

# Mt. Ascutney Hospital & Health Center

## Budget Presentation

Green Mountain Care Board  
August 28, 2019

# Presenting

- Joseph Perras, M.D., CEO/CMO
- David Sanville, Chief Financial Officer
- Theresa Tabor, Controller
- Wendy Fielding, Vice President, Financial Planning, Dartmouth-Hitchcock Health

# Agenda

1. Overview
2. Requests
3. Hospital Issues
4. Risk/Opportunities
5. Financial Health
6. Financials
7. Other Financial Information
8. Capital Budget
9. Financial Outlook
10. Compliance

# 1.0 Overview

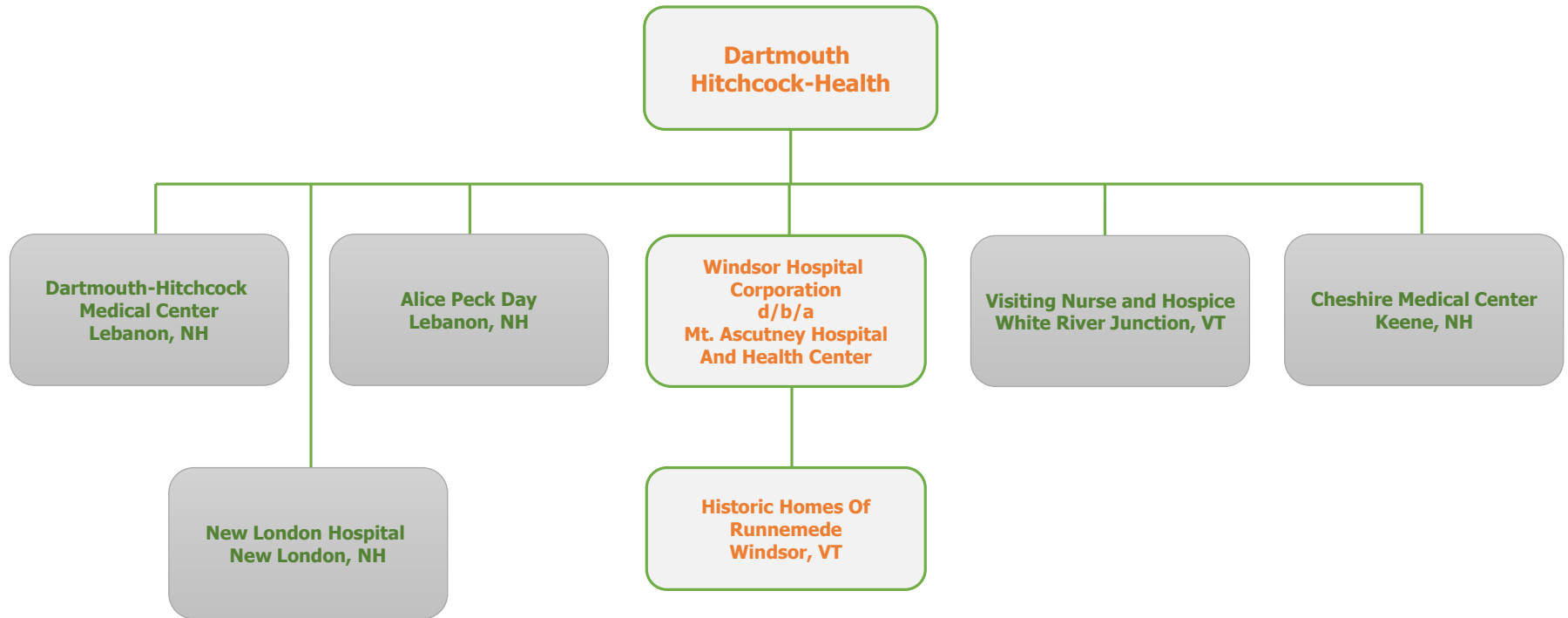


## 1.1 Our Mission

**To improve the lives of  
those we serve.**



# 1.2 Organizational Chart



## 1.3 Our most valuable assets

**490 employees and 183 volunteers spread across the region at 3 clinical sites: Windsor, Woodstock, and Hanover, NH**

## 1.4 Since D-HH Affiliation in July, 2014

- **Over 6000 referrals from outside hospitals with over 5100 from DHMC**
- **1745 Admissions for post acute care to our swing and acute rehabilitation units with 1458 admissions from DHMC.**
- **Year to Date June 2019, ADC- 20.1 on Swing/Acute Unit and 8.3 on Acute Rehab**



