



Springfield Hospital

Where People Come First

**Green Mountain Care Board
Budget Presentation FY25
Monday, August 26, 2024**

Robert Adcock, CEO • Kayda Wescott, CFO

Springfield Hospital Overview



- **25-bed Critical Access Hospital**
- **10 bed Inpatient Psychiatric (The Windham Center)**
- **1K annual inpatient admissions plus 350 observation**
- **4K Hospitalist visits; 15K specialty visits annually**
- **Busy Emergency Department - 13K annual visits**
- **22K Diagnostic Imaging testing annually**
- **Springfield Area Adult Day Service**
- **Physical Therapy Services — Springfield, Ludlow, Bellows Falls**
- **Strong economic contributor to region, 385 employees**

Springfield Hospital History



- **Celebrating 110 years of caring for the region**
- **Collaborative partner with local hospitals/agencies**
- **Challenging social determinants of health**
- **Partner in population health strategies (OneCare VT)**
- **Financial Vulnerability (Chapter 11 Exit Dec 2020)**
- **FQHC separation (North Star Health)**
- **Local access is important —**
Local care means improved access / less cost

Springfield Hospital Core Services



Lorri Stanton, RN
Inpatient Care Unit

- **Emergency Department**
- **Inpatient Care**
 - **Medical Surgical/Swing Bed**
 - **The Windham Center for Psychiatric Care**
- **Outpatient Services**
- **Specialty Services**
 - **General Surgery**
 - **Podiatry**
 - **Ear, Nose & Throat**
 - **Orthopaedics**
 - **Urology**
 - **Gynecology**
 - **Cardiology** (*recruiting to restart this service*)
- **Adult Day Services**

Springfield Hospital's Strategic Direction



*Serena Howard, RN
Inpatient Care Unit*

Areas of Focus and Priority

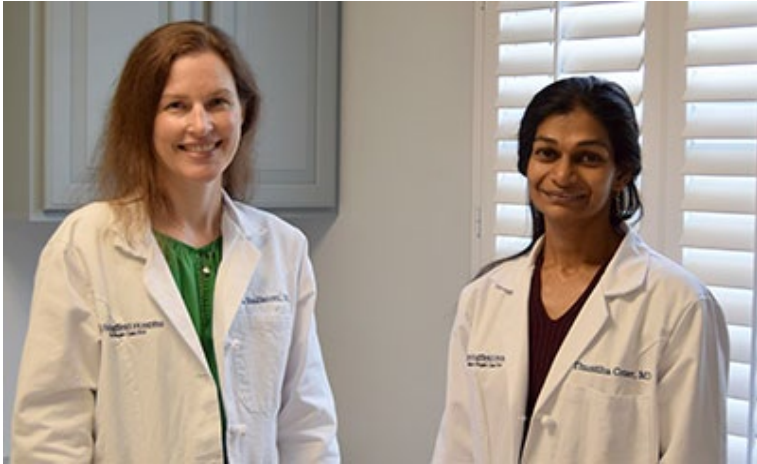
- **Steady Operational Improvement**
- **Improve Financial Performance**
- **Focus on Core Services**
- **Develop People & Culture**
- **Availability of Providers**
- **Quality/Technology/Infrastructure Foundation**

Capital Improvements

- **Investment in Infrastructure**
- **\$4.7M in Improvements**
- **Lease/Financing/Grant Funding**
- **Capital Budget**
- **Operating Cash Impact**

- **Laboratory**
- **Operating Room**
- **PACU**
- **Pharmacy**
- **Urology**
- **Respiratory Therapy**
- **Engineering/Plant**
- **Emergency Department**
- **Inpatient Care Unit**
- **Dietary**
- **Diagnostic Imaging**

Year to Date – Revenue Impact



*Kira Balkcom, MD, Thusitha Cotter, MD
Board Certified Gynecologists
Springfield Gynecology*

Service Lines Exceeding Gross Patient Revenue Budget

**CT Scan
Operating Room-Surgical Services
Laboratory
Springfield Gynecology
MRI
Endoscopy**

June YTD NPR Actual

\$ 46,863,718

June YTD NPR Budget

\$ 45,572,574

Year to Date — Positive Operating Margin

We are making progress.

Five of Nine Months Operated in the Black...

