

# FY24 Brattleboro Retreat Budget Staff Analysis

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# GMCB Hospital Budget Process



- Annually, GMCB reviews hospital budgets for Vermont's 14 community hospitals (18 V.S.A. § 9375(b)(7); 18 V.S.A. § 9456)
- GMCB's review is based on statutory factors and GMCB guidance established annually. In reviewing hospital budgets, GMCB considers factors including:
  - Labor expenses, utilization, pharmaceutical expenses, cost inflation, commercial price changes, financial indicators, known pricing changes for Medicare and Medicaid, uncompensated care, and other factors, as well as testimony from hospitals and comments from members of the public.
- Act 140 of 2020 extended GMCB's review to all hospitals not operated by the State (as opposed to *general hospitals*), which now includes Psychiatric Care Hospitals

# FY24 Brattleboro Retreat Budget Review



- This is the first year Brattleboro Retreat's budget is subject to a full review
- The Brattleboro Retreat differs from community hospital budgets reviewed by GMCB in multiple ways:
  - Scope of operations and role in health care system
  - Different fiscal year (calendar year)
  - Different patient migration and service area demographics
- In reviewing Brattleboro Retreat's budget, Staff are interpreting GMCB's FY24 guidance with these differences in mind, including by comparing Brattleboro Retreat's performance to other psychiatric hospitals where possible, and making the inflation comparison to Producer Price Index for Psychiatric Hospitals.

# Mental Health & VT Health Care Reform



- Investment in mental health is essential
- VT legislature has underscored its commitment to mental health care as an essential component of health care reform
  - In developing a proposal for a subsequent agreement with CMMI, Act 167 of 2022 Sec. 1 (a)(2)(C)(iv) states the proposal shall “support equal access to appropriate mental health care that meets standards of quality, access, and affordability equivalent to other components of health care as part of an integrated, holistic system of care.”
- Value-based care for the region, state
  - Shared services agreement with BMH
  - OneCare waiver, UVMMC, Rescue Inc. Transport to reduce wait times

CMMI: Center for Medicare and Medicaid Innovation

# Additional Context

- Mental health care in demand
  - Inpatient care is sparse
    - Brattleboro Retreat is the only facility in Vermont for children and youth requiring psychiatric hospitalization
  - Wait times are a barrier to access
- Health care workforce is stretched
  - Demographic change
  - Housing costs, shortage
  - Brattleboro Retreat in particular: Regional competition for health care and social service professionals (e.g., nurses, BHTs, social workers)

NEWS • HEALTH CARE  
**What's Causing Vermont's Dearth of Nurses?**  
By COLIN FLANDERS @CFLANDERSVT  
Published 2022 at 10:00 a.m.

HEALTH  
**Brattleboro Retreat lays off 85 workers**  
By Katie Jickling  
October 23, 2020, 6:35 pm

**Mental Health Week: Psychiatric Crisis In Hospital ERs**

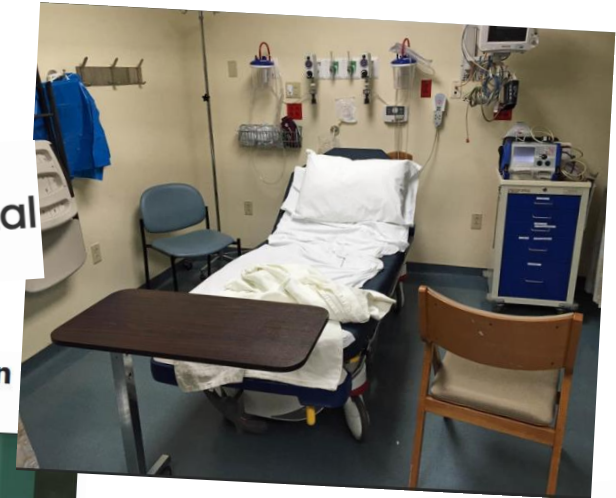
**GMCB public hearings to focus on future of rural hospitals**



