North Country Hospital
Where caring runs deep.

North Country Hospital Fiscal 2017 Budget Presentation to the Green Mountain Care Board

August 18, 2016

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Introduction

Presenters

- André Bissonnette, CFO
- Claudio Fort, President & CEO

Support

- Lucien St. Onge, Controller
- Laurie Grey, Staff Accountant II
- Avril Cochran, VP of Patient Care Services
- Thomas Frank, Chief Operating Officer

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Introduction: Service Area

Service Area ≈ 30,000

- Most Isolated
- Highest Poverty
- Lowest Health Outcomes

45 Minutes to Closest Critical Access Hospital

2 Hours to Tertiary Care

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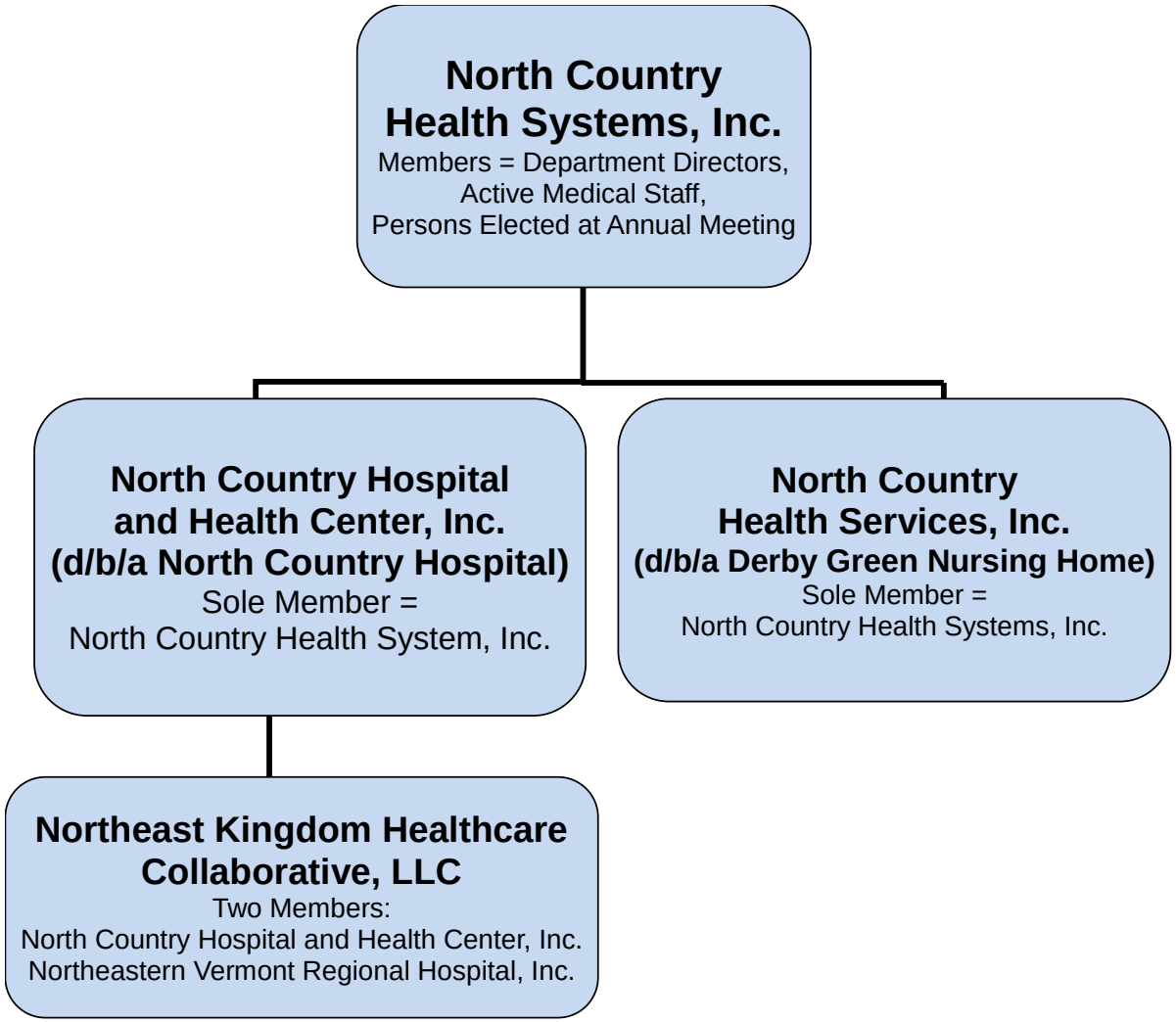
Organizational Chart