Year to Date 2024, we have a profitable Operating Margin.

| | <u>June 2024</u> | <u>June 2023</u> |
|-------------------------------|-------------------|-----------------------|
| Gross Patient Service Revenue | \$ 108,124,860 | \$ 94,528,568 |
| Net Patient Service Revenue | 46,863,718 | 40,731,426 |
| Other Operating Revenue | <u>877,236</u> | <u>1,361,599</u> |
| Total Operating Revenue | 47,740,954 | 42,093,025 |
| Less Total Operating Expenses | <u>47,703,849</u> | <u>44,417,933</u> |
| OPERATING INCOME | <u>\$ 37,105</u> | <u>\$ (2,324,908)</u> |

Steady Performance Year Over Year

Springfield Hospital Comparative Statistical Report, 9 Months Ending 6/30/24

| Statistics | Year to Date | | % Change |
|---------------------------------|--------------|--------------|-------------|
| | Actual | Prior Year | |
| Admissions | | | |
| <i>Medical/Surgical</i> | 474 | 428 | 10.7% |
| <i>Swing</i> | 35 | 31 | 12.9% |
| <i>Psychiatric</i> | 217 | 234 | -7.3% |
| Total Hospital Inpatient | 726 | 693 | 4.8% |
| <i>Observation</i> | 413 | 271 | 52.4% |
| Patient Days | | | |
| <i>Medical/Surgical</i> | 1,947 | 1,815 | 7.3% |
| <i>Swing</i> | 277 | 406 | -31.8% |
| <i>Psychiatric</i> | 1,955 | 1,942 | 0.7% |
| Total Hospital Inpatient | 4,179 | 4,163 | 0.4% |
| <i>Observation</i> | 678 | 436 | 55.4% |
| Average Daily Census | | | |
| <i>Medical/Surgical</i> | 7.1 | 6.6 | 7.3% |
| <i>Swing</i> | 1.0 | 1.5 | -31.8% |
| <i>Observation</i> | 2.5 | 1.6 | 57.1% |
| <i>Psychiatric</i> | 7.1 | 7.1 | 0.7% |

Utilization is shifting from Inpatient to Observation Status (outpatient)

Green denotes YTD 2024 **growth** over YTD 2023

Steady Performance Year Over Year

Springfield Hospital Comparative Statistical Report, 9 Months Ending 6/30/24

| Statistics | Year to Date | | |
|---------------------------------|--------------|------------|----------|
| | Actual | Prior Year | % Change |
| Ancillary Services | | | |
| <i>Emergency Room Visits</i> | 10,025 | 9,906 | 1.2% |
| <i>Emergency Room Visit/Day</i> | 36.6 | 36.2 | 1.2% |
| <i>Operating Room Cases</i> | 794 | 664 | 19.6% |
| <i>Endoscopy Procedures</i> | 784 | 742 | 5.7% |
| <i>Laboratory Tests</i> | 161,988 | 157,296 | 3.0% |
| <i>Pharmacy Drugs Dispensed</i> | 175,858 | 164,484 | 6.9% |
| <i>Clinic</i> | 998 | 1,637 | -39.0% |
| <i>Xray Exams</i> | 6,900 | 6,990 | -1.3% |
| <i>Bone Density</i> | 469 | 412 | 13.8% |
| <i>MRI Procedures</i> | 1,042 | 985 | 5.8% |
| <i>Nuclear Medicine Proc.</i> | 42 | - | |
| <i>Mammography</i> | 2,049 | 2,164 | -5.3% |
| <i>Ultrasound Procedures</i> | 1,681 | 1,792 | -6.2% |
| <i>Echo</i> | 568 | 538 | 5.6% |
| <i>CT Procedures</i> | 3,951 | 3,815 | 3.6% |
| <i>EKG Procedures</i> | 3,655 | 3,743 | -2.4% |
| <i>Respiratory Procedures</i> | 16,905 | 15,562 | 8.6% |
| <i>PT Units</i> | 35,646 | 33,957 | 5.0% |
| <i>Adult Day</i> | 3,650 | 2,544 | 43.5% |

13 of 18 Ancillary Service Lines

Show Volume Growth Year over Year

Green denotes YTD 2024

growth over YTD 2023

Steady Performance Year Over Year

Springfield Hospital Comparative Statistical Report, 9 Months Ending 6/30/24

| Statistic | Year to Date | | % Change |
|---------------------------|--------------|------------|----------|
| | Actual | Prior Year | |
| Specialty Practices | | | |
| <i>Surgey</i> | 751 | 525 | 43.0% |
| <i>CVOSM</i> | 4,067 | 4,327 | -6.0% |
| <i>ENT</i> | 1,573 | 1,312 | 19.9% |
| <i>Urology</i> | 2,129 | 1,938 | 9.9% |
| <i>Gynecology</i> | 1,991 | 1,559 | 27.7% |
| <i>Podiatry</i> | 1,891 | 1,707 | 10.8% |
| Specialty Practices Total | 12,402 | 11,368 | 9.1% |

