

Update and Overview on Vermont Hospital Financials

Presented to House Health Care

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What is the Green Mountain Care Board?



- Mission:
 - Improve the health of Vermonters through a high-quality, accessible, and sustainable health care system.
- What makes the Board unique?
 - **Transparent**
 - Regulatory decisions are made in public, with data, evidence, and staff recommendations presented at fully noticed public meetings open to all.
 - Meetings are videotaped by ORCA Media, with recordings available online.
 - Engages stakeholders, including the Office of the Health Care Advocate, other State agencies, regulated entities, and the public to inform our work.
 - **Independent**
 - Members are appointed to six-year terms, which may span more than one Governors' administrations.
 - **System-wide view**
 - Unique role in Vermont's health care system, regulating key industry players, driving reform efforts, and evaluating our health care system.
 - Integrated regulatory approach enables GMCB to understand how regulatory decisions impact one another & to account for this cross-system impact.

Overview

1. Statute
2. How does GMCB regulate the hospitals?
3. Hospital Budget Timelines
4. Recommended COVID-19 Abbreviated Hospital Budget Guidance
5. FY2020 System-wide Performance
6. Interactive Visualization
7. What's Next?

Statute



- Annually by October 1, the Green Mountain Care Board (GMCB) has the responsibility to review and establish community hospital budgets. In its review, the Board considers local health care needs and resources, utilization and quality data, hospital administrative costs, and other data, as well as presentations from hospitals, input from the Health Care Advocate and comments from the public. 18 V.S.A. § 9375(b)(7); 18 V.S.A. § 9456

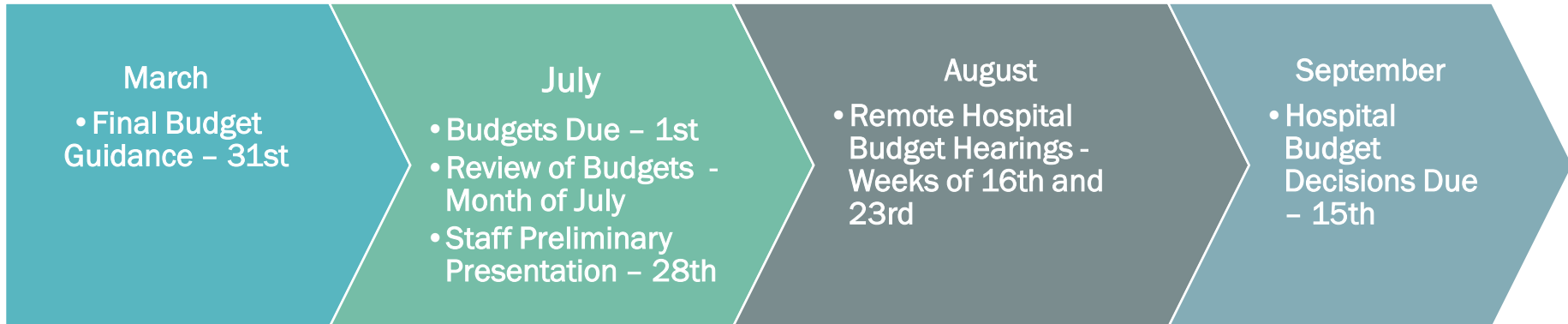
How does GMCB regulate the hospitals?



The Board performs its hospital budget regulatory duties by:

- **Establishing Budgets.** The Board establishes revenue growth rates for Vermont's 14 community hospitals:
 - Under Oath, hospitals submit budget requests by July 1 and further discuss these requests at hospital budget hearings in August.
 - The Board deliberates publicly at scheduled Board meetings and writes budget orders by October 1.
 - The Board regulates hospitals' net patient revenue (NPR) and fixed prospective payment (FPP) growth. The Board also regulates NPR/FPP by limiting change in gross charges, which can impact consumers' insurance costs.
- **Enforcing Budgets.** The Board may review the financial performance of hospitals that exceed the growth limits ordered in their budgets and may take enforcement action if performance differs substantially.
- **Monitoring Performance.** Hospitals submit monthly performance information to the Board. Hospitals facing financial challenges may be required to meet periodically with the GMCB Chair and staff.

