



Fiscal Year 2020 Budget Key Questions and Issues

1. Have the hospital's projections for FY2019 changed?

The projections for FY2019 have not changed. North Country has not had any significant changes that would affect volumes or expenses since the projections were built.

2. What is the total ACO reserve on the balance sheet for Projected FY19 and Budget FY20? Do you anticipate realizing savings or owing OneCare money when the FY18 settlements are finalized? Are Other Reform Payments recorded in deduction from NPR, if not, where are they recorded?

The balance sheet reserves for the ACO are \$375,000. We currently do not have a pending settlement for the ACO fiscal year 2018. We did realize a savings. The settlement for the ACO fiscal year 2018 will be accounted for the same way as the other ACO FPP revenues in 2019. The Other reform payments are recorded in NPR.

1. What is your basis for booking ACO-related reserves and how do you evaluate those reserves through the year?

North Country's reserves for the ACO are determined based on the risk calculation for the maximum risk level by OneCare. In consultation with our financial auditors, the reserve levels are set towards the end of the fiscal year.

2. Do you believe your ACO-related reserves affect other types of reserves (e.g., bad debt) that you carry on your balance sheet? If so, how?

The ACO related reserves do not affect other types of reserves that we carry on our balance sheet.

3. NCH's FY19 Budget Order states the "Hospital shall consult with Vermont Information Technology Leaders (VITL) to facilitate patients' ability to electronically consent to adding their clinical data to the Vermont Health Information Exchange (VHIE)." What kind of headway has NCH made to facilitate this?

North Country Hospital currently has the ability for a patient to electronically consent to adding clinical data to the Vermont Health Information Exchange has been completed.

4. What is the value of 1 day of Days Cash on Hand?

One day of cash for North Country Hospital is valued at approximately \$218,000.



5. What is the value of 1% of NCH's change in charge request? If there is a variance between NCH's calculation and the calculation provided by GMCB staff above, please include the steps to your calculation.

The change of 1% of NCH's charge request is \$1,914,436 in gross charges and \$387,681 in net patient revenue.

6. Are Medicaid and Medicare reimbursement assumptions still valid including Disproportionate Share Payments?

Medicaid and Medicare reimbursement assumptions are still valid. Our budgeted DSH revenues reflect the DSH amount per the letter from Department of Vermont Health Access dated May 31, 2019.

7. Please confirm the NPR/FPP growth between FY19B and FY20B, as there is a discrepancy between the narrative and bridges documents and the GMCB data submission.

The NPR/FPP growth between the FY19 approved budget to the FY20 approved budget 3.27%. There was an error in the accounting in Adaptive for revenues. The FY2019 Budgeted Gross Revenues on Adaptive were overstated by \$695,235 due to swing bed revenues being counted twice, once in swing bed revenue and once in inpatient revenues. The FY2020 Budgeted Gross Revenues did not include Capitation and Incentive income. Both of these changes have been updated on the budget analysis below. The updated bridges table is shown under question 8.

Fiscal Year 2020 Budget Analysis		North Country Hospital				
INCOME STATEMENT					2018B -	
	FY2018A	FY2019B	FY2019P	FY2020B	2018A % Chg	
Revenues						
Gross Patient Care Revenue	181,428,090	192,317,579	191,525,132	199,661,481	-2.6%	
Disproportionate Share Payments	522,666	879,211	906,720	906,720	29.4%	
Bad Debt	(2,855,661)	(2,071,021)	(4,182,785)	(4,491,912)	158.3%	
Free Care	(1,568,926)	(1,753,024)	(1,739,654)	(1,826,157)	24.3%	
Deductions from Revenue	(105,429,495)	(114,166,944)	(110,783,203)	(116,876,281)	0.3%	
Graduate Medical Education	0	0	0	0	#DIV/0!	
Net Patient Care Revenue	72,096,674	75,205,801	75,726,210	77,373,851	-8.8%	
Fixed Prospective Payments	3,959,572	5,297,314	5,290,017	5,290,017	#DIV/0!	
Capitation and Incentive Income	0	0	0	644,200	#DIV/0!	
Other Reform Payments	370,919	382,010	315,181	315,181	#DIV/0!	
Fixed Prospective Payments and Reserves	4,330,490	5,679,324	5,605,198	6,249,398	#DIV/0!	
Net Patient Care Revenue & Fixed Payments & Reserves	76,427,164	80,885,125	81,331,408	83,623,249	-3.3%	



8. The improperly classified item mentioned in the bridges document wouldn't it have affected NPR in the same way for FY19 as allowances and bad debt are deductions from revenue?

The Bridges table has been updated. The corrected bridges table is below and will be posted to Adaptive.

