

# Vermont Hospital Budgets

## FY 2016 Budget to Actual Reviews

### *Final Summary*

May 2017

# Hospital Budget to Actual Reviews

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# Hospital Budget to Actual Reviews

## Purpose of the report

The report is prepared to summarize the budget to actual findings for the Vermont hospitals in FY 2016. Budget information including net patient revenues, expenditures, operating surplus, and a number of key performance indicators are examined along with the hospital narratives and public testimony. The report presents key documents that were presented to the Board as well as other descriptive information about the system.

The Green Mountain Care Board (GMCB) evaluates this information to determine whether any action should be taken for subsequent budgets. Specific hospital schedules and other information is available upon request.

# Hospital Budget to Actual Reviews

## Introduction

The Board and its staff carefully reviewed and analyzed all FY16 budget to actual information submitted by the hospitals including utilization information, prior period budget performance, financial and other performance indicators, staffing needs, capital expenditure needs, budgeted operating surplus, and all public comments submitted to the Board. Where appropriate, the Board looked at how a hospital's key performance indicators compare with its Vermont, regional, and national peers. Indicators include those that evaluate cash on hand, capital spending, cost, and average annual growth increases. In addition, the Board considered each hospital's unique circumstances, including its health care reform efforts and its work to address issues identified in its community health needs assessment (CHNA).

Budget Performance Review provides the Board with an opportunity to determine the growth increase in future budgets, particularly increases in price or rate. Smaller increases in price allow for reductions, or smaller increases in, commercial insurance premiums rates. This provides relief for employers and individuals who purchase commercial insurance. Over the last few years, hospital budget rates have declined, from 7.9% in 2013 to 1.8% in FY 2017.

The Board uses net patient revenues (NPR) as its key budget measure because it is a good proxy for the amount of money each hospital intends to earn in a given year. This revenue is used to pay for items like staff salaries and for the cost of treating patients. In addition, each hospital budgets for an operating surplus which is used to fund capital projects, provide working capital, and to provide reserves.

The hospitals' FY16 budgets show a total NPR of \$2.378 billion, which was an increase of \$60.3 million (2.6%) over the FY16 budgets that were approved by the Board. The hospitals exceeded the budgeted amounts primarily because they experienced higher patient utilization than projected, and lower bad debt and free care. An evaluation of NPR found that the increase in Medicare NPR alone accounted for \$51 million of the \$60 million increase.

# Hospital Budget to Actual Reviews

## Introduction

On the expense side, \$35.3 million of hospitals' expenditures over the budget were largely related to increased utilization and pharmacy variable costs; other expenses that exceeded budget projections included the provider tax and additional physician operating costs. The cumulative effect of the higher NPR and expenses was an operating surplus \$27.8 million higher than budget. This higher surplus is viewed by the Board as an opportunity to prospectively lower future hospital rate increases.

This approach is similar to the one taken by the Board last year that required certain hospitals to submit lower rates as part of the 2017 budgets. As a result of those actions, 2017 hospital rate increases were limited to 1.8%, the lowest on record. Through the end of February, our findings indicate that for 2017, hospitals are tracking closer to budget than past years, suggesting that the Board-ordered rate reductions that took effect in October of last year are achieving their desired result.

This year, the Board examined the possibility of lowering rates effective May 1<sup>st</sup> and how that might influence insurance rates. The findings indicate that given the timing, consumers' health insurance premiums would not be affected by the change in most circumstances, and savings would more likely be retained by the insurers. The Board therefore determined that a more effective way to ensure that these savings would be passed to consumers in the form of lower rates is to implement the reduction as part of the hospitals' 2018 budgets. This puts insurance companies on notice that the hospital rates would be lower beginning October 1<sup>st</sup>, which can be incorporated into their health insurance rate filings. Rutland Regional Medical Center has proactively planned for and proposed reducing rates on May 1<sup>st</sup>, an action that is consistent with the spirit of the Board's planned adjustments and should be allowed.

The Board additionally finds that there are items that will be or could be affecting hospital NPR over the next several months, but cannot yet be quantified. The legislature has voiced plans to reduce disproportionate share revenues by \$7.5 million. Four hospitals are taking risk in 2018 with the ACOs, whose budgets are only now under development. Potential changes to Medicare and other possible changes at the federal level produce more uncertainties. These are outlined in more detail in the hospital narratives and testimony.

# Hospital Budget to Actual Reviews

## Introduction

In addition to the issues discussed above, this year's process brought into focus the need to work collaboratively with the providers, payers, and all interested Vermonters to better understand how each hospital's rates are developed and how they impact, and are affected by, commercial health insurance rates. We look forward to learning how to better align our hospital budget and rate review processes and use each process more effectively to advance the goals of Act 48.

Finally, we recognize the hospitals' continued efforts to position their institutions, individual providers, and served populations for forthcoming payment and delivery system reforms. Their testimony this year reflected each hospital's understanding of, and commitment to, the need to move away from a fragmented, fee-for-service based system in favor of an integrated delivery system and value-based provider payments. Their testimony also made clear the challenges and uncertainties they face as a group and as individual institutions as the State continues moving towards reform goals.



# Vermont Hospital System 2016 Summary

## Operating Results and Trends

## Key Findings

The overall net patient revenues (NPR) in the system were higher than budget by \$60.2 million. Reasons for the variances included:

- 1) utilization..... \$ 33.2 million
- 2) lower bad debt free care .....\$ 25.6 million
- 3) more favorable reimbursement..\$ 0.9 million
- 4) pharmaceutical increases.....\$ 7.6 million
- 5) other offsetting changes.....(\$ 7.1 million)

Expenses offsetting the variances were \$35.3 million and other operating revenues were \$2.9 million higher.

The resulting operating surplus for the system was \$27.8 million higher.

Sources of funding for the higher NPR included \$51.5 million from Medicare, (\$0.8) million from Medicaid, \$7.7 million from Commercial, and \$1.8 million from disproportionate share.

# Physician Transfer Adjustment

## FY 2016 Actuals

Income Statement	FY-2014A	FY-2015A	FY-2016B	Physician Transfer during FY 2016	Approved FY 2016B w/Physician Transfer	FY-2016A	\$ Change FY-2016B w/Phys Transfer -FY-2016A higher/lower	% Change FY-2016B-FY-2016A higher/lower
<b>Revenues</b>								
Gross Patient Care Revenue	4,611,188,456	4,823,931,803	4,892,291,632		4,892,291,632	5,022,142,447	129,850,815	2.7%
Disproportionate Share Payments	37,262,752	37,420,325	35,340,159		35,340,159	37,106,878	1,766,719	5.0%
Bad Debt	(72,307,900)	(63,368,233)	(79,755,659)		(79,755,659)	(63,720,674)	16,034,985	-20.1%
Free Care	(43,261,680)	(35,384,897)	(45,838,756)		(45,838,756)	(34,941,876)	10,896,880	-23.8%
Deductions from Revenue	(2,393,706,295)	(2,514,328,693)	(2,524,556,330)		(2,524,556,330)	(2,612,379,958)	(87,823,628)	3.5%
Net Patient Care Revenue	2,169,453,746	2,278,270,306	2,307,481,046	10,459,444	2,317,940,490	2,378,206,818	60,266,328	2.6%
Other Operating Revenue	124,166,687	141,381,096	138,177,577		138,177,577	141,073,877	2,896,300	2.1%
Total Operating Revenue	2,293,620,433	2,419,651,402	2,445,658,623	10,459,444	2,456,118,067	2,519,280,695	63,162,628	2.6%
<b>Expenses</b>								
Salaries Non MD	731,072,297	766,891,215	791,878,294		791,878,294	808,126,826	16,248,531	2.1%
Fringe Benefits Non MD	229,842,155	241,203,540	253,961,083		253,961,083	238,549,900	(15,411,183)	-6.1%
Physician Fees Salaries Contracts & Fringes	296,786,352	307,353,637	311,698,104		311,698,104	326,192,560	14,494,456	4.7%
All Other Expenses	912,079,600	953,127,648	974,956,951		974,956,951	1,005,268,277	30,311,326	3.1%
Total Operating Expense	2,208,636,610	2,309,283,512	2,376,018,120	8,458,259	2,384,476,379	2,419,805,495	35,329,115	1.5%
Net Operating Income (Loss)	84,983,822	110,367,890	69,640,503	2,001,185	71,641,688	99,475,201	27,833,513	38.9%
Non-Operating Revenue	48,710,942	(20,910,214)	30,710,453		30,710,453	41,449,741	10,739,288	35.0%
Excess (Deficit) of Revenue Over Exp.	133,694,764	89,457,676	100,350,956	2,001,185	102,352,141	140,924,941	38,572,801	37.7%

