

North Country Hospital  
Fiscal Year 2022 Budget  
Presentation  
to the Green Mountain Care  
Board  
August 19, 2021



## Presenters

- Brian Nall, President and CEO
- Tracey Paul, CFO





Service Area  $\approx$  30,000

45 Minutes to Closest Critical Access Hospital

2 Hours to Tertiary Care

North Country Hospital						
Brian Nall			Tracey Paul			
Fiscal Year 2022 Submitted Budget						
INCOME STATEMENT	2019 A	2020 A	2021 B	2021 PROJ	Impact of COVID-19 vaccination clinics and testing	Adjusted 2021 PROJ
<b>Revenues</b>						
<b>Gross Patient Care Revenue</b>	<b>\$191,002,248</b>	<b>\$183,939,754</b>	<b>\$202,715,312</b>	<b>\$205,582,776</b>	<b>\$1,042,662</b>	<b>\$204,540,114</b>
Disproportionate Share Payments	\$886,086	\$851,695	\$906,713	\$815,016		\$815,016
Graduate Medical Education	\$0	\$0	\$0	\$0		\$0
Bad Debt	-\$3,582,373	-\$3,181,007	-\$3,063,212	-\$1,844,025		-\$1,844,025
Free Care	-\$1,562,324	-\$1,686,521	-\$1,754,951	-\$2,198,300		-\$2,198,300
Deductions from Revenue	-\$112,251,783	-\$112,217,615	-\$123,101,957	-\$127,800,902		-\$127,800,902
<b>Net Patient Care Revenue</b>	<b>\$74,491,854</b>	<b>\$67,706,306</b>	<b>\$75,701,905</b>	<b>\$74,554,565</b>	<b>\$1,042,662</b>	<b>\$73,511,903</b>
Fixed Prospective Payments	\$6,143,063	\$9,104,987	\$6,387,360	\$10,774,268		\$10,774,268
Reserves	\$0	\$0	\$0	\$0		\$0
Other Reform Payments	\$0	\$0	\$647,695	\$610,097		\$610,097
<b>Fixed Prospective Payments and Res</b>	<b>\$6,143,063</b>	<b>\$9,104,987</b>	<b>\$7,035,055</b>	<b>\$11,384,365</b>	<b>\$0</b>	<b>\$11,384,365</b>
<b>Net Patient Care Rev &amp; Fixed Payme</b>	<b>\$80,634,917</b>	<b>\$76,811,293</b>	<b>\$82,736,960</b>	<b>\$85,938,930</b>	<b>\$1,042,662</b>	<b>\$84,896,268</b>
340B Retail Pharmacy Programs	\$4,673,248	\$5,400,776	\$4,888,787	\$3,769,137		\$3,769,137
COVID-19 Stimulus and Other Grant	\$0	\$4,866,339	\$0	\$144,622		\$144,622
Specialty Pharmacy	\$0	\$0	\$0	\$0		\$0
Outpatient Pharmacy Revenue	\$0	\$0	\$0	\$0		\$0
Cafeteria & Parking	\$285,220	\$236,440	\$289,337	\$262,478		\$262,478
Grant Income	\$111,527	\$258,492	\$142,928	\$449,223		\$449,223
Reference Lab Revenue	\$0	\$0	\$0	\$0		\$0
Meaningful Use	\$0	\$0	\$0	\$0		\$0
Other	\$1,969,785	\$1,607,122	\$2,328,870	\$2,111,157	\$220,404	\$1,890,753
<b>Other Operating Revenue</b>	<b>\$7,039,780</b>	<b>\$12,369,170</b>	<b>\$7,649,922</b>	<b>\$6,736,616</b>	<b>\$220,404</b>	<b>\$6,516,212</b>
<b>Total Operating Revenue</b>	<b>\$87,674,697</b>	<b>\$89,180,463</b>	<b>\$90,386,882</b>	<b>\$92,675,546</b>	<b>\$1,263,066</b>	<b>\$91,412,480</b>
<b>Operating Expenses</b>						
Salaries Non MD, Fringe Benefits						
Non MD, Physician Fees & Salaries,	\$51,070,374	\$52,514,776	\$55,410,286	\$56,398,850		\$56,398,850
Health Care Provider Tax	\$4,555,652	\$4,742,393	\$4,880,592	\$4,521,562		\$4,521,562
Depreciation Amortization	\$4,141,025	\$3,822,235	\$3,895,787	\$3,516,706		\$3,516,706
Interest - Short Term, Interest - Long	\$627,738	\$557,237	\$588,923	\$444,116		\$444,116
ACO Dues	\$0	\$851,251	\$0	\$542,295		\$542,295
Medical/Surgical Drugs andSupplies	\$0	\$0	\$0	\$0		\$0
Pharmaceuticals	\$0	\$0	\$0	\$0		\$0
Other Purchased Services -	\$0	\$0	\$0	\$0		\$0
Other Purchased Services -Travelers	\$0	\$0	\$0	\$0		\$0
Other Operating Expenses	\$25,602,961	\$23,356,329	\$24,058,513	\$25,422,980	\$942,269	\$24,480,711
<b>Total Operating Expenses</b>	<b>\$85,997,751</b>	<b>\$85,844,221</b>	<b>\$88,834,101</b>	<b>\$90,846,509</b>	<b>\$942,269</b>	<b>\$89,904,240</b>
<b>Net Operating Income</b>	<b>\$1,676,946</b>	<b>\$3,336,242</b>	<b>\$1,552,781</b>	<b>\$1,829,038</b>	<b>\$320,797</b>	<b>\$1,508,241</b>
<b>Non Operating Revenue</b>	<b>\$940,204</b>	<b>\$3,945,243</b>	<b>\$586,599</b>	<b>\$16,401,289</b>		<b>\$16,401,289</b>
<b>Excess (Deficit) of Rev over Exp</b>	<b>\$2,617,150</b>	<b>\$7,281,485</b>	<b>\$2,139,380</b>	<b>\$18,230,327</b>	<b>\$320,797</b>	<b>\$17,909,530</b>

