

# Hospital Budget Review: FY25 Guidance & Staff Benchmark Proposal

March 27<sup>th</sup>, 2024

# Agenda



1. Review Public Comment & Updates to the Guidance
2. Board Vote

# Public Comment Received



- Health Care Advocate (HCA)
- Vermont Association of Hospitals and Health Systems (VAHHS)
  - References to VAHHS also include feedback from CFO subgroup
- Rutland Regional Medical Center (RRMC)
- University of Vermont Medical Center (UVMCMC)
- Sharon Gutwin, PT & Owner of RehabGYM (SG)
- Primary Care Advisory Group (PCAG)

## Section I – Proposed Benchmarks: Affordability



*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.*

### Public Comment

- Move back to two-year NPR growth over actuals (RRMC)
- Differentiate NPR growth based on per capita changes (UVMMC)

# Section I – Proposed Benchmarks: Affordability



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

## Public Comment

- Consider alternative inflationary metrics
  - **Wage Growth (HCA):** Average (3-year rolling) VT real wage growth<sup>1</sup> – **1.0% to 1.5%** in recent years
  - **Medical CPI (RRMC):** As of February 2024, CPI for medical care is **1.4%**
- Price growth should be all-payer, not just commercial (UVMCMC)
- Keep only aggregate commercial cap, do not establish payer-specific caps (RRMC)

### Sources:

1. Calculated using data from BLS & FRED
2. [BLS](#)

## Section I – Proposed Benchmarks: Hospital Financial Sustainability



Operating margin shall be greater than 0%, as it expresses the ongoing ability of an organization to cover its operating costs with its expected revenues from operations. 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.

### Public Comment

- Operating margins should be...
  - ...between 1% and 2% (RRMC)
  - ...greater than 2% (VAHHS)

# Hospital Budget Review Measures Inventory



Rule 3.306(a): “The hospitals shall bear the burden of persuasion in justifying their proposed budgets.”

While the burden is on hospitals to justify any budgets that do not meet the Section I Benchmarks, the hospital budget review measures inventory provides a core list of measures staff may review in analyzing hospital budgets. Such analyses help Board members and staff ask informed questions and make sense of hospital budget justifications. There are numerous other data sources referenced in the hospital budget guidance, and hospitals may bring their own data to justify their budget requests.

# Hospital Budget Review Measures Inventory



		VAHHS Priority			
		No	Yes	Add	Total
Section 1	Target	-	3		3
Section 2	Financial health	8	8	1	17
	Operating efficiency	6	10		16
	Other	-	2		2
	Revenue trends	5	21		26
Section 4	Access	5			5
	Community Data	16			16
	Quality	12			12
Total		52	44	1	97

## Public Comment

- Include APRNs in measures of Primary Care FTE (PCAG)
- Operating Expense Growth and FTE Growth for Direct Patient Care needs to be measured on a per capita basis. (UVMCC)
- Would like to explore nuances of peer group analysis & data visualization (VAHHS)

## Hospital Budget Review Measures Inventory: VAHHS on Peer Group Analysis



- **Expand peer group:** A larger hospital peer group reduces noise and improves stability of the peer group over time.
- **Align peer groups more closely Vermont hospital characteristics:** Recognize uniqueness of Vermont hospitals in considering peer characteristics (e.g. rural vs urban designations, their larger network affiliations (or lack of affiliations), and their non-profit status).

## Other Public Comment – Guidance (continued)



- FY25 guidance is administratively burdensome, and Board should narrow focus (RRMC, VAHHS)
  - Refocused Section D: Hospital and Health System Improvement, for example:
    - Moved Patient Experience and Provider Satisfaction Surveys to off cycle reporting
    - Moved Act 167 Hospital Transformation to post-budget process
- Request to add questions (VAHHS, RRMC)
  - Report on hospitals' subsidization of employee benefits (e.g. housing, day care) given their on-going work with Administration.
  - Drivers of expense growth for which hospitals believe they should be held harmless
- Remove any questions related to facility fees (RRMC)

