FY2018 BUDGET PRESENTATION

BRATTLEBORO MEMORIAL HOSPITAL

- CEO/PRESIDENT: Steven R. Gordon, FACHE
- CHIEF FINANCIAL OFFICER: Michael Rogers
- CHIEF MEDICAL OFFICER: Kathleen McGraw, M.D.
- MEDICAL DIRECTOR/PHYSICIAN GROUP: Tony Blofson, MD
- DIRECTOR FOR COMMUNITY INITIATIVES: Jodi Dodge, RN
- DIRECTOR FOR PHYSICIAN SERVICES: Eilidh Pederson

Brattleboro Memorial Hospital

AUGUST 11, 2017

WHO WE ARE

- Second Largest Employer in Windham County
  - Payroll and Benefits: $47.6M
  - FTEs (Non-Clinicians): 440
  - Clinicians: 44 FTEs

- Most Financially Challenged Hospital In VT.
  - ***Not*** Critical Access
  - ***Not*** Sole Community
  - ***Not*** Academic Medical Center
  - ***Not*** FQHC or RHC
  - Designated Medicare Dependent/Low Volume Hospital (MDH/LV)-**Sunsets**
  - Applied for participation in Rural Community Hospital Demonstration Project
  - Smallest of the “Bigs”-PPS Hospitals

Brattleboro Memorial Hospital

WHO WE ARE

- Strategic Partnership With DHMC and Cheshire Medical Center (Keene)
  - Emergency Department
  - Radiology
  - Pathology
  - Specialists-ENT, Podiatry, Rheumatology
  - Critical Care
- Only Comprehensive Wound Care Program in VT.
  - Clinic staffed by wound-certified Nurses and Clinicians
  - Hyperbaric Oxygen Chambers
- Telehealth
  - Emergency Neuro/ Stroke and Psychiatry

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WHO WE ARE

- Population Health
  - Embedded Care Coordinators and Mental Health Counselors*
  - Vulnerable Population RN Care Coordinator
  - Respite Bed for Patients experiencing homelessness
  - Diabetic Educator and Registered Dieticians*
  - SBIRT (Screening, Brief Intervention, Referral to Treatment) Counselor
  - RiseVT (Pilot Community)
  - Interagency Care Management Initiative
  - Women's Health Initiative*
  - Community Resource Liaison (Insurance Navigator)

*Partial funding through Blueprint for Health

Brattleboro Memorial Hospital

WHO WE ARE

Community Need	Steps taken to address need	Steps taken to address need
Mental Health	• Integrated Care Management initiative • Mental Health screenings in Medical Group • Part time embedded mental health clinician in Pediatric practice	• Pediatric practice participation in Collaborative Office Rounds at Brattleboro Retreat • Regional Psychiatric Strategy Group
Obesity	• Participation in VT Child Health Improvement Project (VCHIP) aimed at early intervention • Support of full time Health Coach • Taking Off Pounds Sensibly (TOPS) program held weekly	• Walking groups, cooking classes, yoga, and Tai Chi offered to community by CHT • Early adopter of Rise VT expansion • Employee wellness program
Substance Misuse	• Screening, Brief Intervention, and Referral to Treatment (SBIRT) • Administrative entity for Windham County Spoke Program (Medicated Assisted Treatment) • BMH Medical Provider participation in Spoke Program	• BMH Narcotics Task Force, Rx Abuse Prevention team, and Pharmacist/Provider quarterly meetings • CRAFFT screening toll for adolescents used in Pediatrics
Aging	• Additional provider hired for Post-Acute Care Department providing care to elders in skilled nursing facilities • Initiative to increase utilization of Medical Hospice and increased focus on quality at end of live • Participation in “Taking Steps” program and improved workflow to ensure patients have advanced directives	• New fall risk score implemented in Emergency Department • Training provided to EMS regarding assessment for falls related to prescribed medication • Increased efforts by Medical Group to increase rate of flu vaccinations for seniors • Increased collaboration with Support and Services at Home (SASH) and Council on Aging through Interagency Care Management team
Dental Health	• Hosted meetings that included local dentists, VDH, Walk-in Clinic and community partners involved in support of dental healthcare • Support of United Way initiatives including Windham County Dental Day	• Pediatrics practice initiated fluoride varnish program and conducts water testing for fluoride
Difficulty Navigating Healthcare System	• Continued support of Community Resource Liaison position • Continued support of Patient Experience position • Work started on an online, internal community resource guide	• “Healthcare for the Homeless” project including Vulnerable Populations RN Care Coordinator and Respite Bed • Continued support of Care Coordination in Medical Group and Community Health Team
Transportation	• Worked with Stevens & Associates to identify opportunities for improvements in parking resulting in over 40 new parking spaces with emphasis on handicapped and mobility impaired spaces	• BMH supported VTRANS grant for expanded bus service; unfortunately grant was not funded • CHT participation in Elderly & Disabled (E&D) meetings held regularly at the Current offices in Rockingham
Culturally Competent Medical Staff	• BMH took the “Pledge to Act to Eliminate Health Care Disparities” spearheaded by the American Hospital Association • Staff members from various departments have attended “Bridges out of Poverty” training. Considering internal training program	• Health needs assessment conducted for our community members experiencing homelessness resulting in creation Vulnerable Population RN Care Coordinator position