North Country Hospital							
Brian Nall							
Fiscal Year 2022 Submitted Budget							
INCOME STATEMENT	2022 B	Impact of COVID-19 vaccination clinics and testing	Adjusted 2022 B	2021 B - 2021 P adjusted	2021 B - 2022 B	2021 B - 2022 B adjusted	2021 P - 2022 B adjusted
<b>Revenues</b>							
<b>Gross Patient Care Revenue</b>	<b>\$216,052,277</b>	<b>\$42,121</b>	<b>\$216,010,156</b>	<b>0.9%</b>	<b>6.6%</b>	<b>6.6%</b>	<b>5.6%</b>
Disproportionate Share Payments	\$686,640		\$686,640	-10.1%	-24.3%	-24.3%	-15.8%
Graduate Medical Education	\$0		\$0	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Bad Debt	-\$2,056,474		-\$2,056,474	-39.8%	-32.9%	-32.9%	11.5%
Free Care	-\$2,200,426		-\$2,200,426	25.3%	25.4%	25.4%	0.1%
Deductions from Revenue	-\$134,962,293		-\$134,962,293	3.8%	9.6%	9.6%	5.6%
<b>Net Patient Care Revenue</b>	<b>\$77,519,724</b>	<b>\$42,121</b>	<b>\$77,477,603</b>	<b>-2.9%</b>	<b>2.4%</b>	<b>2.3%</b>	<b>5.4%</b>
Fixed Prospective Payments	\$10,637,884		\$10,637,884	68.7%	66.5%	66.5%	-1.3%
Reserves	\$0		\$0	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Other Reform Payments	\$627,087		\$627,087	-5.8%	-3.2%	-3.2%	2.8%
<b>Fixed Prospective Payments and Res</b>	<b>\$11,264,971</b>	<b>\$0</b>	<b>\$11,264,971</b>	<b>61.8%</b>	<b>60.1%</b>	<b>60.1%</b>	<b>-1.0%</b>
<b>Net Patient Care Rev &amp; Fixed Payme</b>	<b>\$88,784,695</b>	<b>\$42,121</b>	<b>\$88,742,574</b>	<b>2.6%</b>	<b>7.3%</b>	<b>7.3%</b>	<b>4.5%</b>
340B Retail Pharmacy Programs	\$4,469,137		\$4,469,137	-22.9%	-8.6%	-8.6%	\$0
COVID-19 Stimulus and Other Grant	\$0		\$0	#DIV/0!	#DIV/0!	#DIV/0!	-\$1
Specialty Pharmacy	\$0		\$0	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Outpatient Pharmacy Revenue	\$0		\$0	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Cafeteria & Parking	\$262,478		\$262,478	-9.3%	-9.3%	-9.3%	\$0
Grant Income	\$82,008		\$82,008	214.3%	-42.6%	-42.6%	-\$1
Reference Lab Revenue	\$0		\$0	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Meaningful Use	\$0		\$0	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Other	\$1,684,337		\$1,684,337	-18.8%	-27.7%	-27.7%	\$0
<b>Other Operating Revenue</b>	<b>\$6,497,960</b>	<b>\$0</b>	<b>\$6,497,960</b>	<b>-14.8%</b>	<b>-15.1%</b>	<b>-15.1%</b>	<b>-0.3%</b>
<b>Total Operating Revenue</b>	<b>\$95,282,655</b>	<b>\$42,121</b>	<b>\$95,240,534</b>	<b>1.1%</b>	<b>5.4%</b>	<b>5.4%</b>	<b>4.2%</b>
<b>Operating Expenses</b>							
Salaries Non MD, Fringe Benefits							
Non MD, Physician Fees & Salaries,	\$58,500,737		\$58,500,737	1.8%	5.6%	5.6%	3.7%
Health Care Provider Tax	\$4,522,656		\$4,522,656	-7.4%	-7.3%	-7.3%	0.0%
Depreciation Amortization	\$3,638,920		\$3,638,920	-9.7%	-6.6%	-6.6%	3.5%
Interest - Short Term, Interest - Long	\$414,175		\$414,175	-24.6%	-29.7%	-29.7%	-6.7%
ACO Dues	\$535,430		\$535,430	#DIV/0!	#DIV/0!	#DIV/0!	\$0
Medical/Surgical Drugs and Supplies	\$0		\$0	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Pharmaceuticals	\$0		\$0	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Other Purchased Services -	\$0		\$0	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Other Purchased Services - Travelers	\$0		\$0	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Other Operating Expenses	\$25,795,136	\$42,121	\$25,753,015	1.8%	7.2%	7.0%	5.2%
<b>Total Operating Expenses</b>	<b>\$93,407,053</b>	<b>\$42,121</b>	<b>\$93,364,932</b>	<b>1.2%</b>	<b>5.1%</b>	<b>5.1%</b>	<b>3.8%</b>
<b>Net Operating Income</b>	<b>\$1,875,602</b>	<b>\$0</b>	<b>\$1,875,602</b>	<b>-2.9%</b>	<b>20.8%</b>	<b>20.8%</b>	<b>24.4%</b>
<b>Non Operating Revenue</b>	<b>\$840,528</b>		<b>\$840,528</b>	<b>2696.0%</b>	<b>43.3%</b>	<b>43.3%</b>	<b>-94.9%</b>
<b>Excess (Deficit) of Rev over Exp</b>	<b>\$2,716,130</b>	<b>\$0</b>	<b>\$2,716,130</b>	<b>737.1%</b>	<b>27.0%</b>	<b>27.0%</b>	<b>-84.8%</b>

