Northwestern Medical Center Fiscal Year 2024 Budget Narrative

Executive Summary:

The FY2024 Northwestern Medical Center (NMC) budget submission includes an average rate increase request of 6.0%. Net patient revenue growth exceeds guidance provided by the Green Mountain Care Board (GMCB) by 1.72% or approximately $1.95 million (growth guidance of 8.6%, growth request of 10.32%).

The FY2024 budget submission results in a net operating margin of 1.0%.
One physician transfer is included in this submission, which is the transition of our inpatient hospitalist program from a contract service to an employed provider model. Net patient revenue will transition away from the contract provider organization and will be performed by NMC.

NMC has a simple but profound mission: to provide exceptional healthcare for our community. Part of providing exceptional healthcare is controlling expenses and keeping prices as low as possible. The data in this narrative shows that NMC has been, is, and will continue to be committed to this responsibility. It also shows that we have opportunities to be better.

Healthcare is too expensive. We have an obligation to engage in a budget review process that aims to improve accountability, transparency and, ultimately, affordability.

NMC is on a path toward improved quality and high reliability and will continue that work in FY2024. Our goals to achieve a 5-star CMS rating and a Leapfrog Hospital Safety Grade A is the right thing for our patients and families. We continue to use Lean Daily Management to support and foster staff driven improvement. We are leaning into community partnerships on issues such as housing, transportation, and readmissions. We have also taken a meaningful step forward in our work on Diversity, Equity, Inclusion, and Belonging.

Thank you for your consideration of our FY2024 budget request. We appreciate the tremendous effort and engagement of you and your team.

133 Fairfield Street
Saint Albans, VT 05478

NMC: 802-524-5911
Toll Free in VT:
800-696-0321

Questions:

a. Physician Transfers – Inpatient Hospitalist services were offered through a contract service in FY2022 and in FY2023. In FY2024, this service will be performed by NMC employed Hospitalists and billing will be performed by NMC. For this reason, a Provider Transfer Schedule has been included with the FY2024 budget submission that includes a net patient revenue transfer of $760,540 from the contracted physician group to NMC.

   The table below shows the calculation of our FY2024 NPR cap under the FY2024 budget guidance, compared with requested FY2024 NPR.

Net Patient Revenue Cap Calculation

FY2022 Actual	$115,589,987
Physician Transfers (FY2022)	(1,902,429)
Adjusted FY2022 Base	113,687,558
Allowable Growth	9,777,130
FY2024 Cap (Before Phys Transfers)	123,464,688
FY2024 Physician Transfers	760,540
FY2024 NPR Cap	124,225,228
FY2024 Requested	126,180,653
Variance	$1,955,425
Two-Year Growth Rate*	10.32%

*FY2024 Requested less FY2024 Physician Transfer, divided by Adjusted FY2022 Base

133 Fairfield Street
Saint Albans, VT 05478

NMC: 802-524-5911
Toll Free in VT:
800-696-0321

b.

i. Labor expense – The FY2024 labor expense budget uses actual pay rates as of January 2023 as a base. FTEs requirements are submitted by each department manager and evaluated against historical actual hours worked and third-party benchmarks. The table below shows FTE changes from FY2022 to FY2024.

FY2022 Budget	636.18
Unfilled Vacancies	(30.84)
Physician Transfers	(28.75)
FY2022 Actual	576.59

FY2022 Budget	636.18
Physician Transfers	(35.62)
Inpatient RN & LNA	8.46
Physician Clinic Access	11.40
Lab & Pathology	5.53
Patient Registration	5.16
Phys Services Admin Restructure	(8.16)
Other (Net)	(0.31)
FY2024 Budget	622.64

Wage rates are generally in line with the US Bureau of Labor Statistics Employment Cost Index which shows an annual growth rate of 4.9% as of March 2022. The table below shows wage rates per FTE using the categories that are further discussed in the Administrative Cost section below, and compares FY2022 actual to FY2024 budget. Most individual categories are more sensitive to individual hires, such as the Physician column where the mix of surgical vs non-surgical is the main driver. The Staff column and the overall total are the most robust values and are best for comparison to the index.

FY24 Budget Total Compensation per FTE

Category	Staff	Management	Physician	NP/PA	Total
Clinical	82,836	137,824	403,087	146,576	110,789
Clinical Support	92,666	142,719	-	-	111,503
Operational Support	51,361	95,955	-	-	79,261
Administrative	56,589	195,339	-	-	62,027
Total	73,269	142,573	403,087	146,576	95,830

FY2022 Actual Total Compensation per FTE

Category	Staff	Management	Physician	NP/PA	Total
Clinical	73,567	135,881	459,179	131,908	102,434
Clinical Support	88,818	181,964	-	-	108,755
Operational Support	46,740	88,390	-	-	79,311
Administrative	55,552	217,959	-	-	59,847
Total	66,364	159,570	459,179	131,908	89,393

Two-Year Change

Category	Staff	Management	Physician	NP/PA	Total
Clinical	12.6%	1.4%	-12.2%	11.1%	8.2%
Clinical Support	4.3%	-21.6%	0.0%	0.0%	2.5%
Operational Support	9.9%	8.6%	0.0%	0.0%	-0.1%
Administrative	1.9%	-10.4%	0.0%	0.0%	3.6%
Total	10.4%	-10.7%	-12.2%	11.1%	7.2%

Strategic investments in compensation for direct care clinical staff and particular areas of operational support (Environmental Services and Food Services) staff have been made to address the high level of vacancies in these areas that created the need for the use of Travelers and high rates of overtime and incentive pay. We have seen vacancy rates decline, retention rates increase and are beginning to see Traveler utilization decline.

Executive pay is benchmarked against the NNE Health Care Salary Survey using similarly sized hospitals in New Hampshire and Vermont. Target base compensation is set at the 50th percentile and monitored to ensure that it remains between 90% and 110% of the 50th percentile. Currently, all executive base compensation is between 92% and 107% of the 50th percentile, and the maximum total compensation given current incentive programs is between 91% and 113% of

133 Fairfield Street
Saint Albans, VT 05478

NMC: 802-524-5911
Toll Free in VT:
800-696-0321

the 50th percentile benchmark for total compensation. CEO pay must also be reviewed and approved by the Board of Directors in consultation with Ovation Healthcare.

ii. Utilization – The budget process begins with estimates of patient volumes by service line, and provider level visit assumptions in each of our outpatient physician practices. These assumptions are informed by a 12-month lookback. Generally, volumes are assumed to be flat in relation to that base period with the exception of planned changes. The FY2024 budget includes the following deviations from the general assumption:

- Sub-acute patient days have increased significantly since the beginning of the Covid-19 pandemic. Access to skilled nursing facilities has been limited due to both staffing shortages and closures of facilities around Vermont. Our Care Management team is working diligently to reduce overall length of stay and we have seen a small but measurable decrease since our peak in December of 2023. There is an expectation that the State of Vermont with establish a new facility in the next year that will also help reduce the length of sub-acute stays. The FY24 budget includes a reduction of approximately 1,000 days compared to the prior 12 months. This is a decrease of approximately 50% from the base period and is a significant area of risk within the FY2024 budget.
- Urgent care visit volumes in both locations are behind expectations. Work is currently ongoing with the staff and providers in both locations to improve efficiency to better meet patient demand. Currently, providers are averaging 1.6 visits per hour, and we expect to increase this to 2.0 visits per hour, which is still well below national benchmarks. This will shorten wait-times and increase total revenue.
- Work is ongoing to optimize operating room staffing, block time utilization and anesthesia coverage hours. Orthopedic surgeons have a backlog of surgical cases resulting in long wait times. The FY2024 budget assumes that progress will be made in this effort to improve efficiency and reduce wait times, which will result in increased surgical volumes.

iii. Pharmaceutical Expenses – Pharmaceutical utilization is tied to all other utilization assumptions because drug administration is ancillary to other visits and not a stand-alone service. The methodology for overall utilization assumptions was described above and the resulting impact on overall Pharmacy department volumes is a 2% increase from FY2022 Actual to FY2024 budget.

