



North Country Hospital  
Where caring runs deep.

HealthCare's  
**most  
wired**<sup>®</sup>  
WINNER 2017  
Most Improved

**Better Connections. Excellent Care. A Healthier Community.**

North Country Hospital has once again been named a "Most Wired" hospital by Hospitals & Health Networks for their efforts to improve health care through technology and innovation.





North Country Hospital  
Where caring runs deep.

North Country Hospital  
Fiscal Year 2019 Budget  
Presentation  
to the Green Mountain Care  
Board

August 20, 2018

## Presenters

- André Bissonnette, CFO
- Thomas Frank, COO, Interim CEO
- Avril Cochran, VP of Patient Care Services

## Support

- Tracey Paul, Executive Director for Finance and Accountable Care
- Anita Flagg, Controller
- Amy-Jo Morse, Staff Accountant II
- Gary Gillespie, Board Trustee-Finance Committee
- Wendy Franklin, Director of Development and Community Relations



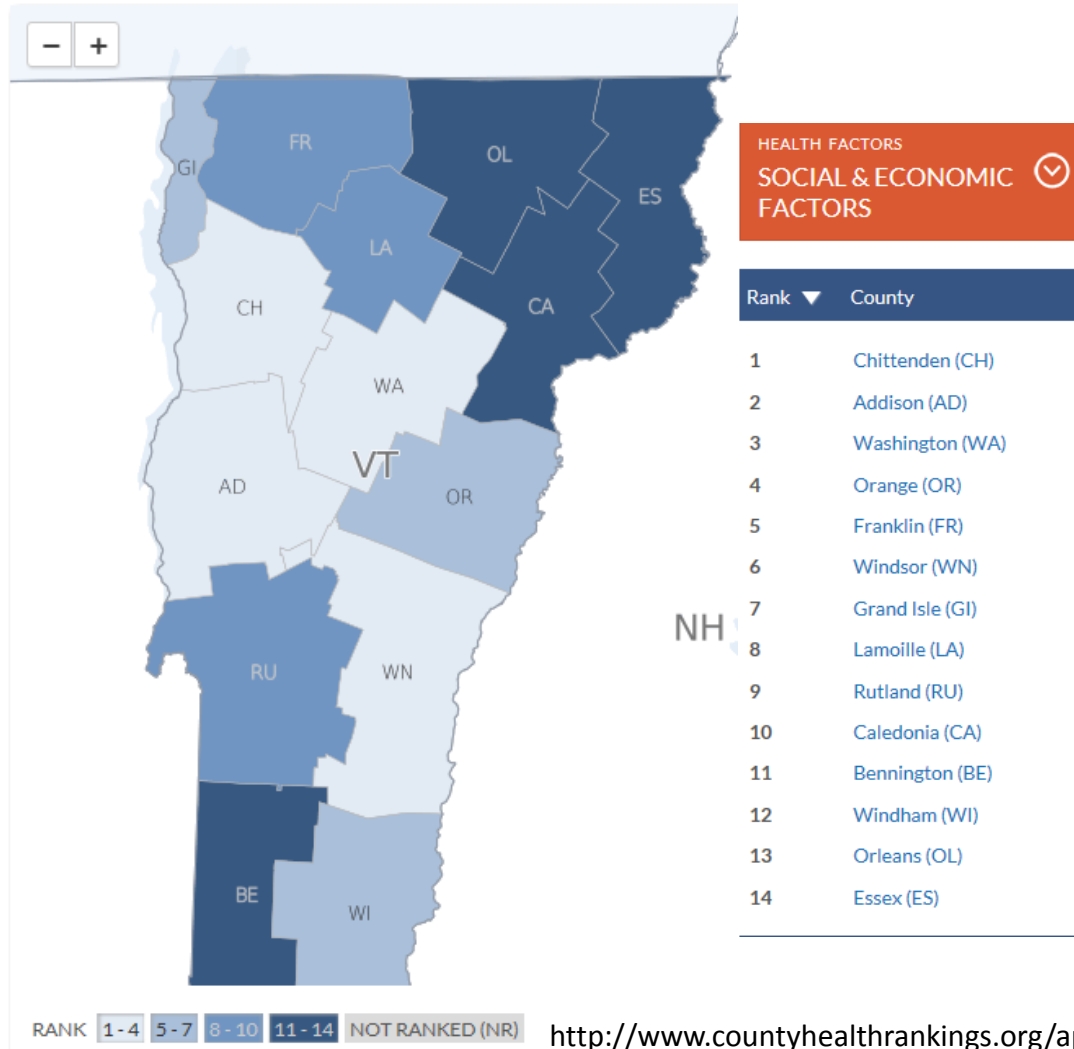
Service Area  $\approx$  30,000

- Most Isolated
- Highest Poverty
- Lowest Health Status

45 Minutes to Closest Critical Access Hospital

2 Hours to Tertiary Care

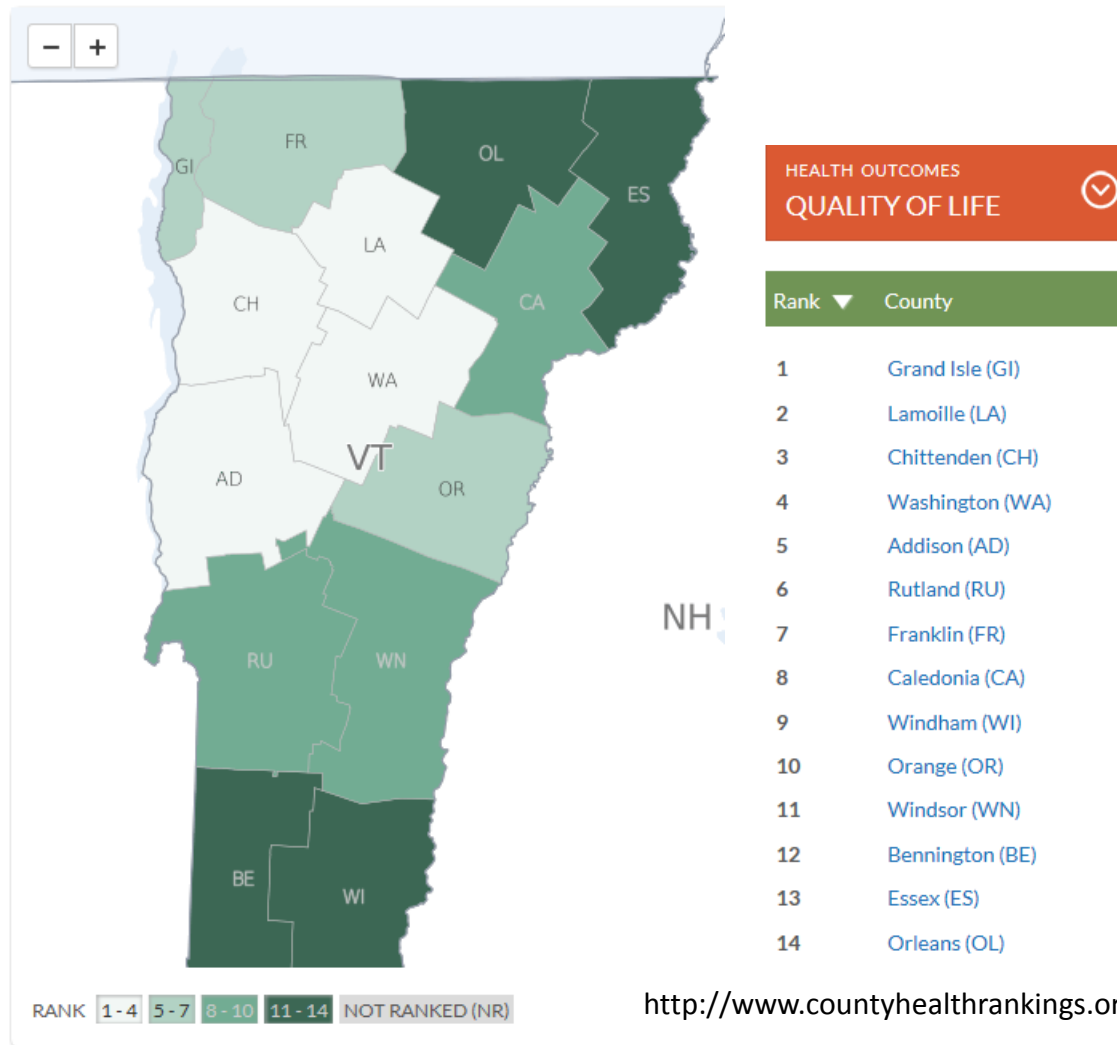
## Overall Rankings in Health Factors i



**2018 County Health Rankings: Orleans & Essex Counties Ranked Last in Vermont for *Health Factors* (Health Behaviors, Clinical Care, Socioeconomics, and Physical Environment)**

