

Mt. Ascutney Hospital & Health Center

Enforcement Hearing Presentation

Green Mountain Care Board
April 10th, 2019





Presenting

- Joseph Perras, M.D., CEO/CMO
- David Sanville, Chief Financial Officer



Agenda

- Drivers of NPR/FPP Variance
- Drivers of Operating Margin Variance
- Hospitals Below FY 2018 Operating Margin (Actions to Meet FY 2019 Budget)
- YTD Results, as of February 28, 2019
 - NPR/FPP Variance and Prior Year
 - Operating Margin Variance and Prior Year
- FY2019 Forecast for NPR/FPP and Operating Margin

Drivers of NPR/FPP Variance FY18

- **Gross Patient Revenue**

- All lines of business exceeded budget expectations
- Acute Inpatient was up 23% from budget
 - Discharges were up 10%, days were up 12%
 - Primarily due an unexpected number of Inpatient General Surgery Cases
 - No expansion of program or provider FTE
 - Higher Case Mix Index
- Acute Inpatient Rehabilitation was up 6% from budget
 - Discharges were down 1.5% but days were up 2%
 - Higher Case Mix
- Swing Bed/Sub-Acute was up 6%
 - Discharges were up 12.5%, days were up 1.8%
 - Lower Acuity
 - Boarders (>2000 Patient Days of ICF level care)

Drivers of NPR/FPP Variance FY18 (con't)

- **Gross Patient Revenue (con't)**
 - Outpatient was up 4.5% from budget
 - Emergency Room up 10%
 - Ancillaries (Rad, Lab, etc.) up 6 – 6.5%
 - Therapy visits up 8%
 - Chemotherapy and infusion were slightly busier
 - Partially offset by O.R. unfavorable volume variance
 - Physician/Provider were 0.5% above budget
 - Hospital-based volume was up 8.5% in accord with overall hospital volume
 - Specialty providers finished 3.5% below relative to volume
 - Woodstock clinic volume was up close to 2%
 - Windsor Pediatric volume was down 5% from budget
 - Windsor Internal Medicine and Family Practice was down 18.5%

Drivers of NPR/FPP Variance FY18 (con't)

- **Gross Patient Revenue (con't)**
 - Total GPSR was up 5%
 - No new programs
 - Still transitioning in Primary Care, limited access
 - Medically necessary and community-based services

Drivers of NPR/FPP Variance FY18 (con't)

- **Deductions from Revenue**

- Since GPSR was up 5%, deductions up the same percentage?
- Deductions up 5.8% (moving the FPP from Other Operating)
 - 7.3% w/Bad Debt and Free Care
 - 5.0% = Utilization
 - 0.8% = Unfavorable payer mix shift (Commercial to Gov't)
- Borders (ICF care) major contributor, 7 - 9 for much of the year
- Interim Cost Report recouped ½ Medicare % increase
 - Medicare increased 5 percentage points in payer mix
 - Medicaid up 1 percentage point
 - Commercial/BlueCross down 6 percentage points

Drivers of NPR/FPP Variance FY18 (con't)

- **Net Patient Revenue Result**

- Gross Patient Revenue up 5.0%
- Deductions (Contractual Allowances) up 5.8%
- Total Deductions (Includes Bad Debt and Free Care) up 7.3%
- Net Patient Revenue up 2.9% w/out FPP
- Net Patient Revenue up 4.4% w/ FPP

Drivers of Operating Margin Variance FY18

- **Other Operating Revenue**

- Moving FPP into NPR...
- \$635K favorable variance, \$667K removing grant variance
 - \$290K Meaningful Use Funds
 - \$100K Group Purchasing Rebates
 - \$85K Sale of Services
 - \$222K in 340B revenues
- Reliance on Other Operating Revenue to support patient services is a growing concern
- Lifts Total Net Revenues to 5.5% favorable variance

Drivers of Operating Margin Variance FY18 (con't)

- **Expenses**

- Despite favorable volume (5%), managed expenses to <1% variance
 - Reflects ongoing expense management efforts
 - Reflects large percentage of fixed costs in a CAH
- Salaries and Purchase Labor created pressure (\$1.75M)
 - Overall FTE's favorable...but locums and traveler costs offset
 - Market salary competition for employees
 - "Renting" D-HH managers to fill management positions
 - Travelers to maintain minimum staffing
 - Locums
- Benefits down 1.25% (\$90K)