By Calvin Cutler  
Published: Oct. 23, 2023 at 4:00 PM EDT

**Workforce shortages may curb plan to re-up psych bed capacity**

By Liora Engel-Smith  
September 2, 2021, 7:51 pm

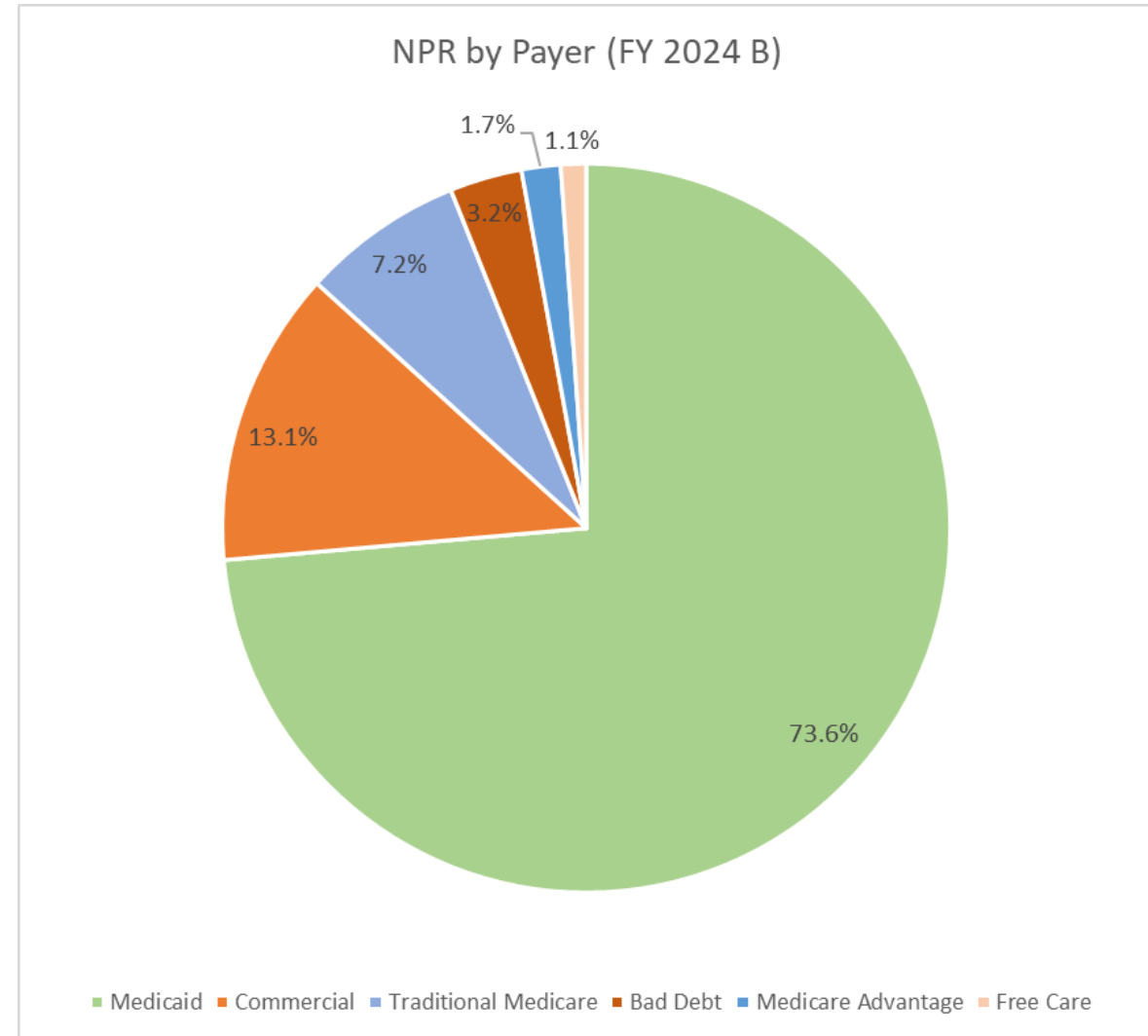


**Brattleboro Retreat staffing shortage traps psychiatric patients at the ER for days**

By Liora Engel-Smith  
February 1, 2022, 5:59 pm

# Budget Basics

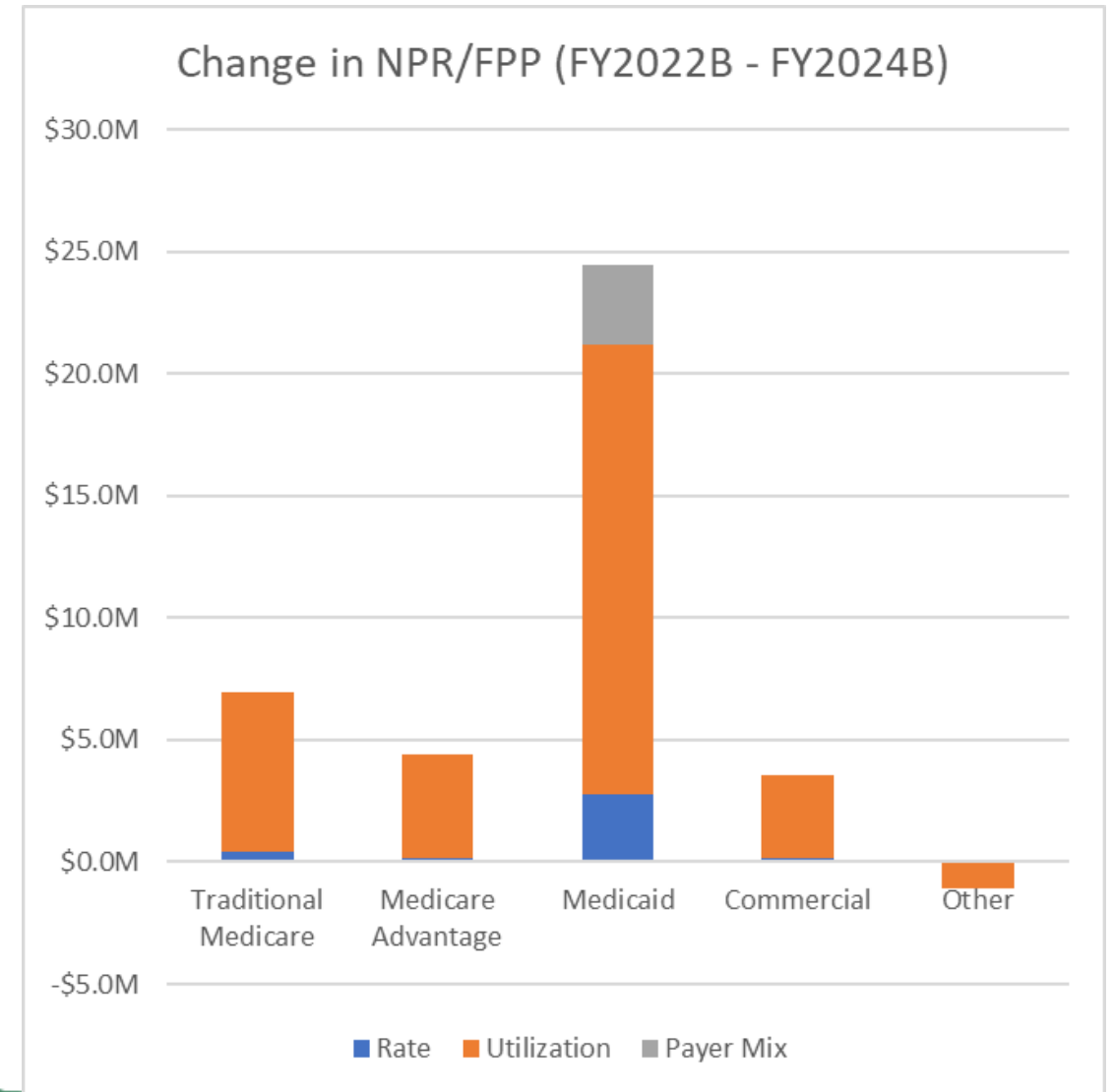
- Budgeted NPR increase of 6.6%
  - \$91.4M projected for FY 2023
  - \$97.4M budgeted for FY 2024
- Budgeted commercial change in charge of 1.9%
  - \$154K in additional net revenue
- Budgeted NPR payer mix
  - 80.8% from Medicaid and Medicare
  - 14.9% from commercial and MA
  - 4.3% from bad debt and free care



