

Hi Patrick,

We have reviewed the appendices and tables shared at the March 10 meeting. In the attached file there are comments and questions in blue to for each respective appendix and table. The intent of the comments was to focus on having the most complete data sets as possible, consistency of data categories throughout the various tables, and connectivity of the data sets between the appropriate appendices and tables.

We believe our collective focus in FY 2022 should be understanding current hospital finances, forward-looking discussion regarding appropriate operating margins, and conversation regarding commercial rate components. Below are a couple of topics we believe should be incorporated in the guidance and/or appendices to allow for appropriate levels of conversation between the Board and the hospitals.

Given the erosion of hospital margins, it is imperative to have forward-looking conversations regarding hospital financial strength. These conversations should be primarily focused on operating margin, days cash on hand, and debt to cap ratio. The process should allow each hospital to present:

- Historical information
- Hospital's needs for long-term financial strength
- Appropriate justification to establish benchmarks
- How the hospital's FY 2022 submitted budget plays a role

In response to thoughts shared during the Board's March 10 meeting, we agree that there should be a deeper conversation regarding all the components of a fair, annual commercial rate increase. This should include a historical understanding of the commercial rates approved in the past, and hospitals should break down their requested commercial rate lift:

- Changes in base payment rates
- Unit cost inflation — related to percentage of commercial business; related to cost shift
- Financial strength and contribution to margin

Should you have any questions or if additional clarification would be helpful, please do not hesitate to reach out to Rick and me directly.

Thank you,
Marc

FY2022 Budget Reporting Requirements

Appendices 1-7

Budget Narrative: Appendices 1-6 will be assessed in the context of the hospital's budget narrative. Variations or further explanations of the data should be addressed in the hospital's budget narrative.

Modify: Appendices marked "Modify" (tabs colored blue) may be altered to accommodate each hospital's individual needs. Please overwrite categories to best suit the hospital's needs.

Do not Modify: Appendices labeled "Do not Modify" (tabs colored yellow) should not be altered, except for cells designated for additional categories, labeled "Other". The purpose of restricted modification in certain appendices is to ensure systemwide tabulations.

Do not Modify	Appendix 1: Reconciliation Tables
Do not Modify	Appendix 2: Change in Charge
Modify	Appendix 3: Utilization
Do not Modify	Appendix 4: Inflation
Do not Modify	Appendix 5: Vaccine Clinics and Testing
Do not Modify	Appendix 6: Value-Based Care Participation
Do not Modify	Appendix 7: COVID-19 Advances, Relief Funds, and Other Grants
Do not Modify	Request Summary (automatically populated)

Do not Modify, except for cells labeled "Other"

Reconciliation Tables

Budget-to-Budget

Table 1: NPR Variance - FY 2021 Approved Budget to FY 2022 Proposed Budget

NPR	Total	Total Medicare	Total Medicaid	Total Commercial
FY 2021 Approved Budget	\$ -			
NPR/FPP Rate Impact	\$ -			
Utilization (not factored into change in charge request)	\$ -			
Provider Acquisitions/Transfers	\$ -			
Changes in Accounting	\$ -			
Reimbursement/Payer Mix	\$ -			
Other (specify)	\$ -			
Other (specify)	\$ -			
Other (specify)	\$ -			
FY 2022 Proposed Budget	\$ -	\$ -	\$ -	\$ -

\$ Change from FY 2021 Approved Budget	\$ -	\$ -	\$ -	\$ -
% Change from FY 2021 Approved Budget	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

Impact of COVID-19 vaccination clinics and testing	\$ -
FY 2022 Proposed Budget without COVID-19 vaccination clinics and testing	\$ -

\$ Change from FY 2021 Approved Budget to Adjusted FY 2022	\$ -
% Change from FY 2021 Approved Budget to Adjusted FY 2022	#DIV/0!

Table 2: FY 2021 Approved Expenses to FY 2022 Proposed Budget

Expenses	Amount	% over/under
FY 21 Approved Budget		
New Positions		#DIV/0!
Inflation Increases		#DIV/0!
Salaries		#DIV/0!
Fringe		#DIV/0!
Travelers (nurses)		#DIV/0!
Locum tenans (MDs)		#DIV/0!
Drugs		#DIV/0!
Health Care Provider Tax		#DIV/0!
Cost Savings		#DIV/0!
Other (specify)		#DIV/0!
Other (specify)		#DIV/0!
Other (specify)		#DIV/0!
Other (specify)		#DIV/0!
Other (specify, add additional rows as necessary)		#DIV/0!
FY 22 Proposed Budget	\$ -	#DIV/0!

