

Mt. Ascutney Hospital & Health Ctr

Fiscal Year 2019 Budget Analysis

Report Date: 8/23/2018

QUESTIONS

1. Have the hospital's projections for FY2018 changed?
2. Please explain factors driving changes in Bad Debt and Free Care from FY2018 Budget to FY2018 Projections and FY2019 Budget (including policy changes if any).
3. Please provide more specificity about what is included in Other Operating Expense for FY2017 Actuals, FY2018 Budget and Projections, and FY2019 Budget, and explain the variation from year to year.
4. Please explain the calculation of the estimated value of a 1% rate/price increase; the hospital's estimate varies from the GMCB staff estimate.
5. Hypertension prevalence and diabetes prevalence are two measures from Vermont's All-Payer ACO Model Agreement. The health service area that includes MAHHC has higher rates when compared to the rest of the state. Please provide detail on initiatives related to hypertension and diabetes prevalence (including initiatives with community partners).
6. Please complete the table that has been provided to clarify accounting of ACO-related revenue and expenses.

Fiscal Year 2019 Budget Analysis **Mt. Ascutney Hospital & Health Ctr**

INCOME STATEMENT	FY2015A	FY2016A	FY2017A	FY2018B	FY2018P	FY2019B	2018B - 2018P	2018B - 2019B	2018P - 2019B
							% Chg	% Chg	% Chg
Revenues									
Gross Patient Care Revenue	83,434,613	87,851,066	88,433,432	92,707,821	95,421,623	101,585,837	2.9%	9.6%	6.5%
Disproportionate Share Payments	376,571	187,769	541,427	683,877	683,877	300,000	0.0%	-56.1%	-56.1%
Bad Debt	(1,498,927)	(1,301,630)	(1,725,743)	(927,078)	(1,375,300)	(1,777,742)	48.3%	91.8%	29.3%
Free Care	(765,163)	(615,260)	(733,410)	(788,016)	(896,037)	(1,015,853)	13.7%	28.9%	13.4%
Deductions from Revenue	(36,032,579)	(39,719,670)	(38,262,682)	(42,994,295)	(44,947,405)	(48,652,472)	4.5%	13.2%	8.2%
Graduate Medical Education	0	0	0	0	0	0	#DIV/0!	#DIV/0!	#DIV/0!
Net Patient Care Revenue	45,514,515	46,402,275	48,253,025	48,682,309	48,886,759	50,439,770	0.4%	3.6%	3.2%
Fixed Prospective Payments & Reserves	0	0	0	0	603,259	756,000	#DIV/0!	#DIV/0!	25.3%
Net Patient Care Revenue & Fixed Payments & Reserves	45,514,515	46,402,275	48,253,025	48,682,309	49,490,018	51,195,770	1.7%	5.2%	3.4%
Other Operating Revenue	2,409,717	3,316,523	3,530,324	3,346,873	3,777,416	3,659,789	12.9%	9.3%	-3.1%
Total Operating Revenue	47,924,232	49,718,798	51,783,349	52,029,182	53,267,434	54,855,559	2.4%	5.4%	3.0%
Expenses									
Salaries Non MD	17,621,811	18,175,724	19,325,779	19,948,664	20,049,475	21,475,959	0.5%	7.7%	7.1%
Fringe Benefits Non MD	4,826,804	5,055,963	5,325,614	7,091,700	7,014,509	7,197,995	-1.1%	1.5%	2.6%
Fringe Benefits MD	814,888	777,295	789,803	0	0	0	#DIV/0!	#DIV/0!	#DIV/0!
Physician Fees, Salaries, Contracts	7,069,399	6,601,768	6,213,721	4,595,438	4,660,071	4,779,482	1.4%	4.0%	2.6%
Health Care Provider Tax	1,828,623	1,691,726	1,617,571	1,800,000	1,746,307	1,750,000	-3.0%	-2.8%	0.2%
Depreciation & Amortization	2,844,370	2,124,980	2,104,831	2,299,071	2,175,788	2,223,622	-5.4%	-3.3%	2.2%
Interest - Long Term & Short Term	446,591	437,533	219,414	272,000	242,029	256,000	-11.0%	-5.9%	5.8%
Other Operating Expense	13,645,319	14,712,518	14,796,237	16,932,239	17,059,746	17,154,917	0.8%	1.3%	0.6%
Total Operating Expense	49,097,805	49,577,507	50,392,970	52,939,112	52,937,185	54,837,975	0.0%	3.6%	3.6%
Net Operating Income (Loss)	(1,173,573)	141,292	1,390,379	(909,930)	330,249	17,584	-136.3%	-101.9%	-94.7%
Non-Operating Revenue	(303,003)	1,161,272	4,500,330	2,040,934	1,373,655	861,000	-32.7%	-57.8%	-37.3%
Excess (Deficit) of Rev Over Exp	(1,476,576)	1,302,564	5,890,709	1,131,004	1,703,904	878,584	50.7%	-22.3%	-48.4%

