Choosing Health
NORTHEASTERN VERMONT REGIONAL HOSPITAL

Northeastern Vermont Regional Hospital
FY 2024 Budget Narrative

I. EXECUTIVE SUMMARY

Provide a high-level overview about key considerations for the proposed budget, highlighting any adjustments required to the budget reference year (FY22 actuals). Indicate areas where the proposed budget deviates from parameters specified in this Guidance.

For hospitals whose budget interacts with or includes other entities, explain any differences in what is happening at the hospital versus consolidated level.

While the global pandemic presented Vermont's healthcare system with a once-in-a-lifetime challenge, we at Northeastern Vermont Regional Hospital (NVRH) knew that the years following would actually be the most challenging: A lack of workforce – which has been exacerbated by the pandemic – coupled with unprecedented inflation and an aging demographic have created a perfect storm. Because NVRH sits at the heart of our regional healthcare system, the many issues that affect our partner organizations compound the challenges we face as a hospital. For example, we count on a robust EMS provider to ensure that patients are transferred efficiently and that they receive high-quality, pre-hospital care. But EMS is struggling with staffing. And on top of that, they now often transport patients to hospitals that are farther away, as local tertiary care facilities are at or above capacity. Skilled nursing facilities are also often at capacity, making it harder and harder to transfer patients out of the hospital. And, as the hotel-voucher program winds down, we are beginning to see an increase in the homeless population in our Emergency Department. Meanwhile, the mental health crisis continues to grow within the communities we serve. Given this environment, NVRH has developed a budget for FY24 that enables us to meet the communities' healthcare needs and a very modest operating margin of 0.92%. The key factors driving this budget include:

- **Labor inflation rates nationally and regionally.**
- **The ongoing nursing shortage, which forces us to rely on traveler and per-diem staff.**
- **Increased healthcare needs within the community, driven by pandemic-related delays in care, as well as an aging population with more complex care needs.**

Cost Saving Measures

NVRH remains committed to delivering the highest quality care as efficiently and cost-effectively as possible. Over the past year, we have been working to apply the recommendations from Applied Management Services (AMS) as part of our Financial Sustainability project. The most notable success of this effort is the restructuring of our staffing model for the Med-Surg floor allowing for a reduction of 6.4 ftes.

NVRH has implemented a contract review process for all new contracts as well as existing contracts. Vendors that have multiple service contracts across the organization are evaluated for consolidation for better pricing, lease/rental contracts are evaluated for savings and potential termination or reduction in costs, and new contracts are evaluated for multiple year contract arrangements to lock in future pricing against inflation. Paper claims processing has been moved to electronic processing to reduce costs and free up our valuable labor resources to focus on value added processes in our revenue cycle. Manual process for patient statements are being moved to an outsourced processing company to free up labor resources to focus value added processes in our revenue cycle and be able to dedicate more time to working with our self pay patient population.

Over the past year NVRH has implemented new clinical support staffing models in our medical practices. While the use of Medical Assistants in medical practices is nothing new to the healthcare industry, it is a paradigm and cost-saving shift at NVRH.

Investing in Workforce Development

Workforce development through education and promotion is a critical investment in improving basic health care at Northeastern Vermont Regional Hospital. NVRH is a non-profit critical access hospital serving Caledonia County (designated Distressed) in St. Johnsbury, VT. We have created the Career Advancement Program (CAP), to enable entry-level staff members to attend accredited Certified Medical Assistant (CMA), Licensed Practical Nurse, (LPN) and Associate Degree Nurse (ADN) Program's, debt free with hospital-provided educational support. CAP will also increase funding and educational support to staff members in accredited RN-BSN programs and for those pursuing a Nursing Master's degree, which is required for allied health college educators. The project has been in development for 8 months. We have college partnerships in place and staff waiting lists for each of the 4 major components of the project: Certified Medical Assistant, Licensed Practical Nurse, Associates Degree Nurse, and BSN/MSN assistance. The CMA cohort is interviewing now for a Fall 2023 start. This program has a need of an additional 3.4 FTEs in the FY2024 budget.

Creating both CMAs and advancing RNs into BSN/MSNs is essential for improving basic health care. Caledonia County has been designated a Health Professional Shortage Area by the HRSA in both primary care and mental health (HRSA ID 1509995023 and 7509995007). CMAs are essential healthcare workers in primary care and outpatient services. They can also be used in certain in-patient settings as an example, in the new Mental Health Support area currently under construction.
The CAP program is designed as a workforce development ladder, allowing staff to enter, at any level, to advance their career with significantly reduced or eliminated educational debt. Importantly it also provides paid study time, educational support (tutoring and mentorship), and guarantees job placement upon completion. As the program continues, this ladder will serve not only to elevate current staff, but also to incentivize graduating high school students to stay in St. Johnsbury and pursue a career in Healthcare.

NVRH offers a program for new graduates from accredited nursing programs; The

Nurse Residency Program. The program is based on Leadership, Professionalism and Evidenced based Clinical Practice. The program is a long term, formalized program that transitions the new nurse from an academic program into practice. The goal is to strengthen their skills and sharpen their critical thinking skills. The nurses begin with twelve weeks of didactic work with simulation lab work, basic skills assessments and further skills learning. The program continues with special skills stations and special speakers on specific topics. Time is spent on their unit practicing the skills they are learning. They will shadow on other units to gain a deeper understanding of the work done on different units. The new nurse works with an assigned preceptor who guides, supervises and coaches the nurse through the program. The first phase of the program is approximately thirty-two weeks in duration. The Nurse will continue their orientation on the chosen unit for the remainder of the year. The new nurse participants of the program are paid while in the program. The nursing preceptors, for these students, are also paid a small stipend to take on the additional responsibility of educating, coaching and supporting the new nurse while caring for their assigned patients on their unit. We offer this program to support the new nurse as they transition from the academic to the bedside. These hours are captured as training hours in our FY2024 budget which equates to a total of 6.2 FTEs.

Access to Care

To meet the care needs of the entire Northeast Kingdom, NVRH is working closely with partners to ensure that access to care is sustainable. For example, we are expanding our partnership with North Country Hospital and we are working with the State of Vermont's office for Rural Health Access to develop a regional capacity and needs assessment. This assessment will help inform decisions around how best to meet the needs of the aging demographic through collaborative partnerships.