Hospital Budget Timelines



COVID-19 Abbreviated Guidance Recommendations



Pursuant to its emergency authority under Act 91 (H. 742) and recognizing hospital budget submission challenges created from the COVID-19 pandemic and that Budget Guidance is developed as a thoughtful and collaborative initiative, staff recommend the following deletions/additions to previous Budget Guidance:

- For FY2021
 - Submission date changed from July 1st to July 31st
 - An Abbreviated Excel budget template was used for each hospital
 - Eliminated “Non-Financial Reporting” requirement
 - Limited questions to those of a technical or clarifying nature.
 - Added COVID-19 impact
 - Due to uncertainty from the pandemic the Board waived enforcement for FY2020

FY2021 COVID-19 Abbreviated Guidance



Item	Recommendation
COVID-19 impact	Add to timeline, introduction and narrative prompts
Part One “Non-Financial Reporting”	Remove
Data Input to Adaptive Insights	Remove for a later date, Use Excel file budget submission template
Comparative Financial Metrics	Remove - some included in Excel file template
NPR/FPP Overview	Consolidate
Other Operating and Non-Operating Revenue	Combine
Capital Investment Cycle	Remove borrowing, CON and non-CON questions
Organizational Structure	Remove
Service Line Assessment	Remove
Risks and Opportunities	Remove
Unique Patients	Remove
ACO Participation and Health Care Reform	Postponed Reserve and Settlement Table requirement to late summer early fall
	Remove questions - accounting challenges, hospital employee attribution, mental health and social services
Vermont Health Information Exchange Network	Remove
Appendices	Remove - Bridge Tables
	Remove - Change in Charge
	Remove - Utilization
	Remove - Inflation
	Remove - ACO Participation

FY2022 COVID-19 Abbreviated Guidance



- For FY2022
 - Submission date changed back to July 1st
 - An abbreviated Adaptive budget submission for each hospital:
 - Income Statement, Balance Sheet, Payer Revenue, Utilization, Staff/FTEs, Capital Expenditures.
 - Appendices Financial Workbook to support narratives and presentations :
 - Reconciliation (Bridges), Charge increases and NPR Detail, Utilization estimates, Inflation, Vaccine Clinics and Testing, Value-Based Participation, COVID-19 Advances, Relief Funds, and Other Grants
 - Eliminate: “Non-Financial Reporting” requirement
 - Limit questions to those of a technical or clarifying nature.
 - Exemption from Public Hearing Policy Criteria
 - Due to uncertainty from the pandemic the Board waived enforcement for FY2021

Fiscal Year 2020 Year-End Review

Fiscal Year 2020 Year-End Review



Vermont hospitals are required to report their Fiscal Year 2020 (FY2020) actual operating results as part of the Green Mountain Care Board's (GMCB) FY2020 budget orders. Additionally, hospitals are required to submit their FY2020 audited financial statements, as well as the hospital's parent organization's audited consolidated financial statements, if applicable. These documents, and other additional information, are available on the [Green Mountain Care Board website](#).

Note: Springfield Hospital did not submit audited FY2020 data at the time of this report. As a result, this report uses unaudited data submitted by the hospital for Fiscal Year-End September 2020.

