

# FY24 Hospital Budget Deliberations

Sarah A. Lindberg, GMCB Director of Health Systems Finance

Russ McCracken, Staff Attorney

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# Overview



- Overview of FY24 deliberation process
- Review standard budget order conditions
- Public comment
- Deliberations:
  - Gifford
  - Rutland

# GMCB Hospital Budget Process

- Each year, the Green Mountain Care Board (GMCB) has the responsibility to review and establish budgets for Vermont's 14 community hospitals. In its review, the Board considers factors including labor expenses, utilization, pharmaceutical expenses, cost inflation, commercial price changes, financial indicators, known pricing changes for Medicare and Medicaid, uncompensated care, and other factors, as well as testimony from hospitals and comments from members of the public.
- The GMCB will execute its statutory duties consistent with its purpose to promote the general good of Vermont, as set forth in 18 V.S.A. § 9372, to review and establish hospital budgets consistent with the principles for health care reform in 18 V.S.A. § 9371, as required by statute, and the GMCB will review and establish hospital budgets in adherence to the requirements of 18 V.S.A. § 9456.
- Hospital budget decisions must be made by **September 15<sup>th</sup>** with written orders issued by **October 1<sup>st</sup>**
- [More information about the process is available on the GMCB website.](#)

# FY24 is part of enhancing GMCB hospital budget review



- As the GMCB looks to update and improve its regulatory oversight, FY24 will be the first year in a multi-year process to move to future practices.
- FY24 guidance includes publicly-available data sources to better understand how Vermont hospitals' expense growth compares with that observed nationally/historically.
- Topics for enhancement in FY25 and beyond:
  - Quality
  - Productivity
  - Patient access
  - Equity
  - Consumer affordability
  - Per capita budgeting

