

Vermont Legal Aid, Inc.
Office of the Health Care Advocate
264 North Winooski Avenue
Burlington, Vermont 05402

Subject: HCA Pre-Hearing Questions
FY 2017 Hospital Budget Review

- 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?

Management response

SVMC did not rebase its proposed budget. If rebasing were included, in the GMCB instructions, management would have rebased and the “increase” percentage, which SVMC is asking for, would be less.

The rate of growth will be controlled when SVMC conquers the access to primary care problem, health status needs in the community and the mental health issues in our community. Each of these are not just “Hospital” problems but significant issues in the service area. The Hospital alone cannot conquer these issues but can be a driving force in solving these issues.

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

	Case Mix Index	
	All Payer	Medicare
FY 14	1.18	1.32
FY 15	1.22	1.35
FY 16 Budget	1.21	1.35
FY 16 Projected	1.18	1.34
FY 17 Budget	1.17	1.35

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

Management Response

As the table shows, there is no material change in CMI in the FY 2017 budget.

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?

Management Response

Payer mix will slightly shift further to Medicare and Medicaid. The aging population and social issues are driving this. This comment is based upon number of patients. If payer mix is measured by net patient service revenues the Medicaid percentage will go down due to lower payment rates.

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.

Management Response

Periodically, the Board of Trustee's engages outside compensation experts to evaluate executive pay. As for the percentage of administrative costs is a difficult question since there are many definitions of administrative cost. Management would be willing to provide information if administrative costs were clearly defined. Please follow-up.

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?

Management Response

The projected rate (charge) increases are based upon surveying the market, examining the Hospital's charge structure compared to other VT hospitals, examining the charge to cost relationships, the community, as well as other factors. One of which is who is going to pay the charge increase. On the inpatient side of the equation, over 70% of the patient

days are Medicare and Medicare and they do not pay based upon charges. There increases and decreases are from regulation.

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

Management Response

This was addressed in the presentation at the GMCB and questions.

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

Management Response

The long range target is at **least** a 3% operating margin. SVMC has to reinvest in itself now and in the future and as explained at the GMCB hearing, 3% is our minimum internal requirement.

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.

Management Response

A three to five year net patient service revenue cap might be helpful but it still does not address the changes in volumes that may occur, changes in technology, as well changes in the economy locally, statewide and nationally.

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

Management Response

The Medicaid shortfall or “underpayment” budgeted for FY17 is approximately \$16.8 million.

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

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

Management Response

Our Medical Executive Committee, made up of the physician chairs from each specialty, reviewed the Choosing Wisely initiatives when they were first released and upon subsequent revisions. Each chair discussed at their individual section chief's meetings.

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

Management Response

The physician practice pattern was found to be in line with nearly all of the Choosing Wisely initiatives, including diagnostic imaging and treatment guidelines. A few of the initiatives do not pertain to resources typically available in a rural setting (a specific example is fulltime availability of palliative care consultation in the Emergency Department). Thus, the cost savings and quality initiatives were already in place.

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.

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

Management Response

SVMC increased charity care discounts levels for eligible patients in FY16. These discounts provide better benefits for eligible patients in need, including those with high dollar deductible insurance plans. The FY17 budget anticipates an increase in charity care over FY16 projected levels.

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

Management Response

Full and partial charity care discounts begin at average Medicaid reimbursement rates.

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)?

Management Response

FY14	\$16,346,763
FY15	\$19,218,579
FY16 Budget	\$19,750,000
FY16 Projected est.	\$20,250,000
FY17 Budget est.	\$24,000,000

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

Management Response

As provided by SVMC's auditors.

FY 14	11.89%
FY 15	13.69%

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

Management Response

We anticipate maintaining the same or slightly higher percentage level on an ongoing basis.

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

Management Response

SVMC's community benefit calculation includes; charity care, Medicaid shortfall, health professional education, subsidized health services and other community health improvement and benefit operations. Some of the other health improvement and benefit

services include; diabetic education, child birth classes, lactation consulting, free cancer screening, Medicaid and health insurance enrollment assistance, community emergency response activities, medical staff recruitment, community wellness programs and community economic development initiatives.

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.

- 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?

Management Response

Through our budget process, the CHNA is a key document and is discussed at length in determining our budget. As with many items, funding is a limitation.

Health Information Technology

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

Management Response

Yes, SVMC anticipates needing to replace our electronic health records system in the next three to five years. Through our affiliation with DH, we believe this will be necessary to provide a seamless exchange of health information for the care being provided to our patients. We anticipate the costs to be significant.

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

Management Response

Yes.

a. If so, which services?

Management Response

SVMC participates in the following services through VITL:

1. VITL Interfaces:

a. SVMC Outbound Admission Discharge Transfer transactions

Supporting Vermont State master patient index (MPI) development

Supporting Vermont Blueprint for Health Medical Home DOC-site patient population management

Supporting Vermont Care Organization (VCO) Accountable Care Organization (ACO) population management

b. SVMC Outbound Lab, radiology results and transcriptions reports

Supporting distribution to private practices

c. SVMC Outbound Vaccination Record Update

Supporting populating the Vermont Department of Health Immunization database

2. VITL Direct – Secured direct messaging required achieving Eligible Hospital (EH) Meaningful Use (MU)

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

Management Response

VITL routes transaction to private practices, thus allowing hospital data to populate real time into a patient's primary care Electronic Medical Record (EMR) in the practice setting.

VITL receives SVMC's GE Centricity EMR Medical Document Management (MDM) transaction to populate the Vermont Blueprint for Health DOC-Site population health management system.

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

Management Response

Cost Savings:

Avoidance of labor resources required to develop interfaces to individual practices.

Indirect labor resources savings to private practices not having to manually enter lab results and scan/enter reports into the private practice EMR.

Quality Improvement:

Indirect benefit through Vermont Blueprint for Health population management programs and patient management.

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

Management Response

Eligible Hospital and Eligible Provider meaningful use requirements require certain levels of participation in health information exchanges.

VITL assists in the development and routing of data sets used by the Vermont Blueprint for Health and the Vermont Care Organization.

Substance Abuse and Mental Health

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

Management Response

This was addressed in our discussion at SVMC's budget presentation.

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

Management Response

Patients with Mental Health problems are growing. This puts a strain on the ED resources and the Hospital's budget. ED costs have outpaced the 3 to 4% increases in revenue approved by the GMCB for several years.

- 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.

Management Response

Several years ago, three rooms for Mental Health Patients were developed especially to meet the needs of Mental Health Patients. When patient present with indicators that require mental Health special needs, the patient is assigned to this location in the ED. Utilization varies. Management is constantly evaluating the protocols related to Mental Health patients and have instituted Community care Teams in the ED when a Mental Health patient presents.

- 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.

Management Response

Currently, the training is being revisited working with our local mental health and other resources.

Please do not hesitate to call me if you should have any questions.

Sincerely,



Stephen D. Majetich
Chief Financial Officer