Springfield Hospital

Where People Come First

HOSPITAL 13: SPRINGFIELD HOSPITAL

Follow-Up Questions and Requests Related to Your Budget Submission

On service-line changes

1. How do you anticipate your service line changes, particularly your service line closures, will impact patient access? Do you know whether your hospital or other community providers are taking steps to remedy this issue?

The closure of services is always a difficult decision. In the case of cardiology, we did not have any option since the physician relocated out of the area. We have been working diligently since that time, with the goal of a shared collaborative agreement, to find a replacement and we are continuing that goal.

The Pain Clinic was a decision made after carefully weighing the service utilization, expense, and staff resources.

We were diligent in our efforts to research other local options, inform patients of the closure of the service lines in a timely manner, and to provide them information on available options.

2. Do you foresee any issues in hiring a new cardiologist? How much will your projected cardiology utilization decrease should you prove unable to hire a new cardiologist?

Closure of the cardiology service displaced over 400 patients. It was not an optimal situation, but one that could not be avoided. We managed the situation by assisting patients in establishing care elsewhere. Our goal is to reopen this service as soon as possible to preserve local access to this important service.

On core justifications

3. Can you provide more detail on why you predict a such a high increase in utilization? What is your contingency plan should such utilization not materialize?

The desire for local access to specialty care was identified in our most recent community health needs assessment. We have invested in medical staff and infrastructure necessary to deliver appropriate care locally. As a result, we have begun to see improved year-over-year results and expect that will continue, over time, as we rebuild awareness and consumer confidence in the availability of local services. A detailed breakdown of anticipated utilization increases is shown on page 3 and in Attachment A in our Narrative submission.

On labor expenses, workforce development, and retention

4. You rely more on travelers than the other critical-access hospitals in Vermont, which puts significant pressure on your operating expenses. As you understand it, what are the main obstacles to reducing your reliance on travelers? Have you considered any other efforts toward workforce development / retention not detailed in your narrative?

Our traveler use is the unfortunate result of current healthcare workforce pressures and overall supply and demand, particularly for nursing. Competitive wages are key. We are actively taking steps to reduce traveler use as much as possible.

- We hired a full-time recruiter on staff
- We attend Job Fairs at local/regional colleges
- Our recruiter joined the River Valley Tech Advisory Committee.
- Increasing social media presence with weekly employee testimonials and advertising
- Increasing utilization of LinkedIn for recruitment.
- COO/CNO has partnered with the River Valley Tech Center to establish a joint service agreement that includes a SPH RN who will assume the faculty oversight for an LNA training program. Clinicals will be completed at SPH. SPH is designing positions that will accommodate these graduates to work during their school year and during holidays.
- In 2023-2024, we re-established our relationship with River Valley Community College nursing program. We have provided clinical faculty and Med/Surg rotation site for first- and second-year nursing students.
- We accepted our Wilkes University senior practicum student who is onsite for the summer of 2024.
- We use international companies for recruitment of RN's
- We offer incentives for permanent per diem positions.

Barriers

- We are unable to compete in the region regarding wages or institute market adjustments; i.e., we are limited in our ability to offer or fund compensation adjustments at this time.
- We are recruiting for an experienced nurse manager for the ED and Inpatient Care unit.
- Cost of living and limited pool of applicants

5. Why do you predict that traveler salaries will decrease FY2024 (Projected) to FY2025 (Budgeted)?
Traveler expense is a best estimate. We are experiencing a reduction in traveler rates, which is reflected in our budget estimate. We are also anticipating that our work in recruitment and education will begin to show positive results.

On utilization

6. Your income statement suggests that inpatient gross revenues are increasing but your rate decomposition sheet suggest that inpatient (including inpatient psych) net revenues are decreasing. Can you provide more detail to help us understand this trend?
Total inpatient gross revenues are i**ncreasing** in the FY25 Budget **compared to FY24 Projected** but are **decreasing budget to budget**. Likewise, the rate decomposition is showing an increase in net patient revenue (NPR) for the FY25 budget compared to FY24 Projected. In the rate decomposition workbook, the Inpatient section as well as the Other Services-Psych represent inpatient revenue. These are both included on the Inpatient Revenue line in the income statement for Gross Revenue. The NPR in the workbook for Inpatient plus Psych is decreasing budget to budget which aligns with the decrease of inpatient gross revenue budget to budget.

7. What is your plan on how to drive patients back to Springfield after loss due to leakage?
A first step was investing in the medical staff and infrastructure necessary to provide the service. We are utilizing standard marketing strategy -- building awareness, perception, trial,

positive patient experience, and repeat utilization. Build awareness for availability of local services among referral sources and the community. Utilize positive patient testimonials and patient stories to build consumer confidence and word of mouth advertising. Ensure ongoing ease of access for appointment scheduling, and positive patient experiences. We plan to conduct focus groups to assess access to services and any unmet need. Review our quality improvement plan; monitor results and adjust as necessary.

