

Southwestern
Vermont

HEALTH CARE



***Southwestern Vermont Medical
Center***

***FY 2017 Budget Presentation
to the***

Green Mountain Care Board

August 24, 2016

Today's Presentation

- ***Region In Crisis***
- ***SVMC's Vision 2020***
- ***SVMC's FY 2017 Budget***



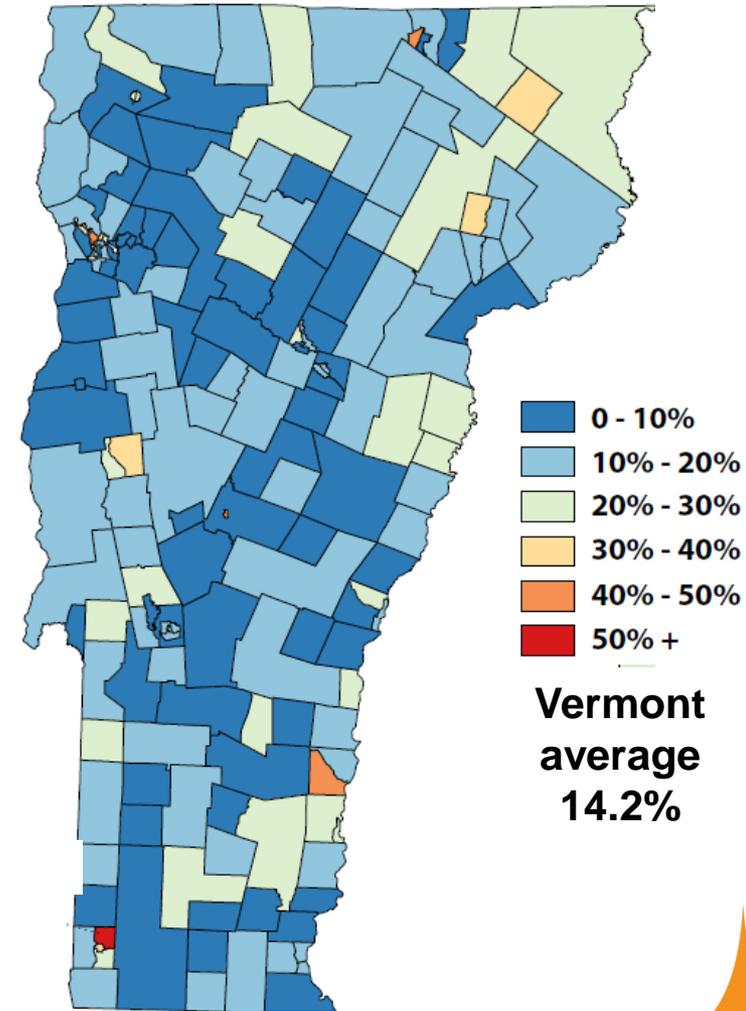
Bennington: Region in Crisis

Region in Crisis

Extreme Poverty

- 1 in 3 children live in poverty (highest in VT)
- 81% of children on free/reduced lunch
- Average wages at 75% Vermont average
- Bennington's household income ranks 188 out of 282 Vermont towns
- 45 net business closures since 2006
- 900 net jobs lost since 2006

Bennington is an outlier in Vermont



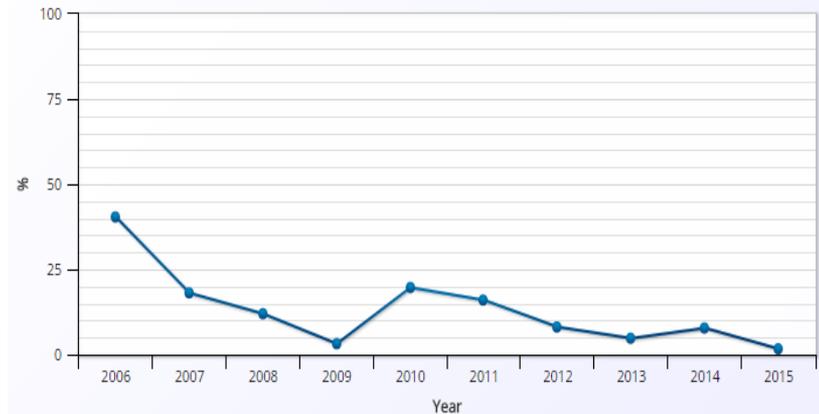
Percentage of families with children in poverty

Region in Crisis

Education System

- 2 out of 3 children attend a failing elementary school
- 30% of 5th grades are proficient in writing
- Less than 30% of 11th graders are proficient in math or science
- 38% higher teen pregnancy rate than across Vermont

