

Overview of FY24 Hospital Budgets

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Overview



- GMCB Hospital Budget Process
- National context
- Summary of FY24 submissions
- Budget Review Tool

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** with written orders issued by **October 1st**
- [More information about the process is available on the GMCB website.](#)

Public Comment



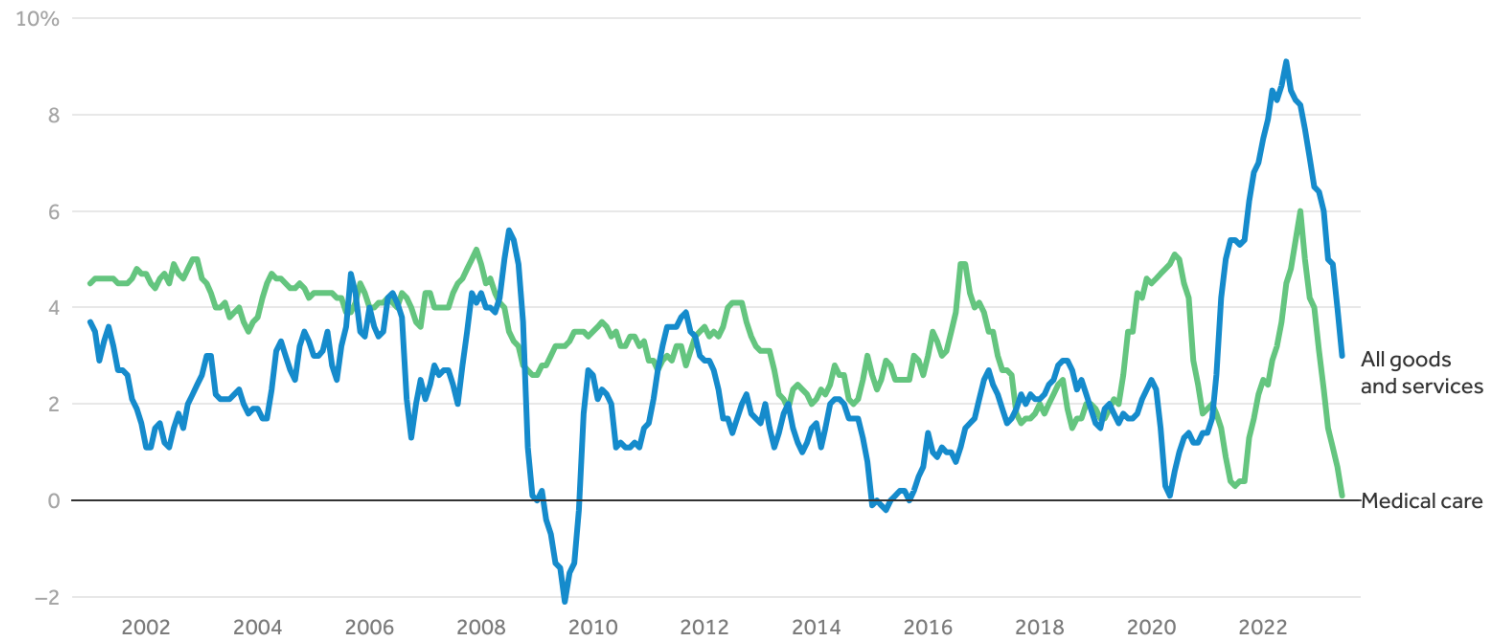
- Comments received by **noon on Friday, August 25th** will be synthesized by staff for consideration during the GMCB's deliberations, which begin on Wednesday, August 30th:
 - <https://gmcboard.vermont.gov/board/comment>
- Budget materials for each hospital:
 - <https://gmcboard.vermont.gov/FY2024hospitalbudgets>
- Up-to-date hearing schedule:
 - <https://gmcboard.vermont.gov/sites/gmcb/files/documents/FY24%20Budget%20Schedule-Updated.pdf>

NATIONAL CONTEXT



Inflation trends

Annual percent change in Consumer Price Index for All Urban Consumers (CPI-U), January 2001 - June 2023

