

FY2019 BUDGET PRESENTATION

BRATTLEBORO MEMORIAL HOSPITAL

AUGUST 27, 2018



INTRODUCTION/OVERVIEW

- CEO/PRESIDENT: Steven R. Gordon
- DIRECTOR OF FINANCE: Brandon Reed
- CHIEF MEDICAL OFFICER: Kathleen McGraw, M.D.
- CHIEF NURSING OFFICER: Jodi Dodge, RN
- VP-BMH MEDICAL GROUP: Eilidh Pederson
- MEDICAL GROUP DIRECTOR: Tony Blofson, M.D.

HOSPITAL ISSUES

- **FY2018 NPR Issue** (Slide 4)
- **Cerner Conversion**
 - Impact on General Financial Systems-Reporting and AR
 - Select New GFS and Reporting Tools
 - Legacy systems archiving
- **MDH/LV Designation**
- **Recruitment and Retention**
 - Cardiology
 - Ortho
 - Hospitalist
 - Hospital Staff- ESD, RN/LPN, MA
- **Contract Labor/Travelers** (Slide 5,6)
- **OneCare-Risk Based Agreements**
- **Birth Rate Decline**
- **Community Needs stretching hospital resources**
 - Homeless
 - Opioids
 - Mental Health
 - Dental
 - Aging population



FY2018B NPSR ISSUE

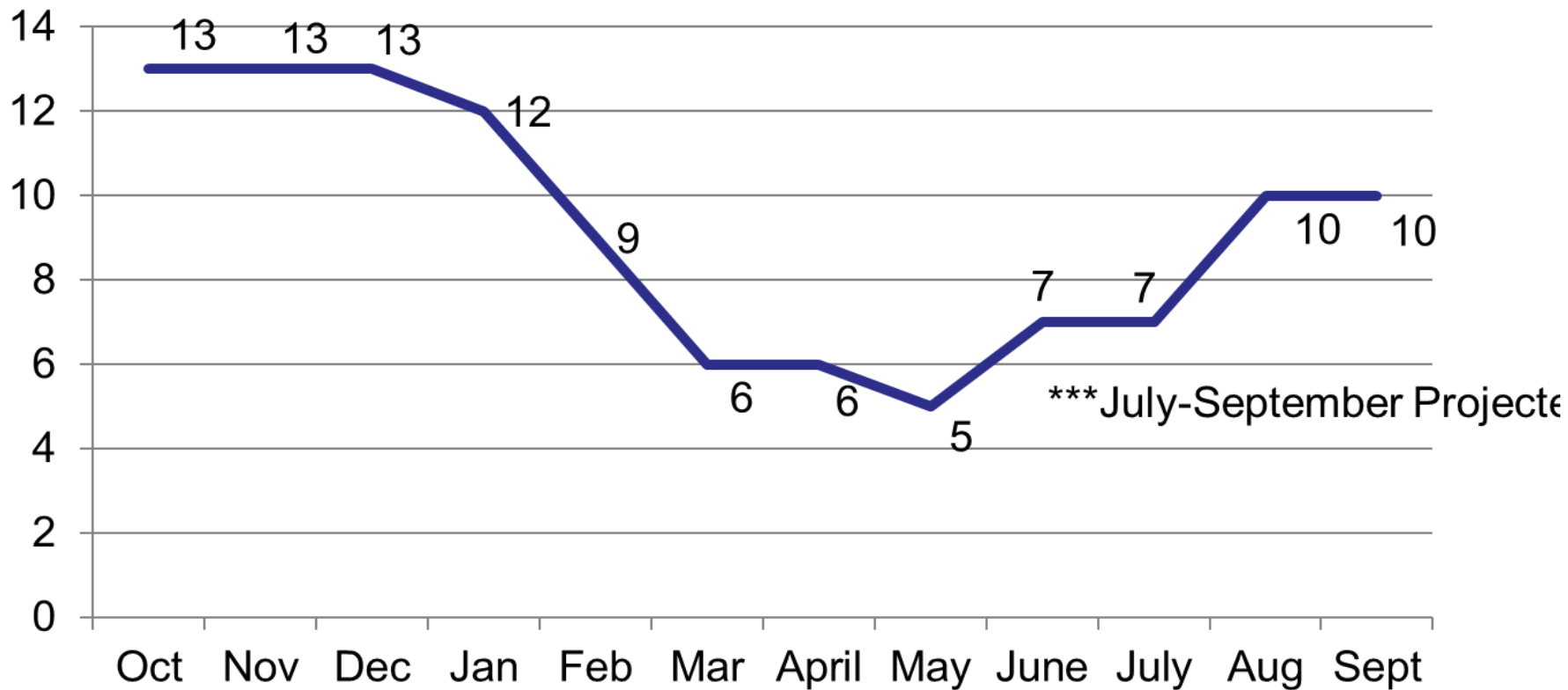
- BMH removed the OneCare ACO contract risk as proposed, which was estimated as a \$1,304,315 deduction from Gross Revenue.
- To account for this negative reduction, BMH lowered its rate request from 8.9% to 5.7%.
- These combined actions-reducing the rate increase and removing risk as a deduction from revenue- do not impact NPSR; see chart below:

