HealthCare’s most wired®
Winner 2017
Most Improved


North Country Hospital has once again been named a “Most Wired” hospital by Hospitals & Health Networks for their efforts to improve health care through technology and innovation.
North Country Hospital
Fiscal Year 2019 Budget Presentation to the Green Mountain Care Board
August 20, 2018
Presenters

- André Bissonnette, CFO
- Thomas Frank, COO, Interim CEO
- Avril Cochran, VP of Patient Care Services

Support

- Tracey Paul, Executive Director for Finance and Accountable Care
- Anita Flagg, Controller
- Amy-Jo Morse, Staff Accountant II
- Gary Gillespie, Board Trustee-Finance Committee
- Wendy Franklin, Director of Development and Community Relations
Introduction: Service Area

Service Area ≈ 30,000
- Most Isolated
- Highest Poverty
- Lowest Health Status

45 Minutes to Closest Critical Access Hospital

2 Hours to Tertiary Care
Introduction: Service Area

2018 County Health Rankings: Orleans & Essex Counties Ranked Last in Vermont for Health Factors (Health Behaviors, Clinical Care, Socioeconomics, and Physical Environment)

http://www.countyhealthrankings.org/app/vermont/2018/measure/outcomes/42/map
2018 County Health Rankings: Orleans Ranked Last in Vermont for Health Outcomes Quality of Life: (Poor or Fair Health, Poor Physical Health Days, Poor Mental Health Days, Low Birthweight)

http://www.countyhealthrankings.org/app/vermont/2018/rankings/outcomes/6
North Country Health Systems, Inc.
Members = Department Directors, Active Medical Staff, Persons Elected at Annual Meeting

North Country Hospital and Health Center, Inc. (d/b/a North Country Hospital)
Sole Member = North Country Health System, Inc.

North Country Health Services, Inc. (d/b/a Derby Green Nursing Home)
Sole Member = North Country Health Systems, Inc.

Northeast Kingdom Healthcare Collaborative, LLC
Two Members:
North Country Hospital and Health Center, Inc.
Northeastern Vermont Regional Hospital, Inc.
Ensure Continued Financial & Operational Viability

Current Year Projections

- FY2018 Projected $694k Operating Gain
- YTD May 2018 Actual $392k Operating Gain
- YTD May 2018 Budget $166k Operating Gain
- YTD May 2018 Net Revenues Down $347k
- FY2019 Budget $958k Operating Gain
Increased volumes associated with mental health issues and opiate use

Ability to recruit and retain workforce
  - Market pressures on compensation
  - Limited availability of qualified staff

Ability to maintain positive margins for reinvestment into organization

Continued increase in regulatory pressures at Federal and State levels

Additional resources required for population health
New Electronic Health Record (athena Health)

- Operational cost vs capital cost
- Anticipated efficiencies
  - Process improvement efficiencies
  - Billing and collecting efficiencies
- Reduced FTEs through attrition

Continue to evaluate and implement new staffing models to reduce cost

- Med/Surg and ICU

Participation in New England Alliance for Health Group Purchasing Collaborative

Increased compliance around 340B and cost reduction opportunities

Conduct Financial and Operational Evaluation of all Services
Advance Health Care Reform

- Evaluate Medicaid Risk Contract Under OneCare Vermont
- Implement AthenaHealth EHR
- Improve Population Health Data Infrastructure
- Evaluate Population Health/Medical Home Organizational Structure and Resource Needs
- Develop Strategy To Mitigate Financial Risk (Reserves, Re-Insurance, CAH Impact, etc.)
➢ Third Next Available Appointment
  ➢ Measured on an as needed basis

➢ Averaging 1,000 new Primary Care patients per year
  ➢ Two community Primary Care providers retired in the last two years
Eight of the quality measures for NCH at or exceeding the Vermont statewide rate

- Percentage of Medicaid adolescents with well-care visits
- 30-day follow up after discharge for Mental health
- Diabetes HbA1c Poor Control
- Appropriate asthma medication management
- Percentage of adults reporting that they have usual primary care provider
- Prevalence of chronic disease: HTN
- Deaths related to drug overdose
- Rate of groth in number of mental health and substance use-related ED visits
Five of the quality measures for NCH were worse than the Vermont statewide rate

- Initiation of alcohol and drug dependence treatment
- Engagement of alcohol and drug dependence treatment
- Prevalence of chronic disease: COPD
- Prevalence of chronic disease: Diabetes
- # per 100,000 population ages 18-64 receiving Medication Assistance Treatment
Entering Second Year in Medicaid Only