Drivers of Operating Margin Variance FY18 (con't)

- **Expenses (con't)**

- Supplies up 1% (\$43K), less than volumes
 - Relates to our small "n", one patient ...
- Purchased Services down 7.4% (\$334k)
 - Reduction in consulting, insurance costs, service contracts, etc. via negotiation, necessity, etc.
- Utilities reduced by 9.5% (\$70K)
 - Ongoing energy saving efforts
- Rent, Equipment, and other Fees down 11.5% (\$590K)
 - IT subscriptions (\$134K), specialized patient equipment (\$120K), W/C Insurance (\$136k), Provider Tax (\$40K), etc.
- Interest and Depreciation reduced by 11% (\$270K)
 - Limited Capital Purchases and associated borrowing

Hospitals Below Operating Margin Budget...

- Not Applicable

Year-to-Date Results as of February 28, 2019

| FEB 2019 ACTUAL | FEB 2019 BUDGET | \$ VARIANCE | % VARIANCE | | FY2019 YTD ACTUAL | FY2019 YTD BUDGET | YTD \$ VAR | YTD % VAR |
|--------------------|--------------------|------------------|----------------|------------------------------------|----------------------|----------------------|------------------|-----------------|
| 373,065 | 436,741 | (63,677) | -14.58% | INPATIENT REVENUE | 1,952,438 | 2,301,637 | (349,199) | -15.17% |
| 3,854,246 | 4,077,344 | (223,098) | -5.47% | OUTPATIENT REVENUE | 22,738,147 | 21,487,707 | 1,250,441 | 5.82% |
| 940,123 | 1,027,423 | (87,300) | -8.50% | REHAB REVENUE | 5,342,796 | 5,414,548 | (71,752) | -1.33% |
| 776,022 | 692,077 | 83,945 | 12.13% | SWING REVENUE | 3,757,287 | 3,647,264 | 110,023 | 3.02% |
| 1,384,393 | 1,629,158 | (244,766) | -15.02% | PHYSICIAN REVENUE | 8,328,661 | 8,585,707 | (257,047) | -2.99% |
| 7,327,848 | 7,862,744 | (534,896) | -6.80% | GROSS PATIENT REVENUE | 42,119,330 | 41,436,863 | 682,467 | 1.65% |
| 3,853,121 | 3,923,411 | (70,290) | -1.79% | DEDUCTIONS FROM REVENUE | 21,355,249 | 20,676,478 | 678,771 | 3.28% |
| 3,474,726 | 3,939,333 | (464,606) | -11.79% | NET PATIENT SERVICE REVENUE | 20,764,080 | 20,760,385 | 3,695 | 0.02% |
| 57,990 | 40,567 | 17,423 | 42.95% | GRANT REVENUE | 418,582 | 208,272 | 210,309 | 100.98% |
| 362,971 | 284,666 | 78,304 | 27.51% | OTHER OPERATING REVENUE DETAIL | 1,714,734 | 1,423,332 | 291,402 | 20.47% |
| 420,960 | 325,233 | 95,727 | 29.43% | OTHER OPERATING REVENUE | 2,133,315 | 1,631,604 | 501,711 | 30.75% |
| 3,895,687 | 4,264,566 | (368,879) | -8.65% | TOTAL OPERATING REVENUE | 22,897,396 | 22,391,989 | 505,407 | 2.26% |
| 2,167,576 | 2,103,061 | 64,515 | 3.07% | SALARIES | 11,061,471 | 10,510,053 | 551,419 | 5.25% |
| 398,736 | 390,327 | 8,408 | 2.15% | PURCHASED LABOR | 2,191,766 | 1,964,021 | 227,746 | 11.60% |
| 542,718 | 557,348 | (14,630) | -2.62% | EMPLOYEE BENEFITS | 3,172,900 | 2,892,828 | 280,072 | 9.68% |
| 411,446 | 406,515 | 4,930 | 1.21% | PURCHASED SERVICES | 1,859,308 | 1,840,850 | 18,459 | 1.00% |
| 349,190 | 295,455 | 53,736 | 18.19% | SUPPLIES | 1,710,027 | 1,586,340 | 123,687 | 7.80% |
| 45,821 | 65,584 | (19,762) | -30.13% | UTILITIES | 280,534 | 332,270 | (51,736) | -15.57% |
| 385,159 | 377,824 | 7,335 | 1.94% | RENT, EQUIP & OTHER FEES | 1,879,529 | 1,894,210 | (14,682) | -0.78% |
| 19,431 | 21,197 | (1,766) | -8.33% | INTEREST EXPENSE | 92,877 | 106,931 | (14,055) | -13.14% |
| 183,720 | 167,661 | 16,059 | 9.58% | DEPRECIATION EXPENSE | 989,376 | 907,683 | 81,693 | 9.00% |
| 4,503,796 | 4,384,971 | 118,825 | 2.71% | TOTAL EXPENSES | 23,237,788 | 22,035,186 | 1,202,603 | 5.46% |
| (608,109) | (120,405) | (487,704) | 405.05% | OPERATING INCOME (LOSS) | (340,393) | 356,804 | (697,196) | -195.40% |

