

Critical Access Finance

Mt. Ascutney Hospital and Health Center

Green Mountain Care Board

April 25, 2018



A Dartmouth-Hitchcock Affiliate



WINNER OF THE
Foster G. McGaw Prize
for community service

A prestigious honor
in healthcare

Critical Access Hospitals-What are they?

Medicare Statute/Rules

- State exceptions
- COP's

Intent

- Support Rural Healthcare
- Insurance Policy

Levels of Care

- Acute and Swing
- Outpatient & Clinic
- 25 Beds, Allowable Distinct Part Units (Acute Rehab)
- Avg LOS < 96h

Critical Access Hospitals-MAHHC

2% of the State of VT hospitals' budget

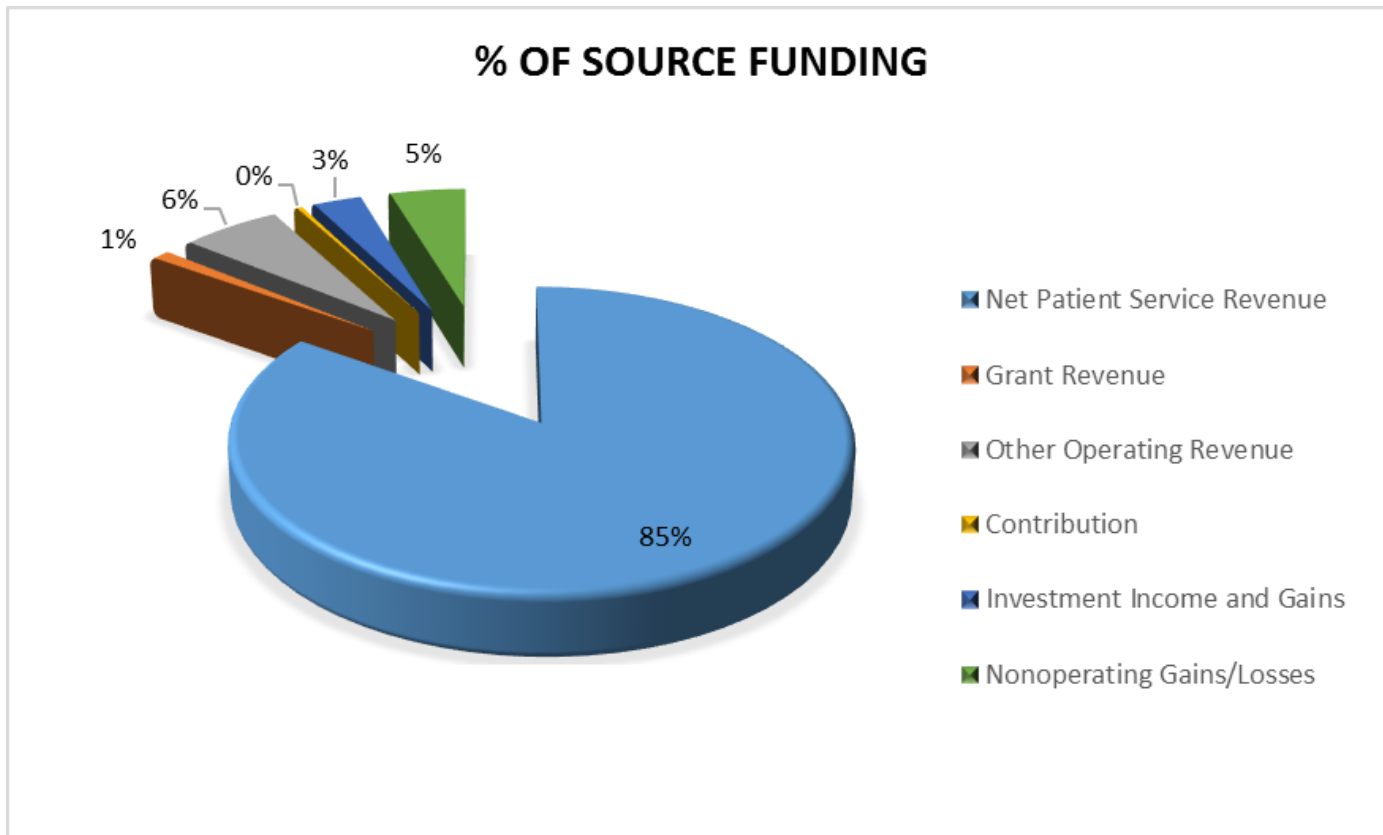
Border Hospital

- 30% of business comes from NH
- Involved with VT and NH Medicaid programs and exchange

Dartmouth-Hitchcock Health (D-HH) Member

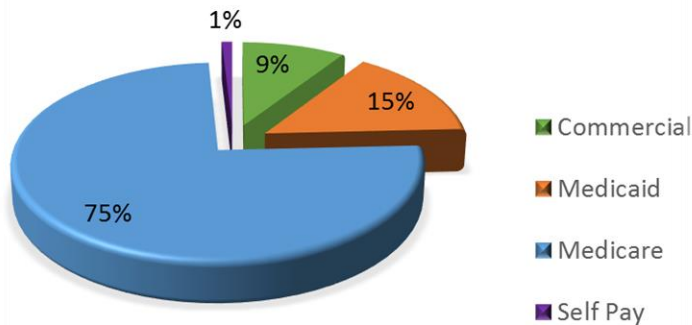
- DHOG
- #1 recipient of DH transfers
- Swing and Rehabilitation
- Leader in integration efforts
- Only hospital member in VT