Through the benefit of Congressionally Directed Spending Funds secured by Senator Patrick Leahy in the amount of $3 million, NVRH will soon be opening a four-bed mental-health support area within the Emergency Department. Despite having one of the highest suicide rates in Vermont,[1] the Northeast Kingdom only has two crisis beds and individuals often turn to the emergency department when in crisis.[2] NVRH's four beds will provide a more therapeutic space for those waiting for inpatient psychiatric care. While these beds are necessary for the care and comfort of those in crisis, it is also the single largest driver of our increase in FTEs in the coming fiscal year.

Over the last 18 months our Pain service has grown significantly in geographical reach and in the number of patients treated. This time-frame correlates with the enhancement of our services at the NVRH Center for Pain Management. Our center provides consultative and interventional services for patients throughout our region and is led by Dr. David Dent, who officially joined NVRH as an employee in December of 2021. Our center provides consultative and interventional services for patients throughout our region. Dr. Dent also is one of the Core Directors of the Vermont RETAIN program,

[1]https://www.healthvermont.gov/sites/default/files/documents/pdf/HSVR_Injury_Monthly_Suicide_Report.pdf#page=3&zoom=auto,-252,532
[2]https://legislature.vermont.gov/Documents/2024/WorkGroups/House%20Health%20Care/Orientation/W~Emily%20Hawes~Department%20of%20Mental%20Health%20Overview~1-12-2023.pdf#page=35&zoom=auto,-151,540

which is sponsored by a federal grant from the US Department of Labor and managed through the Vermont Department of Labor. The main goal of this Vermont RETAIN is to keep Vermonters working or getting them back to work and off of federal disability. One product of the NVRH Center for Pain Management and Vermont RETAIN has been in the ability to help transition more than 100 patients to a significantly reduced level of daily opioids or often off opioids completely. The transition away from daily opioid use has made a significant impact on many lives and families in the Northeast Kingdom. As we have had success in controlling pain and improving function without the use of daily opioids, the demand for the NVRH Center for Pain Management services has grown dramatically. This has become one of only a few similar centers of this type in all of northern New England.

Finally, NVRH is continuing its commitment to addressing the social drivers of health, which includes our work with *NEK Proper!*, our accountable health community. We are also collaborating with Northeast Kingdom Community Action (NEKCA) to establish the first ever year-round homeless shelter in the Northeast Kingdom. We hope to open in 2024.

In conclusion, to meet regional healthcare needs, we are committed to working collaboratively with our community partners to deliver care that is cost-efficient, despite unprecedented inflationary pressures. To do this, we have prepared a budget with an operating margin of 0.92% that will allow us to serve our patients, support our community, and provide access to local, high-quality health care *sustainably*. Because, at the end of the day, it's about people: our dedicated staff who care for our friends, our families, and our neighbors.

II. QUESTIONS

a. Concisely describe necessary adjustments to your FY22 actuals or other considerations required for the proposed budget. Examples may include physician transfers, accounting adjustments, or changes to service offerings, staffing, or infrastructure.
NVRH Response:

NVRH did have a physician transfers of a podiatrist in the summer of 2022. This transfer was accounted for in the FY2023 budget. The net revenues in the FY2024 budget $640,643.

There are accounting changes from the FY22 actuals. There are three positions that were accounted for by the parent company, Northeastern Vermont Regional Corporation, in FY2022 that are now being accounted for in NVRH. The two departments are the Chaplaincy Department and the Development Department. These two departments account for $392,513 of expense being added to the NVRH operating budget.

NVRH has also changed the accounting for grant funded positions. The grant

funded positions prior to the FY2024 budget had the expenses offset with the revenues. To better align with Generally Accepted Accounting Principle (GAAP) guidelines all grant revenues will be accounted for in the Other Revenue line which will leave the expense line whole. This change also has been applied to FTE counts. The funded FTEs were offset, but will now be accounted for as a paid FTE. This total change appears as an additional 6.7 FTEs, which are a change in accounting and ae not additions. NVRH made one additional accounting change. Beginning with the FY 2024 budget, NVRH no longer reduces operating expenses with Other Operating Revenue. Prior to FY 2024, including FY 2022 actual results, NVRH offset certain Other Operating Revenues against salary and non-salary expenses. The combined effect of these accounting changes is an expense increase of $3.3 million, with an equal increase to Other Operating Revenues. Table 1 below includes restated FY 2022 actual Other Operating Revenues and Operating Expenses that reflects these accounting changes.

TABLE 1

NVRH					
Restated FY 2022 Actual					
To adjust for OOR offset and Grant Accounting Changes					
	FY 2022	FY 2023	FY 2024	Change	%
	Restated	Projected	Budget	FY22_FY24	Change
Revenue					
Nert Patient Revenue	105,668,556	110,872,800	123,560,200	17,891,644	16.9%
Other Operating Revenue	8,672,234	8,794,997	5,598,499	(3,073,735)	-35.4%
Total Operating Revenue	114,340,790	119,667,797	129,158,699	14,817,909	13.0%
Expense					
Salaries Non MD	41,832,739	44,011,700	47,653,800	5,821,061	13.9%
Fringe Benefits Non MD	13,228,500	11,576,900	13,988,300	759,800	5.7%
Physician Fees & Salaries	11,868,727	13,059,500	13,552,400	1,683,673	14.2%
Fringe Benefits MD	3,516,437	3,300,500	3,771,900	255,463	7.3%
Other Operating Expense	43,635,904	46,354,900	48,946,800	5,310,896	12.2%
Total Expense	114,082,308	118,303,500	127,913,200	13,830,892	12.1%
Operating Margin	258,482	1,364,297	1,245,499	987,017	

The change in infrastructure for the FY2024 budget is related to our new four bed suite for our mental health patients in our Emergency Department. This building was constructed with a grant from Congressionally Directed funds obtained by Sen. Leahy and administered through HRSA. This new area is requiring additional staffing of 9.3 FTEs to ensure proper patient care and safety of our staff.

b. Clearly and succinctly explain the factors used in your proposed budget and how they compare with those outlined in Section I of the FY24 GMCB Hospital Budget Guidance, providing evidence to support your assumption(s). Each factor should be addressed:

i. Labor costs including benefits:

FTE TRENDS

	Actual FY22	YTD Projected FY23	Budget FY24
Administrative and General	163.20	166.90	178.70
General Admin	62.30	64.70	71.20
Grants / Community Health	10.20	10.30	11.40
Hospital Supporting Dept	48.20	46.90	45.80
Hospital Patient Care	8.40	8.30	9.20
Hospital Admin	32.50	34.80	39.00
Physician Practice Admin	1.60	1.90	2.10
Bene - ETCI	-	-	-
Clinical	359.10	353.20	383.00
Hospital Patient Care	199.50	191.00	213.90
General Admin	0.40	0.60	0.80
Physician Practices	156.20	161.00	167.70
Grants / Community Health	3.00	0.60	0.60

