

Fiscal Year 2019 Report To: Green Mountain Care Board

Operating Budget & Capital Planning



 Rutland Regional
Medical Center



Introductions

- Judi Fox – Chief Financial Officer
- Jeff McKee, Psy.D. – VP Community & Behavioral Health
- Claudio Fort – President & Chief Executive Officer



Overview

- New CEO – following Tom Huebner after 28 years.
- Entering into ***Medicaid Risk Agreement*** starting January 1, 2018 under the OneCare Vermont Accountable Care Organization.
 - Partnering with Community Care of the Rutland Region FQHC and other Community Providers.
- RRMC continues to receive state and national recognition for its focus on quality and community health improvement.
- Active Nursing Union Contract Renewal negotiations.

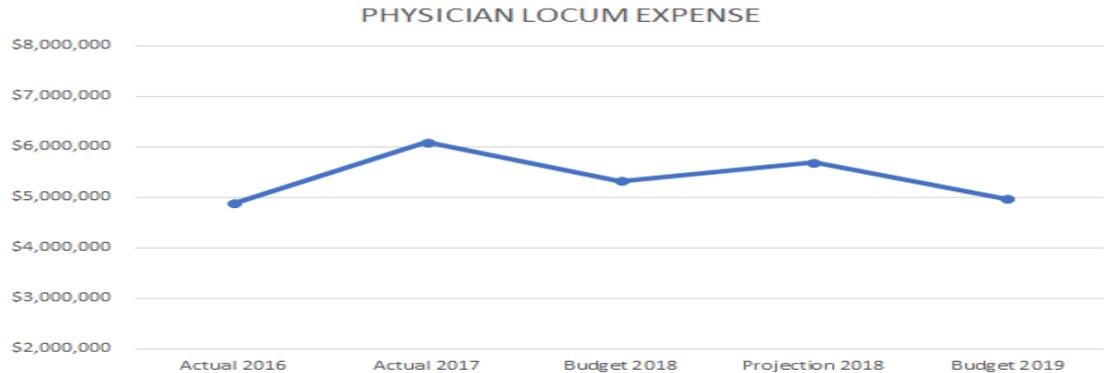


Hospital Issues

Recruitment and Wage Pressure

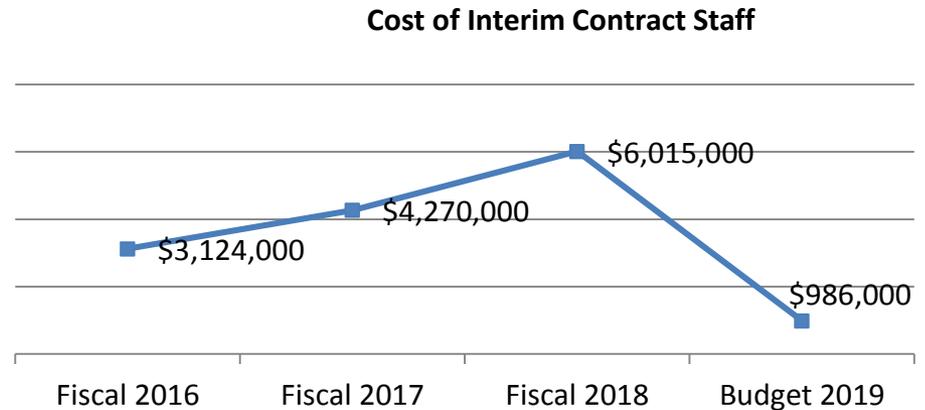
Physicians

- 8 Vacant positions
 - Endocrine
 - Digestive,
 - Hospital
 - Neurology
 - Otolaryngology
 - Pulmonary
 - Urology



Staff

- On average 32 temporary nurses each month
- Castleton University transition to a 4-year program
 - Created budgeted deficits in 2017 and 2018





Hospital Issues

Changes in Payment Structures and Risk

Accepting Risk

- RRMC is accepting Risk for Medicaid patients *without any reserve* to support claims overruns
 - Risk increases from \$1.0 million to \$6.0 million if we join all OneCare programs
- RRMC does not own primary care - difficult to control care management

OneCare Vermont

Preliminary Key Budget Numbers

6/13/2018

Rutland Regional	HSA Attribution	Hospital Attribution	HSA TCOC	Max Risk	Gross Fixed Payment	Fixed Payment Deduction	Program PHM Receipts	Other PHM Receipts	Total PHM Receipts
Medicare	7,005	-	\$ 99,367,376	\$ 4,968,369	\$ 40,915,151	\$ (480,285)	\$ 83,490	\$ -	\$ 83,490
Medicaid	7,753	86	\$ 15,086,442	\$ 754,322	\$ 3,725,735	\$ (531,572)	\$ 53,944	\$ -	\$ 53,944
BCBS QHP	3,638	-	\$ 24,955,629	\$ 748,669	\$ 15,734,867	\$ (249,400)	\$ 27,192	\$ -	\$ 27,192
Total	18,396	86	\$ 139,409,447	\$ 6,471,360	\$ 60,375,753	\$ (1,261,257)	\$ 164,626	\$ 25,000	\$ 189,626



Hospital Issues

Access to Care

Mental Health

- 1,538 patients held in ED last year
 - 23,349 hours
- Over 5 years ED holds have increased 32%

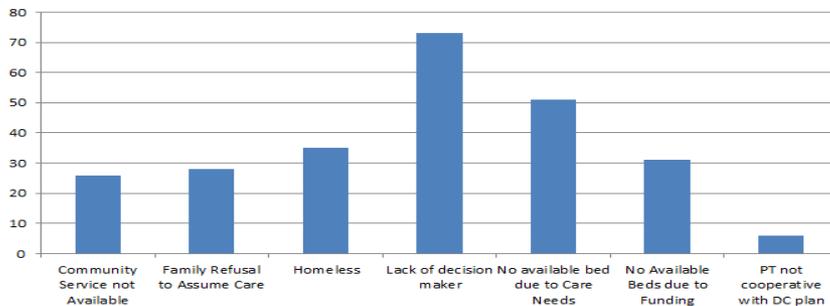
	FY 2013	FY2014	FY2015	FY2016	FY2017	5-Year Trend	%Change (2013-2017)
No. Holds	1166	1305	1484	1499	1538		32%
Average Holds/Day	3.19	3.57	4.05	4.10	4.20		32%
Total Time (hours)	10863	14850	19399	19192	23349		115%
Total Time (days)	453	619	808	800	973		115%
Average Hold (hrs)	8.9	11.1	13.1	9.3	12.3		38%
Min Hold (hours)	0.30	0.54	0.30	0.75	0.68		128%
Max Hold (hours)	284	216	311	283	310		9%
Avg. No. Holds >8 hours	35	43	54	61	73		108%

Medical: Sub-Acute

1 of every 4 patients on our medical unit is sub-acute awaiting placement in the community

Blocks access to care for acute patients and puts a financial strain on the organization. Level II reimbursement is less than \$200/day