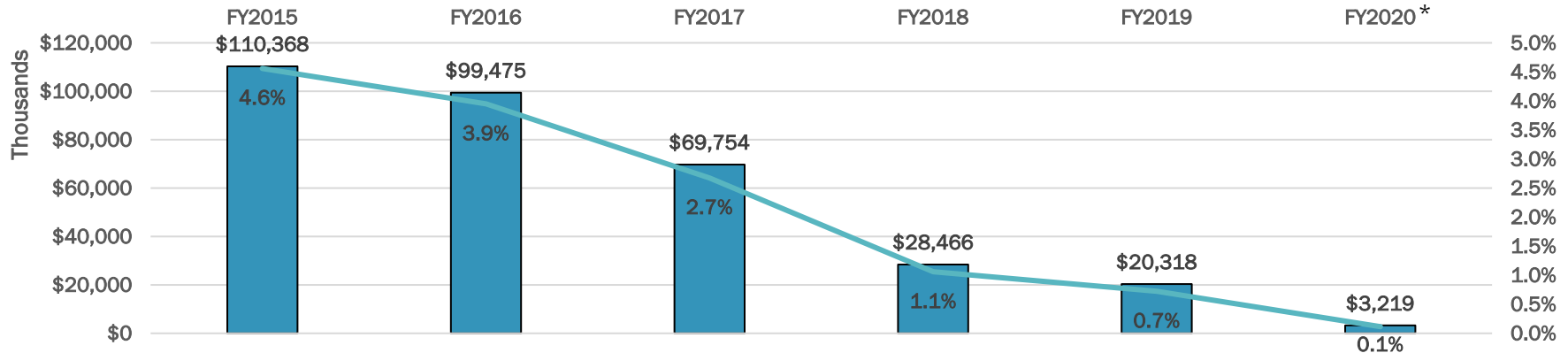
Vermont Hospital System



Vermont Hospital System			
Net Patient Revenue/Fixed Prospective Payments			
Actual 2020	Budget 2020	Variance (\$)	Variance (%)
\$ 2,425,294,019	\$ 2,717,331,641	\$ (292,037,622)	-10.7%
Operating Expenses			
Actual 2020	Budget 2020	Variance (\$)	Variance (%)
\$ 2,880,934,793	\$ 2,868,723,052	\$ 12,211,741	0.4%

Vermont Hospital System			
Net Patient Revenue/Fixed Prospective Payments			
Actual 2020	Actual 2019	Variance (\$)	Variance (%)
\$ 2,425,294,019	\$ 2,588,423,980	\$ (163,129,961)	-6.3%
Operating Expenses			
Actual 2020	Actual 2019	Variance (\$)	Variance (%)
\$ 2,880,934,793	\$ 2,795,444,000	\$ 85,490,793	3.1%

Operating Margin

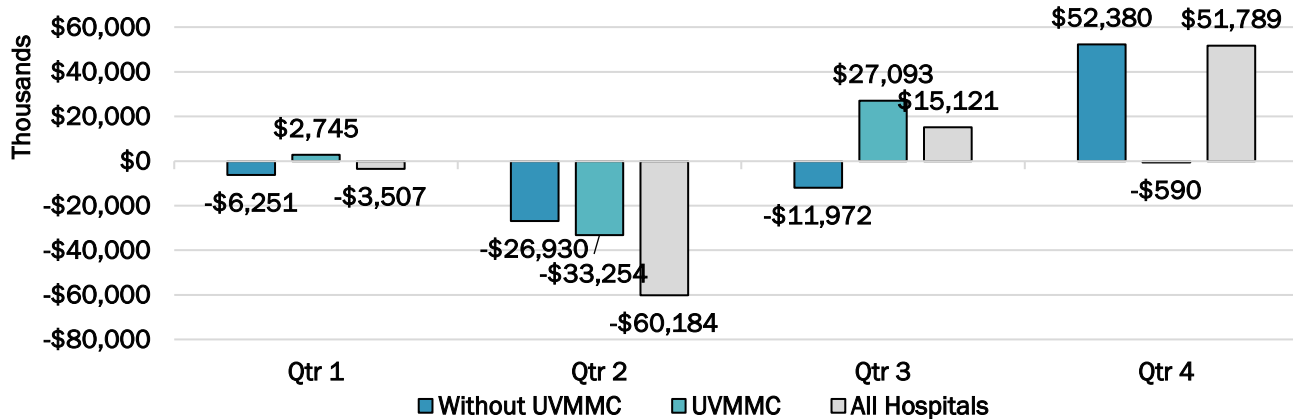


*FY2020 year-end results may change due to stimulus guidance.

