Achieving a Healthier Future

Northwestern Medical Center's Fiscal Year 2019 Budget Presentation
To the Green Mountain Care Board

August 22, 2018

Jill Berry Bowen, RN
Chief Executive Officer

Chris Hickey
Chief Financial Officer

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Introduction & Overview

"I really LOVED this hospital – all were very nice and friendly with me and my family."

- Patient Comment

"Good employees are hard to find. You have some of the BEST! "

- Patient Comment

Purpose Driven.

"You should be very proud of the quality of nurses you have on staff."

- Patient Comment

"Best care ever, right from the front door ... I work in an out of state hospital and the care at *this* hospital is delivered with such compassion!"

- Patient Comment

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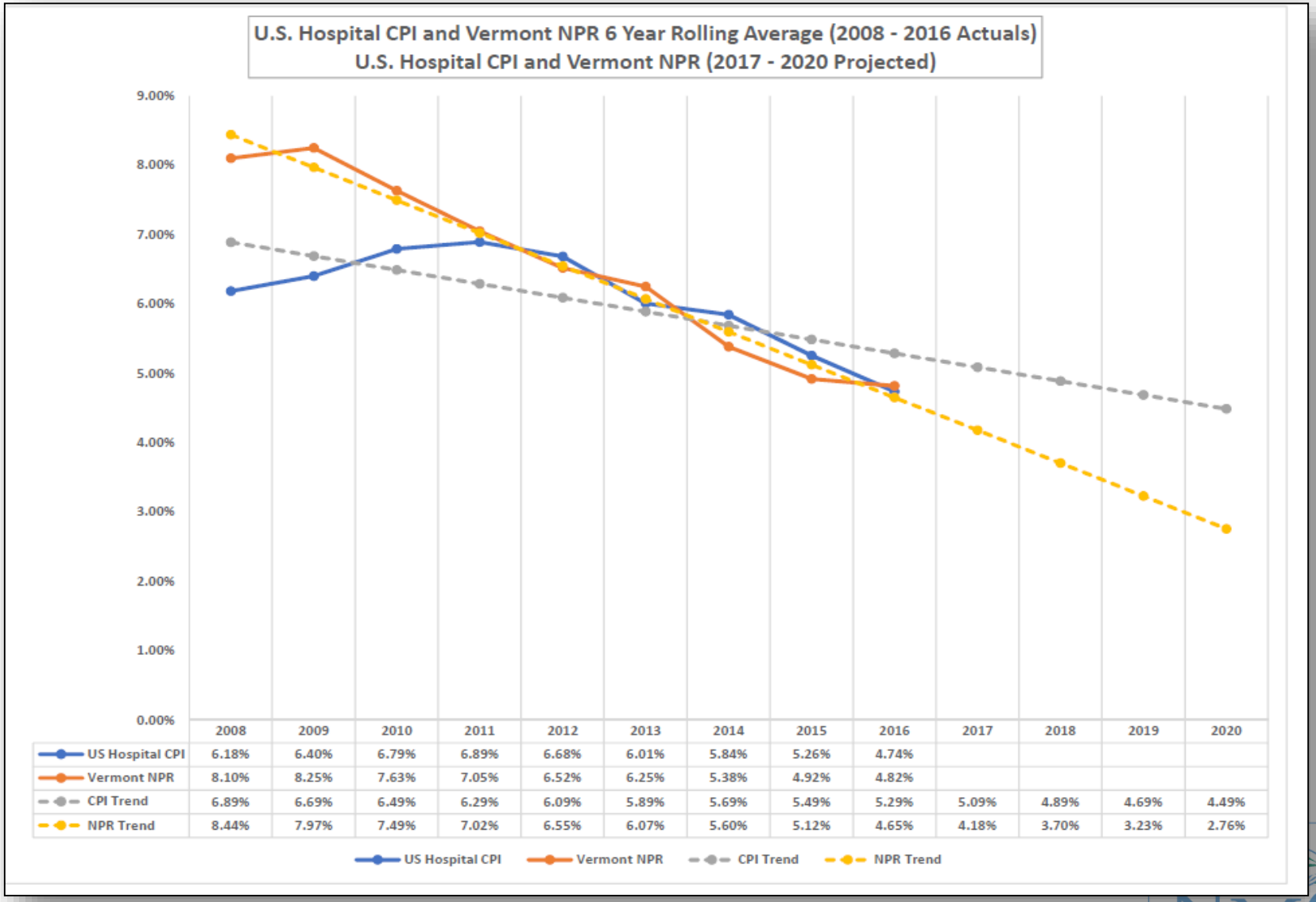
Hospital Issues: *Inflation Exceeding Revenues*



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
US Hospital CPI	6.18%	6.40%	6.79%	6.89%	6.68%	6.01%	5.84%	5.26%	4.74%				
Vermont NPR	8.10%	8.25%	7.63%	7.05%	6.52%	6.25%	5.38%	4.92%	4.82%				
CPI Trend	6.89%	6.69%	6.49%	6.29%	6.09%	5.89%	5.69%	5.49%	5.29%	5.09%	4.89%	4.69%	4.49%
NPR Trend	8.44%	7.97%	7.49%	7.02%	6.55%	6.07%	5.60%	5.12%	4.65%	4.18%	3.70%	3.23%	2.76%

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Hospital Issues: *Beyond "One foot in Each Canoe"*

Fee for Service
Revenue Cap
Cutting Costs
Aging Baby Boomers
Productivity

Population Health
Access to Services
Investing in Prevention
New Consumers
Purpose

Hospital Issues

- Balance of regulation with reality
  - Hospitals growing at 2.8%, medical inflation at 5.1%
  - A cultural/community transformation to capitation – requires transition to a truly integrated community care management model
- Commitment to access grounds our exceptions
  - We must meet our community need for ENT, Neurology, General Surgery, Endocrinology
- Laser focused to bending the cost curve on both ends
  - Process Optimization for efficiencies = savings
  - Our children/generations to come - long term investment in prevention
- Vision - Strategic Plan and Financial Plan

