



## Fiscal Year 2018 Budget Key Questions and Issues

1. INCOME STATEMENT - The hospital is \$1.5 million under the 2017 budget levels. Much of this variance is described as utilization and discontinuation of their oncology program. Discuss the circumstances behind why the hospital discontinued oncology. How will this affect patient care?

**For many years, we have been concerned about the escalating cost of drugs. As we presented during last year's budget hearing, the cost of drugs for North Country Hospital had increased \$2 million in one year, along with an added regulatory requirement for our chemotherapy compounding area that would have required us to spend an additional \$300k of capital expense.**

**At the beginning of this calendar year, Dartmouth Hitchcock informed us that they were ending their contract to provide medical oncologists at our oncology clinic. The discontinuation of these physician services caused us to re-evaluate the viability of continuing the oncology service. Ultimately, the board of trustees decided to discontinue the chemotherapy administration service as of April 13, 2017.**

**In reaching this decision, in addition to financial considerations, management and the board evaluated the availability and proximity of alternative medical oncology services and the number of patients that would be affected. We determined that all of the patients that were receiving chemotherapy services at North Country Hospital could receive these services 45 minutes away at the Norris Cotton Cancer Center in St. Johnsbury. At any given time, there were approximately 25 patients receiving chemotherapy at the North Country Oncology Clinic, and the total number of patients served per year was approximately 60. The cohort of these oncology patients who required radiation therapy (a service that is not available at North Country Hospital) have already been traveling to Norris Cotton in St. Johnsbury, as that is the location of the closest linear accelerator.**

**Given the socioeconomic challenges our community faces and the difficulty of traveling during the winter months, patients from the Northeast Kingdom are disproportionately affected by not having access to services locally. Our doctors claim there are a surprising number of patients that will refuse critical treatment if they cannot get it locally. We have striven to mitigate the impact to our patients as much as possible by coordinating with Norris Cotton for patients to get their "pre-chemo" lab tests and adjunctive therapies and treatments locally whenever possible. This prevents a sick patient from making the 45 minute trip to St. Johnsbury, only to find out they cannot receive chemotherapy due to their lab values being off. Similarly, patients who experience nausea in the days following**

**their chemotherapy administration at Norris Cotton are able to receive treatment at the North Country Hospital outpatient infusion clinic and not have to make another difficult trip to St. Johnsbury. North Country has also been able to provide support through our patient assistance fund in the form of gas cards to help alleviate some of the financial burden and assist patients with transportation costs.**

2. (a.) UTIL&STAFF - Adjusted admissions show a significant 6.3% decrease in utilization. Some of this is related to the oncology program discontinuance. Discuss other reductions in utilization that are being seen? Are other reductions related?

**The adjusted admission decrease is related to the decrease in the oncology program, slight decreases in the emergency room utilization, laboratory utilization, and diagnostic imaging utilization. The other reductions are not related to the oncology program.**

2. (b.) UTIL&STAFF - The hospital budget shows a cost per adjusted admission increase of 5%. Discuss whether this relates to not hiring budgeted positions and discuss the inflation assumptions in the budget. Why is cost per unit higher? What options are available to reduce costs to lower per unit cost?

**The total operating expenses have decreased 1.3%, so the increase in cost per adjusted admission of 5% is directly related to the 6.3% decrease in adjusted admissions.**

**North Country's Budget 2018 cost per adjusted admission of \$9,688 is below the overall state median of \$10,994 and the CAH median of \$10,539.**

**The inflation rates are applied to specific expenses. Physician salaries were inflated by 2%, non-physician salaries were inflated by 1% (2% for half of the year), other expenses like office supplies were inflated by 2% and there was an 8% inflation factor applied to health insurance.**

**With the implementation of our new electronic health record, we anticipate to further reduce expenses through opportunities to streamline processes and to improve efficiencies. We will not see the impact of this until 2019 as our *go-live* date for the new system is May 2018. There will be some needed time to implement and realize efficiencies once the new system is operational.**

3. RATE & NPR - NCH has a rate/price request of 5.0%. The rate is needed to meet their operating expenses, establish an operating margin of 1.5%, and to cover the disproportionate share reduction. Describe the strategies and rationale the hospital used for establishing this level. Was pricing for services a consideration in establishing this level?

