



Mt. Ascutney Hospital and
Health Center

October 23, 2024

VIA EMAIL to Mark Hengstler, Staff Attorney

Chair Foster and the Green Mountain Care Board
144 State Street
Montpelier, Vermont 05620

Re: Hospital Budget Amendment Request

Dear Chair Foster:

Mt. Ascutney Hospital and Health Center (MAHHC) is requesting an amendment to the Budget Decision released by the Green Mountain Care Board (GMCB) on October 1, 2024.

We feel there has been confusion over the calculation and wording of the commercial rate increase request and resulting order. Specifically, confusion over the difference between a gross charge increase and a net charge increase. This had not been an issue in years past, however, there were changes to the submission program for 2025, which the MAHHC team made many attempts to understand before we made our final budget submission.

There were several conversations between former Director of Health Systems Finances, Alena Berube and MAHHC Finance Director Andrew Garami, regarding the appropriate methodology for submission of the rate decomposition workbook. Most of these conversations took place over the phone, up through the end of June 2024. The last email I have from Andrew to Alena is from June 23rd and references the following: *Thanks again for meeting with us today. Before we (MAHHC) revise the Rate Decomp workbook, would you mind meeting with us for a few minutes? I'd like to make sure we're on the same page relative the budget order wording, commercial rate growth, and our rate increase ask.*

We realized there was some confusion over several points in our budget submission at the time of the hearing and sent in a letter, dated September 8, 2024 noting the issues we were concerned about. One of those issues was the wording of the rate increase. As noted in that letter, the following slide had been shared during our budget presentation. Under bullet point 2, item #3, you will see the note "Gross price increase for all payers 3.5%." This is how we would reach our commercial increase of 2.2%.

Benchmarks – Overview/Justification

1. Net Patient Service Revenue Growth – MAHHC 4.3% vs GMCB 3.5%

- Meeting community needs, providing community care
- Includes volume/service mix, payer mix, price impact

2. GMCB Commercial Rate Growth – MAHHC 2.2% vs GMCB 3.4%

- Realization rate of price increase for commercial payers
- CON consideration
- Gross price increase for all payers 3.5%

3. Operating Margin - >0%

- Budgeting a 0.7% operating margin

On September 8th, after our budget hearing and seeing the proposed motion to be placed before the GMCB, we sent in a letter requested the following:

In addition to the NPR rate, we noticed an omission in our motion slide. On item #2, the commercial negotiated rate growth capped is listed as 2.2%. That is the correct net rate growth, per our submitted budget. There is no mention of the gross charges rate increase we have requested of 3.5%. I do see that mentioned in the other hospital motions and we would like that memorialized in the motion. It does not change the negotiated rate growth cap or our correct NPR and Operating Margin.

Therefore, we request that the following changes be made to the language pertaining to our budget submission:

- 1. Change motion item #1 to “With FY25 NPR approved at a growth rate of not more than 4.3% over its FY24 approved budget.**
- 2. Update motion item #2 to align with the other hospital recommendations and include the commercial change in charge of 3.5% as requested.**

Unfortunately, the final budget order did not include any wording related to gross charge increase or net charge increase, it just repeatedly refers to “commercial negotiated rate increase” and seems to imply that the increase in original gross charge will yield exactly the same amount as net. While I wish that were true, that is not how insurance contracts and discount calculations work. We had several conversations during and after deliberations to explain the differences, to no avail. The following simplified example of a rate analysis worksheet shows the calculation, using our average commercial payer rate of 63%, and the impact of a 3.5% gross charge increase vs. a 2.2% gross charge increase.

Commercial Rate Increase Impact Analysis	2024 Charge (current)	Requested increase of 3.5%	Budget order increase of 2.2%	Loss of NPR to MAHHC
Original Gross Charge	\$100.00	\$100.00	\$100.00	
Gross Charge Increase		3.5%	2.2%	
Updated Gross Charge		\$103.50	\$102.20	
Increase to Gross Charge		\$3.50	\$2.20	
Current Insurance discount	63.0%	63.0%	63.0%	
Net Commercial Payment	\$63.00	\$65.21	\$64.39	(\$0.82)
Increase in Commercial Payment		\$2.21	\$1.39	
Negotiated rate increase (Increased commercial payment divided by original Gross charge)		2.2%	1.4%	-0.8%

As you can see from this table, limiting our gross charge increase to 2.2% will significantly impact our overall net patient revenue. Our commercial growth rate will only reach 1.4% rather than the 2.2% we had requested.

Vermont Blue Cross and other carriers have been adamant in stating they will only recognize a 2.2% gross charge increase and if we are to go to 3.5%, they will increase our discount, resulting in the 1.4% impact noted above.

The wording is extremely important to make sure MAHHC is not penalized for a misunderstanding by the GMCB. The final budget order is below. The very first sentence implies the overall change in charge and negotiated rate would be one and the same – you can see from the table above that would not be the case, unless the overall 63% rate was increased and our commercial payers are not willing to do that.

- B. MAHHC’s overall change in charge and commercial negotiated rate increase are approved at not more than 2.2% over current approved levels, with no commercial negotiated rate increase for any payer at more than 2.2% over current approved levels. The commercial negotiated rate increase overall or with respect to any payer may be less than 2.2% as negotiated between the hospital and payer.

We realize it is unreasonable to ask that the GMCB reword the entire order. Therefore, **we respectfully request that the GMCB amend the budget order as noted above and replace all references to 2.2% with the 3.5% increase instead which will ultimately result in the 2.2% needed to reach our budget goals.**

One last point is the conclusions in the budget order state that the MAHHC rate increases are reasonable. We agree. However, we had requested an overall NPR growth of 4.3%, much of it to be realized through volume increases. It was felt by the

GMCB that this was unreasonable and we are expected to decrease our budget volume assumptions to realize an overall 3.5% NPR growth rate. But with the decreased commercial increase of 1.4%, we will not be able to do that and will instead likely need to INCREASE our volume assumptions and resulting volume related expenses in order to reach anything close to our expected operating margin. This seems to go against the current GMCB focus of reducing patient volume in the high-cost hospital settings.

Thank you for your consideration. If you have any questions, I may be reached at 802-674-7240 or via email at celeste.pitts@mahhc.org.

Sincerely,

/s/ Celeste K. Pitts

Interim Chief Financial Officer

Cc: John Kacavas, Dartmouth Health Legal Counsel