Benchmarks-Hospital

Operating Margin%	-2.4%	0.3%	2.7%	-1.7%	0.6%	0.0%
Total Margin %	-3.1%	2.6%	10.5%	2.1%	3.2%	1.6%

Observations: MAHHC's NPR increase of \$1.8 million is 5.2% over the FY2018 Budget. This is approximately \$956,000 over the 3.2% NPR growth target, which includes a 0.4% allowance for health care reform investments. The narrative indicates that FY2019 will be comparable to FY2018 Projections. Utilization is expected to increase, with aggregate volumes up more than 8.0% from the FY2018 Budget. MAHHC's rate/price request is 2.94%, which is the lowest rate/price request from the hospital in at least 15 years. The hospital's Expenses are increasing at 3.6%, which, as reported in the narrative, is closer to the FY2018 Projections than the FY2018 Budget. The increase is due to compensation-related expenses resulting from an increase in FTEs, challenges in budgeting for benefits from D-HH collaboration, and Other Operating Expense. Operating Margin is projected to be 3% for FY2018 and 0.0% in the FY2019 Budget. The hospital does not expect to receive the D-HH allocation budgeted in FY2018 as Non-Operating Income.

Fiscal Year 2019 Budget Analysis **Mt. Ascutney Hospital & Health Ctr**

NET PAYER REVENUE CHANGE - PAYERS		FY2018B	FY2018P	FY2019B	2018B - 2018P % Chg	2018B - 2019B % Chg	2018P - 2019B % Chg	Change due to Rate	Change due to Non-Rate Items
All Payers	Gross Patient Care Revenue	\$92,707,821	\$95,421,623	\$101,585,837	2.9%	9.6%	6.5%		
	Contractual Allowances	(\$42,994,295)	(\$44,947,405)	(\$48,652,472)	4.5%	13.2%	8.2%		
	Bad Debt	(\$927,078)	(\$1,375,300)	(\$1,777,742)	48.3%	91.8%	29.3%		
	Free Care	(\$788,016)	(\$896,037)	(\$1,015,853)	13.7%	28.9%	13.4%		
	Graduate Medical Education Payments	\$0	\$0	\$0	#DIV/0!	#DIV/0!	#DIV/0!		
	Disproportionate Share Payments	\$683,877	\$683,877	\$300,000	0.0%	-56.1%	-56.1%		
	Net Payer Revenue	\$48,682,309	\$48,886,759	\$50,439,770	0.4%	3.6%	3.2%		
Fixed Prospective Payments & Reserves	\$0	\$603,259	\$756,000	#DIV/0!	#DIV/0!	25.3%			
Net Patient Care Rev & Fixed Payments & Reserves	\$48,682,309	\$49,490,018	\$51,195,770	1.7%	5.2%	3.4%	\$1,437,907	\$1,075,554	
Commercial	Gross Patient Care Revenue	\$32,831,326	\$32,182,673	\$33,434,038	-2.0%	1.8%	3.9%		
	Contractual Allowances	(\$10,343,205)	(\$9,793,771)	(\$10,207,972)	-5.3%	-1.3%	4.2%		
