



September 4, 2019

Green Mountain Care Board
 Lori Perry, Health Finance Analytics Director
 144 State Street
 Montpelier, VT 05602

Dear Lori:

Below are our responses to your questions of September 1, 2019.

Board Member Follow up

1. Please provide a better justification for the NPR growth ((#unique lives, where the volume is coming from, particularly if it is out of state, or a transfer from one hospital to another within the state, e.g. Springfield).

BMH Response

Please see the volumes below are driving the increased net revenue.

	<u>FY2020</u>	<u>FY2019</u>	<u>variance 2019</u>		<u>FY2019</u>	<u>variance from 2019</u>	
	<u>Budget</u>	<u>Budget</u>	<u>Budget</u>		<u>Projected</u>	<u>Projected</u>	
<i>Total Discharges</i>	2,005	1,851	154	8.3%	1,843	162	8.8%
<i>Total Patient Days</i>	5,633	5,475	158	2.9%	5,944	(311)	-5.2%
<i>OR</i>	2,310	2,644	(334)	-12.6%	1,986	324	16.3%
<i>Minor Procedure Cases</i>	1,525	1,437	88	6.1%	1,536	(11)	-0.7%
<i>Total Surgery</i>	3,835	4,081	(246)	-6.0%	3,522	313	8.9%
<i>Er Visits</i>	13,019	13,335	(316)	-2.4%	12,478	541	4.3%
<i>Births</i>	320	268	52	19.4%	286	34	11.9%
<u>Imaging</u>							
<i>Radiology & CT Scans</i>	32,368	30,150	2,218	7.4%	30,898	1,470	4.8%
<i>Sonography images</i>	6,243	4,711	1,532	32.5%	6,143	100	1.6%
<i>Nuclear Medicine Exams</i>	554	563	(9)	-1.6%	538	16	3.0%
<i>MRI Scans</i>	2,135	2,207	(72)	-3.3%	2,054	81	3.9%
	41,300	37,631	3,669	9.7%	39,633	1,667	4.2%
<i>Oncology visits</i>	6,960	5,356	1,604	29.9%	6,632	328	4.9%
<i>Rehab Visits</i>	45,295	40,074	5,221	13.0%	38,995	6,300	16.2%
<i>Lab</i>	214,197	214,150	47	0.0%	209,491	4,706	2.2%

We have seen growth from FY2019 budget in Discharges and Patient Days, Minor Procedures, Births, Radiology, CT Scan, Oncology and Rehab treatments.

Note that most of the increases in volume began to develop in the second quarter after newly recruited clinicians were in place and their practices began to fill up. We believe many of these patients sought care where they could outside of our service area while we were short of Primary Care Providers or delayed care entirely. The Projected 2019 Utilization statistics in Adaptive used data from the most recent 12 months available at the time (May 2018 – April 2019) as the starting point to project FY2019. The FY2020 volume was projected with the higher volume included for the entire year.

Thus far in FY2019, gross revenues from patients with out of state addresses are approximately 18% of total gross revenue, consistent with the prior years.

2. What portion of your requested NPR increase: (Board Member)

- a. Do you attribute to services that are new to BMH and were not previously provided in the community by non-BMH-employed or local Healthcare Providers (HCP).

BMH Response

We are not able to breakdown the portion of NPR related to new patient volume. However, the following statistics relate to new patients in our community.

