

# **FY 2022 Springfield Hospital Revised Budget Board Deliberations**

November 8, 2021

GMCB Health System Finance Team

# Springfield Hospital (SPR)



## NPR/FPP

FY21 Budget-to-Projection Variance	-10.6%
FY21 Budget (\$)	\$50,600,310
FY21 Projection (\$)	\$45,212,644
FY22 Request (\$)	\$53,591,000
<b>FY22 Request (% change FY21B)</b>	<b>5.9%</b>
FY22 Request (% change FY21P)	18.5%

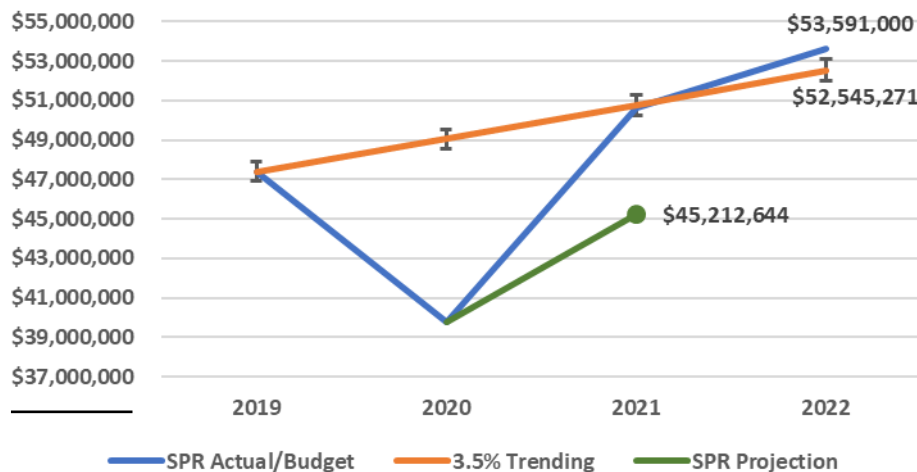
**Springfield's 5.9% REVISED request is over the 3.5% growth rate guidance.**

## Change in Charges

Commercial	\$2,851,000
Medicaid	\$233,000
Medicare	\$1,123,000
Self-Pay/Other	\$94,000

**8.30% Overall Charge Master Increase**

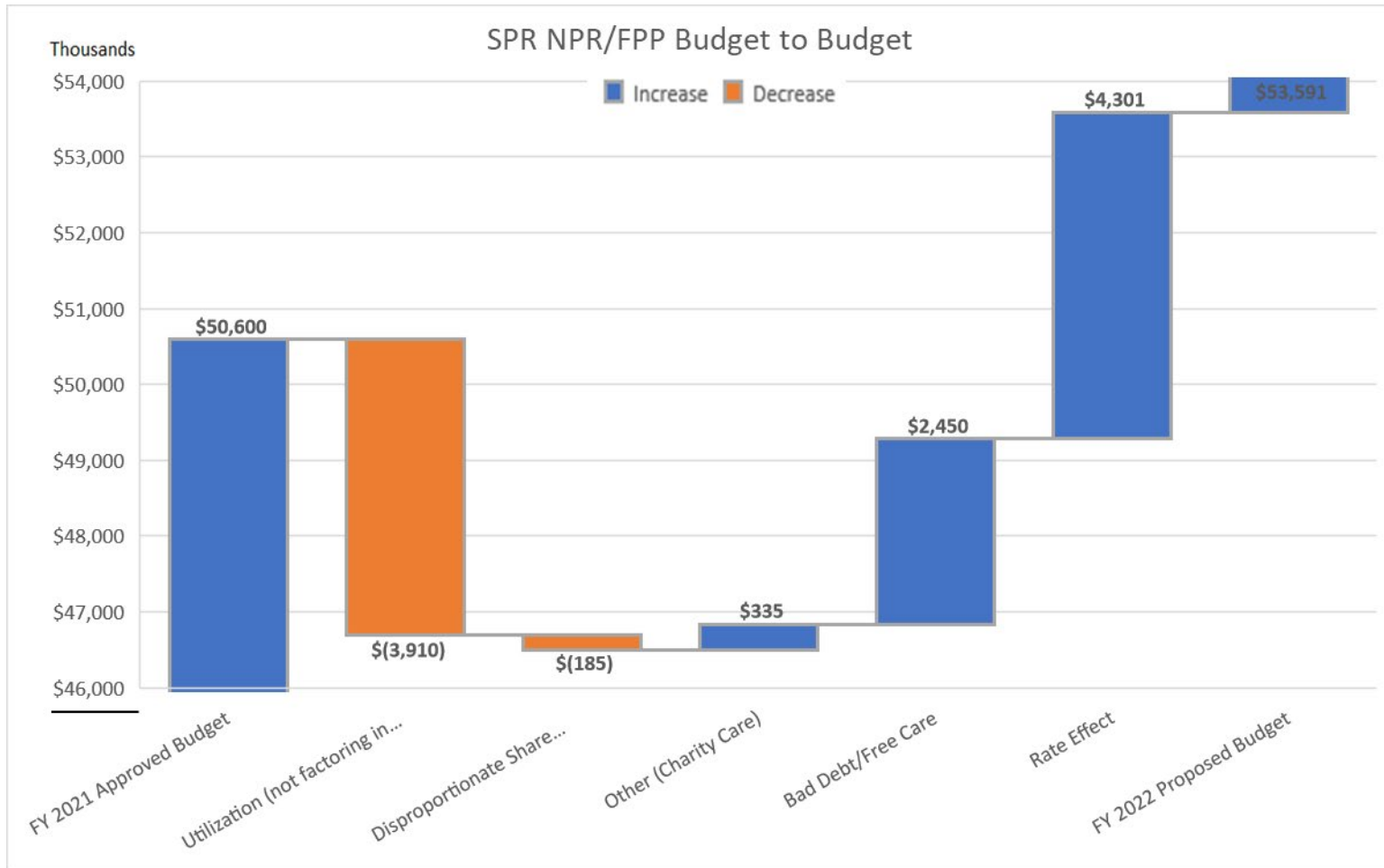
SPR (Updated) Performance vs. 3.5% Trending



