

Howard Center, Inc.

Fiscal Year 2016 budget analysis

Report Date:

1/26/2016

Sec. 28. GREEN MOUNTAIN CARE BOARD; DESIGNATED AGENCY
BUDGETS

The Green Mountain Care Board shall analyze the budget and Medicaid rates of one or more designated agencies providing services to Vermont residents using criteria similar to the Board's review of hospital budgets pursuant to 18 V.S.A. § 9456. The Board shall also consider whether to include designated and specialized service agencies in the all-payer model. On or before January 31, 2016, the Board shall recommend to the House Committees on Appropriations, on Health Care, and on Human Services and the Senate Committees on Appropriations, on Health and Welfare, and on Finance whether the Board should be responsible for the annual review of all designated agency budgets and whether designated and specialized service agencies should be included in the all-payer model.

Staff comments

This report focuses on the financial information we gathered from the Howard Center. The structure of the report follows that of the staff reports prepared for the GMCB during the hospital budget reviews. You will see that the balance sheet and Profit & Loss statement are similar to the hospitals in structure, but other schedules and statistics are unique due to the different "business" of the Howard Center as compared to a hospital.

Howard Center Executive Leadership Team

Bob Bick, Chief Executive Officer
Catherine Simonson, Chief Client Services Officer
Marie Zura, Chief Client Services Officer
Sandy McGuire, Chief Financial and Operations Officer
Debbie Mintz, Chief Organizational Development Officer
Denise Vignoe, Chief Development and Communications Officer
Sandy Steingard, M.D., Chief Medical Officer

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Howard Center, Inc.

Bob Bick - CEO

Sandy McGuire - CFO

Summary Budget to Budget Increase

The 2016 budget shows just over a 1% net patient revenue increase from 2015 to 2016. Revenue budget assumes a 0.875% annual Medicaid increase (1.75% effective 1/1/16), caseload increases (capacity) for Developmental Services, no cuts to current funding, and improved staff retention. Overall capacity is essentially level though different programs show various increases and decreases.

Expense budget assumes 3% increase on fringe (includes 10% on health), 2% increase to base compensation, and 1% one time compensation for length of service. Significant efforts are being planned to reduce and/minimize all other costs in order to prioritize compensation.

Budget is balanced (net zero) by a targeted reduction in program capacity (program closure), planned new service delivery models, 4.1% reductions in FTEs, and increased productivity expectations to meet increased caseloads. Agency administration is 8.9% of expenses.

The balance sheet is only updated through 2015, but concerns remain related to low days (47) of operating cash on hand. If one does not consider their Board Restricted Endowment as available cash on hand, then their days cash on hand is only 29 days.

Major issues to Address at the Hearing

Discussion of the scope of client services and related demographics.

A description of major programs used to support clients.

Discussion of the different methods in which Medicaid services are reimbursed.

Discussion of financial health and capital budget plans.

Describe the latest projections for your 2016 budget.

Discuss need for services and distinguish between mandated and non-mandated services.

	2014A	2015B	2015A	2016B	B15-B16 Change	B15-B16 % Change
Net Patient Care Revenue	\$ 80,805,693	\$ 88,777,483	\$ 85,649,946	\$ 89,638,704	\$ 861,221	1.0%
Total Direct Expenses	\$ 70,680,875	\$ 77,858,483	\$ 74,532,679	\$ 78,326,647	\$ 468,164	0.6%
Total Indirect Expenses incl fringe	\$ 10,199,374	\$ 10,919,000	\$ 10,716,614	\$ 11,312,057	\$ 393,057	3.6%
				\$ -	#DIV/0!	
Total Expenses	\$ 80,880,249	\$ 88,777,483	\$ 85,249,293	\$ 89,638,704	\$ 861,220	1.0%
Operating surplus (loss) with realized & unrealized changes	\$ (74,556)		\$ 400,653			
	\$ -		\$ -			
Operating surplus (loss) without realized & unrealized changes	\$ (642,485)		\$ 536,723			
Operating Margin % w/o realized and unrealized changes	-0.8%	0.0%	0.6%	0.0%	0.0%	
Note: Realized and unrealized gains are included in NPR above						
Realized & Unrealized market gains(losses)	\$ 567,929		\$ (136,069)			

Howard Center, Inc.