Awaiting Nursing Home Placement
July 2018



Level II Patient Days





Risk



Almost Certain

Likelihood of Occurrence

Remote



Insignificant

Magnitude of Impact

Very Significant



Opportunities

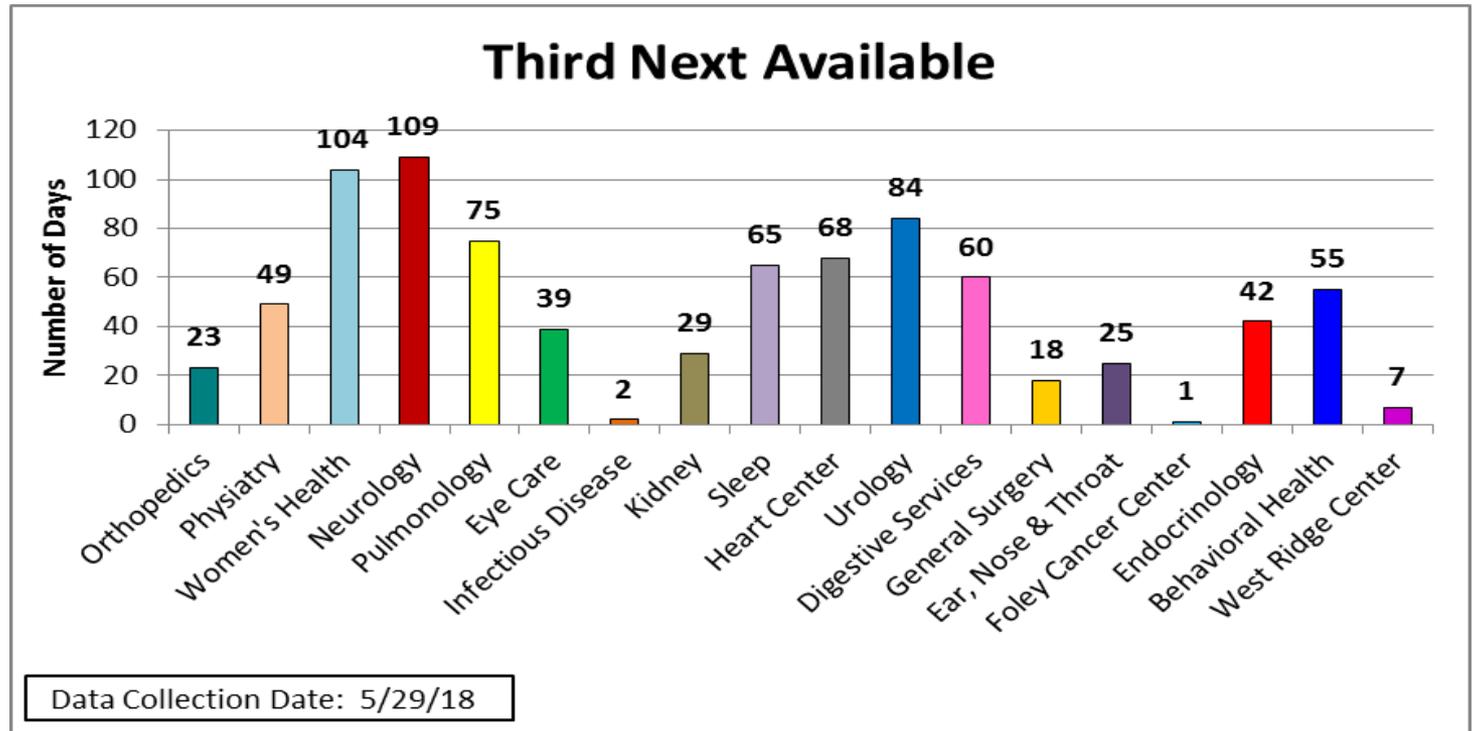
- Mental Health
- ACO
- Primary Care Collaboration
- Care Management to include other providers



Access

Definition

Average length of time in days between the day a patient makes a request for an appointment with a physician and the third available appointment for a new patient physical, routine exam, or return visit exam.



Challenges:

- **Urology** – Single physician practice with part-time APP; recruitment in process that will require significant investment in robotic technology
- **Neurology** – Single physician practice; recruitment in process for physician and APP

Improvements:

- **Behavior Health** – Implemented same day access model



APM Quality Measures

Primary and Specialty Care Measures		
Measure	Statewide Rate (All-Payer Model Target)	Rutland
Percentage of Medicaid adolescents with well-care visits	50%	44%
Diabetes HbA1c poor control (part of Medicare composite measure)	10%	
Controlling high blood pressure (part of Medicare composite measure)	67%	67%
Appropriate asthma medication management (75% compliance)	52%	58%
Prevalence of chronic disease: Hypertension	25% (<26%)	28%
Prevalence of chronic disease: COPD	6% (<7%)	9%
Prevalence of chronic disease: Diabetes	8% (<9%)	10%
Percentage of adults reporting that they have a usual primary care provider	88% -89%	88%
Substance Abuse and Mental Health Measures		
Measure	Statewide Rate (All-Payer Model Target)	Rutland
Engagement of alcohol and other drug dependence treatment	17%	19%
30-day follow-up after discharge for mental health	68%	74%
30-day follow-up after discharge for alcohol or other drug dependence	27% -60% -40%	28%
# per 10,000 population ages 18-64 receiving Medication Assisted Treatment for opioid dependence.	Count 6110 Rate: 155.4 150	Count: 732 Rate: 202.1
Deaths related to drug overdoses	Count: 122 Rate: 2.2 -115	Count: 11 Rate: 2.1
Rate of Growth in number of mental health and substance use-related ED visits	6% -3%	9%



APM Quality Measure Strategies

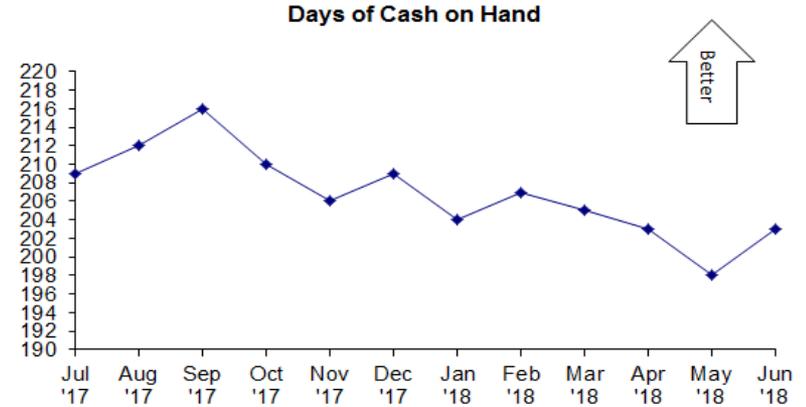
- **Community Care Management System**
 - Alignment of Inpatient and Outpatient Teams
 - Secure Texting and Messaging
 - Shared Care Plans – Over 140 high-risk patients currently enrolled
 - Development of Clinical data analytic tools – risk stratification, panel management
 - Investment in new roles focused on addressing determinants of health
 - Integrated Social Work, Community Health Workers, Transitions of Care Specialists, Med Rec Techs
- **Community Collaborative**
 - Demonstrated success in reducing COPD and CHF readmissions
 - Expanding focus to Sepsis, Diabetes, avoidable ED visits, MH/SA Follow-up
- **Project Vision Health Committee**
 - Primarily focused on improving access to and coordination of substance abuse treatment
 - Initiatives: Universal Release, “No Wrong Door”, Warm hand-offs



New Balance Sheet

ASSETS	2017A	2018B	2018P	2019B
TOTAL CURRENT ASSETS	\$46,949,161	\$52,962,144	\$36,160,956	\$36,360,789
TOTAL BOARD DESIGNATED ASSETS	\$130,876,603	\$135,634,258	\$134,310,334	\$136,214,205
TOTAL PROPERTY, PLANT AND EQUIPMENT, NET	\$81,137,226	\$87,915,866	\$90,358,909	\$110,729,023
OTHER LONG-TERM ASSETS	\$10,512,958	\$5,266,692	\$10,350,358	\$10,392,859
TOTAL ASSETS	\$269,475,948	\$281,778,960	\$271,180,557	\$293,696,876

LIABILITIES AND FUND BALANCE	2017A	2018B	2018P	2019B
TOTAL CURRENT LIABILITIES	\$32,287,405	\$31,888,810	\$29,340,210	\$28,805,833
TOTAL LONG-TERM DEBT	\$36,469,183	\$34,603,702	\$34,603,731	\$47,926,995
OTHER NONCURRENT LIABILITIES	\$15,040,693	\$30,183,617	\$13,065,110	\$10,449,585
TOTAL LIABILITIES	\$83,797,281	\$96,676,129	\$77,009,051	\$87,182,413
FUND BALANCE	\$185,678,667	\$185,102,831	\$194,171,506	\$206,514,463
TOTAL LIABILITIES AND FUND BALANCE	\$269,475,948	\$281,778,960	\$271,180,557	\$293,696,876



Not overly leveraged - **sufficient capacity** to take on additional debt

Debt Service Coverage Ratio **4.8 times** – State Average 3.7 times
 Long-term Debt to Capitalization **15.1%** - State Average 26.7%

Days Cash on Hand is higher than the Vermont System Average but is projected to **continually decrease** from 2017 to 2019

Cash Balances are Critical

- RRMC **has not built** any new reserves to take on additional risk for Medicaid beneficiaries
- Age of Buildings and Equipment - **higher than State Vermont System Average** RRMC 15.1 - State 13.5



