VERMONT

Green Mountain Care Board
89 Main Street
Montpelier, VT 05620

[phone] 802-828-2177
www.gmcboard.vermont.gov

Alfred Gobeille, Chair
Con Hogan
Jessica Holmes, PhD
Betty Rambur, PhD, RN
Allan Ramsay, MD
Susan Barrett, JD, Executive Director

April 3, 2015

Dear Hospital CEO:

This letter is to inform you about the approach that the Green Mountain Care Board (GMCB) plans to follow in the FY 2016 hospital budget review process.

Like last year, we recognize the need for a careful balance of the concerns of Vermont citizens and businesses with the financial health of the hospital industry. Therefore, beginning with the attached budget instructions, the entire budget review process will continue to focus on restraining health care costs and improving quality outcomes.

The budget instructions are designed to provide guidance to limit costs at the delivery system level. We are requesting, as you prepare your budgets, that you strictly adhere to the limits and principles we have identified for FY 2016.

The Board realizes that each hospital has unique circumstances and we will consider those circumstances as part of the overall budget review.

The Budget Reporting Requirements provides timelines and the policy instructions for the FY 2016 budget process. The key changes for this year's process are summarized below:

1) The GMCB has established a system net patient revenue (NPR) cap of 3.0% over FY 2015 Budgets.

2) The GMCB may allow individual hospitals up to 0.6% for health reform investments that adhere to our guidelines.

    a. The Board expects that any hospital that requests the increase clearly delineate what the additional revenues will purchase and why the project/item is considered a health care reform investment.

3) The GMCB policies established in FY 2014 for physician transfer/acquisitions; community needs assessment reporting, and enforcement of the net patient revenue targets remain in effect through FY 2016.

4) Each hospital should plan to attend a hearing and provide testimony on their budget.

5) The GMCB is requiring hospitals to budget:

   a. Bad debt and free care have shown declines (more favorable) in the 2014 actuals. Each hospital will be expected to address the trends being seen in these categories for 2014 through 2016 and explain the rationale for your 2016 budgeted value. Any increase in these accounts or deviation from the 2014 trend should be carefully documented.

   b. Any notable shifts in payer mix that have been recognized during the 2014 and 2015 operating years.

6) The GMCB is requiring hospitals **not** to budget:

   a. Net patient revenue expected from the Governor's plan around the cost shift;

   b. Net patient revenues expected from other health care reform payment incentives such as Medicaid primary care, the Blueprint, shared savings, etc.

7) The GMCB has updated the hospital rate request schedule provided last year. The schedule and narrative instructions specific to the rate schedule will be sent in late April or early May.

8) Certain hospitals will receive a letter with specific instructions in response to the findings in your 2014 budget to actual results. Those receiving the letter are required to specifically address the issues and requirements outlined in the letter.

9) It is expected that we may require special reporting to monitor the cost shift. If necessary, the GMCB will provide more information for reporting needs once the legislature adjourns.

We continue to update the Adaptive Insights budget tool. Hospital staff should feel free to contact Michael Davis, Lori Perry, and Janeen Morrison if you have questions about the budget policies, budget instructions, and the Adaptive Insights budget tool.

Sincerely,

s/ Alfred Gobeille
Alfred Gobeille

Chair
Green Mountain Care Board

Cc: Green Mountain Care Board Members
Michael Davis, GMCB staff
Lori Perry, GMCB staff
Janeen Morrison, GMCB staff
Hospital CFOs
VAHHS
Vermont Health Care Ombudsman

FY 2016 HOSPITAL BUDGET SUBMISSIONS

REPORTING REQUIREMENTS

April 2015

Prepared by:

GREEN MOUNTAIN CARE BOARD
89 Main Street
Montpelier, Vermont 05620-3101

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Reporting Timeline

Apr **GMCB provides guidance on FY 2016 Hospital Budget Policy**

- Hospitals begin internal budget process for new year
- GMCB distributes final FY 2016 Budget Reporting Requirements
    - Certain hospitals will receive letter regarding FY 2014 actuals

May **GMCB provides any updates due to legislation or other policy changes**

- Required reporting for the new rate request schedule

July 1st **Hospital's budget, oath, & narrative submission are due**

- Hospital budget proposal includes requested rate increase

July-Aug **GMCB's questions, analysis and findings prepared by staff**

July 23 **GMCB public hearing - Preliminary Budget Overview**

- Staff will provide first overview of 2016 submitted budgets

Aug 25-27 **GMCB's public hearings on hospital budgets.**

Sept 10 **Board Vote on Decisions**

Sept 15th **GMCB's FY 2016 Hospital Budget decisions**

- GMCB staff informs hospitals of their approved rate

Oct 1st **GMCB's formal Budget Orders sent to hospitals**

REPORTING REQUIREMENTS

Narrative Instructions

The budget narrative is a key component of a hospital budget submission. This provides hospitals the opportunity to explain any changes in their budget and highlight areas of interest for the GMCB. We ask that you follow the template below and that you limit your overall response to this section to 10 pages.

