Brattleboro Memorial Hospital
EXCEPTIONAL CARE FOR OUR COMMUNITY

FY2022 Budget Narrative

A. EXECUTIVE SUMMARY

Provide a summary of the hospital's FY22 budget submission, including any information the GMCB should know about programmatic changes, such as staffing and operational changes and any further impacts of COVID-19. Please include the hospital's response to COVID-19 vaccinations and how it affects operations

FY2021 and FY2022 is a tale of two distinct budget periods for Brattleboro Memorial Hospital (BMH) due to the effects of Covid19 on patient volumes. From October 2020 through March 2021, BMH faced significant losses due to low volume and reluctance on behalf of patients to come to the Hospital to receive medical care. BMH incurred $2.4M loss through these first two quarters and we projected an $8M loss for the fiscal year if trends continued. In response to this economic challenge, Hospital Leadership initiated a "Back to Budget" plan, which was endorsed by the BMH Board of Directors, in January 2021. Between expense reductions and volume growth, the plan set a goal of over a $4M in budget improvement without layoffs **(See Table 1)**. We have successfully executed on all major plan elements.

From the volume perspective, BMH experienced decreased patient visits across all major departments and medical practices through March 2021. For example, births declined over 35% and ED visits decreased over 15% compared to budget. Surgical cases experienced a 6% decrease while patient days declined 3.5%. On the bright side, our medical practices started ramping up patient visits, which signaled the start of a volume turnaround. Thankfully, moving into late March and through May, we experienced a resurgence of patients across the enterprise with the exception of two major areas-Births and Emergency Visits which were 35% and 16% below budget respectively.

Our major initiative to be the hub for Covid19 vaccinations brought significant numbers of patients into our facility by transforming a major portion of the ground level of BMH into a mass vaccination clinic. The patient experience was exceptional and all were thankful to not just receive the vaccine but to have welcoming and positive interactions with our staff-from screeners to vaccinators. To date, we have administered over 20,000 vaccinations. Patients and employees saw the Hospital's ability to administer the COVID vaccine as the way out of the Pandemic. After a year of being scared, feeling hopeless and isolated, our patients regained a sense of safety and security as they entered their community Hospital and received their vaccination; signaling the return of patients to their community Hospital once again.

As we look towards FY2022, the use of screeners-although reduced-will remain and we will continue to be the hub for vaccinations and testing working with AHS and VDH. Additionally, the use of tele-medicine for particularly vulnerable patients, or unvaccinated patients will continue. We will continue to develop negative pressure areas throughout the hospital and our medical practices to treat positive or suspected Covid patients. We also modified areas in our new patient building under construction to

address issues of social distancing. All areas will continue to evaluate their operations through a Covid "lens" to maintain a safe environment for staff and patients.

TABLE 1-B2B PLAN

Brattleboro Memorial Hospital	
FY2021 Financial Action Plan	
	Revenue Enhancement/Expense Reduction
Revenue Improvements	$ 1,780,000
Revenue Cycle Optimization	$ 100,000
Expenses	
Positions Holds	$ 423,550
Contracts and Agreements	$ 897,750
Wage and Salary	$ 121,300
Programs	$ 373,663
Budget Holds	$ 378,000
Total	$ 4,074,263

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B. YEAR-OVER-YEAR CHANGES

Explain each component of the budgeted FY22 based on the prompts below, please explain the hospital's budget-to-budget growth (or decline), budget-to-projection growth (or decline), including any ongoing COVID-19 assumptions. Please provide revenues and expenses related to COVID-19 vaccination clinics and testing as part of the FY22 budget, as well as FY21 projection, in a separate schedule (i.e. income statement) in Appendix 5 of Part B in the Appendices section. If possible, please include employees.

i. NPR/FPP: Overview

a. Referencing the data submitted in Appendix 1 of Part B below, explain each component of the budgeted FY22 NPR/FPP change over the approved FY21 budget, referencing relevant FY22 budget-to-projection variances.

The change in NPR/FPP from FY2021 Budget to FY2022 Budget is 3.0%.

The Rate Effect makes up 79% of the increase in NPR/FPP from budget FY21 to budget FY22 with additional utilization accounting for 13.5% of the increase. There is also a payer mix shift in utilization from Medicare and Commercial to Medicaid which is part of the 13.5% increase.

