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STATE OF ARKANSAS
**Department of Finance
and Administration**

OFFICE OF BUDGET
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January 5, 2024

Senator Jonathan Dismang, Co-Chair
Representative Frances Cavanaugh, Co-Chair
Performance Evaluation & Expenditure Review Committee
Arkansas Legislative Council
State Capitol Building
Little Rock, AR 72201

RE: FY 24 American Rescue Plan Act Request

Dear Co-Chairs:

Pursuant to Section 36 (01) of Act 796 of 2023, I am forwarding the attached American Rescue Plan Act request(s) that have received my approval as Chief Fiscal Officer of the State.

- Department of Corrections – Correction Division – Tucker Water Treatment Plant Improvements \$3,731,597

Pursuant to Section 36 (02) of Act 796 of 2023, I am forwarding the attached American Rescue Plan Act request(s) that have received my approval as Chief Fiscal Officer of the State.

- Department of Human Services – Medical Services Division – Emergency Aid Relief to Hospitals – Bradley County Medical Center \$3,441,839
- Department of Human Services – Emergency Aid Relief to Hospitals – Great River Medical Center \$3,832,031
- Department of Human Services – Emergency Aid Relief to Hospitals – Mena Regional Health System \$2,737,165
- Department of Human Services – Emergency Aid Relief to Hospitals – South Mississippi County Regional Medical Center \$3,441,839

Sincerely,

A handwritten signature in blue ink, appearing to read 'JL Hudson'.

James L. Hudson
Secretary

Attachment(s)

**AMERICAN RESCUE PLAN ACT OF 2021 PROGRAM APPROPRIATION
AND PERSONNEL AUTHORIZATION REQUEST
SECTION 36 OF ACT 796 OF 2023**

C.1

Agency: Arkansas Department of Corrections Business Area Code: 0480
 Program Title: Tucker Water Treatment Plant- Improvements
 Granting Organization: Department of Agriculture- National Resource CFDA #: _____
 Effective Date of Authorization: _____ Beginning: 01/01/2023 Ending: 6/30/2024

Purpose of Grant / Reason for addition or change (include attachments as necessary to provide thorough information):

To make improvements to Tucker Water Treatment Plant.

American Rescue Plan Act Program Funding

Func. Area: SFTY Fund Code: FRP4800 Direct Funding: _____
 Funds Center: New Internal Order/WBS Element: C.04 80.T 90 State: _____
 Continuation: _____

| | Program Funding Amount |
|------------------------------|------------------------|
| Regular Salaries | |
| Extra Help | |
| Personal Services Matching | |
| Operating Expenses | \$3,731,597 |
| Conference & Travel Expenses | |
| Professional Fees | |
| Capital Outlay | |
| Data Processing | |
| Grants and Aid (CI: 04) | |
| Other: | |
| Other: | |
| Total | \$3,731,597 |

Anticipated Duration of Federal Funds: 4 years

| | |
|--|--|
| | |
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DFA IGS State Technology Planning Date
 Items requested for information technology must be in compliance with Technology Plans as submitted to DFA IGS State Technology Planning.

Positions to be established: (list each position separately)

* unclassified positions only

| Org Unit | Pers Area | Pers SubArea | Cost Center | Position Number | Comnt Item | Position Title | Class Code | Grade | Line Item Maximum * |
|----------|-----------|--------------|-------------|-----------------|------------|----------------|------------|-------|---------------------|
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State funds will not be used to replace federal funds when such funds expire, unless appropriated by the General Assembly and authorized by the Governor.

Approved by:  12/11/23
 Cabinet Secretary/Agency Director Date

Robert Brech 01/04/24
 Office of Budget Date

 Office of Personnel Mgmt Date

Amanda shaw
 12 /12 /23

December 6, 2023

Mr. Richard Cooper
Assistant Director / Construction/Maintenance
Arkansas Department of Corrections
7800 Correction Circle
Pine Bluff, Arkansas 71603

RE: Tucker Water Treatment Plant
Cost Estimate and Narrative

Mr. Cooper,

The Tucker Water Treatment Plant project is proposed to build the following water treatment plant improvements:

- 1) Site Preparation and Demolition \$150,000
- 2) General Site Work and Painting \$70,000
- 3) New Aerator \$275,000
- 4) New Clarifier \$1,250,000
- 5) New 200,000 Gallon Elevated Storage Tank-\$1,500,000
- 6) New Control Panels, VFDs, and Auxiliary Generator Set-\$225,000
- 7) Yard/Process Piping and Valves \$275,000
- 8) Contractor General Requirements \$475,000

Total Probable Construction Cost \$4,220,000

Contingencies \$421,905

Professional Fees (Engineering, Survey, Legal) \$334,000

Total Probable Project Cost \$4,975,905

The existing water treatment plant located at the Arkansas Dept. of Corrections Tucker Unit has been in operation for more than 50 years and is in need of replacement. The water treatment plant serves a population of 1,039; 900 inmates and 139 staff members. The raw water supply to the WTP and Tucker Unit is from 4 groundwater wells. Over the last 5 years, the Department of Correction has made improvements to

RE: Tucker Water Treatment Plant

the plant that includes 600 gpm pressure filters (completed prior to March 2022; are not including in this funding application.), flow meters, new groundwater well and new piping and valves for the high service pumps. This was all performed to bring the plant into compliance per sanitary surveys performed by the Arkansas Department of Health.

Right now, the plant operates very inefficiently. The sedimentation basin is not able to remove enough iron and manganese from the raw water, such that the amount of iron and manganese that are introduced onto the pressure filter is very great. The filters are having to be backwashed four times daily, and this is excessive and wastes a great deal of water. This is a good indication that the filters are not operating properly. The new filters only need to be backwashed every other day saving an abundant amount of water.

It is recommended that a new aerator and clarifier be constructed beside the current plant to the North in an adjacent field. The new existing plant filters have a capacity of 416 gpm and the new filters will have a capacity of 600 gpm. The aerator and clarifier will help in the reduction of iron and manganese from the groundwater. The clarifier will allow for a longer detention time to allow more iron and manganese to settle. The longer detention time and higher removal rates will save water by reducing the number of times to backwash the filters. In addition, the longer detention time of the new chemical addition will also increase removal saving water and save on current chemical cost.

To provide the state recommended 24 hours usable storage, it is recommended that a new 200,000-gallon elevated storage tank be constructed at the Tucker Maximum Unit as a part of this project. Currently there is an existing 200,000-gallon tank that provides 16 hours of storage on an average day. In addition to providing the recommended amount of storage the new tank will provide fire protection at the Tucker Max Unit.

Contractor General Requirements include Bonds and Insurance, Supervision and Project Management, Material Testing, Temporary Facilities and Utilities, General Personnel Trucks and equipment, Oil and Gas, SWPPP/Erosion Control Measures, Safety, Layout and Field Engineering, Cleanup, Final Restoration, and Punchlist,

RE: Tucker Water Treatment Plant

Milestone Schedule

| | |
|-----------------------|-----------|
| DBA Approved | 1/31/2024 |
| Bid Date | 2/15/2024 |
| NTP Date | 4/01/2024 |
| Construction Complete | 2/01/2025 |

Sincerely,
McClelland Consulting Engineers, Inc.



Adam Triche, PE
Asst Department Head, Partner
atriche@mce.us.com

Attachments:

Tolm Group Construction Estimate

Spreadsheet Report
ADC Tucker WTP Improvements Budget

| Group | Phase | Item | Description | Takeoff Quantity | Total Amount |
|------------------|-----------|------|--|------------------|------------------|
| 1000.000 | | | GENERAL REQUIREMENTS | | 467,617 |
| 1730.000 | | | DEMOLITION | | |
| | 1730.100 | | Demolition | | 27,940 |
| | 1740.010 | | Clean Up, Dumpster, Haul Off | | 13,628 |
| 2000.000 | | | SITWORK | | |
| | 2000.010 | | Sitework | | 89,407 |
| 3000.000 | | | CONCRETE | | |
| | 3000.010 | | Concrete | | |
| | | 35 | Clarifier Concrete | 300.00 cy | 502,912 |
| | | 35 | Screen Tower Footings | 3.00 cy | 4,023 |
| | | 35 | Sludge Vault Concrete | 9.00 cy | 13,076 |
| | | 35 | Misc. Site Concrete | 30.00 cy | 33,527 |
| | | 35 | Grouted Rip Rap | 250.00 sf | 8,382 |
| | | 35 | Elevated Tank Foundations | 20.00 cy | 27,940 |
| | | 35 | Existing Tank New Valve Vault | 10.00 cy | 11,176 |
| | | 35 | New Tank New Valve Vault | 10.00 cy | 11,176 |
| 5000.000 | | | METALS | | |
| | 5505.010 | | Metals: Handrail, Grating, Stairs, Ladders | | 239,709 |
| 9000.000 | | | FINISHES | | |
| | 9000.010 | | Paints and Coatings | | 67,055 |
| 11000.000 | | | EQUIPMENT | | |
| | 11200.010 | | Treatment Equipment and Elevated Tank | | |
| | | 10 | Clarifier Equipment | 1.00 ea | 705,038 |
| | | 10 | Aerator Equipment | 1.00 ea | 28,566 |
| | | 10 | 200,000 Gallon Elevated Storage Tank | 1.00 ls | 1,452,857 |
| | | 10 | Submersible Sludge Pump | 1.00 ea | 28,566 |
| 15000.000 | | | MECHANICAL | | |
| | 15050.010 | | Piping/Valves/Process | | 262,945 |
| 16000.000 | | | ELECTRICAL | | |
| | 16000.010 | | Electrical Allowance | | 223,516 |

Estimate Totals

| Description | Amount | Totals | Hours | Rate | Cost Basis | Cost per Unit |
|--------------|--------|------------------|-------|------|------------|---------------|
| <i>Total</i> | | 4,219,053 | | | | |

**ARKANSAS DEPARTMENT OF AGRICULTURE
AMERICAN RESCUE PLAN ACT (ARPA)
DRINKING WATER FUNDING APPLICATION**

I. PROJECT & GENERAL INFORMATION

Applicant/Entity Name: Arkansas Department of Corrections

FEIN: 71-0847443 SAM.gov UEI number: D5PHWFJBFM56 County: Jefferson

Contact Persons: Richard Cooper Title: Assistant Director of Construction & Maintenance

E-mail: richard.cooper@arkansas.gov

Mailing Address: 2403 East Harding Street

City, State, Zip: Pine Bluff, AR, 71601

Phone #: (870) 267-6625 Mobile # N/A Fax #: N/A

Project Name: ADC Tucker WTP Improvements

Brief description of project: (A brief narrative, including the population, project location, discussing the background and need for the project; include specific reason(s) for the project and any existing problems. If the project is needed to meet federal or state health and/or safety requirement, the specific health or safety requirements the project will address must be included. If you require additional space, please attach a separate sheet). If available, please attach a preliminary engineering report.

