



SPRINGFIELD HOSPITAL FY 21 BUDGET PRESENTATION

PRESENTATION TO THE BOARD OF
DIRECTORS AND GMCB



Springfield Hospital
SPRINGFIELD MEDICAL CARE SYSTEMS

Where People Come First

Michael Halstead, Interim SH CEO
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BACKGROUND

- Hospital is a Critical Access Hospital affiliated with SMCS (FQHC)
- Hospital has an average daily census of 12 acute patients and 7 psychiatric patients
- Springfield Hospital and Springfield Medical Care Systems filed Chapter 11 Bankruptcy on June 26, 2019.
- The Chapter 11 process is likely to take another 4 or 5 months. A plan for exiting the reorganization process is anticipated to be submitted within 60 days.
- The hospital has 56 days of cash as of June 30, 2020 and 36 projected as of September 30, 2020.

BACKGROUND (CONT.)

- Operations can be sustainable for foreseeable future if:
 - Cost cuts executed in 2019
 - Continued 2020 initiatives to achieve services and economic efficiency
 - Patient volumes return to pre-covid levels by 10/1/20
 - Successful exit from Chapter 11 Reorganization
- This budget should be seen as continuing the transition to a future as an independent community critical access hospital.
- A rate increase of 4% is being requested.

FINANCIAL RESULTS

(IN THOUSANDS)

	2018 Actual	2019 Actual	2020 Budget	2020 YTD 6/30	2020 Projected	2021 Budget
Total Operating Revenue	\$54,863	\$50,241	\$50,433	\$36,769	\$47,693	\$53,281
Total Operating Expenses	\$61,860	\$58,479	\$51,418	\$37,995	\$51,329	\$53,096
Net Operating Income	\$(6,997)	\$(8,239)	\$(985)	\$(1,227)	\$(3,636)	\$185
Adjusted Admissions	9,899	8,020	8,931	4,063	6,039	6,014

WHAT HAS CHANGED?

REVENUE

FY2018 TO 2021

- Revenue is projected to be lower by \$1.583 (million) from 2018
 - Inpatient acute census down from 16.2 in FY18 and FY19 to 13.6 in FY20 projected and 13.2 in FY2021 budget.
 - Closure of Labor & Delivery in May 2019
 - Psych census down from 7.4 in FY18 to 5.1 in FY20 projected due to temporary change in services. Expected to return to 7.3 in FY21 budget.
 - Surgical cases of 1,297 in FY2018 have declined to 759 in FY2020 projected and 861 in FY2021 budget.
 - Change in billing arrangement for Emergency Department providers in FY2019
 - Change in billing arrangement for Anesthesia Service providers in FY2020

WHAT HAS CHANGED? OPERATING EXPENSES

FY2018 TO 2021

- Operating expenses are projected to be reduced by \$9 million from 2018 actual to 2021 budget.

- Key Areas :

• Child Birth Center:	\$ 860,000
• Laboratory:	\$ 440,000
• Employee Benefits (Insurance, Pension, FICA):	\$ 1.9 million
• Emergency Department changes:	\$ 1.6 million
• Hospitalist program:	\$ 1.0 million
• Anesthesia:	\$ 635,000
• Travelers and Locums:	\$ 400,000
• Restructuring management:	\$1,035,00
• Physician Fees:	\$200,000
• Pharmaceuticals:	\$270,000

COVID IMPACT ON 2020 FINANCIALS

\$ (000 OMITTED)