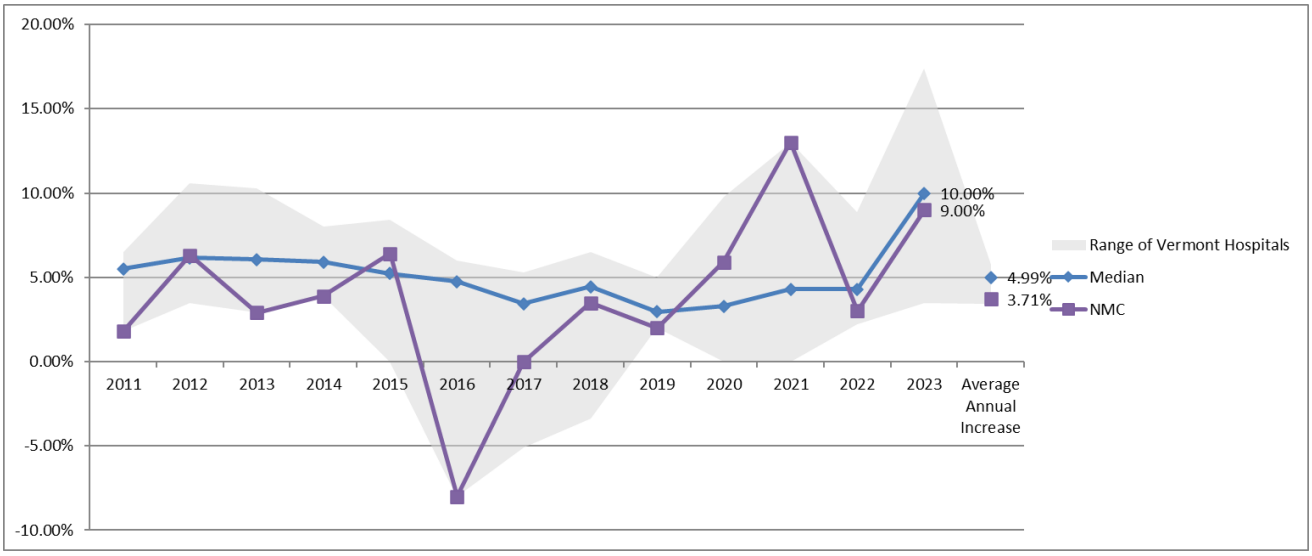
133 Fairfield Street
Saint Albans, VT 05478

NMC: 802-524-5911
Toll Free in VT:
800-696-0321

A general inflation increase of 5% over the base period was applied to cost of drugs sold. This was applied to values observed in Oct 2021 – Jan 2022, which implies a 3.0% annual inflation rate when accounting for the time between this base period and the beginning of FY2024. This is in line with PPI documentation referenced by the GMCB.

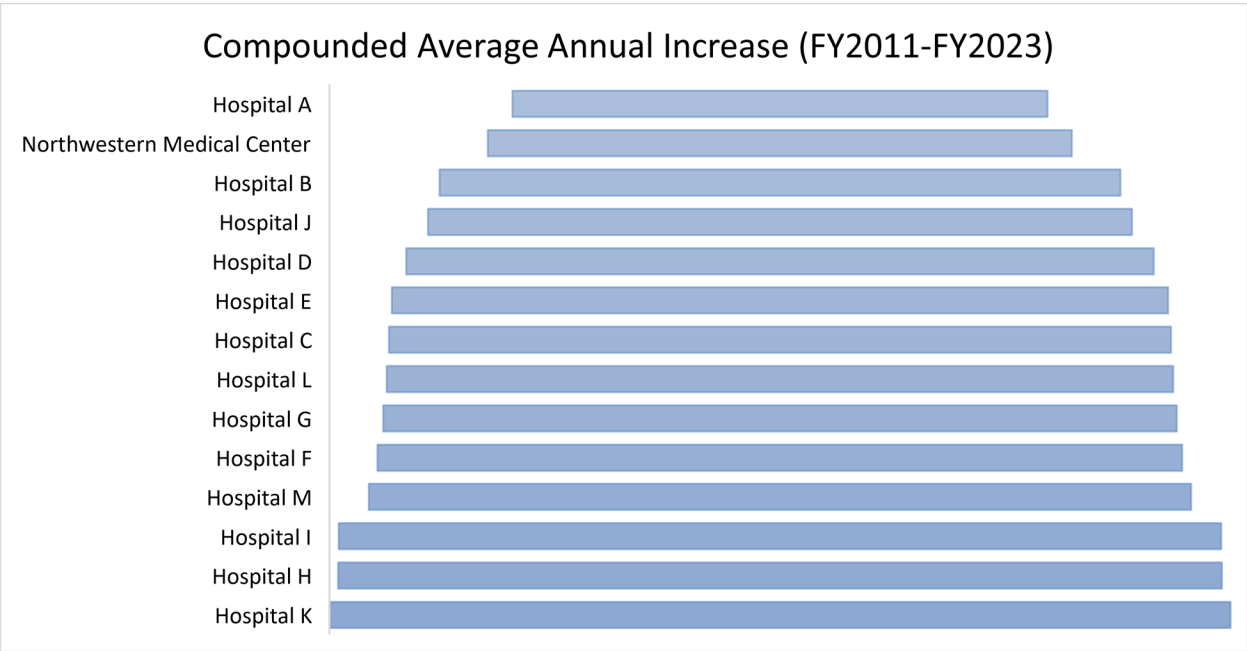
iv. Cost inflation – a general inflation rate of 5% over the base period was applied to all supply expenses. As with Pharmaceutical Expenses, this implies a 3.0% annual inflation rate when accounting for the time between this base period and the beginning of FY2024. Total inflation assumed in the FY2024 budget (includes cost of drugs sold) is $783,000.

v. Commercial price changes – The FY2024 budget includes an overall rate increase request of 6.0%. This will be applied as 7.1% to all hospital-based charges and 0.0% to all charges in outpatient physician practices.
We believe that this is the rate request needed to fund hospital operations adequately and sustainably. Our historical rate changes since FY2011 are among the lowest in Vermont and have been an average of 1.2% - 1.3% per year below our peer group as defined in the GMCB budget guidance. Compounding those rates of 12 years has resulted in prices for other hospitals in our peer group increasing by 15%-17% more than NMC during that time.