**5 of 6 Specialty Practice
Outpatient Office Visits Show
Volume Growth Year over Year**

**Connecticut Valley Orthopaedics
(CVOSM) – reduced provider
time**

**Green denotes YTD 2024
growth over YTD 2023**

Our Path: Align Efforts with Identified Community Needs

COMMUNITY NEEDS



- **Affordability**
 - Cost control, ongoing expense management
 - Financial assistance reviewed, Act 119 implemented

- **Access**
 - Strengthening core Specialty Services
 - Research access barriers – focus groups/2025 CHNA

- **Mental Health and Substance Use Disorders**
 - Ongoing collaboration

*Springfield Hospital, SH Emergency Department.
The Windham Center, FQHC, HCRS, Turning Point,
Project Action Collaborative*

Our Path: Right Care, Right Place, Right Cost



*Amichai Kilchevsky, MD
Board Certified Urologist
Springfield Urology*

- **Goal — Sustainability**
- **Local Access — Lower Cost**
- **21K Springfield HSA residents cost \$176.2M – 73.6% was spent outside the Springfield HSA (GMCB – March 30, 2023)**
- **Win/Win/Win Strategy – Patients/Hospital/Statewide Savings**

Our Path: Revenue and Expense Management



*David Muller, MD
Board Certified Orthopaedic Surgeon
Connecticut Valley Orthopaedics
& Sports Medicine*

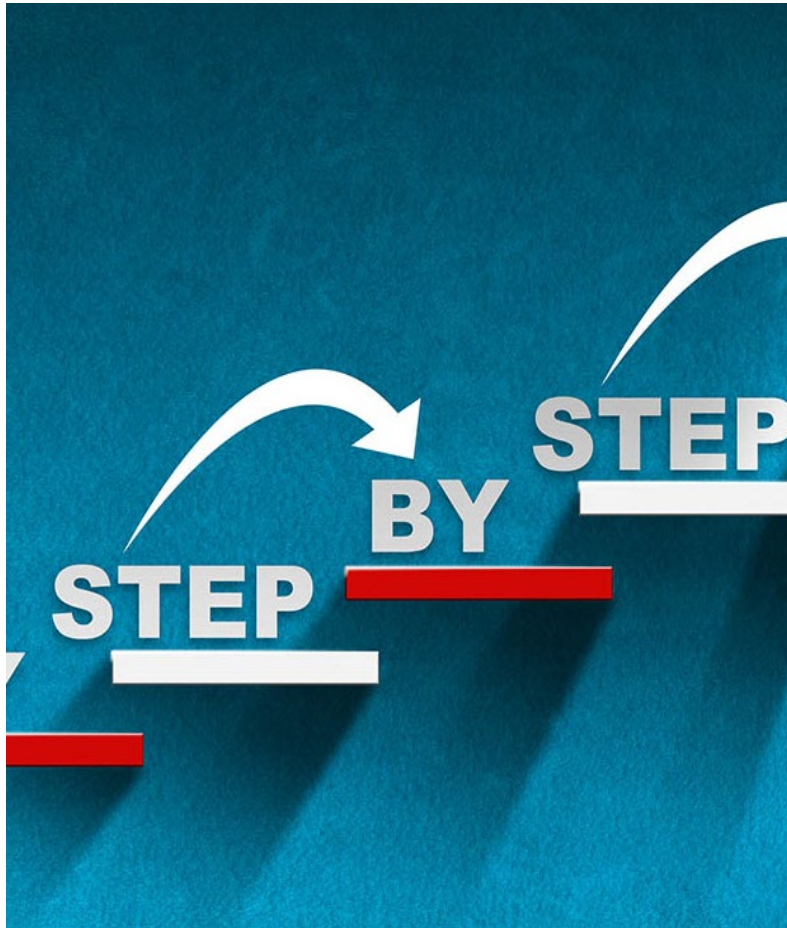
Revenues

- Continue access strategies, collaborate with FQHC
- Increase awareness of local services
- Increase utilization of local specialty services
- Grow Inpatient/Swing, Windham Center & Adult Day Service
- Continue revenue cycle improvement work
- Pursue grant funding

Expenses

- Continue tight expense management
- Reduce travelers – extra hours bonus & premium per diem programs
- Recruitment and training
- Pain Management service closure May 2024
- Reduce locum expense