	Bad Debt	(\$927,078)	(\$1,375,300)	(\$1,777,742)	48.3%	91.8%	29.3%		
	Free Care	(\$788,016)	(\$896,037)	(\$1,015,853)	13.7%	28.9%	13.4%		
	NPR	\$20,773,027	\$20,117,566	\$20,432,471	-3.2%	-1.6%	1.6%		
	Fixed Prospective Payment & Reserves	\$0	\$0	\$0	#DIV/0!	#DIV/0!	#DIV/0!		
	Total Net Payer Revenue & Fixed Prospective Payment	\$20,773,027	\$20,117,566	\$20,432,471	-3.2%	-1.6%	1.6%	\$1,437,907	(\$2,528,598)
Medicaid	Gross Patient Care Revenue	\$10,678,516	\$10,936,461	\$11,384,702	2.4%	6.6%	4.1%		
	Contractual Allowances	(\$7,761,610)	(\$7,362,340)	(\$10,277,659)	-5.1%	32.4%	39.6%		
	Bad Debt	\$0	\$0	\$0	#DIV/0!	#DIV/0!	#DIV/0!		
	Free Care	\$0	\$0	\$0	#DIV/0!	#DIV/0!	#DIV/0!		
	Graduate Medical Education Payments	\$0	\$0	\$0	#DIV/0!	#DIV/0!	#DIV/0!		
	NPR	\$2,916,906	\$3,574,121	\$1,107,043	22.5%	-62.0%	-69.0%		
	Fixed Prospective Payment & Reserves	\$0	\$603,259	\$756,000	#DIV/0!	#DIV/0!	25.3%		
Total Net Payer Revenue & Fixed Prospective Payment	\$2,916,906	\$4,441,493	\$1,863,043	52.3%	-36.1%	-58.1%	\$0	(\$33,685)	
Medicare	Gross Patient Care Revenue	\$49,197,979	\$52,302,489	\$56,767,097	6.3%	15.4%	8.5%		
	Contractual Allowances	(\$24,889,480)	(\$27,791,294)	(\$28,166,841)	11.7%	13.2%	1.4%		
	Bad Debt	\$0	\$0	\$0	#DIV/0!	#DIV/0!	#DIV/0!		
	Free Care	\$0	\$0	\$0	#DIV/0!	#DIV/0!	#DIV/0!		
	NPR	\$24,308,499	\$24,511,195	\$28,600,256	0.8%	17.7%	16.7%		
	Fixed Prospective Payment & Reserves	\$0	\$0	\$0	#DIV/0!	#DIV/0!	#DIV/0!		
	Total Net Payer Revenue & Fixed Prospective Payment	\$24,308,499	\$25,443,472	\$28,600,256	4.7%	17.7%	12.4%	\$0	\$4,021,714
Disproportionate Share Payments	\$683,877	\$683,877	\$300,000	0.0%	-56.1%	-56.1%		(\$383,877)	
NPR to Gross Commercial (no dsh)	63.3%	62.5%	61.1%						
NPR to Gross Medicaid (no dsh)	27.3%	40.6%	16.4%						
NPR to Gross Medicare (no dsh)	49.4%	48.6%	50.4%						
NPR to Gross All (no dsh)	51.8%	51.1%	50.1%						

Observations: The 5.2% increase in NPR is primarily due to increases in Commercial rates and Medicare utilization. Commercial and Medicaid show decreases in NPR to Gross ratios while Medicare increased, perhaps due to accounting changes related to Gross Revenue associated with Fixed Prospective Payments.

Disproportionate Share Payment shows a decrease of \$383,877.

Mt. Ascutney Hospital & Health Ctr

RATE AND NET PATIENT REVENUE INCREASE

Rate is the average change in price for services provided.