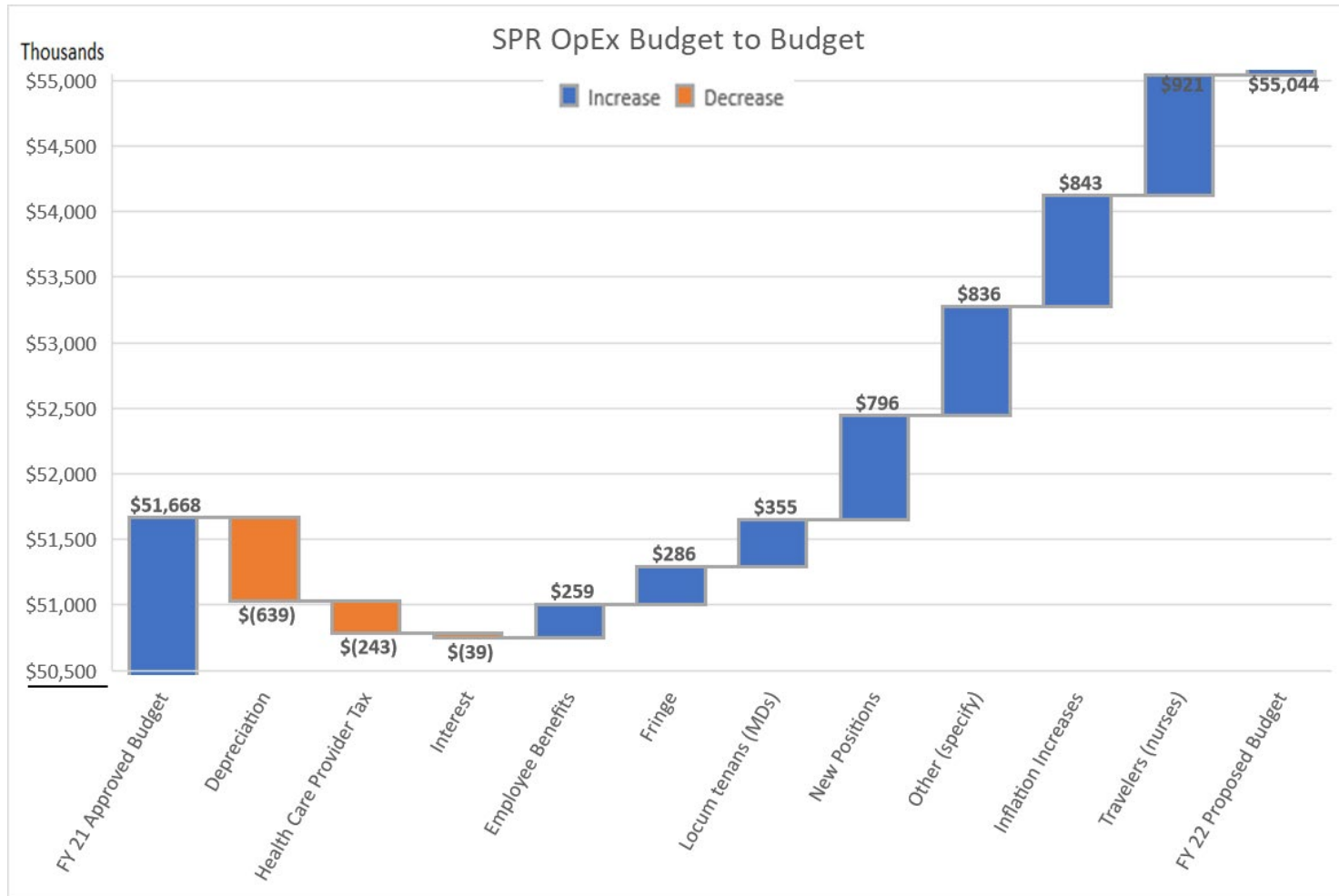
## Hospital Justification

- NPR and rate increases are needed to continue the SPH's recovery
- Ensure operations remain sustainable in 2022,
- Continue to ensure access to essential community hospital services
- Rate request will prevent the exhaustion of cash instead of increasing cash
- Workforce volatility
- Allows SPH to fund high priority capital needs