Major Budget Initiatives

A. Advance Health Care Reform

- Renew ACO Membership Under the Vermont Care Organization/CHAC
  - North Country Hospital Active Primary Care Patients ≈ 16,880
  - OneCare Vermont ACO Attributed Lives = 6,725 (40%)
- Membership in Unified ACO Steering Committee and VCO Board of Managers

Major Budget Initiatives

B. Continue to Build Capacity in Population Health Management

- Implement CareNavigator and WorkbenchOne Care Coordination, Analytics & Population Health Management Software Through VCO
- Data Sharing & Care Coordination Initiative with Community Providers Using dbMotion ***Collaborate*** Care Management & Interoperability Software
  - Orleans Essex VNA
  - Bel-Aire Skilled Nursing Facility
  - Independent Physician Offices
- Restructure Hospital Care Management to Increase Integration with Community Care Team
- Participate in *Vermont Accountable Communities Peer Learning Lab*

Major Budget Initiatives

C. Strengthen Relationships With Other Providers

- UVM Medical Center
  - Outpatient Hemodialysis
  - Clinical Pathology
  - Urology
  - Neonatal Intensive Care & Transport
  - OBNet Clinical Quality Improvement Program
- Dartmouth Hitchcock
  - Cardiology (Stroke & STEMI Collaboratives)
  - Oncology (Norris Cotton Cancer Center)
  - Telemedicine – Emergency Department
  - Currently Evaluating Group Purchasing (Dartmouth-Hitchcock Alliance)

Major Budget Initiatives

C. Strengthen Relationships With Other Providers

- Northern Counties Health Care (FQHC)
  - New Dental Clinic in Orleans
- Northeast Kingdom Human Services (Designated Mental Health Agency)
  - Psychiatry in NCH Primary Care Clinic
- Strategic Plan – Evaluate Affiliation/Integration Models & Options

Major Budget Initiatives

D. Ensure Continued Financial & Operational Viability

- Restructure Debt to Eliminate Letter of Credit Risk
- Institute New Staffing Models to Reduce Cost and Ensure Availability of Nurses
- Implement New Primary Care Delivery Model
- Evaluate IT Alternatives to Lower Cost of Ownership & Improve Functionality
- Develop Plan to Renovate Inpatient Units to Improve Safety & Operational Efficiency

Budget Analysis Questions

1a. NPR & Utilization Change Schedule

	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Projected	2017 Budget
NET PATIENT CARE REVENUE	71,693,786	70,996,943	71,631,397	73,297,093	78,028,954	81,189,662
FY2012 Actual to FY2017 Budget Change						9,495,875
Total Percent Change						13.25%
Average Annual Change						2.65%

Budget Analysis Questions

1b. Capital Related to New Chemotherapy Regulations ≈ $300K

➢USP 797/800: Sterile Compounding & Hazardous Material Handling

- Cleanroom Upgrade Air exchange improvements
  - Sterility improvements
  - Containment Segregated Compounding Area
  - Temperature & Humidity Controls
  - Engineering Controls & Personal Protective Equipment

Budget Analysis Questions

1c. Chemotherapy Cost & Utilization Changes

- Number of cancer patients treated at NCH unchanged at 70 – 90 per year.
- New therapies are more expensive & require more doses.
- Budget 2016 to Budget 2017 chemotherapy expense increase = $2.2 Million.