The FY21 Projection to FY22 Budget has a significant increase in utilization. This is a result of the first 5 months of FY21 volumes being significantly under budget. BMH has seen these volumes return in the months of March, April, and May to budgeted/pre-Covid levels and we are projecting this rate through the remainder of the year.

i. Discuss changes in NPR/FPP expected from Medicare, Medicaid, and Commercial; and other reimbursements from government payers.

There are no significant changes in NPR/FPP from Medicare, Medicaid and Commercial.

ii. Also include any significant changes to revenue assumptions from FY21 (e.g., Centers for Medicare and Medicaid Services (CMS) and Department of Vermont Health Access (DVHA) reimbursement policies, reimbursement adjustments, settlement adjustments, reclassifications, other accounting adjustments, rate changes, utilization, and/or changes in services).

1. ***Include an analysis, as required under 18 V.S.A. § 9456(b)(9), that reflects a reduction in net revenue needs from non-Medicaid payers equal to any anticipated increase in Medicaid, Medicare, or another public health care program reimbursements, and to any reduction in bad debt or charity care due to an increase in the number of insured individuals.***

BMH does not have any significant changes to revenue assumptions from FY21 for CMS or DVHA, reimbursement adjustments, settlement adjustments, reclassifications, other accounting adjustments, rate changes, or utilization of changes in services.

iii. In the Vaccine Clinics and Testing (the allowance discussed above) tab of Appendix 5 of Part B include the revenues and expenses incurred by the hospital for providing employee and public COVID-19 vaccine clinics and testing.

1. ***Please discuss the impact COVID-19 vaccine clinics and testing has on the FY21 projection and FY22 budget***

   Portions of BMH's COVID-19 testing and all of the mass vaccination clinics are happening under a contract with Vermont Department of Health (VDH).

   - COVID testing - VDH outsourced a large portion of the testing to the CIC/Broad Institute. In this arrangement, VDH pays BMH a rate per sample collected/test performed. BMH provides the staffing, location, expertise, analysis and results. This clinic is operated four days per week and has weekend and evening hours.

   - BMH has stood up its' own testing. BMH provides COVID testing for employees, patients prior to surgeries, and symptomatic patients. In FY2021 BMH has provided 1,400 COVID-19 tests through May 31, 2021. This service will continue.

   - COVID-19 vaccinations have been provided under the above mentioned VDH contract. BMH has provided over 20,000 COVID vaccinations since December of 2020. This contract is set to expire in December of 2021. Upon expiration of the contract, BMH and all Vermont Hospitals will be expected to take on this work and vaccinate patients within their primary care practices.

   - FY2021 projection and FY2022 Budget for revenues, expenses and margin for Covid-19 vaccinations and testing.

	Revenues	Expenses	Margin
○ FY2021 Proj.	$748,050	$822,500	-$74,450
○ FY2022 Budget	$0.00	$0.00	$0.00

ii. NPR/FPP: Utilization

a. **Describe any significant variances from the FY21 budget and projection (including changes in reimbursements and utilization).**

The FY21 budget was built during the period of the Covid-19 pandemic therefore the baseline used for developing the FY21 budget was the FY20 budget which was built in FY19. This is important to highlight as actual changes that occurred during 2019 and 2020 may not have been captured in the budget process for the FY2021 budget.

Variances in utilization from the FY21 budget are in our surgical areas, primary care, OB/GYN and the Emergency Room. There is increased productivity with our general surgeon group and there is an additional orthopedic surgeon. This is driving some additional volumes in our diagnostic imaging areas.

As referenced earlier in the Financial Action Plan, there are additional volumes being recognized in our primary care areas which will improve access to care but also has an impact of additional volumes in our lab.

The OB/GYN practice has had a vacant physician position. A new physician has been hired and will start during 2021.

