

**Northeastern Vermont Regional Hospital
 FY 2019 Budget
 Response to GMCB Staff Questions**

1. Have the hospital's projections for FY2018 changed?

Response: Based on results through June 2018 we do not believe the hospital's projections for fiscal year 2018 will change materially from the projections included with the fiscal 2019 budget submission.

2. Please explain factors in the changes in Bad Debt and Free Care in the FY2019 Budget (including policy changes if any).

Response: At the beginning of fiscal year 2017 NVRH modified it's Free Care Policy. The modifications increased the qualifying family income levels and increased the discount percentage that qualifying patients receive. The Free Care policy hasn't been changed since 2017. The combination of Bad Debt and Free Care is budgeted to decrease from budget 2018 to budget 2019, in actual dollars and as a percentage of charges. Budget year 2018 Bad Debt and Free Care totaled \$6,333,000 or 3.85% of gross revenue. Budget year 2019 Bad Debt and Free Care totals \$6,233,600 or only 3.65% of gross revenue. This decrease in total uncompensated care is consistent with current trends.

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.

Response: See table below

NVRH					
FY 2019 Budget					
Analysis of Other Operating Expenses					
	FY 17	FY 18	FY 18	FY 19	
	Actual	Budget	Projected	Budget	Explanations
Temporary Staffing	1,500,900	679,000	979,000	277,000	Budgeting to fill vacancies and eliminate locums
CT/Ultrasound Purchased Services	1,475,000	1,425,000	1,475,000	1,550,000	First fee increase to NVRH in many years
Physical Therapy Purchased Services	2,132,300	2,175,000	2,180,000	2,250,000	Inflation
ENT/Pain Management/Cardiology Purchased Services	610,000	775,900	765,900	892,000	Cardiology transfer full year
Security	410,700	325,000	350,000	400,000	Increase transfer mental health patients
Patient Supplies	3,570,000	3,872,400	3,745,000	3,825,900	Inflation
Lab Send Out/Lab Testing	1,270,000	1,317,300	1,344,100	1,381,200	Volume and inflation
Utilities	1,059,100	1,016,500	1,070,500	1,150,000	Anticipated cost increase offset by LED savings
Drugs	1,821,000	2,000,000	2,043,000	2,300,000	Anticipated inflationary increase
Maintenance Contracts	1,969,700	2,023,000	2,050,000	2,263,700	Equipment coming off warranty
Leases/Rentals	650,000	674,000	700,000	948,400	New equipment in physician practices incl ortho
Minor Equipment Purchase/Repairs	588,900	532,000	532,000	632,000	Change in depreciation policy
Other	6,399,600	5,875,700	5,559,400	5,785,200	
Total	23,457,200	22,690,800	22,793,900	23,655,400	

4. What is causing the increase in Other Current Assets from FY2018 Budget to FY2019 Budget?

Response: There are a few reasons for the budget to budget increase in Other Current Assets. First, a claim filed against the hospital was settled at the end of fiscal year 2017 in the amount of \$500,000. Accounting rules require an insurance recovery receivable be recorded for the \$500,000 NVRH will receive to pay the claim. An offsetting liability was also recorded for NVRH’s obligation to pay the claim. A second reason was the normal fluctuation in prepaid expenses for insurance, prepaid service contracts etc. The last factor was a budgeting inconsistency between fiscal 2018 and fiscal 2019. About \$250,000 other accounts receivable was incorrectly comingled with patient accounts receivables in the fiscal 2018 balance sheet.

5. NVRH's narrative describes increased staffing costs related to mental health patients and CMS requirements. Are these increased costs related to the increase from FY2018 Budget and Projections to FY2019 Budget in Salary per FTE -Non-MD and Salary & Benefits per FTE - Non-MD? Please describe factors leading to this increase.

Response:

NVRH did incur additional staffing costs to meet CMS requirements for working with mental health patients. However, those costs did not materially affect the amount calculated for either Salary per FTE or Salary and Benefits per FTE. The reason for the increase is as follows. Changes to FTEs for the reference laboratory services were not reported consistently between fiscal 2018 budget and fiscal 2019 budget. After the fiscal 2018 budget was approved NVRH requested and received GMCB permission to move reference laboratory revenue and expenses from patient care revenue and expense to other operating revenue and expense. Changes were made to the fiscal 2018 budget for laboratory revenue, salaries and other expenses. However, the 5.2 FTEs associated with the salary reductions were not eliminated. The table below provides corrected information on Salary per FTE and Salary and Benefits per FTE and an explanation for the increases.