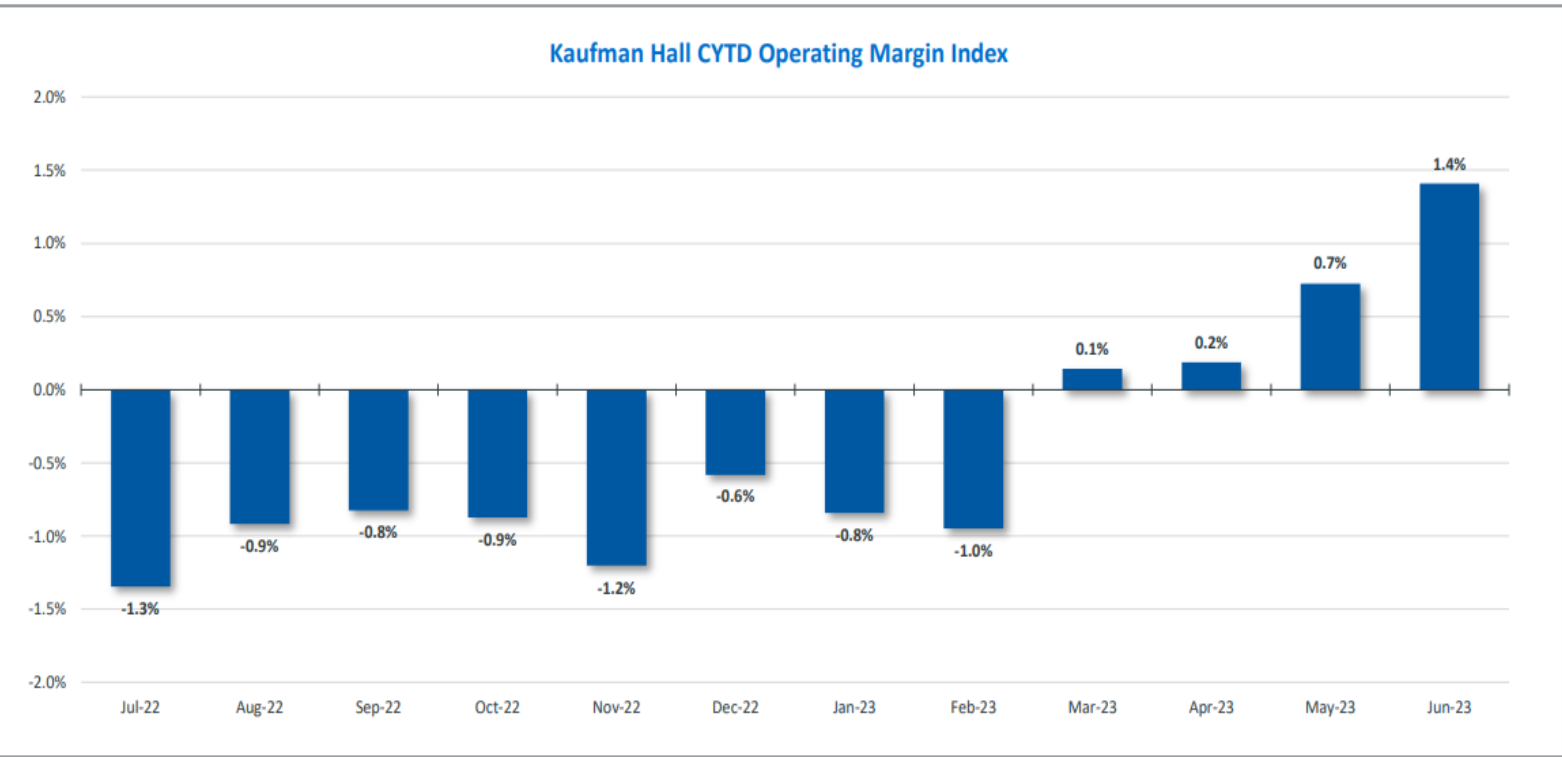


After the historic highs in recent years, inflationary growth is slowing.

Note: Medical care includes medical services as well as commodities such as equipment and drugs.

Source: KFF analysis of Bureau of Labor Statistics (BLS) Consumer Price Index (CPI) data

Operating margins are beginning to improve



Though hospital margins are recovering in 2023 relative to 2022, there is a widening disparity between high and low performing hospitals.

Kaufman Hall, National Hospital Flash Report (July 2023)

Source: <https://www.kaufmanhall.com/insights/research-report/national-hospital-flash-report-july-2023>

Hospitals face hard decisions as they adjust to the “new normal”



Becker's: **76 hospitals, health systems cutting jobs**

Kelly Gooch - Updated Friday, August 4th, 2023

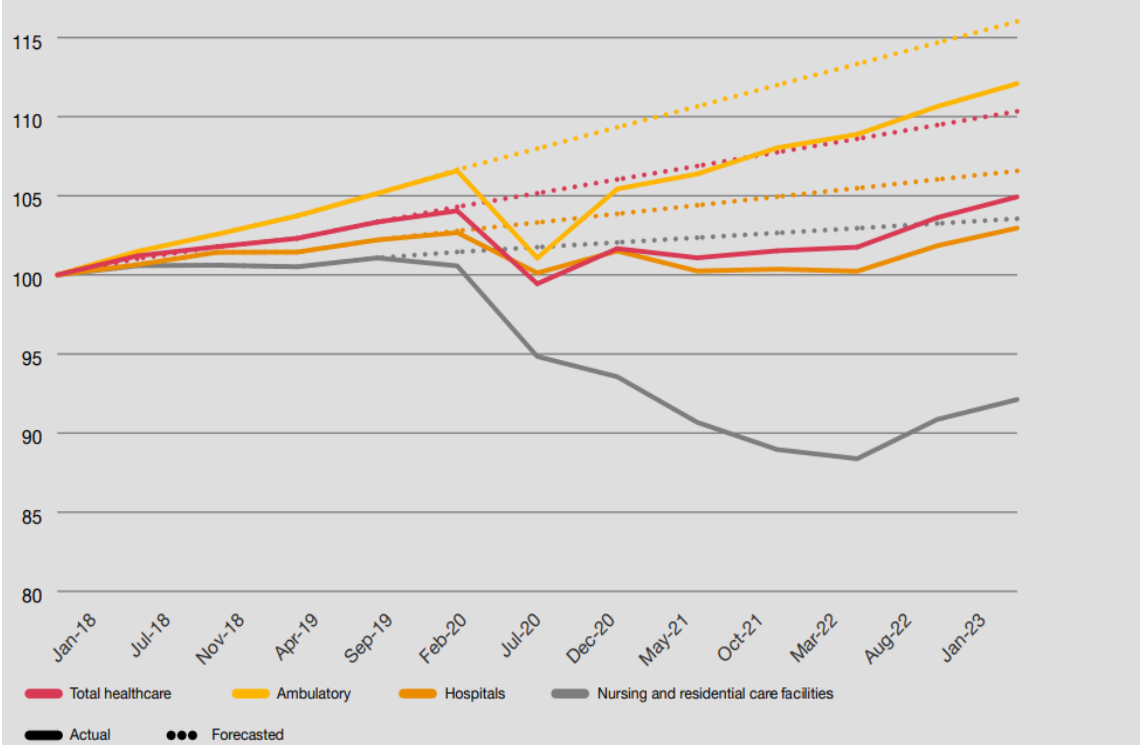
Health Exec: **Layoffs up 287% in first 5 months of 2023; healthcare sector not immune**