## Fee increase on Gross Revenues

- 5.60% Overall fee increase

## Net Revenue (NPR)

- Increase of 7.3%

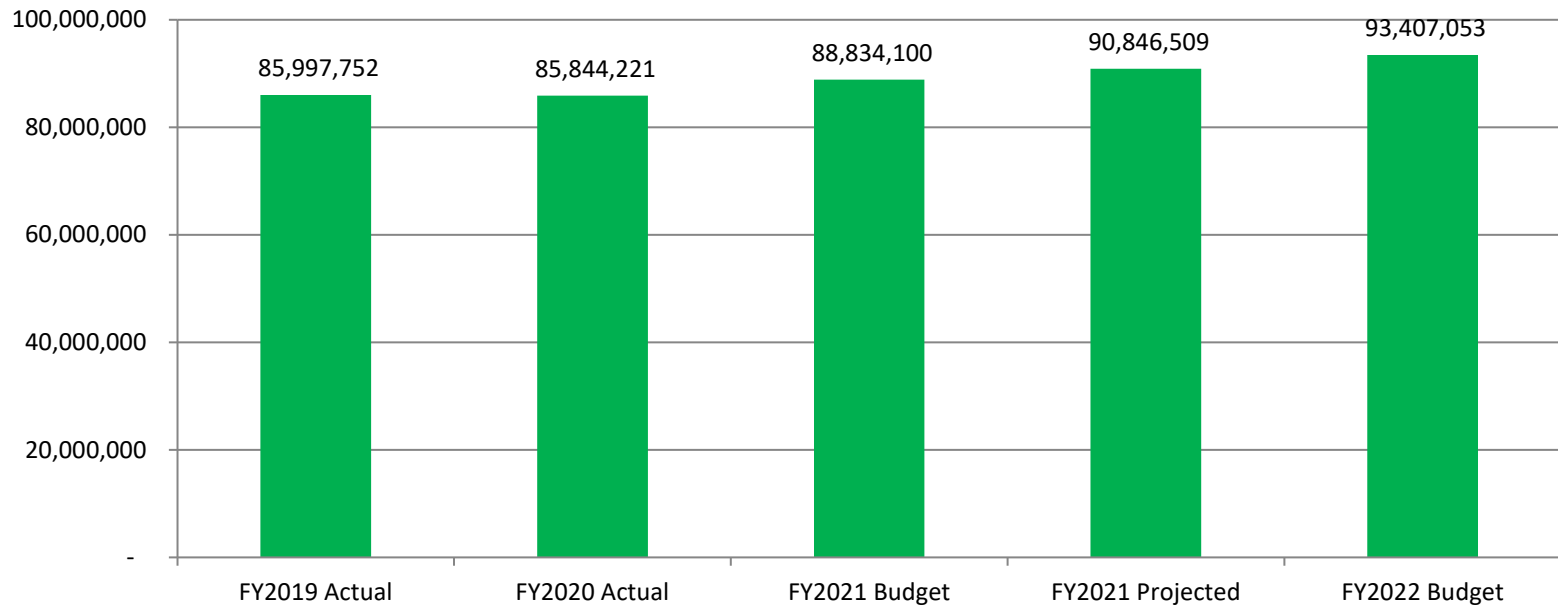
## Budget FY21 to Budget FY22

Other operating revenue 15.1% decrease =  
\$1.1M

Non operating revenue 43.3% increase =  
