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# Copley Hospital

## FY 2017 Budget Presentation

To Green Mountain Care Board  
August 18, 2016

Presented by:

Art Mathisen, Chief Executive Officer

Rassoul Rangaviz, Chief Financial Officer

Debralee Dorain, Director Revenue Cycle & Financial Planning

# 2017 - A Year of Transition

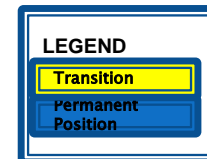
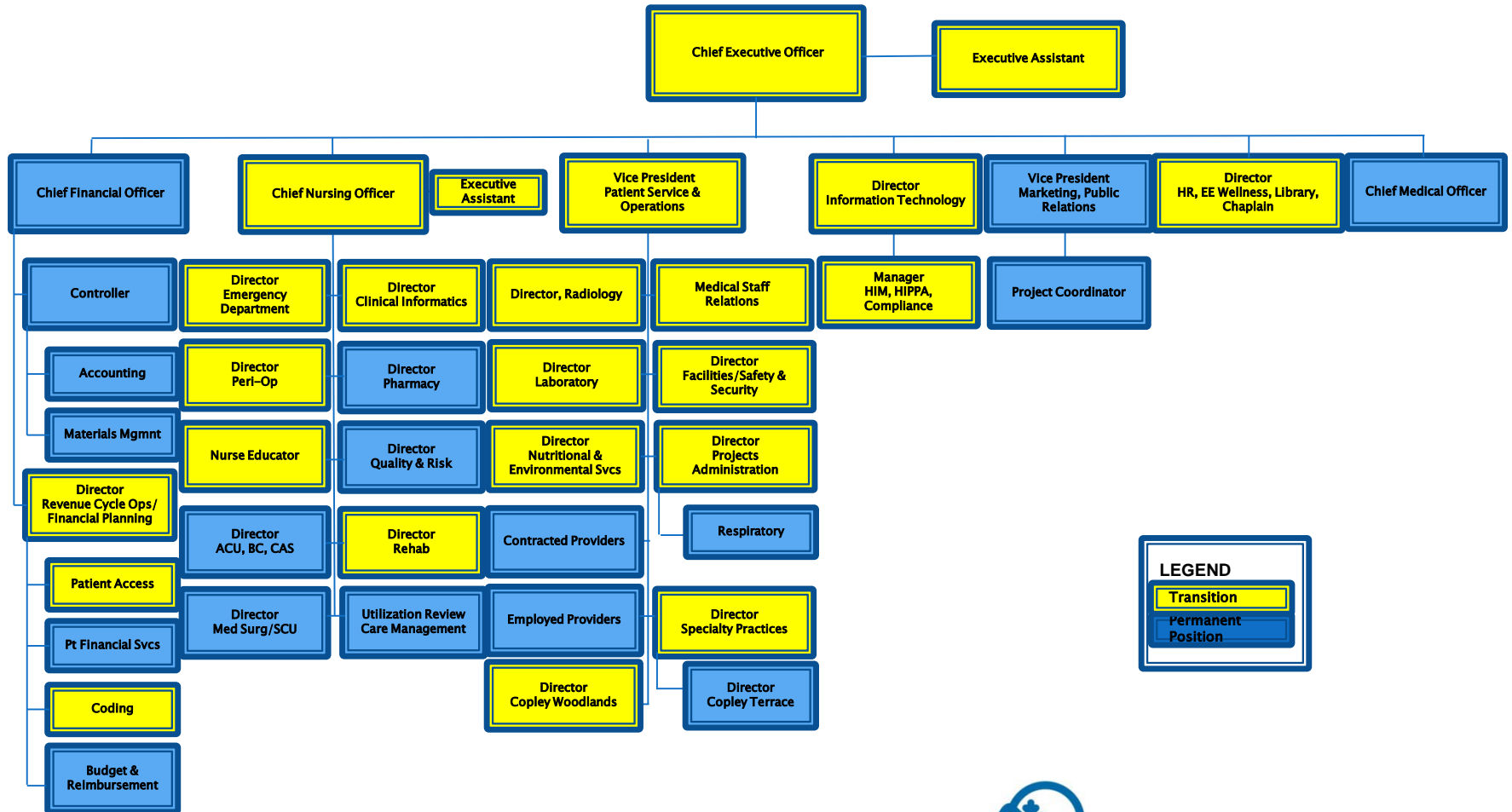
- ▶ New leadership
- ▶ Community needs
- ▶ Health reform initiatives
- ▶ Quality
- ▶ Workforce assessment
- ▶ Facilities and infrastructure
- ▶ Transformative efforts



