Mt. Ascutney Hospital & Health Center

Budget Presentation

Green Mountain Care Board
August 20, 2020

Mt. Ascutney Hospital and Health Center
Dartmouth-Hitchcock

Presenting

- Joseph Perras, M.D., CEO/CMO
- David Sanville, CFO
- Theresa Tabor, Controller

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Agenda

1. Overview
2. Requests
3. Financial Information
4. Service Line Adjustments
5. Risk/Opportunities
6. Capital Budget

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1.0 Overview

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1.1 Our Mission

To improve the lives of those we serve.

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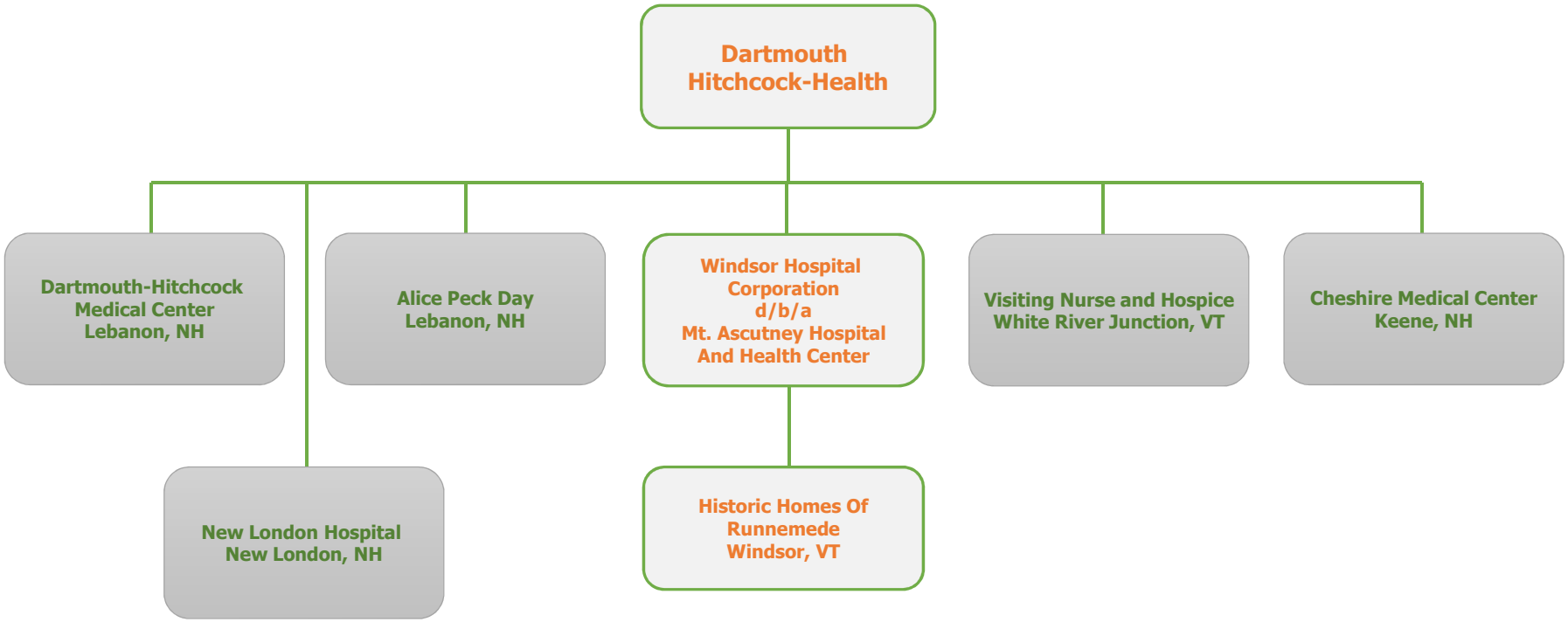
1.2 Organizational Chart



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1.3 D-HH Integration Activities

