

FY2020 BUDGET PRESENTATION

BRATTLEBORO MEMORIAL HOSPITAL

AUGUST 19, 2019

INTRODUCTION

- CEO/PRESIDENT: Steven R. Gordon
- DIRECTOR OF FINANCE: Brandon Reed
- CHIEF MEDICAL OFFICER: Kathleen McGraw, M.D.
- DIRECTOR OF INPATIENT SERVICES: Jackie Amidon, RN
- VP-BMH MEDICAL GROUP: Eilidh Pederson

OVERVIEW

BMH has made significant improvement in its financial performance compared to FY2018:

- **Volume increases**

- Physician Practice Visits and RVUs increased 9.3% and 5.7%, respectively
- Wound Center Visits 24%
- OR and Minor Procedures 3.3%
- Imaging Services 5.2%
- Lab 5.4%
- Oncology 18.9%
- Adjusted Admissions 11.3%
- ED Visits 0.3%

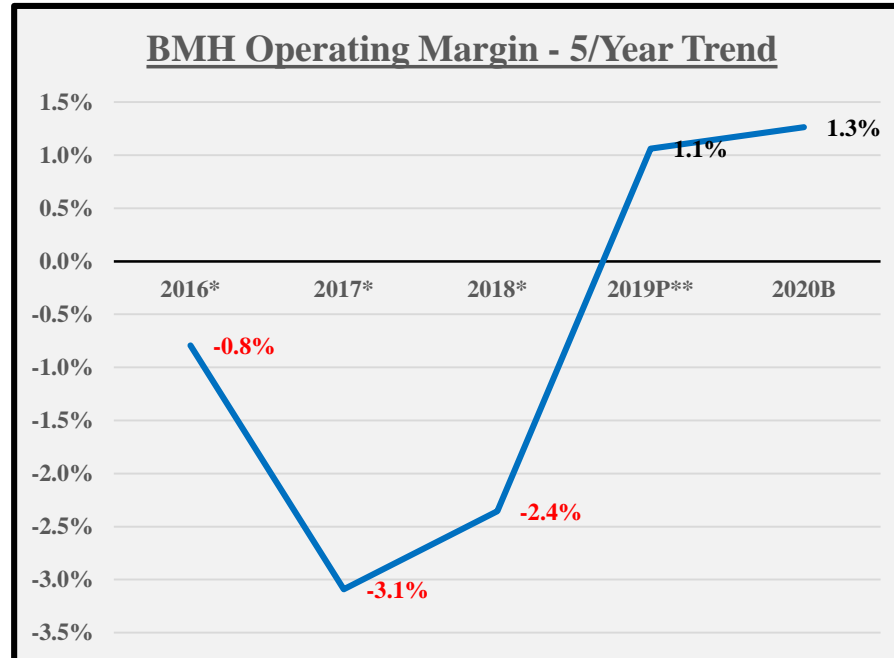
- **Inpatient volumes**

- Admissions 5.0%
- LOS (8.1%)
- Patient Days (5.5)



OVERVIEW

BMH - 5 Year Totals with 2020B				
	Total	Average	2020B	
Operating Loss \$	\$ (2,836,652)	\$ (567,330)	\$	1,199,055
Operating Margin %	-0.7%	-0.8%	1.3%	



BMH 5-Year Operating Margin	2016*	2017*	2018*	2019P**	2020B
Total Operating Revenue	\$ 75,827,884	\$ 78,865,703	\$ 81,780,823	\$ 87,209,491	\$ 93,654,996
Operating Income/(Loss)	(600,632)	(2,437,208)	(1,924,959)	927,092	1,199,055
Operating Margin %	-0.8%	-3.1%	-2.4%	1.1%	1.3%

* Source> BMH Audited Financial Statements

** Projected from June 30, 2019

SUMMARY OF REQUESTS

- **Charges (growth rate; including for Commercial Charges)**
 - 3.4%
- **Net Patient Revenue/Fixed Prospective Payments (total dollars and growth rate)**
 - \$ 6,018,656
 - 7.2%