# Analysis of Enforcement Policy Trigger

## FY 2016 Actuals

Vermont Community Hospitals	Approved FY 2016 w/Phys Trans	FY 2016 Actuals	Amount Over/Under Budget	% Change Over/Under	Allowed 0.5% Variance per GMCB Policy	Amount Over/Under 0.5% Allowance
Brattleboro Memorial Hospital	\$73,896,151	\$73,164,810	\$(731,341)	-1.0%	\$(369,481)	\$(361,860)
Central Vermont Medical Center	\$175,398,321	\$191,539,946	\$16,141,625	9.2%	\$876,992	\$15,264,634
Copley Hospital	\$60,987,719	\$62,804,324	\$1,816,605	3.0%	\$304,939	\$1,511,666
Gifford Medical Center	\$56,201,733	\$54,787,886	\$(1,413,847)	-2.5%	\$(281,009)	\$(1,132,839)
Grace Cottage Hospital	\$18,375,041	\$17,241,709	\$(1,133,332)	-6.2%	\$(91,875)	\$(1,041,457)
Mt. Ascutney Hospital & Health Ctr	\$48,060,871	\$46,402,275	\$(1,658,596)	-3.5%	\$(240,304)	\$(1,418,292)
North Country Hospital	\$76,604,320	\$77,791,582	\$1,187,262	1.5%	\$383,022	\$804,240
Northeastern VT Regional Hospital	\$68,095,300	\$71,586,551	\$3,491,251	5.1%	\$340,477	\$3,150,774
Northwestern Medical Center	\$97,997,390	\$99,895,760	\$1,898,370	1.9%	\$489,987	\$1,408,383
Porter Medical Center	\$75,581,081	\$75,061,496	\$(519,585)	-0.7%	\$(377,905)	\$(141,680)
Rutland Regional Medical Center	\$235,621,145	\$245,822,952	\$10,201,807	4.3%	\$1,178,106	\$9,023,701
Southwestern VT Medical Center	\$144,025,568	\$151,922,754	\$7,897,186	5.5%	\$720,128	\$7,177,058
Springfield Hospital	\$55,936,500	\$53,638,120	\$(2,298,380)	-4.1%	\$(279,683)	\$(2,018,698)
The University of Vermont Medical Center	\$1,131,159,350	\$1,156,546,653	\$25,387,303	2.2%	\$5,655,797	\$19,731,506
All Vermont Community Hospitals	\$2,317,940,490	\$2,378,206,818	\$60,266,328	2.6%	\$8,309,189	\$51,957,139

# Explanation of Variances

## FY 2016 Actuals

All Vermont Community Hospitals					Over/Under Explained								
Income Statement	Approved FY 2016B w/Physician Transfer	FY-2016A	\$ Change FY-2016B w/Phys Transfer -FY-2016A higher/lower	% Chg	Utilization (change in services)	Reimbursement/Payer Mix	Bad Debt/Free Care	Other Physician Revenue Transfers	Pharmacy	Changes in Accounting	Changes in DSH	Other	Total of Explained Variance
<b>Revenues</b>													
Gross Patient Care Revenue	4,892,291,632	5,022,142,447	129,850,815										
Disproportionate Share Payments	35,340,159	37,106,878	1,766,719										
Bad Debt	(79,755,659)	(63,720,674)	16,034,985										
Free Care	(45,838,756)	(34,941,876)	10,896,880										
Deductions from Revenue	(2,524,556,330)	(2,612,379,958)	(87,823,628)										
Graduate Medical Education	30,000,000	30,000,000	0										
Net Patient Care Revenue	2,317,940,490	2,378,206,818	60,266,328	2.6%	33,217,250	882,939	25,587,263	3,692,825	7,570,220	(9,533,835)	2,243,430	(3,393,764)	60,266,328
Other Operating Revenue	138,177,577	141,073,877	2,896,300									2,896,300	2,896,300
Total Operating Revenue	2,456,118,067	2,519,280,695	63,162,628		33,217,250	882,939	25,587,263	3,692,825	7,570,220	(9,533,835)	2,243,430	(497,464)	63,162,628
<b>Expenses</b>													
Salaries Non MD	791,878,294	808,126,826	16,248,531										
Fringe Benefits Non MD	253,961,083	238,549,900	(15,411,183)										
Fringe Benefits MD	43,523,687	41,667,932	(1,855,755)										
Physician Fees Salaries Contracts &	311,698,104	326,192,560	14,494,456										
All Other Expenses	974,956,951	1,005,268,277	30,311,326										
Total Operating Expense	2,384,476,379	2,419,805,495	35,329,115	1.5%	26,088,650	-	258,888	1,153,198	8,034,479	(9,533,835)	746,428	8,581,307	35,329,115
Net Operating Income (Loss)	71,641,688	99,475,201	27,833,513	38.9%	7,128,600	882,939	25,328,375	2,539,627	(464,259)	-	1,497,002	(9,078,772)	27,833,512
Non-Operating Revenue	30,710,453	41,449,741	10,739,288		-	-	-	-	-	-	-	10,739,289	10,739,289
Excess (Deficit) of Revenue Over Ex	102,352,141	140,924,941	38,572,801		7,128,600	882,939	25,328,375	2,539,627	(464,259)	-	1,497,002	1,660,517	38,572,801

# Analysis of NPR by Payer

## FY 2016 Actuals

Net Patient Revenue	FY-2016B	Physician Acquisition/Transfer	FY-2016B with Phys Transfer	FY-2016A	\$ Change	% Change
Medicaid	\$284,951,976	\$1,523,841	\$286,475,818	\$285,683,179	\$(792,639)	-0.3%
Medicare	\$712,238,124	\$3,135,648	\$715,373,773	\$766,911,714	\$51,537,942	7.2%
Commercial	\$1,274,950,788	\$5,799,955	\$1,280,750,743	\$1,288,505,048	\$7,754,305	0.6%
Disproportionate Share Payments	\$35,340,159		\$35,340,159	\$37,106,878	\$1,766,719	5.0%
<b>Total</b>	<b>\$2,307,481,048</b>	<b>\$10,459,444</b>	<b>\$2,317,940,492</b>	<b>\$2,378,206,819</b>	<b>\$60,266,327</b>	<b>2.6%</b>