\$253K



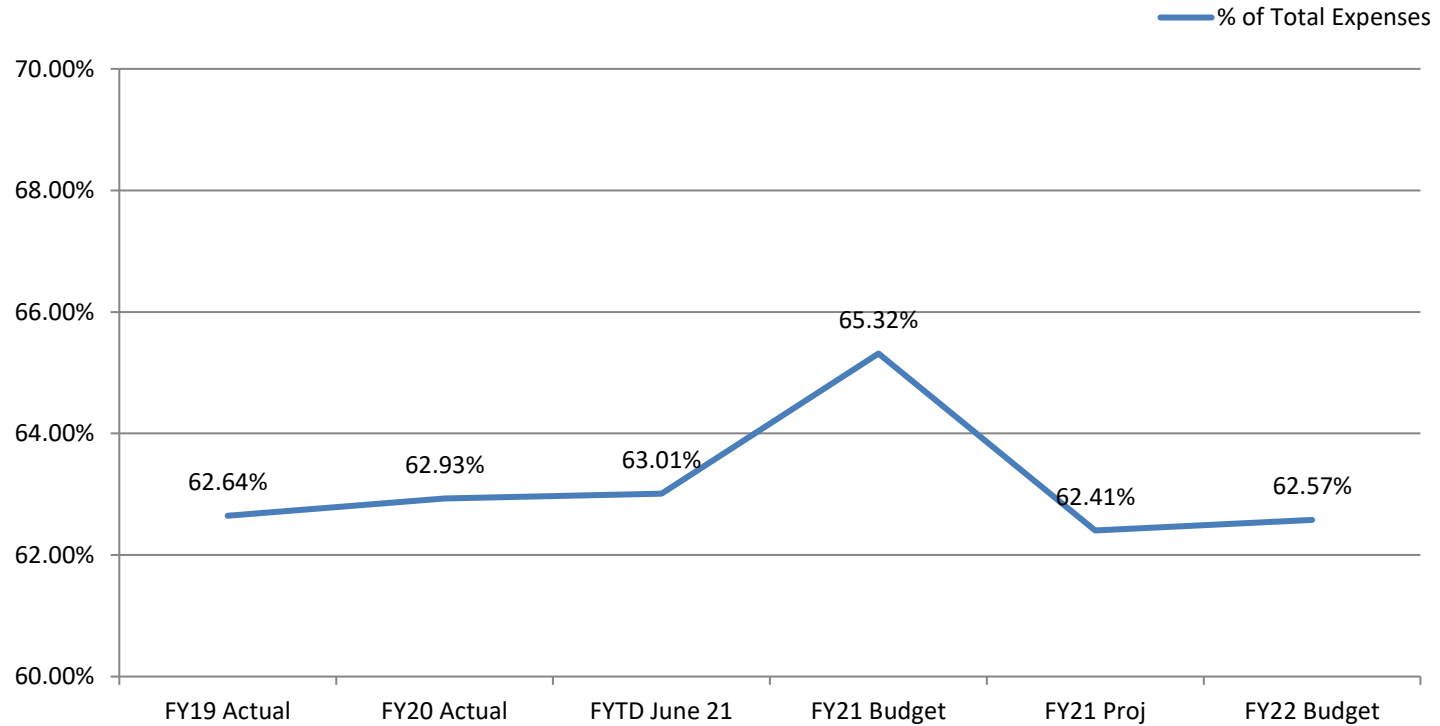
## NCH Total Expenses



## Expense Drivers:

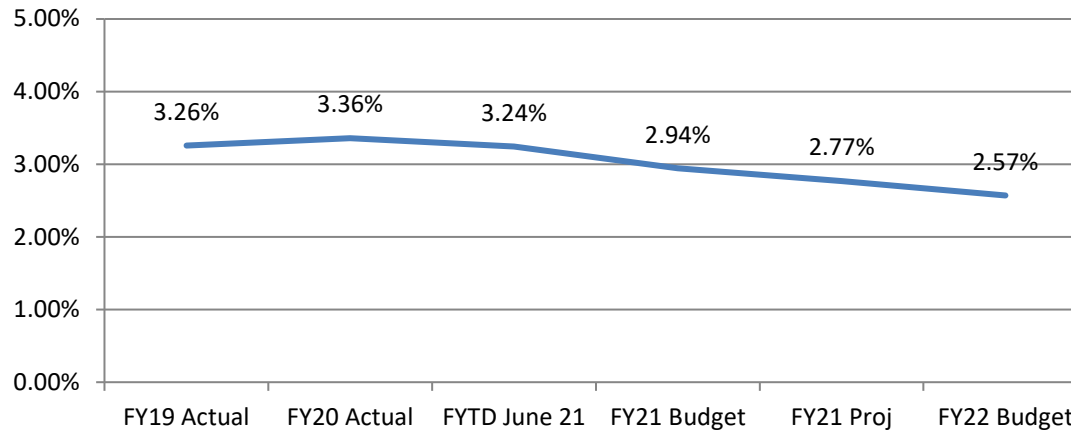
- Compensation and Benefits
- Locums/Travelers
- Contract and Purchased Services
  - Cerner
  - Dartmouth

