North Country Hospital

Where caring runs deep.

Introduction

Presenters

- Brian Nall, President and CEO
- André Bissonnette, CFO
- Tom Frank, COO
- Avril Cochran, Vice President Patient Care Services
- Bill Perket, Vice President Human Services

Support

- Gary Gallespie, Board Vice Chair
- Anita Flagg, Controller
- Adam Messier, Staff Accountant
- Wendy Franklin, Director of Development and Community Relations

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100 CRITICAL ACCESS TOP HOSPITAL 2018

The Chartis Group — Chartis Center for Rural Health | iVantage Health Analytics

CHiME® HealthCare's most wired® 2018

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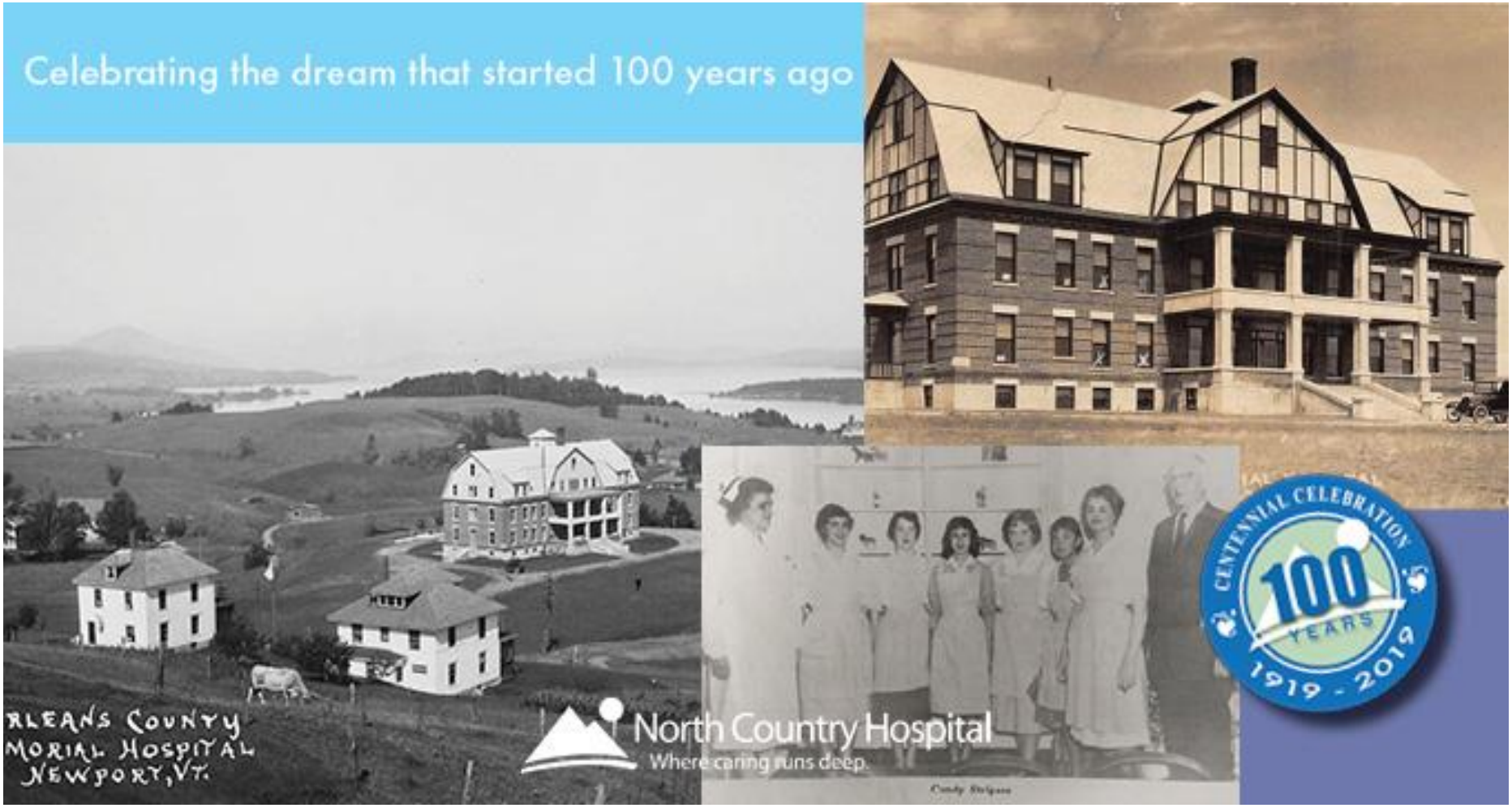
Celebrating 100 Years



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North Country Hospital Fiscal Year 2020 Budget Presentation to the Green Mountain Care Board

