

REPORT ON THE GREEN MOUNTAIN CARE BOARD'S FINDINGS REGARDING ANY "STRANDED DOLLARS" IN THE FISCAL YEAR 2016 BUDGETS PROPOSED BY VERMONT HOSPITALS

In accordance with Act 54 of 2015, Section 47

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Stranded Dollars Report

- Required by Section 47 of Act 54 of 2015
- Green Mountain Care Board (GMCB) directed to analyze FY2016 proposed hospital budgets “to identify any stranded dollars”
- Legislative intent: “repurpose the stranded dollars to enhance spending on the Blueprint for Health”
- Defined “stranded dollars” in terms of Disproportionate Share Hospital (DSH) payments and free care charges “allocated in hospital budgets to serve those Vermonters” who were uninsured in 2012 but obtained coverage by 2014
- Noting that DSH payments remained unchanged and budgeted free care charges increased approximately \$5.6M from FY2013 to FY2014, Act 54 states that “these funds are stranded in the hospital budgets to pay for ‘phantom’ uninsured patients.”

Key Terms

- DSH payments: federal law requires that state Medicaid programs make Disproportionate Share Hospital (DSH) payments to qualifying hospitals that serve a large number of Medicaid and uninsured individuals. The methodology is established by DVHA.
- Free care: services for which hospitals neither receive, nor expect to receive, payment because they determined that the patient was unable to pay (see American Hosp. Ass'n Uncompensated Care Cost Fact Sheet (Jan. 2015) at 2).
- Each hospital's proposed price increase is built around a complex, ever-changing array of cost, payer mix, utilization, public and private payer reimbursement policies, and other factors, including DSH payments and free care charges.
- These factors interact with and influence the budgets in manner that does not make it possible to isolate the impact of any one factor and its influence on capital flows.

Findings

- Total free care across the hospital system is budgeted to decline by \$12.8M in FY16.
- Total operating surplus is budgeted to decline \$6.6M in FY16. Expressed as a percentage, surplus declined from 3.2% of total net operating revenue in FY15 to 2.9% in FY16.
- FY16 budgets presented the lowest overall weighted price increase (4.37%) since at least 2002.
- Net patient revenue is budgeted to grow at 3.5% in FY16, the third year out of three in which budgeted NPR growth is below the growth target set by the Board.

Conclusions

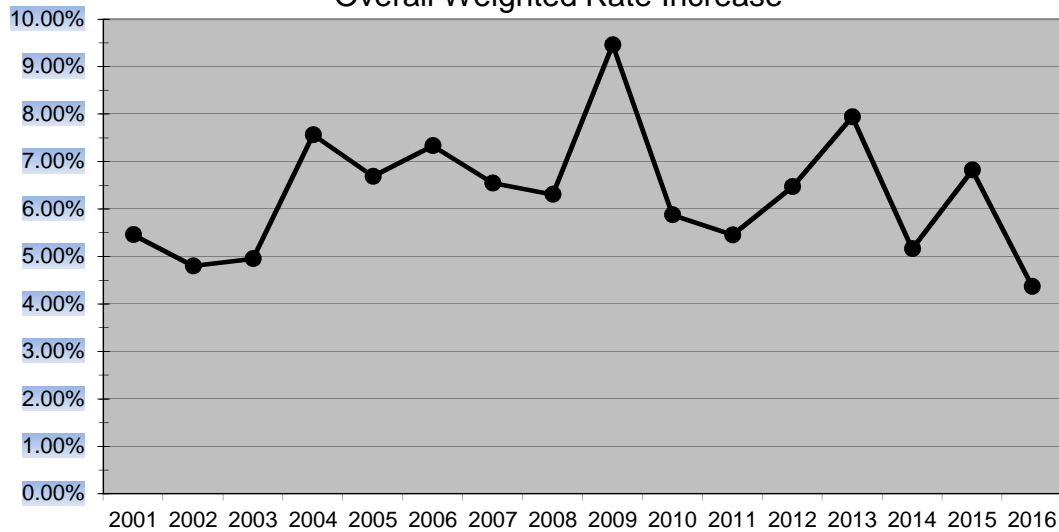
- Declining surplus indicates that reductions in projected free care were not stranded in surplus
- Reasonable to conclude that the decline in free care suppressed the overall average price increase
- Board concluded that there are no stranded dollars, as defined in Act 54, in the FY16 budgets
- Further corroborated by Board's budget enforcement practice: When a hospital's actual performance exceeds its budget, the hospital must address any additional revenue in the following year's budget.
 - At the Board's instruction, hospitals have done so by suppressing rate increases requested in the following budget

