

Green Mountain Care Board Hospital Budget Overview

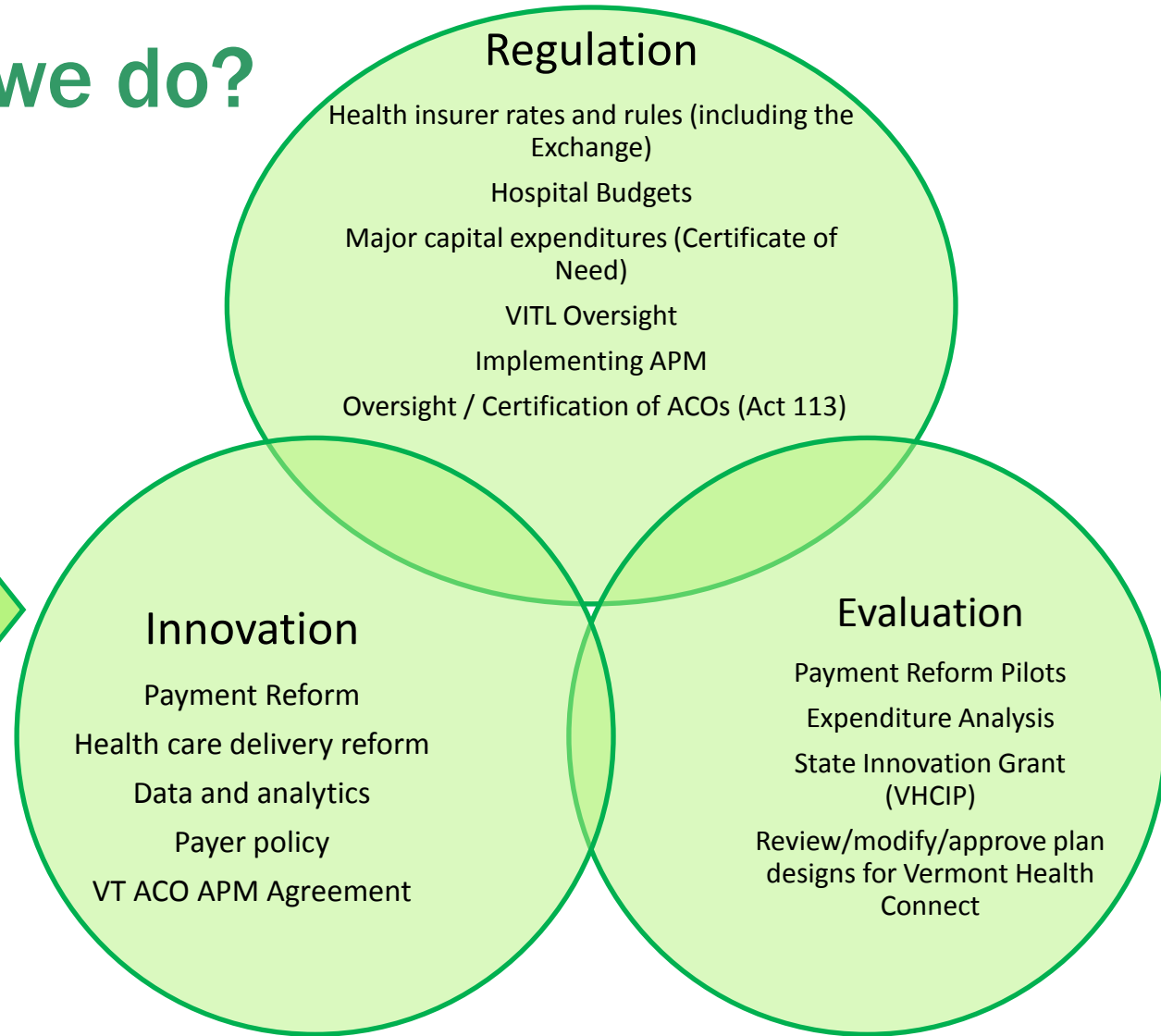
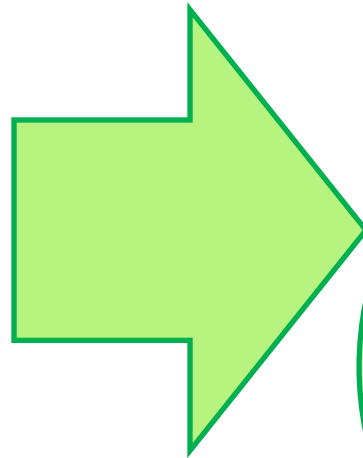
Susan Barrett, J.D., Executive Director