August 21, 2019

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Introduction: Service Area

Service Area ≈ 30,000

45 Minutes to Closest Critical Access Hospital

2 Hours to Tertiary Care

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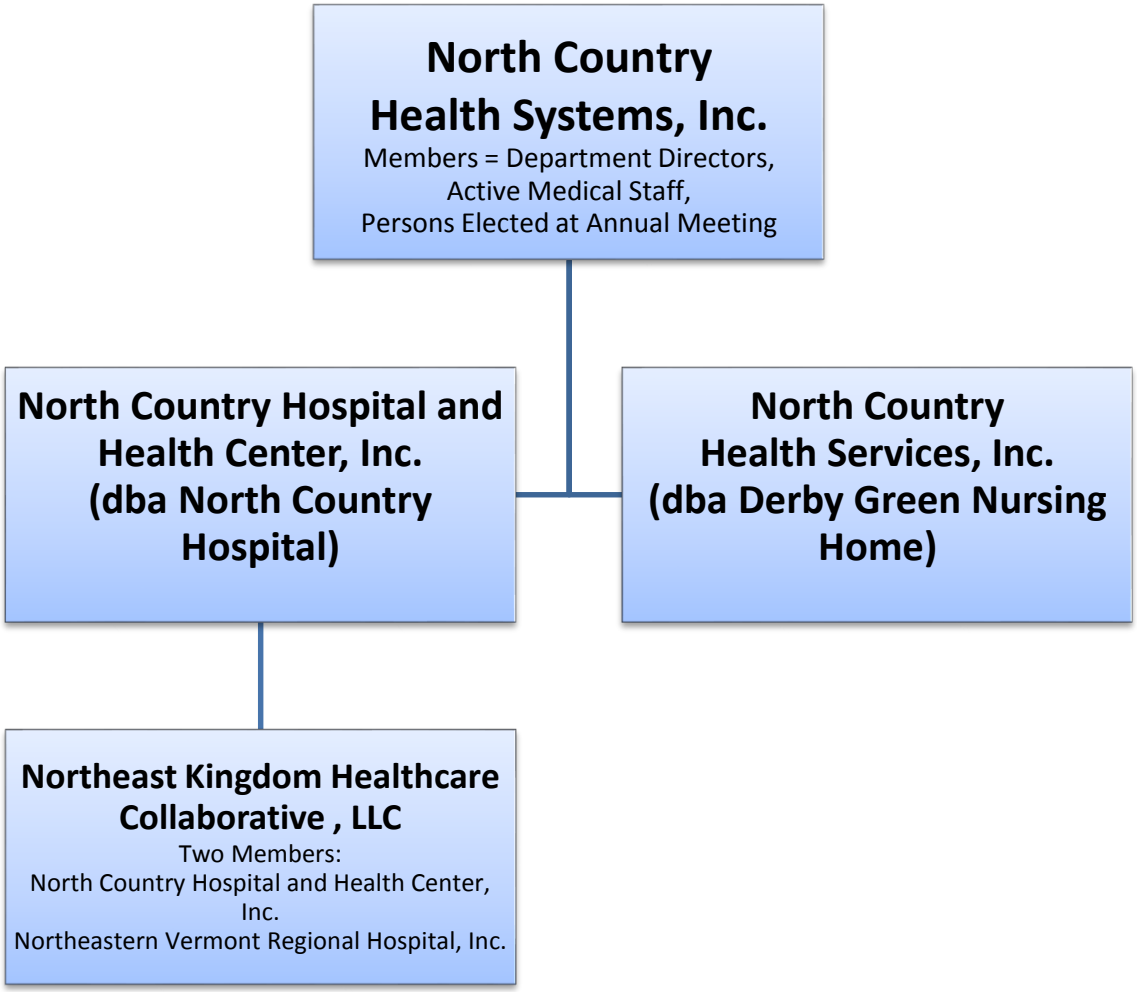
Introduction: Organizational Chart



2 - Summary of NPR/FPP and Charges

Net Revenue (NPR) Increase of 3.40% (Hospital and Practice)

Fee increase on Gross Revenues

- 4.25% Overall fee increase

3/4-Hospital Issues Risks/Opportunities

- Generating healthy margins for reinvestment into organization
- Recruit and retain workforce
  - Market pressures on compensation
  - Limited availability of qualified staff
- Additional resources required for population health
  - Increasing complexities: mental health, opiate use
- Regulatory pressures at Federal and State levels

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3/4-Hospital Issues Risks/Opportunities

- Service Line Road Map
- Physician Development Plan
- New staffing models to reduce cost
  - Med/Surg and ICU to PCU
  - Revenue Cycle
- Participation in New England Alliance for Health
  - Group Purchasing Collaborative
  - 340B Compliance and cost reduction

- New Electronic Health Record (athena Health)
  - Operational cost vs capital cost
  - Anticipated efficiencies
    - Process improvement efficiencies
    - Billing and collecting efficiencies
  - Reduced FTEs through attrition

5-Financial Health Appendix IV

Apendix IV

Financial Health Indicators

Metric	North Country Hospital	Flex Program Medians	2018 Almanac of Hospital Financial Operating Indicators (Optum) 2016			
		US CAHs	Northeast CAH	25-99 beds	100-199 beds	Teaching
Profitability						
Total Margin %	2.8%	2.7%	0.0%	1.9%	6.0%	3.7%
Operating Margin ($)						
EBIDA Margin %	7.3%		7.3%	7.7%	10.7%	10.7%
Operating Margin %	1.6%	0.9%	-2.1%	-0.5%	2.1%	2.1%
Return on Assets %			0.0%	2.0%	5.3%	3.7%
Liquidity						
Cash/Investments ($)						
Days Cash on Hand	209	78	92.7	116.3	80.4	98.4
Expenses per Day $						
Net Days in A/R	37	51	46.3	48.6	42.8	42.3
Net Days in A/P	60.9		66	48.8	65.2	67.7
Capital Structure						
Debt Service Coverage Ratio	4.42	3.35	1.39	3.1	6.7	6.0
Long Term Debt/Cap %	22.3%	27.2%	23.0%	26.6%	19.0%	32.8%
Cash to Long Term Debt %						
Average Age of Plant (yrs.)	12.7	10.48	14.43	10.6	12.4	10.5
Capital Spending %						
Equity Financing		59.8%				
Cost						
Salaries to NPR %	49%	45%				
FTE per Adj Occupied Bed	6.6	5.6		3.14	3.02	3.16
Compensation Ratio						

