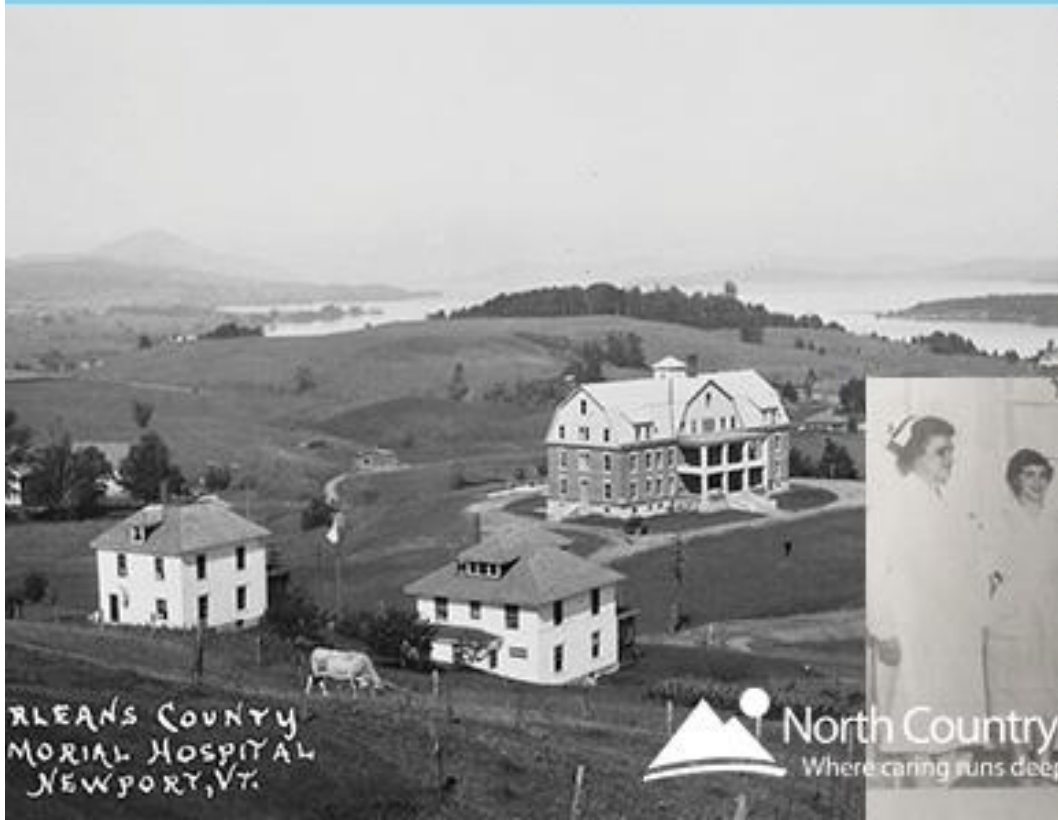






Celebrating the dream that started 100 years ago



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

August 21, 2019

Presenters

- Brian Nall, President and CEO
- André Bissonnette, CFO

Support

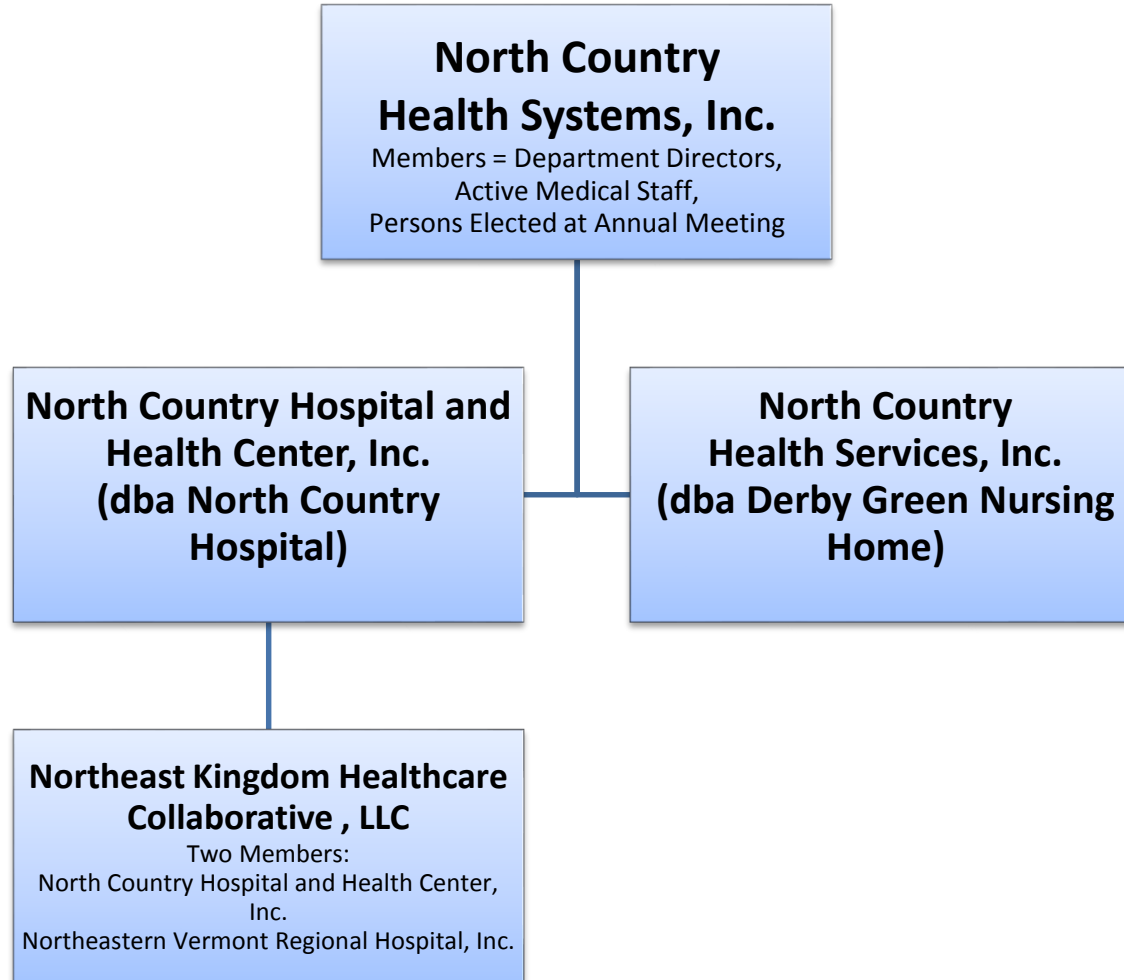
- Gary Gallespie, Board Vice Chair
- Bill Perket, Vice President Human Resources
- Avril Cochran, Vice President Patient Care Services
- Anita Flagg, Controller
- Shaylyn Beaton, Staff Accountant
- Adam Messier, Staff Accountant
- Wendy Franklin, Director of Development and Community Relations



Service Area \approx 30,000

45 Minutes to Closest Critical
Access Hospital

2 Hours to Tertiary Care





Net Revenue (NPR) Increase of 3.30% (Hospital and Practice)

Fee increase on Gross Revenues

- 4.2% Overall fee increase

- 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

- Service Line Road Map
- Physican 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



Appendix 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						

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%	11.6%
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					