133 Fairfield Street
Saint Albans, VT 05478

NMC: 802-524-5911
Toll Free in VT:
800-696-0321

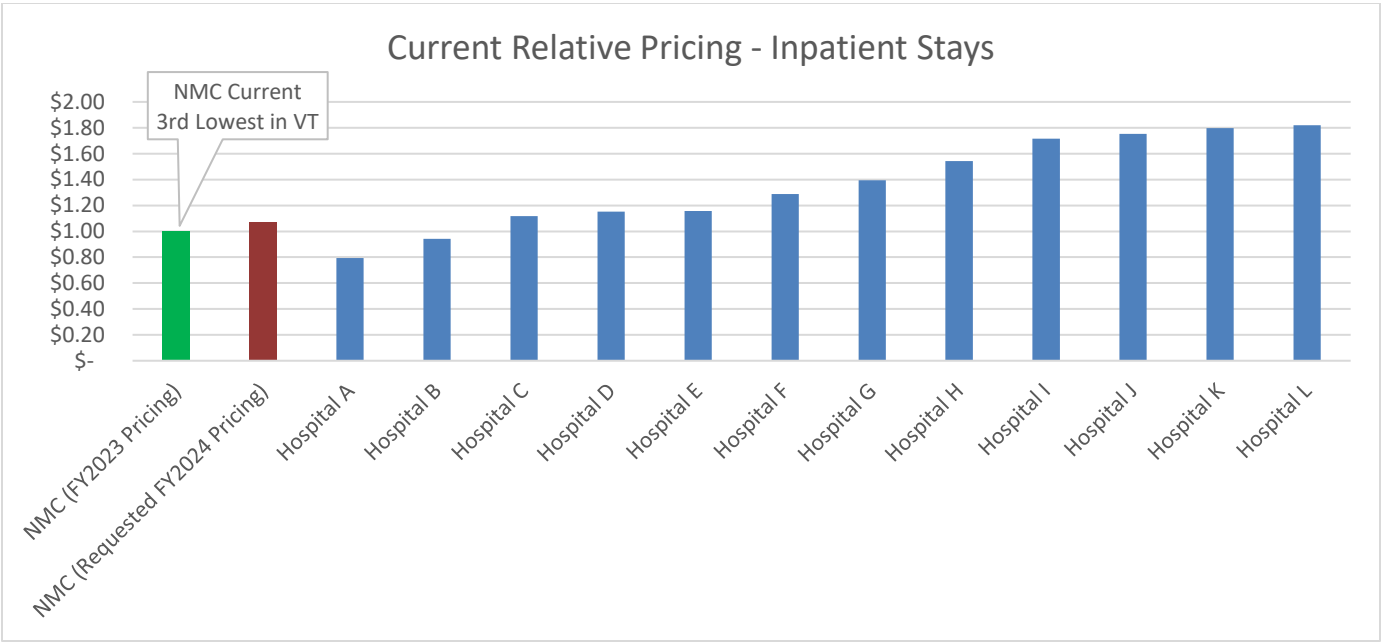


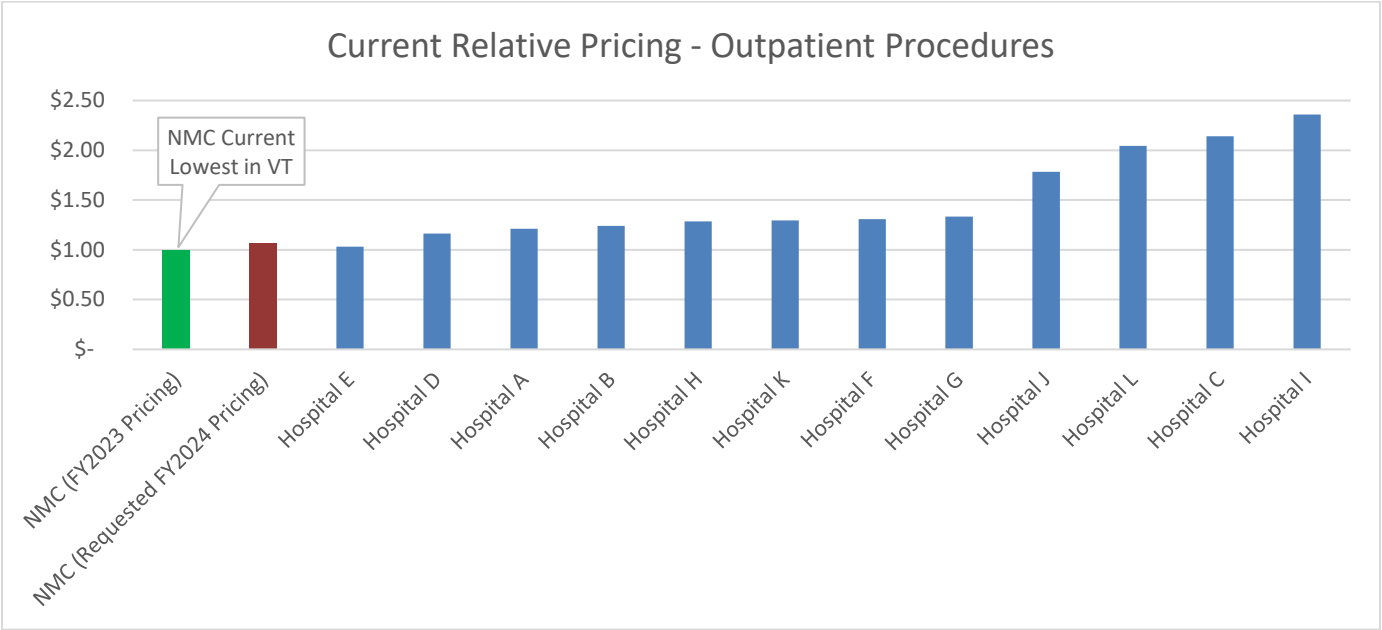
All hospitals began FY2011 with different pricing structures, so annual rate changes alone do not show a complete picture. We are able to leverage pricing data available through the Vermont Hospital Report Card site to get a better understanding of relative prices. The graphs below show the relative pricing between the listed hospital and NMC FY2023 pricing for a common basket of services. A common basket of services is defined as the services provided (with prices reported) at NMC and the comparative hospital, with volumes normalized at NMC annual volumes. All prices have been updated using approved annual rate increases where the published data was not through FY2023.

Put simply, if services at NMC were moved to another hospital that could provide those services, what would $1.00 of NMC gross charges become. Green bars represent NMC pricing in FY2023, orange bars represent NMC pricing inclusive of the requested rate increase for FY2024 and the blue bars are all other hospitals at their FY2023 pricing.

133 Fairfield Street
Saint Albans, VT 05478

NMC: 802-524-5911
Toll Free in VT:
800-696-0321

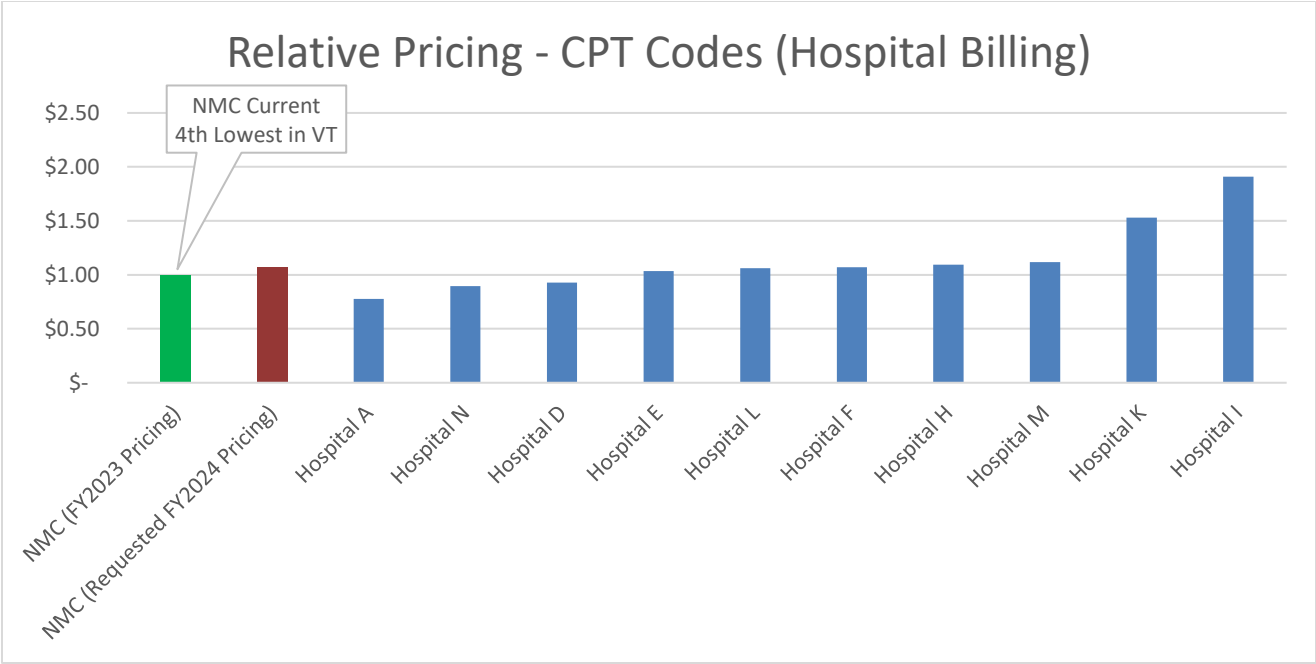


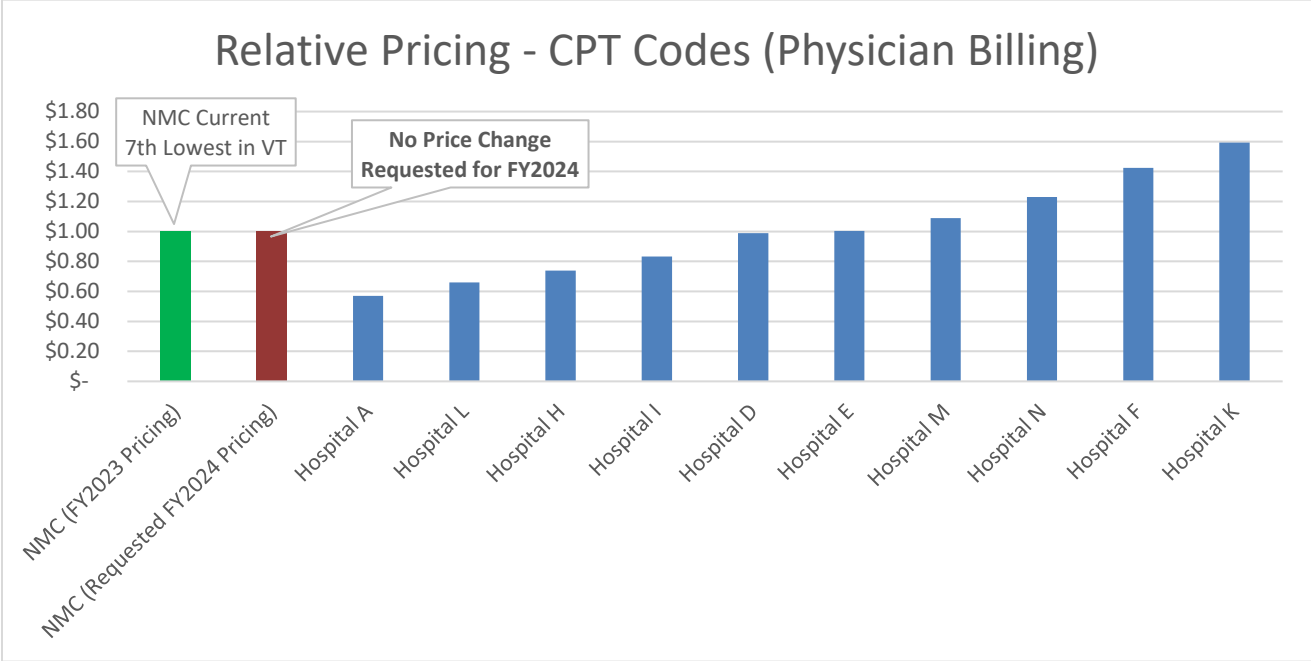


NMC's Mission is to Provide Exceptional Healthcare for our Community.

