Brattleboro Memorial Hospital
EXCEPTIONAL CARE FOR OUR COMMUNITY

July 10, 2017

Andrew A. Pallito, Director of Health System Finances
Green Mountain Care Board
89 Main Street Drawer 20
Montpelier, Vermont 05602-3601

Dear Andrew,

The following narrative addresses the salient issues in our budget. Please call to discuss any concerns you may have.

1. **Executive Summary**

Financial Benchmarks

- Net patient service revenues are budgeted to increase 3.4% from the FY2017 budget after adjusting for transferred Physicians.
- Rate request is an 8.9% aggregate rate increase.
- Operating expenses are budgeted to increase 4.1% from the FY2017 budget.
- The Operating Margin is budgeted at 0.4% compared to 0.01% budgeted for FY2017.

Patient access:

- We are increasing our employed primary care capacity as 3 community based Clinicians leave practice. Additional support staff should deliver more efficiencies for the direct caregivers.
- Additional Clinicians to existing medical offices to address our access issues.
- Scribes are being added as staff to the primary care clinicians to improve their efficiency during the patient encounter.

DSH

- As the budget was being finalized, we received notification of our DSH payment from DVHA. The $466,498 (47%) cut was incorporated into this budget.

Value based payment and delivery reform:

- As the budget was being finalized, we received information from One Care's budget process and we have attempted to build the impact of participating in the all payor risk contracts into this budget.

2. All-Payor Model and ACO Risk

We are currently participating with One Care for Medicare and Blue Cross non risk contracts. We are planning on participating in the Medicare, Medicaid and Commercial risk based contracts in CY2018.

The Brattleboro Health Service Area has attributed 8,111 covered lives with an estimated Total Cost of Care (TCOC) of $40.8 million in 2018. Only $15.1 million of that TCOC is expected to be spent at BMH yet we will be at risk for the entire $40.8 million. We have built in 50% of 9 months exposure to the maximum risk share calculated by One Care Vermont for our attributed lives.

Participating in the risk contracts mitigates the risk of MDH and Low Volume reimbursement for 9 months of FY2018.

3. Initiative addressing population health goals and the Community Health Needs Assessment

- In collaboration with the VT Foodbank, we will be offering fresh and healthy food onsite once a month through "Veggie Van Go", a mobile food pantry program. Community Health Team will assist with food distribution and program coordination.

- The respite bed at Groundworks Shelter, which is exclusively for Brattleboro Memorial Hospital referrals, will allow for homeless patients who are either preparing for or recovering from a procedure, or have chronic medical conditions that have been exacerbated by their lack of a place to stay, to have a safe, clean, and accessible environment to manage their needs. Referrals will be made through BMH Care Management, and the Community Health Team will be involved with the patient as necessary, including being seen by Vulnerable Population Nurse when she is onsite. The case management that will be provided through collaboration between Groundworks and BMH will focus specifically on each patient's individual care plan.

- BMH has signed on as an early adopter in the statewide implementation of RiseVT, a primary prevention strategy aligned with VT's 3-4-50 campaign to promote healthier lifestyles for Vermonters. We have been actively involved in the planning process, and will be hiring a part time regional coordinator in FY18.

- **Interim Care Clinic**
  Provision of interim care for the patients of three long-standing independent community Physicians who have retired. Physicians have a combined panel of approx. 4,000 patients. The purpose of the clinic is to meet the medical needs of patients who need interim care, while they seek access to primary care within BMH's Medical Group or elsewhere.

- **Chronic Condition Care Coordinator within Brattleboro Internal Medicine**
  Care Coordination for the patients of Brattleboro Internal Medicine. This practice houses a 60% Medicare rate and the one of the 'sickest' panels in the state of Vermont, according to the 2016 Blueprint practice profiles. The definition of the 'sickest' patient panels includes the number of chronic conditions and the age of the patients. Goal: Create care plans and utilize the tenants of motivational interviewing to help patients with chronic conditions make marked improvements in their health. Hire an RN Care Coordinator to do this work.

