North Country Hospital
Where caring runs deep.

North Country Hospital
Fiscal Year 2023
Budget Presentation
To Green Mountain Care Board
August 24, 2022

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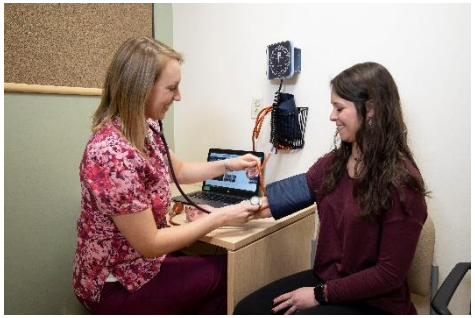
Introduction

Our Presenters:

- Brian Nall, President and CEO
- Tracey Paul, CFO
- Megan Sargent, VP of Patient Care Services
- Paul Giordano, VP of Human Resources
- Dr. Steven Perlin, CMO

Mission

Our Mission: To provide exceptional care that makes a difference in the lives of our patients and community.



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Service Area

Service Area ≈ 30,000

45 Minutes to Closest Critical Access Hospital

2 Hours to Tertiary Care

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Year-Over-Year Reconciliation

NORTH COUNTRY HOSPITAL
Profit and Loss Statement

	2021 Actual	2022 Budget	2022 Proj.	2023 Budget	2021 - 2022 $ Change	2021 - 2022 % Change
Gross Patient Care Revenue	$215,095,726	$212,753,057	$220,036,827	$247,620,343	$7,283,770	5%
Net Revenue Deductions	-$137,507,969	-$136,128,354	-$141,402,705	-$160,078,424	-$5,274,351	-100%
Net Patient Care Revenue	$77,587,757	$76,624,703	$78,634,122	$87,541,919	$2,009,419	1%
Fixed Prospective Payments (incl Reserves&Other)	$12,967,519	$11,264,971	$11,311,648	$11,312,272	$46,677	60%
Total NPR & FPP (incl Reserves)	$90,555,276	$87,889,674	$89,945,770	$98,854,191	$2,056,096	6%
Other Operating Revenue	$7,989,883	$6,497,960	$6,856,303	$5,994,802	$358,343	-15%
Total Operating Revenue	$98,545,159	$94,387,634	$96,802,073	$104,848,993	$2,414,439	4%
Total Operating Expense	$94,012,827	$93,407,053	$97,917,961	$102,753,726	$4,510,907	5%
Net Operating Income (Loss)	$4,532,332	$980,581	-$1,115,888	$2,095,267	-$2,096,469	-37%
Non-Operating Revenue	$4,035,970	$840,528	-$5,463,349	-$8,106	-$6,303,877	43%
Excess (Deficit) Of Revenue Over Expense	$8,568,302	$1,821,109	-$6,579,237	$2,087,161	-$8,400,345	-15%
Operating Margin %	4.6%	1.0%	-1.2%	2%		
Total Margin %	8.7%	1.9%	-6.8%	2%		

FY 2022 Approved Budget to FY 2023 Proposed Budget

Fee Increase on Gross Revenues	12.45% Overall Fee Increase
Net Revenue (NPR)	Increase of 12.5%