# Decision Dashboard

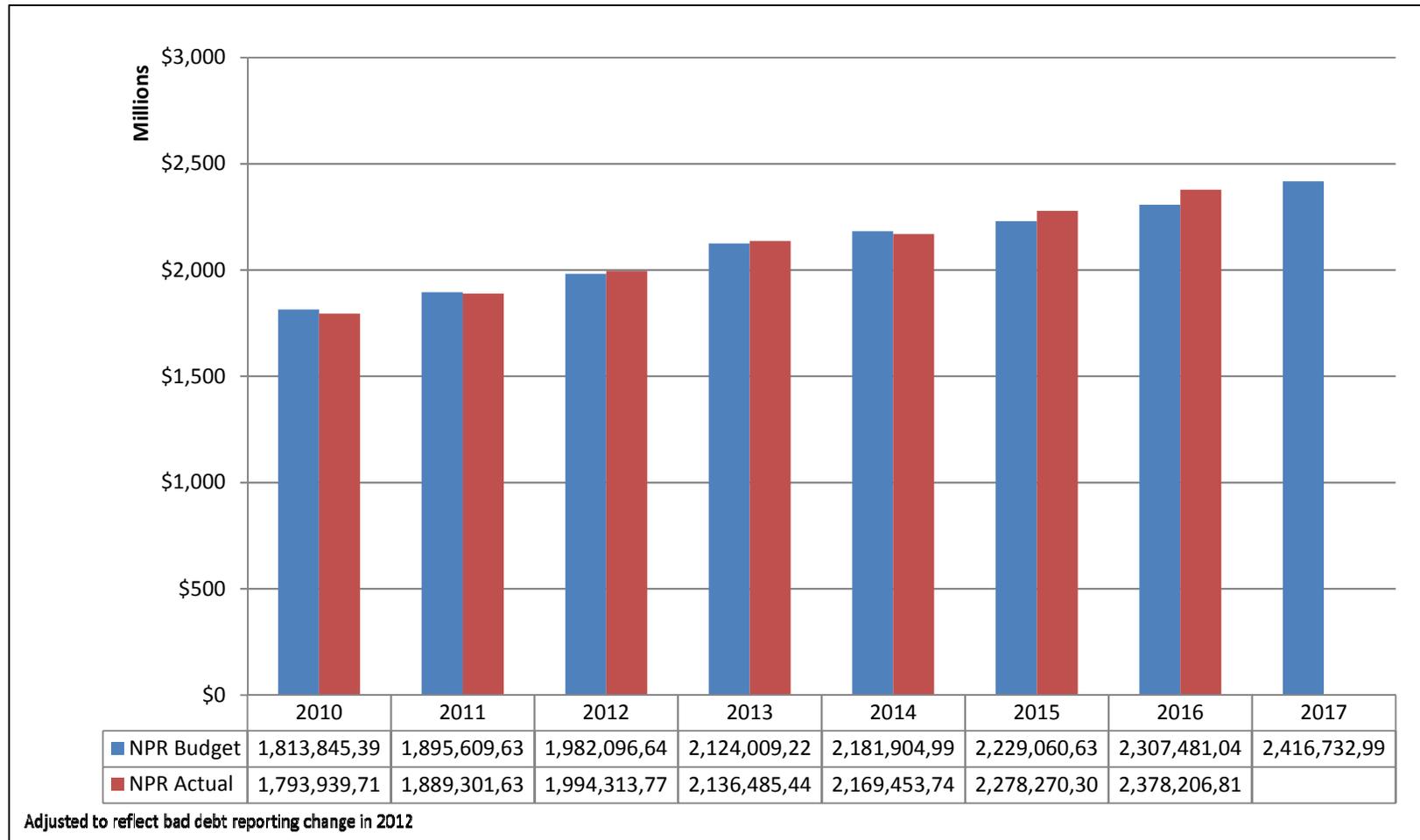
## FY 2016 Actuals

All Vermont Community Hospitals	Decision Dashboard						Optum			Moody's		
	FY-2013A	FY-2014A	FY-2015A	FY-2016B	FY-2016A	FY-2017B	FY-2016A Vermont 25th Percentile	FY-2016A Vermont 50th Percentile	FY-2016A Vermont 75th Percentile	FY - 2015A NE Region	FY - 2015A Teaching	FY - 2015A US NFP
<b>Net Patient Care Revenue</b>	2,136,485,447	2,169,453,746	2,278,270,306	2,307,481,046	2,378,206,818	2,416,732,994						
Annual NPR Growth Rate	7.1%	1.5%	5.0%		4.4%		1.7%	4.9%	7.2%			
Three Year NPR CAGR (FY2014 - FY2016)					3.6%		2.8%	3.9%	4.8%			
Three Year NPR CAGR (FY2013 - FY2015)					4.5%		2.0%	4.0%	5.1%			
<b>Operating Expense</b>	2,166,619,102	2,208,636,610	2,309,283,512	2,376,018,120	2,419,805,495	2,490,598,806						
Annual OE Growth Rate	7.0%	1.9%	4.6%		4.8%		0.8%	4.8%	7.6%			
Three Year OE CAGR (FY14-FY16)					3.8%		2.5%	3.7%	5.0%			
Three Year OE CAGR (FY13-FY15)					4.5%		1.1%	3.6%	5.4%			5.5%
Operating Margin %	3.1%	3.7%	4.6%	2.8%	3.9%	2.8%	0.2%	1.4%	3.4%	0.5%	3.3%	3.4%
Total Margin %	6.2%	5.7%	3.7%	4.1%	5.5%	4.1%	2.0%	2.9%	6.1%	2.4%	4.2%	6.1%
Long Term Debt to Capitalization	32.8%	29.7%	27.6%	31.3%	30.5%	29.5%	20.5%	25.7%	30.3%	28.2%	35.3%	33.7%
Current Ratio	3.2	3.4	3.4	3.5	3.9	3.5	2.5	3.1	4.1	1.6	1.8	2.0
Debt Service Coverage Ratio	2.9	3.3	3.7	2.7	5.0	3.1	3.4	4.4	6.2	3.0	5.3	4.8
Capital Expenditures to Depreciation	82%	81%	97%	95%	102%	128%	73%	90%	110%			
Cost per Adjusted Admission	11,894	12,632	13,305	14,067	13,312	14,275	8,714	9,948	11,857			
Days Cash on Hand	161	176	179	180	183	166	99	135	199	113	116	212
Days Receivable	40	41	40	40	42	39	34	41	45	42	43	48
Days Payable	65	65	65	65	60	61	47	60	67	70	66	64
Age of Plant	9.6	10.2	11.4	11.9	11.8	12.3	10.6	11.9	13.1	12.3	11.2	11.0
Approved Weighted Average Rate Increase	7.9%	5.2%	6.8%	4.4%	4.4%	1.8%						

CAGR = Compounded Annual Growth Rate

The 2016 budget on this slide is “as approved” and has not been adjusted for physician acquisitions/transfers.

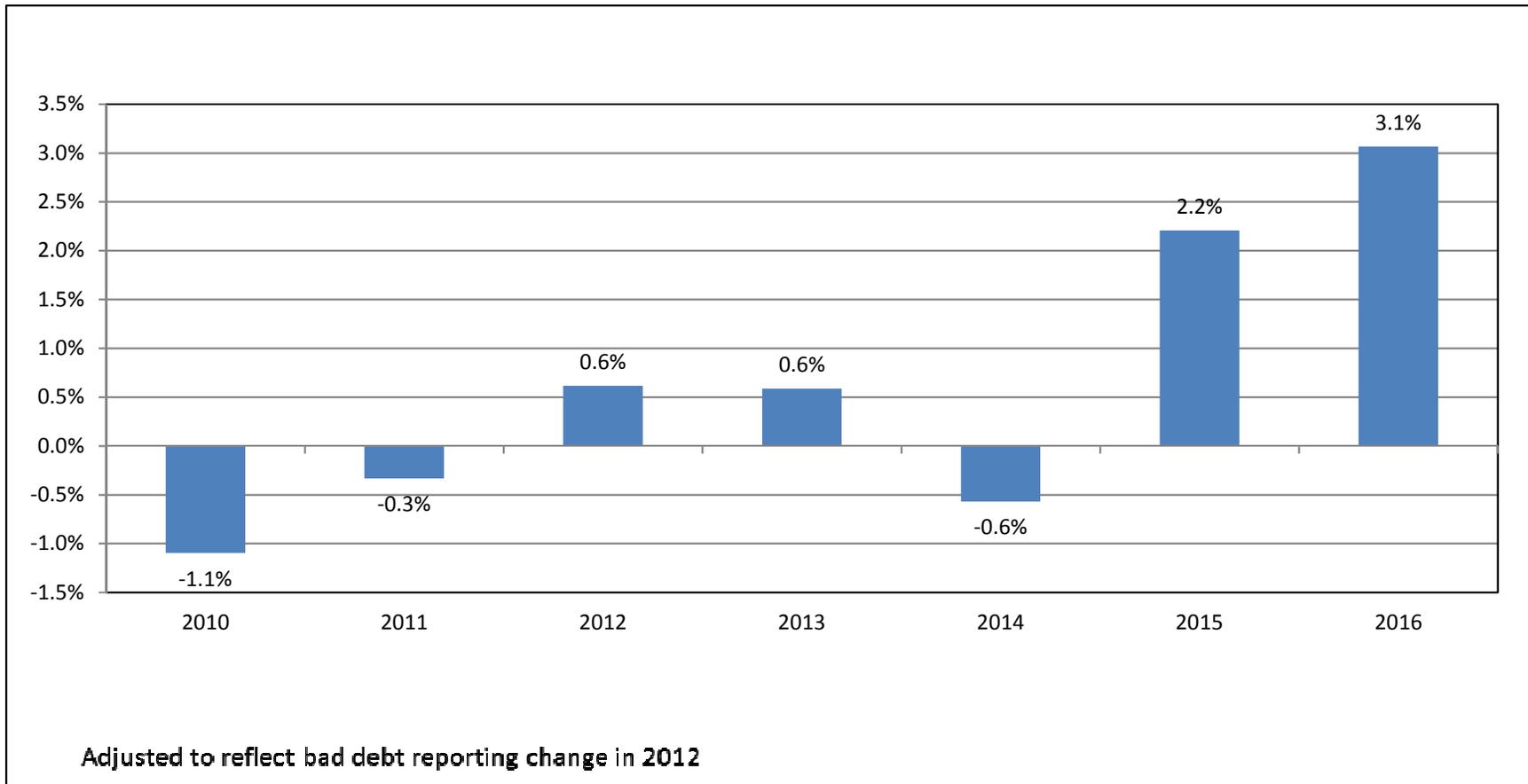
# Net Patient Revenue Budget and Actual Comparison



The 2016 budget on this slide is “as approved” and has not been adjusted for physician acquisitions/transfers.

