Brattleboro Memorial Hospital
EXCEPTIONAL CARE FOR OUR COMMUNITY

GMCB QUESTIONS from Staff Analysis:

1. **Have the hospital's projections for FY2019 changed?**
   - *Not materially.*

2. **What is the total ACO reserve on the balance sheet for ProjectedFY19 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 reserve for CY 2018 ACO contracts was settled in June 2019. The balance is now 0. We had $811,015 reserved and we owed $41,000 more than we had reserved.*

   - *The reserve for CY 2019 ACO contracts at 6/30/2019 is $450,000. The reserve is expected to $900,000 by the end of the contract and will likely be settled in June 2020.*

   - *The balance of reserves for the CY2020 contracts is now is currently 0 and won't begin to build until January 2020 when it is budgeted to be $903,646.*

   - *One Care fixed payments and Population Health Management Payments are reported as FPP. Some Blue print payments are also reported as FPP*

   a. What is your basis for booking ACO-related reserves and how do you evaluate those reserves through the year?
      - *We book 1/12 of the expected max exposure to third party reserve each month. The reserves is reported a current liability and reduces the FPP. We monitor the ACO reports monthly, but typically would not have any basis for doing anything else till the runout period is near.*

   b. 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?
      - *It does not affect bad debt or free care as those are only for patient liabilities. It does increase the reserve for against AR for third party payors as services provided to attributed members will not receive significant payment from the third party payor.*

3. **BMH'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 BMH made to facilitate this?**

   - *The three Cerner CommunityWorks hospitals in Vermont have worked together on this issue and discussed this issue with Cerner extensively. Cerner does not intend to offer this functionality in the near future due to the hosted/domain environment. Cerner would have to turn this functionality on for all hospitals using CommunityWorks, and non-Vermont hospitals in our domain(32 hospitals) are not asking for this. BMH will continue to obtain paper consent for sharing clinical information with VITL.*

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

- *One day's cash is equal to the average daily cash expenditures ($241,480). The available cash should not include restricted funds or cash held in bond escrow.*

	FY2020 Budget	FY2019 Budget
Operating cash	4,047,715	4,611,076
Funded Depreciation	26,766,945	34,283,898
Total unrestricted cash	30,814,660	38,894,974
Operating expenses	92,455,941	87,154,734
Less depreciation & Ammortization	(4,315,904)	(4,614,177)
Net cash expenses	88,140,037	82,540,557
Days in period	365	365
avg daily expenses	241,480	226,139
days cash on hand	128	172

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

- NPR & FFP increased 1,831,931 from 3.4% aggregate charge rate increase. 1831931/3.4=538,975. GMCB staff calculated $531,295. Difference is probably rounding.

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

- *Yes, they are still valid*
- *Medicare was based on the FY2020 proposed rule. The final rule was not yet available.*
- *Medicaid was based on the YTD experience.*
- *Vt DSH was based on the DVHA bill sent for SFY2019*

7. **BMH's requested NPR/FPP is 7.9% above FY19 projections-please justify this substantial growth.**

- Current year volume growth-see below
- Springfield Birthing Center closure
- Continued successful provider recruitment

	FY2020 Budget	*FY2019 Projected*	*change fy20/fy19P*
Volume Increases			
Physician Practice visits	*265,873*	*226,270*	*17.5%*
Physician Practice RVUs	*73,013*	*62,986*	*15.9%*
Wound Center Visits	*2,067*	*1,815*	*13.9%*
Minor Procedures	*1,525*	*1,536*	*-0.7%*
Imaging Services	*41,300*	*39,633*	*4.2%*
Lab	*214,197*	*209,491*	*2.2%*
Oncology	*7,275*	*6,863*	*6.0%*
Inpatient Volumes			
Adjusted Admissions	*7,509*	*7,196*	*4.3%*
Total Admissions	*2,005*	*1,811*	*10.7%*
LOS	*2.8*	*3.3*	*-14.4%*
Total Patient Days	*5,633*	*5,944*	*-5.2%*
Other			
OR Cases	*2,310*	*1,986*	*16.3%*
ED Visits	*13,019*	*12,478*	*4.3%*
Births	*320*	*251*	*27.5%*

8. **What is the impact on NPR/FPP of migrating the cardiology physician service from a hospital-owned practice to a professional service arrange with Dartmouth, what is the effective date?**

- *Should have no impact on volume. BMH will bill for the contracted Physician. The contracted physicians are already in place.*

9. **Please calculate the impact on NPR/FPP and Operating Expenses for the expansion of OB/GYN services to support Springfield community.**

- *Please find the breakdown below of the expenses incurred by BMH through the efforts of supporting the Springfield community. Given the expense of serving this high risk population, the challenges with reimbursement, it is projected that BMH will sustain a loss of $348,602.*
    - *Direct Expenses(Staff, Rent, Supplies and minor equipment): $355,277*
    - *Gross Revenue: $175,189*
    - *Net Revenue: $88,492*
    - *35% Medicaid*
    - *Gain/Loss:* ***Loss of $348,602***