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Note: Full update provided under separate cover

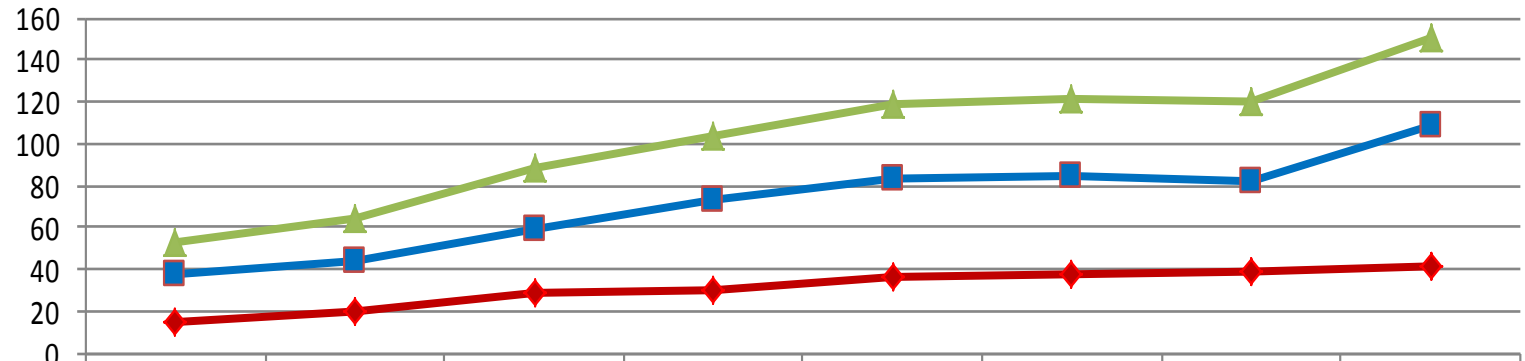
WHO WE ARE

- OneCare Member
  - High Performer in all Medicare Quality Indicators
    - ✓ COPD
    - ✓ CHF
    - ✓ High End Imaging
    - ✓ Readmissions
    - ✓ Hospice Benefit
  - Risk-based Commitment for Medicare, Medicaid and Commercial
    - ✓ Pending Contract Review
- Brattleboro Medical Group
  - Primary Care (Internal Medicine, Family Practice, Pediatrics)
    - ✓ 7 PCMH-Certified Practices
  - Cardiology
  - OB/GYN and Midwives
  - Surgery (General, Ortho and Urology)
  - Hospitalists
  - Post-Acute Team

Brattleboro Memorial Hospital

BRATTLEBORO MEDICAL GROUP

TOTAL FTES PROFILE



	FY11 Actual	FY12 Actual	FY13 Actual	FY14 Actual	FY15 Actual	FY16 Actual	FY17 Actual July	FY18 Budgeted
Total Clinician	15.2	20.5	28.7	30.2	36.2	37.2	38.4	42.1
Total Support	38.3	43.7	59.9	73.2	83.3	84.7	82.1	108.7
Grand Total	53.5	64.2	88.6	103.4	119.5	121.9	120.5	150.8