\$ Change from FY 2021 Approved Budget	\$ -
% Change from FY 2021 Approved Budget	#DIV/0!

Impact of COVID-19 vaccination clinics and testing	\$ -
FY 2022 Proposed Budget without COVID-19 vaccination clinics and testing	\$ -

\$ Change from FY 2021 Approved Budget to Adjusted FY 2022	\$ -
% Change from FY 2021 Approved Budget to Adjusted FY 2022	#DIV/0!

Would it be more informative to have this for all payer types: Medicare, Medicaid, Major (in state) Commercial, Other Commercial, Self/Pay Other? Then you would have all the categories which would add up to the total. Chart seems incomplete by not including all payers, as the sums of parts will not equal the total to reconcile to the income statement.

When looking at any payer data, would recommend inclusion of all payer types to provide the most complete data set to better inform the conversation: Medicare, Medicaid, Major (in state) Commercial, Other Commercial, Self/Pay Other

To be consistent with table 3 in Appendix 1, should this include the same categories for the data? If that's the case, would need to add disproportionate share payments (DSH), fixed prospective payment (base changes not rates), and bad debt/free care to table 1.

Please confirm - inflation increases amount should reconcile to Appendix 4 detail table

Do not Modify, except for cells labeled "Other"

Reconciliation Tables

Projection-to-Budget

Table 3: NPR Variance - FY 2021 Projection to FY 2022 Proposed Budget

Projection derived as of: (ex. May 2021 year-to-date)

<u>NPR</u>	<u>Total</u>	<u>Total Medicare</u>	<u>Total Medicaid</u>	<u>Total Commercial</u>
FY 2021 Projection	\$ -			
Rate Effect	\$ -			
Disproportionate Share Payments (DSH)	\$ -			
Utilization (not factoring in change in charge request)	\$ -			
Fixed Prospective Payments	\$ -			
Provider Acquisitions/Transfers	\$ -			
Changes in Accounting	\$ -			
Reimbursement/Payer Mix	\$ -			
Bad Debt/Free Care	\$ -			
Other (specify)	\$ -			
Other (specify)	\$ -			
Other (specify)	\$ -			
FY 2022 Proposed Budget	\$ -	\$ -	\$ -	\$ -
\$ Change from FY 2021 Projection	\$ -	\$ -	\$ -	\$ -
% Change from FY 2021 Projection	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
\$ Change from FY 2021 Projection to Adjusted FY 2022	\$ -			
% Change from FY 2021 Projection to Adjusted FY 2022	#DIV/0!			

Would it be more informative to have this for all payer types: Medicare, Medicaid, Major (in state) Commercial, Other Commercial, Self/Pay Other? Then you would have all the categories which would add up to the total. Chart seems incomplete by not including all payers, as the sums of parts will not equal the total to reconcile to the income statement.

Table 4: FY 2021 Projected Expenses to FY 2022 Proposed Budget

<u>Expenses</u>	<u>Amount</u>	<u>% over/under</u>
FY 2021 Projection		
New Positions		#DIV/0!
Inflation Increases		#DIV/0!
Salaries		#DIV/0!
Fringe		#DIV/0!
Travelers (nurses)		#DIV/0!
Locum tenans (MDs)		#DIV/0!
Drugs		#DIV/0!
Health Care Provider Tax		#DIV/0!
Cost Savings		#DIV/0!
Other (specify)		#DIV/0!
Other (specify)		#DIV/0!
Other (specify)		#DIV/0!
Other (specify)		#DIV/0!
Other (specify, add additional rows as necessary)		#DIV/0!
FY 2022 Proposed Budget	\$ -	#DIV/0!
\$ Change from FY 2021 Projection	\$ -	
% Change from FY 2021 Projection	#DIV/0!	
\$ Change from FY 2021 Projection to Adjusted FY 2022	\$ -	
% Change from FY 2021 Projection to Adjusted FY 2022	#DIV/0!	

Please confirm - inflation increases amount should reconcile to Appendix 4 detail table

Appendix 2

Do not Modify, except for cells labeled "Other"
Charge and NPR Detail

The following tables demonstrate the hospital's charges by payer from your requested charge master increase.