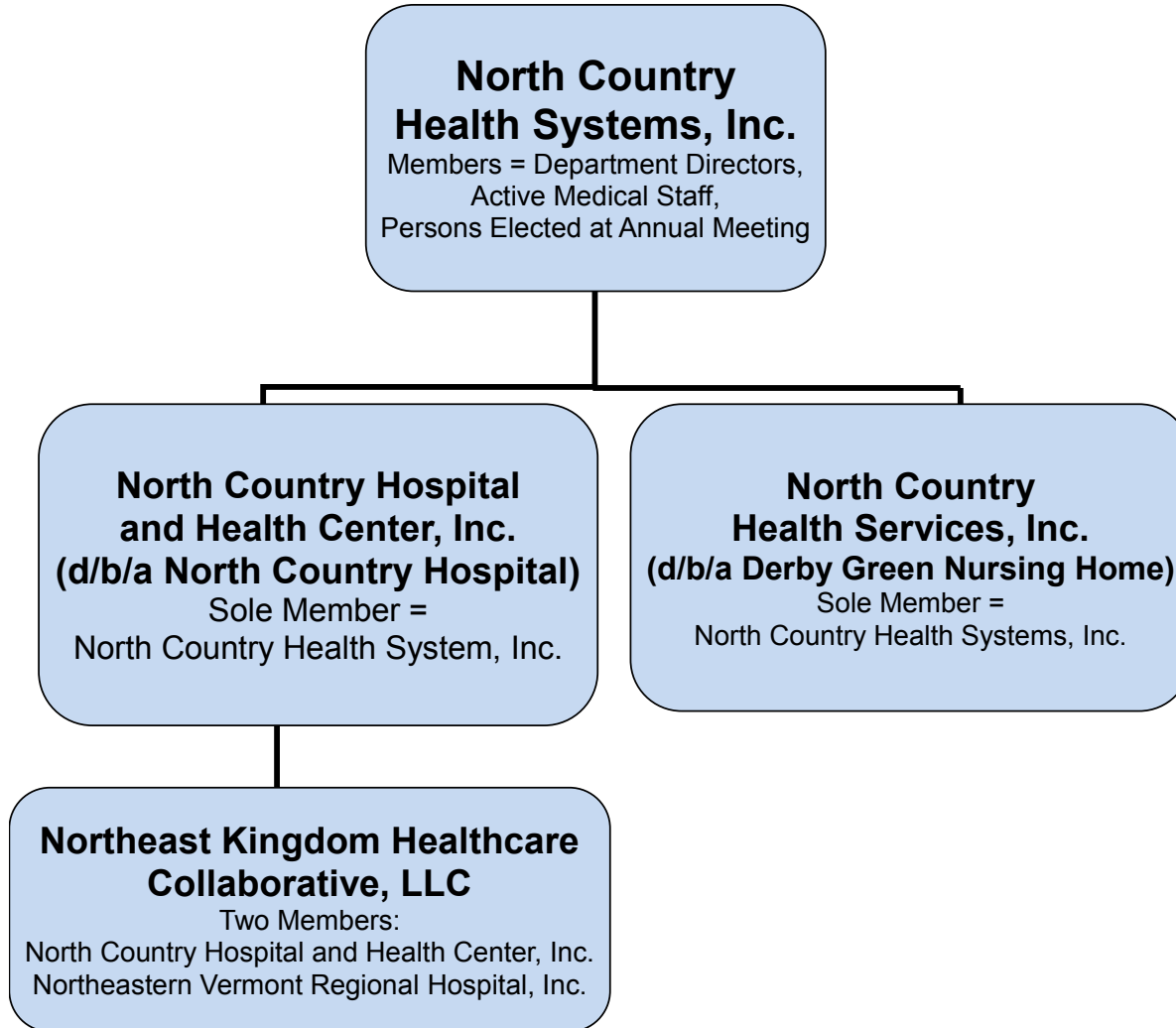
<http://www.countyhealthrankings.org/app/vermont/2018/measure/outcomes/42/map>

## Overall Rankings in Health Outcomes ⓘ



**2018 County Health Rankings: Orleans Ranked Last in Vermont for *Health Outcomes Quality of Life*: (Poor or Fair Health, Poor Physical Health Days, Poor Mental Health Days, Low Birthweight)**