Actual FY17 Funding Sources

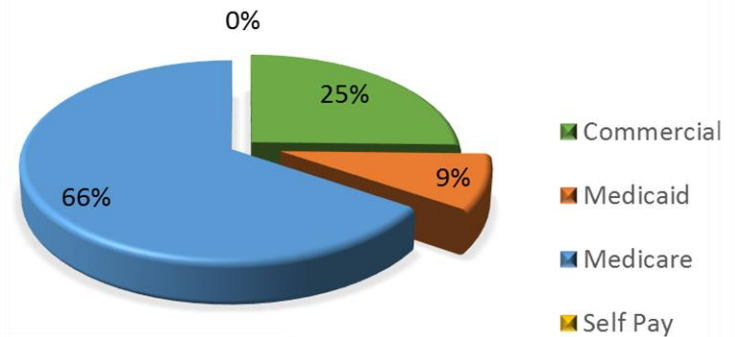


Actual FY17 Funding Sources...continued

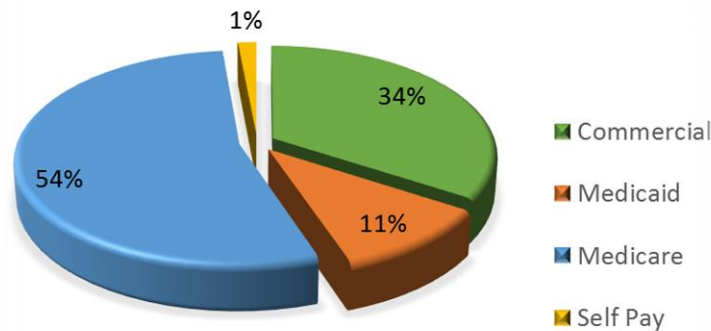
ACUTE/SWING



REHAB



OUTPATIENT



Actual FY17 Funding Sources...continued

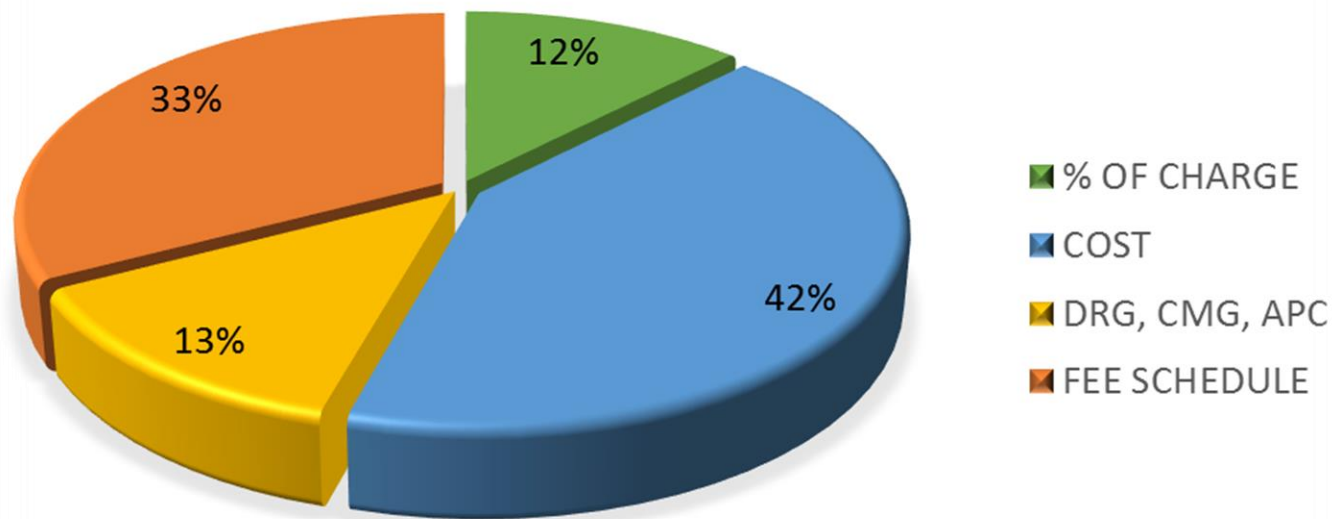
#1 Myth: CAH's are cost reimbursed so they always cover their costs...

Reimbursement Grid	Medicare	Medicaid	Commercial
Acute	Cost Light	DRG	% of charge, some related ancillaries at fee schedule
Swing/SNF	Cost Light	0	% of charge, some related ancillaries at fee schedule
Rehab	CMG	DRG	% of charge, some related ancillaries at fee schedule
Outpatient	Cost Light	APC	Mix of % of charge and fee schedule
Physician/professional	Fee schedule	Fee schedule	Fee schedule

Actual FY17 Funding Sources...continued

Not so much...

REVENUE SOURCE BY REIMBURSEMENT TYPE



NPSR

FY2017 NPSR Example				
<u>Payer</u>	<u>% Revenue</u>	<u>GPSR</u>	<u>Reimb. %</u>	<u>NPSR</u>