Our Emergency Room volumes have seen a significant decrease during the pandemic. This is the only area that has not shown signs of returning back to pre-pandemic levels.

b**. Referencing the data submitted in Appendix 3 of Part B below, explain changes in your utilization assumptions to support your NPR/FPP variances**

The utilization assumptions used in the development of the FY2022 budget were somewhat varied from past years. Since fiscal year 2020 and 2021 were so significantly impacted by the pandemic at BMH, we needed to use fiscal year 2019 as a "base" year in the development of the 2022 budget. The volumes from 2019 were evaluated and adjusted if needed to accommodate for any changes during 2020 and 2021.

iii. Charge Request

a. **Referencing the data submitted in Appendix 2 of Part B below, explain the hospital's overall charge request on the charge master in Table 1**.

BMH's overall charge request is 5.1%. This is composed of a charge increase of 0% for outpatient practices and 7% on inpatient and outpatient hospital services.

b. **Explain how the request impacts gross revenue, NPR and FPP by payer and what assumptions were used in quantifying the requested increase/decrease for each in Tables2-3. Describe how the charge request affects the areas of service (for example, inpatient, outpatient, etc.) in gross revenues, NPR and FPP by payer. Explain the underlying assumptions and methodology used to make that allocation.**

The charge increase is not specific to the payers, it is applied the same to all payers for gross revenues. The assumption of 0% charge increase for outpatient practices is that there would be no additional NPR since the reimbursement model for the practices is based on a set fee schedule.

The majority of increase to NPR and FPP is allocated from the commercial payers. There is little additional NPR/FPP from Medicare or Medicaid with this charge increase.

c. **Please indicate the dollar value of 1% NPR/FPP FY22 in Table 3 of Appendix 2 of Part B below, overall change in charge.**

The estimated dollar value of a 1% fee increase equates to additional NPR of $435,036.

iv. Adjustments (physician transfers and accounting adjustments)

a. ***Account for operational or financial changes, including provider transfers and/or accounting changes***.

There are no provider transfers or accounting changes for FY22.

v. Other Operating and Non-Operating Revenue

a. ***Explain the budgeted FY22 other operating revenue and non-operating revenue changes over the approved FY21 budget, as well as relevant FY21 budget-to-projection variances.***

Other operating revenue related to 340B has increased $500k from FY21 budget. BMH has hired a 340B tech and a pharmacist in 2020 who identified opportunities with contracting with additional retail pharmacies which increased the 340B retail revenue.

Non-operating revenue in made up of investment returns which have done very well during FY2021 related to the performance of the stock market. BMH budgets this conservatively as the market is volatile and unpredictable.

b. ***Please denote the COVID-19 advances, relief funds, and other grants received in Appendix 7 of Part B below, and the respective treatment of each funding source as of September 30, 2020, projected as of September 30, 2021, and budgeted as of September 30, 2022.***

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Description	Amounts Received Grand Total	Amounts Received	Recognized in Revenues	Recorded as a liability	Amounts Received	Recognized in Revenues	Recorded as a liability	Recognized in Revenues	Recorded as a liability
		As of Sept. 30, 2020			As of Sept. 30, 2021			As of Sept. 30, 2022	
CARES Act Funding	$ 11,407,617	11407617	11407617						
Medicare Advance - Repayment	$ 6,295,839	6295839		6295839					
VT Blue Cross Advance	$ -								
VT Healthcare Stabilization Grant	$ 1,051,631	1051631	1051631						
VT Medicaid Retainer Funding	$ 510,386	510386	510386						
VT Hazard Pay Grant	$ 366,400	366400	366400						
VT Unemployment Credit - CARES Act	$ 123,661	123661	123661						
CARES Workforce Retention Credit	$ -								
PPP Funds	$ -								
SHIP Grant	$ 84,317	84317	84317						
Other (add rows as necessary)	$ -								
Totals	$ 19,839,851.00	$ 19,839,851.00	$ 13,544,012.00	$ 6,295,839.00	$ -	$ -	$ -	$ -	$ -

c. Please discuss to the best of the hospital's knowledge, any potential funds that could be received by the hospital (with an estimated timeframe) related to COVID-19 advances, relief funds, and other grants.