- o *We have significantly increased our new patient volume. This is due to the following:*
- o *More clinicians accepting new patient (replacement clinicians at Brattleboro Internal Medicine (Dr. Hoover, Dr. Wilson, Mindy Connors to replace Roxanne Karter and Linda Rice; added clinician FTEs here)*
- o *Set an increased panel size requirement by our clinician benchmarking committee and thus opened up more clinicians to taking on new patients who were not previously accepting new patients*
- o *Cheshire Medical Center closed to new patients who were outside of their zip code catchment area*
- o *In addition, we have had a long term independent GYN provider retire in June of 2019 and 150 new patients have transferred into our OB/GYN practice to date.*

	<i>FY16A</i>	<i>FY17A</i>	<i>FY18A</i>	<i>FY19P</i>
<i>Unique New Patients</i>	<i>1,229</i>	<i>1,622</i>	<i>781</i>	<i>2,231</i>
<i>Total Visits</i>	<i>158,362</i>	<i>73,690</i>	<i>64,829</i>	<i>70,685</i>
<i>RVUs</i>	<i>238,062</i>	<i>250,281</i>	<i>238,312</i>	<i>256,039</i>
<i>Clinician FTEs</i>	<i>35.01</i>	<i>39.81</i>	<i>38.66</i>	<i>39.95</i>

- b. How much of your increase do you attribute to services that were provided in other states that are now provided at BMH.

BMH Response

We cannot identify which patients may have received care in other states prior to coming to BMH. Thus far in FY2019, gross revenues from patients with out of state addresses are approximately 18% of total gross revenue, consistent with the prior year.

- c. How much of your increase do you attribute to services that were previously provided in other Vermont communities that will now be provided at BMH (e.g., OB/L&D services from Springfield)

BMH Response

We can account for 60 patients that have transferred their OB/GYN services from Springfield to BMH.

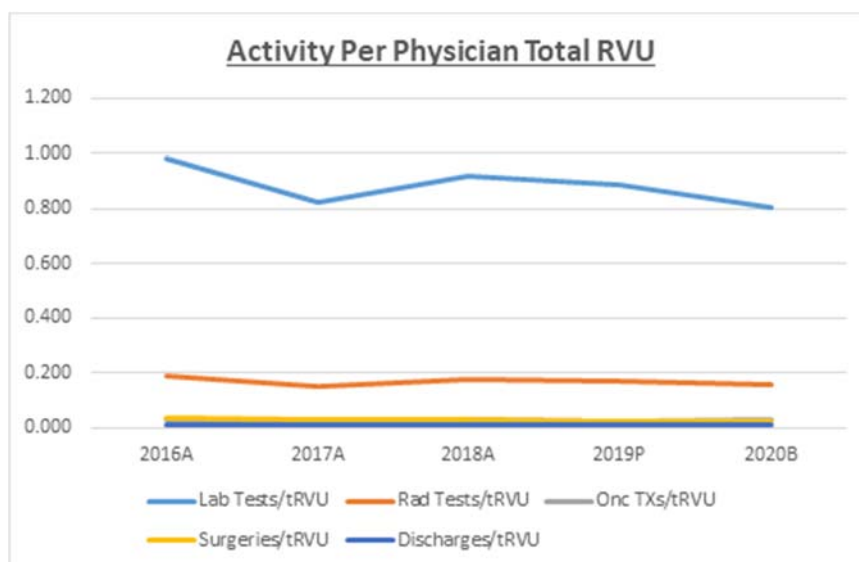
d. How much of your increase do you attribute to services provided by non-BMH employed, local/community HCPs (e.g., revenue that was otherwise in the local community but not previously directed to BMH)

BMH Response

We cannot identify patients that previously received care from a non-BMH employed providers in our community.

What we can identify, is that based on the increases related to new providers and increasing panel sizes of existing providers as noted in 1a), based on a statistical relationship between total RVU's and tests ordered, you can see that there is a consistent level of testing per encounter by key ancillary drivers. The NPSR is not increasing due to the raising of rates, or a higher level of testing per patient encounter. The higher level stems from increased patient volume in our system seeking care.

Also see Total Cost of Care slide 20 of the BMH GMCB Budget Presentation which demonstrates BMH utilization compared to other OneCareVT participant hospitals.