Medicare	57%	\$50,009,688	49%	\$ 24,254,699
Medicaid	11%	\$9,511,901	33%	\$ 3,165,561
Commercial	31%	\$27,724,821	72%	\$ 19,961,871
Self Pay	1%	\$1,187,022	0%	\$ -
Total	100%	\$88,433,432	54%	\$ 47,382,130
<u>Payer</u>	<u>% Revenue</u>	<u>GPSR</u>	<u>Reimb. %</u>	<u>NPSR</u>
Medicare	56%	\$49,125,354	49%	\$ 24,071,423
Medicaid	11%	\$9,511,901	33%	\$ 3,138,927
Commercial	32%	\$28,609,155	72%	\$ 20,598,592
Self Pay	1%	\$1,187,022	0%	\$ -
Total	100%	\$88,433,432	54%	\$ 47,808,942
-1% in Medicare & 1% more in Commercial gains us:				\$ 426,812
<u>Payer</u>	<u>% Revenue</u>	<u>GPSR</u>	<u>Reimb. %</u>	<u>NPSR</u>
Medicare	57%	\$50,009,688	48%	\$ 24,004,650
Medicaid	11%	\$9,511,901	32%	\$ 3,043,808
Commercial	31%	\$27,724,821	71%	\$ 19,684,623
Self Pay	1%	\$1,187,022	0%	\$ -
Total	100%	\$88,433,432	53%	\$ 46,733,081
-1% Net Reimbursement costs us:				\$ (649,049)
<i>n.b. Note that in all examples, the gross revenue and volume is the same</i>				