There are currently two potential sources of additional funds that may be available to BMH. The SHIP grant has a potential $230,000 that may become available. BMH has submitted a letter of interest for this opportunity. There is also a potential USDA grant that may become available which can be used for offsetting capital expenditures over the next 5 years and is structured as a matching grant of 35%. The total funding is currently unknown.

d. ***Explain the relative stability of significant sources of other operating revenue and non-operating revenue and discuss strategies to address revenue streams the hospital considers unpredictable or unstable***

The 340B program has been identified as a risk since its inception. The program is currently stable and predictable but there are continued challenges to discontinue the program by the pharmaceutical companies. BMH continues to work through VAHHS and the American Hospital Association to lobby for this program as well as working through the federal congressional representatives of Vermont to support this program

vi. Operating Expenses

a. **Explain changes in budgeted FY22 operating expenses over the approved FY21 budget.**

The most significant change in the operating expenses from FY21 budget to FY22 budget is salary expenses. This expense increase accounts for 75% of the overall expense increase in the operating budget. This is composed of 2% increase in FTEs (10.6) and a wage increase to remain competitive in the market.

b. **Describe any significant variances between your FY22 budget and FY21 projections (e.g., variances in costs of labor, supplies, utilization, capital projects) and how those variances affected the hospital's FY22 budget**.

Medical/Surgical supplies have increased mainly due to increased volumes in our orthopedic joint replacement program. The expense of these implants which are related to increased volumes has increased 14%.

Drug expense has increased 17% as a result of increased cost of drugs mainly in the chemo treatment area and increased volumes of chemo patients.

c. **Referencing the information and data submitted in Appendices 1 and 4 of Part B below and relevant portions of the FY22 budget submission, please discuss the categories of inflation and their relevance to the hospital's budget and operations**.

With the wage and benefit budget accounting for 75% of the total expense budget, the most significant inflation category is wage inflation. This accounts for the majority of the requested increase in NPR/FPP. The other significant inflation category is drugs.

d. **Describe any cost saving initiatives proposed in FY22 and their impact on the budget**.

See Table 1-B2B plan earlier in this document

e. **Describe the impact operating expenses have on requested NPR/FPP**

Total operating expenses are increasing 3.3% which are offset by the increase of NPR/FPP of 3.0% and total revenue of 3.5%.

vii. Operating Margin and Total Margin

a. **Discuss the hospital's assumptions in establishing its FY22 operating and total margins. Explain how the hospital's FY22 margins affect its overall strategic plan. If the hospital relied on third party benchmarks or targets, please identify those benchmarks and sources (e.g., lending institutions, credit rating agencies, industry standards, parent company/affiliate policy). Please also discuss any relevant FY21 budget-to-projection variances.**

BMH approached the FY22 budgeted operating margin by looking at the current year's volumes and expenses and comparing that to the last "normal" baseline year of FY2019. As stated in the executive summary, it has been a tale of two distinct budget years which has made developing the FY22 budget a challenge. The first five months of volumes FY21 were not good for BMH, but the months of March, April and now May have taken a turn in the right direction. Since FY21 has been volatile for volumes we needed to look at an anchor year of FY19 to build the volume budget. The expenses for FY21 were running in line with the budget, but there was opportunity for expense reduction as outlined

in Table – 1 above, which some of these were carried into the FY22 budget and some were restored in the FY22 budget.

The FY22 total margin includes non-operating income which is made up of investment returns. BMH takes a conservative approach for budgeting these returns and does not rely on them for operations.

The FY22 operating and total margins do not change the overall strategic plan. Although Covid has delayed some capital investments, it has not cancelled them. Most, if not all, of the strategic goals for FY21 have been achieved or are in the process of completion.

b. **Does the hospital's budget request include support or a need to support any other entities outside of the physical hospital? An example includes a higher operating margin to transfer surplus to a subsidiary.**

No, the budget for BMH does not include support or a need to support any other entities outside of the physical hospital.

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C. RISKS AND OPPORTUNITIES

i. Please discuss the hospital's risks and opportunities in FY22. Recognizing the risks and opportunities in the current environment, please explain how the FY22 budget proposal supports strategies for addressing these issues.

Major Risks for FY2022 are as follows:

- **COVID-19 Resurgence:** Our budget supports our response to a resurgence of Covid19 as we have developed a separate 7 bed Negative Pressure Unit within the Hospital, maintained several screener positions, added hours to our Infection Prevention program and have continued to lease a modular unit for evaluating ambulatory positive or suspected positive patients. PPE Supplies continue to be acquired and stored.