133 Fairfield Street
Saint Albans, VT 05478

NMC: 802-524-5911
Toll Free in VT:
800-696-0321





NMC's Mission is to Provide Exceptional Healthcare for our Community.

133 Fairfield Street
Saint Albans, VT 05478

NMC: 802-524-5911
Toll Free in VT:
800-696-0321

vi. Financial indicators – We use a variety of sources for comparative financial benchmarking, including bond covenants, and Ovation Healthcare for a wide range of benchmarks. Recent results for many of these are shown in the tables below.

Bond Covenants

	Benchmark	Actual	FY24 Budget
Debt Service Coverage Ratio	1.4	-0.46	4.68
Days Cash on Hand	100	221	212
Debt to Capitalization Ratio	60%	17%	16%

Ovation Healthcare

	Benchmark	Actual	FY24 Budget
EBITDA % of Net Rev	8.70%	-0.20%	6.00%
Salaries % Net Pt Rev	38.40%	42.90%	46.10%
Benefits % of Net Pt Rev	8.90%	10.30%	10.20%
Supplies % of Net Pt Rev	16.10%	13.40%	13.40%
Operating margin % of Net Pt Rev	3.80%	-6.50%	1.05%
Net Patient Revenue per Visit	$2,038	$1,437	$1,557
Days Cash on Hand	216	225	216
A/R Days (Gross)	53	45	42
A/R Days (Net)	48	42	37
Days in AP	30-45	42	50
Inventory Days	76	54	49
Current Ratio	6.5	2.7	5.4

Most efficiency metrics compare favorably to the benchmarks, including A/R, AP, Inventory and Supply measures.

Salary and benefit costs as a % of Net Patient Revenue does not meet the 75th percentile benchmark. Based on market surveys, we know that our wage rates are in line with other hospitals within our region, and the growth rate in wages per FTE are in line with the national market (as presented in the Administrative Costs section below). Using benchmarking through Ovation Healthcare who provides third-party labor productivity benchmarking by department, we know that are opportunities for continued efficiency and we know that we have made the choice to invest in positions that place us outside the benchmark to improve the care we provide and the experience and outcomes for patients. The other side of this is Net Patient Revenue, where we are well behind the benchmark for NPR per visit. A variety of factors contribute to net patient revenue differences, including pricing disparities as previously discussed.

We also monitor operating expense growth. The graph below shows operating expenses from FY2014 through FY2024 budget. These values differ slightly from those reported to the GMCB because of how DSH revenue is classified for internal reporting purposes (as an offset to Provider Tax and not as NPR).

133 Fairfield Street
Saint Albans, VT 05478

NMC: 802-524-5911
Toll Free in VT:
800-696-0321

Operating expenses grew steadily from FY2014 through FY2019 (6.6% average annual increase) and have stabilized (2.1% average annual increase) from FY2019 through the FY2023 projection and are budgeted to increase by only 1.1% in FY2024.

The low rate of expense growth at NMC that began in FY2019 was driven by strengthening community partnerships, allowing NMC to transition certain programs to more appropriate community settings. This included important programs such as Addiction Medicine, Primary Care and Pediatrics. As a result, access to these services has been maintained or has improved.

Some of the notable cost savings initiatives that have been implemented over the past four years include:

Item	Amount	Fiscal Year
Pediatric Transition to Community Partner	3,871,319	2022
Primary Care Transition to Community Partner	2,708,767	2022
Addiction Medicine Transition to Community Partner	1,376,077	2021
Staffing Efficiencies	875,000	2022
Dermatology Transition to Private Practice	696,532	2019
Employ Hospitalists	300,000	2024
Remove VP and AVP Level Positions (2)	275,000	2019, 2022
Restructuring Medical Director Stipends	150,000	2022
Change Health Plan Third-Party Administrator	100,000	2021
Renegotiate foot and ankle implants	90,000	2023
Renegotiate Environment Services Contract	40,000	2024

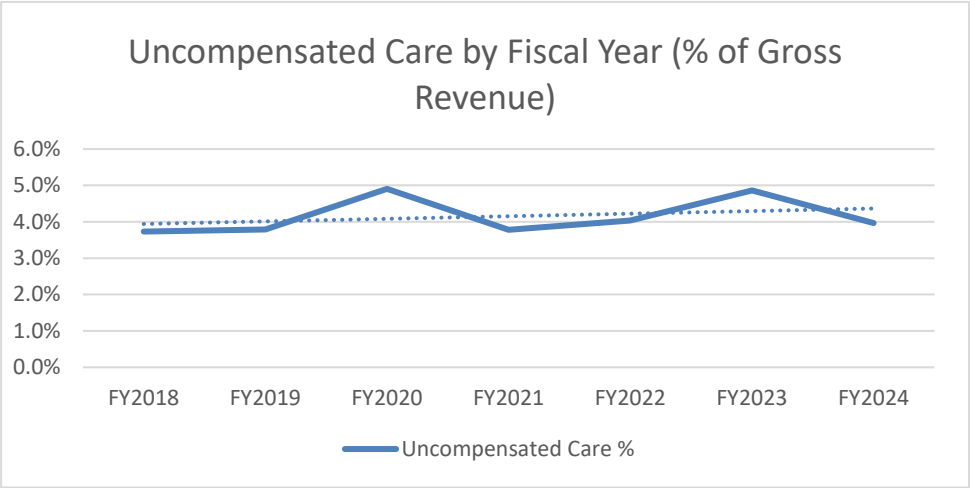
133 Fairfield Street
Saint Albans, VT 05478

NMC: 802-524-5911
Toll Free in VT:
800-696-0321

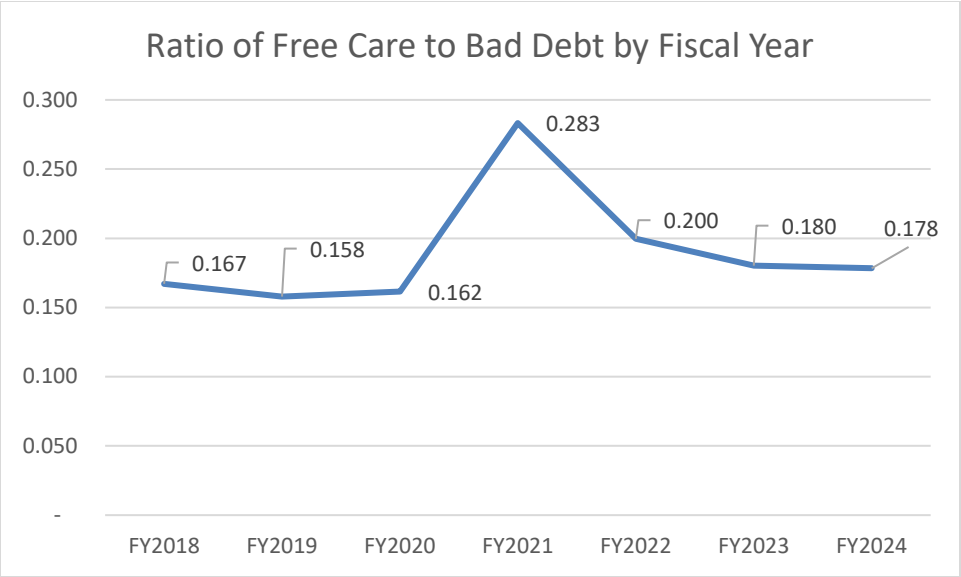
We regularly monitor all of the metrics shown above and the values are consistent with our mission of providing exceptional healthcare to our community. We "under-perform" the benchmark for net revenue per visit which requires us to exceed efficiency benchmarks such as Days in AP, Days in AR and Inventory Days. We also balance this with the need for highly skilled nurses and providers and to limit our reliance on temporary staffing, and so, we maintain salary and benefits as a % of NPR that is higher than the benchmark. We walk a fine line with an operating margin that hovers around zero and has been negative more than positive over the past decade. Strong days-cash-on-hand has allowed us to remain resilient and to weather this period. No single metric can tell the story of an organization. Our metrics as a group align with the strategic decisions that have been made to achieve our mission of providing exceptional healthcare to our community.

vii. Known pricing changes for Medicare and Medicaid – The budget includes a 2.8% increase to fee for service inpatient and outpatient hospital services (fixed payments through OneCare are calculated and provided to us separately). This increased adds $435,000 to FY2024 NPR. No increases for Medicaid or to professional fee schedules have been included.

viii. Uncompensated care – Uncompensated care as a percentage of gross charges has historically been between 3.7% and 4.9% and typically runs closer to the lower bound of that range. Because it can fluctuate from year to year, we use the long-term trend in setting the annual budget. Total uncompensated care for FY2024 is budgeted to be 4.0% of gross revenue. The two graphs below address the topics requested by the GMCB budget narrative guidance.