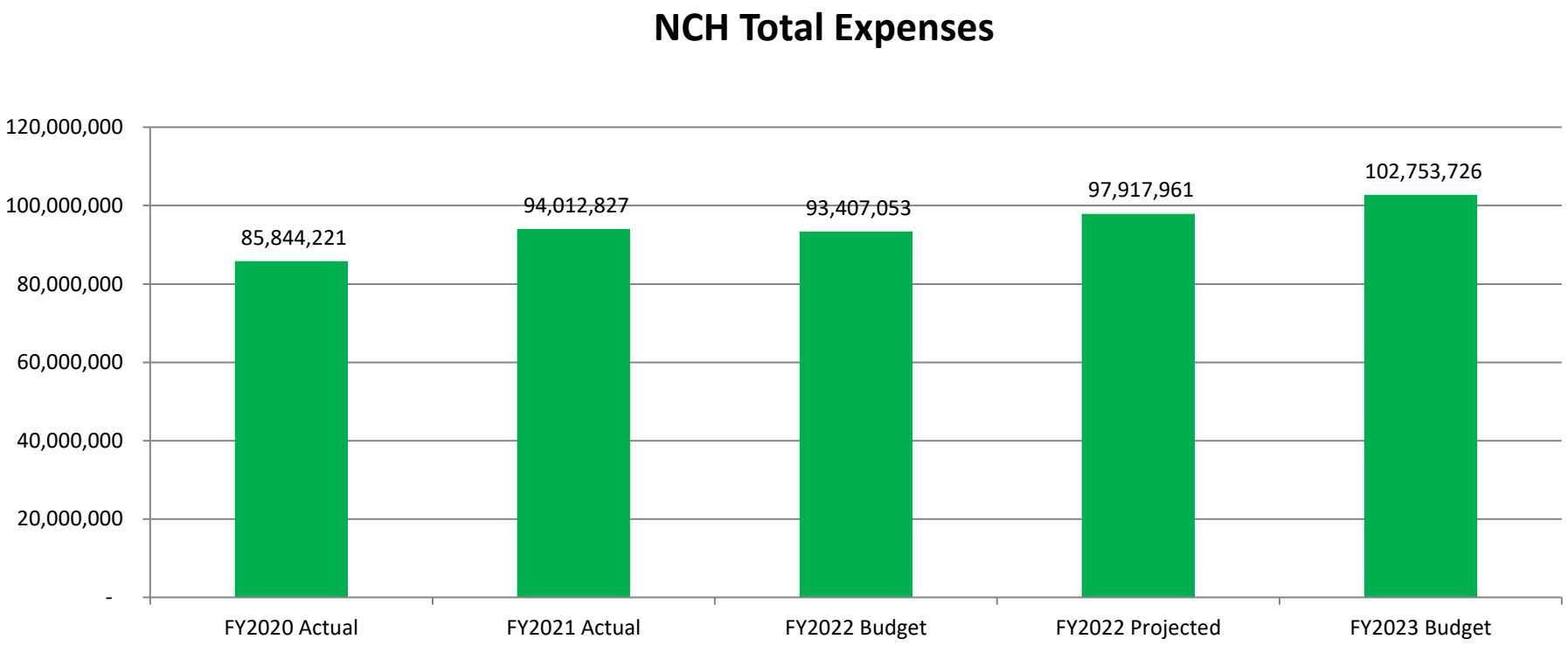
Other Operating & Non-Operating Revenue

FY 2022 Approved Budget to FY 2023 Proposed Budget

Other Operating Revenue 7.7% Decrease = $503k

Non-Operating Revenue 101% Decrease = -$849k

Operating Expenses



Operating Expenses

Expense Drivers	
	Compensation and Benefits
	Locums/Travelers
	Supply Costs

Operating Expenses

Workforce	Vacancy Rates
	Recruitment Efforts
	Retention Efforts

FY 2022 Competitive Comp

- Increase Minimum Wage to $15
- 5 Year Longevity Bonus (Retention)
- Increase Market Rates
- Regular Rate Increase
- Referral Incentives
- Employee Recruitment & Retention Incentives