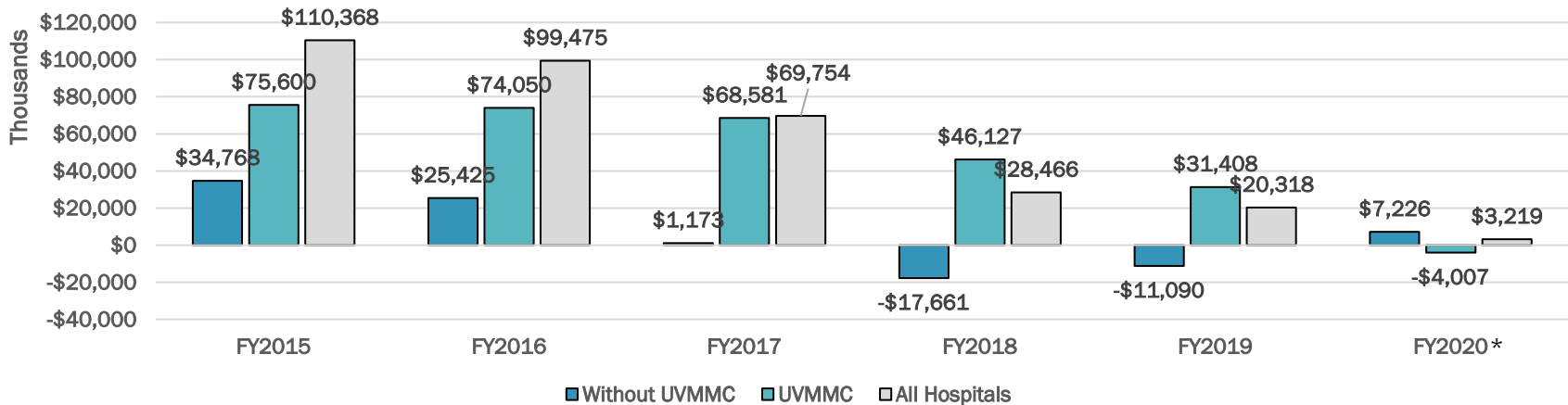
Vermont Hospital System



Operating Margin
FY2020 Quarterly Activity*



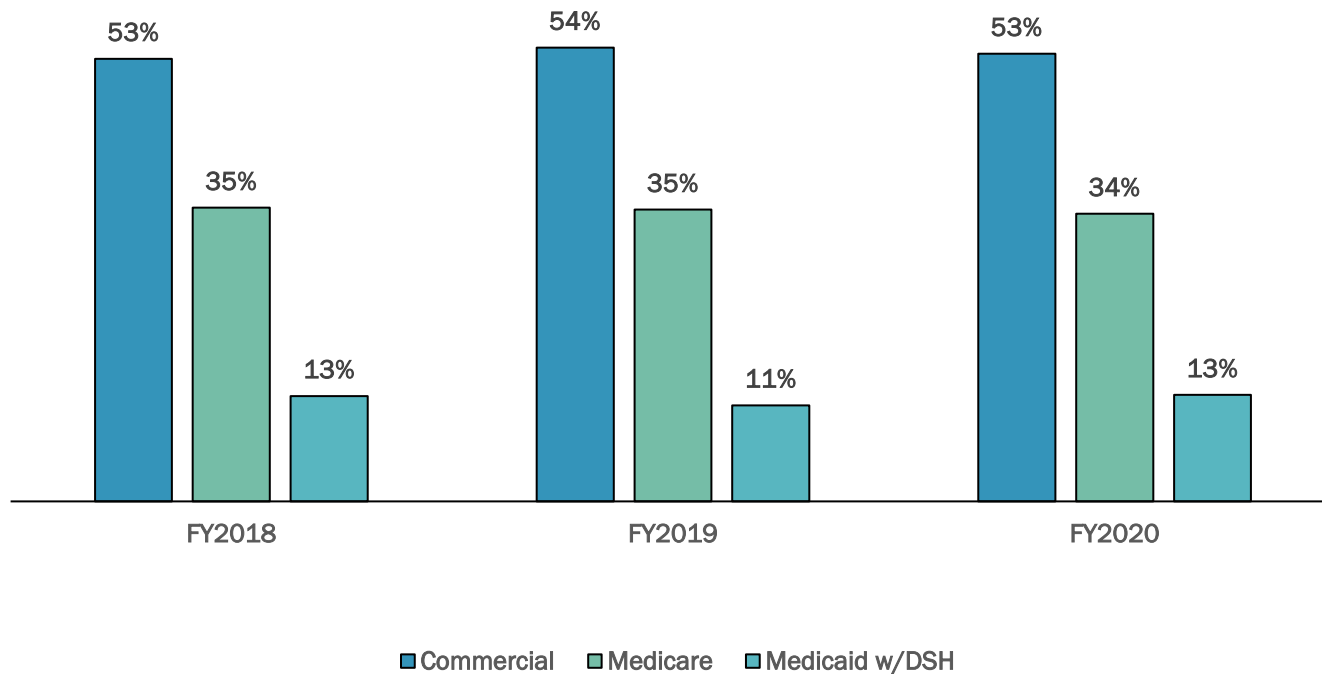
Operating Margin



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Payer Mix

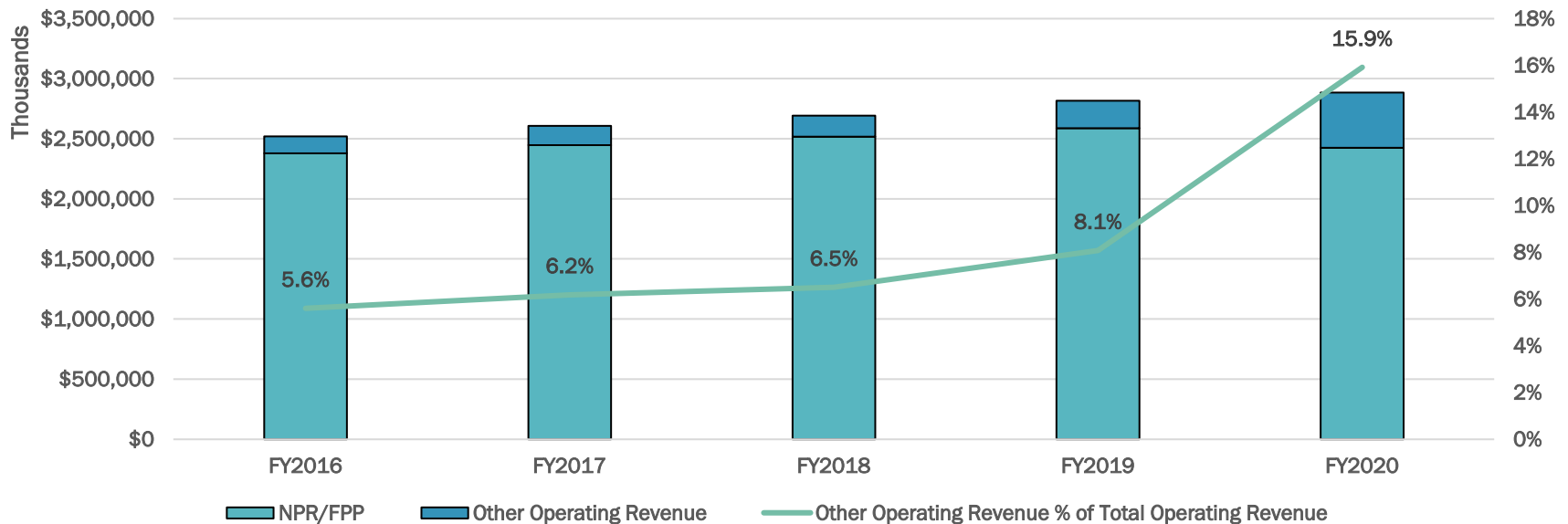
- System-wide, FY2020 payer mix did not indicate much shift from prior years despite the impact of COVID-19.
