

Mt. Ascutney Hospital & Health Center

Enforcement Hearing Presentation

Green Mountain Care Board
April 10th, 2019



Mt. Ascutney Hospital
and Health Center
Dartmouth-Hitchcock



Presenting

- Joseph Perras, M.D., CEO/CMO
- David Sanville, Chief Financial Officer

Agenda

- Drivers of NPR/FPP Variance
- Drivers of Operating Margin Variance
- Hospitals Below FY 2018 Operating Margin (Actions to Meet FY 2019 Budget)
- YTD Results, as of February 28, 2019
 - NPR/FPP Variance and Prior Year
 - Operating Margin Variance and Prior Year
- FY2019 Forecast for NPR/FPP and Operating Margin

Drivers of NPR/FPP Variance FY18

- **Gross Patient Revenue**
 - All lines of business exceeded budget expectations
 - Acute Inpatient was up 23% from budget
 - Discharges were up 10%, days were up 12%
 - Primarily due an unexpected number of Inpatient General Surgery Cases
 - No expansion of program or provider FTE
 - Higher Case Mix Index
 - Acute Inpatient Rehabilitation was up 6% from budget
 - Discharges were down 1.5% but days were up 2%
 - Higher Case Mix
 - Swing Bed/Sub-Acute was up 6%
 - Discharges were up 12.5%, days were up 1.8%
 - Lower Acuity
 - Boarders (>2000 Patient Days of ICF level care)

Drivers of NPR/FPP Variance FY18 (con't)

- **Gross Patient Revenue (con't)**
 - Outpatient was up 4.5% from budget
 - Emergency Room up 10%
 - Ancillaries (Rad, Lab, etc.) up 6 – 6.5%
 - Therapy visits up 8%
 - Chemotherapy and infusion were slightly busier
 - Partially offset by O.R. unfavorable volume variance
 - Physician/Provider were 0.5% above budget
 - Hospital-based volume was up 8.5% in accord with overall hospital volume
 - Specialty providers finished 3.5% below relative to volume
 - Woodstock clinic volume was up close to 2%
 - Windsor Pediatric volume was down 5% from budget
 - Windsor Internal Medicine and Family Practice was down 18.5%

Drivers of NPR/FPP Variance FY18 (con't)

- **Gross Patient Revenue (con't)**
 - Total GPSR was up 5%
 - No new programs
 - Still transitioning in Primary Care, limited access
 - Medically necessary and community-based services

Drivers of NPR/FPP Variance FY18 (con't)

- **Deductions from Revenue**

- Since GPSR was up 5%, deductions up the same percentage?
- Deductions up 5.8% (moving the FPP from Other Operating)
 - 7.3% w/Bad Debt and Free Care
 - 5.0% = Utilization
 - 0.8% = Unfavorable payer mix shift (Commercial to Gov't)
- Borders (ICF care) major contributor, 7 - 9 for much of the year
- Interim Cost Report recouped ½ Medicare % increase
 - Medicare increased 5 percentage points in payer mix
 - Medicaid up 1 percentage point
 - Commercial/BlueCross down 6 percentage points

Drivers of NPR/FPP Variance FY18 (con't)

- **Net Patient Revenue Result**

- Gross Patient Revenue up 5.0%
- Deductions (Contractual Allowances) up 5.8%
- Total Deductions (Includes Bad Debt and Free Care) up 7.3%
- Net Patient Revenue up 2.9% w/out FPP
- Net Patient Revenue up 4.4% w/ FPP

Drivers of Operating Margin Variance FY18

- **Other Operating Revenue**

- Moving FPP into NPR...
- \$635K favorable variance, \$667K removing grant variance
 - \$290K Meaningful Use Funds
 - \$100K Group Purchasing Rebates
 - \$85K Sale of Services
 - \$222K in 340B revenues
- Reliance on Other Operating Revenue to support patient services is a growing concern
- Lifts Total Net Revenues to 5.5% favorable variance

