

FY24 Hospital Budget Deliberations

Sarah A. Lindberg, GMCB Director of Health Systems Finance

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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



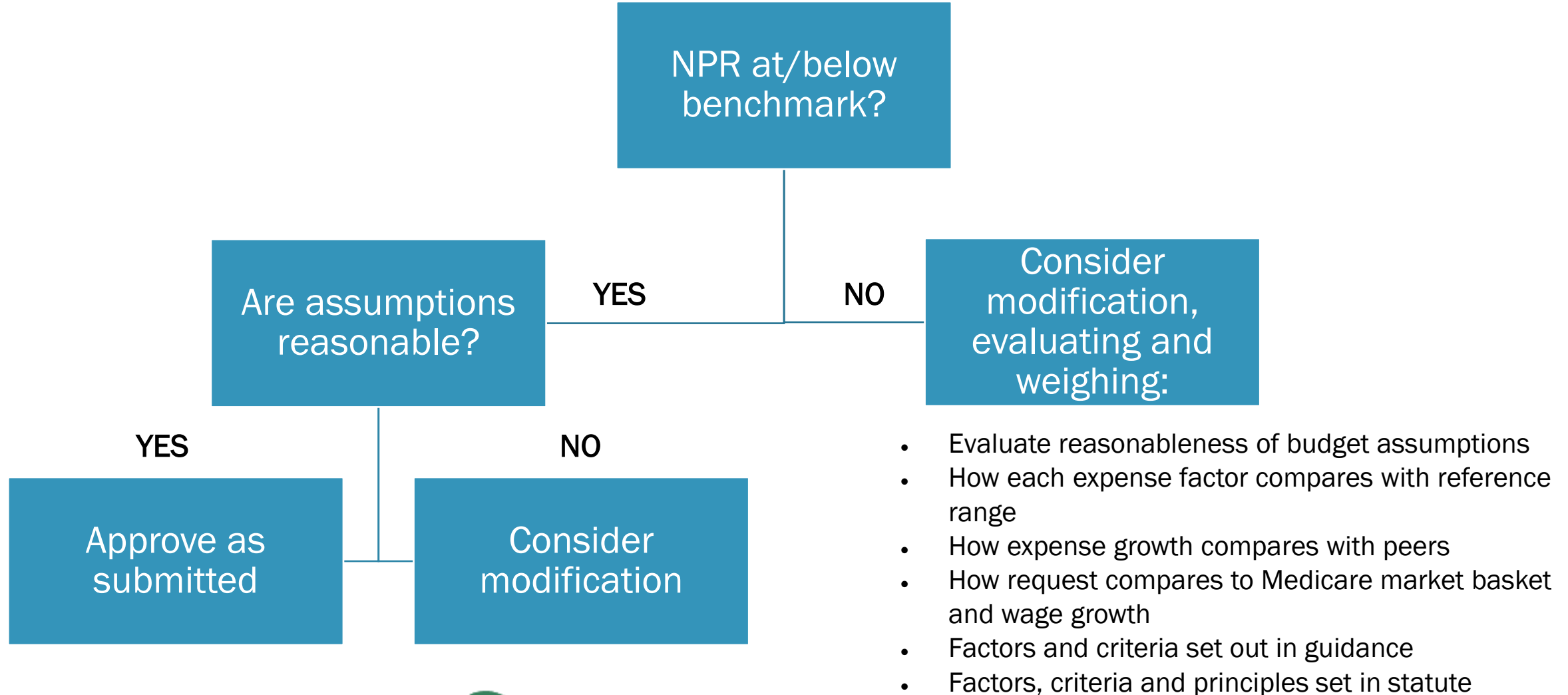
Indicator	Projected Growth FY22 to FY24	Projected Growth FY23 to FY24
Medicare Market Basket: Inpatient Hospital	7.0%	3.1%
Vermont Median Income	8.6%	3.9%

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.