133 Fairfield Street
Saint Albans, VT 05478
NMC: 802-524-5911
Toll Free in VT:
800-696-0321



ix. Other (Community Integration) – Our mission extends beyond the walls of our hospital and clinics. NMC is focused on advancing the goals of healthcare reform and population health through outreach to, and coordination with, our community partners. This work is done with an eye on the social determinates of health and with a focus on Diversity, Equity, Inclusion and Belonging (DEIB). Attached to this narrative is a detailed description of some of these programs with a recent Community Health Needs Assessment progress report.

c. There are a few key areas of risk included in this budget where we are challenging ourselves to reduce costs, improve patient throughput and increase operational efficiency:
   1. Traveler Expense – Traveler expense is budgeted to come down by $4.7 million (55%) compared to the FY2023 budget. We have made progress in reducing the number of traveler FTEs required, and we have had considerable success in negotiating hourly rates that are much more in line with historical norms following a surge in demand, and therefore rates, during the pandemic. We are budgeting 20 FTEs of Travelers during FY2024 which is down from 25 FTEs in the FY2023 budget, with the reduction in rate accounting for the majority of the difference in cost. We will need to achieve this lower level of Traveler utilization and continue to do so at the lower hourly rates to achieve this savings.

133 Fairfield Street
Saint Albans, VT 05478

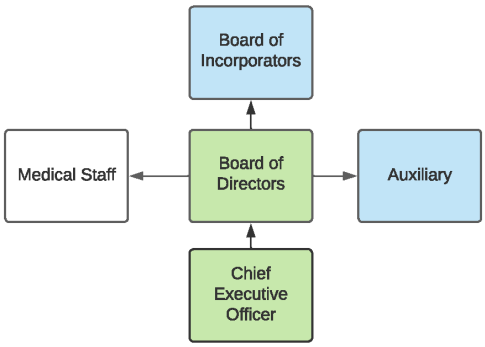
NMC: 802-524-5911
Toll Free in VT:
800-696-0321

2. Reduce Length of Stay – A variety of factors, including staff and bed shortages, in our region have led to longer hospital stays (see Avoidable Days section below). The average length of stay for acute and sub-acute patients (excluding deliveries and newborns) has increased from 3.5 days in FY2018 and FY2019 to 5.2 in FY2023 through May (down from 5.3 in the 12 months ended January 2023). As the effects of the pandemic continue to subside, we expect length of stay to also begin to shorten. We are looking to our community partners locally, and at the State level, to stabilize staffing and open up additional beds for sub-acute placement. We have heard encouraging plans from local partners, and we expect the State of Vermont to make additional beds available throughout the coming year in a new facility. We have budgeted an average length of stay of 4.6 for this patient population in FY2024. If we are unable to achieve this, staffing expenses will be higher than budget and net patient revenue will be generally unchanged as collection rates for sub-acute patients are negligible.
3. Improve Urgent Care Volumes per Hour – We are currently seeing 1.6 patients per provider per hour in our two urgent care offices. This is well below industry standards that can range from 3-5 depending on the source. Our FY2024 budget includes an increase to 2.0 visits per provider per hour. This is a 25% increase over current volumes. Patient demand is strong and we expect to achieve this improvement through operational efficiencies. This work has already begun and we will be contracting with an outside expert in Urgent Care to help us optimize our process. The FY2024 includes approximately $700,000 in net patient revenue associated with this improvement, with no additional salary costs as it should be achieved with our current staffing.

133 Fairfield Street
Saint Albans, VT 05478

NMC: 802-524-5911
Toll Free in VT:
800-696-0321

d. NMC is a sole community hospital with no subsidiary organizations. Our community Board of Directors is elected by our community Board of Incorporators. The NMC Auxiliary is an associated and independent fundraising organization that supports NMC.



e.

1. Referral Lag – NMC does not document the date and time that referrals are received. Many are transmitted by fax and scheduling occurs using the printed fax. This limits reporting as the date and time received are not entered into a reportable database.
2. Visit Lag – The tables below show the wait time distribution of visits scheduled during the first two weeks of May for Specialty Practices and for Imaging. We are currently scheduling Mammography screenings 150-160 days out which accounts for the high proportion of Imaging visits falling within the 3-to-6-month category.

Common Imaging Procedures

Appointment Lag	Within Category	Cumulative
Within 2 Weeks	41.7%	41.7%
Within 1 Month	2.1%	43.8%
Within 3 Month	1.6%	45.3%
Within 6 Month	50.5%	95.8%
Greater Than 6 Months	4.2%	100.0%

133 Fairfield Street
Saint Albans, VT 05478

NMC: 802-524-5911
Toll Free in VT:
800-696-0321

Specialty Practices

Appointment Lag	Within Category	Cumulative
Within 2 Weeks	35.0%	35.0%
Within 1 Month	22.1%	57.0%
Within 3 Month	27.0%	84.0%
Within 6 Month	15.2%	99.2%
Greater Than 6 Months	0.8%	100.0%

f. Capital planning and expenditures have generally returned to normal with none directly related to the Covid-19 pandemic or deferrals that occurred during that time. The table below shows a summary of planned expenditures:

Category	Planned Amount
Facilities	$2,883,816
Clinical	2,104,005
IT/Administrative	395,618
IT/Clinical	181,873
Minor Items as Needed	1,000,000
FY2024 Capital Budget	$6,565,312

The major items include a $2.1 million generator replacement in Facilities and a $1.7 million CT Scanner replacement in Clinical. The capital planning process occurs throughout the year with frequent updates to requests and priorities as needs arise. For that reason, we have routinely allocated a sufficient amount to those items that have not yet been identified but that will be needed over the next 18 months.
All capital purchases will be funded by cash-on-hand. Our ability to fund capital projects without borrowing funds keeps interest expense low and allows for lower rates while still achieving a small but positive operating margin.

133 Fairfield Street
Saint Albans, VT 05478

NMC: 802-524-5911
Toll Free in VT:
800-696-0321

g. Cyber security – In FY2024 NMC will continue to enhance our multi-layer, defense-in-depth security program with a focus on access controls and incident response. We will implement additional Privileged Access Management tools, invest in an enhanced end-point vulnerability scanner and patch management process. NMC will conduct our standing annual 3rd party Penetration Testing, and HIPAA Compliance assessments and will also be investing in updated core switching to ensure uptime and network edge security systems are using the most currently available technology. We will also begin exploring Zero-Trust and network segmentation initiatives. As of June 2023, NMC's spend on security is approximately 9.1% of our annual IT Budget or .33% of net revenue.

h. Avoidable Days and Emergency Department Boarding

1. Avoidable Days – Our Care Management team tracks avoidable patient days by recording the date on which a patient is determined to be ready for discharge by the attending provider, and all subsequent days until discharge are considered to be avoidable. The table below shows the number of days in a 12 month period through March 2023 listed with the barrier to discharge.

Barrier to Discharge	Sub-Acute	Acute	Total
Long-Term Care	833	49	882
No Bed Offer	585	150	735
Mental Health	182	35	217
Dementia Care	202	4	206
Evening/Weekend	22	34	56
Other	122	13	135
Total	1,946	285	2,231

The most significant cost associated with these days is nurse staffing. As volumes decrease, the first nursing hours eliminated are those of Traveler nurses. The FY2024 budget already includes a reduction in sub-acute avoidable days to 1,005 as discussed in the Risks section above. The cost of 1,005 sub-acute and 285 acute avoidable days included in the FY2024 budget is $485,000 (2.6 Traveler RN FTEs). There are food and supply costs associated with these days as well, but we did not calculate those as they are significantly less than the staffing costs.