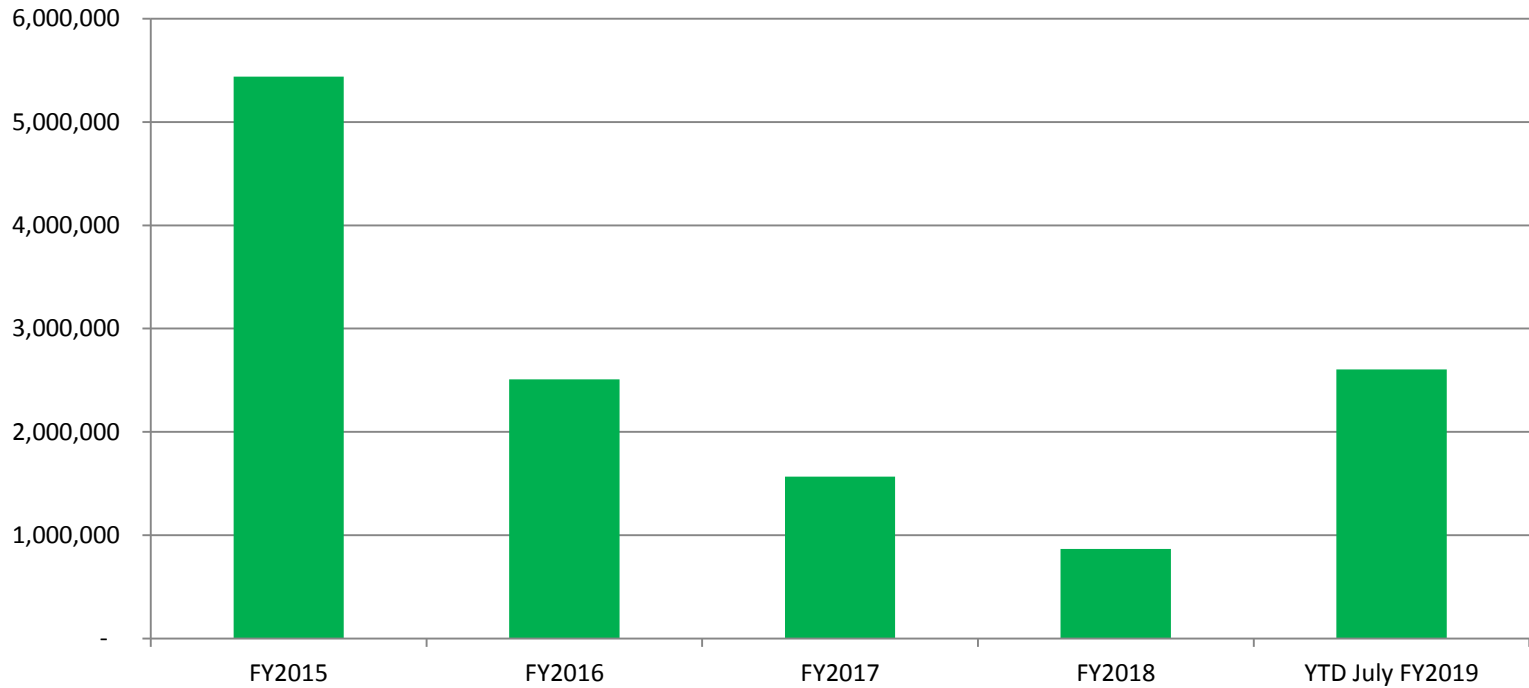
3.4% NPR Growth

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.

