

Hospital Budget Review Process
Status of current work

- **After completion of 2015 Enforcement reviews (Budget Performance Review), staff began examination of policy in June**
- **Numerous meetings were held with VAHHS and hospital CFOs**
- **Focus has been on preparation for FY 2016 Budget Performance Reviews**
 - **Discussions for FY 2017 and 2018 also touched upon**
- **Consistency and need to develop focus on the overall hospital performance**
- **Need to better understand how the Board defines “success”**

Budget Review Process
Considerations for new or updated metrics

- When – for the upcoming 2016 and 2017 performance reviews and 2018 budget process.
- What is the reason for new metrics?
 - To simplify and summarize the analytical needs for the GMCB
 - To establish decision-making around going concern trends and KPIs
 - To help assess the variability of one year budget to budget analysis
- What metrics should be considered:
 - Debt and balance sheet measures related to bond financing; quality metrics; patient satisfaction metrics; administration measures
 - Cost per adjusted admission – this needs to be updated (case mix adjusted?)
 - Include 3 year histories
- How should the benchmarks for comparative purposes be established?
 - State, Regional, and U.S. medians; unique to hospital size; 3 year moving averages? Additional peer groups to consider – Triple B, A rated
 - Need to be able to access timely benchmarks
- Possible quality metrics: breaking it into 3 categories, and picking one measure per category:
 - Patient Experience (e.g., “How do patients rate the hospital overall?” Or if they want something more actionable, I would consider “Were patients always given information about what to do during their recovery at home?”)
 - Outcomes (e.g., All-Cause Readmissions)
 - Processes of Care (perhaps a heart failure or surgical care measure)

These measures are collected by the Health Dept and I believe published in June or July

Budget Review Performance of FY 2016 Hospital Budgets
This schedule describes the physician transfers that occurred in Fiscal Year 2016.

Hospital Name		Page 1 of 2				
Analysis of Fiscal Year 2016 Actuals						
Income Statement	FY-2016B	Physician Transfer during FY 2016	Approved FY 2016 w/Physician Transfer	FY-2016A	\$ Change FY-2016B w/Phys Transfer -FY- 2016A higher/lower	% Change FY-2016B- FY-2016A higher/lower
Revenues						
Gross Patient Care Revenue	104,808,884		104,808,884	109,806,787	4,997,903	4.8%
Disproportionate Share Payments	498,874		498,874	502,588	3,714	0.7%
Bad Debt	(2,305,795)		(2,305,795)	(1,386,799)	918,996	-39.9%
Free Care	(1,048,087)		(1,048,087)	(821,151)	226,936	-21.7%
Deductions from Revenue	(40,966,157)		(40,966,157)	(45,297,101)	(4,330,944)	10.6%
Net Patient Care Revenue	60,987,719		60,987,719	62,804,324	1,816,605	3.0%
Other Operating Revenue	1,523,468		1,523,468	1,423,139	(100,329)	-6.6%
Total Operating Revenue	62,511,187		62,511,187	64,227,463	1,716,276	2.7%
Expenses						
Salaries Non MD	21,441,280		21,441,280	22,282,275	840,995	3.9%
Fringe Benefits Non MD	5,325,844		5,325,844	5,111,465	(214,379)	-4.0%
Physician Fees Salaries Contracts & Fringes	8,485,837		8,485,837	8,493,874	8,037	0.1%
All Other Expenses	25,724,015		25,724,015	27,812,720	2,088,705	8.1%
Total Operating Expense	61,638,921		61,638,921	64,312,384	2,673,463	4.3%
Net Operating Income (Loss)	872,266		872,266	(84,921)	(957,187)	-109.7%
Non-Operating Revenue	175,000		175,000	262,636	87,636	50.1%
Excess (Deficit) of Revenue Over Expense	1,047,266		1,047,266	177,715	(869,551)	-83.0%

Budget Review Performance of FY 2016 Hospital Budgets
Net patient revenue variance explained