House Health Care Committee

January 25, 2017

What do we do?

The **Green Mountain Care Board** is charged with reducing the rate of health care cost growth in Vermont while ensuring that the State of Vermont maintains a high quality, accessible health care system.



Hospital Budget Review Process

Background

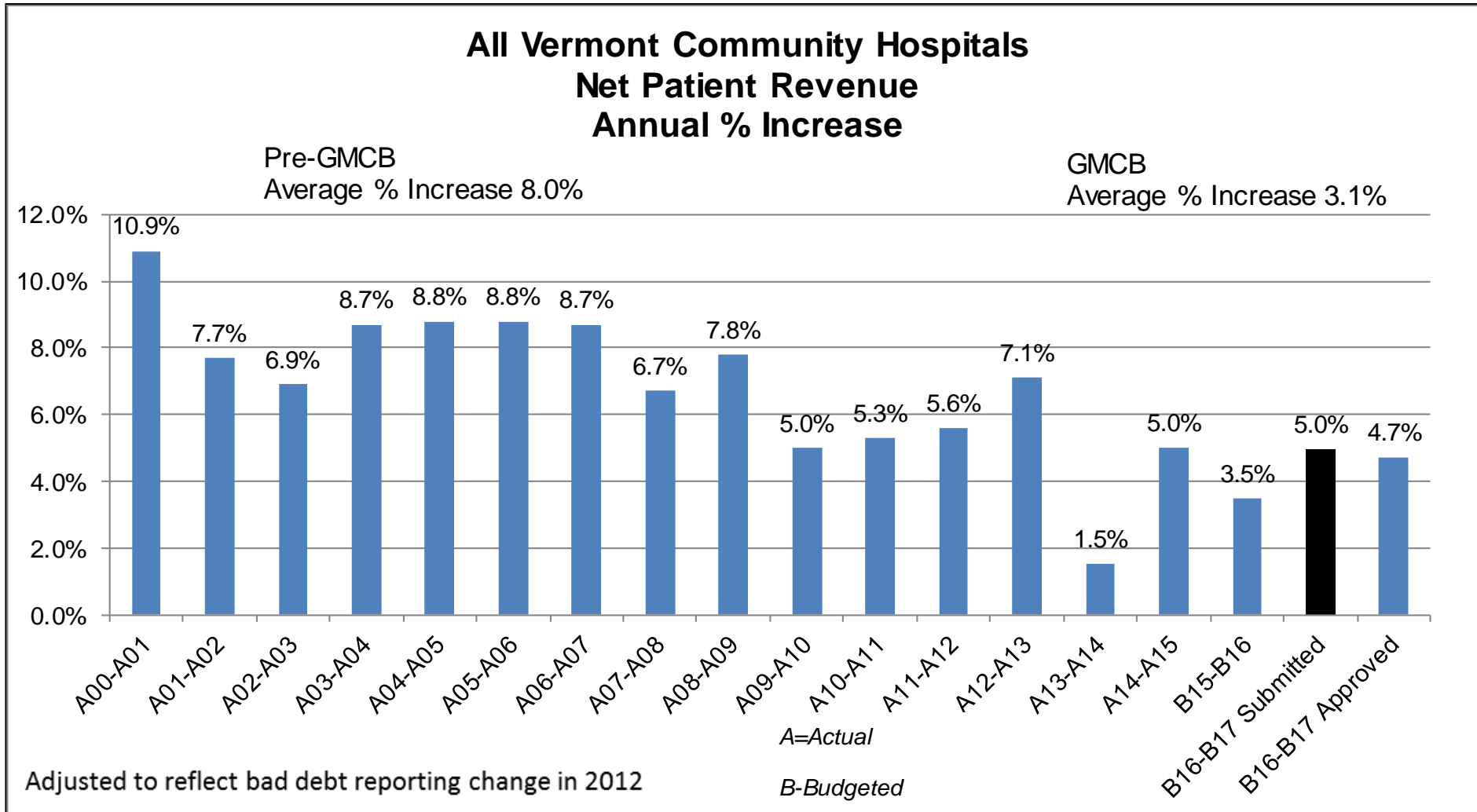
Vermont's hospital budgets have been subject to state review since 1983 and have been regulated by the Green Mountain Care Board (GMCB) since hospital fiscal year 2013 (began in October, 2012).