HOSPITAL ISSUES

- **Implementation of New General Financial Systems (10/1/2019)**
- **Continued Cerner Optimization**
- **Workforce Development**
 - Implemented Nurse Residency program for newly graduated nurses
 - Windham Southeast Supervisory Union (LNA),
 - Community College of Vermont (Medical Assistant / Support positions),
 - Vermont Technical College (LNA/LPN)
 - RN to BSN Program
 - Continue work with the VT Department of Labor
 - Continue to utilize social media for marketing opportunities, as well as recruitment tools such as LinkedIn.
- **OneCare-Risk Based Agreements (All Programs)**
- **Establish OB/Gyn office on-site at Springfield Hospital campus**
- **Community Needs stretching hospital resources**
 - Homeless
 - Substance Misuse
 - Mental Health
 - Aging population



RISKS-FY 2020 BUDGET

- **Clinician Recruitment and Retention**

- Recruited 11 clinicians (Urology APRN, Orthopedics, Primary Care, OB/GYN, General Surgery, Hospitalist and Dentist)
- 8 clinicians left or retired
- Key Recruitment for FY2020:
 - **Ortho**
 - **OBGYN**
 - **Primary Care**

- **ACO /Risk Performance**

- **Cerner**

- Issues with clinical complexity of use
- Data mining difficulties inhibiting quality and process improvements
- Archiving legacy systems and developing data warehouse



RISKS-FY 2020 BUDGET

- **Contract Temp Labor**
- **OB/Deliveries**
 - Expected Volume from Springfield Initiative (50 deliveries)
- **Nurses Union Negotiations**
- **CMS Proposed Reductions**
- **General Financial System**
 - Implementing new GFS and reporting tools
- **Limited patience with long-term population health investments which don't yield short term returns**
 - Vulnerable Pop Nurse (Homeless shelter and Respite bed)
 - RiseVT
 - Care Coordination
 - Dental Health
 - Embedded BH Therapists in PC
 - Community Health Team and Hub and Spoke
 - Opioid Reduction Initiatives

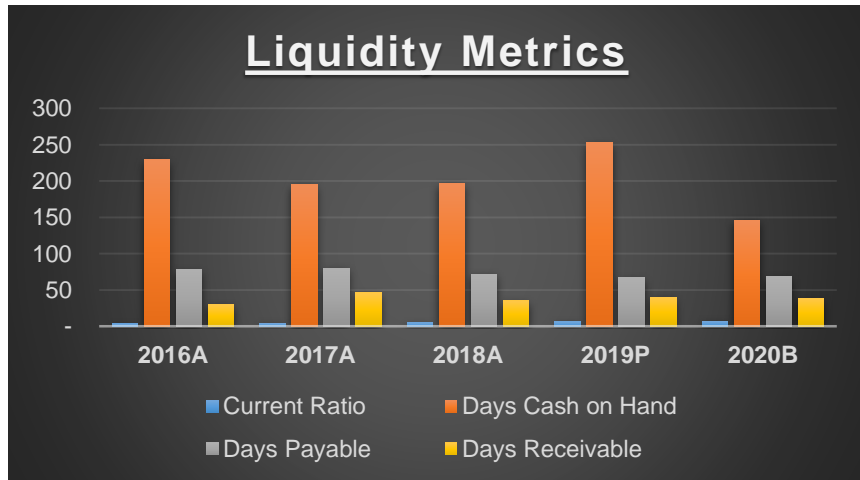
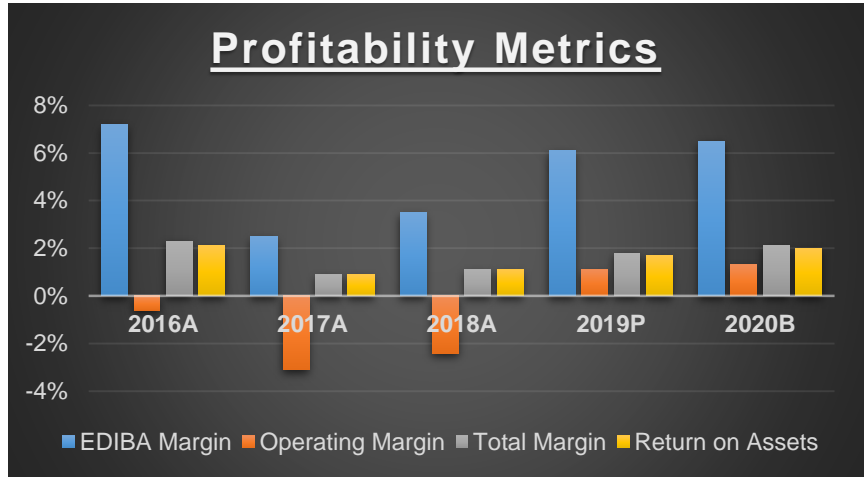