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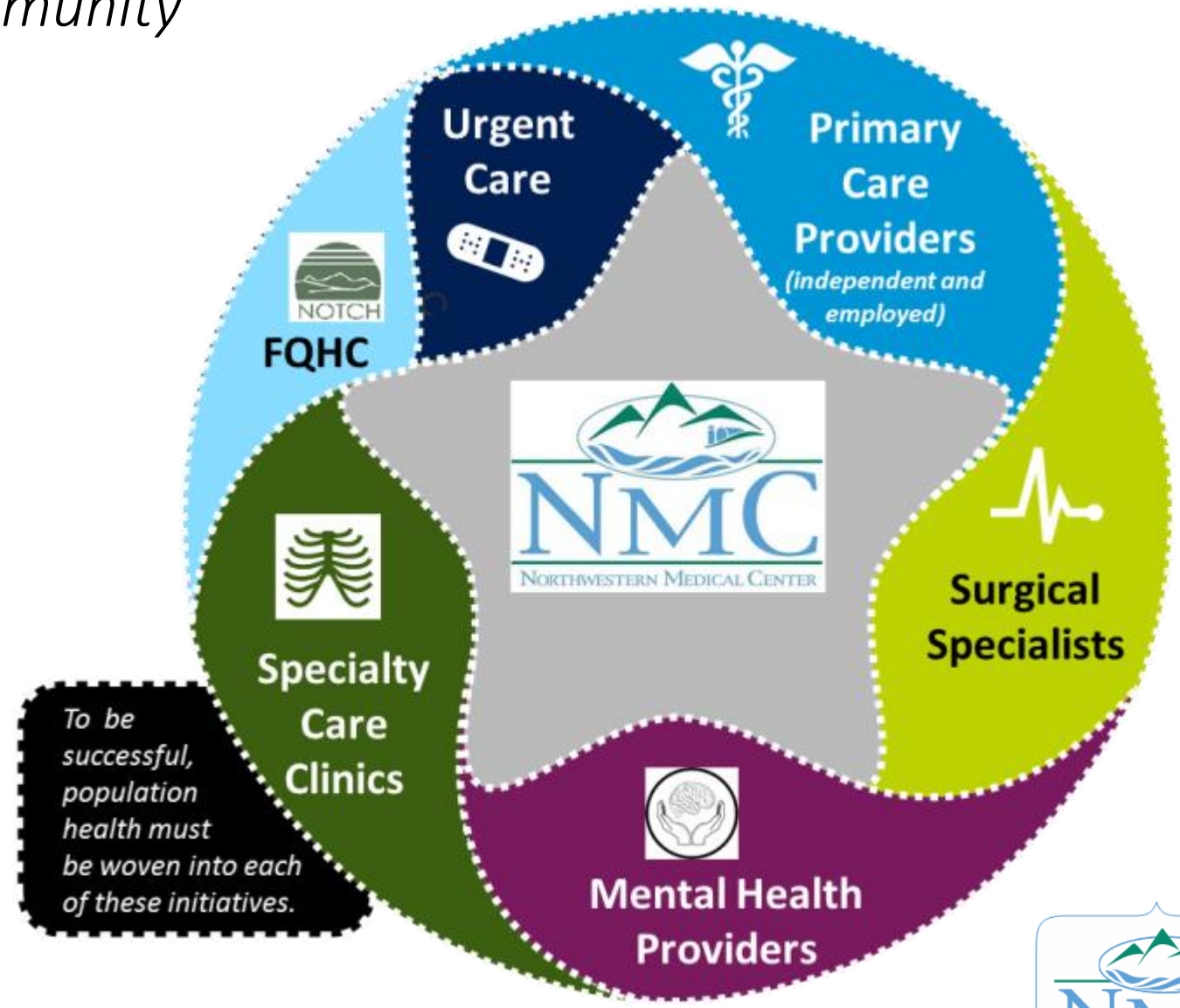
Hospital Issues: *We must remain grounded in strategy and our community*

NMC's Strategic Plan



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Areas of Risk / Opportunities

- Impact of capitation and commitment to ACO
  - community care management; tough conversations for alignment
- People
  - Code White: Recruitment / retention of physicians and top talent
  - Generational Turnover – orientation cost overload
  - Impact of temporary staffing
  - Competitive wages and impact of any UVMMC negotiations
- Chaos of priorities and tools taking its toll
  - Meditech Ambulatory; innovative call center; margin recovery
- Armed Intruder: Safety and Security Plan
  - Patients more complex and more desperate
- Ambulatory Surgery Center transformation
  - We must stay competitive and integrated in care delivery

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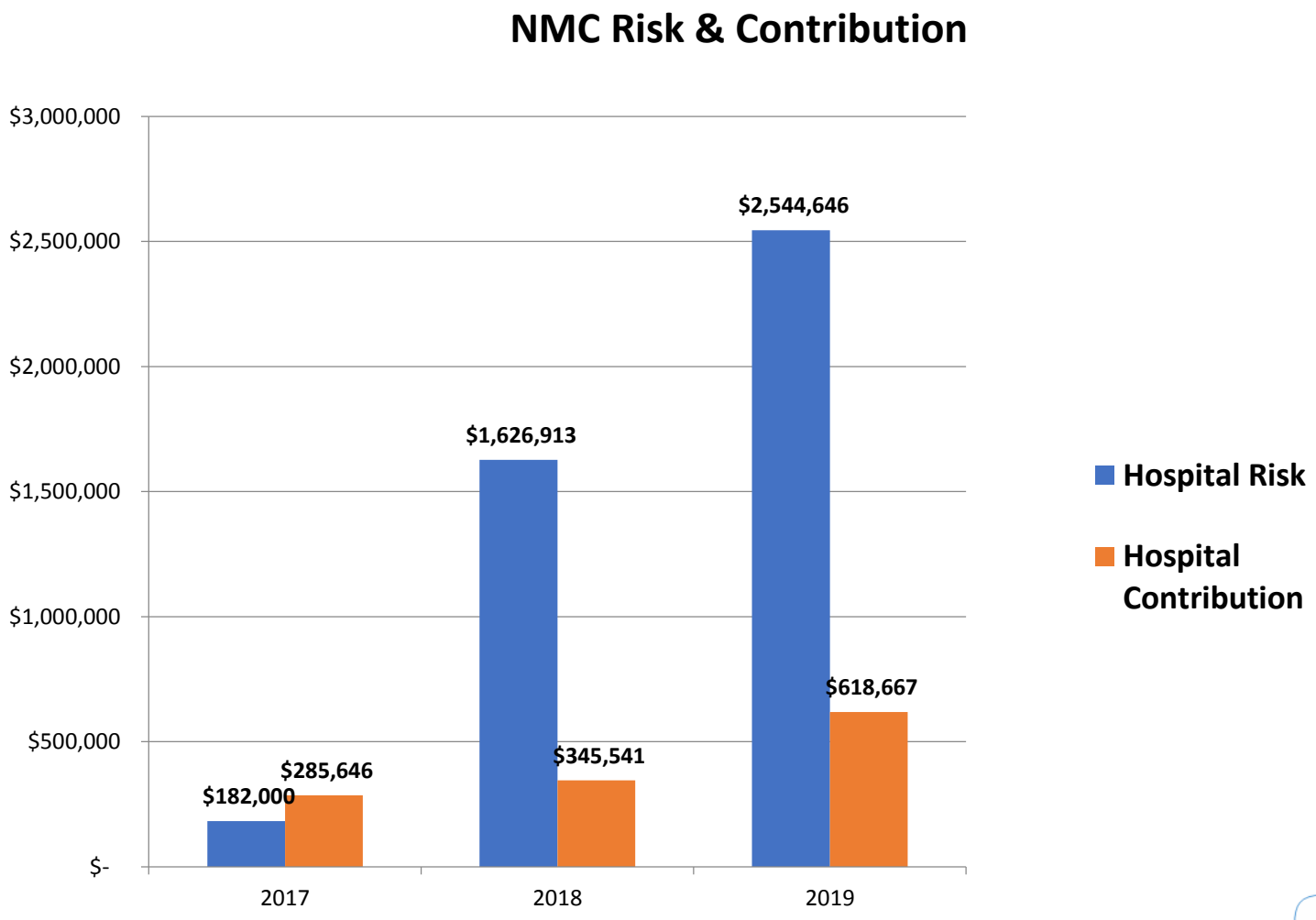
Areas of Risk / Opportunities