10. **BMH's narrative and Appendix V show that they are participating in the BCBSVT (commercial) OCV program however the payer tab does not show a FPP revenue for this program-please explain.**

- *The Blue Cross contract is not a fixed fee contract.*

11. **BMH attributes the decrease in NPR/FPP to Gross Medicare to the "growing exposure to services provided under the FPP"-please further explain.**

- *As more services fall under the ACO's fixed fee contracts, less reimbursement is recognized. The FPP only increases with attributed lives.*

12. **BMH's narrative calculation for the NPR/FPP Gross to Commercial ratio at 58% does not match GMCB's calculation at 70%. Please explain.**

- *The GMCB figure is correct. The Narrative had an incorrect reference in the net to gross cell. The narrative should have read that the net to gross was being budgeted at 70.4% compared to 65.9% in the fy2019 Budget*

13. **Please explain the accounting change between Commercial and Medicare of $3.1 million**.

- *The FY2019 approved budget had some Medicare contractual allowances classified as Commercial. We hope to have corrected the issue with the FY2020 budget.*

14. **What is the hospital's plan to recruit 498 FTEs when they are currently projecting 458?**

	Hired During FY2019	Proposed FY2020B Additions	Total Change from FY2019P to FY2020B
Patient Care Services	10.20	1.50	11.70
Physician Services	3.9	3.3	7.2
Quality/Med Staff & IS	2.7	0	2.7
HR & Support Services	3.0	0	3.0
	19.8	**4.8**	**24.6**
Current Open Poistions			**15.4**
Total			**40.0**

BMH is a leader in workforce development:

- *Continue to build programs with Windham Southeast Supervisory Union (LNA), Community College of Vermont (Medical Assistant / Support positions), Vermont Technical College (LNA/LPN) and other schools with a focus on Registered Nurses so to build a pipeline of talent in to Brattleboro. BMH will continue to work with the VT Department of Labor looking for workforce development opportunities at the local and state level.*
- *BMH will continue to utilize social media for marketing opportunities, as well as recruitment tools such as LinkedIn. BMH will continue to assess salary ranges to ensure a competitive wage is extended, and will utilize sign on / retention bonuses where appropriate.*
- *Implemented Nurse Residency program for newly graduated nurses.*

15**. Days Cash on Hand is budgeted to decrease substantially from FY19 projection-please explain.**

- *We have been building cash to help fund Ron Read Modernization Project and have completed the boilers upgrade component of the project. We are still awaiting Act 250 permit approval for the remainder of the project. We expect to make significant progress on the CON project ion FY2019 and cash is drawn down a as our equity portion of the funding is expended.*

16. **The narrative indicates that FY 19 Projected "Other Operating Expenses" is $2.9 million over FY 19 budget. What is driving the projected overage and do you anticipate this continuing?**

Major drivers include:

- *Contract labor are projected to cost BMH over $1.3M in FY2019.*
  - *See Answer to Q.14*
- *Drugs are being driven higher by increasing volume in the Oncology Program. Our drug cost are projected to hit $790K (24%) over budget by year end.*
  - *Expected to continue*
- *Security for One-to-One watches $165K*
  - *Expected to continue*
- *Revenue Cycle Consultants $106K (55%) over budget*
  - *Expected to continue*

17. **Capital plan totals in the narrative are $1,620,947 and in the Capital tab of the budget, $1,529,564, please explain.**

- *The narrative figure is the correct figure. The capital tab did not include the 5 items reconciled below:*

Current FY2020 non CON Capital in Adaptive	*1,529,564*
Cystoscope	*7,088*
Additional exam room for Putney Family Medicine	*17,625*
Lab Urinanalysis equipment	*18,301*
Lab Infuenza analizer	*24,000*
Stretcher	*24,369*
Narrative Non CON Capital	*1,620,947*

BOARD MEMBER QUESTIONS:

18. **For FY19 projections what departments are expenses exceeding revenues?**

- *A department P&L is an exercise that requires so much conjecture and assumption as to be not very useful.*
- *For instance:*
  - *how would you determine how much of the DRG paid by Medicare or Medicaid should be charged back to each of the departments that may have cared for the patient over the term of their inpatient care?*
  - *How do the Fixed Prospective Payments get distributed to the departments?*
  - *To which departments would you allocate the bad debt or free care?*
- *In general, any department with a heavy load of Medicare and or Medicaid cases will lose money.*
- *Profitability by department has more to say about inadequate Medicare and Medicaid reimbursement than anything else. In general, any service with a high Medicare and/or Medicaid share will lose money.*
- *Further, without some of the biggest economic losers, such as the Physician practices, Med Surg units, the ER and the Birthing Center there would be no hospital.*
- *Having said all that, we have prepared a departmental P&L by making a host of not necessarily fair allocation decisions and list the departments with losses below.*