## Compensation/Benefits/Locums

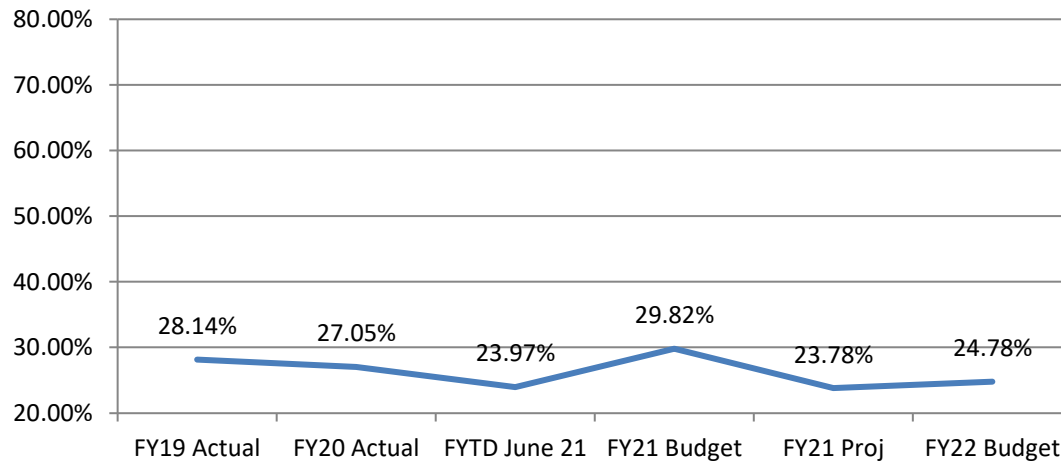


## Locum Expense

— % of Total Expenses



## Physician to Total Salaries



NCH Operating Margin YTD Gain/(Loss) Actual and Budget





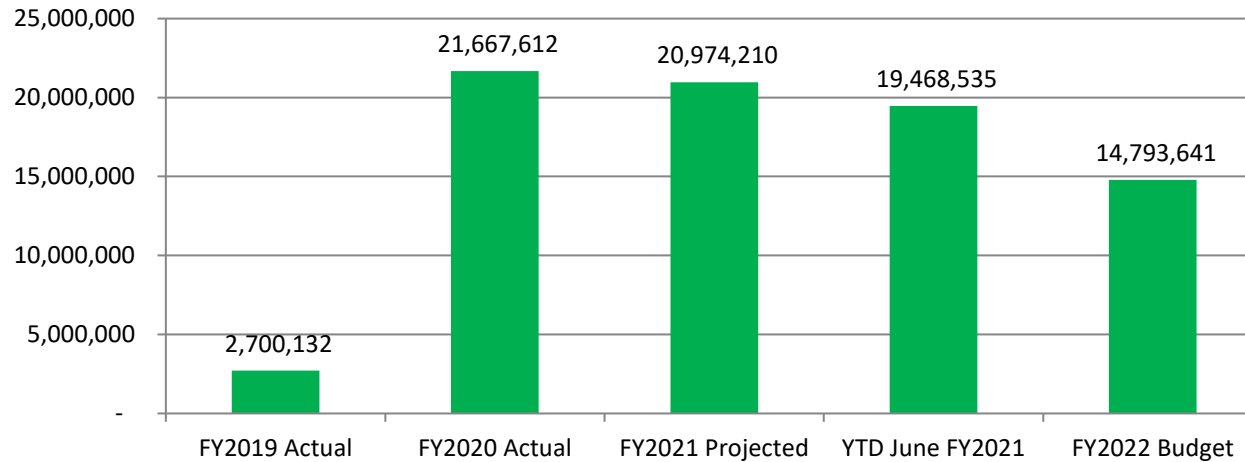
