

Southwestern Vermont Medical Center FY2025 GMCB Budget Presentation August 7, 2024



Today's Presenters

Thomas Dee – President and CEO

Robert Laba – Chief Financial Officer

Carl (Trey) Dobson, MD – Chief Medical Officer

James Roy - Controller

SVMC Background

EXCEPTIONAL CARE CLOSE TO HOME

Southwestern Vermont Health Care (SVHC) is a comprehensive health care system servicing Bennington and Windham Counties in Vermont, eastern Rensselaer and Washington Counties in New York, and northern Berkshire County in Massachusetts.

MISSION

SVHC exists to provide exceptional health care and comfort to the people we serve.

VISION

SVHC is recognized as a preeminent, rural, integrated health care system that provides exceptional, convenient, safe, and affordable care.

VALUES

Quality | Empathy | Safety | Teamwork | Stewardship

NEW YORK



HOOSICK FALLS

TWIN RIVERS MEDICAL, P.C.
THE CENTERS FOR NURSING AND REHABILITATION



BENNINGTON

BENNINGTON CAMPUS

SOUTHWESTERN VERMONT MEDICAL CENTER
SOUTHWESTERN VERMONT REGIONAL CANCER CENTER
CENTERS FOR LIVING & REHABILITATION



POWNAI

POWNAI CAMPUS



WILLIAMSTOWN

NORTHERN BERKSHIRE ORTHOPEDICS



NORTH ADAMS

MASSACHUSETTS

DORSET

MANCHESTER

ARLINGTON

SHAFTSBURY

VERMONT

WEST DOVER

WILMINGTON

DEERFIELD VALLEY CAMPUS



SVMC NORTHSHIRE CAMPUS



MOUNTAIN MEDICAL





- 1918** Year Opened
- 3** States Served (VT, NY, MA)
- 200** Medical Staff (150 Physicians that re 100% board certified or eligible and 50 Associate Providers)
- 191** TeleProviders
- 1,200** Total Employees



Consistently Ranked a 4 or 5 Star Hospital by CMS



Five-time Magnet award designated institution for nursing excellence



2024 Emergency Nurses Association's Lantern Award recipient. 1st in Vermont



Leverage DH System Integration & Other Organizational Partnerships

- Collaborate with Dartmouth Health across clinical and operational systems
- Build partnerships with other institutions to address unmet community needs & strengthen SVMC



Advance Clinical Services

- Expand primary care
- Expand specialty care services
- Launch behavioral health & substance abuse services
- Grow inpatient services
- Reduce Inpatient Mortality
- Reduce Healthcare Acquired Conditions



Accelerate Operations Management

- Deliver THRIVE revenue and expense initiatives
- Expand linkage across quality, safety, value efforts
- Evaluate changes in payment models
- Improve the care experience
- Reduce 30 day readmission rate



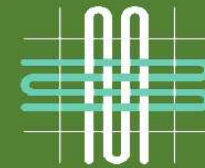
Improve Infrastructure

- Advance IT integration
- Build Cancer Center
- Implement Inpatient Mental Health Unit
- Develop Inpatient Detoxification Unit
- Install Cardiac CT Scanner
- Create facilities to train primary care providers
- Expand telemedicine



Develop the Workforce of the Future

- Address employee and provider wellbeing
- Strengthen workforce pipelines
- Improve workplace safety
- Support diversity, equity, inclusion and belonging



Evolve Toward Population Health & Value Based Care

- Meet the care needs of the community with locally delivered, high-quality care
- Engage with state regulators in development of healthcare transformation
- Deepen collaboration with community partners
- Assist community-based primary prevention efforts
- Participate in community economic development

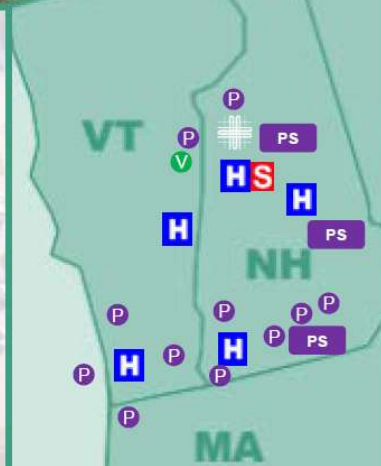
Long Term Strategy:

Dartmouth Health Integration

- Southwestern Vermont Medical Center (SVMC) entered the Dartmouth Health (DH) system on **July 1st, 2023**
- SVMC is DH's **6th Member Hospital**



- H** Alice Peck Day
- H** Cheshire Medical Center
-  Dartmouth Hitchcock Medical Center
- H** Mt. Ascutney Hospital
- H** New London Hospital
- H** Southwestern Vermont Medical Center
- P** Primary Care Campus
- PS** Primary / Specialty Care
- S** Surgery Center
- V** Visiting Nurse & Hospice