Impact on Net Revenue			
	removing risk	Reducing rate increase	net impact
Medicare	819,696	0	819,696
Medicaid	283,891	0	283,891
Commercial & Other	<u>200,728</u>	<u>(1,304,315)</u>	<u>(1,103,587)</u>
	1,304,315	(1,304,315)	0

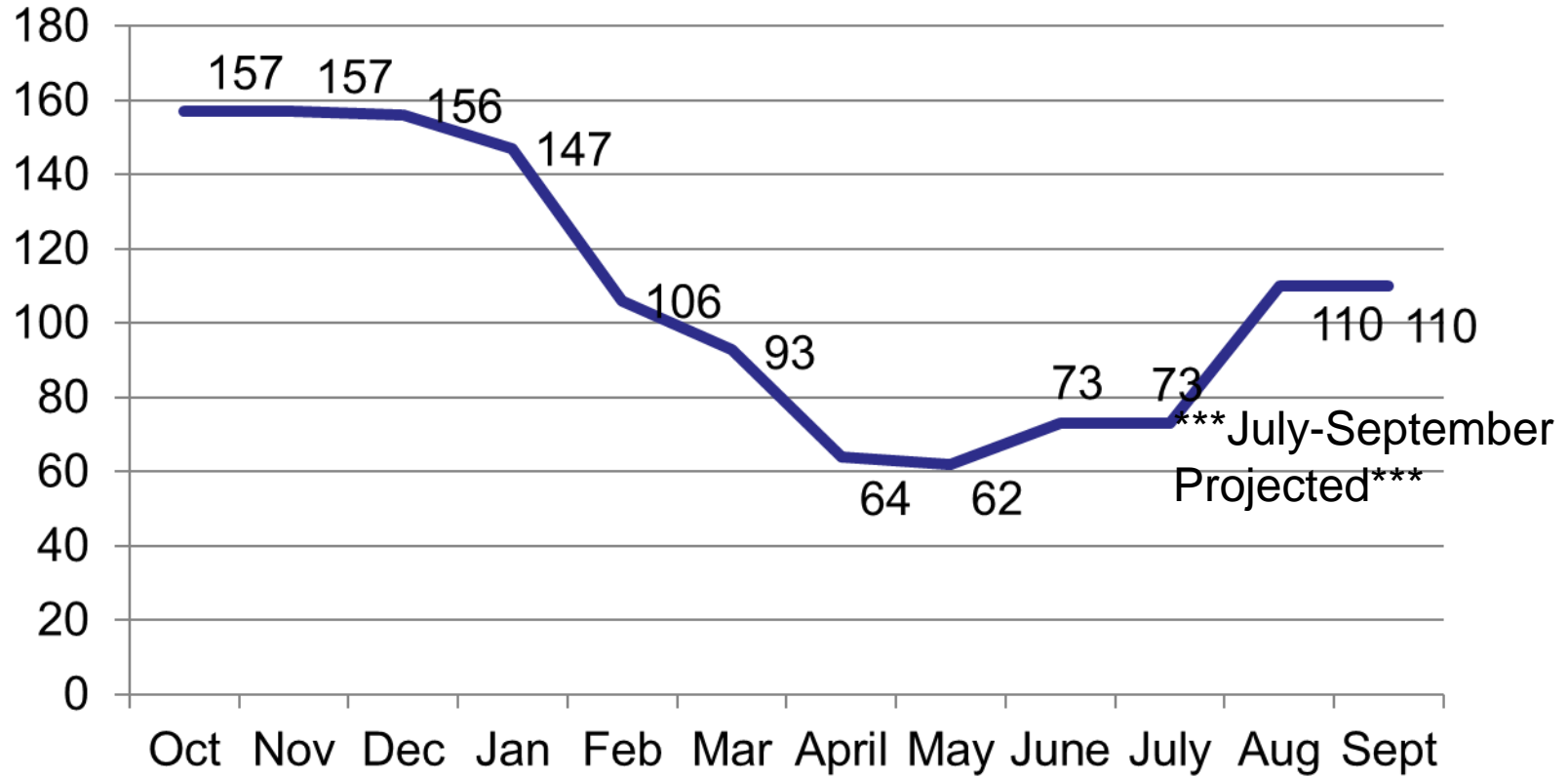
- Upon receiving the budget order, BMH requested the Board in writing on October 18th, 2017 to amend the order and reinstate the original NPSR: \$80,202,627. This matter was also discussed with Board members at a BMH site visit on October 31st, 2017 and in several emails with GMCB staff. See Executive Summary in Budget Narrative for additional information.
- Without this requested technical amendment, BMH's GMCB-approved FY2018 Budget results in a negative operating margin of -1.5% which would not promote the efficient and economic operation of the hospital