Budget Analysis Questions

1d. NPR Changes by Payer

North Country Hospital								
NET PAYER REVENUE CHANGE		FY2016	Projection FY2016	FY2017	B16-B17 $Change	B16-B17 % change	NPR From Rate	NPR From All Other
All Payers	Gross Revenue	$171,453,494	$176,540,284	$184,601,880	$13,148,386	7.7%		
	Allowances	($92,046,370)	($95,310,519)	($99,801,683)	($7,755,313)	8.4%		
	Bad Debt	($3,299,360)	($3,858,297)	($3,862,806)	($563,446)	17.1%		
	Free Care	($1,315,045)	($1,154,115)	($1,200,997)	$114,048	-8.7%		
	Disproportionate Share Payments	$1,811,601	$1,811,601	$1,453,268	($358,333)	-19.8%		
	Graduate Medical Education Payment	$0	$0	$0	$0	0.0%		
	Net Payer Revenue	$76,604,320	$78,028,954	$81,189,662	$4,585,342	6.0%	$2,073,393	$2,511,949
Commercial	Gross Revenue	$56,982,006	$58,397,844	$61,013,130	$4,031,124	7.1%		
	Allowances	($14,951,601)	($15,966,693)	($16,509,371)	($1,557,770)	10.4%		
	Bad Debt	$0	$0	$0	$0	0.0%		
	Free Care	$0	$0	$0	$0	0.0%		
	Disproportionate Share Payments	$0	$0	$0	$0	0.0%		
	Graduate Medical Education Payment	$0	$0	$0	$0	0.0%		
	Net Payer Revenue	$42,030,405	$42,431,151	$44,503,759	$2,473,354	5.9%	$1,514,997	$958,357
Medicaid	Gross Revenue	$46,588,938	$44,478,514	$46,684,530	$95,592	0.2%		
	Allowances	($35,599,871)	($32,836,080)	($34,548,367)	$1,051,504	-3.0%		
	Bad Debt	$0	$0	$0	$0	0.0%		
	Free Care	$0	$0	$0	$0	0.0%		
	Disproportionate Share Payments	$1,811,601	$1,811,601	$1,453,268	($358,333)	-19.8%		
	Graduate Medical Education Payment	$0	$0	$0	$0	0.0%		
	Net Payer Revenue	$12,800,667	$13,454,035	$13,589,431	$788,764	6.2%	$0	$788,764
Medicare	Gross Revenue	$67,882,550	$73,663,926	$76,904,220	$9,021,670	13.3%		
	Allowances	($41,494,898)	($46,507,746)	($48,743,945)	($7,249,047)	17.5%		
	Bad Debt	$0	$0	$0	$0	0.0%		
	Free Care	$0	$0	$0	$0	0.0%		
	Disproportionate Share Payments	$0	$0	$0	$0	0.0%		
	Graduate Medical Education Payment	$0	$0	$0	$0	0.0%		
	Net Payer Revenue	$26,387,652	$27,156,180	$28,160,275	$1,772,623	6.7%	$558,396	$1,214,227
Bad Debt/Free Ca	Gross Revenue				$0	0.0%		
	Allowances				$0	0.0%		
	Bad Debt	($3,299,360)	($3,858,297)	($3,862,806)	($563,446)	17.1%		
	Free Care	($1,315,045)	($1,154,115)	($1,200,997)	$114,048	-8.7%		
	Disproportionate Share Payments				$0	0.0%		
	Graduate Medical Education Payments				$0	0.0%		
	Net Payer Revenue	($4,614,405)	($5,012,412)	($5,063,803)	($449,398)	9.7%	$0	-$449,398

