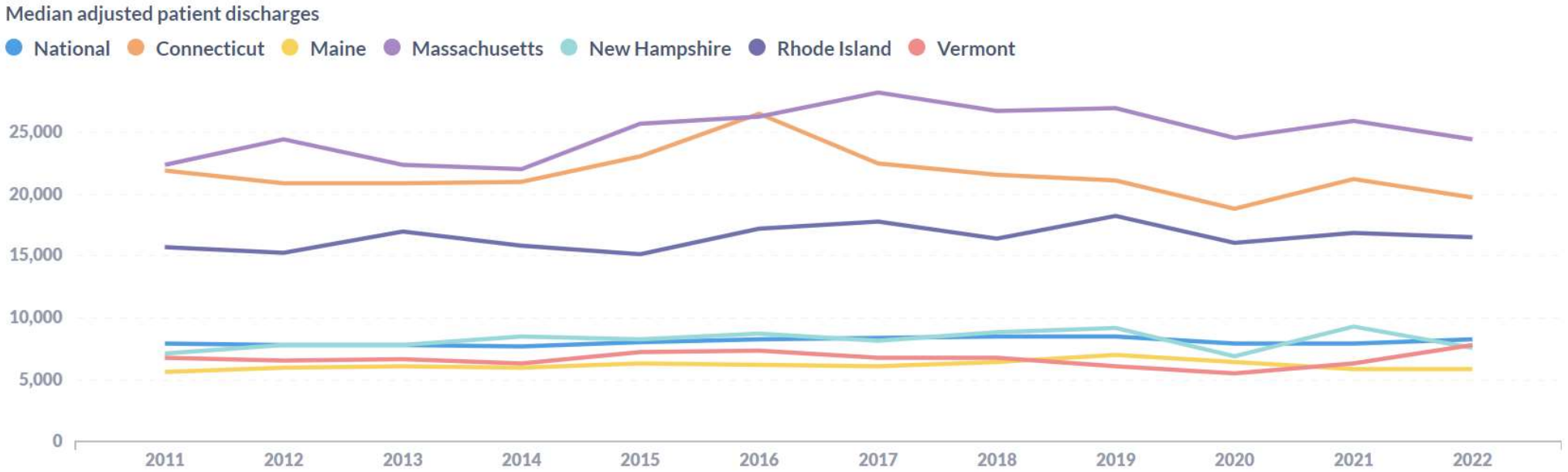
millions	FY25 NPR Benchmark	FY25 vs. FY24 B	FY25 vs. FY17 Trended
FY24 @ **3.5%**	$3,704	$125	$483
FY24 @ **4.3%**	$3,732	$154	$278

Vermont vs. New England: Inpatient & Outpatient Volume

VERMONT
GREEN MOUNTAIN CARE BOARD

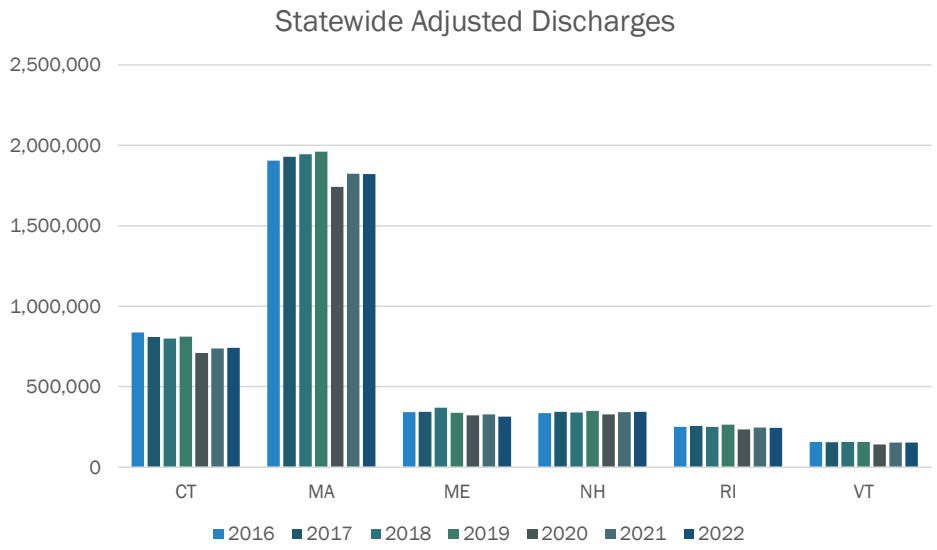
Adjusted Patient Discharges

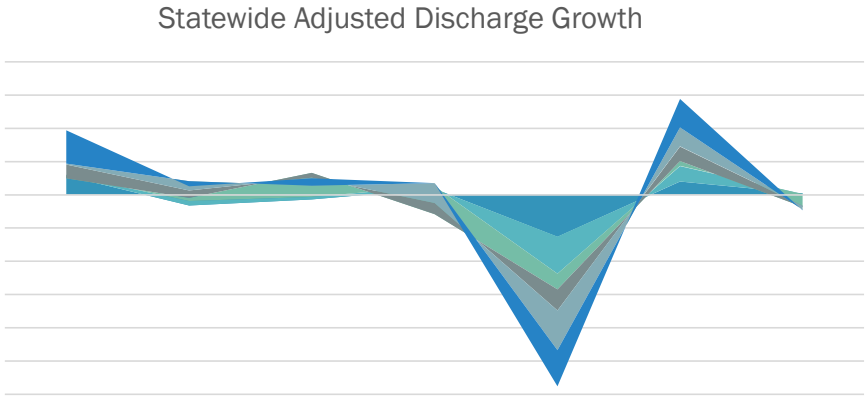
The calculated inpatient and outpatient patient discharges indicating the hospital's total patient volume for the reported period. Using the adjusted patient discharges to standardize hospital-level metrics allows comparison of hospitals of various sizes.