This project proposed to build the following water treatment plant improvements:

- 1) New Aerator
- 2) New Clarifier
- 3) New Chemical Building
- 4) New 200,000 Gallon Elevated Storage Tank be constructed at the Tucker Maximum Unit
- 5) New Control Panels, VFDs, and Auxiliary Generator Set

The existing water treatment plant located at the Arkansas Dept. of Corrections Tucker Unit has been in operation for more than 50 years and is in need of replacement. The water treatment plant serves a population of 1,039, 900 inmates and 139 staff members. The raw water supply to the WTP and Tucker Unit is from 4 groundwater wells. Over the last 5 years, the Department of Correction has made improvements to the plant that includes 600 gpm pressure filters (completed prior to March 2022; are not including in this funding application.), flow meters, new groundwater well and new piping and valves for the high service pumps. This was all performed to bring the plant into compliance per sanitary surveys performed by the Arkansas Department of Health.

Right now, the plant operates very inefficiently. The sedimentation basin is not able to remove enough iron and manganese from the raw water, such that the amount of iron and manganese that are introduced onto the pressure filter is very great. The filters are having to be backwashed four times daily, and this is excessive and wastes a great deal of water. This is a good indication that the filters are not operating properly. The new filters only need to be backwashed every other day saving an abundant amount of water.

It is recommended that a new aerator, clarifier and chemical building be constructed beside the current plant to the North in an adjacent field. The new existing plant filters have a capacity of 416 gpm and the new filters will have a capacity of 600 gpm. The aerator and clarifier will help in the reduction of iron and manganese from the groundwater. The clarifier will allow for a longer detention time to allow more iron and manganese to settle. The longer detention time and higher removal rates will save water by reducing the number of times to backwash the filters. In addition, the longer detention time of the new chemical addition will also increase removal saving water and save on current chemical cost.

To provide the state recommended 24 hours usable storage, it is recommended that a new 200,000-gallon elevated storage tank be constructed at the Tucker Maximum Unit as a part of this project. Currently there is an existing 200,000-gallon tank that provides 16 hours of storage on an average day at the Tucker Unit that provides water for both the Tucker Unit and Tucker Maximum Security Unit. In addition to providing the recommended amount of storage the new tank will provide fire protection at the Tucker Max Unit.

| | | |
|--|--|---|
| 1A. Will this project result in the reduction of groundwater use? | | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> |
| <p>Detailed explanation of groundwater reduction: ADC Tucker WTP is a Iron Removal Disinfection plant that uses 4 ground water wells.</p> <p>The clarifier will allow for a longer detention time to allow more iron and manganese to settle. The longer detention time and higher removal rates will save water by reducing the number of times to backwash the filters. In addition, the longer detention time of the new chemical addition will also increase removal saving water and save on current chemical cost.</p> | | |
| 1B. Percentage of project area implementing water use efficiency or conservation best management practices (BMPs) | | 100 % |
| <p>Detailed explanation of water use efficiency or conservation BMPs:</p> <ol style="list-style-type: none"> 1. ADC Tucker WTP is a Iron Removal Disinfection plant that uses 4 ground water wells- groundwater use will be reduced by removing more iron and manganese in the clarifier, requiring less back washing of the pressure filter 2. Also the Department has introduced and installed water reduction equipment across Tucker Units reducing water consumption by 30%. | | |
| 2. Drinking water quality improvements | | |
| <p>a. Describe water quality violations requiring immediate action that will be addressed by the project. Maximum contaminant level (MCL) violations as well as lead action level exceedances.</p> | <p>The water treatment plant has high levels of iron and manganese throughout it treatment process due to low Ph levels that range from 5.7-6.1. The highest Ph level achieved was 7.1, and that was because of the operator adding a substantial amount of soda ash. Several Jar Test were performed and the results shown that caustic would be a better solution to increase Ph level and aid in removing iron. To aid with the removal high of manganese, ADC Tucker can get a temporary order from the Health Department to add Potassium Permanganate.</p> | |
| <p>b. Describe improvement to water quality parameters primarily deemed aesthetic rather than having significant health ramifications that will result from the project.</p> | <p>N/A</p> | |

| | |
|---|---|
| 3. Consolidates or restructures a public water system | |
| a. Will this project result in the regionalization or consolidation of water systems? | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> |
| If yes, please provide a detailed explanation of system to be regionalized: N/A | |
| b. Will the project extend public water to underserved areas from an existing water system? | |
| Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> | |
| If yes, describe underserved areas that service will be extended to: N/A | |
| 4. Will the project provide benefits to financially distressed or disadvantaged communities? | |
| a. What is the median household income (MHI) for the city(ies) and/or county(ies) served by the proposed project? | \$ 40,402 |
| Please provide your source for the median household income: MHI for Jefferson County was used for this facility. Source: Arkansas Economic Development Institute : https://arstatedatacenter.youraedi.com/scripts/ACS5yrprofilelinker.php?vintage=2020&type=DP03&lvel=160&geo= | |
| b. List the county(ies) served by the project that have a population decline > 5% during the previous decade and provide source for the determination: Jefferson County - census.gov reports Jefferson County, AR population as 77,435 in 2010 and 67,260 in 2020. That is an approximate decline in population of 13% from 2010 to 2020. $67,260/77,435 = 0.869 = 86.9\%$, $100\% - 86.9\% = 13.1\%$ | |

| | |
|---|---|
| c. What percentage of project, if any, will benefit disadvantaged communities? | 0 % |
| <p>Explain how this was determined:</p> <p>Jefferson County is not a disadvantaged City. The 4,000 gallon rate over one year's time is less than 1.5% of the median household income. $\\$33.75/\text{month} \times 12 \text{ months} = \\405.00</p> <p>$\\$405.00/\\$40,402 = 0.01 = 1.00\% < 1.5\%$</p> | |
| d. What is the current average 4,000-gal water bill for the area effected by the project? | 33.75 |
| <p>Explain how this was determined:</p> <p>Information came from the AR Water and Wastewater Rates Dashboard https://dashboards.efc.sog.unc.edu/ar</p> <p>The 4000 gal water bill is for Jefferson County</p> | |
| 5. Address noncompliance with state or federal laws/rules | |
| Is the system under a state or federal enforcement order? If yes, please attach a copy. | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> |
| <p>Describe any regulatory inspections that show noncompliance and attach a copy:</p> <p>Elevated storage tank (Tank#1) needs to be physically disconnected from system since it has not been used in decades. The flapper valve on 200,000 gal storage tank needs to seal properly; #24 mesh screen(w/ #4 reinforcement screen) needs to be installed to prevent insect intrusion. The roof vent needs to be repaired or replaced to prevent intrusion of insects, rain, and other contaminants into the tank. The existing roof manway needs to be gasket. High hazard, unprotected and industrial customers need reduced pressure zone valves (RPZs) installed to protect the public water system from potential contamination. See attached ADH sanitary survey.</p> | |
| 6. Cost effectiveness | |
| a. How many customers will directly benefit from the project? | 1,039.00 |
| <p>Explain how this was determined:</p> <p>Tucker Unit population consist of 900 inmates, and 139 staff members</p> | |

b. Dual-Use Projects – Describe new or inventive measures, if any, incorporated in this project to improve additional infrastructure within the community:
 N/A

7. Project readiness - In addition to the dates below, please attach a full project schedule showing all steps necessary to complete the project.

| Project Phase | Date |
|---|----------------|
| Date Preliminary Engineering Report Completed. | N/A |
| Date of Water/Wastewater Advisory Committee Approval. | N/A |
| Date of Final Department of Health Approval of the Project. | 05/05/2022 |
| Date of Water Plan Compliance Determination. | WPC- Exemption |
| Date of Final Plan and Specifications, if applicable. | 05/05/2022 |
| Date Project was Bld, if applicable. | TBD |
| Date Construction Commenced, if applicable. | TBD |
| Date Construction Completed, if applicable. | TBD |

8. Modernizes system and improvements in instrumentation or improves cybersecurity

Describe how the project will enhance operational and maintenance programs for long-term through instrumentation upgrades and remote sensing and/or how the project is designed to improve cybersecurity of the water system:

This project will include installing upgrades to its cyber- related infrastructure. These upgrades include new control panels, VFDs, and a generator set.

II. PROPOSED PROJECT FUNDING BREAKDOWN:

Enter the proposed ARPA Grant request, the applicant contribution, and any other source of funding for the proposed project. If another funding agency is involved, list the agency and describe the status of that funding application (not applied, applied, approved, or awarded). Attach another sheet as needed.

The Total Project Funding must equal the Proposed Project Cost, Total Capital Cost for the project.

PROPOSED PROJECT COSTS: Line-item budget estimates for the project, not just loan amount.

| | | |
|---|--|------------------------|
| Construction Period (months to construct) | | 9 |
| Construction | \$ | 4,219,053.00 |
| Contingencies | (Check to override 10%) <input type="checkbox"/> \$ | 421,905.00 |
| Engineering-Planning, Design, and Construction | (Check to override) <input checked="" type="checkbox"/> \$ | 182,174.00 |
| Engineering-Inspection | (Check to override) <input checked="" type="checkbox"/> \$ | 102,331.00 |
| Legal | (Check to override) <input type="checkbox"/> \$ | 20,000.00 |
| Administrative | \$ | |
| Other: Surveying and GeoTech | \$ | 30,000.00 |
| Other: | \$ | |
| Total Estimated Capital Cost of Project: | | \$ 4,975,463.00 |

| Funding Source | Funding Amount | Status |
|---|------------------------|-------------|
| State ARPA Funding requested | \$ 3,731,597.00 | Applied For |
| Proposed ANRC Funds: | \$ | |
| Applicant Contribution: 25% | \$ 1,243,866.00 | |
| USDA – Rural Development Grant: | \$ | |
| USDA – Rural Development Loan: | \$ | |
| ADED Grant: Community Development Block Grant (CDBG): | \$ | |
| Other: | \$ | |
| Total Project Funding | \$ 4,975,463.00 | |


ARKANSAS ELECTORAL DISTRICTS #

Senate Dist.: 8 House Dist.: 65 U.S. Congressional Dist.: 4

III. CERTIFICATION

I certify that I am the duly authorized representative of the within-named applicant, and to the best of my knowledge and belief, the information in this application is true and correct. I understand the State may review any relevant documents or instruments relating to the analysis of this application.