## 1.5 D-HH Integration Activities

- Finance
- Supply Chain
- Pharmacy
- Regional Lab Services
- Medical Staff Office - System Credentials Committee
- Specialty medical and surgical service line coordination
- Regional Healthcare delivery planning
- System-Wide Strategic Planning
- Operations/Shared Services
- Information Technology

## 1.6 Current Service Lines

- Primary Care
- General Surgery
- Podiatry
- Ophthalmology
- Psychiatry
- Hospital Medicine
- Community Health Teams
- Cardiology
- Pathology
- Pediatrics
- Physical Medicine and Rehab
- Pain Management
- Radiology
- Rheumatology
- Gastroenterology
- Telehealth programs in emergency medicine and psychiatry

## 2.0 Requests

MAHHC					
<b>Request for NPSR and Rate Increase</b>					
	FY19 Budget		FY20 Budget		Change
NPSR	\$	51,195,770	\$	55,007,317	7.4%
Rate		2.94%		3.20%	0.3%

## 3.0 Hospital Issues

- **Workforce Issues are stabilizing**
  - Historically low vacancy rate
  - Mission critical positions being filled by permanent employees and lower utilization of travelers
  - Likely reflects regional instability in the healthcare environment
  - Market/Merit raises, retirement contributions and Professional Development
  - Excellent employee engagement scores (Press-Ganey Survey)
    - Highest in D-HH System
    - 85<sup>th</sup> % nationally

## 3.1 Hospital Issues

- **Primary Care**

- Provider turnover remains significant, average length of time spent in first primary care job is 3-5 years
- ACGME survey data for new residency graduates show strong preference for urban/suburban practices with population bases > 100K
- Trailing partner or spouse stresses when relocating to rural areas
- Wage pressures as ALL institutions are desperate for primary care
- Physician/Provider Burnout
  - EMR, clerical workload turning trainees away from primary care

## 4.0 Risk

- **ACO engagement**
  - Downside risk and cost report settlement losses may top 3 million for 2020
  - Small “n” – covered lives, specialty (expensive) care occurring elsewhere
  - “Orphan Risk” of White River Family Practice
- **Staffing recruitment and retention**
  - Wage pressures continue
  - Housing
- **Uncontrollable inflation**

## 4.1 Risk

- **D-HH system needs vs. MAH needs vs. ACO needs vs. State limits**
- **Nursing home Medicaid census “limits”**
  - Cost is far greater than reimbursement
  - Highest referral recipient in DHH for subacute inpatients
- **Increasing dependence on Other Operating Revenues**
  - 340B
  - Meaningful-Use funding
  - Healthcare Reform Program Revenue
  - Grant funding

## 4.2 Opportunity

- **Regional Planning**
  - 3 Critical access hospitals within 20 miles of each other
  - Rational distribution of scarce resources is imperative if we are to continue serving our communities
- **Improving Primary Care operations**
  - Have attracted 3 new primary care physicians to Woodstock and Windsor
- **Pharmaceutical Formulary/PBM revision**
  - Yet to be realized, slow progress



# 5.0 Financial Health Indicators

Financial Health Indicators			
Metric	MAHHC	US CAHs	Northeast CAHs
<b>Profitability**</b>			
Total Margin %	-0.4%	2.7%	0.0%
Operating Margin \$	\$ (742,896)		
EBIDA Margin %	3.0%		7.3%
Operating Margin %	-1.8%	0.9%	-2.1%
Return on Assets %	-0.3%		0.0%
<b>Liquidity</b>			
Cash/Investments \$***	\$ 8,372,362		
Days Cash on Hand*	122	78	
Expenses per Day*	\$ 150,133		
Net Days in AR*	36.6	51	
Net Days in AP*	71.2		
<b>Capital Structure***</b>			
Debt Service Coverage Ratio	3.5	3.35	1.39
Long Term Debt/ Capitalization %	28.6%	27.2%	23.0%
Cash to Long Term Debt %	73.0%		
Average Age of Plant	12.2	10.48	14.43
Capital Spending %	1.2		
Equity Financing*	52.2%	59.8%	
<b>Cost</b>			
Salaries to NPR %**	53.6%	44.9	
FTE per Adjusted Occupied Bed***	4.33	5.6	
Compensation Ratio*	61.8%		
<i>*12 month rolling average</i>			
<i>**FYTD</i>			
<i>***6/30/19</i>			