Adjusted Discharges by State

VERMONT
GREEN MOUNTAIN CARE BOARD





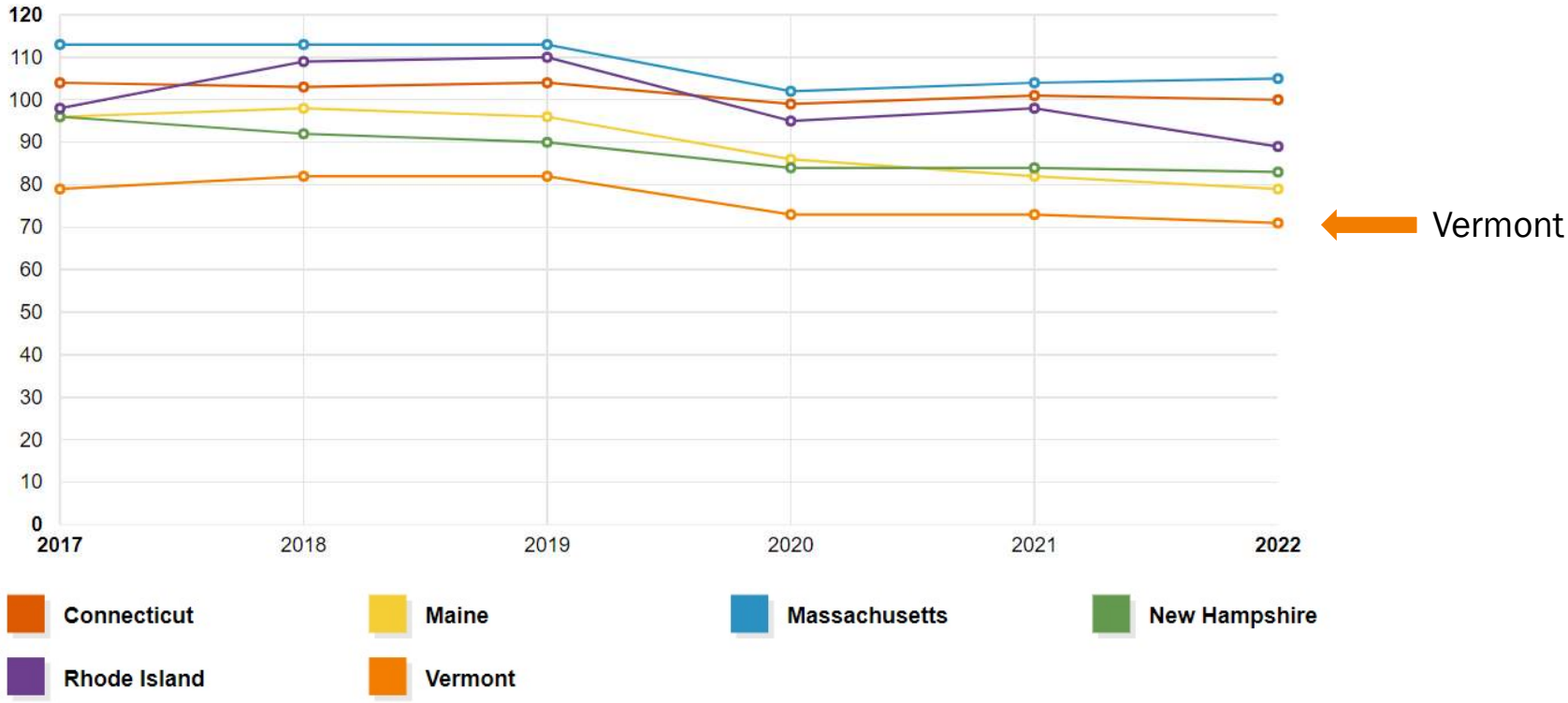
	2016	2017	2018	2019	2020	2021	2022
VT	10.0%	-1.5%	2.2%	0.0%	-10.8%	8.6%	-0.2%
RI	0.3%	2.8%	-2.5%	6.0%	-11.9%	5.7%	-1.2%
NH	4.1%	2.2%	-1.4%	3.3%	-6.3%	4.4%	0.3%
ME	-1.0%	0.9%	7.2%	-8.3%	-4.7%	1.5%	-3.9%
MA	0.2%	1.3%	0.8%	0.8%	-11.1%	4.7%	-0.1%
CT	5.7%	-3.2%	-1.4%	1.7%	-12.6%	4.0%	0.4%

	2016	2017	2018	2019	2020	2021	2022
New England Total	2.0%	0.4%	0.5%	0.6%	-10.5%	4.4%	-0.4%

Source: NASHP Cost Tool Hospital Data

Hospital Admissions per 1,000 Population: New England States

VERMONT
GREEN MOUNTAIN CARE BOARD

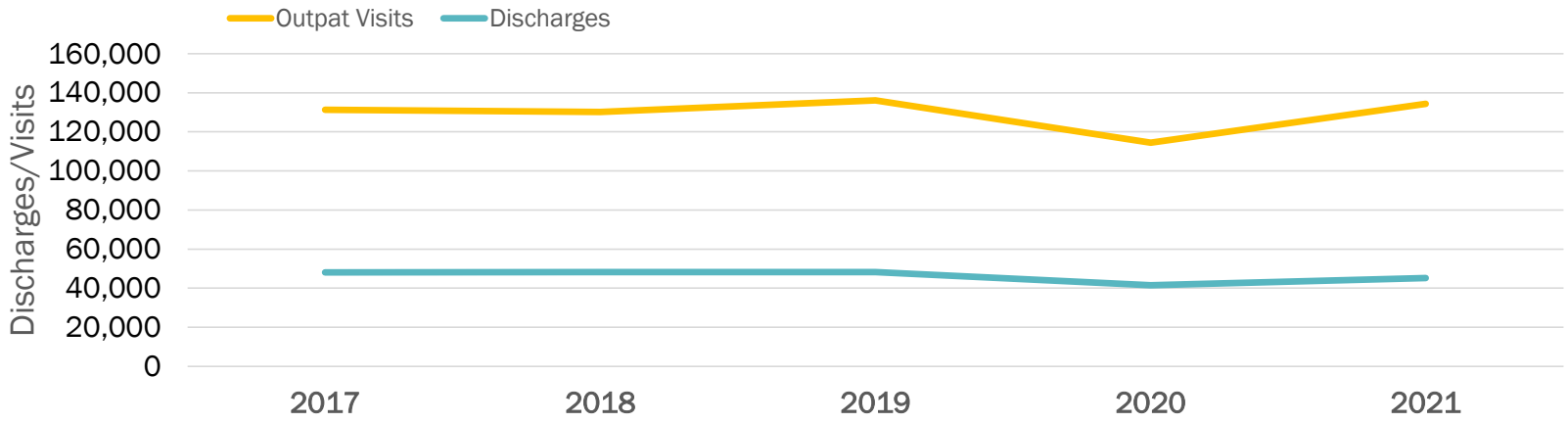


Vermont

Source: KFF

Vermont Hospital System Volume Trends (VHUDDS)