- **Community Health Team**
  Additional staff and support to provide health and wellness to Windham County.
  Details: Vulnerable Population Care Coordinator, Social Worker and increased hours for Nutritionist.

- **Medical Scribes**
  Purpose: Assist Clinicians with their documentation and enable clinicians to focus on their visit, as opposed to the requirements of the EMR.
  Goal: Enable clinicians to see additional patients and thus increase access to primary care, by removing some of the administrative burdens of care.

- **Post-Acute Care**
  Details: BMH's Post-Acute Care department provides primary care through a Physician and two Nurse Practitioners to the three local skilled nursing facilities.
  Goals: The goals of the department for FY18 include: (1) Reduce the length of staff for rehabilitation patients from the current rates; (2) Medication management, specifically reduction in the use of antibiotics and ensuring an accurate medication list upon patient's admission to a skilled nursing facility and (3) Maintain one of the lowest re-admission rates in the state of Vermont.

- **Care Navigator with BMH Orthopedics & Sports Medicine Department**
  Details: BMH's Orthopedic & Sports Medicine Department hired a Care Navigator. The Care Navigator is a certified Medical Assistant, who is clinically certified and trained.
  Purpose: To educate and prepare patients for a major Orthopedic Surgery. The Care Navigator assists the patients with making arrangements for their rehabilitation after surgery, ensures that they have fulfilled the medical requirements prior to surgery, including an anticoagulation bridge (where applicable), medication management and appropriate antibiotics prescribed.
  Goal: Ensure safe and quality outcomes from a major surgery; reduce the patients' likelihood of a re-admission to the Hospital and assist patients with a healthy recovery.

- **Regional Clinical Performance Committee (RCPC)**
  Details: Committee took charge of three main initiatives:
  (1) End of Life Committee: (a) Focus on increasing use of Advanced Directives for patients aged 18 and older. Did this through community forms and embedded staff from Brattleboro Area Hospice within BMH's Medical Group Primary Care Practices, to assist patients with completing their Advanced Directives and answering any questions that they may have and (b)Increasing the Medicare Hospice Beneficiary Use. Made gains with this initiative through community awareness and educating patients in need of Hospice of their rights to applicable benefits.
  (2) Neonatal abstinence syndrome Committee. The goal of the committee was to ensure that pregnant women who tested positive for substance abuse had appropriate access to

treatment and worked closely with appropriate social services.(a) Brattleboro OBGYN hired an RN Care Coordinator in FY17 to work with patients who screen positive for substance abuse; (b) Worked with Brattleboro Retreat for emergent treatment for patients who screened positive for substance abuse ; (3) Partnered with Vermont Department of Health and their Medicaid Obstetrical and Maternal Support ('MOMs') Program.

(3) Care Coordination Efforts: (a) Created shared care plans with various community entities and Social Support networks in an attempt to reduce ER utilization, by patients who were identified as frequent utilizers of BMH's ER department.

- **Narcotic Use Task Force:**
  Details: The committee was formed in FY17 and will continue to meet in FY81. It is led by the BMH's Medical Director, Dr. Tony Blofson and consists of primary care clinicians.
  Purpose:
  (1) Assess scope of the problem of chronic narcotic use amongst patients served by the BMH Medical Group
  (2) Panel management for patients with a morphine equivalent dosage (MED) score of 100 or greater;
  (3) Implement and operationalize new Opioid law guidelines that go into effect on 7/1/17.

- **Screening Brief Intervention and Referral to Treatment (SBIRT):**
  Details: Initiative funded by the Vermont Department of Health's Alcohol and Drug Abuse Program. This was started in October of 2017 and is an ongoing initiative. The program involves staffing two primary care practices with a behavioral health therapist.
  Purpose: Focus on prevention of alcohol and substance abuse for patients being seen in a primary care setting. Every patient is screened for an AUDIT-10 and a DAST-10 and patients who screen high for showing signs of alcohol misuse and substance abuse, are referred to see the embedded behavioral health therapist. The behavioral health therapist engages with appropriate patients for on-going therapy and follow-up care. Referrals to substance abuse treatment facilities are made and followed as appropriate.