According to the report, [healthcare](#)—an industry known for offering professional stability on many fronts—is not immune to the far-reaching effects of rising costs and inflation. Healthcare companies, including manufacturers that produce health products, announced a total of 33,085 layoffs in the first five months of 2023. This is up from the 18,301 job cuts that took place during the same period in 2022—an 81% increase overall.

Valley News: **Looking to cut \$120M in its budget, Dartmouth Health plans hiring freeze, job reviews**

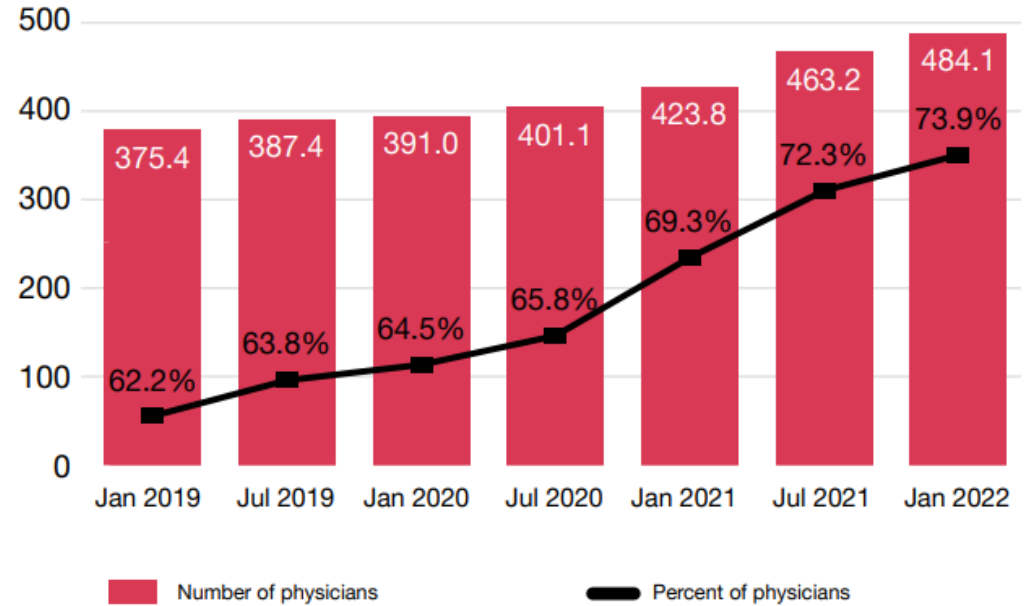
Health Care Employment

Figure 3: Healthcare employment - actuals vs. pre-COVID forecast index 2017-2022*



Source: Bureau of Labor Statistics Employment Cost Index, PwC analysis
 *Forecasted employment (dotted lines) is estimated by applying pre-COVID employment growth rates.

Figure 4: Number and percentage of U.S physicians employed by hospitals or corporate entities 2019-21



Source: Physician Advocacy Institute report on COVID-19's impact on acquisitions of physician practices and physician employment 2019-2021