TRENDED TOTAL SALARY AND BENEFITS PER FTE

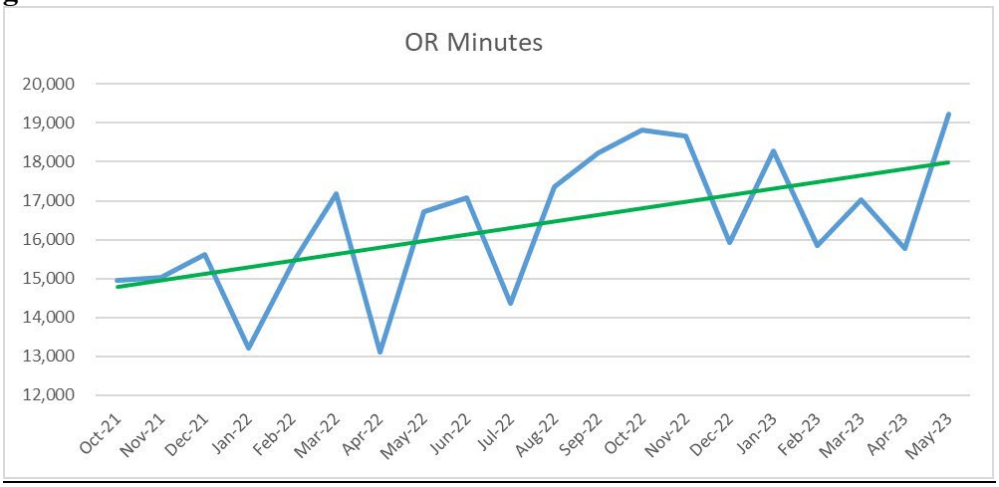
	Average Comp/FTE FY 2022 A	Average Comp/FTE FY 2024 B	% Change FY 2022-FY 2024
Total Compensation	133,685.46	139,381.33	4.3%
Administrative and General	$ 98,932	$ 107,640	8.8%
General Admin	$ 120,319	$ 127,885	6.3%
Grants / Community Health	$ 98,707	$ 117,612	19.2%
Hospital Supporting Dept	$ 72,439	$ 76,931	6.2%
Hospital Patient Care	$ 78,872	$ 83,522	5.9%
Hospital Admin	$ 98,993	$ 107,200	8.3%
Physician Practice Admin	$ 169,792	$ 150,641	-11.3%

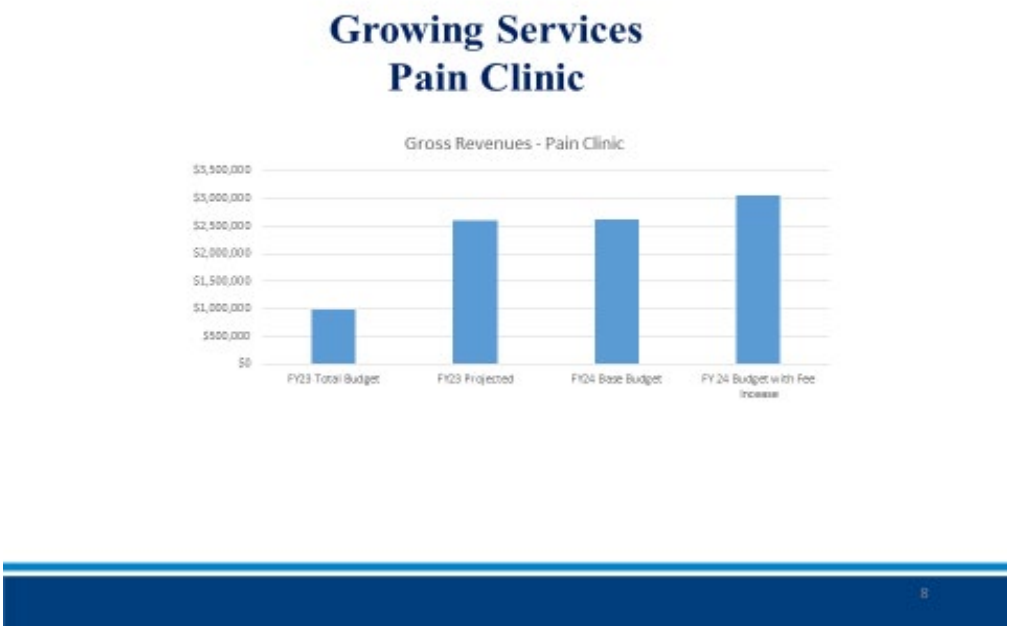
	Average Comp/FTE FY 2022 A	Average Comp/FTE FY 2024 B	% Change FY 2022-FY 2024
Clinical	$ 149,480	$ 154,191	3.2%
Hospital Patient Care	$ 137,722	$ 139,857	1.6%
General Admin	$ 130,846	$ 134,257	2.6%
Physician Practices	$ 164,809	$ 172,490	4.7%
Grants / Community Health	$ 135,763	$ 176,191	29.8%

Total Traveler & Locum expense						
Clinical	$	3,982,824	$	3,560,200	$	2,146,200
Travelers Hospital Patient Care	$	3,520,008	$	3,167,950	$	2,146,200
Locums Physician Practices	$	462,816	$	392,250	$	-

ii. Utilization:

From the FY2022 base year to FY2024 budget year utilization is projected to increase by 4.4%. Utilization of most services has increased during this period. Two services experiencing the significant volume increase include the operating room and Pain Management.





Utilization of our Emergency Department is projected to increase by 11%, from the base year. As previously noted this trend is due, in part, to the end of the hotel-voucher program. We note

that avoidable ED visits continue trending downward.

NVRH
Avoidable ED Visit Trend
FY 2020 - FY 2023 YTD

Period	Total Visits	Avoidable Visits	Percent Avoidable
CY 2019 (*)	14,977	2,582	17.2%
FY 2020	11,561	1,662	14.4%
FY 2021	11,237	1,060	9.4%
FY 2022	12,679	1,188	9.4%
FY 2023 YTD	10,229	954	9.3%

(*) Accurate tracking of avoidable ED Visits began Jan 1, 2019

Note: An avoidable ED visit is defined by Vermont Blueprint for Health. The definition consists of 212 primary visit ICD-10 codes.

iii. Pharmaceutical expenses:

Over the 2 year budget review period, gross pharmaceutical costs are projected to increase by $1 million. A small portion of this increase is due to general inflation. However, the majority of the cost increase is associated with increasing use of high costs drugs. This includes one frequently used medication that costs $6,700 per treatment and another costing $17,800 per treatment.