# Net Patient Revenue

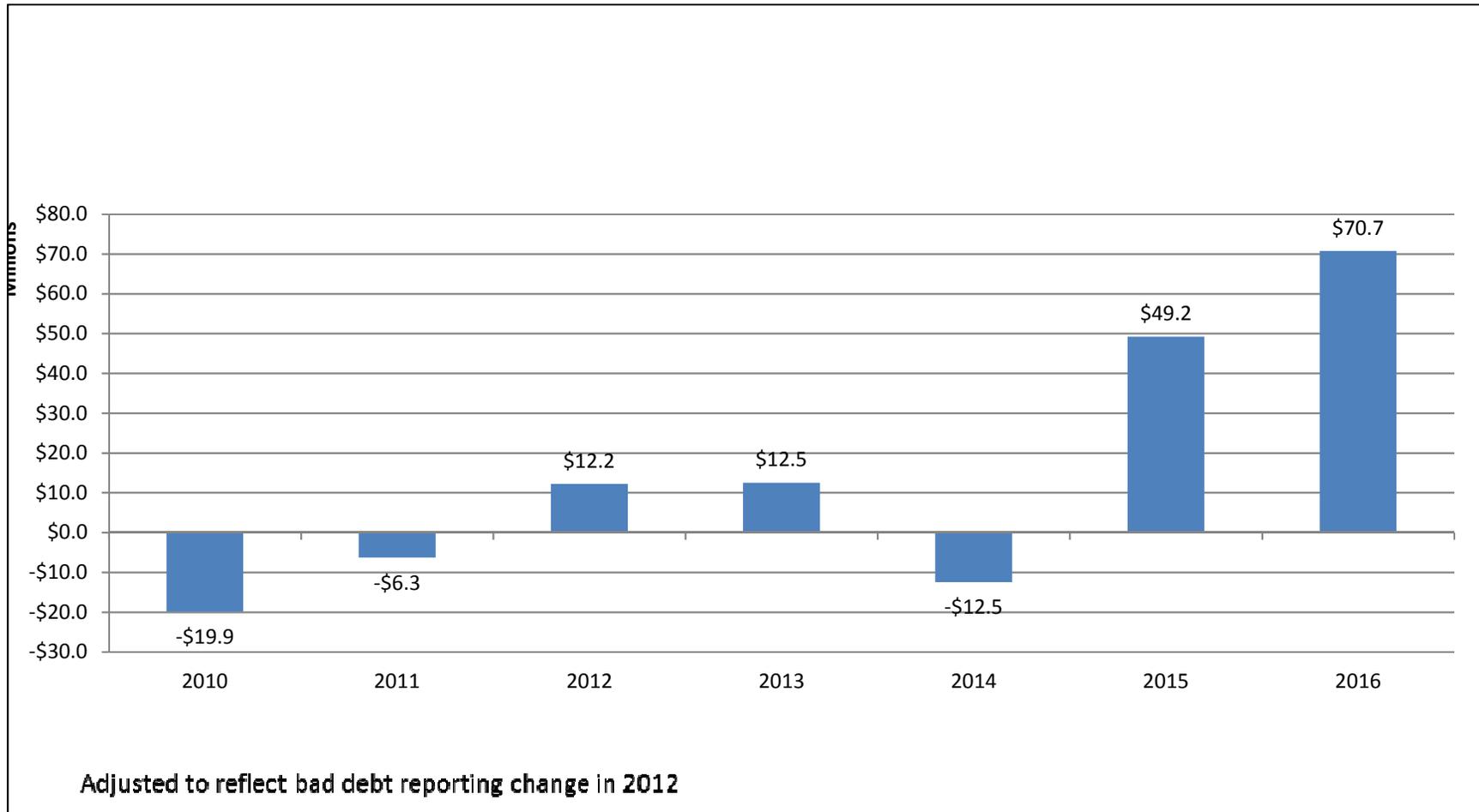
% over/under budget



The 2016 budget on this slide is “as approved” and has not been adjusted for physician acquisitions/transfers.

# Net Patient Revenue

\$ over/under budget



The 2016 budget on this slide is “as approved” and has not been adjusted for physician acquisitions/transfers.



**Appendix**  
**Actual 2016**  
**Supporting Schedules**

# System Key Indicator Trends

	Actual 2014	Actual 2015	Budget 2016	Actual 2016	Budget 2017	Y to Y B16-A16
<b>Income Statement Summary</b>						
Gross Revenue	\$4,611,188,456	\$4,823,931,803	\$4,892,291,632	\$5,022,142,447	\$5,019,391,864	2.7%
Inpatient	\$1,168,483,958	\$1,269,276,281	\$1,277,255,058	\$1,317,785,611	\$1,347,102,086	3.2%
Outpatient	\$2,363,889,293	\$2,527,106,987	\$2,542,614,149	\$2,612,263,272	\$2,618,647,798	2.7%
Physician	\$1,004,732,695	\$949,902,175	\$995,662,819	\$1,017,957,058	\$973,284,602	2.2%
Other Rev - Chronic, Swing, SNF	\$74,082,516	\$77,646,363	\$76,759,608	\$74,136,506	\$80,357,377	-3.4%
Bad Debt	(\$72,307,900)	(\$63,368,233)	(\$79,755,659)	(\$63,720,674)	(\$65,844,392)	20.1%
Free Care	(\$43,261,680)	(\$35,384,897)	(\$45,838,756)	(\$34,941,876)	(\$33,183,078)	23.8%
All Other Deductions	(\$2,326,165,131)	(\$2,446,908,368)	(\$2,459,216,171)	(\$2,545,273,080)	(\$2,503,631,400)	-3.5%
<b>Net Patient Care Revenue</b>	<b>\$2,169,453,746</b>	<b>\$2,278,270,306</b>	<b>\$2,307,481,046</b>	<b>\$2,378,206,818</b>	<b>\$2,416,732,994</b>	<b>3.1%</b>
Total Operating Revenue	\$2,293,620,433	\$2,419,651,402	\$2,445,658,623	\$2,519,280,695	\$2,561,388,256	3.0%
Total Operating Expenses	\$2,208,636,610	\$2,309,283,512	\$2,376,018,120	\$2,419,805,495	\$2,490,598,806	1.8%
Operating Surplus	\$84,983,822	\$110,367,890	\$69,640,503	\$99,475,201	\$70,789,450	42.8%
Non-Operating Revenue	\$48,710,942	(\$20,910,214)	\$30,710,453	\$41,449,741	\$36,146,043	35.0%
Total Surplus	\$133,694,764	\$89,457,676	\$100,350,956	\$140,924,941	\$106,935,493	40.4%
<b>Utilization Statistics</b>						
Acute Staffed Beds	942	942	942	953	954	1.2%
Acute Admissions	44,009	45,414	43,868	47,232	46,352	7.7%
Physician Office Visits	3,485,236	3,621,172	3,728,277	3,767,171	3,880,528	1.0%
All Outpatient Visits	3,189,105	3,272,889	3,254,380	3,312,260	3,494,840	1.8%
Adjusted Admissions*	174,851	173,569	168,912	181,771	174,478	7.6%
<b>Staffing Information</b>						
Total Non-MD \$/FTE	\$59,466	\$61,326	\$62,434	\$63,250	\$63,874	1.3%
Compensation Ratio	56.5%	56.0%	57.3%	56.1%	57.3%	-2.0%
Total Non-MD FTEs	12,294	12,491	12,683	12,777	13,075	0.7%
Physician FTEs	977	1,006	1,089	1,036	1,088	-4.9%

The 2016 budget on this slide is “as approved” and has not been adjusted for physician acquisitions/transfers.

# System Key Indicator Trends

	Actual 2014	Actual 2015	Budget 2016	Actual 2016	Budget 2017	Y to Y B16-A16
<b>Uncompensated Care</b>						
Free Care % of Gross Revenue	0.9%	0.7%	0.9%	0.7%	0.7%	-25.7%
Bad Debt % of Gross Revenue	1.6%	1.3%	1.6%	1.3%	1.3%	-22.2%
<b>% share of total Gross Revenue</b>						
Medicare	41.6%	42.1%	41.5%	42.6%	42.2%	2.7%
Medicaid	16.4%	17.6%	17.3%	17.9%	18.6%	3.8%
Commercial	42.0%	40.4%	41.2%	39.4%	39.2%	-4.3%
<b>% share of total Net Revenue</b>						
Medicare (w/o DSH)	32.7%	32.5%	31.3%	32.8%	32.3%	4.5%
Medicaid (w/o DSH)	12.5%	12.3%	12.5%	12.2%	12.2%	-2.7%
Commercial (w/o DSH)	54.8%	55.3%	56.1%	55.0%	55.5%	-1.9%
<b>Capital &amp; Assets</b>						
Capital Budget - no unapproved CONs	\$115,704,108	\$137,979,707	\$208,695,066	\$152,674,108	\$142,638,775	-26.8%
Unapproved CONs					\$142,056,216	
<b>Financial Indicators</b>						
Days Cash on Hand	176	179	180	183	166	2.0%

