August 23, 2024

Ms. Alena Berube, Director of Health Systems Finance
Green Mountain Care Board
144 State Street
Montpelier, Vermont 05633

Subject: RRMC Responses to Hearing Questions

Dear Alena,

The following information discloses Rutland Regional Medical Center's (RRMC) responses to the requested questions received on August 8, 2024.

1. **Could you provide your strategic plan?**

   RRMC submitted its two-page strategic plan, through the Adaptive software platform, as part of its budget submission on July 8, 2024. Could you kindly ensure it is circulated to the Board Members, if it has not already occurred?

2. **For the 12% of patients that are impacted by Medicaid redeterminations - could you provide a breakdown? (i.e. - self-insured, commercial).**

   For the 12% of Medicaid patients that were impacted by the redeterminations, 6% of those patients are now being classified in the major commercial category, 2% have shifted to smaller commercial payers, 1% has shifted to out of state commercial, and 3% have transitioned to self-pay.

3. **Could you provide metrics for utilization increases - meaning - more data around backlogs and changes in wait times, to demonstrate the impact of those (utilization) increases.**

   The following wait time data illustrates improvements in wait times for those areas experiencing large increases in utilization:

	Within 2 Weeks		Improvement
	2023A	2024YTD	
MRI	37.2%	66.9%	79.9%
CT Scan	39.1%	45.2%	15.5%
Mammography	31.1%	40.4%	29.9%
Sleep Medicine	6.7%	33.3%	394.8%
Endoscopy	20.4%	19.5%	-4.4%

- *MRI* – a notable improvement is seen in MRI services, where the percentage of appointments scheduled within 2 weeks has increased from 37.2% in 2023 to 66.9% in 2024, marking a substantial improvement of 79.9%. This indicates enhanced efficiency in handling MRI appointment requests. However, as noted during our hearing, we are experiencing an increase in demand for MRI services, which is creating a 5 – 6 week backlog in scheduling for the additional volume above baseline.
- *CT Scan* – CT scan wait times have experienced a more moderate improvement, with a 15.5% increase in the percentage of appointments within 2 weeks, rising from 39.1% in 2023 to 45.2% in FY 2024. As of note, the wait times will continue to improve as we have introduced a second CT scanner in May of 2024.
- *Mammography* – wait times for mammography have also improved, with a 29.9% increase in the percentage of patients scheduled within 2 weeks, moving from 31.1% in 2023 to 40.4% in 2024. This is a direct result of our efforts to improve operational efficiencies and provide expanded hours of operation. By optimizing our processes, we were able to reduce the time required to perform each mammogram from 30 minutes to 20 minutes, without compromising the quality of care. This operational gain has allowed us to increase the number of mammograms conducted each day by 10, further reducing wait times and enhancing patient access to this crucial diagnostic service.
- *Sleep Medicine* – Sleep Medicine services have seen a dramatic improvement, with a 394.8% increase in the percentage of patients seen within 2 weeks. This jump from 6.7% in 2023 to 33.3% in 2024 highlights the significant strides made in reducing wait times for this specialty. The addition of two new APPs in FY 2023 has been pivotal, as they have become more efficient after initially joining the organization, allowing for an accelerated ramp-up in service delivery. Additionally, the stabilization of staffing levels has enabled us to expand weekend access, further enhancing patient availability and continuing our commitment to providing timely care.
- *Endoscopy* – while many services have experienced improvement, Endoscopy is an exception, with a decline of 4.4% in the percentage of procedures scheduled within 2 weeks, decreasing from 20.4% in 2023 to 19.5% in 2024. To effectively reduce the wait times within this services line, a critical provider vacancy must be filled. Opportunely, that vacancy will be filled prior to the close of FY 2024. Additionally, while managing a provider vacancy within general surgery, we have also experienced a surge in demand for colonoscopies, leading to a backlog of approximately five months for screening procedures. To address this increase in patient demand, we have developed a two-part strategy: first, we plan to hire an additional gastroenterologist, and secondly, we are exploring the construction of an expanded minor procedure space. This new shared facility would enhance access not only for colonoscopies but also for other procedures such as cataract replacements, bronchoscopies, epidural injections, and more.

