

Presentation to the Legislature
FY 2017 Hospital Budgets

October 25, 2016

Hospital Budget Process

Overview:

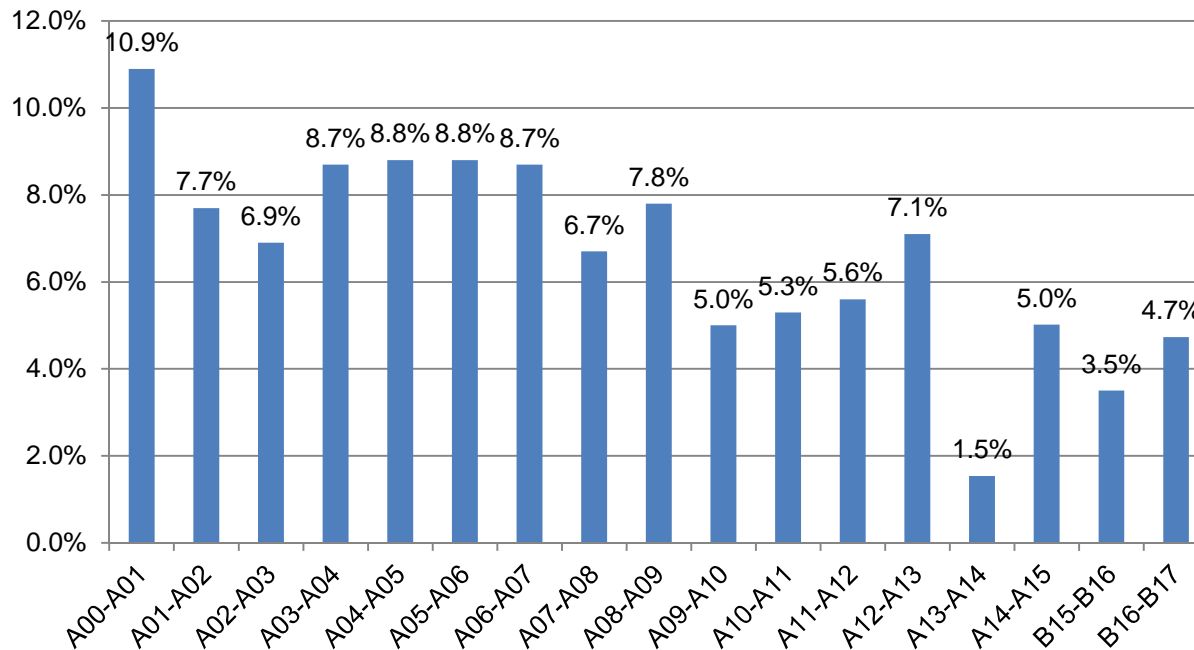
- The hospital budget process is directed by statute
- The GMCB receives comprehensive budget submissions from each hospital
- Submissions include broad information on a number of benchmarks & measures

Staff review:

- Staff examine submissions and puts information into context with respect to:
 - hospital trends
 - policy concerns
 - established Board guidance
- Compare and evaluate budget revenues, rates, utilization, etc
- Introduce and consider new or evolving policy issues
- Offer decision making criteria to establish budgets
- Provide objective analysis