# Balance Sheet – All Hospitals

	2015A	2016B	2016A	2017B
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
CASH & INVESTMENTS	352,316,321	351,537,808	366,749,063	351,201,713
PATIENT ACCOUNTS RECEIVABLE, (	418,318,847	420,707,566	450,698,279	427,768,883
LESS: ALLOWANCE FOR UNCOLLEC	(171,160,471)	(166,130,504)	(175,555,967)	(169,498,988)
DUE FROM THIRD PARTIES	2,150,583	2,333,597	3,703,112	5,270,129
OTHER CURRENT ASSETS	106,701,179	127,425,727	161,049,428	113,688,406
<b>TOTAL CURRENT ASSETS</b>	<b>708,326,460</b>	<b>735,874,194</b>	<b>806,643,915</b>	<b>728,430,143</b>
<b>BOARD DESIGNATED ASSETS</b>				
FUNDED DEPRECIATION	602,554,807	662,355,027	663,878,879	674,512,945
ESCROWED BOND FUNDS	23,427,187	66,354,363	59,682,779	58,752,611
OTHER	124,160,971	100,570,175	130,793,750	55,455,735
<b>TOTAL BOARD DESIGNATED ASSETS</b>	<b>750,142,965</b>	<b>829,279,565</b>	<b>854,355,408</b>	<b>788,721,291</b>
<b>TOTAL PROPERTY, PLANT AND EQUIP</b>	<b>818,767,048</b>	<b>992,034,203</b>	<b>870,982,951</b>	<b>1,093,291,797</b>
<b>OTHER LONG-TERM ASSETS</b>	<b>78,514,146</b>	<b>84,385,644</b>	<b>109,239,690</b>	<b>72,158,030</b>
<b>TOTAL ASSETS</b>	<b>2,355,750,620</b>	<b>2,641,573,606</b>	<b>2,641,221,964</b>	<b>2,682,601,261</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>TOTAL CURRENT LIABILITIES</b>	<b>390,964,594</b>	<b>400,786,112</b>	<b>378,758,923</b>	<b>399,456,913</b>
<b>LONG-TERM DEBT</b>				
BONDS & MORTGAGES PAYABLE	484,658,044	637,834,333	625,154,098	612,260,200
CAPITAL LEASE OBLIGATIONS	1,130,613	1,040,092	743,452	783,622
OTHER LONG-TERM DEBT	18,657,690	20,654,473	16,859,160	23,646,259
<b>TOTAL LONG-TERM DEBT</b>	<b>504,446,347</b>	<b>659,528,898</b>	<b>642,756,710</b>	<b>636,690,081</b>
<b>OTHER NONCURRENT LIABILITIES</b>	<b>133,601,457</b>	<b>131,959,335</b>	<b>150,641,888</b>	<b>124,422,261</b>
<b>TOTAL LIABILITIES</b>	<b>1,029,012,399</b>	<b>1,192,274,345</b>	<b>1,172,157,520</b>	<b>1,160,569,255</b>
<b>FUND BALANCE</b>	<b>1,326,738,221</b>	<b>1,449,299,262</b>	<b>1,469,064,445</b>	<b>1,522,032,006</b>
<b>TOTAL LIABILITIES AND FUND BALANC</b>	<b>2,355,750,620</b>	<b>2,641,573,607</b>	<b>2,641,221,965</b>	<b>2,682,601,261</b>

# Net Operating Income (Surplus)

	Amount Over/Under Budget				
	2016B	2016A	2016B - 2016A	2017B	
<b>Brattleboro Memorial Hospital</b>	\$ (16,196)	\$ (437,372)	\$ (421,176)	\$ 157,873	
<b>Central Vermont Medical Center</b>	\$ 5,295,446	\$ 2,049,956	\$ (3,245,490)	\$ 3,673,589	
<b>Copley Hospital</b>	\$ 872,266	\$ (84,921)	\$ (957,187)	\$ 331,482	
<b>Gifford Medical Center</b>	\$ 1,661,743	\$ 2,209,679	\$ 547,936	\$ 1,154,493	
<b>Grace Cottage Hospital</b>	\$ (409,059)	\$ (1,447,624)	\$ (1,038,565)	\$ (199,422)	
<b>Mt. Ascutney Hospital &amp; Health Ctr</b>	\$ 51,671	\$ 141,292	\$ 89,621	\$ (1,244,484)	
<b>North Country Hospital</b>	\$ 1,220,010	\$ 141,751	\$ (1,078,260)	\$ 1,080,939	
<b>Northeastern VT Regional Hospital</b>	\$ 1,047,576	\$ 1,487,940	\$ 440,364	\$ 1,415,000	
<b>Northwestern Medical Center</b>	\$ 2,086,100	\$ 3,655,142	\$ 1,569,042	\$ 3,339,374	
<b>Porter Medical Center</b>	\$ 286,284	\$ 1,450,905	\$ 1,164,621	\$ 754,680	
<b>Rutland Regional Medical Center</b>	\$ 5,859,954	\$ 10,778,375	\$ 4,918,421	\$ 6,104,887	
<b>Southwestern VT Medical Center</b>	\$ 4,382,628	\$ 5,298,810	\$ 916,182	\$ 4,628,989	
<b>Springfield Hospital</b>	\$ 1,157,300	\$ 181,122	\$ (976,178)	\$ 1,751,661	
<b>The University of Vermont Medical Center</b>	\$ 46,144,780	\$ 74,050,147	\$ 27,905,367	\$ 47,926,625	
<b>Total All Vermont Community Hospitals</b>	\$ 69,640,503	\$ 99,475,201	\$ 29,834,698	\$ 70,875,686	

# Bad Debt

	Amount Over/Under Budget			
	2016B	2016A	2016B - 2016A	2017B
<b>Brattleboro Memorial Hospital</b>	\$ (5,026,252)	\$ (3,778,102)	\$ 1,248,150	\$ (4,842,195)
<b>Central Vermont Medical Center</b>	\$ (6,270,000)	\$ (5,191,108)	\$ 1,078,892	\$ (4,842,995)
<b>Copley Hospital</b>	\$ (2,305,795)	\$ (1,386,799)	\$ 918,996	\$ (1,704,602)
<b>Gifford Medical Center</b>	\$ (3,533,898)	\$ (2,992,658)	\$ 541,240	\$ (3,152,951)
<b>Grace Cottage Hospital</b>	\$ (623,933)	\$ (406,558)	\$ 217,375	\$ (476,230)
<b>Mt. Ascutney Hospital &amp; Health Ctr</b>	\$ (2,684,903)	\$ (1,301,630)	\$ 1,383,273	\$ (914,213)
<b>North Country Hospital</b>	\$ (3,299,360)	\$ (3,465,231)	\$ (165,871)	\$ (3,862,806)
<b>Northeastern VT Regional Hospital</b>	\$ (3,030,000)	\$ (3,443,155)	\$ (413,155)	\$ (2,977,400)
<b>Northwestern Medical Center</b>	\$ (5,045,412)	\$ (3,031,340)	\$ 2,014,072	\$ (3,020,833)
<b>Porter Medical Center</b>	\$ (3,429,666)	\$ (2,626,449)	\$ 803,217	\$ (2,460,638)
<b>Rutland Regional Medical Center</b>	\$ (8,337,141)	\$ (4,183,690)	\$ 4,153,451	\$ (6,626,902)
<b>Southwestern VT Medical Center</b>	\$ (5,200,000)	\$ (4,601,465)	\$ 598,535	\$ (5,000,000)
<b>Springfield Hospital</b>	\$ (4,559,200)	\$ (4,702,358)	\$ (143,158)	\$ (5,201,151)
<b>The University of Vermont Medical Center</b>	\$ (26,410,099)	\$ (22,610,131)	\$ 3,799,968	\$ (20,712,524)
<b>Total All Vermont Community Hospitals</b>	\$ (79,755,659)	\$ (63,720,674)	\$ 16,034,985	\$ (65,795,440)

# Free Care

	Amount Over/Under Budget			
	2016B	2016A	2016B - 2016A	2017B
<b>Brattleboro Memorial Hospital</b>	\$ (3,113,975)	\$ (880,452)	\$ 2,233,523	\$ (3,157,876)
<b>Central Vermont Medical Center</b>	\$ (3,883,000)	\$ (2,552,818)	\$ 1,330,182	\$ (2,464,000)
<b>Copley Hospital</b>	\$ (1,048,087)	\$ (821,151)	\$ 226,936	\$ (842,379)
<b>Gifford Medical Center</b>	\$ (1,285,389)	\$ (420,372)	\$ 865,017	\$ (606,337)
<b>Grace Cottage Hospital</b>	\$ (261,236)	\$ (126,612)	\$ 134,624	\$ (194,628)
<b>Mt. Ascutney Hospital &amp; Health Ctr</b>	\$ (894,968)	\$ (615,260)	\$ 279,708	\$ (777,082)
<b>North Country Hospital</b>	\$ (1,315,045)	\$ (1,114,262)	\$ 200,783	\$ (1,200,997)
<b>Northeastern VT Regional Hospital</b>	\$ (2,900,000)	\$ (2,675,006)	\$ 224,994	\$ (3,045,300)
<b>Northwestern Medical Center</b>	\$ (1,621,948)	\$ (1,292,667)	\$ 329,281	\$ (1,355,047)
<b>Porter Medical Center</b>	\$ (1,354,675)	\$ (1,438,965)	\$ (84,290)	\$ (1,062,113)
<b>Rutland Regional Medical Center</b>	\$ (5,627,667)	\$ (5,838,729)	\$ (211,062)	\$ (3,569,908)
<b>Southwestern VT Medical Center</b>	\$ (2,000,000)	\$ (1,623,587)	\$ 376,413	\$ (1,601,666)
<b>Springfield Hospital</b>	\$ (3,083,706)	\$ (2,111,595)	\$ 972,111	\$ (2,604,562)
<b>The University of Vermont Medical Center</b>	\$ (17,449,060)	\$ (13,430,399)	\$ 4,018,660	\$ (10,676,995)
<b>Total All Vermont Community Hospitals</b>	\$ (45,838,756)	\$ (34,941,876)	\$ 10,896,880	\$ (33,158,889)