- On a per hospital basis, FY2020 payer mix affected each differently.



Increasing Reliance on Other Operating Revenue

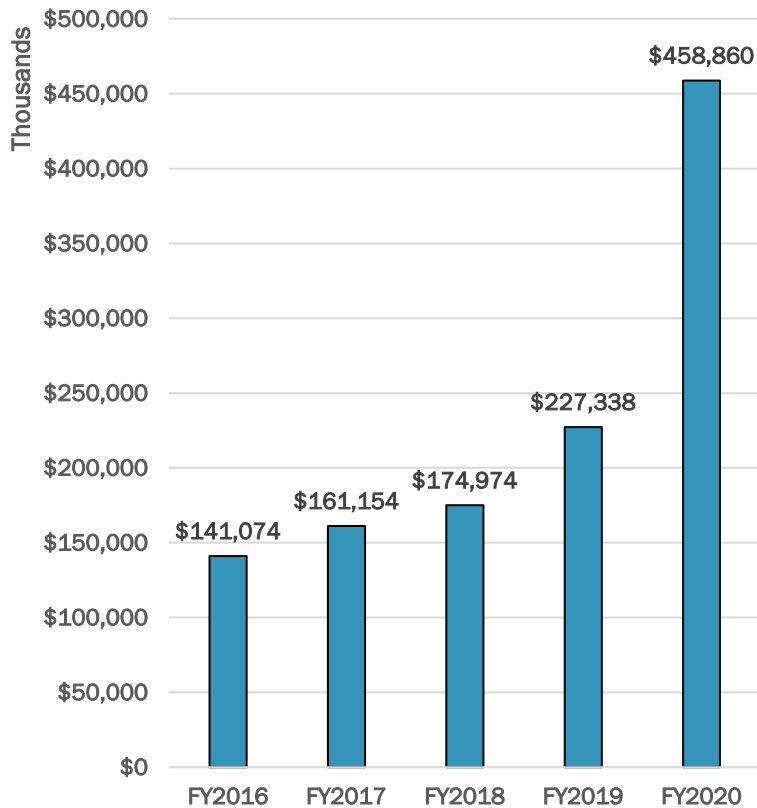
As the 2020 pandemic continued, operating margins deteriorated. Once the CARES Act was passed, hospitals applied for the different forms of relief funding. Several hospitals credited these funds as **critical to the sustainability of their organizations**.