Bennington's Elementary School ranking compared to other schools in Vermont



Bennington needs to revamp its' educational strategy

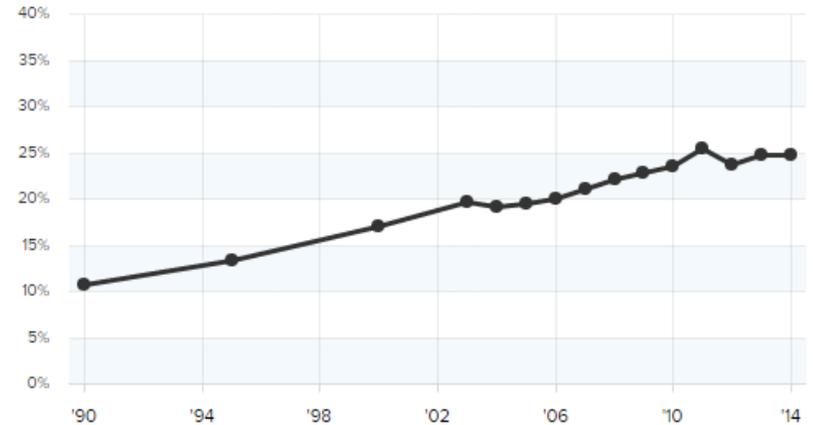
Region in Crisis

Bennington Health Status

- 60% of adults are overweight or obese
- 11% diagnosed with diabetes
- 25% are regular smokers
- 35% of moms smoked during pregnancy
- 20% of middle school students have dental decay
- 56% of motor vehicle deaths related to alcohol
- Drinking water contamination (PFOA) in three communities
- Opioid epidemic - 300% increase in treatment volumes

Adult Obesity Rate in Vermont

Adult obesity rate in Vermont (1990-2014)



Region in Crisis

Focus on Population Health

- Bennington Redevelopment
- Healthy Home Ownership Project
- Project Catalyst with Town
- Partnering with Designated Agency
- Safe Arms
- Partnership with Department of Health for PFOA testing
- Transitional Care Nurses
- Dental Services
- Community Coalitions

Addressing the Social Determinants of Health (SDOH)



Neighborhood and
Built Environment



Health and
Health Care



Economic
Stability



SDOH
MODEL



Community
Context



Education

If not us, then who?

VISION 2020

PARTNERSHIP | TRANSFORMATION | SUSTAINABILITY

VISION **2020**

PARTNERSHIP

- **Develop a deepening relationship with Dartmouth-Hitchcock**
- **Build on the current initiatives**
 - Continued development of Dartmouth-Hitchcock Putnam Medical Group
 - Cancer Center affiliation
 - Quality/Value Institute
- **Create a 'Health System of the Future'**

VISION 2020

TRANSFORMATION

- Expand the primary care footprint
 - Update current health care center facilities
 - Add new facilities
 - Bennington region
 - Massachusetts
 - New York
- Master Plan development
 - Modernize our campus facilities towards ambulatory care



VISION **2020**

SUSTAINABILITY

- Operations improvement
 - Focus:
 - Improve patient access
 - Increase patient satisfaction
 - Enhance and standardize quality
- Goal: Create Value
(Enhanced outcomes at a lower cost)

Partnering with Dartmouth-Hitchcock to create the *Health System of the Future*



Primary Care Strategy

Expand Primary Care Footprint

Goal:

- Enhance the health of our community through the development of an integrated primary care network
 - Northshire Region
 - Pownal
 - Deerfield Valley
 - Dental Clinic at SVMC
 - Eastern New York
 - Northern Mass.
 - Family Practice Center on SVMC Campus



Southwestern
Vermont

HEALTH CARE



***Southwestern Vermont
Medical Center***

FY 2017 Operating Budget

SVMC Budget Summary

	<i>FY 2016 Projected**</i>	<i>FY 2016 Budget</i>	<i>FY 2017 Budget</i>
Net patient service revenues	\$147,356,927	\$144,025,571	\$152,792,211
Other operating revenues	2,730,510	2,022,823	2,811,549
<i>Total operating revenues</i>	<i>150,087,438</i>	<i>146,048,391</i>	<i>155,603,760</i>
<i>Operating expenses</i>	<i>146,569,515</i>	<i>141,665,763</i>	<i>150,974,771</i>
<i>Operating margin</i>	<i>3,517,923</i>	<i>4,382,632</i>	<i>4,628,989</i>
Non-operating revenues-net	747,393	600,000	605,000
<i>Excess revenues over expenses</i>	<i>\$4,265,315</i>	<i>\$4,982,632</i>	<i>\$5,233,989</i>