CONTRACT RN FTE'S BY MONTH FY 2018



CONTRACT RN (\$000'S) BY MONTH FY 2018



Projected FY 18 Total:
\$1,308,000

RISKS AND OPPORTUNITIES

Risks

- Recruitment and retention
 - Difficulty in reducing contract labor expense
 - Physician/Clinicians
 - Low Unemployment and loss of young talent
 - Competition from NH and MA
- OneCare risk-based performance
- CMS Proposed Reductions
- General Financial System
 - Identifying and implementing new GFS and reporting tools
- Limited patience with long-term population health investments which don't yield short term returns
 - Vulnerable Pop Nurse (Homeless shelter and Respite bed)
 - RiseVT
 - Care Coordination
 - Dental Health
 - Embedded BH Therapists in PC
 - Community Health Team and Hub and Spoke



RISKS AND OPPORTUNITIES

Opportunities

- Successful recruitment efforts
- Regional Psychiatric Strategy Group
 - Retreat, BMH and HCRS
- Continued collaboration with DH and Cheshire Med
 - Evolution of Strategic Partnership
- Telehealth
 - Expanded Telepsych
 - HIV Care
- LGBTQ+ Initiatives
 - Policy and procedures
 - Staff education
 - Community engagement
 - Clinical services
- 3 Day SNF Waiver
 - Right care at the right time and right place

RISKS AND OPPORTUNITIES

Opportunities

- Development of Dental Clinic (Medicaid and Uninsured)
 - BMH provides facility and employs dentist
 - United Way, Brattleboro Health Department and other community agencies
- Upside Potential –OneCare Agreements
- Opioid Reduction/Overdose Efforts
 - ED BH Nurse Practitioner
 - Additional MAT Clinicians
 - ED Peer Recovery Pilot-Turning Point
 - Project CARE (Community Approach to Recover and Engagement) Participant
 - BMH Clinician Opioid Task Force and community pharmacy collaboration
 - NAS (Neonatal Abstinence Syndrome)/ Substance Exposed Infants Coalition
- Chronic Pain Initiative-BC and Medicaid