Hospital Name Analysis of Fiscal Year 2016 Actuals					Over/Under Explained						
Income Statement	Approved FY 2016 w/Physician Transfer	FY-2016A	\$ Change FY-2016B w/Phys Transfer -FY-2016A higher/lower	% Change FY-2016B w/Phys Transfer -FY-2016A higher/lower	Utilization (change in services)	Utilization (in migration)	Reimbursement/ Payer Mix	Changes in Bad Debt/Free Care	Changes in DSH	Other	Total of Explained Variance
Revenues											
Gross Patient Care Revenue	104,808,884	109,806,787	4,997,903								
Disproportionate Share Payments	498,874	502,588	3,714								
Bad Debt	(2,305,795)	(1,386,799)	918,996								
Free Care	(1,048,087)	(821,151)	226,936								
Deductions from Revenue	(40,966,157)	(45,297,101)	(4,330,944)								
Net Patient Care Revenue	60,987,719	62,804,324	1,816,605	3.0%		\$ 2,637,394	(1,970,436)	\$ 1,145,933	\$ 3,714		\$ 1,816,605
Other Operating Revenue	1,523,468	1,423,139	(100,329)								
Total Operating Revenue	62,511,187	64,227,463	1,716,276								
Expenses	0	0	0								
Salaries Non MD	21,441,280	22,282,275	840,995								
Fringe Benefits Non MD	5,325,844	5,111,465	(214,379)								
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Budget Review Performance of FY 2016 Hospital Budgets
Explanation of NPR and expense variances to be discussed.

Change in utilization

In-migration from out of state

Service area increase (practice maturity)

Service area increase (meet community need)

Change in Reimbursement

Change in Medicare designation

Change in patient and service mix

Change in Bad debt and free care

Change in Disproportionate share

Physician revenue increases not captured in transfer policy

Unique program changes (pharmacy)

Accounting change, other

Draft

Decision Dashboard

All Vermont Community Hospitals							
	FY-2013A	FY-2014A	FY-2015A	FY-2016B	FY-2016A	FY-2016A Vermont Median	US Regional Peer Group
Net Patient Care Revenue	2,136,485,447	2,169,453,746	2,278,270,306	2,307,481,046	2,378,206,818	74,113,153	
Annual NPR Growth Rate		1.5%	5.0%	3.5%	4.4%		
Three Year NPR CAGR (FY2014 - FY2016)					3.6%		
Three Year NPR CAGR (FY2013 - FY2015)							
Operating Expense - Adjusted for Bad Debt	2,166,619,102	2,208,636,610	2,309,283,512	2,376,018,120	2,419,805,495	75,807,322	
Annual OE Growth Rate		1.9%	4.6%	4.2%	4.8%		
Three Year Operating Expenses CAGR					3.8%		
Operating Margin %	3.1%	3.7%	4.6%	2.8%	3.9%	1.4%	
Long Term Debt to Capitalization	32.8%	29.7%	27.6%	31.3%	30.5%	25.7%	
Current Ratio	3.2	3.4	3.4	3.5	3.9	3.1	
Debt Service Coverage Ratio	2.9	3.3	3.7	2.7	5.0	4.4	
Capital Expenditures to Depreciation	82%	81%	97%	95%	102%	90%	
Days Cash on Hand	161	176	179	180	183	135	
Days Receivable	40	41	40	40	42	41	
Days Payable	65	65	65	65	60	60	
Age of Plant	9.6	10.2	11.4	11.9	11.8	11.9	

Hospital Budget Review Process

What has been done for FY 2018 Budget Guidance?

- **What guidance or changes should we consider for the FY 2018 budget hearings?**
 - Can we and when will we align with insurance rate review? Timing and decision-making issues?
Current plans do not envision this beginning in FY 2017.
 - Need to understand how this will influence/be influenced by ACO budget process.
 - Develop correlation between hospital rate(price) changes and commercial rate approvals
 - What is the necessary information for the actuaries?
 - Is it necessary to change hospital and payer timelines? What other options are available?
 - Any reporting changes needed? ACO revenues?
How may the ACO budget may influence hospital revenues
 - Contractual relationship with ACO suggest revenue and utilization metrics will need to be developed
 - Hospitals still trying to understand information needs going into 2018
 - Additional or new metrics or key performance indicators (KPIs)?
Build a “decision dashboard” of key performance indicators (KPIs)
 - **Peer grouping to include bond rating metrics?**
 - **Quality metrics to be considered to be reported with 2018 budget?**
 - Process, hearing improvements?
 - Scope of hearings changes?
 - HCA questions and materials changes?
 - Info needs from DVHA? Disproportionate share and reimbursement changes?
Can information be provided in a more timely basis?
Can we obtain rates or estimates for providers by early April?