Benefits & Strategies for Dartmouth Health Clinical Integration

SVMC is developing into a
Regional Referral Hospital of
the DH System

Expand our Tri-State Catchment
Area from 75,000 to 125,000
People

Expansion of services

3 YEAR FOCUS

Expand Services

- **Oncology**
- **Inpatient Dialysis**
- **Cardiovascular**
- **Mental health**
- **Surgical services**

Primary Care

- **Create Family Medicine Residency in Bennington, VT**
- **New Primary Care Practice in Medical Office Building**

Non-Clinical Integration with DH

- **Other Services**
 - **Supply Chain / Purchasing Power**
 - **IT System Implementation**
 - **Revenue Cycle, Supply Chain, Financial Services**
 - **Human Resources/Compliance/Risk Mgmt**
 - **Patient Transport Systems**

Results of Integration with DH

- **Expands SVMC's service area**
- **Keeps patients local, reducing patient outmigration**
- **Efficiencies through shared administrative services**
- **Group Purchasing for pharmacy, supplies, benefits**
- **Future New EMR Platform (EPIC)**
- **Expands tele-health**

SVMC's Financial Recovery Process THRIVE Plan

(Transformative, Health system-wide, Right-sized, Innovation for Value and Evolution)

- Launched and communicated to ALL staff
- Continual communication and updates
All employees receive monthly updates on financial performance and improvement initiatives.

Dartmouth Health Southwestern Vermont Medical Center

T.H.R.I.V.E.

Transformative, health system-wide, right-sized innovation for value and evolution

NEW ENTRANCE THE KENDALL EMERGENCY DEPARTMENT

What is THRIVE?

Remembering what it stands for is not as important as understanding what it means for you, your colleagues and our patients to *thrive*. THRIVE is SVMC's Financial Recovery Plan, an effort to improve operational sustainability by finding cost-saving solutions and opportunities to innovate and grow.

How will THRIVE impact you?

You'll be hearing a lot more about THRIVE from directors and leaders across the SVMC community. Every employee can contribute to a brighter future for our system. Take a look at a few ideas below.

FY2024 'THRIVE'ing in Action

Revenue Initiatives

- **Increase Access for Patients - \$3-5M**
- **340B Contract Pharmacy Improvements - \$1-2M**

Expense Initiatives

- **Reduce Overtime \$500k**
- **Administrative FTE Reductions - \$400k**
- **Other Salary Adjustments - \$2M**
- **Reduce Discretionary Spending - \$500k**
- **Purchased services out to bid - \$500k**

FY 2025 Budget: Summary and GMCB Benchmarks

Executive Summary

Five Guiding Principals used in developing the budget

1. Stay as close to the guidelines set by the Green Mountain Care Board as possible
2. Improve operating performance
3. Broaden community wide benefits through increased access to care
4. Enhance the value of care for our patients (better outcomes at a lower cost)
5. Continue to develop the Dartmouth Health integration as a member hospital

Three Main Themes

1. Improving access – Improving access and reducing out migration of patients
2. Integration – This is a multi-year process and FY 2025 is a transition year.
3. Financial Recovery – Continuing the work around the THRIVE plan (which currently projects the Hospital to have an anticipated 1% operating margin in FY 2024), a 1.6% operating margin in FY 2025 is expected, with the goal of achieving a 3% operating margin in future years.



Summary Financials

	FY 2024 Budget	FY 2024 Projected	FY 2025 Budget	Change to Budget	%
	<i>(As approved by GMCB)</i>				
Net patient service revenues	\$ 203,459,707	\$ 203,255,952	\$ 210,580,797	\$ 7,121,090	3.5%
Other operating revenues	10,191,106	13,058,456	14,928,546	4,737,440	46.5%
Total operating revenues	213,650,813	216,314,408	225,509,343	11,858,530	5.6%
Operating expenses	211,591,488	213,938,841	221,907,013	10,315,525	4.9%
Operating gain (loss)	\$ 2,059,325	\$ 2,375,567	\$ 3,602,330	\$ 1,543,005	74.9%

Risks and Opportunities

Risks

1. 340B Drug Program
2. Volume Increases
3. Inflation Assumption
4. THRIVE Assumptions
5. Wage Index Reclass
6. Payer Mix Shift
7. Staffing
8. Financial Assistance

Opportunities

1. Revenue Cycle improvements
2. Shared Services with Dartmouth Health

FY2025 Benchmarks

GMCB

SVMC FY 2025 Proposed Budget

3.5%

3.5% Net Patient Service Revenue Growth



3.4%

3.8% Commercial Rate Growth (5.4% Chargemaster increase on about 70% of charges)



>0%

1.6% Operating Margin



Net Patient Service Revenue Growth



Within the benchmark established – 3.5% - \$7.1M

\$2,606,000	Volume Increase
4,071,000	Commercial Payer, charge increase
746,000	Medicare Rate Increase
0	Medicaid Rate Increase
<302,000>	Increase in Bad Debt/Financial Assistance

Operating Margin



Within the benchmark established – 1.6% - \$3.6M

FY2025 is a 'continuation' budget as integration with DH evolves. No material changes to services offered in FY2025.