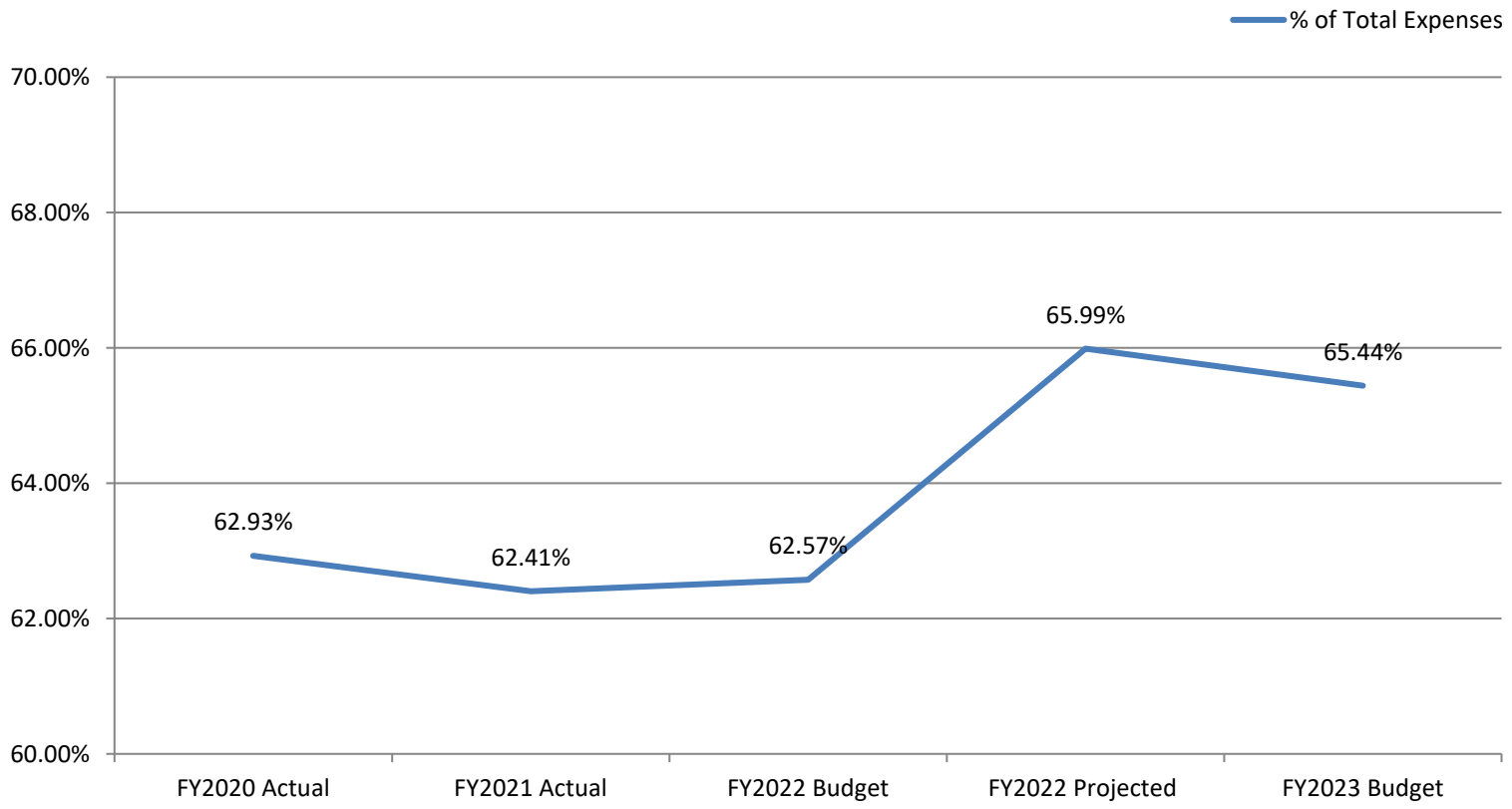
Operating Expenses

FY 2023 Proposed Budget

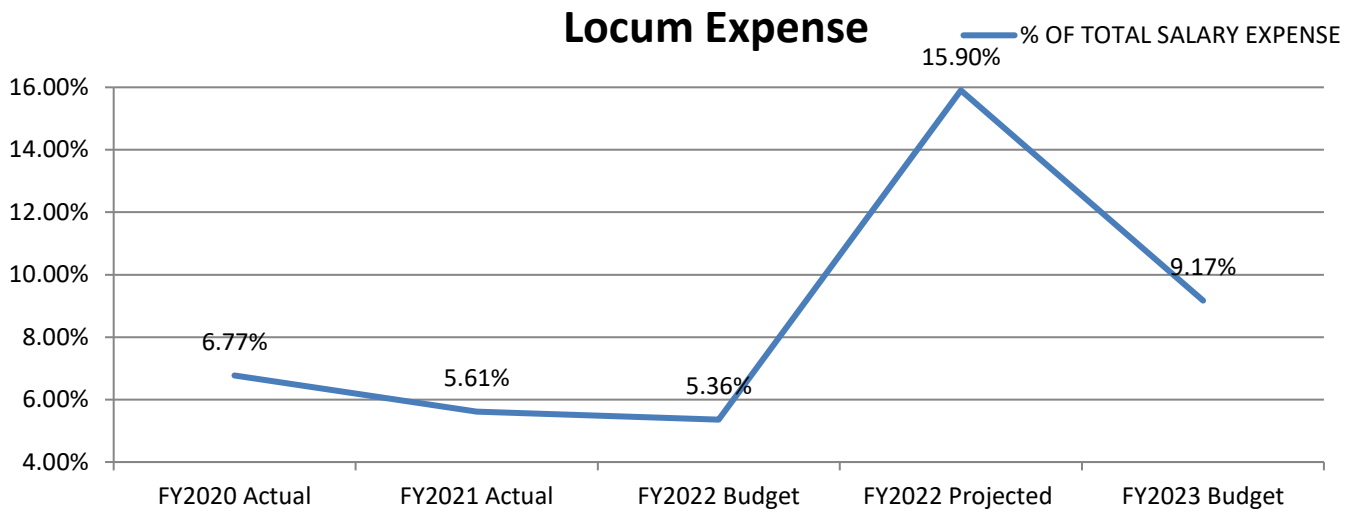
- 5 Year Longevity Bonus (Retention)
- Additional Market Adjustments
- Additional Rate Increase
- Referral Incentives
- Employee Recruitment & Retention Incentives