NVRH's pharmacy leadership does an outstanding job maximizing 340B savings on pharmaceuticals dispensed to outpatients. Their efforts will reduce the impact of increased pharmacy costs during the 2-year review period from $1,000,000 to $500,000. Unfortunately, Big Pharma does not offer Critical Access Hospitals (CAH) access to 340B pricing on all medications offered to other 340B-eligible hospitals. For example, non-CAHs are offered 340B prices on the two medications used in our example of rising pharmaceutical costs. If NVRH, as a CAH, was offered 340B prices on those two medications, our pharmaceutical costs would be reduced by over $300,000 annually.

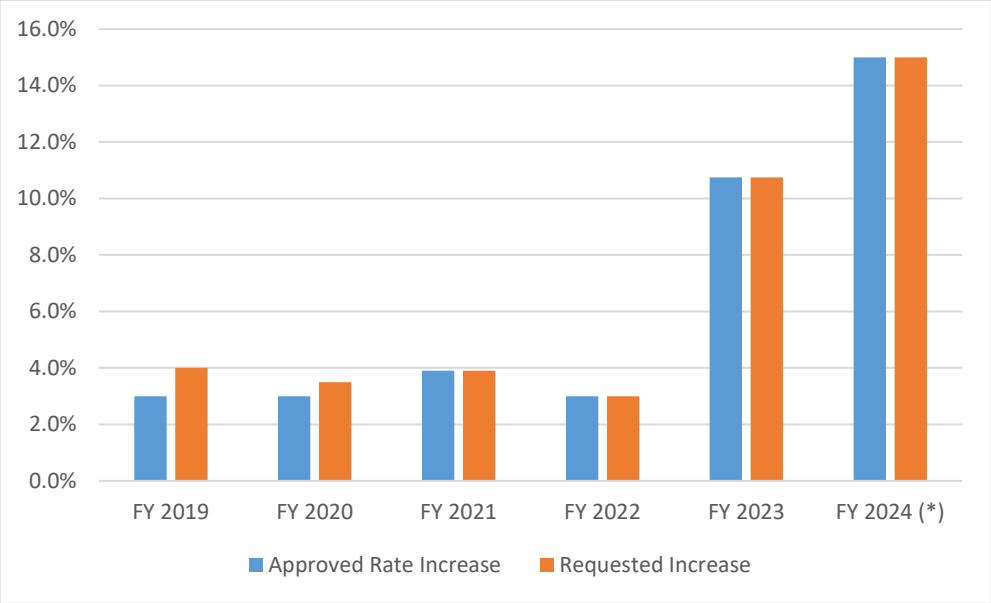
iv. Cost inflation:

An average general inflation rate of 1% was applied to selected non-salary expenses. Higher inflation allowances were provided for insurance and medical supplies. In total, the FY 2024 budget includes $667,500 for inflation related costs.

v. Commercial price increases:

The FY2024 budget includes an overall rate increase request of 15%. The actual rate increase will be 16.75% for hospital-based services and 0% for the NVRH medical practices. Assuming approval of our FY2024 rate request, the average annual increase for the FY2019 to FY 2024 period will be 6.4%

TRENDED RATE REQUEST



vi. Financial Indicators:

NVRH Response:

The following key indicators were calculated using the Balance Sheet below and the Income Statement shown above in Table 1.

NVRH			
Financial Indicators			
FY 2024 Budget			
	FY 2022 A	FY 2023 P	FY 2024 B
Operating Margin	0.2%	1.1%	1.0%
Operating EBITDA	4,372,863	5,661,397	5,793,399
Total Margin	-3.1%	3.0%	1.0%
Days Cash on Hand	105.7	104.1	101.3
Debt Service Coverage Ratio	4.40	5.52	6.01
Long-term debt to capitalization ratio	16.4%	15.6%	19.5%
Average Age of Plant	14.0	14.4	14.0
Days in Accounts Receivable	38	33	33

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Northeastern VT Regional Hospital
Report 2
Balance Sheet

	FY2022A	FY2023P	FY2024B
Assets			
Current Assets			
Cash & Investments	9,376,635	9,140,223	10,727,968
Patient Accounts Receivable, Gross	30,944,628	30,849,005	34,379,120
Less: Allowance For Uncollectible Accts	(19,854,945)	(20,824,889)	(23,207,923)
Due From Third Parties	-	-	-
ACO Risk Reserve/Settlement Receivable	-	-	-
Other Current Assets	10,421,963	4,570,777	4,707,900
Total Current Assets	**30,888,281**	**23,735,116**	**26,607,064**
Board Designated Assets			
Funded Depreciation	21,574,492	23,465,073	23,465,073
Escrowed Bond Funds	-	-	-
Other	-	-	-
Total Board Designated Assets	**21,574,492**	**23,465,073**	**23,465,073**
Gross, Property, Plant And Equipment			
Land, Buildings & Improvements	37,359,565	40,471,271	40,471,271
Construction In Progress	715,408	1,165,189	5,165,189
Major Movable Equipment	37,652,465	38,792,005	41,533,005
Fixed Equipment	1,974,457	1,974,457	1,974,457
Total Gross PP&E	**77,701,895**	**82,402,922**	**89,143,922**
Accumulated Depreciation			
Land, Buildings & Improvements	(23,241,640)	(24,288,666)	(25,448,010)
Equipment - Fixed	(1,947,801)	(1,957,769)	(1,967,737)
Equipment - Major Moveable	(29,213,092)	(30,711,008)	(33,919,897)
Total Accumulated Depreciation	**(54,402,533)**	**(56,957,444)**	**(61,335,644)**
Other Long-Term Assets	**8,411,606**	**8,023,821**	**7,906,221**
Total Assets	**84,173,741**	**80,669,489**	**85,786,637**
Liabilities			
Current Liabilities			
Accounts Payable	3,836,969	3,943,529	4,247,835
Current Liabilities COVID-19	-	-	-
Salaries, Wages And Payroll Taxes Payable	5,399,134	6,200,000	6,200,000
Estimated Third-Party Settlements	5,370,970	588,301	588,301
Other Current Liabilities	8,990,415	5,615,013	5,823,303
Current Portion Of Long-Term Debt	825,152	855,400	874,600
Total Current Liabilities	**24,422,640**	**17,202,243**	**17,734,039**
Long Term Liabilities			
Long Term Liabilities COVID-19	-	-	-
Bonds & Mortgages Payable	6,991,921	6,212,448	5,552,300
Capital Lease Obligations	1,147,862	1,328,000	1,328,000
Other Long-Term Debt	1,678,096	2,357,876	6,357,876
Total Long Term Liabilities	**9,817,879**	**9,898,324**	**13,238,176**
Other Noncurrent Liabilities	**-**		**-**
Total Liabilities	**34,240,519**	**27,100,567**	**30,972,215**
Fund Balance	**-**	**-**	**-**
Total Liabilities and Fund Balance	**34,240,519**	**27,100,567**	**30,972,215**
Net Assets	**53,412,095**	**49,933,222**	**53,568,922**
YTD Change In Net Assets	**(3,478,873)**	**3,635,700**	**1,245,500**
Total Fund Balance	**49,933,222**	**53,568,922**	**54,814,422**