# Cost Shift

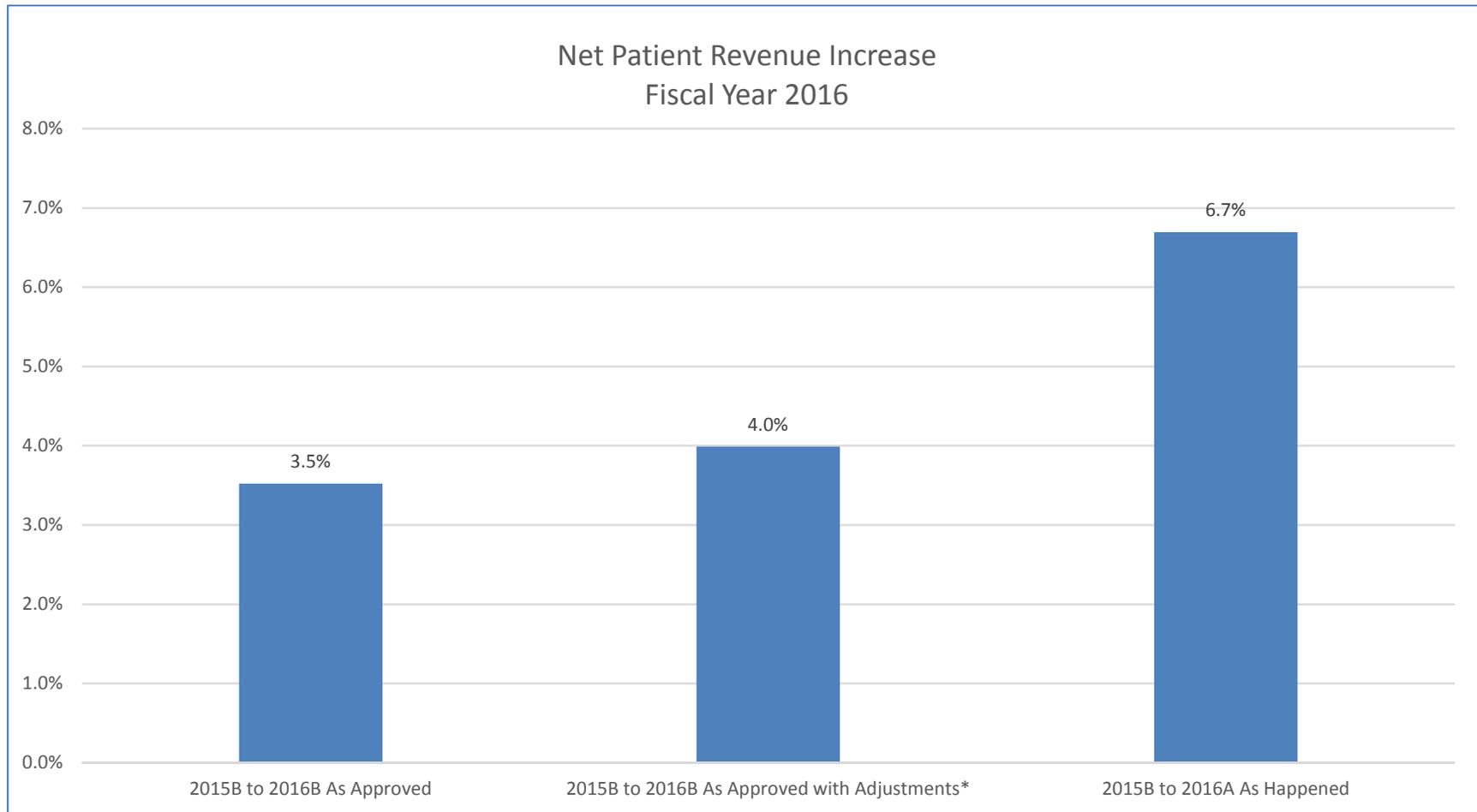
Fiscal Year 2016 Actual						
Provider	Bad Debt	Free Care	Medicare	Medicaid		Commercial
Brattleboro Memorial Hospital	\$ (1,855,295)	\$ (405,363)	(\$4,790,570)	(\$7,637,097)	----->	\$14,688,324
Central Vermont Hospital	\$ (2,641,852)	\$ (1,228,427)	(\$10,038,467)	(\$12,282,551)	----->	\$26,191,297
Copley Hospital	\$ (793,184)	\$ (441,287)	(\$3,262,128)	(\$7,120,911)	----->	\$11,617,510
Gifford Medical Center	\$ (1,414,380)	\$ (188,255)	(\$3,561,048)	(\$6,512,630)	----->	\$11,676,314
Grace Cottage Hospital	\$ (271,345)	\$ (81,457)	\$1,961,093	(\$1,808,495)	----->	\$200,205
Mount Ascutney Hospital	\$ (687,511)	\$ (313,128)	\$990,478	(\$4,610,534)	----->	\$4,620,695
North Country Hospital	\$ (1,511,273)	\$ (458,066)	(\$2,816,882)	(\$9,115,627)	----->	\$13,901,848
Northeastern VT Regional Hospital	\$ (1,687,472)	\$ (1,238,566)	(\$3,600,653)	(\$7,307,822)	----->	\$13,834,513
Northwestern Medical Center	\$ (1,646,653)	\$ (660,839)	(\$993,170)	(\$9,554,852)	----->	\$12,855,514
Porter Medical Center	\$ (1,267,566)	\$ (655,478)	(\$773,756)	(\$7,359,578)	----->	\$10,056,378
Rutland Regional Medical Center	\$ (1,944,670)	\$ (2,558,826)	(\$27,660,966)	(\$25,047,828)	----->	\$57,212,290
Southwestern Vermont Medical Center	\$ (2,216,376)	\$ (737,011)	(\$12,929,864)	(\$13,608,026)	----->	\$29,491,277
Springfield Hospital	\$ (2,106,283)	\$ (889,876)	(\$4,680,908)	(\$5,578,954)	----->	\$13,256,020
The University of Vermont Medical Center	\$ (10,275,134)	\$ (5,827,321)	(\$117,861,700)	(\$86,077,520)	----->	\$220,041,676
<b>SYSTEM</b>	<b>\$ (30,318,995)</b>	<b>\$ (15,683,900)</b>	<b>\$ (190,018,540)</b>	<b>\$ (203,622,426)</b>	<b>-----&gt;</b>	<b>\$ 439,643,861</b>
<b>MEDIAN</b>	<b>\$ (1,667,063)</b>	<b>\$ (658,158)</b>	<b>\$ (3,580,850)</b>	<b>\$ (7,498,337)</b>		<b>\$ 13,545,267</b>
<b>MEDIAN - Critical Access Hospitals</b>	<b>\$ (1,340,973)</b>	<b>\$ (449,676)</b>	<b>\$ (3,039,505)</b>	<b>\$ (6,816,771)</b>		<b>\$ 11,646,912</b>

# Cost Shift Trends

Fiscal Year	Medicare	Medicaid	Free Care	Bad Debt		*Commercial Insurance & Other
<b>Act 2008</b>	\$ (69,003,712)	\$ (103,569,366)	\$ (23,623,972)	\$ (30,252,980)	----->	\$ 226,450,033
<b>Act 2009</b>	\$ (73,627,496)	\$ (119,979,398)	\$ (24,292,187)	\$ (32,391,214)	----->	\$ 250,290,295
<b>Act 2010</b>	\$ (73,515,988)	\$ (138,016,619)	\$ (24,806,398)	\$ (33,076,863)	----->	\$ 269,415,868
<b>Act 2011</b>	\$ (88,399,861)	\$ (152,256,740)	\$ (25,784,124)	\$ (34,331,093)	----->	\$ 300,771,818
<b>Act 2012</b>	\$ (74,383,192)	\$ (151,931,648)	\$ (24,347,367)	\$ (39,264,676)	----->	\$ 289,926,884
<b>Act 2013</b>	\$ (128,108,641)	\$ (105,982,171)	\$ (24,684,304)	\$ (37,383,822)	----->	\$ 296,158,938
<b>Act 2014</b>	\$ (155,622,607)	\$ (148,344,481)	\$ (19,370,131)	\$ (34,885,055)	----->	\$ 358,222,274
<b>Act 2015</b>	\$ (178,243,251)	\$ (184,115,357)	\$ (16,032,485)	\$ (30,469,896)	----->	\$ 408,860,990
<b>Bud 2016</b>	\$ (190,902,198)	\$ (176,505,430)	\$ (20,475,712)	\$ (38,158,176)	----->	\$ 426,041,516
<b>Act 2016</b>	\$ (190,018,540)	\$ (203,622,426)	\$ (15,683,900)	\$ (30,318,995)	----->	\$ 439,643,861
<b>Bud 2017</b>	\$ (192,494,247)	\$ (222,893,639)	\$ (15,156,016)	\$ (31,832,130)	----->	\$ 462,376,032