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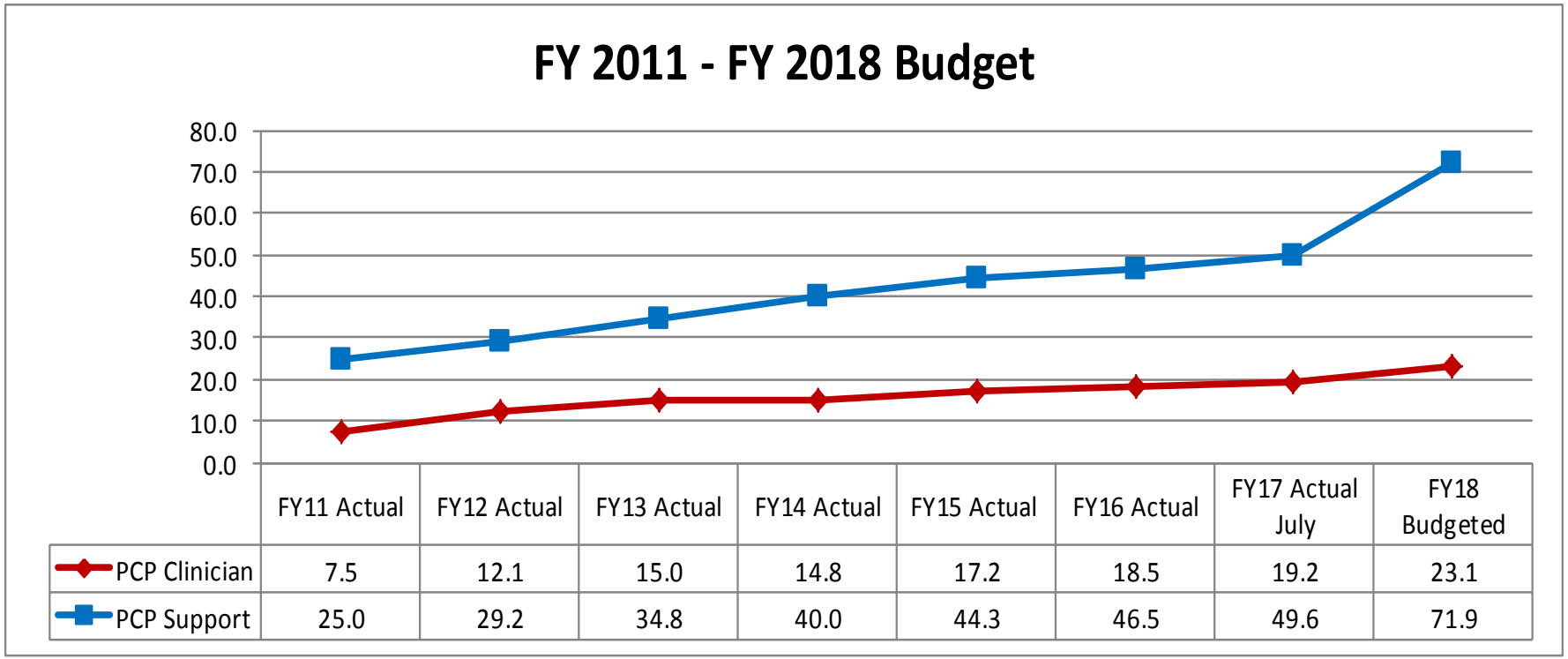
BRATTLEBORO MEDICAL GROUP

TOTAL PRIMARY CARE CLINICIAN FTES*



	FY11 Actual	FY12 Actual	FY13 Actual	FY14 Actual	FY15 Actual	FY16 Actual	FY17 Actual July	FY18 Budgeted
PCP Clinician	7.5	12.1	15.0	14.8	17.2	18.5	19.2	23.1
PCP Support	25.0	29.2	34.8	40.0	44.3	46.5	49.6	71.9