## 6.A1 Profit and Loss

<b>MT. ASCUTNEY HOSPITAL &amp; HEALTH CTR</b>	
<b>Profit and Loss Statement</b>	
<b>2020 Budget Submitted</b>	
<b>Gross Patient Care Revenue</b>	\$107,884,778
<b>Net Revenue Deductions</b>	-\$61,024,114
<b>Net Patient Care Revenue</b>	\$46,860,664
<b>Fixed Prospective Payments (incl Reserves&amp;Other)</b>	\$8,146,653
<b>Total NPR &amp; FPP (incl Reserves)</b>	\$55,007,317
<b>Other Operating Revenue</b>	\$3,301,477
<b>Total Operating Revenue</b>	\$58,308,794
<b>Total Operating Expense</b>	\$57,708,929
<b>Net Operating Income (Loss)</b>	\$599,865
<b>Non-Operating Revenue</b>	\$792,000
<b>Excess (Deficit) Of Revenue Over Expense</b>	\$1,391,865
<b>Operating Margin %</b>	1.0%
<b>Total Margin %</b>	2.4%

## 6.A2 Cash Flow

<b>MT. ASCUTNEY HOSPITAL &amp; HEALTH CTR</b>	
<b>Cash Flow Statement</b>	
<b>2020 Budget Submitted</b>	
<b>Cash From Operations</b>	
Excess Revenue Over Expense	<b>1,391,865</b>
Depreciation/Amortization	<b>2,660,450</b>
Patient A/R	(475,308)
Other Charges	2,552,329
<b>Total</b>	<b>\$ 6,129,336</b>
<b>Cash From Investing Activity</b>	
Capital Spending	
Purchases of Capital Assets	(4,486,000)
<b>Total</b>	<b>(4,486,000)</b>
(Increase)/Decrease	
Funded Depreciation/ Investments	(1,187,515)
Other LT Assets & Escrowed Bonds & Other	-
<b>Total</b>	<b>(1,187,515)</b>
<b>Total</b>	<b>\$ (5,673,515)</b>
<b>Financing Activity</b>	
<b>Debt</b>	
Payments on Capital Lease	<b>\$ (142,000)</b>
<b>Total</b>	<b>\$ (142,000)</b>
<b>Other Changes</b>	
Change in Fund Balance Less Net Income	567,165
<b>Total</b>	<b>\$ 567,165</b>
<b>Beginning Cash</b>	<b>\$ 7,170,205</b>
<b>Net Increase/(Decrease) in Cash</b>	<b>\$ 880,986</b>
<b>Ending Cash</b>	<b>\$ 8,051,191</b>

## 6.A3 Balance Sheet

MT. ASCUTNEY HOSPITAL & HEALTH CTR BALANCE SHEET	
2020 BUDGET SUBMITTED	
TOTAL CURRENT ASSETS	\$14,328,326
TOTAL BOARD DESIGNATED ASSETS	\$20,231,159
TOTAL PROPERTY, PLANT AND EQUIPMENT, NET	\$19,868,896
OTHER LONG-TERM ASSETS	\$2,718,020
<b>TOTAL ASSETS</b>	<b>\$57,146,401</b>
LIABILITIES AND FUND BALANCE	
TOTAL CURRENT LIABILITIES	\$10,681,125
TOTAL LONG-TERM DEBT	\$11,511,334
OTHER NONCURRENT LIABILITIES	\$4,627,163
<b>TOTAL LIABILITIES</b>	<b>\$26,819,622</b>
FUND BALANCE	\$30,326,779
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>57,146,401</b>

## 6.B1 Expense Drivers & Cost Containment Efforts

### Expense Drivers

- **Workforce Pressures; Wages, Travelers, etc.**
- **Primary Care Subsidy**
- **ACO Reserves & Cost Report Impact**
- **Swing Bed Cost Report Issue**
- **Pharmacy Inflation**
- **Move Towards Acuity**
  - Increased Use of Resources, Staff, & Supplies
  - R/T Project
  - DH Compression
  - Other Facilities

