Springfield Hospital

Where People Come First

Green Mountain Care Board Presentation, August 29, 2018

Presenters

- Timothy Ford, Chief Executive Officer
- Scott Whittemore, Chief Financial Officer
- Bob DeMarco, Chief Quality Officer
- Joshua Dufresne, Chief of Practice Operations

Springfield Hospital

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Introduction/Overview

- Unique, integrated model
- FQHC network parent – hospital subsidiary
- Nine locations, including 2 dental and 1 vision
- Primarily Windham & Windsor counties, VT; portions of Bennington & Rutland counties, VT and Sullivan & Cheshire counties, NH
- Two-states, varied laws, multiple payers

Hospital Issues

- Challenging demographics
- Difficult payer mix
- Workforce (turnover, locums, recruitment, wages)
- Unrealized budget goals for FY 18

Risk/Opportunities

RISKS

- Regulatory uncertainty
- Recruitment and retention of staff
- Consumer expectations changing rapidly
- Market disruption, new competition
- OneCare VT participation

Risk/Opportunities

OPPORTUNITIES

- OneCare VT participation
- Payment reform initiatives / alignment
- Expanding Urology practice
- Internal marketing of Orthopaedics
- Mental health/substance abuse services, provided in our FQHC setting & The Windham Center 10-bed inpatient unit.

Access

Wait times for Springfield Hospital practices are minimal.

Same day visits are generally available.

All Payer Model Quality Measures

- All Payer Model Quality Measures support our goal to provide quality health care and are well aligned with HRSA UDS quality measures, CMS Hospital Compare, OneCare VT, Blueprint and our insurers.
- Together, these quality indicators guide and focus our clinical improvement efforts toward our aim to provide patients the highest level of measurable, reliable and effective quality care.

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Financials - Profit & Loss

Accounts	FY2017	FY2018	FY2019
Income Statement			
Gross Patient Care Revenue			
Inpatient	22,506,957	29,327,744	29,330,682
Outpatient	92,787,128	100,341,382	105,025,703
Swing Beds	105,060	218,360	190,575
Total	**115,399,145**	**129,887,486**	**134,546,960**
Net Revenue Deductions			
Disproportionate Share Payments	1,552,618	881,186	1,058,694
Bad Debt Free Care			
Bad Debt	(4,915,458)	(4,472,028)	(4,674,519)
Free Care	(1,805,615)	(2,737,480)	(2,395,236)
Total	**(6,721,073)**	**(7,209,508)**	**(7,069,755)**
Deductions from Revenue	(58,231,341)	(64,183,966)	(68,538,946)
Total	**(63,399,796)**	**(70,512,288)**	**(74,550,007)**
Net Patient Care Revenue	51,999,349	59,375,198	59,996,953
Fixed Prospective Payments - Hospital			11,180,000
Total			**11,180,000**
Reserves			
Reserves - Hospitals			(11,180,000)
Total			**(11,180,000)**
Total			-
Net Patient Care Rev & Fixed Payments & Reserves	51,999,349	59,375,198	59,996,953
Other Operating Revenue			
Cafeteria & Parking	158,904	150,000	150,000
Sale of Services to Other Organizations	115,388	-	-
Other	1,382,197	1,308,000	1,305,000
Total	**1,656,489**	**1,458,000**	**1,455,000**
Total Operating Revenue	53,655,838	60,833,198	61,451,953

