NORTHWESTERN MEDICAL CENTER

FY 2013 Budget Presentation to Green Mountain Care Board

August 30, 2012

NMC
Northwestern Medical Center

Northwestern Medical Center: Exceptional Care for Our Community

- Vibrant community hospital, dating back to 1883, caring for approximately 55,000 people in the greater Franklin & Grand Isle counties area;
- Our strategic emphasis is:
  - Stabilizing access to care;
  - Improving quality;
  - Reducing cost.

Examples of Reducing Costs & Improving Efficiency

- "Cost Per Adjusted Admission" is one of the lowest in the State;
- Reduced variation in the clinical use of CT-Scan resulting in volume reduction, reduced revenue, and cost savings for the system;
- Have improved productivity from 70% of national benchmark to above 90% of national benchmark.

Improving Quality

- In the past year, NMC was recognized by The Joint Commission as a top performer (top 14% of all accredited hospitals) for pneumonia care, one of The Joint Commission's key quality measures.
- CORE measures are at or near 100%.
- CMS unannounced intensive "new pilot" in quality survey – no findings.

Net Revenue Increase Request

Net revenue increase (FY budget 2012 to FY budget 2013):

Without exemptions – 10.09%

With exemptions – 3.1%

Requested Net Revenue Increase Exemptions

Our strategic plan – stabilizing access to care:

Physician Transfers (total $2.8 million)

- OB/GYNs ($ .98 million)
- Ophthalmologist ($.77 million)
- Orthopedic surgeon* ($.73 million)
- Pain management ($.33 million)
- Primary care physicians* ($.01 million)

No added capacity

* Approved by the State as part of 2012 budget. 2013 represents full year effect of revenues.

Requested Net Revenue Increase Exemptions

Increase in Medicare Case Mix Index:

Medicare assigns case weights to all inpatients based on patient acuity levels.

NMC case mix index (patient acuity) increased from 1.17 in budget 2012 to 1.35 in budget 2013, resulting in $1.6 million increase in Medicare reimbursement.

Increase due to more fully developed hospitalist program and medical cardiology clinic in collaboration with FAHC.

Requested Net Revenue Increase Exemptions

Increase in Medicare Case Mix (continued)

Patients that are inappropriate to remain at NMC are transferred to FAHC; however, it is becoming increasingly more difficult to transfer patients due to unavailability of beds at FAHC.

Requested Net Revenue Increase Exemptions

Provider Tax

- Automatic exemption by the State.
- Substantial increase in tax in fiscal year 2013 - $558,084.
- Represents hidden tax to the public.
- NMC rate increase request without tax increase would go from 2.9% to 1.8%.

Requested Net Revenue Increase Exemptions

CON

Additional net revenues of $54,875 related to State approved CON for MRI receive automatic exemption from the State.

Requested Net Revenue Increase Exemptions

Health Care Reform Investments

NMC has proposed an ED pilot program to reduce avoidable ED visits. This was included in our budget submittal. NMC's share of the first year cost of the pilot that we request as an exemption is $102,200.