VERMONT
GREEN MOUNTAIN CARE BOARD

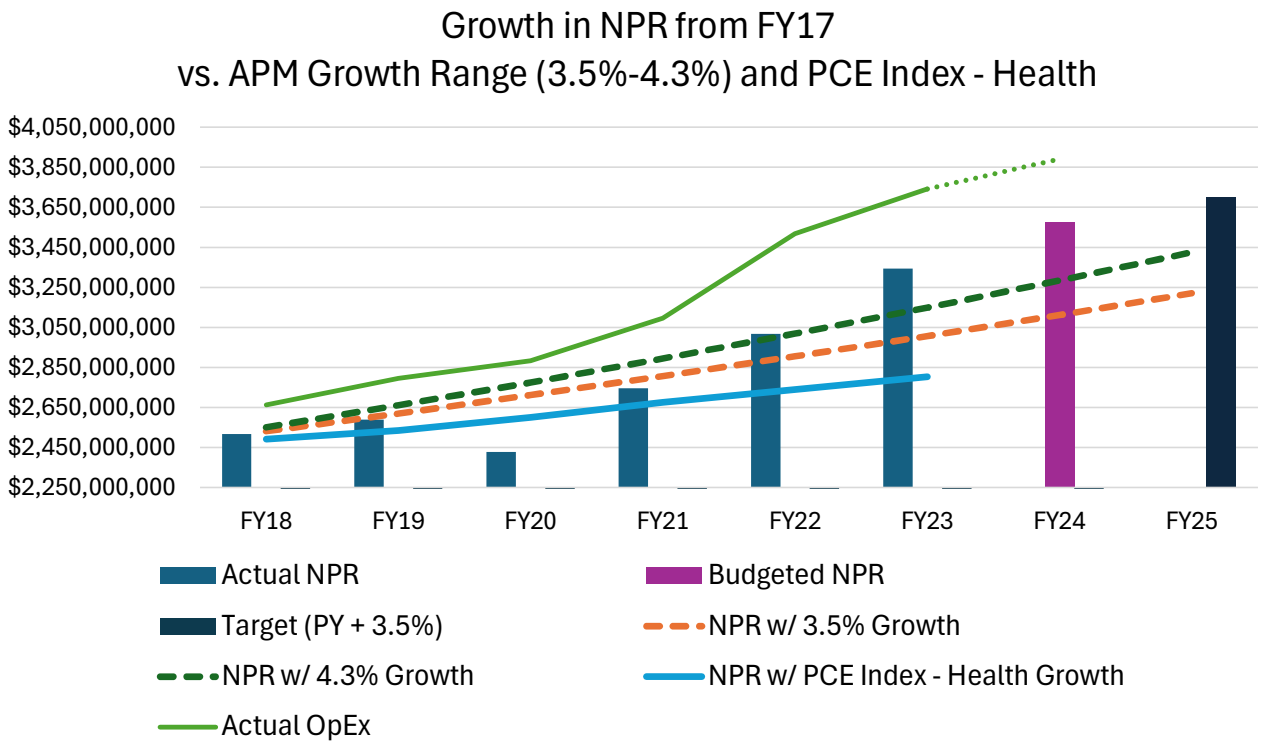


Year-Over-Year Δ	2017-18	2018-19	2019-20	2020-21
Outpatient Visits	-0.8%	4.6%	-15.9%	17.2%
Discharges	0.2%	0.1%	-13.9%	8.6%
Patient Days	2.1%	2.7%	-9.8%	10.0%
Ave LOS	2.0%	2.0%	3.9%	1.9%

*With the exception of COVID, inpatient & outpatient utilization is relatively stable, but these data are only currently available through **2021**.*

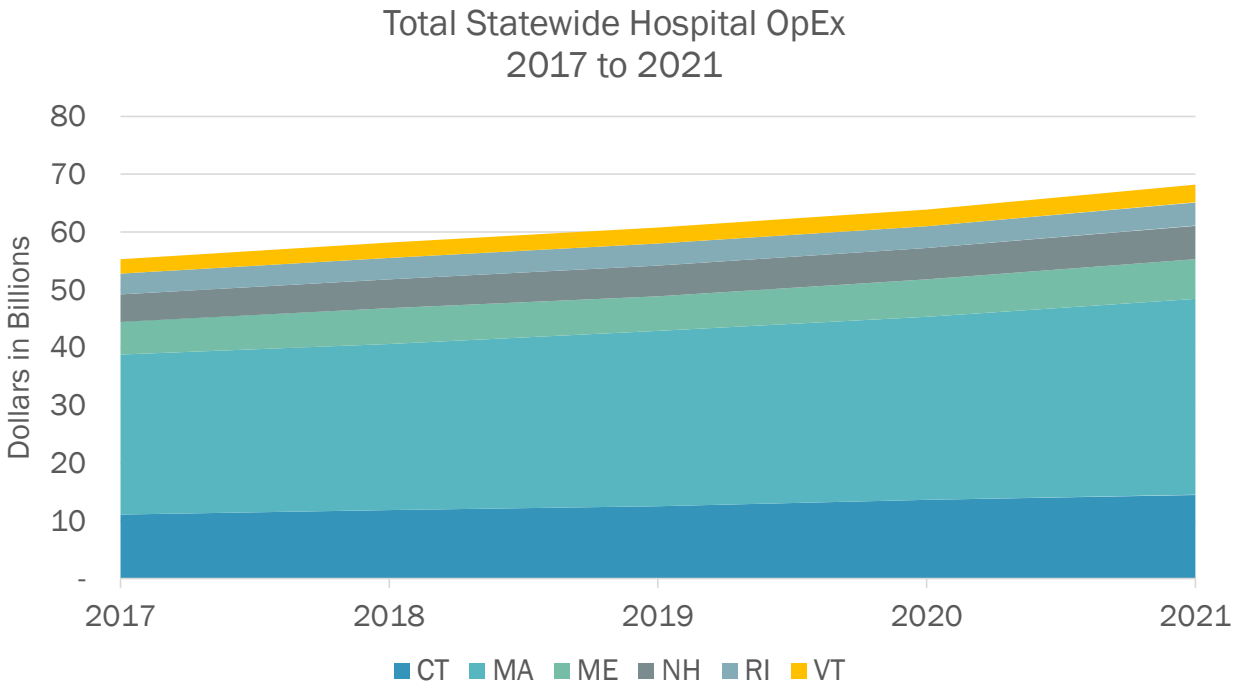
NPR Growth vs. National & Regional Trends