A. **Executive Summary: Provide an executive summary of the changes in the hospital budget**. This section should include any information you think the GMCB should know about program, labor and operation changes.

B. **Health Reform Investments: Provide a description of any health reform investments sought in this budget.** This section should also provide return on investment information for any investments made in this area in the FY15 budget.

C. **Overall net patient revenue budget to budget increase.** The hospital is required to provide their budgeted net patient revenue increase over the FY 2015 approved budget. This would include additional detail in program, labor and operation changes to explain why these occur in the proposed budget. The hospital should explain why the revenue increase is required. This would include what the assumptions were in determining the needed increase such as but not limited to change in law, utilization change, program change, etc. Please note that the GMCB is not providing inflation or utilization estimates for each hospital. Hospitals should explain what figures they are using for inflation and utilization estimates and why in this section.

    a. Describe any significant changes to your FY15 budget and how it affects the FY16 proposed budget. Significant changes include, but are not limited to: changes in anticipated reimbursements, physician acquisitions and CONs.

    b. Describe any cost saving initiatives proposed in FY16 and the effect of these on the budget.

    c. The hospital should also explain the reasons for the increase or decrease in net patient revenue expected from each payer source. **Describe utilization, inflation, your payer mix and how that affects reimbursement assumptions.**

        i. **Revenue assumptions: Medicare.** Medicare estimates should include assumptions based on the *current proposed CMS law* reimbursement policy for that program. Hospitals should also

identify any significant changes to prior year Medicare reimbursement adjustments in this section (ie. settlement adjustments, reclassifications) and the effect this has on their revenues. Please include a subsection identifying any anticipated revenues related to meaningful use and 340B funds in FY16

a. Also, describe any major changes that occurred during FY 2015 that were not included in that budget.

ii. **Revenue assumptions: Medicaid**. The GMCB is requesting hospitals **not** to budget any increase in net patient revenue expected from the Governor's plan around the cost shift.

In addition, hospitals should **not** budget net patient revenues expected from other health care reform payment incentives such as Medicaid primary care, the Blueprint, shared savings, etc.

Hospitals **should** budget for net patient revenues expected from utilization and/or changes in services.

iii. **Commercial/self-pay/other.** Commercial insurance revenue estimates should include the latest assumptions available to the hospital. Provide any other nuances that may explain the change in net patient revenues for this category.

D. Rate Request. Each hospital is required to provide their budgeted overall rate/price increase. The hospital will explain how the rate was derived and what the assumptions were in determining the increase.

The overall rate/price increase will be reported through the rate schedule to be provided by the GMCB. Included will be your rate/price for the major lines of business. Further, it will provide both the gross and net revenues expected from each payer as a result of that rate/price increase.

For each payer, if the net patient revenue Bud-Bud increase is different than the overall rate/price change, provide a narrative explaining why it is different and rational supporting that difference. For example, if the commercial "payer ask" request is different from the rate/price change, that should be explained.

E. **For those hospitals who received a letter regarding their FY 2014 budget to actual overages results –** please make sure you specifically address the issues and requirements outlined in the letter.

F. **Capital budget investments.** Describe the major investments that have been budgeted for FY16 and their effect on the FY16 operating budget.

   a. Please provide a brief comment on anticipated major investments for FY17-FY19.
   b. Provide the estimated net patient revenue and expense effect for any proposed Certificate of Need (CONs) that may be approved during the FY 2016 year.

G. **All Outpatient Visits.** Please describe how your hospital defines the statistic "outpatient visits". We need to define this more consistently.

H. **The latest Federal Guidelines around Community Health Needs Assessments (CHNA) were released on December 31, 2014.** Please describe your hospital's status with regards to the next reporting cycle and dates you expect it to be complete.

I. **Technical concerns.** Please provide any technical concerns or reporting issues you believe should be examined for possible changes in the future.

User Access to Adaptive Insights

Your budget information as approved by your Board should be provided through use of the Adaptive Insights website. Each hospital is allowed a maximum of two individuals to have access to Adaptive Insights (Adaptive). These individuals are called "users". To add or remove users, please use the following form found in the reports directory in Adaptive:

"Reports>Shared Reports>FY 2016 BUDGET>HOSPITAL DIRECTORY>Hospital Budget Instructions >User Access Request Form for Adaptive Insights"

If you cannot access the directory, call Janeen or Lori at the GMCB.

Budget Schedules and Input Instructions

You will find instructions on *how to input* your budget into Adaptive by logging into Adaptive and going to “Reports>Shared Reports>FY 2016 BUDGET>HOSPITAL DIRECTORY>Hospital Budget Instructions”.

