Hospital Budget Overview

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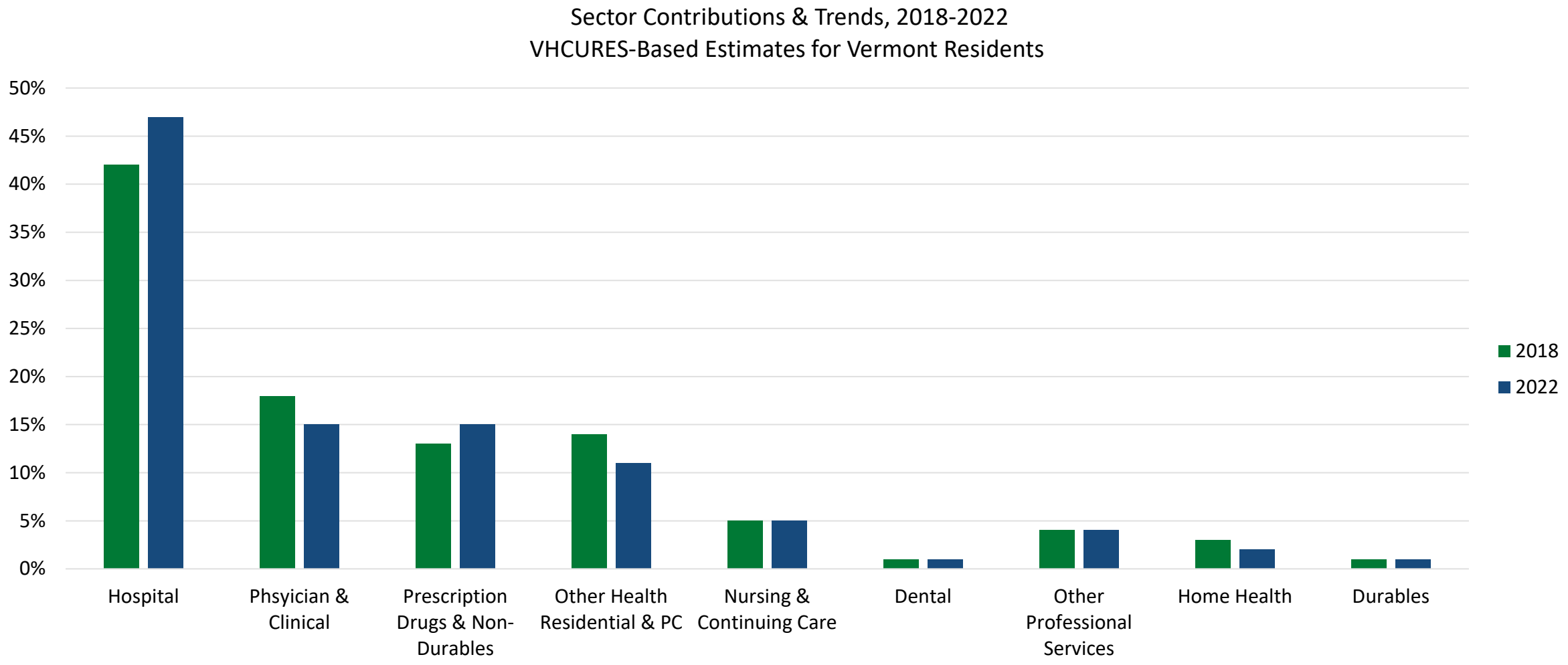
Matthew Sutter, Director of Health Systems Finances
Green Mountain Care Board

Agenda

- **Background**
  - A (very) short history of hospital regulation in Vermont
- **Budget review process**
  - Overview
  - Benchmarks
- **Review of last year's decisions**
- **Next steps…**
  - Reference-based pricing

Why regulate hospital budgets?

Hospital spending is a major driver of health care spending



Hospital budget regulation in Vermont

1983

Title 18

Established the hospital budget review process to slow the rising costs of health care and ensure hospital budgets were reasonable and fair.