Our Path: Challenges Continue as We Move Forward



- Ongoing need to use of travelers, high costs
- Primary care access – Identified need
- Consumer confidence/volumes building
- Workforce – ongoing pressures/
Need competitive wages in a tight market
- Cost of living/housing
- Post acute placement/EMS transportation
- Reimbursement challenges, future unknowns
- Inflation/ongoing expense management

Inflation and Supply Chain Issues Demand Caution

Beckers Hospital Review 8/20/24: *The Cost of Shortages for Hospitals: Premier*

Survey of 100 Healthcare and Supply Chain Leaders



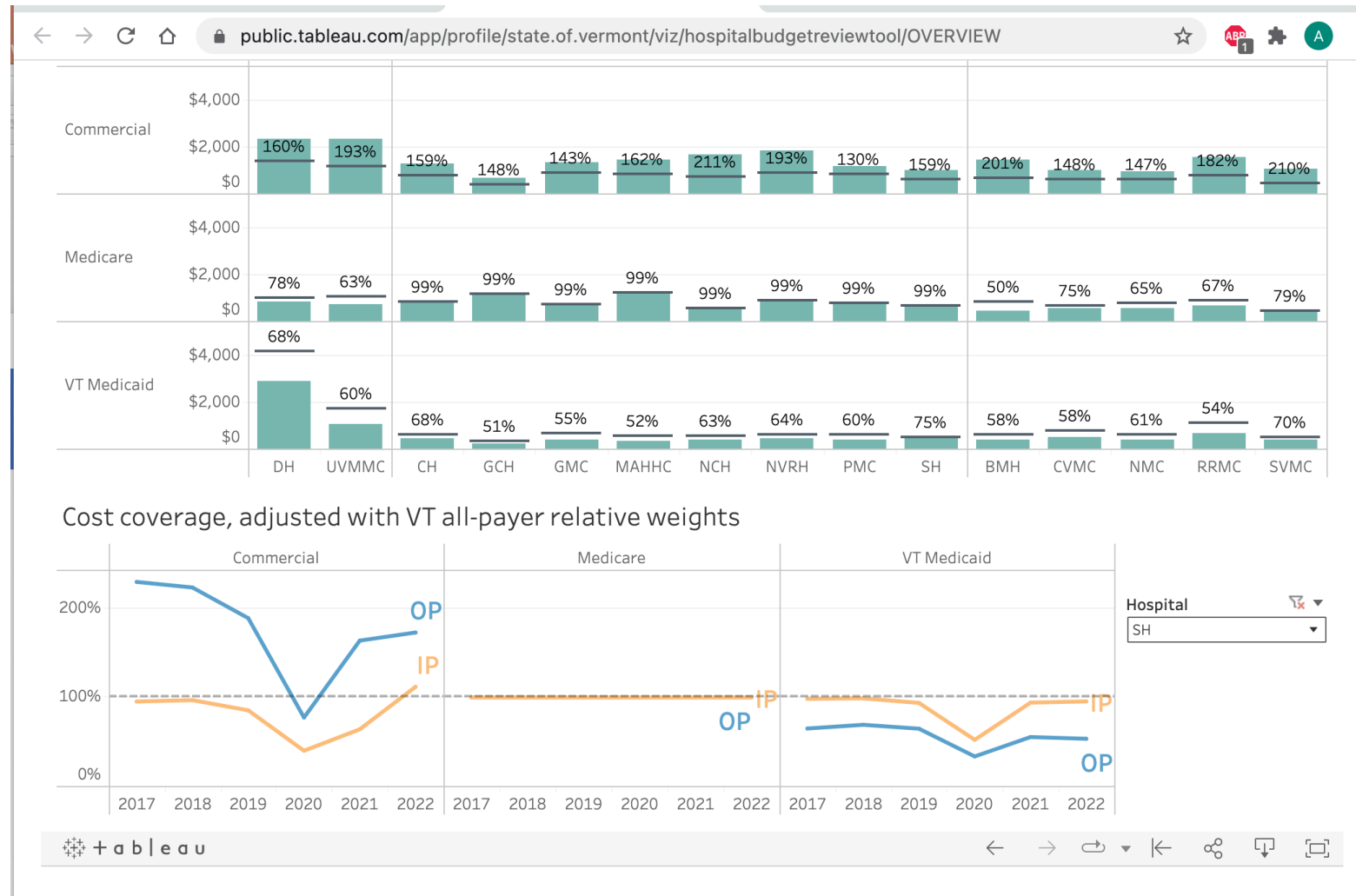
- In 2024, 80% of healthcare provider leaders and 84% of suppliers expect supply chain challenges to worsen or remain the same over the next year.
- More than 50% suppliers have experienced supply chain operations challenges because of geopolitical issues and severe weather events in 2023. Almost 85% said they expect regulatory policy changes to affect their 2024 supply chain strategies.
- Providers and suppliers expect inflation will be their most significant challenge next year. Other top-ranking concerns include ongoing supply disruptions and increased labor costs.