Pharmaceuticals

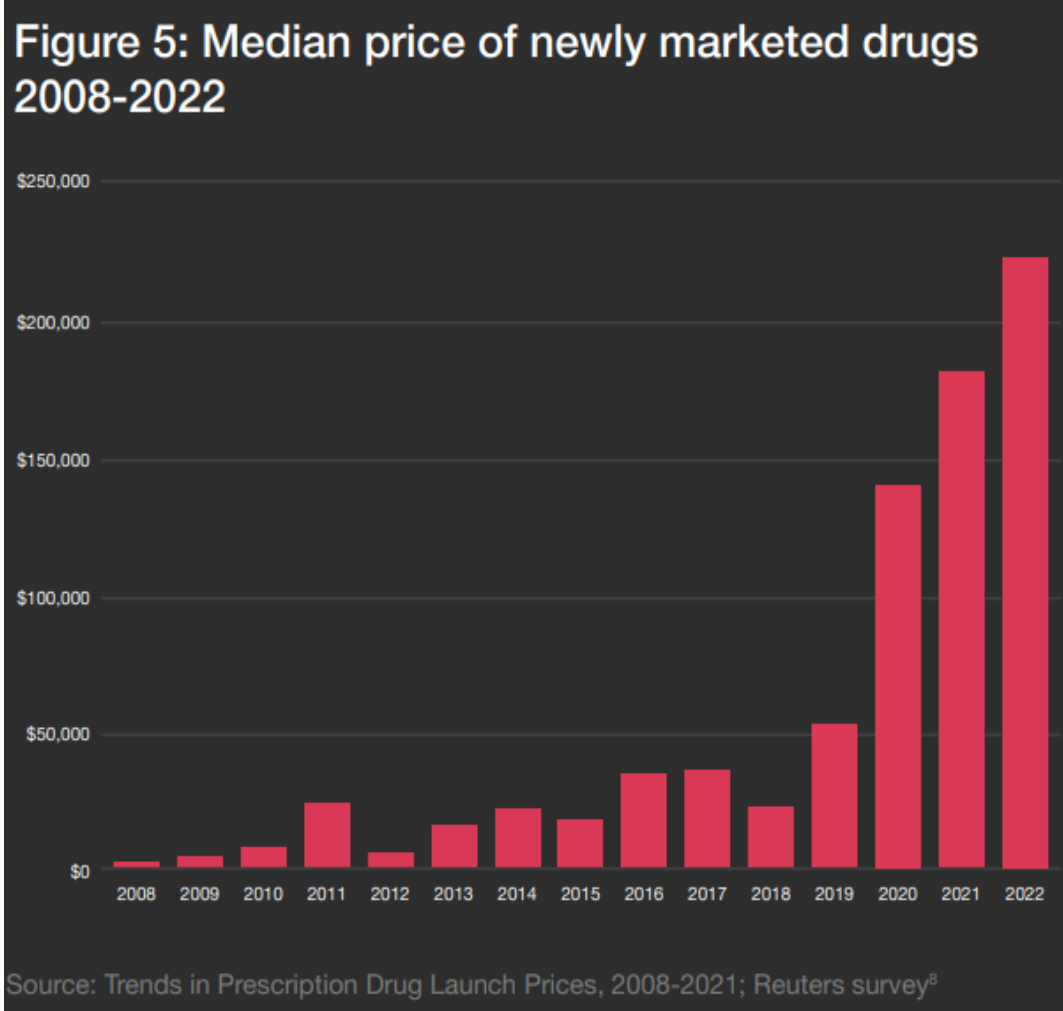
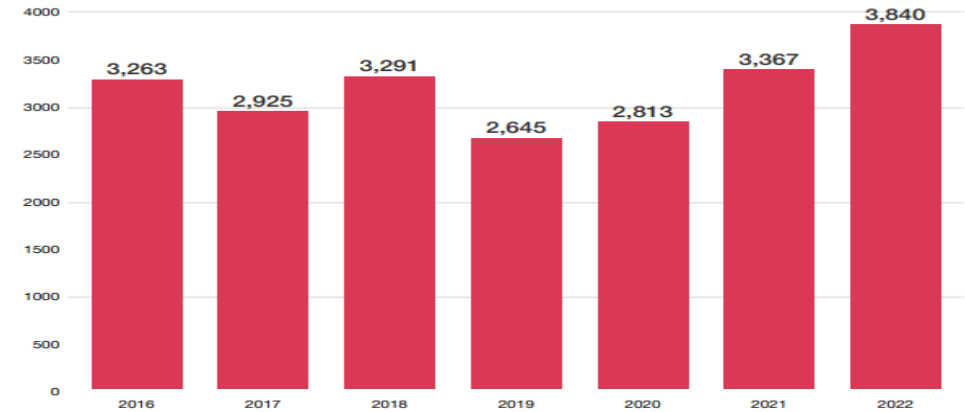


Figure 6: Number of drugs with price increases per year and average dollar price changes per year 2016-2022 (January and July only)
 Number of drugs with price increase per year