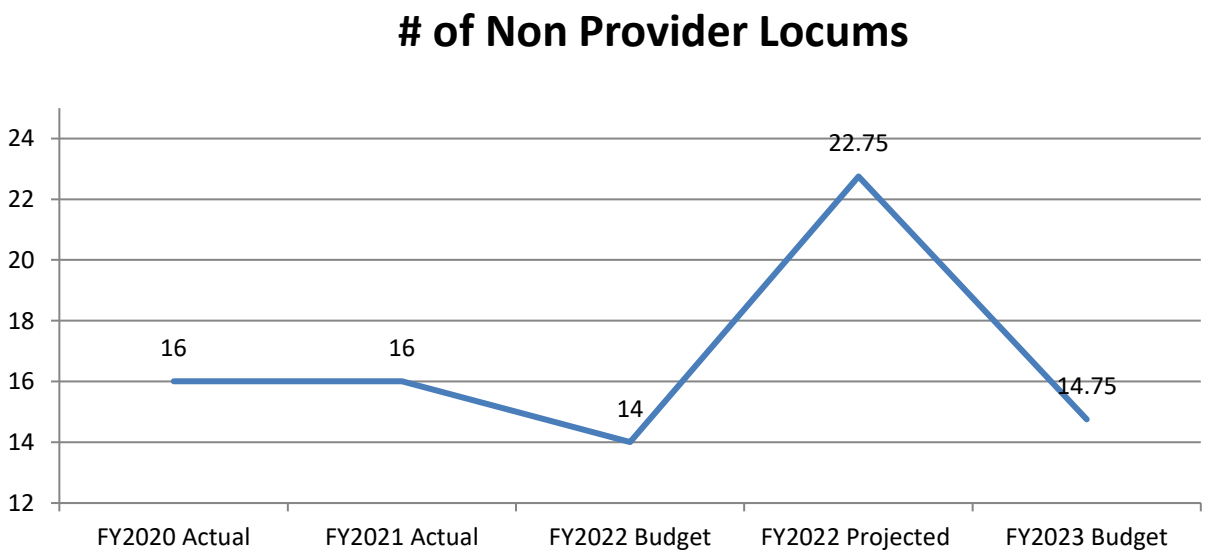
Operating Expenses

Compensation/Benefits/Locums



Operating Expenses





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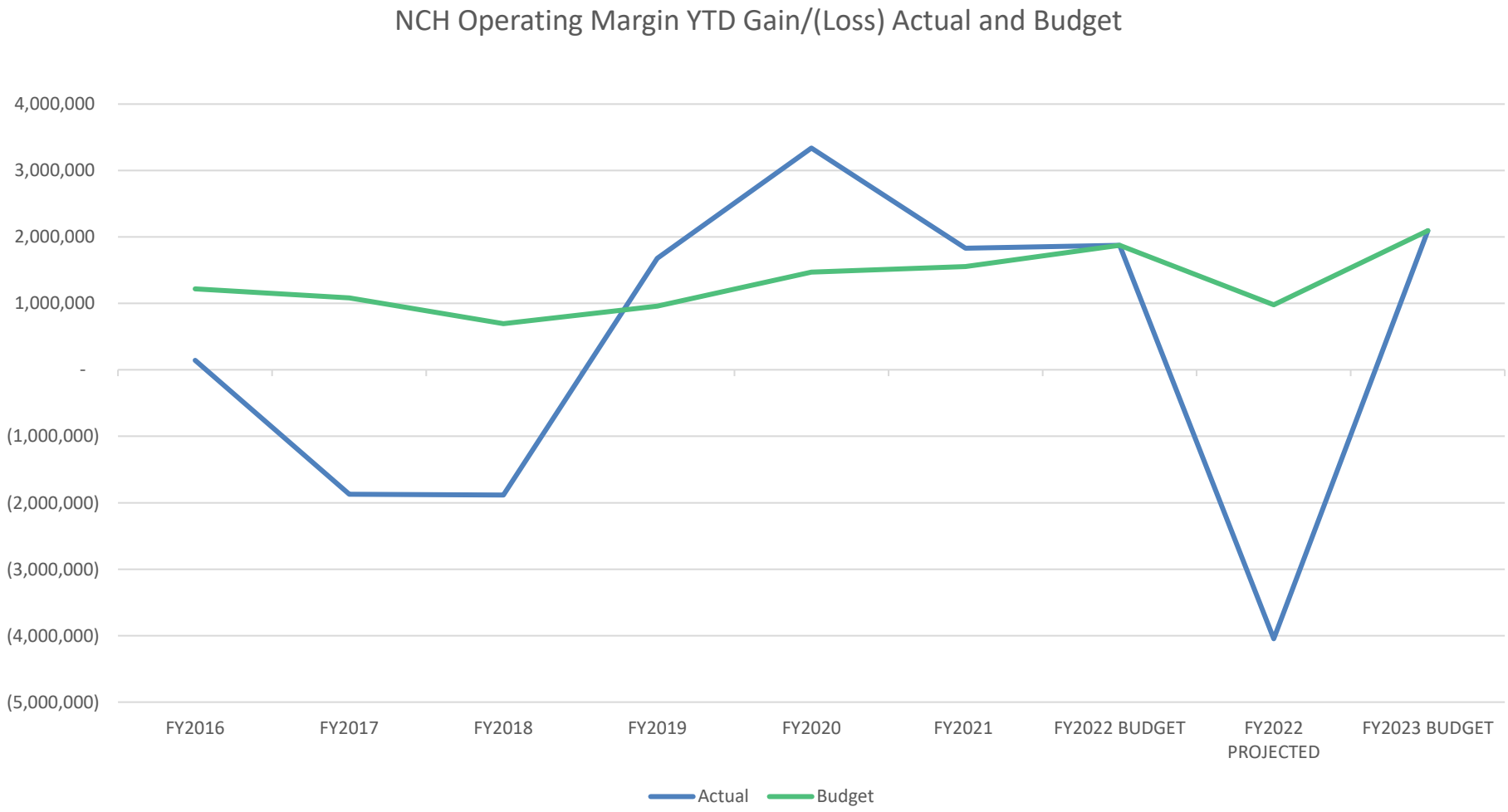
Operating Margin