2011

Act 48

Gave Vermont new tools to apply to the hospital budget review process designed to manage costs, including the creation of the Green Mountain Care Board.

2012

Act 171

Assigned the Green Mountain Care Board responsibility for hospital budget oversight.

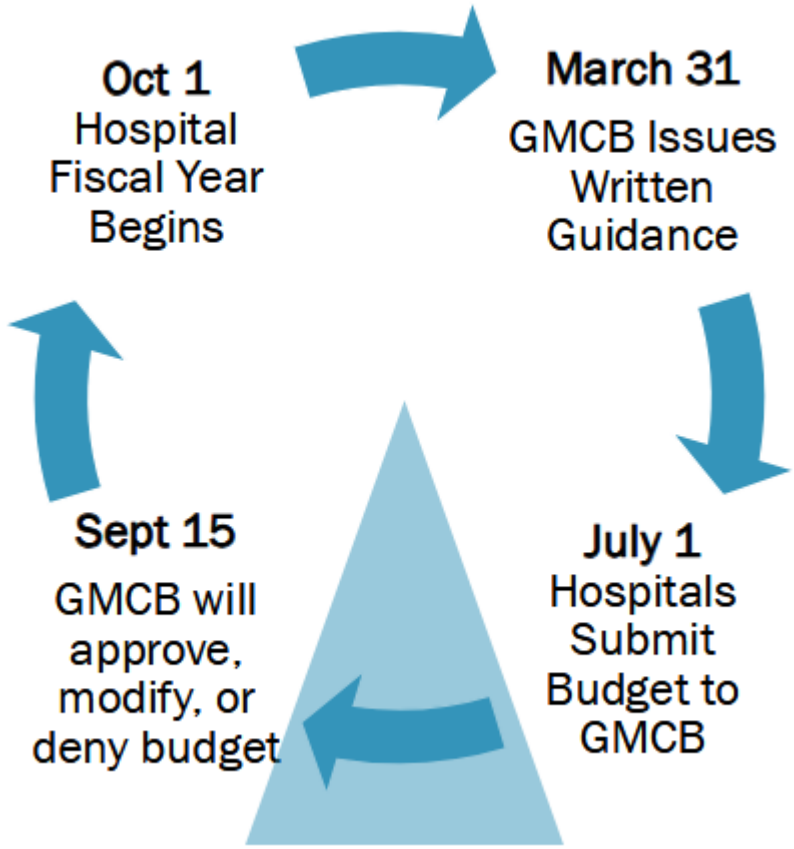
2025

Act 68

Tasked the Green Mountain Care Board with achieving payment reform through the implementation of reference-based pricing

Budget review: Overview

- The Board is tasked with establishing hospital budgets that meet the **state's statutory objectives**
- These objectives tie back to **increasing access**, **improving quality**, and **containing costs**.
- Each year the Board **establishes benchmarks** for **hospital use in developing and preparing budgets,** and to **guide the board in its decision making**
- Each **hospital bears the burden of persuading the Board** that its proposed budget aligns with the state's statutory objectives.
- The **Board also votes on standard budget conditions** that apply to all hospitals. These conditions are incorporated into the budget orders



Budget review: Benchmarks

Example P&L	Current year approved budget	Submitted budget	% Change
Gross revenue	$100,000	$110,000	10.0%
Deductions	-$50,000	-$55,000	10.0%
Net patient revenue (NPR)	$50,000	$55,000	10.0%
Fixed prospective payments (FPP)	$20,000	$18,000	-10.0%
NPR + FPP	**$70,000**	**$73,000**	**4.3%**
Other operating revenue	$40,000	$41,000	2.5%
Total operating revenue	$110,000	$114,000	3.6%
Total operating expenses	**$105,000**	**$110,000**	**4.8%**
Operating income	$5,000	$4,000	
Operating margin	4.5%	3.5%	

1. **Net Patient Revenue growth %**
2. **Commercial reimbursement rate increase**
3. **Operating expense growth %**

Importantly, hospital budget guidance established the same benchmarks for all hospitals.