I further certify that the proposed project/action will not significantly affect environmentally important natural resource areas such as wetlands, floodplains, significant agricultural lands, aquifer recharge zones, wild and scenic rivers, and significant fish or wildlife habitats.

| | | |
|--|--|-------------------|
| Name of Applicant Arkansas Department of Corrections | Name and Title of Duly Authorized Representative Richard Cooper DOC Assistant Director | |
| Signature  | Date | November 02, 2022 |

**AMERICAN RESCUE PLAN ACT OF 2021 PROGRAM APPROPRIATION
AND PERSONNEL AUTHORIZATION REQUEST
SECTION 36 OF ACT 796 OF 2023**

C.2

Agency: Arkansas Department of Human Services Business Area Code: 0710
 Program Title: Emergency Aid Relief to Hospitals
 Granting Organization: American Rescue Plan Act of 2021 CFDA #: State Fiscal Recovery Funds (SFRF)
 Effective Date of Authorization: Beginning: 7/1/2023 Ending: 6/30/2024

Purpose of Grant / Reason for addition or change (include attachments as necessary to provide thorough information):
 Hospitals continue to experience severe financial strain due to the economic impacts of the ongoing COVID-19 pandemic. Increased costs and labor shortages have resulted in lesser revenues for the hospitals. This means that several hospitals across the state, particularly those that serve rural populations, are at immediate risk of closure.
 Use of these funds will allow hospitals to maintain operations to ensure patients receive the care they need during and between the pandemic disease "surges". The purpose of these payments is to assist hospitals to offset extraordinary costs related to mitigating and preventing COVID-19 and retaining and acquiring frontline staff that have occurred as a result of the COVID-19 pandemic.
 This request is for Bradley County Medical Center in support of their efforts to provide rural healthcare to Arkansans.

Func. Area: HHS Fund Code: FRP7178 Direct Funding: _____
 Funds Center: AZ5 Internal Order/WBS Element: _____ State: X
 Continuation: _____

| | Program Funding Amount |
|------------------------------|------------------------|
| Regular Salaries | |
| Extra Help | |
| Personal Services Matching | |
| Operating Expenses | |
| Conference & Travel Expenses | |
| Professional Fees | |
| Capital Outlay | |
| Data Processing | |
| Grants and Aid (CI: 04) | 3,441,839 |
| Other: | |
| Other: | |
| Total | \$ 3,441,839 |

Anticipated Duration of Federal Funds: 9/30/2024

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DFA IGS State Technology Planning Date
 Items requested for information technology must be in compliance with Technology Plans as submitted to DFA IGS State Technology Planning.

Positions to be established: (list each position separately)

* unclassified positions only

| Org Unit | Pers Area | Pers SubArea | Cost Center | Position Number | Cmnt Item | Position Title | Class Code | Grade | Line Item Maximum * |
|----------|-----------|--------------|-------------|-----------------|-----------|----------------|------------|-------|---------------------|
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State funds will not be used to replace federal funds when such funds expire, unless appropriated by the General Assembly and authorized by the Governor.

Approved by:
Kristi Putnam Digitally signed by Kristi Putnam
 Date: 2023.11.01 10:58:59 -05'00'
 Cabinet Secretary/Agency Director Date

Robert Brech 01/04/24
 Office of Budget Date

Office of Personnel Mgmt Date

Joshua Kenyon
12/13/2023

Arkansas Rural Hospital Sustainability Program

Hospital Plan Summaries

January ALC

Arkansas Department of Finance & Administration

Prepared by Alvarez & Marsal Public Sector Services, LLC

2024

Bradley County Medical Center Sustainability Plan Summary

February Baseline Metrics

- 166.1 Days Cash on Hand¹ (DCOH)
- 59 Days in Accounts Receivable, Net (Net Days in AR)
- 65% in Labor/Net Patient Service Revenue (NPSR)
- -20.6% Operating Margin
- 2.6 FTEs per Adjusted Occupied Bed (AOB)
- 12.7 in Average Daily Census (ADC)²

Challenges

Bradley County Medical Center (BCMC) is a 33 licensed-bed Critical Access Hospital (CAH) within Bradley County. BCMC has been experiencing difficulties in staffing and recruitment. The Labor and Delivery (L&D) unit was closed in October 2023 due to high travel nursing staff costs, decreased volume, and inability to recruit and retain key medical staff. The hospital's operating margin has remained at -21%, between February and September 2023, and revenue cycle inefficiencies have seen Net Days in Accounts Receivable increase from 54 to 57 days over the same period. BCMC's IT infrastructure is stressed as the hospital completes a much-needed electronic health records (EHR) implementation. Lastly, BCMC aging facility is due for several costly facility repairs and after reviewing several renovation/new build options has received repair estimates ranging for \$5-15M without cosmetic upgrades or facility enhancements.

Sustainability Approach and Initiatives – Track 2

BCMC selected *Track 2: Strategic Hospital Improvement* and chose to focus on improving Operating Margin and Net Days in Accounts Receivable (Net Days in AR).

Operating Margin improvements are estimated to produce an annual \$6.93M³ in net income. Hospital leadership hopes to instill greater departmental accountability for the hospital's financial performance by utilizing reports for expense tracking and focusing on staff education. To recapture patients who are leaving the community to receive inpatient services and increase inpatient and swing bed average daily census (ADC) by 3, the hospital will create a dedicated swing bed program, emphasize admission criteria, and increase utilization of case management resources. Similarly, BCMC hopes to increase outpatient charges by 10% from the previous year and increase inpatient geriatric psychiatry (geripsych) ADC to 6 by better tracking referrals, extending services/hours, and streamlining processes across and in between services. BCMC is also implementing a new EHR, which will provide the hospital with better data and financial performance tracking.

Net Days in AR improvements focus on improving revenue cycle processes. BCMC has begun to place a greater emphasis on data by creating shared key performance indicators and improving documentation, to reduce denials and discharged not final billed (DNFB) cases. Improvements to the pre-registration and POS collection processes will further support the hospital's Days in AR reduction efforts.

Noted Progress/Updates

Already realized Operating Margin improvements include the anticipated \$1M savings from the L&D closure and increases in Swingbed census and patient days. Occupational, speech and physical therapy volume has also increased by 25% from FY 2022 to FY 2023. While Days in Net AR have increased, BCMC has seen positive revenue cycle enhancements around accounts receivable, collections and DNFB rates. Departmental-level expense monitoring efforts are paying off, as noted by early expense-reduction departmental progress. Their EHR go-live has been pushed to January 23rd, 2024 due to interface delays but the hospital feels confident that functionality will be ready by the new go-live.

In the Fall of 2023, BCMC completed a facility assessment, which found \$5M in needed mechanical, electrical, and plumbing investments over the next 10-years. With support from their board and ARPA funding, BCMC will invest in a phased approach to renovating the facility and stabilizing operations.

Cybersecurity Checklist

BCMC's Director of Information Technology reviewed the six Internet Security Basic Controls and eight Cyber Defense Minimum Standards. BCMC will work with Legislative Audit to complete an on-site cyber review.

¹ Days Cash on Hand as of February 2023 was calculated by dividing \$10.71M in cash by \$64k in daily expenditures.

² Total Average Daily Census was 12.7 with an Acute Average Daily Census of 3.3

³ Anticipated net income of \$6.93M assumes BCMC successfully increases geriatric psych ADC to 6. If this unit is closed, anticipated net come decreases to \$6.75M.

Bradley County Medical Center

Sustainability Plan

Purpose

The purpose of this document is to define the actions that Bradley County Medical Center will take to maintain financial viability and continue to provide a level of critical healthcare to Bradley County and the surrounding communities. At Bradley County Medical Center, we understand that to maintain financial viability, a plan must be established for long term debt, protect the value of current assets, support ongoing operations and the maintenance of the physical plant, manage unprecedented expenses, and increase operating revenues.

Overview of Strengths, Challenges, and Opportunities

An important part of any sustainability plan is the identification and understanding of one's own strengths, challenges, and opportunities. Healthcare is constantly evolving and changing. Those unable to adapt will no doubt struggle or become nonexistent.

Strengths

Bradley County Medical Center is not currently experiencing problems with meeting short term obligations due to cash flow. As of October 31, 2023, BCMC has days cash on hand of 161.25 days. Although using cash at an alarming rate that will be discussed later with challenges, we feel that having days cash on hand of 161.25 days is a strength and with support, gives us time to correct cash use and revenue cycle challenges.

In addition to days cash on hand, culture, morale, and community perception are strengths at Bradley County Medical Center. The organization has a mission of "Providing superior care to every patient, every time." The staff and administration have bought into this mission as evidenced by employee satisfaction surveys and a Community Health Needs Assessment preferencing keeping as many services local as possible.

Challenges

Staffing and recruitment continue to be a challenge at Bradley County Medical Center. In the past couple of weeks, we have closed our Labor and Delivery Unit. The department has been plagued with high cost of travel nursing staff for the past few years. In addition, in 2022, we lost an FPOB provider who had only been with us for just over a year. High cost and the inability to recruit and retain staff made this a service that just isn't viable. This was a heartbreaking decision due to the infant and maternal mortality rates here in Arkansas.

Secondly, Bradley County Medical Center's operating margin fell at -21% as of the date of the Alvarez Marsal report. As of September 2023, the close of the current fiscal year, the operating margin remained at -21% continuing to indicate that the current status quo is not sustainable. In addition, revenue cycle woes continue to plague the facility. Days in net AR were approximately 54 days as of the Alvarez and Marsal report and are approximately 57 days as of September 2023, indicating the need for intensive revenue cycle reform. In addition, net days in AR isn't truly indicative of our revenue cycle woes due to the high allowance for doubtful accounts we are required to maintain due to historical write-offs.

Next, Bradley County Medical Center is currently using cash at an alarming rate. As of the Alvarez report, we had days cash on hand of 166.1 and as of September 30, 2023, we had days cash on hand of 167.27. While it appears that we had grown our cash on hand by just over a day, that is not telling of the story of how much cash the facility is using. In June of this year BCMC received a net of 1.86 million in ERC credits and 1.85 million in cost report settlements that were used in a seven-month span.

Bradley County Medical Center is in the process of converting its electronic health records to a new platform. In the long run, the change is expected to help our facility to improve quality performance and help our organization to perform in quality payment models and ACO's. In the short term, the change will be costly and will add to our deteriorating cash position.

Lastly, Bradley County Medical Center has an average age of plant of 21.11 years. In addition, the current plant was built in 1949 and will need material investment to stay in operation over the next decade. In the past year, we have had two master facilities plans completed with repair estimates range from \$5-\$15M, not including any cosmetic upgrades or enhancements. The estimated cost to demo and renovate is estimated to be approximately \$35M. I have attached several appendices to the end of this document. Appendix A is from the latest Master Plan evaluation that is still in progress. This maintenance, electrical, and plumbing assessment was completed by EMA engineering and estimates nearly \$5M needed in MEP equipment over the next 10 years. I do currently have them reviewing the cost estimates that they have provided in their opinion. Appendix C is a generator quote that I obtained in February of 2023 that is nearly \$1M more than their estimate. Appendix D is a HVAC quote for one unit that is nearly \$200k.

