

Morrison, Janeen

From: Pallito, Andy
Sent: Wednesday, August 30, 2017 3:25 PM
To: O'Donnell, Meg; Morrison, Janeen; Perry, Lori; Crompton, Thomas
Cc: Vincent, Rick; Stanislas, Marc A.; Holland, Cheyenne; Keating, Todd
Subject: RE: Follow up from the GMCB on Hospital Budgets

Thank you for your response.

From: O'Donnell, Meg [mailto:Meg.ODonnell@uvmhealth.org]
Sent: Wednesday, August 30, 2017 3:23 PM
To: Pallito, Andy <Andy.Pallito@vermont.gov>; Morrison, Janeen <Janeen.Morrison@vermont.gov>; Perry, Lori <Lori.Perry@vermont.gov>; Crompton, Thomas <Thomas.Crompton@vermont.gov>
Cc: Vincent, Rick <Rick.Vincent@uvmhealth.org>; Stanislas, Marc A. <Marc.Stanislas@uvmhealth.org>; Holland, Cheyenne <cheyenne.holland@cvmc.org>; Keating, Todd <Todd.Keating@uvmhealth.org>
Subject: RE: Follow up from the GMCB on Hospital Budgets

Andy and team:

Attached are a revised budget spreadsheet for UVM Medical Center, along with a health care reform investment worksheet for both UVM Health Network hospitals (UVMHC and CVMC).

With respect to the budget spreadsheet, if UVM Medical Center were to reduce the NPR change (budget to budget) from 3.5% to 3.4%, the approximate impact would be a \$1.2M revenue reduction. From a margin perspective, we would task our leadership with finding expense or non-patient revenue opportunities to keep the margin at 4.0%. Achieving a 4% margin is key to being able to make the investments in our organization and our community that are laid out in our 10-year financial framework. These changes would have minimal impacts on our other key financial indicators.

As the GMCB considers whether to approve our budget as submitted, we would like to share some other revenue changes that have come to light since we filed our budget in late June. While we are not requesting any changes to our budget for the noted items, these revenue changes in and of themselves bring our NPR assumption well within the 3.4% guidance:

- We anticipate \$1.3M in additional reductions to Medicaid DSH that were not captured in the FY 2018 budget.
- We are also in discussions with DVHA about possible changes to Medicaid Outpatient Prospective Payment System (OPPS) payments. While we have not seen final numbers yet, current estimates reflect a potential reduction of NPR due to these changes of approximately \$2.7M.
- We just received more current information from CMS on the FY 2018 Medicare Inpatient PPS Final Rule. This will reduce our budgeted FY 2018 NPR by approximately \$2.9M. (Some of this may be mitigated by the Medicare fixed prospective payment plan under the All-Payer ACO Model (effective 1/1/2018), however, as the base rate for payments under that program is established using FY 2017 payment models.)
- Our bad debt and free care estimates were based on October through January actual run-rates. Looking at the run rate from October through July, bad debt and free care amounts have increased by approximately \$2M each, which would result in a reduction of FY 2018 budgeted revenue by approximately \$4M.

Best,
Meg

Meg H. O'Donnell