** Based upon original submission

Budget Summary Highlights

- *Net Patient Service Revenues to increase \$8,766,641 or 6.1% over FY 2016;*
- *Rate increase 3.9%;*
- *Operating margin and cash flows;*
- *Operating expense highlights;*
- *Future plans and Others.*

Increases in Net Patient Service Revenues

• Rate increase -- Comm. and Self Pay	\$3,122,980
• Other rate related items	(1,648,002)
• Increase in Primary Care	1,774,937
• Cancer Center -- Pharmaceuticals	3,400,388
• Orthopedics – inpatient, outpatient services and physician practice	2,311,640
• Community Practices	1,720,462
• Preventive care -- Colonoscopies	1,036,072
• Volume / Payer mix shift and other	(2,952,836)
<i>Total Net Patient Revenue increase</i>	<u>\$8,765,641</u>

Rate Changes

• Net rate changes are \$1,474,978 or .96% of NPSR

Charge/rate increase to be realized (<i>effective rate 3.9%</i>)	\$3,122,980
Medicare rate increases	500,000
Medicaid provider based billing revenues	(2,721,598)
Medicaid rate increase	1,200,000
Decrease in Medicaid DSH payments	(1,224,738)
Decrease indigent care (<i>bad debt and charity care</i>)	598,334
	<hr/>
<i>Rate changes</i>	<i>\$1,474,978</i>
	<hr/>

Rate Changes

• Net rate changes are \$1,474,978 or .96% of NPSR

Charge/rate increase to be realized (<i>effective rate 3.9%</i>)	\$3,122,980
Medicare rate increases	500,000
Medicaid provider based billing revenues	(2,721,598)
Medicaid rate increase	1,200,000
Decrease in Medicaid DSH payments	(1,224,738)
Decrease indigent care (<i>bad debt and charity care</i>)	598,334
<i>Rate changes</i>	<u>\$1,474,978</u>

Rate Changes

- Net rate changes are \$1,474,978 or .96% of NPSR

Charge/rate increase to be realized (<i>effective rate 3.9%</i>)	\$3,122,980
Medicare rate increases	500,000
Medicaid provider based billing revenues	(2,721,598)
Medicaid rate increase	1,200,000
Decrease in Medicaid DSH payments	(1,224,738)
Decrease indigent care (<i>bad debt and charity care</i>)	598,334
<i>Rate changes</i>	<u>\$1,474,978</u>

Rate Changes

- Net rate changes are \$1,474,978 or .96% of NPSR

Charge/rate increase to be realized (*effective rate 3.9%*) \$3,122,980

Medicare rate increases 500,000

Medicaid **Medicaid net decrease of \$2,746,336** (2,721,598)

Medicaid **Medicaid gross charge revenues** 1,200,000

Decreases **to over 19% in FY 2016** (1,224,738)