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# Organizational Leadership



# Team Copley

- ▶ Safety, Trust, Respect & Accountability
- ▶ Communication
  - Email
  - Leader Huddles
  - Leader Rounds
  - Key Policies
- ▶ Recognition
- ▶ Safety Survey



**Cause for Applause Ceremony**

# Community Health Needs Assessment (CHNA) (2016-2018)

## ▶ Health care concerns identified:

- Access to health care
- ✓ Lifestyle and prevention
- ✓ Cost of health care and associated monetary issues
- ✓ Chronic health conditions
- Social connection; family & friend's support

## ▶ Most common health issues identified:

- Arthritis
- High blood pressure
- Depression
- Obesity/Overweight
- Physical fitness
- Stress
- Chronic pain
- High cholesterol
- High deductible or co-pay
- Dental problems



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# CHNA Implementation Strategy

- ▶ **Reduce Preventable Hospital Visits to Reduce Healthcare Cost**
  - Taskforce focusing on reduction of 30-day all-cause readmissions
  - Collaborating with FQHC to establish a Clinical Social Worker position in the ED
  - ER patients with no PCP are referred to Care Coordinator at FQHC
  - Collaborating with Home Health to provide Medicine Reconciliation in the home post discharge, for patients 65+



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# CHNA Implementation Strategy, continued

- ▶ **Routine preventive care screenings, focusing on alcohol, tobacco, and depression**
  - Support Healthy Lamoille Valley in policy work related to substance abuse and healthy environment
  - Conducting tobacco, alcohol, and depression screenings in women's health services
  - Social media campaigns re healthy living choices, preventive screenings



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# CHNA Implementation Strategy, continued

## ▶ Reduce Chronic Health Conditions

- Targeted population: Copley employees
  - Workplace Wellness Program
    - The Corporate Cup 5K
    - Body Competition Challenge – 65 Employees
- Copley 5K Run for the Heart
- Financial support for Morristown Bike Share Program
- Launched Live Well Lamoille Blog as a collaborative community effort. Top posts this month include
  - “Rethinking the Role of Alcohol”
  - “Defining Toxic Stress from a Community Perspective”
  - “Summer Meals for Kids and Teens”
  - “Changing Patterns of Eating”
  - “Move of the Month: The Bridge”