*Family Medicine, Internal Medicine, Pediatrics, Post-Acute Care

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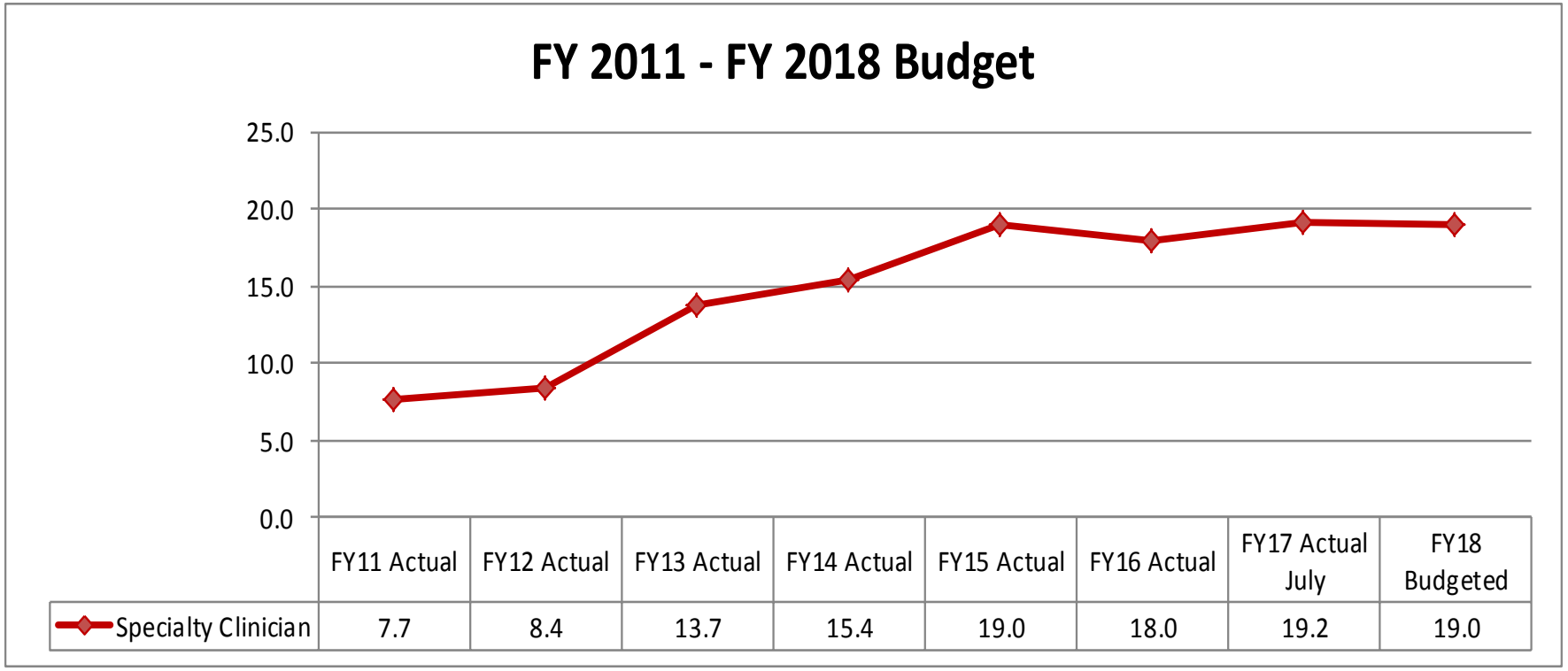
TOTAL SPECIALTY CARE CLINICIAN FTES*



	FY11 Actual	FY12 Actual	FY13 Actual	FY14 Actual	FY15 Actual	FY16 Actual	FY17 Actual July	FY18 Budgeted
Specialty Clinician	7.7	8.4	13.7	15.4	19.0	18.0	19.2	19.0

*General Surgery, Urology, Orthopedics, OB/GYN, Cardiology

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THE PERFECT STORM

- Loss of 4 Independent PCPs
- EMR/Cerner Implementation
- Pending Cessation of MDH/LV and Eligibility for RCHDP
- Participation in OneCare Risk-based Contracts
- Mental Health and Substance Abuse
- Staffing

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LOSS OF 4 INDEPENDENT PCPS

- In June, 2017, 2 Family Practitioners retired with patient panels of approximated 3000-4000 patients
- Currently another PCP is in process of relocating to Massachusetts (400 patients)
- In December 2017, another independent FP will retire (1500 patients)
- Previous AHEC research already showed Windham County shortage of over 8.0 PCPs

- BMH Response:
  - ✓ Expanded Centralized Scheduling Department to ease access for prospective patients.
  - ✓ Recruited 2.0FTE Clinicians (APRNs) into existing primary care practices
  - ✓ Implemented 'Interim Care Clinic' to provide acute medical care to patients who lost their PCP as a result of Family Practitioners retiring
  - ✓ Use of retained and contingency search firms, as well as employed Recruiter to recruit PCPs