2. Emergency Department Boarding – We have seen an increase in visits related to mental health in FY2023 compared with FY2022. The data below shows volume statistics for general mental health visits along with data for those mental health visits that result in a transfer. The latter are the visits of primary concern as the NMC Emergency Department (ED) is not the appropriate care setting, however, patients are often spending an extended period of time in the NMC ED awaiting transfer to a more appropriate setting.

	FY2022	FY2023 (YTD May)
Adult Mental Health Visits	393	293
Pediatric Mental Health Visits	69	62
Total Mental Health Visits	462	355
Total Mental Health Hours	6,566	4,983
Identifiable Mental Health Transfers	32	45
Avg Length of Stay (Hours)	97.91	74.02
Total Hours	3,133	3,331

The cost of these avoidable hours is estimated to have been $287,500 in FY2022 and $236,000 through May. The FY2024 budget assumes that the volumes experienced during the base period will continue along with the associated staffing needs. This equate to $383,000.

The total cost included in the FY2024 budget associated with avoidable days and ED boarders is $868,000.

133 Fairfield Street
Saint Albans, VT 05478

NMC: 802-524-5911
Toll Free in VT:
800-696-0321

i. Reimbursement for pharmaceuticals can only be an estimate. Pharmacy charges are ancillary to most visits, including emergency room, surgical and inpatient stays. Most inpatient and surgical visits are reimbursed on the visit level and not at the charge level, meaning that a total reimbursement is received without any attempt to itemize the payments. Furthermore, for outpatient visits, even when payment is implicitly itemized, our revenue cycle process does not record payments at the charge level, only on the patient account. This is why profitability analysis is performed on a service line basis and not on a department basis, where service line profitability makes no attempt to net revenue by department, but instead assigns the whole account to a service line. The activity for ancillary departments such as Pharmacy and spread throughout nearly all service lines and cannot be easily isolated.

   Given those limitations, we have made an attempt to estimate net reimbursement for the pharmacy activity. We identified all accounts with a pharmacy charge and allocated net revenue to the accounts based on percentage of total cost. Our best estimates for the three time periods requested are as follows:

	FY2022	FY2023 Proj	FY2024 Budget
Excluding 340B			
Pharmacy Estimated Net Revenue	$ 3,119,254	$ 4,547,264	$ 4,183,483
Gross Cost of Drugs Sold	2,717,275	3,184,611	2,873,759
Net Excluding 340B	401,979	1,362,653	1,309,724
340B Net of Fees			
Discounts	510,743	686,028	550,554
Contract Pharmacy	1,310,890	524,799	320,307
Net 340B	1,821,633	1,210,827	870,861
Net Pharmaceutical	$ 2,223,612	$ 2,573,480	$ 2,180,585

133 Fairfield Street
Saint Albans, VT 05478

NMC: 802-524-5911
Toll Free in VT:
800-696-0321

j. Facility Fee commentary and data

Facility fees are not charged for "walking in the door". Only patients who received services from a nurse and/or provider receive a bill.

Facility fees are used in the Emergency Department to simplify billing and are subject to CMS billing regulations to ensure fair and accurate billing. They are used in place of itemization of services, such as hours in a bed and nursing services rendered. Six levels of facility fees are used and the particular level that is billed is determined by the intensity of nursing services provided. A high acuity visit will require more direct nursing care while a low acuity visit will require less. These fees are directly related to the services provided within the Emergency Department. Services received outside of the Emergency Department are billed separately. For any patients that are admitted, the Emergency Department component is rolled into the inpatient stay and the full account is reimbursed according to the applicable DRG.

The table below attempts to isolate facility fee activity for visits that are part of our Outpatient Emergency Room service line during FY2022. The same limitations regarding the allocation of net revenues exists in this case as described in the Pharmacy section and the same method of allocating payments is used here.

Gross Charges	$ 18,754,093
Net Revenue	6,830,276
Total Cost	6,455,579
Net Income	$ 374,697

k. Patient Financial Assistance
   i. Patients are informed of our Financial Assistance Policy on every statement received, beginning with their first. Collection agents also inform the patients of the program when collection calls are made, and we have Financial Counselors in-house supporting the population with enrollments in insurance and FAP applications. We also post information about financial assistance at every registration location, and on our website.
   ii. A copy of our third-party collection agency contract has been confidentially provided to GMCB staff.

iii. Uncollected amounts are written off to bad debt after two years. Allowances for bad debt are made in accordance with Generally Accepted Accounting Principles (GAAP) and in consultation with our auditing firm to accurately match bad debt expense with the period in which the gross charges are recorded.
iv. Payments received for accounts older than two years that have been previously written off as bad debt are recorded in the period in which they are received, in accordance with GAAP.
v. We offer financial counseling for those patients who are uninsured or underinsured. We also have Certified Assistors with Vermont Health Connect on our staff.
vi. Self-pay accounts are evaluated within 2 days of service to see if the patient ever had Medicaid and/or financial assistance in the past. We additionally reach out to self-pay patients with high dollar balances, and all self-pay patients receive a letter informing them of our Financial Assistance Policy.
vii. Patients qualify for our program with income up to 400% Federal Poverty Limits as provided by the Federal Health and Human Services Agency and can be found at Healthcare.gov.

l. Administrative Costs
1. Below is a table of costs (FY2024 budget) by category. These values exclude Depreciation, Interest and Provider Tax expenses.

Clinical	69,175,824	67.0%
Clinical Support	4,836,938	4.7%
Operational Support	17,150,583	16.6%
Sub-Total	91,163,345	88.3%
Community Partnership	2,578,351	2.5%
Administrative	7,563,970	7.3%
Billing and Collection	1,978,675	1.9%
Sub-Total	12,120,996	11.7%
Total	103,284,341	100.0%

Clinical – Direct patient care departments
Clinical Support – Support departments that primarily and directly support clinical activities such as Quality, Care Management, Medical Records, Nurse Education and Clinical Administration
Operational Support – Departments that support the logistical operations of both clinical and non-clinical departments such as Facilities, Information Systems, Patient Access, Materials Management, etc.
Community Partnership – Community Health Team and other population health initiatives
Administrative – Centralized administrative functions such as Human Resources, Finance, Executive Administration and Community Relations
Billing and Collection – Billing and Coding functions called out separately in the narrative guidance.

2. The below table makes an effort to provide the most complete and relevant information regarding the distribution of wages and FTEs. The basis for the report is FY2022 as a complete year includes any and all one-time payments without the risk of omitting those that haven't occurred yet in the fiscal year, or incorrectly annualizing those that have. This data also excludes departments that are not part of the FY2024 budget, such as certain Covid related departments as well as Primary Care and Pediatric practices that transitioned out of hospital operations during FY2022. Certain categories from i. have been consolidated where the compensation for only one individual would have otherwise been displayed in this table.

Wages

Category	Staff	Management	Physician	NP/PA	Total
Clinical	20,547,731	800,550	9,620,009	2,485,171	33,204,589
Clinical Support	2,493,964	1,111,364	-	-	3,718,034
Operational Support	5,367,544	657,617	-	-	328,486
Administrative	1,998,281	1,987,227	-	-	9,818,350
Total	30,407,520	4,556,759	9,620,009	2,485,171	47,069,459
Percent of Total	64.6%	9.7%	20.4%	5.3%	100.0%

133 Fairfield Street
Saint Albans, VT 05478
NMC: 802-524-5911
Toll Free in VT:
800-696-0321

	FTEs				
Category	Staff	Management	Physician	NP/PA	Total
Clinical	279.31	5.89	20.95	18.84	324.16
Clinical Support	28.08	6.11	-	-	34.19
Operational Support	114.84	7.44	-	-	4.14
Administrative	35.97	9.12	-	-	164.06
Total	458.20	28.56	20.95	18.84	526.54
Percent of Total	87.0%	5.4%	4.0%	3.6%	100.0%

133 Fairfield Street
Saint Albans, VT 05478

NMC: 802-524-5911
Toll Free in VT:
800-696-0321

Community Partnerships

Background:

Northwestern Medical Center, Inc. recognizes the correlation between Social Determinants of Health (SDoH) and poor health outcomes. We see first-hand how people who are marginally or un-housed, food insecure, who lack access to a medical home, or who do not have appropriate transportation suffer from recurring medical needs, leading to increased unnecessary ED visits and extended non-medically necessary avoidable stays. As a community-based hospital, we are committed to working collaboratively with our partners to address upstream circumstances for our patients.

Throughout our long history as a community organization, we have worked alongside and led many initiatives, including health promotion, community wellness education, prevention, and community transformation efforts. We recognize that the value-based care model cannot be fully realized without these efforts, and yet, we have struggled as an organization to sustain them in this economic climate.