## 6.B2 Expense Drivers & Cost Containment Efforts

- **Group purchasing**
  - Leveraging D-HH Buying Power & Credit
  - Standardizing Supplies and Product
  - Standardizing Equipment & Group Buys
- **System integration and reduction of overhead**
  - Laboratory
  - Radiology
  - Benefits
  - Biomedical Services
  - Shared Staff, Management, & Providers
- **Captive Insurance and Shadow Captive Stop Loss**
  - Ongoing Savings/Cost Avoidance
  - Lowering Premium Growth/Refunds

## 6.C1 FY19 Reconciliation

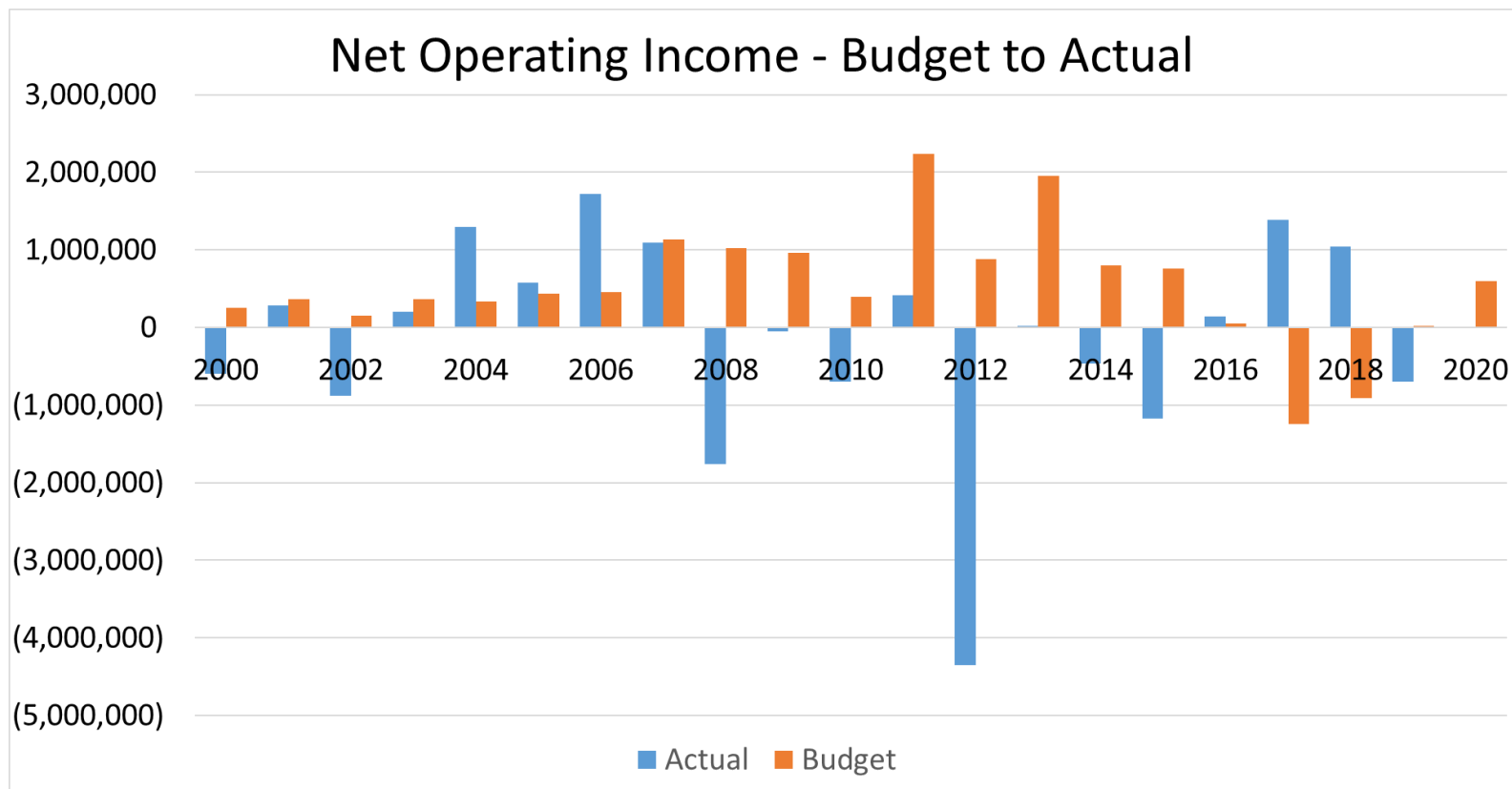
Net Patient Service Revenue			Other Revenue		
	\$	%		\$	%
FY19 Approved Budget	\$ 51,195,770		FY19 Approved Budget	\$ 3,659,789	
Gross Revenue	1,000,000	2.0%	Grant Income	330,000	9.0%
Deductions from Rev	(4,600,000)	-9.0%	Cafeteria	25,000	0.7%
FPP	5,500,000	10.7%	PHM Reclass	(195,000)	-5.3%
Reserves for FPP	(1,250,000)	-2.4%	Sale of Fixed Assets	(70,000)	-1.9%
Reform Payments	195,000	0.4%	340B	185,000	5.1%
Bad Debt/Free Care	(415,000)	-0.8%	Other	(60,000)	-1.6%
Changes in DSH	40,000	0.1%	Rounding	<u>515</u>	<u>0.0%</u>
Rounding	<u>(26,519)</u>	<u>-0.1%</u>			
FY19 Projections	\$ 51,639,251	0.9%	FY19 Projections	\$ 3,875,304	5.9%