**North Country has historically budgeted an operating margin in the 1.5% range. Pricing for services has always been considered in maintaining this low margin. We are very sensitive to price increases as they impact the struggling businesses and residents of the North East Kingdom. This is difficult given our challenging payer mix and the resulting burdensome cost shift impact. Over the last six years we have focused on reducing our fees**

**for laboratory services. Six years ago our lab fees were in the range of 200% of the state median. Over the past six years we have not increased lab prices and have implemented targeted reductions in certain higher priced tests that our medical staff advised were critical to patient care. Today, our laboratory prices are more in line with state medians. There is still more work to do on this, however, our current financial situation makes continued progress difficult.**

4. NPR PAYER - Medicare and Medicaid show unfavorable reimbursement and lower utilization. Discuss the assumptions you are making for each of these payers.

**Medicare inpatient charges are reimbursed on a daily (per diem) rate. When a price increase is applied, there are no additional reimbursement amounts that are recognized; therefore the reimbursement rate will be unfavorable from budget to budget.**

**Medicaid inpatient charges are reimbursed on a pre-established DRG fee schedule and the outpatient charges are reimbursed on a pre-established APC fee schedule. When a price increase is applied, there are no additional reimbursement amounts that are recognized; therefore the reimbursement rate will be unfavorable.**

**With respect to utilization, there has also been a payer mix shift in our inpatient gross revenues from Medicare to Medicaid of 6%.**

5. NPR PAYER - Commercial shows favorable reimbursement from 2017 to 2018 budget. Describe the reimbursement assumptions the hospital has made including the favorable bad debt reduction from 2017 budget, changing from 2.1% of gross revenue to 0.6%. Why is bad debt expected to change so much from 2017 budget?

**Third party payer reimbursement assumptions are based on year-to-date actual reimbursement rates; recognizing that there will be no additional reimbursement dollars for Medicare inpatient charges, Medicaid inpatient charges, or Medicaid outpatient charges when we institute a fee increase as explained in question #4. Because of this, there is a cost shift created when additional net revenues are realized from commercial payers.**

**North Country has seen a significant decrease in bad debt this year which is attributed to better collections of aged accounts and increased patient enrollment through Medicaid. In the month of July 2017 our navigators have enrolled 67 patients with Medicaid. Annualized, this equates to over 800 patients being enrolled in Medicaid; which results in them moving from self-pay to Medicaid. Medicaid has no co-payments, so there is no patient obligation and the write-offs move from bad debt to a contractual allowance.**

6. INCOME STATEMENT - Retail pharmacy (340B) shows a favorable increase of over \$400,000. Describe this program and the risks involved operating the program.

**The retail pharmacy 340B program is contracted with our two local retail pharmacies and most recently with Wal-Mart. There are numerous risks involved in operating the program related to regulatory compliance. To mitigate these risks, an annual audit is**

**performed by a third party consultant as well as continuous internal audits by the pharmacy staff.**

**Externally, there is a risk of the 340B program not being available to critical access hospitals - as it is part of the Obama Administration Affordable Care Act. There are increased risks of CMS and legislative actions to reduce the benefits of the program, which are yet to be determined.**

**To North Country Hospital, the financial risk of the program is \$3 million in revenue per year.**

7. INCOME STATEMENT - Are the 2017 projections still valid? If not, please describe material changes?

**The 2017 projections are not still valid. The submitted 2017 projections resulted in an operating loss of just under \$900k. YTD July our operating loss is just over \$1.5 million. Our revised projected loss for FY 2017 is \$1.8 million. The significant material change is the continued erosion of revenues, which was factored into our 2018 Budget.**

8. Refer to the Act 53 price and quality data schedule that is included in the staff analysis and be prepared to address questions the Board may have concerning that information.

9. In the March 31 GMCB hospital guidance, the Board allowed up to 0.4% for **new** health care reform. The Board directed each hospital to provide a detailed description of each new health care reform activity, investment or initiative included within the designated 0.4%, provide any available data or evidence based support for the activity's effectiveness or value, and identify the benchmark or measure by which the hospital can determine that the activity reduces costs, improves health, and/or increases Vermonters' access to health care. With this in mind, please describe how you are investing for new health care reform activities in the four approved areas:

- Support for Accountable Care Organization (ACO) infrastructure or ACO programs;

**North Country Hospital has been an active participant in payment reform initiatives since the Vermont Blueprint for Health advanced primary care medical home model was introduced at the beginning of this decade. We have been a member of the OneCare Vermont ACO since its inception and have been participating in the Medicare Shared Savings program under OneCare Vermont continuously since 2013. For calendar years 2014, 2015, and 2016, North Country also participated in the Vermont Medicaid and Commercial contracts. We have been integrally involved in the development of the integrated Vermont Care Organization (VCO) model and were disappointed that this did not come to fruition. We believe that the ACO model provides comparative claim data that enables providers to better understand and improve the cost and quality of the care that is provided.**