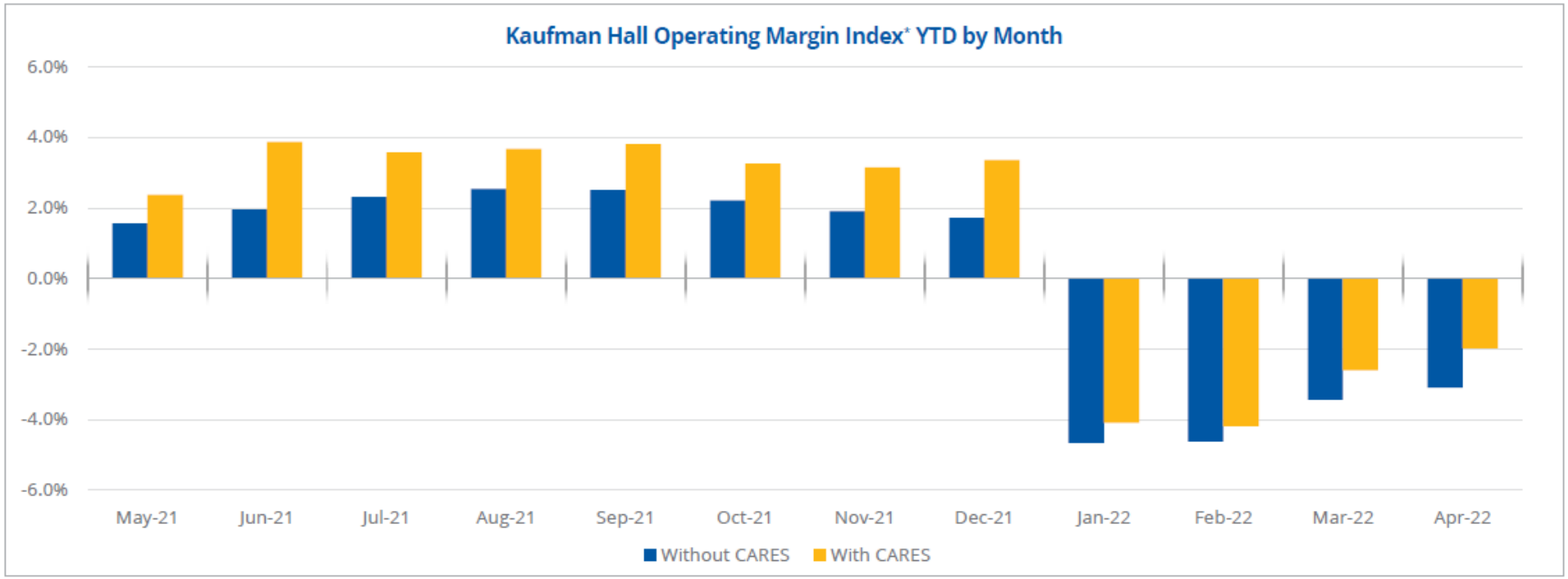
Operating Margin

Ensure Continued Financial & Operational Sustainability

Operating Margins

- FY 2022 Projected = ($5m) = (5.25%)
- FY 2022 Budget $981k = 1%
- FY 2023 Budget $2.1m = 2.0%

National Margin Results



Source: *National Hospital Flash Report* (May 2022)

** Note: The Kaufman Hall Hospital Operating Margin and Operating EBITDA Margin Indices are comprised of the national median of our dataset adjusted for allocations to hospitals from corporate, physician, and other entities.*