Key Indicators

B15-B16

Utilization	2014A	2015B	2015A	2016B	% Change
Total Clients Served	8,366.0		8,467.0		
Total New Clients Served	4,279		3,966		
Total DS Waiver Clients	588.0		609.0		
Total Clinic-Based Services	93,105.0		101,397.0		
Total Community Based Services (non-DS)	98,119		115,203		
Total Bed Days	49,632		50,626		
Total Shared Living Provider Days	78,552		79,998		
Total Patient Days					
Capital					
Age of Plant	29.32	27.90	29.11	28.89	3.6%
Avg Age of Owned Buidlings	65	66	66	67	1.5%
Long Term Debt to Capitalization	12.7%	11.1%	10.7%	9.9%	-10.8%
Capital Expenditures to Depreciation			55.0%	72.0%	100.0%
Debt Service Coverage Ratio	0.13	0.11	0.11	0.10	-10.8%
Revenue					
Operating Margin %	-0.8%	0.0%	0.6%	0.0%	0.0%
Total Margin %	-0.8%	0.0%	0.6%	0.0%	0.0%
All Net Patient Revenue % of Gross Rev					0.0%
Medicaid Net Patient Revenue % of Net Rev	76.6%	80.2%	79.8%	79.9%	-0.4%
Commercial Net Patient Revenue % of Net Rev	1.1%	1.1%	1.4%	1.1%	-0.1%
All other Net Patient Revenue % of Net Rev	22.3%	18.7%	18.8%	19.0%	1.6%
Productivity					
Overhead Expense w/o fringe, as a % of Total Oper	8.8%	8.6%	8.8%	8.8%	2.5%
Overhead Expense w/ fringe, as a % of Total Opera	10.8%	10.6%	10.9%	10.9%	3.3%
Cost					
Salary per FTE	\$ 36,111	\$ 38,260	\$ 37,400	\$ 40,624	6.2%
All Salary & Benefits per FTE	\$ 47,833	\$ 50,961	\$ 49,581	\$ 54,241	6.4%
Compensation Ratio	63.3%	64.0%	63.5%	64.2%	0.2%
Fringe as a % of total salaries	32.5%	33.6%	32.6%	33.6%	-0.1%
Liquidity					
Current Ratio	1.6	1.5	1.6	1.7	11.0%
Days Cash on Hand including Board Desig Assets	38.2	33.6	46.5	37.6	11.9%
Days Cash on Hand excluding Board Desig Assets	19.5	16.8	29.3	20.6	22.9%
Cash to Long Term Debt	2.5	2.5	3.6	3.2	27.1%
Employed					
All full time equivalents	1,150	1,196	1,175	1,144	-4.3%

Howard Center, Inc.

ANALYSIS AND QUESTIONS

- 1) Describe the scope of client services and related demographics provided by the Howard Center. Describe major programs used to support clients. Is there a distinction between Designated and Specialized Services Agencies? Do other Designated Agencies provide a similar array of services?
- 2) The Howard Center has a large number of buildings and offices to provide services to clients. Describe the scope and need for the offices. How does the Howard Center determine their service area?
- 3) Describe the performance measurement efforts to evaluate client outcomes and client satisfaction. Are national and/or regional peer measures used?
- 4) Medicaid is easily the most dominant payer, representing over 80% of the DA's net revenues. Describe how Medicaid reimburses for client services. Distinguish key differences in rates or methods of reimbursement.
- 5) Staff, personnel contracts, and fringe represent over 75% of the DA's annual expenses. Describe the scope and type of positions that provide direct care. Describe recruiting issues that you are experiencing. Describe your overhead and administrative costs needed to support the Agency.
- 6) Discuss the financial health of your organization. Discuss the rationale for adopting a budget with no operating margin. Are there opportunities to achieve a surplus?
- 7) Discuss the scope and trends of bad debt and free care in the organization. Describe your free care policy.
- 8) Describe the latest projections for your 2015 budget.
- 9) Describe your capital budget planning process.
- 10) Describe your health care reform efforts around delivery system and payment reform.
- 11) Discuss the differences between "mandated services and non mandated"?
- 12) How does the Howard Center define client/patient needs as part of determining budget resources?

