

SVMC Pre-Hearing Responses

1. SVMC requested a 5.4% increase over FY2024 gross charges for approximately 70% of the items charged. This equates to the aggregate commercial net revenue increasing by 3.5%, the increase in commercial rate. This rate was reduced to 3.4% in the budget order. In order to accommodate this reduction, SVMC delayed implementation of the charge increase from October 1, 2024 to October 15, 2024.
2. Based on the rate decomposition workbook, the rate increase requested was 3.5%. This is based on increasing approximately 70% of charges by 5.4%. To get to the 3.5% of net revenue commercial rate, the commercial contracts/discounts are considered in the calculation. As discussed in #1, to abide by the budget order and the approved rate increase of 3.4%, SVMC has delayed the implementation of the charge increase from October 1 (as assumed in the budget) to October 15, 2024.
3. Below is the calculation:

All amounts represent Commercial Insurance only

a	FY2024 Budget Gross Charges	
b	FY2024 Budget Gross Charges Subject to rate increase	
c = b*5.4%	FY2025 Budget Gross Charge Increase	
d = a+c	Total FY2025 Budget Gross Charges	
e	Total FY2025 Budget Collection/Net Patient Service Revenue (NPSR)	
f	Total FY2024 Budget NPSR	
g = e-f	Total Increase in NPSR Related to Charge Increase	
h = g/b	FY2025 Budget Commercial Rate Increase over FY2024 Budget	

<u>As Submitted - 5.4% Charge Increase</u>		
	157,234,627	
117,309,555		
	6,334,716	5.4%
	163,569,343	
	118,752,439	
	114,681,767	
	4,070,672	
		3.5%

4. Below is the calculation:

All amounts represent Commercial Insurance only

a	FY2024 Budget Gross Charges	
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<u>As Submitted - 5.4% Charge Increase</u>		
	157,234,627	
117,309,555		
	6,334,716	5.4%
	163,569,343	
	118,752,439	
	114,681,767	
	4,070,672	
		3.5%

<u>Calculated - 3.4% Charge Increase</u>		
	157,234,627	
117,309,555		
	3,988,525	3.4%
	161,223,152	
	117,049,089	
	114,681,767	
	2,367,322	
		2.0%

5. SVMC's final budget order did not include any wording related to gross charge increase or net revenue increase, it just repeatedly refers to "commercial negotiated rate increase". This implies that the increase in original gross charge will yield exactly the same amount as net, after insurance discounts. This is not the case based on the way commercial contracts work. SVMC raised this concern several times during deliberations to explain why it is important to be specific and identify that the increase to charges will be 5.4% to approximately 70% of items yielding a 3.5% increase to commercial rate. The above calculations, using the average commercial payer rate, and the impact of a 5.4% gross charge increase vs. a 3.4% gross charge increase shows how they can't be the same.

Limiting SVMC's gross charge increase to 3.4% will significantly impact net patient revenue. SVMC's commercial growth rate will only reach 2.0% rather than the 3.5% requested (3.4% approved).

6. SVMC currently has claims being held (or not paid according to negotiated contracts) by 2 commercial insurances. The loss of cash is approximately \$800,000 per week for care that SVMC has given to commercial insurance patients.