NVRH					
Budget Year 2019					
Revised Salary and Fringe Per FTE					
				Percent Change	
	FY2018	FY 2018	FY 2019	2018B -	2018P -
	Budget	Projected	Budget	2019B	2019B
Salaries Non MD	27,401,163	27,962,270	29,040,250		
Fringes Non MD	8,491,670	8,956,000	9,080,900		
Total Salaries and Fringes Non MD	35,892,833	36,918,270	38,121,150		
Non MD FTEs	426.6	432.0	435.9		
Salaries per Non MD FTE	64,232	64,727	66,621	3.7%	2.9%
Salaries and Fringes Per Non MD FTE	84,137	85,459	87,454	3.9%	2.3%
Explanation: On a budget to budget basis salaries per FTE are increasing by 3.7%. Cost of living increases and market adjustments for certain groups of employees are the reasons for this increase. Salaries and fringes per FTE are increasing by 3.9% for the same reasons.					

- 6. For FY2019 Budget, Cost per Adjusted Admission is budgeted at the FY2017 Actuals level. This is an increase of 9% over FY2018 Projections; please explain what is causing the variance.**

Response: The Cost per Adjusted Admission is increasing by 9% over fiscal 2018 projected levels. However, on a budget to budget basis cost per adjusted admission is increasing by 3%. Following is the explanation for the 9% increase from fiscal 2018 projected cost per admission.

Fiscal 2018 projected admissions are 7% higher than budgeted admissions, due primarily to higher flu and respiratory related admissions during flu season. There were some additional incremental expenses incurred as a result of the higher volume. However, as a small hospital 75- 80% of our costs are fixed. Spreading the fixed costs over the much higher adjusted admission base significantly reduces the projected fiscal 2018 cost per adjusted admission. For fiscal 2019 NVRH is projecting a decline in admissions from 2018 projected levels. Therefore, fixed costs are spread over a lower total adjusted admissions base, creating the 9% increase from projected 2018 levels and back to fiscal 2017 levels.

- 7. The St. Johnsbury health service area has a rate that is higher than the statewide rate for Growth in the Number of Mental Health and Substance Use-Related ED Visits. Please describe quality improvement activities related to reducing the rate of growth.**

Response:

As the data produced by the GMCB staff indicates, during the 2015-2016 period the growth rate for mental health and substance use related ED visits did increase at a rate that was higher the statewide average. Steps taken by NVRH to reduce this trend include: hiring a full time care manager, hiring a part time community mental health specialist, hiring a part time psychiatrist and contributing \$465,000 of disproportionate share money to the State to shore up mental health services. Additionally, NVRH will implement three new programs during 2019 that are designed to reduce the number of ED visits for mental health and substance use. In a partnership with the Kingdom Recovery Center, NVRH will hire recovery coaches to be available for ED patients who express an interest in an intervention with their substance abuse disorder. In a partnership with Northeast Kingdom Health Services NVRH will hire a mental health professional that will be embedded in the NVRH emergency room. This may be the first step towards establishing a mental health urgent care service in the community. The third new program beginning in fiscal 2019 will add a Screening, Brief Intervention and Navigation to Services ("SBINS") clinician to the Blueprint Community Health Team. NVRH's will add about 1.0 full time equivalent licensed mental health clinician to work directly with the emergency department patients with substance use disorder and mental health diagnosis.

- 8. One of NVRH's proposed health care reform investments relates to ACO dues or investment in the Cal-Essex Accountable Health Community Organization (CAHC). If the funds are allocated to CAHC, how would NVRH propose to report on how the funds are spent and how the investment more specifically relates to the state's health care reform goals?**

Response:

The mission and goals of the Cal-Essex Accountable Health Community Organization, which were detailed in the hospital's narrative, align well with the state's health care reform goals. Therefore, an investment by NVRH in the CAHC relates directly to the state's health care reform goals. NVRH proposes to report monthly on how the CAHC funds are spent. We would also propose to report monthly on the CAHC activities and related those activities to the state's health reform goals.