NPR: Net Patient Revenue

# Payer Mix and Revenue Impacts

- Public payers fund most patient revenue
- Utilization drives net patient revenue
- Rate: Medicaid per diem rose from
  - \$2550/day through June 2022 to
  - \$3100/day through December 2024
- Payer Mix: Reconciliation in 2022
  - Commercial and Medicare admissions who lose coverage before discharge are now counted as Medicaid
- Net revenue change (FY22B to FY24B)
  - 86.7% changes due to utilization
  - 9.0% changes due to rate
  - 4.3% changes due to payer mix

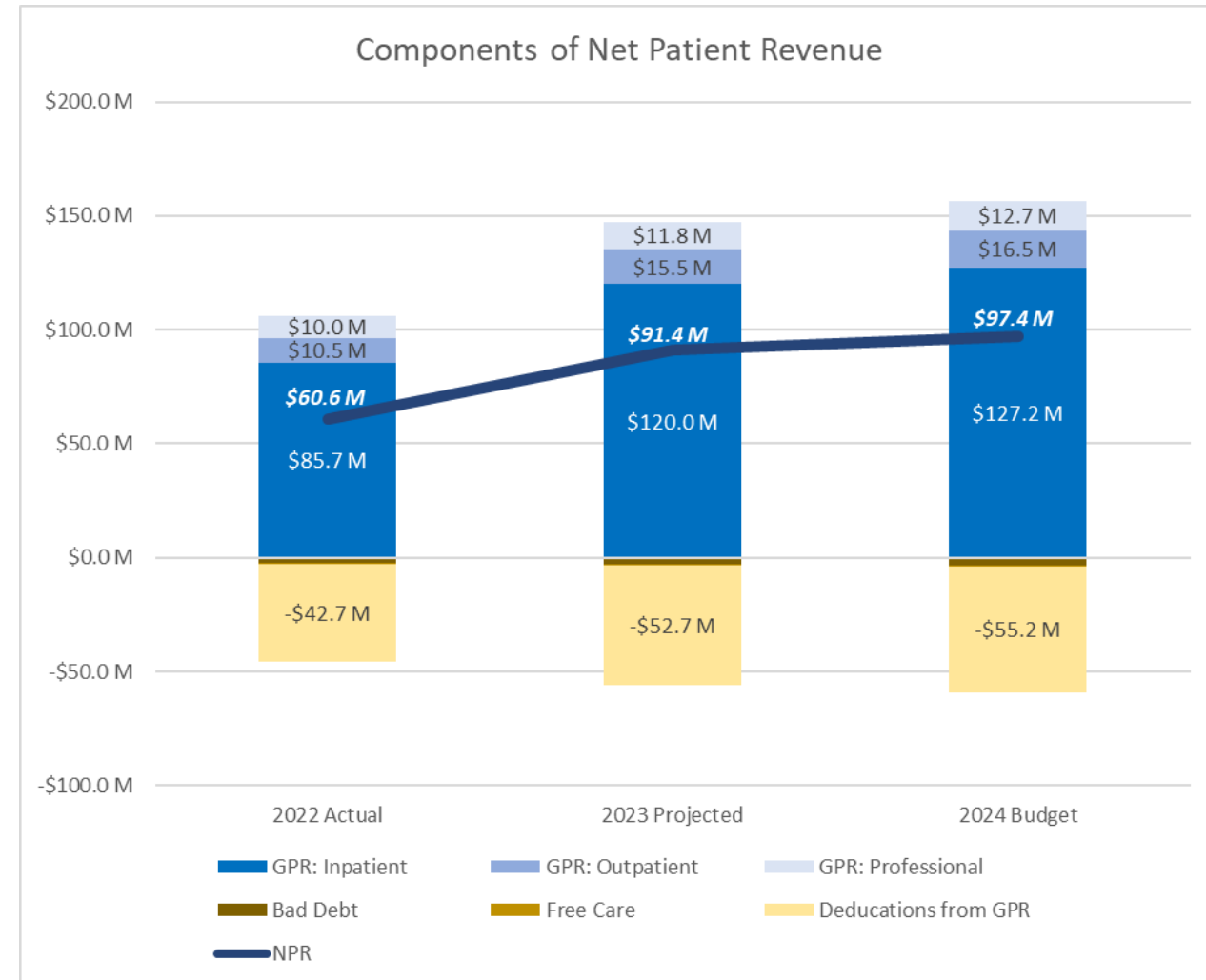




# Income Statement: Patient Revenue + Deductions

Between FY22 Actual and FY24 Budget:

- Gross patient revenue is up 47.2%
  - 48.4% increase in inpatient
  - 56.7% increase in outpatient
  - 27.3% increase in professional
- Deductions are up 29.3%
  - 29.3% rise in general deductions from GPR
  - 28.3% rise in bad debt and free care
- Net patient revenue is up 60.7%
  - \$60.6M in FY 2022 Actual
  - \$91.4M in FY 2023 Projected
  - \$97.4M in FY 2024 Budget