Technical questions

- 13) The balance sheet shows over \$4 million in investment funds. Are these funds invested and if so, where is that accounted for in the budget?
- 14) How is bad debt and free care accounted for? How much is it and how many cases or clients are there?
- 15) Can you provide some utilization metrics that describe scope and changes in services?
- 16) Is any benchmark or peer comparison financial and utilization information available? How does the Howard Center evaluate its overall performance on an ongoing basis?

Howard Center, Inc.

PROFIT & LOSS STATEMENT

Taken from

	2014 A	2015B	2015A	2016B	2015B-2016B	2015B-2016B
REVENUES						
First Party (Client Fees)	\$ 180,901	\$ 224,521	\$ 227,032	\$ 224,117	-\$404	-0.2%
Third Party (Commercial Insurance)	\$ 874,298	\$ 975,509	\$ 1,180,768	\$ 983,921	\$8,412	0.9%
Medicaid Fee-For-Service	\$ 20,844,981	\$ 25,938,882	\$ 25,112,647	\$ 26,601,221	\$662,339	2.6%
Waiver / Other Medicaid	\$ 41,091,334	\$ 45,235,464	\$ 43,275,286	\$ 45,001,062	-\$234,403	-0.5%
Non-Medicaid Fees	\$ 3,377,547	\$ 2,507,565	\$ 2,766,049	\$ 2,897,024	\$389,459	15.5%
Federal Contracts & Grants	\$ 487,994	\$ 467,086	\$ 476,219	\$ 461,782	-\$5,304	-1.1%
State Contracts & Grants	\$ 11,452,110	\$ 11,747,714	\$ 11,537,942	\$ 11,975,830	\$228,115	1.9%
Local & Other	\$ 2,496,527	\$ 1,680,741	\$ 1,074,004	\$ 1,493,747	-\$186,994	-11.1%
					\$0	0.0%
					\$0	0.0%
NET PATIENT CARE REVENUE	\$ 80,805,693	\$ 88,777,483	\$ 85,649,946	\$ 89,638,704	\$861,221	1.0%
EXPENSES						
Salaries & Wages	\$ 36,559,631	\$ 40,482,320	\$ 38,408,881	\$ 40,802,121	\$319,801	0.8%
Fringe	\$ 11,859,815	\$ 13,388,192	\$ 12,522,850	\$ 13,668,232	\$280,040	2.1%
Contracted Clinical	\$ 1,141,129	\$ 1,164,002	\$ 1,399,236	\$ 1,105,706	-\$58,296	-5.0%
Contracted Non-Clinical	\$ 12,576,073	\$ 13,798,856	\$ 13,213,767	\$ 13,792,453	-\$6,402	0.0%
Operating Program / Client	\$ 2,391,074	\$ 2,217,823	\$ 2,164,603	\$ 2,134,879	-\$82,944	-3.7%
Travel / Transportation	\$ 2,704,379	\$ 3,224,396	\$ 3,215,980	\$ 3,050,088	-\$174,308	-5.4%
Direct Building	\$ 1,436,849	\$ 1,467,812	\$ 1,536,769	\$ 1,506,985	\$39,173	2.7%
Total Direct Expenses	\$ 70,680,875	\$ 77,858,483	\$ 74,532,679	\$ 78,326,647	\$468,164	0.6%
Indirect Cost Center Fringe	\$ 1,620,122	\$ 1,803,339	\$ 1,789,806	\$ 1,934,964	\$131,625	7.3%
Indirect Building Allocation	\$ 1,466,574	\$ 1,507,482	\$ 1,448,482	\$ 1,499,863	-\$7,618	-0.5%
Service Area Admin Allocation	\$ 1,436,632	\$ 1,373,443	\$ 1,462,622	\$ 1,416,723	\$43,280	3.2%
Agency Admin Allocation	\$ 5,676,047	\$ 6,234,736	\$ 6,015,704	\$ 6,460,506	\$225,770	3.6%
Total Indirect Expenses incl fringe	\$ 10,199,374	\$ 10,919,000	\$ 10,716,614	\$ 11,312,057	\$393,057	3.6%
TOTAL EXPENSES	\$ 80,880,249	\$ 88,777,483	\$ 85,249,293	\$ 89,638,704	\$861,220	1.0%
Operating surplus (loss) with realized & unrealiz	\$ (74,556)	\$ -	\$ 400,653	\$ 0		
Operating surplus (loss) without realized & unre	\$ (642,485)	\$ -	\$ 536,723	\$ -		