Drivers of Operating Margin Variance FY18 (con't)

- **Expenses**

- Despite favorable volume (5%), managed expenses to <1% variance
 - Reflects ongoing expense management efforts
 - Reflects large percentage of fixed costs in a CAH
- Salaries and Purchase Labor created pressure (\$1.75M)
 - Overall FTE's favorable...but locums and traveler costs offset
 - Market salary competition for employees
 - "Renting" D-HH managers to fill management positions
 - Travelers to maintain minimum staffing
 - Locums
- Benefits down 1.25% (\$90K)

Drivers of Operating Margin Variance FY18 (con't)

- **Expenses (con't)**

- Supplies up 1% (\$43K), less than volumes
 - Relates to our small "n", one patient ...
- Purchased Services down 7.4% (\$334k)
 - Reduction in consulting, insurance costs, service contracts, etc. via negotiation, necessity, etc.
- Utilities reduced by 9.5% (\$70K)
 - Ongoing energy saving efforts
- Rent, Equipment, and other Fees down 11.5% (\$590K)
 - IT subscriptions (\$134K), specialized patient equipment (\$120K), W/C Insurance (\$136k), Provider Tax (\$40K), etc.
- Interest and Depreciation reduced by 11% (\$270K)
 - Limited Capital Purchases and associated borrowing

Hospitals Below Operating Margin Budget...

- Not Applicable

Year-to-Date Results as of February 28, 2019

FEB 2019 ACTUAL	FEB 2019 BUDGET	\$ VARIANCE	% VARIANCE		FY2019 YTD ACTUAL	FY2019 YTD BUDGET	YTD \$ VAR	YTD % VAR
373,065	436,741	(63,677)	-14.58%	INPATIENT REVENUE	1,952,438	2,301,637	(349,199)	-15.17%
3,854,246	4,077,344	(223,098)	-5.47%	OUTPATIENT REVENUE	22,738,147	21,487,707	1,250,441	5.82%
940,123	1,027,423	(87,300)	-8.50%	REHAB REVENUE	5,342,796	5,414,548	(71,752)	-1.33%
776,022	692,077	83,945	12.13%	SWING REVENUE	3,757,287	3,647,264	110,023	3.02%
1,384,393	1,629,158	(244,766)	-15.02%	PHYSICIAN REVENUE	8,328,661	8,585,707	(257,047)	-2.99%
7,327,848	7,862,744	(534,896)	-6.80%	GROSS PATIENT REVENUE	42,119,330	41,436,863	682,467	1.65%
3,853,121	3,923,411	(70,290)	-1.79%	DEDUCTIONS FROM REVENUE	21,355,249	20,676,478	678,771	3.28%
3,474,726	3,939,333	(464,606)	-11.79%	NET PATIENT SERVICE REVENUE	20,764,080	20,760,385	3,695	0.02%
57,990	40,567	17,423	42.95%	GRANT REVENUE	418,582	208,272	210,309	100.98%
362,971	284,666	78,304	27.51%	OTHER OPERATING REVENUE DETAIL	1,714,734	1,423,332	291,402	20.47%
420,960	325,233	95,727	29.43%	OTHER OPERATING REVENUE	2,133,315	1,631,604	501,711	30.75%
3,895,687	4,264,566	(368,879)	-8.65%	TOTAL OPERATING REVENUE	22,897,396	22,391,989	505,407	2.26%
2,167,576	2,103,061	64,515	3.07%	SALARIES	11,061,471	10,510,053	551,419	5.25%
398,736	390,327	8,408	2.15%	PURCHASED LABOR	2,191,766	1,964,021	227,746	11.60%
542,718	557,348	(14,630)	-2.62%	EMPLOYEE BENEFITS	3,172,900	2,892,828	280,072	9.68%
411,446	406,515	4,930	1.21%	PURCHASED SERVICES	1,859,308	1,840,850	18,459	1.00%
349,190	295,455	53,736	18.19%	SUPPLIES	1,710,027	1,586,340	123,687	7.80%
45,821	65,584	(19,762)	-30.13%	UTILITIES	280,534	332,270	(51,736)	-15.57%
385,159	377,824	7,335	1.94%	RENT, EQUIP & OTHER FEES	1,879,529	1,894,210	(14,682)	-0.78%
19,431	21,197	(1,766)	-8.33%	INTEREST EXPENSE	92,877	106,931	(14,055)	-13.14%
183,720	167,661	16,059	9.58%	DEPRECIATION EXPENSE	989,376	907,683	81,693	9.00%
4,503,796	4,384,971	118,825	2.71%	TOTAL EXPENSES	23,237,788	22,035,186	1,202,603	5.46%
(608,109)	(120,405)	(487,704)	405.05%	OPERATING INCOME (LOSS)	(340,393)	356,804	(697,196)	-195.40%