Statement of Cash Flows

	Budget 2019
Cash From Operations	
Excess Revenue Over Expense	\$ 12,342,956
Depreciation/Amortization	\$ 12,904,769
Patient A/R	\$ 4,460,346
Other Changes	\$ 2,252,611
	\$ 31,960,682
Cash From Investing Activity	
Capital Spending	
Change in Accum Depr Less Depreciation	\$ (4,632,982)
Change in Capital Assets	\$ (31,084,944)
	\$ (35,717,926)
Investing Activities	
Funded Depreciation	\$ (6,687,374)
Other LT Assets & Escrowed Bonds & Other	\$ (18,752,772)
	\$ (25,440,146)
Total	\$ (61,158,072)
Financing Activity	
Debt Issuance	
Bonds & Mortgages	\$ 12,375,682
Capital Lease & Other Long Term Debt	\$ 947,611
Total	\$ 13,323,293
Other Changes	
Changes in Fund Balance (Pension)	\$ 9,068,676
Total	\$ 9,068,675
Beginning Cash	\$ 14,576,141
Net Increase/(Decrease) in Cash	\$ (6,805,422)
Ending Cash	\$ 7,770,719

Primary Impacts to Cash:

Uses

- Capital Plan (*net of depreciation*) - \$20.3 million
- Pension Payments - \$2.0 million

Sources

- 2.5% Operating Margin - \$6.3 million
- Accounts Receivable - \$4.5 million
- Investment Return - \$6.0 million
- Debt Issuance (*net of principal payments*) - \$13.3



Budget Summary

	FY17 Actual	FY18 Budget	FY18 Projection	FY19 Budget	Percentage of Change		
					Actual to Projection	Budget to Budget to	Projection to Budget
OPERATING REVENUE							
Net Patient Service Revenue	\$ 242,193,431	\$ 250,963,337	\$ 253,620,934	\$ 258,925,111	4.72%	3.17%	2.09%
Other Operating Revenue	\$ 12,083,366	\$ 12,290,376	\$ 13,363,394	\$ 15,699,404	10.59%	27.74%	17.48%
Total Operating Revenue	\$ 254,276,797	\$ 263,253,713	\$ 266,984,327	\$ 274,624,514	5.00%	4.32%	2.86%
OPERATING EXPENSES							
Total Salaries (Physician & Staff)	\$ 113,730,068	\$ 117,585,356	\$ 118,424,537	\$ 121,424,494	6.77%	3.26%	2.53%
Total All Other Expenses	\$ 136,383,345	\$ 139,964,005	\$ 146,510,549	\$ 146,796,301	7.64%	4.88%	0.20%
Total Operating Expense	\$ 250,113,413	\$ 257,549,361	\$ 264,935,086	\$ 268,220,795	7.24%	4.14%	1.24%
INCOME FROM OPERATIONS							
	\$ 4,163,384	\$ 5,704,352	\$ 2,049,241	\$ 6,403,719	-50.78%	12.26%	212.49%
Total Non Operating Revenue	\$ 16,154,020	\$ 8,794,172	\$ 6,443,603	\$ 5,939,237	-60.11%	-32.46%	-7.83%
Excess Revenue Over Expenses	\$ 20,317,404	\$ 14,498,525	\$ 8,492,845	\$ 12,342,956	-58.20%	-14.87%	45.33%
Operating Margin	1.72%	2.27%	0.81%	2.47%			

Summary

3% Rate Increase Request

3.2% Net Patient Service Revenue – met GMCB requirements

- 2019 volume consistent with 2018 projections

4% Expense Growth

- Total salary adjustments (cost of living and recruitment) 3.75%, Pharmaceuticals – 4.6%, Self-Insured claims expense

2.5% Operating Margin

- Over the last 2 years RRMC has underperformed in meeting the operating margin by \$5.6 million



Overview - Revenue

- Rutland Regional Medical Center has met the Green Mountain Care Board's net patient service revenue growth trends in 2019.
 - Our overall budget includes a net revenue growth of **3.2%** , which includes **0.4%** to support healthcare reform activities.
- **Requesting a 3%** rate increase to cover reimbursement losses
 - Decreased Disproportionate Share Payments of \$904,000.
 - Decreased Medicare Joint rates \$1.4 million.
 - Increased reserve for Bad Debt & Free Care of \$1.4 million.
- Considering our 3 rate reductions RRMCC's 5-year average annual rate increase has been less than 1.5%.
- Our 2019 Budget demonstrates reasonable trends and is consistent with actual volume in 2018.
- Reimbursement assumptions are supported by proposed regulations from Medicare/Medicaid and commercial payer contracts.
- Budget assumes OneCare risk participation for Medicaid FQHC population – estimated at **11,000** lives.
 - Financial impact of **\$1.2 million** – requesting healthcare reform funds.



What's...

Net Patient Revenue Growth Supporting?

Allowed 2.8% Growth	\$ 6,958,000
Allowed Healthcare Reform	\$ 1,004,000
Growth of Other Operating Revenue	<u>\$ 3,409,000</u>
Total Growth to Support Expenses	\$ 11,371,000

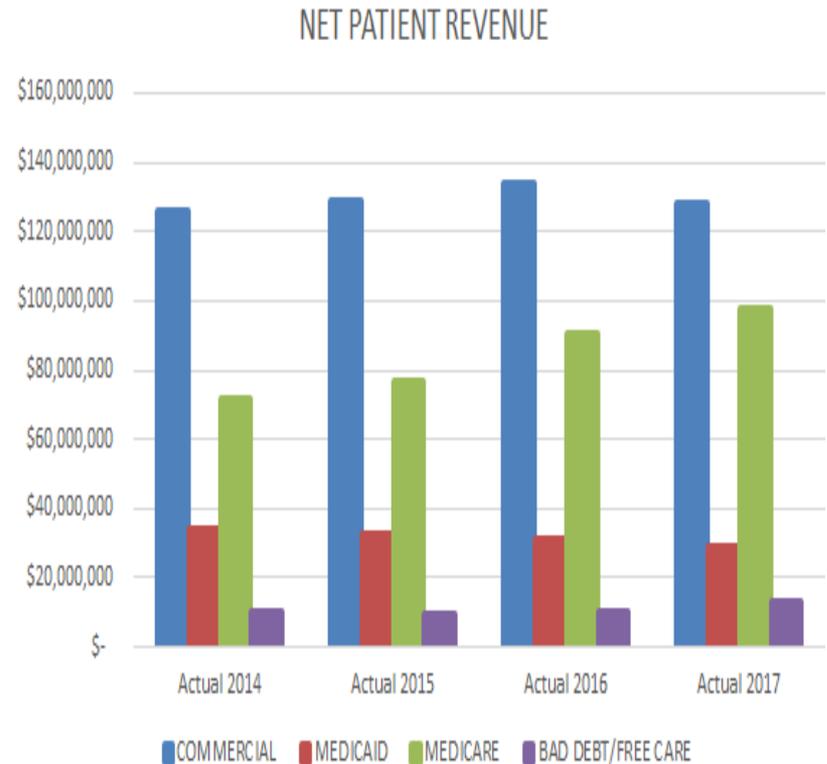
Expenses:

Staffing, including physicians (3.2%)	\$ 3,839,000
Employee Benefits (7.5%)	\$ 2,121,000
Supplies (3.7%)	\$ 4,099,000
All Other (2.0%)	\$ 613,000
Margin (2.5%)	<u>\$ 699,000</u>

\$ 11,371,000

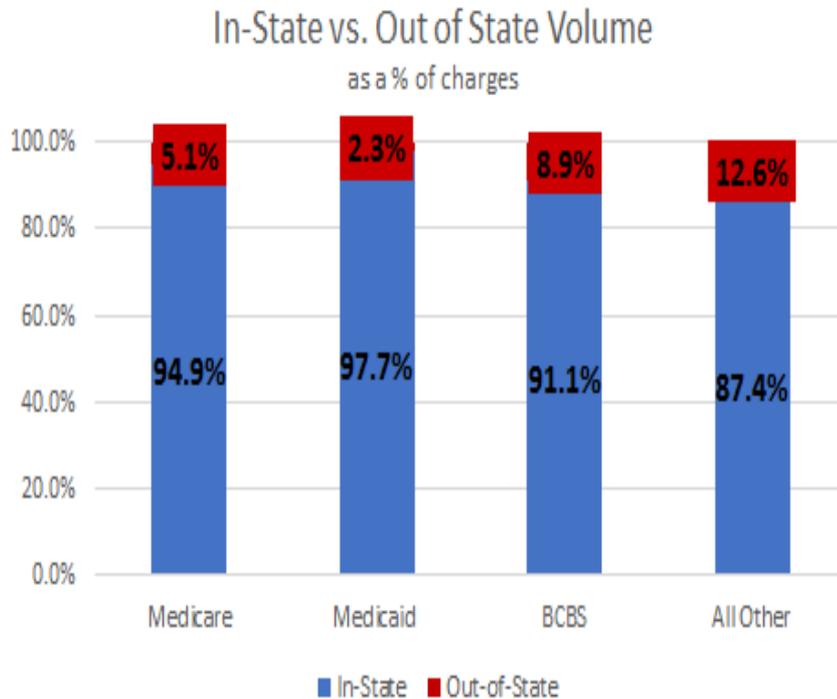
Budget 2019 includes a 3.0% rate increase