Cash Flow - Cash Balance

■ Cash Flow - Cash Balance



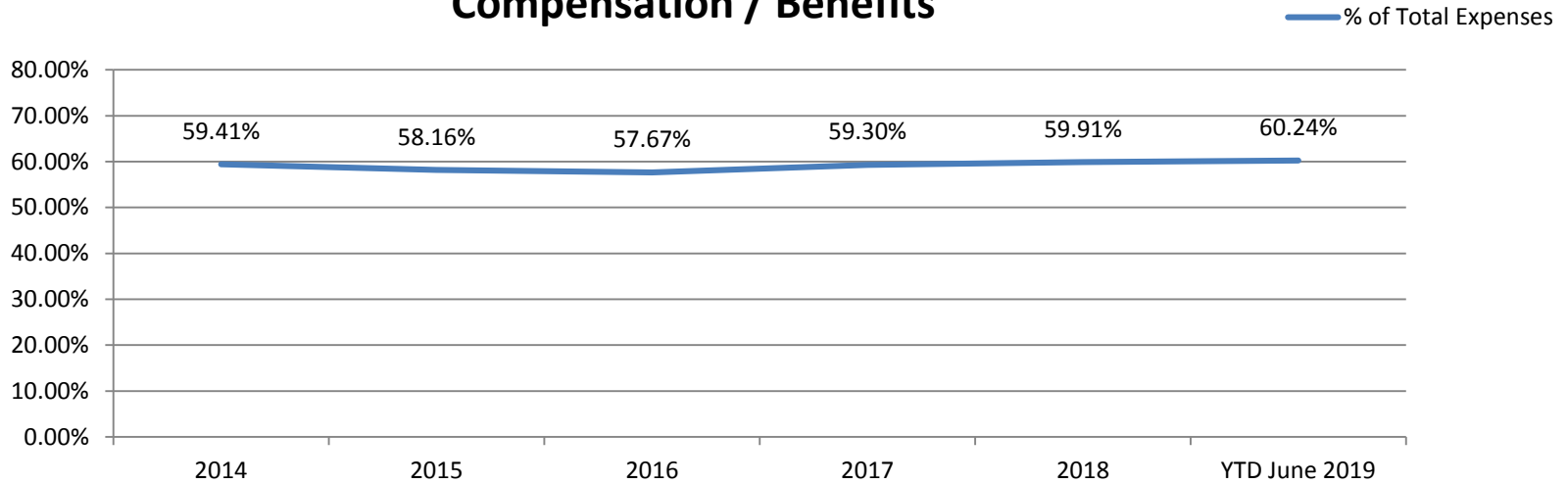
Improved
Cash Flow

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	-32.7%	-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

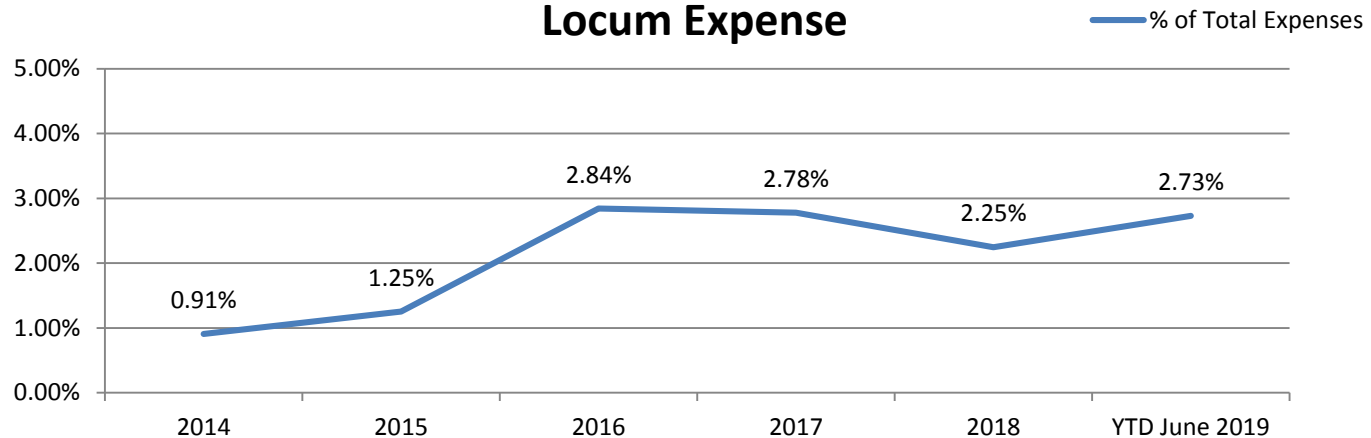
OBSERVATIONS: Days Cash on Hand declined from FY18 to FY19 but is budgeted to improve. The Days Cash on Hand for North Country is higher than the system average but Days payable is also higher than the system average (unfavorable). The hospital is not expecting to make capital improvements/investments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