Increasing Reliance on Other Operating Revenue

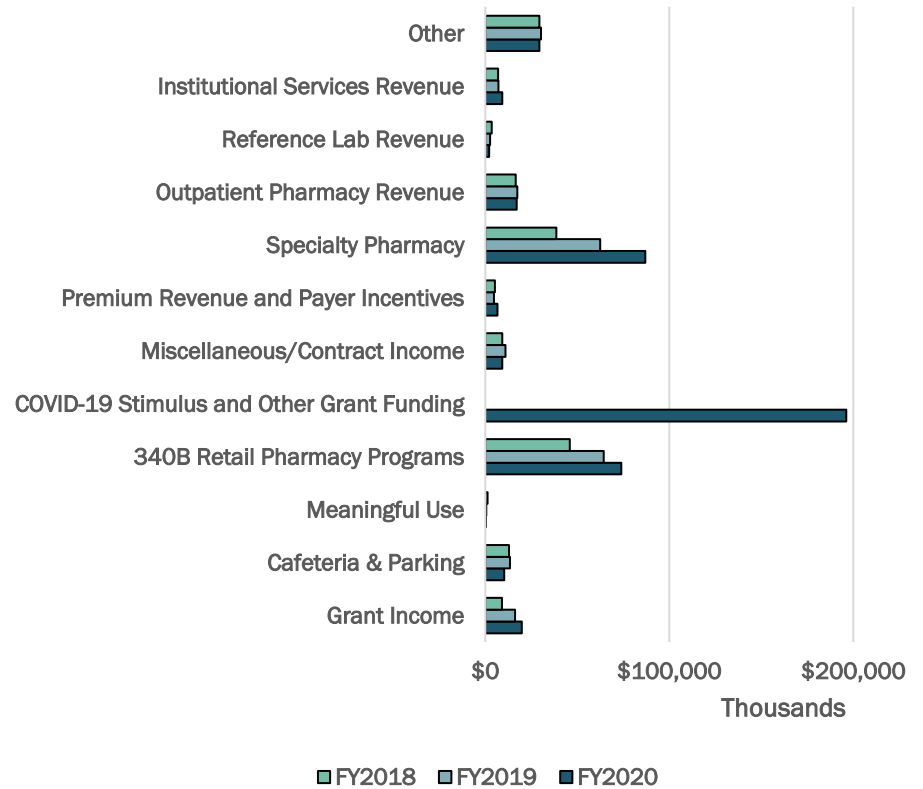


Other Operating Revenue

Other Operating Revenue



Categories of Other Operating Revenues



FY2020 Year-End Results: Operating Margin (\$)