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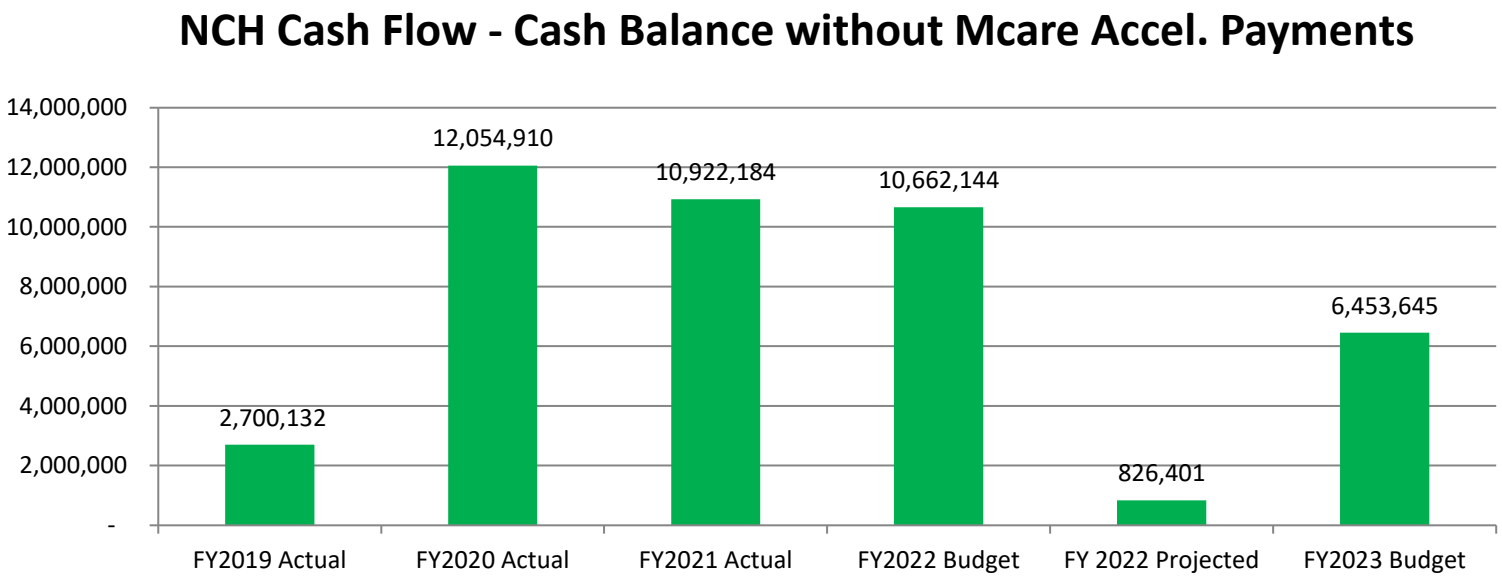
Balance Sheet