# SPR NPR/FPP Drivers: FY2021B-FY2022B



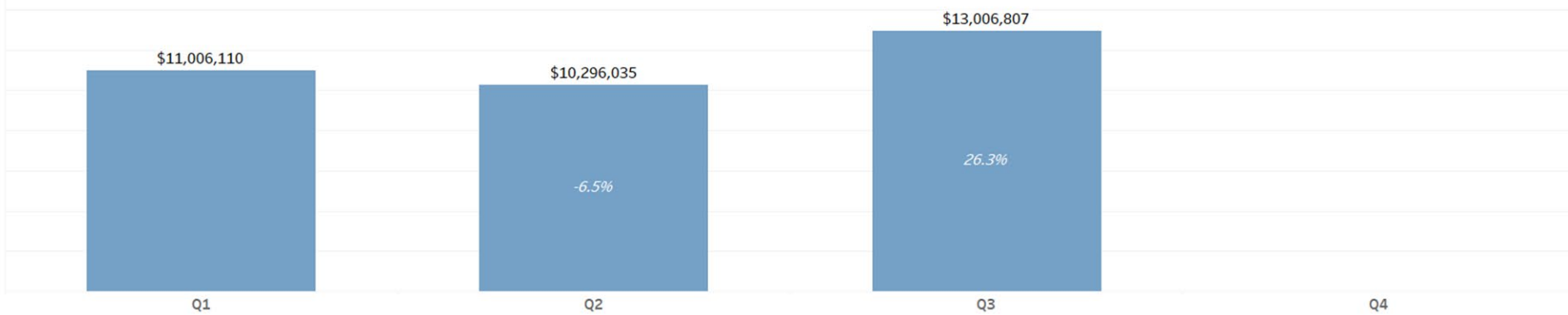
# SPR Operating Expense Drivers: FY2021B-FY2022B



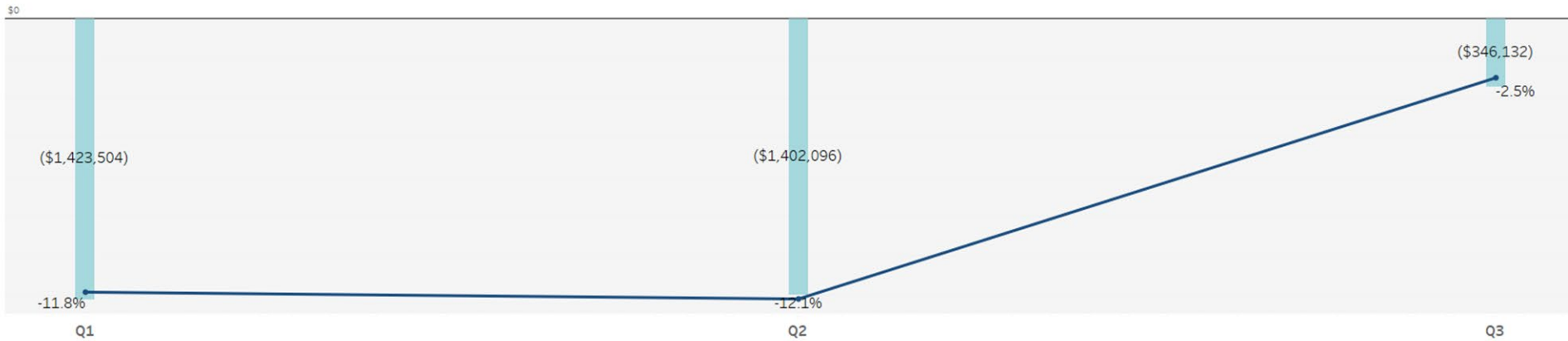
# Springfield Hospital: FY2021 Operating Performance