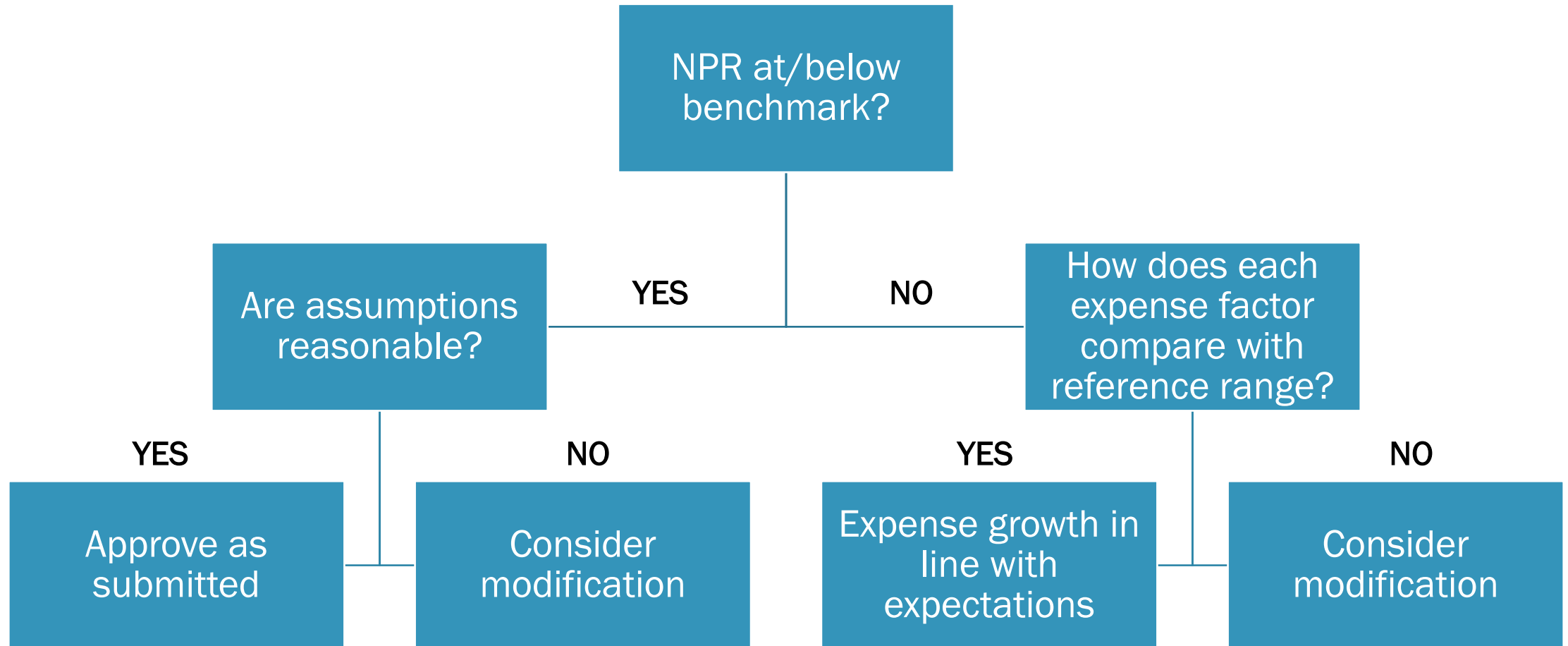
# FY24 Hospital Budget Submissions

## Net Patient Revenue (NPR) Benchmark



- The FY24 Guidance uses a 2-year benchmark for NPR growth, initially established in the FY23 guidance:
  - NPR growth from FY22 actuals to FY24 budgets of no more than 8.6%
- This benchmark is based on Vermont's All-Payer Model Agreement, which challenges the state to keep health care expenditures in line with historical growth in the gross state product (i.e., 3.5 to 4.3% average annual growth).

# FY24 Hospital Budget Decision Tree



# FY24 Expense Factors and Reference Ranges



Expense factor	Lower range	Median	Upper Range
Labor expenses	0.8%	5.2%	9.7%
Utilization	-5.5%	-0.4%	4.2%
Pharmaceutical expenses	2.3%	12.0%	21.6%
Cost inflation	1.1%	5.8%	10.5%
Commercial price changes	<i>comparison with inflationary measures and relative prices</i>		
Financial indicators	<i>varies by indicator</i>		
Known pricing changes: Medicare and Medicaid	<i>Were known pricing changes for Medicare and Medicaid adequately accounted for in the budget as submitted?</i>		
Uncompensated care	<i>Were assumptions related to uncompensated care reasonable and did they consider the planned “unwinding” of Medicaid coverage?</i>		
Other	<i>Other considerations?</i>		

# FY24 Standard Budget Conditions



- A. [HOSPITAL]’s FY24 NPR/FPP budget is approved at a growth rate of not more than [xx]% over its FY22 actual, with a total NPR/FPP of not more than \$[xx] for FY24 .
- B. [HOSPITAL]’s overall commercial rate increase is approved at not more than [xx]% over current approved levels, with no commercial rate increase for any payer at more than [xx]% over current approved levels. The commercial rate increase overall or with respect to any payer may be less than [xx]% as negotiated between the hospital and payer.
- C. The commercial rate increase cap in Paragraph B. is a maximum and is subject to negotiation between [HOSPITAL] and commercial insurers. [HOSPITAL] shall not represent the maximum commercial rate increase approved by the GMCB in Paragraph B. or the expected commercial NPR based on that rate increase as the amounts set or guaranteed by the GMCB in the hospital’s negotiations with insurers.
- D. [HOSPITAL]’s expected commercial NPR, based on its budget as adjusted in this Order, is \$[X]. [HOSPITAL] shall report its actual expected commercial NPR not later than February 15 and explain any variations from the expected commercial NPR.
- E. [HOSPITAL] shall file with the Board its actual year-to-date FY24 operating results on April 30, 2024 for October 1, 2023 through March 31, 2024. The report shall be in a form and manner as prescribed by GMCB staff.



# FY24 Standard Budget Conditions (cont'd)



- F. On or before January 31, 2024, [HOSPITAL] shall file with the Board, in a form and manner prescribed by GMCB staff, such information as the Board determines necessary to review the hospital's FY23 actual operating results.
- G. [HOSPITAL] shall file with the Board one copy of its FY23 audited financial statements and associated management letter(s), as well as the parent organization's audited consolidated financial statements, if applicable, 15 days after the hospital receives its statements, or by January 31, 2024, whichever is earlier.
- H. [HOSPITAL] shall participate in telephonic check-ins to be scheduled at the discretion of the Board Chair in consultation with Board staff based on the hospital's FY24 year-to-date operating performance.
- I. [HOSPITAL] shall advise the Board of any material changes to its FY24 budgeted revenues and expenses, or to the assumptions used in determining its budget, including:
  - a. changes in Medicaid, Medicare, or commercial reimbursement;
  - b. additions or reductions in programs or services to patients; and
  - c. any other event that could materially change the approved NPR/FPP budget.

