BRATTLEBORO MEMORIAL HOSPITAL

FY23 BUDGET PRESENTATION

AUGUST 15, 2022

Brattleboro Memorial Hospital
EXCEPTIONAL CARE FOR OUR COMMUNITY

A BOARD CHAIR'S PERSPECTIVE

- The most difficult time this Board has experienced
- Very concerned about the financial performance and how fragile BMH is
- Cannot sustain $3.5 million losses
- Need a turnaround
- BMH is too vital to this community to fail
- The BMH Board approved a very responsible budget that is directed at getting the hospital stabilized
- The leadership team will present the details of that budget, where we are today, why we are where are and what we intend to do about it

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INTRODUCTION

Chair, Board of Directors: Rhonda Calhoun

Chief Financial Officer: Jennifer Griffey and Andre Bissonnette

Controller: Laura Bruno

Chief Medical Officer: Kathleen McGraw, MD

Chief Operating Officer & Chief Nursing Officer: Jodi Stack, RN

Director, Development & Marketing: Gina Pattison

President & Chief Executive Officer: Chris Dougherty

OVERVIEW

- BMH plays a vital role in our community
- Responsive to a stressed healthcare system and workforce
  - 40 year high inflation
  - Workforce shortages
  - Challenges and costs of mental health patients
  - Keeping up with an aging facility
  - Combatting violence in the workplace
- FY23 Budget Request – to stabilize
- Avoid any further degradation of service levels and access to essential services

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HUB OF HOPE, HEALTH, AND HEALING

- Community Impact
  - Dental program
  - Birthing Center and Women's Health
  - Healthworks ACT
- Major employer in community
- Strong educational relationships/affiliations
- Community/Population Health
- Participation in Value Based Care Plans
- OneCare Vermont Member

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HUB OF HOPE, HEALTH, AND HEALING

- Ensuring access
  - Employed medical group
  - Telehealth in many disciplines
  - Oncology Services
  - Orthopaedic Services
  - Wound Care
  - Continuity Care Clinic (HIV care)
- Post Acute Care Program
- Strategic partnership with Dartmouth Health

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FINANCIAL PROJECTION FY22

Starting from a fragile financial position - Projected FY22 Operating Margin is negative

- May 2022 YTD Margin: **$2.3M** or **3.5%** operating loss
- FY22 Margin Projection: **$3.5M** or **3.5%** operating loss
- Major drivers of negative budget variance:
  - Inflation
    - Contract Labor expenses - $3.8M increase vs Budget
    - Pharmacy / Drugs - $930K increase vs Budget
  - Service Access
    - Contract Medical Specialists - $584k increase vs Budget (Pathology, Cardiology, ER, Anesthesia)