- Administrative
  - Supply Chain/Capital Purchasing
  - Pension Termination
  - COVID-19 support
  - Pharmacy
  - Compliance
  - Quality
  - Medical Staff/System Credentialing
  - System-Wide Strategic Planning
  - Shared Services & Staffing
  - Information Technology migration
- Clinical
  - Regional Lab Services
  - Medical and surgical service line coordination
  - Regional Healthcare delivery planning
  - Telemedicine
  - Radiology

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1.4 Ongoing Activities

- Improving Access
  - Practice Management
  - Provider staffing levels
  - Recruitment and Retention
- Improving Quality
  - Risk, safety & compliance
  - D-HH led efforts & foci
  - MAHHC/Local efforts & foci
- Improving Cost
  - Expense management
  - Minimizing effect of unforeseen changes
  - Position control

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1.5 Current Provider Service Lines

- Cardiology
- Hospital Medicine
- Optometry
- Pathology
- Pediatrics
- Physical Medicine/Physiatry
- Primary Care
- Psychiatry
- Radiology
- Rheumatology
- Gastroenterology
- General Surgery
- Ophthalmology
- Pain Management
- Podiatry
- Urology (new)

- Telehealth – Emergency Medicine
- Telehealth - Psychiatry
- Community Health Teams

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1.6 COVID-19

- Initial Impact/Response
  - YTD thru' February was as expected or slightly better
  - Most services, except urgent/emergent, stopped
  - Urgent and emergent slowed
  - Incident Command initiated
    - Patient/Employee Safety for Urgent/Emergent services
      - PPE
      - Facility modification/re-allocation & Signage
      - Patient flow
      - Respiratory clinic
      - Call off/low census/working remotely
      - Door screening
      - Re-allocation of staff
      - Medicare Waiver flexibility

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1.6 COVID-19

- Second Phase of Impact/Response
  - Maintaining and adjusting to ever-changing standards
  - Solidified Urgent/Emergent Services
  - Migrated efforts to less urgent, elective, and preventative services
    - Telemedicine
    - Moving services to safer locations
    - Modifying existing clinical spaces
    - Re-allocating administrative space to clinical space
    - Re-allocating staff
      - Re-training for competency in other areas
      - Training for competency in other areas
      - Cross-training
  - Supporting other regional healthcare providers
  - Managing expenses & pursuing funding opportunities

1.6 COVID-19

- Current Phase of Impact/Response
  - Maintaining and adjusting to ever-changing standards
  - Tweaking/Improving previous solutions
  - Focusing on recovery…
    - Changing hours
    - Changing patient flow
    - Ongoing facility usage changes
    - Managing staffing
      - Re-allocating staff
      - Low Census
      - Call off
      - Hiring freeze…kind of
  - Expense management & pursuing funding opportunities

1.6 COVID-19

- Financial Impact/Response
  - Impact:
    - Net Revenue loss of $5m YTD
    - Shorted on Medicare Advanced Payment Funding
    - $300k+ of COVID-19 response related expenses and growing
    - Reduced benefits cost
    - Increased “boarders”…no end in sight
  - COVID-19 related funding
    - Stimulus receipts of $5m YTD
    - Applying for FEMA, FLEX, SHIP, APSR to recover $300k+
  - Financial decisions
    - No layoff or furlough
    - Call off/low census/ETO use
    - Managing open positions and re-allocating staff
    - No raises, reduced retirement
    - Cut capital down to COVID-related, finishing CIP, & emergent replacement

1.6 COVID-19

- Anticipated Impact/Response
  - Budget reflects ~94-95% of "normal" volumes
    - Emergent and urgent @ ~100%
    - Elective and preventative @ ~90%
  - Maintaining tight staffing
  - Adding new positions to facilitate recovery and safe care
  - Expecting long, flattened curve affecting most if not all of FY21
  - No raises, limited retirement, flat benefits YTY
    - Minimal retirement required by pension termination
  - Ongoing adjustments to volumes
  - Ongoing adjustments for best practice