# Other Public Comment - Guidance



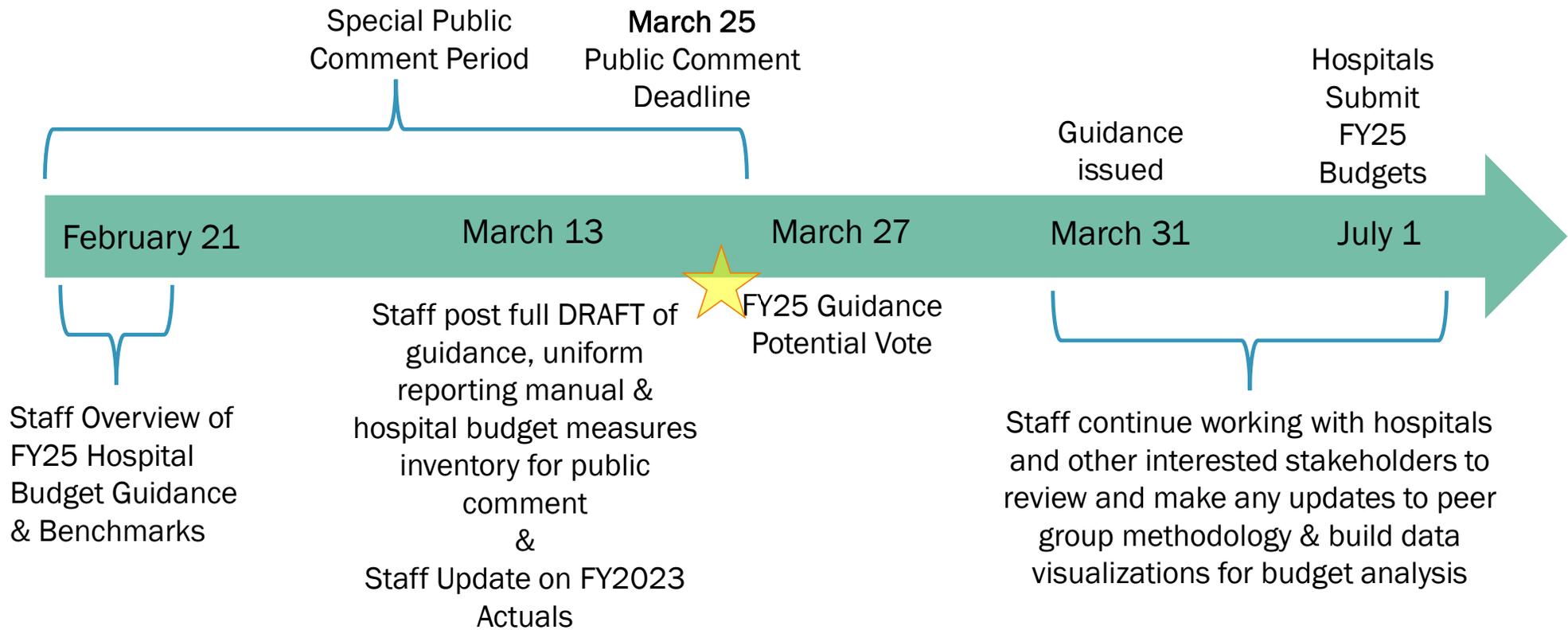
- Further unpack reporting by “outpatient” services (e.g. preventative care) (SG)
- Consider measuring primary care investment in hospital budget process (PCAG)
- Adaptive does not match cost reports, for example bad debt and charity care on financial statements not equivalent to that which is reported on Medicare Cost Reports (VAHHS)

## Other Public Comment: Regulatory Approach



- Hospital consolidation is not good for patients on a number of dimensions (e.g. affordability, wait times, patient choice, etc.) (SG)
- Consider implementing strategies to increase pay parity between hospital and independent providers (SG)
- Do not look at Quality in the hospital budget process (VAHHS)

# Timeline for FY25 Guidance



## Board Vote

1. The GMCB is establishing benchmarks for three indicators pursuant to Rule 3.202: NPR, commercial rate, operating margin.
2. Those benchmarks are included in the FY25 Hospital Budget Guidance.
3. FY25 Hospital Budget Guidance specifies what information hospitals need to include in their budget submissions.
4. FY25 Hospital Budget Guidance also includes measures that will assist the GMCB with analyzing budgets that do not meet the benchmarks, as the GMCB has recognized that particular hospital circumstances may justify budgets that don't meet the benchmarks.

“The hospitals shall bear the burden of persuasion in justifying their proposed budgets.” Rule 3.306(a).

# Potential Motion



Suggested motion language:

*Move that the Green Mountain Care Board approve and adopt the FY25 Hospital Budget Guidance as presented by GMCB staff, which includes benchmarks for NPR growth at no more than 3.5% over FY24 budget, commercial rate growth overall and for each payer at no more than 3.4% over FY24 approved rates, and operating margin greater than 0%, in each case as presented by GMCB staff and reflected in the FY25 Guidance. The FY25 Guidance shall be effective as of March 31, 2024, and the GMCB Director of Health Systems Finance is authorized to finalize and issue the guidance on or before that date.*

# RESOURCES

# FY25 Net Patient Revenue Benchmark



	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%
<b>Total All Vermont Community Hospitals</b>	<b>3,344,083,075</b>	<b>3,578,500,138</b>	<b>3,703,747,643</b>	<b>10.76%</b>	<b>3,732,375,644</b>	<b>11.6%</b>