North Country Hospital
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August 30, 2016

Vermont Legal Aid, Inc.
Office of the Health Care Advocate
ATTN: Kaili Kuiper, Staff Attorney
Julia Shaw, Health Policy Analyst
264 North Winooski Avenue
P.O. Box 1367
Burlington, Vermont 05402

Dear Ms. Kuiper and Ms. Shaw:

Following please find North Country Hospital's responses to the questions you posed as part of the Green Mountain Care FY 2017 hospital budget review process. As requested, we also included responses to the asterisked questions in our testimony at the budget review hearing.

1. *If you included a rebasing in your proposed budget, why do you believe the Green Mountain Care Board should agree to rebase your budget? How do you plan to contain your growth going forward?

North Country Hospital did not include a rebasing in our proposed budget.

2. What is your expected All-Payer and/or Medicare case mix index for FY17?

North Country Hospital has not tracked case mix index since we implemented our inpatient EHR system in 2012. As a Critical Access Hospital, case mix index is not a factor in reimbursement and is not a required reportable benchmark.

a. Please also provide your case mix index for FY14 (actual), FY15 (actual) and FY16 (budget and projected) along with any drivers (e.g. demographic shifts, product line additions, payer mix changes, etc.) that explain increases or decreases over time. **N/A**

b. Please explain the basis for anticipated changes to your case mix index going forward from FY16, if any. **N/A**

3. Please explain the basis of any anticipated changes in your payer mix for FY17. What are the changes you expect to see going forward?

North Country Hospital has seen an increase in the Medicaid and Medicare payer mix throughout fiscal year 2016. Approximately 80% of our increased volumes are attributed to Medicaid and Medicare patients. This shift is partially due to the states Medicaid expansion and the increased covered lives by Medicare as the baby-boomer generation

reaches Medicare eligible age. We expect this trend to continue due to the lack of economic opportunity and aging of our community.

4. As a nonprofit with a duty to benefit your community, please explain any policies your hospital has, if any, to put a reasonable cap on executive pay and on the percentage of your overall budget that is made up of administrative costs.

North Country Hospital does not have a policy to cap executive pay or a policy on the percentage of our budget that is made up of administrative costs. The Board of Trustees reviews executive compensation on an annual basis using independent comparability data. Per GMCB published data, North Country historically, and currently, has one of the lowest overhead ratios in Vermont.

5. If you have varied your commercial rate increases by program or service, how do you determine these increases? Are they based on projected cost increases by program or service or based on something else?

North Country Hospital does not vary its commercial rate increase by program or service. The rate (gross charge) increase is applied at the same rate to all inpatient and outpatient charges at the same rate. The rate increase applied to physician practice charges is set at 0%.

6. What is your margin target, and how was it determined?

Our FY 2017 Operating Margin is targeted at 1.35%. Several factors went into the determination of this target, including:

- **The desire to keep cost increases as low as possible to our local businesses and individuals that purchase commercial insurance.**
- **The need for financial stability and ability to meet debt covenants.**
- **Projected net patient revenue.**

a. Is this a long-range target for your hospital?

No. Our Board has determined that an operating margin between 2% - 3% is required for financial stability and necessary reinvestment in capital equipment, information technology, and facility infrastructure.

7. Please describe how your budget process would differ if a 3- or 5- year net patient revenue cap were used rather than a yearly cap.

A three or five year net patient revenue cap would, in our opinion, provide more predictability and mitigate variation that can occur over shorter time periods from year to year.

8. What is your budgeted amount for Medicaid underpayment for FY17?

The budgeted amount for Medicaid underpayment for FY17 is between $14 million and $15 million dollars.

9. What is the extent of your Choosing Wisely initiative(s), if any?

We have not implemented the formal Choosing Wisely initiative here at North Country Hospital, but have several informal initiatives that have been ongoing.

a. Please describe the initiative(s) and how you have chosen which departments participate.

Our radiologist medical director for diagnostic imaging services has implemented evidence-based protocols that include criteria that must be met for a provider to order various tests or procedures.

b. Which of these initiatives, if any, have led to identifiable cost savings and/or quality improvement?

We have not tracked performance on this, as it was not established as a formal initiative. Other than some preliminary information form the OneCare ACO a few years ago, we have not identified any cost savings or quality improvement.

Community Benefit

10. Please explain how the federal regulations on nonprofit hospital financial assistance policies and billing practices that go into effect on October 1, 2016 affect your budget proposal for FY17 as compared to FY16.