In this directory you will find:

- FY 16 Hospital Budget Submission Reporting Requirements (this document)
- GMCB-Import Guide
- GMCB-Reports Guide
- Oath APPENDIX II (also found in this document)
- And documents 1 through 3 are the most helpful for input of your budget:

1) GMCB-Hospital Budget Checklist (a quick list for input of each sheet, also found in User Guide)

2) GMCB-User Guide (a complete step by step guide)

3) Data dictionary (explains the mapping of each account of the old Excel sheets to Adaptive Insights)

To review your input to Adaptive, we have prepared several reports for you to run (such as an income statement, balance sheet as well as an edits report). These reports are located in the following directory: Reports>Shared Reports>FY 2016 BUDGET>HOSPITAL DIRECTORY>HOSPITAL REPORT PACKAGE.

<u>POLICIES –</u> as adopted in March 2013

Green Mountain Care Board
Hospital Budget Policy:
Net Patient Revenue FY14-FY16

At its February 21, 2013 public meeting, the Green Mountain Care Board (GMCB) voted to 1) implement a set of principles governing the hospital budget review process for federal fiscal years 2014 through 2016 and 2) to identify several key areas for further analysis. The vote was the culmination of a public discussion that began in December 2012 and involved hard work by and input from hospitals and other stakeholders, members of the public, and the GMCB itself. The GMCB members are grateful to everyone who participated in and had an impact on this important decision-making process.

The GMCB's decisions are summarized below.

Principles governing the hospital budget review process for FY2014-FY2016

The following principles were adopted by the GMCB and will govern the hospital budget review process for federal fiscal years 2014 through 2016:

The GMCB set a target for increases in hospital net patient revenue of three percent for the budget years of FY-14, FY-15 and FY-16. This is intended to apply to the year-on-year revenue increases. This three-year trend for hospital budgeting reflects the GMCB's commitment to cost containment and payment reform. The three percent growth target is inclusive of any provider tax increases and any costs associated with unbudgeted capital investments for which the GMCB approves a certificate of need.

The GMCB reserves the right to re-examine its forecasts and budgeting methodology to address material shifts in medical and/or core inflation over the three-year period.

The GMCB agreed to create an allowance for credible health reform proposals in the amount of one percent (above the base target of three percent) for FY-14, 0.8 percent for FY-15, and 0.6 percent for FY-16. Hospitals will need to convince the GMCB that expenditures listed as health reform are truly investments in a reformed delivery system. The following are areas that the GMCB may deem "credible":

a. Collaborations to create a "system of care"
b. Investments in shifting expenditures away from acute care
c. Investments in population health improvement
d. Participation in approved payment reform pilots
e. Enhanced primary care and Blueprint initiatives
f. Shared decision making and "Choosing Wisely" programs

The GMCB will use the hospital budget rate of growth described above as a guide in our monitoring of total system costs, in identifying areas of potential excess growth and in identifying priorities for data analysis.

The GMCB will utilize the growth target described above to guide our review of health insurer rate increases, particularly our expectations about reasonable estimates of health care cost trend factors embedded in insurer rates.

We realize that each hospital is a unique business entity with large variations in size, volume and financial health, and that small adjustments to budget targets are not, in themselves, the method to improve financial status or to correct for ongoing budget deficiencies.

We realize the tremendous variance in size and scope of our regulated hospital entities and reserve the right to place community need, and or solvency, as our primary concern above and beyond our budget policy.

The GMCB may modify the above principles if circumstances require it, and would do so with prior notice to and input from stakeholders and the public.

Areas for further analysis

Patients, health care providers and other Vermonters who commented on our work made it apparent that there are three key areas of the hospital budget process that need further study and analysis. Accordingly:

1. We will create an expedient process to review all physician transfers. This review will determine the "net" effect of inward physician migration and attempt to hold hospitals harmless for net neutral budgeting affects. This does not guarantee all transfers will be deemed budget neutral and the burden of proof will fall to the individual hospital. Based upon in person testimony, and written feedback, it is clear that this subject needs a clear methodology to ensure the GMCB's ability to respond in a timely manner to off-budget-cycle personnel matters that materially affect a hospital's budget. It is the intent of the GMCB to produce a reasonable system that allows each hospital the ability to "make their case."

2. We will incorporate in the budget review process consideration of hospitals' efforts to understand their communities' needs and priorities. This consideration may include the review of such information as:

    For each hospital facility (where applicable), the most current version of Schedule H that has been submitted to the Internal Revenue Service as part of the hospital

organization's Form 990 reporting obligations under Section 501(c)(3) of the Internal Revenue Code.