	2016A	2017A	2018A	2019P	2020B
Professional tRVU	225,068	255,835	238,312	259,187	265,873
Lab Tests	220,825	211,401	218,434	230,277	214,197
Rad Tests	41,920	38,284	41,372	43,443	41,300
Surgeries	7,669	7,664	6,941	6,064	6,573
Oncology Treatments	6,564	5,523	6,581	6,632	6,960
Discharges w/Nursery	1,930	1,969	2,017	1,843	2,005
Activity Per Physician tRVU	2016A	2017A	2018A	2019P	2020B
Lab Tests/tRVU	0.981	0.826	0.917	0.888	0.806
Rad Tests/tRVU	0.186	0.150	0.174	0.168	0.155
Onc TXs/tRVU	0.029	0.022	0.028	0.026	0.026
Surgeries/tRVU	0.034	0.030	0.029	0.023	0.025
Discharges/tRVU	0.009	0.008	0.008	0.007	0.008

3. Please respond to the HCA question regarding the ratio of commercial reimbursement to Medicare reimbursement (e.g., generally we reimbursed \$180 dollars from a commercial payer for every \$100 we are reimbursed by Medicare) (Board Member)

BMH Response

For hospital services

- *Commercial reimbursement is based on a negotiated contract, frequently paid as a % of charges.*
- *Medicare and Medicaid reimbursements are paid on an allowable fee schedule diluted by our participation in Vermont One Care.*

All payors pay different fixed fees for Physician services.

As each commercial insurer pays at a different level, there is no true relationship between the payments. As Medicare and Medicaid pay on a prospective basis based on either a DRG, APC, or fixed payment schedule, depending on the service, the payment relationship would vary for each service rendered.

4. Do you agree with DVHA’s assessment (attached) of the financial impact of increased Medicaid reimbursement will have on your NPR? If not, why and what is your estimate? What impact does the Medicaid reimbursement increase have on your requested NPR and change in charge and commercial price increases?

BMH Response

The DVHA assessment of the 2% increase in outpatient APC looks correct but is estimated to have a net impact of an additional \$57K in additional income, not nearly enough to alter our pricing model.

5. Please confirm whether the CMS wage index final rule has an impact on your hospital? If so, please quantify.

BMH Response

Based on the final rule just released for 2020, the CMS wage index was reduced from 1.0219 to 0.9961, a 2.5% decrease. We will be paid approximately \$75K less in 2020 based on this reduction.

6. To give us a sense of relative pricing, please answer the following: if Medicare reimburses \$100 for a particular service, what would your commercial payers and Medicaid reimburse on average for the same service? Or in other words, what is the ratio of commercial and Medicaid payment to Medicare payment for the same service?

BMH Response

<i>Service</i>	<i>DRG/CPT4</i>	<i>Medicare</i>	<i>Medicaid Payment</i>	<i>Avg Commercial Payment</i>
<i>Hip or Knee Knee Replacement wo MCC</i>	<i>470</i>	<i>100%</i>	<i>90%</i>	<i>125%</i>
<i>Pneumonia with Complications</i>	<i>194</i>	<i>100%</i>	<i>81%</i>	<i>130%</i>
<i>MRI Brain with and without Contrast</i>	<i>70553</i>	<i>100%</i>	<i>122%</i>	<i>888%</i>
<i>MRI Spine</i>	<i>72146</i>	<i>100%</i>	<i>147%</i>	<i>895%</i>

7. Please address the ratio between gross revenue and deductions from revenue and the difference between FY19P and FY20 Budget? See the charts on page 4 & 5 of BMH's narrative attached. Net Patient Service Revenue and Fixed