- Support of community infrastructure related to ACO programs;

**Partnership and collaboration with other health and social service agencies in our community is essential if we are to have any material impact on population health. For this reason, North Country Hospital has been actively working with these community agencies to create the culture and infrastructure necessary to effect change. Over the past year, we partnered with the following agencies to found the Upper Northeast Kingdom Community Council: Northeast Kingdom Human Services (our designated mental health agency), Northeast Kingdom Community Action, Northeast Kingdom Council on Aging, Northern Counties Health Care (FQHC), Rural Edge (Low Income Housing Provider and SASH agency), Orleans/Essex VNA, Orleans County School Supervisory Union, and the Newport District Office of the Vermont Department of Health. This Accountable Health Community provides the structure and framework for the leading health and social service providers in our community to take a *Collective Action* approach to improving the health of our population.**

**Over the past year, we have also integrated mental health services in our medical home by contracting with our designated mental health agency, Northeast Kingdom Human Services, to add a psychiatric nurse practitioner four days per week in our Newport primary care clinic. This investment is paying significant dividends in helping coordinate care and improve management of prevalent chronic mental health conditions such as anxiety and depression. This has also provided a resource to our emergency room for patients who are awaiting placement in a specialty psychiatric facility.**

**Data is integral to accountable care and we have invested in the dbMotion data warehouse and population health management software product. With the implementation of dbMotion, we have successfully deployed their *Collaborate* care management software to the Orleans/Essex VNA, the Bel-Aire Skilled Nursing Facility, and several of our independent physician offices. This software allows us to securely share health information between our organizations and provides a common platform for care management.**

- Building capacity for, or implementation of, population health improvement activities identified in the Community Health Needs Assessment, with a preference for those activities connected with the population health measures outlined in the All-payer Model Agreement;

**The establishment of the Upper Northeast Kingdom Community Council, as described above, provides a framework for the local collaboration that is called for in the All Payer Model. Many of the implementation activities that we have conducted in response to the health needs identified in our Community Health Needs Assessment have involved more than one organization. Below are some of the initiatives that we have implemented over the past year:**

## Community Health Needs Assessment: Summary of Implementation Strategy Activities Completed

Key Health Concerns	2016 Activities
<b>Access to Medical Care when needed</b>	<ul style="list-style-type: none"> <li>✓ Combined total new patients admitted to NC Primary Care and Pediatrics practices: 1388 new patients:               <ul style="list-style-type: none"> <li>➤ North Country Pediatrics: 102 New Patient Visits</li> <li>➤ North Country Primary Care Newport: 992 New Patient Visits</li> <li>➤ North Country Primary Care Barton Orleans: 294 New Patient visits</li> </ul> </li>   <li>✓ NCH's Medical Home Community Care Team coordinated:               <ul style="list-style-type: none"> <li>➤ Transportation (RCT) for 66 patients to attend medical appointments</li> <li>➤ Nursing home placement for 23 patients</li> <li>➤ Hospice/Home Care for 19 patients</li> </ul> </li> </ul>
<b>Access to Mental Health Resources when needed</b>	<ul style="list-style-type: none"> <li>✓ Medical Home Community Care Team helped:               <ul style="list-style-type: none"> <li>➤ 116 patients access Mental Health counseling</li> <li>➤ Coordinate care for 59 patients to get referrals to psychiatry.</li> </ul> </li>   <li>✓ Coordinate development of WRAP (Wellness Recovery Action Plan) workshops in Newport 2 programs held with 22 registrants and 15 completers</li> <li>✓ Held Chronic Disease Self-Management 6 session class at Northeast Kingdom Human Services with 10 registrants and 8 completers</li> </ul>
<b>Alcohol, Street Drugs &amp; Prescription Abuse: Addiction Treatment/Access to Substance Abuse Services when needed</b>	<ul style="list-style-type: none"> <li>✓ The Medical Home Model Community Care Team at 2 NC Primary Care locations helped:               <ul style="list-style-type: none"> <li>➤ 16 patients connect with inpatient addiction treatment</li> <li>➤ 18 patients connect with community based drug abuse treatment</li> <li>➤ 27 people connect with a Licensed Drug &amp; Alcohol Counselor (LDAC)</li> </ul> </li> </ul>
<b>Access to Dental Care and Oral Health when needed</b>	<ul style="list-style-type: none"> <li>✓ NCH partnered with Northern Counties Health Care for successful establishment of new Dental Center in Orleans, with 1/3/17 opening.</li> <li>✓ NCH partnered with the Ronald McDonald Van to provide dental services at Albany School for Irasburg, Orleans &amp; Albany</li> <li>✓ Ronald McDonald Van visited:               <ul style="list-style-type: none"> <li>➤ Kids Wellness Day</li> <li>➤ Field Day at Derby Elementary</li> </ul> </li>   <li>✓ Medical Home Community Care Team at NC Primary Care assisted 5 people with dental needs/dental clinic</li> </ul>
<b>Tobacco Use: Addiction Treatment</b>	<ul style="list-style-type: none"> <li>✓ 1 on 1 counseling: 238 phone calls with 120 individuals (62 provider referrals and 58 self-referrals) for tobacco cessation.</li>   <li>✓ 6 Tobacco Cessation groups held with 30 registrants and 22 completers.</li> </ul>