	FY2020 Budgeted Gross Revenue	*Total Deductions from Revenue*	*FPP*	*Other Operating revenue*	*Total Net Revenue*	*Operating Expenses*	*Operating gain (loss)*
Physician Practices	*21,083,329*	*(10,511,000)*	*1,230,717*	*754,257*	*12,557,303*	*(25,734,090)*	*(13,176,786)*
Med / Surg Nusing & Hospitalist	*15,865,451*	*(10,576,575)*	*926,129*	*106,856*	*6,321,862*	*(9,441,815)*	*(3,119,954)*
Emergency Room	*23,798,750*	*(17,425,598)*	*1,389,227*	*160,288*	*7,922,667*	*(9,940,131)*	*(2,017,464)*
Birthing Center	*5,158,018*	*(3,024,152)*	*301,094*	*34,740*	*2,469,700*	*(2,659,988)*	*(190,288)*
Clinics and other ancillariey Servic	*6,123,780*	*(3,922,852)*	*357,469*	*116,245*	*2,674,642*	*(2,744,230)*	*(69,589)*

19. **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?**

- *I would suggest using average daily census compared to staffed beds. This is only an Inpatient indicator of volume. The vast majority of Hospital volume is outpatient.*

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

We assumed the Proposed Medicare PPS rule for FY2020 inpatients. That increased our reimbursement by $237K. If that increase does not materialize, we would have to increase our commercial ask by an additional 0.4%.

21. What is the impact of Springfield Birthing closing on NPR and expenses in 2019 Forecast and 2020 Budget? Any other impacts from Springfield including non-payment of bills or additional NPR?

- *See Q. 9 Above.*

22. Please explain why your FY20 budget isn't following your projected FY19 NPR to Gross Revenue %.

	FY2020 Budget	*FY2019 Projected*	*variance from FY2019 Projected*	
Gross Patient Care Revenue	*188,470,050*	*179,008,533*	*9,461,517*	*5.3%*
Disproportionate Share Payments	*530,861*	*601,569*	*(70,708)*	*-11.8%*
Bad Debt & Free Care	*(7,361,361)*	*(5,546,504)*	*(1,814,857)*	*32.7%*
Deductions From Revenue	*(102,674,926)*	*(100,874,228)*	*(1,800,698)*	*1.8%*
Net Patient Care Revenue	*78,964,624*	*73,189,369*	*5,775,255*	*7.9%*
Fixed Prospective Payments	*11,001,740*	*10,154,673*	*847,067*	*8.3%*
	89,966,364	*83,344,042*	*6,622,322*	*7.9%*
	47.7%	*46.6%*	*1.2%*	*2.5%*

- *Overall, our NPR & FPP net to gross % is only 2.5% higher than the Projected FY2019.*
- *When reviewed by payor there were significant variances. In our system we had some allowances mapping to the all other column that should be mapped to Medicare (see question 13). This was corrected in the FY2020 Budget, but not in the projection. It should look as outlined below. We continue to have difficulties getting Cerner to post contractual allowances correctly, but this account mapping problem is the largest variance.*

	FY2020 Budget	*FY2019 Projected*	*variance from FY2019 Projected*	
Medicare Gross PSR	*85,916,580*	*81,695,895*	*4,220,685*	*5.2%*
Deductions From Revenue	*(66,143,003)*	*(61,456,759)*	*(4,686,244)*	*7.6%*
Fixed Prospective Payments	*8,409,916*	*7,746,682*	*663,234*	*8.6%*
Net PSR & FPP	*28,183,493*	*27,985,818*	*197,675*	*0.7%*
	32.8%	*34.3%*	*-1.5%*	*-4.2%*
Medicaid Gross PSR	*32,278,893*	*30,812,013*	*1,466,880*	*4.8%*
Deductions From Revenue	*(23,078,921)*	*(24,271,111)*	*1,192,190*	*-4.9%*
Fixed Prospective Payments	*2,591,823*	*2,407,991*	*183,832*	*7.6%*
Net PSR & FPP	*11,791,795*	*8,948,893*	*2,842,902*	*31.8%*
	36.5%	*29.0%*	*7.5%*	*25.8%*
All other Gross PSR	*70,274,577*	*66,500,624*	*3,773,953*	*5.7%*
Deductions From Revenue	*(13,453,002)*	*(15,146,358)*	*1,693,356*	*-11.2%*
Bad Debt & Free Care	*(7,361,361)*	*(5,546,503)*	*(1,814,858)*	*32.7%*
Net PSR & FPP	*49,460,214*	*45,807,763*	*3,652,451*	*8.0%*
	70.4%	*68.9%*	*1.5%*	*2.2%*