Before 2020, NMC had robust community-based programs that partnered with schools, municipalities, and communities to support systems change resulting in infrastructure and community development planning to improve health. We employed the Healthy Roots Collaborative and RiseVT backbone teams to work within communities to leverage that change, and we had a Lifestyle Medicine Department focused on individual behavior change. Budgetary restrictions and the pandemic sunset all the former programs.

In 2022 Northwestern Medical Center developed a **Department of Population Health** to house our remaining **strategies, grant funded programs, and community funds** that support our community members in accessing basic needs, strengthen our primary care, and realign our systems of care to meet the needs of every individual.

133 Fairfield Street
Saint Albans, VT 05478

NMC: 802-524-5911
Toll Free in VT:
800-696-0321

Strategies:

1. **FY22 Community Health Needs Assessment (CHNA)** | NMC designed our research methods for the CHNA to include focus groups of historically marginalized communities and collecting and assessing the data through the Research Framework of the Health People 2030 Social Determinants of Health Domains, which led to identifying upstream health needs impacting communities in our region.

The FY22 CHNA report solidified for us that health outcomes and prevalence of disease are not the needs we have to focus on in the community, instead it is the causes of those outcomes we need to address. After meeting with multiple community partners, community leaders, and people with lived experiences, NMC identified 4 community health need priorities:

ACCESS | Equitable access to care by being able to access the right care, including social services, at the right time in a culturally appropriate and person-centered way, no matter who you are.

AFFORDABILITY | Rising prices including gas, groceries, day care, housing, and health care insurance premiums are forcing people to make choices between basic needs and accessing healthcare.

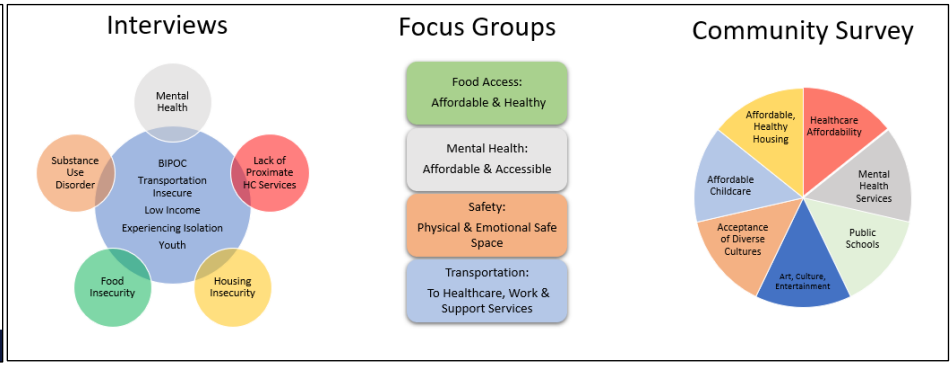
COMMUNITY GATHERING AND CONNECTEDNESS | Feeling connected to place and community through the arts, cultural events, accessible transportation, and public recreation spaces.

SAFETY AND BELONGING | Physical and emotional safety in the community, including neighborhoods, schools, institutions, and family structures. Accepting and celebrating differences and embracing belonging.

133 Fairfield Street
Saint Albans, VT 05478

NMC: 802-524-5911
Toll Free in VT:
800-696-0321

While NMC can address some challenges leading to these needs, we also recognize that larger systems change work must be done within a collaborative model that brings multiple community partners together. Our CHNA Implementation Plan recognizes the internal work for NMC, as well as work that our community needs to work on together. This plan is helping our Accountable Community for Health (CAIRES ACH) prioritize our response and co-create action plans to address them.



2. **CAIRES Accountable Community for Health (ACH)** | Launch of our newly designed ACH centered on health equity and dismantling hierarchical systems of power. Established on January 1, 2023, we bring together partners from health care, social services, and other sectors, and community representatives, to take responsibility for the health of Grand Isle and Franklin Counties. The collective impact model fosters collaboration and shared decision making that engages all the levels of population health – social circumstances, economic conditions, environment, behavior, among other opportunities. Addressing health inequities in our region's service delivery system is the driving force in the design of our Accountable Community for Health. CAIRES is committed to staying grounded in health equity by ensuring all work is designed with health equity principles.

133 Fairfield Street
Saint Albans, VT 05478

NMC: 802-524-5911
Toll Free in VT:
800-696-0321

NMC
NORTHWESTERN MEDICAL CENTER

HEALTH EQUITY

TO ENSURE THAT WE STAY GROUNDED IN HEALTH EQUITY ACROSS ALL WORKGROUPS, CAIRES CIRCLE, AND BACKBONE (DESIGN) TEAM WE COMMIT TO CONTINUOUSLY ASKING THESE QUESTIONS THROUGHOUT OUR PROCESSES AND DECISION MAKING:

WHO BENEFITS?
Through our design decisions and actions, who will most directly benefit and how will they benefit?

WHO IS HARMED?
Will our approaches lead to any unintended consequences that can be mitigated?

WHO LEADS?
Will our methods increase leadership opportunities for disproportionately impacted communities?

WHO DECIDES?
In what ways can we be more transparent in how decisions get made? Will our actions create different ways of operating that place more choice in the hands of those with lived experience?

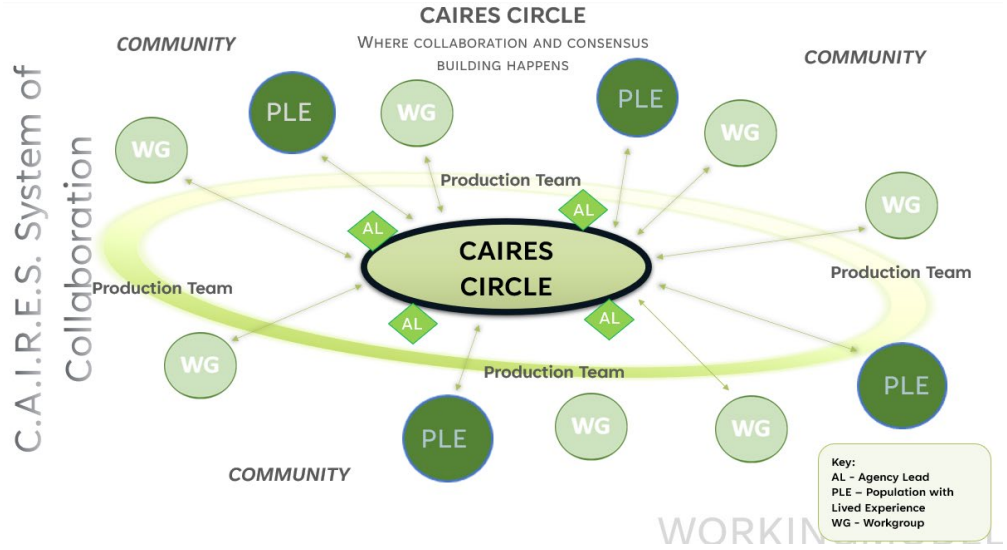
Vision | Grand Isle and Franklin Counties will be inclusive, self-determined, healthy communities where everyone is well, safe, nurtured, and respected.

Mission | CAIRES ACH designs health and service systems together with communities to be equitable, responsive, and adaptable.

Structure | To encourage collaboration and reduce the impact hierarchies of systemic oppression have on communities. The structure of the ACH de-centralizes decision making. The ACH is made of three group types with specific purposes and decision-making powers: The CAIRES Circle is focused on the ongoing sustainability of the ACH and supports collaboration across Workgroups. Workgroups are formed around specific areas of focus and make decisions related to the Workgroup goals. The Production Team provides organizational and administrative support across the ACH to support the shared Vision and Mission of the ACH.

133 FAIRFIELD STREET
SAINT ALBANS, VT 05478

NMC: 802-524-5911
TOLL FREE IN VT:
800-696-0321



133 Fairfield Street
Saint Albans, VT 05478

NMC: 802-524-5911
Toll Free in VT:
800-696-0321

Programs:

Our Programs are currently part of the State's strategies of health improvement for Vermonters, including serving as the Administrative Agency for the **Blueprint for Health**, the **Tobacco Grant**, and the **Self-Management Programs**. Our work supports:

1. Improving access to high quality primary care for all Vermonters by investing in, supporting, and working with NCQA in implementing and sustaining the Patient Centered Medical Home Model and the Community Health Team, which is embedded within the Patient Centered Medical Homes in our region.
2. Supporting Vermonters with Substance Use Disorder through the Hub and Spoke Model by coordinating, improving, and facilitating the regional Medical Assisted Treatment (MAT) team and program.
3. Coordinating the Franklin-Grand Isle Tobacco Prevention Coalition and implementing the goals of our VT Department of Health grant to reduce the tobacco use and vaping rates in our communities.
4. Hosting the Regional Coordinator of the Statewide Self-Management Programs for Franklin, Grand Isle, and Lamoille Counties to reduce the prevalence of chronic diseases through the offering of health workshops supported by MyHealthVT.