Positives:
- Predictable Payment
- Proactive vs. Reactive Care
- Potential Upside Risk
- Collaboration with other VT Hospitals

Unknowns/Concerns:
- Cost of Supporting OneCare Infrastructure
- Increased Cost in Supporting the Reporting and Care Requirements (FTEs)
- Small Player in Influencing Downside Risk
## Income Statement

**Fiscal Year 2019 Budget Analysis**

### North Country Hospital

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Gross Patient Care Revenue</td>
<td>166,223,234</td>
<td>178,370,005</td>
<td>176,924,304</td>
<td>186,181,775</td>
<td>186,233,162</td>
<td>193,012,814</td>
<td>0.0%</td>
<td>3.7%</td>
<td>3.6%</td>
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<tr>
<td>Disproportionate Share Payments</td>
<td>2,276,974</td>
<td>1,735,504</td>
<td>2,101,206</td>
<td>403,818</td>
<td>403,818</td>
<td>879,211</td>
<td>0.0%</td>
<td>117.7%</td>
<td>117.7%</td>
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<tr>
<td>Bad Debt</td>
<td>(3,626,966)</td>
<td>(3,465,231)</td>
<td>(2,087,878)</td>
<td>(1,105,660)</td>
<td>(2,311,810)</td>
<td>(2,071,021)</td>
<td>-109.1%</td>
<td>87.3%</td>
<td>-10.4%</td>
</tr>
<tr>
<td>Free Care</td>
<td>(1,283,142)</td>
<td>(1,114,262)</td>
<td>(1,545,788)</td>
<td>(1,261,784)</td>
<td>(1,886,795)</td>
<td>(1,753,024)</td>
<td>-49.5%</td>
<td>38.9%</td>
<td>-7.1%</td>
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<tr>
<td>Deductions from Revenue</td>
<td>(90,293,004)</td>
<td>(97,734,434)</td>
<td>(97,804,957)</td>
<td>(105,143,570)</td>
<td>(109,659,502)</td>
<td>(114,166,944)</td>
<td>4.3%</td>
<td>8.6%</td>
<td>4.1%</td>
</tr>
<tr>
<td>Graduate Medical Education</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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</tr>
<tr>
<td>Net Patient Care Revenue</td>
<td>73,297,094</td>
<td>77,791,582</td>
<td>76,688,887</td>
<td>79,074,579</td>
<td>72,778,875</td>
<td>75,901,036</td>
<td>-8.0%</td>
<td>-4.0%</td>
<td>4.3%</td>
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<tr>
<td>Fixed Prospective Payments &amp; Reserves</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<td>#DIV/0!</td>
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<tr>
<td>Net Patient Care Revenue &amp; Fixed Payments &amp; Reserves</td>
<td>73,297,094</td>
<td>77,791,582</td>
<td>76,688,887</td>
<td>79,074,579</td>
<td>77,301,940</td>
<td>81,523,350</td>
<td>-2.2%</td>
<td>3.1%</td>
<td>5.3%</td>
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<tr>
<td>Other Operating Revenue</td>
<td>7,181,316</td>
<td>6,174,954</td>
<td>5,620,168</td>
<td>5,885,112</td>
<td>5,655,416</td>
<td>6,083,556</td>
<td>-3.9%</td>
<td>3.4%</td>
<td>7.6%</td>
</tr>
<tr>
<td>Total Operating Revenue</td>
<td>80,478,650</td>
<td>83,966,536</td>
<td>82,307,055</td>
<td>84,999,701</td>
<td>82,957,316</td>