- Equates to \$2.4 million net revenue
- **Why...**
 - Decreased Disproportionate Share Payments of \$904,000
 - Increased reserve for Bad Debt & Free Care of \$1.4 million

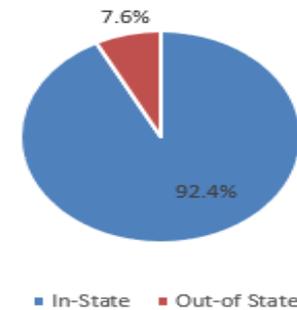




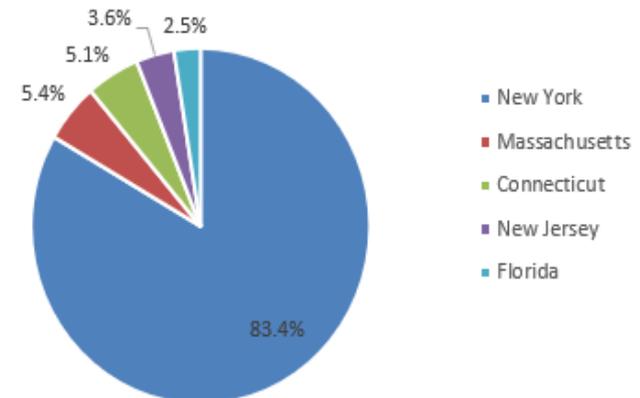
Payer Mix: In-State and Out-Of-State



In-State vs. Out of State Volume
as a % of charges



Top 5 States (excluding VT)
as a % of charges

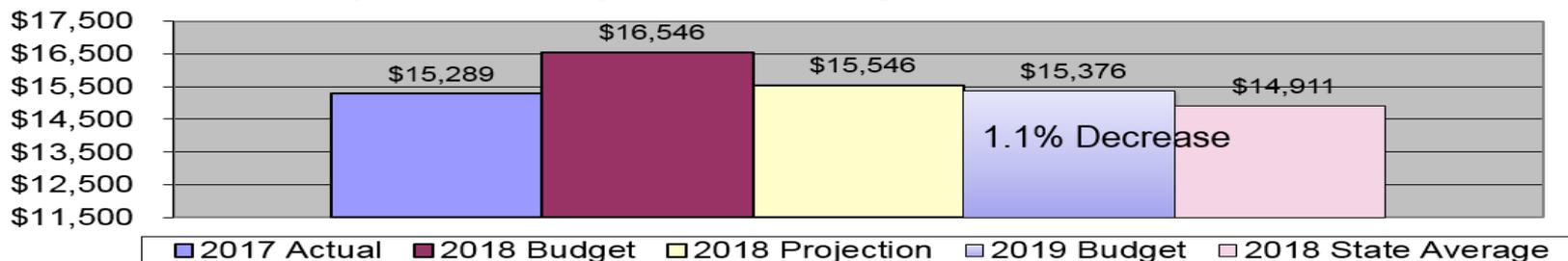




Overview - Expenses

- Our cost structure has been **realistically considered** and includes **cost reduction initiatives** – ending with a 4.1% increase
 - Includes a 3% cost of living increase and 0.75 % wage estimate to support recruitment efforts in hard to fill positions.
 - Our Union contract expires in September 2018 and we will be renegotiating rates for the RN bargaining unit.
 - RNs, MDs and Medical Technicians – highly competitive hiring environments
 - Assumed a 3% inflation factor for most supply expenses,
 - Expect pharmaceutical which are expected to rise at a much greater rate - 2019 budget estimates pharmacy costs will rise by 4.8%.
 - Expenses related to contractual obligations have been budgeted consistent with contract terms.
- Significant effort was placed on **cost control activities** – in aggregate \$2.4 million
 - Membership in a group purchasing organization, Vizient, and our participation in specific cost control initiatives.

Expense Per Adjusted Discharge





Cost Containment - \$2.4 million

Position Eliminations	\$1,379,000	See list
Pharmaceuticals	\$345,000	Northeast Purchasing Coalition, Vizient
Operating Room Supplies / Other	\$300,000	Northeast Purchasing Coalition, Vizient
Transcription	\$137,000	IT efficiency
Discretionary Spending	\$237,000	

Northeast Purchasing Coalition LLC, a Vizient member owned network

Through the aggregation of purchasing volume and the ability to collectively and quickly move market-share, through contracting and/or utilization initiatives, NPC can realize discounts for members beyond what would be possible individually.

Pharmacy Operations Committee Initiative examples:

- Intravenous Immune Globulin and Albumin contract – Savings of \$273,224 per year.
- Flu Vaccine – Savings of \$10,376 per year.
- Closed System Transfer Devices contracting and standardization – Savings of \$4,386 per year.
- Pharmacy Distribution/Wholesaler contracting (discount reduction) – Savings of over \$200,000 per year for life of five-year contract.
- Oral potassium liquid utilization – Savings of \$6,247 per year.
- Neurokinase-1 antagonist contracting – Savings of \$33,661 per year.

Supplies / Operations Committee Initiative examples:

- Administrative Contracts – Savings \$161,119.00
- Physician Preference Items – Savings \$120,767.00
- Stock Supplies – Savings \$123,239.00



New/Reduced Positions By Service

NEW POSITIONS

Inpatient	5.6
Ancillary Services	12.3
Other Clinical	2.4
Support	<u>7.8</u>
Total New Positions	28.1
Community Investment	<u>9.2</u>
Total New Positions	37.3

REDUCTIONS

Ancillary/Clinic Services	7.5
Other Clinical	3.5
Support	<u>11.2</u>
Total Reductions	22.2

To manage limited net revenue growth and still provide competitive salaries, considerations for new positions must be offset by position reductions.



Reconciliation of Fiscal 2018 Approved Budget to Fiscal 2018 Projection

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Summary:

RRMC projects to be \$2.6 million over the net revenue target – equivalent to 3.2%

- Driven by volume: primarily inpatient volume

Expenses are projected to be \$7.3 million more than budget

- driven by temporary staff, pharmaceuticals and medical claims

Due to the significance of expense overruns RRMC will not meet it projected operating margin

- Operating margin will be less than 1% and under budget by \$3.6 million



Cost Mitigation Resolving 2018 Performance RN Hiring Program

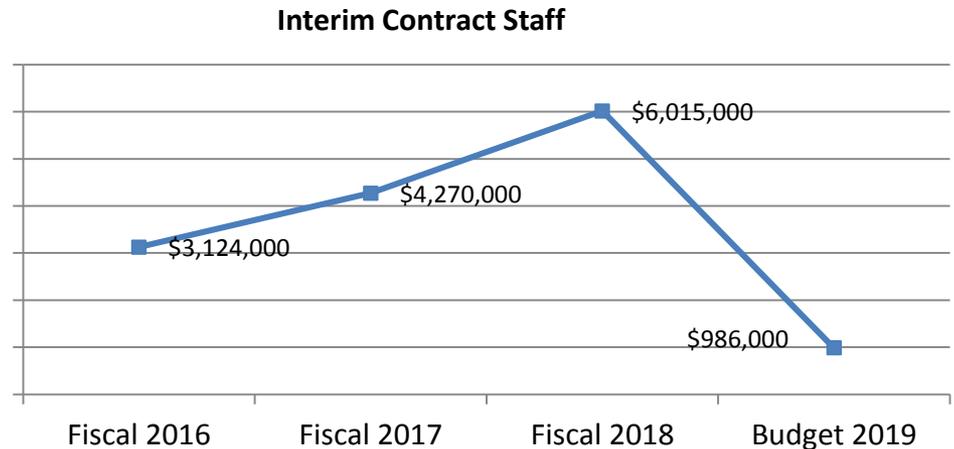
Hiring Targets

Current Travelers	37
Estimated Retirements	<u>35</u>
	72

Hired as of June 1, 2016

Experienced	18
New Grad	<u>39</u>
	57

\$7,000,000
\$6,000,000
\$5,000,000
\$4,000,000
\$3,000,000
\$2,000,000
\$1,000,000
\$-