Process

The GMCB's review process is guided by Hospital Budget [Rule 3.000](#) and by the Board's policies on net patient revenue (NPR), community needs assessments, physician transfers, and enforcement found in [Hospital Budget Reporting Requirements](#).

****NPR = Net Patient Revenue is earned by providing patient services such as inpatient and outpatient visits that include tests, procedures, prescription medications and time with providers. These revenues are what is paid by payers less any contractual discounts and related bad debt and free care.*

Annual Percent Increase Pre/Post GMCB



National Hospital Snapshot Versus Vermont Hospitals

Hospital Benchmarks U.S data from Becker's Hospital Review

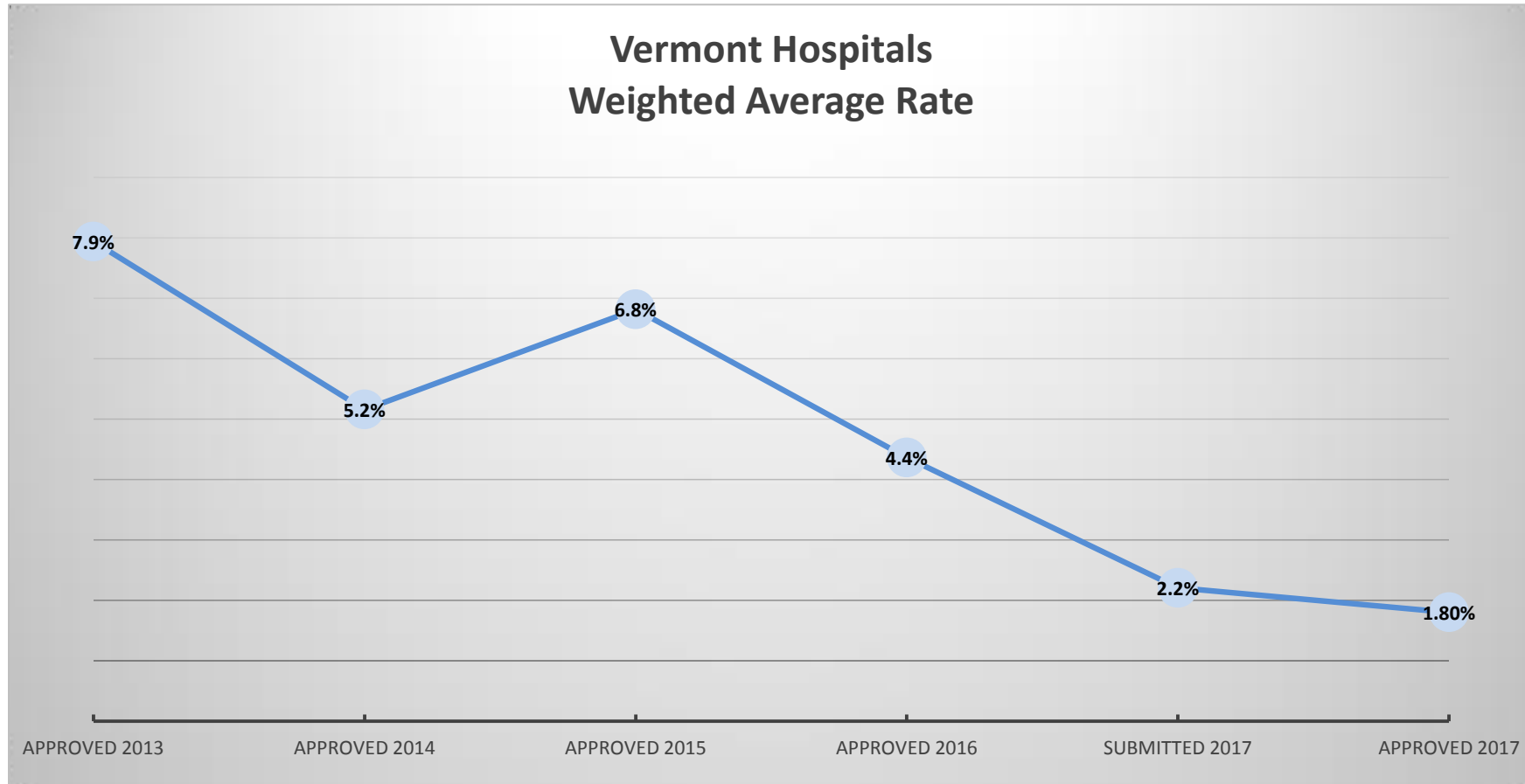
	U.S Not-for-Profit Hospital 2015 medians	Vermont Community Hospitals	Description
	2015	2015	
Operating surplus %	3.4%	2.8%	Surplus as % of revenues. Industry ranges tend to be between 2% - 4%.
Three-year operating revenue CAGR	5.8%	4.5%	Compounded annual growth rate - revenues.
Three-year operating expense CAGR	5.5%	4.5%	Compounded annual growth rate - expenses.
Annual operating revenue growth rate	7.5%	4.7%	Increase (decrease) over the prior year - revenues.
Annual operating expense growth rate	6.6%	5.0%	Increase (decrease) over the prior year - expenses.
Total debt-to-capitalization	33.7%	27.6%	Lower values are favorable; less reliance on debt.
Current ratio	2.0	2.9	Ability to pay short term obligations; higher values favorable.
Annual debt service coverage	5.2	4.4	Ability to pay debt obligations; higher values favorable.