	Oct19- Feb 20 Actual	March – June Actual	July – Sept Projected	Oct-Feb Per day	March- June Per day	July – Sept Per Day
Gross Patient Revenue	\$ 44,154	\$ 25,931	\$ 26,737	\$ 290	\$ 213	\$ 291
Deductions from Revenue	\$ 24,337	\$ 15,625	\$ 16,043	\$ 160	\$ 128	\$ 174
Net Patient Revenue	\$ 19,818	\$ 10,306	\$ 10,694	\$ 130	\$ 85	\$ 116
Percent of Gross	44.8%	40 %	40 %	44.8 %	40 %	40 %
Other OP Revenue	\$ 709	\$ 5,936	\$ 230	\$ 5	\$ 49	\$ 3
Total OP Revenue	\$ 20,526	\$ 16,242	\$ 10,924	\$ 135	\$ 134	\$ 119
Total OP Expenses	\$ 22,148	\$ 15,848	\$ 13,333	\$ 146	\$ 130	\$ 145
Operating Inc.	\$ (1,621)	\$ 394	\$ (2,410)	\$ (11)	\$ 4	\$ (26)
EBITDA	\$ (760)	\$ 1, 071	\$ (1,895)	\$ (5)	\$ 7	\$ (20)

CURRENT VOLUME TRENDING

	FY2019	Oct 19 – Feb 20 Actual	Mar-Sept 20 Projected	FY2020 Projected	2020 Budget	2021 Budget
Acute Admission	1,111	462	365	827	1,140	980
Acute Patient Days	4,315	2,352	2,624	4,976	4,120	3,825
Psychiatric Admissions	333	138	88	226	314	342
Psychiatric Patient Days	2,622	1,141	742	1,883	2,072	2,668
ED Visits	14,254	5,709	6,192	11,901	14,700	13,121
Surgical Cases	1,115	381	378	759	1,012	861

FINANCIAL RESULTS TRENDING

\$ (000 OMITTED)

	FY2019	Actual Oct 19- Feb20	Projected Mar-Sept 20	Projected FY20	Budget 2020	Budget 2021
Gross Patient Revenue	\$110,213	\$44,154	\$52,669	\$96,823	\$106,880	\$110,991
Deductions from Revenue	\$61,700	\$24,337	\$29,816	\$56,005	\$57,991	\$60,372
Net Patient Revenue	\$48,513	\$19,817	\$22,853	\$40,818	\$48,889	\$50,619
Percent of Gross	44.0%	44.9%	43.4%	42.1%	45.7%	45.6%
Other OP Revenue	\$1,728	\$709	\$6,166	\$6,875	\$1,544	\$1,762
Total OP Revenue	\$50,240	\$20,526	\$29,019	\$47,693	\$50,433	\$53,281
Total OP Expenses	\$58,480	\$22,147	\$28,638	\$51,329	\$51,418	\$53,096
Operating Inc.	\$(8,239)	\$(1,621)	\$381	\$(3,636)	\$(985)	\$185
EBITDA	\$(6,113)	\$(761)	\$1,486	\$(1,584)	\$1,024	\$2,208

TRENDING REVENUE ASSUMPTIONS

- Inpatient admissions will return to pre-covid levels, plus .5% increase
- Acute average length of stay will be 3.9 – reduction from current higher levels resulting from hospitalist initiatives
- Psychiatric admissions will return to pre-covid levels plus .5% increase. There is no way to predict volume of patients who have positive covid-19 test results.
- Psychiatric average length of stay will approximate pre-covid levels of 7.8. Visits in the Emergency Department will average 35.9. Pre-covid was 37.6. Average visits March through June were 27.6
- Surgical cases will continue to be impacted by covid, however positively affected by the presence of another full time general surgeon effective October 2020
- Requested 4% rate increase

OPERATING EXPENSE TRENDING

\$(000 OMITTED)

	2019 Actual	2020 YTD Actual	2020 Projected	2020 Budget	2021 Budget
Salaries	\$18,038	\$7,014	\$16,532	\$18,361	\$17,887
Employee Benefits	\$7,638	\$2,217	\$5,633	\$6,433	\$6,410
Physician Fees	\$7,553	\$3,036	\$6,556	\$4,762	\$5,891
Medical Supplies & Pharmaceuticals	\$3,506	\$1,193	\$2,756	\$3,480	\$3,077
Management & Contracts	\$5,256	\$1,957	\$4,642	\$4,027	\$4,649
Healthcare Provider Tax	\$2,831	\$1,189	\$2,560	\$3,385	\$3,075
Other Expenses	\$10,781	\$4,388	\$9,893	\$8,340	\$9,445
Depreciation, Insurance & Interest	\$2,877	\$1,154	\$2,757	\$2,630	\$2,662
Total	\$58,480	\$22,148	\$51,329	\$51,418	\$53,096