Financials - Profit & Loss

Operating Expense			
Salaries Non MD	16,837,179	17,953,143	18,053,239
Fringe Benefits Non MD	5,656,209	5,360,128	5,510,668
Fringe Benefits MD	500,000	600,000	600,000
Physician Fees Salaries Contracts & Fringes	6,332,582	5,822,000	5,133,644
Health Care Provider Tax	3,195,888	3,562,512	3,599,817
Depreciation Amortization	1,697,212	1,863,315	1,676,635
Interest - Long Term	477,005	529,100	615,100
Other Operating Expense			
Marketing Expense	153,429	182,000	198,968
Other Nonsalary Expense	22,266,078	23,296,724	24,459,462
Insurance	376,113	627,122	794,058
Total	**22,795,620**	**24,105,846**	**25,452,488**
Total	**57,491,695**	**59,796,044**	**60,641,591**
Net Operating Income (Loss)	(3,835,857)	1,037,154	810,362
Non-Operating Revenue			
General Contributions	195,857	80,000	10,000
Transfers from Related Organizations	(610,388)	(450,000)	(450,000)
Income from Investments	258,867	340,000	300,000
Gain (Loss) from Sale of Investments	1,037,378	1,320,000	1,000,000
All Other	1,175,905	-	-
Total	**2,057,619**	**1,290,000**	**860,000**
Excess (Deficit) of Revenue Over Expense	(1,778,238)	2,327,154	1,670,362

Financials – Cash Flow

Accounts	FY2017	FY2018	FY2019
Cash Flow			
Cash From Operations			
Excess Revenue Over Expense	(1,778,238)	2,327,154	1,670,362
Depreciation/Amortization	1,697,212	1,863,315	1,676,635
Patient A/R	107,146	(164,263)	66,526
Other Changes	(890,395)	(5,081,310)	1,069,608
Total	**(864,275)**	**(1,055,104)**	**4,483,131**
Cash From Investing Activity			
Capital Spending			
Change in Accum Depr Less Depreciation	(2,863,434)	6,768,585	(9,311,071)
Change in Capital Assets	1,111,471	(21,886,918)	14,190,000
Total	**(1,751,963)**	**(15,118,333)**	**4,878,929**
(Increase)/Decrease			
Other LT Assets & Escrowed Bonds & Other	30,149	(836,869)	-
Total	**30,149**	**(836,869)**	**-**
Total	**(1,721,814)**	**(15,955,202)**	**4,878,929**
Financing Activity			
Debt			
Bonds & Mortgages	1,235,494	1,828,084	(1,134,000)
Capital Lease & Other Long Term Debt	484,476	(111,042)	(10,000)
Total	**1,719,970**	**1,717,042**	**(1,144,000)**
Total	**1,719,970**	**1,717,042**	**(1,144,000)**
Other Changes			
Change in Fund Balance Less Net Income	1,123,052	16,842,819	(8,818,060)
Total	**1,123,052**	**16,842,819**	**(8,818,060)**
Beginning Cash	14,693,512	14,950,445	16,500,000
Net Increase/(Decrease) in Cash	256,933	1,549,555	(600,000)
Ending Cash	14,950,445	16,500,000	15,900,000

Financials – Balance Sheet

Accounts	FY2017	FY2018	FY2019
Assets			
Current Assets			
Cash & Investments	14,950,445	16,500,000	15,900,000
Patient Accounts Receivable, Gross	17,397,269	16,000,000	16,183,474
Less: Allowance For Uncollectible Accts	(7,561,532)	(6,000,000)	(6,250,000)
Due From Third Parties	1,055,761	-	-
Other Current Assets	1,693,870	2,500,000	2,500,000
Total	**27,535,813**	**29,000,000**	**28,333,474**
Fixed Assets			
Board Designated Assets			
Other	513,131	1,350,000	1,350,000
Total	**513,131**	**1,350,000**	**1,350,000**
Long Term Assets			
Net, Property, Plant And Equipment			
Land, Buildings & Improvements	17,228,837	18,850,000	19,060,000
Construction In Progress	108,077	-	-
Major Movable Equipment	16,830,454	32,050,000	17,500,000
Fixed Equipment	5,195,714	10,350,000	10,500,000
Total	**39,363,082**	**61,250,000**	**47,060,000**
Accumulated Depreciation			
Land, Buildings & Improvements	(8,807,353)	(10,172,955)	(9,702,275)
Equipment - Fixed	(4,275,695)	(5,639,948)	(5,909,998)
Equipment - Major Moveable	(13,031,761)	(18,933,806)	(11,500,000)
Total	**(26,114,809)**	**(34,746,709)**	**(27,112,273)**
Total	**13,248,273**	**26,503,291**	**19,947,727**
Total	**13,248,273**	**26,503,291**	**19,947,727**
Other Long-Term Assets		-	-
Total	**41,297,217**	**56,853,291**	**49,631,201**