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EMR/CERNER IMPLEMENTATION

- Cerner Big Bang Go Live took place June 5th, 2017
- Converted to Cerner in all clinical locations including inpatient care units, ED and practices
- Ancillary departments also converted to Cerner include Lab, Radiology Pharmacy and Patient Accounting
- Clinician Practice schedules were reduced **prior** to go live to enable providers to attend system training
- Clinician Practice and OR schedules were significantly reduced **at** Go Live to help providers adjust to the new system
- In general the Go Live was successful, but we expect at least 6-12 months of adjustment

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MDH/LV and RCHDP

- MDH/LV provides approximately $2.5M to recognize BMH's significant dependency on Medicare reimbursement (60% of inpatients)
- MDH/LV program sunsets on 9/30/2017 with limited probability of extension or permanent inclusion in Federal budget
- BMH has applied for inclusion into the Rural Community Hospital Demonstration Project and will be notified of status "this Fall".
- Hospitals participating in this demonstration will receive payment for Medicare inpatient hospital services based on "reasonable costs" amount increased by the IPPS update factor for that particular cost reporting period.

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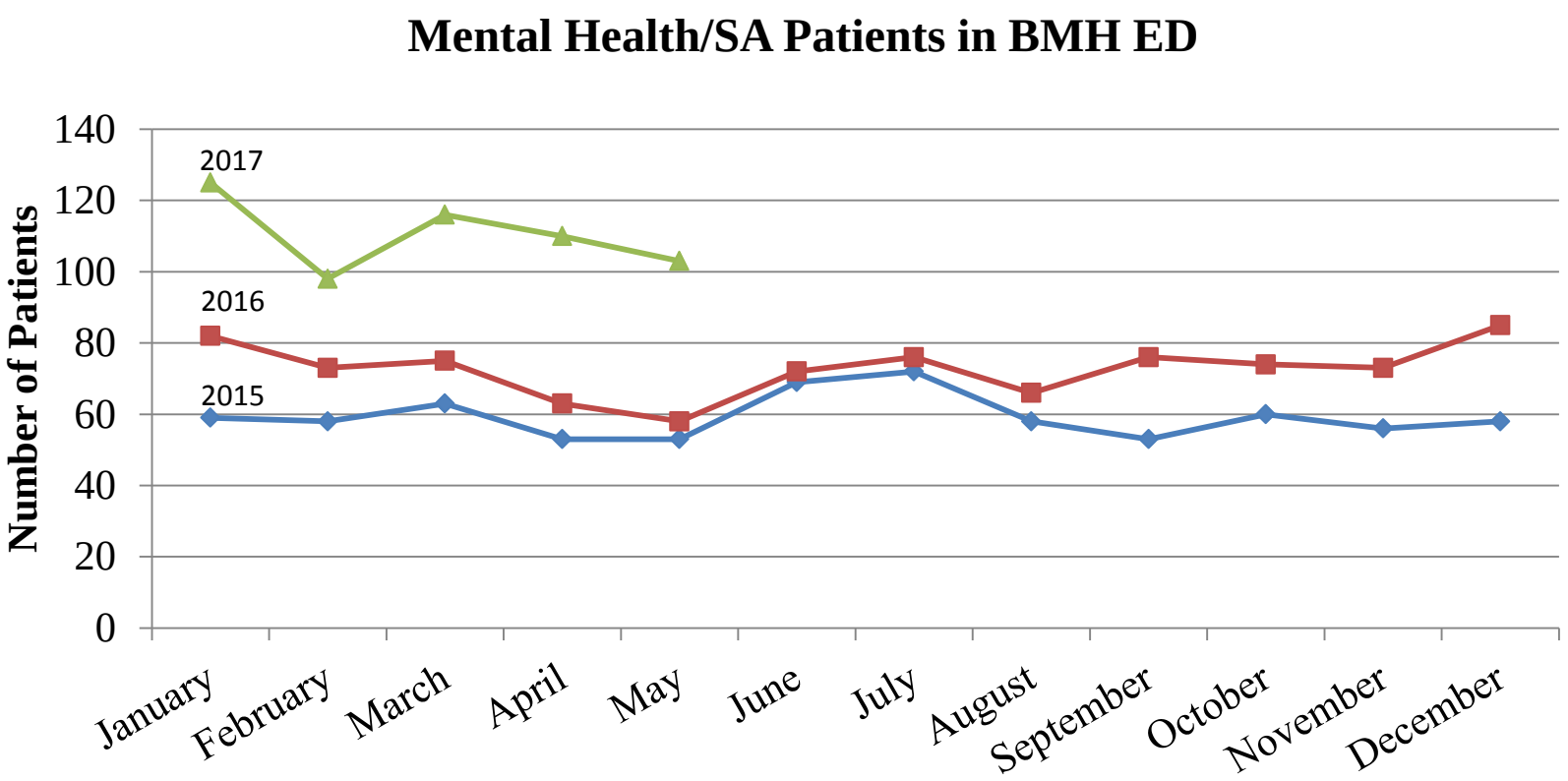
MENTAL HEALTH AND SUBSTANCE ABUSE