3. For each hospital facility (where applicable), the Implementation Strategy described in Section 501(r)(3)(A)(ii) of the Internal Revenue Code (as added by section 9007 of the Patient Protection and Affordable Care Act (Pub. L. 111-148)) that has been adopted by the hospital's organization's governing GMCB pursuant to IRS guidelines. The Implementation Strategy as submitted shall conform to the requirements of Section 6033(b)(15) of the Internal Revenue Code as added by Section 9007 of the Affordable Care Act and shall describe (i) how the hospital organization is addressing the needs identified in each community health needs assessment conducted under section 501(r)(3) of the Internal Revenue Code and (ii) any needs that are not being addressed, together with the reasons why such needs are not being addressed.

4. We will develop a more robust hospital budget enforcement process to ensure compliance with our policies.

The GMCB again thanks all who participated in the process of developing the above principles and areas for further study. We look forward to continued, strong stakeholder and public participation in the hospital budget process as we implement these principles.

Issued: March 7, 2013
Montpelier, VT

Green Mountain Care Board
Hospital Budget Policy:
Community Needs Assessment

Introduction

Each year the Green Mountain Care Board (GMCB) provides the hospitals reporting instructions to complete their budget filing. The following will provide guidance to the hospitals to communicate to the Board the needs and priorities of their communities.

Background

On February 21, the GMCB voted to adopt "Guidance and Principles Governing the Green Mountain Care Board Hospital Budget Review Process for Fiscal Years 2014 through 2016." In that document, GMCB indicated its intention to incorporate in the budget review process consideration of hospitals' efforts to understand their communities' needs and priorities. This consideration includes the review of such information as:

- For each hospital facility (where applicable), the most current version of Schedule H 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.

  Schedule H provides guidance on how the IRS defines "community benefit", and Schedule H provides facility-specific information regarding hospitals' community benefit spending in relation to other costs they incur, such as costs related to bad debt expenses or the cost of participation in Medicare. Schedule H is part of hospitals' tax reporting obligations and is designed to bring greater uniformity and transparency to defining, measuring, and reporting on hospitals' community benefit investments.

- For each hospital facility (where applicable), the Implementation Strategy described in Section 501(r)(3)(A)(ii) of the Internal Revenue Code (as added by section 9007 of the Patient Protection and Affordable Care Act (Pub. L. 111-148)) that has been adopted by the hospital's organization's governing board pursuant to IRS guidelines. The Implementation Strategy as submitted shall conform to the requirements of Section 6033(b)(15) of the Internal Revenue Code as added by Section 9007 of the Affordable Care Act and shall describe (i) how the hospital organization is addressing the needs identified in each community health needs assessment conducted under section 501(r)(3) of the Internal Revenue Code and (ii) any needs that are not being addressed, together with the reasons why such needs are not being addressed.

  Section 9007 of the ACA calls for strengthening and clarifying the community benefit obligations of nonprofit hospitals that seek federal tax-exempt status. The ACA

provisions add a Community Health Needs Assessment (CHNA) requirement to the Internal Revenue Code in order to promote hospital investments that reflect community health priorities. The ACA provisions also require all nonprofit hospitals to adopt an Implementation Strategy and describe how the Implementation Strategy meets the community health needs identified through the CHNA.

Reporting Instructions

Under the ACA, the CHNA must be made "widely available". The IRS has indicated that at a minimum widely available means the CHNA must be posted to the hospital's web site. The IRS has also encouraged hospitals to post the CHNA on other organizational websites along with clear instructions for obtaining the report from the hospital. Furthermore, a hospital organization and its facility must make the document available (in writing or electronically) to any individual who requests it. All of these requirements will make it easy for the GMCB to access a hospital's CHNA.

Since the Implementation Strategy is essentially the document that links hospital community benefit expenditures to assessed community health needs, the GMCB expects that many hospitals will post their Implementation Strategies on the hospital web site along with their CHNA. However, the IRS has not explicitly required the same widely available standard for Implementation Strategies as it has for CHNA. Therefore, to assure easy access to a hospital's Implementation Strategy, the GMCB requires all nonprofit hospitals to comply with the following requirements:

1) After the IRS adopts a final rule governing CHNAs and Implementation Strategies, the hospitals shall submit their most recent CHNA and Implementation Strategy to the GMCB. Prior to the IRS's adoption of a final rule, hospitals shall submit CHNA-related information that the hospital has completed or adopted as of June 30, 2013. This information will be submitted as part of the FY 2014 Budget Narrative as listed in the FY 2014 Uniform Reporting Manual Supplement.

2) In the budget narrative, each hospital shall identify any new expenditures that are being requested to address the hospital's CHNA or Implementation Strategy.

3) The IRS requires all nonprofit hospitals to attach Schedule H to the 990 tax forms that all nonprofits file with the IRS annually. To provide more immediate access to this worksheet, the GMCB is requiring all nonprofit hospitals to submit their annual Schedule H to GMCB as part of their FY 2014 budget filing.