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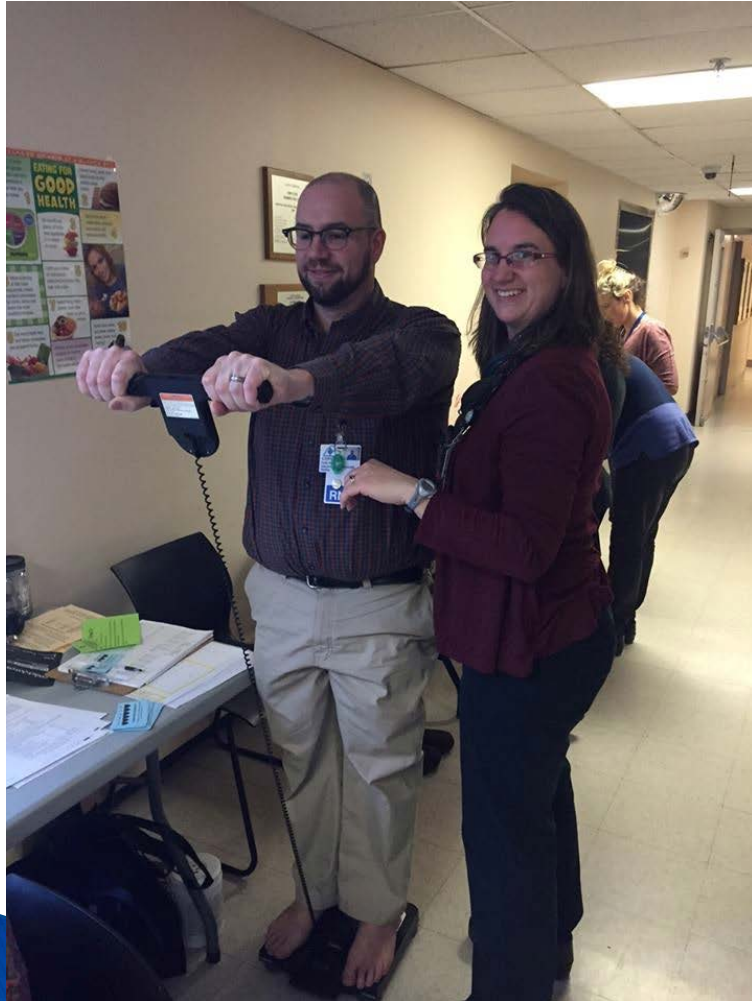




# Morrisville Bike Share Program



# Wellness at Copley



# Health Reform Initiatives

- ▶ Continued participation in Accountable Care Organizations
- ▶ New Shared Decision Making program for Cardiology services
- ▶ Continuation of the Orthopedic Shared Decision Making program
- ▶ Blueprint for Health



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# Quality Initiatives

- ▶ Quality program enhancement
  - Quorum quality program assessment, implementing recommendations
  - Standardizing quality methods and tools
  - Merging/streamlining purpose and structure of committees
  - Improving data reporting and sharing
- ▶ Implemented Strategic Quality Support System (SQSS) hospital-wide
  - Timely event reporting
  - Faster manager notification
  - Faster response turn-around time
  - Improved reporting – number of reported events doubled within first 6 months



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# Workforce Assessment

*Having the right people, in the right position, at the right time, with the right training*

- ▶ Quorum workforce efficiency/productivity assessment
- ▶ Partnership with CCV for Surgical Tech Program
- ▶ Establishing relationships with local and regional schools of nursing
- ▶ New graduate training program for RNs



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# Facilities & Infrastructure

- ▶ \$1.3M in FY17 Bldg Projects
  - Replacing old plumbing, roofing
  - Standardizing nursing call center
  - Upgrade to LED lighting
- ▶ \$3.1M in IT & Equipment
  - Rehab EMR
  - Replacement of C-Arm
  - OR Stryker Video System & Equipment
- ▶ \$12.5M Surgical Suite Replacement FY16-18
- ▶ Future CON Capital Projects
  - Upgrade/Replace EMR(s)
  - New MRI
  - Medical Office Building
  - Upgrade Patient Rooms



## New Surgical Center



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# Transformative Efforts

- ▶ Strategic Planning, SWOT Analysis
- ▶ Workforce Efficiency Assessment
- ▶ Community Health
- ▶ Policy Restructure
- ▶ Healthcare Reform
- ▶ Upgrade EMR
- ▶ Supply Chain Optimization
- ▶ Education and Training



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# Major Budget Topics

- ▶ Alternative Rate Requests Considered
- ▶ Operating Expenses are outpacing NPR cap
  - Challenges with recruitment and employee turnover
  - Increase in utilization and related costs
  - Cost savings opportunities are being explored, including a workforce efficiency assessment
- ▶ Propose re-basing of NPR
  - Requesting 4% above the allowed 3.4% NPR cap
  - No Rate increase = No impact on Commercial Rates
  - Break-even operating surplus



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# Alternative Rate Requests Considered