<http://www.countyhealthrankings.org/app/vermont/2018/rankings/outcomes/6>



## Ensure Continued Financial & Operational Viability

### Current Year Projections

- FY2018 Projected \$694k Operating Gain
- YTD May 2018 Actual \$392k Operating Gain
- YTD May 2018 Budget \$166k Operating Gain
- YTD May 2018 Net Revenues Down \$347k
- FY2019 Budget \$958k Operating Gain



- Increased volumes associated with mental health issues and opiate use
- Ability to recruit and retain workforce
  - Market pressures on compensation
  - Limited availability of qualified staff
- Ability to maintain positive margins for reinvestment into organization
- Continued increase in regulatory pressures at Federal and State levels
- Additional resources required for population health

- New Electronic Health Record (athena Health)
  - Operational cost vs capital cost
  - Anticipated efficiencies
    - Process improvement efficiencies
    - Billing and collecting efficiencies
  - Reduced FTEs through attrition
- Continue to evaluate and implement new staffing models to reduce cost
  - Med/Surg and ICU
- Participation in New England Alliance for Health Group Purchasing Collaborative
- Increased compliance around 340B and cost reduction opportunities
- Conduct Financial and Operational Evaluation of all Services

## Advance Health Care Reform

- Evaluate Medicaid Risk Contract Under OneCare Vermont
- Implement AthenaHealth EHR
- Improve Population Health Data Infrastructure
- Evaluate Population Health/Medical Home Organizational Structure and Resource Needs
- Develop Strategy To Mitigate Financial Risk (Reserves, Re-Insurance, CAH Impact, etc.)

- Third Next Available Appointment
  - Measured on an as needed basis
  
- Averaging 1,000 new Primary Care patients per year
  - Two community Primary Care providers retired in the last two years

- Eight of the quality measures for NCH at or exceeding the Vermont statewide rate
  - Percentage of Medicaid adolescents with well-care visits
  - 30-day follow up after discharge for Mental health
  - Diabetes HbA1c Poor Control
  - Appropriate asthma medication management
  - Percentage of adults reporting that they have usual primary care provider
  - Prevalence of chronic disease: HTN
  - Deaths related to drug overdose
  - Rate of growth in number of mental health and substance use-related ED visits

- Five of the quality measures for NCH were worse than the Vermont statewide rate
  - Initiation of alcohol and drug dependence treatment
  - Engagement of alcohol and drug dependence treatment
  - Prevalence of chronic disease: COPD
  - Prevalence of chronic disease: Diabetes
  - # per 100,000 population ages 18-64 receiving Medication Assistance Treatment

## ➤ Entering Second Year in Medicaid Only

### Positives:

- Predictable Payment
- Proactive vs. Reactive Care
- Potential Upside Risk
- Collaboration with other VT Hospitals

### Unknowns/Concerns:

- Cost of Supporting OneCare Infrastructure
- Increased Cost in Supporting the Reporting and Care Requirements (FTEs)
- Small Player in Influencing Downside Risk