Year-to-Date Results as of February 28, 2019

- NPR/FPP YTD Variance**

Budget-to-Actual FY19 YTD February	
NPR/FPP % Variance	Operating Expenses % Variance
-1.7%	1.7%

Actual-to-Actual FY18 to FY19 Comparison	
NPR/FPP % Change	Operating Expenses % Change
2.3%	6.1%

- Inpatient Volumes (B19 to A19):**
 - Acute Discharges ↓ 12%
 - Acute Days ↓ 9%
 - Acute Rehab Discharges ↑ 12%
 - Acute Rehab Days ↓ 2%
 - Swing Discharges ↓ 20%
 - Swing Days ↑ 7%
 - Total Discharges ↓ 9%
 - Total Days ↑ 2%
 - Up in the worst payer mix...

Year-to-Date Results as of February 28, 2019

- NPR/FPP YTD Variance**

Budget-to-Actual FY19 YTD February	
NPR/FPP % Variance	Operating Expenses % Variance
-1.7%	1.7%

Actual-to-Actual FY18 to FY19 Comparison	
NPR/FPP % Change	Operating Expenses % Change
2.3%	6.1%

- Outpatient Volumes (B19 to A19):**

- Emergency Room = 0%
- Ancillaries ↑ 5%
- Therapies ↑ 1%
- **Operating Room ↓ 5%**

- Provider Visits (B19 to A19)**

- Hospital-Based ↑ 2%
- Specialties ↑ 8%
- **Woodstock PCP's ↓ 7%**
- **Windsor Pedi ↓ 7%**
- **Windsor IM/FP ↓ 12%**

Year-to-Date Results as of February 28, 2019

- Revenues**

Budget-to-Actual FY19 YTD February	
NPR/FPP % Variance	Operating Expenses % Variance
-1.7%	1.7%

Actual-to-Actual FY18 to FY19 Comparison	
NPR/FPP % Change	Operating Expenses % Change
2.3%	6.1%

- Referrals from D-HH significantly down
- Inpatient Surgeries down
- Outpatient strong despite core volumes (IP, ER, Clinic, etc.)
- Operating Room down
- Provider vacations
- Ramp up of new providers
- Swing referrals fine
- GPR up 1.65%

Year-to-Date Results as of February 28, 2019

- Deductions from Revenue**

Budget-to-Actual FY19 YTD February	
NPR/FPP % Variance	Operating Expenses % Variance
-1.7%	1.7%

Actual-to-Actual FY18 to FY19 Comparison	
NPR/FPP % Change	Operating Expenses % Change
2.3%	6.1%

- Payer Mix close to budgeted levels
- Reserves for ACO
 - Reserving for all three programs
 - Duplicate payment reserve
 - Springfield A/R reserve
 - Swing census variance ↑ C/A's
 - Delay in Rehab billing claims
- Deductions up 1% after FPP moved
- Resulting in NPR up 2.4%

Year-to-Date Results as of February 28, 2019

• Other Operating Revenues & Expenses

Budget-to-Actual FY19 YTD February	
NPR/FPP % Variance	Operating Expenses % Variance
-1.7%	1.7%