2.0 Requests

MAHHC

Request for NPSR and Rate Increase

	FY20 Budget	FY21 Budget	Change
NPSR	$ 53,755,559	$ 56,294,272	4.7%
Rate - Standard	3.2%	2.1%	-35.0%
Rate - COVID		2.2%	N/A

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3.0 Profit and Loss

MT. ASCUTNEY HOSPITAL & HEALTH CTR Profit and Loss Statement	
2021 Budget Submitted	
Gross Patient Care Revenue	$108,211,328
Net Revenue Deductions	-$52,484,720
Net Patient Care Revenue	$55,726,608
Fixed Prospective Payments (incl Reserves&Other)	$567,664
Total NPR & FPP (incl Reserves)	$56,294,272
Other Operating Revenue	$3,789,781
Total Operating Revenue	$60,084,053
Total Operating Expense	$59,732,546
Net Operating Income (Loss)	$351,507
Non-Operating Revenue	$792,000
Excess (Deficit) Of Revenue Over Expense	$1,143,507
Operating Margin %	0.6%
Total Margin %	1.9%

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3.1 Cash Flow

MT. ASCUTNEY HOSPITAL & HEALTH CTR Cash Flow Statement		
2021 Budget Submitted		
Cash From Operations		
Excess Revenue Over Expense		1,346,507
Depreciation/Amortization		2,799,516
Patient A/R		(1,132,785)
Other Changes		(894,114)
Total	**$**	**2,119,124**
Cash From Investing Activity		
Capital Spending		
Purchases of Capital Assets		(2,500,000)
Total		**(2,500,000)**
Increase/(Decrease)		
Funded Depreciation/ Investments		-
Other LT Assets & Escrowed Bonds & Other		-
Total		**-**
Total	**$**	**(2,500,000)**
Financing Activity		
Debt		
Payments on Capital Lease	**$**	**(300,124)**
Total	$	(300,124)
Other Changes		
Change in Fund Balance Less Net Income		-
Total	**$**	**-**
Beginning Cash	**$**	**11,302,240**
Net Increase/(Decrease) in Cash	**$**	**(681,000)**
Ending Cash	**$**	**10,621,240**

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3.2 Balance Sheet

MT. ASCUTNEY HOSPITAL & HEALTH CTR BALANCE SHEET	
2021 BUDGET SUBMITTED	
TOTAL CURRENT ASSETS	$17,821,240
TOTAL BOARD DESIGNATED ASSETS	$20,000,000
TOTAL PROPERTY, PLANT AND EQUIPMENT, NET	$20,500,000
OTHER LONG-TERM ASSETS	$3,000,000
TOTAL ASSETS	$61,321,240
LIABILITIES AND FUND BALANCE	
TOTAL CURRENT LIABILITIES	$11,726,667
TOTAL LONG-TERM DEBT	$18,350,000
OTHER NONCURRENT LIABILITIES	$750,000
TOTAL LIABILITIES	$30,826,667
FUND BALANCE	$30,494,574
TOTAL LIABILITIES AND FUND BALANCE	61,321,241

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3.a. Summary of Budget Request

- Total volume @ ~94-95% of "normal"
- Blended price increase = 4.3%
  - 6% hospital/facility
  - 0% Pharmacy
  - 3% Providers
- 2.1% blended rate increase gets us to 3.5% NPSR growth
- 2.2% blended rate (price) increase for:
  - Ongoing COVID-related expenses
    - Supplies
    - Equipment
    - Staffing
  - Replenishment of cash
  - Urgent capital funding

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3.a. Summary of Budget Request