$1.5M Rate Increase to Commercial Payers

No Rate Increase From Medicaid

Highest Volume Growth From Medicare

$563K Increase in Bad Debt

Budget Analysis Questions

2. 3.5% Rate Increase Request

➢Commercial Insurance Contracts Based on Percent of Charges For Hospital Services and Established Fee Schedule for Physician Services

Example: $1,000 Charge = $1,035

- Commercial Reimbursement Hospital (example @ 80% of charges): **$800 to $828**
- Commercial Reimbursement Physician: **No Change** (Established Fee Schedule – Not Charges)
- Medicare Reimbursement: **No Change** (99% of Reasonable Costs Regardless of Charges)
- Medicaid Reimbursement : **No Change**

➢Strategy & Basis For Increase: Keep as low as possible to maintain operating margin between 1% and 2%

Budget Analysis Questions

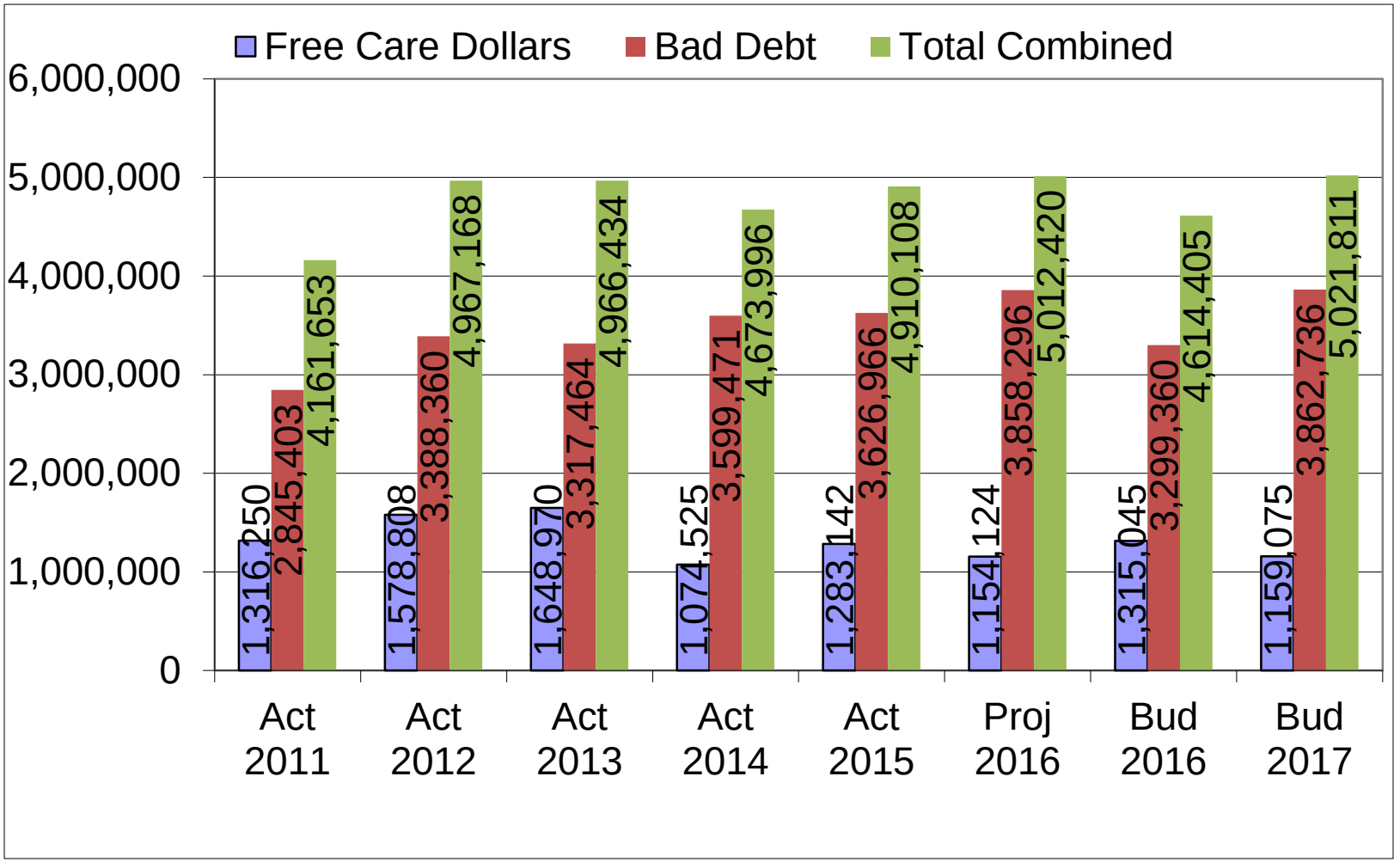
3. FTE Increase Analysis

	Budget FY 2015	Budget FY2016	Budget FY2017
Hospital	329.2	337.0	343.3
Budget 2016 – 2017 Positions Added:			6.3
RN Flex Pool (Reduce locum & O.T.)			4.0
Surgical Services (Volume Increase)			1.3
Emergency Room (Volume Increase)			0.5
Pharmacy (340B Compliance)			0.4
Physician Practices	134.2	147.2	155.1
Budget 2016 – 2017 Positions Added:			7.9
Mental Health/Substance Abuse Counselors			2.0
Hospitalist Service Nurse Practitioner			1.0
RN Practice Coordinator (Population Health)			1.0
RN/LPN Primary Care Nursing Model			3.0
Sleep Medicine Technician (LLC)			1.0
FTE Per Adjusted Occupied Bed			
Hospital A			9.3