## Ensure Continued Financial & Operational Sustainability

### Operating Margins

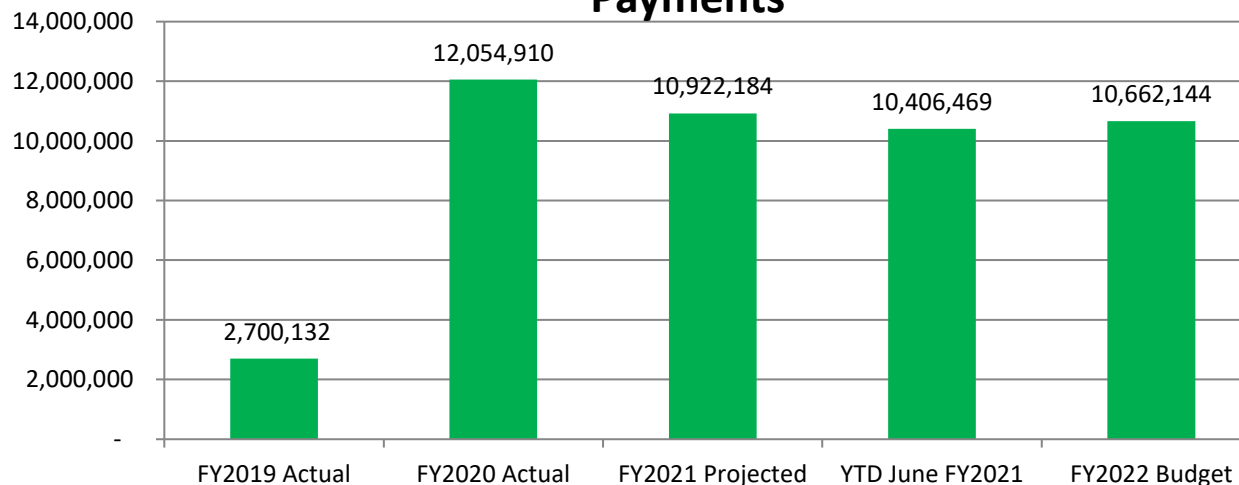
- YTD June 2021 Actual \$2.1M = 3.0%
- YTD June 2021 Budget \$1.2M = 1.7%
- FY2021 Projected \$1.8M = 2.0%
- Budget FY2021 \$1.6M = 1.7%
- FY2022 Budget \$1.9M = 2.0%

