

September 8, 2024

VIA EMAIL:

Mark Hengstler, Staff Attorney
Green Mountain Care Board
144 State Street
Montpelier, Vermont 05620

Re: Hospital Budget Objection to Recommendation

Dear Mr. Hengstler,

Please consider this our objection to the budget recommendations made to the Green Mountain Care Board on Friday, September 6, 2024. The recommendations for Mount Ascutney are on page 175 of the presentation from that day.

The slide notes that the recommendation is to approve the budget as submitted. However, the rates noted in the body of the motion are not the rates that were submitted by MAHHC. The rate we are contesting is the FY25 NPR growth rate. We submitted a rate of 4.3% in our budget and the recommendation erroneously listed our request as 3.2%.

At the time of budget submission, MAHHC was anticipating acceptance of our CON submission for a replacement medical record. This was considered an expedited application and we had received the application close letter on June 10, 2024. Since we were anticipating approval well before the budget hearings, we did include the additional costs needed in our budget application and the rate changes needed to cover those costs. We had researched the GMCB's guidelines for submissions and nothing was noted about leaving those costs out.

The CON was not approved as expeditiously as we had hoped, and unfortunately was still outstanding at the time of our budget hearing on August 13th. We received follow up questions from GMCB staff asking if we would resubmit without the CON. Given the short lead time we replied with a summary of the two potential budgets – see below. This was submitted on August 23rd.

MT. ASCUTNEY HOSPITAL & HEALTH CTR PROFIT AND LOSS STATEMENT		
	2025 BUDGET SUBMITTED	2025 BUDGET W/O CON
GROSS PATIENT CARE REVENUE	\$148,673,268	\$147,935,926
DEDUCTIONS FROM REVENUE	-\$76,993,088	-\$77,019,383
NET PATIENT CARE REVENUE	\$71,680,180	\$70,916,543
FIXED PROSPECTIVE PAYMENTS & RESERVES & OTHER	\$1,670,000	\$1,670,000
TOTAL NPR & FPP & RESERVES & OTHER	\$73,350,180	\$72,586,543
OTHER OPERATING REVENUE	\$4,411,698	\$4,411,698
TOTAL OPERATING REVENUE	\$77,761,878	\$76,998,241
TOTAL OPERATING EXPENSE	\$77,232,044	\$76,782,915
NET OPERATING INCOME (LOSS)	\$529,834	\$215,326
NON-OPERATING REVENUE	\$3,365,180	\$3,365,180
EXCESS (DEFICIT) OF REVENUE OVER EXPENSE	\$3,895,014	\$3,580,506
OPERATING MARGIN %	0.68%	0.28%
TOTAL MARGIN %	5.01%	4.65%

We did not receive any follow up questions or requests for clarification. We were then delighted to receive word on August 28th that our CON application was approved.

One other major point to note is that the submitted budget as presented above includes four metrics in the calculations:

- Net Patient Service Revenue Growth – 4.3%
- Commercial Rate Growth – 2.2%
- Gross Price increase for all payers – 3.5%
- Operating margin .7%

The 2.2% and .7% are functions of the 4.3% NPSR growth – without the Gross price increase plus the NPR growth, the other two calculations are invalid.

See below for the details per our GMCB Budget presentation from August 13th.

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

Yet, when the MAHHC budget request was detailed out by the GMCB, the incorrect NPR of 3.2% was listed. This was based on the \$72,586,543 NPR listed in the 2025 Budget w/o CON as listed on page 2. Again, an answer to a question – not our submitted budget.

The Commercial rate of 2.2% and Operating Margin of .7% are then correctly listed on the summary slide – yet those are the budget numbers we expect to yield WITH the CON expenses and full rate increase allowed. This is a major inconsistency in methodology. See below for the screen shot of slide 155 with this inconsistency built in. It will be mathematically impossible to achieve the .7% operating margin without the 4.3% NPR increase.

Budget Request vs. FY25 Benchmarks

Mount Ascutney Hospital and Health Center



Section I - Net Patient Revenue Growth < 3.5%

NPR Request %	NPR Request \$	% of System > Guidance
3.2%	73.4 M	0%

Section I - Commercial Rate Growth < 3.4%

Comm Rate Request %	Comm Rate Request \$	% of System > Guidance
2.2%	628 K	-1%

Section I - Operating Margin > 0%

Op Margin %	Op Margin \$	% of System
0.7%	530 K	0.7%

After all these timing issues and inconsistencies, we were very disturbed to see that the rate recommendations presented for approval on September 6th, which was a week and a half after CON approval by the GMCB, was based on the incorrect \$72.5M, as noted in the response letter, not the \$73.3M as submitted.

We object to this changing of our rate as if the CON project was not approved. We feel we are being unfairly penalized based on a timing issue, and a clerical inconsistency, especially since it was noted in the CON Statement of Decision that we are required to include this in our budget submission – see below. It was also noted in the CON that the costs associated met the second criteria of reasonable cost so to disallow it when presented as part of the budget, as required, is at odds with the CON recommendation.

The project also meets HRAP CON Standard 3.4, which requires applicants subject to budget review to demonstrate that a proposed project has been included in hospital budget submissions or explain why including was not feasible. MAHHC presented this project to the GMCB at the FY2024 budget hearing. Findings, ¶ 14.

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.**

Thank you for your consideration. If you have any questions, please reach out to me at celeste.pitts@mahhc.org or by phone at (802) 674-7240. I can also be reached via cell at (603)631-2128.

Sincerely,

/s/ Celeste K. Pitts

Celeste K. Pitts
Interim Chief Financial Officer