On pharmaceuticals

8. Why do you predict 10% inflation in pharmaceuticals? This is considerably higher than what other hospitals have predicted.

Our Group Purchasing Organization, Vizient, anticipates a 10-15% inflation rate in drug costs. Also, as indicated on page 9 of the narrative, the total impact of inflation increases was $635K of which $154K represented the pharmaceutical impact.

On cost inflation

9. Likewise, why do you predict 5% inflation in 'supplies and services?'

As indicated on page 9 of the narrative, the total impact of inflation increases was $635K of which $481K represented the impact of all other supplies and services.

On rate changes

10. Why is the majority of your commercial price increase allocated to inpatient?

In Column I of the rate decomposition workbook, the impact of inpatient plus inpatient psych (included in "Other Services-Psych") comprises only 10% of the commercial rate increase ($41+$15K= $56K total inpatient/$582K total commercial price increase= 10%). The remaining 90% of the commercial price increase comes from outpatient and professional services.

On capital expenditures

11. Have you funded any of your capital expenditures by taking on additional debt? If so, can you please quantify the impact on your debt?

$1.8 million is new debt incurred through leasing arrangements. Other capital improvements involved grant funding and operating cash.

On zero-based budgeting

12. We commend you on your careful approach to your budget. Do you have lessons or recommendations for hospitals that are considering transitioning to a similar approach?

Budgeting is a lengthy process and involves engagement at all levels. Start the process early, allow managers ample time to review their line items in detail, and discuss with their division head prior to budget submission. Ongoing operations and financial performance dictate whether performance improvement strategies or expense adjustments are needed throughout the year.

On your workbook submission

13. Please review the rate decomposition details you submitted as well as the "summary" tab and explain the following (where available, show supporting calculations):

a. How did you arrive at the assumed rates of growth for price, volume, and payer mix shifts by payer?

The workbook defined these rates as “NPR FY24 @FY25…..” Therefore, we used the internal final NPR FY24 budget files and changed only the Commercial Prices to reflect FY25 pricing, keeping everything else constant. Then we used the same original NPR FY24 budget files and only changed the volume to reflect FY25 levels, keeping everything else constant. The same methodology was applied to payer mix shift by payer as well.

b. For non-zero values in the “other” column, how did you derive these estimates?
The “other” column is the calculation derived from the dummy workbook template provided which is the change between the FY25 and FY24 NPR budget less the calculation of the change in FY24 budget recalculated using FY25 commercial prices, utilization, public payer prices and payer mix.

Other

14. Do you think Medicaid is underfunding the cost of delivering care to your Medicaid patients? If so, please quantify this amount based on 2023 actuals. Please explain your calculation.
Yes, Schedule H of the FY23 IRS Form 990 for community benefit indicates that the hospital was underfunded by Medicaid by $5.7M which approximates 44% of underfunded costs (56% cost coverage).

15. Do you think Medicare is underfunding the cost of delivering care to your Medicare patients? If so, please quantify this amount based on 2023 actuals. Please explain your calculation.
Yes, the payment methodology for Critical Access Hospitals is that they receive 101% of **allowable costs** less a 2% sequestration deduction. So, in theory, CAH hospital’s receive 99% of allowable costs. Schedule H of the FY23 IRS Form 990 reported a Medicare shortfall of $158K reflective of Medicare allowable costs.

16. In the attached spreadsheet, please review the measures of financial health that we have calculated for your hospital. We have included the measure definitions. Confirm that these calculated values reflect your understanding. If your financial measures differ from our calculations, please review our formulas, provide your calculation, and explain why you believe your calculation is a better measure for your organization.
Confirmed with one exception. After reviewing the long term debt and fund balance, it appears that there is a balance included in fund balances that should instead be included in long term debt in Adaptive for both FY24 and FY25. We have updated in Adaptive. Please note that the balance sheet is an estimate of balances as of one snapshot in time. We believe Average Age of Plant to be overstated and not a true representation of the aging of our plant. We expect to show a decrease in the Aging of Plant by the end of FY24 and FY25 which is not yet reflected in the property plant & equipment balances as we are in the process of cleaning up aging capital in our fixed asset system for aged assets we no longer have.

Narrative Questions That Still Need to Be Answered

17. Question F.a (collections): 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.
We do utilize a third party. Please refer to last year’s submission for a redacted copy of the contract.

18. Question F.b (collections cont.): If you have a contract with a third party, please describe the return on investment for this decision compared to managing these activities internally as a part of Patient Financial Assistance Programs.

Bringing this work in-house at this this time is not a realistic solution. The skilled workforce is not available and, even if it were, doing so would involve adding additional staffing and benefits costs. Outsourcing is a more cost-effective strategy.