BMH Response

<u>FY2020 Budget to FY2019 Projection</u>	FY2020 Budget	% of Gross Charges	FY2019 Projected	% of Gross Charges	Variance from FY2019 Projection	
Gross Patient Care Revenue	188,470,050	100.0%	179,008,533	100.0%	9,461,517	5.3%
Disproportionate Share Payments	530,861	0.3%	601,569	0.3%	(70,708)	-11.8%
Bad Debt & Free Care	(7,361,361)	-3.9%	(5,546,504)	-3.1%	(1,814,857)	32.7%
Deductions From Revenue	(102,674,926)	-54.5%	(100,874,228)	-56.4%	(1,800,698)	1.8%
Net Patient Care Revenue	78,964,624	41.9%	73,189,369	40.9%	5,775,255	7.9%
Fixed Prospective Payments	11,001,740	5.8%	10,154,673	5.7%	847,067	8.3%
Total Npr & Fpp & Reserves & Other	89,966,364	47.7%	83,344,042	46.6%	6,622,322	7.9%

- The deduction ratio decreased to 54.5% from 56.4%

GMCB Staff Follow up

8. Please verify your utilization in Adaptive as shown on the attached staff analysis as Steve Gordon and Brandon mentioned that volume had increased from June 2018 to June 2019, but the staff analysis is showing a reduction in volume/utilization for 2018A-2019P in all categories. The response you gave to question #7 in our staff analysis questions is a piece of the pie.

BMH Response

	<u>May 2018 - April 2019</u>	<u>June YTD Volume</u>	<u>S/L projected</u>	<u>difference from Original Projection</u>	
Total Discharges	1,843	1,589	2,119	276	15.0%
Total Patient Days	5,944	4,952	6,603	659	11.1%
OR	1,986	1,662	2,216	230	11.6%
Minor Procedure Cases	1,536	1,223	1,631	95	6.2%
Total Peri-op Cases	3,522	2,885	3,847	325	9.2%
Er Visits	12,478	10,139	13,519	1,041	8.3%
Births	251	231	308	57	22.7%
<u>Imaging</u>					
Radiology & CT Scans	30,898	25,507	34,009	3,111	10.1%
Sonography images	6,143	4,937	6,583	440	7.2%
Nuclear Medicine Exams	538	427	569	31	5.8%
MRI Scans	2,054	1,711	2,281	227	11.1%
	39,633	32,582	43,443	3,810	9.6%
Oncology visits	6,863	5,740	7,653	790	11.5%
Rehab Visits	38,995	31,991	42,655	3,660	9.4%
Lab	209,491	172,708	230,277	20,786	9.9%

The Projected 2019 Utilization statistics in Adaptive used data from the most recent 12 months available at the time (May 2018 – April 2019) as the starting point to project FY2019. The information at the hearing was FY2018 June YTD compared to FY2019 June YTD. Your analysis is correct in that that it does not show increased volumes that we presented at our hearing.

However, when you include our Oct 18-June 19 volumes and use a straight line projection for 2019 it does project the increases as the hospital presented.

Based on different time periods, not reflected in the last quarter of 2019, and the maturity of the newly hired Primary Care providers as mentioned in 2A, in addition to the growth of Springfield services, the projected full year for 2019 continues to show positive growth.

Note that we are reporting on total; discharges, including nursery. The Staff report refer to Acute admissions, which do not include Nursery. Some of our highest impact growth areas are nor reflected on the Utilization tab of the Staff Analysis.

9. Do any of your newly recruited providers qualify for a provider transfer adjustment, and if so, fill out Schedule A? Provider Transfer Acquisition Schedule A attached.

BMH Response
No

10. Did the actual NPR generated from the provider transfers approved in FY19 exceed approved amounts, and if so, please explain. Copy of Physician Transfer Schedules A B for these practices is attached as a reference.

BMH Response
No

11. Question 2 within the GMB Staff Analysis Questions asked for the amount of ACO reserves on the balance sheet within your **FY19** projection and FY20 budget rather than the amount of risk included specific to **CY18, CY19, and CY20**. Please complete the table below.

BMH Response

	<i>ACO Risk Reserve Liability on Balance Sheet</i>
<i>FY19 Projection</i>	<i>\$675,000</i>
<i>FY20 Budget</i>	<i>\$675,000</i>

Thank you.