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6-Income Statement

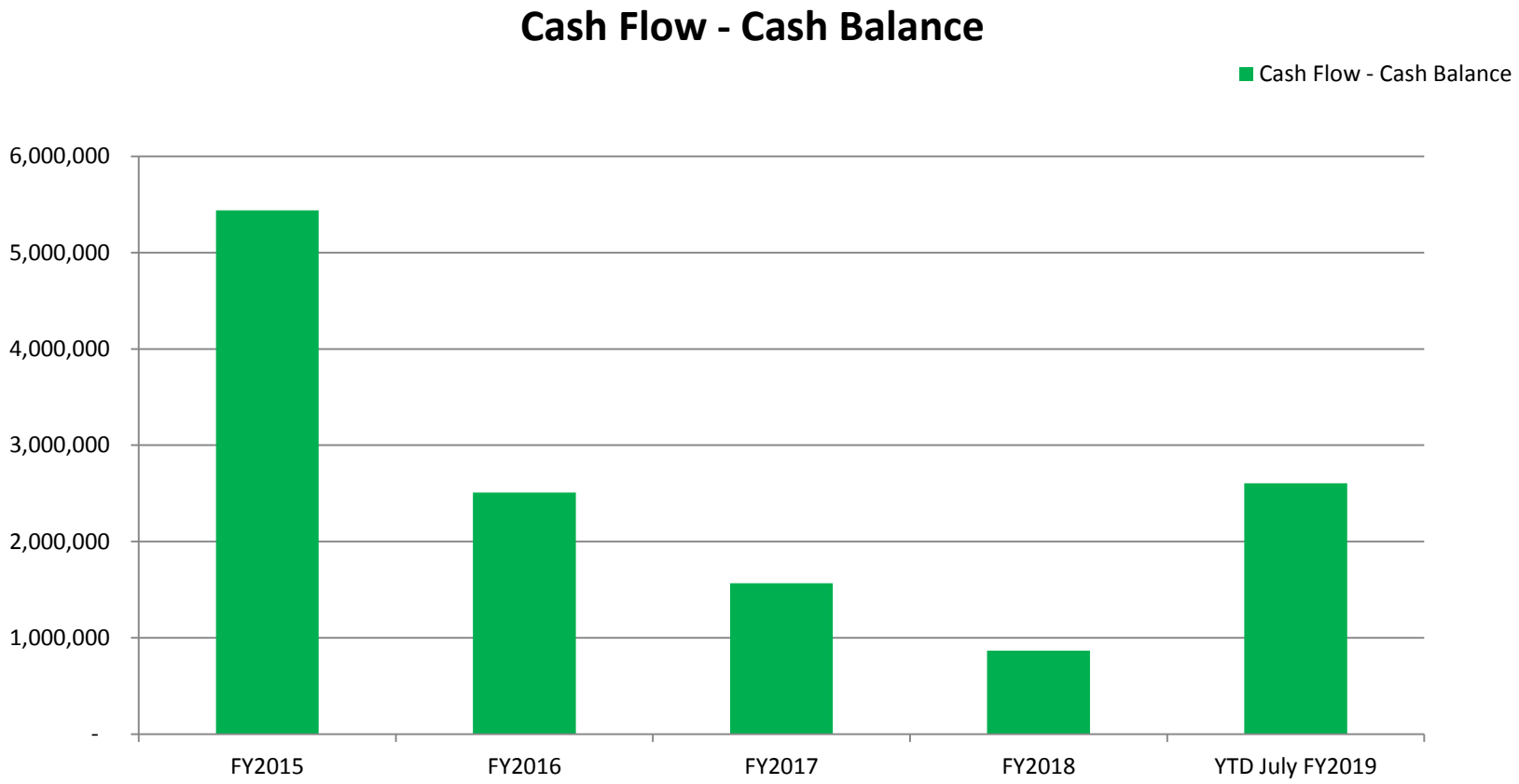
Fiscal Year 2020 Budget Analysis	North Country Hospital									
INCOME STATEMENT	FY2018B	FY2018A	FY2019B	FY2019P	FY2020B	2018B - 2018A % Chg	2019B - 2019P % Chg	2018A - 2019P % Chg	2019B - 2020B % Chg	2019P - 2020B % Chg
Revenues										
Gross Patient Care Revenue	**186,181,775**	**181,428,090**	**192,317,579**	**191,525,132**	**199,661,481**	**-2.6%**	**-0.4%**	**5.6%**	**3.8%**	**4.2%**
Disproportionate Share Payments	403,818	522,666	879,211	906,720	906,720	29.4%	3.1%	73.5%	3.1%	0.0%
Bad Debt	(1,105,660)	(2,855,661)	(2,071,021)	(4,182,785)	(4,491,912)	158.3%	102.0%	46.5%	116.9%	7.4%
Free Care	(1,261,784)	(1,568,926)	(1,753,024)	(1,739,654)	(1,826,157)	24.3%	-0.8%	10.9%	4.2%	5.0%
Deductions from Revenue	(105,143,570)	(105,429,495)	(114,166,944)	(110,783,203)	(116,876,281)	0.3%	-3.0%	5.1%	2.4%	5.5%
Graduate Medical Education	0	0	0	0	0	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Net Patient Care Revenue	**79,074,579**	**72,096,674**	**75,205,801**	**75,726,210**	**77,373,851**	**-8.8%**	**0.7%**	**5.0%**	**2.9%**	**2.2%**
Fixed Prospective Payments	0	3,959,572	5,297,314	5,290,017	5,290,017	#DIV/0!	-0.1%	33.6%	-0.1%	0.0%
Capitation and Incentive Income	0	0	0	0	644,200	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Other Reform Payments	0	370,919	382,010	315,181	315,181	#DIV/0!	-17.5%	-15.0%	-17.5%	0.0%
Fixed Prospective Payments and Reserves	0	4,330,490	5,679,324	5,605,198	6,249,398	#DIV/0!	-1.3%	29.4%	10.0%	11.5%
Net Patient Care Revenue & Fixed Payments & Reserves	**79,074,579**	**76,427,164**	**80,885,125**	**81,331,408**	**83,623,249**	**-3.3%**	**0.6%**	**6.4%**	**3.4%**	**2.8%**
Other Operating Revenue	5,885,122	5,057,057	6,677,191	7,121,373	6,477,173	-14.1%	6.7%	40.8%	-3.0%	-9.0%
Total Operating Revenue	**84,959,701**	**81,484,221**	**87,562,316**	**88,452,781**	**90,100,422**	**-4.1%**	**1.0%**	**8.6%**	**2.9%**	**1.9%**
Expenses										
Salaries Non MD	27,485,621	26,781,174	27,664,659	28,003,658	28,515,655	-2.6%	1.2%	4.6%	3.1%	1.8%
Fringe Benefits Non MD	10,481,826	9,696,387	10,732,923	9,291,362	10,612,174	-7.5%	-13.4%	-4.2%	-1.1%	14.2%
Physician Fees, Salaries, Contracts	14,196,022	12,371,122	14,792,632	11,855,633	11,985,045	-12.9%	-19.9%	-4.2%	-19.0%	1.1%
Fringe Benefits MD	1,154,352	1,099,588	1,164,079	1,809,703	1,171,896	-4.7%	55.5%	64.6%	0.7%	-35.2%
Health Care Provider Tax	4,533,348	4,550,596	4,533,348	4,692,876	4,692,876	0.4%	3.5%	3.1%	3.5%	0.0%
Depreciation & Amortization	4,458,804	4,267,857	4,358,483	4,428,744	4,428,744	-4.3%	1.6%	3.8%	1.6%	0.0%
Interest - Long Term & Short Term	689,347	623,361	605,858	640,265	640,265	-9.6%	5.7%	2.7%	5.7%	0.0%
Other Operating Expense	21,266,142	23,977,712	22,796,328	26,335,312	26,591,830	12.8%	15.5%	9.8%	16.6%	1.0%
Total Operating Expense	**84,265,462**	**83,367,796**	**86,648,310**	**87,057,553**	**88,638,485**	**-1.1%**	**0.5%**	**4.4%**	**2.3%**	**1.8%**
Net Operating Income (Loss)	**694,239**	**(1,883,575)**	**914,006**	**1,395,228**	**1,461,937**	**-371.3%**	**52.6%**	**-174.1%**	**59.9%**	**4.8%**
Non-Operating Revenue	1,253,190	2,883,719	1,549,122	1,145,210	1,361,102	130.1%	-26.1%	-60.3%	-12.1%	18.9%
Excess (Deficit) of Rev Over Exp	**1,947,429**	**1,000,144**	**2,463,128**	**2,540,438**	**2,823,039**	**-48.6%**	**3.1%**	**154.0%**	**14.6%**	**11.1%**
Benchmarks-Hospital										
Operating Margin%	**0.8%**	**-2.3%**	**1.0%**	**1.6%**	**1.6%**					
Total Margin %	**2.3%**	**1.2%**	**2.8%**	**2.8%**	**3.1%**					
EBIDA %	**6.9%**	**3.7%**	**6.7%**	**7.3%**	**7.2%**					
Cost per Adjusted Admission	**9,688**	**7,726**	**10,813**	**9,422**	**9,249**					