Vermont Hospital System Net Patient Revenues

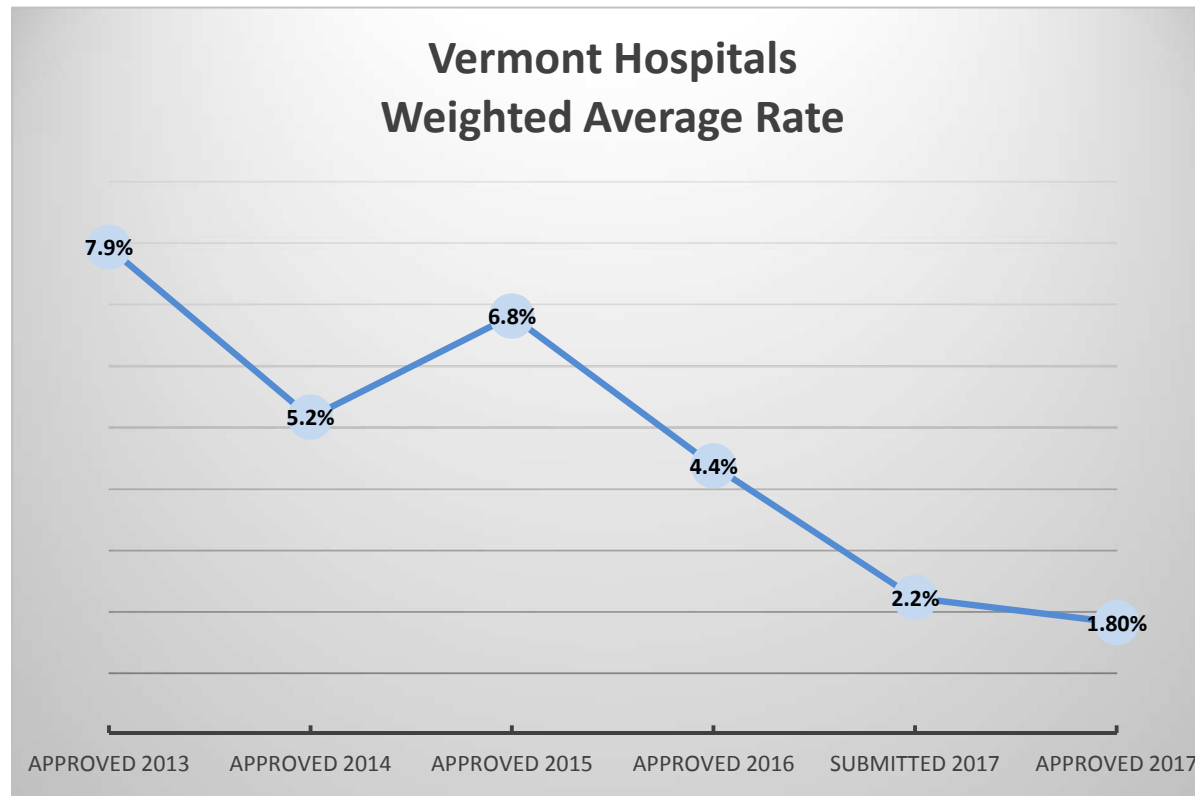
For the period 2014 -2017, the GMCB established net patient revenue targets. The net patient revenue average annual growth has been 3.4% for that period.



Adjusted to reflect bad debt reporting change in 2012

Vermont Hospital System Approved Rate Increases

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



Annual Net Patient Revenue Increases

	Unadjusted Net Patient Revenue change				Net Patient Revenue change - adjusted to reflect real growth	
	2016	2017	2017	2016 to 2017	2017	2016 to 2017
	Approved	Submitted	Approved	% Change	* Approved & adj for phys transfers	% Change
Brattleboro Memorial Hospital	\$73,896,151	\$76,408,611	\$76,408,611	3.4%	\$76,408,611	3.4%
Central Vermont Medical Center	\$173,996,286	\$193,220,803	\$191,831,143	10.3%	\$189,027,073	8.6%
Copley Hospital	\$60,987,719	\$65,509,894	\$65,509,894	7.4%	\$65,509,894	7.4%
Gifford Medical Center	\$56,201,733	\$57,762,429	\$57,762,429	2.8%	\$57,762,429	2.8%
Grace Cottage Hospital	\$18,375,041	\$19,205,503	\$19,205,503	4.5%	\$19,205,503	4.5%
Mt. Ascutney Hospital & Health Ctr	\$48,060,871	\$47,744,700	\$47,744,700	-0.7%	\$47,744,700	-0.7%
North Country Hospital	\$76,604,320	\$81,189,662	\$81,189,662	6.0%	\$81,189,662	6.0%
Northeastern VT Regional Hospital	\$68,095,300	\$71,339,400	\$71,339,400	4.8%	\$71,339,400	4.8%
Northwestern Medical Center	\$95,697,390	\$102,867,018	\$101,935,937	6.5%	\$98,855,612	3.3%
Porter Medical Center	\$75,581,083	\$76,094,922	\$76,094,922	0.7%	\$76,094,922	0.7%
Rutland Regional Medical Center	\$233,248,162	\$243,415,448	\$243,415,448	4.4%	\$241,042,465	3.3%
Southwestern VT Medical Center	\$144,025,568	\$152,792,211	\$152,362,260	5.8%	\$150,641,798	4.6%
Springfield Hospital	\$55,936,500	\$59,147,241	\$59,147,241	5.7%	\$59,147,241	5.7%
The University of Vermont Medical Center	\$1,126,774,924	\$1,175,237,274	\$1,172,785,845	4.1%	\$1,164,016,984	3.3%
	\$2,307,481,048	\$2,421,935,116	\$2,416,732,994	4.7%	\$2,397,986,293	3.92%
<p>* "Real growth" was calculated by adjusting for physician transfers, which four of the hospitals experienced as follows: CVMC \$(2,804,070), NMC \$(3,080,325), RPMC (\$2,372,983), SVMC \$(1,720,462) and UVMC \$(8,768,861)</p>						