- ▶ Ideal: 3% Operating Margin = 5.5% Rate Increase
  - Would provide working capital for needed investments in infrastructure
- ▶ Compliant: 3.4% ↑NPR = 6% Rate Reduction & \$2.2M Op Loss
  - Raises concerns regarding financial position as we enter into greater risk under health reform initiatives with only 80 Days Cash on Hand
- ▶ Proposed: Break-Even Operations = 0% Rate Increase
  - Moderate course of action, but still a financial risk with no Op Margin

Scenarios Considered:	Compliant	Proposed	Ideal
Net patient revenue	\$63.0M	\$65.5M	\$67.3M
Operating surplus (loss)	\$ (2.2)M	\$ 0.2M	\$ 2.0M
Operating margin	-3.4%	0.4%	3.0%
Days Cash on Hand *	80	93	103

\* CAH Median Days Cash on Hand is 117 days in FY17 Budgets, as of July



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# Operating Expenses

Operating Expenses of \$66.7m, ↑8.3% or \$5.1m

	Amount	%
BUD16 Operating Expenses	\$61,638,925	
Labor costs (generally fixed)	3,259,190	5.3%
Supplies & drugs (variable)	1,335,666	2.2%
Other costs (generally fixed)	509,435	0.8%
Proposed Increase	5,104,291	8.3%
BUD17 Operating Expenses	\$66,743,216	



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# Operating Expenses, continued

## Labor Costs ↑ \$3.3m

- ▶ Significant turnover throughout the organization
  - Turnover rate of 22% during FY15
  - Several key management and medical staff positions
  - Increased costs to orient, train and cover vacancies at premium wages
- ▶ Increased compensation was necessary to attract quality employees in our competitive labor market
  - Mid-term renegotiation of union contract
- ▶ Contracted labor proposed to increase \$820k, 5.2 FTEs
- ▶ Call and locum physician costs of \$690k



# Operating Expenses, continued

## Supplies & Drugs: ↑ \$1.3m or 13.8%

- ▶ Drugs ↑\$300k, 14%
  - 7.7% inflation, estim. impact of ↑\$180k
  - \$120k increase in cost due to utilization and/or mix of services
    - Oncology doses dispensed ↑12%
    - Inpatient admissions ↑6%
- ▶ Supplies ↑1M, 13.7%
  - 3.4% inflation on implants , estim. impact of ↑\$190k
  - ↑\$850k due to utilization and/or mix of services
    - Total Joints: Shoulders ↑15%, Hips/Knees ↑12%



# Net Patient Revenue

- ▶ FY17 NPR Proposed \$65.5m, ↑7.4% or \$4.5m

	Amount	%	Mcare	Mcaid	Comm	BD/CC
BUD16 Net Patient Revenue	\$60,987,719		16,345,982	6,751,662	41,243,957	(3,353,882)
Utilization	2,885,552	4.7%	783,362	291,949	1,810,241	-
Payer Mix	(680,755)	-1.1%	801,052	137,733	(1,619,540)	-
Bad Debt & Charity Care	733,760	1.2%	-	-	-	733,760
Reimbursement Rates	1,098,254	1.8%	790,638	48,088	259,528	-
Disproportionate Share	485,364	0.8%	-	485,364	-	-
Proposed Increase	4,522,175	7.4%	2,375,052	963,134	450,229	733,760
BUD17 Net Patient Revenue	\$65,509,894		18,721,034	7,714,796	41,694,186	(2,620,122)

- ▶ No Rate Increase = No impact on Commercial Rates



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# Utilization

- ▶ Actual 3-year average, adjusted for medical staff changes
  - Overall estimated to yield \$2.9M in NPR
- ▶ Total OR Procedures ↑28, or 7%
  - Shift from outpatient to more complex inpatient cases, increasing avg minutes per case nearly 5 minutes, = ↑NPR approx \$400k
- ▶ Inpatient admissions ↑6%: Medical ↓50, Surgical ↑162
  - General Surgery: ↑45 cases as we continue to re-build practice
  - Orthopedic : ↑31 shoulders, ↑30 hips/knees, ↑15 trauma
- ▶ Chargeable supplies & drugs ↑\$2.76 M in NPR
- ▶ Outpatient visits up 2.3%
  - Oncology doses dispensed increasing nearly 12%
  - Emergency Dept ↑1.3% + improved charge capture = ↑ \$400k NPR