Quarterly NPR/FPP and Growth (%)  
Springfield Hospital

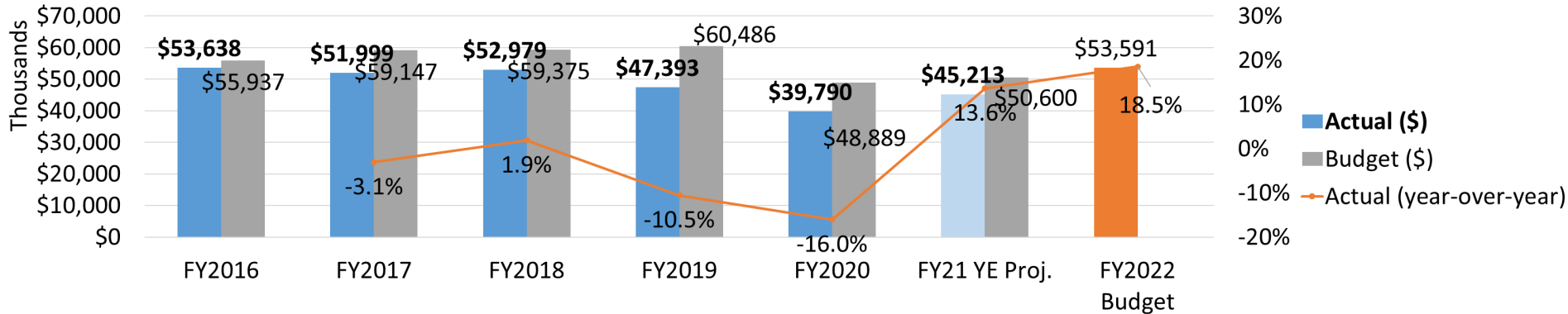


Operating Margin for Springfield Hospital

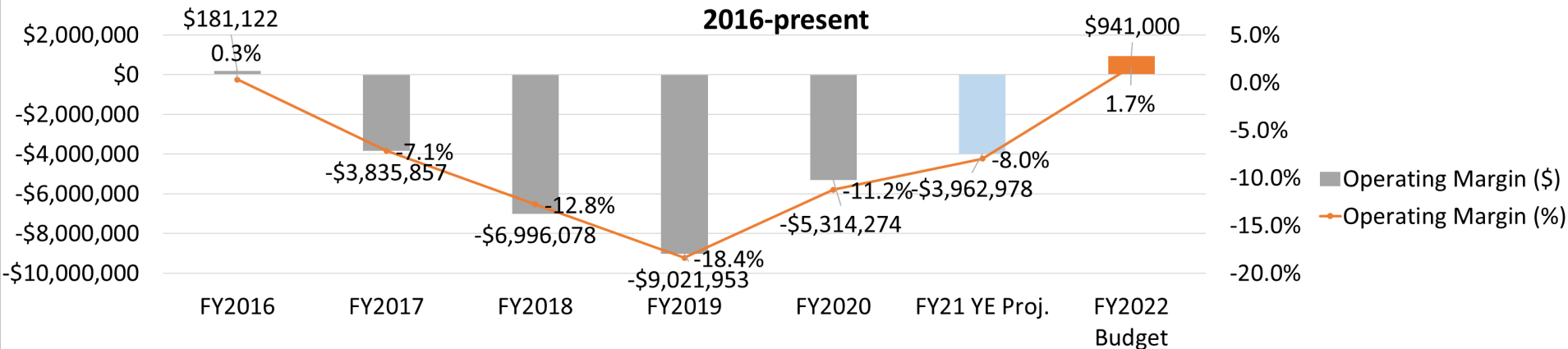


# Springfield Hospital: Historical Operating Performance

**NPR/FPP  
2016-present**



**Operating Margin  
2016-present**

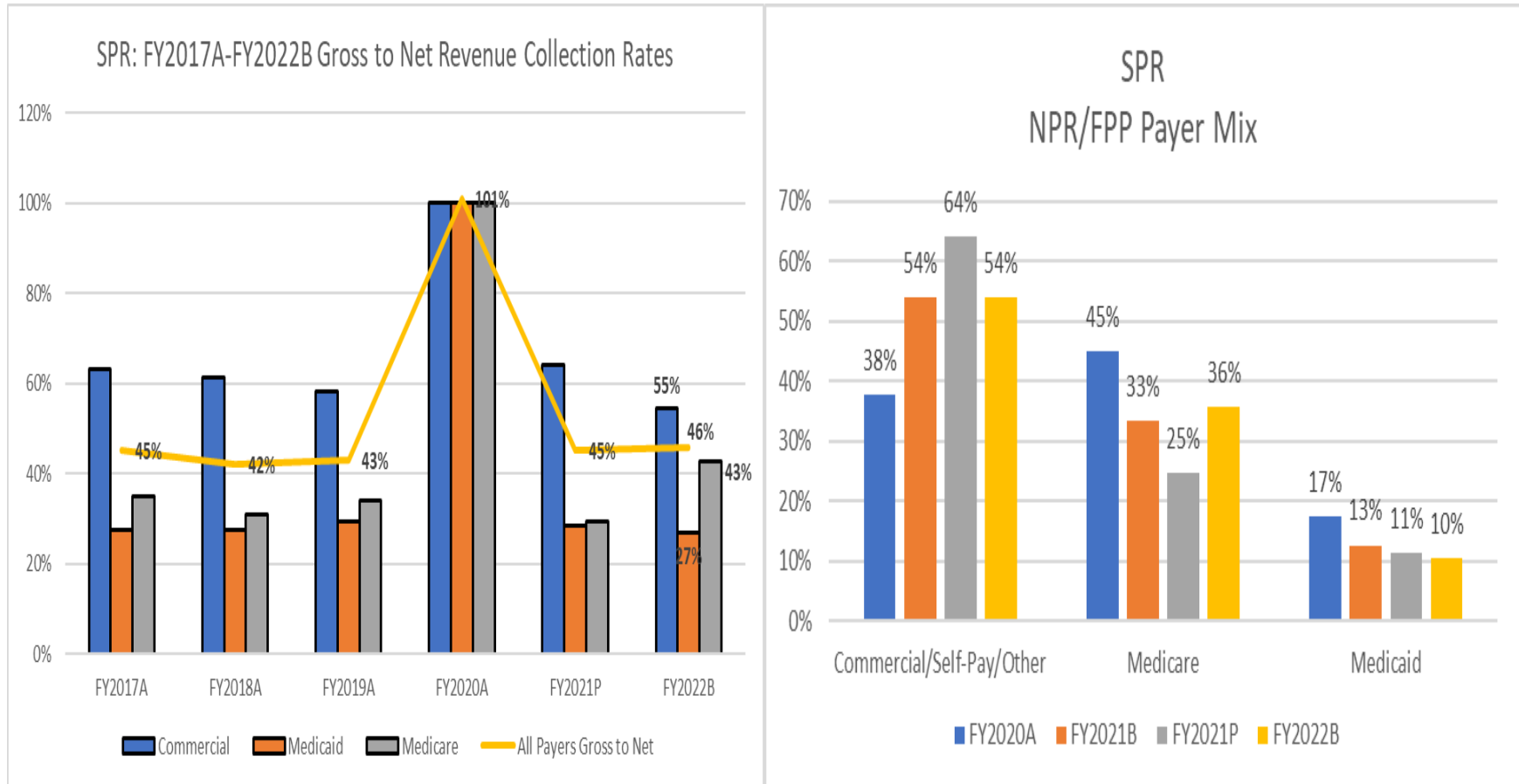


# Springfield Hospital: Change in Charge



Request						
Overall Change in Charge %	8.30%					
NPR due to Change in Charge	\$4,301,000					
Value of 1% Change in Charge	\$512,676					
Service Category						
Hospital Inpatient Change in Gross	-2.2%					
Hospital Outpatient Change in Gross Charges	11.0%					
All Other Change in Gross Charges	0.0%					
Payer						
Commercial	\$2,851,000					
Medicaid	\$233,000					
Medicare	\$1,123,000					
Total Self-Pay/Other	\$94,000					
NPR/FPP & Change in Charge Increase						
FY22 Request ( \$ change FY21B)	\$2,990,690					
Change in Charge (\$)	\$4,301,000					
	FY17	FY18	FY19	FY20	FY21	5-year average
Approved	0.0%	6.5%	10.0%	0.0%	4.0%	4.1%
Submitted	0.0%	6.5%	10.0%	0.0%	4.0%	4.1%