Appendix B is the excerpt from the current in progress master plan that details the cost of demoing and replacing the parts of the current building that need to be replaced.

Appendix E&F are from the previous master plan done by Polk, Stanley, Wilcox. They didn't recommend renovations to the current facility and suggested that it would be cheaper to rebuild than to restore the current facility. In addition, in Appendix F, they outline estimated costs of urgent repairs needed and repairs needed soon.

Opportunities

There are several opportunities for Bradley County Medical Center. Firstly, the expansion of telehealth services will expand access to care and provide growth in outpatient ancillary services. As a participant in the 2023 Cohort of the Delta Regional Community Health Systems Development Program (DRCHSD), Bradley County Medical Center will undergo a comprehensive assessment of telehealth services and make action plans around the assessment. In addition, funding is available for technology and implementation assistance.

Secondly, opportunities lie in the expansion of behavioral health services. As the need for behavioral and mental health services grows, our recently hired Psychiatric Nurse Practitioner will allow us the opportunity to expand those services. In addition to behavioral health, there is opportunity to begin a study to see if pulmonary and cardiac rehabilitation are viable services for our facility.

Lastly, working through the DRCHSD program we will have access to resources geared toward financial improvement. Reducing the days in AR and the implementation of best practices around financial health present an opportunity for Bradley County Medical Center.

Benchmarks

Track 2 – Strategic Hospital Improvement Selected Metrics

Metric 1 – Operating Margin

- a. 6-Month Target of 20-40% improvement from February -21% baseline.
- b. 12-Month Target of 70-90% improvement from February -21% baseline.

Metric 2 – Days in Accounts Receivable, Net/Revenue Cycle Improvement

- c. 6-Month Target – Days in A/R, net within 20% of the benchmark of 43.7.
- d. 12-Month Target – Days in A/R, net within 5% of the benchmark of 43.7.

Improvement Efforts

Operating Margin

Bradley County Medical Center has several initiatives in place to increase operating margins. Firstly, we have a lack of accountability for financial performance at the department level. Our goals for this issue include engaging managers in the budget and providing them with monthly departmental reports with the expectation that they will be required to explain variances. Actions steps for this initiative are as follows:

| What is Action Step? | Who is the Owner? | By When? |
|--|--------------------------|-----------------|
| Establish variance analysis reporting threshold | Matt | 31-Jul-23 |
| Provide managers with monthly financial reports/DOR | Matt, Jane | 1-Aug-23 |
| Create standing agenda item at monthly management meetings | Leslie | 1-Aug-23 |
| Create a template for data/variance comparison | Matt | 1-Oct-23 |
| Educate managers on financial reporting/financial statements | Matt | 30-Sep-23 |
| Establish individual quarterly operational review schedule | Matt | 31-Oct-23 |
| Distribute 2024 budget information for department manager buy-in | Matt | 31-Oct-23 |

We will track expenses by category monthly. Expenses will be compared to prior month expenses, prior year expenses for the same period, and the current year budget monthly. This process alone will force department managers to understand the expenditures that are hitting their departments and take responsibility for the performance of their departments. Department managers will be tasked with the goal of a 2% reduction in expenses, that would result in \$500,000 in improvements to net income.

Secondly, patients are leaving the community for inpatient services that are provided locally and/or being admitted to improper status. To address this issue, we have set a goal of increasing inpatient and swingbed average daily census by 3. Three patients per day at 365 days per year at an average of \$2400 per day equates to \$2.6M in additional revenue. To accomplish this goal, we have developed the action steps below:

| What is Action Step? | Who is the Owner? | By When? |
|---|--------------------------------|-----------------|
| Grow the utilization review function via education & expanded staff hours | Jamie | 1/1/2024 |
| Increase the utilization of the ESS case management resource | Jamie | 12/31/2023 |
| Educate providers regarding patient admission criteria | Belinda | 10/31/2023 |
| Create a dedicated swing bed space for the program & name the program | Hailey, Jamie | 11/1/2023 |
| Define eligible patients for swing bed | Belinda, Hailey | 7/31/2023 |
| Develop a marketing plan for swing bed | Belinda, Hailey, Jamie, Dennen | 1/1/2024 |

In addition to these steps, we will provide training to physicians and staff to improve documentation as our observation hours are above average indication over utilization of observation services.

Next, patients are leaving the community for services that we offer and do well. At Bradley County Medical Center, we offer a wide variety of services. As evidenced by our community health needs assessment, residents desire services locally. To address this issue, we have established a goal to grow OP charges by 10% from previous year - measured by month-to-month gross OP charges relative to PY month (absent price increases). Outpatient revenue in fiscal year 2022 was \$33.8M. A 10% growth in outpatient revenue would generate an additional \$3.8M in revenue. To accomplish this goal, we have developed the following action items:

| What is Action Step? | Who is the Owner? | By When? |
|---|--------------------------|-----------------|
| Develop a system to track & measure referrals across all services | Leeanna | 1-Jan-24 |
| Marketing plan focused on new technologies & outpatient service offerings (shop local promotion) | Dennen, Brooke | 31-Oct-23 |
| Create a pipeline for OP services staff needs, capitalize on relationships with South Ark, and others | Leslie | 30-Jun-24 |

| | | |
|--|---------------------|-----------|
| Any inward referrals should not be via fax - digitize all of these; digitize Home Health by September 30, 2023 | Jeff | 1-Jan-24 |
| Evaluate creating additional PT capacity with a goal to extend clinic hours | Shelby | 31-Dec-23 |
| Meet with targeted group(s) of surgeons to increase PT volume | Shelby | 30-Nov-23 |
| Imaging to work with PCMH targeting growth in mammogram and dexascans | Deedre | 31-Oct-23 |
| Imaging to evaluate MRI hours of service offering & staffing pipeline | Deedre | 1-Jan-24 |
| Lab to work with PCMH to increase glucose, psa and creatinine screening tests, etc | Leah | 30-Nov-23 |
| Build partnerships to grow lab services | Leah | 1-Jan-24 |
| Streamline referral process for Home Health services (Be the first choice for HH services all the time) | Deena | 30-Sep-23 |
| Do targeted marketing for Home Health services | Deena/Brooke/Dennen | 31-Oct-23 |
| Partner with provider offices to be sure we are taking care of their chronic CHF/COPD patients | LaDonna | 31-Oct-23 |
| Evaluate specialties for OP surgeries & determine any recruitment opportunities | Sharon | 1-Jan-24 |
| Recruit FP provider | Leslie | 30-Jun-24 |
| Evaluate options to extend clinic hours | Paulette | 30-Sep-23 |

In addition to these items, we will increase marketing efforts to ensure local providers and the public is aware of the services offered at Bradley County Medical Center.

Finally, financial losses in IP psych threaten the sustainability of the organization. A current evaluation of our inpatient geriatric psychiatry program indicated an annual loss of \$750k. Given the current mental health crisis, we feel it is our obligation to address these issues before making the decision to close the program. We have developed a goal to increase average daily census in the program to 6. This would yield a 50% increase in revenue to the program and would not require additional staff. FY22 gross revenue was \$1.85M, so a 50% increase would result in an additional \$1.85M in revenue. To reach this goal, we have developed the following action steps:

| What is Action Step? | Who is the Owner? | By When? |
|---|--------------------------|-----------------|
| Contract with 3rd party payers lacking psych coverage | Leslie/Lisa | 10/1/2023 |

| | | |
|---|--------------------------|------------|
| Identify criteria for geri psych services & educate internally & externally | Lisa | 9/1/2023 |
| Tighten up the ESS process for this population | Jamie | 10/1/2023 |
| Improve documentation | Leslie/Jamie | 12/31/2023 |
| Evaluate telepsych service utilizing an APRN | Leslie/Jamie/Lisa | 1/31/2024 |
| Develop internal & external marketing & education plan | Jamie/Lisa/Dennen/Brooke | 10/31/2023 |

In the event there isn't significant progress in the right direction by 03/31/2024, we will revisit closing the program.

Days in A/R

High days in accounts receivable has been an ongoing issue at Bradley County Medical Center. We have seen periods of improvement over the past couple of years, but not a consistent and efficient cycle. This issue of substandard revenue cycle performance negatively impacting financials has been identified and we have developed a goal of AR days less than 45. To meet this goal, we have developed the following action steps:

| What is Action Step? | Who is the Owner? | By When? |
|--|--------------------------|-----------------|
| Create shared KPI's across the team | Jenifer | 9/15/2023 |
| Address provider documentation challenges targeting a reduction in DNFB | Leslie/Jamie | 10/31/2023 |
| CDI training to improve overall documentation | Leslie/Jamie/Leeanna | 8/31/2024 |
| Reduce denials by focusing on the top 5 denial types | Jenifer | 11/30/2023 |
| Create a pre-registration process for all scheduled high dollar outpatient services including cost estimates and payment plans | Jenifer/Alaina | 4/1/2024 |
| Develop a process for co-insurance/patient responsibility for POS collection | Jenifer/Alaina | 4/1/2024 |

Improving from 57 days in AR to 43 days in AR is an improvement of 25%. A decrease in AR of 25% would yield a decrease to the required allowance accounts that of which the opposite side of this estimate impacts the income statement. Contractual adjustments expense is currently at \$21M. If the corresponding decrease in AR only yields a 5% improvement, that would be an additional \$1M to the bottom line.

Other Efforts

In addition to these goals and actions, we are actively working to reduce expense. We are in the process of implementing a new Electronic Medical Record, Meditech (MAAS). Although this endeavor may initially hinder cash flow and financial performance, it is a step in the right direction toward giving us the tools we need to extract and analyze data, as well as give providers the resources they need to efficiently do their jobs. In addition to helping with our financial performance, we believe that the new EMR will put us in a better position to track quality and be successful in quality payment models, which require the tracking of a significant amount of data.

Cybersecurity

Bradley's Director of Information Services reviewed the six-internet basic controls and eight Cyber Defense Minimum Standards. Bradley will work with Legislative Audit to complete an on-site cyber review.