<td>87,606,906</td>
<td>-2.4%</td>
<td>3.1%</td>
<td>5.6%</td>
</tr>
<tr>
<td>Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries Non MD</td>
<td>24,491,810</td>
<td>26,443,423</td>
<td>26,747,116</td>
<td>27,485,621</td>
<td>26,467,298</td>
<td>27,664,659</td>
<td>-3.7%</td>
<td>0.7%</td>
<td>4.5%</td>
</tr>
<tr>
<td>Fringe Benefits Non MD</td>
<td>8,077,211</td>
<td>9,377,399</td>
<td>10,083,036</td>
<td>10,481,826</td>
<td>10,330,550</td>
<td>10,732,923</td>
<td>-3.8%</td>
<td>2.4%</td>
<td>3.8%</td>
</tr>
<tr>
<td>Fringe Benefits MD</td>
<td>1,130,331</td>
<td>1,129,208</td>
<td>1,075,390</td>
<td>1,154,352</td>
<td>1,003,816</td>
<td>1,164,079</td>
<td>-13.0%</td>
<td>0.6%</td>
<td>16.0%</td>
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<tr>
<td>Physician Fees, Salaries, Contracts</td>
<td>13,465,876</td>
<td>14,439,987</td>
<td>15,256,383</td>
<td>14,196,022</td>
<td>14,296,865</td>
<td>14,782,932</td>
<td>0.7%</td>
<td>4.2%</td>
<td>3.5%</td>
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<tr>
<td>Health Care Provider Tax</td>
<td>4,283,890</td>
<td>4,464,892</td>
<td>4,633,146</td>
<td>4,533,348</td>
<td>4,533,348</td>
<td>4,533,348</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Depreciation &amp; Amortization</td>
<td>4,681,156</td>
<td>5,060,771</td>
<td>4,650,390</td>
<td>4,458,804</td>
<td>4,458,670</td>
<td>4,358,358</td>
<td>-8.8%</td>
<td>-2.2%</td>
<td>-7.1%</td>
</tr>
<tr>
<td>Interest - Long Term &amp; Short Term</td>
<td>647,943</td>
<td>596,513</td>
<td>692,008</td>
<td>689,347</td>
<td>674,663</td>
<td>605,858</td>
<td>-12.1%</td>
<td>-12.1%</td>
<td>-10.2%</td>
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<tr>
<td>Other Operating Expense</td>
<td>20,856,291</td>
<td>22,312,587</td>
<td>21,041,340</td>
<td>21,266,142</td>
<td>20,625,069</td>
<td>22,796,328</td>
<td>-3.0%</td>
<td>7.2%</td>
<td>10.5%</td>
</tr>
<tr>
<td>Total Operating Expense</td>
<td>77,634,509</td>
<td>83,824,785</td>
<td>84,179,016</td>
<td>84,265,462</td>
<td>82,006,360</td>
<td>86,648,310</td>
<td>-2.7%</td>
<td>2.8%</td>
<td>5.7%</td>
</tr>
<tr>
<td>Net Operating Income (Loss)</td>
<td>2,444,141</td>
<td>141,751</td>
<td>(4,871,960)</td>
<td>694,239</td>
<td>950,956</td>
<td>958,597</td>
<td>37.0%</td>
<td>38.1%</td>
<td>0.8%</td>
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<tr>
<td>Non-Operating Revenue</td>
<td>(1,364,271)</td>
<td>2,028,401</td>
<td>3,886,125</td>
<td>1,253,190</td>
<td>1,653,237</td>
<td>1,504,524</td>
<td>31.9%</td>
<td>20.1%</td>
<td>-9.0%</td>
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<tr>
<td>Excess (Deficit) of Rev Over Exp</td>
<td>1,459,270</td>
<td>2,170,151</td>
<td>2,014,165</td>
<td>1,947,429</td>
<td>2,604,193</td>
<td>2,463,121</td>
<td>33.7%</td>
<td>26.5%</td>
<td>-5.4%</td>
</tr>
</tbody>
</table>