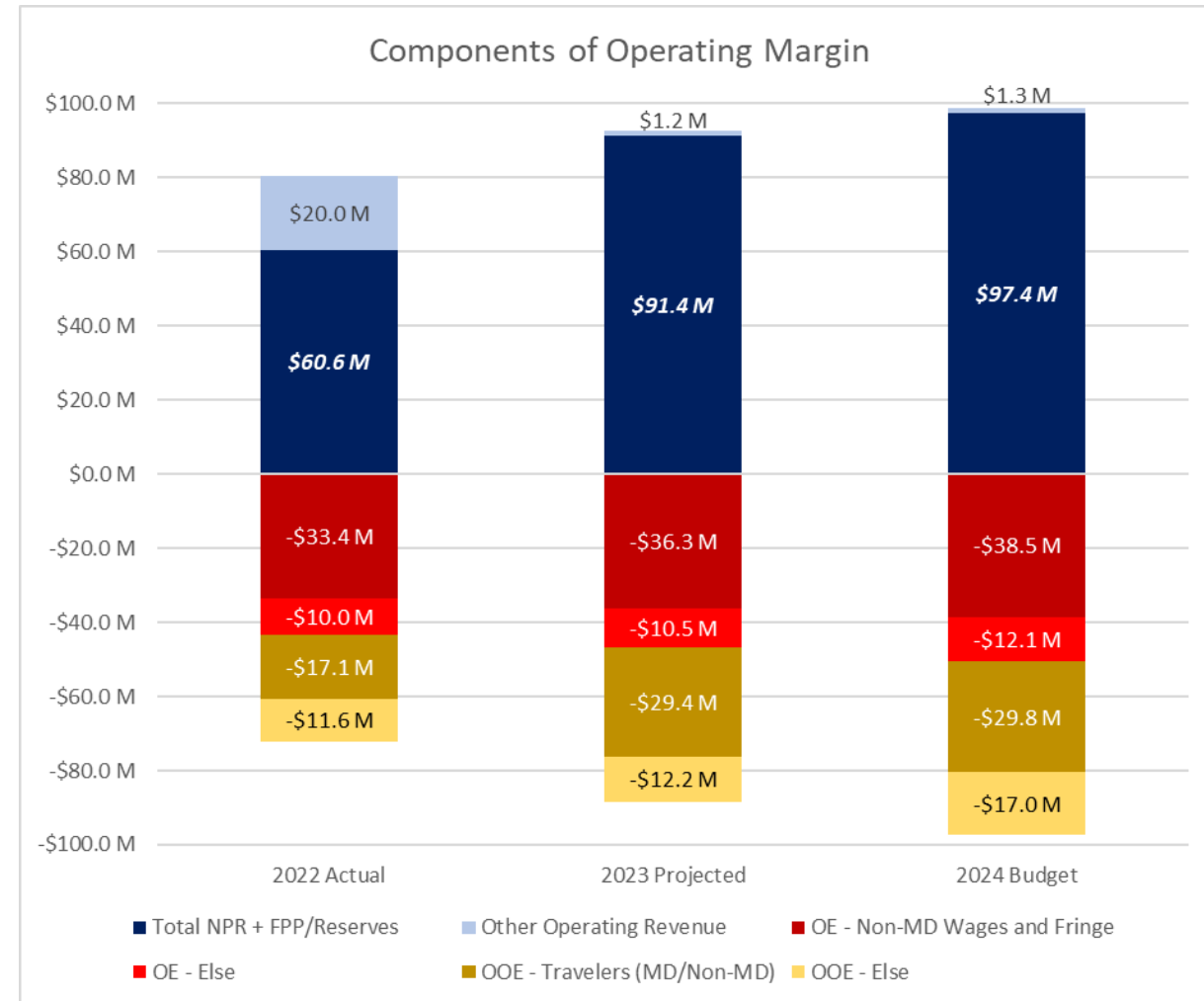
# Income Statement: Revenue, Expenses and Margins

Between FY22 Actual and FY24 Budget:

- NPR's share of total revenue is up
  - No more COVID relief funds
  - Other grant income down
- Operating expenses are up 35.0%
  - 15.1% rise in **Non-MD staff** expenses
  - 74.6% rise in **Traveler (MD/Non-MD)** expenses
- Operating margin is down as op expenses rise faster than net op revenue
  - 10.6% in FY 2022 Actual
  - 4.4% in FY 2023 Projected
  - 1.3% in FY 2024 Budget

OE is "Operating Expenses"