Hiring Tactics:

- Supporting **BSN degrees** for 32 current RNs – requires retention agreement for 3 years
- **Nurse residency program** - This is a formal program, recognized through the ANCC Magnet program, as a way to support new graduates through their first year of employment
- Developed a “**LNA residency program**”. This is an innovative approach to growing LNAs into an RN program for the future
- **New Grad Hiring Bonus** – requires a retention agreement for 2 years



Other Information: Reimbursement Assumptions

Medicare Trends (Proposed) - *Net Revenue Increase - \$1.0 million*

- **Inpatient Rates** – Overall Increase in reimbursement 1.0%
- **Outpatient Rates** – anticipated net reimbursement 1.3%
- **Physician Rates** – anticipated net reimbursement .5%

Medicare Quality – *At risk: \$1.9 million*

- *Value Based Purchasing* - 2% withhold 548,000 loss
- *Failure to report any IP quality measures* - \$291,000
- *Stage 3 Meaningful Use and MIPS measures initiatives* - \$1,087,000

Medicaid Trends

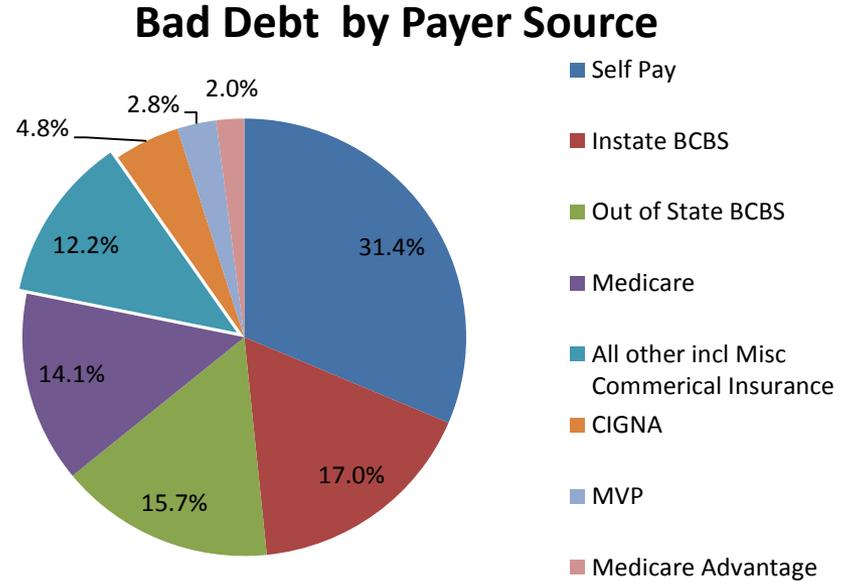
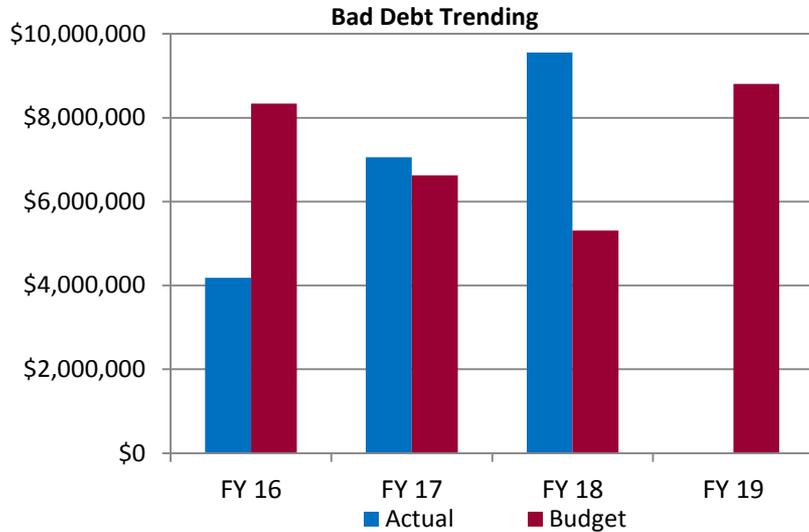
- Assume ACO trend rate - 0.5% across the board

Commercial

- Consistent with current contracts



Other Information: What drives Bad Debt?



*Bad Debt is increasing due to **high deductible plans** - subscribers who do not qualify for free care programs, but who are not able to cover the high deductible of their plan.*

Based on 2018 bad debt activity:

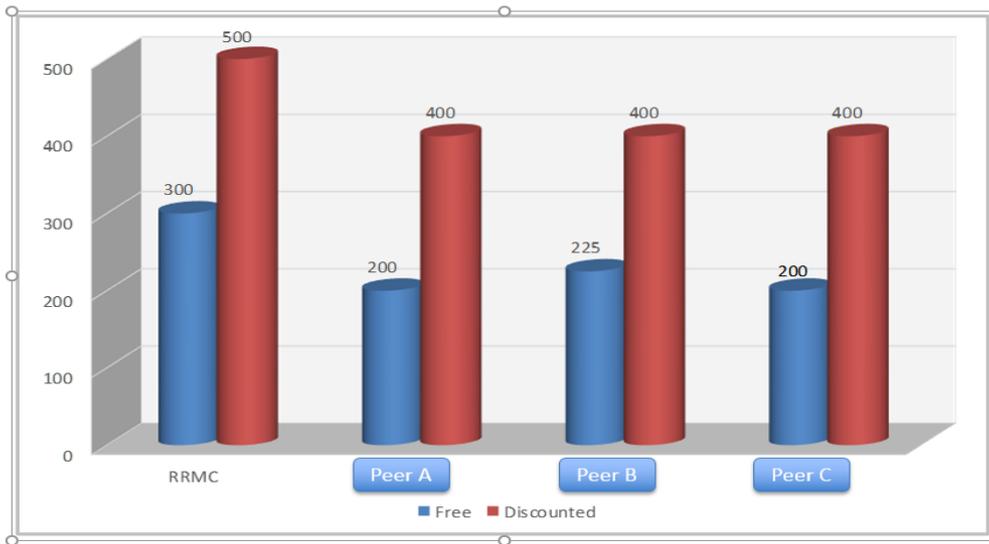
- 69% of bad debt is the result of balances on encounters with insurance*
- 31% relate to patients without any insurance.*



Other Information

Access to Free Care:

FREE CARE SCALE - % OF FEDERAL POVERTY LEVEL



RRM provides care to all patients regardless of ability to pay

- Free Care benefit is the most generous in the State

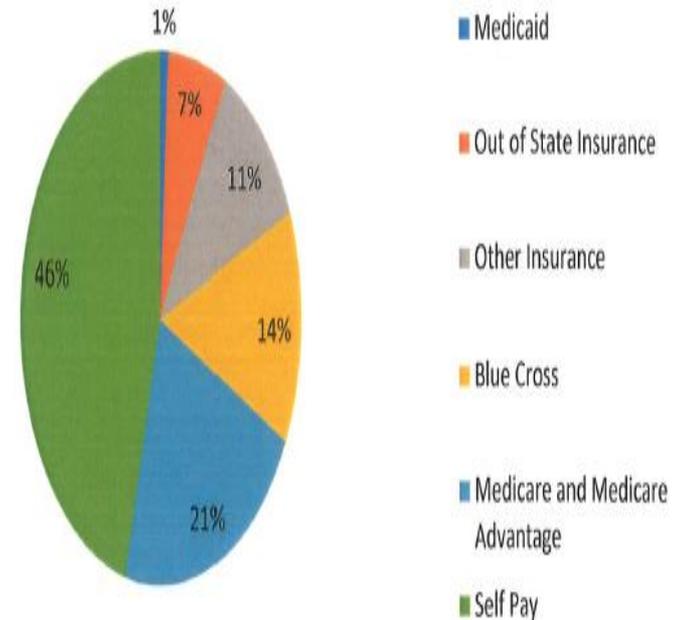
On average 150 Free Care applications are processed each month