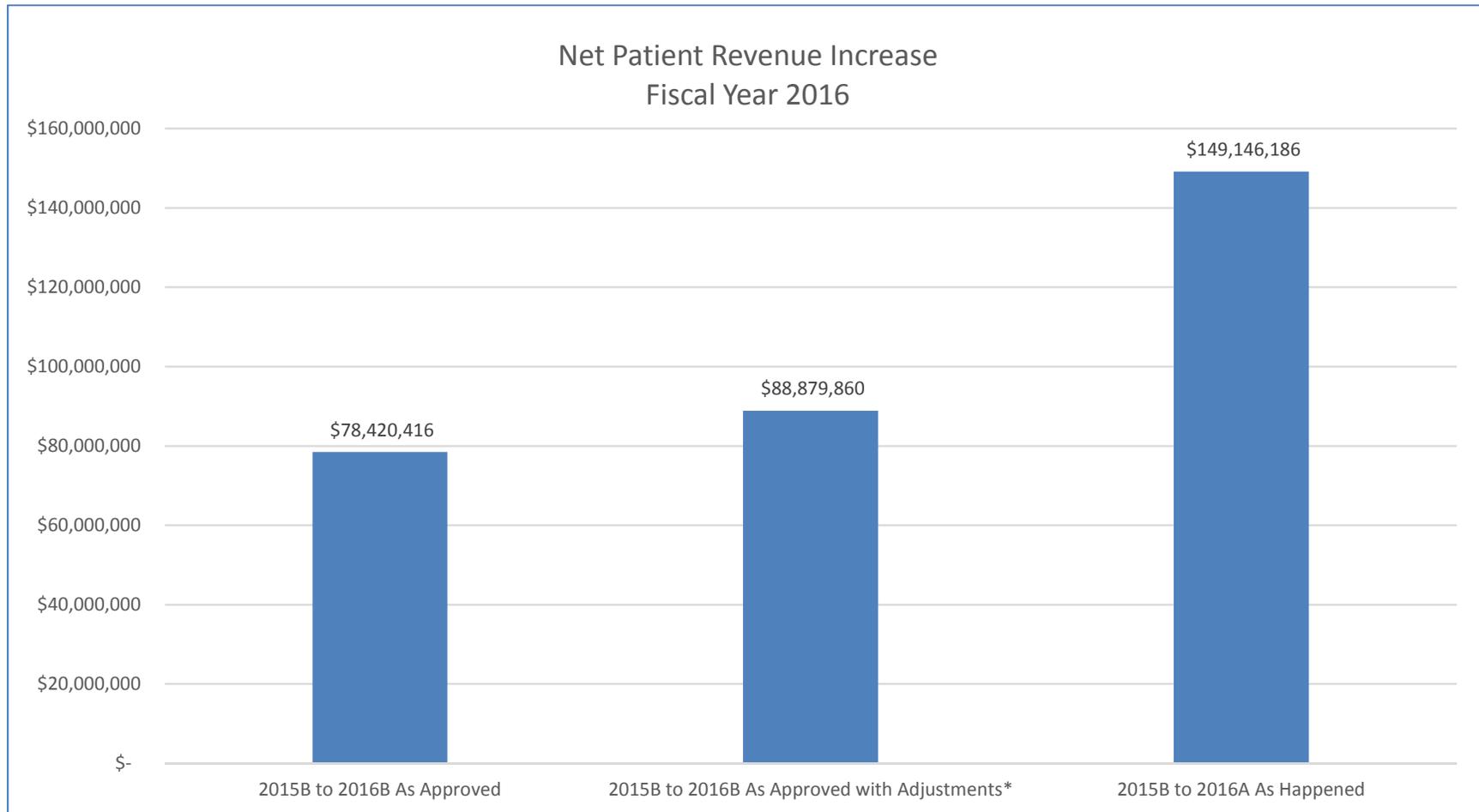
Payer values include all hospital and employed physician services  
 Numbers in parentheses reflect the estimated cost of services that each payer shifted to other payers  
 Medicaid values include non-Vermont Medicaid of approximately 5%.  
 \* The amount providers shifted to commercial insurance and self pays.

# Hospital System Budget Performance



\*To reflect physician acquisitions and/or transfers that became effective during FY 2016, NPR growth was adjusted for: Central Vermont Medical Center, Northwestern Medical Center, Rutland Regional Medical Center and The University of Vermont Medical Center.

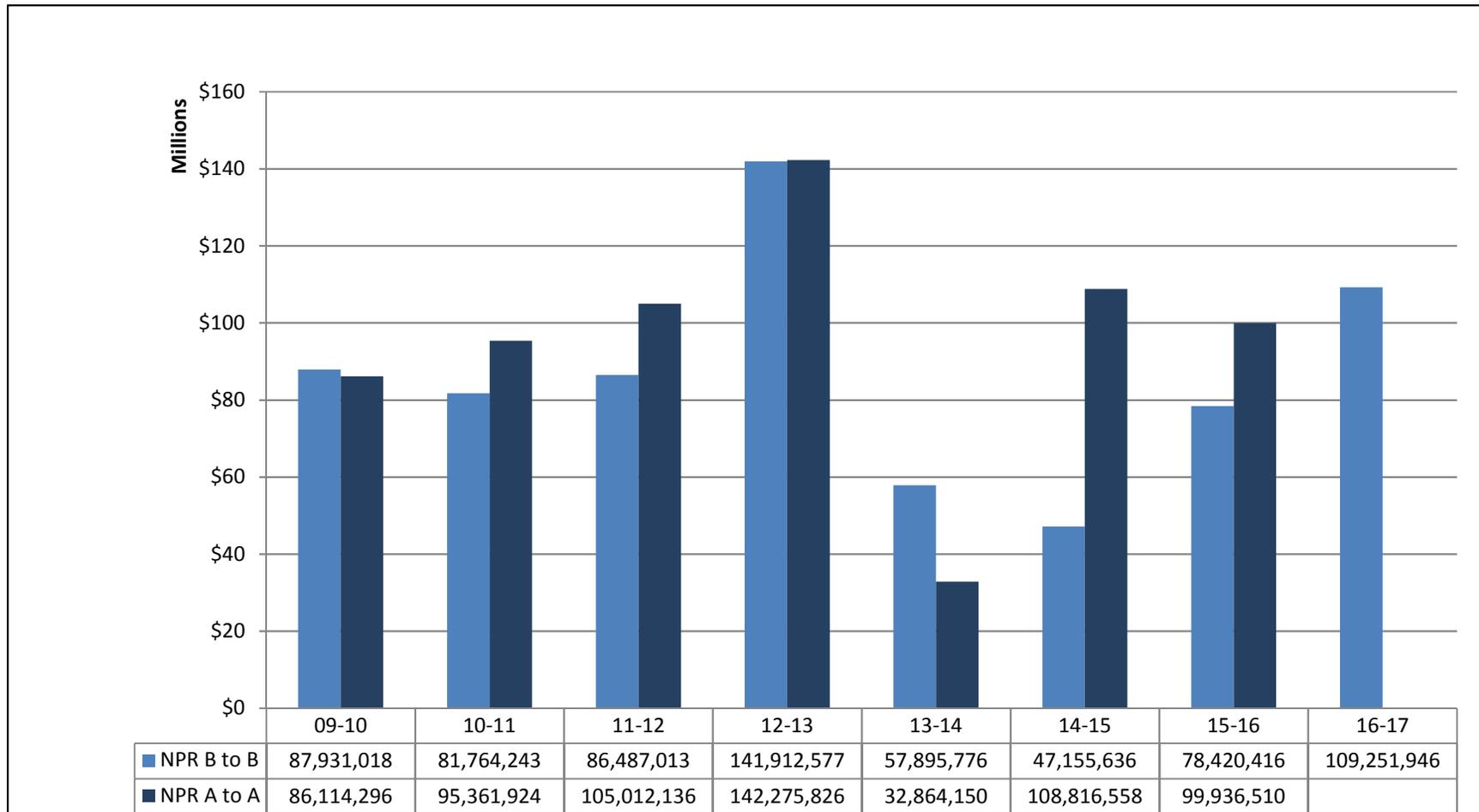
# Hospital System Budget Performance



\*To reflect physician acquisitions and/or transfers that became effective during FY 2016, NPR growth was adjusted for: Central Vermont Medical Center, Northwestern Medical Center, Rutland Regional Medical Center and The University of Vermont Medical Center.