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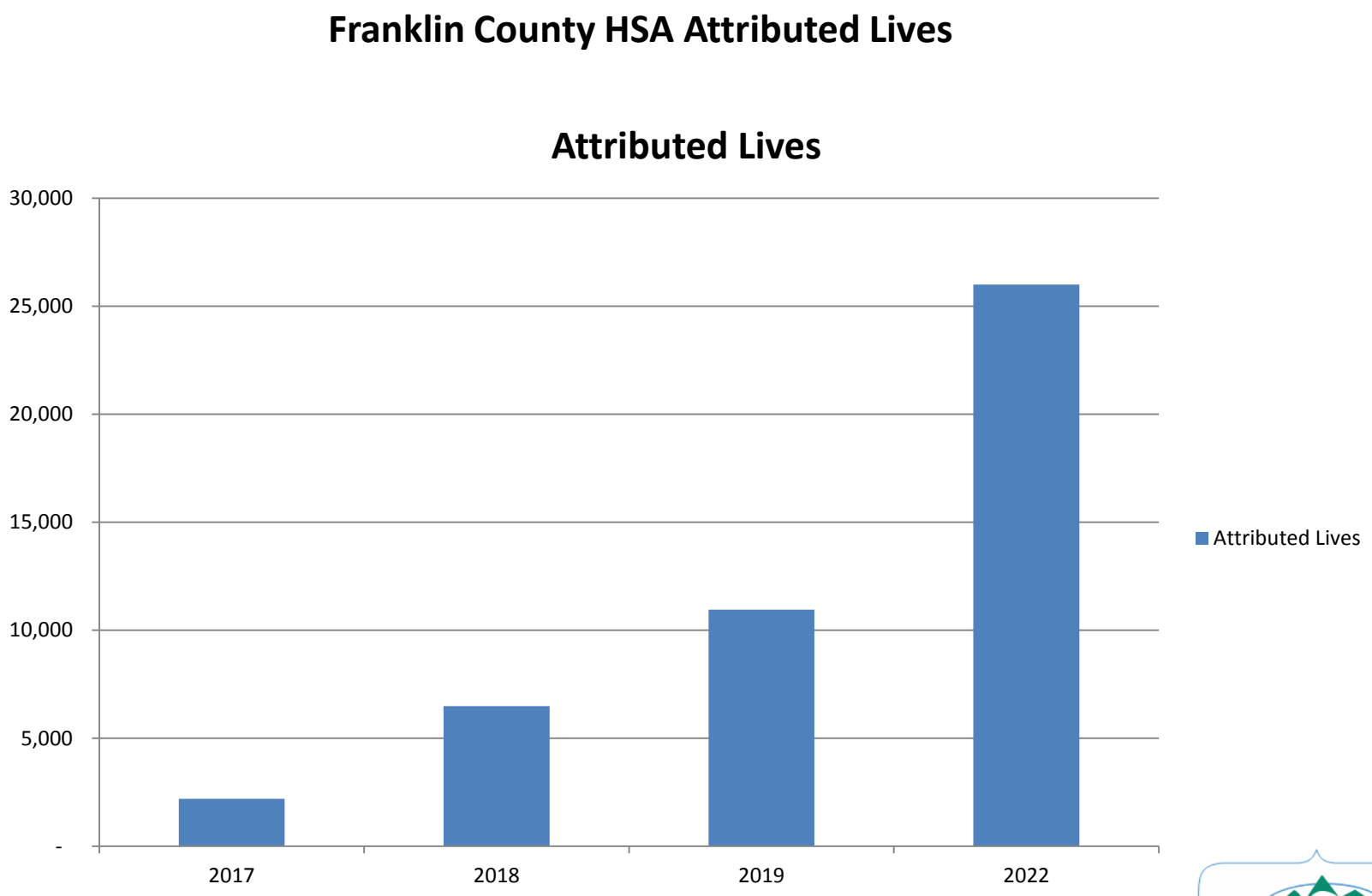
Areas of Risk / Opportunities



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Access – Responding to Need

Days to 3rd Available	Our Practices/Services (those above 10 days)
76	Dermatology
47	Cardiology
27	Pulmonology
19	Addiction/Pain – for an MD (9 for a PA)
13	General Surgery
12	Rehabilitation - Georgia

- Meanwhile our community faced a 55-day wait for ENT; a 28-day wait for Neurology; and a 13-day to 150-day wait for Endocrinology.
- Based on need, we established an ENT office, are onboarding a replacement General Surgeon and a full-time Pulmonologist, are opening a one-day-per-week Neurology clinic, and are working with UVMMC to establish a telemedicine-based Diabetes follow-up clinic.