- **Embedded behavioral health specialist**
  Details: Currently Just So Pediatrics woks with Health Care & Rehabilitation Services of Vermont (HCRS) to embed a behavioral health therapist one day per week. This allows Pediatricians to have a "warm hand-off" to a behavioral health therapist for appropriate patients to ensure seamless mental health services.
  Goal: It is the goal in FY18, to embed an adult behavioral health therapist in BMH Medical Group's primary care practices.

- **Women's Health Initiative and Centering Pregnancy**
  Details: This initiative will start in October of 2017. It is an initiative funded by Blueprint for Health. The initiative provides long acting reversible contraception for women of childbirth age and provides a stipend for the practice to embed a behavioral health therapist to meet with applicable patients.
  Goal: The goal of initiative is to reduce unintended pregnancies in the state of Vermont.

- **Patient Centered Medical Home (PCMH):**
  All of the Medical Group Adult Primary Care practices have achieved level 3. The Medical Group Practices will re-attest in three years (2019-2010).

- **Quality scorecard**
  BMH is a part of One Care Vermont and strives to achieve top scores on the quality metrics mandated by their Accountable Care Organizations. BMH continues to achieve the highest or one of the highest scores in the state on their quality score cards.

4. Mental health and substance abuse needs and care shortages

- Established regional mental health strategy group with Brattleboro Retreat, HCRS and BMH. Leaders from each organization meet to develop streamlined processes and communications between agencies that enhance patient care for the patients with acute mental health needs in our community. We are also developing new approaches to care for this complex patient group including telepsychiatry services, improved addiction treatment for medical inpatients, and case conferences for some of our most complicated mutual patients.

- See Neonatal abstinence syndrome Committee *in Section 3.*

- See Narcotic Use Task Force in Section 3.

- See Embedded behavioral health specialist in Section 3.

- See Screening Brief Intervention and Referral to Treatment (SBIRT) in Section 3.

- Expanded Vulnerable Population Care Coordinator
  The Vulnerable Population Care Coordinator position will be expanding to full time FY18 to better address the healthcare needs of our community members experiencing homelessness. Our Care Coordinator assists clients with accessing Primary and Specialty care, provides education, and serves as a liaison between the healthcare system and clients. With expanded hours, the Vulnerable Population Care Coordinator will be able to offer more on site hours at the drop in center, shelter, and other sites as needed.

5. Healthcare Reform Investments

Healthcare reform investments	Budget 2018
Centralized Scheduling	121,399
Tele-health	101,687
Scribes	75,318
Vulnerable Population Care Coordinator	51,118
	349,522

- **Centralized Scheduling**
  BMH's Centralized Scheduling Department (CSD) assists prospective patients with placement with one of BMH's Medical Group's primary care practices. The staff in this department work to obtain a release of records, the patient's previous medical records and then works to load the new patients into the Medical Group's Electronic Medical Record (Cerner). The department is looking to expand due to three community Physicians retiring and approximately 4,000 patients needing to be placed with primary care clinicians.

- **Telehealth**
  Tele-Psychiatry is a new expansion of services that builds on the successes of our Tele-Emergency Neurology program. Our Tele-Psychiatry program will involve both the D-H Center for Telehealth and The Brattleboro Retreat. This will enable board certified psychiatrists to provide

consults to our patients with acute psychiatric needs on a 24/7 basis for the first time. This will provide our onsite physicians with treatment recommendations for the acute psychiatric patients enabling us to provide improved appropriate care for these complex patients in significant need of treatment.

- **Scribes**
  Expand the Medical Scribe program. See Medical Scribes in Section 3.