- One-third of applications are renewals, two-thirds are new

Less than 10% of applications are denied

- Most significant denial reason – lack of paperwork completion

Total Financial Assistance by Original Payer

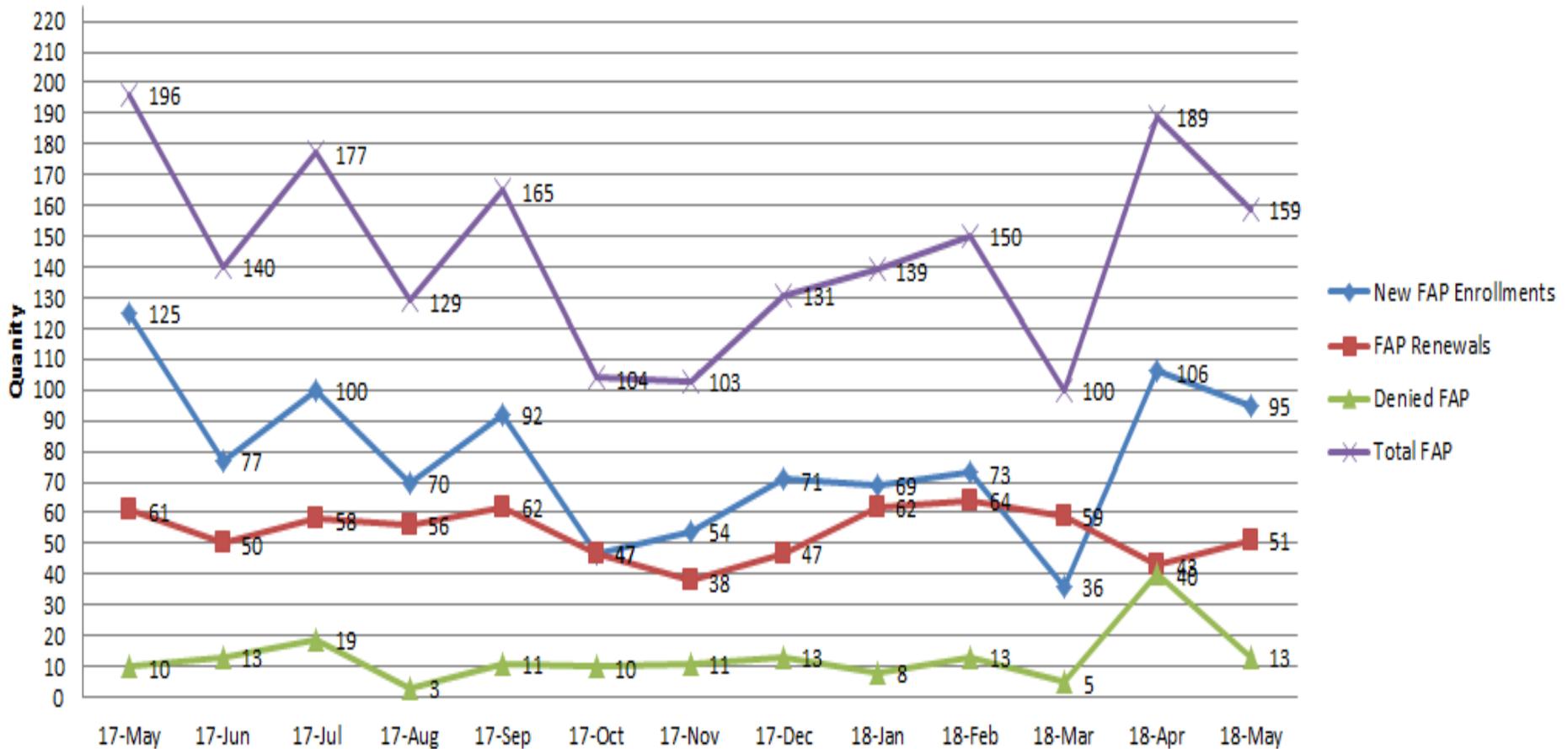




Other Information

Access to Free Care:

FAP Applications





CHNA Strategies

Priority #1: Mental health and substance abuse services for adults and youth	FY 2018 Hospital Expense	Health Care Reform Investment
Operationalize and integrate <i>Screening, Brief Intervention and Referral to Treatment (SBIRT)</i> model in the RRMC ED.	\$47,300	Yes
<i>Expand Medication Assisted Treatment</i> at West Ridge Center to meet community needs.	\$150,000	No
<i>Expansion of opiate treatment SPOKES</i> , by providing support to embed nursing and counselors in practices prescribing buprenorphine.	Blueprint Funded	No
<i>Support the expansion of Community Health Centers</i> of the Rutland Region, our federally qualified health centers, to additional primary care locations, and through exploration of models of service delivery (transitions of care, case management, care coordination).	\$80,300 Director \$233,250 Shared IT Support	Yes
Implementation of <i>Tobacco Free Support Group and Tobacco Cessation programming</i>	Blueprint Funded	No
Continue community provider <i>recruitment and retention efforts.</i>	\$50,000 AHEC	No



CHNA Strategies

Priority #2: Promote a Healthy Culture by positively influencing Healthy Behaviors, Social and Economic Determinants, and Physical Environment	FY 2018 Hospital Expense	Health Care Reform Investment
RRMC to grant funds to community-based projects that aim to improve the health status of residents in the Rutland Regional through the Bowse Health Trust.	\$330,000 in grant funds \$92,000 Administration	Yes
Explore and implement health and wellness services and/or facilities to respond to community health and wellness needs, in collaboration with community partners. (Healthy Homes Project)	\$36,000	Yes
Support and promote tobacco free public places , housing, etc. through policies, ordinances and culture change.	No additional cost	No
Operationalize and implement the Centering Pregnancy model for pregnant women, to improve outcomes by engaging patients and promoting healthy choices, such as breastfeeding.	No additional cost	No



Health Care Reform Investment Updates

Fiscal 2018

Proposed Investment	Planned Investment	Target Population	Implementation Partners	Health Care Reform Goals	Project Status/Outcome
Emergency Department Social Work	\$82,800	ED High-risk Patients	RRMC Internal	Improve care coordination for high-risk and high utilizers. Reduce ED utilization	Ongoing: ED Social work has been in place full-time since the beginning of the year. This newly created position has been instrumental in <i>addressing the needs of high utilizing patients</i> . We continue to see a reduction in the frequency of visits by our highest utilizing patients.
Care Management System Director	\$80,300	All shared RRMC/CHCR R Shared patients	CHCRR	Coordination of care between primary care and hospital	Ongoing: The <i>Care Management System Director position has been hired</i> with costs shared between RRMC and CHCRR.
Medication REACH Program	\$289,000	All Inpatients	RRMC Nursing Units	Reduction in readmissions related to medications	Ongoing: All planned staff have been hired, including three pharmacy technicians and supervising pharmacist time. Staff have been trained and are now providing <i>medication reconciliation for every patient admitted</i> to the hospital through the Emergency Department. In the four months of full operation the program has conducted more than 1,800 medication reconciliations. We estimate that this service has resulted in more than <i>10,000 significant changes</i> in patient medication histories and more than <i>2,000 updates to patient allergy histories</i> .



Health Care Reform Investment Updates

Fiscal 2018

Proposed Investment	Planned Investment	Target Population	Implementation Partners	Health Care Reform Goals	Project Status/Outcome
PSIU Peer Specialist	\$37,000	Psychiatric Patients with SPMI and ED	RRMC Internal; Community Advisory Committee	Reduction of readmissions; shortening of time to medication; lower LOS; reduction in EIPs	Ongoing: As planned, <i>two part-time peer specialists</i> have been hired and are orienting on the inpatient psychiatric unit. The hiring process included staff, peers, and members of the Community Advisory Committee
IT Support for Community Care Management	\$75,000	All shared RRMC/CHCRR Shared patients	CHCRR	Coordination of care between primary care and hospital	Ongoing: Work to develop a <i>community-wide shared care plan</i> that will be hosted in RRMC's EMR is well underway. This tool became available for use on 4/2/2018.
Transitions of Care - Care Manager	\$100,000	High Risk Patients	CHCRR	Coordination of care for high risk patients. Reduce readmits.	Ongoing: A Care Management Social Worker has been hired to support <i>coordination of care and communication between inpatient and primary care offices</i> . This is an expansion of a program that demonstrated clear results from increased care management post hospital discharge for our most complex patients.
Come Alive Outside	\$20,000	Population Health	Come Alive Outside	Improve the health of the community	Ongoing: Additional activities being planned for early spring.