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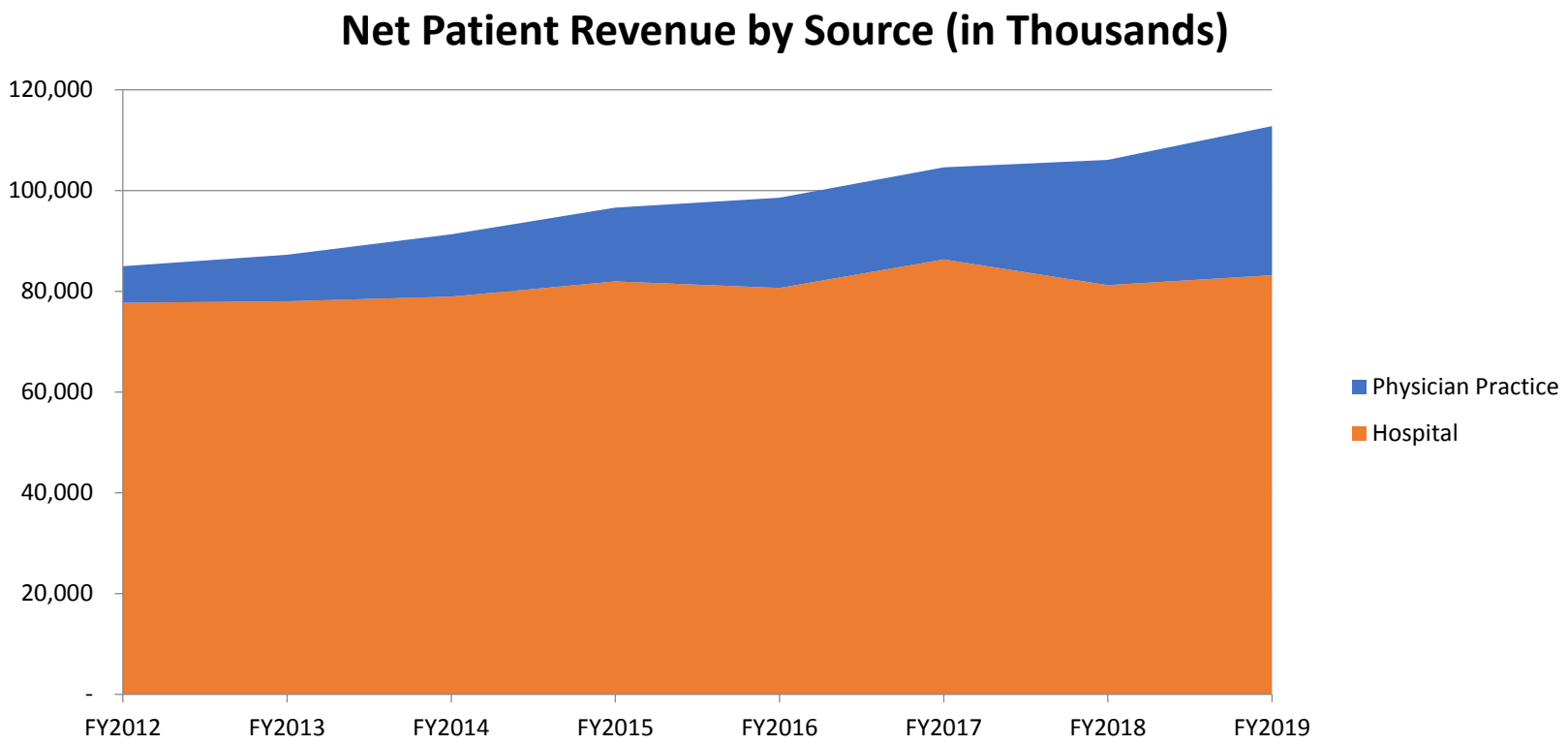
Access – Represents the Growth In Revenue



Average Annual Growth Rates:

Physician Practices: 26.6%

Hospital Services: 1.2%

Total Annual Growth: 4.8%

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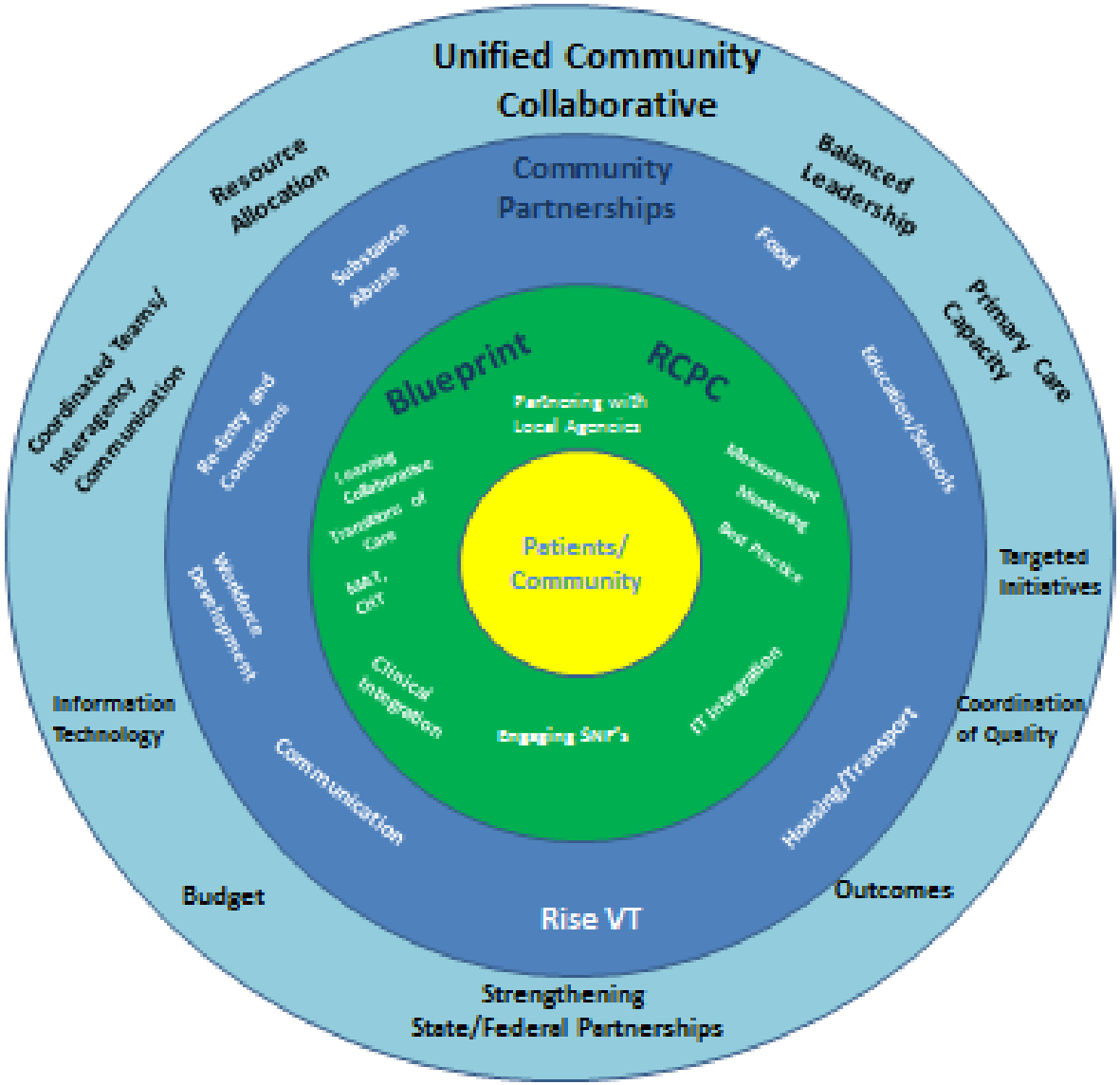
Access – It is Also About Partnerships