Fiscal Year 2019 Budget Analysis North Country Hospital									
INCOME STATEMENT	FY2015A	FY2016A	FY2017A	FY2018B	FY2018P	FY2019B	2018B - 2018P	2018B - 2019B	2018P - 2019B
							% Chg	% Chg	% Chg
<b>Revenues</b>									
Gross Patient Care Revenue	166,223,234	178,370,005	176,924,304	186,181,775	186,233,162	193,012,814	0.0%	3.7%	3.6%
Disproportionate Share Payments	2,276,974	1,735,504	1,201,206	403,818	403,818	879,211	0.0%	117.7%	117.7%
Bad Debt	(3,626,966)	(3,465,231)	(2,087,878)	(1,105,660)	(2,311,810)	(2,071,021)	109.1%	87.3%	-10.4%
Free Care	(1,283,142)	(1,114,262)	(1,545,788)	(1,261,784)	(1,886,795)	(1,753,024)	49.5%	38.9%	-7.1%
Deductions from Revenue	(90,293,004)	(97,734,434)	(97,804,957)	(105,143,570)	(109,659,502)	(114,166,944)	4.3%	8.6%	4.1%
Graduate Medical Education	0	0	0	0	0	0	#DIV/0!	#DIV/0!	#DIV/0!
<b>Net Patient Care Revenue</b>	<b>73,297,094</b>	<b>77,791,582</b>	<b>76,686,887</b>	<b>79,074,579</b>	<b>72,778,873</b>	<b>75,901,036</b>	<b>-8.0%</b>	<b>-4.0%</b>	<b>4.3%</b>
Fixed Prospective Payments & Reserves	0	0	0	0	4,523,027	5,622,314	#DIV/0!	#DIV/0!	24.3%
<b>Net Patient Care Revenue &amp; Fixed Payments &amp; Reserves</b>	<b>73,297,094</b>	<b>77,791,582</b>	<b>76,686,887</b>	<b>79,074,579</b>	<b>77,301,900</b>	<b>81,523,350</b>	<b>-2.2%</b>	<b>3.1%</b>	<b>5.5%</b>
Other Operating Revenue	7,181,556	6,174,954	5,620,168	5,885,122	5,655,416	6,083,556	-3.9%	3.4%	7.6%
<b>Total Operating Revenue</b>	<b>80,478,650</b>	<b>83,966,536</b>	<b>82,307,055</b>	<b>84,959,701</b>	<b>82,957,316</b>	<b>87,606,906</b>	<b>-2.4%</b>	<b>3.1%</b>	<b>5.6%</b>
<b>Expenses</b>									
Salaries Non MD	24,491,810	26,443,428	26,747,116	27,485,621	26,467,298	27,664,659	-3.7%	0.7%	4.5%
Fringe Benefits Non MD	8,077,211	9,377,399	10,083,036	10,481,826	10,338,550	10,732,923	-1.4%	2.4%	3.8%
Fringe Benefits MD	1,130,331	1,129,208	1,075,390	1,154,352	1,003,816	1,164,079	-13.0%	0.8%	16.0%
Physician Fees, Salaries, Contracts	13,465,876	14,439,987	15,256,583	14,196,022	14,296,865	14,792,632	0.7%	4.2%	3.5%
Health Care Provider Tax	4,283,890	4,464,892	4,633,146	4,533,348	4,533,348	4,533,348	0.0%	0.0%	0.0%
Depreciation & Amortization	4,681,156	5,060,771	4,650,398	4,458,804	4,066,750	4,358,483	-8.8%	-2.2%	7.2%
Interest - Long Term & Short Term	647,943	596,513	692,008	689,347	674,663	605,858	-2.1%	-12.1%	-18.2%
Other Operating Expense	20,856,291	22,312,587	21,041,340	21,266,142	20,625,069	22,796,328	-3.0%	7.2%	10.5%
<b>Total Operating Expense</b>	<b>77,634,509</b>	<b>83,824,785</b>	<b>84,179,016</b>	<b>84,265,462</b>	<b>82,006,360</b>	<b>86,648,310</b>	<b>-2.7%</b>	<b>2.8%</b>	<b>5.7%</b>
<b>Net Operating Income (Loss)</b>	<b>2,844,141</b>	<b>141,751</b>	<b>(1,871,960)</b>	<b>694,239</b>	<b>950,956</b>	<b>958,597</b>	<b>37.0%</b>	<b>38.1%</b>	<b>0.8%</b>
Non-Operating Revenue	(1,384,871)	2,028,401	3,886,125	1,253,190	1,653,237	1,504,524	31.9%	20.1%	-9.0%
<b>Excess (Deficit) of Rev Over Exp</b>	<b>1,459,270</b>	<b>2,170,151</b>	<b>2,014,165</b>	<b>1,947,429</b>	<b>2,604,193</b>	<b>2,463,121</b>	<b>33.7%</b>	<b>26.5%</b>	<b>-5.4%</b>
<b>Benchmarks-Hospital</b>									
Operating Margin%	3.5%	0.2%	-2.3%	0.8%	1.1%	1.1%			
Total Margin %	1.8%	2.5%	2.3%	2.3%	3.1%	2.8%			
Cost per Adjusted Admission	8,655	8,963	5,951	9,688	10,169	10,813			
<b>OBSERVATIONS:</b>									
In FY2019, the hospital is projecting 2.4% less in NPR & FPP than for FY2018 and 2.7% less in Expenses. Bad Debt and Free Care in the FY2019 Budget are higher than FY2018 Budget but lower than FY2018 Projections. The hospital is requesting a 3.6% rate/price increase. The hospital is expecting to replace two surgeons who have left within the last year.									