Our Strategy: Stay the Course



- **Post pandemic stabilization**
- **Growing year over year**
- **Recapture patients leaving the area for care**
 - **Meet needs of community**
 - **Not new business (recapture)**
 - **Invest in Medical Staff**
 - **Invest in infrastructure**
 - **Focus on quality**

Springfield Hospital Offers Local Access, Lower Cost



Springfield Hospital Offers Local Access, Lower Cost

Critical Access Hospitals

Highlighted Hospitals Exceeding 11-year and/or 5-year State Trends:

The following hospitals exceeded the state trends for **whole-dollar revenue and cost**:

| Vermont Hospital - Critical Access Hospital | 2012 to 2022 NPR WHOLE Dollar CAGR | 2018 to 2022 NPR WHOLE Dollar CAGR | 2012 to 2022 WHOLE Dollar Cost CAGR | 2018 to 2022 WHOLE Dollar Cost CAGR |
|---|---------------------------------------|---------------------------------------|--|--|
| COPLEY HOSPITAL INC. | 5.92% | 8.38% | 6.67% | 9.21% |
| GIFFORD MEDICAL CENTER | -0.60% | 2.80% | 1.01% | 4.63% |
| GRACE COTTAGE HOSPITAL | 2.01% | 7.03% | 4.01% | 6.97% |
| MT ASCUTNEY HOSPITAL AND HEALTH CENT | 3.71% | 4.55% | 3.30% | 5.66% |
| NORTH COUNTRY HOSPITAL & HEALTH CTR | 0.14% | -0.31% | 3.18% | 6.02% |
| NORTHEASTERN VT REGIONAL HOSPITAL | 5.67% | 6.65% | 7.36% | 9.32% |
| PORTER HOSPITAL | 2.59% | 3.27% | 4.91% | 7.96% |
| SPRINGFIELD HOSPITAL | -0.24% | 2.60% | 1.24% | 2.53% |
| State Total | 2.61% | 4.35% | 4.22% | 6.91% |
| National Median | 4.56% | 5.66% | 5.02% | 6.15% |

Yellow shading denotes exceeding State trend.

Acronyms:

CAGR: Compound Annual Growth Rate

NPR: Net Patient Revenue

Cost: Hospital-only Operating Expense

WHOLE Dollar: Total dollars, unadjusted

Source:

Vermont Hospital Financial Analysis Project

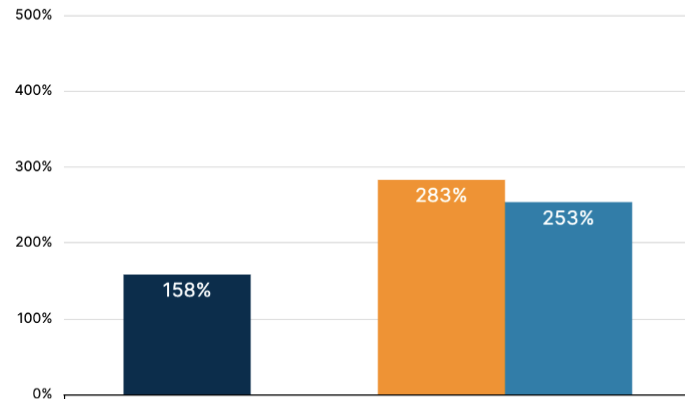
John Bartholomew & Thomas Nash

7-15-24

Springfield Hospital Prices Below State and National Prices

Total Facility Plus Physician Price as a Percent of Medicare

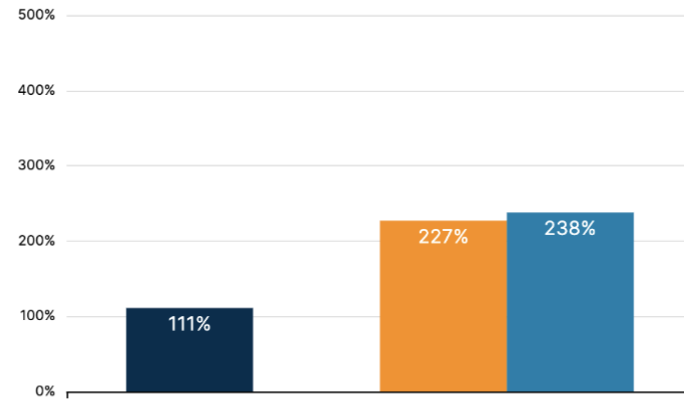
Commercial Price as a Percent of Medicare, RAND 2020 - 2022