3.4% NPR Growth

2.3% Expense Growth

OBSERVATIONS : North Country's narrative states the growth in NPR/FPP from FY19B and FY20B is 3.2%, the bridges document and data submitted in the GMCB budget software show an increase in NPR/FPP of $1.5 million is 1.8% over the FY19 budget, and $1.6 million or 2% over FY19 projections. North Country's FY18B to FY18A and FY19B to FY19P variances are both within the budget guidance limits. The hospital's operating margins and total margins are improving from FY18. The hospital has a current contract to participate in OneCare for Medicaid only. The bridges appendix reports an accounting reclass: Improperly Classified Items in FY19--should have been in bad debt not self pay allowances of $1.6 million. Bad debt has increased by $2.4 million and deductions in revenue have increased $2.7 million from budget to budget. The hospital is budgeting gross revenues to be $8.1 million, 4.2% higher than their FY19P and deductions from revenues to be $6.1 million, 5.5% higher.

6 – Cash Flow


Cash Flow - Cash Balance
Cash Flow - Cash Balance
6,000,000
5,000,000
4,000,000
3,000,000
2,000,000
1,000,000
-
FY2015
FY2016
FY2017
FY2018
YTD July FY2019

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6-Balance Sheet

Fiscal Year 2020 Budget Analysis	North Country Hospital			North Country Hospital						
BALANCE SHEET	**FY2016A**	**FY2017A**	**FY2018A**	**FY2019B**	**FY2019P**	**FY2020B**	**2018A-2019P**	**2019B-2019P**	**2019P-2020B**	**2018A-2020B**
Cash & Investments	**2,507,404**	**1,567,456**	**865,798**	**2,463,129**	**1,674,782**	**3,280,300**	**-93.4%**	**-32.0%**	**95.9%**	**278.9%**
Risk Reserve for Fixed Reform Payments	0	0	0	0	0	0	**#DIV/0!**	**#DIV/0!**	**#DIV/0!**	**#DIV/0!**
Other Current Assets	11,590,179	14,331,770	12,141,954	16,298,085	16,499,593	14,156,117	**35.9%**	**1.2%**	**-14.2%**	**16.6%**
Current Assets	**14,097,583**	**15,899,226**	**13,007,753**	**18,761,214**	**18,174,375**	**17,436,417**	**39.7%**	**-3.1%**	**-4.1%**	**34.0%**
Board Designated Assets	34,027,352	38,845,739	45,378,768	41,795,358	41,531,048	43,266,027	**-8.5%**	**-0.6%**	**4.2%**	**-4.7%**
Net, Property, Plant And Equipment	26,815,387	24,697,926	23,403,357	26,046,855	22,245,902	24,032,654	**-4.9%**	**-14.6%**	**8.0%**	**2.7%**
Other Long-Term Assets	4,668,601	4,320,222	4,574,075	4,581,767	4,485,347	4,667,263	**-1.9%**	**-2.1%**	**4.1%**	**2.0%**
Assets	**79,608,923**	**83,763,113**	**86,363,953**	**91,185,194**	**86,436,672**	**89,402,361**	**0.1%**	**-5.2%**	**3.4%**	**3.5%**
Current Liabilities	**9,897,642**	**12,636,713**	**14,974,988**	**13,733,163**	**16,952,101**	**15,752,102**	**13.2%**	**23.4%**	**-7.1%**	**5.2%**
Long Term Liabilities	20,602,338	19,364,561	17,536,476	16,541,890	16,808,741	15,893,247	**-4.1%**	**1.6%**	**-5.4%**	**-9.4%**
Other Noncurrent Liabilities	0	0	0	0	0	0	**#DIV/0!**	**#DIV/0!**	**#DIV/0!**	**#DIV/0!**
Fund Balance	49,108,943	51,761,839	53,852,486	60,910,141	56,074,412	57,757,012	**4.1%**	**-7.9%**	**3.0%**	**7.3%**
Liabilities and Equities	**79,608,923**	**83,763,113**	**86,363,950**	**91,185,194**	**89,835,254**	**89,402,361**	**4.0%**	**-1.5%**	**-0.5%**	**3.5%**
Benchmarks-Hospital							**Change in Points**			
Days Cash on Hand	**169.31**	**185.48**	**213.39**	**196.31**	**190.86**	**201.75**	**(22.54)**	**(5.46)**	**10.90**	**(11.64)**
Days Receivable	32.57	33.39	41.77	40.48	37.82	37.95	(3.96)	(2.66)	0.14	(3.82)
Long Term Debt to Capitalization	30%	28%	25%	22%	23%	22%	-2%	1%	-1%	-3%
Days Payable	45.87	58.00	69.10	60.91	74.88	68.28	5.78	13.97	(6.61)	(0.82)
Debt Service Coverage Ratio	3.3	2.0	1.1	3.5	3.8	3.4	2.7	0.3	(0.5)	2.2
Benchmarks-Vermont System Averages							**Change in Points**			
Days Cash on Hand	182	192	176	172	167	166	(9)	(5)	(1)	(10)
Days Receivable	42	43	43	44	47	46	4	3	(0)	4
Long Term Debt to Capitalization	30%	29%	27%	25%	26%	24%	-1%	1%	-2%	-3%
Days Payable	60	58	63	54	54	55	(9)	(0)	1	(9)
Debt Service Coverage Ratio	5.0	3.9	2.4	3.6	3.0	3.5	0.6	(0.7)	0.6	1.1