- **Medicare Dependent Hospital (MDH)/Low Volume Designation:** These programs are scheduled to expire in September 2022; we continue to monitor and support efforts to permanently extend them.

- **340B Program:** This critical program continues to be under attack by Big Pharma. We have invested in staff designated to manage this program.

- **OneCare risk-based performance:** BMH continues to participate in OneCare's efforts to support hospitals in transitioning from fee-for-service to value-based reimbursement. (see **D** below)

- **Loss of Provider Based Billing:** The Supreme court ruled on June 29th, 2021 that off-campus ambulatory practices will no longer be able to participate in provider based billing. Currently, this impacts two of BMH's outpatient practices; Brattleboro Family Medicine and Putney Family Healthcare. The financial impact of this ruling is unknown at this time.

- **Limited patience with long-term population health investments which don't yield short term returns**
    - Vulnerable Pop Nurse (Homeless shelter and Respite bed)
    - Care Coordination
    - Dental Health
    - Embedded Behavioral Health Therapists in Primary Care Practices
    - Community Health Team and Hub and Spoke

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Major Opportunities for FY2022:

- **Continued Revenue Cycle Improvements**

- **Successful Recruitment Efforts**
    - Anesthesia-Medstream: 3 CRNAs (July 2021 start)
    - Primary Care: 1MD (Putney Family Healthcare, Aug 2021 start)
    - Orthopedics: 1 PA-C (July 2021start), 2 Surgeons (Oct 2021 and 2022 start)
    - Podiatry: 1 MD (Aug 2021 start)
    - OB/GYN: 1 MD (July 2021 start)

- **Regional Psychiatric Strategy Group (Retreat, BMH and HCRS)**
    - ACT (Assertive Community Treatment) Initiative

- **Continued collaboration with DH and Cheshire Med/ Evolution of Strategic Partnership**

- **LGBTQ+ and Racial Diversity Initiatives/DEI Coordinator**

- **Telemedicine**

ii. ***Please describe the impact of COVID-19 on access to care/wait times at your organization, including the use of telehealth and telemedicine, COVID-19 related safety protocols, and other relevant factors****.*

Emerging from COVID has had a favorable time on access to care and wait times at BMH. During the height of the Pandemic, we used the time to, on parallel track, prepare ourselves for coming out of the Pandemic. The primary care clinicians rallied to find ways to allow more patients in-need of primary care to receive services, without barrier and without delay. Clinicians wanted to be ready to accept existing patients who had delayed much needed routine care, and to be ready to accept new patients, who realized through the course of this virus, the importance of having a primary care clinician and having timely access to a medical home. Thus, we went from a 'third next available' new patient slot of 120 days to 75 days, as we currently stand, in four months' time.

Tele-medicine is now a routine part of ambulatory care. We envision that this mode of care will remain, so long as it is reimbursed in the same way that an in-person evaluation and management code is reimbursed and is recognized by CMS. Tele-medicine was the only way care could be delivered for so many months and it continues to be essential to home bound patients and those experiencing depression and anxiety. There is a cost to tele-medicine and we pay that on an annual basis. BMH uses Blue Stream and the implementation was over $25,000. The annual cost for BMH to host the platform is $12,000. Lastly, in order for clinicians to provide tele-medicine to their NH and MA patients (there are quite a few given the location of BMH), clinicians needs to be fully licensed in those States. There is an initial cost and an annual cost to this licensure.

As previously reported, BMH has stood up and has committed to maintaining a negative pressure unit for patients experiencing any respiratory symptoms, as an important safety and infection prevention model. Lastly, BMH is in the process of installing HEPA filters in a designated exam rooms in each of their primary care practices to allow for BMH to safely care for those who are COVID-19 positive and require care in an ambulatory setting.

iii. Please discuss any lessons learned from the COVID-19 pandemic thus far, and any positive changes the hospital has adopted or plans to adopt for the future.