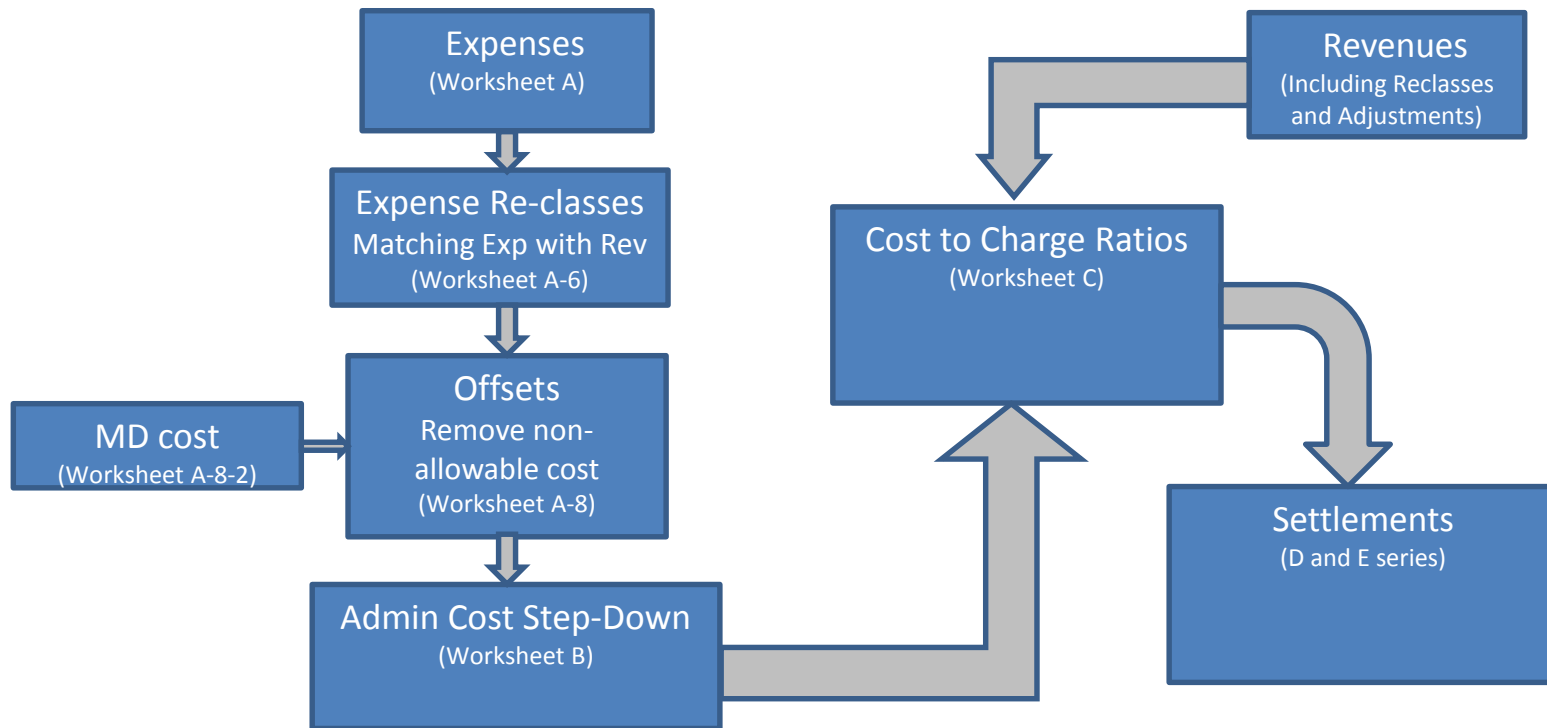
The Cost Report

CMS Principles

- Pay Medicare portion at 101% of cost
 - Reality is 99% or below (still under sequestration)
- Pay allowable cost, not actual cost
 - Principal used is “patient care related”
- Pay Part A cost only
 - Part B is paid under fee schedule
- Note: MAH is 87% fixed cost
 - VT CAH’s are about the same
 - PPS hospitals tend to be 66 - 75% fixed

The Cost Report...continued

Flow of Information



The Cost Report...continued

Settlement Detail

- **Acute/Swing**
 - **Cost per diem**
 - **Ancillary cost calculated by CCR**
 - **Swing carve out reduces overall cost**
 - **Adjusted for Deductibles, Co-insurance, Bad Debt, and Sequestration**
 - **Settled with interim payments**

IP	Year 1	Year 2
Cost Per Diem	1,313.76	1,138.34
Medicare days	1,087	1,019
IP Routine	1,428,057	1,159,968
IP ancillary	547,773	557,126
Total IP	1,975,830	1,717,094
1% Gross up	1,995,588	1,734,265