- **Vulnerable Health Population Nurse**
  The Vulnerable Population Care Coordinator position will be expanding to full time FY18 to better address the healthcare needs of our community members experiencing homelessness. Our Care Coordinator assists clients with accessing Primary and Specialty care, provides education, and serves as a liaison between the healthcare system and clients. With expanded hours, the Vulnerable Population Care Coordinator will be able to offer more on site hours at the drop in center, shelter, and other sites as needed.

6. Net Patient Revenue Budget to Budget changes

Net Patient Service Revenues (NPSR) increase 5.0% from the FY2017 budget. The overall reimbursement rate improves to 45.9% of gross revenue from 48.5% from the FY2017 budget.

	Budget 2018		Budget 2017		change from prior budget	
Gross patient service revenue	174,768,050	100.0%	157,473,555	100.0%	17,294,495	11.0%
Deductions from revenue						
DSP	517,313	0.3%	976,889	0.6%	(459,576)	-47.0%
Bad Debt & Free Care	(4,713,089)	-2.7%	(8,000,071)	-5.1%	3,286,982	-41.1%
Deductions from revenue	(90,369,647)	-51.7%	(74,041,761)	-47.0%	(16,327,886)	22.1%
Net patient service revenue	80,202,627	45.9%	76,408,612	48.5%	3,794,015	5.0%
Less Physician Transfer	(1,176,100)	-0.7%		0.0%	(1,176,100)	
NPSR less physician transfer	79,026,527	45.2%	76,408,612	48.5%	2,617,915	3.4%

After allowing for the net revenue resulting from the Physician transfer net revenue increases by 3.4%

Transfer of Physicians:

We are increasing our employed primary care capacity as 3 community based Clinicians left practice in June. We have created an Interim Care clinic to address the immediate needs of the approximately 4,000 patients served by the departed physicians and we are recruiting for others. While we don't have access to the finances of the departing physicians, we project their combined financial operation to look approximately as follows:

Net revenue						1,176,100
Labor expenses	Hourly rate	fringe %	FTEs	wages	benefits	Total
Physician FTEs	$91.35	20%	3.00	570,000	114,000	684,000
PSA	$15.00	25%	2.50	78,000	19,500	97,500
MA/LPN	$20.00	25%	3.00	124,800	31,200	156,000
Scribe	$16.00	25%	1.00	33,280	8,320	41,600
				806,080	173,020	979,100
Other Supplies						
Billing						60,000
occupancy						36,000
insurance						9,000
office supplies						20,000
computers & software						40,000
med supplies & drugs						20,000
CME & Liscenses						12,000
						197,000
Total expense						1,176,100
Net Gain (loss)						0

Reimbursement:

Disproportionate Share Payments (DSH) are budgeted at the level calculated by DVHA for State fiscal year 2018 – a 47% reduction.

Bad debt is budgeted at 1.8% of gross revenues and **Free care** at 0.9%. These rates are less than budgeted last year and reflective of our experience through March of this year. BMH provides charity care for patients with income up to 350% of the federal poverty level.

Medicare reimbursement is budgeted based on the inpatient PPS proposed rule for FY2018 and current reimbursement of outpatient and physician offices.

		% of		% of	change from Fy17 budget	
Medicare	Budget 2018	gross	Budget 2017	gross		
Revenue	76,531,606	100.0%	66,907,656	100.0%	9,623,950	14.4%
deduction	(50,041,050)	-65.4%	(40,240,006)	-60.1%	(9,801,044)	24.4%
net	26,490,556	34.6%	26,667,650	39.9%	(177,094)	-0.7%

The overall Medicare net as a percent of gross is projected to increases to 39.9% compared to 37.8% budgeted for FY2017. Medicare Dependent Hospital (MDH) and Low Volume Provider (LVP) provisions will expire on September 30, 2017. We have assumed that the ACO Medicare risk model will lock in FY2017 payment rates plus 3.5%.

We have established a reserve on the risk based contract of $819,696 based on One Care analysis.

Medicaid reimbursement rates have been budgeted on our current reimbursement rates.