Note: Realized and unrealized gains are included in NPR above
 Realized & Unrealized market gains(losses) 567,929 (136,069)

Medicaid is the dominant revenue supporting over 80% of the budget activity. Reimbursement varies for different programs and will be explained by the DA.

Commercial revenues are just under a \$1 million.

The DA has also been asked to describe how bad debt and free care is accounted for in their budget.

As noted by a compensation ratio of over 75%, the DA expense budget is heavily dominated by staff in order to provide services to clients.

Administrative costs without fringe are 8.9% of total expense costs.

No operating surplus has been budgeted in 2016.

Howard Center, Inc.

NET PATIENT REVENUE PAYER MIX

Payer mix describes the reimbursement and patient change that occurs from year to year.

Net Patient Revenue - All	Act 14 Total	Bud 15 Total	Act 15 Total	Bud 16 Total	B15 - B16 Change	B15 - B16 % Change	Payer as a % of Total
32110 - First Party	\$180,901	\$224,521	\$227,032	\$224,117	\$ (404)	-0.2%	
32120 - Third Party	\$874,298	\$975,509	1,180,768	983,921	\$ 8,412	0.9%	
3221x - Medicaid - Clinic Svcs.	\$425,897	\$180,074	395,197	226,100	\$ 46,026	25.6%	
3222x - Medicaid - Case Mgmt.	\$1,218,943	\$498,586	763,903	586,973	\$ 88,387	17.7%	
3223x - Medicaid - Spec. Rehab	\$13,470,884	\$16,817,244	16,333,760	17,530,933	\$ 713,689	4.2%	
322xx - Managed Medicaid	\$933,206	\$2,790,389	1,174,072	2,508,004	\$ (282,385)	-10.1%	
3226x - ADAP Medicaid	\$4,796,050	\$5,652,589	6,445,715	5,749,210	\$ 96,621	1.7%	
Medicaid - Total FFS	21,900,180	27,138,912	26,520,447	27,809,258	670,346	2.5%	31.0%
Medicaid - Total Waiver	41,091,334	45,235,464	43,275,286	45,001,061	\$ (234,403)	-0.5%	50.2%
34110 - Crash Fees	\$275,835	\$312,334	\$291,782	\$282,010	\$ (30,324)	-9.7%	
34120 - SUCCEED Fees	\$700	\$0	\$700		\$ -	#DIV/0!	
34130 - Client Room & Board	\$680,910	\$673,059	\$707,684	\$650,927	\$ (22,132)	-3.3%	
34140 - Other Service Fees	\$77,145	\$74,184	\$70,929	\$62,564	\$ (11,620)	-15.7%	
34150 - School Contracts	\$7,359,438	\$7,162,393	\$7,314,356	\$7,918,559	\$ 756,166	10.6%	
34210 - DMH Medicaid Match	(\$5,016,480)	(\$5,714,406)	(\$5,619,401)	(\$6,017,035)	\$ (302,629)	5.3%	
Total Non-Medicaid Fees	3,377,547	2,507,565	2,766,050	2,897,025	\$ 389,460	15.5%	3.2%
Total Other Federal	487,994	467,087	476,219	461,782	\$ (5,305)	-1.1%	0.5%
36110 - DMH Grant-In-Aid	\$3,868,005	\$3,965,501	\$3,738,647	\$4,241,651	\$ 276,150	7.0%	
36120 - DMH Block Grant	\$67,021	\$67,161	\$67,021	\$67,339	\$ 178	0.3%	