The primary positive lesson learned, as we emerge from this pandemic, is the power of the VAHHS collaboration with the State of Vermont. Vermont's 14 Hospitals worked collaboratively in ways unforeseen, but essential and crucial to the well-being of Vermonters. In Brattleboro, BMH became the main source of testing and vaccinations for our community and as of June, performed over 20,000 vaccinations…not bad for a little hospital! We are now working with the State to transition to a "Covid Center" model

A second positive outcome of the Pandemic, was the value of the BMH incident Command Structure and Team. Efficient and effective actions, communications with our own staff as well as our community and participative decision-making were the foundation of BMH' Incident Command structure and the results were exceptional throughout the 6-month period that Incident Command was in-force. This proven structure will be able to respond and adapt quickly to any emergency moving forward.

D. VALUE-BASED CARE PARTICIPATION

i. ***Referencing the data submitted in Appendix 6 of Part B below. Is the hospital participating value-based care programs in CY 2022 and, if so, please state what payer programs? If the hospital is not planning to participate in value-based care, please explain why.***

Yes, Medicare, Medicaid and Commercial.

ii. ***Please state what the hospital is projecting for ACO dues for FY21 and budgeting for FY22.***

Please see the worksheet, appendix XXX

iii. ***Has the hospital, and if so, how has the hospital, changed the way the hospital delivers care as a result of participating in value-based payment programs? Which value-based funding sources were most instrumental in driving that change?***

No, the care delivery has not changed. BMH provides quality care to patients regardless of insurance and their ability to pay.

The transparency of the data provided by OneCare allows the Brattleboro Service Area to learn and collaborate with area agencies for providing care to our higher risk populations.

iv. ***What barriers and opportunities are there to further delivery system reform in your community?***

The barriers to driving health reform in our community, include: access to high speed, reliable internet in our region; full and on-going appropriate reimbursement of tele-medicine visits. The opportunities include OneCare Vermont as the unifying partner, the focus everyone has right now on public health and equitable access to healthcare and the collective will our State healthcare leadership team has to do the right thing for the greatest number of people.

v. ***What factors support, or inhibit, hospital participation in more value-based payment programs?***

a. ***What is the "tipping point" or threshold, defined as the percentage that true FPP comprises of total NPR/FPP, necessary to support the successful transformation of your delivery system to a system substantially based on value-based care?***

BMH has not evaluated the threshold as the percentage of what the true FPP comprises of total NPR/FPP necessary to support the successful transformation to a system substantially based on value-based care. There are still many logistics that need to be addressed with the current "FPP" system. For example only Medicaid is a true FPP model. For various, valid reasons not all hospitals are participating in the three major products currently offered in value-based care. Risk levels and reserve levels are not in line.

*b**. Assuming Medicare and Vermont commercial payers offered a true actuarially sound population based fixed payment tomorrow, over what time horizon would you estimate you could reach your local tipping point? How long would it take your hospital to move operationally to a mostly fixed budget through participation in all-payer fixed payment programs)?***

As stated above, BMH has not evaluated the threshold for a tipping point.

*c. **What would the Medicare and Commercial fixed payment programs need to look like to facilitate your participation?***

These two payment programs would need to look like the overall program of Medicaid.

*vi. **What is the value of your maximum risk liability by payer for CY 2022?***

This has not been determined at this time.

*vii. **A risk reserve table will be distributed to the hospitals in late summer/early fall***

E. CAPITAL INVESTMENT CYCLE

i. **In accordance with 18 V.S.A. § 9435(f), describe the investment cycle and how it relates to the hospital's overall strategic plan. Discuss how the hospital's capital investment cycle has changed as a result of COVID-19. Please mention certain items and the resulting status as a result of COVID-19 (i.e. cancelled, postponed, rescheduled, etc.)**

Each year BMH develops capital investment needs for new and replacement expenditures. Criteria used in prioritizing these expenditures include safety, quality of care, infrastructure improvements or replacement, environment of care, technology needs and regulatory requirements.

As a result of Covid-19 capital expenses and projects have been delayed, but the overall investment cycle has not changed. The only CON (Certificate of Need) project in process, which has been in process for the last 4 years, had a scheduled start date of April of 2020. Covid-19 had delayed the start of this project to September 2020. BMH had also delayed purchases of capital for a short period of time during FY2020, but resumed capital expenditures before the year end.

ii. If any of the hospital's anticipated capital investments are required improvements (e.g., regulatory or accreditation requirements), please identify and explain

There are no anticipated capital investments that are required improvements for BMH.