Hospital	FY2019 Actuals	FY2020 Budget	FY2020 Actuals	Budget-to-Actual % Variance	Actual-to-Actual % Variance
Brattleboro Memorial Hospital	\$670,579	\$475,566	\$515,362	8%	-23%
Central Vermont Medical Center	(\$4,677,987)	\$187,103	(\$1,319,345)	-805%	-72%
Copley Hospital	(\$2,161,242)	\$1,004,619	(\$2,756,792)	-374%	28%
Gifford Medical Center	(\$413,707)	\$1,540,766	\$1,417,726	-8%	-443%
Grace Cottage Hospital	(\$1,301,798)	(\$1,263,830)	(\$378,786)	-70%	-71%
Mt. Ascutney Hospital & Health Ctr	(\$42,885)	\$0	\$538,310	#DIV/0!	-1355%
North Country Hospital	\$1,676,946	\$1,471,941	\$3,336,242	127%	99%
Northeastern VT Regional Hospital	\$1,627,193	\$1,613,350	\$1,181,218	-27%	-27%
Northwestern Medical Center	(\$8,905,148)	(\$248,287)	(\$1,111,516)	348%	-88%
Porter Medical Center	\$4,705,271	\$3,590,524	\$3,673,600	2%	-22%
Rutland Regional Medical Center	\$1,172,124	\$6,699,103	\$545,491	-92%	-53%
Southwestern VT Medical Center	\$5,583,044	\$6,052,474	\$4,766,481	-21%	-15%
Springfield Hospital	(\$9,021,953)	(\$985,156)	(\$3,181,720)	223%	-65%
The University of Vermont Medical Center	\$31,407,561	\$46,375,027	(\$4,007,273)	-109%	-113%
Total	\$20,317,997	\$66,513,200	\$3,218,998	-95.2%	-84.2%

FY2020 year-end results may change due to stimulus guidance.

Key Financial Indicators: FY2020 Year-End (as of September 30, 2019 and 2020)



Hospital	Days Cash on Hand ↑			Days Receivable ↓			Days Payable ↓			Debt Service Coverage Ratio To:1.00 ↑			Age of Plant ↓
	FY2019	FY2020	△	FY2019	FY2020	△	FY2019	FY2020	△	FY2019	FY2020	△	FY2020
Brattleboro Memorial Hospital	156.9	219.5	62.6	57.6	50.1	-7.4	52.8	95.8	42.9	3.5	4.4	0.8	12.9
Central Vermont Medical Center	95.5	131.6	36.1	48.9	55.1	6.1	70.4	96.6	26.2	1.3	1.4	0.1	14.0
Copley Hospital	62.1	199.8	137.7	29.2	28.0	-1.2	36.7	184.6	147.9	1.3	0.3	-1.0	11.8
Gifford Medical Center	236.8	332.9	96.1	42.8	52.0	9.2	51.5	121.6	70.1	2.1	3.7	1.6	17.4
Grace Cottage Hospital	92.5	266.7	174.2	35.0	39.4	4.4	98.1	149.4	51.3	-1.1	0.7	1.8	20.6
Mt. Ascutney Hospital & Health Ctr	144.4	207.0	62.6	40.2	40.8	0.6	76.2	126.1	49.9	5.6	3.6	-2.0	11.4
North Country Hospital	220.5	318.1	97.6	32.5	39.4	6.9	59.4	84.8	25.3	3.6	4.6	1.0	14.0
Northeastern VT Regional Hospital	107.4	206.6	99.2	39.9	40.2	0.4	48.7	85.2	36.5	5.1	4.5	-0.6	15.4
Northwestern Medical Center	255.2	289.8	34.6	41.5	46.6	5.0	39.8	116.0	76.2	-1.1	2.3	3.4	11.8
Porter Medical Center	128.5	166.5	38.0	60.7	81.3	20.6	51.4	92.0	40.7	9.0	8.3	-0.8	13.7
Rutland Regional Medical Center	201.8	274.5	72.7	40.5	34.6	-5.9	52.4	84.0	31.6	4.5	4.3	-0.1	14.4
Southwestern VT Medical Center	40.7	69.9	29.2	35.6	34.5	-1.1	55.7	82.6	26.9	13.4	11.8	-1.7	19.4
Springfield Hospital	16.6	0.0	-16.6	44.8	0.0	-44.8	176.8	0.0	-176.8	-0.7	0.0	0.7	17.2
The University of Vermont Medical Center	169.4	193.2	23.8	50.2	57.3	7.1	51.4	76.9	25.5	3.0	2.1	-0.8	11.6