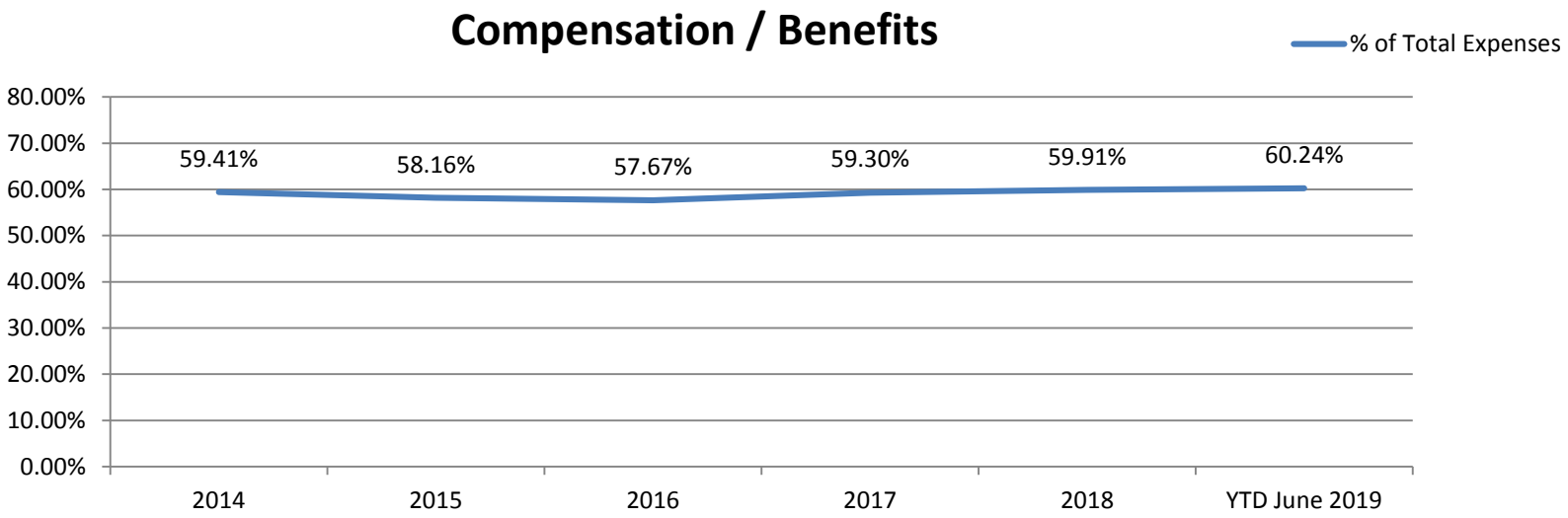
Improved Cash Flow

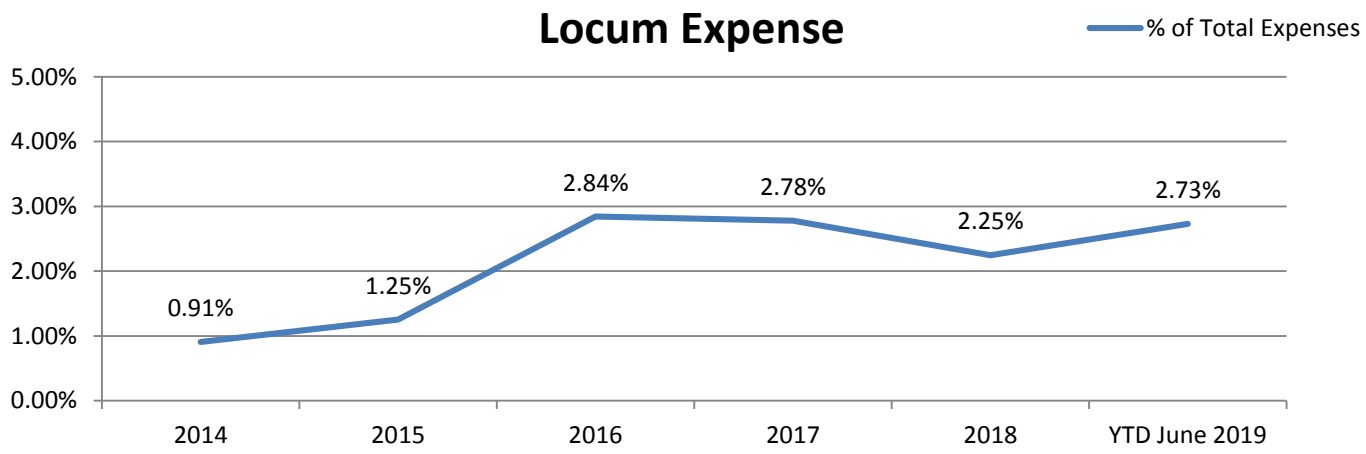
OBSERVATIONS: Days Cash on Hand declined from FY18 to FY19 but is budgeted to improve. The Days Cash on Hand for North Country is higher than the system average but Days payable is also higher than the system average (unfavorable). The hospital is not expecting to make capital improvements/investments at the level of the FY19 budget allowing the board designated assets and cash & investments to improve.