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# Payer Mix: Utilization by Payer

## ▶ Shift from Commercial/Private → Government Payers

Payer Mix	ACT12	ACT13	ACT14	ACT15	BUD16	PROJ16	BUD17
Medicare	35.4%	34.2%	30.6%	33.6%	31.8%	35.3%	33.3%
Medicaid	17.3%	17.5%	18.5%	18.6%	17.9%	19.4%	18.3%
Comm	44.0%	45.0%	48.2%	46.0%	47.4%	43.2%	46.2%
Private	3.3%	3.4%	2.7%	1.7%	2.9%	2.1%	2.1%

- Aging of Population, increase in Total Joints
  - Expansion of Medicaid
  - Decrease in Uninsured Population, Increase in Exchange
- ▶ Decrease NPR by \$681k in total
- Medicare: ↑ \$801k NPR
  - Medicaid: ↑ \$138k NPR
  - Commercial/Other: ↓ \$1.6M NPR



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# Bad Debt & Charity Care

- ▶ Bad Debt & Charity Care is 2.4% of Gross Charges
  - In-line with CAH Median of 2.5%
  - Increasing NPR by \$734k
  - Volume of cases increased 4.5%, more patients insured
- ▶ Expanded the Financial Assistance Program in 2016
  - Free care to households under 300% FPLG (was 250%)
  - 400% FPLG receives discount of 50% (was 25%)

Copley Hospital Financial Assistance Program			
Federal Poverty Level	300%	350%	400%
Example: HH of 4	\$72,900	\$85,050	\$97,200
Assistance (% Discount)	100%	75%	50%



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# Reimbursement Rates

- ▶ Changes in Reimbursement Rates ↑NPR by \$1.1m

Payer	BUD16	PROJ16	BUD17	NPR Impact	% Change
Medicare	47.8%	47.4%	50.2%	\$791k	5.0%
Medicaid	32.9%	33.4%	33.3%	\$48k	0.8%
Comm/Oth	74.1%	74.4%	74.6%	\$260k	0.7%
Total before DSH	57.7%	56.9%	58.9%	\$1.1m	6.4%

- Medicare: Cost-based reimbursement
- Medicaid: Assumed flat, based on current actual payment trends
- Comm/Oth: Assumed flat, based on current actual payment trends



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# Summary of Revenue & Expense

	BUD16	PROJ16	BUD17	B-B Change	%
Net Patient Revenue	\$60,987,719	\$62,479,008	\$65,509,894	\$4,522,175	7.4%
Total Revenue	62,511,187	64,133,067	66,988,462	4,477,275	7.2%
Operating Expenses	61,638,921	64,117,808	66,743,216	5,104,295	8.3%
Operating Surplus	872,266	15,259	245,246	(627,020)	-71.9%

## ▶ Key Financial Ratios

- ▶ Break-even Operating Margin, lower than CAH median of 1.1%
- ▶ Days Cash on Hand of 93 days, lower than CAH median of 117 days
- ▶ No impact on Commercial rates

## ▶ Not proposing ideal financial scenario in FY17 budget

- ▶ Seeking to stabilize financial results for FY17 and mitigate risk of inadequate financial reserves going into payment reform initiatives
- ▶ Need more time to evaluate strategic cost savings opportunities and implement appropriately
- ▶ New Surgical Suite will add \$1M in operating expenses in FY18
- ▶ May need to revisit NPR base in FY18



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# Closing

- ▶ Transition Period
- ▶ SWOT and Strategic Planning
- ▶ Community Needs & Health Reform Initiatives
- ▶ Workforce Efficiency & Training
- ▶ Investments in Facilities & Infrastructure
- ▶ Proposed Rate Request
  - ▶ 7.4% NPR, 0.4% Operating Margin & 93 Days Cash on Hand
  - ▶ No impact of re-basing request on Commercial rates
  - ▶ Will help sustain moderate financial health going into health reform initiatives



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# Questions?

*Thank you for your consideration*