FY2016-FY2018 Budget 1.5% growth, FY2019 Budget under GMCB guidance

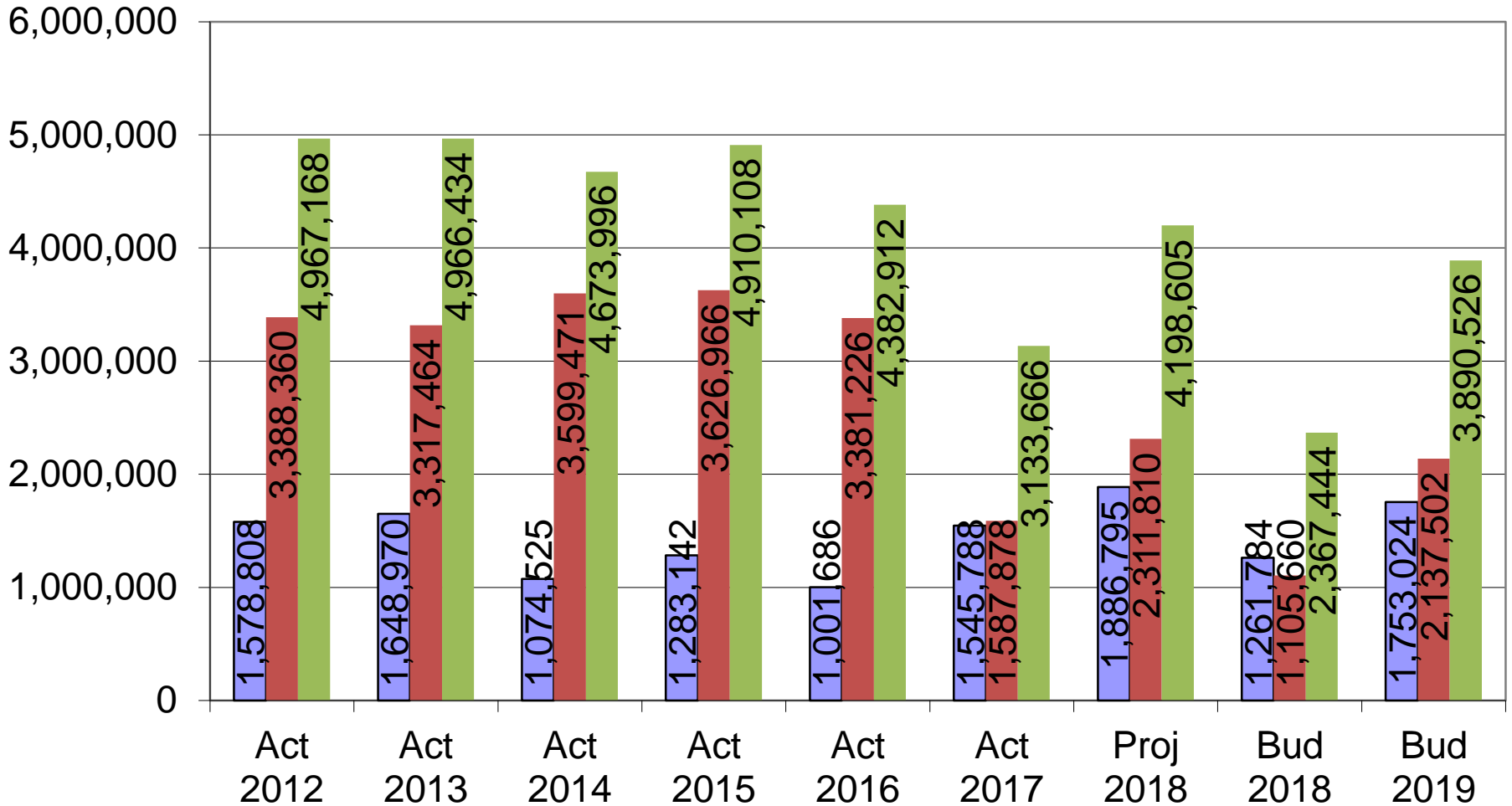
Athena Health



- Expense Drivers
  - Compensation/Benefits
  - Locums/Travelers
  - EHR – Capital to Operating Cost



Free Care Dollars    Bad Debt    Total Combined



Funding for  
\$1.2mil  
Behavioral  
Health  
project and  
\$1.5 mil Lab  
Renovation