Summary

| Benchmark | Initiative | Description | Start Date | Time to Implement | Annual Operating Margin Impact | Status |
|------------------|-----------------------------------|--|------------|-------------------|---|-------------|
| Operating Margin | Departmental Accountability | Reduce divide between clinical & financial | 07/31/23 | 12 Months | \$500k | In Progress |
| Operating Margin | Increase IP/SB ADC | Increase Inpatient and Swingbed ADC by 50% | 07/31/23 | 12 Months | \$2.6M | In Progress |
| Operating Margin | Increase OP revenue by 10% | Increase outpatient revenue by 10% | 10/31/23 | 12 Months | \$3.9M Revenue \$1.9M Net | In Progress |
| Operating Margin | Close Labor & Delivery Department | Close L&D | 11/01/2023 | 4 Months | \$1M | In Progress |
| Operating Margin | Increase IP ADC in Geri-Psych | Increase Geriatric Psych ADC to 6 | 09/01/2023 | 6 Months | \$1.85M Revenue \$925K Net if successful \$750K if closed | In Progress |
| Days in A/R | Decrease Days in AR | Days in A/R less than 45 | 09/15/23 | 12 Months | \$1M | In Progress |

**AMERICAN RESCUE PLAN ACT OF 2021 PROGRAM APPROPRIATION
AND PERSONNEL AUTHORIZATION REQUEST
SECTION 36 OF ACT 796 OF 2023**

C.3

Agency: Arkansas Department of Human Services Business Area Code: 0710
 Program Title: Emergency Aid Relief to Hospitals
 Granting Organization: American Rescue Plan Act of 2021 CFDA #: State Fiscal Recovery Funds (SFRF)
 Effective Date of Authorization: Beginning: 7/1/2023 Ending: 6/30/2024

Purpose of Grant / Reason for addition or change (include attachments as necessary to provide thorough information):
 Hospitals continue to experience severe financial strain due to the economic impacts of the ongoing COVID-19 pandemic. Increased costs and labor shortages have resulted in lesser revenues for the hospitals. This means that several hospitals across the state, particularly those that serve rural populations, are at immediate risk of closure.
 Use of these funds will allow hospitals to maintain operations to ensure patients receive the care they need during and between the pandemic disease "surges". The purpose of these payments is to assist hospitals to offset extraordinary costs related to mitigating and preventing COVID-19 and retaining and acquiring frontline staff that have occurred as a result of the COVID-19 pandemic.
 This request is for Great River Medical Center in support of their efforts to provide rural healthcare to Arkansans.

Func. Area: HHS Fund Code: FRP7178 Direct Funding: _____
 Funds Center: AZ5 Internal Order/WBS Element: _____ State: X
 Continuation: _____

| | Program Funding Amount |
|------------------------------|------------------------|
| Regular Salaries | |
| Extra Help | |
| Personal Services Matching | |
| Operating Expenses | |
| Conference & Travel Expenses | |
| Professional Fees | |
| Capital Outlay | |
| Data Processing | |
| Grants and Aid (CI: 04) | 3,832,031 |
| Other: | |
| Other: | |
| Total | \$ 3,832,031 |

Anticipated Duration of Federal Funds: 9/30/2024

| | |
|---|-------------|
| DFA IGS State Technology Planning | Date |
| Items requested for information technology must be in compliance with Technology Plans as submitted to DFA IGS State Technology Planning. | |

Positions to be established: (list each position separately)

* unclassified positions only

| Org Unit | Pers Area | Pers SubArea | Cost Center | Position Number | Cmnt Item | Position Title | Class Code | Grade | Line Item Maximum * |
|----------|-----------|--------------|-------------|-----------------|-----------|----------------|------------|-------|---------------------|
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State funds will not be used to replace federal funds when such funds expire, unless appropriated by the General Assembly and authorized by the Governor.

Approved by: Kristi Putnam Digitally signed by Kristi Putnam Date: 2023.11.01 10:52:24 -05'00'
 Robert Brech 01/04/24
 Cabinet Secretary/Agency Director Date Office of Budget Date Office of Personnel Mgmt Date

Joshua Kanyon
12/13/2023

Arkansas Rural Hospital Sustainability Program

Hospital Plan Summaries

January ALC

Arkansas Department of Finance & Administration

Prepared by Alvarez & Marsal Public Sector Services, LLC

2024

Great River Medical Center Sustainability Plan Summary

February Baseline Metrics

- 123.2 Days Cash on Hand⁴ (DCOH)
- 121 Days in Accounts Receivable, Net (Net Days in AR)
- 72% in Labor/Net Patient Service Revenue (NPSR)
- -31.4% Operating Margin
- 4.77 FTEs per Adjusted Occupied Bed (AOB)
- 16.6 in Average Daily Census (ADC)

Challenges

Great River Medical Center (GRMC) is a 99 licensed-bed general hospital within Mississippi County operated by Mississippi County Hospital System (MCHS), a component unit of Mississippi County, Arkansas along with South Mississippi County (SMC) hospital. GRMC and SMC share the same hospital board, executive management team, billing office and medical staff. GRMC has been experiencing difficulties in recruiting clinical staff for the intensive care unit (ICU), leading to the unit's closure in September 2022. A pattern of outmigration for services (that could otherwise be provided at GRMC) in conjunction with competition by nearby larger healthcare provider networks have limited GRMC's market share and growth possibilities. Lastly, management noted that Mississippi County's poverty level is 1.4 times the average Arkansas level, which can correlate to an adverse payer mix and lower reimbursement rates.

Sustainability Approach and Initiatives – Track 2

GRMC selected *Track 2: Strategic Hospital Improvement* and chose to focus on improving Operating Margin and Net Days in Accounts Receivable (Net Days in AR).

Operating Margin improvements are estimated to produce an annual \$5.43M in net income. Cost-cutting measures could result in operating cost savings of \$2.6M/yr. and include reducing the use of remaining traveler staff (currently 10), improving labor productivity by 2.5%, decreasing provider coverage in one department, and reducing certain provider compensation costs. The hospital plans to expand its urology and cardiology services and reduce out migration of services to capture transfers and previously missed admissions. Efforts are underway to improve case management and encourage providers to transfer within MCHS. The emergency department is a prime target of capturing missed admissions and management's goal is to increase 18 possible monthly missed admissions and 18 possible monthly transfers to other facilities that could have been treated at GRMC. To reduce service outmigration in outpatient services, efforts are being made to expand commercial incentive programs, expand quality programs, reschedule missed wellness visits, and increase preventative and ancillary testing. Other growth initiatives include recruiting a business development director, who can establish community ties, partner with local businesses, and educate the community on hospital service offerings. Management also plans to expand the 340B program, which launched in early 2023, to two new retail pharmacies.

Net Days in AR improvements focus on improving and restructuring revenue cycle processes. GRMC plans to consolidate revenue cycle-related departments under a single revenue cycle manager to prioritize reducing AR days. The hospital also started its final implementation of inpatient modules within its new electronic health record (EHR) system in Aug 2023 to automate processes, improve front-end tasks, and enhance the percentage of first-time clean claims. Leadership anticipates a net revenue or reimbursement improvement of \$240k/yr.

Noted Progress/Updates

Since Feb 2023, MCHS has hired a new CEO and the COO has assumed the responsibilities of the CFO. Since then, GRMC has reduced the number of travelers from 25 to 10, at a savings of \$125k/month after replacement costs. Case management remains a focus for management, due to its potential to decrease patient out migration and improve admission criteria. Average length of stay has decreased from 4.2 in 2022 YTD to 3.9 in 2023 YTD, due to increased monitoring and surveillance of admitted patients. Several other initiatives, such as hiring a business development director and changes in provider coverage in the emergency department, are pending.

Management noted several revenue cycle management improvements, such as increased collections, improved reimbursement, and reduced denials. From September 2023 to October 2023, denials decreased across the board for medical necessity, preauthorization, and timely filing by 36%, 41%, and 8% respectively.

Cybersecurity Checklist

GRMC's Director of Information Services reviewed the six-internet security basic controls and eight Cyber Defense Minimum Standards. GRMC will work with Legislative Audit to complete an on-site cyber review.

⁴ Days Cash on Hand as of February 2023 was calculated by dividing \$12.41M in cash by \$100k in daily expenditures.

Great River Medical Center Sustainability Plan

Purpose

The purpose of this document is to define the actions Great River Medical Center will take to maintain financial viability and continue to provide a level of critical healthcare to their respective communities. To maintain financial viability, a plan must be established to balance long-term debt, protect the value of current assets, support ongoing operations and maintenance of the physical plant, manage expenses, and to increase operating revenues.

Overview of Strengths, Challenges, and Opportunities

Strengths

1. County Tax Subsidy
 - Estimated \$3.4 mil annually
2. Largest Steel Producing County in the United States
 - Nucor, US Steel, and Hybar (coming) and support industries
3. No long-term debt on the facility
4. Overall equipment is up to date technology
 - MRI, Digital Breast Tomosynthesis (3D mammography), CT, Ultrasound, C-ARM, Omnicell etc.
5. Effective relationship with International Staffing Recruiter
 - To replace current travelers in the facility
6. Long term effective and integrated Board of Directors
7. Cohesive and Friendly Culture

Challenges

1. Staffing and Recruitment
 - At one time we had as many as 26 travelers in our facility with rates ranging as high as \$100/hr and as of July 19, 2023, we were at 10 total travelers.
 - Recruitment has been difficult during and post-COVID-19. This has caused a significant increase in hourly rates for all positions and sign-on bonuses for key clinical staff. Our ICU closed in September 2022. This impacted staffing and inability to take care of our higher acuity patients, which were transferred to other hospitals. We still have not opened the ICU today due to staffing.
2. Poverty Level
 - Mississippi County is at 21.8%, which is 1.4 times the rate in Arkansas. This results in an adverse payor mix and lower reimbursement for our services. This is reflected in our higher level of charity care.
3. Outmigration of Services
 - Our review of current statistics from the Emergency Department and Clinics shows a pattern of outmigration for services that could be provided at our facility. We are

currently reviewing these stats daily to ensure that we can capture these patients and increase utilization at our facility.