	<p>Classes held at these locations:</p> <ul style="list-style-type: none"> <li>➤ BAART</li> <li>➤ Northeast Kingdom Human Services</li> <li>➤ Island Pond Health Center</li> <li>➤ Northeast Kingdom Learning Services</li> <li>➤ Journey to Recovery Center</li> </ul>
<b>Tobacco Use: Prevention</b>	<ul style="list-style-type: none"> <li>✓ Tobacco prevention activities presented at: <ul style="list-style-type: none"> <li>➤ Newport Town Elementary School Health Fair</li> <li>➤ NEKLS Community Forum-smoke free places in Newport</li> <li>➤ Derby Elementary School</li> <li>➤ Kids Wellness Day at the Wellness Center</li> </ul> </li> <li>✓ NCH began planning for a Smoke Free Campus in 2017</li> </ul>
<b>Alcohol, Street Drugs &amp; Prescription Abuse: Prevention</b>	<ul style="list-style-type: none"> <li>✓ NCH was awarded a Regional Prevention Partnership 5-year Grant with focus on working with local resources to decrease and prevent alcohol, prescription medication and street drug usage among youth 12-25 years old. NCH completed successful hiring of grant coordinator and began assessment activities</li> </ul>
<b>Overweight/Obesity: Encourage Physical Activity</b>	<ul style="list-style-type: none"> <li>✓ Discussions held with all tobacco cessation clients (whether in classes or in individual counseling) regarding importance of choosing healthy foods and adding or continuing a regular pattern of physical activity.</li> <li>✓ Approximately 176 hours of Wellness Center Classes provided every month/45 classes per week. ( approximately 2112 hours of classes annually)</li> <li>✓ Wellness Days: Newport Town School, Derby Elementary, Coventry Village School, Lowell Graded School, Barton Elementary, NKHS</li> <li>✓ Safe Routes to Schools program: Newport City Elementary &amp; Glover Elementary</li> <li>✓ Workstation Workout-CCV</li> <li>✓ Diabetes Prevention Program: 2 groups held with 23 registrants and 19 completers</li> <li>✓ National Bike to School Day</li> <li>✓ Diabetes Self-Management Classes held with 12 registrants and 8 completers</li> <li>✓ Kids Zumba: Barton School</li> <li>✓ Bike Rodeo</li> <li>✓ Finalized “Left, Right, Left” stencils on sidewalks: Barton &amp; Derby</li> <li>✓ Safe Routes to School Walks and classroom visits-Newport City Elementary School</li> <li>✓ Rotary Club Speaker: Wellness &amp; Lifestyle management</li> <li>✓ Self-Wellness Workshop: UCA</li> <li>✓ Line Dancing: Coventry Village School</li> <li>✓ Encore Program: Afterschool fitness</li> <li>✓ Donna’s Daycare: Kids fitness &amp; nutrition activities</li> <li>✓ Kids Dance: Block Party</li> <li>✓ Health Fair: Newport Town School</li> <li>✓ Bill Koch Youth Ski Program: Newport City Elementary &amp; UCA</li> <li>✓ Presentation at Better Breathers</li> <li>✓ Zumba fundraiser for American Heart Assoc.</li> <li>✓ Wellness Motivations Speech &amp; activities presented at Newport Church of</li> </ul>