# Net Patient Revenue

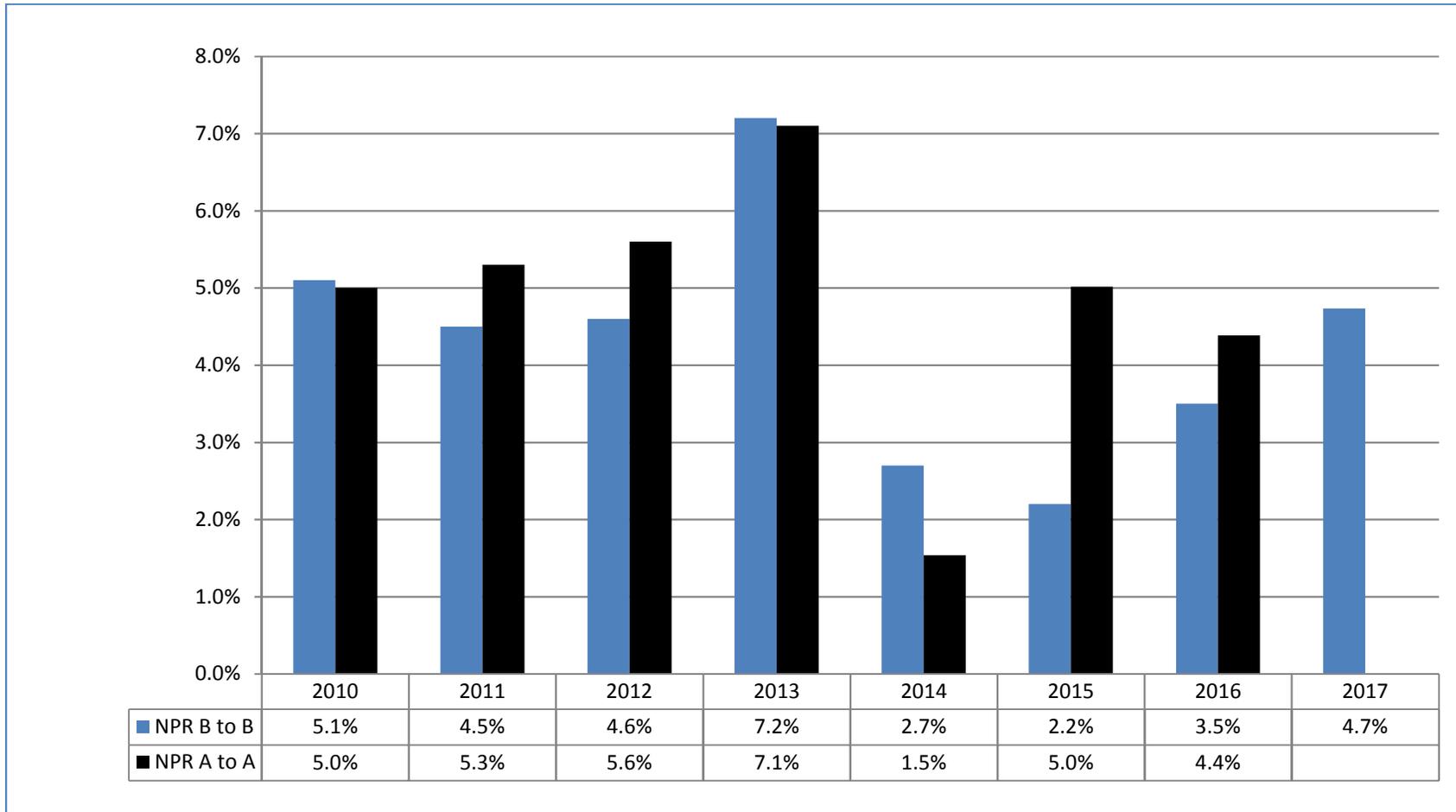
## Budget to Budget and Actual to Actual Comparison Annual \$ Change



The 2016 budget on this slide is “as approved” and has not been adjusted for physician acquisitions/transfers.  
Adjusted to reflect bad debt reporting change in 2012.

# Net Patient Revenue

## Budget to Budget and Actual to Actual Comparison Annual % Change



The 2016 budget on this slide is “as approved” and has not been adjusted for physician acquisitions/transfers.  
Adjusted to reflect bad debt reporting change in 2012.

# Hospital Budget to Actual Reviews

## Background/history

- In June 2016 after completing FY 2015 budget reviews, GMCB staff was asked to review the policy for the hospitals annual budget performance.
- Staff received input from VAHHS and hospital CFOs:
  - Hospitals want consistency of review and a focus on the overall hospital performance.
  - Hospitals need to better understand how the Board defines “success”.
- Staff presented the GMCB with updates on the discussions and proposals for change in the review procedures in December 2016 and February 2017.
- Staff proposes a more comprehensive presentation of hospitals’ financial information that includes key benchmarks in addition to NPR.
- Physician acquisition policy was identified as needing to better align reporting with budget process.

# Hospital Budget to Actual Reviews

## Background/history

- Physician acquisition policy was updated and approved by the Board in December.
- Staff prepared a series of schedules to reflect scope and approach to reviewing FY 2016 actuals.
- Staff prepared a “Decision Dashboard” to highlight Key Performance Indicators (KPIs).
- Staff presented to the GMCB at its public meeting on February 16<sup>th</sup>.
- Staff has collected updated schedules and information from hospitals.
- An overview of hospitals’ budget review performance, based on FY 2016, took place on March 30<sup>th</sup> (staff presentation); April 4<sup>th</sup> (hospitals under review) and April 13<sup>th</sup> (board discussion and potential vote).
- GMCB asked 6 hospitals to submit written suggestions for discussion and possible vote on April 20<sup>th</sup>.

# Hospital Budget to Actual Reviews

## Press Release after GMCB vote

FOR IMMEDIATE RELEASE: April 20, 2017

For more information, please call the Board at 802-828-2130

Green Mountain Care Board Orders Rate Cuts

Montpelier, Vt. – After careful analysis of their fiscal year (FY) 2016 budget performance, the Green Mountain Care Board today ordered six Vermont hospitals to reduce their rates by a total of approximately \$15 million. In making this determination, the Board and its staff reviewed the hospitals' key performance indicators, past budget performance, staffing needs, operating surplus, capital expenditure needs, and how the hospitals compare with their state, regional, and national peers. The Board took into consideration comments received from members of the public as well as each hospital's unique circumstances, including its health care reform efforts and community needs. Additionally, the Board recognized the ongoing uncertainties that hospitals face as the state and federal governments propose and implement statutory and regulatory changes that affect hospital revenues and financial performance.

The Board's rate decision today, effective in the hospitals' next rate cycle starting October 1, 2017 (with the exception of Rutland Regional Medical Center, which will implement a rate reduction on May 1, 2017), is expected to limit increases in the cost of commercial health insurance premiums for Vermont employers and individuals as they renew their health insurance plans for the coming year. Since the Board took jurisdiction over the hospital budget review process, hospital rate increases have fallen from 7.9% in FY 2013 to 1.8% in FY 2017, the lowest increase on record.

At its weekly public meeting, the Board reaffirmed its commitment to monitor and control hospital spending and revenue growth through close tracking of hospital financial performance, and thanked the hospitals for their cooperation and collaboration as the State works to implement the All-payer ACO Model Agreement and other reform initiatives.

# Other Sources of Actual 2016 Information

- Individual Hospital Narratives

- One Page hospital Summary Repeating Report

(this report contains one tab for each hospital and one for the system. Each tab contains an income statement summary, utilization statistics, staffing information, payer data, and capital budgets)

- Report 7 Financial and Statistical Trends

(this EXCEL report contains approximately 60 statistics listed by hospital, ranked by peer group, also containing regional comparisons)

If you have questions about the report, please contact Michael Davis, Janeen Morrison, or Lori Perry at the GMCB (802) 828-2177.

The reports mentioned above are found at the link below:

<http://gmcboard.vermont.gov/content/fy-2016-actual-hospital-narratives>

# Hospital Budget Review Process

## GMCB Enforcement Policy Excerpt

The language below describes the Board's potential options for action. The language is taken from the Enforcement Policy adopted by the GMCB in 2013 for FY14-16. The full policy description is available on page 12 of the Hospital Budget Reporting Requirements at the following link:

[http://gmcboard.vermont.gov/sites/gmcb/files/files/hospital-budget/GMCB%20Hosp%20Bud%20Submission%20Rptng%20Req%20FY17%20with%20Phys%20Policy%201\\_17\\_WEB.pdf](http://gmcboard.vermont.gov/sites/gmcb/files/files/hospital-budget/GMCB%20Hosp%20Bud%20Submission%20Rptng%20Req%20FY17%20with%20Phys%20Policy%201_17_WEB.pdf)

### **Enforcement Mechanism**

- 1) Net patient revenue (NPR) amounts as ordered will be enforced.
- 2) The GMCB will review hospitals whose year-end NPRs exceed the NPR requirement by 0.5% above or below their approved NPR. Such a review will not necessarily lead to action by the GMCB.
- 3) Budget reviews will compare each outlier to results of the total system.
- 4) Reporting requirements for the review will be determined by the GMCB.
- 5) The GMCB will afford the hospital the opportunity for a hearing, and may require a hearing if it deems one necessary.
- 6) If the GMCB determines that a hospital's performance has differed substantially from its budget, the GMCB may take actions including but not limited to (see GMCB Rule 3.000, § 3.401(c)):
  - a) Reduce or increase in a hospital's rates;
  - b) Reduce or increase net revenue and/or expenditure levels in current year budget;
  - c) Use finding as a consideration to adjust the hospital's budget in a subsequent year or years; and
  - d) Establish full budget review of actual operations for that budget year.

# Next Steps

- Press Release went out on April 20, 2017.
- Budget performance letters were written to each hospital and sent on April 28, 2017.
- Fiscal Year 2017 YTD through March is completed and distributed to Board.
- Fiscal Year 2018 Budget Submissions are due Monday, July 3, 2017.