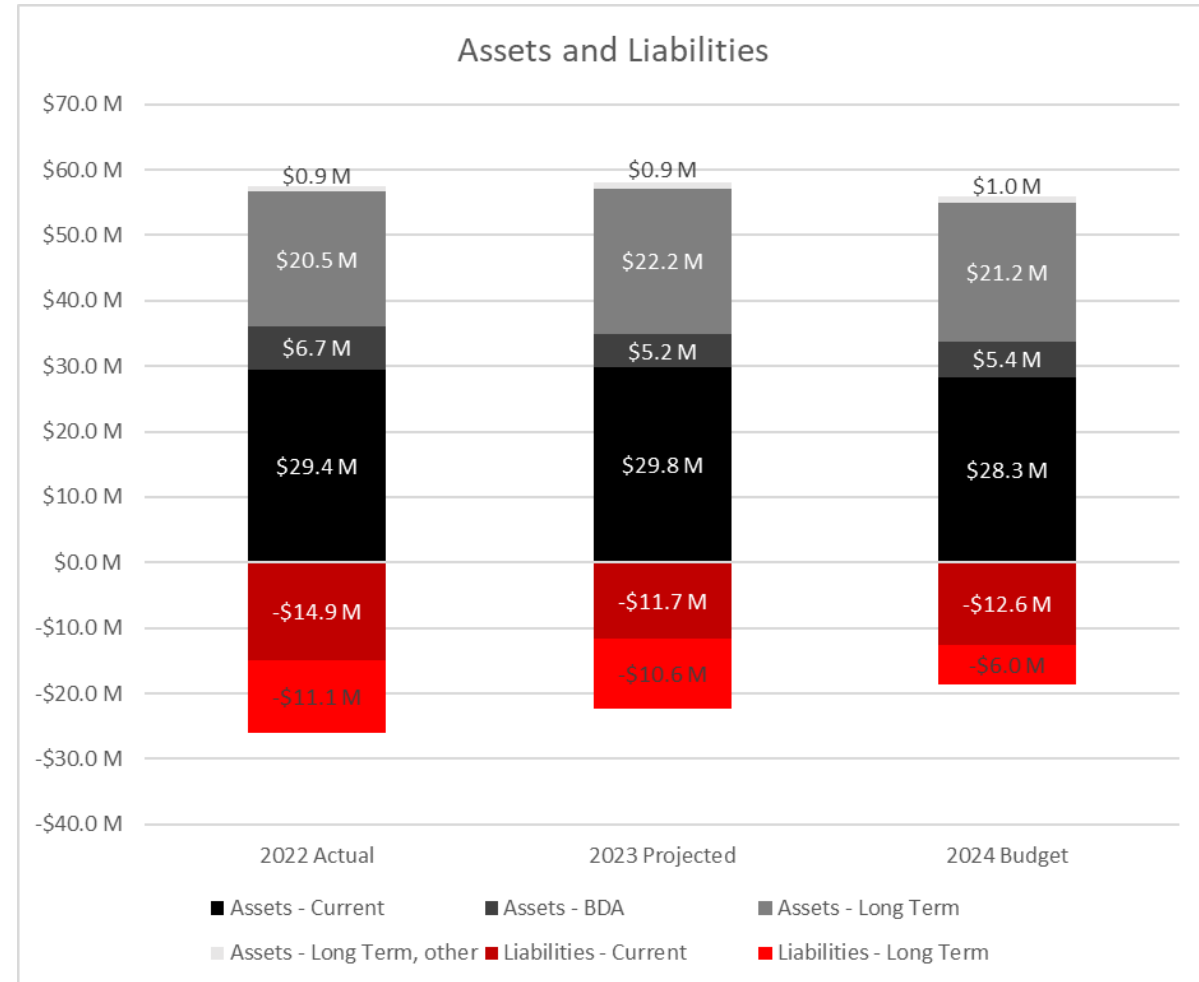
OOE is "Other Operating Expenses"



# Balance Sheet

Between FY22 Actual and FY24 Budget:

- Gross assets are down 2.7%
  - \$12.4M more in accounts receivable
  - \$8.1M less due from third parties
  - \$3.7M less in cash and investments
- Liabilities are down 28.5%
  - \$5.1M less long-term debt
  - \$2.3M less due to third parties
- Net assets are up 18.6%
  - \$31.5M in FY 2022 Actual
  - \$37.4M in FY 2024 Budget