■ Hospital Price, Total
 ■ Hospital System Price, Total
 ■ State Benchmark, Total
■ National Benchmark, Total

Inpatient Facility Plus Physician Price as a Percent of Medicare

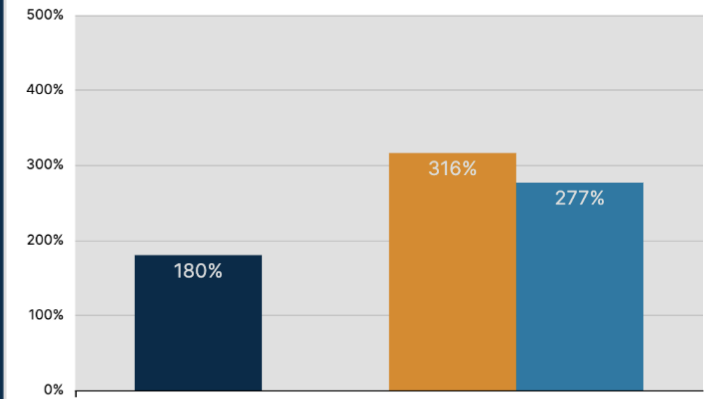
Commercial Price as a Percent of Medicare, RAND 2020 - 2022



■ Hospital Price, Inpatient
 ■ Hospital System Price, Inpatient
■ State Benchmark, Inpatient
 ■ National Benchmark, Inpatient

Outpatient Facility Plus Physician Price as a Percent of Medicare

Commercial Price as a Percent of Medicare, RAND 2020 - 2022



■ Hospital Price, Outpatient
 ■ Hospital System Price, Outpatient
■ State Benchmark, Outpatient
 ■ National Benchmark, Outpatient

Source: [Sagetransparency.org](https://www.sagetransparency.org)

FY25 Income Statement

| Springfield Hospital Income Statement Summary | FY25 Budget |
|--|--------------------|
| GROSS PATIENT SERVICE REVENUE: | |
| Inpatient Revenue | \$ 21,013,247 |
| Outpatient Revenue | 122,079,888 |
| Professional Services | 16,389,794 |
| Total Gross Patient Service Revenue | 159,482,929 |
| Total Deductions from Revenue | 90,784,151 |
| Net Patient Service Revenue | 68,698,778 |
| Other Operating Revenue | 939,000 |
| TOTAL OPERATING REVENUE | 69,637,778 |
| TOTAL OPERATING EXPENSES | 68,648,859 |
| OPERATING INCOME (LOSS) | 988,919 |
| NON-OPERATING REVENUE (NET) | 400,000 |
| PENSION COSTS/UNRECOGNIZED PENSION EXPENSE | (450,000) |
| INCR. (DECR.) IN UNRESTRICTED NET ASSETS | \$ 938,919 |
| Operating Margin | 1.4% |

Charity Care & Bad Debt

Act 119 Implemented – reviewing recommendations for further financial assistance policy (FAP) modifications

| | <u>FY25 Budget</u> | <u>FY24 Projected</u> | |
|--------------|--------------------|-----------------------|----------|
| Bad Debt | 2.34% | 2.86% | DECREASE |
| Charity Care | .95% | .66 % | INCREASE |

FY25 Budget:

Bad Debt to Charity Care Ratio 2.47

(Ratio improving - Compared to other VT hospitals: Not the highest, not the lowest)

About Operating Margins...

Beckers Hospital Review – August 12, 2024
Hospital Margins’ “New Normal”

Operating margins are still far below the pre-pandemic "magic number" of 3% and the jury is still out on a permanent reset in the 1%-2% range.

In Summary - FY25 Request vs. Benchmark

Net Patient Revenue Growth

(\$68.7M FY25 vs. \$60.8M FY24 Approved)

SH 13% vs. Benchmark 3.5%

10.6% utilization - \$6,467,164 impact

2.4% charge increase - \$1,417,052 impact

The 10.6% utilization (includes service and payer mix growth) and should not be viewed as additional cost. It is a cost-saving strategy of recapturing existing services performed elsewhere at higher cost.

Commercial Rate Growth

SH 2.2% vs. Benchmark 3.4%

Assumption: Medicaid 0% rate growth, Medicare – cost plus 1% less 2% sequestration

Our 5.5% gross charge increase yields 2.2% commercial rate growth (NPR). The charge increase will be applied across the board for all payers and all services (excludes pharmacy due to markup on cost).