Financials – Balance Sheet

Liabilities and Equities			
Liabilities			
Current Liabilities			
Accounts Payable	7,998,599	3,850,000	4,500,000
Salaries, Wages And Payroll Taxes Payable	2,347,813	2,495,000	2,400,000
Estimated Third-Party Settlements		100,000	100,000
Other Current Liabilities	4,255,649	3,076,592	3,250,000
Current Portion Of Long-Term Debt	687,472	437,000	778,200
Total	**15,289,533**	**9,958,592**	**11,028,200**
Long Term Liabilities			
Long-Term Debt			
Bonds & Mortgages Payable	8,343,916	10,172,000	9,038,000
Capital Lease Obligations	686,042	575,000	565,000
Total	**9,029,958**	**10,747,000**	**9,603,000**
Total	**9,029,958**	**10,747,000**	**9,603,000**
Other Noncurrent Liabilities		-	-
Total	**24,319,491**	**20,705,592**	**20,631,200**
Fund Balance			
Net Assets	18,755,964	33,820,545	27,329,639
YTD Change In Net Assets	(1,778,238)	2,327,154	1,670,362
Total	**16,977,726**	**36,147,699**	**29,000,001**
Total	**41,297,217**	**56,853,291**	**49,631,201**

Payer Mix
In-State vs. Out-of-State

Breakdown of In vs Out of State payors Curent year

	In State	Out of State
Medicare	88%	12%
Medicaid	96%	4%
Commercial	77%	23%
Private pay	65%	35%
Total	86%	14%

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Expense Drivers

Two Key Expense Drivers

- Locum Coverage
- Self-insured Employee Benefits

Cost Containment

- Reduce locum coverage
- Replace MDs with CRNAs
- Join larger self-insurance plan - reduce risk

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Reconciliation

FY 18 Budget to FY 18 YTD

SPRINGFIELD HOSPITAL
YTD THROUGH JULY 2018

	YEAR TO DATE			
GROSS PATIENT SERVICE REVENUE:	**Actual**	**Budget**	**$ Budget Variance**	**% Budget Variance**
Inpatient Revenue	$ 20,261,317	$ 22,996,967	$ (2,735,650)	-11.9%
Outpatient Revenue	74,522,487	77,383,384	(2,860,897)	-3.7%
Professional Services	7,041,827	8,027,251	(985,424)	-12.3%
Total Gross Patient Service Revenue	**101,825,632**	**108,407,602**	**(6,581,970)**	**-6.1%**
Deductions from Revenue:				
Contractual Allowances	49,839,493	52,087,884	(2,248,391)	-4.3%
Charity Care & Other Allowances	1,668,762	1,899,731	(230,969)	-12.2%
Provision for Bad Debts	4,237,426	4,775,674	(538,247)	-11.3%
Disproportionate Share	(749,114)	(734,322)	(14,792)	-2.0%
Total Deductions from Revenue	54,996,567	58,028,966	(3,032,399)	-5.2%
Net Patient Service Revenue	**46,829,065**	**50,378,636**	**(3,549,571)**	**-7.0%**
Other Operating Revenue	1,307,584	1,215,000	92,584	7.6%
TOTAL OPERATING REVENUE	**48,136,649**	**51,593,636**	**(3,456,987)**	**-6.7%**