Hospital B			4.7
Hospital C			6.4
Hospital D			6.4
Hospital E			7.6
Average			6.9
North Country Hospital			**5.8**

NCH is significantly under most Vermont community hospitals.

Budget Analysis Questions

4. Reason for Plateau in Decline of Bad Debt



Budget Analysis Questions

5. Health Care Reform Expenditure Analysis

Total Health Care Reform Expenditure: $646,524

- ACO Participation Fee: $214,500
- Depreciation of IT Data Warehouse: $182,852
- Salary & Overhead for ACO Executive Director and Data Analyst: $249,172

Budget Analysis Questions

6. Debt Structure

- Previous bonds required credit enhancement in the form of a letter of credit (LOC).
- In 2013, our 5-year LOC expired and banks only offered a 1-year LOC, therefore, GAAP required reclassification to short-term debt.
- June 1, 2016, refinanced debt to eliminate LOC requirement, therefore, debt will be reclassified back to long-term debt.

Budget Analysis Questions

7. FYE 2016 Revised Projection

	FYTD July 2016		FY 2016 Projected	
	Budget	Actual	Budget	Actual
Net Revenue	$ 67,467,209.00	$ 68,839,772.00	$ 81,266,941.00	$ 82,639,503.00
Expenses	$ 66,785,934.00	$ 69,591,646.00	$ 80,046,936.00	$ 82,852,648.00
Net Operating Income	$ 681,275.00	**$ (751,874.00)**	$ 1,220,005.00	**$ (213,145.00)**

Net Revenue Over Budget Due To:

- Increased ER Utilization
- Diagnostic Imaging Utilization
- Increased Charges and Revenue Related to Pharmaceutical Cost Increases

Expenses Over Budget Due To:

- Pharmaceutical Cost Increases
- Locum Tenens/Agency Physician & Nurse Staffing

Budget Analysis Questions

8. Capital Budget 2018 – 2020

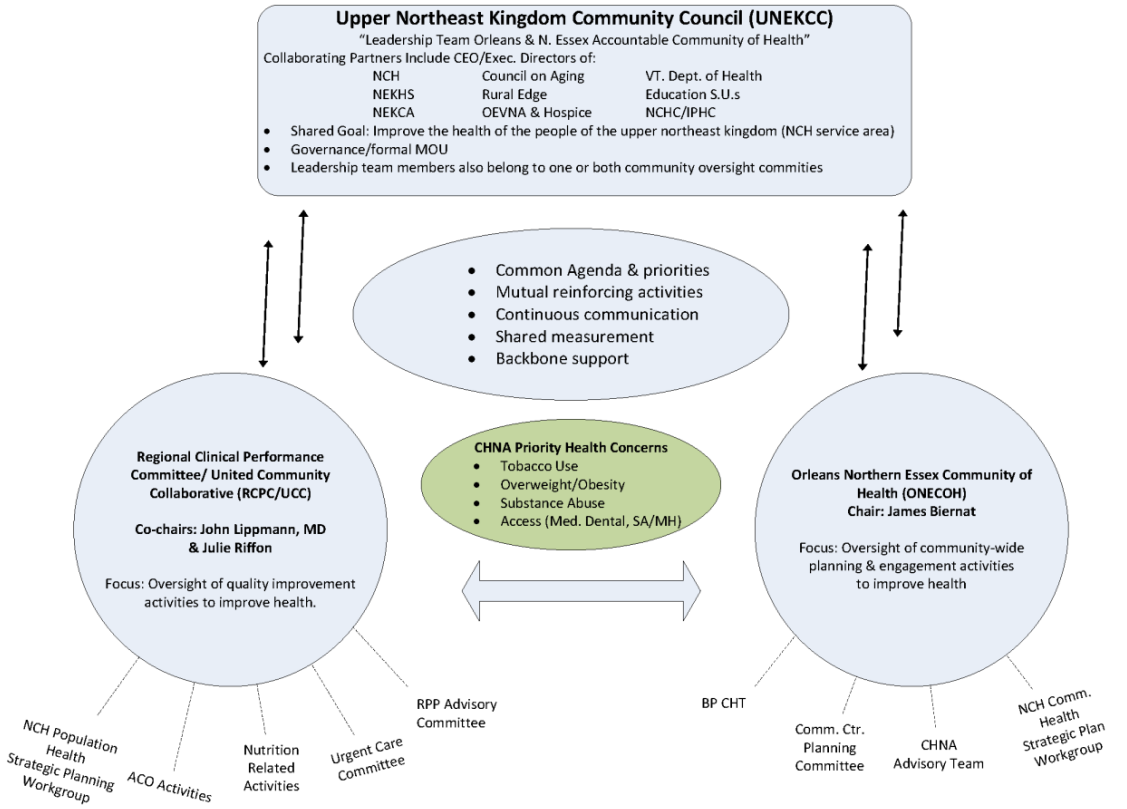
Accounts	FY2017	FY2018	FY2019	FY2020
Land & Land Improvements Total	49,500	30,000	30,000	30,000
Buildings & Building Improvements Total	671,185	325,000	-	-
Major Movable Equipment Total	2,774,315	2,257,580	1,996,765	2,481,742
Total	3,495,000	2,612,580	2,026,765	2,511,742
*Additional CON for Med/Surg ICU Renovations	-	12,000,000	-	-
Total	3,495,000	14,612,580	2,026,765	2,511,742

Budget Analysis Questions

9. Community Health Collaborations:

Accountable Communities for Health Peer Learning Lab

- Successes:



Adopted from "Channeling Change: Making Collective Impact Work" Hanley-Brown, Kenia + Kramer 2012

Budget Analysis Questions

9. Community Health Collaborations:

<u>Northeast Kingdom Human Services</u>

- Successes:
  - NKHS Psychiatrist in NC Primary Care
  - Joint Recruitment of Psychiatric Nurse Practitioner
- Limitations:
  - **<u>Placement of Mental Health Patients Remains a Significant Problem</u>**

Budget Analysis Questions

9. Community Health Collaborations (Continued):

Northern Counties Health Care (FQHC)

