

NVRH
 Response to Additional HCA Questions
 August 9, 2019

1. Please provide your budgeted changes in utilization by payer and service category (e.g., inpatient, outpatient, professional).

This information has been provided in the NPR Bridges Table, Appendix VI, Table 1, which is reproduced below.

Table 1: Northeastern VT Regional Hospital									
NPR Bridges - FY 2019 Approved Budget to FY 2020 Proposed Budget									
NPR	Total	% over/under	Medicare	Medicaid-VT	Medicaid-OOS	Commercial-Maj	Comm - Self/Sml	Workers Comp	DSH
FY 19 Approved Budget	\$ 81,568,705		\$ 31,756,252	\$ 11,914,092	\$ 74,300	\$ 33,266,468	\$ 2,153,067	\$ 1,451,526	\$ 953,000
Commercial Rate	1,317,200	1.6%				1,238,200	79,000		
Rate - Non Commercial	-	0.0%							
Utilization	3,053,800	3.7%	1,429,000	530,300	2,600	998,000	43,100	50,800	
Reimbursement/Payer Mix	2,408,500	3.0%	2,350,700	59,600	11,000	264,200		(277,000)	
Bad Debt/Free Care	(571,300)	-0.7%				(679,200)	107,900		
Physician Acq/Trans	208,300	0.3%	80,000	42,000		56,300	10,000	20,000	
Changes in Accounting	-	0.0%							
Changes in DSH	34,700	0.0%							34,700
OCV Medicaid Risk		0.0%		(579,000)					
Other (please label)									
FY 20 Budget	\$ 88,019,905		\$ 35,615,952	\$ 11,966,992	\$ 87,900	\$ 35,143,968	\$ 2,393,067	\$ 1,245,326	\$ 987,700

2. Commercial Charge/Rate Change and Net Patient Revenue

a. Please explain in detail how you plan to implement your commercial charge or rate change, if applicable.

This information is provided in Appendix VIII, which is reproduced below

NVRH
APPENDIX VIII

CHARGE REQUEST

Projected Change in NPR Due to Change in Charge and Contractual Allowances, in %						
Category of Service	Requested Change in Charge from FY19B to FY20B, in %	Projected Change in Total NPR	Projected Change in Commercial Payer NPR	Projected Change in Self-Pay/Other NPR	Projected Change in Medicaid NPR	Projected Change in Medicare NPR
Hospital Inpatient	3.8%	1.70%	3.80%	3.80%	0%	0%
Hospital Outpatient	3.8%	1.90%	3.80%	3.80%	0%	0%
Professional Services	0%	0%	0%	0%	0%	0%
Primary Care	0%	0%	0%	0%	0%	0%
Specialty Care	0%	0%	0%	0%	0%	0%
Skilled Nursing Facility	0%	0%	0%	0%	0%	0%
Other (specify)	0%	0%	0%	0%	0%	0%
Overall Change in Charge Across All Categories	3.5%	1.5%	3.2%	3.2%	0%	0%

b. What is your anticipated commercial charge/rate change for each service area (e.g., inpatient, outpatient, professional)?

See response to 2.a. above

c. What commercial utilization assumptions for each service area were used to determine how the commercial charge/rate change translates to the commercial net patient revenue change included in your budget?

i. Do these utilization assumptions align with those in the Green Mountain Care Board's 2020 Vermont Health Connect rate filings? If no, please explain any differences.

See response to 1 above

3. Pharmacy Costs

a. Please provide your budgeted medical pharmacy trend for commercial payers, separated by unit cost and utilization.

NVRH's budget medical pharmacy trend for commercial payers assume unit cost inflation of 4.5%, utilization of 2%. These increases were partially offset by incremental 340B savings. We note that commercial payers account for approximately 27% of gross pharmacy department revenue.

b. Please separate any change in unit cost by expense (cost of obtaining the drug) and profit margin.

NVRH does not budget a specific profit margin for drugs as it is impossible to determine net patient revenue at the department level. Our overall budgeted operating margin is 2%.

c. How does the hospital determine its profit margin for each drug (e.g., flat fee, percent of cost)?

NVRH does not determine a profit margin for each drug as it is impossible to determine net patient revenue at the department level.

4. How would you approach splitting your expenses into medical, administrative, and other categories?

The GMCB budget worksheets provide an excellent basis for splitting expenses. The

GMCB expense categories are:

- **Ancillary Services – Medical**
- **Inpatient Routine Services – Medical**
- **Outpatient Routine Services – Medical**
- **Physician Office Practices – Medical**
- **General Services – Administrative and Other Support Services**
- **Uncategorized – As the name implies. Includes Provider Tax, Fringe benefits, Depreciation, Insurance and Interest**