

# FY2017 BUDGET PRESENTATION

## BRATTLEBORO MEMORIAL HOSPITAL

- CEO/PRESIDENT: Steven R. Gordon
- CHIEF FINANCIAL OFFICER: Michael Rogers
- CHIEF MEDICAL OFFICER: Kathleen McGraw, M.D.
- VP-PHYSICIAN SERVICES: Bonnie McKellar

# FY 2015-RETROSPECTIVE ISSUES

- 97% or \$4.3M of FY 2015 Net Revenue variance were due to two major factors:
- ✓ **\$1,529,214**- In April 2015 Congress extended Medicare Dependent Hospital and Low Volume Adjustment that provided this additional reimbursement that was not anticipated in the FY2015 budget. We communicated this to the GMCB on 4/24/2015.
- ✓ **\$2,790,000**- In November 2015 BMH received notice that we had won an appeal of our FY2009 reimbursement based on a Volume Decline Adjustment (VDA). This VDA is a non-recurring reimbursement that applied to FY2009. Our auditors required us to post this settlement to our Fiscal Year 2015 financial statement. We have already been notified that the settlement is being reopened by Medicare. Our current estimate indicates that we may lose as much as \$1.2 Million of the settlement. We notified GMCB of this settlement when BMH received this reimbursement.
- For **FY 2016 Budget**, BMH reduced rates by 1.4% and has budgeted full year of MDH/LV reimbursement



# FY 2016 MAJOR ISSUES/INITIATIVES

- Brattleboro Area Primary Care Challenges
- Strategic Partnership with DHMC and DH-Cheshire
- EMR/Cerner Implementation
- Progressive Care Unit
- Population Health/Reform Investments



# PRIMARY CARE CHALLENGES

- **Brattleboro continues to experience a significant Primary Care Shortage and Access Challenge:**
  - BMHPPG lost 3.0 FTE Providers
  - Medical Assistant Turnover at 45%
  - Restricted Access for New Patients
  - AHEC research shows Windham County Shortage of over 8.0 PCPs
- **BMH Response:**
  - BMHPPG recruited 2.0FTE Providers ( PCP and APRN)
  - Collaborated with CCV to create accelerated MA program and provided 8 full scholarships
  - BMHPPG expanded Centralized Scheduling Department to ease access for prospective patients.
  - Training/hiring Scribes to assist Providers



# STRATEGIC PARTNERSHIP

- The strategic regional partnership between BMH, DH-Cheshire and DHMC builds upon our existing collaborations, allowing us to share and maintain high levels of specialty medical services throughout the region, improving local access to specialty care and seamlessly refer patients between services, while reinforcing the affordability of health care.
- The partnership formally establishes a **joint management committee** made up of senior management and Board members from each health care provider.
- The committee will develop and oversee a portfolio of collaboration initiatives and make recommendations regarding the operationalizing of the collaboration to the partners' respective Board of Directors or Board of Trustees.
- This model reflects no changes in the leadership, management, or ownership of any of the partner entities.



# STRATEGIC PARTNERSHIP

- **Ongoing Collaborations:**

- Emergency Department Provider Staffing
- Wound Care
- Oncology
- Radiology
- ENT
- Podiatry

- **New Initiatives:**

- TeleHealth for Stroke/Neurology
- Pathology
- Pain Management
- Infusion
- Transgender care



# EHR/CERNER IMPLEMENTATION

- **Software testing to begin Fall 2016**
- **Working with VITL to update interface feeds to VT Health Information Exchange (VHIE)**
- **Implementation Plan on track**
- **Big Bang in April 2017**



# PROGRESSIVE CARE UNIT

- **Merging 20 bed Medical-Surgical Unit with 5 bed Intensive Care Unit**
  - Creating an acuity adjustable unit with 3 ICU beds, high acuity and lower acuity areas, 18 private rooms with surge capacity
  - Consolidation of nursing staff
  - Improved safety for patients with nursing substation and decreased handoff of patients moving from unit to unit
  - Improved efficiency: one team of nursing, shared supplies, patients stay in one area over course of care and centralized utility areas
  - Maintains integrity of current inpatient volume and services