- Payer Mix
  - Virtually the same
  - Medicare improves slightly as patients adjust to COVID
  - Movement between BlueCross/BlueShield and other commercial
- Changes in reimbursement by payer
  - Medicare improving due to:
    - Cost Report – expense growth recognized
    - Reduced risk with OCV Medicare (only 3 months)
  - Medicaid improving from FY2020 as "boarders" are placed
  - Commercial shows immaterial change

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3.a. Summary of Budget Request

- Deductions
  - No cost report to evaluate current deduction levels
  - 1 quarter of OCV Medicare
  - Full year of OCV Medicaid
    - Estimated expenses, risk, etc.
  - No OCV commercial participation
  - Similar payer mix
  - Similar Bad Debt and Free Care % of GPSR

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3.b. Summary of Budget Request

- Other Operating Revenue
  - 50% reduction of BluePrint Funding
  - 340B flat
  - Rentals, cafeteria sales, etc. flat with small inflation
  - Grants increasing, offset with expenses
    - Signed commitments
    - Smaller subsidy as a percentage
  - Staff sharing increasing

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3.b. Summary of Budget Request

- Non-Operating Revenue
  - 5% return (realized & unrealized) BDF
  - 5% return (realized & unrealized) Restricted
  - $250k Fundraising

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3.c. Summary of Budget Request

- Expenses
  - Salaries, Fringe, Physician Costs
    - FTE's flat despite…up 0.78 FTE's
      - Expansion of Ophthalmology & Psychiatry
      - New services of Urology & Neurology
      - Added COVID-related FTE's (door screeners, etc.)
    - No raises, markets or merits…offset by replacement costs, mix of employees, COVID positions
    - Purchased labor up budget to budget, Urologist & Travelers
    - Benefits essentially flat…reduction of pension costs & small retirement contribution (required with pension termination)
    - Majority of increase $5m from reporting change of Purchased Labor to this category from Other Operating Expenses

3.c. Summary of Budget Request

- Expenses
  - Medical/Surgical Drugs and Supplies
    - Supplies due to volume
    - Offset by COVID supplies
    - Urologic Supplies
    - Inflation
    - Infusion pharmaceutical
  - Provider Tax essentially flat, based on NPSR
  - Depreciation
    - Net effect of economic lives expenses
      - Retirements vs. age of new purchases
  - Interest up due to pension loan
    - IRR = 9% for this transaction
    - Risk Reduction and elimination of future costs

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3.c. Summary of Budget Request

- Expenses
  - Other Operating Expenses
    - Removal of Purchased Labor assigned to Salary/Fringe/Physician costs
    - Utilities reduced
    - Purchased services increased
      - Equipment rental
      - Service Contracts

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3.d Change-in-Charge Request

Fiscal Year 2021 Budget Analy:	Mt. Ascutney Hospital & Health Ctr				
CHANGE IN CHARGE					
Change in charge is the average change in price for services provided.				**Standard Request**	**COVID-19**
	FY2018	**FY2019**	**FY2020**	**FY2021**	
Approved % Change in Charge	4.9%	2.9%	3.2%	n/a	n/a
Commercial Approved % Change in Charge				n/a	n/a
Submitted % Change in Charge	4.9%	2.9%	3.2%	2.1%	2.2%
Commercial Submitted % Change in Charge					
Hospital Inpatient Change in Gross Charges				2.9%	3.1%
Hospital Outpatient Change in Gross Charges				2.9%	3.1%
Professional Services Change in Gross Charges				1.5%	1.5%
Primary Care Change in Gross Charges				1.5%	1.5%
Specialty Care Change in Gross Charges				1.5%	1.5%
Skilled Nursing Facility Change in Gross Charges				2.9%	3.1%
Drugs				0.0%	0.0%
Other (please specify)					