Decrease indigent care (*bad debt and charity care*) 598,334

Rate changes \$1,474,978

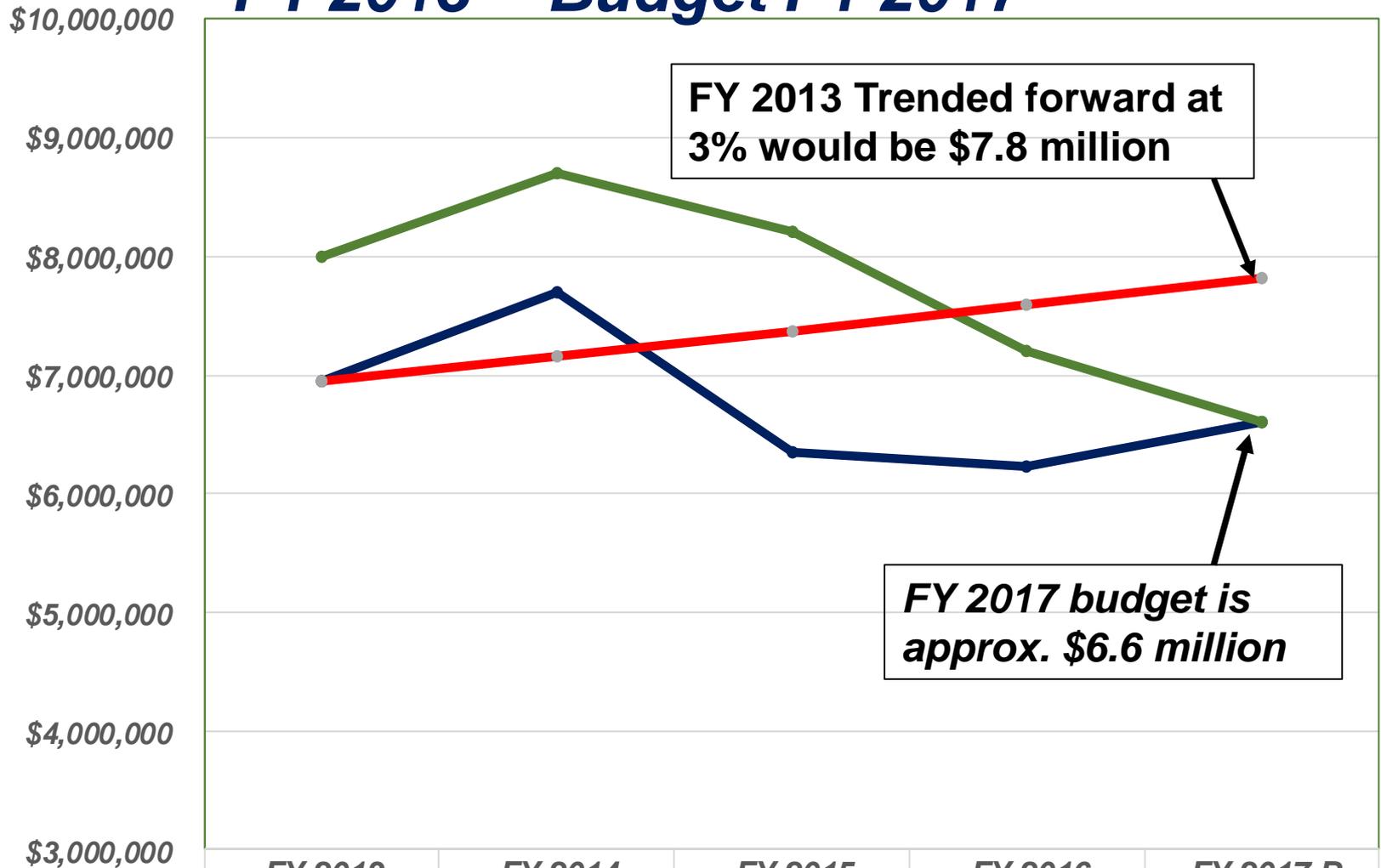
Rate Changes

• Net rate changes are \$1,474,978 or .96% of NPSR

Charge/rate increase to be realized (<i>effective rate 3.9%</i>)	\$3,122,980
Medicare rate increases	500,000
Medicaid provider based billing revenues	(2,721,598)
Medicaid rate increase	1,200,000
Decrease in Medicaid DSH payments	(1,224,738)
Decrease indigent care (<i>bad debt and charity care</i>)	598,334

Rate changes \$1,474,978

SVMC Bad Debt and Charity Care FY 2013 -- Budget FY 2017



	<i>FY 2013</i>	<i>FY 2014</i>	<i>FY 2015</i>	<i>FY 2016</i>	<i>FY 2017 B</i>
Actual	\$6,951,383	\$7,700,723	\$6,348,302	\$6,234,619	\$6,601,666
Budget	\$8,000,000	\$8,700,000	\$8,210,000	\$7,200,000	\$6,601,666
FY 2013 plus 3%	\$6,951,383	\$7,159,924	\$7,374,722	\$7,595,964	\$7,823,843

Rate Changes

- Net rate changes are \$1,474,978 or .96% of NPSR

Charge/rate increase to be realized (*effective rate 3.9%*) \$3,122,980

SVMC will receive an “overall increase” in the payments, from all sources of approximately \$1,475,000 or a 1% increase.