VERMONT
GREEN MOUNTAIN CARE BOARD



Vermont vs. New England States: Operating Expense Growth

VERMONT
GREEN MOUNTAIN CARE BOARD

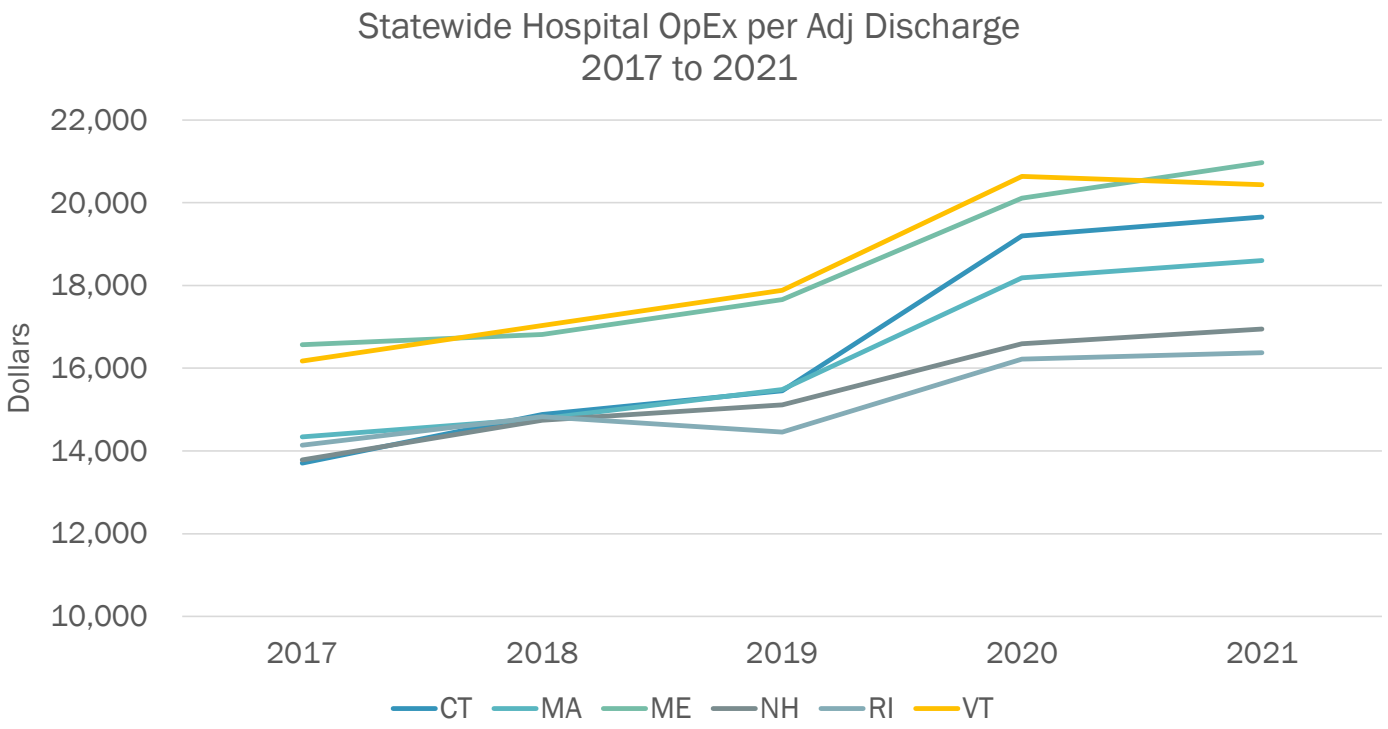


State	2017	2018	2019	2020	2021
CT	1%	7%	6%	9%	6%
MA	5%	4%	6%	4%	7%
ME	6%	9%	-4%	9%	6%
NH	5%	6%	6%	3%	7%
RI	3%	2%	3%	-1%	7%
VT	5%	8%	5%	3%	8%
New England	4%	5%	4%	5%	7%

Source: NASHP Cost Tool Hospital Data

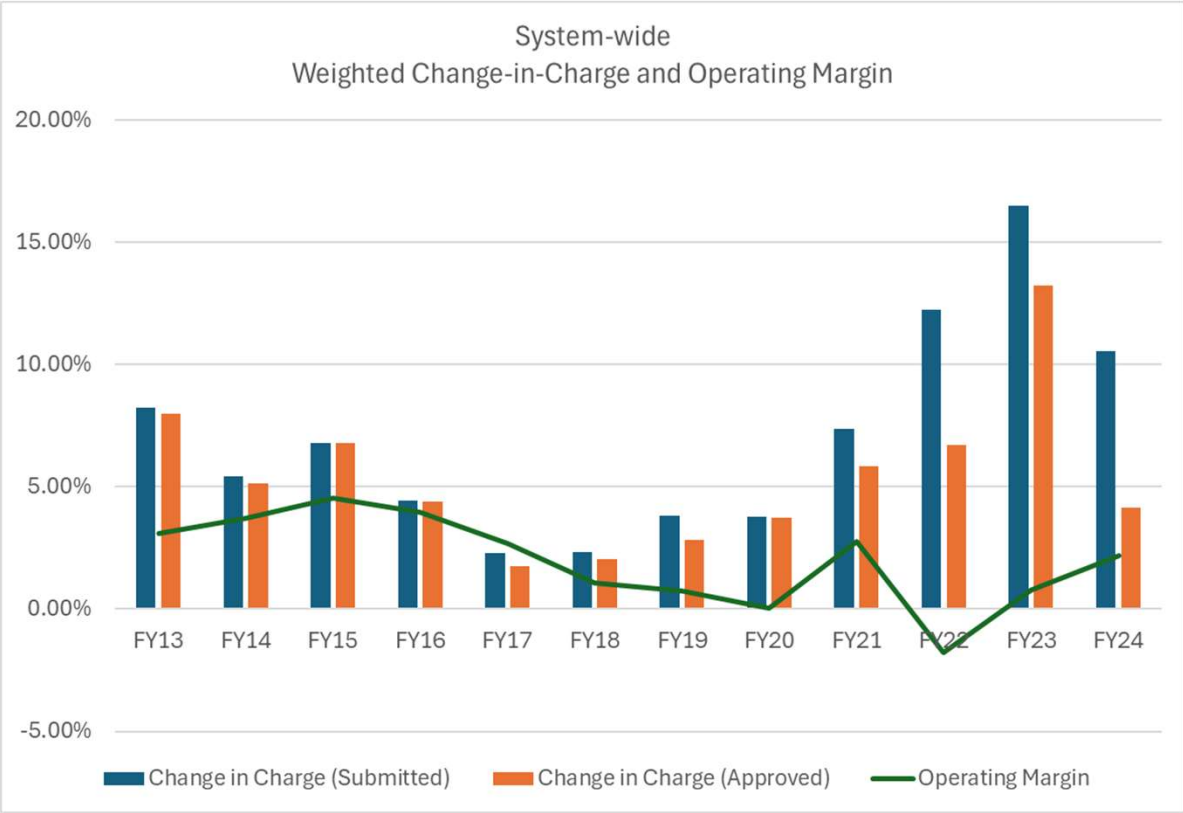
Vermont vs. New England States: OpEx Growth per Adj Discharge

VERMONT
GREEN MOUNTAIN CARE BOARD



Charge Growth over time

VERMONT
GREEN MOUNTAIN CARE BOARD



Section I – Proposed Benchmarks: Affordability

VERMONT
GREEN MOUNTAIN CARE BOARD

(1) More **aggregate health care spending** (i.e. price x utilization) translates into higher costs of health insurance, which means higher premiums and out-of-pocket costs; thus, we propose…

*…a **cap** on system-wide hospital **Net Patient Revenue (NPR)** that is no more than 3.5% above prior year budget, in line with the Vermont All Payer Model Agreement.*

Hospitals exceeding this benchmark will be required to justify with evidence.