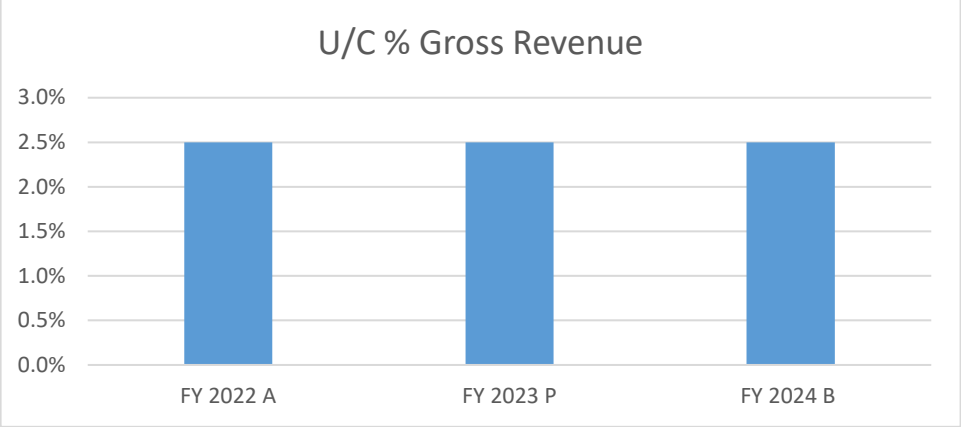
vii. Known price changes for Medicare and Medicaid:
NVRH Response:

<u>Medicare</u>- The FY 2024 NPR budget assumes continuation of current Medicare reimbursement guidelines for Critical Access Hospitals. Those guidelines include reimbursement for inpatient and outpatient services at 99% of Medicare-defined costs. The budget also assumes Medicare replacement insurance products will reimburse NVRH at, or close to, the same rates paid by traditional Medicare insurance.

<u>Medicaid</u>- The NPR budget assumes no increase in Medicaid per-service payment rates. We have assumed Medicaid ACO Fixed Prospective Payments will continue at the FY2023 level. A Risk Reserve of $515,000 is included in the FY 2024 NPR budget

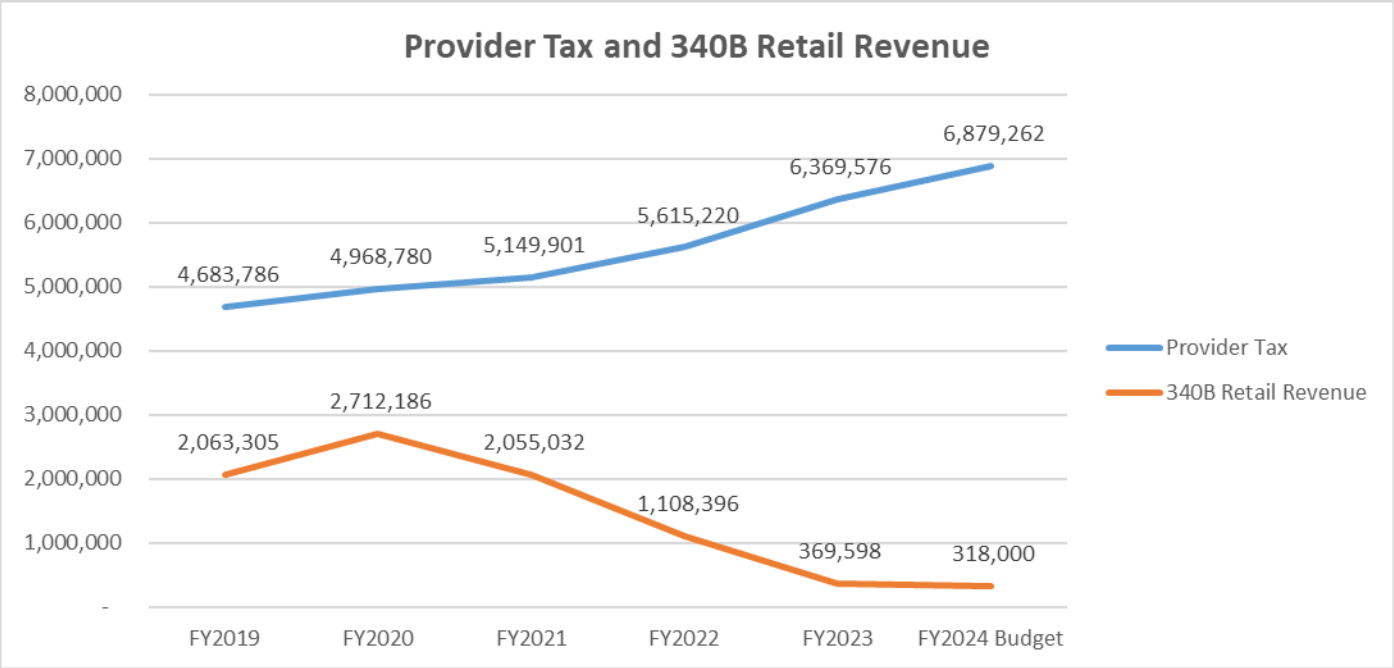
viii. Uncompensated Care:
NVRH Response:

NVRH does not anticipate the "unwinding" of continuous coverage in Vermont Medicaid will have a material impact on uncompensated care levels. Therefore, uncompensated care (bad debts and patient assistance), as a percent of gross revenue, is projected to remain flat during the FY2022 through FY2024 period.