6-Expense Drivers

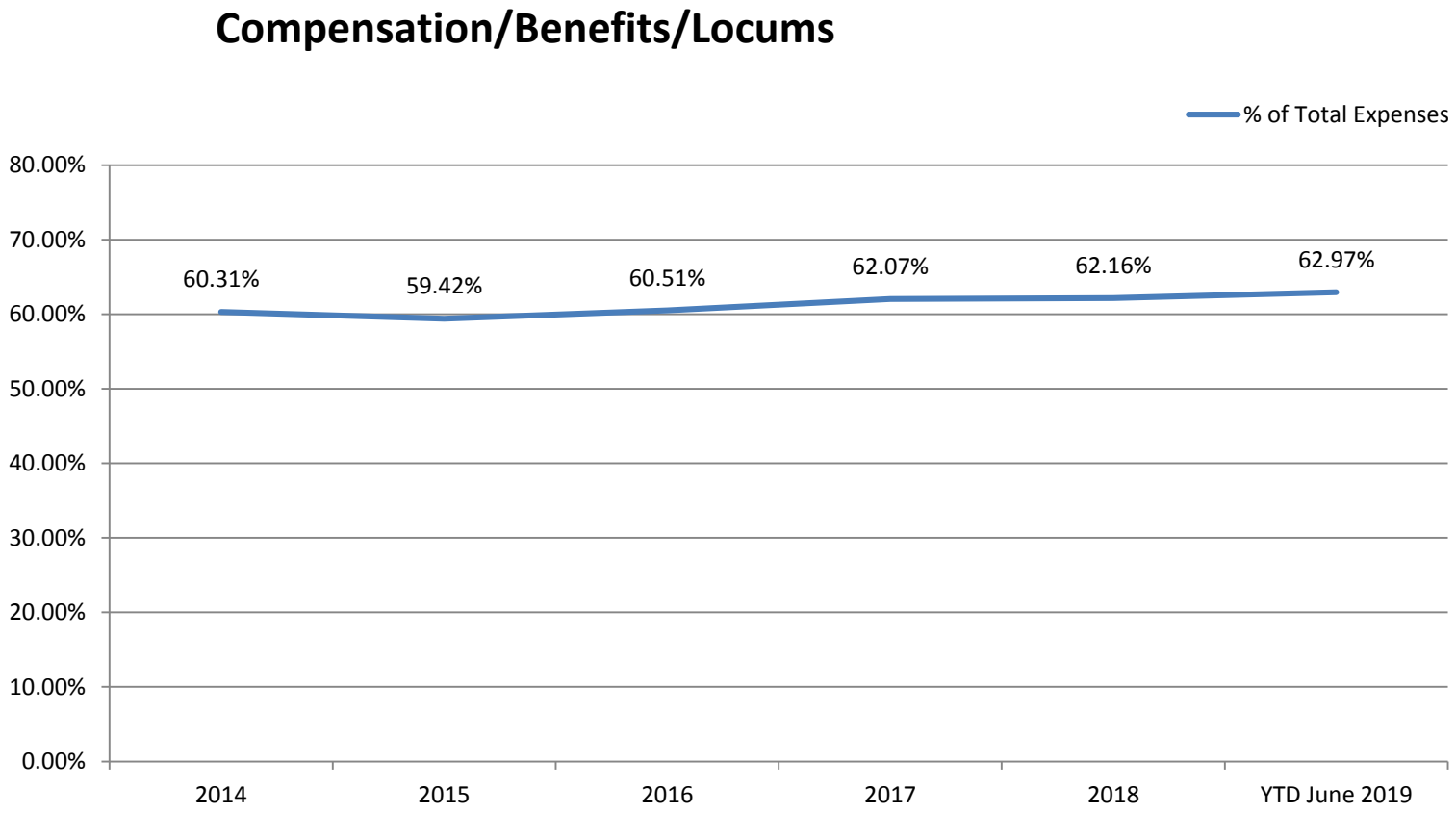
- Expense Drivers
  - Compensation/Benefits
  - Locums/Travelers

6 – Expense Drivers





6 – Expense Drivers



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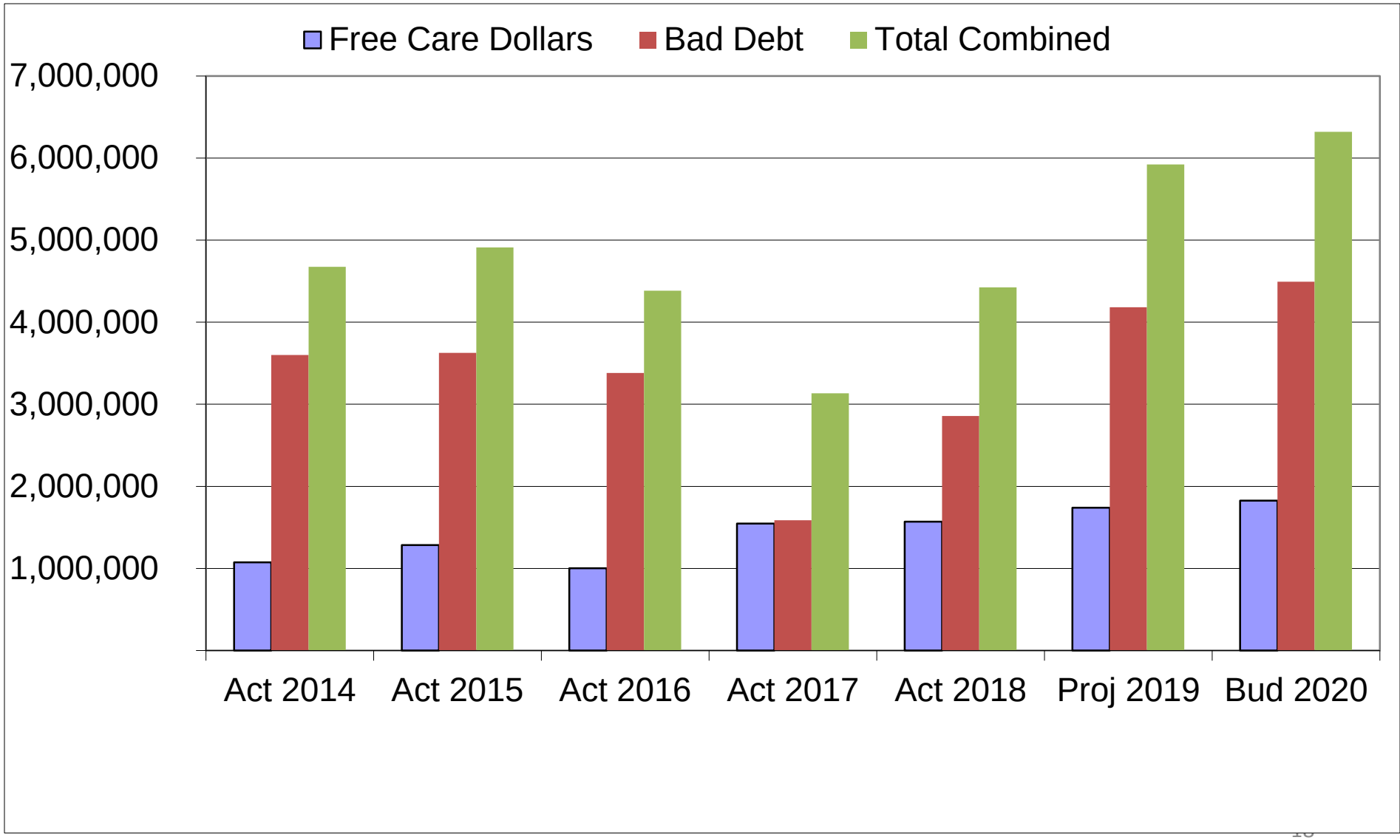
6-Bad Debt and Free Care