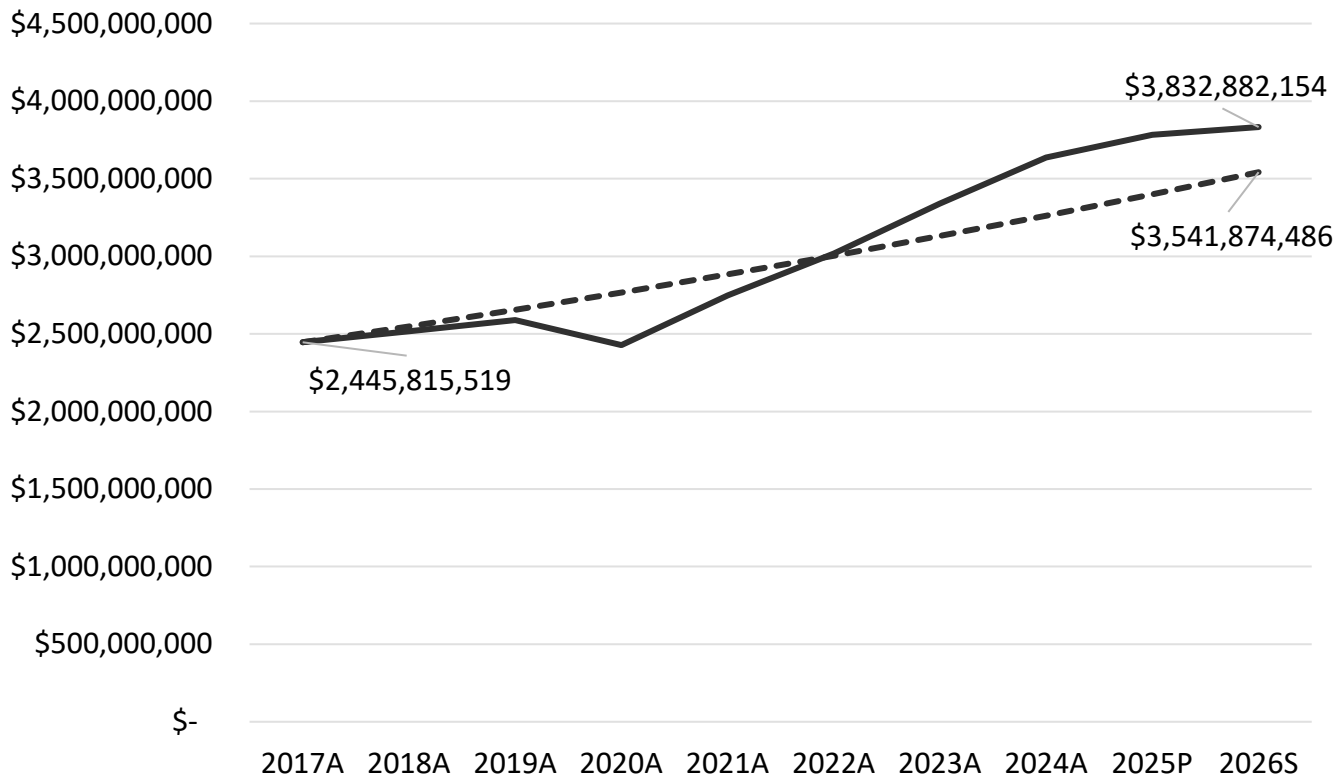
What have we targeted through a revenue benchmark?

What is the goal?

Tethering the allowed revenue growth to Vermont's **All-Payer Model targets** would, in theory, produce budgets that met the state objective of containing costs in our system.