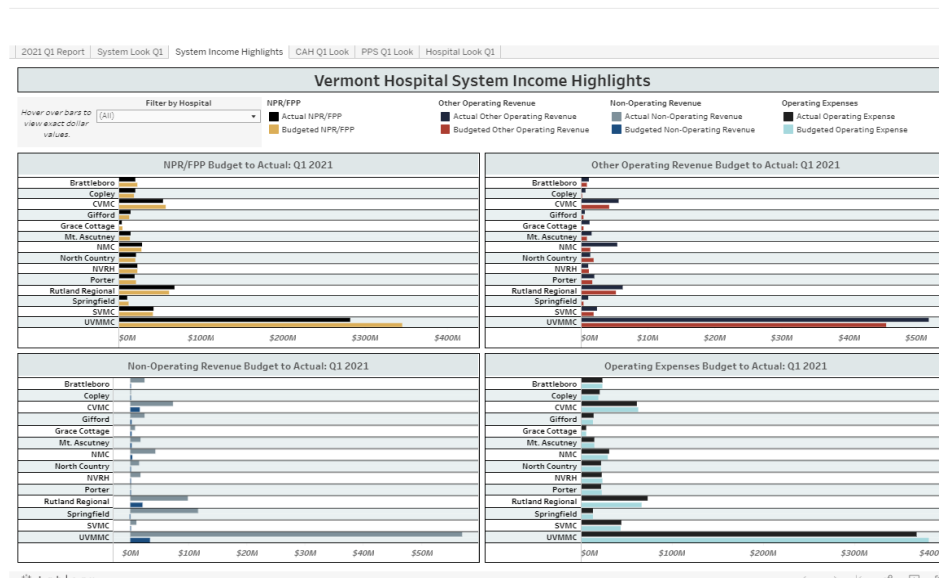
↑ increasing values are favorable; ↓ decreasing values are favorable

FY2020 Days Cash on Hand inflated due to stimulus funds.

Interactive Visualization

- From the GMCB Hospital Budget Review website
 - FY 2021 Actuals
- Launch an Interactive Window
- Link: <https://gmcbboard.vermont.gov/hospitalbudget/fy2021actual>

Hospital Budget Quarterly Report: Q1 2021



What's Next?

- Act 159 of 2020 Sect. 4 Sustainability Planning update due April 1, 2021,
- Continued movement to Value Based Care,
- Continuing to work with the hospitals on COVID-19 and post COVID-19 healthcare,
- Transparency,
- Health equity

Glossary

Critical Access Hospital (CAH): designation given to eligible rural hospitals by the Centers for Medicare and Medicaid Services. CAH designation aims to reduce the financial vulnerability of rural hospitals and improve access to healthcare by keeping essential services in rural areas. To accomplish this goal, CAHs receive certain benefits, such as cost-based reimbursement for Medicare services.

Prospective Payment System (PPS): PPS is a method of reimbursement in which Medicare payment is made based on a predetermined, fixed amount. The payment amount for a particular service is derived based on the classification system of that service (for example, diagnosis-related groups for inpatient hospital services).

Net Patient Revenue (NPR): Revenue a hospital will receive for services rendered. It is the amount resulting after contractual allowances, commercial discounts, and free care are deducted from gross charges.

Fixed Prospective Payment (FPP): fixed payments from the Accountable Care Organization (ACO) that cover the cost of medical care provided to lives attributed to the ACO, net of value-based incentive program deductions. Participation fees are recorded in Operating Expenses.

Operating Expenses: All input costs required to provide goods and services to patients. This includes salaries, fringes, insurance, professional fees, depreciation, interest, etc.

Glossary continued



Days Cash on Hand: $(\text{Cash} + \text{Investments} + \text{Unrestricted Funded Depreciation (Board Designated Assets)} + \text{Unrestricted Other Board Designated Assets}) * 365 / (\text{Total expense} - (\text{Depreciation} + \text{Amortization}))$

Operating Margin: $\text{Operating Surplus} / (\text{NPR} + \text{FPP} + \text{Other Operating Revenue})$

Total Margin: $(\text{Operating Surplus} \& \text{non-operating Revenues}) / (\text{NPR} + \text{FPP} + \text{Other Operating Revenue} + \text{Non-Operating Revenue})$

Days Payable: $\text{Current Liabilities} / (\text{Total Expenses} - (\text{Depreciation} + \text{Amortization} + \text{Interest})) * 365$

Days Receivable: $\text{Net Patient Accounts Receivable} / \text{NPR} * 365$

Debt Service Coverage Ratio: $(\text{Net Operating Income} + \text{Depreciation} + \text{Amortization} + \text{Interest}) / (\text{Current Portion of Long-Term Debt} + \text{Interest})$



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