- Expense Drivers
 - Compensation/Benefits
 - Locums/Travelers

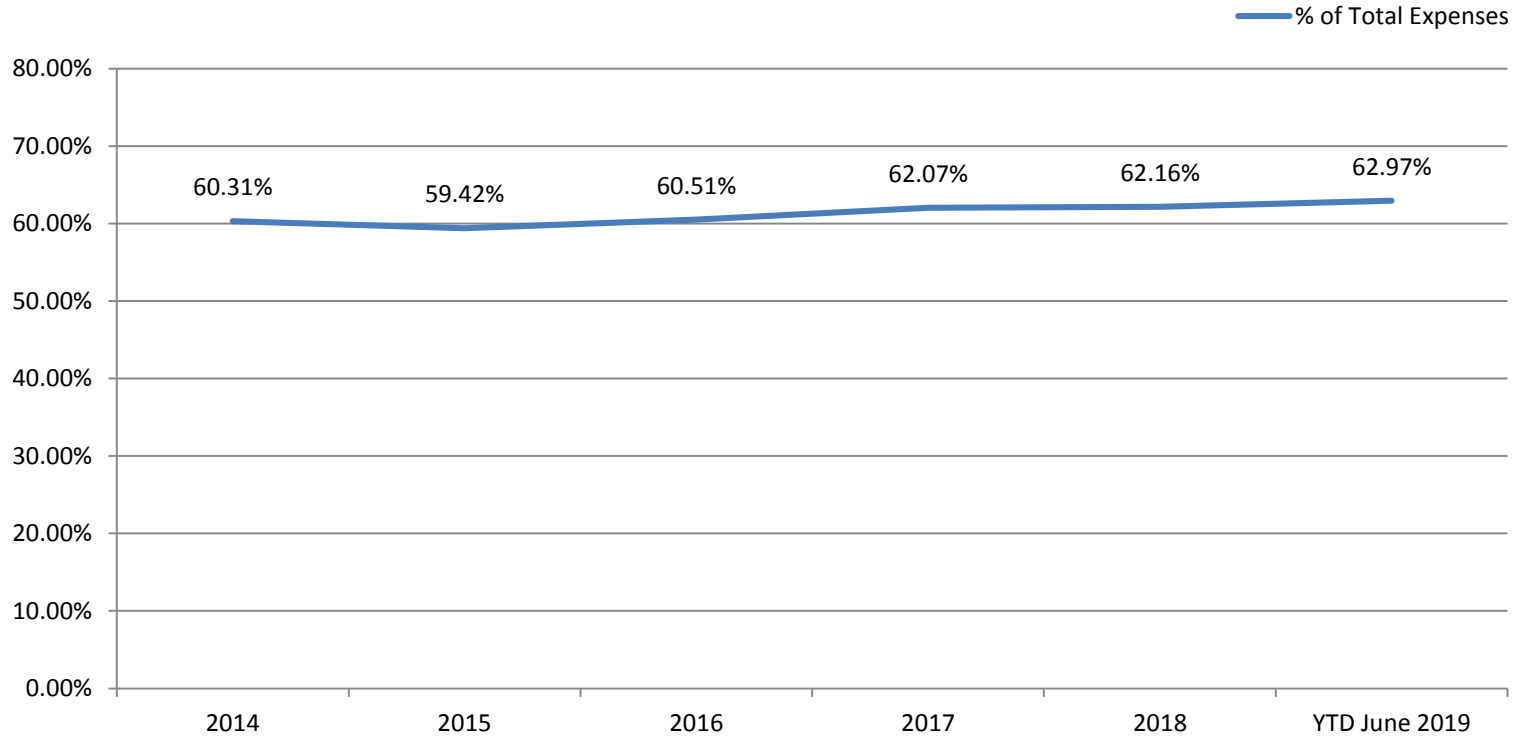
Compensation / Benefits