Operating Margin

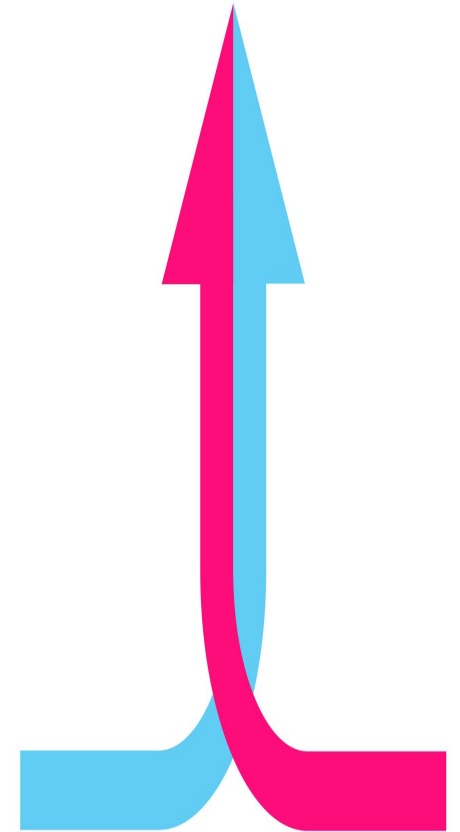
SH 1.4% vs. Benchmark 0%

10.6% NPR Utilization Growth Key Areas — How?

| | Projected '24 | FY25 Budget | % Incr. over Projected '24 |
|---------------------------------|---------------|-------------|-------------------------------|
| Mental Health Admissions | 307 | 367 | 19.6% |
| Operating Room Cases | 1,068 | 1,308 | 22.5% |
| Endoscopy Procedures | 953 | 1,219 | 28.0% |
| MRI Procedures | 1,217 | 1,363 | 12.0% |
| Nuclear Medicine | 75 | 240 | 220.0% |
| General Surgery | 926 | 975 | 5.2% |
| Gynecology | 2,628 | 3,025 | 15.1% |

Why? Margin and Sustainability are Co-Dependent

- **Balance cost of providing care with reasonable reimbursement**
- **Lower prices mean lower revenue - potential impacts on margin and quality**
- **Days Cash on Hand is below average**
- **Need for competitive wages**
- **Requested increase is less than inflation cost projected for FY25**



Why? Cost Increases Outpacing Rate Increases

Some examples of cost increases that exceed our rate request:

- **Inflation - 5% some supplies/services (\$480K),
10% Pharmaceuticals (\$154K)**
- **Salaries and Wages 4.1%**
- **Employee Benefits 3.7% - includes the new VT Child Care Tax**
- **Travelers – underbudgeted in FY24 (approx. \$2M), projecting lower for FY25 than FY24 projected**
- **Insurance 45% - includes increases to professional/general liability/cybersecurity (\$270K)**