Actual-to-Actual FY18 to FY19 Comparison	
NPR/FPP % Change	Operating Expenses % Change
2.3%	6.1%

- OOR is on budget
- Expenses:
 - FTE's down
 - Salaries up 5%
 - Budget spread
 - Companion Aid/Sitter Expenses
 - D-HH bonus
 - Purchased Labor up 11%
 - Travelers, locums
 - Contracted staff

Year-to-Date Results as of February 28, 2019

- Other Operating Revenues & Expenses (con't)**

Budget-to-Actual FY19 YTD February	
NPR/FPP % Variance	Operating Expenses % Variance
-1.7%	1.7%

Actual-to-Actual FY18 to FY19 Comparison	
NPR/FPP % Change	Operating Expenses % Change
2.3%	6.1%

- Employee Benefits running hot
 - No change in plan
 - Supplies up 7%
 - Infusion and Chemo
 - Depreciation running over budget with capital investment earlier in the year.
 - Other expenses running at or below budget
 - Purchased Labor up 11%
 - Travelers, locums
 - Contracted staff

Year-to-Date Results as of February 28, 2019

- **Margin**

Budget-to-Actual FY19 YTD February	
NPR/FPP % Variance	Operating Expenses % Variance
-1.7%	1.7%

Actual-to-Actual FY18 to FY19 Comparison	
NPR/FPP % Change	Operating Expenses % Change
2.3%	6.1%

- **Operating Margin:**
 - -\$340K
 - Down \$700K from budget
- **Total Margin**
 - \$138K vs budget of \$283K
 - Down \$144K YTD
 - Contributions/donations up \$180K
 - Return on Investments down \$40K

Year-to-Date Results as of February 28, 2019

	FY2019	FY2018	ytd \$ Var	YTD % VAR
INPATIENT REVENUE	1,952,438	2,377,068	(424,630)	-17.86%
OUTPATIENT REVENUE	22,738,147	20,897,917	1,840,230	8.81%
REHAB REVENUE	5,342,796	5,383,127	(40,330)	-0.75%
SWING REVENUE	3,757,287	3,581,380	175,907	4.91%
PHYSICIAN REVENUE	8,328,661	8,194,780	133,881	1.63%
GROSS PATIENT REVENUE	42,119,330	40,434,272	1,685,058	4.17%
DEDUCTIONS FROM REVENUE	21,355,249	19,884,758	1,470,492	7.40%
NET PATIENT SERVICE REVENUE	20,764,080	20,549,514	214,566	1.04%
GRANT REVENUE	418,582	292,071	126,510	43.31%
OTHER OPERATING REVENUE DETAIL	1,714,734	1,448,168	266,565	18.41%
OTHER OPERATING REVENUE	2,133,315	1,740,240	393,076	22.59%
TOTAL OPERATING REVENUE	22,897,396	22,289,754	607,642	2.73%

Year-to-Date Results as of February 28, 2019

	FY2019	FY2018	ytd \$ Var	YTD % VAR
SALARIES	11,061,471	10,341,815	719,656	6.96%
PURCHASED LABOR	2,191,766	2,099,149	92,617	4.41%
EMPLOYEE BENEFITS	3,172,900	2,920,279	252,620	8.65%
PURCHASED SERVICES	1,859,308	1,741,452	117,856	6.77%
SUPPLIES	1,710,027	1,619,661	90,366	5.58%
UTILITIES	280,534	288,188	(7,654)	-2.66%
RENT, EQUIP & OTHER FEES	1,879,529	1,947,277	(67,749)	-3.48%
INTEREST EXPENSE	92,877	94,867	(1,990)	-2.10%
DEPRECIATION EXPENSE	989,376	842,980	146,397	17.37%
TOTAL EXPENSES	23,237,788	21,895,668	1,342,120	6.13%
OPERATING INCOME/(LOSS)	(340,393)	394,086	(734,478)	-186.38%