36130 - Waiver - Other - DMH	\$10,103	\$12,731	\$16,500	\$18,421	\$ 5,690	44.7%	
36140 - Other DMH Grants	\$941,391	\$683,416	\$663,780	\$628,198	\$ (55,218)	-8.1%	
36160 - Special Services - State	\$7,292	\$5,000	\$11,898	\$7,000	\$ 2,000	40.0%	
36210 - PNMI - DMH - R&B	\$342,791	\$389,890	\$382,099	\$335,123	\$ (54,767)	-14.0%	
Total DMH Contracts & Grants	5,236,603	5,123,698	4,879,945	5,297,732	\$ 174,034	3.4%	
Total Other State Contracts & Grants	6,215,507	6,624,017	6,657,997	6,678,097	\$ 54,080	0.8%	
Total DMH & Other State Contracts & Grants	11,452,110	11,747,714	11,537,942	11,975,829	228,115	1.9%	13.4%
Total Local & Other	2,496,527	1,680,741	1,074,004	1,493,749	9,485	0.6%	1.7%
TOTAL REVENUE	80,805,693	88,777,484	85,649,948	89,638,704	\$ 861,220	1.0%	

This schedule presents net patient revenue sources and changes for the agency.

The 2016 budget shows a 1.0% increase over the 2015 budget. The most notable increases are in Total Fee For Service and Non-Medicaid Fees and the largest decrease is budgeted in Medicaid Total waiver.

The DA will describe changes related to rates or utilization.

The schedule shows remarkable consistency in the relative share of revenues across payers from actual 2014 through Budget 2016 .

Howard Center, Inc.

UTILIZATION & STAFFING

	2014A	2015B	2015A	2016B	A14-A15 Change
Utilization					

Total Clients Served	8,366		8,467		1.2%
Total New Clients Served	4,279		3,966		-7.3%
Total DS Waiver Clients	588		609		3.6%
Total Clinic-Based Services	93,105		101,397		8.9%
Total Community Based Services (non-DS)	98,119		115,203		17.4%
Total Bed Days	49,632		50,626		2.0%
Total Shared Living Provider Days	78,552		79,998		1.8%

					B15-B16 Change
Staffing					

Administrative				128	
Direct Service 1 (no degree)				212.0	
Direct Service 2 (bachelor's degree req)				471.0	
Direct Service 3 (master's degree req)				291.0	
Teachers				24.0	
Nurses (all kinds)				18.0	
Docs (MDs & psychiatrists)				5.0	
TOTAL MD AND NON MD FTES	1,150.0	1,196.0	1,175.0	1,149.0	-26.0
Average Billable Target - Community				50% - 65%	
Average Billable Target - Clinic				55% - 65%	
Average Billable Target - School				65% - 70%	
Total Bed Capacity	199.0	199.0	193.0	193.0	0.0
SALARY PER FTE	\$ 36,111	\$ 38,260	\$ 37,400	\$ 40,624	3,224
SALARY & BENEFIT PER FTE	\$ 47,833	\$ 50,961	\$ 49,581	\$ 54,241	4,659
Hours per full time equivalent	1,950	1,950	1,950	1,950	0
FTES PER ADJUSTED OCCUPIED BED for Residential Care				0.87	

Most programs show increases in services or clients served from 2014 to 2015. Budgeted data is not available.