## 6.C2 FY19 Reconciliation

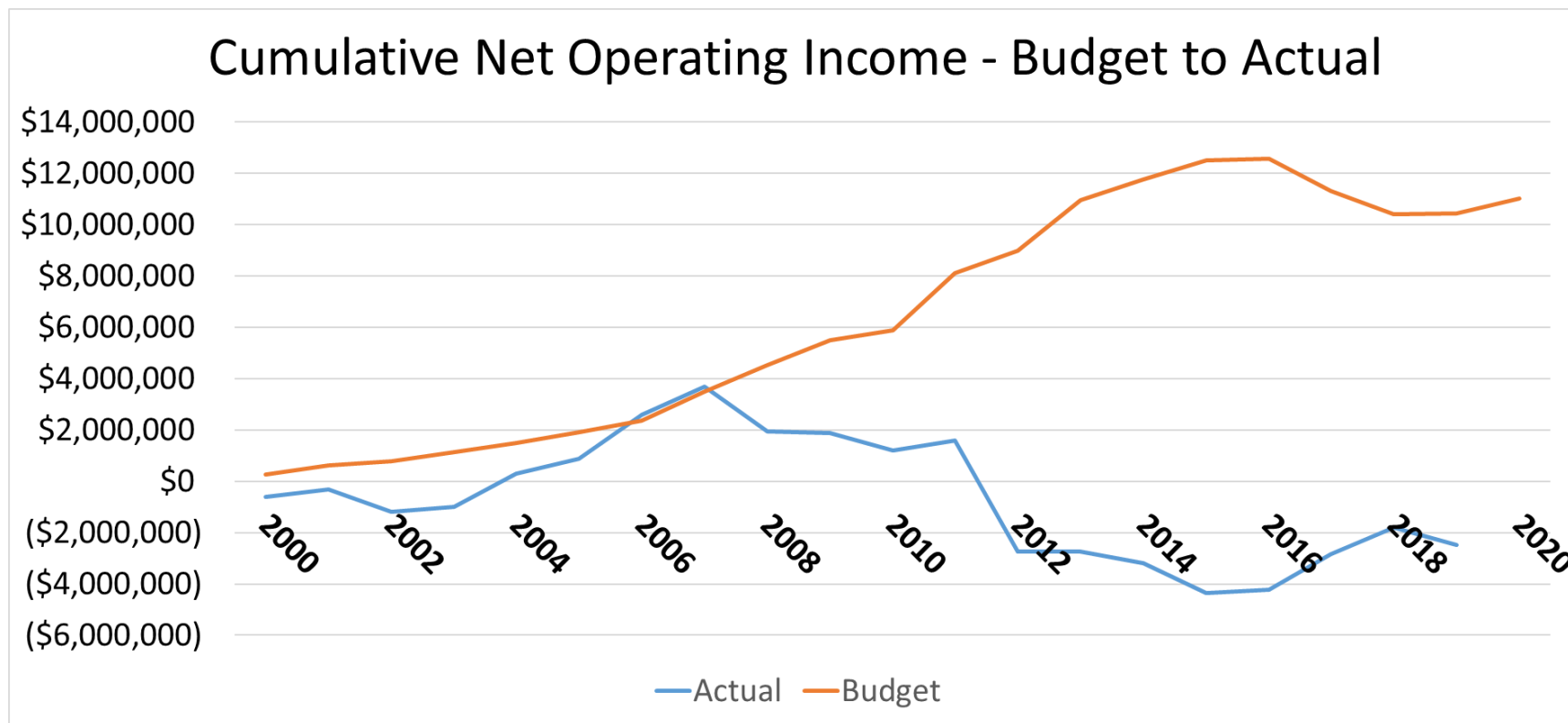
Expenses			Non-Operating Revenues and Expenses		
	\$	%		\$	%
FY19 Approved Budget	\$ 54,837,975		FY19 Approved Budget	\$ 861,000	
Physician: Contracting Reclass	(1,200,000)	-2.2%	Donations	200,000	23.2%
Other Expense: Reclass Above	1,200,000	2.2%	Sale of Investments	110,000	12.8%
Purchased Labor	270,000	0.5%	Restricted Asset Release	(150,000)	-17.4%
Salaries	500,000	0.9%	Rounding	<u>(20,197)</u>	<u>-2.3%</u>
Fringe Benefits	225,000	0.4%			
Interest	(15,000)	0.0%			
Depreciation	100,000	0.2%			
Rounding	<u>(3,016)</u>	<u>0.0%</u>			
FY19 Projections	\$ 55,914,959	2.0%	FY19 Projections	\$ 1,000,803	16.2%