Less: Deductible and coinsurance	(204,062)	(231,876)
Subtotal Cost	1,791,526	1,502,389
Allowable bad debt	13,798	18,573
Sequestration	-	(15,210)
Allowable cost	1,805,324	1,505,752
Interim Payments	1,832,785	1,634,436
Net Due (payable)	(27,461)	(128,684)
Swing		
Cost Per Diem	1,313.76	1,138.34
Medicare days	3,444	4,198
Swing Routine	4,524,589	4,778,751
Swing Ancillary	869,275	866,362
	5,393,864	5,645,113
1% Gross up	5,447,803	5,701,564
Less: Deductible and coinsurance	(130,927)	(168,146)
Subtotal Cost	5,316,876	5,533,418
Allowable bad debt	9,504	1,879
Sequestration	-	(55,353)
Allowable cost	5,326,380	5,479,944
Interim Payments	5,154,461	6,430,044
Net Due (payable)	171,919	(950,100)

The Cost Report...continued

Settlement Detail

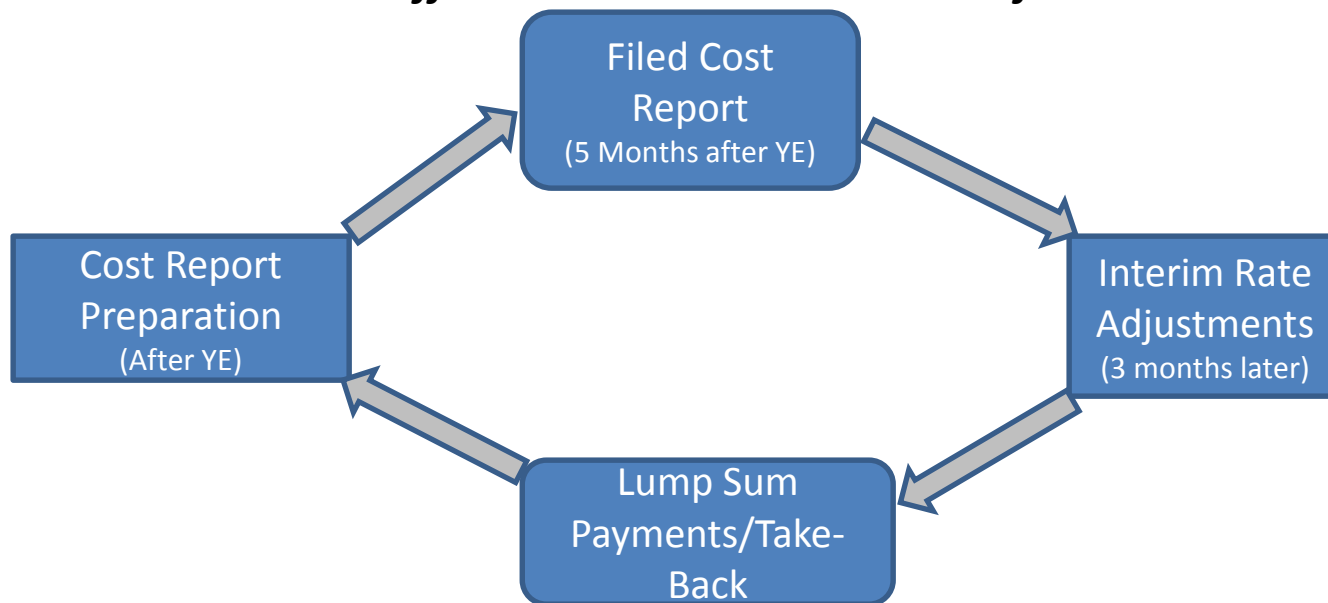
- CCR ratio established
- Multiplied by *Medicare Charges (PS&R)*
- Adjusted for Deductibles, Co-insurance, Bad Debt, and Sequestration
- Settled with interim payments