Reconciliation

FY 18 Budget to FY 18 YTD

OPERATING EXPENSES:				
Salaries & Wages	16,345,852	16,720,766	(374,914)	-2.2%
Employee Benefits & Payroll Taxes	6,112,068	4,885,164	1,226,904	25.1%
Medical Supplies	1,599,866	2,358,677	(758,811)	-32.2%
Drugs	1,311,953	1,273,880	38,073	3.0%
Management & Contract Services	4,731,587	4,922,610	(191,023)	-3.9%
Other Purchased Services	2,640,570	2,566,400	74,170	2.9%
Physician Fees	6,858,020	5,426,999	1,431,021	26.4%
Travelers	533,440	302,730	230,710	76.2%
Depreciation	1,323,049	1,552,760	(229,711)	-14.8%
Interest	489,792	440,920	48,872	11.1%
Insurance	535,063	522,620	12,443	2.4%
Provider Tax	2,794,738	2,900,089	(105,351)	-3.6%
Other Expenses	5,379,729	6,089,433	(709,705)	-11.7%
TOTAL OPERATING EXPENSES	**50,655,725**	**49,963,048**	**692,677**	**1.4%**
OPERATING INCOME (LOSS)	**(2,519,076)**	**1,630,588**	**(4,149,664)**	**-254.5%**
NON-OPERATING REVENUE (NET)	1,185,587	1,250,000	(64,413)	-5.2%
NET TRANSFERS IN/(OUT)	(628,808)	(375,000)	(253,808)	-67.7%
UNRECOGNIZED PENSION EXPENSE	-	-	-	
INCR. (DECR.) IN UNRESTRICTED NET ASSETS	**$ (1,962,297)**	**$ 2,505,588**	**$ (4,467,885)**	**-178.3%**

Other Clarifying Information

- FY18 YTD revenue is down 6% in total
  - Reduced Volume
  - Inpatient mix implication - Medical vs Surgical
- Expenses are primarily under budget
- Employee benefits are significantly over budget
  - Primarily employee health insurance (self insured)
- Locums cost is significantly over (grouped with Physician Fees and mainly due to a shortage of Hospitalists). Travelers, a related but separate expense, is also over due to a lack of lab techs and some nursing.
- These three areas account for approximately a $2.88 million unfavorable variance.

Community Health Needs Assessment

- Substance Abuse / Mental Health
- Obesity
- Oral Health

CHNA Initiatives/Cost

- Reference 6-1-18 Update in the Budget Narrative and on **www.springfieldhospital.org**
- The CHNA implementation initiatives are primarily conducted in the FQHC setting, through Community Collaborative quarterly meetings, and ongoing collaboration with community partners.

Healthy Vermont. Together.

Health Reform Investment

- Reform is imbedded into daily FQHC operations
- OneCare VT participation (Medicare, Medicaid, BC)
- Care Coordination -- an essential tool
- Community Health Team / ED collaboration

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Capital Budget Plans

- $1.14 capital budget for FY19
- No single project will exceed $500K
- No CON projects anticipated for FY19

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Capital Budget Plans

List of Large Dollar Value Capital Items FY19

ITEM	COST
FLOOR BUFFER	10,925.0
CRASH CARTS	23,000.0
PT CHAIRS - SAME DAY	8,000.0
STRETCHERS - SAME DAY (2)	20,000.0
VESSEL SEALING DEVICE	11,000.0
VIDEO TOWER - OR	80,000.0
BIPOLAR RESECTOSCOPE	9,000.0
LAPROSCOPIC CAMERAS	33,000.0
RESECTOSCOPIC INSTRUMENT SET	25,000.0
POWER SETS - OR	145,000.0
OR LIGHTS	80,000.0
SMARTCURVE BREAST STABILIZATION SYSTEM	14,500.0
HOLOGIC CLARITY HD UPGRADE	100,000.0
C-ARM X-RAY	160,000.0
VITREA WORK STATION - CT	66,000.0
	785,425.0

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Long Range Financial Outlook

- Poor payer mix anticipates low growth; not likely to change substantially.
- Continued cost containment strategies consistent with our demonstrated history as a low-cost provider.
- Fully participate in OneCare VT