## 7.1 Other Financial Information - History



## 7.2 Other Financial Information - History



## 7.3 Other Financial Information - History

<b>MAHHC</b>			
<b>In-State vs Out-of-State Patient Mix</b>			
<b>State</b>	<b>FY18</b>	<b>FY19</b>	<b>Change</b>
VT	71.6%	70.2%	-2.0%
NH	26.7%	27.7%	3.8%
OTHER	<u>1.7%</u>	<u>2.1%</u>	24.4%
TOTAL	100.0%	100.0%	

<b>MAHHC</b>	
<b>Revenue Growth</b>	
<b>Q3 FY18 / Q3 FY19</b>	
VT	7%
Springfield HSA	25%
NH	13%

## 8.1 Capital Budget 2020

- **2020 Budgeted at \$4,486,000**
- **No CON's**

<b>Capital Budget - FY20</b>	
<b>Investment Type</b>	<b>Amount</b>
Building Improvement	\$ 715,000
Land Improvement	60,000
Major Moveable	3,711,000
Total	\$ 4,486,000

## 8.2 Capital Budget 2020

- **Historically underfunded capital**
- **Predominantly Routine Replacement**
- **Nothing Strategic**
- **No CON**
- **Energy efficient where ever possible**
- **Bandwidth Issues**



## 8.3 Capital Budget 2020

### Capital by Department

Acute Rehabilitation	\$	10,000
Acute/Swing	\$	25,000
All Nursing Units	\$	625,000
Anesthesia	\$	80,000
Primary Care	\$	50,000
Communications	\$	150,000
Diagnostic Imaging	\$	1,055,000
Facilities	\$	1,233,000
Information Technology	\$	715,000
Laboratory	\$	145,000
OHC	\$	30,000
Operating Room	\$	250,000
Ophthalmology	\$	60,000
Physical Therapy	\$	40,000
Respiratory Therapy	\$	18,000
<b>Total:</b>	<b>\$</b>	<b>4,486,000</b>

### Key Capital Items

Mammography Replacement	\$	550,000
New Generator Main Building	\$	490,000
Telemetry Replacement	\$	475,000
Roof Top Unit Replacements	\$	400,000
Diagnostic Imaging Room	\$	350,000
Routine Device Replacement	\$	150,000
Nurse Call System Phase II	\$	150,000
Provation Software	\$	150,000
Telephone System	\$	150,000
Bone Density	\$	100,000
OR Replacement Contingency	\$	100,000
Professional Rewiring Project	\$	100,000
Main Building Roof Repair	\$	100,000
		<hr/>
		\$ 3,265,000