Year-to-Date Results as of February 28, 2019

- **NPR/FPP YTD Variance**

| Budget-to-Actual FY19 YTD February | |
|---------------------------------------|----------------------------------|
| NPR/FPP % Variance | Operating Expenses % Variance |
| -1.7% | 1.7% |

| Actual-to-Actual FY18 to FY19 Comparison | |
|---|--------------------------------|
| NPR/FPP % Change | Operating Expenses % Change |
| 2.3% | 6.1% |

- **Inpatient Volumes (B19 to A19):**

- Acute Discharges ↓ 12%
- Acute Days ↓ 9%
- Acute Rehab Discharges ↑ 12%
- Acute Rehab Days ↓ 2%
- Swing Discharges ↓ 20%
- Swing Days ↑ 7%
- Total Discharges ↓ 9%
- Total Days ↑ 2%
- Up in the worst payer mix...

Year-to-Date Results as of February 28, 2019

- **NPR/FPP YTD Variance**

| Budget-to-Actual FY19 YTD February | |
|---------------------------------------|----------------------------------|
| NPR/FPP % Variance | Operating Expenses % Variance |
| -1.7% | 1.7% |

| Actual-to-Actual FY18 to FY19 Comparison | |
|---|--------------------------------|
| NPR/FPP % Change | Operating Expenses % Change |
| 2.3% | 6.1% |

- **Outpatient Volumes (B19 to A19):**

- Emergency Room = 0%
- Ancillaries ↑ 5%
- Therapies ↑ 1%
- Operating Room ↓ 5%

- **Provider Visits (B19 to A19)**

- Hospital-Based ↑ 2%
- Specialties ↑ 8%
- Woodstock PCP's ↓ 7%
- Windsor Pedi ↓ 7%
- Windsor IM/FP ↓ 12%

Year-to-Date Results as of February 28, 2019

- **Revenues**

| Budget-to-Actual FY19 YTD February | |
|---------------------------------------|----------------------------------|
| NPR/FPP % Variance | Operating Expenses % Variance |
| -1.7% | 1.7% |

| Actual-to-Actual FY18 to FY19 Comparison | |
|---|--------------------------------|
| NPR/FPP % Change | Operating Expenses % Change |
| 2.3% | 6.1% |

- Referrals from D-HH significantly down
- Inpatient Surgeries down
- Outpatient strong despite core volumes (IP, ER, Clinic, etc.)
- Operating Room down
- Provider vacations
- Ramp up of new providers
- Swing referrals fine
- GPR up 1.65%

Year-to-Date Results as of February 28, 2019

- **Deductions from Revenue**

| Budget-to-Actual FY19 YTD February | |
|---------------------------------------|----------------------------------|
| NPR/FPP % Variance | Operating Expenses % Variance |
| -1.7% | 1.7% |

| Actual-to-Actual FY18 to FY19 Comparison | |
|---|--------------------------------|
| NPR/FPP % Change | Operating Expenses % Change |
| 2.3% | 6.1% |

- Payer Mix close to budgeted levels
- Reserves for ACO
 - Reserving for all three programs
 - Duplicate payment reserve
 - Springfield A/R reserve
 - Swing census variance ↑ C/A's
 - Delay in Rehab billing claims
- Deductions up 1% after FPP moved
- Resulting in NPR up 2.4%