Capital spending ratio	1.1	1.0	Capital investment measure; cap spending vs. depreciation.
Cash on hand	211.8	137	Measure of liquidity; days of cash available to pay bills w/o collecting more revenue.
Days receivable	48.4	39.4	The average # of days before revenue is collected; measures change in liquidity.
Average payment period	64.3	65.0	Counterpart of Days receivable.
Average age of plant	11	10.6	Measures the age of fixed assets in years; lower values reflect newer investments.

Note: Medians from analysis of 2015 audited financials of 340 free standing hospitals, single-state health systems and multi-state health systems.
www.beckerhospitalreview.com; October 2016

Hospital Budget Review Process: Results

Vermont Hospital System Approved Rate Increases.

The hospital commercial rate increases have declined over the time period 2014 - 2017. These rates have a direct effect on insurance rates.



What does health care look like with Fee-for-Service Payment vs. Value-Based Capitation-Style Payment?

Fee-for-Service

- Each medical service generates a fee
 - Unnecessary services may be provided
- Services that promote health may not be covered
 - phone consultations, time spent making referrals

Value-Based Capitation-Style Payment

- Providers receive a monthly amount to cover the health care services for their patients
- Providing services that promote health increases system efficiency

References

Green Mountain Care Board Website:

<http://gmcboard.vermont.gov>

Link to GMCB Decision to APM:

<http://gmcboard.vermont.gov/content/vermont-all-payer-accountable-care-organization-model-agreement>