- NOTCH Primary Care (FQHC);
- Franklin County Home Health;
- Northwestern Counseling & Support Services;
- Howard Center;
- Spectrum Youth & Family Services;
- Community College of Vermont (CCV);
- Local businesses, schools, and municipalities;
- Regional Clinical Performance Council (RCPC) and the Unified Community Collaborative (UCC).

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All-Payer Model Quality Measure Results

- **Concerning:** We experienced a 14% growth in ED visits related to mental health & substance abuse. Our HSA is wrapping around this issue and there is a specific action item in the NMC FY'19 annual plan to address it collaboratively.
- **Improving:** We are seeing meaningful improvement in both HbA1C control and control of high blood pressure.
- **Focusing:** Our Quality Improvement Committee of Leadership and Medical Directors is currently working on best-practice standards of care for COPD and tackling one community standard for the chronic pain patients (as part of our work on addiction).

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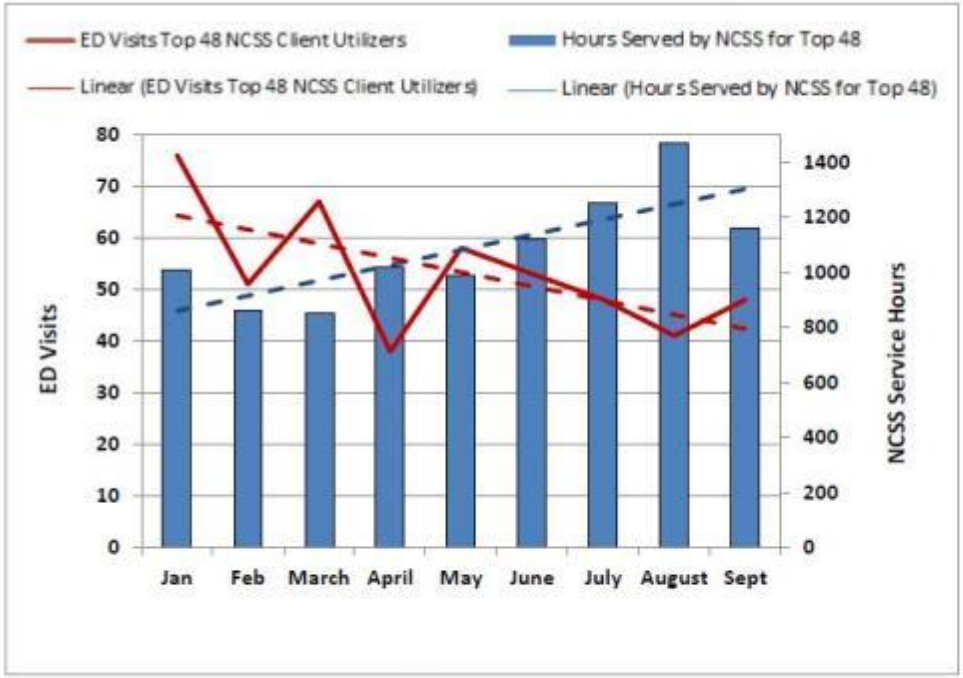
All-Payer Model Quality Measure Results

- **Promising:** A pilot study of an NMC/NCSS collaboration showed a 37% reduction in ED visits among the 48 members of the studied cohort with underlying chronic conditions.



37 % Reduction in ED Visits by NCSS Active Clients

Jan to Sep 2017

NCSS High ED Summary 11/22/17 **ED visit data provided by NMC October 16, 2017, based on High ED Utilizer definition of three or more visits in three months*

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A Testament to NMC's Quality Improvement Efforts:

NMC has been *preliminarily* informed by CMS that our team has achieved a 4-Star quality rating!

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Financials: Profit & Loss and Balance Sheet

Profit and Loss

	2019 Budget
Net Patient Revenue	112,773,980
Other Operating Revenue	6,166,078
Total Operating Revenue	118,940,058
Total Operating Expenses	116,243,347
Net Income from Operations	2,696,711
Non-Operating Income	1,151,419
Net Income	3,848,130

Balance Sheet

	2019 Budget
Current Assets	85,000,000
Board Designated Assets	23,500,000
Other Assets	69,300,000
Total Assets	177,800,000
Current Liabilities	12,086,726
Long Term Debt	31,000,000
Other Noncurrent Liabilities	1,350,000
Total Liabilities	44,436,726
Fund Balance	133,363,274
Total Liabilities and Fund Balance	177,800,000

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Financials: Cash Flow

NORTHWESTERN MEDICAL CENTER
STATEMENT OF CASH FLOWS
FISCAL YEAR 2019 BUDGET

CASH FLOW FROM OPERATING ACTIVITIES:	
Excess of Revenues and Gains Over Expenses	$3,848,130
Add items not requiring cash:	
Depreciation & Amortization	6,100,000
Net cash provided by operating activities	9,948,130
CASH FLOW PROVIDED BY (USED IN) INVESTING ACTIVITIES:	
Cash used to purchase property, plant and equipment	(10,400,355)
Net cash used in investing activities	(10,400,355)
CASH FLOW PROVIDED BY (USED IN) FINANCING ACTIVITIES:	
Repayment of debt	(1,488,276)
Net cash used in financing activities	(1,488,276)
CASH FLOW PROVIDED BY OTHER CHANGES IN ASSETS AND LIABILITIES	
Change in other assets	2,971,504
Change in other liabilities	(700,452)
Net change in other assets	2,271,052
NET CASH FLOW	330,551
BEGINNING CASH & CASH EQUIVALENTS OCTOBER 1, 2018	68,669,449
ENDING CASH & CASH EQUIVALENTS SEPTEMBER 30, 2019	$69,000,000