# FY24 Standard Budget Conditions (cont'd)



- J. [HOSPITAL] shall participate in the Board's strategic sustainability planning process pursuant to Act 167.
- K. [HOSPITAL] shall timely file all forms and information required for provider [practice?] acquisitions and/or transfers as determined by GMCB staff, if applicable.
- L. [HOSPITAL] shall file all requested data and other information in a timely and accurate manner.
- M. After notice and an opportunity to be heard, the GMCB may amend the provisions contained herein, and issue an amended order, consistent with its authority as set forth in 18 V.S.A. Chapter 220, Subchapter 1, 18 V.S.A. Chapter 221, Subchapter 7, and GMCB Rule 3.000.
- N. All materials required above shall be provided electronically, unless doing so is not practicable.
- O. The findings and orders contained in this decision do not constrain the Board's decisions in future hospital budget reviews, future certificate of need reviews, or any other future regulatory or policy decisions.

# Standard Budget Conditions: Suggested Motion Language



## *Suggested motion language:*

*Move to approve the Standard Budget Conditions as presented to the Board [and with the modifications discussed today] to be included as the default conditions for the FY24 hospital budget orders, subject to any changes approved by the Board to the budget conditions for any specific hospitals.*

# Public Comment



<i># of Comments</i>	<i>%</i>	<i>Summary of Public Comments: FY24 Hospitals Budget</i>
1	0.7	GMCB should approve budgets that will support each of the hospitals' needs.
2	1.3	UVMHN shouldn't have any limitations on the revenue that they seek.
22	14.7	GMCB should exercise its full authority to limit any increases of the hospitals' cost that could negatively impact small businesses and Vermonters.
125	83.3	GMCB should ensure that UVMHN revenue request will provide higher pay rates to the Support Staff.
<i>150</i>	<i>100%</i>	<i>Total of comments</i>

# FY24 Budget Request: GIFFORD



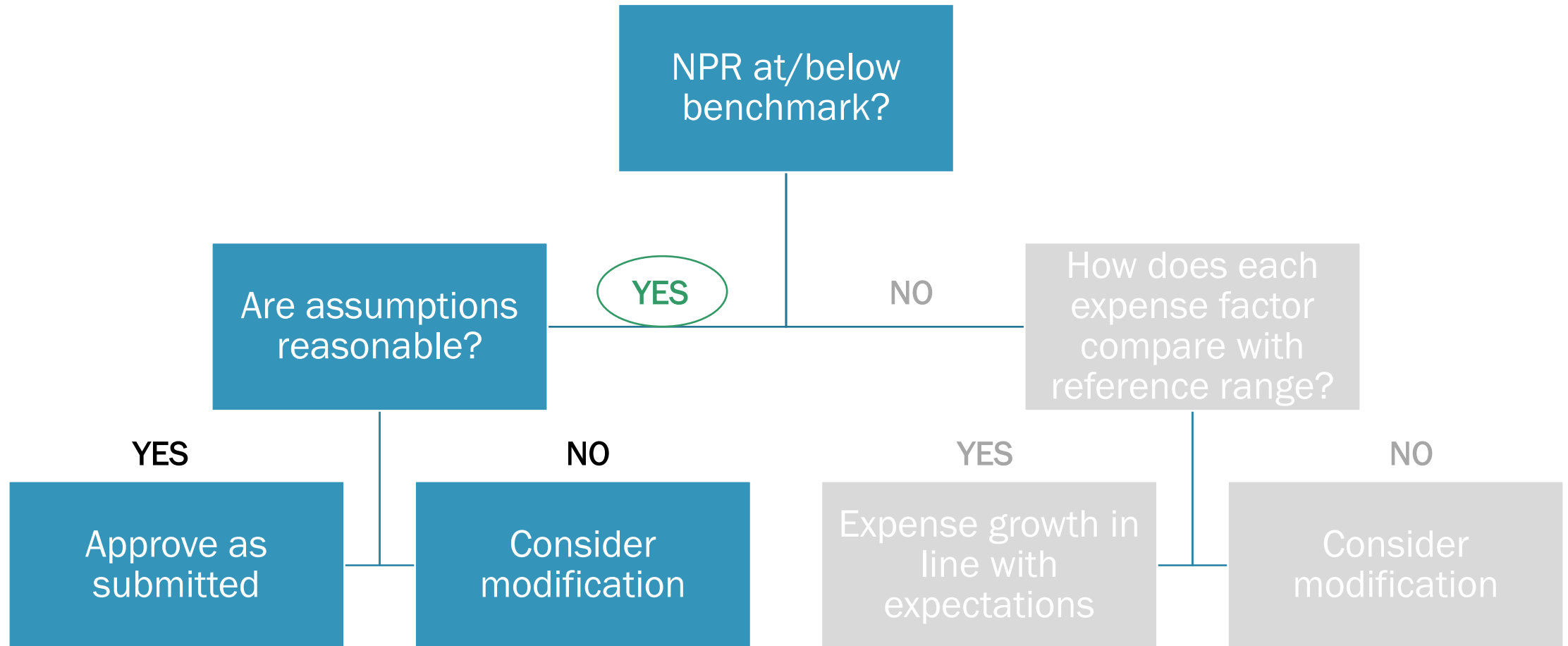
	FY22 Actual	FY23 Approved	FY23 Projection	FY24 Submission
NPR + FPP	\$58,680,936	\$58,010,676	\$58,404,317	\$62,891,930
Annual growth		-1.1%	-0.5%	7.7% <sup>1</sup>
			Two-year growth	7.2%