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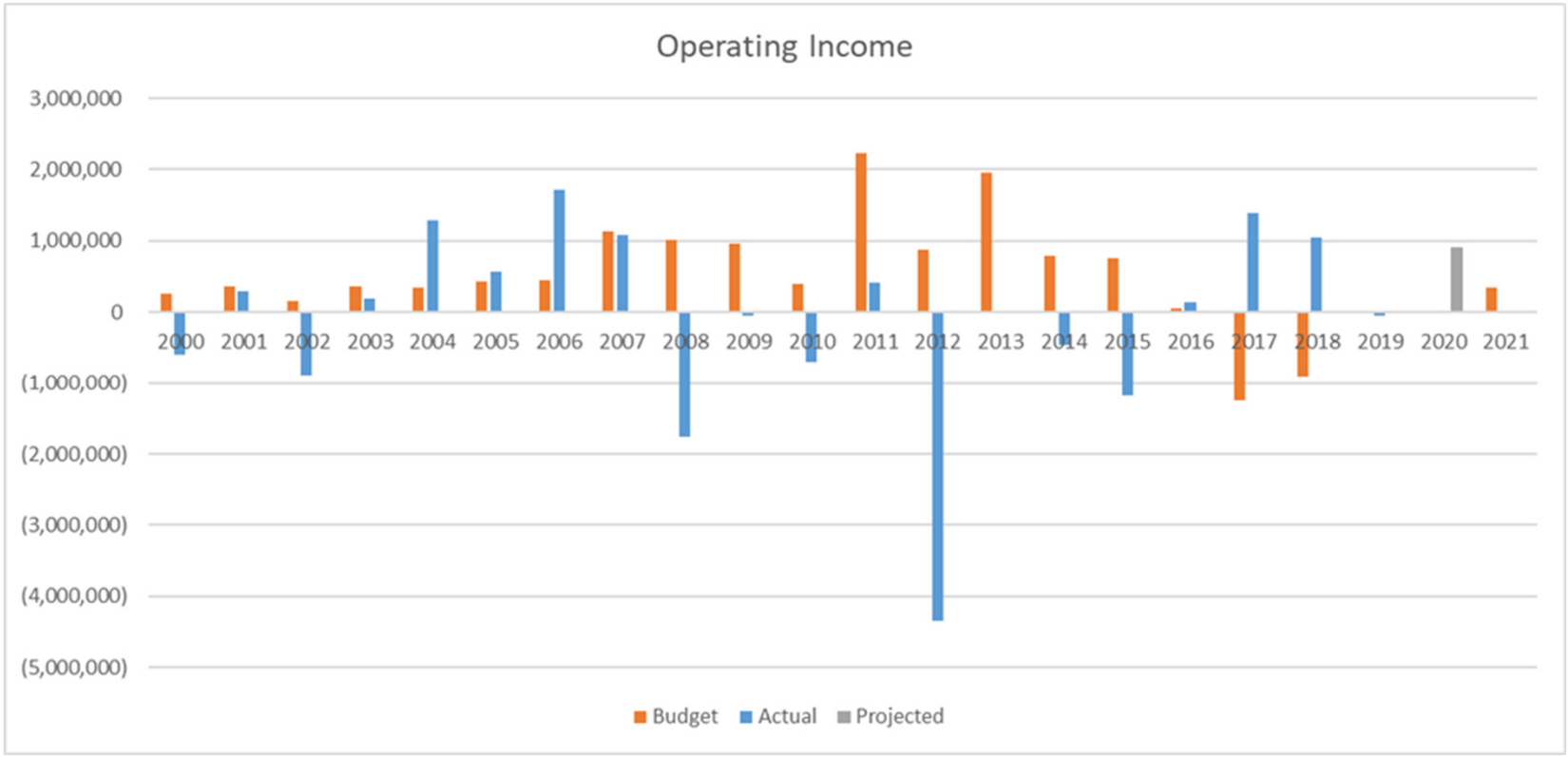
3.f. Other Financial Information - History