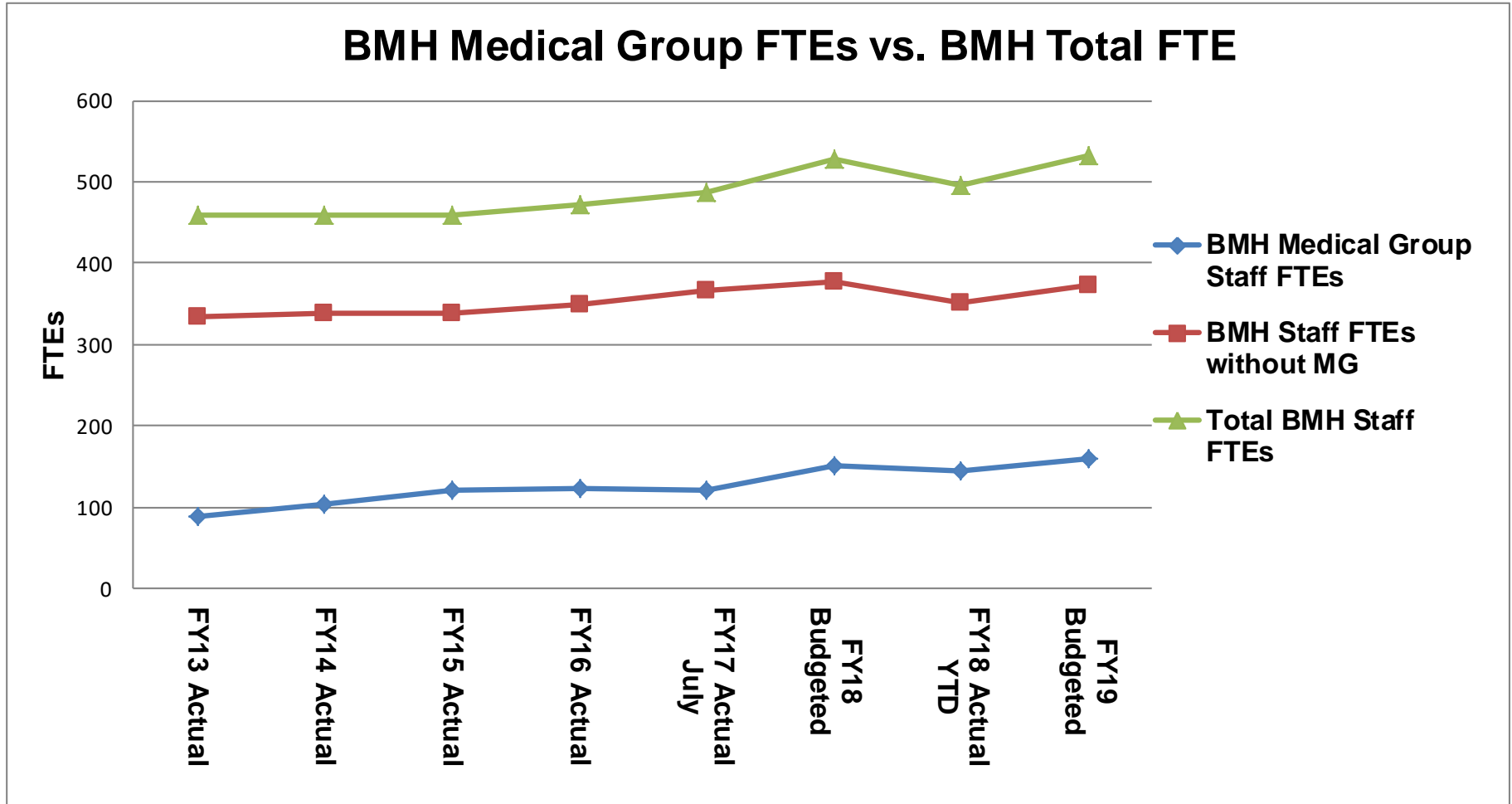
THIRD NEXT AVAILABLE APPOINTMENT

(UPDATED 8/20/18)

Practice	Physical Exam	New Patient Appointment	Routine Follow-Up
Windham Family Practice	14 days	32 days	5 days
Brattleboro Family Medicine	33 days	32 days	23 days
Maplewood Family Practice	38 days	32 days	9 days
Putney Family Health	46 days	32 days	15 days
Brattleboro Internal Medicine	19 days	32 days	15 days
Just So Pediatrics	30 days	60 days	20 days
Brattleboro Orthopedics and Sports Medicine	N/A	5 days	5 days
Brattleboro Center for Cardiology and Cardiovascular Health	N/A	7 days	7 days
Brattleboro Urology	N/A	47 days	5 days
Brattleboro General Surgery	N/A	7 days	7 days
Brattleboro OB/GYN	67 days	61 days	61 days



MEDICAL GROUP FTE GROWTH



APM QUALITY MEASURES

- **Patient Centered Medical Home (PCMH) allows for excellent results in chronic disease management and a focus on prevention. These results are seen in our data and continue to improve.**
- **Patient access remains a constant concern, and we have put significant effort into recruiting providers with good success.**
- **Substance abuse and mental health data point to the need for specific plans to address these issues. We have implemented:**
 - Embedded RN Care Coordinators focusing on the patients with highest needs
 - Embedded Behavioral Health Therapist for primary care focused on results for substance and alcohol misuse and depression
 - Behavioral Health Nurse Practitioner in Emergency Department
 - Additional MAT Prescribers
 - Tele-Psychiatry
 - A Regional Psychiatric Strategy Group
 - Vulnerable Population nurse