Continues to find efficiencies and create financial improvement.

Need to get to a 3% operating margin to be sustainable:

- Reinvest in Property, Plant and Equipment
- Reinvest in staff and providers

Commercial Rate Growth



Slightly more than the benchmark established – 3.8% vs. 3.4%

Chargemaster increase of 5.4% on about 70% of charges is necessary in this climate.

SVMC is a low cost provider, less opportunity to 'cut' our way out while increasing access to care.

What SVMC is doing to limit Commercial Rate Growth

1. Reducing Total Administrative Expenses (as a % of total expense)

Total Administrative Expense as % of Total:

Proposed FY 2025 Budget: 17.4%

Approved FY 2024 Budget: 18.1%

Examples:

Reduction in IT costs \$750k

Administrative Salary and FTE reduction \$600k

Lobbying and Marketing costs decrease \$126k

What SVMC is doing to limit Commercial Rate Growth

2. Making investments in clinical workforce

Recruitment & retention of nursing staff, leading to **no** RN travelers.

- Magnet Designation
- Nursing Pipeline
- Preceptor Differentials / Mentoring
- Shared Governance
- Recognition Programs
- Tuition Assistance



What SVMC is doing to limit Commercial Rate Growth

3. Expanding Access to Care

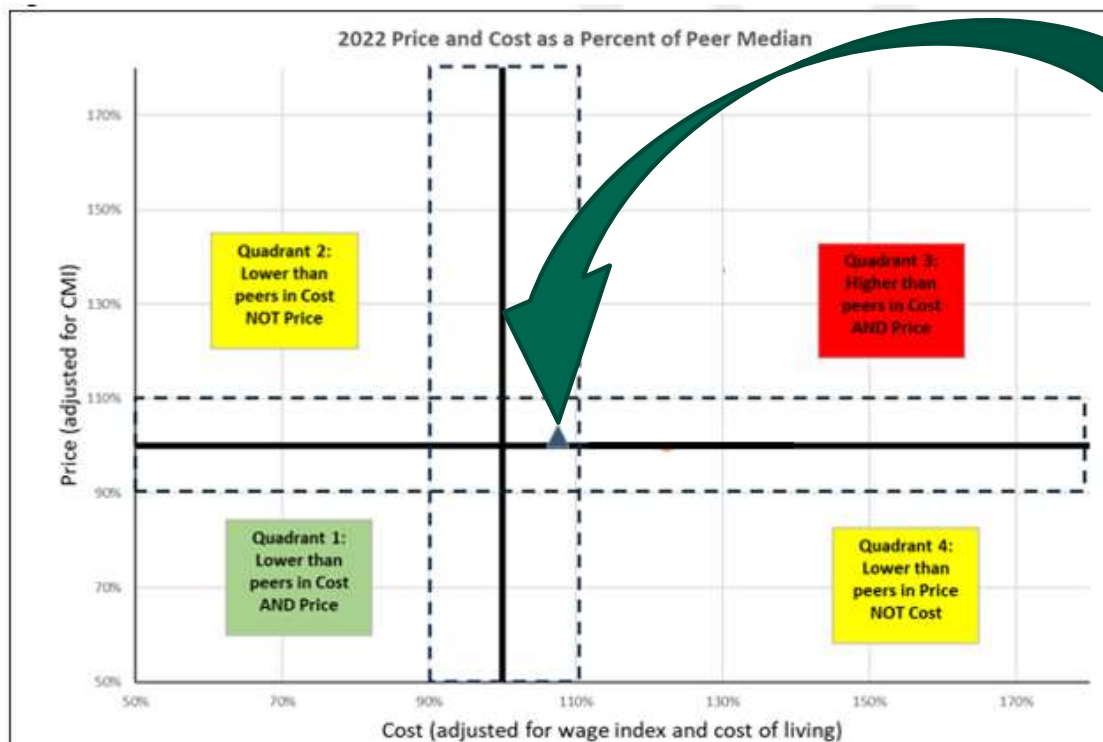
- Created 5 bed mental health crisis area in Emergency Department
- Partnered with United Counseling Services for mental health access
- Expanding Alcohol Detox program
- Pursuing Family Medicine Residency with Dartmouth Health
- Planning an expansion of SVMC primary care, doubling the exam rooms and having physicians give additional oversight and training to inexperienced advanced practice providers

What SVMC is doing to limit Commercial Rate Growth

4. Shared Services with Dartmouth Health to reduce costs

- Administrative functions shifting to system
- Expanded Group Purchasing opportunities
 - Surgical Implant Savings
 - Lab Supplies
 - Contract Savings
- Pharmacy / 340B Opportunities

Comparison with Peers (Price and Cost)



SVMC is a low cost provider to the VT health care system and manages expenses appropriately.