	FY22 Approved	FY23 Approved	Request: FY22 to FY24	Request: FY23 to FY24
Charge increase	3.5%	3.65%	7.25%	3.6%

<sup>1</sup> Includes adjustment of \$1,581,254 for 2 provider transfers. The unadjusted NPR + FPP is \$64,473,184, resulting in an annual growth of 10.4% and 2-year growth of 9.9%.



# FY24 Budget Request: GIFFORD (continued)



# FY24 Budget Request: GIFFORD



- Are assumptions reasonable?
  - **Labor expenses**
    - Gifford recently implemented a wage analysis. They continue to review and adjust compensation based on market conditions and recently implemented a position control mechanism to optimize appropriate staffing levels.
  - **Utilization**
    - The higher-than-typical increase in utilization relates to 2 provider transfers, the recent addition of a podiatrist, and the ramping up of services for a cardiologist.
  - **Pharmaceutical expenses**
    - Cost inflation of 5% was derived from their group purchasing organization (GPO).
  - **Cost inflation**
    - Other cost inflation was budgeted between 1.5% and 4.0%, based on information from their GPO.
  - **Commercial price changes**
    - Gifford's requested charge increase of 3.6% is the second lowest among Vermont hospitals from FY23 to FY24. Their CMI-adjusted average cost per discharge is below the median in their peer group in FY22. Their costs and cost coverage are among the lowest of Vermont Critical Access Hospitals.