Taken together, the reporting obligations (Schedule H and hospitals' Implementation Strategies) offer transparent information regarding overall hospital expenditures on community benefit activities and other activities, as well as specific hospital expenditures whose specific purpose is to implement the CHNA. This data is essential to GMCB's hospital budget review

process and commitment to advancing community health improvement and population health through all sectors of the Vermont health care system.

Effective May 2, 2013

Green Mountain Care Board
Hospital Budget Policy:
Enforcement for FY 2014-2015 Hospital Budget Submissions

Introduction

On February 21, 2013, the Green Mountain Care Board (GMCB) voted to adopt "Guidance and Principles Governing the Green Mountain Care Board Hospital Budget Review Process for Fiscal Years 2014 through 2016." In that document, the GMCB indicated its plan to "develop a more robust hospital budget enforcement process to ensure compliance with our policies."

Each year, the GMCB provides the hospitals reporting instructions to complete their yearly budget filing. The following will provide guidance to the hospitals about the GMCB's expectations for hospitals to meet their approved budget.

Background

Vermont law requires that "[e]ach hospital shall operate within the budget established under this section." 18 V.S.A. § 9456(d). GMCB Rule 3.000 governs the hospital budget review process, including the parameters the GMCB uses to assess budget performance and adjustments. *See* GMCB Rule 3.000, § 3.401. In addition, the State[1] has established a methodology to compare actual results to budget. The methodology is explained in the URM Supplement each year.

The GMCB found that Vermont hospitals' aggregate budget-to-actual performance has improved since the early 2000s. Nevertheless, since FY 2008, 12 hospital budgets out of 56 submissions exceeded net revenue thresholds. Some of these budget-to-actual differences resulted from onetime events such as physician practice acquisitions or prior year Medicare settlements. However, several hospitals enjoyed greater reimbursement than forecasted. In such instances, no clear regulatory action was taken.

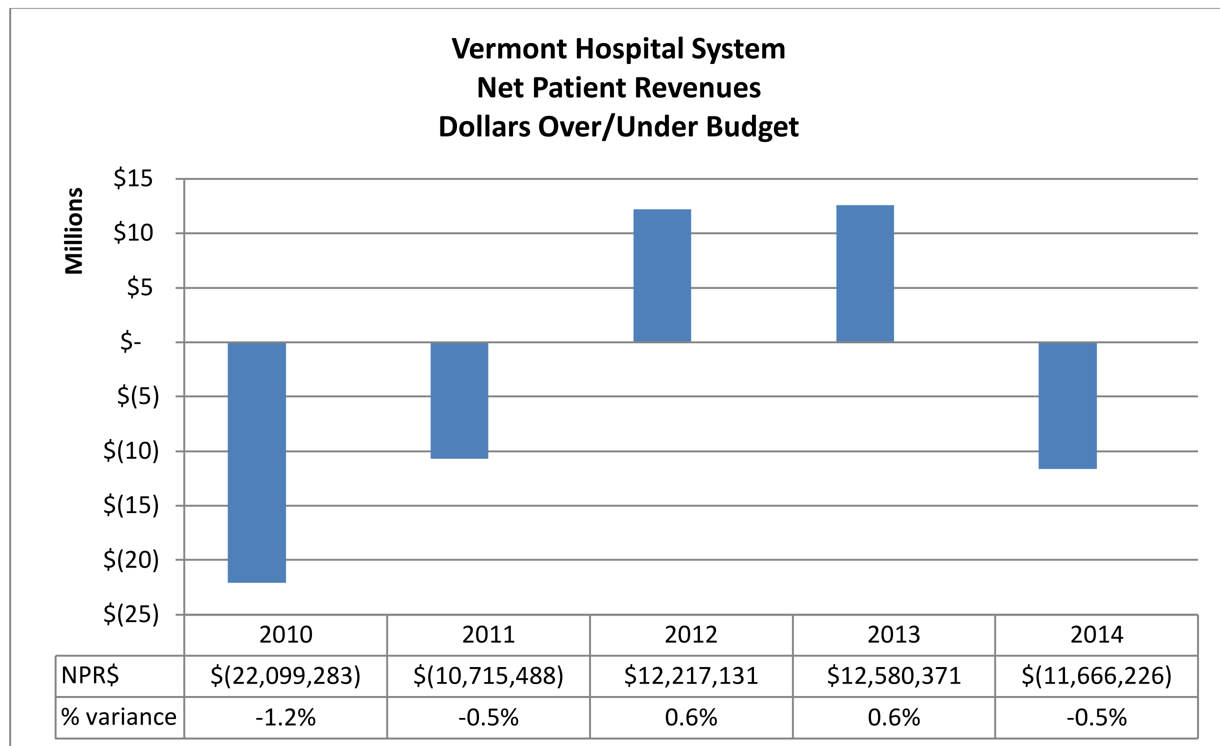
The lack of a clear enforcement mechanism for addressing variances between budget and actual performance will result in an ineffective budget process and could reward non-compliant entities. Therefore, it is the GMCB's intent to establish a budget-to-actual review that provides an adjustment mechanism to enforce budget targets.