- These patients comprise 10% of our ED visits and 41% of our transfers
- On average 42% of these patients need admission to psychiatric facility
- Length of stay in the ED is significantly longer than for medical patients - sometimes for weeks

Brattleboro Memorial Hospital

ONECARE RISK-BASED CONTRACTS

BMH FINANCIAL ASSESSMENT OF RISK

	Medicare	Mediciad	Blue Cross	total
BMH Covered Lives	2,294	3,937	1,880	8,111
BMH Total Cost of Care (TCOC) CY2018	8,735,783	3,586,876	2,822,623	15,145,282
Maximum Risk	980,415	286,828	202,805	1,470,048
Hedged reserve rate	50.0%	50.0%	50.0%	50.00%
Hedged reserve	490,208	143,414	101,403	735,024
HSA Total Cost of Care (TCOC) RIsk Hospital Spend CY2018	24,510,369	9,560,940	6,760,163	40,831,472
withold as % of TCOC	2.46%	2.46%	2.46%	2.46%
Withold for ACO operations	602,720	235,108	166,235	1,004,063
total required reserve	1,092,928	378,522	267,638	1,739,087
prorate for January start date	75.0%	75.0%	75.0%	75.00%
	819,696	283,891	200,728	1,304,315

- **Attributed Lives represent 17.9% of BMH TCOC.**
- **Layer a 50% hedge against maximum risk.**
- **Benefits of Participation**
  - Continued CHT/Blueprint Funding
  - Pop Health Management Tools
  - Stabilize Medicare Funding for Attributed Lives
  - "Toes in the Water"
- **Contracts effective January 1, 2018.**

Brattleboro Memorial Hospital

STAFFING

In addition to our Clinician challenges, BMH is experiencing significant staffing challenges in several areas:

- Registered Nurses: 6 Open FTE Positions filled by Travelers resulting in an unfavorable $1M YTD variance.
    - BMH Response:
        - Direct Mail Campaign
        - Fall Job Fair
        - Hospital–sponsored Training Program for new grads
        - Referral Bonus
- Medical Assistants: 6 Open FTE Positions in BMG
    - BMH Response:
        - CCV/BMH Collaborative MA Training Program
        - 6 Full Scholarships sponsored by BMH
- Environmental Services Aides: 4 Open FTE Positions
    - BMH Response:
        - Referral Bonus
        - State Agencies/Brattleboro Career Resource Center and Schools

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FY 2018 MAJOR BUDGET INITIATIVES

- Net Revenue Increases 5.0% from FY2017 Budget
- Rate request is a 8.9% aggregate rate increase
- Recruiting to replace the loss of 4 Community Based Primary Care Physicians.
- ACO Risk Participation 1/1/2018
- Medicare Dependent Hospital (MDH) and Low Volume Adjustment (LVA) expire 9/30/2017. Budgeting $2.5 million assuming either RCHDP or ACO maintain level of reimbursement.
- Healthcare Reform Investments

Brattleboro Memorial Hospital

GMCB QUESTION 1

Income Statement – The Hospital is $3.8 million, 5.0% over the 2017 budget. Much of the increase is due to the newly recruited physicians and FTE increases. Describe these increases and how BMH determined staffing and physician levels? How is this affecting patient care?