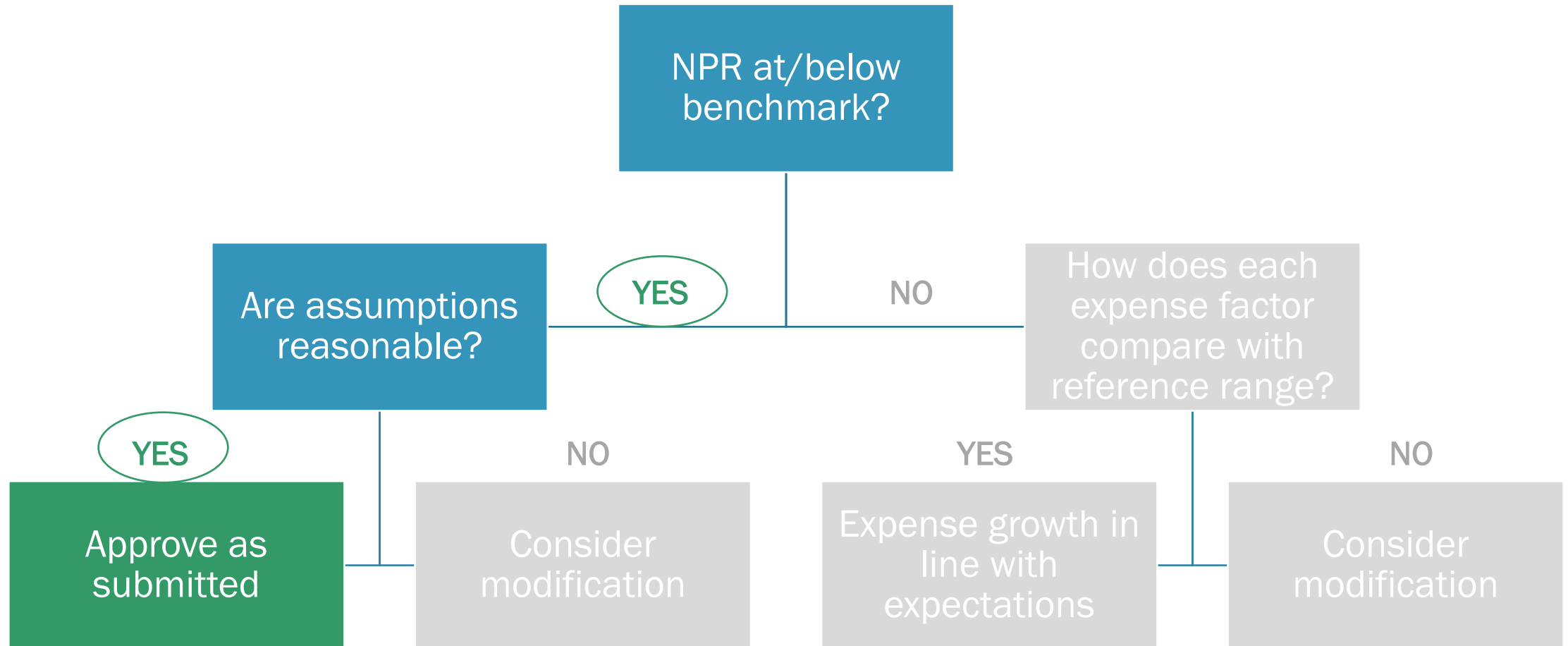
# FY24 Budget Request: GIFFORD (continued)



- Are assumptions reasonable?
  - **Financial indicators**
    - Gifford’s financial results are below median for all indicators, except for days cash on hand and debt to capitalization ratio. However, on a consolidated basis, Gifford Health Care underperforms more significantly and is below median for all indicators.
  - **Known pricing changes: Medicare and Medicaid**
    - Gifford accounted for all known pricing changes into their FY24 budget.
  - **Uncompensated care**
    - Gifford’s assumptions were based on prevailing trends and demonstrated diligence in estimating any potential impact of Medicaid “unwinding.”



# FY24 Budget Request: GIFFORD (continued)



# FY24 Budget for Gifford Medical Center: Suggested Motion Language



## *Suggested motion language:*

*Move to approve Gifford Medical Center's budget as submitted, with a 7.2% **increase** from FY2022 actual to FY2024 budgeted NPR/FPP, a 3.6% charge **increase** from FY2023 to FY2024, and subject to the standard budget conditions as approved by Board.*

