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
Purpose Driven.

“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

“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
Hospital Issues: *Inflation Exceeding Revenues*
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
Hospital Issues: We must remain grounded in strategy and our community

NMC’s Strategic Plan

To be successful, population health must be woven into each of these initiatives.
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
Areas of Risk / Opportunities

NMC Risk & Contribution

<table>
<thead>
<tr>
<th>Year</th>
<th>Hospital Risk</th>
<th>Hospital Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$182,000</td>
<td>$285,646</td>
</tr>
<tr>
<td>2018</td>
<td>$1,626,913</td>
<td>$345,541</td>
</tr>
<tr>
<td>2019</td>
<td>$2,544,646</td>
<td>$618,667</td>
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</table>
## Access – Responding to Need

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

- 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.
Access – Represents the Growth In Revenue

Average Annual Growth Rates:
- Physician Practices: 26.6%
- Hospital Services: 1.2%
- Total Annual Growth: 4.8%
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).
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).
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.

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
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!
## Financials: Profit & Loss and Balance Sheet

### Profit and Loss

<table>
<thead>
<tr>
<th>Category</th>
<th>2019 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Patient Revenue</td>
<td>112,773,980</td>
</tr>
<tr>
<td>Other Operating Revenue</td>
<td>6,166,078</td>
</tr>
<tr>
<td>Total Operating Revenue</td>
<td>118,940,058</td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>116,243,347</td>
</tr>
<tr>
<td>Net Income from Operations</td>
<td>2,696,711</td>
</tr>
<tr>
<td>Non-Operating Income</td>
<td>1,151,419</td>
</tr>
<tr>
<td>Net Income</td>
<td>3,848,130</td>
</tr>
</tbody>
</table>

### Balance Sheet

<table>
<thead>
<tr>
<th>Category</th>
<th>2019 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Assets</td>
<td>85,000,000</td>
</tr>
<tr>
<td>Board Designated Assets</td>
<td>23,500,000</td>
</tr>
<tr>
<td>Other Assets</td>
<td>69,300,000</td>
</tr>
<tr>
<td>Total Assets</td>
<td>177,800,000</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>12,086,726</td>
</tr>
<tr>
<td>Long Term Debt</td>
<td>31,000,000</td>
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<tr>
<td>Other Noncurrent Liabilities</td>
<td>1,350,000</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>44,436,726</td>
</tr>
<tr>
<td>Fund Balance</td>
<td>133,363,274</td>
</tr>
<tr>
<td>Total Liabilities and Fund Balance</td>
<td>177,800,000</td>
</tr>
</tbody>
</table>
### Financials: Cash Flow

**NORTWESTERN 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
Financials: Out of State Revenue:

- Medicare: $67,229,694
  - Out of State: $553,855 (≈ 0.82%)
  - VT: $66,675,839
- Medicaid: $41,465,194 (≈ 0.62%)
- Commercial/Self/Other: $74,916,290
  - Out of State: $1,593,294 (2.15%)
  - VT: $73,323,096
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
• **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
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!
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.
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
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
## Long Range Financial Outlook

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

<table>
<thead>
<tr>
<th></th>
<th>2018 Projections</th>
<th>2019 Budget</th>
<th>2020 Estimate</th>
<th>2021 Estimate</th>
<th>2022 Estimate</th>
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<tbody>
<tr>
<td>Net Patient Revenue</td>
<td>105,455</td>
<td>111,896</td>
<td>115,253</td>
<td>118,710</td>
<td>122,272</td>
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<tr>
<td>Other Revenue</td>
<td>6,172</td>
<td>6,041</td>
<td>6,000</td>
<td>6,000</td>
<td>6,000</td>
</tr>
<tr>
<td><strong>Total Operating Revenue</strong></td>
<td><strong>111,627</strong></td>
<td><strong>117,937</strong></td>
<td><strong>121,253</strong></td>
<td><strong>124,710</strong></td>
<td><strong>128,272</strong></td>
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<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and Wages and Benefits</td>
<td>65,069</td>
<td>68,604</td>
<td>69,976</td>
<td>71,376</td>
<td>72,803</td>
</tr>
<tr>
<td>Other Expenses</td>
<td>45,773</td>
<td>46,695</td>
<td>48,563</td>
<td>50,505</td>
<td>52,526</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>110,842</strong></td>
<td><strong>115,299</strong></td>
<td><strong>118,539</strong></td>
<td><strong>121,881</strong></td>
<td><strong>125,329</strong></td>
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<thead>
<tr>
<th></th>
<th>785</th>
<th>2,638</th>
<th>2,714</th>
<th>2,830</th>
<th>2,943</th>
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<tbody>
<tr>
<td>Income From Operations</td>
<td></td>
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<thead>
<tr>
<th></th>
<th>0.70%</th>
<th>2.24%</th>
<th>2.24%</th>
<th>2.27%</th>
<th>2.29%</th>
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<tbody>
<tr>
<td>Operating Margin</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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Rate Increase History:
How NMC Compares to the Range and Median of Vermont Hospitals

- 2011: Requested 3.40%, Average 4.82%
- 2012: Requested 2.00%, Average 5.00%
- 2013: Requested 5.00%, Average 10.00%
- 2014: Requested 15.00%, Average 20.00%
- 2015: Requested 20.00%, Average 20.00%
- 2016: Requested 20.00%, Average 20.00%
- 2017: Requested 20.00%, Average 20.00%
- 2018: Requested 20.00%, Average 20.00%
- 2019: Requested 20.00%, Average 20.00%
Historical Compliance with Budget Orders

Net Patient Revenue and Operating Margin

Rate Correction

NPR Variance to Budget

Historical Compliance with Budget Orders

Net Patient Revenue and Operating Margin

Rate Correction

NPR Variance to Budget

Historical Compliance with Budget Orders

Net Patient Revenue and Operating Margin

Rate Correction

NPR Variance to Budget

Historical Compliance with Budget Orders

Net Patient Revenue and Operating Margin

Rate Correction

NPR Variance to Budget
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.