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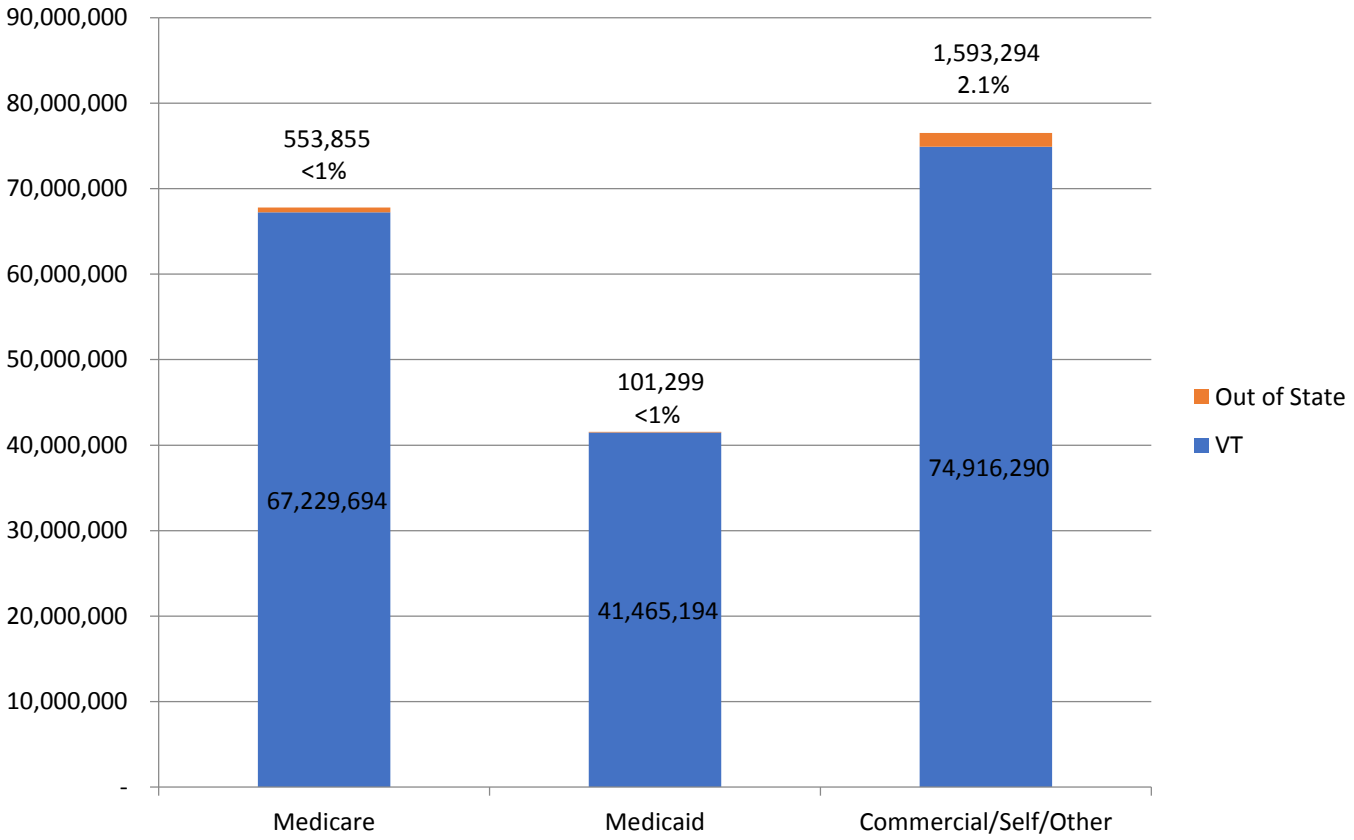
Financials: Out of State Revenue:



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Financials: Optimization and Innovation

- **Process Improvement / Revenue Capture:**
  - No Show Reduction Strategies, Improved Revenue Capture and Staff Productivity
  - Emergency Department Level of Care Improvements
  - Pharmaceutical Dose Capture
- **Vendor Contract Review:**
  - Reviewed all contracts over $50K, reduced or eliminated contract dependence resulting in $306,000 in Annualized Savings
- **Implemented Expense Management Initiatives:**
  - Drug Cost Reduction
  - Bright Ideas Campaign
  - Utility Cost Reduction
  - OR Supply Waste

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Financials: Optimization and Innovation

- **Productivity / Benchmark Management:**
  - Utilize QHR's Vantage Productivity Management Tool
  - Organization is running at 91% of the top 10 percentile of the over 400 Hospitals in the database
  - Have identified reduction of over 16 FTE's through improved adherence to benchmark standards. Key areas include:
    - Medical Surgical Nursing Unit
    - Patient Financial Services
    - Patient Access
    - Health Information Management
    - Lifestyle Medicine

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Community Health Needs Assessment

2016 CHNA Top Priorities:

1. Mental Health & Substance Abuse
2. Obesity
3. Smoking
4. Cancer
5. Suicide
6. Domestic & Sexual Assault

These are fully integrated into NMC's care for our community, highlighted by:

- Leadership in addiction services, with a current focus on standardizing treatment and prescribing practices;
- Creation of a 'Mental Health Tech' training program to improve care;
- Leadership in the RiseVT movement to embrace healthy lifestyles;
- Tobacco prevention & cessation efforts;
- The SANE (sexual assault nurse examiners) resources within the NMC Emergency Department;
- Support for community partner training on trauma and adverse childhood experiences (ACES);
- and more!

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Health Reform Investments – FY'16-18

- **FY'16:** Population health initiatives in primary care, care management, Lifestyle Medicine, and RiseVT with 24 metrics to implement prevention strategies – results reported to GMCB and attached;
- **FY'17:** Efforts relating to the All Payer Model, continuation of RiseVT, and Lifestyle Medicine's new approach to worksite wellness – baseline childhood obesity data reported to GMCB and attached;
- **FY'18:** Funding of ACO expansion to build infrastructure to implement the All Payer Model.