Decrease indigent care (*bad debt and charity care*) 598,334

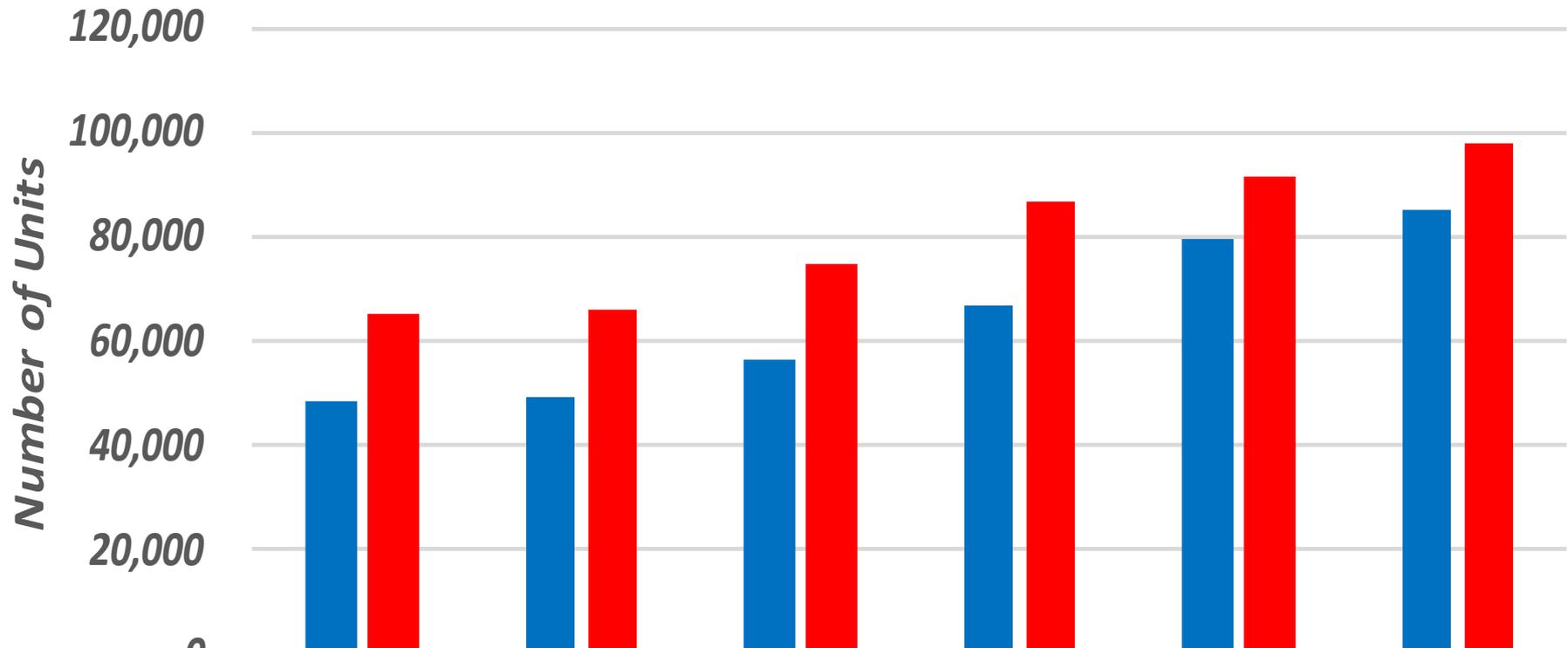
Rate changes \$1,474,978

Primary Care Volumes/Revenues

Primary Care

- Improving access to primary care is a major initiative for the Hospital;
- In the Community Needs Assessment using both Quantitative data and Qualitative data, Access to Care was identified as a need in our service area.
- Expected increase in revenues, net of Medicaid provider based, of approximately \$1,775,000 or 1.24% of net revenues.
- Visits are up over 11,000 in FY 2016 and expected to increase another 5,000 in FY 2017 over FY 2016 levels

SVMC Primary Care, Actual and Budgeted FY 2013 -- FY 2017



	2013 A	2014 A	2015 A	2016 B	2016 P	2017 B
■ Visits	48,461	48,820	56,281	66,389	79,708	84,852
■ wRVU's	64,939	65,908	74,485	86,618	91,379	97,436

Cancer Center – Medical Oncology

- **Patients continue to increase;**
- **Visits with pharmaceuticals continue to increase;**
- **Costs of pharmaceuticals are budgeted to increase by over \$4 million in FY 2017 (net of \$500,000 reduction).**
- **Revenue per visit to increase by 3.4%. Overall revenue to increase by \$3.7 million.**

	Patients	Visits	Gross Charges	NPSR	NPSR Per Visit	% Change
FY 2013 A	401	3,136	\$20,090,933	\$9,308,046	\$2,968	--
FY 2014 A	353	2,884	16,559,730	9,158,066	3,175	6.99%
FY 2015 A	371	3,371	24,029,948	10,977,778	3,257	2.55%
FY 2016 B	376	3,237	24,158,225	10,884,000	3,362	3.25%
FY 2016 P	406	3,738	31,970,238	13,679,000	3,659	8.84%
FY 2017 B	410	3,800	33,000,000	14,377,000	3,783	3.39%

Improvements in existing services

Orthopedics

- In FY 2017 management is expecting to increase its service to the residents of SVMC's service area and expand services into Northern Massachusetts;
- Revenues will increase by over \$2.3 million (inpatient, outpatient and physician practices);
- Three physicians and one associate provider will be joining the one remaining physician and associate provider;
- DH product line management team will be assisting on the transition and management;
- Approximately \$1.5 million of Massachusetts based revenues;

Community Practices

- *Additions to the SVMC revenue budget are two community practices coming into the SVMC revenue base of \$1.7 million.*
 - *Urology – a long standing community Urologist will be joining SVMC and the current SVMC Urologist to create one practice;
Additional revenues generated will be approximately \$1.1 million from Urology;*
 - *Gastroenterology – several years ago a community based Gastroenterologist left the market creating a void. After years of recruiting SVMC has replaced the physician and recruited a second physician to replace a physician that is retiring soon.*

This will allow SVMC to better serve the community and reduce the back log in Screening Colonoscopies.

