

FY24 Hospital Budget Deliberations

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Overview

- Overview of hospital budget review process
- Rate request compared with inflationary growth
- Hospital budget deliberations:
 - Brattleboro Memorial Hospital
 - Mt. Ascutney Hospital and Health Care Center
 - North Country Hospital
 - Grace Cottage Hospital
 - Springfield Hospital

Inflationary Growth Indicators



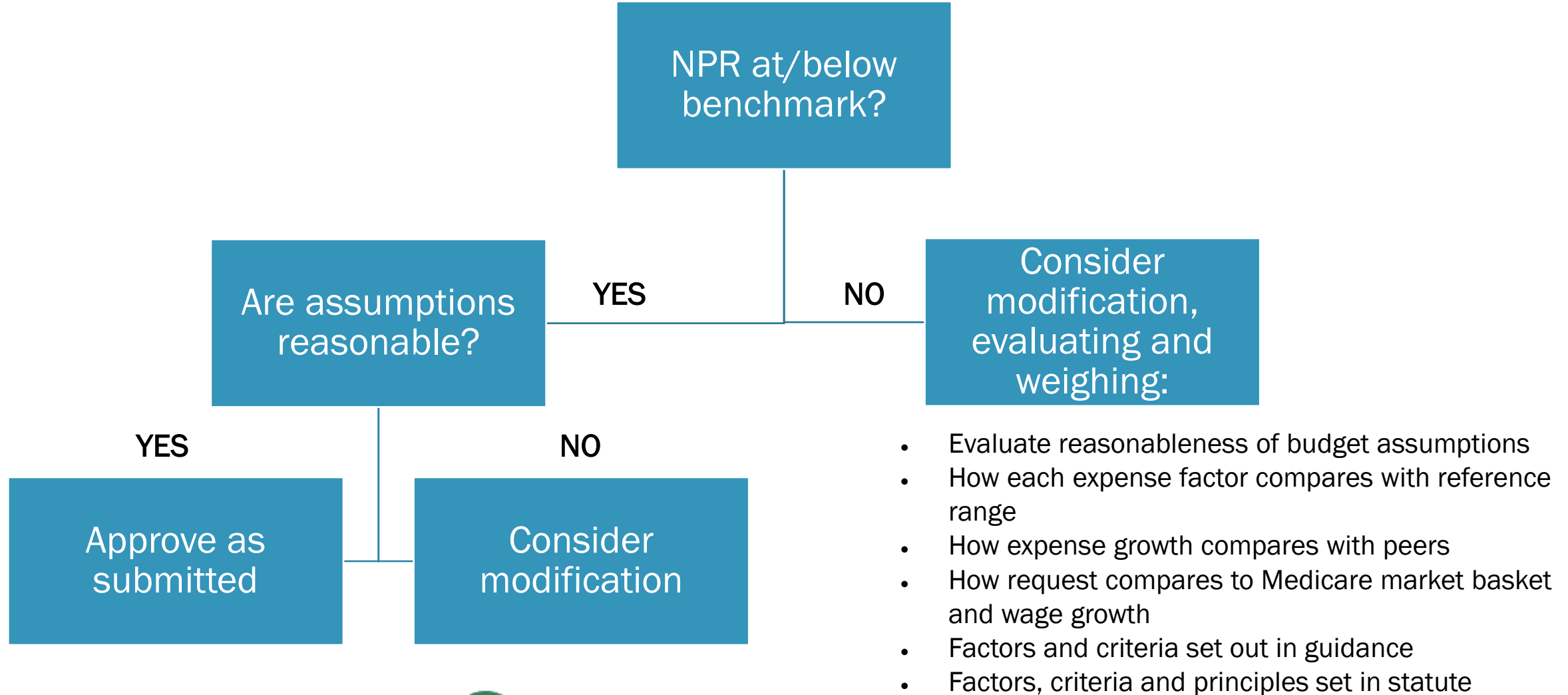
Indicator	Projected Growth FY22 to FY24	Projected Growth FY23 to FY24
Medicare Market Basket: Inpatient Hospital	7.0%	3.1%
Vermont Median Income	8.6%	3.9%

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.