Year-to-Date Results as of February 28, 2019

• Other Operating Revenues & Expenses

| Budget-to-Actual FY19 YTD February | |
|---------------------------------------|----------------------------------|
| NPR/FPP % Variance | Operating Expenses % Variance |
| -1.7% | 1.7% |

| Actual-to-Actual FY18 to FY19 Comparison | |
|---|--------------------------------|
| NPR/FPP % Change | Operating Expenses % Change |
| 2.3% | 6.1% |

- OOR is on budget
- Expenses:
 - FTE's down
 - Salaries up 5%
 - Budget spread
 - Companion Aid/Sitter Expenses
 - D-HH bonus
 - Purchased Labor up 11%
 - Travelers, locums
 - Contracted staff

Year-to-Date Results as of February 28, 2019

- **Other Operating Revenues & Expenses (con't)**

| Budget-to-Actual FY19 YTD February | |
|---------------------------------------|----------------------------------|
| NPR/FPP % Variance | Operating Expenses % Variance |
| -1.7% | 1.7% |

| Actual-to-Actual FY18 to FY19 Comparison | |
|---|--------------------------------|
| NPR/FPP % Change | Operating Expenses % Change |
| 2.3% | 6.1% |

- Employee Benefits running hot
 - No change in plan
 - Supplies up 7%
 - Infusion and Chemo
 - Depreciation running over budget with capital investment earlier in the year.
 - Other expenses running at or below budget
 - Purchased Labor up 11%
 - Travelers, locums
 - Contracted staff

Year-to-Date Results as of February 28, 2019

- **Margin**

| Budget-to-Actual FY19 YTD February | |
|---------------------------------------|----------------------------------|
| NPR/FPP % Variance | Operating Expenses % Variance |
| -1.7% | 1.7% |

| Actual-to-Actual FY18 to FY19 Comparison | |
|---|--------------------------------|
| NPR/FPP % Change | Operating Expenses % Change |
| 2.3% | 6.1% |

- **Operating Margin:**
 - -\$340K
 - Down \$700K from budget
- **Total Margin**
 - \$138K vs budget of \$283K
 - Down \$144K YTD
 - Contributions/donations up \$180K
 - Return on Investments down \$40K

Year-to-Date Results as of February 28, 2019

| | FY2019 | FY2018 | ytd \$ Var | YTD % VAR |
|------------------------------------|-------------------|-------------------|------------------|---------------|
| INPATIENT REVENUE | 1,952,438 | 2,377,068 | (424,630) | -17.86% |
| OUTPATIENT REVENUE | 22,738,147 | 20,897,917 | 1,840,230 | 8.81% |
| REHAB REVENUE | 5,342,796 | 5,383,127 | (40,330) | -0.75% |
| SWING REVENUE | 3,757,287 | 3,581,380 | 175,907 | 4.91% |
| PHYSICIAN REVENUE | 8,328,661 | 8,194,780 | 133,881 | 1.63% |
| GROSS PATIENT REVENUE | 42,119,330 | 40,434,272 | 1,685,058 | 4.17% |
| DEDUCTIONS FROM REVENUE | 21,355,249 | 19,884,758 | 1,470,492 | 7.40% |
| NET PATIENT SERVICE REVENUE | 20,764,080 | 20,549,514 | 214,566 | 1.04% |
| GRANT REVENUE | 418,582 | 292,071 | 126,510 | 43.31% |
| OTHER OPERATING REVENUE DETAIL | 1,714,734 | 1,448,168 | 266,565 | 18.41% |
| OTHER OPERATING REVENUE | 2,133,315 | 1,740,240 | 393,076 | 22.59% |
| TOTAL OPERATING REVENUE | 22,897,396 | 22,289,754 | 607,642 | 2.73% |