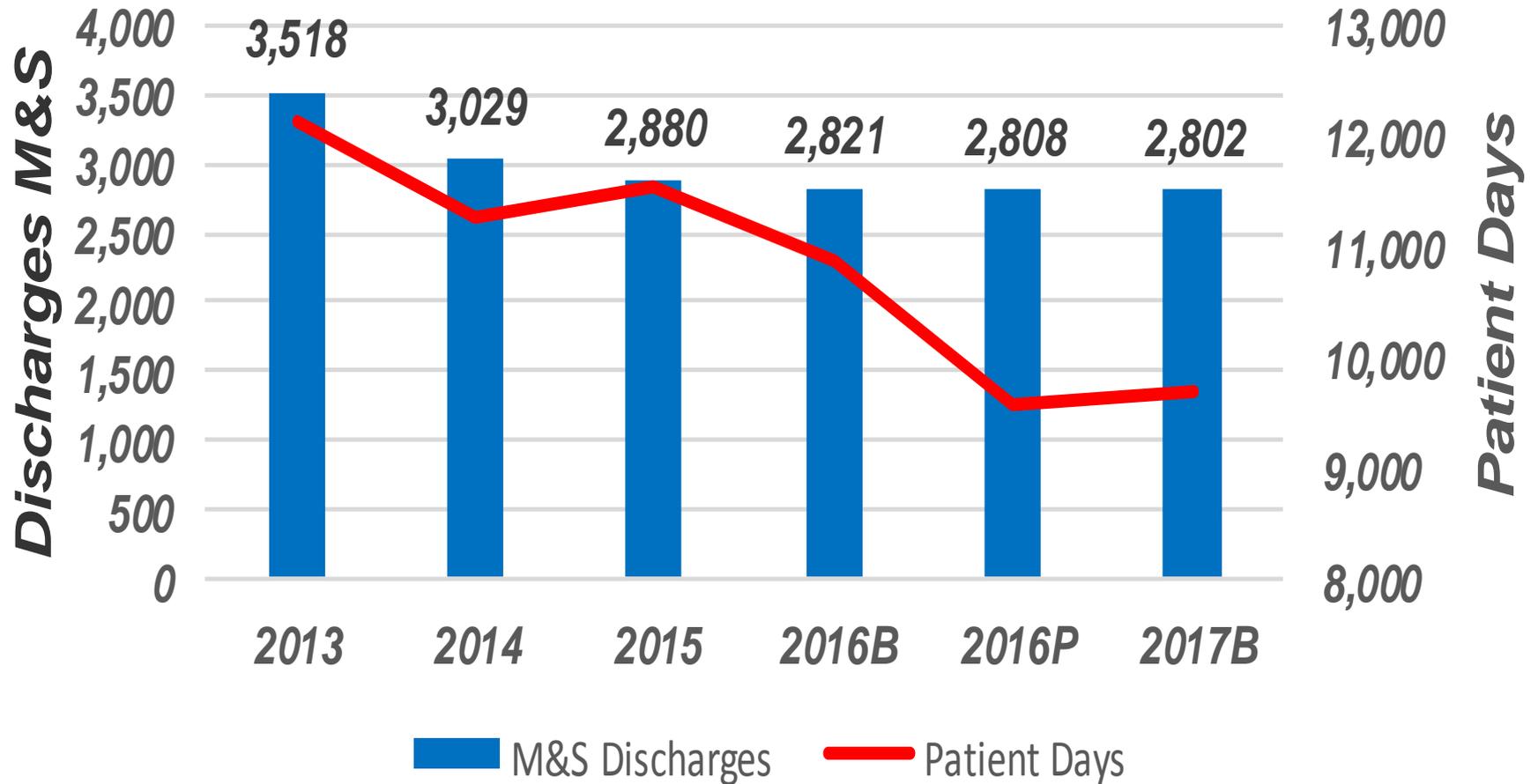
Preventive Screenings -- Colonoscopies

- The primary care physicians along with our care teams identified a significant wait time or backlog and out migration of cases for routine preventive Colonoscopies;
- With the new Gastroenterologist with assistance of the General Surgery Surgeons, SVMC is targeting to eliminate the backlog and reduce the out migration to the Albany/Troy providers;
- In the budget, Management is anticipating over \$1 million of additional revenues;