Hospitals should include other factors material to the proposed budget along with supporting material.
NVRH Response:

340B Retail Revenue has declined significantly as a result of Big Pharma's efforts to erode the program. The total impact of the erosion of 340B Retail Revenue and the increased Provider Tax (6% tax on net patient revenues) is $2 million since FY2022.

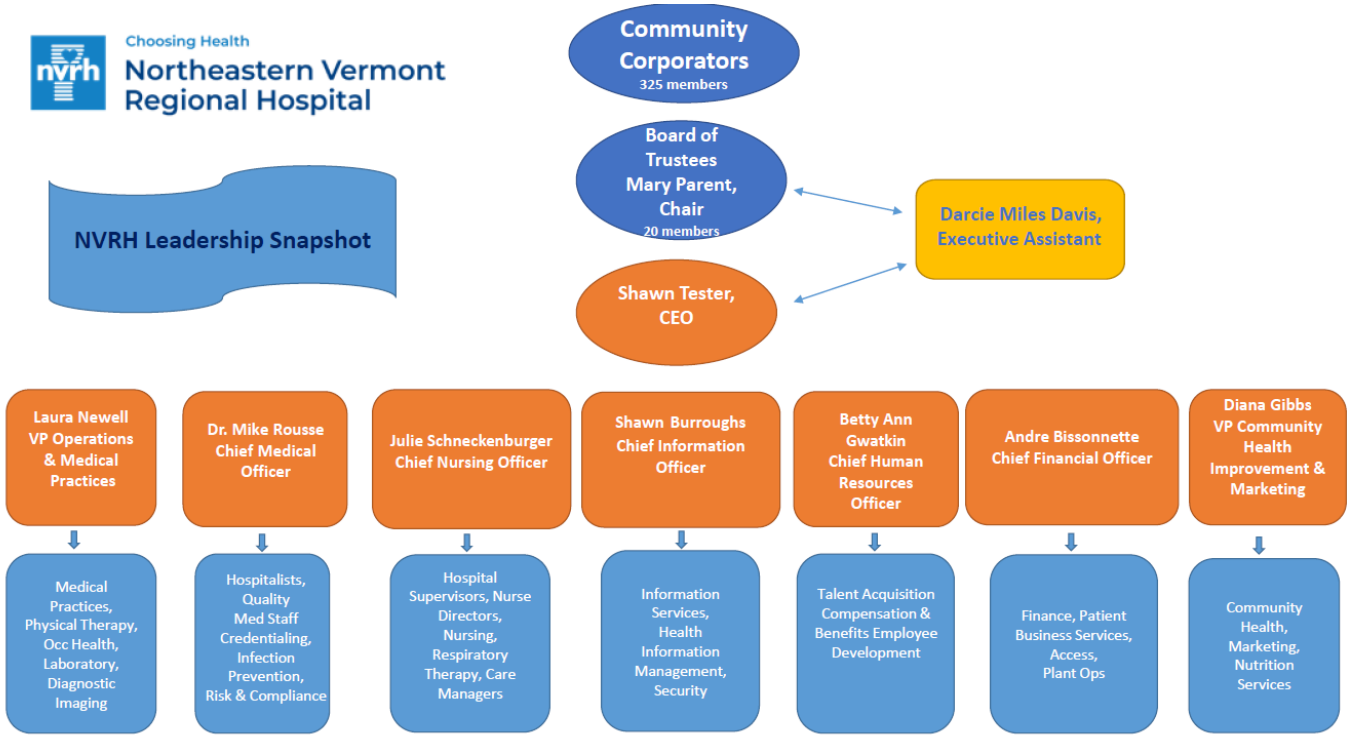


c. Briefly summarize known risks in the budget as submitted and indicate how the risks are being addressed. Include the cost, any realized benefit, and descriptions of new or ongoing measures used to reduce or otherwise manage budgeted expenses. Understanding the dollars associated with efforts to decrease or slow the increase in specific categories of expenditures is most helpful in understanding implications for the proposed budget.

NVRH Response:
The most significant risk in the budget is workforce and the inflationary pressures associated with workforce. How the risks are being addressed is highlighted earlier in this narrative. NVRH is committed to making significant investments into creating a workforce pipeline for our future through the Career Advancement Program (CAP) program and the nurse residency program for our new nurse graduates. This is an investment that will take more than one budget cycle to realize significant gains, but is necessary to decrease the reliance on very expensive contracted labor.

Another risk is supply chain issues. There is continued delays in the supply chain and a potential for increased costs due to inflationary factors. This can impact our operational supplies as well as our capital investments.

d. Provide an up-to-date chart or graphic outlining the corporate structure associated with the hospital.
NVRH Response:



e. For any referrals or appointments requested in the **first two weeks of May 2023**, report the following metrics separately for each hospital-owned primary and specialty care practice as well as the top five most frequent imaging procedures:

1. **Referral lag**, the percentage of appointments scheduled within 3 business days of referral (percentage of all referrals where the clinic or hospital has completed scheduling an appointment within 3 business days of receiving the referral, regardless of the date on which the appointment will take place), and

2. **Visit lag**, the percentage of new patient appointments scheduled for the patient to be seen within 2 weeks, 1 month, 3 months, and 6 months of their scheduling date. (The scheduling date is the date the hospital or practice schedules the appointment, not the date the referral was received or the date the patient will be seen.)

NVRH Response:

Wait time data June 12 - June 23, 2023						
Department/Medical Practice	Appointment / Exam Type	Referral Lag % or appointments scheduled within 72 hours	Visit Lag %			
			< 2 weeks	1 mon	3 mon	6 mon
Diagnostic Imagining	Chest X-Ray	66%	100%			
	CT Lung Cancer Screening	77%	46%	46%	7%	
	MRI Brain wo contrast	75%	25%	75%		
	US Echocardiogram	88%		11%	65%	11%
	US Pelvic and Transvaginal	90%	35%	50%	10%	5%
Corner Medical	New patients	100%		56%	44%	
	ED Follow-Ups	100%	100%			
	Inpatient discharge follow-up	100%	88%	12%		
St. Johnsbury Pediatrics	New patients	100%	77%	23%		
	ED Follow-Ups	100%	100%			
Women's Wellness		100%	55%	45%		
Cardiology		100%	10%	80%		
Urology		61%	9%	15%	15%	61%
Neurology		91%	7%	16%	34%	43%
Pulmonology		17%	100%			
Surgical Associates		75%	25%	25%		50%
Four Seasons Orthopaedics		100%	30%	60%	10%	
ENT & Audiology		100%	47%	9%	43%	1%
Palliative Care		50%				
Kingdom Internal Medicine	New patients	25%			100%	
	ED Follow-Ups	100%	100%			

If you are unable to report these metrics, explain what is preventing the calculation and when you will be able to report them. In their place, provide the third next available appointment for practices and imaging procedures identified above along with those for comparable hospitals or other industry benchmarks.

f. Provide a summary of planned capital expenditures for FY24, including a description of their funding source(s). If relevant, indicate how the pandemic relates to these expenditures, such as deferred projects or new associated needs.