6-Financials - Projections

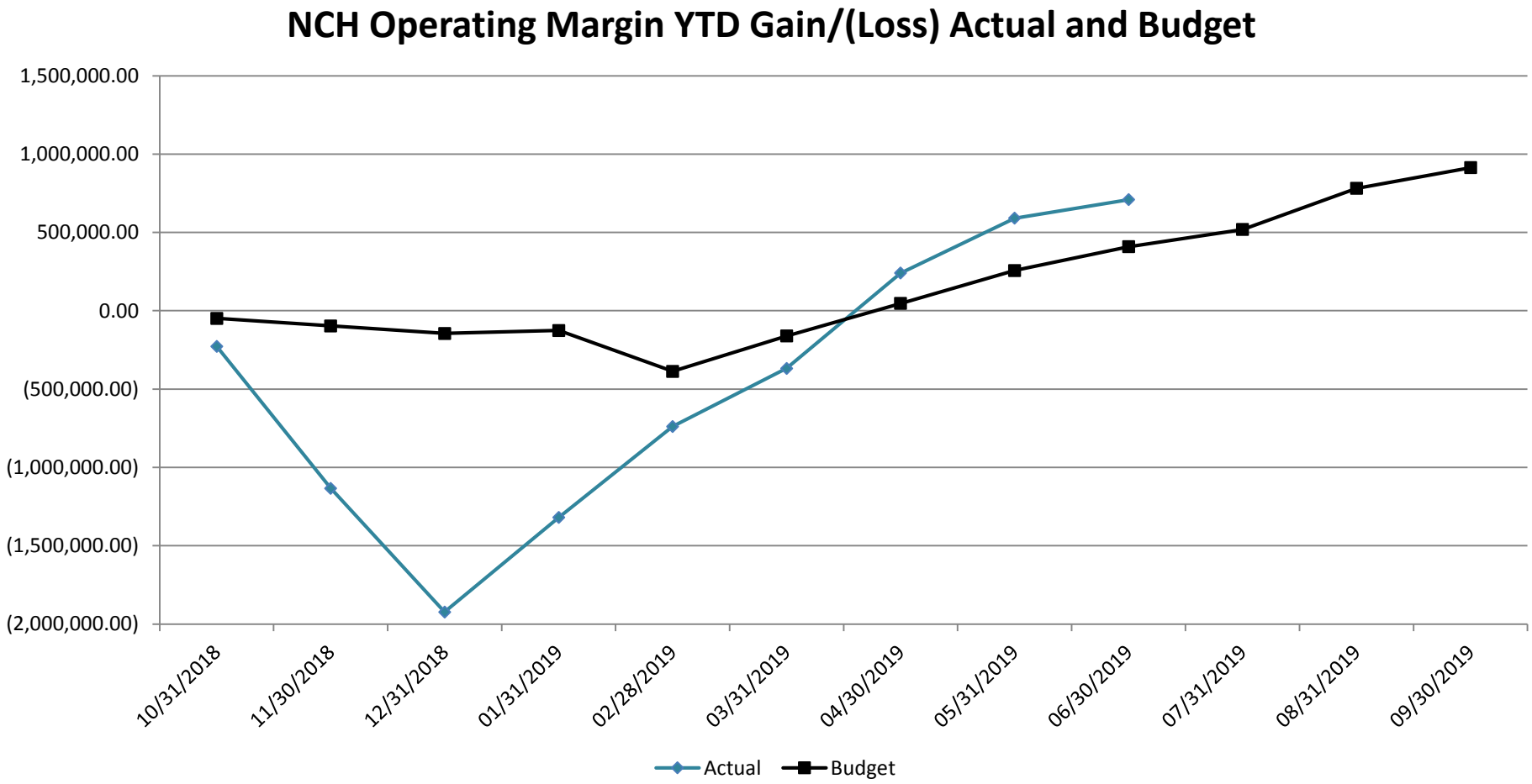
Ensure Continued Financial & Operational Viability

Current Year Projections-Operating Margin

- FY2019 Projected $1.4 M = 1.6%
- YTD June 2019 Actual $709k = 1.1%
- YTD June 2019 Budget $408k = .62%

- FY2019 Budget $900K = 1.0%

6-Financial Projections



7- Hospital Story

Advance Health Care Reform- OneCare Vermont

- Medicaid Risk Contract - Third Year
- Blue Cross QHP Risk Contract – First Year
- NCH's Successful Medical Home Model

Unknowns/Concerns:

- Increased Cost in Supporting the Reporting and Care Requirements (FTEs)
- Small Player in Influencing Shared Risk

7-Cost Containment

- Budget Mitigation Plan
- Premier labor benchmarking at 105% Productivity
- 340B contract management
- Nursing intern program
- New England Alliance for Health contracting and supply chain
- Facility energy efficiencies
- athena Health EHR

7-Major Collaborations

We Collaborate to make Vermont a Healthier, Stronger Place

- UVM Medical Center
  - Outpatient Hemodialysis
  - Nephrology Clinic
  - Clinical Pathology
  - Neonatal Intensive Care & Transport
  - Collaborate with OB Clinical Quality Initiatives
- Dartmouth Hitchcock
  - Cardiology (Stroke & STEMI Collaboratives)
  - Oncology (Norris Cotton Cancer Center)
  - Telemedicine – Tele-Neuro, Tele-Psych, Tele-Pharm
  - Group Purchasing (New England Alliance for Health)

7-Major Collaborations

We Collaborate to make Vermont a Healthier, Stronger Place

- Northern Counties Health Care (FQHC)
  - Dental Clinic in Orleans
    - Provide Linen Services
- Northeast Kingdom Human Services (Designated Mental Health Agency)
  - Psychiatry in NCH Primary Care Clinic-MD and NP
- Northern Vermont Regional Hospital
  - Sleep Medicine and Pulmonary Services - LLC
- Upper Connecticut Valley Regional Hospital (NH)
  - General Surgery provided by North Country Hospital
- Littleton Regional Hospital (NH)
  - Orthopedic Surgeon

