January 31, 2018

Andy Pallito
Director of Health Systems Finances
Green Mountain Care Board
144 State Street
Montpelier, VT 05620

Dear Andy:

The Fiscal Year 2017 Hospital Budget Submission of Actuals for Northeastern Vermont Regional Hospital (NVRH) has been completed and filed electronically using the worksheets provided by the Green Mountain Care Board. We have also electronically filed a copy of the following documents:

- An updated energy efficiency plan
- NVRH's financial assistance policy
- NVRH's fiscal year 2017 audited financial statements and
- Verification Under Oath Statement

NVRH's actual financial performance during fiscal year 2017 was very close to the budget amounts approved by the GMCB. The tables below summarize budget variances for net patient revenue, operating expenses, other operating revenues and non-operating revenue.

Net Patient Revenue	Amount	% Over (Under)
FY 17 Approved NPR	$77,069,500	
Change in DSH	(345,000)	(.45%)
Change in Bad Debt/Free Care	(30,600)	(.04)
Change in Utilization/Intensity	(194,400)	(.25)
Change in Payer mix/Reimbursement	295,700	.38
FY 17 Actual NPR	**$76,794,700**	**(.36%)**

Utilization was slightly lower than expected as fewer patients were admitted to NVRH. However, on average patients admitted to NVRH stayed longer than expected. The longer length of stay was a result of the tremendous challenge we experienced during fiscal 2017 placing several patients in a more appropriate facility.

The change in DSH was due in part to the State budget adjustment that reduced DSH revenues state-wide by $8 million. During fiscal 2017 NVRH benefited from a more favorable payer mix than the budget anticipated.

Operating Expenses	Amount	% Over (Under)
FY 17 Approved Expenses	$77,069,500	
Change in Non-MD Salaries	606,400	.79%
Change in Non-MD Fringe Benefits	(134,000)	(.17)
Change in MD Fees, Salaries,Contracts	(210,000)	(.27)
Change in Provider Tax	(2,700)	-
Change in Depreciation	134,500	.17
Change in Bond Interest	(97,300)	(.13)
Change in Other Operating Expenses	29,100	.04
FY 17 Actual Expenses	**$77,395,400**	**.42%**

A majority of the unfavorable salary variance is a result of additional staff required to provide 1:1 staff to patient coverage ratio, at premium pay rates, 24 hours a day, 7 days per week for several months for patients that could not be timely-placed in a more appropriate facility, despite our extensive efforts to do so. The 1:1 coverage was required to protect these patients from injuring themselves, other patients or staff. Despite this effort our staff was still assaulted over 30 times by patients who should have been treated in a more appropriate facility.

Other Operating Revenue (OOR)	Amount	% Over (Under)
FY 17 Budget OOR	$1,585,100	
Change in Employee Sales	(70,100)	(4.4%)
Change in 340B Retail Sales	162,000	10.2
Change in Meaningful Use Revenue	243,200	15.3
Change in Other (Interest Income)	157,900	10.0
FY 17 Actual OOR	**$2,078,100**	31.1%

Several recently employed physicians and advanced practice providers were eligible for the EHR Meaningful Use incentive. All of these providers successfully demonstrated meaningful use, which provided unanticipated revenue during fiscal 2017.

Non-Operating Revenue (NOR)	Amount
FY17 Budget NOR	$ 0
Change in Gain on Sale of Investments	226,200
Change in Income from Investments	116,400
Unrealized Gain on Investments	666,800
Write Down of Receivable From Parent	($2,000,000)
FY 17 Actual NOR	($ 990,600)

UPDATE ON INVESTMENTS MADE in HEALTH REFORM ACTIVITIES

Cal-Essex Accountable Health Care Community:

The Caledonia and So. Essex Accountable Health Community (CAHC) was organized three years ago. CAHC uses the framework of the Accountable Health Community, the elements of Collective Impact, and the principles of Results Based Accountability to guide our work and working relationships with our communities.