NVRH Response:

Planned capital expenditures for FY24 are in the amount of $2,741,098 for "regular"

capital items along with an amount for contingency that would pay for any unforeseen capital requirements such as failed plant equipment. The following is a summary of the proposed spend:

IS Equipment	**$1,103,731**
Clinical Equipment	**$1,053,113**
Plant	**$ 334,254**
Contingency	**$ 250,000**
Total Non-CON Capital Budget	**$2,741,098**

The "regular" capital is to be funded from our working capital.

NVRH currently has a Certificate of Need (CON) in process for approval by the GMCB in the amount of $14,464,831. This CON is for a major project which includes the replacement of our 50 year old Emergency Department and renovations to the existing space, expansion of our laboratory, and replacement of the hospital chiller. There are various sources of funding for this project which include a loan from the USDA, a Rural Health grant, and philanthropy.

g. Describe planned expenditures related to cybersecurity.
NVRH Response:

While this list is not completely exhaustive in terms of near-security purchases and other related expenses. The cost and complexity of maintaining best practice organizational security is rapidly increasing. Staff and/or solutions must be rapidly implemented and maintained to mitigate the thousands of exploit attempts that touch our network on a daily basis. Efforts to control the costs of these programs is largely muted by their requirement for Cyber-Insurance and their appearance on our NIST framework Security Risk Analysis scorecard. We make every attempt to leverage grant opportunities and other funding sources to limit the budget impact. Due to the associated costs and work time needed to implement these expensive solutions, we struggle to maintain pace of change with industry and government expectations. NVRH whole-heartedly agrees that risk appetite for Cybersecurity should always be low and we will always have more work to do in this space. Budget constraints will potentially lead to very difficult choices while many IT and security expenses remain static regardless of patient volumes, reimbursement models or service lines.

Below is a list of security initiatives that are in the FY2024 Budget.

2023 Cisco Duo MFA (Multi-factor authentication) ***Required for Cyber Insurance***
2023 Dell CyberVault, AI scanned & Immutable back
2023 Trend Micro Anti-Virus, Workstations and Servers
2023 Symquest ZixProtect, Email Encryption service
2023 Symquest Zix Email Message Privacy, Large file transfer service
2023 KnowBe4 Security awareness training,
2024 Cisco Unified Communications Servers, Phone System
2024 Netscaler Replacement, Network speed and security tool

2024 WAN Upgrade, firewall, WAN switching, ISP routers
2024 Cisco Duo renewal MFA (Multi-factor authentication)
2024 Trend Micro renewal Anti-Virus, Workstations and Servers
2024 Symquest Zix Email Message Privacy, Large file transfer service
2024 Teknicor Managed Disaster Recovery (MDR), Meditech (EMR) Disaster Recovery
2024 Fortified Health Security SIEM/SOC
2024 Fortified Health Security, VTM – Vulnerability and Threat Management
2024 Fortified Health Security, SRA – Security Risk Analysis *Required for Cyber Insurance*
2024 Fortified Health Security, IRR – Incident Response Retainer
2024 Fortified Health Security, TPRM 3rd Party Risk Management
2024 Fortified Health Security, Penetration Testing – Internal, External, Wireless
2024 Thycotic PAM renewal, Privilege Access Management *Required for Cyber Insurance*

Total Costs for Cyber Security

	Operational 2023	Operational 2024	Capital 2024
Total	**$249,924**	**$922,539**	**$395,657**

h. Indicate the estimated annual expenditures associated with providing care that cannot be reimbursed due to the inability to transfer patients to post-acute or other more appropriate care settings. Examples include stays that exceed length of stay requirements for reimbursement or other care that would not generally be provided in a hospital setting. Provide these estimates for as many fiscal years as possible, including the estimates for FYs 23 and 24. Indicate how the values are derived or otherwise estimated. How are these unreimbursed expenses captured in the proposed budget? Include an estimate of how many boarding episodes occurred in your Emergency Department for that period, the associated total patient days and charges, and the proportion of each associated with a primary diagnosis related to mental health.

NVRH Response:
NVRH is able to track the number of patients awaiting transfer to a post-acute or other appropriate care setting. The majority of patients wait in the Emergency Room. Some patients are transferred to our medical surgical unit. Below is a summary of patients awaiting transfer and an estimate of the associated cost estimated costs.

PATIENTS AWAITING TRANSFER		CY 2023
W/Mental Health Diagnosis	CY 2022	May 31st
Total Awaiting Placement	322	107
Estimated Unreimbursed Cost (All Patients)	417,500	133,000
		CY 2023
W/Other Than Mental Health Diagnosis	CY 2022	May 31st
Total Awaiting Placement	74	50
Estimated Unreimbursed Cost	75,000	53,000

The total cost included in the FY 2024 budget associate with proving care to patients awaiting

transfers to a post-acute or other appropriate care setting is approximately $500,000.

i. How much revenue did the hospital net for reimbursements above cost for pharmaceuticals in FY22 actuals, FY23 projections, and in estimates used for the proposed budget? Include estimates for rebates associated with the 340B program. How does the hospital spend or otherwise account for the net revenue?

NVRH Response:
There is no unique or separately identifiable reimbursement for pharmaceuticals. Rather, reimbursement for pharmaceutical costs are included in the lump sum payments received for the service area where pharmaceuticals are dispensed to patients (e.g. an Emergency Room visit, inpatient stay, outpatient surgery procedure.) Therefore, we are unable to determine whether pharmaceutical reimbursement is more than, less than or equal to pharmaceutical costs.