# POP HEALTH/REFORM INVESTMENTS

- **Funded in FY2017 Budget:**
  - ED Case Management (\$175000)
  - Vulnerable Population Care Coordinator-Groundworks Homeless Shelter (\$35000)
  - Transportation Support for Rt 30 Corridor (\$13000)
  - Scribes (\$120000)
  - Embedded Mental Health counselors (HCRS sponsored)
  - Formation of Regional Psych Strategy Group (BMH sponsored)
  - SBIRT
- **Not Budgeted but Committed:**
  - Housing Trust Care Coordinator
  - EPODE/RiseVT Project Coordinator
- **See CHNA Workplan (previously submitted)**



# FY 2017 BUDGET- SIGNIFICANT ITEMS

- **Net Revenue Increases 3.4% from FY2016 Budget**
- **Rate request is a 3.5% aggregate rate increase**
- **Patient access continues to be a concern**
- **Implement Retail 340B Pharmacy Program provides \$600 thousand net income.**
- **Developing an Acuity Adaptable Unit**
- **Budgeted Medicare Dependent Hospital (MDH) and Low Volume Adjustment (LVA)**



# OPERATING MARGIN

	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	5 year
	Budget	Projected	Actual	Actual	Actual	Cumulative total
Net Revenue	80,281,708	75,615,756	78,669,021	75,309,785	69,463,138	379,339,408
Operating gain	157,952	(1,266,933)	2,196,008	2,697,579	2,348,409	6,133,015
Operating margin	0.2%	-1.7%	2.8%	3.6%	3.4%	<b>1.6%</b>

- **Our operating margin is budgeted to remain at a very low level (0.2%) 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 1.6% 5 year margin.**



# 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**
- **Power Plant upgrade**
- **Cardiac Rehabilitation and Pharmacy Relocations**
- **Expect to file CON in Fall 2016**



# RESPONSE TO GMCB - MEDICARE

Medicare	Budget 2017		Budget 2016		change from Fy16 budget	
		% of gross		% of gross		
Revenue	66,907,656	100.0%	67,733,967	100.0%	(826,311)	-1.2%
deduction	(40,240,006)	-60.1%	(42,137,353)	-62.2%	1,897,347	-4.5%
net	26,667,650	39.9%	25,596,614	37.8%	1,071,036	4.2%

- Medicare net revenues increases 4.2% from FY2016 budget.
- We have included MDH & LVA reimbursement for all of FY2017. We expect to receive approximately \$3.5 Million in reimbursement from these reimbursement programs which are currently schedule to expire at the end of FY2017.

# RESPONSE TO GMCB - MEDICAID

Medicaid	% of		% of		change from Fy16	
	Budget 2017	gross	Budget 2016	gross	budget	
Revenue	33,034,042	100.0%	29,405,467	100.0%	3,628,575	12.3%
deduction	(21,700,040)	-65.7%	(20,513,006)	-69.8%	(1,187,034)	5.8%
net	11,334,002	34.3%	8,892,461	30.2%	2,441,541	27.5%

- **Medicaid net revenues increases 27.5% from FY2016 budget. Medicaid utilization is 9.3% higher in FY2016 than was budgeted based on gross revenues before rate increase. This growth appears to come as Commercial Revenues decline. Payor Mix is shifting Commercial to Medicaid in almost all departments.**
- **We have an issue where some Medicaid denials were mapped to Free care in FY16.**
- **The hospital expects to lose \$389,000 on an annualized basis due to the termination of Medicaid provider based billing, based on the impact model developed by DVHA for SFY2017.**



# RESPONSE TO GMCB - COMMERCIAL

Commercial & Others	% of		% of		change from Fy16	
	Budget 2017	gross	Budget 2016	gross	budget	
Revenue	57,531,857	100.0%	57,278,434	100.0%	253,423	0.4%
deduction	(12,101,715)	-21.0%	(10,620,471)	-18.5%	(1,481,244)	13.9%
net	45,430,142	79.0%	46,657,963	81.5%	(1,227,821)	-2.6%