But what has happened is…

Hospital NPR+FPP vs. 4.2% growth target

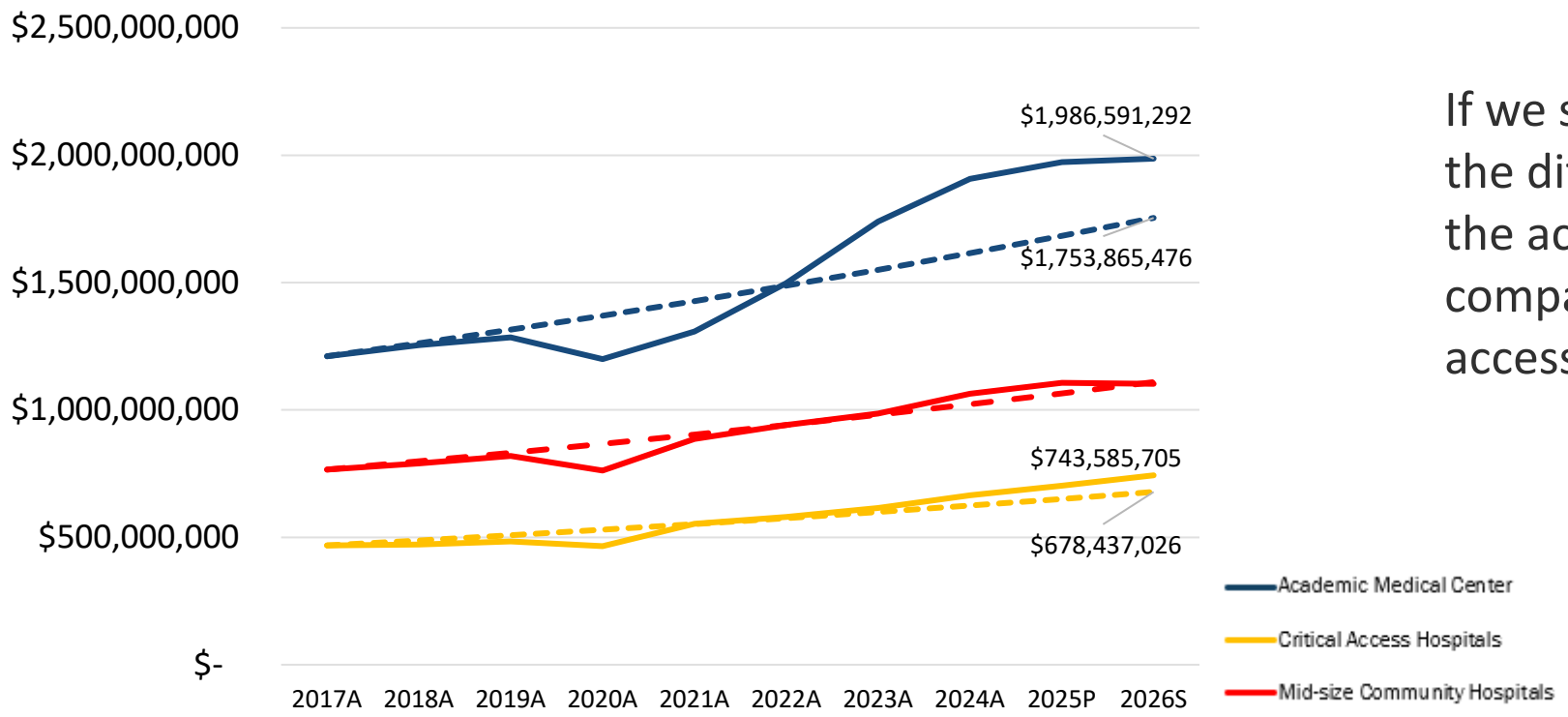


Starting in 2017, if we trend forward NPR+FPP using a 4.2% target from the All-Payer Model, the expected system-wide NPR would be $3.54B in FY26

Total NPR+FPP in the FY26 budget submissions was $3.83B, a $291M difference.