# FY24 Budget Request: RUTLAND



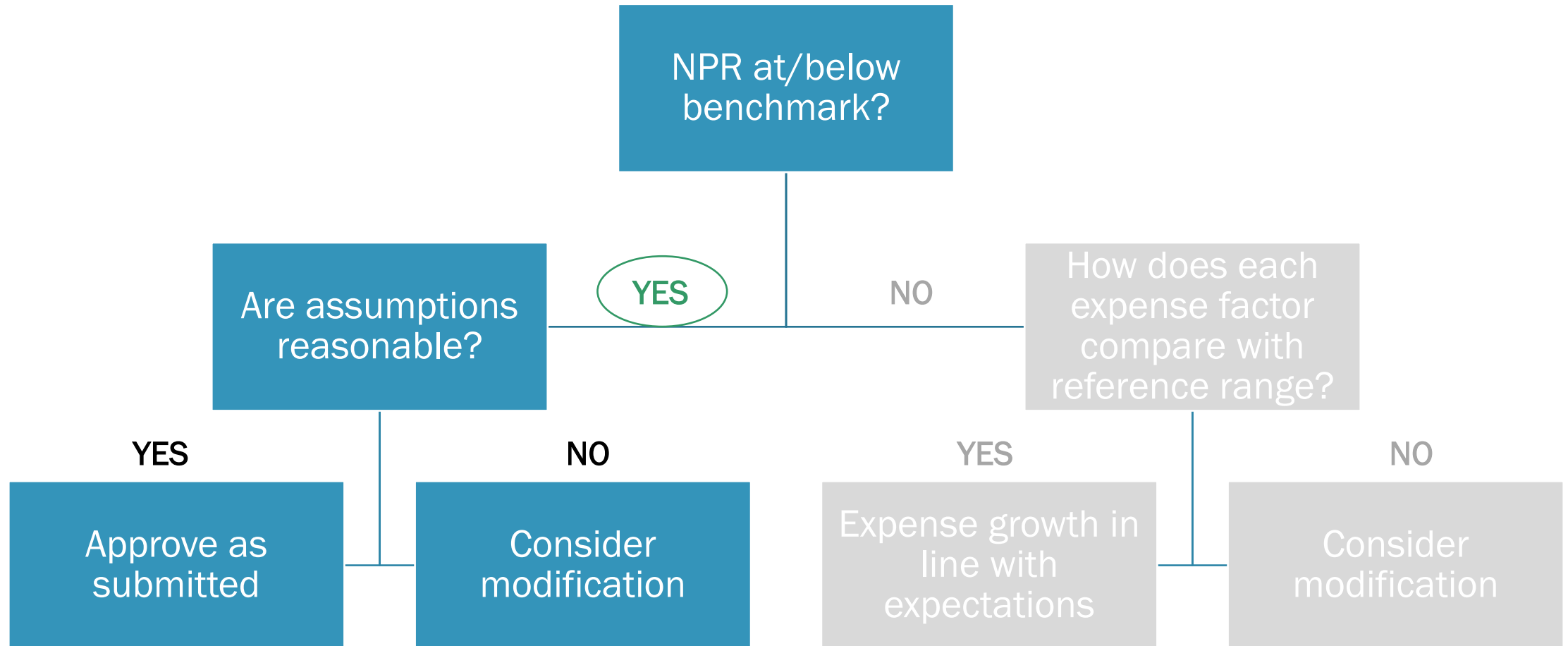
	FY22 Actual	FY23 Approved	FY23 Projection	FY24 Submission
NPR + FPP	\$305,366,707	\$312,615,342	\$324,378,961	\$328,821,700
Annual growth		2.4%	6.2%	1.4%
			Two-year growth	7.7%

	FY22 Approved	FY23 Approved	Request: FY22 to FY24	Request: FY23 to FY24
Charge increase	3.6% <sup>1</sup>	17.4%	23.02%	5.62%

<sup>1</sup> Rutland submitted a mid-year budget amendment request of 9% that was not approved by the GMCB.