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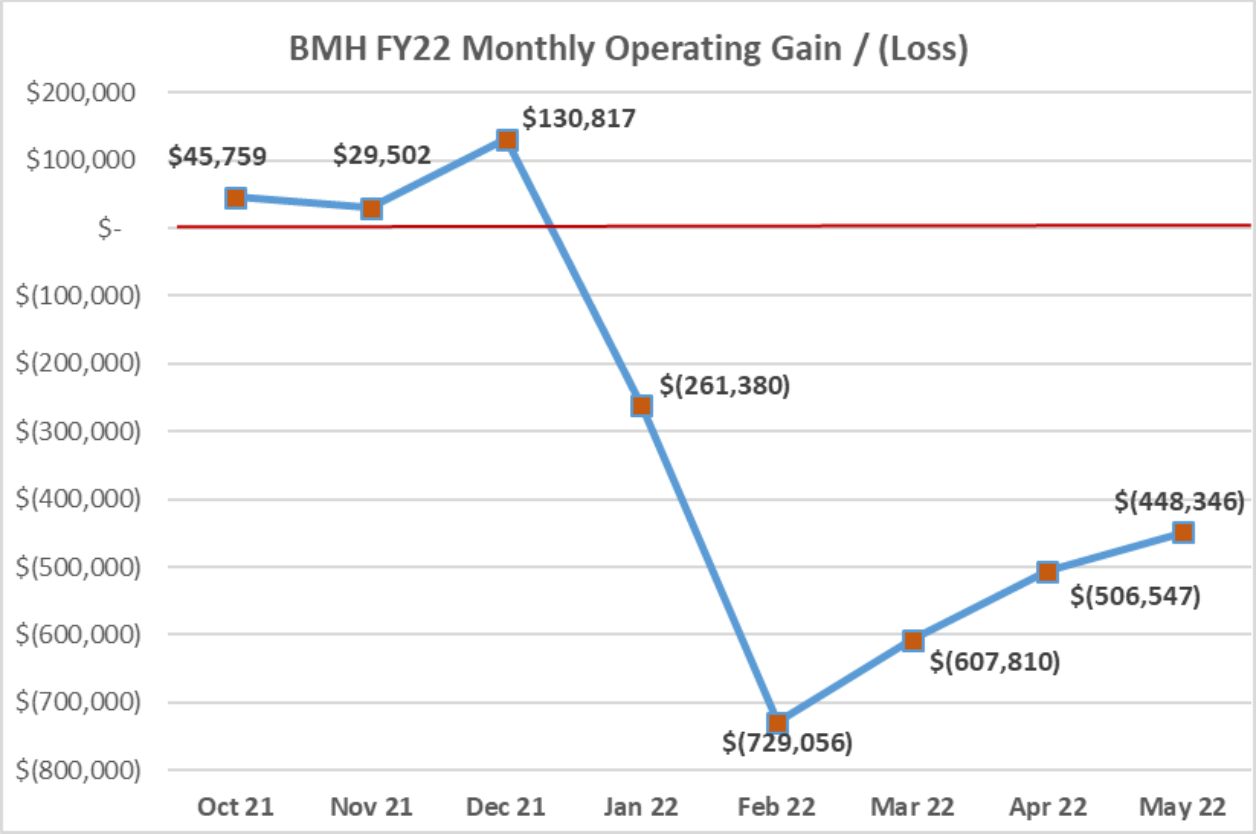
YTD FY22 PERFORMANCE

	Oct 21	Nov 21	Dec 21	Jan 22	Feb 22	Mar 22	Apr 22	May 22	YTD 2022
Operating Gain / (Loss)	$ 45,759	$29,502	$130,817	$(261,380)	$(729,056)	$(607,810)	$(506,547)	$(448,346)	$(2,347,061)



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CASH RESERVE DEPLETING

We have needed to use our cash reserve to fund essential operating expenses, leading to a $3.7M decline in reserve over this fiscal year

	Actual **October 2021**	Actual **June 2022**
Beginning Cash Operating Account (10.01.21)	7,696,521	6,529,249
Net Cash Increase (decrease) for period	1,556,895	1,643,330
Cash at end of period	9,253,416	8,172,579
Regular Operating Cash	9,253,416	8,172,579
Grant Cash		
Medicare Advance Payment Cash (Loan)		2,594,000
Total Cash Available		8,172,579
Less Medicare Advance Payment Cash (Loan)		2,594,000
Net Cash Available for Operations		**5,578,579**
Days Cash on Hand	205.6	138.2

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CHARGES & NET PATIENT REVENUE FY23

Fee/Charge increase – Overall 14.9%

- 1% Medical Group, Pharm and Supplies
- 20% Hospital

Net Patient Revenue/Fixed Prospective Payment (NPR/FPP)

- 13.3%

Operating Margin

- $727k
- 0.67%

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VOLUMES

FY22 Budget to FY23 Budget

- Increased volumes
  - Inpatient
  - Hospital outpatient
    - Pharmacy
    - OR
    - Chargeable supplies
- Decreased volumes
  - Births
- All other areas flat to FY22 Budget

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INFLATION

Wages FY22 carryover	$2.2M
Wages FY23	$1.6M
Contract Temps	$2.8M
Contract Medical Specialists	$52k
Fuel	$700k
Healthcare Provider Tax	$860k
Total	$8.2M