Medicaid	Budget 2018	% of gross	Budget 2017	% of gross	change from Fy17 budget	
Revenue	34,964,846	100.0%	33,034,041	100.0%	1,930,805	5.8%
deduction	(25,103,293)	-71.8%	(21,700,040)	-65.7%	(3,403,253)	15.7%
net	9,861,553	28.2%	11,334,001	34.3%	(1,472,448)	-13.0%

The Medicaid net as a percent of gross is being budgeted to decrease to 28.2%, compared to the 34.3% budgeted for FY2017. This is based on the average reimbursement we are currently receiving.

We have established a reserve on the risk based contract of $283,891 based on One Care analysis.

The net to gross rate for **Commercial and all other payers** is being budgeted at 75.9% compared to 79.0% budgeted for FY2017.

Commercial & Others	Budget 2018	% of gross	Budget 2017	% of gross	change from Fy17 budget	
Revenue	63,271,600	100.0%	57,531,857	100.0%	5,739,743	10.0%
deduction	(15,225,304)	-24.1%	(12,101,715)	-21.0%	(3,123,589)	25.8%
net	48,046,296	75.9%	45,430,142	79.0%	2,616,154	5.8%

We have established a reserve on the risk based contract of $200,728 based on One Care analysis.

7. Expenditures:
Overall operating expenses are budgeted to increase $2,908,607 (3.6%).

Operating expenses	Budget 2018	Budget 2017	Change	%
Wages (non physician)	26,912,843	25,111,884	1,800,959	7.2%
Fringe Benefits (non physician)	7,354,665	6,982,929	371,736	5.3%
Physician services & fringes	17,281,380	15,999,836	1,281,544	8.0%
Other expenses	23,182,011	23,252,234	(70,223)	-0.3%
Depreciaion	3,933,151	4,597,897	(664,746)	-14.5%
Interest	234,071	165,520	68,551	41.4%
Provider tax	4,500,295	4,379,509	120,786	2.8%
Total operating expenses	83,398,416	80,489,809	2,908,607	3.6%

- FTEs increase by 32.0 (25.2%) in the Physician practices as we expand our employed primary care network and replace independent physicians who have left practice in FY2017.

FTE Budget	FY2018 Budgeted FTEs	FY2017 Budgeted FTEs	change	
Physician Practices	159.3	127.3	32.0	25.2%
Human Resources & Environmental Services	29.0	25.4	3.6	14.3%
Fiscal Services	43.4	42.8	0.7	1.6%
Patient Care Services	204.5	203.1	1.4	0.7%
IS, Quality & Other Services	70.5	70.7	(0.2)	-0.3%
Admin, Plant Development & Community Relations	14.2	13.1	1.1	8.4%
	521.0	482.3	38.7	8.0%

- We redesigned the third floor nursing unit into a progressive care unit to enable more flexible use of staff as census and acuity demand fluctuate.
- We have created teams to focus on the following areas to improve our financial results:

  Expense Reduction Operations Improvement Team is charged with identifying and researching opportunities for expense reduction across BMH. The committee is a forum to openly exchange ideas in a constructive and supportive environment. Then assign leaders for each initiative, set time and financial targets, then track progress over time.

  The Contract Labor Management Operations Improvement Team is charged with identifying and reviewing all use of contract labor and developing plans to reduce or eliminate the need for outside resources to meet staffing needs.

  The Denials Management Operations Improvement Team is charged with regularly monitoring any denials for payment, researching the cause of the denials and putting in place processes and/or education to prevent future denials.
- We are closing our Occupational Health Program as these services are now available from other providers in the community.

8. Rate Request

Gross revenues decrease 1.8% from last year's budget before changes in rates.