OPERATING EXPENSE COMMENTS

- Salaries

- A. Projected compared to 2020 Budget – Reduction \$1.8 million

- Savings in clerical positions \$240,000
 - Reduced staffing in laboratory \$780,000
 - Physical therapy, pharmacy, respiratory therapy
 - Temporary reduction in surgery staffing \$140,000
 - Savings in non-patient services \$240,000
 - Psychiatry – salary reclassified to physician fees \$250,000

- B. 2021 Budget compared to 2020 projected – Increase \$1.3 million

- Wage adjustments \$700,000
 - Associated with adjusted staffing due to Covid-19 in 2020 \$450,000

- Employee Benefits

- A. Projected compared to 2020 budget - Reduction \$800k

- Group health insurance – modified plan \$660,000
 - Reduced target for lower salaries \$140,000

- B. 2021 Budget compared to 2020 proposal – Increase \$777k

- Inflation on health, dental, vision, and life insurance \$316,000
 - Defined Pension expense \$678,000
 - Eliminate pension match \$(200,000)

OPERATING EXPENSES COMMENTS (CONT.)

- Physician Fees

- A. Projected compared to 2020 Budget – Increase \$1.8 million

- Psychiatry salary classified as physician fees \$250,000
 - Surgery – locums replaced full time general surgeon \$580,000
 - Clinic physicians for urology and gyn not in 2020 budget \$960,000

- B. 2021 Budget compared to 2020 projected – Reduction \$665k

- Reduce locum coverage for general and orthopaedic coverage \$270,000
 - Reduce locum coverage for various specialty clinics \$153,000
 - Reduce hospitalists coverage due to arrangement with providers \$120,000

- Medical Supplies & Pharmaceuticals

- A. Projected compared to 2020 budget - Reduction \$724k

- Pharmaceuticals represent \$589,000 of positive variance
 - Medical supplies represent \$135,000 of positive variance

- B. 2021 Budget compared to 2020 proposal – Increase \$320k

- Inflation of 2.5%
 - Increased patient activity

OPERATING EXPENSES COMMENTS (CONT.)

- Management & Contracted Services

- A. Projected compared to 2020 Budget – Increase \$615k
 - New Emergency Department providers were more than anticipated at time 2020 budget was prepares \$100,000
 - New anesthesia provider had difficulty recruiting permanent staff – locums used \$200,000
 - Accounting & ledger fees more than anticipated \$125,000
- B. 2020 Projected no significant changes to 2021 budget
 - QHR Fees removed as of April 1, 2021 \$(283,000)
 - Inflation on existing contractual arrangements \$290,000

- Other Expenses

- A. Projected compared to 2020 budget - Increase \$1.5 million
 - Bankruptcy cost not in budget \$850,000
 - ACO Fees not in budget \$287,000
 - Repairs for plant and equipment exceeded expectations \$135,000
- B. 2021 Budget compared to 2020 projected – Reduced \$448k
 - Bankruptcy costs removed as of January 1 \$(345)
 - Miscellaneous other items \$100

ONECARE / PAYMENT REFORM

- Springfield Hospital and its FQHC had fully participated in OneCare in 2018 and 2019.
- Springfield believes in the objectives of the Accountable Care Organization.
- Because of the financial position of the hospital, it had participated only in the Medicaid and Blue Cross ACO for 2020. Will do the same for 2021.

CONCLUDING COMMENTS

- Extremely difficult time to estimate future revenues and expenses
 - Pandemic
 - Volumes
 - Staffing
 - Bankruptcy Process
 - Level of debt
 - Hospital will be operating as an independent organization not affiliated with the FQHC, but dependent on collaborative strategies with FQHC.
 - Need the continued support of the community

Questions and/or Comments:

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Recommended Motion:

Move to approve FY2021 SH Budget on first reading.