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Weighted Average Approved Rate (all hospitals)	6.82%	4.37%	1.67%	2.04%	
Weighted Average Submitted Rate (all hospitals)	6.82%	4.40%	2.21%	2.34%	3.12%
Mt. Ascutney Hospital & Health Ctr Approved Rate	3.22%	5.74%	4.87%	4.89%	
Mt. Ascutney Hospital & Health Ctr Submitted Rate	3.22%	5.74%	4.87%	4.89%	2.94%

Hospital Inpatient Gross Revenue	3.4%
Hospital Outpatient Gross Revenue	2.8%
Physician Outpatient Gross Revenue	2.5%
Chronic/SNF Gross Revenue	3.5%
Swing Gross Revenue	3.4%

Net Patient Revenue Change Due to Rate Request		
	Commercial	\$ 1,437,907
	Medicaid	\$ -
	Medicare	\$ -
	Disproportionate Share	\$ -
	Total Change Due to Rate Request	\$ 1,437,907

Value of 1% Rate - Calculated by GMCB	\$ 489,084
Value of 1% Rate - Calculated by Mt. Ascutney	\$ 497,379
	Variance \$ (8,295)

Observations: Mt. Ascutney has a rate/price request of 2.94%. The 2.94% will result in increased NPR of \$1.4 million.

For Mt. Ascutney, every 1% increase in rate/price is worth approximately \$489,084 in net patient revenue. This estimate calculated by GMCB staff does not match the estimated value of a 1% increase calculated by the hospital.

Questions: Please explain the calculation of the estimated value of a 1% rate/price increase; the hospital's estimate varies from the GMCB staff estimate.

Fiscal Year 2019 Budget Analysis	Mt. Ascutney Hospital & Health Ctr					
DASHBOARD	FY2015A	FY2016A	FY2017A	FY2018B	FY2018P	FY2019B
Net Patient Care Revenue	45,514,515	46,402,275	48,253,025	48,682,309	50,341,099	50,439,770
Net Patient Care Rev & Fixed Payments & Reserves	45,514,515	46,402,275	48,253,025	48,682,309	50,944,358	51,195,770
NPR & FPP % Variance		2.0%	4.0%	0.9%	4.6%	5.2%
Three Year NPR & FPP CAGR* (FY16A - FY19B)						3.3%
Operating Expense	49,097,805	49,577,507	50,392,970	52,939,112	52,747,925	54,837,975
Oper Exp % Variance		1.0%	1.6%	5.1%	-0.4%	3.6%
Three Year Oper. Exp. CAGR* (FY16A - FY19B)						3.4%
Revenue						
Operating Margin %	-2.4%	0.3%	2.7%	-1.7%	3.0%	0.0%
Total Margin %	-3.1%	2.6%	10.5%	2.1%	5.6%	1.6%
Bad Debt %	1.8%	1.5%	2.0%	1.0%	1.4%	1.7%
Free Care %	0.9%	0.7%	0.8%	0.8%	0.9%	1.0%
Cost						
Cost per Adjusted Admission	6,273	7,259	7,856	7,667	7,521	7,692
Overhead Exp. as a % of Total Operating Exp.	31.3%	32.6%	33.2%	40.3%	39.5%	39.2%
Productivity & Utilization						
Acute Admissions	398	358	362	365	402	396
Adjusted Admissions	7,827	6,830	6,415	6,905	7,014	7,129
Average Length of Stay	9	10	10	10	10	9
FTEs Per Adjusted Occupied Bed	4	4	5	5	4	5
FTEs per 100 Adj Discharges	4	5	5	5	4	5
Cash						
Days Cash on Hand	142.6	147.8	176.9	134.3	190.8	176.4
Current Ratio	1.9	2.5	3.0	2.4	3.4	3.2
Capital						
Age of Plant	8.6	12.6	11.8	13.1	13.8	11.9
Long Term Debt to Capitalization				35.6%	28.6%	29.5%
Debt Service Coverage Ratio	247.6%	522.6%	914.7%	472.1%	1265.7%	613.4%
*CAGR = Compounded Annual Growth Rate						