4. Larger Financially Strong Healthcare Provider Networks
 - Have established offices in the county to take market share
5. Lack of Housing
 - Hard to recruit physicians and all staff

Benchmarks

Track 2 – Strategic Hospital Improvement

1. Operating Margin
 - a. 6-month target – 20-40% improvement from February baseline of -31%
 - b. 12-month target – 70-90% improvement from February baseline of -31%
2. Days in Accounts Receivable, Net / Revenue Cycle Improvement
 - a. 6-month target – 20-40% improvement from February baseline of 121.4 days
 - b. 12-month target – 40-60% improvement from February baseline of 121.4 days

Improvement Efforts and Funding Opportunities

Operating Margin/Net Days in AR

1. Reduction in travelers
 - In February, we had as many as 25 travelers. We now have 10 at a savings of \$125k/month after replacement costs
 - Recruitment has been difficult during and post COVID-19. This has cost a significant increase in hourly rates for all positions and sign on bonus for key clinical staff. We continued 6:1 patient ratio. Our ICU closed in September 2022 which impacted staffing and inability to take care of our higher acuity patients, which was transferred to other hospitals. We still have not opened the ICU today due to staffing.
2. Reduce Out Migration of Services
 - Reviewing Emergency Department and Clinic Referrals, Preventative Testing, and Wellness Visits.
 - We are targeting the Emergency Department:
 - Possible missed admissions: 18 total/month which equals \$81k/month (\$972k/year)
 - Transfers to other facilities that could have been treated at our hospital: 18 total/month which equals \$81k/month (\$972k/year)
 - We are targeting our clinics:
 - Expand commercial incentive programs
 - Expand quality programs
 - Reschedule missed wellness visits
 - Reduce outmigration to other facilities to increase utilization of our hospital
 - Increase Preventive and ancillary testing
3. Specialty Services
 - Engaging with Urologist for probable coverage and procedures

- Engaging with a Cardiology Group for telemedicine coverage and consultation services for Emergency Department and Inpatient Unit (estimated 5 of the ED transfers above to be kept at our facility with this service)
4. Decrease in provider coverage in one of our departments
 - Anticipated cost savings of \$360k - \$500k/annual
 5. Review and reduction of provider compensation in one department
 - Anticipated cost savings \$25k per month (\$300k annual)
 6. Recruiting a Business Development Director
 - To increase incremental market share and net revenue by \$540k per year
 7. Expand 340B retail pharmacies by 2 over the next year
 - Additional revenue of approximately \$120k annually
 8. 2.5% Labor Productivity Improvement
 - Anticipated annual savings of \$360k
 9. Revenue Cycle Restructure/Improvements/Accountability
 - Consolidated revenue cycle-related departments under the Revenue Cycle Manager (Business Office, Registration, Payor Enrollment, Payor Contracts, Pre-Authorizations Coding, Denial Management)
 - Implementation of Experian (April) – real-time information, verifies demographics and discovery for self-pay patients, started final implementation for all inpatient modules in August 2023, generate worklists to accurately improve front-end tasks and enhances the percentage of first-time clean claims
 - Anticipated net revenue or reimbursement of \$240K annually
 10. Case Management
 - Designated Lead Case Manager to oversee case management functions/accountability
 - Case Managers review ED patient criteria to ensure the patient is in the appropriate status upon admission
 - Education of InterQual criteria with ED physicians, Hospitalists, and clinical staff
 - Assist with documentation improvement for physician and clinical staff

NET DAYS IN AR

The second metric that we have chosen is net days in accounts receivable. A good measure for improving our cash position is to ensure that our revenue cycle processes are operating efficiently. We continue to look for ways to improve our registration, case management, billing, coding, and collection functions (See Item 9 above). One way to measure improvement in the revenue cycle is to track net days in A/R. As of February Baseline Report our net days in A/R were 121.4. Our goal is to have net days in A/R reduced from 121.4 to 97 by the 6 Month Target Date. This represents a 20% improvement. Our goal for the 12 Mo Target Date is to be at 72.8 days. This represents a 40% improvement.

Summary

Track 2 – Operating Margin: The Revenue Enhancement for the items listed above are \$2,844,000. The expense reduction listed above are \$2,590,000. The combined total of these two items \$5,434,000 annualized.

Net Days in AR: With the reorganization of Revenue Cycle and Case Management, the implementation of Experian this is transitioning us from some manual to automated processes. This will improve organization and allow us to focus on reducing AR days. Our goal is to have a clean claim.

Cybersecurity Defense Checklist

GRMC's Director of Information Services reviewed the six-internet security basic controls and eight Cyber Defense Minimum Standards. GRMC will work with Legislative Audit to complete an on-site cyber review.

| Initiative | Description | Start Date | Time to Implement | Revenue Impact | Expense Impact | Net Bottom Line |
|---|--|--|-------------------|----------------|----------------|-----------------|
| Reduction in travelers | Hire permanent staff to replace travelers | Mar-23 | 0-12 months | | (\$1,500,000) | |
| Reduce Outward Migration of services | Reviewing ED and clinic referrals, preventative testing and wellness visits | Jun-23 | 0-12 months | | | |
| | Possible missed admissions: 18 total/month – \$81K/month | | | \$972,000 | | |
| | Transfers that could have been treated at our hospital: 18 total/month - \$81k/month | | | \$972,000 | | |
| Reopening of inpatient unit | Engage with Urology and Cardiology to keep patients at hospital | Oct-23 | 0-12 months | | | |
| Specialty Services | Engaging with a Cardiology Group for telemedicine coverage and consultation services for Emergency Department and Inpatient Unit | Upon acceptance of sustainability plan | 0-12 months | | | |
| Review and probable change in provider compensation | Anticipated cost savings \$25k per month (\$300k annual) | Feb-24 | 0-12 months | | (\$300,000) | |
| Decrease in provider coverage in one of our departments | Anticipated cost savings of \$360k - \$500k/annual | | | | (\$430,000) | |
| Recruiting a Business Development Director | Increase incremental market share and net revenue by \$144k per year | Sep-23 | 0-12 months | \$540,000 | | |
| Expand 340B retail pharmacies by 2 over the next year | Additional revenue of approximately \$120k annually | | | \$120,000 | | |
| Labor Productivity Improvement | Decrease by 2.5% with anticipated annual savings of \$360k | Oct-23 | 0-12 months | \$360,000 | | |

| | | | | | | |
|---|--|--------|-------------|-------------|---------------|-------------|
| Revenue Cycle Restructure/Improvements/Accountability | <ul style="list-style-type: none"> • Consolidated revenue cycle-related departments under the Revenue Cycle Manager (Business Office, Registration, Payor Enrollment, Payor Contracts, Pre-Authorizations Coding, Denial Management) • Implementation of Experian (April) – real-time information, verifies demographics and discovery for self-pay patients, started final implementation for all inpatient modules in August 2023, generate worklists to accurately improve front-end tasks, and enhances the percentage of first-time clean claims • Anticipated net revenue or reimbursement of \$120K annually | Apr-23 | 0-12 months | \$240,000 | | |
| Case Management | <ul style="list-style-type: none"> • Designated Lead Case Manager to oversee case management functions/accountability • Case Managers review ED patient criteria to ensure the patient is in the appropriate status upon admission • Education of InterQual criteria with ED physicians, Hospitalists, and clinical staff • Assist with documentation improvement for physician and clinical staff | Jun-23 | 0-12 months | | | |
| Net Bottom Line | | | | \$3,204,000 | (\$2,230,000) | \$5,434,000 |

**AMERICAN RESCUE PLAN ACT OF 2021 PROGRAM APPROPRIATION
AND PERSONNEL AUTHORIZATION REQUEST
SECTION 36 OF ACT 796 OF 2023**

C.4

Agency: Arkansas Department of Human Services Business Area Code: 0710
 Program Title: Emergency Aid Relief to Hospitals
 Granting Organization: American Rescue Plan Act of 2021 CFDA #: State Fiscal Recovery Funds (SFRF)
 Effective Date of Authorization: Beginning: 7/1/2023 Ending: 6/30/2024

Purpose of Grant / Reason for addition or change (include attachments as necessary to provide thorough information):
 Hospitals continue to experience severe financial strain due to the economic impacts of the ongoing COVID-19 pandemic. Increased costs and labor shortages have resulted in lesser revenues for the hospitals. This means that several hospitals across the state, particularly those that serve rural populations, are at immediate risk of closure.
 Use of these funds will allow hospitals to maintain operations to ensure patients receive the care they need during and between the pandemic disease "surges". The purpose of these payments is to assist hospitals to offset extraordinary costs related to mitigating and preventing COVID-19 and retaining and acquiring frontline staff that have occurred as a result of the COVID-19 pandemic.
 This request is for Mena Regional Health System in support of their efforts to provide rural healthcare to Arkansans.

Func. Area: HHS Fund Code: FRP7178 Direct Funding: _____
 Funds Center: AZ5 Internal Order/WBS Element: _____ State: X
 Continuation: _____

| | Program Funding Amount |
|------------------------------|------------------------|
| Regular Salaries | |
| Extra Help | |
| Personal Services Matching | |
| Operating Expenses | |
| Conference & Travel Expenses | |
| Professional Fees | |
| Capital Outlay | |
| Data Processing | |
| Grants and Aid (CI: 04) | 2,737,165 |
| Other: | |
| Other: | |
| Total | \$ 2,737,165 |

Anticipated Duration of Federal Funds: 9/30/2024

| | |
|---|--|
| DFA IGS State Technology Planning Date Items requested for information technology must be in compliance with Technology Plans as submitted to DFA IGS State Technology Planning. | |
|---|--|

Positions to be established: (list each position separately) * unclassified positions only

| Org Unit | Pers Area | Pers SubArea | Cost Center | Position Number | Comnt Item | Position Title | Class Code | Grade | Line Item Maximum * |
|----------|-----------|--------------|-------------|-----------------|------------|----------------|------------|-------|---------------------|
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State funds will not be used to replace federal funds when such funds expire, unless appropriated by the General Assembly and authorized by the Governor.

Approved by:
Kristi Putnam Digitally signed by Kristi Putnam Robert Brech 01/04/24
 Date: 2023.11.01 10:53:52 -05'00' Office of Budget Date Office of Personnel Mgmt Date
 Cabinet Secretary/Agency Director Date

Joshua Kenyon
12/13/2023

Arkansas Rural Hospital Sustainability Program

Hospital Plan Summaries

January ALC

Arkansas Department of Finance & Administration

Prepared by Alvarez & Marsal Public Sector Services, LLC

2024

Mena Regional Health System Sustainability Plan Summary

February Baseline Metrics

- | | |
|---|--|
| • 51.59 Days Cash on Hand (DCOH) ⁵ | • -9.8% Operating Margin |
| • 49 Days in Accounts Receivable, Net (Net AR) | • 3.2 FTEs per Adjusted Occupied Bed (AOB) |
| • 70% in Labor/Net Patient Service Revenue (NPSR) | • 18.1 in Average Daily Census (ADC) |

Challenges

Mena Regional Health System (MRHS) is a 65 licensed-bed general hospital within Polk County. MRHS has been experiencing staffing shortages, requiring costly agency staffing and internal travel contract staffing to fill 19 critical positions in 2022 and 2023. These staffing shortages have compromised management's ability to operate several service lines at full capacity, such as geriatric psychiatry and inpatient rehab, which are MRHS' major revenue producing units. MRHS operates on average at 35% capacity, with only 6-8% of emergency visits resulting in admissions. The hospital's cash position has further deteriorated and currently sits at 39.52 days cash on hand as of September 2023. Lastly, the hospital's limited patient volume and revenues cannot support the facility's physical footprint, which require costly maintenance and upgrades, estimated at \$3-5M over the next five years.