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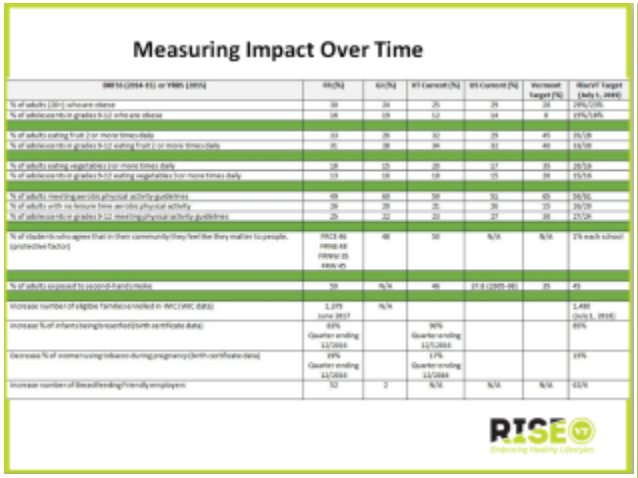
Health Reform Investments - RiseVT

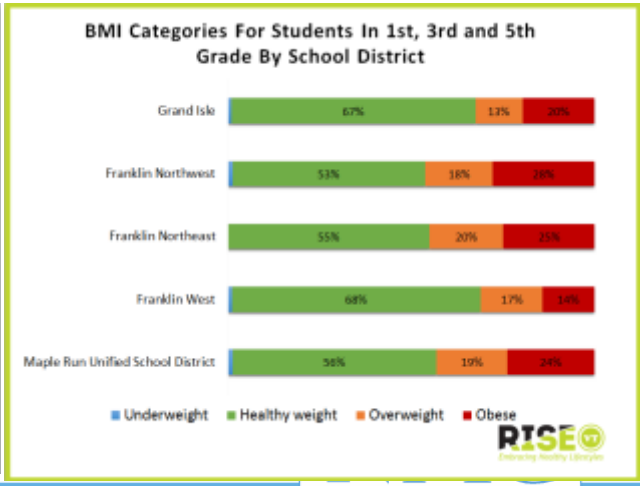
Northwestern Medical Center is sponsoring RiseVT in Franklin & Grand Isle Counties!

- NMC continues to lead the RiseVT effort in Franklin & Grand Isle Counties in collaboration with our District Office of the Vermont Department of Health.
- Wellness activities are now happening throughout these communities, sponsored by RiseVT and community partners in our schools, businesses, and municipalities.
- Franklin/Grand Isle RiseVT will be participating in statewide wellness campaigns sponsored by RiseVT Statewide based at OneCare Vermont.

RiseVT in Franklin & Grand Isle Counties

- Is running an “Active Play” physical activity promotional campaign to be followed by a “Fuel Your Play” healthy eating promotional campaign;
- Facilitated a Bike-loan program in Richford and a Kayak-loan program in Enosburg;
- Trained 70 teachers in Classroom Yoga to improve students’ readiness to learn;
- Is amplifying the St. Albans City & Town collaboration on walkability and bikeability;
- Is fostering partnerships among local recreation departments to share resources;
- Added 4 more businesses to health coaching: Guys Farm and Yard; Cold Hollow Career Center; Franklin Northeast Supervisory Union; and Dickinson Branon Dental;
- Is pursuing Public/Private Partnerships to increase impact and diversify funding.





Certificate of Need Status

CON #1 Private Inpatient Rooms & Medical Clinics

Original CON Budget	$12,595,250
Spent Through May 2018	$11,592,311
Dollars Remaining	$ 1,002,939

CON #2 Medical Office Building

Original CON Budget	$20,632,359
Spent Through May 2018	$18,914,147
Dollars Remaining	$ 1,718,212

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Capital Budget 2019

Funds Available for Capital	$10,400,000
Routine Capital Purchases	$ 5,008,000
Key categories include:	
Facilities Improvements	
Information Systems	
Clinical Equipment	
Strategic Investments:	
Emergency Department (Partial)	$ 1,833,000
EHR Implementation	$ 1,708,000
Other Initiatives	$ 1,300,000
Contingency Funds	$ 550,000

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Long Range Financial Outlook

DRAFT -- Long Range Outlook (in thousands) -- DRAFT

	2018 Projections	2019 Budget	2020 Estimate	2021 Estimate	2022 Estimate
Net Patient Revenue	105,455	111,896	115,253	118,710	122,272
Other Revenue	6,172	6,041	6,000	6,000	6,000
Total Operating Revenue	111,627	117,937	121,253	124,710	128,272
Salaries and Wages and Benefits	65,069	68,604	69,976	71,376	72,803
Other Expenses	45,773	46,695	48,563	50,505	52,526
Total Expenses	110,842	115,299	118,539	121,881	125,329
Income From Operations	785	2,638	2,714	2,830	2,943
Operating Margin	0.70%	2.24%	2.24%	2.27%	2.29%