4. **Please provide your FY2023 marketing budget, as well as a list of local ad campaigns.**

   Our marketing efforts are designed to inform and engage the community rather than to drive volume exclusively to our service area. It is important to acknowledge that much of the

patient volume we receive is influenced by our strong reputation, particularly for our award-winning orthopedic program, which attracts patients through word of mouth not only by other patients, but also by our staff. This is true with many of our services. This organic patient referral demonstrates the trust and confidence that patients place in RRMC.

Additionally, more recent shifts in regional healthcare demand have contributed to increased patient volume at RRMC. For example, the retirement of a long-standing orthopedic surgeon in Middlebury, VT, created a need for accessible care, which we were able to fulfill through the Vermont Orthopedic Clinic at RRMC. This shift resulted in many patients from the Middlebury area seeking care in Rutland, especially for conditions such as arthritis and injuries that impact daily life.

Furthermore, RRMC's presence extends beyond our immediate health service area, with practices located in other regions, including our Dorset practice that is located in Bennington County and has been owned by RRMC since 2012. Additionally, our primary care affiliation with our community's FQHC, which serves neighboring counties through its locations in Brandon and Shoreham also exemplifies the broader range across various communities. These primary care offices regularly refer patients to RRMC, further contributing to the increased volume and ensuring that patients receive specialized care.

The chart below outlines RRMC's marketing/advertising budget for the requested period:

Expense Category	FY 2023 Budget
Direct Marketing	491,900
Marketing Support	190,100
Web Hosting and Website Support	221,451
Grand Total	**903,451**

The chart below outlines RRMC's local ad campaigns for the requested period:

Local Campaign	FY 2023
Addison/Rutland County	**16,785**
Brand Awareness	5,000
Patient Testimonial	3,785
Provider Excellence	500
Recruitment	7,500
Bennington County/Saratoga	**14,190**
Brand Awareness	4,505
Provider Excellence	3,183
Recruitment	6,503
Dorset/Manchester	**16,812**
Brand Awareness	13,032
Provider Excellence	1,260
Recruitment	2,520
Rutland County	**94,608**
Brand Awareness	49,700
Patient Testimonial	600
Provider Excellence	12,760
Provider Excellence - New Provider Intro	8,840
Recruitment	22,709
Grand Total	**142,395**

5. **Referencing Bartholomew and Nash - what do you calculate your Medicare cost coverage as, compared to their 73%?**

   Although we arrive at the same calculation of 73%, which is derived using the inpatient hospital-specific rate, adjusted by the wage index, and multiplied by the case mix index, it is important to note that several cost report variables can significantly impact this calculation, and these nuances are worth highlighting:

   1. *Wage Index Variables* – the wage index is a critical factor in determining Medicare reimbursement rates, and some hospitals can benefit from reclassifying their wage index. This reclassification can occur in two primary ways:
      i. Proximity-Based Reclassification – some hospitals may reclassify to a higher wage index by virtue of their proximity to another hospital with a higher wage index. This can allow hospitals to receive a reimbursement rate more reflective of a higher-cost labor market.
      ii. Rural to Urban Reclassification – certain hospitals can reclassify from a rural to an urban designation to take advantage of the generally higher wage indexes associated with urban areas. This reclassification can significantly enhance their reimbursement rates.

      Unfortunately, RRMC does not benefit from these reclassification opportunities due to its specific geographic location and proximity to other hospitals.

      Consultant Vendor Hours and the Wage Index Calculation – another variable to consider is the way hospitals manage consultant vendor hours in relation to the wage index calculation. The wage index is influenced not only by the reported hours and compensation of hospital employees and traveling staff, but also influenced by third-party consulting hours that can be included in these calculations. However, vendors often resist this incorporation as it may affect their contract structures. RRMC has been actively collaborating with its vendors to improve this aspect, seeking ways to include these hours in a manner that optimizes our wage index.