- Successes:
  - Expansion of Dental Clinic to Orleans

Newport Ambulance Service

- Successes:
  - Fallscape Community Fall Prevention Program

Budget Analysis Questions

9. Community Health Collaborations (Continued):

Orleans Essex Visiting Nurse Association

- Successes:
  - Expanding Access & Utilization of Hospice Services
  - Collaborate Software to Enable EMR Data Sharing, Event Notification, and Care Coordination

Vermont Department of Health

- Successes:
  - Awarded Regional Prevention Partnership Grant
    - 5 – Year Award to reduce underage drinking, drug abuse among 12 – 25 year old youths

Budget Analysis Questions

10. Certificate of Need

Renovate Medical-Surgical, Intensive Care and Maternal-Child Units (Original 1973)

- Patient Safety, Quality of Care, Patient Experience
  - Private Rooms to Reduce Risk of Infection
  - HVAC Infrastructure Past Useful Life
  - Improve Patient Mobility & Reduce Falls
  - Improved Patient Visibility
  - Secure Behavioral Health Room
  - Reduce Noise
- Operational Efficiency & Staff Safety
  - Incorporate LEAN design
  - Acuity-Adaptable Med-Surg/ICU Convertible Rooms
  - Efficient Circulation
  - Integrated Patient Lift and TransportSystem

Budget Analysis Questions

Community Health Needs Assessment Status

Key Health Issues:

- Tobacco Use
- Obesity
- Substance Abuse
- Access to Dental Care, Substance Abuse & Mental Health Treatment

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Budget Analysis Questions

Community Health Needs Assessment Status

- Approaches Incorporated Into Hospital Strategic Plan
- Approaches Being Addressed By Accountable Communities For Health Coalition
- Progress Being Made in Multiple Areas (eg: Access to Dental, Substance Abuse Prevention Grant)
- Evaluating Other Non-Traditional Approaches – Bridges Out Of Poverty

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Health Care Advocate Questions

1. We did not include a rebasing in our budget.

11. Community Benefit Amounts:

	FY 2014	FY 2015
Financial Assistance (at cost)	$ 563,299	$ 576,596
Unfunded Medicaid Cost	$ 11,790,019	$ 13,367,879
Community Health Initiatives	$ 13,264	$ 30,447
Health Professions Education	$ 153,235	$ 78,549
Subsidized Health Services (Rural Health Clinics)	$ 5,228,599	$ 4,897,014
Cash & In-Kind Contributions for Community Benefit	$ 19,270	$ 26,294
TOTAL	**$ 17,767,686**	**$ 18,976,779**

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Health Care Advocate Questions

12. FY 2015 Community Benefit = 22% of Net Revenue

12a. Historically we have been running at 22% and we anticipate having to find resources to increase this as we become more focused on addressing the social determinants of health in our community.

12b. See 11.

16. Currently none of our employed primary care providers are participating in the Hub and Spoke program. We have been in conversation with our "Hub" provider about strategies to address the significant opiate issue in our community.

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Health Care Advocate Questions

17. We have not conducted a financial analysis to isolate all the costs we incur, but the resources that are spent from our organization are material and have increased significantly since the closure of the State Hospital. One example is that we have spent approximately $120,000 in security personnel over the past year.

17a. Patients who present to the emergency room in an acute mental health crisis are initially triaged and treated the same way that medical patients are. We have a designated "safe" room in our ED and we assign staff to provide 1:1 direct observation of patients as indicated. The ED is not a therapeutic environment for mental health patients and our doctors and nurses are frustrated because we do not have the specialized resources such as a psychiatrist to properly care for this population. On any given week, we have patients awaiting placement in our emergency room and expect that this will continue throughout FY17.

Health Care Advocate Questions

17b. We require all security personnel, as well as all front line and direct care staff in the Emergency Department, to undergo the *Nonviolent Crisis Intervention* training program provided by the Crisis Prevention Institute.