Mission Statement

Our Accountable Health Community is committed to our shared goal to improve the health and well-being of the people in Caledonia and southern Essex Counties by integrating our efforts and services with an emphasis on reducing poverty in our region.

Priorities/Outcomes

We want our population to be

- Financially secure
- Physically healthy
- Mentally healthy
- Well-nourished
- Well-housed

Over the past year, tangible progress has been made in each of the outcome areas:

Financially Secure – We consider this our most difficult outcome to achieve, but the one that could have the greatest impact on our community. The CAHC was recently selected as one of six communities in the nation to be part of the Bridging for Health: Improving Community Health through Innovations in Financing. This initiative will allow us to engage our local financial institutions in our efforts to improve population health by aligning investments and fostering new linkages between health, public health, and other traditional and non-traditional partners.

Physically healthy – Our cumulative successes in physical health were evident when Caledonia moved up to 5th place (out of the 14 Vermont counties) for health outcomes in the national County Health Rankings. Much of this credit goes to our 6 medical homes and robust community health teams, as well as built environment efforts like the completion of the local rail trail.

Mentally healthy – The highlight of work in this area is in efforts around resilience and ACEs (adverse childhood experiences). The Resilience Collaborative is a workgroup formed under the CAHC. Currently, this group has aligned with the Promise Community program in the St. Johnsbury School to strengthen families with young children. Additionally, the hospital has partnered with the school to embed two community health workers in the school to work with school staff to address social and medical needs of children and families.

Well nourished – True community engagement and visioning occurred at our NEK Food Summit in March. This was attended by over 60 stakeholders including farmers, consumers, and economic development professionals, as well as health and human services. The Summit successfully identified an enthusiastic group of people ready to move the NEK Regional Food System Plan forward. The CAHC workgroup in this area is the most established, actively working on small-scale, place-based initiatives to improve nutrition in high risk and at risk populations.

Well housed – Our biggest success in this area was the creation of a seasonal warming shelter in St. Johnsbury for homeless people. The partners on the CAHC Leadership made this "happen" despite heavy "not-in-my-back-yard" opposition from residents and town officials. Opposition melted away when the CAHC partners were able to find a location on hospital property

Emergency Department Care Manager:

The Emergency Department Care Manager performs several functions to help community members maintain good health at the correct level of care by providing essential support thereby decreasing the need for patients to seek care emergently at the location with the highest cost.

Recently, the care manager looked at our top five utilizers for 2016 and after adding her services, including referrals to specialist, other community service agencies, etc. tracked the reduction in ED visits. Below are results from her analysis for the period November 2016 through 2017.

Top five utilizers for 2016 (January to November) —150 total visits
Top five utilizers for 2017 (January to November) –49 total visits

Estimated savings 101 visits at $650 average cost per visit equals $65,650 reduction of health care expenditures for these five individuals.

Community Mental Health Specialist:

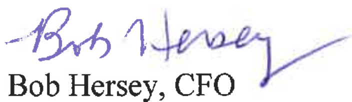
The Community Mental Health Specialist prevented several non-Emergency Evaluation level Emergency Department mental health patients from bouncing back to the ED by individually following up with patients or/and ensuring that patients had the right follow up with another provider. The Specialist did not track an exact number of patients and left NVRH shortly before year end.

Expansion of Palliative Care Program:

Drs. Joyce Dobbertin and Mary Ready, two physicians who are Board Certified in Palliative Care, expanded their program to be the equivalent of a full time position. Use of this program has increased from 23 patients per month in 2015 to 58 patients per month in 2017.

Please feel free to contact me should you have any questions or need any additional information concerning the Fiscal Year 2017 Hospital Budget Submission of Actuals for NVRH.

Sincerely,



Bob Hersey, CFO

CC: Paul Bengtson, CEO
Terri Schoolcraft, Controller