The GMCB believes there is a need for enforcement to be transparent, understandable, and easy to administer. The GMCB will provide criteria that are clear and concise and that can be

[1] For hospital fiscal years prior to 2013, the Department of Financial Regulation (formerly BISHCA) reviewed hospital budgets. Beginning with the review of FY 2013 budgets in July 2012, that task is now performed by the GMCB.

easily understood by payers, hospitals, and the general public. The process will also recognize the possible effects of reform and the potential shift of services within the hospital system.

The GMCB presently establishes a net patient revenue (NPR) target for hospital budgets. Each hospital is required to manage to that target. The budget-to-actual trend for the last several years shows how the hospital system performed.



	2010	2011	2012	2013	2014
NPR$	$(22,099,283)	$(10,715,488)	$12,217,131	$12,580,371	$(11,666,226)
% variance	-1.2%	-0.5%	0.6%	0.6%	-0.5%

Note: The graph above and the following schedule have been updated to include 2014 actuals.

An examination of the individual FY 2014 hospital budgets can put the budget-to-actual overage results in context. From a system perspective, the hospitals were less than 1% under budget, a total of $11.6 million. However, the individual hospital variances ranged from $5.8 million under budget to $3.4 million over budget. The following schedule reflects those variances by hospital.

Net Patient Care Revenue		B14 - A14	
		$ Difference	% Change
Brattleboro Memorial Hospital	$	1,719,709	2.5%
Central Vermont Medical Center	$	981,383	0.6%
Copley Hospital	$	2,152,041	3.7%
Gifford Medical Center	$	(5,824,383)	-9.1%
Grace Cottage Hospital	$	(232,178)	-1.4%
Mt. Ascutney Hospital & Health Ctr	$	(1,111,501)	-2.4%
North Country Hospital	$	(3,743,903)	-5.0%
Northeastern VT Regional Hospital	$	(2,818,413)	-4.4%
Northwestern Medical Center	$	3,406,107	3.9%
Porter Medical Center	$	(3,092,947)	-4.4%
Rutland Regional Medical Center	$	3,008,735	1.4%
Southwestern VT Medical Center	$	(165,945)	-0.1%
Springfield Hospital	$	(2,251,100)	-4.3%
The University of Vermont Medical Center	$	(3,693,831)	-0.3%
System Total	$	(11,666,226)	-0.5%

The GMCB is reviewing budget outliers to determine the hospital variances. A report of the 2014 Actual operating results was presented to the GMCB in March of 2015. A letter will be sent to hospitals regarding the GMCB findings at those meetings.

Enforcement Mechanism

The following enforcement mechanism has been adopted by the GMCB and will be used when examining the operating results of the FY 2015 budgets:

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.

Effective May 2, 2013

Note: The graph and corresponding schedule have been updated with the latest available fiscal year operating results.

Green Mountain Care Board
Hospital Budget Policy:
Physician Transfer and/or Acquisitions

Introduction

Each year the Green Mountain Care Board (GMCB) provides the hospitals reporting instructions to complete their budget filing. The following will provide reporting guidance for physician transfer information as part the budget filings for FY 2014 and for any "off cycle" transfers that occur during the current year budget.

On February 21, the Green Mountain Care Board (GMCB) voted to adopt "Guidance and Principles Governing the Green Mountain Care Board Hospital Budget Review Process for Fiscal Years 2014 through 2016." In that document, GMCB indicated its intention to "create an expedient process to review all physician transfers."

As explained in this document, the GMCB will implement that intention by gathering information about physician transfers[2] in a systematic way. This information-gathering process will enable the GMCB to analyze physician transfers reflected in a hospital's budget and any transfers that occur after the GMCB has approved the budget. This will allow the GMCB to understand the implications, if any, of those transactions on the hospitals' current-year and prospective budgets. The GMCB is not imposing a requirement that each physician transfer be approved by the GMCB separate from or in addition to the hospital budget review process.

Background

The GMCB is charged with improving the health of Vermonters while controlling and managing costs in the Vermont health care system. Measuring the growth in costs is one means to evaluate the performance of the GMCB's actions. In the hospital budget review process, the GMCB focuses on the budgeted year to year growth of the net patient revenues (NPR) in the hospital budgets. The underlying principle for this review is to limit growth to a pace comparable to the Vermont economy.

Vermont healthcare expenditures totaled $5 billion in 2011, and the hospitals comprised $2 billion of the total. In Vermont, the majority of practicing physicians are employed by hospitals. Approximately $600 million of physician revenue remains outside of the hospital setting. Independent practices are facing ever-increasing economic pressure to move into the hospital setting. Practices moving into the hospitals can create the impression of hyper-inflationary hospital budget growth, but may be, in whole or part, a simple transfer of dollars within the greater system. Further, physician transfers and acquisitions may occur independent of the budget review process, and by nature are time sensitive, and our reporting requirements need

[2] All references to "physician transfers" mean "physician transfers and/or acquisitions."

to recognize this reality. We also recognize that these transactions will affect the hospitals' NPR levels in the current and subsequent fiscal year.