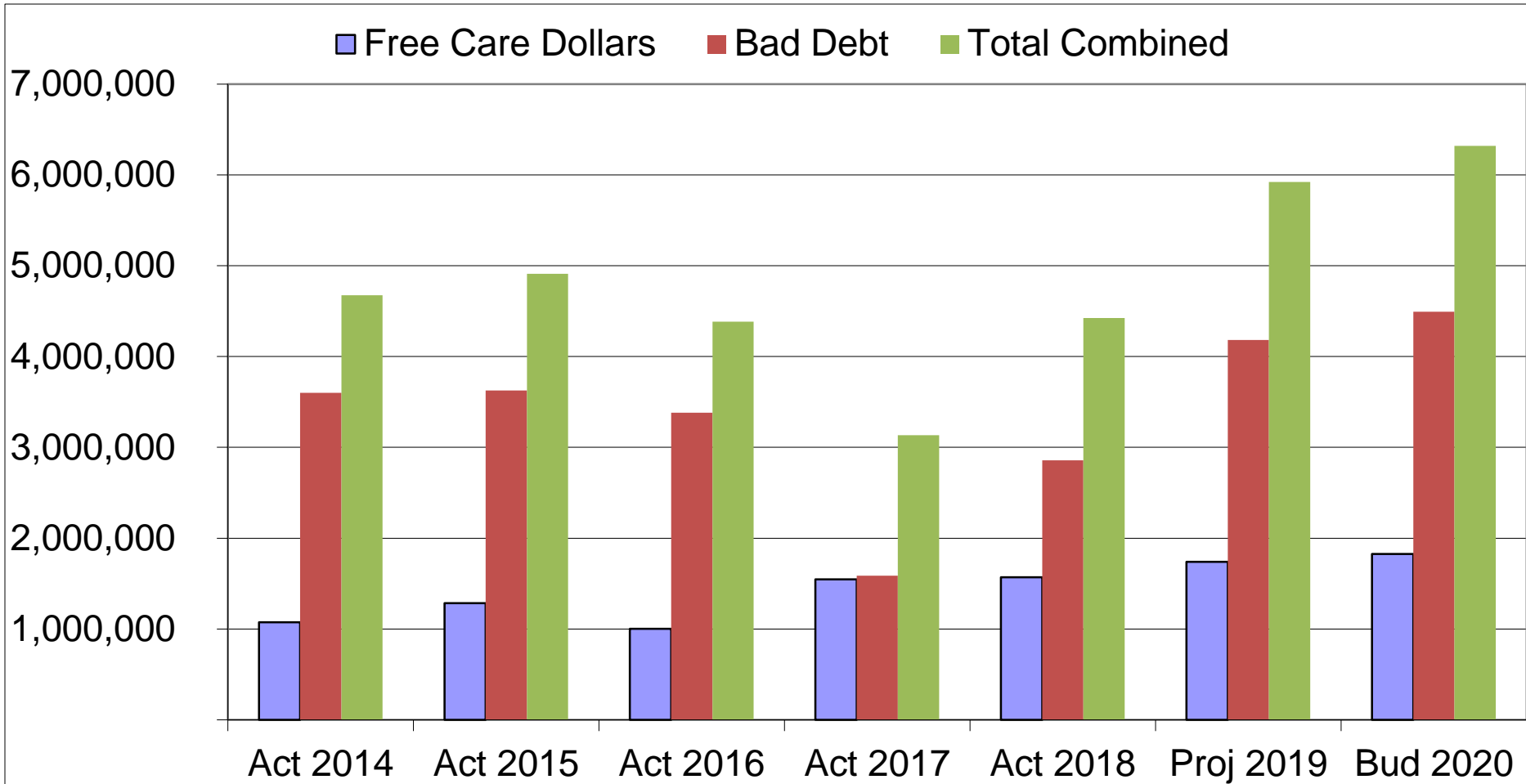


Locum Expense



Compensation/Benefits/Locums