Reductions to revenues

- Total reductions to revenues are budgeted at nearly \$3 million.
 - Inpatient Medical Surgical Patient Days are budgeted to be lower by 1,200 when compared to FY 2016 budget submission or a 10.8% reduction in inpatient utilization.
 - Amounts to over \$2.1 million in net revenues.
 - This is a result of the several continued efforts to improve care and assure the patients are in the most efficient setting and receiving the highest level of quality care.
- See next slide

SVMC Inpatient Medical Surgical Volumes 2013 -- 2017



Other reductions to revenues

- Observation care cases are budgeted to go down by 14% or nearly \$650,000;
- Diagnostic imaging will experience a reduction of \$420,000 (note MRI's will increase);
- As well as others.

Summary of Changes to Net Patient Service Revenues

	<u><i>Amount</i></u>	<u><i>%</i></u>
Net payment increase	\$1,474,978	1.02%
Increase in Primary Care and preventive care	2,811,009	1.95%
Cancer Center -- Pharmaceuticals	3,400,388	2.36%
Improvement in services	2,311,640	1.61%
Community Practices	1,720,462	1.19%
Volume / Payer mix shift and other	<u>(2,952,836)</u>	<u>-2.05%</u>
 <i>Total Net Patient Revenue increase</i>	 <u><u>\$8,765,641</u></u>	 <u><u>6.09%</u></u>



***Development
of
Operating Margin Target***

Operating Margin

- SVMC operating margin has been budgeted for the last 5 years at approximately 3%;
- Actual operating results have out performed budgeted amounts by 1.3% or less;
- The reason 3% operating margin is the target, it is well documented that small community based Hospitals need at a minimum a 3% operating margin to “reinvest in itself”;
- Revenues are considered utilizing basic principles and guidelines:
 - Community needs;
 - Service considerations;
 - GMCB budget guidelines, i.e. revenue growth;
 - Cost of care to Vermonters and Commercial Insurance carriers
 - Others factors which may vary each year.

Operating Margin

- Operating expenses – goal of SVMC is to be a low cost high quality organization with excellent outcomes;
 - Cost per adjusted admission in FY 2017 budget slightly lower than FY 2015's actual;
 - Cost per adjusted admission lower than VT median by over \$900 or 10%;
 - SVMC capital costs are low.
- SVMC has the oldest physical plant in VT at 17.3 years at the end of FY 2017 (with a \$12.5 million capital budget) compared to the VT Median of 12.0 years.
- With a 3% operating margin, a \$12.5 million capital budget, the Hospital will generate a \$5 million NEGATIVE cash flow from operations.

Statement of Cash Flows
Budget FY 2017

Excess of Revenue Over Expenses	\$4,628,989	3% OPERATING MARGIN BUDGETED
Depreciation and Amortization	6,104,254	
AR and other changes balance sheet change	<u>1,059,789</u>	
Total Net "Sources of Cash"	11,793,032	
Debt Payments	(441,552)	
Pension Funding	(3,900,000)	
Capital Spending	<u>(12,500,000)</u>	CAPITAL BUDGET
Total Net "Uses" of Funds	<u>(16,841,552)</u>	
Net Cash Flow from Operations	(5,048,520)	NEGATIVE CASH FLOW
Non-operating revenues-net	<u>605,000</u>	
Expected change SVMC cash position	(4,443,520)	
<i>Beginning Cash October 1, 2016</i>	15,972,115	
Ending Cash at September 30, 2017	<u><u>\$11,528,595</u></u>	