## 9.0 Long Range Financial Outlook/Plans

- **Continue with D-HH Integration Efforts, System Capacity Projects, and Regional Service-line Planning**
- **Combat Fixed Expense % by Creatively Using Current & Available Resources**
- **Improve Wages & Benefits to Market Levels**
  - **Reduce Replacement Costs**
  - **Improve Recruitment & Retention**
- **Maintain Lean Infrastructure & Expense Management**
- **Maintain capital spending trend to improve average age of plant**
- **Reduce pricing to better align with market**
- **Continue GPO and D-HH standardization**

## 9.1 Total Cost of Care

- **Windsor HSA – spending/growth observations**
  - Below historical 3.5% target
  - Insufficient experience and lag of data make current observations difficult
- **Strategies**
  - Care Coordination
  - Pharmaceutical Formulary Revisions
  - Community Health Outreach
  - Increase VITL participation
  - Increase access
  - Family Wellness Program
  - Hiring of social worker to aid in complex care management
  - Hiring of community health worker to focus on Care Navigator
  - Additional 3 FTE of Primary Care Doctors



# 10.0 Budget Compliance

Historical Compliance with Budget Orders									
Order	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
	FY16	FY16		FY17	FY17		FY18	FY18	
Rate Increase	5.7%	5.7%	0.0%	4.9%	4.9%	0.0%	4.9%	4.9%	0.0%
Financials									
Net Patient Care Revenue	\$48,060,871	\$46,402,275	-3.5%	\$47,744,700	\$48,253,025	1.1%	\$48,682,309	\$50,808,643	4.4%
Other Operating Revenue	<u>2,589,908</u>	<u>3,316,523</u>	<u>28.1%</u>	<u>2,867,159</u>	<u>3,530,324</u>	<u>23.1%</u>	<u>3,346,873</u>	<u>3,694,902</u>	<u>10.4%</u>
Total Net Revenue	50,650,779	49,718,798	-1.8%	50,611,859	51,783,349	2.3%	52,029,182	54,503,546	4.8%
Expenses	<u>50,599,108</u>	<u>49,577,507</u>	<u>-2.0%</u>	<u>51,856,343</u>	<u>50,392,970</u>	<u>-2.8%</u>	<u>52,939,112</u>	<u>53,451,291</u>	<u>1.0%</u>
Operating Surplus	51,671	141,292	173.4%	(1,244,484)	1,390,379	-211.7%	(909,930)	1,052,255	
Non-Operating Surplus	<u>446,000</u>	<u>1,161,272</u>	<u>160.4%</u>	<u>1,844,274</u>	<u>4,500,330</u>	<u>144.0%</u>	<u>2,040,934</u>	<u>1,937,494</u>	<u>-5.1%</u>
Total Surplus	\$ 497,671	\$ 1,302,564	161.7%	\$ 599,790	\$ 5,890,709	882.1%	\$ 1,131,004	\$ 2,986,749	164.1%
Change Advisement		Compliant			Compliant			Compliant	
YTD Filings		Compliant			Compliant			Compliant	
Other Filings		Compliant			Compliant			Compliant	
Audit Filing		Compliant			Compliant			Compliant	
Further Orders		Compliant			Compliant			Compliant	
Electronic Form		Compliant			Compliant			Compliant	
Future Orders		Compliant			Compliant			Compliant	
Physician Acquisition		Compliant			Compliant			Compliant	
Material Change		Compliant			Compliant			Compliant	
Actuals Filing		Compliant			Compliant			Compliant	
Financial Assistance Policy		N/A			Compliant			Compliant	
Energy Efficiency		N/A			N/A			Compliant	
Health Reform Filing		N/A			N/A			Compliant	