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INCOME STATEMENT

	2021 Actual	2022 Budget	2022 Projection	2023 Budget Proposal	2022B-2023B	2022P-2023B
Gross Revenue						
Total Gross Patient Service Revenue	197,875,612	211,533,513	213,550,580	252,473,288	40,939,775	38,922,708
Deductions from Revenue						
Total Deductions From Revenue	(123,440,280)	(132,338,184)	(134,613,508)	(160,852,912)	(28,514,728)	(26,239,404)
Net Patient Service Revenue	74,435,332	79,195,329	78,937,072	91,620,376	12,425,047	12,683,304
Other Operating Revenue						0
Capitation Revenue	14,053,783	13,892,894	13,719,340	13,864,484	(28,410)	145,144
Total Other Operating Revenue	19,119,970	18,334,485	21,926,552	17,587,013	(747,472)	(4,339,539)
Net Operating Revenue	93,555,302	97,529,813	100,863,623	109,207,389	11,677,576	8,343,766
Operating Expenses						
Wages	42,437,647	45,326,800	43,552,011	47,544,361	2,217,561	3,992,350
Benefits	11,643,436	11,405,809	13,494,186	12,233,553	827,744	(1,260,633)
Contract Temps	301,519	200,000	3,989,791	3,000,000	2,800,000	(989,791)
Contract Med Specialists	6,233,044	5,645,433	6,229,498	6,116,933	471,500	(112,565)
Contracted Services	8,974,152	8,630,283	9,291,728	9,302,661	672,378	10,933
Med/Surg Supplies	3,827,044	2,881,591	4,073,720	4,123,002	1,241,411	49,282
Drugs	5,691,814	5,139,887	6,069,385	6,808,901	1,669,014	739,516
Other Supplies & Expenses	7,314,228	7,384,995	8,263,048	8,681,450	1,296,455	418,402
Depreciation & Amortization	3,904,161	4,247,767	3,941,641	3,802,003	(445,764)	(139,638)
Healthcare Provider Tax	4,680,807	5,526,036	5,309,346	6,385,260	859,224	1,075,914
Interest expense	146,042	471,886	169,862	482,265	10,379	312,403
Total Operating Expenses	95,153,894	96,860,486	104,384,215	108,480,389	11,619,903	4,096,174
Operating Gain or (Loss)	**(1,598,592)**	**669,327**	**(3,520,592)**	**727,000**	**57,673**	**4,247,592**

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BALANCE SHEET

		2022B	2022P	2023B	PERCENT CHANGE 2022B - 2023B
ASSETS					
CURRENT ASSETS					
CASH & INVESTMENTS		$6,432,416	$6,420,848	$5,229,515	-18.7%
PATIENT ACCOUNTS RECEIVABLE, GROSS		$19,758,956	$19,758,956	$22,182,901	12.3%
LESS: ALLOWANCE FOR UNCOLLECTIBLE ACCTS		-$6,302,931	-$6,302,931	-$2,988,684	52.6%
OTHER CURRENT ASSETS		$3,715,495	$3,715,495	$3,378,974	-9.1%
TOTAL CURRENT ASSETS		$23,603,936	$23,592,368	$27,802,706	17.8%
BOARD DESIGNATED ASSETS					
TOTAL BOARD DESIGNATED ASSETS		$38,248,698	$38,248,698	$32,472,897	-15.1%
PROPERTY, PLANT, AND EQUIPMENT					
LAND, BUILDINGS & IMPROVEMENTS		$64,769,755	$64,769,755	$69,620,839	0.0%
CONSTRUCTION IN PROGRESS		$4,038,401	$4,131,524	$0	2.3%
MAJOR MOVABLE EQUIPMENT		$33,334,980	$33,334,980	$37,573,151	0.0%
FIXED EQUIPMENT		$3,923,883	$3,923,883	$3,315,279	0.0%
TOTAL PROPERTY, PLANT AND EQUIPMENT		$106,067,019	$106,160,142	$110,509,269	0.1%
TOTAL ACCUMULATED DEPRECIATION		-$64,523,549	-$64,523,549	-$65,010,598	0.0%
TOTAL PROPERTY, PLANT AND EQUIPMENT, NET		$41,543,470	$41,636,593	$45,498,671	9.5%
TOTAL ASSETS		$103,396,104	$103,477,659	$105,774,274	2.3%
LIABILITIES AND FUND BALANCE					
TOTAL CURRENT LIABILITIES		$14,677,467	$17,832,239	$19,211,739	30.9%
LONG-TERM DEBT					
TOTAL LONG-TERM DEBT	$0	$15,278,967	$15,278,967	$14,615,921	-4.3%
TOTAL LIABILITIES		$29,956,434	$33,111,206	$33,827,660	12.9%
FUND BALANCE		$73,439,670	$70,366,453	$71,946,614	-2.0%
TOTAL LIABILITIES AND FUND BALANCE		103,396,104	103,477,659	105,774,274	2.3%