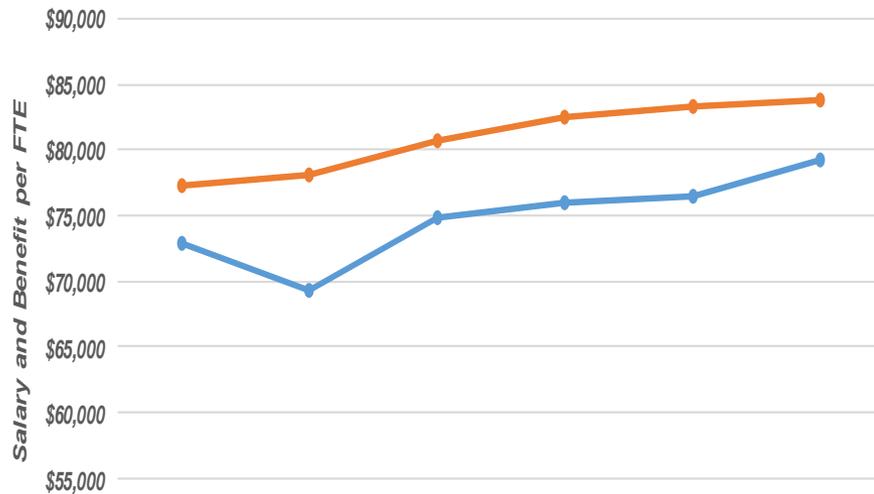


Operating Expense – Highlights

Operating Expenses -- Highlights

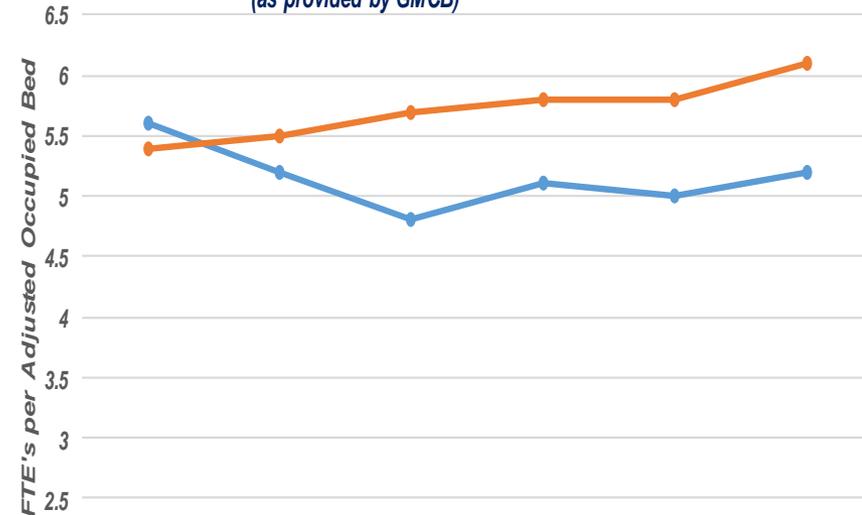
- Salaries and wages
 - FTE's increasing 8.8, mainly in the physician practices, support of the physician practices and related to the increase in preventive colonoscopies;
 - 3% pay increase.

SVMC vs. VT Salary and Benefits per FTE, Non - MD
(as provided by GMCB)



	2013 A	2014 A	2015 A	2016 B	2016 P	2017 B
SVMC	\$72,909	\$69,279	\$74,889	\$75,986	\$76,409	\$79,209
VT	\$77,361	\$78,162	\$80,704	\$82,457	\$83,286	\$83,856

SVMC vs. VT FTE's per Adj. Occupied Bed
(as provided by GMCB)



	2013 A	2014 A	2015 A	2016 B	2016 P	2017 B
SVMC	5.6	5.2	4.8	5.1	5.0	5.2
VT	5.4	5.5	5.7	5.8	5.8	6.1

Operating Expenses -- Highlights

- Employee Benefits
 - Increase in Medical Benefits utilization by employees. Includes a \$400,000 reduction in plan design;
- Physician Fees
 - Increase in providers especially primary, orthopedics, community physicians and reduction of \$1.5 million
- Other Operating Expenses
 - Increase driven by \$4.3 million increase in Pharmacy and Drugs Sold;
- Healthcare Reform Initiatives

Healthcare Reform and Community Programs

SVMC and its Parent Organization are funding both Healthcare reform initiatives and Community Programs.

Included in the SVMC's operational budget are following reform of program initiatives of over \$1.5 million:

- Transitional Care Nurse program;
- Resources to manage the population health reserves and redesign cost for a new payment model;
- Membership in the ACO;
- Resources related to supporting the Blue Print program;
- Costs related to the collaboration between United Counseling Services, SVMC and other community resources related to Mental Health and Addiction Services.

Capital Budget – FY 2017

Central Utility Plant	\$3,750,000
New Primary Care site	1,250,000
Routine IT and Engineering needs	2,250,000
Routine replacement capital	2,290,000
Primary Care equipment and other needs	1,250,000
Telemedicine	325,000
Orthopedics	500,000
Emergency contingency	885,000
Total	\$12,500,000

Future Program Development

- *Dental Program* – the schools, pediatricians, and the Community Needs Assessment identified a major need in Bennington. A CON is in process and anticipated to be filed this fall.
- *Wound Care* – working with our colleagues from DH SVMC continues to explore the need for a Wound Care program in Bennington;
- *Mental Health, Behavioral Health and Addiction services*, continuing to develop collaboration with community partners;
- *Senior Services* – exploring opportunities to address the needs of the aging Bennington population.



Questions

and

Thank you for your time!