North Country Hospital								
Brian Nall			Tracey Paul					
Fiscal Year 2022 Submitted Budget								
BALANCE SHEET	2019 A	2020 A	2021 B	2021 Projection	2022 B	2021 B - 2021 P	2021 B - 2022 B	2021 P - 2022 B
Cash & Investments	\$2,700,132	\$21,667,612	\$2,060,094	\$20,974,210	\$14,793,641	918.1%	618.1%	-29.5%
Net Patient Accounts Receivable	\$6,639,926	\$7,317,636	\$7,300,000	\$5,495,226	\$7,158,885	-24.7%	-1.9%	30.3%
Due From Third Parties	\$0	\$0	\$0	\$60,289	\$60,289	#DIV/0!	#DIV/0!	0.0%
Risk Reserve Receivable	\$0	\$0	\$0	\$0	\$0	#DIV/0!	#DIV/0!	#DIV/0!
Other Current Assets	\$4,095,408	\$4,491,755	\$4,500,000	\$6,858,026	\$6,903,026	52.4%	53.4%	0.7%
<b>Current Assets</b>	<b>\$13,435,465</b>	<b>\$33,477,004</b>	<b>\$13,860,094</b>	<b>\$33,387,752</b>	<b>\$28,915,841</b>	<b>140.9%</b>	<b>108.6%</b>	<b>-13.4%</b>
Board Designated Assets	\$46,742,453	\$49,810,417	\$47,200,000	\$57,475,401	\$51,706,772	21.8%	9.5%	-10.0%
Net, Property, Plant And Equipment	\$22,280,725	\$22,076,145	\$21,500,000	\$21,926,689	\$25,615,994	2.0%	19.1%	16.8%
Other Long-Term Assets	\$4,060,388	\$4,472,222	\$3,200,000	\$4,697,143	\$4,675,406	46.8%	46.1%	-0.5%
<b>Assets</b>	<b>\$86,519,032</b>	<b>\$109,835,788</b>	<b>\$85,760,094</b>	<b>\$117,486,985</b>	<b>\$110,914,014</b>	<b>37.0%</b>	<b>29.3%</b>	<b>-5.6%</b>
Accounts Payable	\$2,616,612	\$3,799,227	\$2,100,000	\$3,083,249	\$3,108,249	46.8%	48.0%	0.8%
Current Liabilities COVID-19	\$0	\$3,266,492	\$0	\$0	\$0	#DIV/0!	#DIV/0!	#DIV/0!
Salaries, Wages And Payroll Taxes Payable	\$4,634,970	\$5,552,779	\$3,900,000	\$6,293,257	\$6,499,422	61.4%	66.7%	3.3%
Other Third Party Settlements	\$1,399,537	\$1,440,569	\$610,000	\$1,975,310	\$1,975,310	223.8%	223.8%	0.0%
ACO Risk Reserve	\$0	\$622,895	\$812,000	\$460,826	\$460,826	-43.2%	-43.2%	0.0%
Other Current Liabilities	\$4,679,134	\$4,370,068	\$4,990,000	\$4,573,874	\$4,573,874	-8.3%	-8.3%	0.0%
<b>Current Liabilities</b>	<b>\$13,330,253</b>	<b>\$19,052,029</b>	<b>\$12,412,000</b>	<b>\$16,386,516</b>	<b>\$16,617,681</b>	<b>32.0%</b>	<b>33.9%</b>	<b>1.4%</b>
Long Term Liabilities COVID-19	\$0	\$9,830,666	\$0	\$8,516,012	\$2,595,483	#DIV/0!	#DIV/0!	-69.5%
Long Term Liabilities	\$17,582,747	\$17,163,135	\$17,200,000	\$16,001,688	\$15,119,819	-7.0%	-12.1%	-5.5%
Other Noncurrent Liabilities	\$0	\$0	\$0	\$0	\$0	#DIV/0!	#DIV/0!	#DIV/0!
<b>Long Term Liabilities</b>	<b>\$17,582,747</b>	<b>\$26,993,802</b>	<b>\$17,200,000</b>	<b>\$24,517,700</b>	<b>\$17,715,301</b>	<b>42.5%</b>	<b>3.0%</b>	<b>-27.7%</b>
<b>Total Liabilities</b>	<b>\$30,913,000</b>	<b>\$46,045,831</b>	<b>\$29,612,000</b>	<b>\$40,904,216</b>	<b>\$34,332,982</b>	<b>38.1%</b>	<b>15.9%</b>	<b>-16.1%</b>
Net Assets	\$52,988,882	\$56,508,471	\$54,008,714	\$58,352,442	\$73,864,901	8.0%	36.8%	26.6%
YTD Change In Net Assets	\$2,617,150	\$7,281,485	\$2,139,380	\$18,230,327	\$2,716,130	752.1%	27.0%	-85.1%
<b>Fund Balance</b>	<b>\$55,606,032</b>	<b>\$63,789,956</b>	<b>\$56,148,094</b>	<b>\$76,582,769</b>	<b>\$76,581,031</b>	<b>36.4%</b>	<b>36.4%</b>	<b>-0.0%</b>
<b>Liabilities and Equities</b>	<b>\$86,519,032</b>	<b>\$109,835,787</b>	<b>\$85,760,094</b>	<b>\$117,486,985</b>	<b>\$110,914,013</b>	<b>37.0%</b>	<b>29.3%</b>	<b>-5.6%</b>
<b>Balance Sheet Metrics</b>	Change in Points							
Days Cash on Hand	220.5	318.1	211.7	327.9	270.4	116.2	58.7	-57.5
Debt Service Coverage Ratio to 1	3.6	4.6	3.4	3.6	3.8	0.2	0.4	0.2
Long Term Debt to Capitalization	0.2	0.3	0.2	0.2	0.2	0.0	-0.0	-0.1
Days Payable	59.4	84.8	53.3	68.5	67.6	15.2	14.2	-0.9
Days Receivable	32.5	39.4	35.2	26.9	33.7	-8.3	-1.5	6.8