# FY24 Budget Request: RUTLAND (continued)



# FY24 Budget Request: RUTLAND



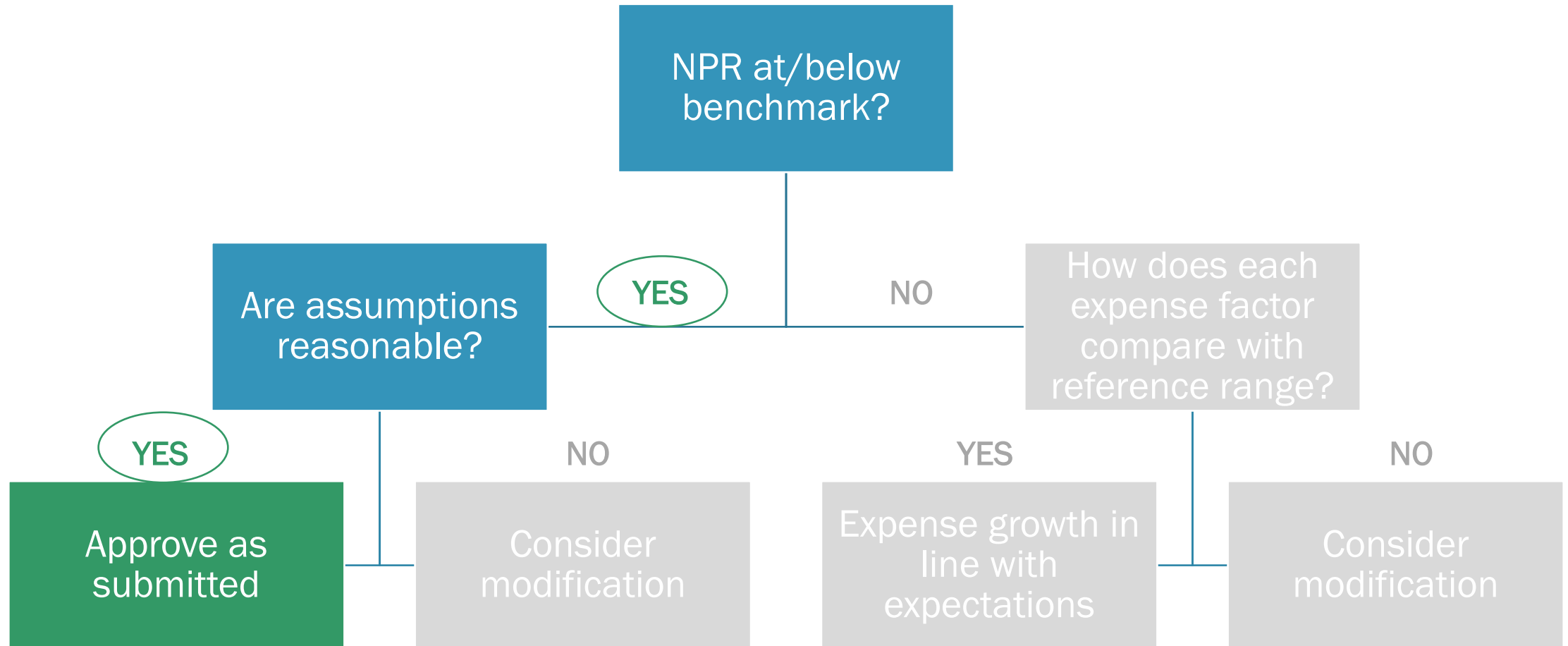
- Are assumptions reasonable?
  - **Labor expenses**
    - Rutland reduced positions and benchmarks compensation to the median of similar hospitals. They are conducting a market analysis and recently implemented processes to evaluate and establish the CEO's salary.
  - **Utilization**
    - Utilization assumptions used current levels, but for attempts to increase access to services for infusion services and advanced imaging for services with wait times longer than they should be.
  - **Pharmaceutical expenses**
    - Cost inflation of 4% was derived from their group purchasing vendor (Vizient), which reflects the expenses associated with Rutland's formulary and utilization patterns.
  - **Cost inflation**
    - Rutland's cost inflation assumptions are in line with the Producer Price Index identified in guidance.
  - **Commercial price changes**
    - Rutland's charge increase of 5.6% is near the middle of Vermont hospitals, reduced from a potential ask of as much as 9.1% due to cost reductions in the submitted budget.

# FY24 Budget Request: RUTLAND (continued)



- Are assumptions reasonable?
  - **Financial indicators**
    - Due to breaches of debt covenants, Rutland’s requirements related to days cash on hand, debt service coverage, and debt to capitalization were made more stringent.
  - **Known pricing changes: Medicare and Medicaid**
    - Rutland accounted for all known pricing changes into their FY24 budget.
  - **Uncompensated care**
    - Rutland’s assumptions were based on reviewing national and state estimates and demonstrated diligence in estimating any potential impact of Medicaid “unwinding.”

# FY24 Budget Request: RUTLAND (continued)



# FY24 Budget for Rutland Regional Medical Center: Suggested Motion Language



## *Suggested motion language:*

*Move to approve Rutland Regional Medical Center's budget as submitted, with a 7.7% **increase** from FY2022 actual to FY2024 budgeted NPR/FPP, a 5.62% charge **increase** from FY2023 to FY2024, and subject to the standard budget conditions as approved by Board.*