Note: 2025P reflects projections submitted to the GMCB in July 2025; 2026S reflects hospitals *proposed* FY26 budgets

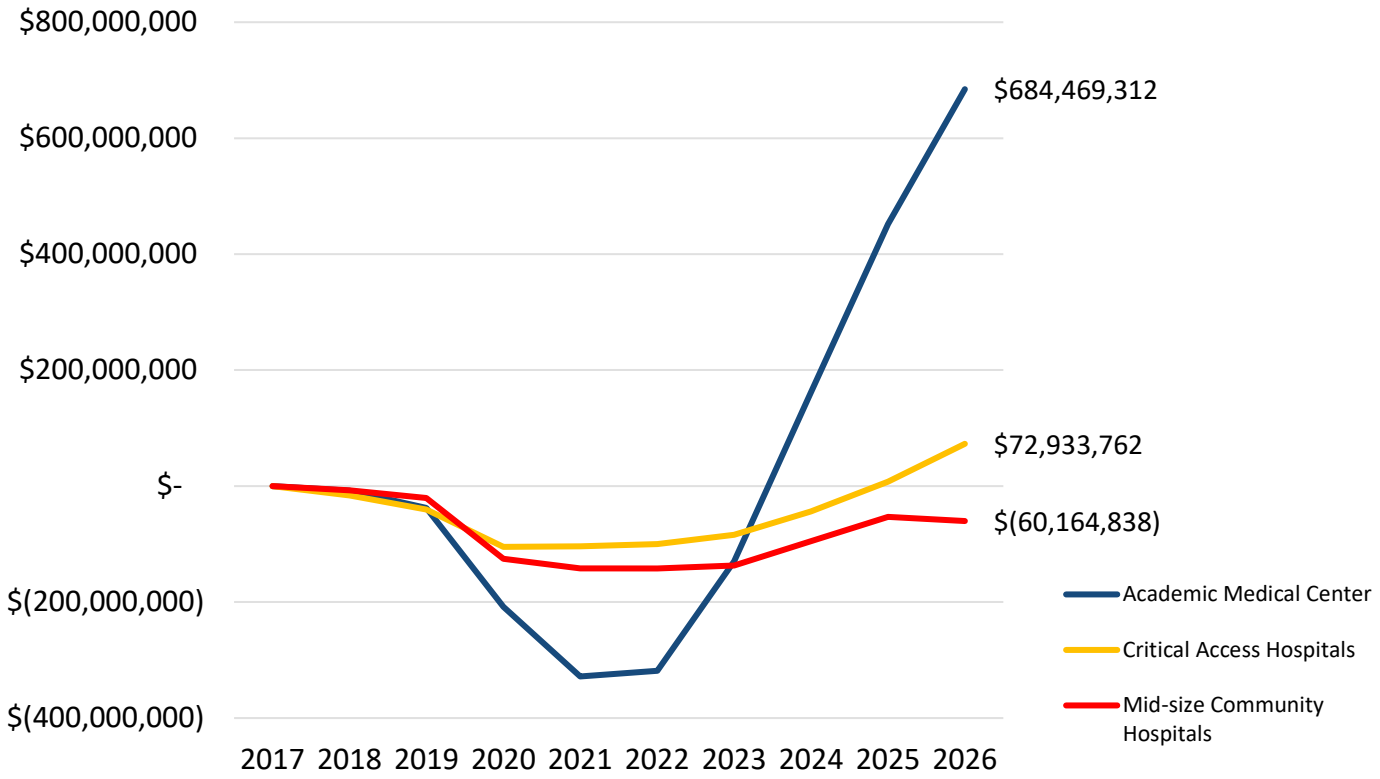
Hospital NPR+FPP vs. 4.2% growth target



If we split it out by hospital type, the difference is more apparent at the academic medical center compared to mid-size or critical access hospitals.