Year-to-Date Results as of February 28, 2019

| | FY2019 | FY2018 | ytd \$ Var | YTD % VAR |
|--------------------------------|-------------------|-------------------|------------------|-----------------|
| SALARIES | 11,061,471 | 10,341,815 | 719,656 | 6.96% |
| PURCHASED LABOR | 2,191,766 | 2,099,149 | 92,617 | 4.41% |
| EMPLOYEE BENEFITS | 3,172,900 | 2,920,279 | 252,620 | 8.65% |
| PURCHASED SERVICES | 1,859,308 | 1,741,452 | 117,856 | 6.77% |
| SUPPLIES | 1,710,027 | 1,619,661 | 90,366 | 5.58% |
| UTILITIES | 280,534 | 288,188 | (7,654) | -2.66% |
| RENT, EQUIP & OTHER FEES | 1,879,529 | 1,947,277 | (67,749) | -3.48% |
| INTEREST EXPENSE | 92,877 | 94,867 | (1,990) | -2.10% |
| DEPRECIATION EXPENSE | 989,376 | 842,980 | 146,397 | 17.37% |
| TOTAL EXPENSES | 23,237,788 | 21,895,668 | 1,342,120 | 6.13% |
| OPERATING INCOME/(LOSS) | (340,393) | 394,086 | (734,478) | -186.38% |

Year-to-Date Results as of February 28, 2019

- **FY19 YTD Thru' February vs. FY18 YTD Thru' February**
 - Inpatient performing worse (\$425K)
 - Outpatient performing better (\$1.84M)
 - Acute Rehabilitation is slightly behind (\$40K)
 - Swing performing better (\$175K)
 - Provider revenues are better (\$133k)
 - Total GPR is up 4.2% (\$1.68M)
 - Deductions up 7.4%
 - Net Patient Revenue up 1%
 - Total Net Revenue up 2.7%

Year-to-Date Results as of February 28, 2019

- **FY19 YTD Thru' February vs. FY18 YTD Thru' February (con't)**
 - Salaries up 7%
 - Purchased Labor up 4.5%
 - Benefits up 8.7%
 - Purchased Services up 6.8%
 - Supplies up 5.6%
 - Utilities, Interest, Other Expenses down 2 - 3.5%
 - Depreciation up 17%
- Operating Margin running \$735k behind last year, same time
- Total Margin running \$1.2M behind last year, same time

FY 2019 Projection

- **Method**
 - Early in the year
 - Actual for the first 5 months + budget for the next 7
 - Adjust for current run rate of deductions
- **GPR trend will not likely make up for early shortcoming**
 - Referrals from D-HH
- **NPR will stay the same or will get worse**
 - NPR Budget did not include reserves for Medicare & Commercial ACO activity (no info at time of budget)
 - Just got attribution #'s, still working the #'s at MAH
 - FPP will increase

FY 2019 Projection (con't)

- OOR will track the same or be slightly better than budget
- Expenses will track the same or better
 - Salary
 - FTE's under budget, salary spread disproportionately
 - Market salary increases at risk
 - Companion Aide and Patient Sitter costs
 - Purchased labor
 - Travelers and locums being reduced
 - Benefits running hot
 - Remainder will be budget-like