Ensure Continued Financial & Operational Viability

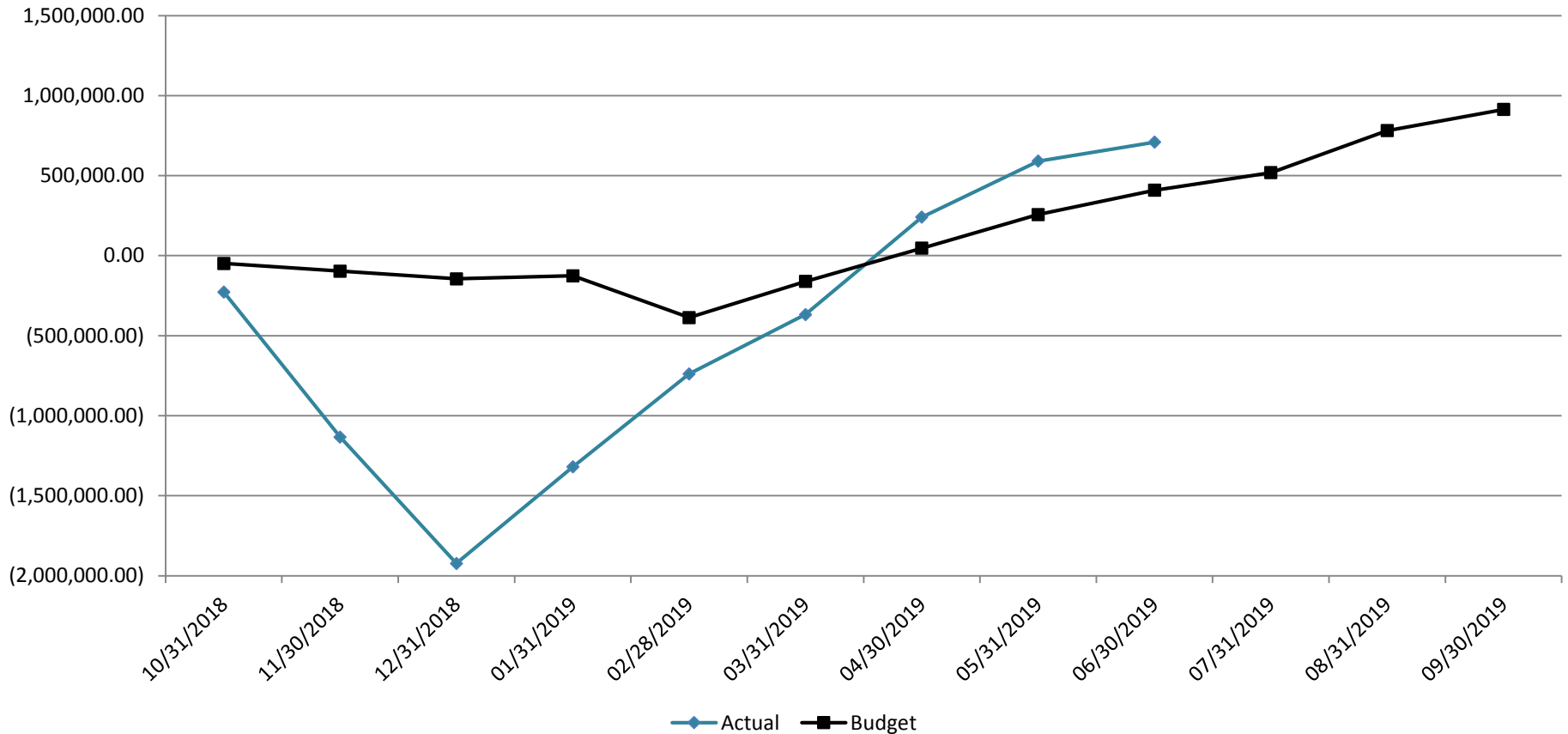
Current Year Projections-Operating Margin