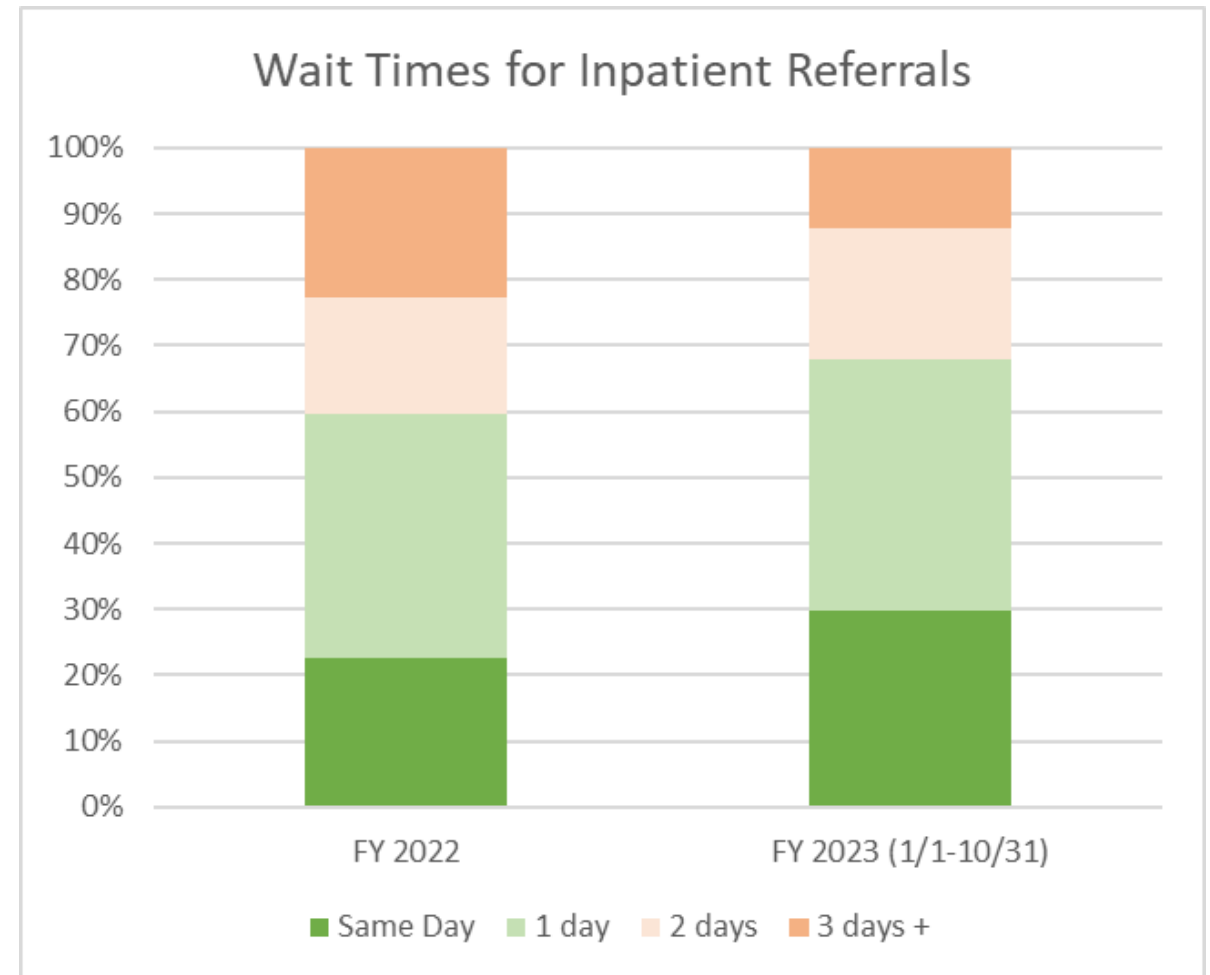
# Financial Comparisons



	FY22 Actual	FY23 YTD	FY24 Submitted	Vermont Hospitals FY24 Median
Op Margin	10.59%	4.08%	1.12%	1.2%
Op-EBIDA Margin	13.0%	7.0%	4.0%	5.6%
Total Margin	10.23%	4.96%	1.85%	3.8%
DCOH	133.0	109.37	89.89	109.64
Debt Service Coverage Ratio	8.37	4.82	2.83	4.56
Age of Plant	24.4	22.6	20.4	16.02

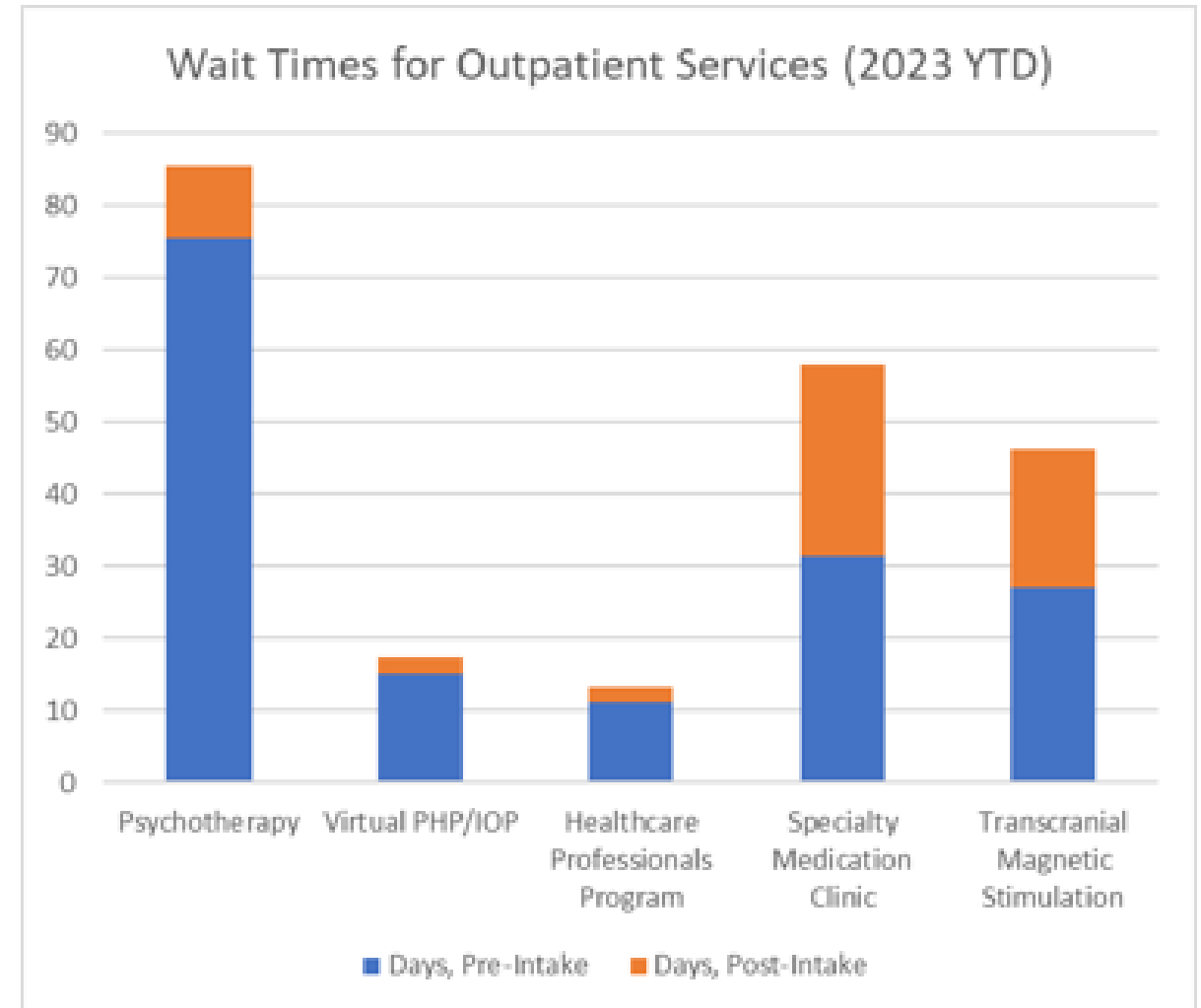
# Narrative Responses: Inpatient Admissions and Wait Times

- Admission rate is up
  - 37.5% FY 2022
  - 40.2% FY 2023 (1/1-10/31)
- Reasons for non-admission
  - 30.0% patient declines treatment
  - 25.6% out-of-state, insurance coverage concerns, legal status
  - 18.9% placed at alternate facility
  - 14.4% placed at alternate facility due to age or treatment
  - 11.2% other reasons
- Wait times are down (right)
  - Low hospital capacity and lack of transportation are key reasons for delays