Accordingly, the GMCB needs a consistent policy for examining hospital physician acquisitions and transfers to understand the net effect of these transactions on the growth in spending of the entire system, the extent to which the transaction will improve or maintain care to patients in the community, and the impact on the NPR, overall budget, and financial health of the hospital.

Confidentiality

The GMCB recognizes that, by gathering information about prospective transactions, it is placing hospitals in a sensitive position. Physician transfers, for a variety of reasons, generally cannot be made public while they are in the negotiation stage. Doing so would, for example, hamper the parties' ability to negotiate and would place the parties at a competitive disadvantage with respect to non-party hospitals or other providers. Vermont's Public Records Act exempts from public disclosure "information . . . which gives its user or owner an opportunity to obtain business advantage over competitors who do not know it or use it," 1 V.S.A. § 317(c)(9), and records related to contract negotiations, 1 V.S.A. § 317(c)(15). Accordingly, hospitals may request that the GMCB keep such information confidential and, assuming the information meets either or both of the above statutory exemptions, the GMCB will treat it as confidential.

Reporting documents

The GMCB will require hospitals to provide the following information when proposing a *physician transfer.* The schedules below reflect the GMCB's current view of its informational needs, and the GMCB looks forward to working with the hospitals to evolve these information-gathering tools over time. Both a full annualized effect and a partial year effect need to be completed for any mid-year physician acquisition/transfer that is being considered. The hospital may file any other information it deems appropriate to describe the transfer or will better inform the GMCB.

1) Annual Budget Submission – budget within the 3% cap
    a. Neither budget schedule A or B will be required. These documents are found on pages 23-24 of this document.
    b. Physician budget detail will be reported as described in the GMCB User's Guide for Adaptive Insights.
    c. The narrative will include a brief description of the transfer as outlined on page 6 of this document.

2) Annual Budget Submission – budget above the 3% cap
    a. Budget Schedule A will be required to provide financial information about why the transaction is budget neutral.
    b. Physician budget detail will be reported as described in the GMCB User's Guide for Adaptive Insights.
    c. The narrative will include a brief description of the transfer as outlined on page 6 of this document.

3) "Off cycle" Budget change - physician transfer/acquisition that occurs after the budget is approved
    a. Budget Schedule A will be required to provide financial information about why the transaction is budget neutral.
    b. Budget Schedule B will be required to provide financial information about the effect on the current year and the next projected budget.
    c. A narrative will be completed to describe the physician transfer and any related issues.

Budget schedule A

Physician Practice Transfer and/or Acquisitions Worksheet - Budget Schedule A			
Hospital Name:			
Physician Practice Name:			
Effective Date of Transfer or Acquisition:			
Note: This information should be submitted 30 days prior to the effective date of the transfer			
Physician Practice Financial Information			
	A	B	C
	Prior Year 12 Months	Current Year Projection 12 Months	Partial Current Year Projections
Gross Patient Care Revenue			
Deductions from Revenue			
Net Patient Revenue - Physician			
Provider Salaries			
Provider Fringe Benefits			
Staff Wages & Benefits (Non MD)			
Malpractice			
Depreciation/Amortization			
Rent			
Billing Service			
Medical/Surgical Supplies			
Other Costs			
Total Operating Expense	$ -	$ -	$ -
Net Operating Income/Loss	$ -	$ -	$ -
Utilization			
Relative Value - Units of Service			

A: The operations of the practice for the previous 12 months.
B: The operations of the practice for the projected year (12 months).
C: The operations of the practice from the beginning effective date of transfer to year end.

To obtain an Excel version of this worksheet, call Janeen Morrison @ 828-2903.

Budget schedule B

Physician Practice Transfer and/or Acquisitions Worksheet - Budget Schedule B					
Hospital Name:					
Physician Practice Name:					
Effective Date of Transfer or Acquisition:					
Note: This information should be submitted 30 days prior to the effective date of the transfer					
Hospital Budget and Physician Practice Financial Information					
	Partial Year Effect				
	Prior Year 12 Months Actual	Current Year Approved Budget (12 Months)	Partial Current Year Projections	Final Current Year Budget Including Change	% Change from Orig Budget
Net Patient Revenue - Hospital			$ -	$ -	#DIV/0!
Net Patient Revenue - Physician				$ -	#DIV/0!
Total Net Patient Revenue	$ -	$ -	$ -	$ -	#DIV/0!
Other Operating Revenue					#DIV/0!
Expenses - Hospital			$ -	$ -	#DIV/0!
Expenses - Physician				$ -	
Total Expenses	$ -	$ -	$ -	$ -	#DIV/0!
Surplus	$ -	$ -	$ -	$ -	
	Annualized Effect				
		Current Year Approved Budget (12 Months)	Annualized	Budget for Next FY Including Change	% Change from Orig Budget
Net Patient Revenue - Hospital	$ -	$ -	$ -	$ -	#DIV/0!
Net Patient Revenue - Physician	$ -	$ -	$ -	$ -	#DIV/0!
	$ -	$ -	$ -	$ -	#DIV/0!
Other Operating Revenue					#DIV/0!
Expenses - Hospital	$ -	$ -	$ -	$ -	#DIV/0!
Expenses - Physician	$ -	$ -	$ -	$ -	
	$ -	$ -	$ -	$ -	#DIV/0!
Surplus	$ -	$ -	$ -	$ -	