133 Fairfield Street
Saint Albans, VT 05478

NMC: 802-524-5911
Toll Free in VT:
800-696-0321

The Population Health Team also supports the ongoing work of the ACH and has been instrumental in co-leading the work of the CAIRES Circle and the Production Team. This work is tied to the value-based health care goals of OneCare, as we work to reduce costs, advance quality initiatives, and improve population health. Some of our 2022-2023 projects and workgroups include:

1. **Transitions of Care Workgroup** | multi-Agency collaborative workgroup that addresses transitions of care for members of our community. Looks at barriers, case review, and identifies gaps and opportunities in relation to transition of care.
2. **Transportation Workgroup** | multi-disciplinary transportation workgroup looking at public, private, and multi-modal/active transportation. Exploring solutions for health care, workforce, and social services.
3. **Trauma Informed Community Workgroup** | we are working with the schools, our mental health DA, VDH, and others on addressing health disparities in our region. We are looking at the impact of multi-generational trauma and how the community can come together to understand the impact this has on people. How do we build a trauma informed community to address the health disparities that exist?
4. **Homeless Healthy Equity Workgroup** | Through collaboration with CVOEO, VDH, and NCSS, we have developed a homeless health equity workgroup that is specifically looking at barriers and disparities that are impacting people experiencing homelessness in our communities. The work is leading to some new strategies to address the health of these individuals, including providing an NCSS counselor at our homeless shelter and a project to initiate a pilot for medical respite beds with NMC.
5. **Youth Health Workgroup** | multi-sectoral workgroup that will take inventory of all the community resources and will conduct a gap analysis of the programs and services, coordinate services, and address the needs that are emerging for youth in our community.

133 Fairfield Street
Saint Albans, VT 05478

NMC: 802-524-5911
Toll Free in VT:
800-696-0321

We are in the beginning phases of organizing or restructuring these workgroups to include more partnerships and advance health equity. Over the summer we will be facilitating the committees to develop community-led action plans.

NMC Funds for Community Members:

In addition, NMC has two funds that are available for community members who may be experiencing greater need due to a medical diagnosis.

Jim Bashaw Fund | Is for community members who have been diagnosed with cancer or another catastrophic illness. Funds are distributed directly to the individuals who apply.

Community Fund | Is for community members who are suffering from financial hardships resulting in health and wellness hardships. Funds are used to purchase items or services that support the health of the individual.

133 Fairfield Street
Saint Albans, VT 05478

NMC: 802-524-5911
Toll Free in VT:
800-696-0321

2022 CHNA Progress Report

5/31/2023

UPDATE: With community partners, NMC is co-leading the creation of the CAIRES Accountable Community for Health (ACH). The mission of the CAIRES ACH is to design health and service systems together with communities to be equitable, responsive, and adaptable. Our vision is that Grand Isle and Franklin Counties will be inclusive, self-determined, healthy communities where everyone is well, safe, nurtured, and respected. To encourage collaboration and reduce the impact hierarchies of systemic oppression have on communities. The structure of the ACH de-centralizes decision making. The ACH is made of three group types with specific purposes and decision-making powers.

- The CAIRES Circle is focused on the ongoing sustainability of the ACH and supports collaboration across Workgroups.

  This group has been meeting monthly since January. We are in a development phase and are pulling together partners, resources, and identifying the ACH roles in addressing the systemic issues leading to health inequities.
- Workgroups are formed around specific areas of focus and make decisions related to the Workgroup goals.

  The workgroups are currently forming, based on community need and availability of resources and staff to lead and participate in the workgroups.
- The Production Team provides organizational and administrative support across the ACH to support the shared Vision and Mission of the ACH.

  This team has been meeting weekly and is supporting the larger ACH CAIRES Circle meetings, as well as developing materials, communications, and processes for the workgroups.

NMC's Director of Population Health serves on the Production Team and attends the CAIRES Circle with members of NMC's senior leadership team. Members of NMC's team are leading and serving on workgroups, including:

1. A Regional Transportation Workgroup
2. The Transitions of Care Workgroup
3. Youth Health Workgroup
4. Outpatient Service Medical Workgroup
5. Homeless Healthcare Workgroup

133 Fairfield Street
Saint Albans, VT 05478

NMC: 802-524-5911
Toll Free in VT:
800-696-0321

- **Providing access to care that is culturally appropriate and person-centered to meets the needs of all people.**

UPDATE: NMC is in the process of assessing our REAL data to better understand if we are appropriately collecting the data at registration and ensuring that it is self-identified. Our next steps include stratifying some of our clinical data based on race and reviewing the results. This is a project we are doing with VPQHC as part of their Health Equity Grant.

- **Improving the process to access interpreter support within NMC's practices and services.**

UPDATE: NMC is currently communicating with community partners who work with our migrant farm population. We are listening to their feedback and trying to better address their medical needs and we are looking at a quality improvement project for our interpretation services. We are also looking for new

- **Continuing to work with our community in implementing the State's value-based care model to reduce health care costs, improve patient experience, increase equity, and improve population health.**

UPDATE: NMC's Director of Population Health is actively working with the ACO on advancing the value-based care model in our region. We are partnering with them on better coordinating improved clinical outcomes and strategies that improve the cost of care, including reducing readmissions and improving transitions of care by focusing on quality improvement in Primary Care sites, which includes improving our Medicare Wellness Visits, and developing a campaign and access policies that encourage individuals to first seek care at their PCP offices.

- **Exploring opportunities for continued alignment and partnership with local public transportation providers.**

UPDATE: NMC is working across agencies from our region to coordinate resources around local transportation needs. The group is in the early phases of facilitating a local transportation workgroup for our region that will encompass medical appointments, employment, grocery shopping, and inter regional transportation.

133 Fairfield Street
Saint Albans, VT 05478

NMC: 802-524-5911
Toll Free in VT:
800-696-0321

- **Formally advancing Diversity, Equity, and Inclusion throughout our organization – leveraging measurable improvement as both a provider of care and an employer, as per this component of NMC's '22-24 Strategic Plan. This work may well inform and prompt new initiatives and areas of emphasis for NMC in all aspects of the response to the CHNA.**

UPDATE: NMC has contracted with The Creative Discourse Group (TCDG), a collaborative of experienced associates uniquely qualified to help change community through equity, inclusion, and justice to support our work on diversity, equity, and inclusion. We recently completed an organization-wide assessment and are currently reviewing the themes that emerged. This

summer we are engaging in a Leadership Education Series and planning for the fall launch of our Staff Education Series. In addition, NMC is partnering with Vermont Program for Quality in Health Care (VPQHC) on their health equity grant and is focusing on improving our data gathering efforts around Race, Ethnicity, Ancestry, and Language, as well as implementing a Gender Identification screening for all patients. In addition, the Director of Population Health recently attended the American Hospital Association Health Equity Conference in Minneapolis and is adopting their roadmap tool to create a 3-year workplan for NMC.

- **Modernizing the Emergency Department to improve safety, privacy, and care, including the provision of private rooms for emergent patients; the enhancement of negative air capabilities for infection prevention; and the enhancement of the care environment for patients at risk of harming themselves or others.**

UPDATE: The NMC Emergency Department is currently being renovated and the project is currently on time and on budget. This modernization of the ED will improve patient access, security, and provide appropriate spaces for patients with mental health challenges.

- **Improving collection of gender/identity at Registration and standardize within Electronic Health Record to properly identify patients with their preferred pronouns, sex assigned at birth, legal sex, and their preferred name identification.**

UPDATE: NMC Patient Access Department is in the process of developing a plan to collect gender identity for our patients in the most appropriate way that provides privacy and enables our team to address patients as they prefer to be addressed. We are currently reviewing the most appropriate way to do this to cause the least harm. This process improvement project is part of the work we are doing with VPQHC to improve health equity for our patients.

133 Fairfield Street
Saint Albans, VT 05478

NMC: 802-524-5911
Toll Free in VT:
800-696-0321

- **Explore supporting a transitional housing program for non-medical houseless individuals who are discharged from hospital.**

UPDATE: NMC is working with local housing agencies and the State to address the complex housing and houselessness issues plaguing many communities across the US. We have identified a need in our community for medical respite beds that provide hotel rooms for patients who no longer need hospital care, however, may be unhoused or their housing does not meet their medical and/or physical needs. This model can support patients who may need home health services, case management, and social services after they are discharged from the ED or in-patient.

133 Fairfield Street
Saint Albans, VT 05478

NMC: 802-524-5911
Toll Free in VT:
800-696-0321