Year-to-Date Results as of February 28, 2019

- **FY19 YTD Thru' February vs. FY18 YTD Thru' February**
 - Inpatient performing worse (\$425K)
 - Outpatient performing better (\$1.84M)
 - Acute Rehabilitation is slightly behind (\$40K)
 - Swing performing better (\$175K)
 - Provider revenues are better (\$133k)
 - Total GPR is up 4.2% (\$1.68M)
 - Deductions up 7.4%
 - Net Patient Revenue up 1%
 - Total Net Revenue up 2.7%

Year-to-Date Results as of February 28, 2019

- **FY19 YTD Thru' February vs. FY18 YTD Thru' February (con't)**
 - Salaries up 7%
 - Purchased Labor up 4.5%
 - Benefits up 8.7%
 - Purchased Services up 6.8%
 - Supplies up 5.6%
 - Utilities, Interest, Other Expenses down 2 - 3.5%
 - Depreciation up 17%
- Operating Margin running \$735k behind last year, same time
- Total Margin running \$1.2M behind last year, same time

FY 2019 Projection

- **Method**
 - Early in the year
 - Actual for the first 5 months + budget for the next 7
 - Adjust for current run rate of deductions
- **GPR trend will not likely make up for early shortcoming**
 - Referrals from D-HH
- **NPR will stay the same or will get worse**
 - NPR Budget did not include reserves for Medicare & Commercial ACO activity (no info at time of budget)
 - Just got attribution #'s, still working the #'s at MAH
 - FPP will increase

FY 2019 Projection (con't)

- OOR will track the same or be slightly better than budget
- Expenses will track the same or better
 - Salary
 - FTE's under budget, salary spread disproportionately
 - Market salary increases at risk
 - Companion Aide and Patient Sitter costs
 - Purchased labor
 - Travelers and locums being reduced
 - Benefits running hot
 - Remainder will be budget-like

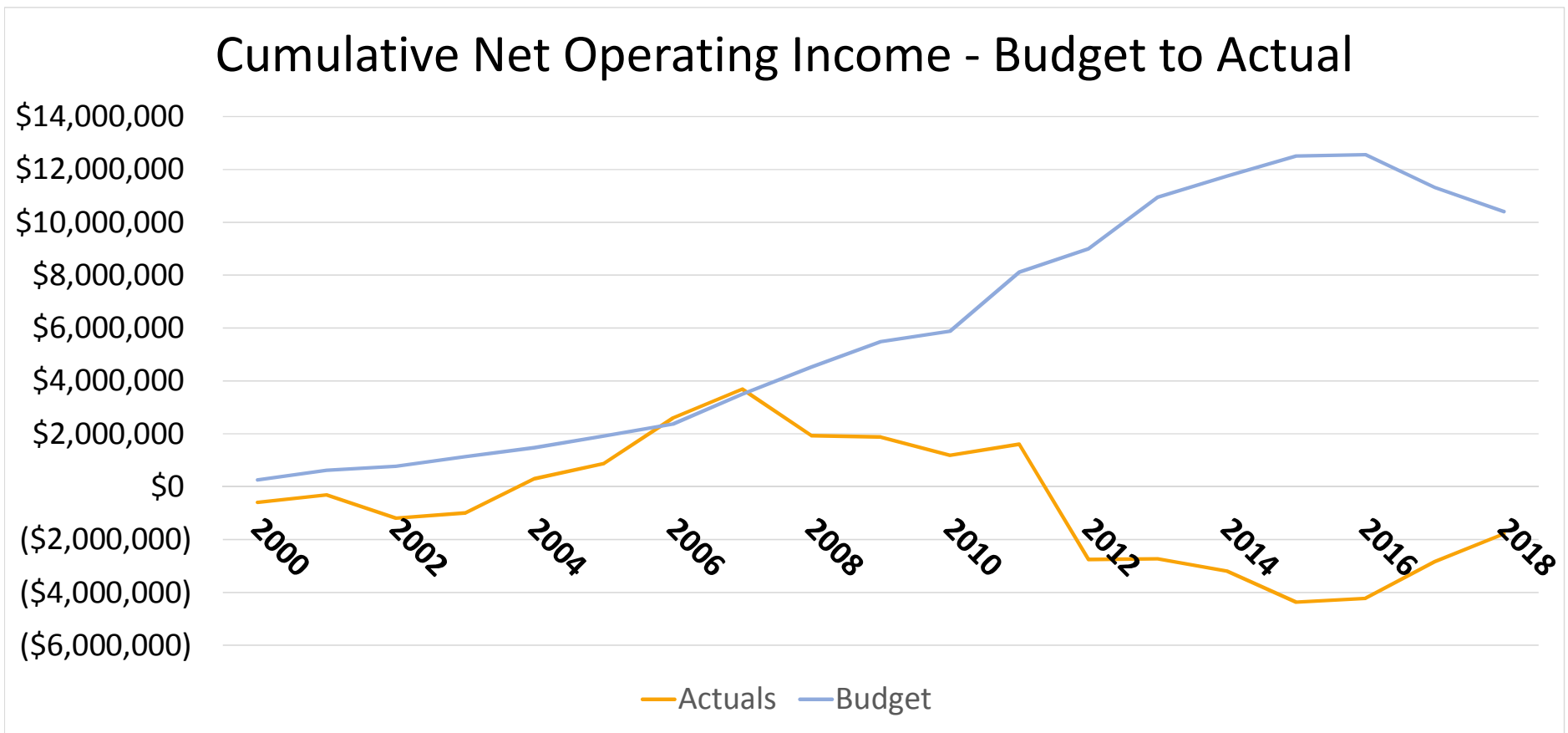
FY 2019 Projection (con't)