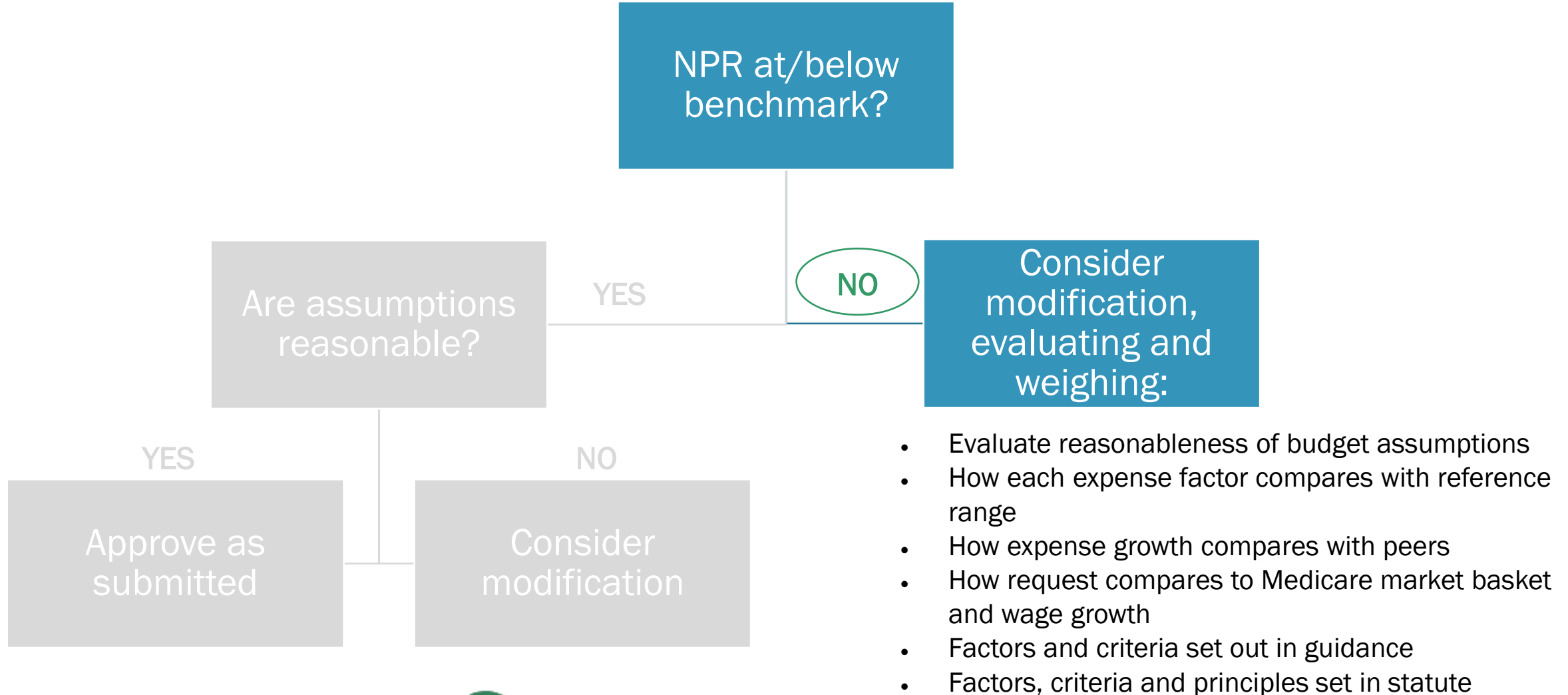
The historical, 2-year growth rates for medical inflation is a median of 5.8% (confidence interval of 1.1% to 10.5%).



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

				7.0% over 2 years		3.1% over FY23P	
	FY23 Approved	FY24 Submitted	FY22 Actual to FY24 Submitted	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:
 - Among lowest charge requests in past 2 years
 - Prior history of managing expense growth
 - Historically low reliance on change in charge in comparison with other hospitals, especially in last 5 years

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.*

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.*