# Springfield Hospital: NPR/FPP Payer Mix and Gross to Net Revenue (%)



**NOTE: GMCB recognizes the inaccuracy of Springfield's FY2020 reporting. Springfield has not completed the full entry of FY2020 audited financial information.**



# Springfield Hospital: Recommendations



	FY2022 Request	Suggestion	Preliminary Decision
<b>NPR/FPP</b>	5.9% request is in excess of the budget-to-budget growth rate guidance, with COVID allowance growth is 5.9%. Original budget submission indicated 7.8% growth over FY2021B.	<ul style="list-style-type: none"> <li>Reduce NPR/FPP growth rate to 0.0% from FY2021 budget, with COVID allowance, growth is 0.0%. This is reducing NPR/FPP for FY2022 by \$2,990,690.</li> </ul>	Reduced NPR/FPP growth rate to 0.0% from FY2021 budget, approved 9/13/2021.
<b>Change in Charge</b>	8.30%	<ul style="list-style-type: none"> <li>Reduce rate 2.3%, to 6.0% reduces NPR/FPP by \$1,179,155</li> </ul>	Approved as submitted on 9/13/2021.
<b>Additional Recommendation</b>		<ul style="list-style-type: none"> <li>Commensurate reductions to expenses</li> <li>Improved timely and accurate submission of financial data</li> <li>Presents revised budget to GMCB, and have hospital management provide strategic plan</li> <li>Monthly meetings with GMCB Chair and staff to continue</li> </ul>	Approved on 9/13/2021: <ul style="list-style-type: none"> <li>Presentation of a revised budget to GMCB no later than 11/15/2021, and have hospital management and Board representative provide strategic plan with justification of NPR/FPP and expenses.</li> <li>Improved timely and accurate submission of financial data</li> <li>Monthly meetings with GMCB Chair and staff to continue</li> </ul>

# Springfield Hospital: Prior Motion Language



## *Motion language:*

*Move to approve Springfield Hospital's budget as modified hereby, with an NPR/FPP **increase** of 0% from FY2021 to FY2022 budget, an 8.3% **increase** to overall charges as submitted, subject to the standard budget conditions, and with additional conditions to improve timely and accurate submission of financial data, and continue monthly meetings with GMCB chair and staff.*

*More that as part of Springfield's budget order, require a presentation of a revised budget to the GMCB by hospital leadership, including a representative from Springfield's board, at a date to be negotiated between the GMCB chair and the hospital, but not later than November 15, and including a justification for NPR and expenses and a strategic visions for the hospital.*

# Springfield Hospital (SPR) REVISED Per 10/1/21 Budget Order



## NPR/FPP

FY21 Budget-to-Sept YTD Variance	-7.6%
FY21 Budget (\$)	\$50,600,310
FY21 Sept YTD (\$)	\$46,765,496
FY22 Request (\$)	\$54,689,000
<b>FY22 Request (% change FY21B)</b>	<b>8.1%</b>
FY22 Request (% change FY21P)	16.9%

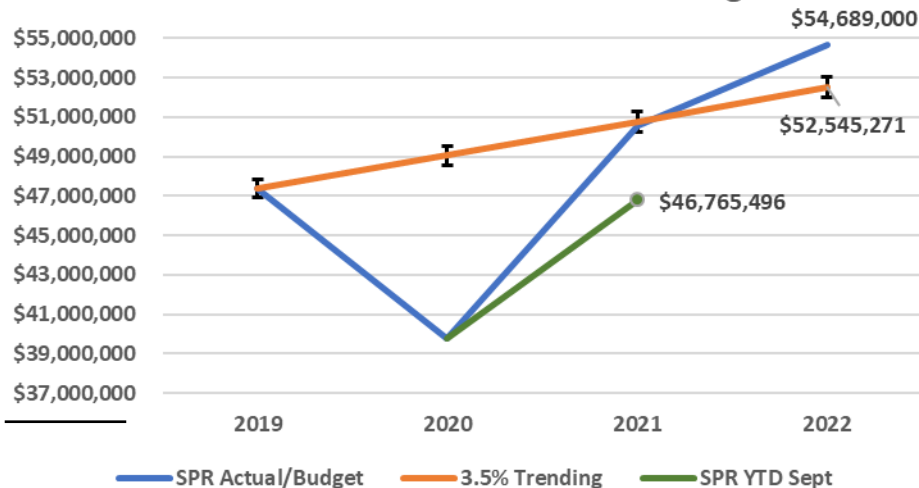
**Springfield's 8.1% REVISED #2 request is over the 3.5% growth rate guidance.**

## Change in Charges

Commercial	\$2,851,000
Medicaid	\$233,000
Medicare	\$1,123,000
Self-Pay/Other	\$94,000