   2. *Federal Specific Rate vs. Hospital Specific Rate* – the hospital-specific rate is derived from a hospital's 2006 historical costs and is used to calculate Medicare payments. A recalibration of the rates, whether at the federal level or specific to individual hospitals, could potentially impact the calculation of Medicare cost coverage. The relationship between the federal and hospital-specific rates, especially if adjusted for inflation or regional cost variations, is a critical element in determining the accuracy of the Medicare cost coverage percentage.

   3. *Low Volume Adjustments* – it is also important to note that hospitals receiving a low-volume adjustment (a payment adjustment given to hospitals with low patient volumes to compensate for the higher per-patient cost) will not have this factored into the Medicare payment portion of the cost coverage calculation after the cost report is filed, which can lead to discrepancies when comparing hospitals with varying patient volumes.

6. **Can you let us know your Medicaid budget increase for FY2024?**

   RRMC did not account for any increase in Medicaid reimbursement in the FY 2024 budget.

7. **For overages in FY2023 - was there a temporal factor to that? When and how that came about - can you break it out by month & service line?**

   As mentioned during our hearing, our baseline budget is initially formulated using utilization data from the first five to six months of the fiscal year, depending on the timing on the financial close and the timing of the budget cycle for that year. This data is then annualized to establish a preliminary baseline, which is then compared to a two-year historical lookback to validate the assumptions. After establishing the baseline, *anticipated* changes in utilization for the upcoming fiscal year are integrated into the budgeting process. It is important to emphasize that despite thorough planning, unanticipated changes may arise after the budget has been formulated. These unexpected factors could include the timing of new providers joining the organization to fill long-standing vacancies, fluctuations in patient demand necessitating operational adjustments to enhance efficiency and reduce wait times, or unforeseen provider changes in neighboring HSAs that could drive additional patients to our service area, etc.

   As detailed in RRMC's response to GMCB's notice of FY 2023 budget violation, as well as contained in our FY 2023 actual narrative, RRMC has experienced increases in specific service lines. Additionally, RRMC has been conscientiously engaged in identifying and addressing gaps that have led to notable improvements in access to care across multiple service areas:

   - *Pharmacy* – volume surpassed expectations, which was attributed to the introduction of newly utilized monoclonal antibody treatment drugs, primarily for the treatment of cancer, autoimmune, and infectious diseases.
   - *CT Scan* – volume exceeded budgeted targets as local patient demand as well as patients from outside of Rutland's HSA sought services at our hospital. As outlined in question 3, this is correlative to the improvement in wait times for this service.
   - *Emergency Department* – emergency room services surpassed budgeted estimates, which related to a lack of access to primary care in our health service area. Our primary care partners in our community faced significant challenges in filling provider vacancies, leading to periodic closures of urgent care services in the area. Additionally, they were compelled to pause the acceptance of new patients due to staffing shortages.
   - *Orthopedics* – the primary factor contributing to the increase in orthopedic utilization was the increase in patients from outside of our service area seeking these services. This was influenced by the retirement of a long-standing orthopedic surgeon in Middlebury, as discussed in our response to question 4, which contributed significantly to the influx of patients seeking care at RRMC.
   - *Endoscopy* – although wait times for endoscopy services have not met expectations in FY 2024, RRMC has observed an increase in volume due to a shift in the mix of

services, with a higher number of diagnostic procedures being performed compared to screening procedures.

Each of the aforementioned increases occurred after the budget was formulated and is correlative to the increases outlined in the requested monthly breakdown of the revenue and utilization trends.

Please reference questions eleven and twelve for the monthly detail by service line.

8. **There was $6M custodial care expense in FY2024 - can you supply the average daily census included in the FY2025 budget?**

The total average daily census budgeted for FY 2025 is 97.0. Custodial day volume comprises 8.17 of that census, which is 8.4% of budgeted patient activity for FY 2025.