NORTH COUNTRY HOSPITAL
SCHEDULE 12
BALANCE SHEET - UNRESTRICTED FUNDS

	2018A	2019A	2020A	2021A	2022B	2022P	2023B	PERCENT CHANGE 2021A - 2022P	PERCENT CHANGE 2022B - 2023B	2020A - 2021B
ASSETS										
CASH & INVESTMENTS	$865,798	$2,700,132	$21,667,612	$18,444,348	$14,793,641	$4,236,401	$6,453,645	-77.0%	-56.4%	52.3%
PATIENT ACCOUNTS RECEIVABLE, GROSS	$28,202,809	$26,111,824	$25,779,840	$23,514,714	$17,599,204	$29,345,113	$31,473,093	24.8%	78.8%	7.3%
LESS: ALLOWANCE FOR UNCOLLECTIBLE ACCTS	-$19,951,472	-$19,471,898	-$18,462,204	-$13,840,657	-$10,440,318	-$17,586,880	-$21,407,817	-27.1%	-105.0%	-21.7%
DUE FROM THIRD PARTIES	$0	$0	$0	$0	$60,289	$87,938	$87,938	100.0%	45.9%	0.0%
ACO RISK RESERVE/SETTLEMENT RECEIVABLE	$0	$0	$0	$0	$0	$0	$0	0.0%	0.0%	0.0%
OTHER CURRENT ASSETS	$3,890,618	$4,095,408	$4,491,755	$4,489,140	$6,903,026	$7,353,276	$7,353,276	63.8%	6.5%	0.0%
TOTAL CURRENT ASSETS	$13,007,753	$13,435,465	$33,477,004	$32,607,544	$28,915,841	$23,435,846	$23,960,134	-28.1%	-17.1%	2.2%
TOTAL BOARD DESIGNATED ASSETS	$45,378,768	$46,742,453	$49,810,417	$59,722,151	$51,706,772	$53,543,802	$53,543,802	-10.3%	3.6%	0.0%
TOTAL PROPERTY, PLANT AND EQUIPMENT, NET	$23,403,357	$22,280,725	$22,076,145	$23,039,014	$25,615,994	$22,487,962	$24,155,989	-2.4%	-5.7%	7.4%
[OTHER_LT_ASSETS] OTHER LONG-TERM ASSETS	$4,574,075	$4,060,388	$4,472,222	$5,642,484	$4,675,406	$5,697,537	$5,675,799	1.0%	21.4%	-0.4%
TOTAL ASSETS	$86,363,953	$86,519,032	$109,835,788	$121,011,194	$110,914,014	$105,165,147	$107,335,724	-13.1%	-3.2%	2.1%

Cash Flow Summary



Change-in-Charge Request

Charge Increase Request = 12.45%

Charge Increase Effect on Payers:

- Medicare
- Medicaid
- Commercial
- Bad Debt and Free Care

Equity

Equity

Express Care

Wellness Center

Elsevier Online Training

Hospitals Against Violence

Wait Times

Cerner EMR Conversion May 16

- ½ Patient Schedule 3-4 Weeks

Engaged 3D Health – Physician Needs Assessment

Service Line Impacts

- General Surgery Transitions
- Cardiology Transitions
- Pulmonology Loss
- Hospitalists Stabilization
- Primary Care Transitions
- Orthopaedic Access

Risks and Opportunities

Competitive Labor

- Staffing Shortages – All Positions
- Wage Wars – Multi Industry
- Work Life Balance Challenges

Risks and Opportunities

EMR – Cerner Go-Live May 2022	One Medical Record
	Automatically Loading Some Clinic Information
	eSignature App
	Mobile Documentation for Providers
	Enhanced Patient Portal
	Opportunity for Increased Metric and Quality Reporting
	Accounts Receivable Management

Risks and Opportunities

Aging Plant

- Hospital – 1973
- Facility Master Plan – 2019
- Campus Development – 2020 (Covid Stalled)

Risks and Opportunities

Certificate of Need – August 2022

- New Addition – 20,000 sq. ft.
- Renovation – 22,000 sq. ft.
- Scope of Project: Consolidate and improve the multi floor inpatient care departments, provide a larger lab, and expand Emergency Department.

Capital Investment Cycle

FY 2023 Capital Budget = $3.6M

Funded Through Operating Cash

Medical Equipment
58% of Spend

Technology
28% of Spend

Facilities
14% of Spend

Value Based Care

Fixed Payment & PMPM

- Medicaid

Care Coordination

- Blue Cross
- Blue Cross QHP
- MVP

Reduce Avoidable ED Encounters

Northern Express Care Opened July 11th

Value Based Care

Emergency Departments

- Boarding Mental Health
- Transfer Volume and Delays

Post-Acute Patients

- Post-Acute Patients in Hospital Beds

Supplemental Data Monitoring

- Market Share
- Reimbursement Analysis
- Demographic Report

FY 2022 Approved Budget to FY 2023 Proposed Budget

Fee Increase on Gross Revenues	12.45% Overall Fee Increase
Net Revenue (NPR)	Increase of 12.5%

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Charge Request

85% = Expense Increase of $9.3M

Direct Labor = 68%

Supplies = 20%

15% = Operating Margin of $2.1 M

Any Questions