



# Fiscal Year 2019 Hospital Budget Guidance

# Overview

Guidance for FY19 is due to the hospitals by March 31, 2018, assuming we make no changes to the timeline.

Guidance includes (but is not limited to) instructions and policies for the following:

- Narrative Instructions
- Net Patient Revenue
- Community Health Needs Assessment
- Enforcement
- Physician Transfer and Acquisition

# Narrative Instructions

Last year's narrative instructions included:

- Executive Summary of changes both programmatic and operational.
- All Payer Model Update
- Community Health Needs Assessment Initiatives
- How is the hospital addressing the mental health and substance abuse needs and care shortages.
- Describe “new” investments in health care reform.
- What makes up the budget to budget increases in both NPR and expenses.
- Describe the overall rate/price increase
- If hospital received a letter regarding prior year budget to actual performance – address issues and requirements outlined in the letter.
- Describe the hospital's capital investment plans.
- Technical concerns

# Net Patient Revenue Policy

- Last year:
  - 3.0% increase in Net Patient Revenue (NPR) and 0.4% additional allowed for “new” health care reform activities, investments and activities.
- Focus should be on NPR+ Fixed Prospective Payments rather than just NPR.
- Anything else? Expenses? Operating Margin? Days cash on hand?
- What level of growth is acceptable?
- Is Budget to Budget still a good comparison? Past 2-3 years of actual growth?

# Community Health Needs Assessment Policy

Last year hospital's were required to submit:

- The most recent version of the hospital's CHNA report;
- The Implementation Strategy that has been adopted by the hospital organization's governing board pursuant to IRS guidelines; and
- The most current version of Schedule H (filed in 2017) that has been submitted to the Internal Revenue Service (IRS) as part of the hospital organization's Form 990 reporting obligations under Section 501(c)(3) of the Internal Revenue Code. Do we want to require the entire 990.

# Enforcement Policy

Last year:

- For FY 2018, the Board will continue to enforce hospital budget compliance consistent with the policy adopted in 2013 for FY 2014-2016 and extended to FY 2017:
- Net patient revenue (NPR) amounts as ordered will be enforced.
- 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.
- Budget reviews will compare each outlier to results of the total system.
- Reporting requirements for the review will be determined by the GMCB.
- The GMCB will afford the hospital the opportunity for a hearing, and may require a hearing if it deems one necessary.
- If the GMCB determines that a hospital's performance has differed substantially from its budget, the GMCB may take action.

Notes: The hospitals would like this to be named "budget review performance policy" rather than enforcement. Enforcement should follow whatever changes in the NPR policy (include FPP, Exp.?)

# Physician Transfer and Acquisition Policy

The purpose is to better understand and recognize the effect on hospital budgets of physician transfers and acquisitions that occur during the course of the current fiscal year. Consistent with Act 143 of 2016, this policy only applies to transfers and acquisitions of existing physician practices, and does not apply to the expansion of a hospital's physician service line as a result of ongoing physician recruitment.

Last year:

The appropriate schedule(s) must be filed with GMCB 30 days prior to formal establishment of the acquisition or transfer (schedules A and B) with the below exception.

The GMCB shall issue an updated budget order within 30 days of its acceptance of an acquiring hospital's filing.

Exception: No filings are recognized after May 1 – the hospital would report such acquisitions/transfers as part of the budget submission by submitting schedule A.

# What's Next?

What other reporting requirements are needed to monitor the All Payer Model growth?

The GMCB will vote and approve changes and/or updates to policies and instructions so that staff can prepare final documents to be sent to the hospitals by March 31, 2018.