Fiscal Year 2019 Budget Analysis							Mt. Ascutney Hospital & Health Ctr			
UTILIZATION & STAFFING	FY2015A	FY2016A	FY2017A	FY2018B	FY2018P	FY2019B	2018B-2018P	2018B-2019B	2018P-2019B	
UTILIZATION										
Adjusted Admissions	7,827	6,830	6,415	6,905	7,014	7,129	1.6%	3.2%	1.7%	
Acute Admissions	398	358	362	365	402	396	10.1%	8.5%	-1.5%	
Acute Average Length Of Stay	3.3	3.7	3.8	3.6	3.6	3.5	-1.7%	-3.7%	-2.0%	
All Operating Room Procedure	1,865	1,739	1,513	1,701	1,654	1,765	-2.8%	3.8%	6.7%	
Tests	64,900	60,503	58,953	57,347	59,466	60,020	3.7%	4.7%	0.9%	
Emergency Room Visits	4,024	4,754	4,575	4,365	4,678	4,600	7.2%	5.4%	-1.7%	
CT Scan, Radiology - Diagnostic	12,765	12,664	11,238	11,092	11,714	11,967	5.6%	7.9%	2.2%	
Exams	0	0	0	0	0	0	#DIV/0!	#DIV/0!	#DIV/0!	
Provider Work RVU	0	0	0	0	0	0	#DIV/0!	#DIV/0!	#DIV/0!	
Physician Office Visits	51,997	49,207	41,822	44,009	41,518	43,650	-5.7%	-0.8%	5.1%	
Clinic Visits	0	0	0	0	0	0	#DIV/0!	#DIV/0!	#DIV/0!	
STAFFING										
FT Equivalents (Heads)	298	299	304	305	297	312	(7)	7	15	
Travelers, Travelers MD	0	0	0	0	0	0	0	0	0	
Residents & Fellows	0	0	0	0	0	0	0	0	0	
MLPs	9	10	10	10	11	11	1	1	0	
Physician FTEs	22	21	19	19	19	20	(1)	0	1	
Total FTEs	329	329	333	334	327	342	(7)	8	15	
Benchmarks-Hospital										
Salary per FTE - Non-MD	\$ 57,454	\$ 58,972	\$ 61,610	\$ 63,393	\$ 65,045	\$ 66,510	2.6%	4.9%	2.3%	
Salary & Benefits per FTE - Non-MD	\$ 73,192	\$ 75,376	\$ 78,588	\$ 85,930	\$ 87,153	\$ 88,801	1.4%	3.3%	1.9%	
FTEs Per Adjusted Occupied Bed	4	4	5	5	4	5	-1.9%	3.2%	5.2%	
FTEs per 100 Adj Discharges	4	5	5	5	4	5	-3.6%	-0.6%	3.1%	
Benchmarks-Vermont System Averages										
Salary per FTE - Non-MD	\$ 61,326	\$ 63,250	\$ 65,422	\$ 65,917	\$ 67,055	\$ 67,424	1.7%	2.3%	0.5%	
Salary & Benefits per FTE - Non-MD	\$ 80,704	\$ 81,921	\$ 85,211	\$ 84,856	\$ 86,361	\$ 86,812	1.8%	2.3%	0.5%	
FTEs Per Adjusted Occupied Bed	6	6	6	6	6	6	-0.7%	2.8%	3.6%	
FTEs per 100 Adj Discharges	7	7	7	8	8	8	-1.1%	1.3%	2.4%	

Observations: Overall utilization based on adjusted admissions shows an increase of 3.2. This is built off of the increase MAHHC has seen in 2018. The higher than normal increase in Salary per FTE is due to salary increases in primary care to support increasing roles regarding collaborative care, and recruitment efforts. The hospital's productivity measures are lower than the Vermont System Average.

Questions: Please explain the significant decrease in All Operating Room Procedures.