Sustainability Approach: Track 1

MRHS selected *Track 1: Transformative Hospital Reform (Reclassification or Consolidation/Merger)* to convert to a Critical Access Hospital (CAH) while actively working to improve service line revenue and improve revenue cycle management. This reclassification and downsizing of Mena's beds to better match the hospital's volumes will help to stabilize MRHS's financial position, maintain/enhance current service lines, reduce reliance on travel nursing staff and allow the opportunity to add needed Swing bed services to the hospital. MRHS plans to reassess hospital performance and designation in five years if patient volume exceeds CAH restrictions but have noted that ADC over the last 5 years for acute inpatient was 8 with only one day reaching 23 patients. Noted benefits and changes from this reclassification:

- Reduction from 69 beds to 45 beds (25 beds for Med-Surg, ICU, and Women's Services, 20 beds for Rehab and Geri-Psych in distinct part units)
- Expansion of general and ortho-surgery services
- Establishment of an inpatient geriatric psychiatry program and Chronic Care Management (CCM) program
- Recertification of the Swing Bed program, after certification was surrendered in December 2021
- Medicare reimbursement at 101% of cost based on CMS's cost-based reimbursement methodology
- Inclusion of certain capital improvement costs in allowable costs for determining Medicare reimbursement

Track 1 Benchmarks

- | | |
|---|---|
| ✓ Complete Letter of Intent [12/6/23] | • Complete CAH and Swingbed Accreditation [Q2 or Q3 of 2024] |
| ✓ Complete Pro-forma [12/22/23] | • Credential All Major Insurances under CAH NPI/PTAN [Q3 of 2024] |
| • Issue Public Press Release [1/5/24] | • Complete Official Transition to CAH [Q1 of 2025] |
| • Complete Conversion Plan [1/12/24] | |
| • File Application for CAH status [1/12/24] | |

Noted Progress/Updates

MRHS obtained board approval in December 2023 to continue with the conversion to a CAH, with the expectation of re-evaluating community needs and the hospital designation in five years. Management completed a year-over-year Profit & Loss comparison over three years with an anticipated total patient revenue increase of 5.9%, 5.1% and 3.2% for 2024, 2025 and 2026⁶, respectively. MRHS is actively engaged with Det Norske Veritas (DNV) Healthcare to complete the initial survey for CAH designation as well as certify the swingbed program. A public release is scheduled for early January 2024. Remaining milestones are scheduled throughout 2024, with an official transition to CAH scheduled Q1 of 2025.

Cybersecurity Checklist

MRHS' Director of Information Technology reviewed the six Internet Security Basic Controls and eight Cyber Defense Minimum Standards. MRHS will work with Legislative Audit to complete an on-site cyber review.

⁵ Mena's DCOH of 51.59 differs from A&M's February figure of 43.2, due to the addition of previously restricted "Board Designated Funds" of \$762,879 to Cash and Cash Equiv. of \$4,105,325 divided by \$94,189 in daily expenditures.

Mena Regional Health System Sustainability Plan

Purpose

The purpose of this document is to define the actions Mena Regional Health System will take to maintain financial viability and continue to provide a level of critical healthcare to their respective communities. To maintain financial viability, a plan must be established to balance long-term debt, protect the value of current assets, support ongoing operations and maintenance of the physical plant, manage expenses, and to increase operating revenues.

Rationale

Mena Regional Health System is currently a 65 bed PPS hospital operating on average at 35% capacity. In order to maintain staffing for 65 bed capabilities, we have had to employ on average 19 travelers a month throughout 2023 and similar numbers in 2022. We currently only admit 6-8% of our ER encounters (industry standard is 12%) which is up from a September year to date average of 4.5%. We do not employ specialist such as Cardiologist, Pulmonologist, or Neurologist which necessitates a large percentage of transfers to outside facilities. In addition, our physical plant is aging and will require an estimated 3-5 million dollars in upgrades and repairs over the next 5 years. Our 5-year ADC for acute inpatient patients (med/surg, ICU, women's) is 8 with the busiest day being 23 patients and representing only one day over the last 5 years. These factors along with our current days cash on hand of less than 40 days, have led us to pursue a conversion to Critical Access Status. This change will help to stabilize our financial position, maintain our current service lines despite a 20-bed reduction in capacity, and will allow us the opportunity to add Swing bed services to our hospital. Swing bed is crucial for the community we serve as there are limited nursing home beds that remain at or near capacity at all times. In addition, this reduction in bed capacity will allow us to right size our operation to a size that continues to meet the needs of the community but allows us to reduce and potentially eliminate all of our agency staff.

Overview of Strengths, Challenges, and Opportunities

Strengths

1. Growth in service line revenue
 - a. General Surgery services will grow through the addition of a second general surgeon. This will allow for surgical coverage seven days a week, twenty-four hours a day. Thereby reducing transfers and increasing surgical revenue. Additionally, the cost to add a second surgeon will be a 10% reduction or 50k annually from current cost. Additionally, an Orthopedic surgeon has recently been recruited to begin work in the first quarter of 2024. The past orthopedic surgeon departed in early September, however maintained a low conversion of ER cases. A review over the last four months of emergency room transfers yields a consolidated Orthopedic and General surgery net revenue annualized increase of \$1.9M.
 - b. Outpatient Primary Care clinic consolidation will provide a lift in EBITDA through combining a free-standing primary clinic with the established Rural Health Clinic. Since acquisition in July of 2022 the free-standing clinic had sustained losses of nearly 500k. Consolidation occurred on September 5, 2023.
 - c. The inpatient Geriatric psychiatry program has improved ADC year over year by 1.1 at current. Through improved staffing and marketing efforts, confidence is high that the ADC

can improve by another 2 ADC to increase revenue by another 700k.

- d. Emergency physician staffing is in the process of restructuring though partnering with a physician group that staffs other hospitals in the region. These other hospitals do not have the services or capacity of Mena Regional Health System. This partnership will provide a pathway for transfers via ER to ER. This will increase admissions, surgeries with fiscal impacts discussed elsewhere. A known beneficial of this change is 54k per year.
- e. Rural Health Clinic operational efficiency improvements through increased volume, staffing optimization to drive betterment at the bottom line. Additionally, service enhancements will be provided through enhanced care and patient satisfaction via the addition of a Chronic Care Management program. Patient volume growth at 25% or 60 encounter per provider per month could yield an additional 1M annually. The CCM component would add an additional 400k for a total increase through the RHC of 1.4M.
- f. Reestablishment of a Swing-Bed program will allow for admissions that have otherwise been lost due to restrictive admission requirements preventing care on the inpatient Rehab program. An examination of lost admissions and promotional growth efforts would yield monthly admissions of 21, generating annually \$994k.

2. Revenue cycle management

- a. Accounts Receivable – 45 days goal
- b. Denials Management – Structured proactive appeals process
- c. Case Management – Development of dedicated case management team – Milliman
- d. Reduce Charge lag – 4 – 7 days
- e. Upfront Collections – Admissions/Clinic/Surgeries

Challenges

1. Staffing and Recruitment

- a. We have utilized agency staffing as well as internal travel contract staffing for nursing as well as laboratory technologists staffing for the last several years. Currently, we are spending 100k per month in premium pay over staff pay costs to support these travelers. The below outlines our total number of internal and external travelers by month since February 2023:

| Month | Number of Travelers | Total Cost |
|----------|---------------------|------------|
| Feb. 23 | 23 | \$362,474 |
| Mar. 23 | 17 | \$199,600 |
| Apr. 23 | 18 | \$201,962 |
| May 23 | 20 | \$231,056 |
| Jun. 23 | 17 | \$205,759 |
| Jul. 23 | 18 | \$199,583 |
| Aug. 23 | 21 | \$173,865 |
| Sept. 23 | 17 | \$175,427 |
| Oct. 23 | 17 | \$209,970 |

We have struggled over the last 2 years to reduce our traveler numbers. We have recently met with our nursing leadership to engage new strategies to incentivize recruitment of nurses to full time positions. We are going to pair our market rate adjustment for nursing pay with a coinciding reduction of 50% in nurse travelers by the end of Q1 2024. We expect additional reductions in Q2 and Q3 through recruitment efforts. In addition, we are going to utilize our provider staff to begin providing guest lectures to the local nursing students in an effort to improve our recruitment efforts of the nursing students.

- b. These staffing shortages and the decision to use traveler staff have also led to a reduction in service line capacity in some of our nursing units.
 - a. We have limited admissions on our **Geriatric psychiatry unit** secondary to inability to scale staffing up to patient demand without the addition of traveler staff.
 - b. We have also at times limited census on our **Inpatient Rehab Unit** secondary again to lack of ability to scale up nursing staff. These units are major revenue producing units for our hospital and also serve our communities in valuable programs that they would otherwise have to drive over 90 minutes to receive.

2. Cash Position

MRHS’s cash position as of September 2023 is 39.52 days COH which is comprised of all operating accounts and Board designated funds for capital expenditures. Compared to February 2023, this is a 12.17 days reduction in COH. The 12.17 days reduction can be traced to contract labor costs

Benchmarks

Track 1 – Transformative Hospital Reform

- 1. CAH
 - a. Letter of Intent/Board meeting minutes stating CAH status approval
 - b. Financial Proforma
 - c. Conversion Plan
 - d. Application for CAH status
 - e. Public Press Release
 - f. CAH and Swingbed Accreditation

CAH Conversion Timeline Table

| Action | Description | Anticipated Completion Date |
|--|--|------------------------------------|
| Complete Letter of Intent/ Hospital Board Approval to Covert to CAH | Document approval from the Hospital Commission to seek CAH status with CMS | 12/6/2023 |
| Complete Financial Proforma | Complete a financial impact analysis of operations and finances impacted by CAH conversion | 12/22/23 |
| Complete Conversion Plan | Complete overall conversion plan, stating plans to modify existing service lines and rightsizing of hospital footprint | 1/12/24 |
| File Application for CAH Status | File form 855-A with CMS MAC for approval to move forward with conversion | 1/12/24 |

| | | |
|---|--|--|
| Issue Public Press Release | Issue public press release stating upcoming conversion to CAH | 1/5/24 |
| Complete CAH and Swingbed Accreditation | <ul style="list-style-type: none"> • Engage with 3rd Party Accreditation company to perform CAH and swing bed surveys • Identify and adjust utilized bed space to 25 beds acute care, 10 IRF, and 10 Geri-Psych as necessary to meet bed requirements as CAH • Finalize Policy/Procedures to reflect swing bed and CAH COPS • Alert 3rd party accreditation company of our readiness for survey and await unannounced survey | 2 nd or 3 rd Q of 2024 |
| Achieve credentialed status with all major insurance carriers under CAH NPI/PTAN | <ul style="list-style-type: none"> • Request credentialing with all major insurance companies once CMS approves CAH status and issues provider numbers. | 3 rd Q of 2024 |
| Official Transition to CAH | <ul style="list-style-type: none"> • Set official date to switch from PPS to CAH once all of the above has been fully achieved. | End of 2024 – first Q of 2025 |

Cybersecurity Defense Checklist Readiness Statement

MRHS’s Director of Information Services reviewed the six-internet security basic controls and eight Cyber Defense Minimum Standards. MRHS will work with Legislative Audit to complete an on-site cyber review.