Fiscal Year 2019 Budget Analysis							North Country Hospital						
BALANCE SHEET													
	FY2015A		FY2016A		FY2017A		FY2018B		FY2018P		FY2019B		
Cash & Investments	\$	5,441,054	\$	2,507,404	\$	1,567,456	\$	5,194,466	\$	2,604,181	\$	2,463,129	
Risk Reserve for Fixed Reform Payments		-		-		-		-		-		-	
Other Current Assets		11,716,624		11,590,179		14,331,770		13,958,810		16,007,955		16,298,085	
Current Assets		17,157,678		14,097,583		15,899,226		19,153,276		18,612,136		18,761,214	
Board Designated Assets		34,288,615		34,027,352		38,845,739		37,723,628		40,354,695		41,795,358	
Net, Property, Plant And Equipment		28,038,118		26,815,387		24,697,926		24,175,605		26,537,431		26,046,855	
Other Long-Term Assets		2,218,838		4,668,601		4,320,222		3,404,110		4,430,142		4,581,767	
<b>Assets</b>	<b>\$</b>	<b>81,703,249</b>	<b>\$</b>	<b>79,608,923</b>	<b>\$</b>	<b>83,763,113</b>	<b>\$</b>	<b>84,456,619</b>	<b>\$</b>	<b>89,934,404</b>	<b>\$</b>	<b>91,185,194</b>	
Current Liabilities	\$	32,020,167	\$	9,897,642	\$	12,636,713	\$	12,999,175	\$	13,733,163	\$	13,733,163	
Long Term Liabilities		3,456,829		20,602,338		19,364,561		19,339,895		17,846,140		16,541,890	
Other Noncurrent Liabilities		-		-		-		-		-		-	
Fund Balance		46,226,253		49,108,943		51,761,839		52,117,549		58,355,101		60,910,141	
<b>Liabilities and Equities</b>	<b>\$</b>	<b>81,703,249</b>	<b>\$</b>	<b>79,608,923</b>	<b>\$</b>	<b>83,763,113</b>	<b>\$</b>	<b>84,456,619</b>	<b>\$</b>	<b>89,934,404</b>	<b>\$</b>	<b>91,185,194</b>	
<b>Benchmarks-Hospital</b>													
Days Cash on Hand		198.8		169.3		185.5		196.3		201.2		196.3	
Long Term Debt to Capitalization		7.0%		29.6%		27.8%		27.4%		23.9%		21.8%	
Debt Service Coverage Ratio		0.4		3.3		2.0		3.3		3.2		3.5	
<b>Benchmarks-Vermont System Averages</b>													
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	
<b>Observations:</b>													
The hospital's balances for Other Current Assets have shifted from FY2017 Actuals to FY2018 Projections and FY2019 Budget. The Fund Balance is steadily increasing. Days Cash on Hand is higher than the Vermont System Average.													

- Premier labor benchmarking and management
- 340B contract management
- Nursing intern program
- Collaboration with other healthcare organizations
- New England Alliance for Health contracting and supply chain
- Facilities efficiencies
- Primary Care delivery model
- athena Health EHR