North Country Hospital does not anticipate an impact with the new financial assistance policies that go into effect October 1, 2016. Our current policy gives 100% free care to patients who are at and under the 200% poverty limit and a sliding discount scale for those patients between 200% and 300% poverty limit. We are changing the financial assistance policy to be 100% for patients at and under the 300% poverty limit.

a. Include how you anticipate the regulations affecting your bad debt and charity care.

We do not anticipate an impact on Bad Debt for FY17 as a result of the financial assistance policy that goes into effect October 1, 2016.

b. Which charges did you base your financial assistance discounts upon in FY16?

North Country Hospital includes hospital inpatient and outpatient charges and physician practice charges in our financial assistance discounts.

11. *For all community benefits that you listed on your Form 990 Schedule H, what is the dollar amount you are budgeting for each benefit by year (FY14 Actual, FY15 Actual, FY16 Budget, FY16 Projection, and FY17 Budget)?

We do not prepare a separate community benefit budget – these amounts are controlled by various departments of the hospital and are embedded throughout the hospital budget. Following is a breakdown of actual community benefit amounts spent for FY 2014 and FY 2015 from our submitted 990 tax returns.

	FY 2014 Total Revenues: $82,606,115		FY 2015 Total Revenues: $84,653,073
Financial Assistance (at cost)	$ 563,299		$ 576,596
Unfunded Medicaid Cost	$ 11,790,019		$ 13,367,879
Community Health Initiatives	$ 13,264		$ 30,447
Health Professions Education	$ 153,235		$ 78,549
Subsidized Health Services (Rural Health Clinics)	$ 5,228,599		$ 4,897,014
Cash & In-Kind Contributions for Community Benefit	$ 19,270		$ 26,294
TOTAL	$ 17,767,686		$ 18,976,779
Total Percentage of Revenues	22%		22%

12. *What is your current level of community benefit as a percentage of revenues?

Our FY 2015 community benefits totaled 22% of net revenue (7% if you don't count the unfunded Medicaid cost).

a. *What percentage level are you willing to commit to on an ongoing basis?

Historically we have been running at 22% and we anticipate having to find resources to increase this as we become more focused on addressing the social determinants of health in our community.

b. *Please provide a detailed breakdown of the programs and other components you include in your community benefit calculation.

Please see response to question 11.

13. How does the money you plan to spend on community benefit align with the top five issues identified in your most recent Community Health Needs Assessment (CHNA)? If your assessment of your top five issues has changed since your last Community Health Needs Assessment, please explain the change as part of your answer.

Tobacco Use: North Country has historically sponsored tobacco cessation programs for the community. We plan on expanding these activities in the coming year. We have a RN Community Health Educator and two Respiratory Therapists who have been certified as tobacco cessation counselors.

Obesity Prevention: We plan on expanding our availability of dieticians to perform nutrition counseling in our primary care practices and implement additional diabetes prevention programs.

Substance Abuse: In the FY 2017 budget, we included additional staffing for two Mental Health Substance Abuse counselors to work in our primary care practice.

Access to Dental Care: North Country Hospital will contribute $100,000 to Northern Counties Health Care FQHC to establish a new dental clinic in Orleans, Vermont.

Access to Behavioral Health Treatment: North Country has budgeted for a psychiatric nurse practitioner to work in our primary care clinic.

a. Are there needs identified in your CHNA that you would like to address, but feel that additional cooperation by outside entities is required for an effective solution?

***All* of the needs identified in our Community Health Needs Assessment will require cooperation with outside entities to develop *effective* solutions. The majority of issues identified in our Community Health Needs Assessment are related to the social determinants of health. Poverty is pervasive throughout Orleans and Essex counties and is the underlying factor in all of the key health issues outlined in our CHNA. To have any material success in addressing these problems will require a *Collective Action* approach among the major health and social service providers in our community. We will require the most cooperation from outside entities to improve access to dental care, substance abuse treatment, and behavioral health services.**

Health Information Technology

14. Do you anticipate needing to replace your electronic health records system in the next five years?

North Country Hospital does anticipate needing to replace our electronic health record system(s) in the next five years. This is one of the initiatives that came out of our current strategic plan.

15. Do you use any of the services offered by VITL (Vermont Information Technology Leaders)? **Yes**

a. If so, which services?

We are using the following services provided by VITL:

- **The VITL Provider Access Portal is deployed throughout the facility.**
- **VITL is the conduit for sending our results, documents and CCDs from North Country to both internal and external providers.**
- **NCH Immunizations from both the clinics and the hospital pass through VITL to the VT Immunization Registry**
- **We are currently working with VITL to import data from other facilities into our clinical data repository.**
- **NCH information is also shared through VITL to the VCO for our ACO attributed lives.**

b. To what extent are VITL's services integrated into the hospital's care delivery?