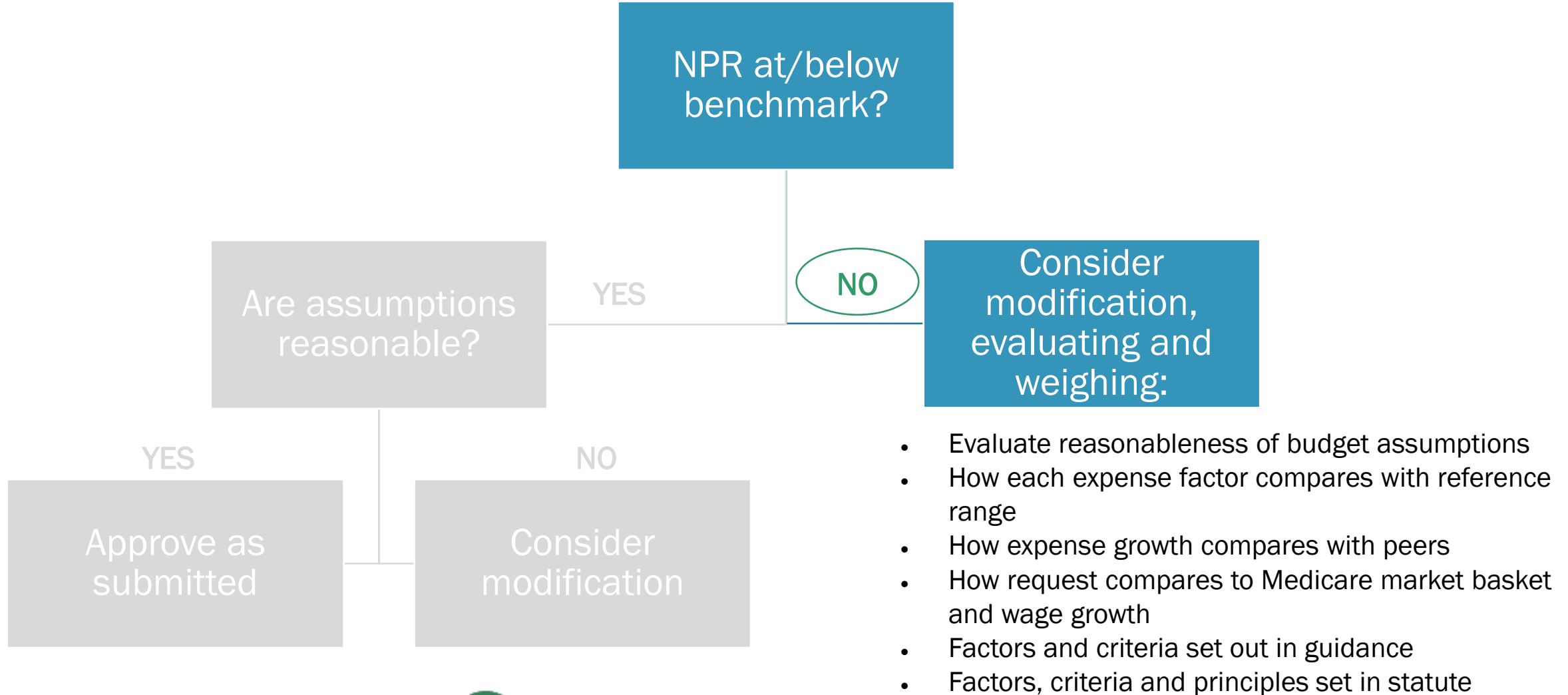
The historical, 2-year growth rates for medical inflation is a median of 5.8% (confidence interval of 1.1% to 10.5%).



FY24 Hospital Budget Decision Tree



FY24 Hospital Budget Decision Tree



Brattleboro Memorial Hospital Budget Request



INFLATIONARY REFERENCE RANGE

	FY23 Approved	FY24 Submitted	FY22 Actual to FY24 Submitted	7.0% over 2 years		3.1% over FY23P	
				One Year FY23P to FY24B	Two Year FY22A to FY24B	One Year FY23P to FY24B	Two Year FY22A to FY24B
NPR+FPP	\$105 M	\$111 M	+ \$18 M	- \$8.1 M		-	
	13.8%	5.4%	19.9%	-7.2%		-	
Change in charge	14.61%	1.5%	16.11%	-7.6%	7.0%	1.5%	16.11%



Brattleboro Memorial Hospital

Performance Summary



	Hospital	Relative performance (<i>Lower better</i>)
Expense growth (FY22 to FY24)	8.9%	62 nd percentile among VT hospitals
Proportion of admin and general salaries to clinical salaries	16.8%	63 rd percentile among small rural hospitals
CMI-adjusted cost per Medicare discharge	\$9,928	54 th percentile among small rural hospitals
Standardized price – Inpatient	\$16,427	29 th percentile among non-teaching PPS hospitals
Standardized price – Outpatient	\$352	71 st percentile among non-teaching PPS hospitals
5-year approved change in charge (FY19 to FY23)	31.4%	69 th percentile among VT hospitals
10-year approved change in charge (FY14 to FY23)	47.7%	77 th percentile among VT hospitals

Brattleboro Memorial Hospital

Staff recommendation



- Approve budget as submitted
 - 19.9% growth in NPR + FPP
 - 1.5% change in charge
- Rationale:
 - NPR+FPP growth largely driven by utilization
 - Change in charge less than medical inflation
 - Expense growth, costs per discharge, and admin-to-clinical salaries near median
- Additional recommendation:
 - Include monthly monitoring in FY24, as data systems develop and to improve regulatory compliance