9. **Could you provide your marketing / advertising spending for the last 3 years?**

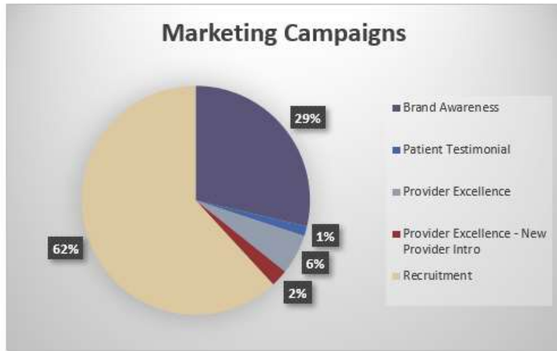
The chart below outlines RRMC's marketing/advertising spend for the requested period:

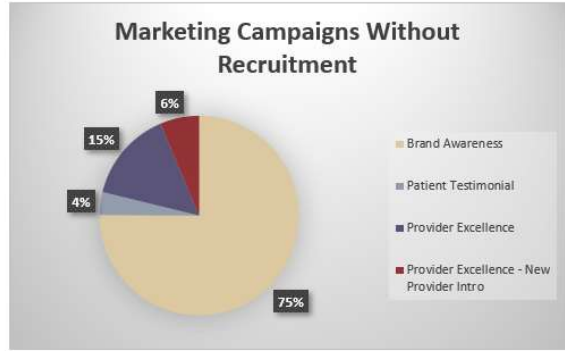
Expense Category	FY 2022 Actual	FY 2023 Actual	FY 2024 YTD
Direct Marketing	511,228	363,807	326,568
Marketing Support	239,846	215,577	124,753
Web Hosting and Website Support	205,650	237,092	262,580
Grand Total	**956,723**	**816,476**	**713,900**

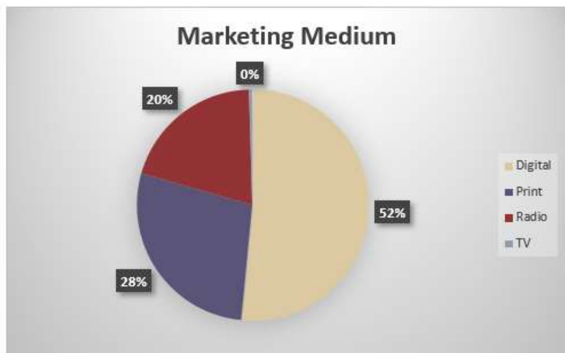
RRMC distinctly differentiates direct marketing expenses from marketing support expenses. Direct marketing expenses refer to the costs associated with engaging the community and informing them about the hospital's services through various channels such as television, radio, digital, and print advertisements. These efforts focus on raising awareness and ensuring that patients and the public are well-informed with regard to the healthcare options available to them. This also includes information regarding new providers joining the organization, patient testimonials regarding the quality of care they received, and healthcare education opportunities. On the other hand, marketing support expenses encompass the foundational resources and tools that enable these direct marketing efforts. This includes costs associated with videography and photography used to create compelling visuals, digital signage, as well as fees for online campaigns and social media monitoring.

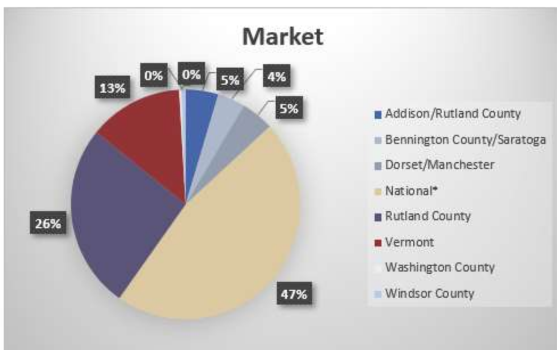
10. **Could you provide details about your ad campaign runs in FY2023?**

The information outlined within the charts below provides the requested information:









11. Could you provide month-by-month data on utilization above forecast? Could you please discriminate this data by service line?