The VITL Provider Access Portal is an integral part of the workflow in many of our care delivery areas. Some examples are the Emergency Department, where providers often rely on the information in the portal to make key decision in the delivery of care for our patients. Inpatient Departments and Pharmacy often refer to the Portal for medication reconciliation, as well as information on care delivered outside of our health service area.
North Country Hospital and clinic information is passed through VITL to both Derby Green Nursing Home and North Country Pediatrics internally, and is also an important channel of information sharing for medical staff located in independent practices.
We have also incorporated the use of VITL Provider Access into our downtime procedures, as access to the Portal is not dependent on our internal servers or network, and serves as an excellent resource for our clinical staff during period when our internal systems are off-line.

c. Has the hospital experienced any cost savings or quality improvement from VITL's services?

Cost savings and quality improvement from VITL's services have not been definitively quantified. However, the following should be noted as important factors when considering the impact of VITL to our facility:

a. **reduction in resources required to establish and maintain independent interfaces between systems**
b. **savings in discontinuing our off-site backup for downtime and replacing with access to VITL (Approximately $5500/year)**
c. **ability to access results from other facilities, allowing us to avoid redundant testing**
d. **improved quality of care with access to key patient information (such as medications, testing, consultations, problem lists, allergies, etc.)**
e. **reduction in resource costs associated with the flow of immunizations directly to the VT registry,**
f. **reduction in resource costs associated with the automation of results reporting**
g. **improved processes for medication reconciliation with access to a full year fill history through the Portal**

d. Do VITL's services compliment your other health information technology initiatives? If so, how?

VITL services do improve our IT initiatives in many ways. Some areas include the ability to use VITL within our downtime procedures, obtaining results from VITL into our internal clinical data repository (dbMotion) through a single source instead of having to create individual point-to-point interfaces with outside facilities, as well as feeding our data to the VCO through VITL thus preventing us from expending resources on this initiative.

Substance Abuse and Mental Health

16. *What percent of your employed primary care providers are participating in the Hub and Spoke program?

Currently none of our primary care providers are participating in the Hub and Spoke program, but we are in the process of opening up a dialogue between our primary care providers and the administrator and medical director of the BAART program to explore these options.

a. *What is the average number of substance abuse patients that those providers treat?

b. *How many additional providers would be required to fully meet your community's needs in a reasonable amount of time? Please take into consideration any waitlists for treatment.

With the expansion of the BAART program in our community, I do not believe that we have significant waitlist issues. We may have an opportunity to deliver more efficient and coordinated care and treatment if patient's primary care physicians participate in MAT.

c. *If your hospital is involved in any medication assisted treatment programs, do you have any information on your costs for these programs versus savings to your hospital?

We currently are not involved in any MAT programs but are in the process of establishing a dialogue between our primary care providers and the administrator and medical director of the BAART program.

17. *Please explain to what extent mental health patients presenting at your Emergency Department impacts your budget?

We have not conducted a financial analysis to isolate all the costs we incur, but the resources that are spent from our organization are material and have increased significantly since the closure of the State Hospital. One example is that we have spent approximately $120,000 in security personnel over the past year.

a. *Please explain how mental health patients are handled when they present to your Emergency Department or other triage location, including a description of any holding or isolation areas that you use, and how often you expect to use this type of area in FY17.

Patients who present to the emergency room in an acute mental health crisis are initially triaged and treated the same way that medical patients are. We have a designated "safe" room in our ED and we assign staff to provide 1:1 direct observation of patients as indicated. The ED is not a therapeutic environment for mental health patients and our doctors and nurses are frustrated because we do not have the specialized resources such as a psychiatrist to properly care for this population. On any given week, we have patients awaiting placement in our emergency room and expect that this will continue throughout FY17.

b. *How do you train your security staff, contracted or in-house, on handling situations involving people experiencing mental health crisis? If some security staff members have been trained but not all, please explain which ones and why.

We require all security personnel, as well as all front line and direct care staff in the Emergency Department, to undergo the *Nonviolent Crisis Intervention* training program provided by the Crisis Prevention Institute.

I hope this adequately addresses your questions. If you have additional questions or require further information, please do not hesitate to contact me at 802-334-3201, or via e-mail: claudio.fort@nchsi.org

Sincerely,

Claudio Fort
President & CEO