



FY2021 Budget Narrative

Executive Summary

The overall impact of COVID-19 during FY2020 from closing services and physician practices in preparation for a surge happened during the months of March-May 2020. There was a sharp decline in revenues during this time period that amounted to a total of \$12M. At the same time BMH incurred expenses related to COVID-19 preparedness amounting to \$940k. Offsetting the decline in revenues and the additional expenses, BMH received \$6.2M in HHS CARE stimulus money plus an additional \$5.2M in HHS CARE stimulus safety net funds for a total of \$11.4M in CARES funding. In addition to these dollars, BMH also applied for and received \$500k in Medicaid Retainer funding for a total of “grant” funded dollars of \$11.9M.

BMH also received a Medicare Advance payment of \$6.3M which will need to be paid back to Medicare over the next 10 months through a recoupment process. Based upon our current financial status, BMH will not be applying for the State of Vermont Health Care Provider Stabilization Grant Program (CARES).

During the time period of March-May 2020, BMH froze all capital spending unless related to COVID-19 preparedness. BMH furloughed 60 staff which equated to 45 ftes. The furlough ended the first week of June at which time staff were offered positions at BMH. BMH also saw a decrease in supply expenses, particularly supplies related to Operating Room procedures.

BMH’s FY2021 Budget submission includes an increase of 15 FTEs for screeners and testers for Covid-19 precautions that have been put in place at the hospital. BMH has also set up temporary structures for testing outside of the main facility. A temporary trailer equipped with air conditioning and heat was set up for evaluation of respiratory patients that may have COVID symptoms. Capital improvements related to developing permanent inpatient COVID capability has been completed to create a new COVID isolation area. Additionally, we have developed negative pressure exam space specifically for ambulatory pediatric patients and all patient waiting and registration areas were assessed and modified for safe patient/staff physical distancing.

Throughout the COVID pandemic, BMH has leveraged telemedicine for primary care and specialty care clinicians. Challenges with this technology were experienced from patient’s ability to manage the technology to connectivity issues to licensing of providers across state lines into New Hampshire and Massachusetts. Over this short time period, we have learned



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and adapted as necessary to provide this vital link to our patients. We have recently migrated to a more telemedicine platform based on clinician feedback and guidance.

Effective July 31, 2020, an employed practice -Just So Pediatrics- was consolidated into a private practice based on several factors-physician retirement without recruitment success, space requirements for physical distancing, etc. This action equated to a decrease of 11 FTEs. This practice had a projected net revenue amount of \$500k and budgeted operating loss of \$300k. With this closure, BMH has contracted with DHMC and the private pediatric group to provide nursery and neonatal call coverage for our Birthing Center.

Year-Over-Year and Reconciliation

1. Net Patient Rev and Fixed Prospective Payments(NPR/FPP)

Net patient revenue and fixed prospective payments have increased from FY20 budget to FY21 budget by 5.5%. There is an accounting change related to the ACO FPP payments that accounts for .5% of this increase. In the FY20 budget submission BMH netted the membership expense against the FPP revenue. The FY21 budget submission accounts for the expense component as an expense and does not net it against the FPP payments.

2. Other Operating and Non-Operating Revenue

Other operating and non-operating revenue have not changed from FY20 budget to FY21 budget. The FY20 projection however does include \$11.9 of grant funded dollars through CARES and the Medicaid retainer payments as noted above but is not carried into the FY21 budget.

3. Operating Expenses

Operating expenses have increased from FY20 budget to FY21 budget by 5.3%. Increases in wages as contractually obligated with the union contract and general salary increases account for 42% of the expense increase. Benefits have increased as they have been trending upward through FY20. The benefit increase accounts for 24% of the total expense increase. Contract Medical Specialists have increased due to increase contracts for physicians with Dartmouth Hitchcock and an added contract with Dartmouth for neonatal coverage and accounts for 11% of the total expense increase. As a result, 77% of the total expense increase is attributable to salary and benefit increases.

4. Change in Charge Request

The overall change in charge request for BMH is 4.9%. There was a 0.00% change to Professional services charges, a 5.9% increase to Inpatient and a 5.5% increase to Outpatient hospital charges. Additional COVID-19 related expenses that are supported by this charge increase are increased supply cost and 15 additional FTEs for screeners and testers amounting to \$869k.



The NPR dollar value for 1% of FY21 overall change is \$436,121.

5. Service Line Adjustments

BMH has not added or reduced any service lines in the FY21 budget.

6. Risks and Opportunities

The most significant and immediate risk for BMH is a surge of COVID-19 patients. The risk has two significant aspects, a surge in the state that would evoke an executive order to stop all non-essential services at the hospital as was done between March 2020 and May 2020, and a surge of patients at BMH as inpatients that could exceed current capacity of the hospital.

Brattleboro is a Medicare Dependent Hospital (MDH) which is a Federal program has a five year renewal period. The end of the current five year period is in the fall of 2021. There is a risk that this status does not get extended which would create significant financial ramifications for the hospital.

There is always a risk of other regulatory benefits to BMH and most other hospitals which include the 340B program.

Opportunities for BMH include expanding telehealth capabilities and support from both the State and Federal levels to permanently adopt the waivers that have been put in place during this pandemic.

7. Onecare Vermont Participation

BMH currently participates in the Medicare, Medicaid and BlueCross programs and is planning on continuing this participation for FY21.

The value for the maximum risk liability by payer for CY2021 has yet to be determined.

8. Capital Investment Cycle

Each year BMH develops capital investment needs and planned expenditures. Over the past several years the total amount of the annual expenditures are in the \$2M range. FY21 has a requested capital budget spend of \$2.1M.