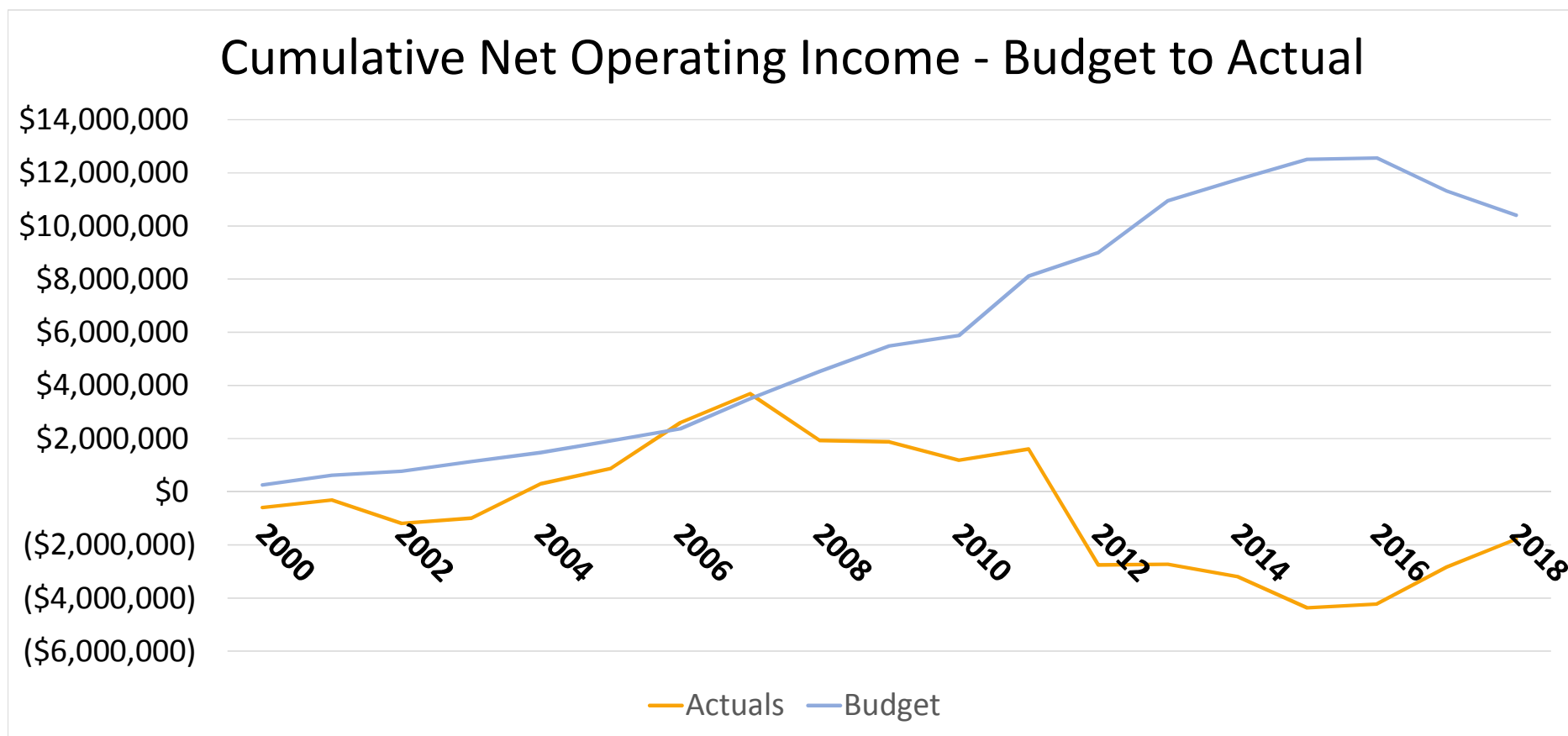
FY 2019 Projection (con't)

| INCOME STATEMENT | 2019 B | 2019 PROJ | 2019 B- 2019 P |
|---|-----------------------|-----------------------|-------------------|
| Revenues | | | |
| Inpatient | \$ 5,642,650 | \$ 5,293,451 | -6.2% |
| Outpatient | \$ 52,678,859 | \$ 53,929,300 | 2.4% |
| Physician | \$ 21,048,559 | \$ 20,791,512 | -1.2% |
| Chronic Rehab | \$ 13,274,205 | \$ 13,202,453 | -0.5% |
| Swing Beds | \$ 8,941,564 | \$ 9,051,587 | 1.2% |
| Gross Patient Care Revenue | \$ 101,585,837 | \$ 102,268,303 | 0.7% |
| Disproportionate Share Payments | \$ 300,000 | \$ 316,891 | 5.6% |
| Bad Debt | \$ (1,777,742) | \$ (2,104,838) | 18.4% |
| Free Care | \$ (1,015,853) | \$ (830,694) | -18.2% |
| Deductions from Revenue | \$ (47,896,472) | \$ (48,433,306) | 1.1% |
| Net Patient Care Revenue | \$ 51,195,770 | \$ 51,216,356 | 0.0% |
| Fixed Prospective Payments, Reserves & Other | \$ 756,000 | \$ 840,802 | 11.2% |
| Total NPR & FPP | \$ 51,951,770 | \$ 52,057,158 | 0.2% |
| Other Operating Revenue | \$ 2,903,789 | \$ 3,303,807 | |
| Total Operating Revenue | \$ 54,855,559 | \$ 55,360,965 | 0.9% |
| Operating Expense | \$ 54,837,975 | \$ 56,040,578 | 2.2% |
| Net Operating Income | \$ 17,584 | \$ (679,613) | -3965.0% |
| Non Operating Revenue | \$ 861,000 | \$ 716,099 | -16.8% |
| Excess (Deficit) of Rev over Exp | \$ 878,584 | \$ 36,486 | -95.8% |