### Benchmarks-Hospital

- **Operating Margin%**: 3.5% (FY2015), 0.2% (FY2016), -2.3% (FY2017), -2.3% (FY2018), 0.8% (FY2019)
- **Total Margin%**: 1.8% (FY2015), 2.5% (FY2016), 2.3% (FY2017), 2.3% (FY2018), 3.1% (FY2019)
- **Cost per Adjusted Admission**: 8,655 (FY2015), 8,963 (FY2016), 5,951 (FY2017), 9,688 (FY2018), 10,169 (FY2019)

### Observations:

- In FY2019, the hospital is projecting 2.4% less in NRP & FFP than for FY2018 and 2.7% less in Expenses. Bad Debt and Free Care in the FY2019 Budget are higher than FY2018 Budget but lower than FY2018 Projections. The hospital is requesting a 3.6% rate/price increase. The hospital is expecting to replace two surgeons who have left within the last year.

FY2016-FY2018 Budget 1.5% growth, FY2019 Budget under GMCB guidance

Athena Health
Expense Drivers

- Compensation/Benefits
- Locums/Travelers
- EHR – Capital to Operating Cost
Bad Debt and Free Care

<table>
<thead>
<tr>
<th>Year</th>
<th>Free Care Dollars</th>
<th>Bad Debt</th>
<th>Total Combined</th>
</tr>
</thead>
<tbody>
<tr>
<td>Act 2012</td>
<td>3,388,360</td>
<td>1,578,808</td>
<td>4,967,168</td>
</tr>
<tr>
<td>Act 2013</td>
<td>3,317,464</td>
<td>1,648,970</td>
<td>4,966,434</td>
</tr>
<tr>
<td>Act 2014</td>
<td>3,599,471</td>
<td>1,074,525</td>
<td>4,673,996</td>
</tr>
<tr>
<td>Act 2015</td>
<td>3,626,966</td>
<td>1,283,142</td>
<td>4,910,108</td>
</tr>
<tr>
<td>Act 2016</td>
<td>3,381,226</td>
<td>1,001,686</td>
<td>4,382,912</td>
</tr>
<tr>
<td>Act 2017</td>
<td>3,133,666</td>
<td>1,545,788</td>
<td>4,189,454</td>
</tr>
<tr>
<td>Proj 2018</td>
<td>3,133,666</td>
<td>2,311,810</td>
<td>5,445,476</td>
</tr>
<tr>
<td>Bud 2018</td>
<td>1,753,024</td>
<td>1,105,660</td>
<td>2,858,684</td>
</tr>
<tr>
<td>Bud 2019</td>
<td>2,137,502</td>
<td>2,367,444</td>
<td>4,504,946</td>
</tr>
</tbody>
</table>
## Balance Sheet

**Fiscal Year 2019 Budget Analysis - North Country Hospital**

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</thead>
<tbody>
<tr>
<td>Cash &amp; Investments</td>
<td>$5,441,054</td>
<td>$2,507,404</td>
<td>$1,567,456</td>
<td>$5,194,466</td>
<td>$2,604,181</td>
<td>$2,463,129</td>
</tr>
<tr>
<td>Risk Reserve for Fixed Reform Payments</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other Current Assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Current Assets</td>
<td>17,157,678</td>
<td>14,097,583</td>
<td>15,899,226</td>
<td>19,153,276</td>
<td>18,612,136</td>
<td>18,761,214</td>
</tr>
<tr>
<td>Board Designated Assets</td>
<td>34,288,615</td>
<td>34,027,352</td>
<td>38,845,739</td>
<td>37,723,628</td>
<td>40,354,695</td>
<td>41,795,358</td>
</tr>
<tr>
<td>Net, Property, Plant and Equipment</td>
<td>28,038,118</td>
<td>26,815,387</td>
<td>24,697,926</td>
<td>24,175,605</td>
<td>26,537,431</td>
<td>26,046,855</td>
</tr>
<tr>
<td>Other Long-Term Assets</td>
<td>2,218,838</td>
<td>4,668,601</td>
<td>4,320,222</td>
<td>3,404,110</td>
<td>4,430,142</td>
<td>4,581,767</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$81,703,249</td>
<td>$79,608,923</td>
<td>$83,763,113</td>
<td>$84,456,619</td>
<td>$89,934,404</td>
<td>$91,185,194</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>$32,020,167</td>
<td>$9,897,642</td>
<td>$12,636,713</td>
<td>$12,999,175</td>
<td>$13,733,163</td>
<td>$13,733,163</td>
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<tr>
<td>Long Term Liabilities</td>
<td>3,456,829</td>
<td>20,602,338</td>
<td>19,364,561</td>
<td>19,339,895</td>
<td>17,846,140</td>
<td>16,541,890</td>
</tr>
<tr>
<td>Other Noncurrent Liabilities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Liabilities and Equities</strong></td>
<td>$81,703,249</td>
<td>$79,608,923</td>
<td>$83,763,113</td>
<td>$84,456,619</td>
<td>$89,934,404</td>
<td>$91,185,194</td>
</tr>
</tbody>
</table>

### Benchmarks - Hospital

- **Days Cash on Hand**
  - FY2015: 198.8
  - FY2016: 169.3
  - FY2017: 185.5
  - FY2018: 196.3
  - FY2019: 201.2
  - Average: 196.3

- **Long Term Debt to Capitalization**
  - FY2015: 7.0%
  - FY2016: 29.6%
  - FY2017: 27.8%
  - FY2018: 27.4%
  - FY2019: 23.9%
  - Average: 21.8%

- **Debt Service Coverage Ratio**
  - FY2015: 0.4
  - FY2016: 3.3
  - FY2017: 2.0
  - FY2018: 3.3
  - FY2019: 3.2
  - Average: 3.5

### Benchmarks - Vermont System Averages

- **Days Cash on Hand**
  - FY2015: 178.5
  - FY2016: 183.3
  - FY2017: 193.6
  - FY2018: 167.3
  - FY2019: 178.2
  - Average: 173.4