Why? Traveler Costs Must Be Addressed

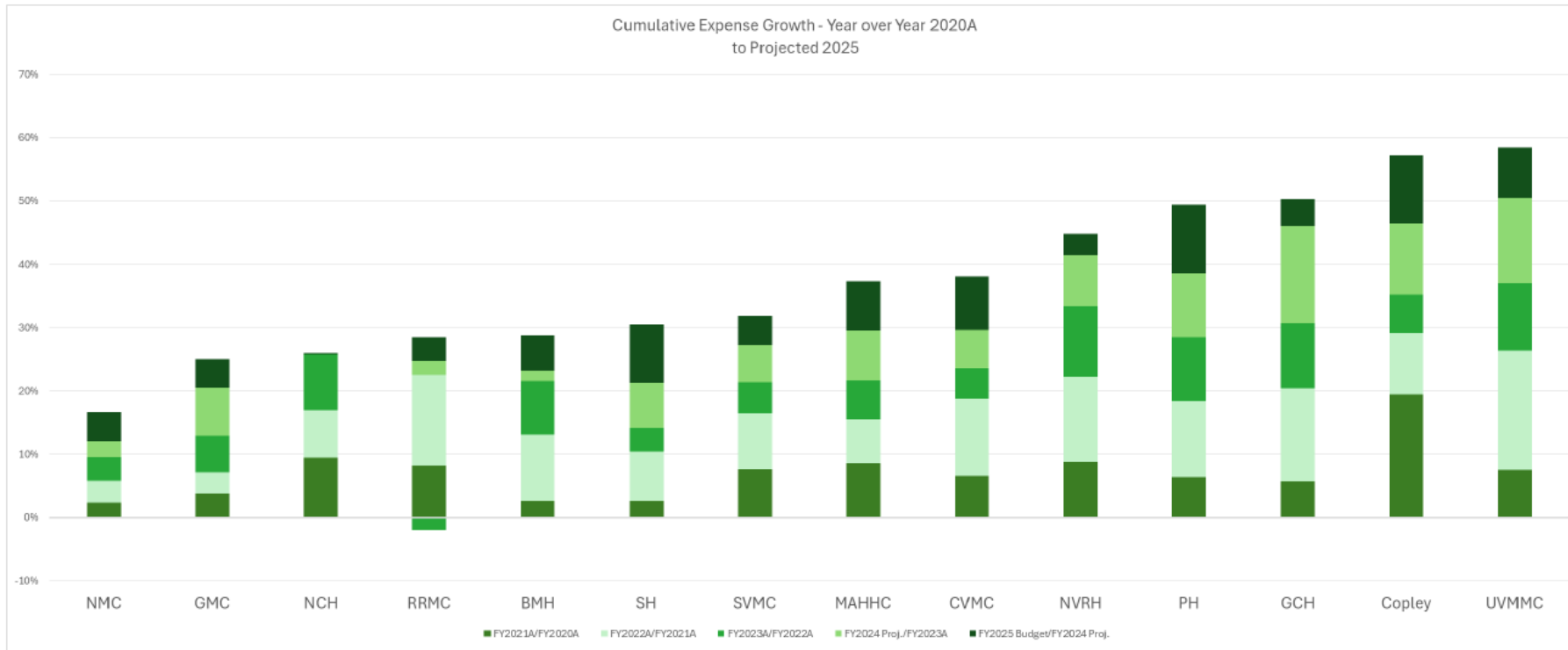


It's a vicious cycle.

- Traveler costs are high.
- Workforce supply is low.
- Demand is high.
- Wages levels are a challenge.
- Patients need care.
- Travelers are called.
- Travelers are expensive, increased cost.
- Wages must be competitive – some funding in FY25 budget.
- Process improvement takes time.
- Workforce will improve.
- Retention will improve.
- Traveler use will decrease.

Why? Springfield Hospital Operating Expense Growth is Low

Operating Expense Growth: Cumulative 2020 to 2025 Requested



Why? Days Cash on Hand is Low...

Hospital Financial Health: Days Cash on Hand



| Hospitals | Days Cash on Hand | | | | |
|--|-------------------|-----------------|-----------------|-------------------|-----------------------------|
| | FY21 Actuals | FY22 Actuals | FY23 Actuals | FY24 Projected | FY25 Submitted Budget |
| Brattleboro Memorial Hospital | 213.6 | 131.7 | 108.4 | 119.2 | 99.7 |
| Central Vermont Medical Center | 114.1 | 68.7 | 78.5 | 72.6 | 69.4 |
| Copley Hospital | 125.7 | 65.8 | 42.5 | 57.9 | 69.4 |
| Gifford Medical Center | 326.4 | 203.5 | 146.4 | 101.1 | 108.9 |
| Grace Cottage Hospital | 249.0 | 99.1 | 87.9 | 85.0 | 87.9 |
| Mt. Ascutney Health & Hospital Center | 246.1 | 207.5 | 220.0 | 224.5 | 229.0 |
| North Country Hospital | 315.3 | 212.6 | 186.9 | 199.8 | 212.1 |
| Northeastern VT Regional Hospital | 189.2 | 105.7 | 98.2 | 97.4 | 86.2 |
| Northwestern Medical Center | 297.9 | 251.9 | 223.9 | 241.5 | 240.4 |
| Porter Medical Center | 173.9 | 120.0 | 98.2 | 111.7 | 93.2 |
| Rutland Regional Medical Center | 274.3 | 181.9 | 188.7 | 202.6 | 203.6 |
| Southwestern VT Medical Center | 52.5 | 37.5 | 48.8 | 43.7 | 43.9 |
| Springfield Hospital | 42.2 | 70.4 | 71.0 | 50.1 | 55.7 |
| The University of Vermont Medical Center | 198.8 | 112.5 | 115.4 | 117.7 | 119.7 |

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Operating Margin

SH 1.4% vs. Benchmark 0%



The greatest danger for most of us
is not that **our aim** is too high
and we miss it, but that it is
too low and we reach it.

— *Michelangelo*

GMCB Presentation – FY25 Budget

Thank you.