NVRH does not receive rebates associated with the 340B program. The 340B program allows NVRH to purchase certain pharmaceuticals, dispensed only to outpatients, at a reduced price. The 340B program reduces pharmaceutical costs, as compared to prices NVRH would pay through a Group Purchasing Organization, by approximately $1.7 million annually

j. **Facility Fees:** Does your institution charge "facility fees" to patients who access your emergency department? Facility fees have been defined as "the cost of walking in the door" that are billed separately to cover overhead and other costs to provide care in addition to the charges for specific services received by the patient. If your institution charges facility fees, please provide an estimate of the total sum of facilities fees billed and collected in FY22.
NVRH Response:

NVRH charges fees when the patient receives care in the ED. Patients are not charged for "walking in the door". If the patient leaves prior to receiving care, they are not charged. The fees charged are using E&M service procedure (CPT) codes which are billed on levels of complexity. ED Professional E&M charge is for services provided directly by the physician to the patient. ED Facility E&M fees are charged for supporting the intensity of hospital resources (e.g. nursing care, equipment, medical records, etc.) to operate the ED 24/7/365 with appropriate staffing levels and resources that meet strict regulatory standards and the capacity for triaging and stabilization for all patients as required by law and regardless of ability to pay (EMTALA).

Gross Facility Revenues for FY2022 were 18,360,111 with a cost to charge ratio of .456 per the FY2022 filed cost report. The actual reimbursement for these charges are very difficult to get as they get aggregated with other charges while the patient is in the emergency room (i.e: CT scan, x-ray, lab, admitted to inpatient, etc.) and the payment is at the invoice level, a total amount without a breakdown of payment for each individual charge.

k. **Patient Financial Assistance:**

i. Are patients given a financial assistance plan or policy with the first attempt to collect a

debt?
NVRH Response:

There are various means of obtaining a financial assistance plan. NVRH statements have a phone number to call if a patient would like the application mailed to them. Patients can also visit the hospital's website and download a pdf document that can be printed. Patients can also obtain an application in person. Poster are also hanging throughout the hospital and in all of the practices indicating the availability of financial assistance.

ii. If a contract with a third party exists to collect payments from patients, please provide this contract and disclose the amount paid for such collection efforts and the revenue generated therefrom.
NVRH Response:

NVRH has been contracted with Marcam Associates for self-pay collections since November 2022. The collection fees since November 2022 are $21,829.89 and the revenue generated is $57,820.67

iii. At what point of non-collection does the hospital write off the money owed as bad debt?
NVRH Response:

NVRH Patient Accounts staff attempt to collect for 120 days. After 120 days if the account is not paid or payment arrangements made, the account will be sent to our collection agency and they try to collect for another 120 days. After that 120 days or a total of 240 days, if the account is still outstanding it is returned to NVRH and would then be written off as bad debt.

iv. What happens if a debt is collected outside of the allowed payment window? Does it show up as revision of the FY in which the services were provided or does it show up in some revenue line in the FY it was collected?
NVRH Response:

If the account is collected outside of the allowed payment window it is applied to bad debit recovery. This transaction would be accounted for in the FY that it was collected. It is also reported on the cost report as bad debit recovery.

v. What, if any, effort does the hospital undertake to evaluate whether a patient can pay money owed to the hospital?
NVRH Response:

NVRH has multiple resources for accessing the financial assistance policy application and we use that application to determine financial eligibility for our program. NVRH offers Community Connection assistance (navigators) to help patients complete the applications and our billing staff can also assist. Community Connections can help assist a patient to connect with other agencies that can help them. If the patient doesn't qualify for our program and

they are having trouble paying we work with them on a payment plan for monthly payments.

vi. What, if any, effort does the hospital undertake to proactively evaluate whether a patient, prospective, current, or past, is eligible for the hospital's free care program?
NVRH Response:

When the billing staff are able to speak with patients about their outstanding balances, they review the programs available. If a patient that has been admitted to the hospital as an inpatient and they don't have insurance Community Connection works with the patient to help get them insurance and advise them of our Financial Assistance program. These staff are able to assist in the application process.

vii. Please provide the quantitative and/or qualitative evidence the hospital used to determine the appropriate Federal Poverty Limit ranges used for free care eligibility.
NVRH Response:

NVRH uses the Federal poverty level income guidelines to determine eligibility. NVRH uses a sliding scale for eligibility with a qualifying range of 200% of the Federal Poverty Limit up to 400% of Federal Poverty Limit.

l. **Administrative Costs:**

i. Please provide a breakdown of administrative costs by activity type and title (billing and insurance, non-billing and insurance, Executive, VP, Director, etc). If no such disaggregation can be provided or a different breakdown more accurately reflects the specific structure of your hospital, please explain.
NVRH Response:

Please see below:

ii. Please provide the number of FTEs by type by average and median salary and total compensation (i.e. total cost of FTE to the organization) by clinical (physicians, PAs, NPs, nurses, etc.) and non-clinical (C-suite, managerial, other).
NVRH Response:

Please see below:

Exhibit 11. Staffing _ NVRH

	Actual FY22	YTD Projected FY23	Budget FY24
Total salaries	**$ 53,078,978**	**$ 56,585,634**	**$ 60,530,293**
Administrative and General	$ 12,824,112	$ 14,314,588	$ 15,626,014
General Admin	$ 5,621,373	$ 6,158,994	$ 6,923,573
Grants / Community Health	$ 755,035	$ 871,671	$ 1,019,494
Hospital Supporting Dept	$ 2,618,411	$ 2,713,185	$ 2,679,144
Hospital Patient Care	$ 496,847	$ 497,632	$ 584,279
Hospital Admin	$ 2,412,735	$ 2,837,702	$ 3,178,982
Physician Practice Admin	$ 203,731	$ 232,453	$ 240,542
Bene - ETCI	$ 715,980	$ 1,002,951	$ 1,000,000
Clinical	$ 40,254,866	$ 42,271,046	$ 44,904,279
Hospital Patient Care	$ 20,604,640	$ 20,697,347	$ 22,747,064
General Admin	$ 39,250	$ 54,799	$ 81,669
Physician Practices	$ 19,305,538	$ 21,440,649	$ 21,995,163
Grants / Community Health	$ 305,438	$ 78,251	$ 80,383
Total FTEs	**522.30**	**520.10**	**561.70**
Administrative and General	163.20	166.90	178.70
General Admin	62.30	64.70	71.20
Grants / Community Health	10.20	10.30	11.40
Hospital Supporting Dept	48.20	46.90	45.80
Hospital Patient Care	8.40	8.30	9.20
Hospital Admin	32.50	34.80	39.00
Physician Practice Admin	1.60	1.90	2.10
Bene - ETCI	-	-	-
Clinical	359.10	353.20	383.00
Hospital Patient Care	199.50	191.00	213.90
General Admin	0.40	0.60	0.80
Physician Practices	156.20	161.00	167.70
Grants / Community Health	3.00	0.60	0.60