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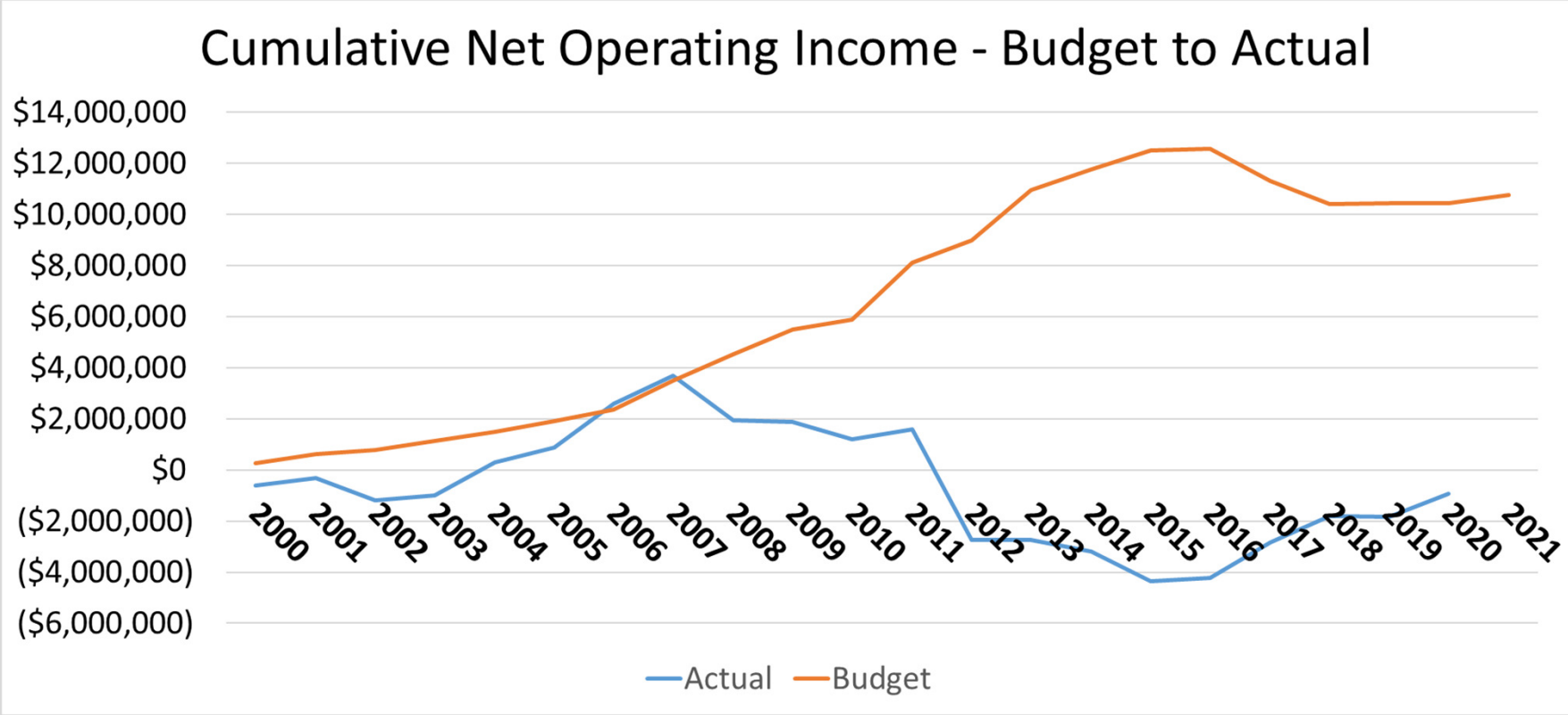
3.g. Other Financial Information - History



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4.0 Service Line Adjustments

- Urology
  - D-HH Assigned
  - Not new provider to system
  - $640k in new NPSR to MAH in Clinic, O.R. and Ancillary revenues
  - 2.2 FTE's/$430k expenses
- Neurology
  - Regional solution for access @ MAH and VA
  - $298k in new NPSR in Clinic and Ancillary revenues
  - 1.2 FTE's/$247k expenses
- Ophthalmology
  - Succession planning for Ophthalmology and Optometry
  - Expansion for addressing regional shortage
  - 1.15 FTE's
- Psychiatry
  - Succession planning
  - Expansion for addressing regional shortage
  - 1.0 FTE's