Table 1: Please provide the requested charge master increase by area of service without of utilization and acuity.

Charge Master Increase Schedule (Charge Increase)		
Area of Service	FY 22 Budget Total Charge Master Increase (\$)	FY 22 Budget Total Charge Master Increase (%)
Hospital Inpatient (Incl. SNF & Rehab)	\$ -	0%
Hospital Outpatient	\$ -	0%
Professional Services	\$ -	0%
Other (specify)	\$ -	0%
Overall Increase in Gross Revenues Across All Categories	\$ -	0%

Some additional clarification would be helpful to ensure these tables are filled out consistently and uniformly across the hospitals. It appears the intent is to determine the amount of requested rate changes, both by gross revenues and net revenues? Please confirm.

The following comments are based on the assumption the tables in Appendix 2 and are intended to understand the effects of the requested rate changes. If that is not the intent of these tables, we would need to understand what the intent is and be given the opportunity to review and comment from that perspective.

While we recognize it is the Board's hope to have a single charge terminology, in some cases changes in gross charges have no or a limited effect on net revenues, if the payment rates (anticipated net revenues from payers) are tied to negotiated fixed payment fee schedules. The reality is that different hospitals are paid differently, and one rate approach may not be in alignment for all hospitals, as changes in gross charges do not have the same % impact on changes in payment rates (NPR) in all cases.

Depending on the hospital type (AMC, Sole Community, CAH) a change in charge has different effects on the net revenues by payer. For example, CAH Medicare payment rates are tied to a cost to charge ratio, which has a significant component tied to changes in expenses, not charges.

For the FY 2022 budget, the UVM Health Network hospitals will submit the same % for the change gross request as the requested change in commercial payment rates to help simplify. We want to be clear though, these are really two different things which impact different hospital types in different manners.

Table 2: Please indicate gross charges by payer from your requested charge master increase. This analysis should only take into consideration the charge master increase (Table 1), utilization assumptions, and acuity.

Gross Charge Increase by Payer								
Area of Service	FY21 Budget Total \$ Gross Charge	Budget-to-Budget Variance (%)	FY 22 Budget Total \$ Gross Charge	Gross Revenue by Commercial Payer \$		Gross Revenue by Self-Pay/Other \$	Gross Revenue by Medicaid \$	Gross Revenue by Medicare \$
				In State	Other			
Hospital Inpatient (Incl. SNF & Rehab)	\$ -	#DIV/0!	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hospital Outpatient	\$ -	#DIV/0!	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Professional Services	\$ -	#DIV/0!	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other (specify)	\$ -		\$ -					
Overall Increase in Gross Revenues Across All Categories	\$ -	0.0%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

*tie to income statement

*tie to income statement

Would it be more informative to have this for all payer types: Medicare, Medicaid, Major (in state) Commercial, Other Commercial, Self/Pay Other? Then you would have all the categories which would add up to the total. Chart seems incomplete by not including all payers.

There is one aspect of the table which is confusing, and additional clarification would be useful. It clearly says in the heading should only take into consideration the charge master increase (table 1), then it says as note at the bottom of the 3rd column in the table *tie to income statement. These will be different numbers, so not sure how it can tie to both? Changes in the income statement gross charges will include utilization, payer mix shifts, provider acquisitions/transfers, which do impact or change rates.

Table 3: Please provide FY21 budgeted NPR/FPP and FY22 budgeted NPR/FPP by category of service taking into account the gross revenue assumptions in Table 2.

NPR (\$) Analysis								
Areas of Service	FY21 Budget NPR	Budget-to-Budget Variance (\$)	FY22 Budget NPR	Commercial Payer NPR		Self-Pay/Other NPR	Medicaid NPR	Medicare NPR
				In State	Other			
Hospital Inpatient (Incl. SNF & Rehab)			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hospital Outpatient			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Professional Services			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other (specify)			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Overall Change in Charge NPR Across All Categories	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Would it be more informative to have this for all payer types: Medicare, Medicaid, Major (in state) Commercial, Other Commercial, Self/Pay Other? Then you would have all the categories which would add up to the total. Chart seems incomplete by not including all payers.

Please note, to get this to reconcile would need to add bad debt / free care, as those assumptions carry over to changes in rates. This could easily be done under other.