- **Long Term Debt to Capitalization**
  - FY2015: 27.6%
  - FY2016: 30.5%
  - FY2017: 29.0%
  - FY2018: 29.6%
  - FY2019: 26.7%
  - Average: 25.4%

- **Debt Service Coverage Ratio**
  - FY2015: 3.7
  - FY2016: 5.0
  - FY2017: 3.9
  - FY2018: 3.7
  - FY2019: 3.7
  - Average: 3.7

### Observations:
The hospital’s balances for Other Current Assets have shifted from FY2017 Actuals to FY2018 Projections and FY2019 Budget. The Fund Balance is steadily increasing. Days Cash on Hand is higher than the Vermont System Average.
Premier labor benchmarking and management
340B contract management
Nursing intern program
Collaboration with other healthcare organizations
New England Alliance for Health contracting and supply chain
Facilities efficiencies
Primary Care delivery model
athena Health EHR
We Collaborate to make Vermont a Healthier, Stronger Place

➢ UVM Medical Center
   • Outpatient Hemodialysis
   • Nephrology Clinic
   • Clinical Pathology
   • Urology
   • Neonatal Intensive Care & Transport
   • Collaborate with OB Clinical Quality Initiatives

➢ Dartmouth Hitchcock
   • Cardiology (Stroke & STEMI Collaboratives)
   • Oncology (Norris Cotton Cancer Center)
   • Telemedicine – Tele-Neuro, Tele-Psych, Tele-Pharm
   • Group Purchasing (New England Alliance for Health)
We Collaborate to make Vermont a Healthier, Stronger Place

➢ Northern Counties Health Care (FQHC)
  • New Dental Clinic in Orleans

➢ Northeast Kingdom Human Services (Designated Mental Health Agency)
  • Psychiatry in NCH Primary Care Clinic-MD and NP

➢ Northern Vermont Regional Hospital
  • Limited Liability Corporation providing Sleep Medicine and Pulmonary Services

➢ Upper Connecticut Valley Regional Hospital (NH)
  • Surgical Service provided by North Country Hospital

➢ Littleton Regional Hospital
  • Orthopedic Surgeon
Continue to Strengthen Relationships With Other Providers

➢ Upper Northeast Kingdom Community Council

**Upper Northeast Kingdom Community Council (UNEKCC)**

“Leadership Team Orleans & N. Essex Accountable Community of Health”

Collaborating Partners Include CEO/Exec. Directors of:

- NCH
- NEKHS
- NEKCA
- Council on Aging
- VT. Dept. of Health
- Rural Edge
- Education S.U.s
- VT. Dept. of Education
- S.U.s
- NCHC/IPHC
- OEVNA & Hospice
- NHCH/APHC

- Shared Goal: Improve the health of the people of the upper northeast kingdom (NCH service area)
- Governance/formal MOU
- Leadership team members also belong to one or both community oversight committees

- Regional Clinical Performance Committee/ United Community Collaborative (RCPC/UCC)
  - Co-chairs: John Lippmann, MD & Julie Riffon
  - Focus: Oversight of quality improvement activities to improve health.

- CHNA Priority Health Concerns
  - Tobacco Use
  - Overweight/Obesity
  - Substance Abuse
  - Access (Med. Dental, SA/MH)

- Orleans Northern Essex Community of Health (ONECOH)
  - Chair: James Biernat
  - Focus: Oversight of community-wide planning & engagement activities to improve health

Budget FY2019- 0.4% Investment

- $96,642 – ACO Care Coordinator
- $283,200 – ACO Dues
Orleans & Essex Counties Top Community Health Needs (Board Approval in September 2018):

- Supporting substance free life style and mental wellness
- Supporting older Vermonters aging in place
- Supporting tobacco free life styles
- Supporting healthy eating and physical activity
- Supporting access to medical and oral health resources

Our Patients, Families and Communities are the Center of Everything we do.
FY 2019 Capital Budget = $6.2M
  • Funded Through Operating Cash Flow and Investments

There are no items for CON

Routine Equipment and Facilities Replacement
  • Surgical Services Routine Equipment Replacement - $708,000
  • Diagnostic Imaging – Ultrasound- $365,000
  • Building Management Control Replacement/Upgrade - $300,000
  • Telemetry - $227,000
  • Information Systems - $666,000
  • Laboratory Renovations- $1,500,000
  • ED Renovations to Better Serve Acute Mental Health Patients Awaiting Placement – $1,200,000
Healthy Vermont, Together.

North Country Hospital
Where caring runs deep.
Questions & Answers...