This worksheet must be submitted in Excel. To obtain an Excel version of this worksheet, call Janeen Morrison @ 828-2903.
Effective May 2, 2013

APPENDIX I

POLICY FOR CHANGES TO APPROVED BUDGET

A hospital requesting a modification to its approved budget before the end of that fiscal year must do the following:

a. Obtain approval of the change from its Board of Directors.
b. Submit a letter of intent regarding a revised budget. The submission should be delivered to the GMCB no less than 30 days prior to the date the budget adjustment or rate change will be effective.
c. Submit to GMCB within a time to be determined by GMCB, a complete "modified" budget in the same form as required during the regular budgeting process, along with an explanation as to the purpose of any changes and variances.
d. The hospital shall make available a staff member with knowledge of the budget to answer questions.

The GMCB will review the request within 15 days after the receipt of the detailed budget forms and will make its recommendations and forward them to the GMCB. A final decision will be provided within 14 days of the GMCB's receipt of the recommendations.

Note: The GMCB will not act upon any interim rate changes with effective dates after May 1.

APPENDIX II

STATE OF VERMONT
Green Mountain Care Board

In re: FY 2016 Hospital Budget Submission [Hospital Name]

Exhibit A – Form of Verification Under Oath

[Officer or other deponent], being duly sworn, states on oath as follows:

1. My name is [name]. I am [title]. I have reviewed the [identify information/document subject to verification].

2. Based on my personal knowledge, after diligent inquiry, the information contained in [identify information/document subject to verification] is true, accurate and complete, does not contain any untrue statement of a material fact, and does not omit to state a material fact necessary to make the statement made therein not misleading, except as specifically noted herein.

3. My personal knowledge of the truth, accuracy and completeness of the information contained in the [identify information/document subject to verification] is based upon either my actual knowledge of the subject information or, where identified below, upon information reasonably believed by me to be reliable and provided to me by the individuals identified below who have certified that the information they have provided is true, accurate and complete, does not contain any untrue statement of a material fact, and does not omit to state a material fact necessary to make the statement made therein not misleading.

4. I have evaluated, within the 12 months preceding the date of this affidavit, the policies and procedures by which information has been provided by the certifying individuals identified below, and I have determined that such policies and procedures are effective in ensuring that all information submitted or used by [the hospital] in connection with the Hospital Budget program of the Green Mountain Care Board (GMCB) is true, accurate, and complete. I have disclosed to the [governing board of the hospital] all significant deficiencies, of which I have personal knowledge after diligent inquiry, in such policies and procedures, and I have disclosed to the [governing board of the hospital] any misrepresentation of facts, whether or not material, that involves management or any other employee participating in providing information submitted or used by [the hospital] in connection with the GMCB Hospital Budget program.

5. The following certifying individuals have provided information or documents to me in connection with [identify information/document subject to verification], and each such

individual has certified, based on his or her actual knowledge of the subject information or, where specifically identified in such certification, based on information reasonably believed by the certifying individual to be reliable, that the information or documents they have provided are true, accurate and complete, do not contain any untrue statement of a material fact, and do not omit to state a material fact necessary to make the statement made therein not misleading:

(a) [1. identify each certifying individual providing information or documents pursuant to Paragraphs 3 and 4, above;
(b) 2. identify with specificity the information or documents provided by the certifying individual;
(c) 3. identify the subject information of which the certifying individual has actual knowledge, and identify the individuals and the information reasonably relied on by the certifying individual; and
(d) 4. in the case of documents identify the custodian of the documents]

6. In the event that the information contained in the [identify information/document subject to verification] becomes untrue, inaccurate or incomplete in any material respect, I acknowledge my obligation to notify GMCB and to supplement the [identify information/document subject to verification], as soon as I know, or reasonably should know, that the information or document has become untrue, inaccurate or incomplete in any material respect.

____

[Signature of the deponent]

On [date], [name of deponent] appeared before me and swore to the truth, accuracy and completeness of the foregoing.

____

Notary public
My commission expires [date]
[seal]