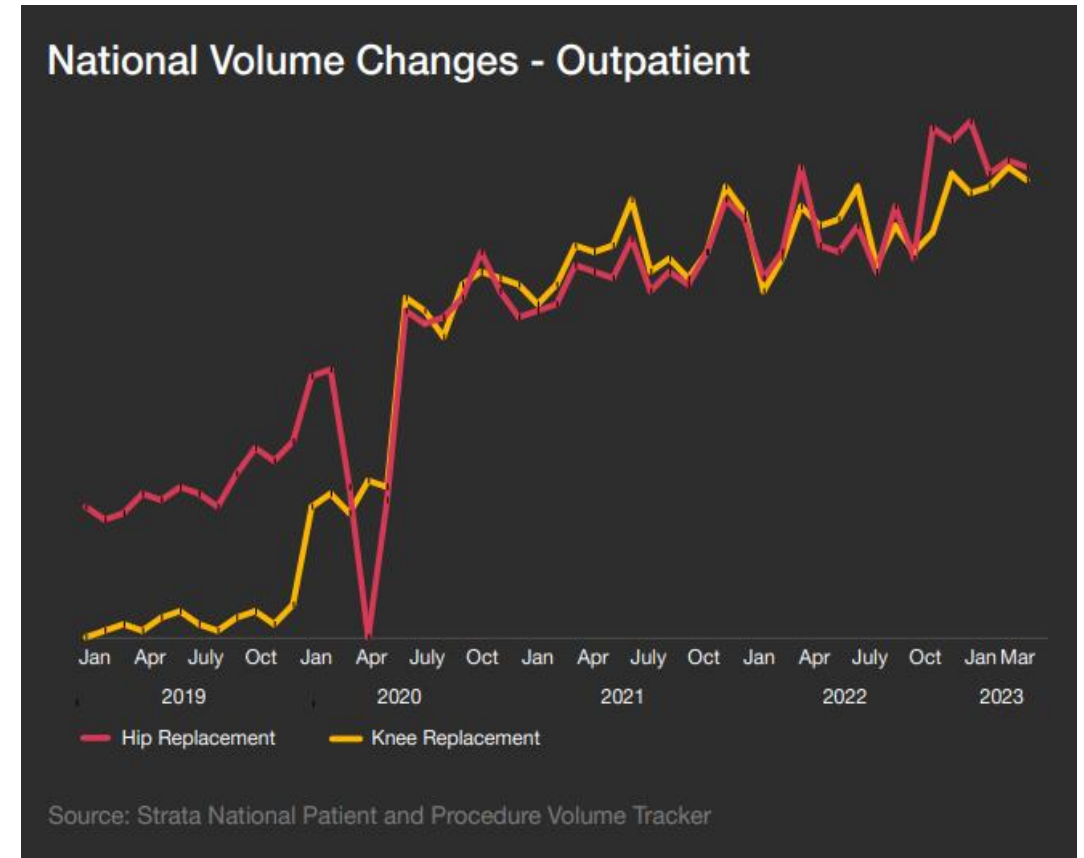
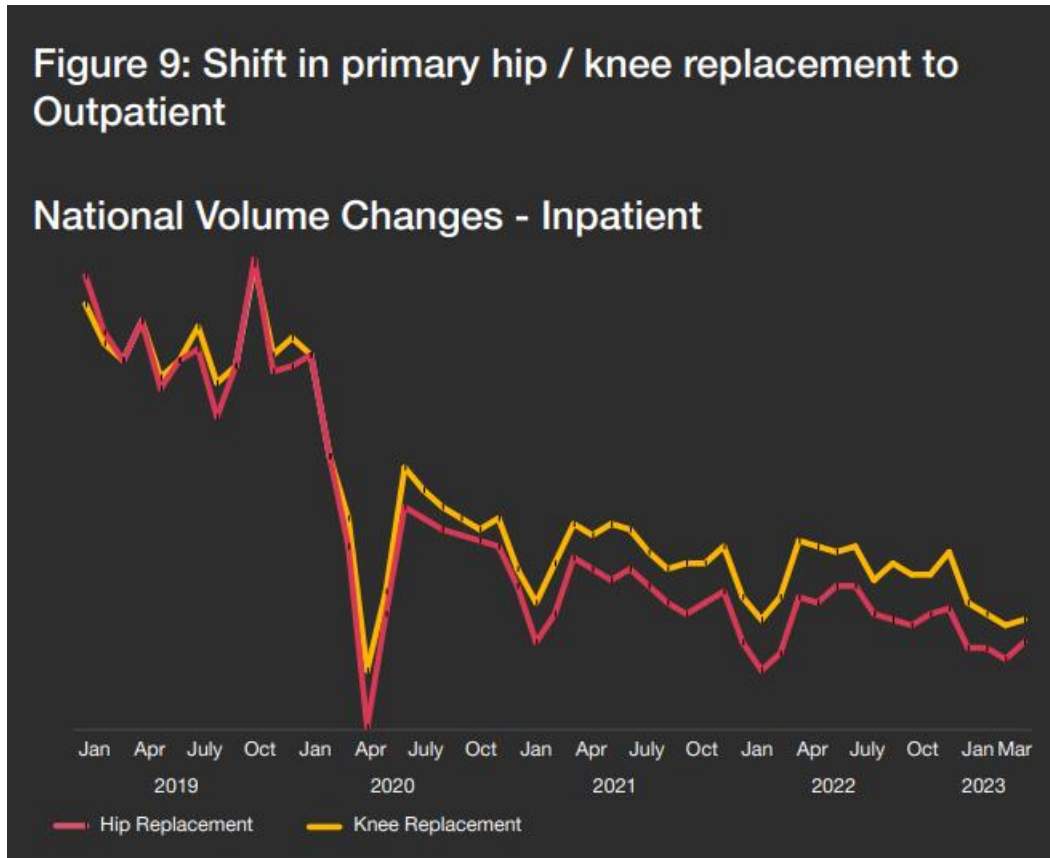


Average dollar price change per year



Source: Price Increases for Prescription Drugs, 2016-2022¹⁰
^aBased on January and July price increases only; the research finds that these months historically account for most of the increases that occur each year.