**8.30% Overall Charge Master Increase, Approved 9/13/2021**

SPR Performance vs. 3.5% Trending



## Hospital Justification

- NPR and rate increases are needed to continue the SPH's recovery
  - Medicare/Medicare Advantage underpayment correction and reimbursement increase
  - Volume improvements attained in FY2021, sustained in FY2022
  - Fully Operational I/P Psych Unit
  - GMCB approved rate increase of 8.3%
- Ensure operations remain sustainable to ensure access to essential community hospital services
- Workforce volatility
- Pursue strategic relationships & enhance system integration

# Springfield Hospital (SPR) REVISED Per 10/1/21 Budget Order



## NPR/FPP

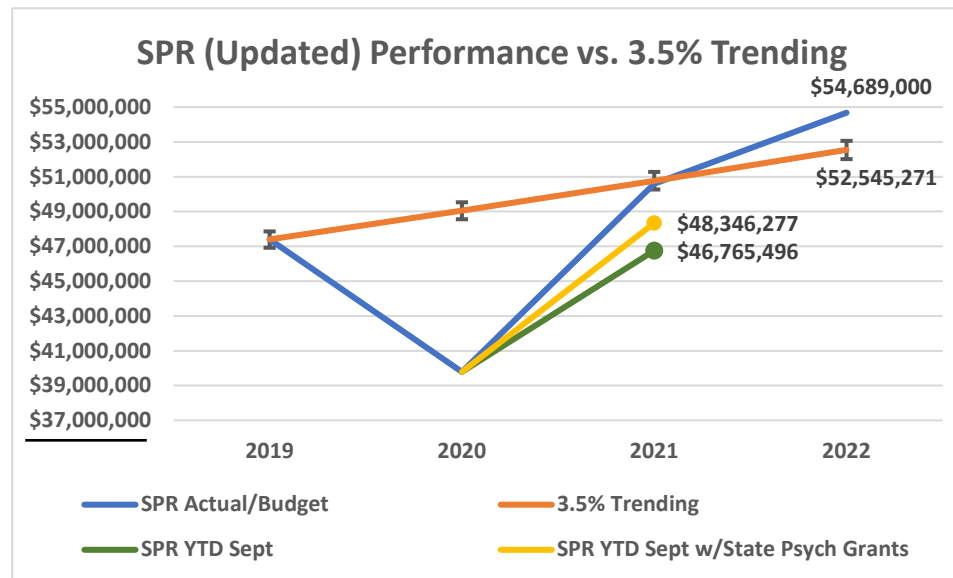
FY21 Budget-to-Sept YTD Variance	-4.5%
FY21 Budget (\$)	\$50,600,310
FY21 YTD Sept with State Psych Grants (\$)	\$48,346,277
FY22 Request (\$)	\$54,689,000
<b>FY22 Request (% change FY21B)</b>	<b>8.1%</b>
FY22 Request (% change FY21P)	13.1%

**Springfield's 8.1% REVISED #2 request is over the 3.5% growth rate guidance.**

## Change in Charges

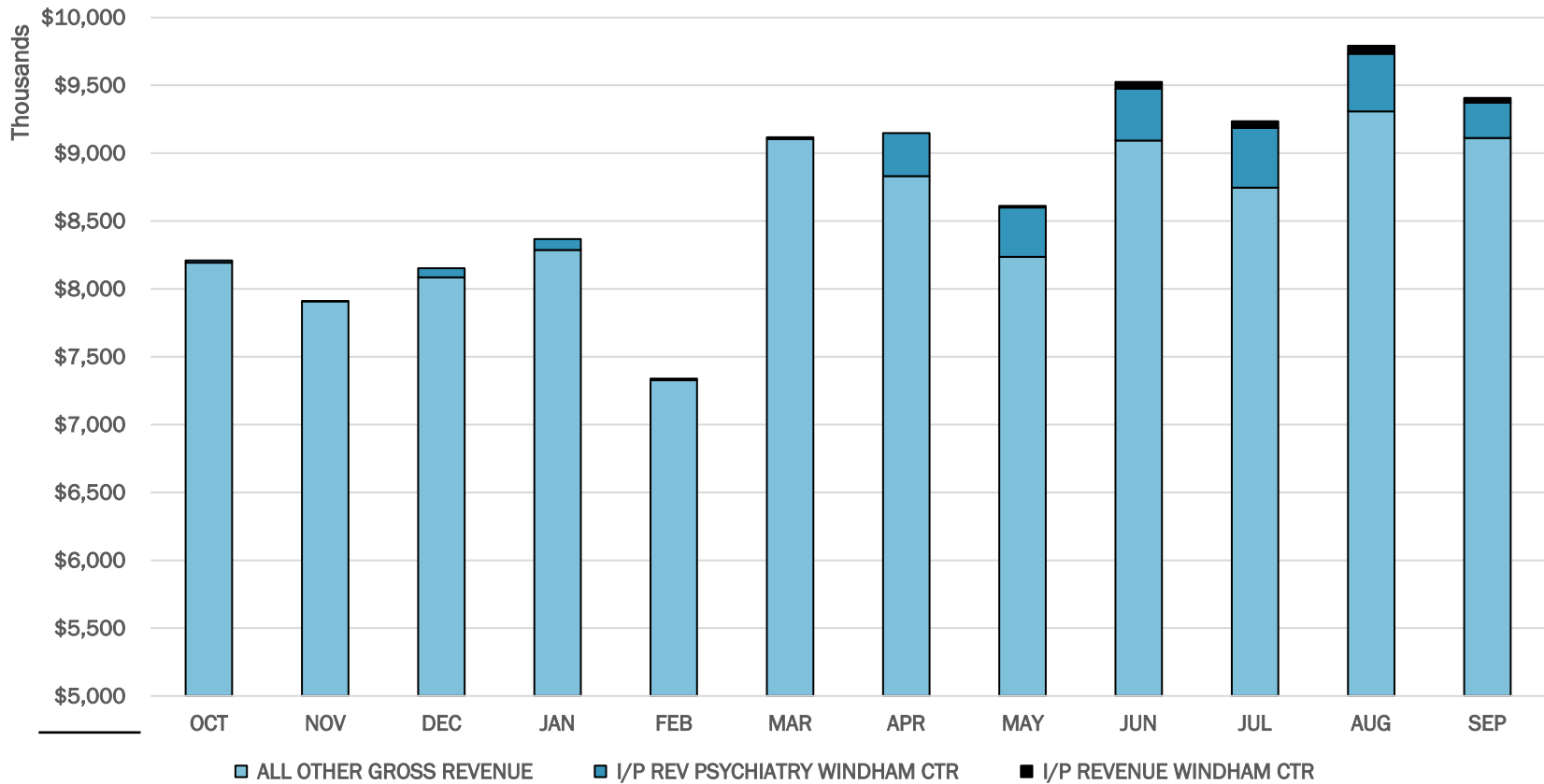
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**8.30% Overall Charge Master Increase, Approved 9/13/2021**