- As reported on Slide 11, our community will now lose 4 independent PCP by the end of this calendar year with over 5900 patients looking for PCP affiliation. Replacing these physicians will requires 3 support FTEs per Clinician-MA, Scribe and Patient Service Representative which equate to 16 Total FTEs.
- Additional FTEs included in budget reflect support for existing practices, pre-loaders to covert paper charts to EMR and investments in Centralized Scheduling.

Brattleboro Memorial Hospital

GMCB QUESTION 2

NPR Payer--Medicare and Medicaid shows unfavorable reimbursement/utilization than was budgeted in 2017. Commercial shows more favorable reimbursement / utilization. Describe the reimbursement assumptions around the Medicare Dependent Hospital and Low Volume Provider provisions that are set to expire in September 2017. Describe the assumptions around the changes in Medicaid.

- MDH\LVA are currently scheduled to expire at the end of FY2017. We would normally expect to receive approximately $2.5 Million in reimbursement from these reimbursement programs.
- Because MDH\LVA may not be renewed, we have also applied to participate in the Medicare Rural Community Hospital Demonstration Project. If MDH/LVA is not renewed, this would generate almost as much reimbursement for inpatient hospital cases. We have not heard back regarding our acceptance.
- The ACO's Medicare contract would be effective 1/1/2018 and is based on FY2016 spend per capita trended forward and increased by 3%.
- The budget assumes MDH\LVA reimbursement are locked into place through the ACO or for all attributed Medicare lives in CY2018.
- The impacts of reversing Provider based billing and rebasing Medicaid rates for 2017 contribute to making this a difficult category to analyze

GMCB QUESTION 3

Rate & NPR--BMH has an overall rate/price request of 8.9%. This is a high rate compared to other hospitals and much higher than BMH's recent history. Please explain. Also, was pricing for services a consideration in establishing this level?

- Need to account for ACO risk contracts represents 3.2 % of the requested rate increase. (See Slide 15 for calculation)
- Findings based on GMCB's 2015 Actual Hospital Gross Charges Analysis published on 7/27/17:
  - **BMH charges are lower than system average in all sample categories except one (GI) and Ortho cases are 34% and 17% below system average profile is under the average.**
- Findings based on GMCB's 2017 Current Charges:
  - **BMH Charges are lower than system average for all sample and over 20% in 50% of items sample**.
- Findings based on VT Department of Health Access Report 4/21/17:
  - **BMH Charges are lower than median total episode cost in all identified episodes**

Brattleboro Memorial Hospital

GMCB QUESTION 4

Income statement & NPR -- The hospital has estimated reserves for their risk associated with One Care of $1.3 million. Explain how the hospital determined this level of reserve. Provide how the reserve is recorded and impacts to the budget.

- Refer to Slide 11

Brattleboro Memorial Hospital

GMCB QUESTION 5

Income Statement--Retail pharmacy (340B) of $1.5 million is recorded in operating revenue. Describe this program and the risks involved operating the program.

- The 340B Retail Pharmacy Program allows BMH buy drugs at the discounted drug prices for prescriptions written at BMH for certain eligible patients and filled at a contracted Retail Pharmacy.

- On July 13th, Medicare published a proposed rule that would cut Hospital reimbursement for drugs purchased through the 340b program by 28.5%. This applies to the much larger volume of prescription drugs accounted for as outpatient revenue. Oncology drugs, outpatient surgery, IV medication infusions would all be impacted.

Brattleboro Memorial Hospital

GMCB QUESTION 6

Dashboard - Bad debt and free care are showing a significantly favorable change for FY 2018 over 2017 levels. Describe why you have budgeted this.

	Budget 2017	Projected 2017	Budget 2017
Gross Revenue	174,768,050	150,344,453	157,473,555
Bad debt and free care	4,713,089	4,241,525	8,000,071
	2.7%	2.8%	5.1%

- The FY2018 budget was based on the FY2017 YTD ratio of bad debt and free care as a % of total gross revenue.

Brattleboro Memorial Hospital

GMCB QUESTION 7

Util. & Staff--The hospital has increased FTEs and physicians but the productivity measures and cost per unit are moving unfavorably. Discuss this change.

- Majority of new FTEs are in the Medical Practices as referenced in Slide 18. The budget incorporates a 24% increase in office visits in part due to the additional Clinicians required to meet community need. This increase in visits does not necessarily translate to increase in hospital statistics such adjusted discharges or adjusted occupied beds.