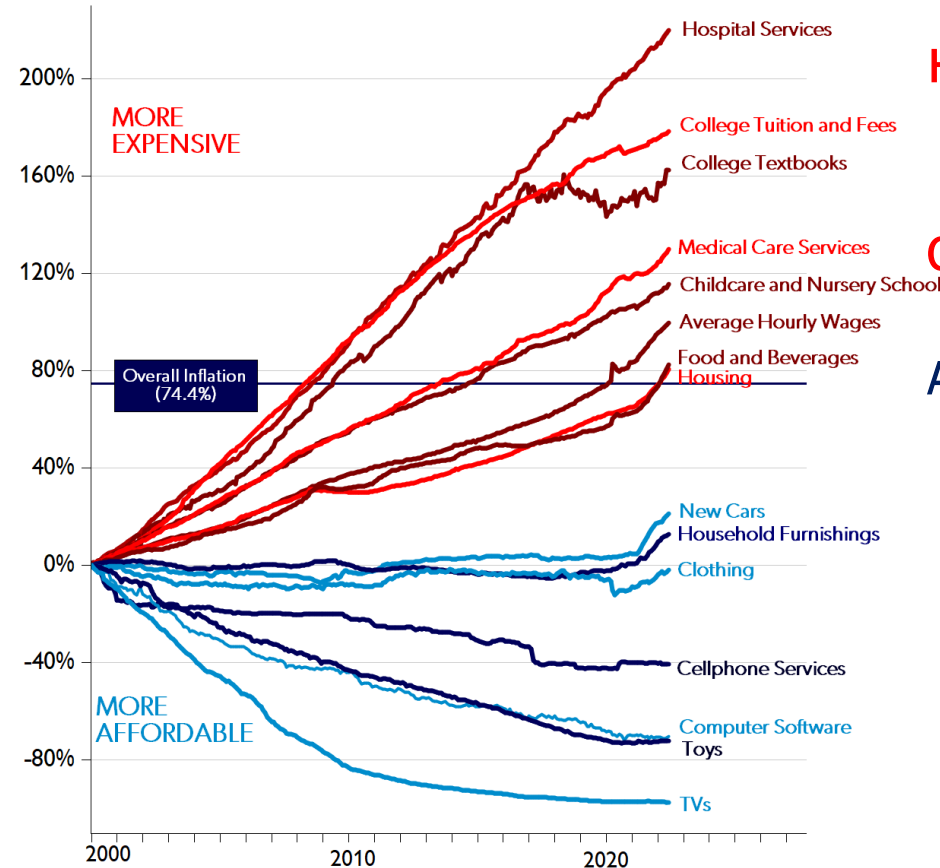
Site of care: shift from in- to outpatient continues...



Hospital services relative to other services (2000 to June 2022)

Price Changes: January 2000 to June 2022
Selected US Consumer Goods and Services, Wages

- Nationally, hospital service prices grew more than twice as fast as average hourly wages (227% vs 104%).
- Overall inflation grew at 74% during the same time period.



