North Country Hospital
Where caring runs deep.

189 Prouty Drive|Newport, VT 05855|802.334.7331

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Fiscal Year 2024 Budget

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Questions

1)**Vermont's FY24 budget indicates an increase in Vermont Medicaid's RBRVS fee schedule to 110% of Medicare for primary care providers and a 3.8% inflation increase to specialty care providers. Have these increases been factored into your budget? If not, indicate what effect that would have on the submitted commercial rate increase.**

The increases were not included in the budgeted net revenue. A large amount of our Medicaid patients are part of the OneCare Vermont Medicaid program, we believe there will be no additional reimbursement for these patient visits. We have reached out to OneCare and have asked for confirmation. In total, we estimate based on year-to-date June 2023 data, the additional reimbursement would be about $123,000 or .22% of rate increase.

2)**What corporate relationships does North Country Hospital have to other organizations, if any? If possible, provide a graphic outlining the relationships.**

Please see the attached graphic with bullet points summarizing the relationships.

3)**How have you addressed internal processes to minimize further uncollectable revenue?**

Some of the work we are doing to minimize further uncollectable revenue is as follows:

- Replaced a vacant Patient Accounts Coordinator position that will help work Commercial and Medicare claims as well as denials.
- Replaced a vacant coder position – coding will be done quicker so therefore billing goes out quicker.
- Created a report to easily identify aging accounts and prioritize them by dollar amount and age.
- Created report to show aging out discharged but not final billed and discharged not final coded accounts – creates transparency and urgency for completion of these accounts into final billed.
- Created Executive level dashboard for Senior Management which creates transparency and more accountability.
- Began to hold biweekly meetings with clinical leadership to identify workflows and issues that affect timely billing.
- Began monthly meetings of full revenue cycle team to share performance indicators, goals and conduct training.
- Denial report created and worked. Denials decreased 50% since March.
- New work ques set up to assign accounts and automate process.
- Continuing to explore restructuring duties within revenue cycle team to maximize efficiency.

4)**Describe how you arrived at your inflation calculations applied to your FY2024 budget, particularly with respect to Property, Cyber, and Medical and Department supplies (Narrative, 4)**

Property and Cyber insurance renew in May of each year. Because of this we had the actual cost for May 2023 to May 2024 available to us and this is the amount that was budgeted for.

Forecasting medical supply inflationary factors for FY2024 was especially difficult this budget season as our economy is exhibiting extremes swings in many directions. However, we looked at several key market and business areas to best understand where pricing may go in FY2024. Below are the focus areas we used in projecting that North Country Hospital supply costs is expected to increase by an average of 11%.

1.Energy – Some energy analysts predict crude oil rises nearly $10/barrel (14%) in 2024, driving many commodities based on oil for components, and energy for the manufacturing process, to be passed on to suppliers.
Transportation – Tightening regulations, and an aging workforce is contribution to a national driver shortage, driving up labor costs. Along with diesel fuel and insurance rate increases, and other inflationary factors, expect to see a 6-10% increase in delivery costs.

2.Raw materials – During Covid, availability of raw materials greatly impacted the availability of the finished product. World and national economic factors have not increased the availability of raw materials. Add in the push for renewable energy and electrification of our economy, expect higher demand for these materials and pushing wholesale/retail prices.

3.Sourcing and availability – Consolidation of medical suppliers is reducing competition and alternatives product sources. In New England, Medline has captured the major share of the hospital market, essentially driving out Owens & Minor as a competitor. As a result, we have seen certain Medline manufactured items increase as must as 20+%. Granted not all price increases can be contributed to reduced competition, however, expect greater incentive to pass on increasing costs.

4.Labor – All suppliers, warehouses, distributors, and freighters are all scrambling for workers. A declining participation rate and a national shortage of workforce, where the unemployment rate to be in the 3-4% range, will force upward pressure on wages and benefits, which will be carried forward to the end buyer.

5.Supply chain – Covid shortages in overseas finished products, and ocean transportation delays due to port congestion and a shortage of available transportation trucks forced American suppliers to reevaluate where to locate manufacturing. Several have moved from offshore to onshore production to increase reliability. However, labor and manufacturing costs by onshore manufacturing has contributed to the increased costs of finished products.

6.Interest rates – One of the unknown variables concerns the Fed's benchmark rate will be at least 5%, but many expect to see it rise to 7%. As the cost of money influences all supply chain transaction, this adds costs to each layer of the supply chain.

7.Geopolitical factors – 2024 is an election year, the Russian invasion of Ukraine remains, a failed coup in Russia, China and Taiwan and the list goes on. However, all these events, and many more, impact our markets and the companies we deal with to provide products and services at a reasonable and predictable price. We are concerned that national and world events will be a catalyst to spike supply chain prices in FY2024.
In conclusion, based on the justifications above, the history of FY2023 and FY2023 price escalations and supply disruptions, we believe that a 11% supply cost rate is a hedge against the uncertainty of FY2024, and protects North Country Hospital against under budgeting our supply costs.

In conclusion, based on the justifications above, the history of FY2023 and FY2023 price escalations and supply disruptions, we believe that a 11% supply cost rate is the best estimate for the increase in supply costs.

5**) You note that "patients are not given a financial assistance application at the first attempt to collect a debt" – why not? (Narrative, 11)**

The companies mentioned in the narrative, make the first attempt to collect money from patients that is for date of service over 120 days old, at the time of the call free care opportunities are mentioned and the company requests from our internal staff that a free care application is sent to the patient.

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6) **What amount of collection from debt contracts are included in the FY24 budget (Item k, ii on page 11 of the Narrative).**

The amount collected after an account is more than 120 days old is called Bad Debt Recovery. The bad debt recovery dollars are netted against the bad debt expense on the budget submission. The amount of bad debt recoveries projected in FY 2024 are $386,000 based on actual amounts year to date.