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FY23 NON-CON CAPITAL

Non-CON Capital Budget:

		Amount
Patient Care equipment replacements	$	1,366,418
Diagnostic Department equipment	$	647,443
Plant Services repairs and upgrades	$	424,320
IS/IT Projects and Infrastructure upgrades	$	635,000
Total	$	3,073,181

CON-Approved Modernization Project construction to finish in March 2023 (CON expires October 2023).

- Boiler plant upgrade complete.

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SAVINGS INITIATIVES

- Revenue Cycle enhancements
- Reduction in non-essential, unbudgeted spend
- Removal of non-essential non-CON Capital spend
- Position control / organizational design
- Contract review and rationalization

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WORKFORCE CHALLENGES

WORKFORCE

- April 2021 -“The Big Quit” or “The Great Resignation”
- National trend - Not limited to healthcare
- Covid-19 as a “life-quake” experience
- Generational differences & lack of pipelines

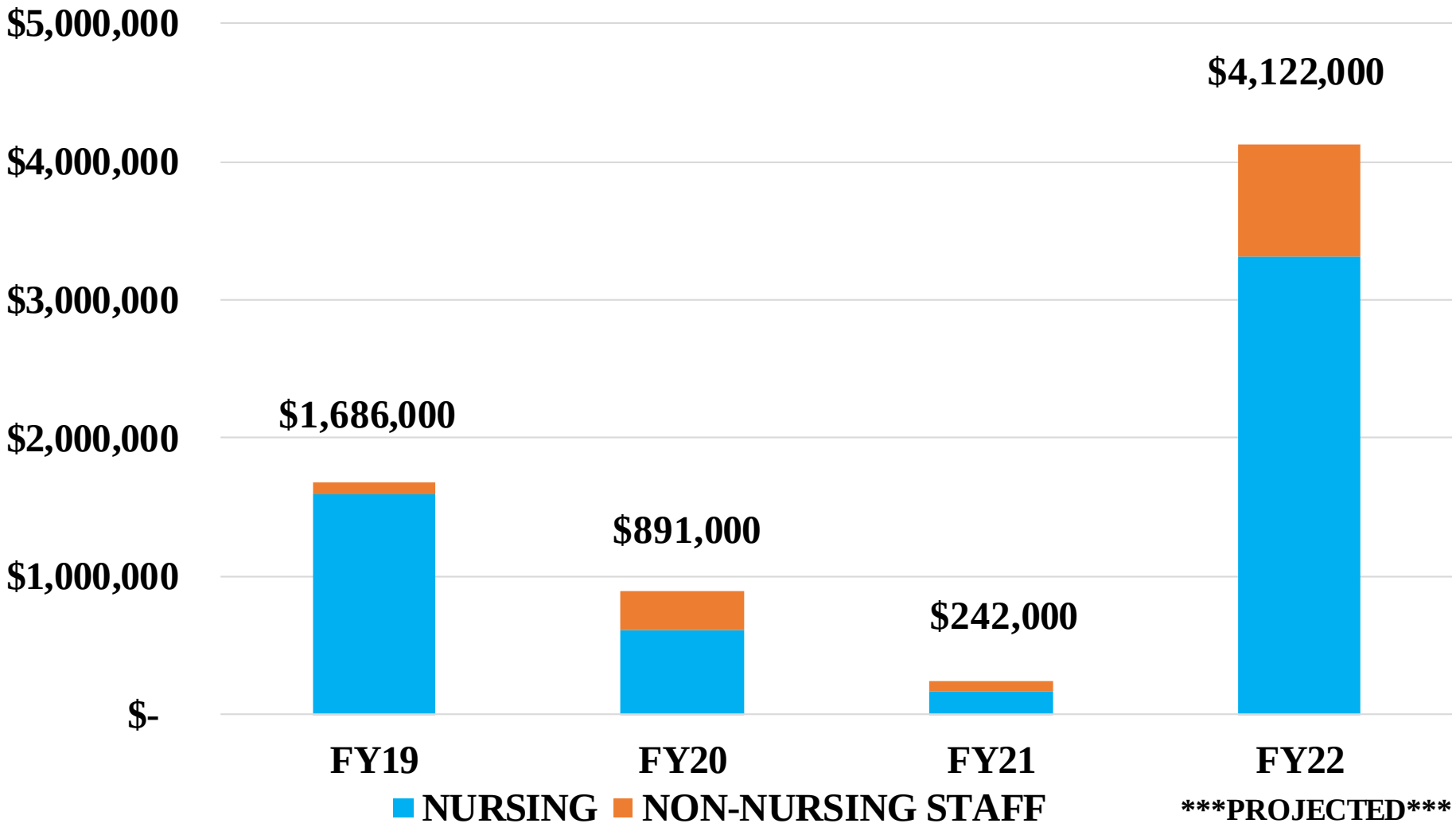
HOSPITAL CAPACITY

- Hospitals surging with Covid and non-Covid patients
- Beds closed or “taken offline” due to nursing shortage
- Inability to transfer to higher/lower levels of care (20-40 calls/pt)
- Lack of transportation, specifically critical care

Turnover > Capacity Limited > Covid > Adverse Conditions > Turnover

Headcount	Hired	Termed	Growth Rate	Turnover Rate	Average Tenure
681	179	148	4.4%	22.3%	7.7
As of August 2022					(Years)

CONTRACT LABOR SPEND



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WORKFORCE SOLUTIONS

- Compensation
  - Commitment to maintaining internal and external equity
- Clinical Collaboration/Pipelines
  - Nursing & Allied Health
  - Nurse Residency Program
  - Environmental Services
  - Education/Professional Development opportunities
- Culture
  - Trauma informed, consistent leadership
  - Frequent, transparent communication
  - Taking action against incivility