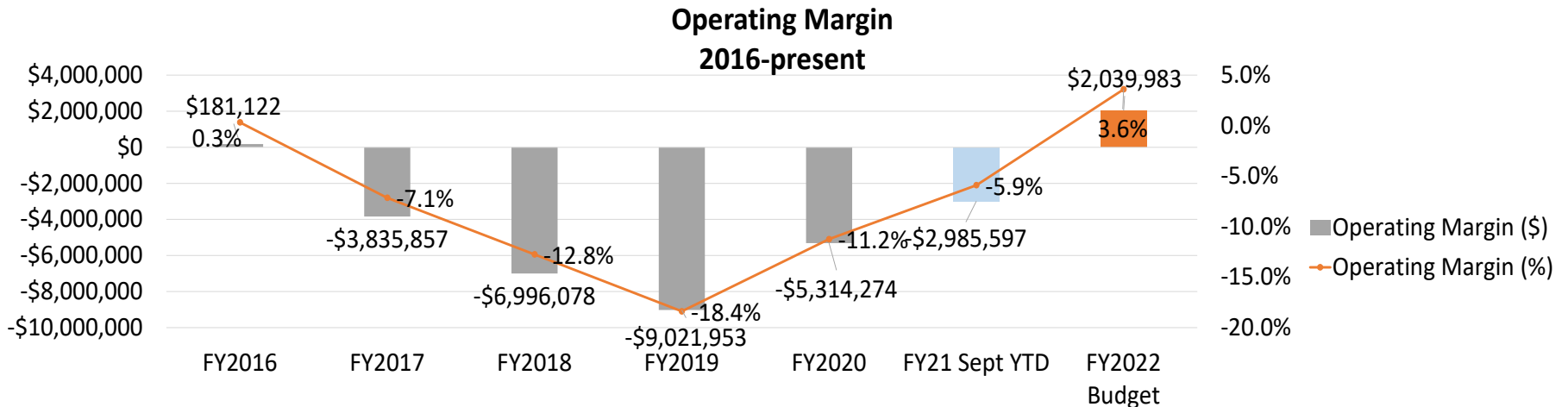
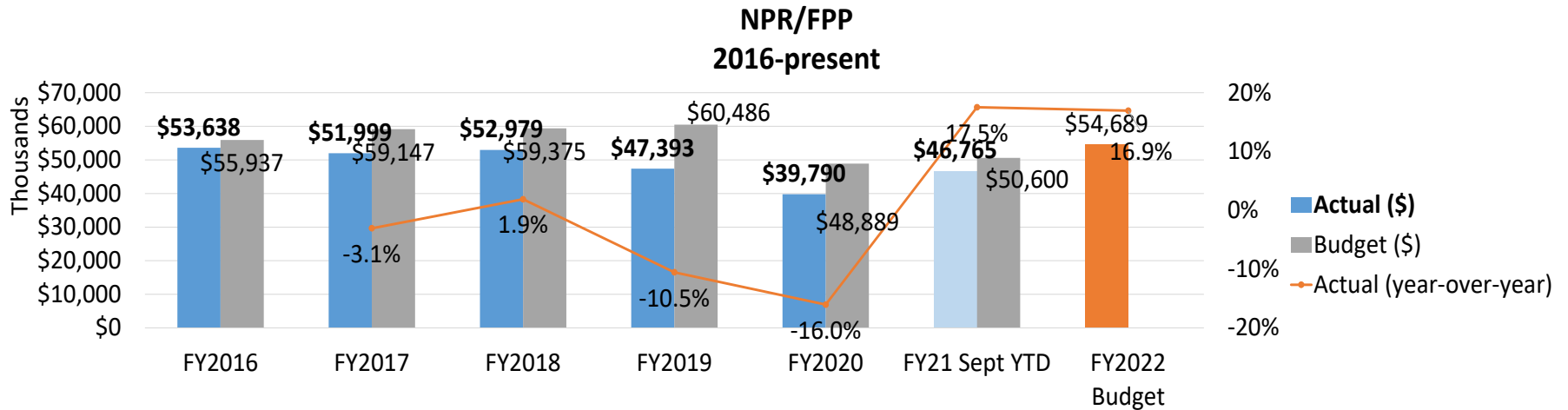