GMCB QUESTION 8

Discuss the $1.2 million listed as physician transfers/acquisitions mentioned in your narrative.

- Previously addressed in Slides 11 and 18

Brattleboro Memorial Hospital

GMCB QUESTION 9

Salary & Fringe per FTE are budgeted lower than 2017B. What explains why salaries and fringe will be lower?

- FTEs are increasing and most of those increases are at the lower end of the pay structure.
- We anticipate a 3% increase in average annual wage in aggregate.
- We are making more conservative assumptions in fringe benefits, particularly on claims experience in our self insured plan based on experience in FY2017.

Brattleboro Memorial Hospital

GMCB QUESTION 10

Income Statement--Are the 2017 projections still valid? If not, please describe material changes?

- The projection submitted with the budget is likely optimistic through today's lens. Some patients of physicians leaving the area have deferred care until new providers are in place and some have likely gone outside the community for PCP.

- Impact of EMR implementation has also resulted in softening clinician schedules and elective surgical cases.

- Oncology volume has also been trending down.

Brattleboro Memorial Hospital

GMCB QUESTION 11

Refer to the Act 53 price and quality data schedules that were included in the presentation of FY 2018 Hospital Budget Submissions-Preliminary Review on July 27, 2017 and be prepared to address questions the Board may have concerning that information.

- Refer to Slide 20 for pricing overview
- BMH is consistently high performer in all OneCare ACO quality metrics (Readmissions, High-end Imaging Utilization, ED Utilization, etc)
- GMCB info reflects similar pattern and quality performance

Brattleboro Memorial Hospital

GMCB QUESTION 12

Please describe how you are investing for new health care reform activities in the four approved areas:

- *Support for Accountable Care Organization (ACO) infrastructure or ACO programs;*
- *Support of community infrastructure related to ACO programs;*
- *Building capacity for, or implementation of, population health improvement activities identified in the Community Health Needs Assessment, with a preference for those activities connected with the population health measures outlined in the All-payer Model Agreement;*
- *Support for programs designed to achieve the population health measures outlined in the All-payer Model Agreement.*

- BMH has been an active participant in OneCare since its inception. Slide 4 identifies the many programs we have implemented in support of population health initiatives and the All-Payer Model.
- CHNA update is Slide 5 and under separate presentation.
- BMH is committed to participating is risk-based agreements in FY2018.

Brattleboro Memorial Hospital

GMCB QUESTION 13

Please identify which ACO(s) you will have a contractual relationship with in 2018. If your hospital plans (or already is) in a risk-bearing contract with OneCare, please explain the effect of the risk on your financial statements. Please explain specific strategies your hospital is developing to move toward population-based payment reform. Finally, what tools does your hospital employ to ensure appropriate, cost effective, quality care when working with providers outside the CHAC or OneCare network?

- Refer to Slide 4 for strategies and initiatives.

- BMH participating in OneCare Risk-based agreements pending contract review.

Brattleboro Memorial Hospital

CAPITAL BUDGET-MODERNIZATION PROJECT

- Key Component of Master Plan created in 2009
- Replacement of 3 ORs which are significantly undersized
- Renovation of Perioperative areas and relocation of Central Sterile Processing and Endoscopy/Minor Procedures Unit
- Medical Office space to consolidate several practices located in houses
- Power Plant upgrade
- Cardiac Rehabilitation
- CON hearing scheduled September 5, 2017.

Brattleboro Memorial Hospital

OPERATING MARGIN

	FY 2018 Budget	FY 2017 Projected	FY 2016 Actual	FY 2015 Actual	FY 2014 Actual	5 year Cumulative total
Net Revenue	83,758,481	78,827,847	75,827,759	78,908,679	75,530,760	392,853,526
Operating gain	360,065	(470,362)	(600,562)	1,988,418	2,441,800	3,719,359
Operating margin	0.4%	-0.6%	-0.8%	2.5%	3.2%	**0.9%**

- Our operating margin is budgeted to remain at a very low level (0.4%) in recognition of the need to hold down health care costs to our community.
- Over a longer time frame, our objective is to maintain an average operating margin of at least 3%. With this budget we will drop to a 0.9% 5 year margin. That is clearly unsustainable over the long term.

Brattleboro Memorial Hospital

THANK YOU AND QUESTIONS

Brattleboro Memorial Hospital