Fiscal Year 2019 Budget Analysis		Mt. Ascutney Hospital & Health Ctr					
BALANCE SHEET	FY2015A	FY2016A	FY2017A	FY2018B	FY2018P	FY2019B	
Cash & Investments	\$ 3,534,580	\$ 3,644,335	\$ 6,267,363	\$ 2,122,595	\$ 7,421,507	\$ 6,380,918	
Risk Reserve for Fixed Reform Payments	-	-	-	-	-	-	
Other Current Assets	7,256,000	7,169,049	7,463,621	7,777,645	7,777,645	7,171,691	
Current Assets	10,790,580	10,813,384	13,730,984	9,900,240	15,199,152	13,552,609	
Board Designated Assets	14,531,518	15,565,953	17,137,760	16,513,919	19,013,919	19,043,644	
Net, Property, Plant And Equipment	14,445,756	17,732,576	17,135,210	18,089,000	18,089,000	21,033,829	
Other Long-Term Assets	2,306,278	2,583,827	2,604,060	2,619,718	2,619,718	2,770,913	
Assets	\$ 42,074,132	\$ 46,695,740	\$ 50,608,014	\$ 47,122,877	\$ 54,921,789	\$ 56,400,995	
Current Liabilities	\$ 9,370,251	\$ 7,550,825	\$ 7,741,387	\$ 7,765,010	\$ 7,765,010	\$ 7,709,548	
Long Term Liabilities	8,073,352	11,168,583	11,537,204	11,128,583	11,128,583	11,515,170	
Other Noncurrent Liabilities	7,660,302	8,201,730	5,786,002	7,783,067	7,783,067	8,882,254	
Fund Balance	16,970,227	19,774,602	25,543,421	20,446,217	28,245,129	28,294,023	
Liabilities and Equities	\$ 42,074,132	\$ 46,695,740	\$ 50,608,014	\$ 47,122,877	\$ 54,921,789	\$ 56,400,995	
Benchmarks-Hospital							
Days Cash on Hand	142.6	147.8	176.9	134.3	190.8	176.4	
Long Term Debt to Capitalization	32.2%	36.1%	31.1%	35.6%	28.6%	29.5%	
Debt Service Coverage Ratio	2.5	5.2	9.1	4.7	12.7	6.1	
Benchmarks-Vermont System Averages							
Days Cash on Hand	178.5	183.3	193.6	167.3	178.2	173.4	
Long Term Debt to Capitalization	27.6%	30.5%	29.0%	29.6%	26.7%	25.4%	
Debt Service Coverage Ratio	3.7	5.0	3.9	3.7	3.7	3.7	
<p>Observations The Fund Balance is budgeted to increase from FY2018 Projections. Long Term Liabilities are budgeted at a steady level.</p>							

Fiscal Year 2019 Budget Analysis

Mt. Ascutney Hospital & Health Ctr

CAPITAL BUDGET	2015A	FY2016A	FY2017A	FY2018B	FY2018P	FY2019B	2020 Plan	2021 Plan	2022 Plan
Non-Certificate of Need Capital Plans Total				\$ 3,219,000	\$ 2,459,000	\$ 3,824,575	\$ 2,151,000	\$ 1,063,000	\$ 1,063,000
Certificate of Need Capital Plans				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Capital Purchases				\$ 3,219,000	\$ 2,459,000	\$ 3,824,575	\$ 2,151,000	\$ 1,063,000	\$ 1,063,000

Mt. Ascutney Hospital & Health Ctr									
Age of Plant	8.6	12.6	11.8	13.1	13.8	11.9			
Capital Expenditures to Depreciation	32.2%	28.9%	73.7%	140.0%	82.1%	172.0%			
Capital Cost % of Total Expense	6.7%	5.2%	4.6%	4.9%	4.6%	4.5%			

Benchmarks-Vermont System Averages									
Age of Plant	11.4	11.8	12.5	13.0	13.2	13.5	-	-	-
Capital Expenditures to Depreciation				116.6%	116.5%	145.7%	-	-	-
Capital Cost % of Total Expense				5.3%	5.3%	5.0%	-	-	-

Observations: The Overall Capital Budget of \$3.8 million represents an increase from last year. Age of Plant is budgeted to decrease by 1.2 years - below the Vermont System Average. There are no CONs planned for 2019 or beyond. Capital Budget Investments include routine replacement of equipment, mechanical systems, and plant maintenance.