	<p>God</p> <ul style="list-style-type: none"> <li>✓ Exercise demos shown to retired teachers</li> <li>✓ Fitness demos done for staff at Newport City Elementary School</li> <li>✓ Zumba for Oncology Fundraiser</li> <li>✓ Weekly “Healthy You” articles in local newspaper</li> <li>✓ Wellness/Self Care presented at NEKLS-Champlain College</li> <li>✓ Zumba for staff at Barton Town School</li> <li>✓ Boxing for Oncology fundraiser</li> <li>✓ Band Workout for Diabetes Prevention Program</li> <li>✓ Classroom presentation for Walk to School at Newport City Elementary School</li> <li>✓ Walk to School Days</li> <li>✓ Workouts for Oncology Fundraiser</li> </ul>
<p><b>Overweight/Obesity: Encourage Healthy Eating</b></p>	<ul style="list-style-type: none"> <li>✓ Nutrition Education &amp; Counseling: provided to 505 patients by medical Home Model Community Care Team Dieticians at no cost to patients at these Blueprint for Health practices: NC Pediatrics, NCPC Newport, NCPC Barton Orleans and Island Pond Health Center.</li> <li>✓ Introduction of “2 Question Food Insecurity Screenings” at NC Pediatrics to identify and provide resources to families with economic/nutritional risk factors.</li> <li>✓ Wellness Center: 43 Nutrition Counseling consults between July through December</li> <li>✓ Weekly “Healthy You” articles in local newspaper</li> <li>✓ Diabetes Prevention Program: 2 programs( each 16 weekly sessions/monthly follow ups) held with 23 registrants and 19 completers</li> <li>✓ Diabetes Self-Management 6 session program held with 12 registrants and 8 completers</li> <li>✓ Healthy Lunches Program-UCA</li> <li>✓ Eating Disorder Presentation at Kingdom Country Productions</li> <li>✓ Healthy Baking Competition-Worksite Wellness NCH</li> <li>✓ Lunch &amp; Learn at North Country Supervisory Union &amp; NKHS</li> <li>✓ Self-wellness workshop: UCA, NEKLS Champlain College</li> <li>✓ Wellness/Self Care presented at NEKLS-Champlain College</li> <li>✓ Wellness Motivations Speech &amp; activities presented at Newport Church of God &amp; Newport Rotary Club</li> <li>✓ Representation at quarterly NEK Hunger Council meetings</li> </ul>

- Support for programs designed to achieve the population health measures outlined in the All-payer Model Agreement.

**Our most significant investment that is related to health reform is to replace our electronic medical records system. Currently, we are operating three main electronic medical records systems: McKesson Paragon for inpatient, Medhost for the Emergency Room, and Allscripts for the outpatient physician practices. Individually, none of these systems functions particularly well and all have declined in their ranking with KLAS, the nation’s leading performance rating agency for information technology vendors. Collectively, these**



**systems present significant operational problems, as the data is maintained in three disparate databases. Functionally, it is challenging for our clinicians to have to switch between systems to access patient information. Operationally, running three different systems presents significant barriers in our quest to standardize work flows and to access information to measure performance. Improving our performance in population health requires a robust analytics capability and we believe our new integrated electronic health record platform will significantly advance our capacity in this area.**

10. Please identify which ACO(s) you will have a contractual relationship with in 2018. If your hospital plans (or already is) in a risk-bearing contract with OneCare, please explain the effect of the risk on your financial statements. Please explain specific strategies your hospital is developing to move toward population-based payment reform. Finally, what tools does your hospital employ to ensure appropriate, cost effective, quality care when working with providers outside the CHAC or OneCare network?

**North Country is currently not in a contractual relationship with an ACO for 2018 and therefore there are no reserves or other financial provisions for risk in our FY2018 budget. We are currently exploring the possibility of entering into the Medicaid Risk program for 2018 through OneCare Vermont. (At the time of our budget submission, the only option being offered by OneCare was to be in all three - Medicare, Medicaid, and Commercial - risk-based contracts.)**

**North Country is currently in the OneCare ACO for 2017 and is getting data related to cost and quality from OneCare. North Country Hospital has been preparing for value-based payment as an active participant in the OneCare Vermont ACO since its inception. We have made significant investments in establishing the advanced medical home model in our primary care clinics. Over the past year, we have integrated mental health services in our medical home by contracting with our designated mental health agency, Northeast Kingdom Human Services, to add a psychiatric nurse practitioner four days per week in our Newport primary care clinic. Also over this past year, North Country Hospital founded the Upper Northeast Kingdom Community Council, a coalition of leaders from our local healthcare and social service agencies. The UNEKCC is committed to significantly improve the health and wellbeing of the people in Orleans and Northern Essex Counties and is currently evaluating projects that can address the issues identified in our Community Health Needs Assessment through a *collective action* approach.**