Suggested motion language



Suggested motion language (modify as needed):

*Move to approve Brattleboro Memorial Hospital's budget as submitted, with a 19.9% **increase** from FY2022 actual to FY2024 budgeted NPR/FPP, a 1.5% charge **increase** from FY2023 to FY2024, and subject to the standard budget conditions as approved by Board and an additional condition for monthly reporting of actual year-to-date operating results for FY24.*

Mt. Ascutney Hospital and Health Care Center

Budget Request



INFLATIONARY REFERENCE RANGE

	FY23 Approved	FY24 Submitted	FY22 Actual to FY24 Submitted	7.0% over 2 years		3.1% over FY23P	
				One Year FY23P to FY24B	Two Year FY22A to FY24B	One Year FY23P to FY24B	Two Year FY22A to FY24B
NPR+FPP	\$66 M	\$70 M	+ \$8 M	+ \$1.5 M		-\$1.3 M	
	5.3%	2.4%	12.4%	+ 2.5%		- 1.9%	
Change in charge	4.7%	5.1%	9.8%	2.3%	7.0%	3.1%	7.8%



Mt. Ascutney Hospital and Health Care Center

Performance Summary



	Hospital	Relative performance (<i>Lower better</i>)
Expense growth (FY22 to FY24)	12.0%	69 th percentile among VT hospitals
Proportion of admin and general salaries to clinical salaries	22.4%	75 th percentile among critical access hospitals
CMI-adjusted cost per Medicare discharge	\$29,198	100 th percentile among critical access hospitals
Standardized price – Inpatient	\$28,152	100 th percentile among critical access hospitals
Standardized price – Outpatient	\$289	34 th percentile among critical access hospitals
5-year approved change in charge (FY19 to FY23)	17.6%	7 th percentile among VT hospitals
10-year approved change in charge (FY14 to FY23)	41.4%	31 st percentile among VT hospitals

Mt. Ascutney Hospital and Health Care Center

Staff recommendation



- Approve budget as submitted
 - 12.4% growth in NPR + FPP
 - 5.1% change in charge
- Rationale:
 - Established history of managing expense growth
 - Historically low reliance on change in charge in comparison with other hospitals, especially in last 5 years
 - Expense growth currently and historically linked with revenue growth

Suggested motion language



Suggested motion language (modify as needed):

*Move to approve Mt Ascutney Hospital and Health Center's budget as submitted, with a 12.4% **increase** from FY2022 actual to FY2024 budgeted NPR/FPP, a 5.1% charge **increase** from FY2023 to FY2024, and subject to the standard budget conditions as approved by Board.*

North Country Hospital Budget Request



INFLATIONARY REFERENCE RANGE

	FY23 Approved	FY24 Submitted	FY22 Actual to FY24 Submitted	7.0% over 2 years		3.1% over FY23P	
				One Year FY23P to FY24B	Two Year FY22A to FY24B	One Year FY23P to FY24B	Two Year FY22A to FY24B
NPR+FPP	\$99 M	\$104 M	+ \$18 M	- \$5.2 M		- \$1.4 M	
	15.3%	4.5%	21.3%	- 6.1%		- 1.3%	
Change in charge	12.24%	4.5%	16.74%	-5.2%	7.0%	3.1%	15.34%



North Country Hospital Performance Summary



	Hospital	Relative performance (<i>Lower better</i>)
Expense growth (FY22 to FY24)	8.2%	46 th percentile among VT hospitals
Proportion of admin and general salaries to clinical salaries	24.2%	88 th percentile among critical access hospitals
CMI-adjusted cost per Medicare discharge	\$10,117	29 th percentile among critical access hospitals
Standardized price – Inpatient	\$24,523	80 th percentile among critical access hospitals
Standardized price – Outpatient	\$477	85 th percentile among critical access hospitals
5-year approved change in charge (FY19 to FY23)	26.9%	46 th percentile among VT hospitals
10-year approved change in charge (FY14 to FY23)	56.5%	100 th percentile among VT hospitals

North Country Hospital

Staff recommendation



- Modify budget as submitted
 - Adjust NPR+FPP growth from 21.3% to 20.7% with adjustment of operating expenses by \$496k
 - Adjust 4.5% change in charge to 4.0%
- Rationale:
 - North Country has high relative commercial prices
 - Significant cost savings initiatives underway
 - History of relatively high change in charge increase
- Additional recommendation:
 - Include monthly monitoring in FY24

Suggested motion language



Suggested motion language (modify as needed):