INCOME STATEMENT		2019 B	2019 PROJ	2019 B- 2019 P
Revenues				
Inpatient	\$ 5,642,650	\$ 5,293,451		-6.2%
Outpatient	\$ 52,678,859	\$ 53,929,300		2.4%
Physician	\$ 21,048,559	\$ 20,791,512		-1.2%
Chronic Rehab	\$ 13,274,205	\$ 13,202,453		-0.5%
Swing Beds	\$ 8,941,564	\$ 9,051,587		1.2%
Gross Patient Care Revenue	\$ 101,585,837	\$ 102,268,303		0.7%
Disproportionate Share Payments	\$ 300,000	\$ 316,891		5.6%
Bad Debt	\$ (1,777,742)	\$ (2,104,838)		18.4%
Free Care	\$ (1,015,853)	\$ (830,694)		-18.2%
Deductions from Revenue	\$ (47,896,472)	\$ (48,433,306)		1.1%
Net Patient Care Revenue	\$ 51,195,770	\$ 51,216,356		0.0%
Fixed Prospective Payments, Reserves & Other	\$ 756,000	\$ 840,802		11.2%
Total NPR & FPP	\$ 51,951,770	\$ 52,057,158		0.2%
Other Operating Revenue	\$ 2,903,789	\$ 3,303,807		
Total Operating Revenue	\$ 54,855,559	\$ 55,360,965		0.9%
Operating Expense	\$ 54,837,975	\$ 56,040,578		2.2%
Net Operating Income	\$ 17,584	\$ (679,613)		-3965.0%
Non Operating Revenue	\$ 861,000	\$ 716,099		-16.8%
Excess (Deficit) of Rev over Exp	\$ 878,584	\$ 36,486		-95.8%