	Year 1	Year 2
OP cost		
	7,169,693	7,145,933
Less: Deductible and coinsurance	(2,172,933)	(2,437,436)
Subtotal Cost	4,996,760	4,708,497
Allowable bad debt	156,251	93,193
Sequestration		(48,017)
Allowable cost	5,153,011	4,753,673
Interim Payments	4,405,801	5,328,269
Net Due (payable)	747,210	(574,596)
Total Net Due (payable)	891,668	(1,653,379)
IRF	31,805	61,089
SNF		(335)
Total Net Due (payable)	923,473	(1,592,625)

The Cost Report...continued

The Cycle

- Settlements on the *difference* between *interim* and *final* rates



Year End Financial Reconciliations

Balance Sheet Management

3rd Party Receivable/Payable

- Evaluated continuously on open years
- Rolling 12 month look + history

Medicare Audit Process

- Desk Review
- Audit

Closing/Re-opening

- Closing roughly within 18 months, but can take years

Inflation

		<u>FY18 YTD Exp</u>			
<u>FY18 YTD Expenses</u>	<u>\$</u>	<u>@ Expected FY19 Infl</u>	<u>Variance \$</u>	<u>Var %</u>	
Salaries	\$ 8,373,562	\$ 8,624,769	\$ 251,207	3.0%	
Purchased Labor	\$ 1,680,635	\$ 1,764,667	\$ 84,032	5.0%	
Benefits	\$ 2,341,422	\$ 2,458,493	\$ 117,071	5.0%	
Purchased Services	\$ 1,380,329	\$ 1,407,936	\$ 27,607	2.0%	
Supplies	\$ 1,363,869	\$ 1,388,419	\$ 24,550	1.8%	
Utilities	\$ 233,011	\$ 253,982	\$ 20,971	9.0%	
Rent, Equip, & Other fees	\$ 1,540,594	\$ 1,569,277	\$ 28,683	1.9%	
Interest Expense	\$ 75,999	\$ 75,999	\$ -	0.0%	
Depreciation Expense	\$ 686,897	\$ 755,245	\$ 68,348	10.0%	
Total	\$ 17,676,318	\$ 18,298,786	\$ 622,468	3.5%	

Inflation (con't)

- Assumes no change in volume
- Assumes no change in FTE's
- Annual raise and market adjustments
- We are annualizing favorable on benefits, but expected health insurance and W/Comp increases are projecting unfavorable
- Assumes tight increases for traveler and DH staffing costs (likely to be much more)
- Freight, Util, etc. significantly affected by oil/gas/petroleum costs
- Assumes depreciation hitting annual expectation this year, and capital plan for next year
- Insurance going up 13%, W/Comp going up 40%