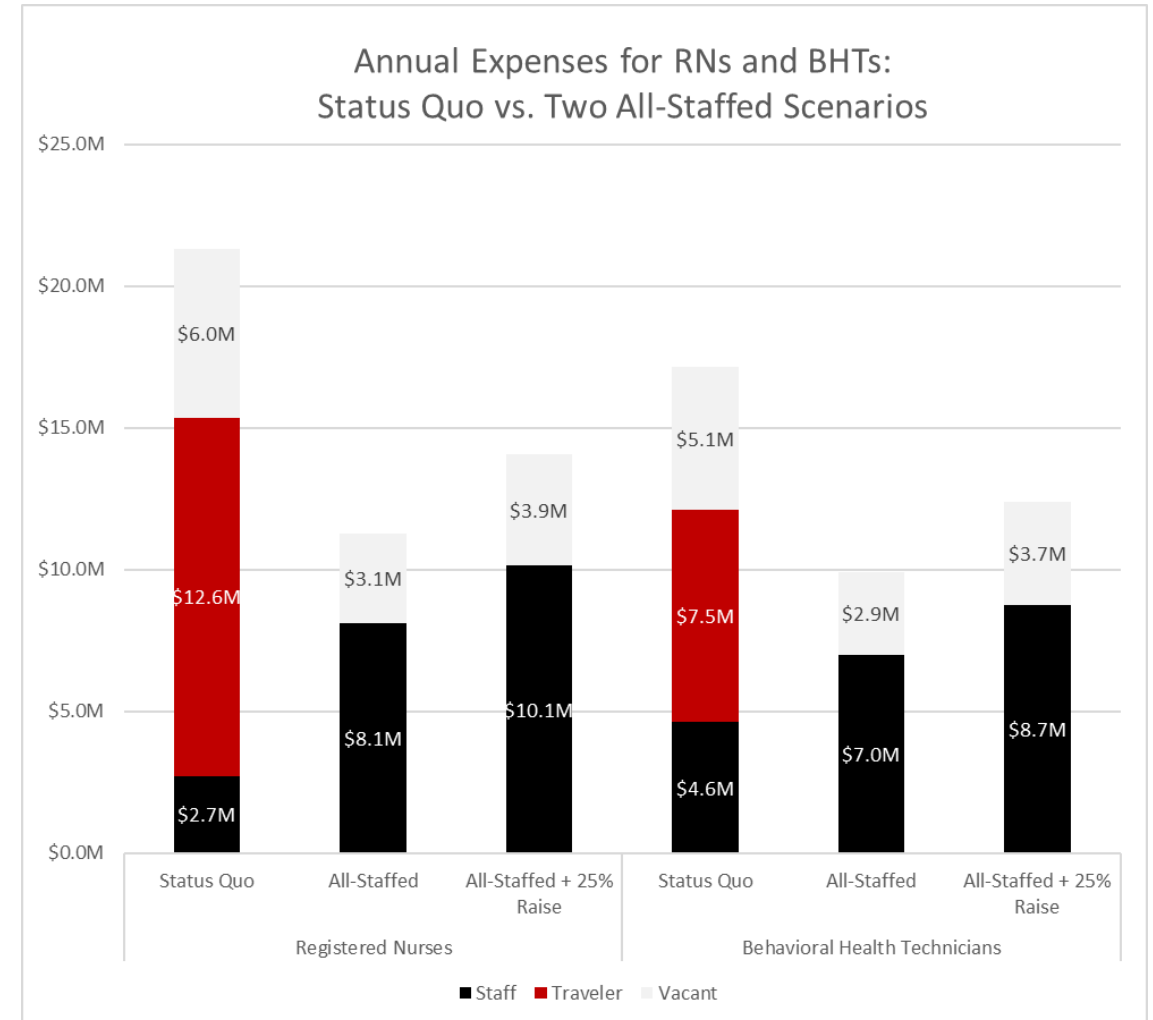
# Narrative Responses: Outpatient Wait Times

- Ten-week pre-intake wait for psychotherapy at the Anna Marsh Clinic
- Quick turnaround for
  - Partial hospitalization/intensive outpatient care
  - Healthcare Professionals Program
- Specialty medicine and TMS post-intake waits due to physician availability and scheduling



# Staff Highlight: Traveler Expenses

- Financial sustainability depends on
  - staffing beds to maximize revenue
  - minimizing labor expenses
- Room to improve?
  - \$38.5M to fill all RN/BHT FTEs with current proportion of travelers
  - \$21.2M with no travelers, same comp.
  - \$26.5M with no travelers, 125% comp.
- Travelers paid by the public purse
  - 73.6% of NPR from Medicaid
  - \$8.9M to \$12.7M in Medicaid savings, assuming 1:1 NPR-to-OpEx ratio



# Staff Highlight: Traveler Expenses (continued)



		Scenario 1: Status Quo			Scenario 2: All-Staffed at Current Cost/FTE			Scenario 3: All-Staffed at 125% Cost/FTE		
		Cost/FTE	FTEs	Cost	Cost/FTE	FTEs	Cost	Cost/FTE	FTEs	Cost
RN	Travelers	\$238.2K	53.0	\$12.6M	\$238.2K	0.0	\$0.0M	\$238.2K	0.0	\$0.0M
	Staff	\$101.6K	26.8	\$2.7M	\$101.6K	79.8	\$8.1M	\$127.0K	79.8	\$10.1M
	Vacant	\$192.3K	31.0	\$6.0M	\$101.6K	31.0	\$3.1M	\$127.0K	31.0	\$3.9M
BHT	Travelers	\$155.9K	48.0	\$7.5M	\$155.9K	0.0	\$0.0M	\$155.9K	0.0	\$0.0M
	Staff	\$49.5K	93.2	\$4.6M	\$49.5K	141.2	\$7.0M	\$61.9K	141.2	\$8.7M
	Vacant	\$85.7K	59.0	\$5.1M	\$49.5K	59.0	\$2.9M	\$61.9K	59.0	\$3.7M
Total	Travelers		101.0	\$20.1M		0.0	\$0.0M		0.0	\$0.0M
	Staff		120.0	\$7.3M		221.0	\$15.1M		221.0	\$18.9M
	Vacant		90.0	\$11.0M		90.0	\$6.1M		90.0	\$7.6M

**Assumptions:**

- (1) Scenario 1: Status Quo assumes all vacant positions filled with a Cost/FTE weighted average of non-vacant positions.
- (2) Scenario 2: All-Staffed at Current Cost/FTE assumes all travelers and vacant positions are filled at current staff Cost/FTE.
- (3) Scenario 3: All-Staffed at 125% Cost/FTE assumes all travelers, staff, and vacant positions are filled at 125% current staff Cost/FTE.