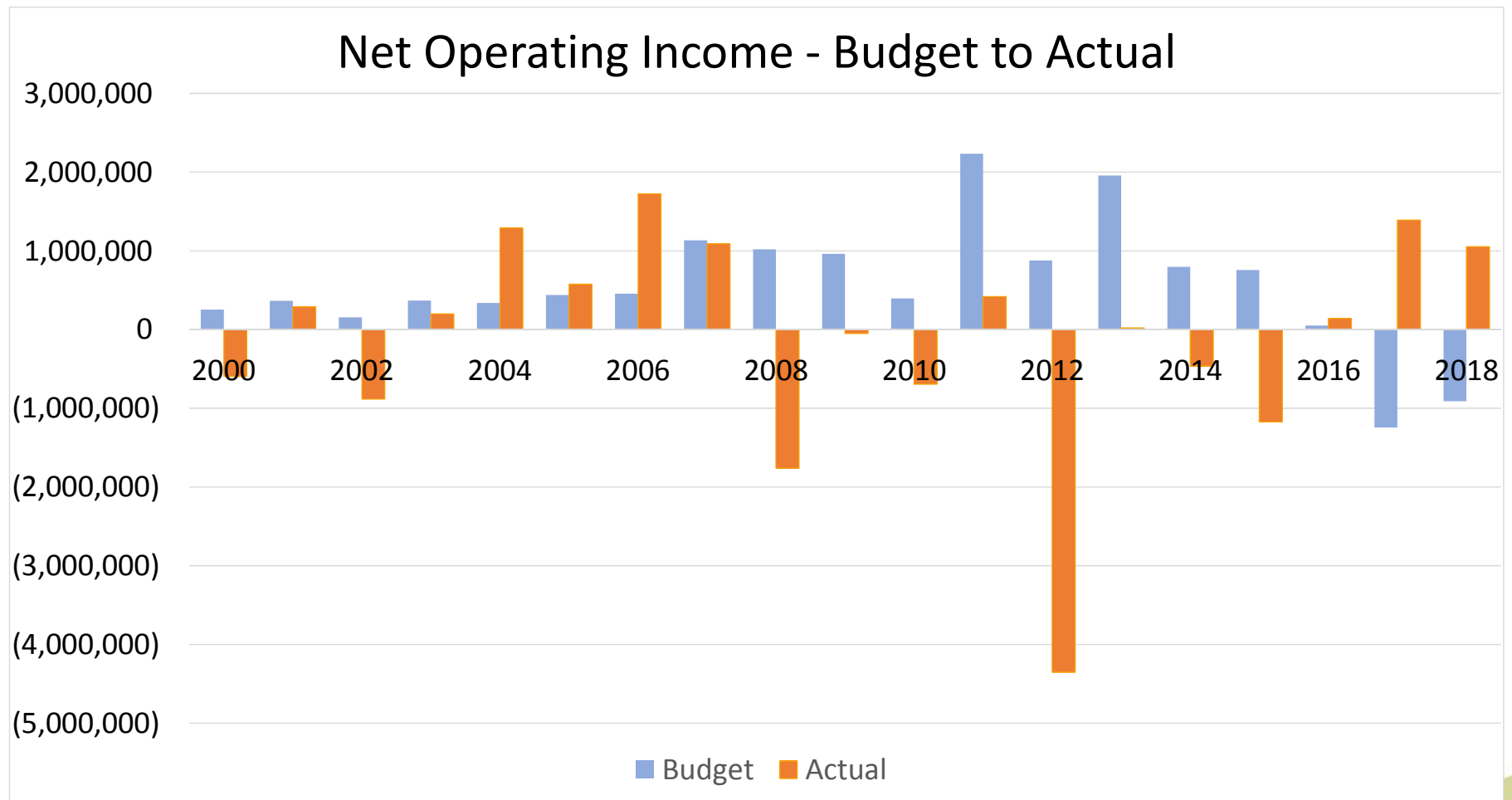
FY 2019 Projection (con't)

- Actions (doing more of what we do best)
 - Will continue to manage FTE's & Staffing
 - Working referral process with D-HH
 - Creative solutions for recruiting and retention
 - Workforce Housing
 - R/T to three shifts (revenue and expense improvement)
 - Possible small gain on Meaningful Use
 - Complete analysis and modeling of ACO
 - Many other small opportunities for revenue and expense

Margin History



Margin History (con't)





Questions?

Thank you!