  - Flexibility
  - Recognition
  - Staffing models
  - Exit and stay interviews
  - Employee engagement surveys
  - Support for wellness programs
  - Diversity, Equity, and Inclusion

VERMONT TECH
VERMONT TECHNICAL COLLEGE

CCV COMMUNITY COLLEGE OF VERMONT

WINDHAM REGIONAL CAREER CENTER

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Keene STATE COLLEGE

GREENFIELD COMMUNITY COLLEGE

RISKS

- Medicare Dependent Hospital (MDH) and Low Volume Status
- 340B Revenue
- Limited Federal or State Covid relief
- COVID-19 resurgence
- OneCare Vermont risk-based performance
- Community/Population Health investments which don’t yield short term returns
- Active union negotiations

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OPPORTUNITIES

- Continued Revenue Cycle improvements
- Continued growth in Orthopaedics through Greenfield penetration
- Volume/access opportunities in Primary Care – integrating Lifestyle Medicine
- Regional Psychiatric Strategy Group (Brattleboro Retreat, BMH, and HCRS)
    - Healthworks ACT Initiative
- Continued collaboration with Dartmouth Health and Cheshire Medical Center
    - Evolution of strategic partnership
- Justice, Equity, Diversity and Inclusion initiatives
- Mobile integrated health network

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SUMMARY

- Net Patient Revenue and Fixed Prospective Payments have increased from FY22 budget to FY23 budget by 13.3%
- Overall charge increase of 14.9%
- Operating margin of 0.67% or $727k
- Asking for reasonable budget so that we can build sustainable future
- Embracing change and transformation
  - The future is ideal
  - Very responsible budget for FY23 – to stabilize

Striving to be the HUB OF HOPE, HEALTH, AND HEALING for our community!

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“The future has many names.

For the weak it is impossible, for

the fainthearted it is unknown,

but for the strong it is ideal.”

- Victor Hugo