Hospital services 227%

Other medical services 132%

Average hourly wages 104%

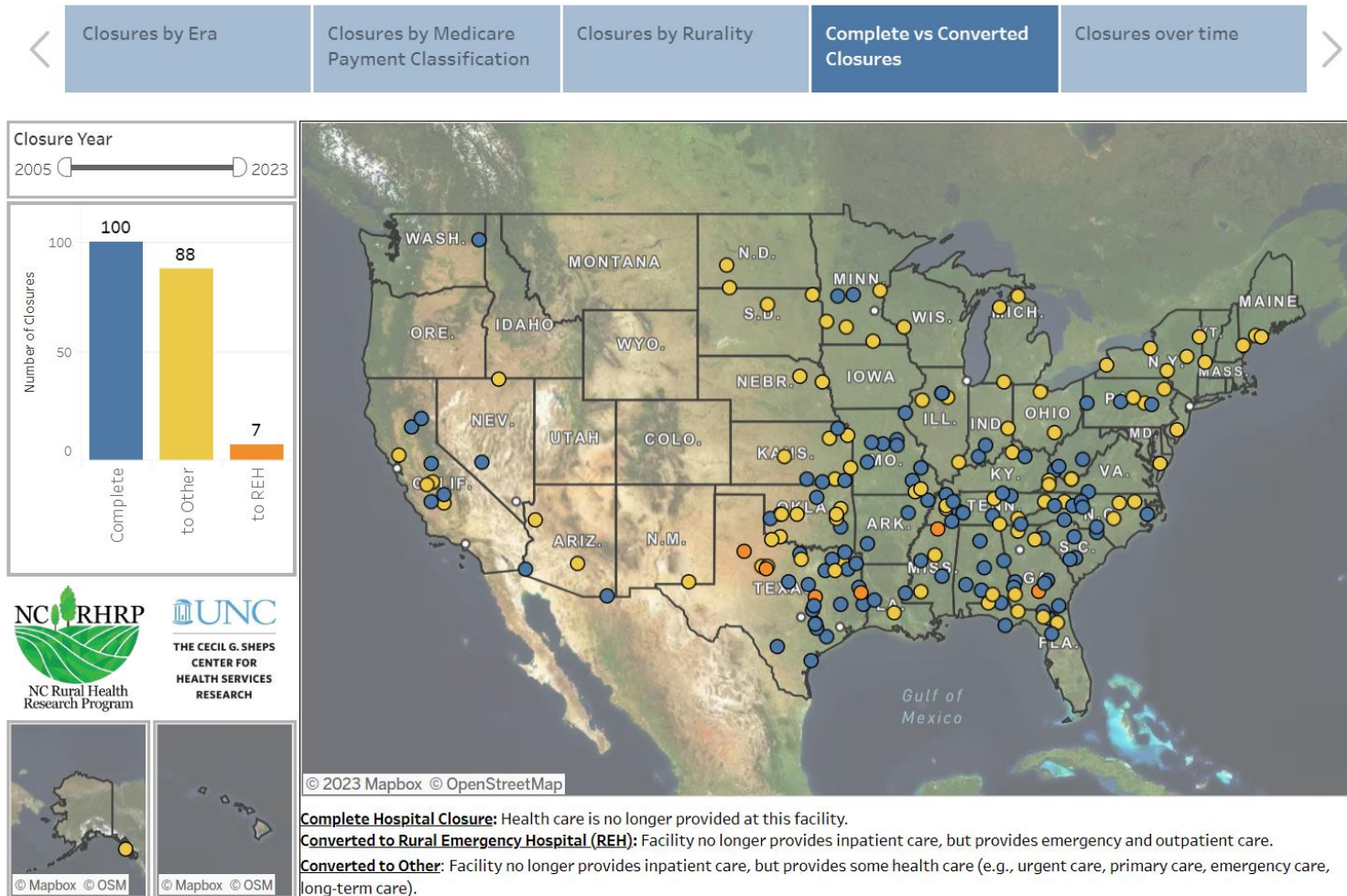
Source: Bureau of Labor Statistics

Carpe Diem 

Rural Hospitals continue to struggle with financial health



Rural Hospital Closures Maps, 2005 – Present



195 Rural Hospital Closures and Conversions since January 2005

100 complete closures* + 7 REH conversions** + 88 converted closures***

152 closures and conversions since 2010

77 complete closures* + 7 REH conversions** + 68 converted closures***

- * facilities no longer provide health care services
- ** facilities no longer provide in-patient services, but convert to Rural Emergency Hospital (REH)
- *** facilities no longer provide in-patient services, but continue to provide some health care services [e.g., primary care, skilled nursing care, long-term care]

SUMMARY OF FY24 BUDGET SUBMISSIONS



FY24 Hospital Budget Submission Themes



Vermont hospitals' challenges mirror those observed nationally:

- continued reliance on vulnerable, non-operating revenue as operating revenue lags expenses
- higher than average inflation, especially labor expenses, though is slowing to more historic levels
- cost of pharmaceuticals
- ability to attract and retain staff
- discharge to post-acute facilities

Factors that may be a bit different in Vermont:

- shift from local to regional/national employment market
- relatively higher reliance on 340B program
- most providers are rural

FY24 is part of improving 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).

FY23 Most Recent Indicators



Hospitals	Operating Margin		Total Margin		DCOH	
	FY22 A	FY23 YTD (June)	FY22 A	FY23 YTD (June)	FY22 A	FY23 YTD (June)
Brattleboro Memorial Hospital	-3.8%	0.04%	-8.0%	0%	131.75	119.52
Central Vermont Medical Center	-6.5%	-3.73%	-11.1%	-3.6%	68.75	79.50
Copley Hospital	-0.7%	-1.50%	0.7%	-1.5%	65.83	46.00
Gifford Medical Center	7.0%	-6.96%	-0.3%	-6.4%	203.51	160.66
Grace Cottage Hospital	-6.8%	-8.49%	-7.6%	-7.6%	99.12	89.80
Mt. Ascutney Hospital & Health Ctr	1.7%	2.16%	-1.0%	2.0%	207.52	186.87
North Country Hospital	-10.3%	-3.46%	-5.3%	-3.4%	212.59	125.00
Northeastern VT Regional Hospital	0.2%	-1.32%	-3.2%	-1.3%	105.67	223.13
Northwestern Medical Center	-4.3%	-5.30%	-10.1%	-4.8%	251.87	102.00
Porter Medical Center	3.1%	9.54%	-1.6%	9.0%	119.99	133.50
Rutland Regional Medical Center	-3.8%	2.14%	-13.6%	2.0%	181.87	192.00
Southwestern VT Medical Center	-0.2%	-2.15%	3.8%	-2.1%	37.52	9.22
Springfield Hospital	5.4%	N/A	8.2%	N/A	70.43	N/A
The University of Vermont Medical Center	-1.2%	2.22%	-10.6%	2.1%	112.54	117.80

FY24 Hospital Budget Submissions

Net Patient Revenue



Hospitals	FY22 actual to FY24 submission	FY22 actuals to FY23 projected	FY22 actuals to FY23 approved	FY23 projection vs FY23 budget (+/- 2%)
SYSTEM	19.1%	11.0%	8.5%	
Porter	28.4%	18.6%	5.8%	over budget
University of VT	23.8%	15.0%	10.8%	over budget
Central VT	21.4%	5.5%	12.0%	under budget
North Country	21.2%	15.2%	15.3%	
Brattleboro	19.9%	14.6%	13.8%	
Grace Cottage	16.4%	11.5%	7.1%	over budget
Northeastern VT	16.3%	4.9%	4.2%	
Springfield	15.6%	10.8%	10.8%	
Mt. Ascutney	12.4%	5.0%	5.3%	
Copley	10.8%	7.9%	5.1%	
Northwestern	10.3%	3.7%	6.5%	
Southwestern VT	9.0%	1.6%	1.1%	
Rutland	7.7%	6.2%	2.4%	over budget
Gifford	7.2%	-0.5%	-1.1%	