## We Collaborate to make Vermont a Healthier, Stronger Place

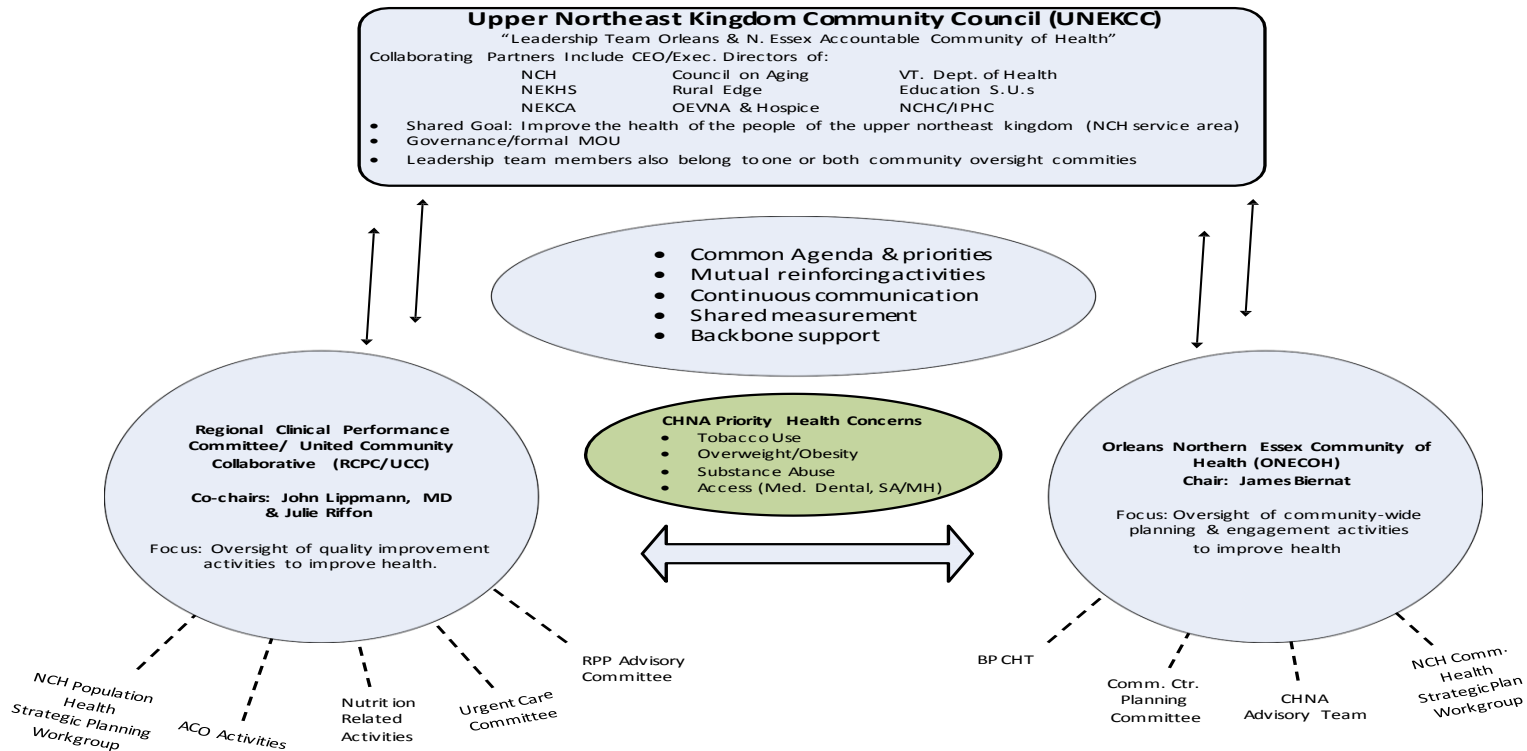
- UVM Medical Center
  - Outpatient Hemodialysis
  - Nephrology Clinic
  - Clinical Pathology
  - Urology
  - Neonatal Intensive Care & Transport
  - Collaborate with OB Clinical Quality Initiatives
  
- Dartmouth Hitchcock
  - Cardiology (Stroke & STEMI Collaboratives)
  - Oncology (Norris Cotton Cancer Center)
  - Telemedicine – Tele-Neuro, Tele-Psych, Tele-Pharm
  - Group Purchasing (New England Alliance for Health)

## We Collaborate to make Vermont a Healthier, Stronger Place

- Northern Counties Health Care (FQHC)
  - New Dental Clinic in Orleans
- Northeast Kingdom Human Services (Designated Mental Health Agency)
  - Psychiatry in NCH Primary Care Clinic-MD and NP
- Northern Vermont Regional Hospital
  - Limited Liability Corporation providing Sleep Medicine and Pulmonary Services
- Upper Connecticut Valley Regional Hospital (NH)
  - Surgical Service provided by North Country Hospital
- Littleton Regional Hospital
  - Orthopedic Surgeon

## Continue to Strengthen Relationships With Other Providers

### ➤ Upper Northeast Kingdom Community Council





## Budget FY2019- 0.4% Investment

- \$96,642 – ACO Care Coordinator
- \$283,200 – ACO Dues



## Orleans & Essex Counties Top Community Health Needs (Board Approval in September 2018):

- Supporting substance free life style and mental wellness
- Supporting older Vermonters aging in place
- Supporting tobacco free life styles
- Supporting healthy eating and physical activity
- Supporting access to medical and oral health resources

Our Patients, Families and Communities are the Center of Everything we do.

- **FY 2019 Capital Budget = \$6.2M**
  - Funded Through Operating Cash Flow and Investments
  
- **There are no items for CON**
  
- **Routine Equipment and Facilities Replacement**
  - Surgical Services Routine Equipment Replacement - \$708,000
  - Diagnostic Imaging – Ultrasound- \$365,000
  - Building Management Control Replacement/Upgrade - \$300,000
  - Telemetry - \$227,000
  - Information Systems - \$666,000
  - Laboratory Renovations- \$1,500,000
  - ED Renovations to Better Serve Acute Mental Health Patients Awaiting Placement – \$1,200,000

# Healthy Vermont, Together.



North Country Hospital  
Where caring runs deep.

## Questions & Answers...