- Source – Vermont Hospital Financial Analysis Project prepared for the VT GMCB Dated July 15, 2024

FY 2025 Budget: Details

Inpatient Volumes

Volumes are expected to remain relatively the same as 2024 budget (5% increase) and projected (0%)

	<u>Actual 2023</u>	<u>Budget 2024</u>	<u>Projected 2024</u>	<u>Budget 2025</u>
Admissions				
Medical/Surgical	2,061	2,126	2,208	2,208
ICU	359	353	396	396
Pediatrics	29	24	12	12
Maternity	374	329	382	382
<i>Total Medical/Surgical</i>	<u>2,823</u>	<u>2,832</u>	<u>2,998</u>	<u>2,998</u>
Nursery	363	312	360	360
Total admissions	<u>3,186</u>	<u>3,144</u>	<u>3,358</u>	<u>3,358</u>

Outpatient Volumes

Volumes are expected to remain relatively the consistent.

	<u>Actual 2023</u>	<u>Budget 2024</u>	<u>Projected 2024</u>	<u>Budget 2025</u>	<u>Budget 2025 vs. Budget 2024</u>	<u>Budget 2025 vs. Projected 2024</u>
Emergency Room Visits	23,406	22,714	23,412	23,412	3.1%	0.0%
Express Care Visits	21,589	22,284	22,674	21,588	-3.1%	-4.8%
Medical Group Visits	116,708	131,181	125,994	129,204	-1.5%	2.5%
Operating Room Cases	3,142	3,151	3,180	3,309	5.0%	4.1%
Endoscopy Cases	3,380	3,472	3,252	3,252	-6.3%	0.0%
Outpatient Imaging Exams	74,875	59,723	62,531	62,531	4.7%	0.0%
Outpatient Laboratory Tests	322,862	348,963	319,879	319,879	-8.3%	0.0%

Assumptions for Large Variances to FY2024 Budget

- **Other Operating Revenue:**
 - \$3.1M in additional 340B Contract Pharmacy revenue. Dartmouth Health membership unlocking this opportunity.
 - \$1.2M in additional grant opportunity, mostly related to Nursing Pipeline Grant
- **MD Locums:**
 - Locum costs are expected to remain consistent with FY2024 projection. FY2024 budget assumption was not met.
- **Pharmacy Drug Expense:**
 - Added costs related to the additional 340B Contract Pharmacy revenue as well as anticipated inflationary increase on pharmaceuticals.

Days Cash on Hand

	<i>As of</i>		
	<u>Sep. 30, 2023</u>	<u>Sep. 30, 2024</u>	<u>Sep. 30, 2025</u>
<i>Days operating cash on hand (does not include investments held at SVHC)</i>			
<i>Days operating cash on hand</i>	<u>16.39</u>	<u>6.06</u>	<u>6.25</u>
<i>Days cash on hand and investments</i>	<u>167.47</u>	<u>168.85</u>	<u>175.21</u>

Comments:

- Majority of investments held at parent organization.
- Increase in total days cash on hand and investments is mostly related to 4.5% return assumption.
- Goal for operating days cash on hand is 30. That will ensure hospital is positioned to satisfy operating liabilities while saving investments for strategic projects.

Capital and Debt

In order to keep up with maintenance of current facilities and equipment as well as invest for the future of the organization, a \$9 million routine capital budget is expected. 100% of this budget will be funded through operations, grants and fundraising, no additional debt is planned.

The major breakdown of the spend for FY 2025 is:

- Information Technology \$4.7M
- Clinical Equipment 2.4M
- Facilities and Engineering 1.1M
- Contingency 0.8M

The information technology bucket is the largest projected spend for 2025. This includes infrastructure upgrades and security enhancements to meet the plan for an EPIC EMR conversion. These investments will allow future integration to the DH system which will enhance the flow of information and the ability to keep services local.

CON Projects

- **Adolescent Inpatient Psychiatric Unit** – Filed February 2024. Currently answering questions from interested parties. \$9.5M Capital Project funded by Governor’s state budget and equity.
- **Expansion of Cancer Center** – Expected Filing September 2024. Currently finishing the business plan and fundraising. \$21M Capital Project funded through philanthropy and equity.
- **Electronic Health Record Replacement** – Expected Filing 2026. Multi-million Capital project majority funded by Dartmouth Health.

Closing Remarks Discussion and Questions