FINANCIALS-Income Statement with BMH FY2018B

INCOME STATEMENT	FY2018P	FY2018B_BMH	Variance \$	Variance %	FY2019B
Revenues					
Gross Patient Care Revenue	\$ 158,780,867	\$ 169,571,693	\$ (10,790,826)	-6.36%	\$ 173,474,026
Disproportionate Share Payments	515,896	517,313	(1,417)	-0.27%	604,168
Bad Debt	(6,046,071)	(3,203,295)	(2,842,776)	88.75%	(3,945,059)
Free Care	(769,533)	(1,509,792)	740,259	-49.03%	(1,484,209)
Deductions from Revenue	(81,290,108)	(85,173,288)	3,883,180	-4.56%	(94,711,995)
Net Patient Care Revenue (NPR)	71,191,051	80,202,631	(9,011,580)	-11.24%	73,936,931
Fixed Prospective Payments & Reserves	7,023,293	0	7,023,293	-	10,031,219
NPR & Fixed Payments & Reserves	78,214,344	80,202,631	(1,988,287)	-2.48%	83,968,150
Other Operating Revenue	3,662,104	3,555,854	106,250	2.99%	3,221,145
Total Operating Revenue	81,876,448	83,758,485	(1,882,037)	-2.25%	87,189,295
Expenses					
Wages, Benefits & Medical Professionals	51,222,823	51,590,638	(367,815)	-0.71%	54,313,740
Health Care Provider Tax	4,504,907	4,500,295	4,612	0.10%	5,035,156
Depreciation & Amortization	4,703,923	3,933,151	770,772	19.60%	4,641,677
Interest - Long-term & Short-term	143,860	234,071	(90,211)	-38.54%	210,141
Other Operating Expense	23,315,679	23,140,261	175,418	0.76%	22,733,631
Total Operating Expense	83,891,191	83,398,416	492,775	0.59%	86,934,345
Net Operating (Loss) Income	(2,014,743)	360,069	(2,374,812)	-659.54%	254,950
Non-Operating Revenue	2,232,569	740,000	1,492,569	201.70%	758,000
Excess of Rev Over Exp	\$ 217,827	\$ 1,100,069	\$ (882,242)	-80.20%	\$ 1,012,950
Operating Margin %	-2.5%	0.4%			0.3%
Total Margin %	0.3%	1.3%			1.2%

FINANCIALS-Income Statement with GCMB FY2018B

INCOME STATEMENT	FY2018P	FY2018B (GCMB)	Variance \$	Variance %	FY2019B
Revenues					
Gross Patient Care Revenue	\$ 158,780,867	\$ 169,571,693	\$ (10,790,826)	-6.36%	\$ 173,474,026
Disproportionate Share Payments	515,896	517,313	(1,417)	-0.27%	604,168
Bad Debt	(6,046,071)	(3,203,297)	(2,842,774)	88.75%	(3,945,059)
Free Care	(769,533)	(1,509,789)	740,256	-49.03%	(1,484,209)
Deductions from Revenue	(81,290,108)	(86,496,487)	5,206,379	-6.02%	(94,711,995)
Net Patient Care Revenue (NPR)	71,191,051	78,879,433	(7,688,382)	-9.75%	73,936,931
Fixed Prospective Payments & Reserves	7,023,293	0	7,023,293	-	10,031,219
NPR & Fixed Payments & Reserves	78,214,344	78,879,433	(665,089)	-0.84%	83,968,150
Other Operating Revenue	3,662,104	3,555,853	106,251	2.99%	3,221,145
Total Operating Revenue	81,876,448	82,435,286	(558,838)	-0.68%	87,189,295
Expenses					
Wages, Benefits & Medical Professionals	51,222,823	51,590,638	(367,815)	-0.71%	54,313,740
Health Care Provider Tax	4,504,907	4,500,295	4,612	0.10%	5,035,156
Depreciation & Amortization	4,703,923	3,933,151	770,772	19.60%	4,641,677
Interest - Long-term & Short-term	143,860	234,071	(90,211)	-38.54%	210,141
Other Operating Expense	23,315,679	23,140,261	175,418	0.76%	22,733,631
Total Operating Expense	83,891,191	83,398,416	492,775	0.59%	86,934,345
Net Operating (Loss)	(2,014,743)	(963,130)	(1,051,613)	109.19%	254,950
Non-Operating Revenue	2,232,569	740,000	1,492,569	201.70%	758,000
Excess (Deficit) of Rev Over Exp	\$ 217,827	\$ (223,130)	\$ 440,957	-197.62%	\$ 1,012,950
Operating Margin %	-2.5%	-1.2%			0.3%
Total Margin %	0.3%	-0.3%			1.2%