8-Capital Budget Initiatives

- FY 2019 Capital Budget = $3.6M
  - Funded Through Operating Cash
- Routine Equipment and Facilities Replacement
  - Medical Equipment $2,327,588
  - Technology $ 846,616
  - Facilities $ 360,727
- Facility Master Plan

9 – Long Range Outlook

- Medicare ACO
  - Additional risk of $1.2 mil
  - CAH status
- 4-5 Years of Continued Locum Resources with International Staff
- Facility Master Plan Activity
- NCH Medical Home Model-Payer Blind
- Physician Development Plan Activity

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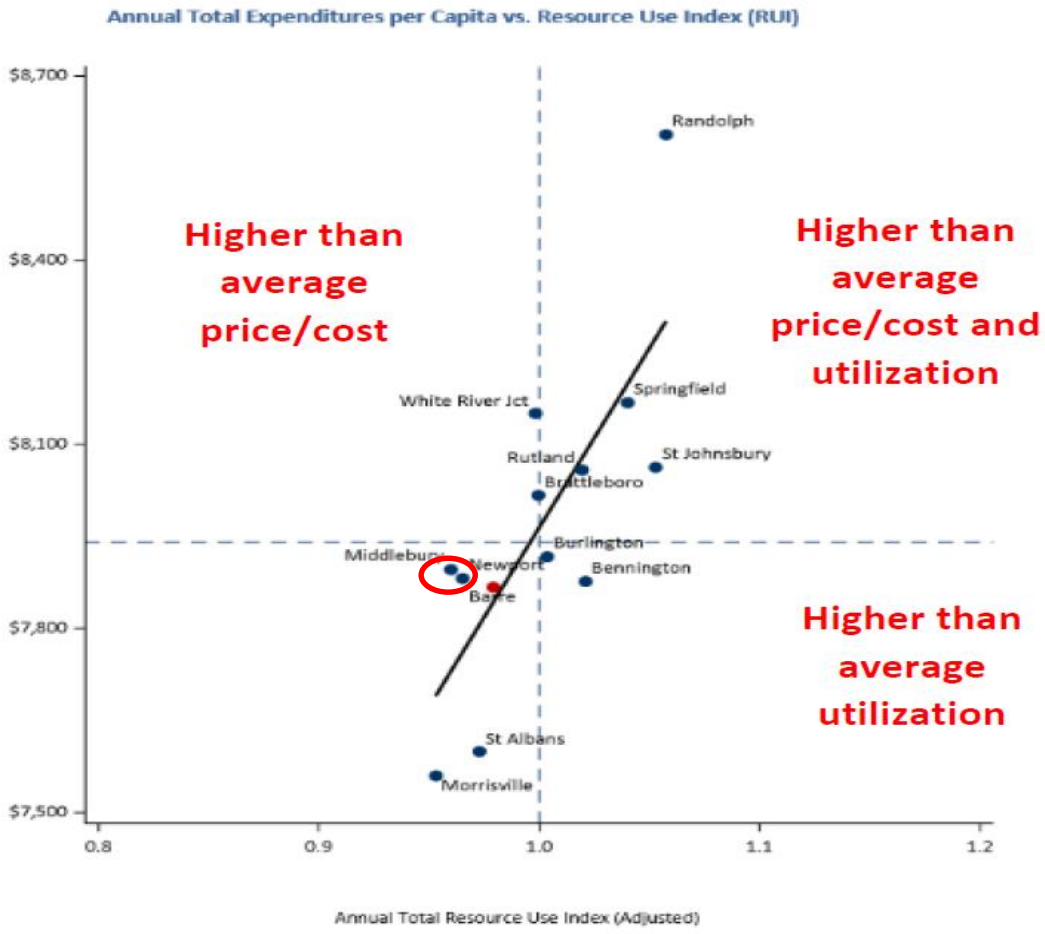
TCOC

Hospital Service Area of Patient Residence	2012	2013	2014	2015	2016	2017	5-Year Compounding Growth Rate
Barre	$386.25	$412.15	$430.99	$445.12	$489.67	$479.57	4.4%
Bennington	$439.97	$453.64	$464.43	$479.16	$496.70	$508.14	2.9%
Brattleboro	$408.98	$409.73	$419.43	$420.34	$453.89	$486.41	3.5%
Burlington	$351.29	$378.03	$389.47	$402.99	$429.12	$445.53	4.9%
Middlebury	$377.55	$412.63	$415.64	$431.85	$464.06	$469.07	4.4%
Morrisville	$375.35	$378.53	$387.37	$388.78	$404.79	$420.88	2.3%
Newport	$416.06	$424.26	$426.08	$434.80	$452.52	$479.65	2.9%
Randolph	$434.81	$448.97	$467.31	$512.82	$522.98	$574.90	5.7%
Rutland	$459.60	$486.65	$487.80	$504.74	$528.24	$551.08	3.7%
Springfield	$470.82	$477.60	$472.21	$518.65	$527.10	$549.65	3.1%
St Albans	$393.96	$407.67	$432.73	$448.26	$456.28	$466.19	3.4%
St Johnsbury	$404.04	$423.11	$425.58	$441.02	$481.44	$495.53	4.2%
White River Jct	$419.70	$440.18	$451.56	$458.47	$450.32	$493.91	3.3%
Statewide	**$399.27**	**$418.51**	**$428.40**	**$443.13**	**$466.32**	**$483.50**	**3.9%**

TCOC


Annual Total Expenditures per Capita vs. Resource Use Index (RUI)
$8,700
$8,400
$8,100
$7,800
$7,500
0.8
0.9
1.0
1.1
1.2
Annual Total Resource Use Index (Adjusted)
Randolph
Higher than average price/cost
Higher than average price/cost and utilization
White River Jct
Springfield
Rutland
St Johnsbury
Brattleboro
Burlington
Middlebury
Newport
Bennington
Barre
Higher than average utilization
St Albans
Morrisville

10 – Historical Compliance with Budget Orders

North Country Hospital is in compliance with historical budget orders

Healthy Vermont Together: People, Passion, Promise

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Budget Analysis Questions

Questions & Answers…