Productivity metrics are described in the narrative and Howard will discuss at the hearing.

Discuss FTES - you are much more staff intensive than a hospital.

Describe this for the Board - reflects "billable services".

A full time equivalent is 1,950 hours per year.

Howard Center, Inc.
BALANCE SHEET & INDICATORS

	2014A	2015A
Assets:		
Cash & Investments	\$4,322,662	\$6,836,521
Patient Accounts Receivable, Gross	\$5,044,363	\$5,223,913
Other Current Assets	\$1,146,110	\$1,103,752
Total Current Assets	\$10,513,134	\$13,164,187
Board Restricted Endowment	\$4,150,701	\$4,014,632
Land	\$586,864	\$586,864
Buildings	\$18,110,526	\$18,272,560
Furnishings & Equipment	\$6,095,717	\$6,327,767
Vehicles	\$553,337	\$587,985
Accumulated Depreciation - Buildings	(\$8,565,385)	(\$9,217,256)
Accumulated Depreciation - Equipment	(\$4,347,774)	(\$5,151,988)
Accumulated Depreciation - Vehicles	(\$463,775)	(\$483,881)
Net Bldngs, Equip, & Vehicles	\$11,382,645	\$10,335,188
Total Assets	\$ 26,633,345	\$ 28,100,871
Liabilities and Fund Balance		
Current Liabilities		
Accounts Payable	\$1,331,647	\$1,081,768
Deferred Income	\$1,181,087	\$642,107
Other Current Liabilities	\$6,657,665	\$8,883,816
Total Current Liabilities	\$9,170,400	\$10,607,690
Long-Term Debt	\$3,373,486	\$3,003,068
Net Assets - Unrestricted	\$14,164,015	\$14,089,459
Current FY Gain/Loss	(\$74,556)	\$400,653
Net Assets	\$14,089,459	\$14,490,112
Total Liabilities and Fund Balance	\$ 26,633,345	\$ 28,100,870

The balance sheet shows a small improvement in net assets (fund balance) from 2014 actual levels.

Cash on hand shows some improvement that occurred during 2015.

The Board Restricted Endowment also shows growth over 2015 budget levels.

Debt continues to trend lower and is in a favorable relative position.

"Other current liabilities" shows an increase due to two primary factors - 1) bargaining unit negotiations were still underway at the close of FY15, and 2) there was an increase in Deferred Revenue (state rev restricted for specific purposes where expenses had not been realized and thus revenue was not recognized).

Designated Agency		
Net Increase/Decrease in Cash		
Days Cash on Hand including BDA (Investment in Trust Fund)	38.2	46.5
Days Cash on Hand excluding BDA (Investment in Trust Fund)	19.5	29.3
Cash to Long Term Debt	2.5	3.6
Long Term Debt to Capitalization		
Debt Service Coverage Ratio	0.1	0.1
Current ratio	1.6	1.6

Howard Center, Inc.

CAPITAL BUDGET

	2014A	2015B	2015A	2016B	2017 Plan	2018 Plan	2019 Plan
Total Capital Purchases	\$1,019,615	NA	\$450,122	\$989,900			

Age of Plant (years)	29.3	27.9	29.1	28.9
Avg Age of Owned Buidlings	65	66	66	67
Capital Expenditures to Depreciation	75%		55%	72%
Capital Purchases % of Budget	1.79%		0.960%	1.53%

helps understand the status of all fixed assets

helps to understand current level of capital spend

helps understand relative share of depr & interest

Age of plant is decreasing in Bud 16 . The average age of their buildings is 67 years.

Howard Center is spending at a slower rate over the last few years. There are no major plans for capital purchases.