Springfield Hospital

Where People Come First

November 3, 2024

Chairman Owen Foster and GMCB Members
Green Mountain Care Board
144 State Street
Montpelier, VT 05602

Dear Chair Foster and Green Mountain Care Board Members:

With respect to our request for an amendment to Condition B of the Springfield Hospital 2025 Budget Order dated October 1, 2024, the following are answers to your recent questions:

#1 Was your hospital's FY25 commercial rate request (A) a percentage increase over your FY24 approved commercial rate amount or (B) a percentage increase over your FY24 gross charges? For an example of Item (B), see chart from MAHHC below.

Springfield's FY25 commercial rate request of 2.2% (net) represents the NPR growth over our FY24 chargemaster prices of 5.5% (gross).

#2. What was the rate increase your hospital requested? Was your hospital's anticipated chargemaster increase different than your requested rate increase? If so, explain why.

Springfield's commercial rate increase was 2.2%. The requested chargemaster increase was 5.5%. The current budget order suggests that both the change in charge and commercial negotiated rate increase will result in the same NPR, however that is not accurate. Change in charge" relates to gross revenue and is the chargemaster increase implemented for all payers. "Commercial negotiated rate increase" is the increase in the payment (NPR) resulting from a charge increase divided by the original gross charge prior to a charge increase. Insurance contracts typically use the "change in charge" gross increase and from there, each commercial contract applies a discount to the "change in charge." That discount is different for each contract and service type (inpatient, outpatient, mental health/psych, etc). If the change in charge % is lower than the 5.5% that Springfield's budget is based on, ultimately the resulting commercial payments will be less as the contract discounts will be applied to a smaller "change in charge".

As you can see from the example table below, limiting our gross charge increase to 2.2% instead of the 5.5% will result in a significant reduction to our overall net patient revenue of (1.4%) or ($985K). Our commercial growth rate will only reach 0.8% rather than the 2.2% requested. As stated in #1, the 2.2% is the blended overall commercial NPR growth which varies from commercial payer to payer. It is not representative of the maximum payment rate of each individual commercial payer.

Commercial Rate Increase Impact Analysis	**2024 Charge (current)**	**Requested Increase of 5.5%**	**Budget Order increase of 2.2%**	**Loss of NPR to Springfield ****
Original Gross Charge	$ 100.00	$ 100.00	$ 100.00	
Gross Charge Increase		**5.5%**	**2.2%**	
Updated Gross Charge		$ 105.50	$ 102.20	
Increase to Gross Charge		$ 5.50	$ 2.20	
Avg Insurance Payment Rate *	63.8%	62.6%	63.2%	
Net Commercial Payment	$ 63.80	$ 66.04	$ 64.59	**$ (1.45)**
Increase in Commercial Payment		$ 2.24	$ 0.79	
Negotiated Rate Increase (Increased commercial payment divided by original gross charge		**2.2%**	**0.8%**	**-1.4%**

* Average Insurance Payment Rate represents the net patient revenue received as a % of gross revenue (charges). The decrease in payment rate as a % of the new higher gross charge was anticipated and appropriate to yield a 2.2% commercial rate increase since deductions are calculated on the higher gross charge amount.

** Reducing the chargemaster increase from 5.5% down to 2.2% results in a decrease of ($985k) in Net Patient Revenue for the hospital overall

Springfield has attempted multiple times to note the differences in our requested change in charge and commercial rate growth, including a discussion prior to our budget hearing with Alena Berube (which the differences were agreed upon in that meeting) , on August 21, 2024, in in our budget hearing presentation on slide #24 (Summary of Budget Request), and in written correspondences on 9/9/24 and 10/22/24.

#3). If your chargemaster and rate requests were different, please demonstrate the calculation used to arrive at these two figures.

Please see table referenced in #2.

#4) Please show (e.g. with a sample calculation) the reason that Condition B's cap on change in charge necessarily causes a lower rate than Condition B's cap on commercial negotiated rate.

Please refer to #2 response for the impact on how Condition B's cap on change of charge causes a lower rate than Condition B's cap on commercial negotiated rate.

5) Please demonstrate why your hospital cannot achieve a higher rate by negotiating more favorable discounts off charges with commercial payers.

Negotiation with any insurer is a challenging and private process. In this case, one commercial payer has already shared their expectation that we cannot raise our gross charges by more than 2.2%. They noted this is the direction they received from the GMCB. Because of the referenced GMCB direction, the parties have been unable to negotiate. This commercial payer reports that the GMCB issued specific direction about charge increases and, therefore, there is nothing to negotiate. The payer informed us that if we were to raise gross charges by more than 2.2%, they would automatically take a deeper discount to achieve what they claim GMCB approved, which was a 2.2% (gross or “change in charge”). They do not appear to want to entertain the difference between ‘Gross” and “Net” effects of charge adjustments. They view the 2.2% as a gross number and have informed us that they spoke to the GMCB and validated their interpretation. Because of this, there is currently no ongoing “negotiation” with this commercial payer.

6) For how many commercial payers have you not yet completed contracts for FY25. How many of these commercial payers are currently holding claims?

There is only one outstanding commercial payer that is an outlier at this point. No other health plan raised the issue of “Gross” versus “Net.” We typically inform the other health plans what we are doing and what has been approved.

Importantly, this commercial payer held claims effective 10/1/24 for several weeks but, due to cash flow needs, Springfield Hospital could not afford to wait any longer. The hospital informed the payer that, effective 10/1/24, the hospital would move charges 2.2% “Gross” – but that we reserved the right for further adjustment once we appealed the GMCB notice and subsequent information that may be given to the payer. The payer agreed that if a different outcome came from Springfield Hospital’s appeal to the GMCB, they would allow further adjustment “prospectively” -- meaning we cannot go back to 10/1/24. It is urgent that we rectify this situation immediately as, every day, the Hospital is incurring damages through lost (but earned) revenue. If we resolve this dispute immediately by clarifying our ‘gross’ change in charge request of 5.5%, we can attempt to complete our negotiations with this one payer for a December 1st effective date. We will have lost some revenue impact for two months. Every day means lost revenue for Springfield Hospital, so every day matters. We must act now and give this payer the required appropriate notice immediately.

Respectfully submitted,

Robert S. Adcock
Chief Executive Officer