Section I – Proposed Benchmarks: Affordability

VERMONT
GREEN MOUNTAIN CARE BOARD

(2) The **price of health care services**, which affects patient cost sharing. Because government payers set prices directly, discretionary price growth is observed in the **commercial market**; and hospitals have some control over what price they negotiate and how much they need to cover their expenses; therefore, we propose…

… a cap on hospital growth in **Commercial Rates (Charges less negotiated discounts)** at no more than X%, overall and for each major commercial payer

Section I – Proposed Benchmarks: Affordability

VERMONT
GREEN MOUNTAIN CARE BOARD

Last time we asked, how should we set cap on growth in hospital commercial rates?

(1) To which index should we tie expectations for growth?

(2) At what level of analysis? By payer? By care setting (i.e. inpatient, outpatient, professional services)?

Section I – Proposed Benchmarks: Affordability

VERMONT
GREEN MOUNTAIN CARE BOARD

Price Inflation Index	Recommended Comparison	Inflation (Annual or 12 month)
GDP Implicit Price Deflators	Price changes in the overall economy.	2.6% (Oct 2023)
Price Indices – Consumer, Urban	Prices changes for consumers' out-of-pocket spending for specific goods and services.	3.2% (Feb 2024)
Price Indices – PCE Price Index	**Price changes in personal consumption expenditures by the household sector (not firms); available for Vermont, but lagged data.**	2.4% (Jan 2024)
Price Indices – Personal Health Care Deflator; NHE	Projected price changes for total health care expenditures and household out-of-pocket and third-party health care expenditures.	3.1% (2025)
Price Indices - Producer	Price changes for specific commodities or services (e.g. Hospitals)	3.6% (Feb 2024)
Employment Cost Indices (ECI)	Changes in business costs for worker compensation in selected industry categories.	4.1% (Dec 2023)
Medicare Market Basket (IPPS Hospital)	Inflationary factor used by Medicare as growth factor in payment methodologies.	3.1% (Q4 2025 Forecast)

Which index? Staff recommending **PCE Price Index + 1%**

- **PCE Price Index**: Included in state economist's recommended inflationary metrics for benchmarking price growth in the hospital budget process (published August 2022)
- **+1%**: Proposing the addition of 1% since this is the first year we are establishing a price growth benchmark and using Jan FY2024 inflation from FY2023 for FY2025, so providing some flexibility with additional 1%

Year over Year Comparison of Selected Inflationary Metrics

VERMONT
GREEN MOUNTAIN CARE BOARD

Delta from PCE-PI + 1%	2016	2017	2018	2019	2020	2021	2022	2023
PCE-PI+1%	1.60%	2.38%	2.90%	2.74%	2.26%	3.64%	6.34%	6.06%
CPI-U	0.33%	0.25%	0.46%	0.93%	1.01%	-1.04%	-1.65%	1.94%
Market Basket	0.00%	0.18%	0.50%	0.24%	0.16%	1.44%	1.94%	0.26%
PHC Deflator (NHE)	0.40%	1.08%	1.40%	1.24%	0.26%	1.44%	4.04%	3.26%

Headline CPI and PCE Inflation Since 2000

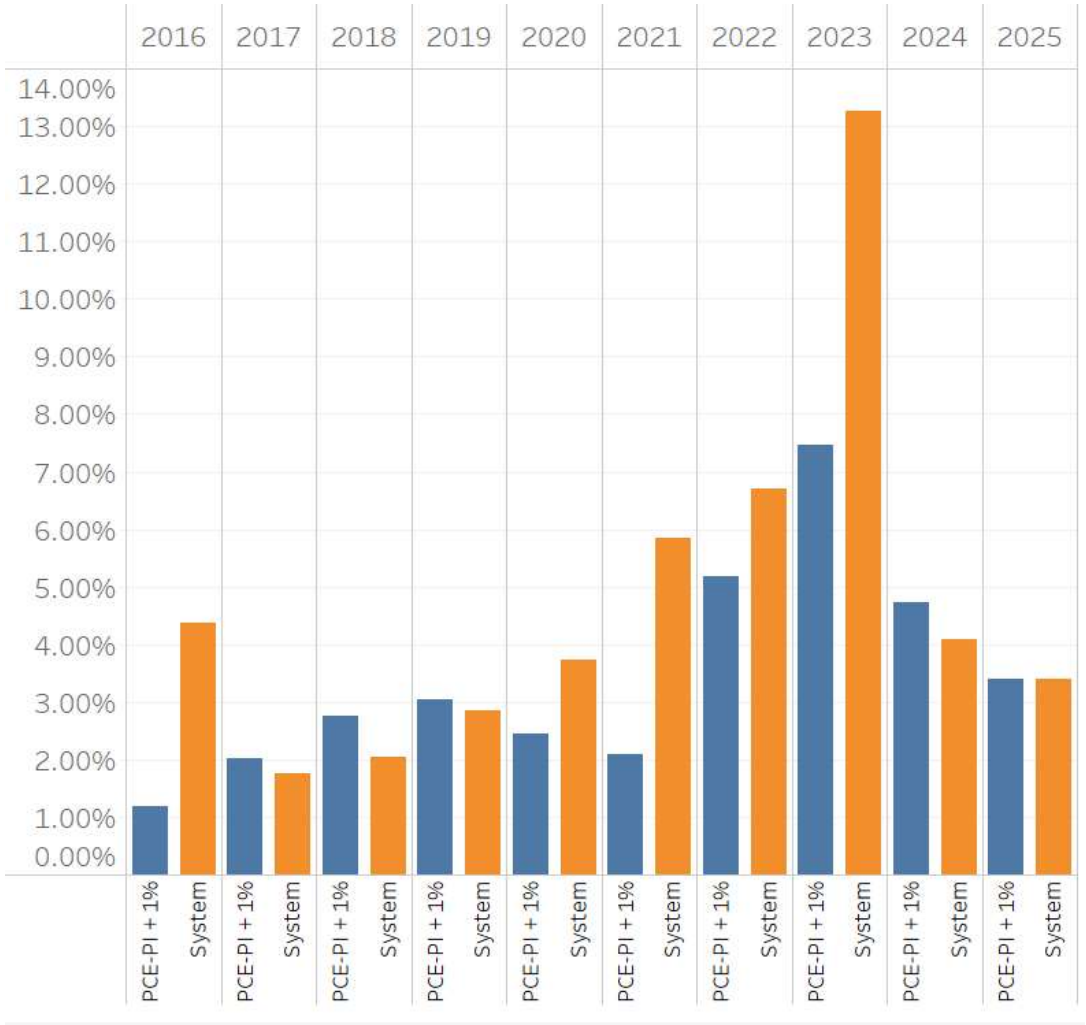
Year-on-year percent

Council of Economic Advisers

Source: Bureau of Economic Analysis; CEA calculations.