# Thank you!



# B1. ACO Payer Mix

Payer Mix - FY19 JULY YTD								
	January	February	March	April	May	June	July	YTD
Medicare ACO Revenue	\$ (2,311,974)	\$ (2,047,328)	\$ (2,385,675)	\$ (2,272,678)	\$ (2,318,118)	\$ (2,594,063)	\$ (2,017,658)	\$ (15,947,495)
ACO MEDICAID	\$ (450,704)	\$ (505,111)	\$ (440,174)	\$ (440,495)	\$ (395,334)	\$ (459,946)	\$ (479,635)	\$ (3,171,398)
<b>Total Revenue</b>	<b>\$ (9,059,482)</b>	<b>\$ (7,346,750)</b>	<b>\$ (8,727,403)</b>	<b>\$ (8,699,222)</b>	<b>\$ (8,991,786)</b>	<b>\$ (8,907,267)</b>	<b>\$ (8,716,297)</b>	<b>\$ (60,448,207)</b>
Medicaid ACO Share of Total Revenue	5%	7%	5%	5%	4%	5%	6%	5%
Medicare ACO Share of Total Revenue	26%	28%	27%	26%	26%	29%	23%	26%
<b>Total ACO Share of Total Revenue</b>	<b>30%</b>	<b>35%</b>	<b>32%</b>	<b>31%</b>	<b>30%</b>	<b>34%</b>	<b>29%</b>	<b>32%</b>

# B2. OCV Financial Impact

MAHHC  
OPERATING MARGIN; IMPACT OF ACO  
FY19

	Year to Date JUL19	(10 months) OCV Medicaid	(7 months) OCV Medicare	(7 months) OCV Commercial	Year to Date without OCV	Year to Date Budget	subtotal OCV
GROSS REVENUE	86,198,043				86,198,043	75,336,057	
DEDUCTIONS FROM REVENUE	(50,249,315)	A 824,923	A 5,251,271		(44,173,121)	(37,591,754)	6,076,194
Net, PATIENT SERVICE REVENUE	35,948,728	(824,923)	(5,251,271)		42,024,922	37,744,303	
OTHER OPERATING REVENUE	8,141,975	B 671,904	B 4,033,294	B (38,243)	3,475,020	2,970,113	4,666,955
TOTAL OPERATING REVENUE	44,090,703	(153,019)	(1,217,977)	(38,243)	45,499,942	40,714,416	
EXPENSES (OCV Fees)	45,703,177	c 84,955	c 45,040	c 17,346	45,555,836	40,282,860	147,341
OPERATING MARGIN	<u>(1,612,474)</u>	(237,974)	(1,263,017)	(55,589)	<u>(55,894)</u>	<u>431,556</u>	(1,556,580)

- A "Shadow" payments (T.Graves) & Risk Reserves
- B Fixed Prospective Payments (FPP)
- C OCV infrastructure fees

RESERVES		OCV Medicaid	OCV Medicare		
Reserve for Overpayment		-	1,109,333	-	
Risk Reserves	Jan19-Jun19	58,331	822,440	-	
Risk Reserves	Jan18-Dec 18	-	-	-	
		<u>58,331</u>	<u>1,931,773</u>	-	1,990,104 As of Jun 30, 2019
Risk Reserves	Jul19-Dec19	41,665	823,050	-	864,715 Remainder of Cal Year 2019
CAL YEAR 2019		<u>99,996</u>	<u>2,754,823</u>	-	<u>2,854,819</u> TOTAL

## B3. NPSR Justification

MAHHC NPSR Justification FY20			
		NPSR	Formula
A	Bud 20 NPSR	\$ 55,007,317	
B	Bud 19 NPSR	\$ (51,195,770)	
C		\$ 3,811,547	(A-B)
D	% NPSR Growth Submitted	7.4%	(C/B)
E	Allowed 3.5% NPSR Growth	\$ (1,791,852)	(B*.035)
F		\$ 2,019,695	(C-E)
G			
H	NH % of Var > 3.5% Allowed	\$ (525,121)	(F*.26)
I	Other Out of State % of Var > 3.5% Allowed	\$ (20,197)	(F*.01)
J	Springfield % of Var > 3.5% Allowed	\$ (282,757)	(F*.14)
K		\$ (828,075)	(H+I+J)
L	Other NPSR Growth	\$ 1,191,620	(F+K)
	% Other NPSR Growth	2.33%	(L/B)

Consider DSH Loss (\$383k), credit for HCR Costs, and NH factor, we are below the 3.5% Threshold