OPPORTUNITIES-2020

- **Successful recruitment efforts**
- **Regional Psychiatric Strategy Group**
 - Retreat, BMH and HCRS
- **Continued collaboration with DH and Cheshire Med**
 - Evolution of Strategic Partnership
- **Telehealth**
 - Expanded TeleED
 - Tele Neonatal Intensive Care
- **LGBTQ+ Initiatives**
 - Collaboration with Fenway Health
 - Clinical services
- **New Patient Satisfaction Survey Strategies**
- **Ron Read Modernization Project**
- **Springfield OB/GYN Initiative**

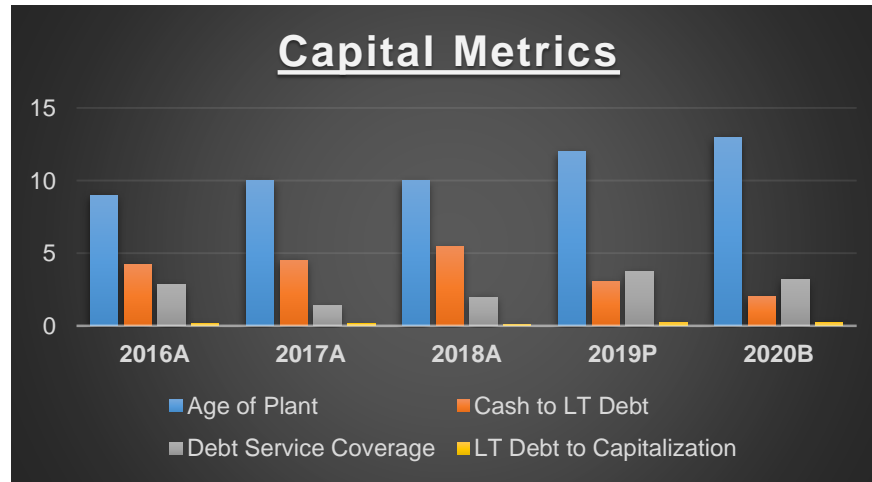
FINANCIAL HEALTH – KEY METRICS

Profitability Metrics	2016A	2017A	2018A	2019P	2020B
EDIBA Margin	7.2%	2.5%	3.5%	6.1%	6.5%
Operating Margin	-0.6%	-3.1%	-2.4%	1.1%	1.3%
Total Margin	2.3%	0.9%	1.1%	1.8%	2.1%
Return on Assets	2.1%	0.9%	1.1%	1.7%	2.0%



Liquidity Metrics	2016A	2017A	2018A	2019P	2020B
Current Ratio	3.70	4.52	5.38	6.53	7.38
Days Cash on Hand	229	195	196	253	146
Days Payable	78	80	72	67	68
Days Receivable	30	46	35	40	39

FINANCIAL HEALTH – KEY METRICS



Capital Metrics	2016A	2017A	2018A	2019P	2020B
Age of Plant	9	10	10	12	13
Cash to LT Debt	4.27	4.52	5.44	3.04	2.03
Debt Service Coverage	2.86	1.40	2.00	3.76	3.19
LT Debt to Capitalization	15.4%	13.5%	11.6%	23.6%	21.8%