FINANCIALS – Balance Sheet

BALANCE SHEET	FY2018A	FY2018B	FY2019B
Cash & Investments	\$ 4,720,330	\$ 3,320,662	\$ 4,465,685
Risk Reserve for Fixed Reform Payments	-	-	-
Other Current Assets	13,105,958	10,872,608	11,665,240
Current Assets	17,826,288	14,193,270	16,130,925
Board Designated Assets	37,184,551	43,448,955	39,768,177
Net, Property, Plant And Equipment	24,766,287	23,053,288	32,993,701
Other Long-Term Assets	287,856	-	300,001
Assets	\$ 80,064,982	\$ 80,695,513	\$ 89,192,804
Current Liabilities	13,285,082	14,156,837	14,573,132
Long Term Liabilities	8,155,079	7,491,821	16,097,241
Other Noncurrent Liabilities	-	-	-
Fund Balance	58,624,820	59,046,855	58,522,431
Liabilities and Equities	\$ 80,064,982	\$ 80,695,513	\$ 89,192,804

FINANCIALS – Cash Flow Budget

CASH FLOW STATEMENT	FY2018B (GCMB)	FY2018B (BMH)	FY2019B
Cash From Operations			
(Deficit)/Excess Revenue Over Expense	\$ (223,130.00)	\$ 1,100,069.00	\$ 1,012,950.00
Depreciation/Amortization	3,933,151.00	3,933,151.00	4,641,677.00
Patient A/R	2,604,969.79	2,604,969.79	(800,382.00)
Other Changes	(961,207.33)	(961,207.33)	424,045.00
Total	5,353,783.46	6,676,982.46	5,278,290.00
Cash From Investing Activity			
Capital Spending			
Change in Accum Depr Less Depreciation	2,872,106.08	2,872,106.08	(2,196,744.00)
Change in Capital Assets	(1,741,061.32)	(1,741,061.32)	(12,385,346.00)
Total	1,131,044.76	1,131,044.76	(14,582,090.00)
(Increase)/Decrease:			
Funded Depreciation	(5,397,131.86)	(5,397,131.86)	8,684,763.00
Other LT Assets & Escrowed Bonds & Other	498,654.12	498,654.12	(5,303,986.00)
Total	(4,898,477.74)	(4,898,477.74)	3,380,777.00
Total	(3,767,432.98)	(3,767,432.98)	(11,201,313.00)
Financing Activity			
Debt			
Bonds & Mortgages	(1,605,802.59)	(1,605,802.59)	8,605,420.00
Total	(1,605,802.59)	(1,605,802.59)	8,605,420.00
Other Changes			
Change in Fund Balance Less Net Income	744,274.96	744,274.96	(1,537,374.00)
Total	744,274.96	744,274.96	(1,537,374.00)
Beginning Cash	2,595,839.07	2,595,839.07	3,320,661.92
Net Increase in Cash	724,822.85	2,048,021.85	1,145,023.00
Ending Cash	\$ 3,320,662.00	\$ 4,643,860.92	\$ 4,465,685.00

FINANCIALS – Material P&L Variances

- **Gross Revenue and NPSR:** Drop in OR utilization, Medical Office visits, Birth
- **Bad Debt:** EHR implementation delayed billing and caused “timely filing” write-offs and an unhealthy aging schedule. Projected bad debt expense at FYE18 is \$6,815,604.
 - 50% Bad Debt expense; 50% Reserve
 - Limited bad debt/collections functionality in Cerner which impacted our ability to collect patient portion of balances. Process improved in March 2018.
 - Implementation problems will continue to have negative impact on bad debt; the FY2019B reflects this expectation.
- **Free Care:** No policy change; overall, upward trend in applicants with downward trend in utilization
 - Charity/Free Care adjustments were not completed timely due to billing & A/R issues noted above
 - Going forward, BMH expects these numbers to be more in line with prior years and budget
 - The Financial Assistance-eligible patients have increased year-over-year; BMH's *Community Resource Liaison* has also been increasing the number of low income patients assisted in obtaining insurance. Analysis also shows that requests are for lower amounts than expected.
- **Depreciation:** FY2018 Budget calculation incorrect

FINANCIALS – Payer Mix

PAYER MIX	FY2018A	FY2018B	FY2019B
Commerical	34.81%	36.24%	35.81%
Medicaid	18.23%	19.98%	18.28%
Medicare	46.96%	43.78%	45.91%
Total	100.00%	100.00%	100.00%
VT MEDICAID	FY2018A	FY2018B	FY2019B
In-State	91%	91.09%	91.14%
Out-of-State	9%	8.91%	8.86%
	100.00%	100.00%	100.00%

FINANCIALS

- **Expense Drivers**

- Contract Labor
- Drug Costs (Oncology)
- Benefits-Health insurance
- Physician wages, fringes and fees

- **Cost Containment Efforts**

- See detailed Slide #10 in Budget Narrative submission:
 - Position Eliminations
 - Expenses
 - Programs