Health Care Reform Investment Updates Fiscal 2018

Proposed Investment	Planned Investment	Target Population	Implementation Partners	Health Care Reform Goals	Project Status/Outcome
BluePrint Shortfall	\$151,300	All Shared Hospital/PCMH patients Coordination			Ongoing: A Care Management specialist has been hired to <i>support coordination of care and communication between inpatient and primary care offices.</i>
SBIRT Year 3 Shortfall	\$47,300	SA Patients in the ED	RRMC ED	Reduction in SA use of ED: Connection of patients to follow-up care	Ongoing: Although State funding for this program ended on June 30, 2018, RRMC is working to integrate these staff and the core <i>SBIRT functions into the Social Work staffing for the Emergency Department</i> beginning in July 2018. We are also working with Primary Care partners to <i>develop SBIRT services as part of routine, integrated, health screening</i> outside of the Emergency Department.
Community Grant Program Admin	\$92,000	Population Health	RRMC James T. Bowse Health Trust	Support for the Administration of the James T. Bowse Health trust.	Ongoing: This program provides a minimum of <i>\$300,000 in grants to community organizations</i> to support programs that are in alignment with the CHNA priorities.



Health Care Reform Investment Updates

Fiscal 2017

Proposed Investment	Planned Investment	Target Population	Implementation Partners	Health Care Reform Goals	Project Status/Outcome
Case Management in the Emergency Dept.	\$160,000	ED High-Risk Patients	RRMC Emergency Dept	Coordination of care between primary care and hospital.	Ongoing: Added two RN Case Managers to work with patients in the Emergency Department, focusing on <i>reducing unnecessary utilization and increasing successful transition to outpatient follow-up.</i>
Case Management for Transition of Care	\$100,000	At risk discharged patients	RRMC Case Management	Coordination of care after discharge to include medication management, home safety checks, nutrition, etc.	Ongoing: We have hired a full time RN who supports the transition of care for the most medically complex patients. In 2017, this program <i>achieved a readmission rate of 9.9% for the 111 patients seen which is significantly better than the general Medicare readmission rate.</i> This program is being expanded in 2018 based on these results.
Clinical Social Workers in Specialty Clinics	\$111,000	At risk patients in specialty clinics	RRMC Specialty Clinics	Enables screening and support of 'whole person' healthcare needs (depression, family issue support, substance abuse)	Ongoing: One <i>Social Worker was hired in Fiscal 2017 in the Multispecialty Clinics</i> (Pulmonary, Sleep, Infectious Disease), one in Women's Health and in Cardiology.



Health Care Reform Investment Updates

Fiscal 2017

Proposed Investment	Planned Investment	Target Population	Implementation Partners	Health Care Reform Goals	Project Status/Outcome
Member of the ACO (Assessment Fee)	\$54,750				Ongoing
Community Grant Programs	\$330,000	All Community Members	RRMC Community Health Team	Providing support for various community programs that address sexual abuse prevention.	Ongoing: This program provides a minimum of \$300,000 in grants to community organizations to support programs that are in alignment with the CHNA priorities.
Healthy Homes	\$36,000				Ongoing – Collaboration with Neighbor Works to ensure patients return to safe / healthy homes
IT Support for Community Care Management	\$158,250	All shared RRMC/CHCRR shared patients		Coordination of care between primary care and hospital	Ongoing: Support of IT infrastructure at CHCRR and enhanced information sharing with RRMC. Specific Projects to be developed include: Shared Care Plan, Secure Texting, Secure Message Center.



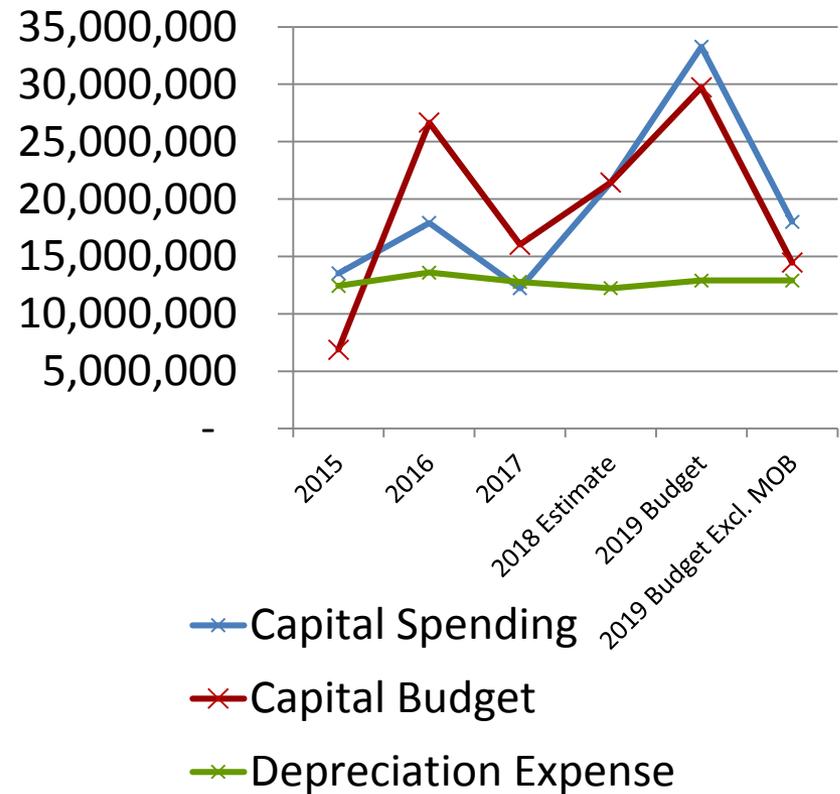
Capital Budget

- **Capital Targets**

- Depreciation Expense is \$12.9 million
- Goal to spend at least 1.2X our depreciation expense

- **2019 Capital Spending - Approved**

- Routine Capital Funded by Equity \$13.8 million
- Routine Capital Funded by Endowments \$1.0 million
- CoNs Funded by Equity \$3.6 million
- CoNs Funded by Debt \$14.9 million





2019 Routine Capital Spending

Projects Greater than \$250,000	Spending in FY 2019
Foley Cancer Center Waiting Room & Office Renovation	\$ 2,600,000
Air Handling Unit 3 Replacement (ICU Air Handler)	\$ 1,500,000
Access Layer Switch Upgrade	\$ 1,384,420
FY 19 Device Refresh	\$ 1,314,564
Window Replacement Phase II	\$ 1,132,682
Hospira Infusion Pump	\$ 898,460
Rutland Heart Center Nuclear Medicine Camera Replacement	\$ 478,894
C-arm Fluoroscopy Unit Replacements (Qty of 2)	\$ 377,200
Pharmacy Omnicell Replacements	\$ 362,288
Provation EMR - Endoscopy	\$ 359,846
Planning Projects	
MRI Full Upgrade	\$ 50,000
Paving and Expansion of 1 Albert Cree Parking Lot	\$ 39,995
Chiller #4 (1200 Ton)	\$ 25,000
Diagnostic Imaging Nursing Renovations	\$ 25,000
Other	
Miscellaneous Capital (Items < \$250,000 each)	\$ 1,710,062
Information Technology Roadmap	\$ 500,000
Contingency	\$ 2,000,000
Total Routine Capital Budget FY 2019	\$ 14,758,411



2019 CoN Capital Spending

Active CoNs	
Nuclear Medicine (Approved: July 26, 2017)	\$ 1,162,596
Medical Office Building & Loading Dock (Approved: January 23, 2018)	\$ 15,261,925
Planned CoNs	
GE Revolution CT Scanner Replacement (Unapproved: Letter of Intent July 2018)	\$ 1,916,951
Planning and Investigative	
Operating Room Renovations (Unapproved)	\$ 100,000
PSIU North and West Wing Renovation (Unapproved)	\$ 50,000
Laboratory Renovation and Automation (Unapproved)	\$ 25,000
Total CoN Capital Budget FY 2019	\$ 18,516,472
Total Capital Budget	\$ 33,274,883