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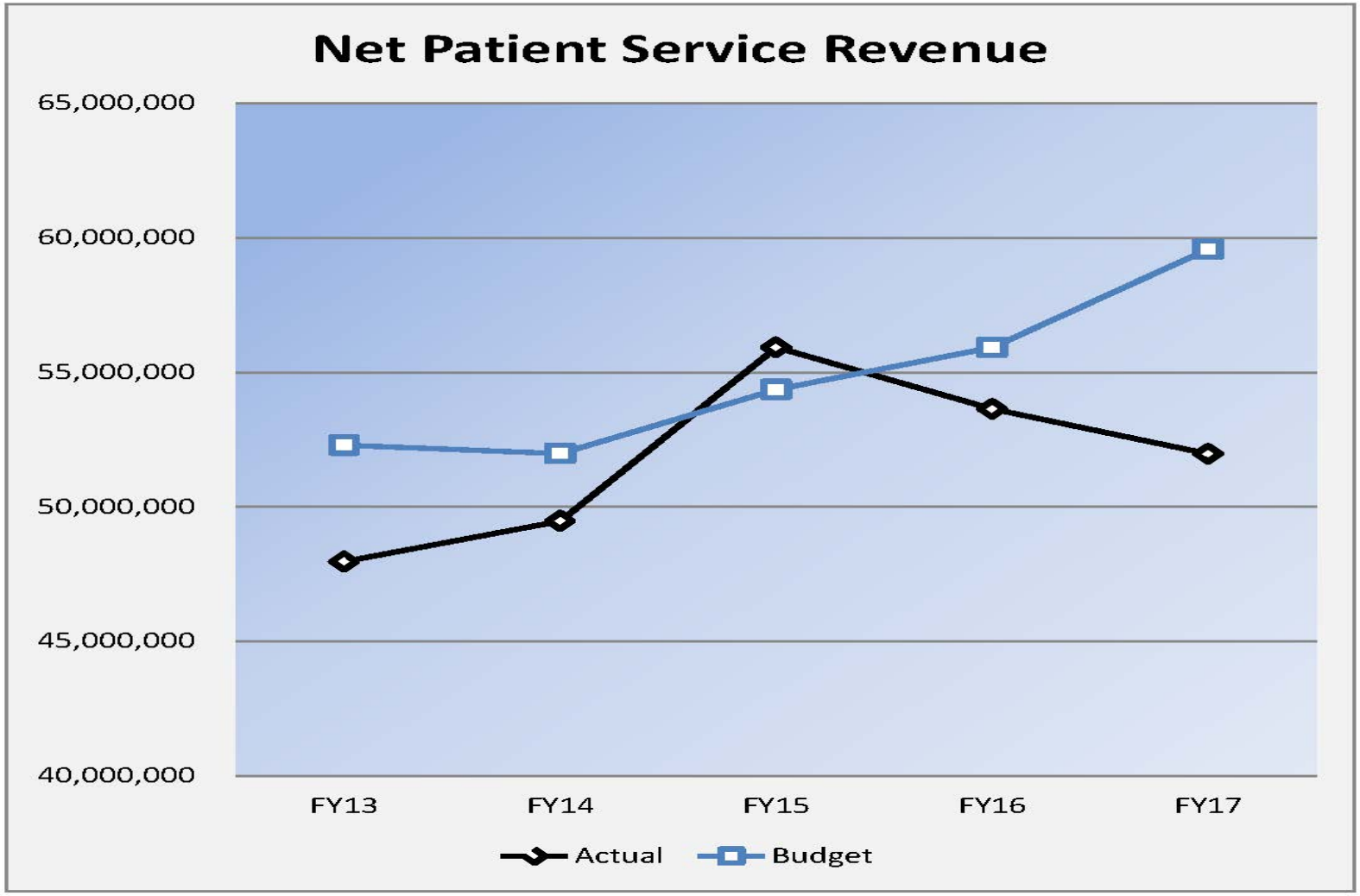
Budget Order Compliance