- **All other net revenues decrease 2.6% from FY2016 budget. We are seeing shift from Commercial to Medicaid volume. Our Commercial contracts are percentage discounts and are generally not renegotiated from year to year.**
- **Commercial & other reimbursement declines slightly due to lower volume, changing mix of carriers (more Champus and self insurance) and increasing denials.**



# RESPONSE TO GMCB – RATE INCREASE

	Budget 2017			
	FY2017 Budget	before rate increase	impact of rate increase	
<b>Gross patient service revenue</b>	157,473,555	152,165,003	5,308,552	3.5%
<b>Deductions from revenue</b>				
DSP	976,889	976,889	0	0.0%
Bad Debt & Free Care	(8,000,071)	(7,729,656)	(270,415)	3.5%
Deductions from revenue	(74,041,761)	(70,304,233)	(3,737,528)	5.3%
<b>Net patient service revenue</b>	<b>76,408,612</b>	<b>75,108,003</b>	<b>1,300,609</b>	<b>1.7%</b>

- **BMH will increase most hospital charges by 5% (excluding supplies, drugs and physician charges). This results in a 3.5% aggregate rate increase.**
- **Medicare, Medicaid and all physician fees are reimbursed based on fee schedules regardless of charges.**



# RESPONSE TO GMCB – 340B RETAIL

The 340B Retail Pharmacy Program differs from the hospital based 340 B program by allowing BMH buy drugs at the discounted drug prices for prescriptions written at BMH for certain eligible patients and filled at a contracted retail pharmacy.

Special requirements for expanding the 340 B program to encompass retail pharmacies include:

- **A written contract between BMH and any contracted retail pharmacy including essential covered entity compliance elements.**
- **Separate registration of each contracted retail pharmacy location with the Office of Pharmacy Affairs.**
- **Requirements that BMH ensure the compliance of any contracted pharmacy arrangements with all 340B Program requirements to prevent diversion and duplicate discounts.**



# RESPONSE TO GMCB – FY16 PROJECTION

- **The projection submitted with the budget is still on track based on July results.**
- **Closure effect of VY**
- **Prior Year Settlement**
- **Low Readmission Rates**
- **Impact of Care Coordination**



# RESPONSE TO GMCB-BAD DEBT & FREE CARE

	Budget 2017	% of gross	Budget 2016	% of gross	change from Fy16 budget	
<b>Gross Patient Service Revenue</b>	157,473,555	100.0%	154,417,865	100.0%	3,055,690	2.0%
Bad debt	(4,842,195)	-3.1%	(5,026,252)	-3.3%	184,057	-3.7%
Free Care	(3,157,876)	-2.0%	(3,113,975)	-2.0%	(43,901)	14%
BD & FC combined	(8,000,071)	-5.1%	(8,140,227)	-5.3%	140,156	-1.7%

- **Insurance coverages with higher deductibles along with increased rate of denials from Medicaid and commercial carriers based on tighter pre-certification, determination of medical necessity, retrospective coverage denials. We do have an issue in FY16 with some Medicaid denials being mapped to free care rather than Medicaid contractual.**
- **Patients with coverage from New Hampshire and Massachusetts insurance products for which we are not participating providers.**
- **We continue to care for Patients with no insurance.**
- **Our free care policy is similar to most other Vermont community hospitals**



# RESPONSE TO GMCB-SALARY/FTE

- **3.1% reduction in salary and fringe benefits per FTE is to employment growth at 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 FY2016.**



# RESPONSE TO GMCB-COMMUNITY HEALTH SVCS.

- **In addition to developing programs focused on vulnerable populations (eg. Homeless), BMH has provided the following:**
  - **Free rent to Brattleboro Pastoral Counseling Services and Brattleboro Walk-in Center**
  - **Collaboration with Windham-Windsor Housing Trust**
  - **Major support for Blueprint for Health**
  - **Provided 8 Scholarships for CCV Medical Assistant Program**
- **Many of these efforts require greater longitudinal study to determine impact**



# QUESTIONS