COMMUNITY HEALTH NEEDS ASSESSMENT

Population Health Focus	Initiatives Addressing these Goals	Associated Cost
Food Security	<ul style="list-style-type: none"> • <u>Veggie Van Go:</u> In collaboration with VT Foodbank , BMH staff offer fresh and healthy food monthly. 	<ul style="list-style-type: none"> • Administrative and staff time
Coordination of Care Cultural Competency	<ul style="list-style-type: none"> • <u>Vulnerable Populations “Healthworks”:</u> In collaboration with Groundworks, BMH provides support for a Vulnerable Populations Care Coordinator and funds a shelter based respite bed for patients experiencing homelessness. BMH is also collaborating with Equity Solutions to bring Cultural Competency training to BMH with a focus on poverty and homelessness. 	<ul style="list-style-type: none"> • \$82,000
Obesity	<ul style="list-style-type: none"> • <u>Rise VT:</u> Early adopter of this initiative aimed at promoting healthier lifestyles for Vermonters. BMH to hire Project Manager in Fall 2019 	<ul style="list-style-type: none"> • \$70,000
Access to Care	<ul style="list-style-type: none"> • <u>Primary Care Access:</u> Interim Care Clinic established in 2017 to provide care to 4,000 patients following PCP retirements 	<ul style="list-style-type: none"> • \$150,000
Coordination of Care Access to Care	<ul style="list-style-type: none"> • <u>Care Coordination and Healthcare Navigation:</u> Care Coordinators hired into the Medical Group to coordinate care for high risk patients as well as improve access for things like Wellness Visits 	<ul style="list-style-type: none"> • \$215,000
Coordination of Care	<ul style="list-style-type: none"> • <u>Community Health Team:</u> Additional support to provide health and wellness to Windham County through diabetes education, health coaching, nutritional support, behavioral health, and care coordination. 	<ul style="list-style-type: none"> • \$125,000 above BP reimbursement
Access to Care	<ul style="list-style-type: none"> • <u>Medical Scribes:</u> Assist Clinicians with documentation and enable clinicians to focus on their visit 	<ul style="list-style-type: none"> • \$203,000
Aging population	<ul style="list-style-type: none"> • <u>Post-Acute Care:</u> Provides primary care to three local skilled nursing facilities 	<ul style="list-style-type: none"> • \$397,000
Coordination of Care	<ul style="list-style-type: none"> • <u>Accountable Community for Health (ACH):</u> Provide Physician and Administrative leadership to the ACH (former Regional Clinical Performance Committee-RCPC). Collaborates with health and human services organizations/agencies to provide a more coordinated approach to patient care. 	<ul style="list-style-type: none"> • \$10,000
Substance Misuse	<ul style="list-style-type: none"> • <u>Narcotic Use Task Force:</u> Physician leadership of committee evaluating and managing chronic narcotic use amongst patients served by the BMH Medical Group. 	<ul style="list-style-type: none"> • Negligible
Mental Health and Substance Misuse	<ul style="list-style-type: none"> • <u>SBIRT:</u> In Brattleboro Family Medicine, patients are screened for mental health and substance misuse and referred if appropriate to a behavioral health therapist embedded within the practice. 	<ul style="list-style-type: none"> • \$66,000
Mental Health and Substance Misuse Coordination of Care	<ul style="list-style-type: none"> • <u>Women’s Health Initiative and Centering Pregnancy:</u> Brattleboro OBGYN provides enhanced SBIRT screening and referral to embedded Social Worker. This Social Worker provides counseling and assists with coordination of care and referrals to external agencies for things such as food and housing security. 	<ul style="list-style-type: none"> • \$5,000 above BP reimbursement

HEALTH CARE REFORM INVESTMENTS

Investment	Goal of Investment	APM Initiative Supported	Rationale for why investment is necessary
Neurologist	<ol style="list-style-type: none"> 1. Allow patients in need of neurology services to receive care in their community 2. Embed Neurologist in PCP office to allow for warm hand-off 	Keep attributed patients in HSA	<ol style="list-style-type: none"> 1. Current lack of access to care in Windham County 2. Allows for improved continuity of care
Behavioral Health Nurse Practitioner	<ol style="list-style-type: none"> 1. Decreased boarding time for mental health patients in ED 2. Improved medication management 3. Provide real-time consults for PCPs 	<ol style="list-style-type: none"> 1. Depression Screening and Follow-Up Plan 2. Suicide Prevention 3. Reduce mental health re-admissions 	<ol style="list-style-type: none"> 1. Lack of available mental health beds in State 2. Reduce psychiatric emergencies