- 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%



NCH Operating Margin YTD Gain/(Loss) Actual and Budget



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

- 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

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)

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



➤ **FY 2019 Capital Budget = \$3.6M**

- Funded Through Operating Cash

➤ **Routine Equipment and Facilities Replacement**

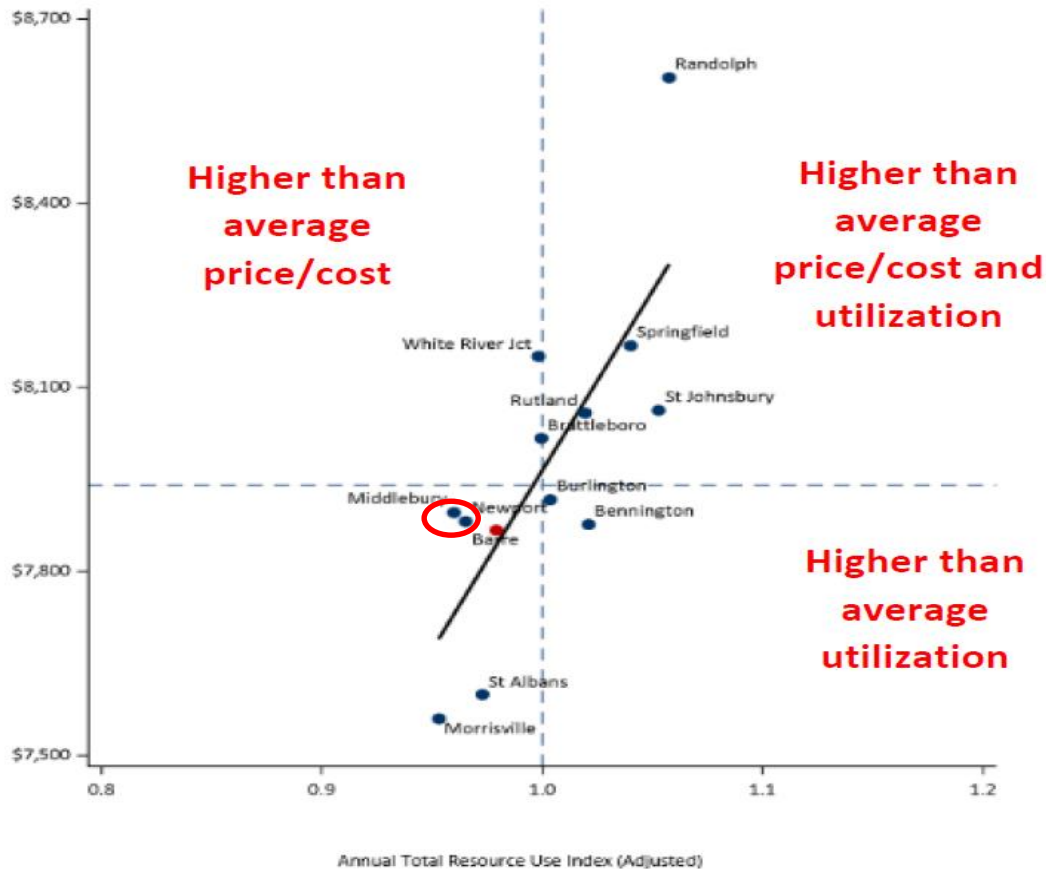
- Medical Equipment \$2,327,588
- Technology \$ 846,616
- Facilities \$ 360,727

➤ **Facility Master Plan**

- 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

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%

Annual Total Expenditures per Capita vs. Resource Use Index (RUI)



North Country Hospital is in compliance with
historical budget orders

Healthy Vermont Together: People, Passion, Promise



North Country Hospital
Where caring runs deep.

Questions & Answers...