NPR	Total	% over/under	Medicare	Medicaid-VT	Medicaid-OOS	Commercial-Maj	Comm - Self/SmI	Workers Comp	DSH
FY 19 Approved Budget	\$ 80,885,125		\$ 28,221,478	\$ 13,071,314	\$ -	\$ 37,145,691	\$ 514,719	\$ 1,690,937	\$ 879,211
Commercial Rate	1,496,143					1,496,143			
Rate - Non Commercial	547,132		569,841	(198,949)			90,351	85,889	
Utilization	5,272,277		2,151,576	1,055,446		204,540	1,468,467	392,248	
Reimbursement/Payer Mix	(2,756,578)		(2,434,451)	(6,494,102)		9,746,537	(3,930,095)	355,533	
Bad Debt/Free Care	(2,475,443)						(2,475,443)		
Physician Acq/Trans	0								
Changes in Accounting	0								
Changes in DSH	27,509								27,509
FPP and Other Reform	(17,116)			(17,116)					
Capitation/Incentive Income	644,200								
FY 20 Budget	\$ 83,623,249		\$ 28,508,444	\$ 7,416,593	\$ -	\$ 48,592,911	\$ (4,332,001)	\$ 2,524,607	\$ 906,720
	83,623,249.00								
	\$ 2,738,124								
% change from FY19	3.27%								

9. What are the hospital's assumptions between FY19P and FY20B for gross revenues and revenue from deductions?

The assumptions for gross revenues between FY19P and FY20B were that there were few changes in revenues other than the fee increase that was applied on the FY20B revenues. Deductions from revenues along with Free Care and Bad debt were budgeted at the current run rates of FY2019.

10. Does the hospital want to change the change in charge (rate) to 4.25% from 4.20% to match your documents? How much of your increase in NPR is due to the increase in your change in charge?

Yes, the change in charge (rate) should be 4.25%. The correct rate was stated in the narrative and the documents. The charge request table has been updated to reflect the increase in NPR due to the change in charge. The updated table is below. This will also be uploaded in Adaptive.

APPENDIX VIII

CHARGE REQUEST

Projected Change in NPR Due to Change in Charge and Contractual Allowances, in %						
Category of Service	Requested Change in Charge from FY19B to FY20B, in %	Projected Change in Total NPR	Projected Change in Commercial Payer NPR	Projected Change in Self-Pay/Other NPR	Projected Change in Medicaid NPR	Projected Change in Medicare NPR
Hospital Inpatient		382,365	188,720	18,047	-46,357	221,955
Hospital Outpatient		1,578,967	1,393,311	72,305	-152,592	347,886
Professional Services						
Primary Care						
Specialty Care						
Skilled Nursing Facility						
Other (specify)						
Overall Change in Charge Across All Categories	4.25	4.25	4.25	4.25	4.25	4.25

11. Explain what is happening to expenses as they related to physicians as there is no change in the FTEs.

The Annual FY18 Adaptive yearly reporting included a change in our methodology regarding locums. Prior to FY18, dollars for locums were reported as physician salary expense and hours part of the FTE. The change in FY18 was to leave dollars for locums in contract services although hours are still part of the FTE. The reporting guidelines received from GMCB show this is an acceptable way to report this data and properly identifies true costs of adequate staffing.

12. Balance Sheet: Days receivable remain stable and under their comparable, but days payable has grown since FYE16 by nearly 20 days and is currently projected to be 20 days over its comparable in FY19. Please explain.

In FY16 we received cost report settlements for multiple years dropping our third party reserves. North Country currently has FY15-FY19 booked as reserves increasing our liability by \$2.5 million. NCH is also showing an increase in Accrued Payroll and Deferred Compensation increasing current liabilities by an additional \$2.9 million.

15. Related to question 2Bi of the narrative regarding the ACO and financial risk, how will North Country manage financial risk while maintaining access to high quality care and appropriate levels of utilization?

NCH will continue to carry a reserve on our books in an amount sufficient enough to cover the assumed risk. The access to high quality care and appropriate levels of utilization has been in place with our primary care offices for many years through the Blue Print and Medical Home Model. These two initiatives have been the foundation for our transition to the ACO model of managing at risk patients and enhance our delivery of care to our patients with appropriate utilization.

16. Please complete Appendix VI-Bridges, Table 2. Table 2 was completed and uploaded to Adaptive

17. For FY19 projections what departments are expenses exceeding revenues?

This calculation is not available as net revenues are not applied at a departmental level.



18. Please suggest a statistic the GMCB can monitor to better understand the trends in the total number of staffed beds in the hospital versus the number of beds available for use, and how full or empty those beds are from month to month?

A standard metric that could be used is The Average Daily Census. North Country Hospital operates with 25 beds. NCH's Average daily census for FY19 is listed below.

October	November	December	January	February	March	April	May	June
17	15	14	17	19	18	22	17	16

19. What is the impact of the now known Medicaid reimbursement increases? Any update on inpatient Medicaid reimbursement changes?

North Country has not received any information from Medicaid (DVHA) for any changes in Medicaid reimbursement.

20. If you assumed Medicare increases, what is the value and what would a reduction in commercial be to maintain your NPR?

North Country has not assumed any increase in Medicare.