As of September 29, 2023 at 8:30am.

VERMONT
GREEN MOUNTAIN CARE BOARD



VERMONT
GREEN MOUNTAIN CARE BOARD

Charge Growth vs. PCE Price Index + 1%

Note: Assumes that the lagged index is used to establish the commercial rate growth benchmark, e.g. the January 2024 PCE-PI growth + 1% would be used for the FY25 budget process.

VERMONT
GREEN MOUNTAIN CARE BOARD

Charge Growth vs. PCE Price Index + 1% (3-year CAGR)

Staff Recommendation

VERMONT
GREEN MOUNTAIN CARE BOARD

Commercial Rate Growth: Commercial rate growth overall and for each payer shall be no more than the PCE price index +1% (January 2024 release), over FY24 approved budget, which amounts to **3.4%** for FY25. The GMCB anticipates establishing a cap on commercial rate increases for each hospital above its currently approved levels, which will also apply as a cap on the price increase that the hospital may receive on average from each individual commercial payer (i.e. net of changes in utilization). The GMCB approved rate increases will be caps that are subject to negotiation between a hospital and commercial insurers and are not amounts set or guaranteed by the GMCB.

Hospitals proposing budgets that exceed this growth rate will be required to justify this request, and report on productivity by department.

Staff Recommendation (continued)

VERMONT
GREEN MOUNTAIN CARE BOARD

Though commercial rate growth will be evaluated in aggregate and for each major payer, reporting will also be required across all payer categories (i.e. Traditional Medicare, Medicare Advantage, Medicaid, Commercial etc.) and for each major commercial payer[1] at the core service line level (inpatient, outpatient, professional services).

1. Defined in the Uniform Reporting Manual

Section I – Proposed Benchmarks: Hospital Financial Sustainability

VERMONT
GREEN MOUNTAIN CARE BOARD

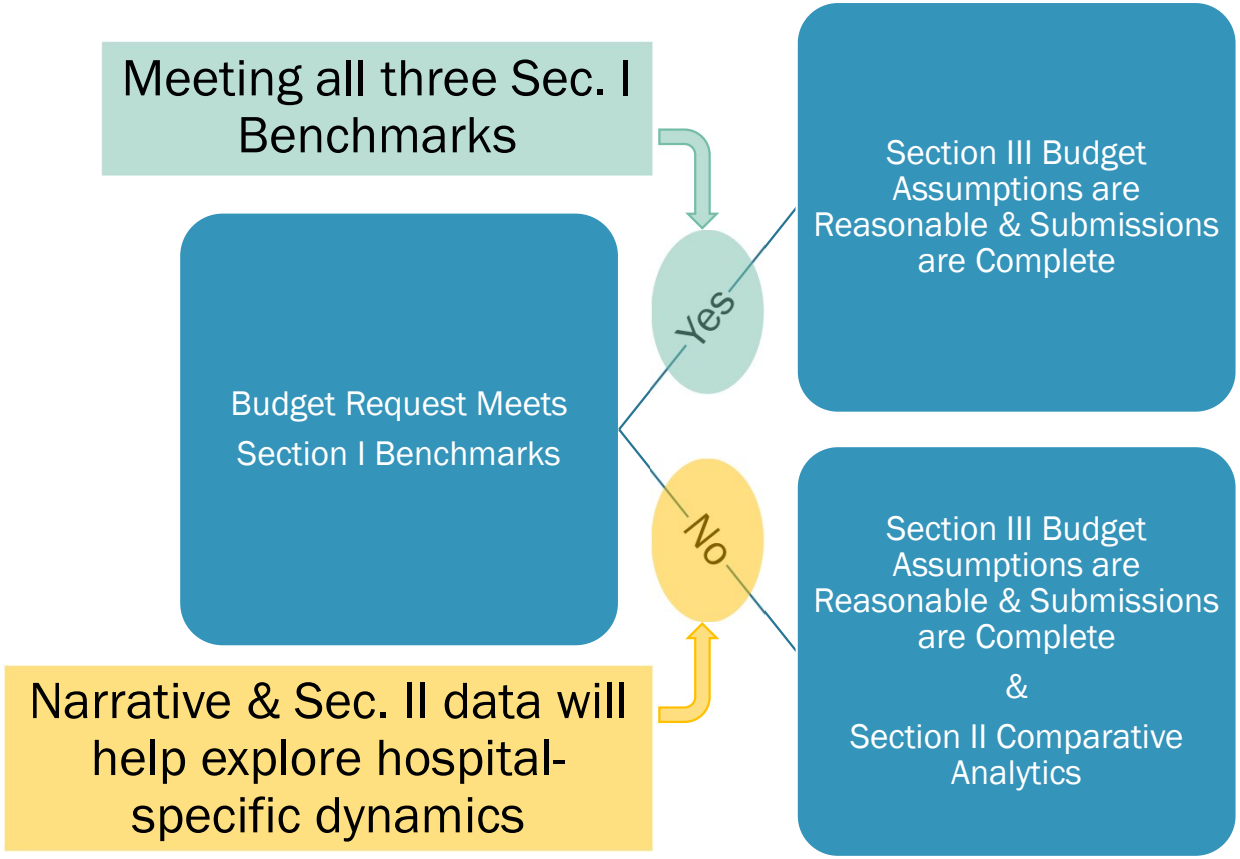
Hospital financial sustainability is imperative to ensuring that *Vermonters can maintain access to essential services where and when they need them*. While there are many indicators that are important for evaluating financial health, a key metric for private entities is **operating margin**, as it expresses the ongoing ability of an organization to cover its operating costs with its expected revenues from operations.

Operating Margin > 0% (i.e. Revenues > Expenses)

The Board recognizes that achieving a positive operating margin is not just about sufficient revenue but also about a hospital's ability to manage its costs.

Section I – Proposed Benchmarks

VERMONT
GREEN MOUNTAIN CARE BOARD



Sec. III Budget Assumptions are key to understanding hospital's budget submissions regardless of whether they meet Sec. I Benchmarks

Guidance Structure (Updated)

VERMONT
GREEN MOUNTAIN CARE BOARD

Guidance Section	Purpose
Introduction	Includes details on hospital budget organizing framework, the review process, and other submission requirements.
I – Benchmarks	Establishes benchmarks against which hospital budget requests will be reviewed and evaluated.
II – Comparative Analytics	Comparative metrics and data sources that the GMCB may use to evaluate hospital budgets in greater detail.
III – Budget Assumptions	Information on assumptions, measures, and data sources that hospitals use in constructing their budget submissions.
IV – Contextual Information	Contextual data for better understanding the needs of the community, may also include delivery system pressures from outside the hospital.
V – Narrative	Additional qualitative justifications for the proposed budget.
VI – Hospital Reporting Requirements	Details of hospital reporting requirements.