FY24 Hospital Budget Submissions

Operating Expenses



Hospitals	FY22 actual to FY24 submission	FY22 actuals to FY23 projected	FY22 actuals to FY23 approved	FY23 projection vs FY23 budget (+/- 2%)
SYSTEM	12.0%	5.6%	2.0%	over budget
Mt. Ascutney	17.8%	4.5%	5.1%	
Rutland	15.3%	-1.0%	-5.4%	over budget
Northeastern VT	14.6%	6.8%	3.0%	over budget
Brattleboro	13.8%	7.1%	3.5%	over budget
Gifford	11.2%	3.4%	-9.8%	over budget
Porter	8.9%	8.3%	0.7%	over budget
University of VT	8.3%	7.5%	4.0%	over budget
Grace Cottage	8.2%	7.2%	3.8%	over budget
Northwestern	8.1%	4.6%	0.4%	over budget
Southwestern VT	6.4%	4.7%	0.2%	over budget
Central VT	5.4%	1.1%	1.7%	
Springfield	3.5%	3.1%	3.1%	
Copley	-1.6%	5.5%	0.2%	over budget
North Country	-1.8%	6.9%	2.3%	over budget

FY24 Hospital Budget Submissions Rates



COMMERCIAL NET REVENUE (PRICE)

GROSS REVENUE (CHARGE MASTER)

Hospitals	FY23 actual to FY24 submission	FY23 estimated commercial effective rate	2-year average growth	FY23 actual to FY24 submission	FY23 approved change in charge (FY22B to FY23B)	2-year average growth
University of VT*	13.5%	14.8%*	14.1%	10.0%	10.1%	10.0%
Northeastern VT	12.8%	10.5%	11.6%	15.0%	10.8%	12.9%
Copley	11.3%	8.0%	9.6%	15.0%	12.0%	13.5%
Central VT*	11.0%	12.5%*	11.7%	10.0%	10.0%	10.0%
Gifford**	2.9%	2.9%	2.9%	3.6%	3.7%	3.6%
Porter*	6.9%	11.5%*	9.2%	5.0%	3.5%	4.2%
Northwestern	4.5%	6.0%	5.2%	6.0%	9.0%	7.5%
North Country	4.3%	8.0%	6.1%	4.5%	12.2%	8.3%
Southwestern VT	3.9%	7.6%	5.7%	6.6%	9.5%	8.0%
Springfield	3.5%	6.4%	4.9%	7.1%	10.0%	8.5%
Mt. Ascutney	2.5%	3.2%	2.8%	5.1%	4.7%	4.9%
Grace Cottage	2.0%	4.7%	3.3%	4.0%	5.0%	4.5%
Rutland	1.5%	10.5%	5.9%	5.6%	17.4%	11.3%
Brattleboro	1.1%	10.2%	5.6%	1.5%	14.6%	7.9%

* UVMHN hospitals are the only orders to include an effective commercial rate. The remaining hospitals show findings of fact.

** Gifford's FY24 submission includes previously-approved increases not yet applied.

FY24 Hospital Budget Submissions Margins VERMONT

GREEN MOUNTAIN CARE BOARD

OPERATING MARGIN

TOTAL MARGIN

Hospitals	FY22 actual	FY23 projection	FY24 budget	FY22 actual	FY23 projection	FY24 budget
SYSTEM	- 1.8%	1.5%	2.6%	- 8.6%	4.9%	4.2%
Gifford	7.0%	0.0%	8.4%	- 0.3%	4.5%	8.4%
Springfield	5.4%	- 4.2%	0.8%	8.2%	- 4.1%	0.8%
Porter	3.1%	8.8%	7.9%	- 1.6%	11.4%	9.0%
Mt. Ascutney	1.7%	0.9%	1.5%	- 1.0%	7.2%	4.8%
Northeastern VT	0.2%	1.1%	1.0%	- 3.2%	3.0%	1.0%
Southwestern VT	- 0.2%	- 2.5%	1.0%	3.8%	8.1%	5.8%
Copley	- 0.7%	- 0.7%	3.0%	0.7%	- 0.6%	3.2%
University of VT	- 1.2%	3.2%	3.0%	- 10.6%	5.9%	4.4%
Rutland	- 3.8%	1.5%	2.3%	- 13.6%	6.6%	4.4%
Brattleboro	- 3.8%	- 1.7%	0.7%	- 8.0%	- 1.7%	0.7%
Northwestern	- 4.3%	- 5.9%	1.0%	- 10.1%	0.8%	2.8%
Central VT	- 6.5%	- 2.6%	1.5%	- 11.1%	- 0.1%	2.9%
Grace Cottage	- 6.8%	- 2.3%	- 3.4%	- 7.6%	6.2%	12.9%
North Country	- 10.3%	- 3.7%	0.0%	- 5.3%	- 1.3%	0.0%

FY24 Hospital Budget Review Tool



- The FY24 guidance outlined several publicly-available indicators to better understand how expense growth in Vermont hospitals compare with national, longitudinal trends.
- The Budget Review Tool attempts to distill a great deal of complex information into a standardized format to help understand the submitted budgets.
- All data sources have relative strengths and weaknesses. Part of the goal during the process improvement is to begin conversations to understand the data and its utility for a permanent, predictable regulatory process.
- <https://public.tableau.com/app/profile/state.of.vermont/viz/hospitalbudgetreviewtool/OVERVIEW>