Revenues	FY2017 Approved Budget	FY2018 - before rate increase	volume/mix Variance		FY2018 Budget	Impact of Rate Increase	
Imaging	32,962,163	33,116,890	(154,727)	-0.5%	37,422,085	4,305,195	13.0%
Perioperative & anesthesia	21,370,617	21,732,278	(361,661)	-1.7%	24,557,474	2,825,196	13.0%
Physician Practices	19,229,160	23,564,245	(4,335,085)	-18.4%	23,564,244	(1)	-0.0%
Lab	16,659,589	16,677,031	(17,442)	-0.1%	18,845,045	2,168,014	13.0%
Drugs & IV Therapy	16,929,734	15,267,337	1,662,397	10.9%	15,380,044	112,707	0.7%
Emergency Room	13,894,000	13,114,370	779,630	5.9%	14,819,238	1,704,868	13.0%
Med / Surg / SCU	12,352,598	12,130,146	222,452	1.8%	13,707,065	1,576,919	13.0%
Medical / surgical supplies	5,549,204	6,209,953	(660,749)	-10.6%	6,209,953	0	0.0%
ER & Hospitalist Physicians	4,474,671	5,091,831	(617,160)	-12.1%	5,091,831	(0)	-0.0%
Birthing Center	4,416,689	3,849,515	567,174	14.7%	4,349,951	500,436	13.0%
Clinics	4,091,924	3,857,995	233,929	6.1%	4,249,326	391,331	10.1%
Rehabilitaion services	3,629,327	3,388,080	241,247	7.1%	3,828,530	440,450	13.0%
Reaspiratory, EKG, EEG	1,913,879	2,427,667	(513,788)	-21.2%	2,743,264	315,597	13.0%
	$157,473,555	$160,427,339	($2,953,784)	-1.8%	$174,768,050	$14,340,711	8.9%

The proposed rate change for FY2018 will increase gross revenues by $14,340,711 (8.9%). The charges for most revenue centers are projected to increase 13.0%. The markups for the Med/Surg supplies, drugs and charges for Physician services will not be increased.

Operating margin:

	FY 2018 Budget	FY 2017 Projected	FY 2016 Actual	FY 2015 Actual	FY 2014 Actual	5 year Cumulative total
Net Revenue	83,758,481	78,827,847	75,827,759	78,908,679	75,530,760	392,853,526
Operating gain	360,065	(470,362)	(600,562)	1,988,418	2,441,800	3,719,359
Operating margin	0.4%	-0.6%	-0.8%	2.5%	3.2%	**0.9%**

The operating margin is budgeted to remain at a very low level (0.4%) in recognition of the need to hold down health care costs to our community.

Over a longer time frame, our objective is to maintain an average operating margin of at least 3%. At this point we have dropped to a 0.9% 5 year margin. This level of return does not represent a sustainable return for such a capital-intensive operation as a community hospital. **More than anything else**, inadequate reimbursement from Medicare and Medicaid is driving the cost shift and this low level of margin. If reimbursement levels decline further, this hospital will be unable to maintain a reasonable margin and that will ultimately challenge our continued existence.

9. Considerations from the GMCB FY2016 budget to actual review

Our 2016 actual results did not exceed our budget.

10. Capital Budget

The capital budget for FY2018 is $3.1 million. There are no items included in FY2018 in excess of $500,000.

BMH is pursuing a CON to replacing our existing surgical suites and provide suitable physician offices. We will also need to replace our aged boiler plant. The projected cost ($22.7 million) for this project has been included in a CON application which has been filed with the GMCB. The project won't be completed in FY2018 and no impact on Net Patient Revenue in FY2018.

Transfers to parent organization and other organizational changes

We have budgeted a transfer of $150,000 from our parent organization in FY2018. These are the projected proceeds from the community fund drive to rebuild the Emergency Department.

11. Technical Concerns

We have no technical concerns at this point.

Summary

Our Mission is to provide community based, quality health services delivered with compassion and respect. Our Vision is to provide the best patient experience for every patient, every time and to be the best place to work for employees, volunteers and medical staff". This budget will allow BMH to continue to serve that mission and vision in a responsible and cost efficient manner.

If you have any questions, please feel welcome to call me.

Sincerely,

Michael O. Rogers

Michael O. Rogers
Vice President - Finance
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