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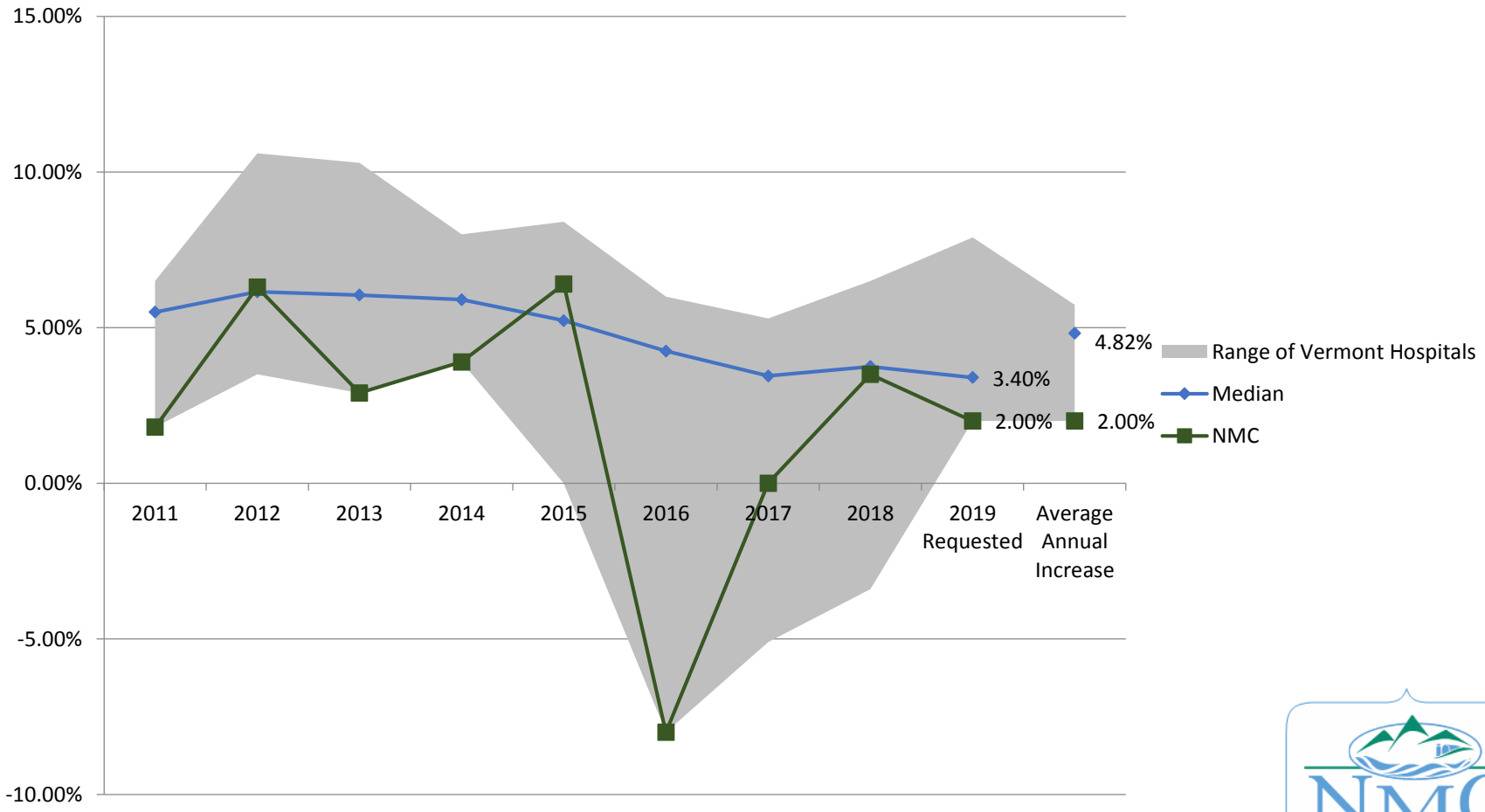
Historical Compliance with Budget Orders

Rate Increase History:
How NMC Compares to the Range and Median of Vermont Hospitals



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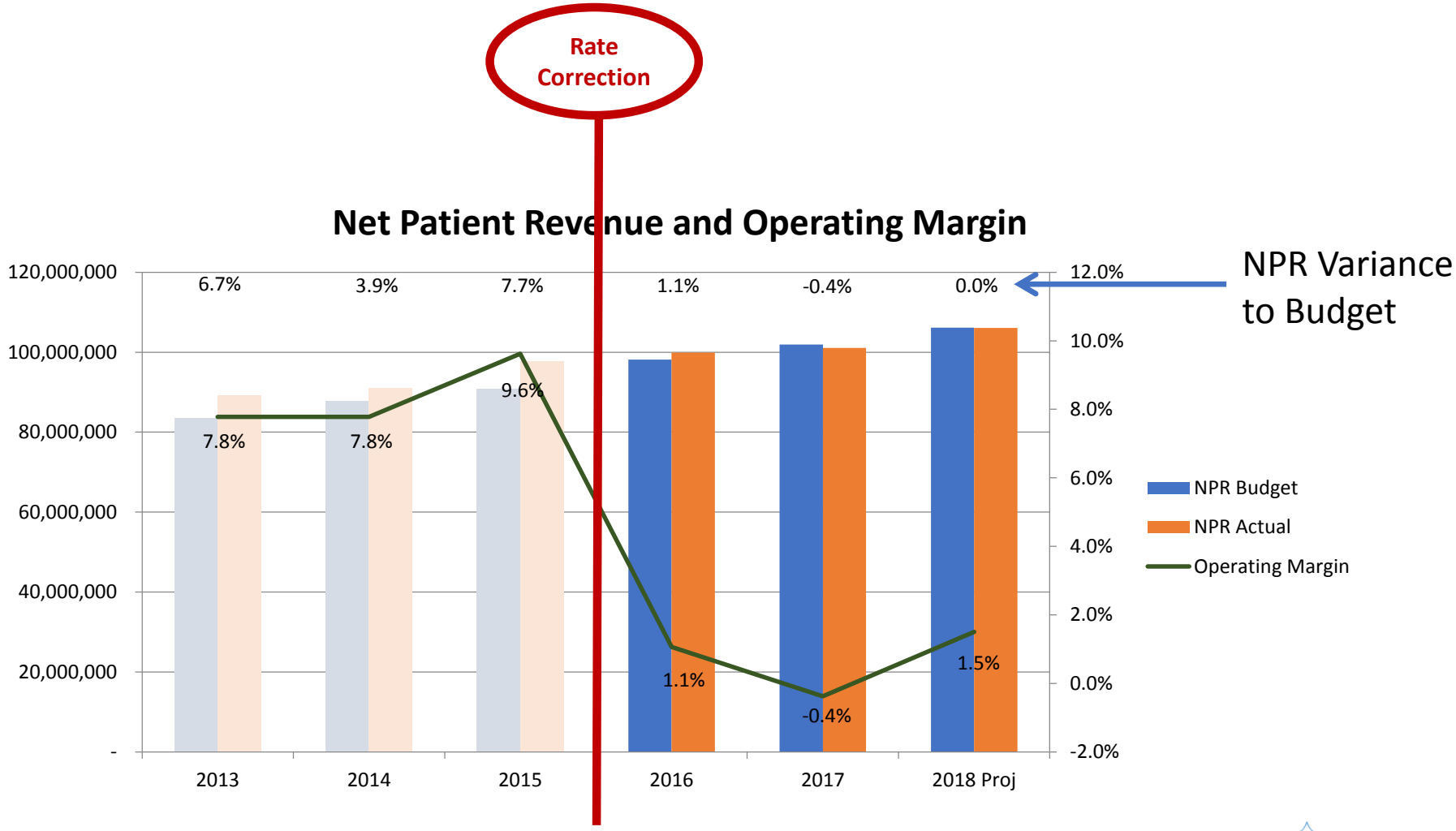

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RISE VT
Embracing Healthy Lifestyles

Healthy Vermont. Together.

Vermont is fortunate to have a completely not-for-profit hospital system. Together, with our community health care partners, we provide accessible, high-quality care to Vermonters and those in our neighboring states.

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