Arkansas Rural Hospital Sustainability Program

Hospital Plan Summaries

January ALC

Arkansas Department of Finance & Administration

Prepared by Alvarez & Marsal Public Sector Services, LLC

2024

SMC Regional Medical Center Sustainability Plan Summary

February Baseline Metrics

- 49.8 Days Cash on Hand⁷ (DCOH)
- 73 Days in Accounts Receivable, Net (Net AR)
- 82.9% in Labor/Net Patient Service Revenue (NPSR)
- -54% Operating Margin
- N/A FTEs per Adjusted Occupied Bed (AOB)⁸
- N/A in Average Daily Census (ADC)

Challenges

South Mississippi County (SMC) Regional Medical Center is a 25 licensed-bed Critical Access Hospital (CAH) within Mississippi County operated by Mississippi County Hospital System (MCHS), a component unit of Mississippi County, Arkansas along with Great River Medical Center (GRMC). GRMC and SMC share the same hospital board, executive management team, billing office and medical staff. SMC has been experiencing difficulties in recruiting and retaining clinical staff, which resulted in a six-month closure their Med-Surg inpatient unit in 2022. A pattern of outmigration for services (that could otherwise be provided at SMC) in conjunction with competition by nearby larger healthcare provider networks have limited SMC's market share and growth possibilities. This is reflected in a decreasing year-over-year low inpatient census and despite the reopening of SMC's Med-Surg unit in January 2023, SMC reported an average ADC of 1.5 from January to October 2023, which is lower than prior years.

Sustainability Approach: Track 1

SMC selected *Track 1: Transformative Hospital Reform (Reclassification or Consolidation/Merger)* to convert to a Rural Emergency Hospital (REH). This reclassification will allow the Hospital to re-allocate space and resources from inpatient and swing bed services to emergency department services and outpatient services. Noted benefits and changes from this reclassification for SMC include:

- Continuation of Emergency Services and Outpatient Services
- Discontinuation of underutilized Inpatient, Swing Bed, and Inpatient Physical Therapy services
- Establishment of a transfer agreement with a Level 1 or Level 2 Trauma Center⁹
- 5% increased reimbursement on the Hospital Outpatient Prospective Payment System (OPPS) payment rates
- Additional monthly REH facility payment, starting at \$276,233.58 (CY 2024) with potential future increases
- More inpatient transfers to GRMC through robust out-migration efforts

Track 1 Benchmarks

- ✓ Letter of Intent/Board Support Letter (12/29/2023)
- Conversion Plan (1/29/2024)*
- Public Press Release (1/29/2024)*
- REH Attestation Statement (1/29/2024)*
- Application for REH status (1/29/2024)*
- Pro-forma (2/15/2024)
- Transfer Agreement (2/15/2024)

Noted Progress/Updates

Since Feb 2023, MCHS has hired a new CEO and the COO has assumed the responsibilities of the CFO. Since then, SMC has reduced the number of travelers from 6 to 2. SMC's volume trends support a REH conversion with significant increases in Emergency Visits and Observations despite continued decreases year over year in inpatient admissions. According to a third-party margin analysis, the REH conversion is estimated to generate a \$1M+ annual financial benefit and positive annual EBITDA (including tax subsidies). Management does not anticipate staff level changes due to existing minimal/core nurse staffing in place. Efforts will be made to transfer patients for inpatient admission from SMC to GRMC to mitigate loss of SMC's IP revenue. MCHS' Board provided support for conversion in December 2023. Remaining milestones will be completed in January and February of 2024.

Cybersecurity Checklist

SMC's Director of Information Services reviewed the six-internet security basic controls and eight Cyber Defense Minimum Standards. SMC will work with Legislative Audit to complete an on-site cyber review.

⁷ Days Cash on Hand as of February 2023 was calculated by dividing \$1.35M in cash by \$27k in daily expenditures.

⁸ SMC's FTEs/AOB and ADC were not calculated in A&M's February Report due to six-month Med-Surg closure at SMC.

⁹ Hospital is working with Arkansas Department of Health to understand what is needed given SMC's Level 4 Trauma designation and participation with Arkansas Trauma Communications Center (ATCC).

* Anticipated completion date is 1/29/24 or 10 business days after state approval.

South Mississippi County (SMC) Regional Medical Center Sustainability Plan

Purpose

The purpose of this document is to define the actions SMC Regional Medical Center will take to maintain financial viability and continue to provide a level of critical healthcare to their respective communities. To maintain financial viability, a plan must be established to balance long-term debt, protect the value of current assets, support ongoing operations and maintenance of the physical plant, manage expenses, and to increase operating revenues.

Rationale

The path of least resistance and quickest \$1M+ annual financial pickup for SMC and Mississippi County Health System (MCHS) as a whole is through a Rural Emergency Health (REH) conversion. According to a preliminary third-party margin analysis, this conversion should give SMC a positive annual EBITDA (including Tax Subsidies) of \$716,119 and 6.3%. Although Emergency Room (ER) visits are up 8.3% YTD and Observation patients are up 35%, SMC continues to experience low inpatient volume year over year. We expect ER visits and observations to continue to increase, although at a lower, more conservative rate. The loss in inpatient admission at SMC will be mitigated by robust out-migration efforts and streamlined transfers between the two facilities, thereby limiting MCHS' revenue loss due to discontinuation of SMC's inpatient unit.

Staffing has been stable. We expect no staffing changes except a further reduction of 2 remaining ER travelers (from an original count of 6), which saves SMC \$221,000 annually. The Revenue Cycle Team meets weekly to address new and ongoing issues. Tele-cardiology coverage has been added to retain lower severity issues at SMC. Case Managers are going to the emergency room to discuss criteria and educate the providers on IOS and SOI to get the patients in the proper admission status. This has increased observation admissions. Front-end collections have increased \$2,250 per month over the last four months (\$ 27,000 annualized). The Experian system has enabled us to have real-time documentation for insurance coverages. We also utilize the discovery insurance feature and remaining benefit eligibility. We believe the \$120,000 goal for revenue cycle improvements is obtainable.

Overview of Strengths, Challenges, and Opportunities

Strengths

1. County Tax Subsidy
 - Estimated \$1.4 mil annually
2. Largest Steel Producing County in the United States
 - Nucor, US Steel, and Hybar (coming) and support industries
3. No long-term debt on facility
4. Overall equipment with up-to-date technology
 - CT, Ultrasound, Omnicell etc.
5. Effective relationship with International Staffing Recruiter
 - To replace current travelers in the facility
6. Long term effective and integrated Board of Directors
7. Cohesive and Friendly Culture

8. 8.3% ER growth YTD

Challenges

1. Low and Decreasing Average Daily Census
 - Inpatient census has continued to decline year over year. Despite the reopening of SMC's Med-Surg unit in January 2023, year-to-date (YTD) ADC from January 2023 has remained lower than prior years, at 1.5.
2. Staffing and Recruitment
 - The cost of travelers (nurse, lab) is approximately \$100/hr. For much of the last year, SMC had 6 travelers. Management is actively working to reduce the two remaining ER travelers
 - Recruitment has been difficult during and post-COVID-19. This has caused a significant increase in hourly rates for all positions and sign-on bonuses for key clinical staff.
3. Poverty Level
 - Mississippi County is at 21.8%, which is 1.4 times the rate in Arkansas. This results in an adverse payor mix and lower reimbursement for our services. This is reflected in our higher level of charity care.
4. Out Migration of Services
 - Our review of current statistics from the Emergency Department and Clinics shows a pattern of outmigration for services that could be provided at our facility. We are currently reviewing these stats daily to ensure that we can capture these patients and increase utilization at our facility.
5. Larger Financially Strong Healthcare Provider Networks
 - Have established offices in the county to take market share.
6. Lack of Housing
 - Hard to recruit physicians and all staff

REH Conversion Overview

No staffing level or other changes are anticipated due to minimum/core nurse-to-patient ratios already in place at SMC. Existing Med-Surg clinical staff will be allocated for Observation. There are no anticipated changes to service offerings, besides the elimination of Inpatient and Swing beds.

We anticipate more IP transfers to GRMC through robust out-migration efforts.

Summary of Services Continued and Discontinued

Continued services: ER, Outpatient services (Laboratory, Radiology, Physical Therapy)

Discontinued services: Swingbed, Inpatient, and Inpatient Physical Therapy

Benchmarks

Track 1 - Transformative Hospital Reform

1. REH/CAH
 - a) Letter of Intent, public press release
 - b) Conversion plan and Application for REH/CAH status

Track Actions/Milestones

| Actions | Description | Anticipated Completion Date |
|--|--|--|
| Pro-forma (6- and 12-mo. assumptions) | 6-month and 12-month pro-forma financials that include revenue and volume expectations | 2-15-24 |
| Conversion Plan | Summary of its plan to close select service lines while adjusting the operations of other services | 1-29-24 or 10 business days after state approval |
| Letter of Intent / Board support for REH conversion | SMC Board of Directors formally express their intent to convert SMC to an REH. | 12-29-23 |
| Transfer Agreement | SMC signs patient transfer agreement with a Level 1 or Level 2 Trauma Center to provide continuity of patient care for SMC patients to be treated at partnering facility | 2-15-24 |
| Public Press Release | SMC informs public of its conversion and changes in operations | 1-29-24 or 10 business days after state approval |
| Application for REH status | SMC will submit the formal REH application, either a change of information online (via PECOS) or a paper CMS-855A application to its Medicare Administrative Contractor (MAC) to convert to an REH | 1-29-24 or 10 business days after state approval |
| REH Attestation Statement | SMC attests to its compliance of REH enrollment and conversion requirements | 2-29-24 |

Cybersecurity Defense Checklist

SMC's Director of Information Services reviewed the six-internet security basic controls and eight Cyber Defense Minimum Standards. SMC will work with Legislative Audit to complete an on-site cyber review