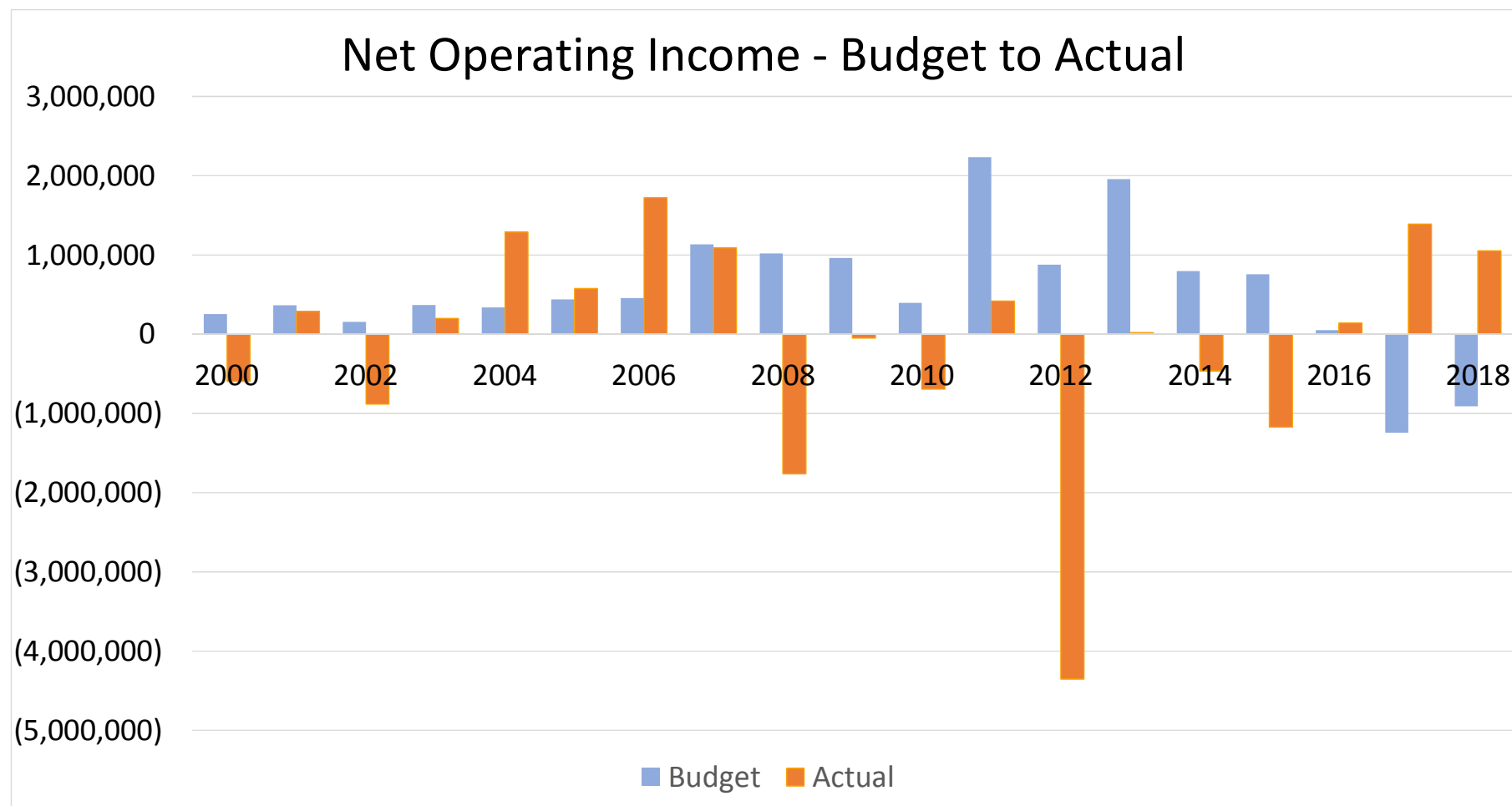
FY 2019 Projection (con't)

- Actions (doing more of what we do best)
 - Will continue to manage FTE's & Staffing
 - Working referral process with D-HH
 - Creative solutions for recruiting and retention
 - Workforce Housing
 - R/T to three shifts (revenue and expense improvement)
 - Possible small gain on Meaningful Use
 - Complete analysis and modeling of ACO
 - Many other small opportunities for revenue and expense

Margin History



Margin History (con't)





Questions?

Thank you!