*Move to approve North Country Hospital's budget as modified hereby, with a 20.7% **increase** from FY2022 actual to FY2024 budgeted NPR/FPP (reduced from 21.3%) and a commensurate reduction in operating expenses from the submitted budget, a 4.0% charge **increase** from FY2023 to FY2024 (reduced from 4.5%), and subject to the standard budget conditions as approved by Board and an additional condition for monthly reporting of actual year-to-date operating results for FY24.*

Grace Cottage Hospital Budget Request



INFLATIONARY REFERENCE RANGE

	FY23 Approved	FY24 Submitted	FY22 Actual to FY24 Submitted	7.0% over 2 years		3.1% over FY23P	
				One Year FY23P to FY24B	Two Year FY22A to FY24B	One Year FY23P to FY24B	Two Year FY22A to FY24B
NPR+FPP	\$25 M	\$28 M	+ \$4 M	\$528 k		- \$238 k	
	7.1%	4.4%	16.4%	2.1%		- 0.8%	
Change in charge	5.0%	4.0%	9.0%	2.0%	7.0%	3.1%	7.8%



Grace Cottage Hospital Performance Summary



	Hospital	Relative performance (<i>Lower better</i>)
Expense growth (FY22 to FY24)	13.8%	77 th percentile among VT hospitals
Proportion of admin and general salaries to clinical salaries	36.4%	100 th percentile among critical access hospitals
CMI-adjusted cost per Medicare discharge	\$14,135	83 rd percentile among critical access hospitals
Standardized price – Inpatient	n/a	n/a
Standardized price – Outpatient	\$366	60 th percentile among critical access hospitals
5-year approved change in charge (FY19 to FY23)	19.6%	15 th percentile among VT hospitals
10-year approved change in charge (FY14 to FY23)	45.6%	46 th percentile among VT hospitals

Grace Cottage Hospital

Staff recommendation



- Approve budget as submitted
 - 16.4% growth in NPR + FPP
 - 4.0% change in charge
- Rationale:
 - Among lowest charge requests in past 2 years
 - NPR+FPP growth largely driven over benchmark by utilization
 - History of relatively low change in charge increase, especially in last 5 years

Suggested motion language



Suggested motion language (modify as needed):

*Move to approve Grace Cottage Hospital's budget as submitted, with a 16.4% **increase** from FY2022 actual to FY2024 budgeted NPR/FPP, a 4.0% charge **increase** from FY2023 to FY2024, and subject to the standard budget conditions as approved by Board and an additional condition for monthly reporting of actual year-to-date operating results for FY24.*

Springfield Hospital Budget Request



INFLATIONARY REFERENCE RANGE

	FY23 Approved	FY24 Submitted	FY22 Actual to FY24 Submitted	7.0% over 2 years		3.1% over FY23P	
				One Year FY23P to FY24B	Two Year FY22A to FY24B	One Year FY23P to FY24B	Two Year FY22A to FY24B
NPR+FPP	\$59 M	\$61 M	+ \$8 M	- \$1.6 M		- \$2.1 M	
	10.8%	4.3%	15.6%	- 2.9%		- 3.4%	
Change in charge	10.0%	6.95%	16.95%	-3.0%	7.0%	3.1%	13.1%



Springfield Hospital Performance Summary



	Hospital	Relative performance (<i>Lower better</i>)
Expense growth (FY22 to FY24)	6.4%	31 st percentile among VT hospitals
Proportion of admin and general salaries to clinical salaries	21.1%	54 th percentile among critical access hospitals
CMI-adjusted cost per Medicare discharge	\$13,690	79 th percentile among critical access hospitals
Standardized price – Inpatient	\$14,908	34 th percentile among critical access hospitals
Standardized price – Outpatient	\$277	31 st percentile among critical access hospitals
5-year approved change in charge (FY19 to FY23)	32.3%	35 th percentile among VT hospitals
10-year approved change in charge (FY14 to FY23)	34.6%	15 th percentile among VT hospitals

Springfield Hospital

Staff recommendation



- Modify budget as submitted
 - Adjust NPR+FPP growth from 15.6% to 14.6% with adjustment of operating expenses by \$516k
 - Adjust 6.95% change in charge to 6.0%
- Rationale:
 - Appear to be ~3.5% below budget
 - Above 75th percentile in CMI-adjusted cost per discharge
 - Relatively low rate increases
- Additional recommendation:
 - Include monthly monitoring in FY24

Suggested motion language



Suggested motion language (modify as needed):

*Move to approve Springfield Hospital's budget as modified hereby, with a 14.6% **increase** from FY2022 actual to FY2024 budgeted NPR/FPP (reduced from 15.6%) and a commensurate reduction in operating expenses from the submitted budget, a 6.0% charge **increase** from FY2023 to FY2024 (reduced from 6.95%), and subject to the standard budget conditions as approved by Board and an additional condition for monthly reporting of actual year-to-date operating results for FY24.*