Annual Rate (Price) Increases

	2016		2017	
	Submitted	Approved	Submitted	Approved
	Brattleboro Memorial Hospital	-1.2%	-1.4%	3.5%
Central Vermont Medical Center	4.7%	4.7%	3.0%	2.45%
Copley Hospital	-3.0%	-4.0%	0.0%	0.0%
Gifford Medical Center	5.8%	5.8%	3.9%	3.9%
Grace Cottage Hospital	5.0%	5.0%	5.0%	5.0%
Mt. Ascutney Hospital & Health Ctr	5.7%	5.7%	4.9%	4.9%
North Country Hospital	4.8%	4.8%	3.5%	3.5%
Northeastern VT Regional Hospital	5.2%	5.2%	3.8%	3.8%
Northwestern Medical Center	-8.0%	-8.0%	2.9%	0.0%
Porter Medical Center	5.3%	5.3%	3.7%	5.3%
Rutland Regional Medical Center	3.7%	3.7%	-5.1%	-5.1%
Southwestern VT Medical Center	3.8%	3.8%	3.9%	3.4%
Springfield Hospital	2.8%	2.8%	0.0%	0.0%
The University of Vermont Medical Center	6.0%	6.0%	3.0%	2.45%
Weighted Average Rate for All Hospitals	4.3%	4.4%	2.2%	1.80%

Hospital Budgets

FY 2017 Income statement

	Net Patient Revenue	Other Operating Revenue	Total Operating Revenue	Total Operating Expense	Net Operating Income	Non Operating Revenue	Margin/Loss
Brattleboro Memorial Hospital	\$76,408,612	\$3,873,096	\$80,281,708	\$80,123,835	\$157,873	\$582,602	\$740,475
Central Vermont Medical Center	\$191,831,143	\$11,363,838	\$203,194,981	\$199,521,392	\$3,673,589	\$1,872,894	\$5,546,483
Copley Hospital	\$65,509,894	\$1,478,568	\$66,988,462	\$66,743,216	\$245,246	\$2,603,000	\$2,848,246
Gifford Medical Center	\$57,762,429	\$1,478,242	\$59,240,671	\$58,086,178	\$1,154,493	\$850,000	\$2,004,493
Grace Cottage Hospital	\$19,205,503	\$1,186,377	\$20,391,880	\$20,591,302	-\$199,422	\$743,534	\$544,112
Mt. Ascutney Hospital & Health Ctr	\$47,744,700	\$2,867,159	\$50,611,859	\$51,856,343	-\$1,244,484	\$1,844,274	\$599,790
North Country Hospital	\$81,189,662	\$5,224,021	\$86,413,683	\$85,332,744	\$1,080,939	\$453,721	\$1,534,660
Northeastern VT Regional Hospital	\$71,339,400	\$1,585,100	\$72,924,500	\$71,509,500	\$1,415,000	\$0	\$1,415,000
Northwestern Medical Center	\$101,935,937	\$5,867,838	\$107,803,775	\$105,228,595	\$2,575,180	-\$200,480	\$2,374,700
Porter Medical Center	\$76,094,921	\$1,986,663	\$78,081,584	\$77,326,904	\$754,680	\$3,047,274	\$3,801,954
Rutland Regional Medical Center	\$243,415,448	\$11,017,731	\$254,433,179	\$248,328,292	\$6,104,887	\$7,136,913	\$13,241,800
Southwestern VT Medical Center	\$152,362,260	\$2,811,549	\$155,173,809	\$150,544,820	\$4,628,989	\$605,000	\$5,233,989
Springfield Hospital	\$59,147,241	\$1,762,700	\$60,909,941	\$59,158,280	\$1,751,661	\$750,000	\$2,501,661
The University of Vermont Medical Center	\$1,172,785,845	\$92,152,380	\$1,264,938,225	\$1,217,011,601	\$47,926,624	\$15,257,311	\$63,183,935
Total Vermont Community Hospitals	\$2,416,732,995	\$144,655,262	\$2,561,388,257	\$2,491,363,001	\$70,025,255	\$35,546,043	\$105,571,298

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	Measure 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

Possible improvements in the Hospital Budget Process?

Examine the Possibility of Exchange Rate Review and Hospital Budget Timing

- Hospital Budget review and decisions could be made before the Exchange Rate Review hearings.
- This will provide more accurate health insurance premium rates
- This will require hospitals to submit earlier budgets

(Dependent on resources and possible statute changes)