# Psych Revenues FY2021

Windham Center Psych Revenues  
as part of Total Gross Revenues



# Springfield Hospital Updated: Historical Operating Performance



# Springfield Hospital: Recommendations



	FY2022 Request	Suggestion	Preliminary Decision
NPR/FPP	8.1% request is in excess of the budget-to-budget growth rate guidance.	<ul style="list-style-type: none"> <li>Approve As Submitted with additional recommendations below.</li> </ul>	
Change in Charge	8.30%		Approved as submitted on 9/13/2021.
Additional Recommendation		<ul style="list-style-type: none"> <li>Improved timely and accurate submission of financial data</li> <li>Monthly meetings with GMCB Chair and staff to continue</li> </ul>	

# Springfield Hospital: Suggested Motion Language



## *Suggested motion language:*

*Move to accept Springfield Hospital's revised budget submission [as submitted / as modified hereby] and modify the NPR/FPP increase in Springfield's previously approved budget from a 0% increase to a [xx]% increase from FY21 budget to FY22 budget. Springfield Hospital's budget remains subject to the conditions in the October 1, 2021 budget order, other than the requirement to present a revised budget to the Board.*



# Glossary

**Critical Access Hospital:** designation given to eligible rural hospitals by the Centers for Medicare and Medicaid Services. CAH designation aims to reduce the financial vulnerability of rural hospitals and improve access to healthcare by keeping essential services in rural areas. To accomplish this goal, CAHs receive certain benefits, such as cost-based reimbursement for Medicare services.

**Prospective Payment System:** A Prospective Payment System (PPS) is a method of reimbursement in which Medicare payment is made based on a predetermined, fixed amount. The payment amount for a particular service is derived based on the classification system of that service (for example, diagnosis-related groups for inpatient hospital services).

**Gross Patient Revenue:** A hospital's total billed revenue for providing goods and services to patients. This is the total revenue amount billed before contractual allowances, commercial discount agreements, bad debts and free care are deducted.

**Bad Debt:** An expense billed and due but not received. Assumption is that individual has the ability to pay but will not pay or has disputed the bill. See free care definition that distinguishes bad debt from free care.

**Free Care:** Term used to recognize loss of revenue billed/due but not received. Considered "free" because individual has limited or no ability to pay, as established by the hospital or other provider. .

**Net Patient Revenue (NPR):** Revenue a hospital will receive for services rendered. It is the amount resulting after contractual allowances, commercial discounts, bad debt and free care are deducted from gross charges.

# Glossary



**Fixed Prospective Payment (FPP):** fixed payments from the ACO that cover the cost of medical care provided to lives attributed to the ACO, net of value-based incentive program deductions. Participation fees are recorded in Operating Expenses.

**Other Operating Revenue (OOR):** Revenue earned by hospital that is indirectly related to patient care. Examples: income from cafeteria, parking, physician office rentals, etc.

**Total Operating Revenue:**  $\text{NPR} + \text{FPP} + \text{Other Operating Revenue}$

**Operating Expenses:** All input costs required to provide goods and services to patients. This includes salaries, fringes, insurance, professional fees, depreciation, interest, etc.

**Operating Surplus:** (sometimes called Operating Margin or Profit) Operating revenues (NPR/FPP + Other Operating Revenue) less Operating expenses resulting in profit or surplus.

**Non-Operating Revenue:** Revenue earned by hospital that is not related to patient care. Examples: income from investments, investment unrealized gains/losses, general contributions, gain/loss from assets, rentals, and transfers from related organizations,

**Total Margin:** Excess (Deficit) of All Revenues over Expenses

# Glossary: Metrics



**Operating Margin %:**  $\text{Operating Surplus} / (\text{NPR} + \text{FPP} + \text{Other Operating Revenue})$

**Total Margin %:**  $(\text{Operating Surplus} + \text{Non-Operating Revenues}) / (\text{NPR} + \text{FPP} + \text{Other Operating Revenue} + \text{Non-Operating Revenue})$

**Days Cash on Hand (DCOH):**  $(\text{Cash} + \text{Investments} + \text{Unrestricted Funded Depreciation (Board Designated Assets)} + \text{Unrestricted Other Board Designated Assets}) * 365 / (\text{Total expense} - (\text{Depreciation} + \text{Amortization}))$

**Days Payable:**  $\text{Current Liabilities} / (\text{Total Expenses} - (\text{Depreciation} + \text{Amortization} + \text{Interest}))$

**Days Receivable:**  $\text{Net Patient Accounts Receivable} / \text{NPR} * 365$

**Debt Service Coverage Ratio (DSCR):**  $(\text{Net Operating Income} + \text{Depreciation} + \text{Amortization} + \text{Interest}) / (\text{Current Portion of Long Term Debt} + \text{Interest})$

**Long-Term Debt to Capitalization % :** measures the percentage of total capital that is debt.  $\text{Long Term Debt} / (\text{Long Term Debt} + \text{Net Assets})$

**Average Age of Plant:** measures the average age in years of the fixed assets of an organization.  $\text{Accumulated Depreciation} / \text{Depreciation Expense} * (365/\text{days in period})$

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