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4.0 Service Line Adjustments

	NEUROLOGY	UROLOGY
PHYSICIAN REVENUE	$ 418,183	$ 598,224
CONTRACTUAL ALLOWANCES	(239,851)	(355,609)
BAD DEBT/FREE CARE	(7,025)	(5,384)
NET PATIENT REVENUE	**$ 171,307**	**$ 237,231**
SALARIES/FRINGE/PHYSICIAN COSTS	229,320	398,384
CONTRACTED PHYS & ADMIN LABOR		
EDUCATION	3,000	
PROFESSIONAL/CONSULTING FEES	500	13,769
MEDICAL SUPPLIES	3,500	10,000
OFFICE SUPPLIES	500	500
GENERAL SUPPLIES	500	1,000
INSURANCE EXPENSE	7,000	
DUES/FEES/TAXES	1,560	
MINOR EQUIPMENT	2,000	4,700
MISCELLANEOUS	-	1,500
TOTAL EXPENSES	**$ 247,880**	**$ 429,853**
OPERATING LOSS BEFORE ANCILLARIES	**$ (76,573)**	**$(192,622)**
ANCILLARY NET PATIENT REVENUES ESTIMATE	**$ 126,427**	**$ 402,742**
NET OPERATING INCOME INCLUDING ANCILLARIES	**$ 49,854**	**$ 210,120**
Department FTE's		
Provider FTE/FTEE	0.6	0.6
Nurse FTE	0.6	0.6
Secretary	0	1
Total	**1.2**	**2.2**

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5.0 Risks

- "n" is too small
  - Risk contracting, small changes = big variances, succession planning
- Ongoing COVID-19 impact
  - How long?
  - Efficiencies
  - Costs and lost opportunity
  - Patients not receiving necessary services
- ACO Engagement
  - At time of budget submission we did not have 2019 performance data or risk corridors/total expense of engagement for 2021.
  - Therefore we chose a conservative path
  - We will be presenting options to our Board of Trustees and D-HH on 9/7 and finalize contracting with OCV on 9/11

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5.1 Risks

- Recruiting and Retention
  - Provider and staff
  - Wage pressures
  - Cost of living & housing
- Uncontrolled inflation
  - Pharmaceuticals
  - Improvements in best practice, equipment, pharmaceuticals
- Increasing dependence on other operating income
- Discharge/placement pressures
  - Nursing Home
  - Home Health
  - Boarders

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5.2 Opportunities

- Regional Planning
  - 3 Critical access hospitals within 20 miles
    - Unclear at this point if Springfield will be a partner or a competitor in our region
  - Ongoing work on the rational distribution of services, resources and leadership between MAHHC and Valley Regional Healthcare
- New Services Lines
- D-HH System
  - Administrative
  - IT
  - Clinical

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6.0 Capital Budget 2021

- 2021 Budgeted at $2,500,000
- No CON's

Capital Budget - FY21	
Investment Type	**Amount**
Building Improvement	$ 712,500
Land Improvement	37,500
Major Moveable	1,750,000
Total	$ 2,500,000

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6.1 Capital Budget 2021

- Historically underfunded capital, gaining ground
- Nothing strategic
- No CON's
- Concerns:
  - Bandwidth/throughput issues
  - COVID-19
  - Since predominantly routine, increases risk of urgent/emergent replacement

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ENERGY STAR

HCA Questions

- MAHHC will not be applying for Health Care Provider Stabilization grant funding.

- Reasons:
  - Requirement to maintain OCV footprint
  - Recovery efforts, other funding sources, and expense management have resulted in minimal needs at this point

Thank you!

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