## NCH Cash Flow - Cash Balance



## NCH Cash Flow - Cash Balance without Mcare Accel. Payments



Charge increase request = 4.9%

Charge increase effect on payers:

- Medicare
- Medicaid
- Commercial
- Bad debt and free care

## Service Line Changes from Budget 22

- General Surgery
- Urology
- Cardiology
- Pulmonology



## Hospitalist Services

- No Success in permanent placements
- Stretched Primary Physician coverage
- Engage National Partner

## 340B Pharmacy

- FY21 pricing decline
- HRSA Re-enforced payment guidelines
- Increased FY22 budget vs FY21 budget

## Competitive Labor

- Staffing shortages – all positions
- Wage Wars – Multi Industry
- Work life balance challenges

## EMR

- Athena discontinued hospital module
- Cerner Go-Live May 2022
- One Medical Record
- Increase Metric and Quality reporting
- Training investments
- Accounts Receivable management

## Aging Plant

- Facility Master Plan – 2019
- Campus Development – 2020 (Covid stalled)
- Hospital – 1973
- Certificate of Need – July 2021
  - New Addition – 20,000 sq.ft.
  - Renovation – 22,000 sq.ft.



## ➤ FY 2022 Capital Budget = \$4.2M

- Funded Through Operating Cash
- Medical Equipment                      30% of spend
- Technology                                      20% of spend
- Facilities    50% of spend

## ➤ Campus Project

- July 2021 - CON Submitted
- Spring/Fall 2022 – Construction
- 2023 - Completion

➤ Fixed Payment & PMPM

- Medicaid

➤ Care Coordination

- Blue Cross
- Blue Cross QHP
- MVP

## ➤ Access to care & wait times

- Spike in inpatient utilization
- Lagging ED volume
- All Services now open

## ➤ Use of Tele-health

- Patients now prefer in person visit
- Keep telehealth options

## ➤ Safety Protocols

- Security audit – maintain single entry
- Comply with CDC and OSHA

## ➤ Testing and Vaccinations

- Updated contract with State
- 4 days per week
- Surgical Patients
- International Border

## ➤ Unity

- Crisis = Single purpose
- Crisis = Single priority
- Crisis = Community
  
- Return to normal = Diverse special interests
- Return to normal = Diverse priorities
- Return to normal = Diverse responsibilities
- Return to normal = Individuality
- Return to normal = Fatigue

## ➤ Charge Increase of 4.9%

- 3.30% for Wages, Employee health insurance, Supply inflation
- 1.60% for Cerner conversion costs



North Country Hospital  
Where caring runs deep.

# Questions and Answers