Section II – Comparative Analytics

VERMONT
GREEN MOUNTAIN CARE BOARD

Purpose: analyze budget submissions using key metrics and data sources to understand:

- **Operating factors** that might play a role in a hospital's ability to meet the benchmarks established in Section I.
- How Vermont hospitals compare to national and regional trends and within **peer groups,** where appropriate.

*There are **NO specific performance benchmarks** set for measures in this section as these measures must be **considered collectively.***

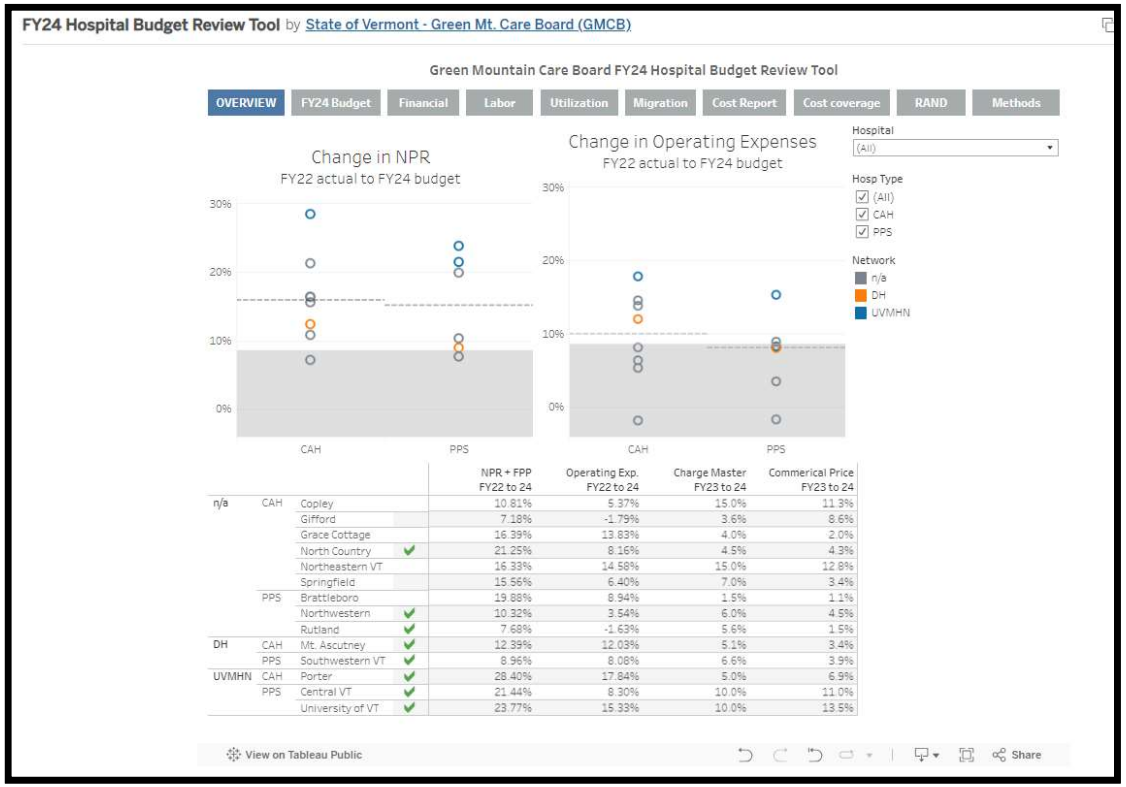
Section II – Comparative Analytics

VERMONT
GREEN MOUNTAIN CARE BOARD

Types of measures include:

- Revenue trends (e.g. NPR per adjusted discharge)
- Operating efficiency (e.g. productivity, throughput),
- Financial health
- and more…

Measure specifications are labelled "Section 2" in the Hospital Budget Review Measures Inventory



Section III – Budget Assumptions

VERMONT
GREEN MOUNTAIN CARE BOARD

- Government reimbursement changes
  - Vermont Medicaid
  - Out of State Medicaid (state-specific NY, MA, NH)
  - Medicare
- Payer mix
- Service Mix
- Patient Acuity (i.e. case mix index by payer)
- Utilization/Market Share
- Anticipated future capital investments
- And more…

Section V – Narrative

VERMONT
GREEN MOUNTAIN CARE BOARD

- Executive Summary
- Background
  - Corporate structure (ownership, affiliations etc.)
  - Service-line changes
- Budget Questions
  - Current year budget vs. Projected
  - Year over year variance analysis (from projected or PY budget?)
  - Budget risks
  - …
- Hospital & Health System Improvement
  - Investments in improving access to Mental Health, SUD, LT care, Primary Care etc.
  - Performance Improvement Strategies
  - Update on Performance Improvement Plans Ordered by the Board
  - Act 167 Community Engagement Experience
  - …
- Other

Section VI – Reporting

VERMONT
GREEN MOUNTAIN CARE BOARD

Exhibit Name	Due Date	Purpose	Location
1. FY2023 Medicare Cost Report	4/1/2024	Financial Monitoring	Upload
2. Verification under Oath	7/1/2024	Attestation to truth of filing	Upload
3. Budget Narrative		Detailed explanation of budget and justification for budgets not meeting Section I benchmarks (see Guidance Section V)	Upload
4. FY2025 Budget Request		Details of budget request and underlying assumptions: Income statement, Balance Sheet, Other Operating Revenue, Payer Revenue, Case Mix, Utilization and Rate Assumptions, Staffing etc.	Adaptive
5. Hospital Operations		Complements budget request data highlighting internal and external budget pressures	Adaptive
6. Community Health Needs Assessment & Implementation Plan		Community Benefit	Upload
7. Financial Assistance Policy & Reporting		Act 119 of 2022	Upload
8. Affiliations & Third-party Contracts		Financial & Legal Relationships	Upload
9. Corporate Structure		Financial & Legal Relationships	Upload
10. Salary Information		Statutory Requirement 18 V.S.A. § 9456(b)(12)	Upload
11. Net Revenue & Public Payer Reimbursement		Statutory Requirement	Upload
12. Capital expenditures	8/1/2024	Compliance with CON program	Upload
13. IRS Form 990 for CY2022 (incl. Schedule H)	9/30/2024	Financial Monitoring	Upload

This section details requirements for hospital reporting for consideration of their FY25 budget request.