To confirm - should this table reconcile to Appendix 1 Table 1 NPR/FPP Rate Impact after accounting for bad debt/free care separately?

FPP (\$) Analysis						
Areas of Service	FY21 Budget FPP	Budget-to-Budget Variance (\$)	FY22 Total Budget FPP	Commercial Payer FPP (in state only)	Medicaid FPP	Medicare FPP
Hospital Inpatient (Incl. SNF & Rehab)			\$ -	\$ -	\$ -	\$ -
Hospital Outpatient			\$ -	\$ -	\$ -	\$ -
Professional Services			\$ -	\$ -	\$ -	\$ -
Reserves			\$ -	\$ -	\$ -	\$ -
Other Reform Payments			\$ -	\$ -	\$ -	\$ -
Overall Change in Charge FPP Across All Categories	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

To be clear, this data cannot be provided on commercial payer FPP, as actual payments are not separated between FFS and FPP from the participating commercial payers. For those covered lives in the commercial FPP, there is a reconciliation of FFS payments paid on those covered lives in APM then any difference is booked.

	FY21 Budget NPR/FPP	Budget-to-Budget Variance (\$)	Budget-to-Budget Variance (%)	FY22 Budget NPR/FPP
Total Overall NPR/FPP	\$ -	\$ -	#DIV/0!	\$ -
From 1. Reconciliation tab	\$ -	\$ -	#DIV/0!	\$ -
Variance (should be 0)	\$ -	\$ -	#DIV/0!	\$ -

Table 4: Please indicate the NPR/FPP FY2022 dollar value of 1% overall change in charge.

NPR/FPP value of 1% Overall Change in Charge	

This table was not included in the printed documents, so not entirely sure if it is going to be part of the reporting requests?

If it is, this information has very limited benefit as currently shown, as it blends all the impacts of all payers into one %. The Board approves commercial rate changes, not Medicare or Medicaid. If this table it to be informative to the commercial rate approval process, it needs to be reflective of what 1% in commercial rate changes means in NPR \$. Glad to share what each 1% of Medicare and Medicaid means in NPR \$ if also informative?

Appendix 3

Modify
Utilization

The Utilization table is a subset of the Appendix II Bridges Table "Utilization" category. The purpose of the Utilization table is to identify major categories of services that are changing. Using Gross Revenues as a measure of estimated growth, identify the major categories of services that are changing.

Category of Service	Total increase in Gross Revenues (%)	Total increase in Gross Revenues (\$)
FY 2021 Approved Budget		
FY 2022 Proposed Budget	\$0	\$0
\$ Change from FY 2021 Approved budget		\$0
% Change from FY 2021 Approved budget	#DIV/0!	

Does not need to tie to P&L

This is another table where additional clarification would be helpful to understand the intent.

In the description it notes "The utilization table is a subset of Appendix II Bridges table "Utilization" category." In the appendices in this file Appendix 2 refers to Charge & Rates - is the statement referring to a different Appendix II?

Once clarified, we can provide comment.

Appendix 4

Do not Modify, except for cells labeled "Other"

Inflation

Identify key categories of operating expense inflation and provide the estimated inflation factor. This is not an assessment of overall growth of the category (i.e.-does not need to tie to the P&L). It should focus on price effects only (not utilization growth or new hires). Please follow the prompted categories below. Use the 'Other' lines to capture line items not listed that cover 5% or more of the budget, and then one as a "catch all" category so the entire operating expense budget is covered (i.e. Category % of Operating Expense Budget is 100%). Please explain inflation assumptions in the comment column.

Expense Category	Estimated Inflation				Comment
	% Increase	\$ Increase	Category % of Operating Expense Budget	Weighted Average	
<i>Example: Wages/Compensation- Medical Staff</i>	2%	\$ 500,000.00	60%	1.2%	<i>This is inflation price effect only, does not account for new hires (volume).</i>
Wages/Compensation - Medical Staff				0.0%	
Wages/Compensation - Non-Medical Staff				0.0%	
Drugs				0.0%	
Medical Supplies				0.0%	
Non-Medical Supplies				0.0%	
Other (Please Specify)				0.0%	
Other (Please Specify)				0.0%	
Other (Please Specify)				0.0%	
Total	%	\$ -	%	%	

*should be 100%

Not intended for systemwide look or comparative analysis

Think it could be very informative to the process to tie inflation rates to the commercial rate request. To do this, would have to add impact of every 1% of commercial rate.