FINANCIALS – PROFIT AND LOSS

INCOME STATEMENT	FY2019P	FY2019B	FY2020B	2019B-2019P Variance %	2019B-2020B Variance %
Revenues					
Gross Patient Care Revenue	\$ 179,008,533	\$ 173,560,346	\$ 188,470,050	3.1%	8.6%
Disproportionate Share Payments	601,569	604,168	530,861	-0.4%	-12.1%
Bad Debt	(3,691,054)	(3,911,671)	(4,577,548)	-5.6%	17.0%
Free Care	(1,855,449)	(1,496,690)	(2,783,813)	24.0%	86.0%
Deductions from Revenue	(100,874,228)	(94,839,665)	(102,674,926)	6.4%	8.3%
Net Patient Care Revenue (NPR)	73,189,371	73,916,488	78,964,624	-1.0%	6.8%
Fixed Prospective Payments & Reserves	10,154,673	10,031,219	11,001,739	1.2%	9.7%
NPR & Fixed Payments & Reserves	83,344,044	83,947,707	89,966,363	-0.7%	7.2%
Other Operating Revenue	3,865,447	3,221,145	3,688,633	20.0%	14.5%
Total Operating Revenue	87,209,491	87,168,852	93,654,996	0.0%	7.4%
Expenses					
Wages, Benefits & Medical Professionals	52,408,691	55,330,216	58,358,896	-15.0%	13.7%
Health Care Provider Tax	4,654,355	5,105,872	5,000,643	-8.8%	-2.1%
Depreciation & Amortization	4,270,466	4,614,177	4,315,904	-7.4%	-6.5%
Interest - Long-term & Short-term	139,915	210,141	617,303	-33.4%	193.8%
Other Operating Expense	24,808,972	21,894,329	24,163,195	13.3%	10.4%
Total Operating Expense	86,282,398	87,154,734	92,455,941	-1.0%	6.1%
Net Operating (Loss) Income	\$ 927,092	\$ 14,118	\$ 1,199,055	\$ 912,974	\$ 1,184,937
Non-Operating Revenue	651,698	758,000	761,000	-14.0%	0.4%
Excess of Rev Over Exp	\$ 1,578,790	\$ 772,118	\$ 1,960,055	104.5%	153.9%
Operating Margin %	1.1%	0.0%	1.3%		
Total Margin %	1.8%	0.9%	2.1%		
EBIDA %	6.1%	5.6%	6.5%		
Cost per Adjusted Admission	\$ 11,990	\$ 12,728	\$ 12,312		

FINANCIALS – BALANCE SHEET

BALANCE SHEET	FY2019P	FY2019B	FY2020P	2019B-2019P Variance %	2019B-2020B Variance %
Cash & Investments	\$ 4,500,000	\$ 4,611,076	\$ 4,047,715	-2.4%	-12.2%
Risk Reserve for Fixed Reform Payments	-	-	-	-	-
Other Current Assets	11,781,624	11,436,585	12,432,823	3.0%	8.7%
Current Assets	16,281,624	16,047,661	16,480,538	1.5%	2.7%
Board Designated Assets	52,398,533	39,768,177	31,289,770	31.8%	-21.3%
Net, Property, Plant And Equipment	25,479,037	32,746,200	48,343,617	-22.2%	47.6%
Other Long-Term Assets	150,000	300,000	150,000	-50.0%	-50.0%
Assets	\$ 94,309,194	\$ 88,862,038	\$ 96,263,925	6.1%	8.3%
Current Liabilities	15,022,953	14,483,198	16,465,566	3.7%	13.7%
Long Term Liabilities	18,687,403	16,097,241	17,381,198	16.1%	8.0%
Other Noncurrent Liabilities	-	-	-	-	-
Fund Balance	60,598,837	58,281,599	62,417,161	4.0%	7.1%
Liabilities and Equities	\$ 94,309,194	\$ 88,862,038	\$ 96,263,925	6.1%	8.3%

FINANCIALS – CASH FLOW

CASH FLOW STATEMENT	FY2019P from FY2018A	FY2020B from FY2019B
Cash From Operations		
(Deficit)/Excess Revenue Over Expense	\$ 1,578,792	\$ 1,960,056
Depreciation/Amortization	4,270,466	4,315,904
Patient A/R	(1,199,915)	(733,019)
Other Changes	(388,259)	1,719,148.9
Total	4,261,084	7,262,090
Cash From Investing Activity		
Capital Spending		
Change in Accum Depr Less Depreciation	(326,477)	(1,061,882)
Change in Capital Assets	(2,248,895)	(18,851,439)
Total	(2,575,372)	(19,913,321)
(Increase)/Decrease:		
Funded Depreciation	(4,009,860)	7,506,953
Other LT Assets & Escrowed Bonds & Other	(7,504,747)	1,121,454
Total	(11,514,607)	8,628,407
Total	(14,089,979)	(11,284,914)
Financing Activity		
Debt		
Bonds & Mortgages	10,863,749	1,283,957
Total	10,863,749	1,283,957
Other Changes		
Change in Fund Balance Less Net Income	(362,713)	2,175,506
Total	(362,713)	2,175,506
Beginning Cash	3,827,859	4,611,076
Net Increase in Cash	672,141	(563,361)
Ending Cash	\$ 4,500,000	\$ 4,047,715