CoN Adherence to Budget

CoN Docket #	Description	Approval Date	Open Closed	Approved Amount	Total Spending as of 06/30/18
GMCB-012-14	Emergency Department Renovations	10/17/14	Closed	\$ 6,016,407	\$ 5,593,657
GMCB-023-15con	Replacement of Air Handling Units 1 & 2	05/11/16	Open	\$ 5,673,532	\$ 4,625,381
GMCB-012-16con	Replacement of Nuclear Medicine Camera	07/26/17	Open	\$ 2,840,596	\$ 216,373
GMCB-012-17con	Medical Office Building	01/23/18	Open	\$23,883,569	\$ 460,830



Original Budget Assumptions ACO –Medicaid

Rutland* HSA	Year and Data Source	Member Base Assumptions					Risk and Reward Sharing			Primary Care Enhancement			Complex Care Coordination			Quality Incentives		OneCare Operations	Total Maximum Upside	Total Maximum Downside
		Lives	Total Cost Of Care	FC Stability	Member Months	PMPM	Max Risk	Corridor	Sharing	Lives	PMPM	Total Value	Lives	PMPM	Total Value	Lives	Quality Incentives			
Medicaid	2018	11,000	\$ 33,537,516	95.2%	125,605	\$ 267.01	\$ 1,006,125	3.0%	100%	11,000	\$ 1.63	\$ 214,500	16%	\$ 15	\$ 301,451	11,000	\$ 167,000	\$ 330,000	\$ (6,826)	\$ (2,019,077)

What we assume... *Based on limited data*

- Cost to enter – **\$1.0 million**
- **11,000** attributable lives
- Total Cost of Care @ **\$33.5 million**
- Risk / Reward Corridors at **100% of 3%**
- Maximum Reward / Risk **\$1.0 million**
- Total downside (maximum risk and cost to participate) **\$2.0 million**
- RRMC **can't "win"** cost of entry more than the maximum upside reward

Risk in Wrong Assumptions

- Care management enhancements could be more/less
- Attributable lives more/less – drives maximum risk
- Total cost of care could be more/less = drives Maximum risk
- Change in maximum risk/reward corridors could dive more risk/reward



Updated Assumptions ACO – Medicaid

OneCare Vermont									
Preliminary Key Budget Numbers									
8/13/2018									
Rutland Hospital	HSA Attribution	Hospital Attribution	HSA TCOC	Max Risk	Gross Fixed Payment	Fixed Payment Deduction	Program PHM Receipts	Other PHM Receipts	Total PHM Receipts
Medicare	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Medicaid	7,753	86	\$ 14,671,210	\$ 586,848	\$ 3,613,317	\$ (672,289)	\$ 59,161	\$ -	\$ 59,161
BCBS QHP	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	7,753	86	\$ 14,671,210	\$ 586,848	\$ 3,613,317	\$ (672,289)	\$ 59,161	\$ -	\$ 59,161

- **Proposed – Based on 2016 Claims Data as of July 2018**
 - Cost to enter – **\$672,829**
 - **7,753** attributable lives
 - Total Cost of Care @ **\$14.7 million**
 - Risk / Reward Corridors at **100% of 4%**
 - Maximum Reward / Risk **\$568,848**
 - Total downside (maximum risk and cost to participate) **\$1.2 million**
 - RRMC cost of entry **tied to** maximum upside reward
- RRMC will only need to **request 0.3% GMCB Net Revenue** funds to cover the “cost of entry”
- As RRMC does not employ primary care there is little ability to achieve gain sharing
 - The Reward Share would only serve to offset the “cost to enter”
 - Without GMCB funds to support “cost of entry” **we find it difficult to** consider accepting Medicaid risk in 2019



Impact of Updated ACO Assumptions

- **RRMC has requested “Healthcare Reform Funds” to support the cost to participate in OneCare**
 - Cost to participate was reduced by approximately \$340,000
 - A result of limiting RRMC’s cost to the maximum attainable reward
- **RRMC only needs *0.3% GMCB Net Revenue* funds to cover the “cost of entry”**
 - Budget includes a 0.4% GMCB Net Revenue request
 - With new assumptions that only require 0.3% we would limit our net revenue growth to 3.1%
- **Change in net revenue targets (from 3.2% to 3.1%) impacts required rate increase**
 - Originally requested 3.0% rate increase
 - With new OneCare Costs and lower net revenue rate increase requirements is 2.6%



GMCB Compliance and Rate Impacts

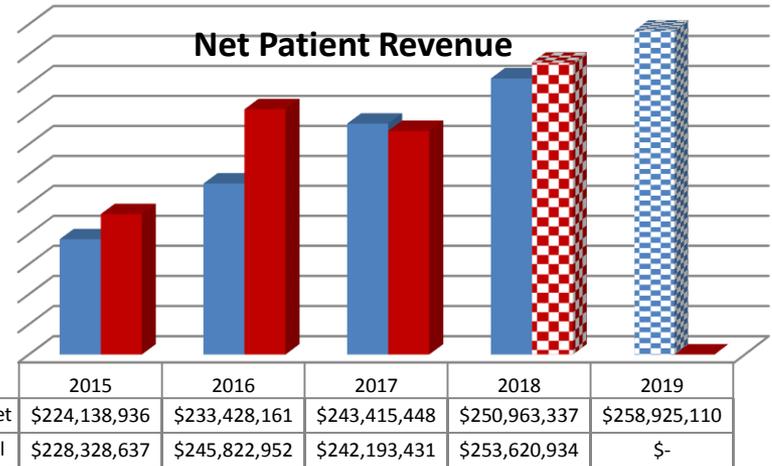
Net Revenue Overrun 2015 – 2018P equates to \$14.0 million

- As a percentage this is 1.4%

RRMC Reduced Rates 3 times

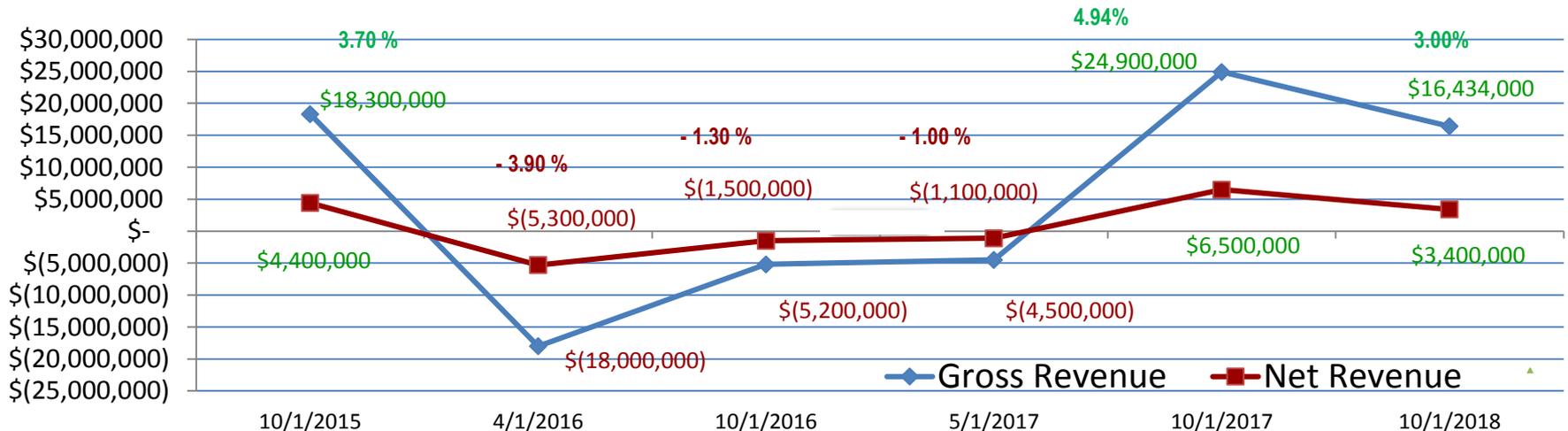
- Total Net Revenue Impact \$7.9 million reduction

4-Year Net Rate Increase 2015 – 2019 averages 1.4%



■ Budget ■ Actual

Rate and Pricing History



Healthy Vermont. Together.



 Rutland Regional
Medical Center