Please reference the accompanying excel file that provides the requested information.

12. Could you provide month-by-month data on revenues above your forecast? Could you please discriminate this data by service line?

Please reference the accompanying excel file that provides the requested information.

13. Can you provide the documentation of how you calculated your Medicare cost coverage?

Customarily, we have calculated our Medicare cost coverage using the cost report lines and data outlined below:

FY 2022 Cost Report	Medicare	Medicaid	Total
Costs			
IP Costs (D-1 Line 49)	48,491,017	23,278,134	71,769,151
Observation Costs (D-1 line 89)	2,562,725	2,552,555	5,115,280
OP Costs (D Part 5 line 202 Column 5)	48,628,267	21,885,372	70,513,639
Total Costs	**99,682,009**	**47,716,061**	**147,398,070**
Reimbursement			
IP Payments (E Part A line 59)	33,676,011	-	33,676,011
OP Payments (E Part B line 24)	37,601,054	-	37,601,054
Medicaid Net Reimb & DSH (S-10 Line 2 & Line 5)	-	33,412,314	33,412,314
Total Payments	71,277,065	33,412,314	104,689,379
SubTotal Loss on Program	**(28,404,944)**	**(14,303,747)**	**(42,708,691)**
Loss on Professional Services	**(10,007,611)**	**(5,039,487)**	**(15,047,098)**
Total Loss on Program	**(38,412,555)**	**(19,343,234)**	**(57,755,789)**

Additionally, it is worth noting that we are in the process of incorporating the impact of custodial care into these calculations, which would also be an important variable to consider when comparing hospitals to the Bartholomew & Nash methodology.

RRMC would like to address two additional elements:

1. RRMC's fragile margin performance from FY 2021 to FY 2023.
2. The connection between RRMC's Community Health Needs Assessment and the increase in revenue for FY 2023, as queried by Board Member Walsh.

Regarding margin performance over the past three years, including the enforcement year, it is crucial to emphasize the precarious financial position RRMC is emerging from. Over this period, RRMC operated at a relative break-even point, achieving a combined margin of just 0.5%. This minimal margin is insufficient to support the necessary reinvestments in capital, particularly given the critical need to address the aging infrastructure of our facilities and equipment.

RRMC - Operating Margin			
Actual FY 2021	Actual FY 2022	Actual FY 2023	3 Year Performance
6,970,064	(12,483,357)	7,422,668	1,909,375
2.2%	-3.8%	2.1%	0.5%

In relation to the 2021 CHNA, which identified four key focus areas – housing, childcare and parenting, mental health, and supporting an aging community – Board Member Walsh correctly noted that some of these areas are not directly tied to healthcare, but are instead broader community needs. While we acknowledge this distinction, RRMC has concentrated its efforts on those areas where we can have a direct and meaningful impact, specifically regarding mental health and services that meet the needs of our aging population.

To support mental health, RRMC has made targeted investments in our outpatient mental health services, significantly enhancing access to care in this critical area. For our aging community, we have prioritized improving access to services they frequently require, such as imaging, oncology, and endoscopy.

Additionally, it is important to underscore that RRMC actively supports community-based agencies addressing housing, childcare, and parenting through funding and partnerships facilitated by RRMC's Bowse Health Trust. These contributions reflect our broader commitment to the well-being of our community, even in areas where our direct healthcare services may not be the primary intervention. These efforts are aligned with RRMC's ongoing commitment to health equity, workforce development, and food security, ensuring that our initiatives are both comprehensive and responsive to the needs of our community.

We remain available to answer questions or inquiries you may have as it pertains to our fiscal year 2025 budget and actual FY 2023 performance.

Sincerely,

J. Bertrand

Jennifer Bertrand
Chief Financial Officer
Rutland Regional Medical Center

CC: Mr. Owen Foster, J.D., Chair – Green Mountain Care Board
Judi Fox, President & CEO – Rutland Regional Medical Center