Uniform Reporting Manual

VERMONT
GREEN MOUNTAIN CARE BOARD

This year… limited updates (limited staff capacity and resources)

- Defined Bad Debt and Free Care in accordance with the IRS definition
- Clinical vs. non-Clinical FTEs
- Payers: separately report Medicare Advantage, defined "major" commercial payers as BCBS, MVP, United Healthcare, Cigna, and any other payers that make up more than 10% of a hospital's commercial revenue.

Future opportunity to improve apples-to-apples reporting between hospitals

- Standardize definitions in the Uniform Reporting Manual (this would not solve the problem because of accounting differences)
- Hospitals could consider leveraging a single statewide auditor
- Hospitals could adopt a uniform chart of accounts

Hospital Budget Review Measures Inventory

VERMONT
GREEN MOUNTAIN CARE BOARD

Many measures included in this list are either referenced or used previously in hospital budget hearings, or similar.

Data will come from a combination of adaptive, Medicare cost reports, and other publicly available data sources.

Certain measures may be more/less relevant for hospitals of a certain designation.

Guidance	Bucket	Measure Count
Section 1	Target	3
Section 2	Financial health	16
	Operating efficiency	16
	Other	2
	Revenue trends	26
Section 4	Access	5
	Community Data	16
	Quality	12
Total		96

Related Policies

VERMONT
GREEN MOUNTAIN CARE BOARD

Budget Amendments & Adjustments

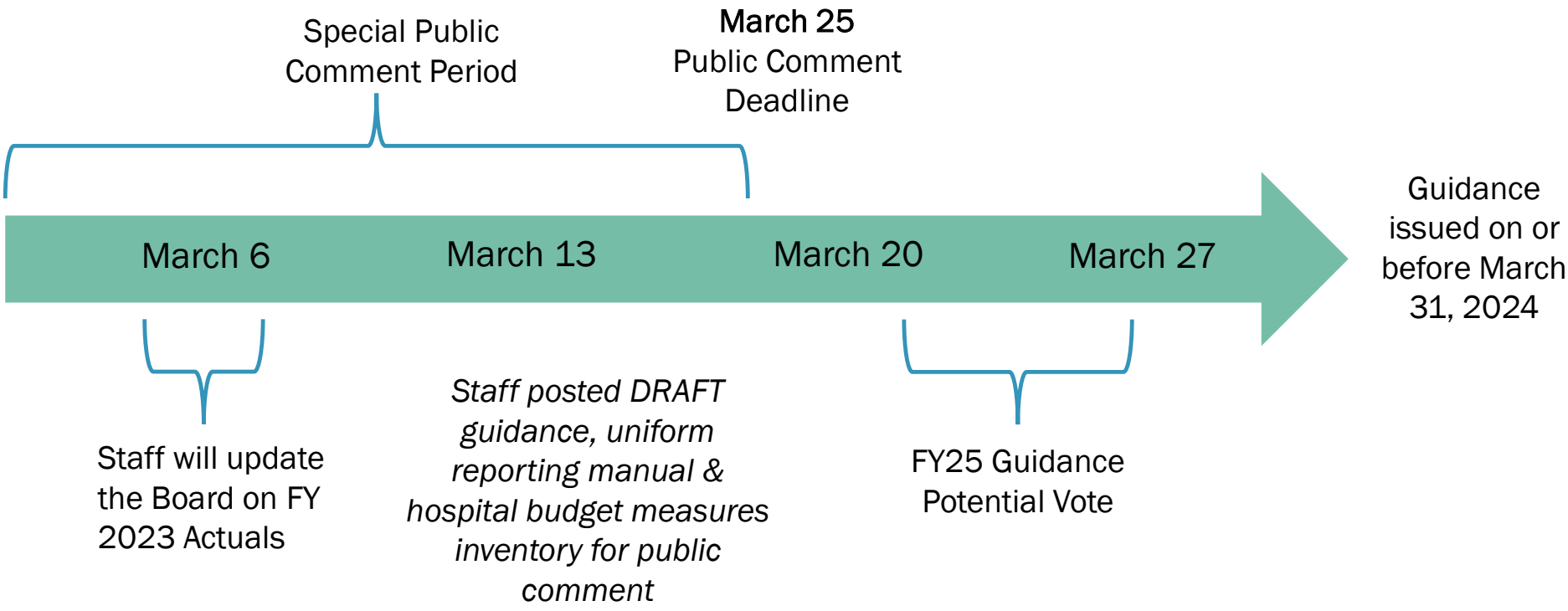
- Draft posted for public comment with minor updates from FY24

Enforcement

- Previously adopted as standing policy
- Modifications?

Timeline for FY25 Guidance

VERMONT
GREEN MOUNTAIN CARE BOARD



Board Questions & Public Comment

VERMONT
GREEN MOUNTAIN CARE BOARD

VERMONT
GREEN MOUNTAIN CARE BOARD

RESOURCES

FY25 Net Patient Revenue Benchmark

VERMONT
GREEN MOUNTAIN CARE BOARD

	FY23A	FY24B	FY25 (3.5%)	vs. FY23A	FY25 (4.3%)	vs. FY23A
Brattleboro Memorial Hospital	106,185,271	111,164,182	115,054,928	8.35%	115,944,242	9.2%
Central Vermont Medical Center	252,125,510	275,002,293	284,627,373	12.89%	286,827,391	13.8%
Copley Hospital	96,200,700	111,856,924	115,771,916	20.34%	116,666,772	21.3%
Gifford Medical Center	54,811,925	64,473,184	66,729,745	21.74%	67,245,531	22.7%
Grace Cottage Hospital	24,857,527	27,568,098	28,532,981	14.79%	28,753,526	15.7%
Mt. Ascutney Hospital & Health Ctr	65,352,824	70,333,350	72,795,017	11.39%	73,357,684	12.2%
North Country Hospital	95,226,076	103,425,783	107,045,685	12.41%	107,873,092	13.3%
Northeastern VT Regional Hospital	112,163,949	115,178,726	119,209,981	6.28%	120,131,411	7.1%
Northwestern Medical Center	117,534,401	126,180,653	130,596,976	11.11%	131,606,421	12.0%
Porter Medical Center	115,464,374	126,746,707	131,182,842	13.61%	132,196,816	14.5%
Rutland Regional Medical Center	325,035,199	328,821,700	340,330,460	4.71%	342,961,033	5.5%
Southwestern VT Medical Center	184,701,747	203,459,707	210,580,797	14.01%	212,208,474	14.9%
Springfield Hospital	55,407,788	60,807,605	62,935,871	13.59%	63,422,332	14.5%
The University of Vermont Medical Center	1,739,015,783	1,853,481,226	1,918,353,069	10.31%	1,933,180,918	11.2%
Total All Vermont Community Hospitals	**3,344,083,075**	**3,578,500,138**	**3,703,747,643**	**10.76%**	**3,732,375,644**	**11.6%**