Budgeted Rate Increases

This chart reflects the weighted average increase that has been approved over the last several years. A number of factors influence the need for a rate. These include change in utilization, bad debt and free care changes, number and type of services, payer mix, costs, and operating surplus that a hospital needs.

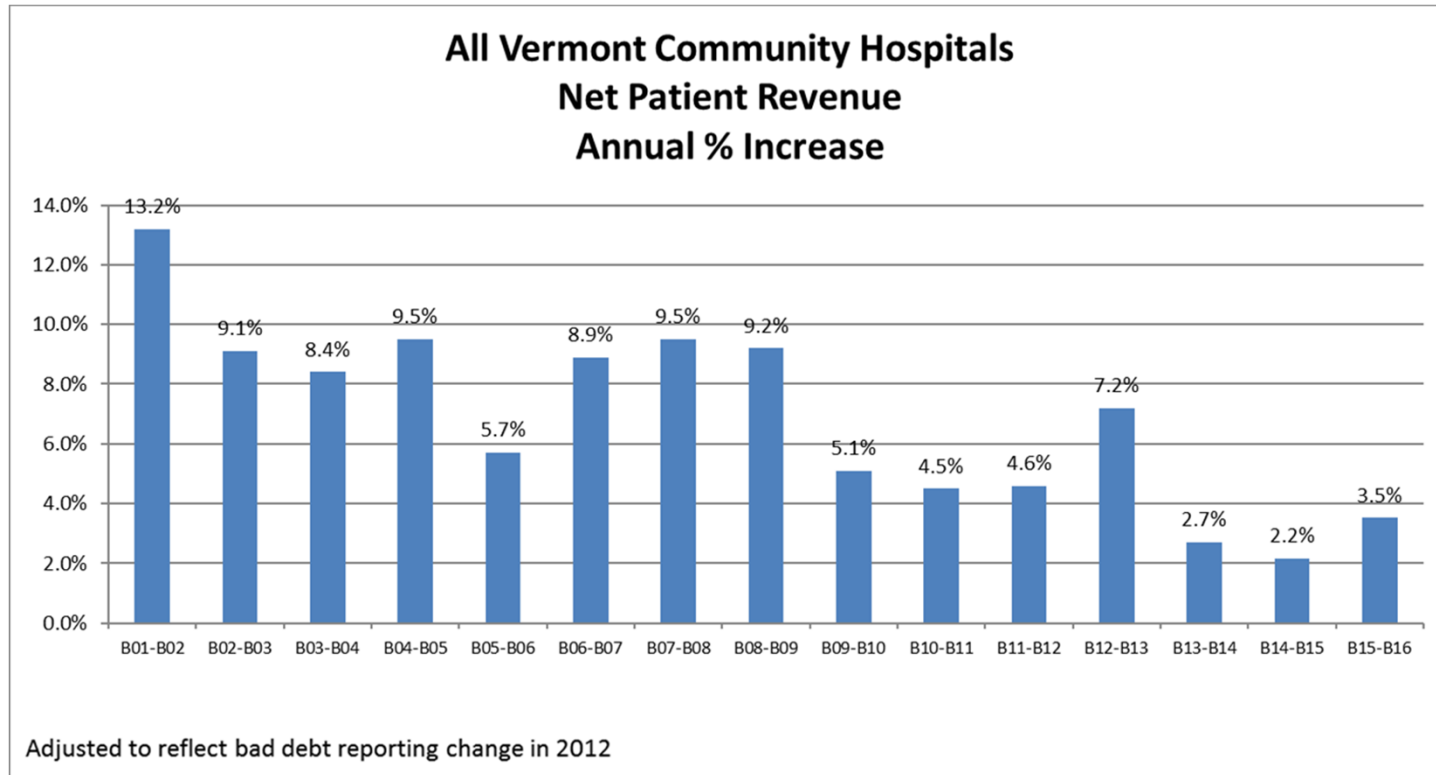
Table 1

Vermont Hospital System
Overall Weighted Rate Increase



System Net Patient Revenue

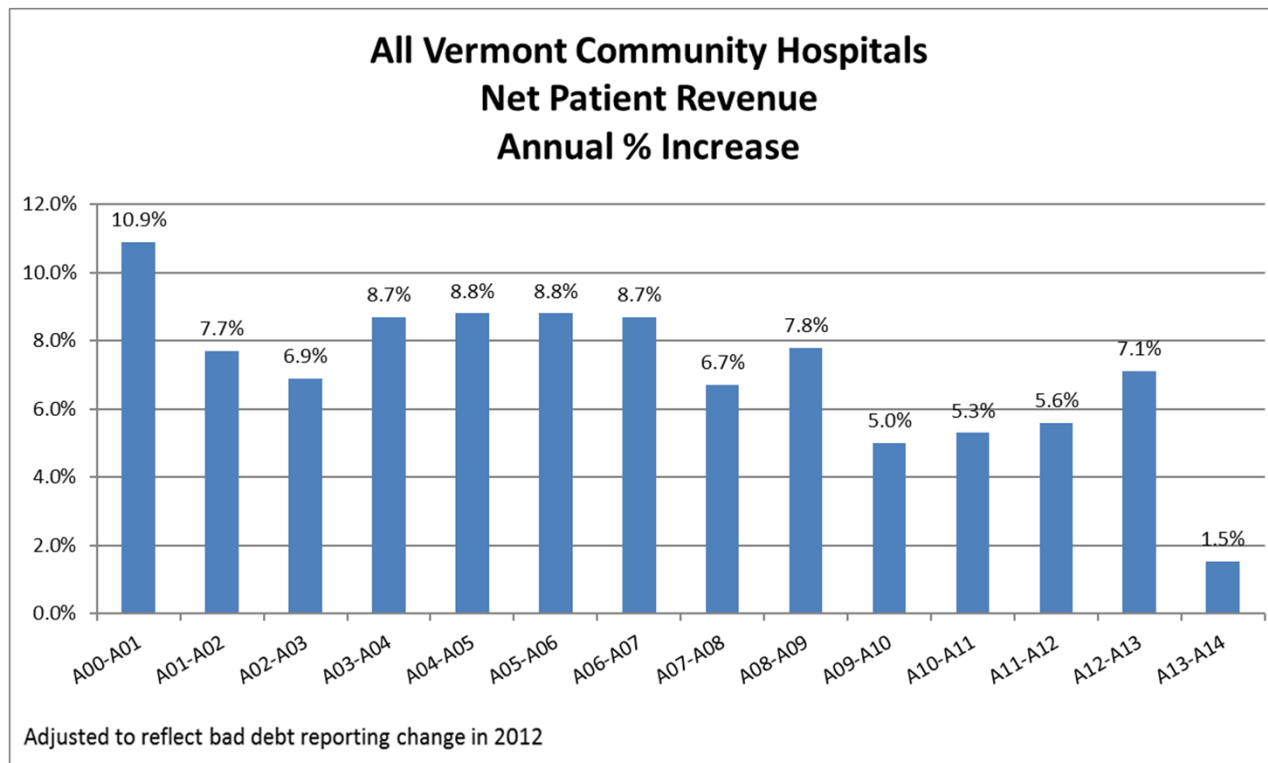
Approved Increases



System Net Patient Revenue

Actual Increases

The actual increases as reported by Vermont hospitals. FY 2015 actuals will be available in late February.



QUESTIONS?