HEALTH CARE REFORM INVESTMENTS

Investment	Goal of Investment	APM Initiative Supported	Rationale for why investment is necessary
<p>Embedded Behavioral Health Therapist-Primary Care Practices</p>	<ol style="list-style-type: none"> 1. Identify early signs of mental health concerns and substance misuse through enhanced screening 2. Reduce mental health crises through provision of brief intervention and referral to appropriate treatment 3. Real-time referrals to/from PCPs 	<ol style="list-style-type: none"> 1. Depression Screening and Follow-Up Plan 2. Suicide Prevention 3. Overdose Prevention 4. Reduce mental health re-admissions 	<ol style="list-style-type: none"> 1. Focus on early detection 2. Cost savings related to higher levels of care
<p>Project Manager-RISE VT</p>	<ol style="list-style-type: none"> 1. Improve health and wellness for children in Windham County 2. Improve community infrastructure as it pertains to health and wellness for children in Windham County 	<p>BMI Screening and Intervention Plan</p>	<ol style="list-style-type: none"> 1. Improve outcomes for children's health and wellness through better coordination of community resources and leadership

HEALTH CARE REFORM INVESTMENTS

Investment	Goal of Investment	APM Initiative Supported	Rationale for why investment is necessary
<p>Embedded Care Coordinators</p>	<ol style="list-style-type: none"> 1. Improve health outcomes 2. Reduce unnecessary ER visit 3. Reduce patients' overall cost of care 	<ol style="list-style-type: none"> 1. Increase access to Medicare Wellness Visits 2. Decrease A1C rates for Diabetic Patients 3. Focus on HTN control 	<ol style="list-style-type: none"> 1. High prevalence of 'very high' and 'high risk' patients in Brattleboro Health Service Area (HAS) 2. Known high cost of care high risk patients

CAPITAL BUDGET INVESTMENTS

- **The Non-CON capital budget:**

FY2019 Non-CON Capital	Amount
Patient Care equipment replacements	\$ 319,760
Medical Practice equipment	\$ 84,581
Diagnostic Department equipment including Echocardiogram unit	\$ 461,583
Plant Services repairs and upgrades	\$ 132,536
General Financial system upgrade	\$ 200,000
IS projects and infrastructure upgrades including data archiving system	\$ 878,669
TOTAL	\$ 2,077,129

- **CON-Approved Modernization project construction to start in Spring 2019 with completion in FY 2021. Boiler plant upgrade commencing August 2018 with completion Fall 2018.**
- **No Budget impact for FY2019**

LONG RANGE IMPLICATIONS- SUSTAINABILITY AND PROFITABILITY

Over a longer time frame, our objective is to try to return to an average operating margin of at least 3%. At this point we have dropped to a negative operating margin of 0.6% for the 5 year margin. This level of return does not represent a sustainable return for such a capital-intensive operation as a community hospital.

As previously stated to the GMCB, BMH is the most reimbursement-challenged hospital in Vermont. We do not qualify for designations for Critical Access or Sole Community which receive preferential reimbursement under Medicare. Our Medicare Dependent/Low Volume Hospital designation is continually under Federal funding pressure.

One of our expectations in being an early participant in OneCare is to provide some stability and upside potential in our Medicare and Medicaid reimbursements. However, it is too early in the journey to determine whether we will be successful in our efforts.

LONG RANGE IMPLICATIONS- INDEPENDENT TO EMPLOYMENT OF MEDICAL STAFF

Other than challenging reimbursements, the major impact on BMH's margin is the necessary employment of the majority of the Medical Staff.

In 2010, the Medical Staff was mostly comprised of independent practitioners who "hung up their shingle" in the 1970's and 1980's after residency. These physicians, who practiced in solo or 2 person offices, have now entered retirement over the last few years.

Consequently, in order to provide access to primary care and appropriate specialties, BMH has had to create a new clinician employment model and enterprise for our community. Currently, approximately **30%** of our total staff are connected to BMH Medical Group; which has also required significant capital investment such as an integrated EHR, office space development and new staffing models (eg. use of scribes; care coordination).

LONG RANGE IMPLICATIONS- NEW MODEL FOR BMH

The continued financial pressures on BMH have created opportunities to implement new ways of delivering high quality care. These efforts have resulted in the creation of the Progressive Care Unit, our Post-Acute Team, Scribe and MA programs; etc.

We are also leveraging our relationship with Dartmouth-Hitchcock and Cheshire Medical Center in Keene, NH to begin developing a regional health system for our communities.