Other informational components, besides inflation, behind commercial rate which could also inform the rate setting process are:

- Payer mix changes (base changes in cost shift, could be + or -)
- Changes in bad debt/free care (could be + or -)
- Changes to base commercial collection rates (could be + or -)
- Cost shift related to expense inflation
- Any portion of commercial rate increase going to support increase in margin

Appendix 5

Do not Modify

Vaccine Clinics and Testing

Where is your hospital reporting Vaccine/Testing Revenues and Expenses?

Fiscal Year 2022 Budget Analysis

INCOME STATEMENT	2021 Projection Vaccine/Testing Income Statement Supplement	2022 Budget Vaccine/Testing Income Statement Supplement
Revenues		
Net Patient Care Revenue		
Fixed Prospective Payments, Reserves & Other		
Total NPR & FPP	\$0	\$0
COVID-19 Stimulus and Other Grant Funding Other		
Other Operating Revenue	\$0	\$0
Total Operating Revenue	\$0	\$0
Operating Expense		
Net Operating Income	\$0	\$0
Non Operating Revenue		
Excess (Deficit) of Rev over Exp	\$0	\$0
Income Statement Metrics		
Operating Margin %	#DIV/0!	#DIV/0!
Total Margin %	#DIV/0!	#DIV/0!

For informational purposes only, FPP should be zero as payments related to covered lives regardless of utilization.

edit from P&L

Appendix 6

Do not Modify
Value-Based Care Participation

Complete the following table if the hospital is participating in one or more of value-based care programs. If the hospital is not participating in value-based care programs, please indicate in the narrative.

Value-Based Care Program	Participating in Program in Calendar Year (CY) 2022? (Yes/No)	Budgeted Number of Attributed Lives (monthly average for CY 2022)	Budgeted Amount of FPP (monthly average for CY 2022)	Budgeted Maximum Upside/Downside Risk for CY 2022
Medicaid				
Medicare				
BCBSVT				
Self-Insured				
TOTAL				

As mentioned earlier, Commercial FPP is not separated from FFS payments. While we could provide an estimated \$ for monthly average, it would not be possible to reconcile to actuals because of the manner in which the commercial FPP is reconciled. From a financial perspective, this information presents a challenge from a timing perspective as well, as much of this is not provided to the hospitals from OCV in time for the hospital budget submission. Happy to include if we have estimate from OCV.

Appendix 7

Do not Modify, except cells labeled "Other"
COVID-19 Advances, Relief Funds, and Other Grants

Please denote the advances, relief funds, and other grants received by the hospital or planned to be received for COVID-19 as of the budget submission under the "Description" column. In addition, please note the amounts recognized in revenues or planned to be recognized in revenues, and/or recorded as a liability or planned to be recorded as a liability as of September 30, 2020, September 30, 2021 and September 30, 2022.

Description	Amounts Received	Recognized in Revenues As of Sept. 30, 2020	Recorded as a liability As of Sept. 30, 2020	Recognized in Revenues As of Sept. 30, 2021	Recorded as a liability As of Sept. 30, 2021	Recognized in Revenues As of Sept. 30, 2022	Recorded as a liability As of Sept. 30, 2022
CARES Act Funding							
Medicare Advance - Repayment							
VT Blue Cross Advance							
VT Healthcare Stabilization Grant							
VT Medicaid Retainer Funding							
VT Hazard Pay Grant							
VT Unemployment Credit - CARES Act							
CARES Workforce Retention Credit							
Other (add rows as necessary)							
Other (add rows as necessary)							
Other (add rows as necessary)							
Totals	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Should be able to provide this information. One additional thought, it may be helpful to add a sub-total for grants and another for advances or funds which require pay back.

EDIT Summary of Budget Request

Do not Modify- Do not Populate

This worksheet is formula driven and will automatically populate with data provided in "1. Reconciliation"

FY 2022 NPR/FPP	0
% Increase over FY 2021 Approved Budget	#DIV/0!
% Increase over FY 2021 Projection	#DIV/0!

Components of Request

NPR/FPP Rate Impact	\$0
Utilization (not factored into change in charge request)	\$0
Provider Acquisitions/Transfers	\$0
Changes in Accounting	\$0
Reimbursement/Payer Mix	\$0
Total NPR/FPP change	\$0