Note: 2025P reflects projections submitted to the GMCB in July 2025; 2026S reflects hospitals *proposed* FY26 budgets

Hospital NPR+FPP vs. 4.2% growth target



- Cumulative NPR over/(under) the 4.2% APM target through FY26 proposed budgets
  - **Academic Medical Center**: $684M
  - **Mid-size Community Hospitals**: (-$60M)
  - **Critical Access Hospitals**: $72M

Note: 2025P reflects projections submitted to the GMCB in July 2025; 2026S reflects hospitals *proposed* FY26 budgets

FY2026 Hospital Budgets

Commercial Rate Increases

Hospital	Benchmark	Hospital Proposed	Approved	Approved vs. Submitted %
Brattleboro Memorial Hospital	3.0%	3.0%	2.4%	-0.6%
Central Vermont Medical Center	3.0%	3.0%	2.9%	-0.1%
Copley Hospital	3.0%	4.2%	3.0%	-1.2%
Gifford Medical Center	3.0%	3.0%	3.0%	0.0%
Grace Cottage Hospital	3.0%	0.0%	0.0%	0.0%
Mt. Ascutney Hospital & Health Ctr	3.0%	3.0%	3.0%	0.0%
North Country Hospital	3.0%	0.5%	0.5%	0.0%
Northeastern VT Regional Hospital	3.0%	3.0%	3.0%	0.0%
Northwestern Medical Center	3.0%	2.6%	2.6%	0.0%
Porter Medical Center	3.0%	3.0%	2.9%	-0.1%
Rutland Regional Medical Center	3.0%	1.5%	1.5%	0.0%
Southwestern VT Medical Center	3.0%	5.2%	3.0%	-2.2%
Springfield Hospital	3.0%	3.0%	3.0%	0.0%
The University of Vermont Medical Center	3.0%	2.4%	-6.4%	-8.9%
Total VT Community Hospitals	**3.0%**	**2.6%**	**-2.0%**	**-4.7%**

How has Vermont slowed hospital revenue growth?

		FY26 Commercial Revenue ($M)
VT Legislature	Act 55, Outpatient drug cap	-$104.30
Green Mountain Care Board	Hospital Budget Orders	-$94.58
	Hospital Budget Enforcement	-$31.76
		-$230.65

Legislative and regulatory actions taken in 2025 removed approximately $231M from the system

FY2026 Hospital Budgets

Hospital	FY26 Budgets			
	DCOH	Operating Income	Operating Margin	Reduced NPR *from submitted*
BMH*	72	-$14.5M	-12.5%	**-$1.9M**
CVMC	80	751K	0.2%	**-$0.1M**
Copley	65	2.8M	2.2%	**-$0.7M**
Gifford	90	156M	2.3%	
Grace	81	255K	0.8%	
Mt. Ascutney	187	591K	0.7%	
North Country	189	754K	0.7%	
NVRH	82	1.11M	0.8%	
Northwestern**	203	-5.08M	-3.5%	
Porter	112	10.1M	7.2%	**-$0.03M**
Rutland	154	-4.97M	-1.4%	
SVMC	45	-4.33M	-1.9%	**-$3.3M**
Springfield	33	25K	0.0%	
UVMMC	127	23.6M	1.0%	**-$88.5M**

DCOH S&P Global Ratings	
Highly Vulnerable	<80
Vulnerable	80-110
Adequate	110-160
Strong	160-205
Very Strong	205-275
Extremely Strong	>275
Source: FY26 HBR Metric Inventory	

* BMH figures reflect resubmission as of 12/1.
** Northwestern figures reflect a midyear adjustment from 12/17. NMC's original budget had ~$8M operating losses and 199 DCOH.

Next steps?

The Vermont legislature passed Act 68 (2025) directing the GMCB to **implement hospital reference-based pricing (RBP)** through its provider rate setting authority, **as soon as practicable,** but not later than hospital **FY27**.

Act 68 (2025): An act relating to health care payment and delivery system reform

Reference-based pricing

FY2027

- A transition year to rate-setting.
- No longer having the same benchmarks for all hospitals. The benchmark for price growth/reduction to factor in existing prices.

FY2028 and on…

- Implementing RBP through provider rate-setting

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Kristen LaJeunesse
Communication & Information Officer
Green Mountain Care Board
Kristen.LaJeunesse@vermont.gov
(802) 622-4134