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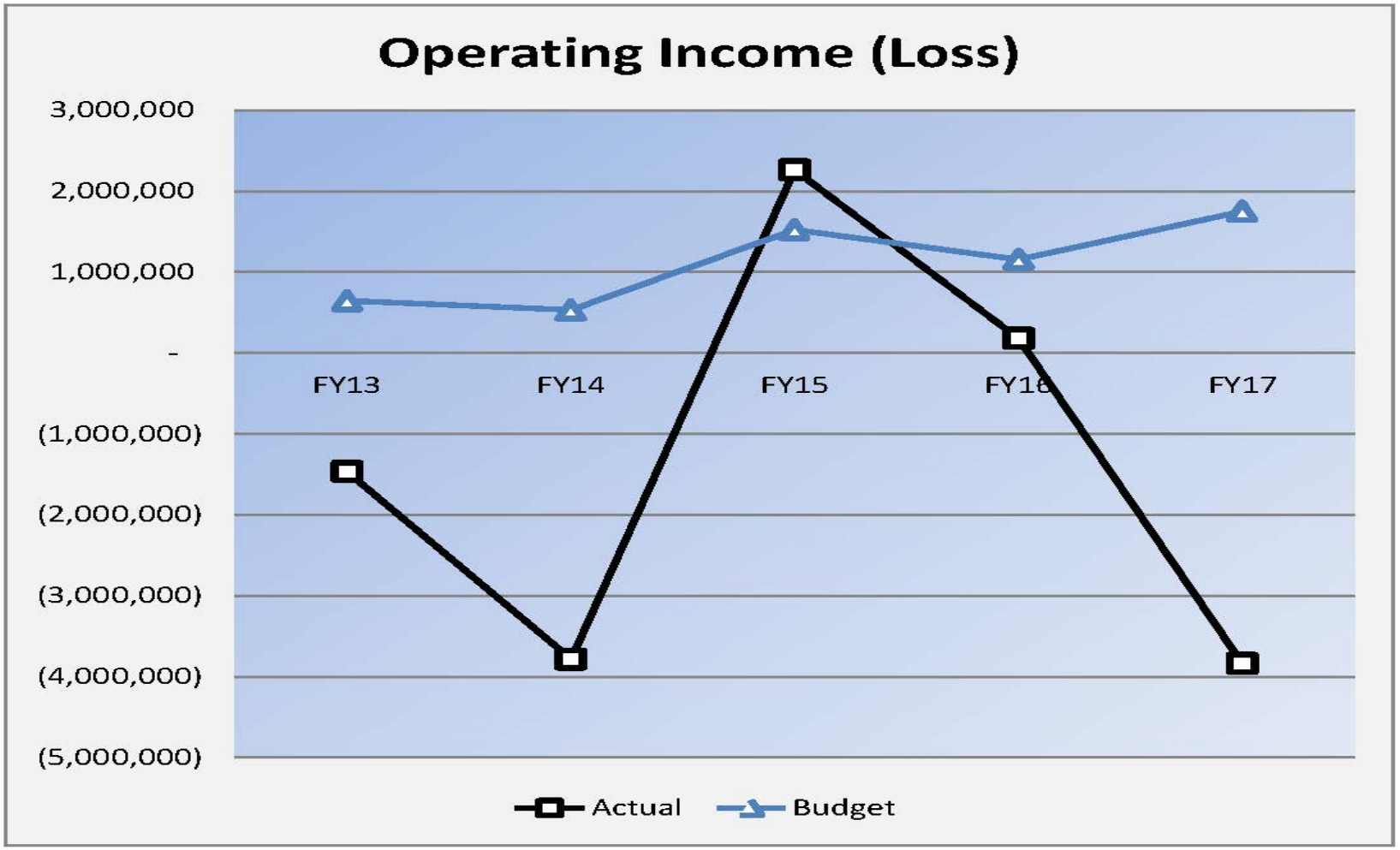

Questions?

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