FINANCIALS – RECONCILE P&L – 2019B TO 2019P

- **Gross Revenue:** Projected to be 3.1% over budget due to higher volume in *Patient Days, Birthing Center, Imaging and Oncology*
- **Net Patient Revenue & Fixed Payments:** Projected to be 0.7% under budget and under the FY19 budget-to-projection variance cap (5%)
- **Expenses:** Projected to be 1.0% under budget however we continue to be over budget on contract/temp labor and drug costs

FINANCIALS – OPERATIONS

- **Expense Drivers (Expected to Continue)**
 - Contract Labor
 - Drug Costs (Oncology)
 - Security for One-to-One Watches
 - Revenue Cycle Consultants & EMR Optimization
- **Cost Containment Efforts (In Process)**
 - Evaluate NEAH Sponsored Workers Comp Program
 - Increase Participation in NEAH Group Purchasing Contracts
 - Reduce Use of Contract Labor
 - *Nurse Residency Program*
 - *LNA Program*
 - *ER Techs*
 - Reduce Use of Outside Reference Labs
 - *Acquisition of Additional In-house Testing Equipment*
 - *New Pricing from Outside Reference Labs*

CAPITAL BUDGET INVESTMENTS

- **The Non-CON capital budget:**

FY2020 Capital Budget

Hx Repository	\$	300,000
Upgrade Phone System PBX Server Software		200,000
Contingency		200,000
PC Replacements		184,000
SAN Upgrade		180,000
Baxter Spectrum Infusion Pump Wireless Capability		110,500
Ge Hawkeye Spect/Ct Workstation Upgrade		61,832
Items < 60K		<u>384,615</u>
	\$	1,620,947

- **CON-Approved \$22.7M Modernization project construction awaiting Act 250 permit approval. Boiler plant upgrade received Act 250 permit August 2018 and completed Fall 2019.**

LONG RANGE FINANCIAL OUTLOOK

- **The operating margin is budgeted to remain at a positive but low level in FY2020**
- **Currently the hospital's five-year average, which includes FY2020B, is **-0.7%**.**
- **The long-term objective is to maintain a positive operating margin to fund both operating and capital needs**

HISTORICAL COMPLIANCE

NO HISTORICAL ISSUES WITH COMPLIANCE

TOTAL COST OF CARE-OBSERVATIONS

	Inpatient Admissions PKPY	Inpatient Cost per member per month	30 Day All Cause Readmissions PKPY	Outpatient Rate Per Capita	Potentially Avoidable Outpatient Emergency Department (ED) Visit Rates	Advanced Imaging Rates (per 1,000)
Medicaid	65	\$8.19-Maternity \$11.37-Medical \$23.70-Surgical	5	HSA Rate: \$2,170	HSA Rate: 49.7	HSA Rate: 326.5
Medicare	200	No maternity \$704.61-Medical \$96.40-Surgical	26			
BCBS	32	\$1.32-Maternity \$7.13-Medical \$32.02-Surgical	0			
Analysis	All: Lower spectrum of utilization	<ul style="list-style-type: none"> Medicaid and Medicare: Lower spectrum of cost BCBS significantly below spectrum of cost Attribute to RN Care Coordinators across all Specialty Practices 	<ul style="list-style-type: none"> Medicaid One of the lowest rates in the State Medicare and BCBS: not enough data for appropriate comparisons 	6% Lower than Statewide Average	21% Lower than Statewide Average	<ul style="list-style-type: none"> In-line with Statewide Average
Resource Use Index	.98					
5 year Growth Rate	3.5%					

Sources:

- Brattleboro HSA Variation Report July 2019. OCV
- Data Profiles.CY2018. Blueprint for Health HSA Profiles

TOTAL COST OF CARE-STRATEGIES

- **Embedded RN Care Coordinators in Outpatient Practices**
- **Care Managers for Inpatient Services and Emergency Department**
- **Robust Community Health Team**
- **Internal ACO Steering Committee**
- **Post-Acute Care Department**
- **Psychiatric Nurse Practitioner**
- **Vulnerable Population RN Care Coordinator**
- **Windham County Dental Center**
- **24/7 Nurse First Call available for Pediatrics (5:00pm-8:00am and weekends)**
- **Embedded Behavioral Health Therapist for Primary Care**
- **Embedded Healthcare and Rehabilitation Services of Vermont (HCRS) Therapist for Just So Pediatrics**
- **Consideration of a new model of Diabetic Care**



THANK YOU AND QUESTIONS?