Indicates input change from Status Quo



# Staff Recommendation

- **Approve budget as submitted with additional conditions:**
  - Approve NPR+FPP growth as submitted at 6.6%
  - Approve commercial change in charge as submitted at 1.9%
  - Include additional condition for monthly reporting and to submit within three months an improvement plan addressing traveler expenses.
- **Rationale**
  - Utilization—not rate—drives NPR growth at the Brattleboro Retreat
  - Traveler expenses are rising faster than staff expenses, patient revenue
  - Most of traveler expenses paid by Medicaid, assuming 1:1 NPR-to-OpEx

# FY24 Standard Budget Conditions



- A. [HOSPITAL]’s FY24 NPR/FPP budget is approved at a growth rate of not more than [xx]% over its FY22 actual, with a total NPR/FPP of not more than \$[xx] for FY24 .
- B. [HOSPITAL]’s overall change in charge and commercial rate increases are approved at not more than [xx]% over current approved levels, with no commercial rate increase for any payer at more than [xx]% over current approved levels. The commercial rate increase overall or with respect to any payer may be less than [xx]% as negotiated between the hospital and payer.
- C. The commercial rate increase cap in Paragraph B. is a maximum and is subject to negotiation between [HOSPITAL] and commercial insurers. [HOSPITAL] shall not represent the maximum commercial rate increase approved by the GMCB in Paragraph B. or the expected commercial NPR based on that rate increase as the amounts set or guaranteed by the GMCB in the hospital’s negotiations with insurers.
- D. [HOSPITAL]’s expected commercial NPR, based on its budget as adjusted in this Order, is \$[X]. [HOSPITAL] shall report its actual expected commercial NPR not later than March 15 or such later date as specified by the Board Chair and explain any variations from the expected commercial NPR.
- E. [HOSPITAL] shall file with the Board its actual year-to-date FY24 operating results on April 30, 2024 for October 1, 2023 through March 31, 2024. The report shall be in a form and manner as prescribed by GMCB staff.

# FY24 Standard Budget Conditions (cont'd)



- F. On or before January 31, 2024, [HOSPITAL] shall file with the Board, in a form and manner prescribed by GMCB staff, such information as the Board determines necessary to review the hospital's FY23 actual operating results.
- G. [HOSPITAL] shall file with the Board one copy of its FY23 audited financial statements and associated management letter(s), as well as the parent organization's audited consolidated financial statements, if applicable, 15 days after the hospital receives its statements, or by January 31, 2024, whichever is earlier.
- H. [HOSPITAL] shall participate in telephonic check-ins to be scheduled at the discretion of the Board Chair in consultation with Board staff based on the hospital's FY24 year-to-date operating performance.
- I. [HOSPITAL] shall advise the Board of any material changes to its FY24 budgeted revenues and expenses, or to the assumptions used in determining its budget, including:
  - a. changes in Medicaid, Medicare, or commercial reimbursement;
  - b. additions or reductions in programs or services to patients; and
  - c. any other event that could materially change the approved NPR/FPP budget.

# FY24 Standard Budget Conditions (cont'd)



- J. Hospital shall develop a system to be able to measure and report to the GMCB the referral lag and the visit lag for each hospital-owned primary and specialty care practice as well as the top five most frequent imaging procedures. Referral lag means the percentage of appointments scheduled within 3 business days of referral (percentage of all referrals where the clinic or hospital has completed scheduling an appointment within 3 business days of receiving the referral, regardless of the date on which the appointment will take place). Visit lag means the percentage of new patient appointments scheduled for the patient to be seen within 2 weeks, 1 month, 3 months, and 6 months of their scheduling date (the scheduling date is the date the hospital or practice schedules the appointment, not the date the referral was received or the date the patient will be seen).
- Hospitals shall report to the GMCB the referral lag and the visit lag for each hospital-owned primary and specialty care practice as well as the top five most frequent imaging procedures on April 30, 2024, for February and March 2024, and as required by the GMCB's FY25 hospital budget guidance.

# FY24 Standard Budget Conditions (cont'd)



- K. [HOSPITAL] shall participate in the Board's work, including the community engagement process, pursuant to Act 167.
- L. [HOSPITAL] shall timely file all forms and information required for practice acquisitions and/or transfers as determined by GMCB staff, if applicable.
- M. [HOSPITAL] shall file all requested data and other information in a timely and accurate manner.
- N. After notice and an opportunity to be heard, the GMCB may amend the provisions contained herein, and issue an amended order, consistent with its authority as set forth in 18 V.S.A. Chapter 220, Subchapter 1, 18 V.S.A. Chapter 221, Subchapter 7, and GMCB Rule 3.000.
- O. All materials required above shall be provided electronically, unless doing so is not practicable.
- P. The findings and orders contained in this decision do not constrain the Board's decisions in future hospital budget reviews, future certificate of need reviews, or any other future regulatory or policy decisions.

# Suggested Motion Language

## *Suggested motion language (modify as needed):*

*Move to approve Brattleboro Retreat's budget as submitted, with a \$97,379,571 FY2024 budgeted NPR/FPP, a 1.9% rate **increase** from FY2023 to FY2024; and subject to the standard hospital budget conditions as previously approved by Board [and an additional conditions as follows:*

- Brattleboro Retreat shall submit to the Board within 3 months a plan addressing Brattleboro Retreat's efforts to reduce expenses and reliance on traveling staff.]*