

The University of Vermont Health Network FY 2021 Budget

Green Mountain Care Board

August 24, 2020

Overview

- Introduction
- UVM Health Network Financials
- UVM Medical Center
- Central Vermont Medical Center
- Porter Hospital
- Questions

Introductions

- John R. Brumsted, MD, President & CEO, UVM Health Network
- Todd Keating, CFO, UVM Health Network;
Interim CFO, Central Vermont Medical Center
- Marc Stanislas, VP of Treasury & Financial Services, UVM Health Network
- Stephen Leffler, MD, President & COO, UVM Medical Center
- Rick Vincent, CFO, UVM Medical Center
- Anna Noonan, RN, President & COO, Central Vermont Medical Center
- Tom Thompson, Interim President & COO, Porter Medical Center
- Jennifer Bertrand, CFO, Porter Medical Center

UVM Health Network Mission & Vision

To improve the health of the people in the communities we serve by integrating patient care, education and research in a caring environment



Working together, we improve people's lives

UVM Health Network

Integrated Health System

- Academic Medical Center
- 5 Community Hospitals
- FQHC Partner
- Home Health & Hospice
- Network Medical Group

Network Numbers

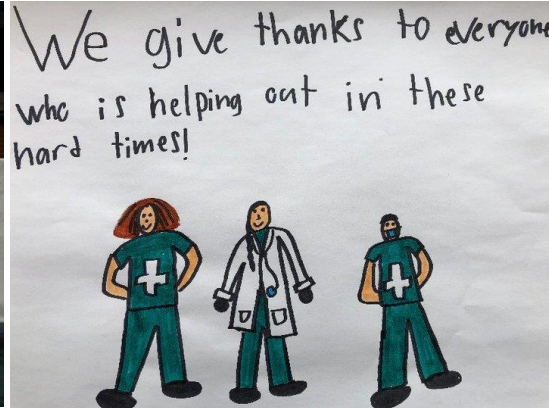
- Serve 1 million lives
- 1,200+ physicians: 960 specialists and 260 primary care providers
- 1,200 licensed inpatient beds
- Over 41,000 inpatient discharges, 1.3 million outpatient encounters*



Hudson Headwaters Health Network has 18 sites in Clinton, Saratoga, Warren, Essex, and Hamilton Counties in the State of New York.

*Outpatient encounters do not include UVMHN Home Health & Hospice visits.

Our Network COVID-19 Story



- COVID-19 has profoundly and fundamentally changed all of our lives, and disrupted and altered the institutions we rely on
- Our response is grounded in resilience, perseverance, and innovation
- Our network has changed and adapted along with the rest of the world, but **our commitment to caring for our communities is foundational and undiminished**

COVID-19 FY 2020 Revenue Impact

UVM HN - VT Hospital Summary Lost Revenue		March Net Rev	April Net Rev	May Net Rev	June Net Rev	Combined March thru June Revenue Losses
Payer Category:						
Gov't Payers		\$ (13,371,818)	\$ (11,998,973)	\$ (10,298,807)	\$ 4,806,695	\$ (30,862,903)
Commercial		\$ (19,239,563)	\$ (39,075,315)	\$ (28,877,703)	\$ (6,123,109)	\$ (93,315,690)
Other		\$ (5,969,904)	\$ (6,847,860)	\$ (3,403,870)	\$ (4,525,402)	\$ (20,747,036)
<i>Bad Debt & Charity</i>		\$ 1,617,057	\$ 3,281,766	\$ 776,530	\$ 3,205,532	\$ 8,880,885
Total Revenue Prior to Other Misc		\$ (36,964,229)	\$ (54,640,381)	\$ (41,803,849)	\$ (2,636,284)	\$ (136,044,743)

COVID-19 FY 2020 Financial Impact

	Projected Loss Revenue Related to Covid March-June	Projected Margin Loss	Estimated Stimulus & Grant Funds to off-set Margin Loss	Additional Cost Saving Measures Implemented	FY2020 Projected YRE Margin	FY2020 Budgeted Margin	Difference Between FY2020 Budget Margin & FY2020 Proj YRE
UVMHC	\$ (109,046,115)	\$ (86,806,973)	\$ 40,447,886	\$ 42,200,000	\$ (4,159,087)	\$ 46,375,027	\$ (50,534,114)
CMVC	\$ (19,499,395)	\$ (26,497,424)	\$ 17,352,170	\$ 4,600,000	\$ (4,545,254)	\$ 187,103	\$ (4,732,357)
PMC	\$ (7,499,233)	\$ (6,026,221)	\$ 7,600,267	\$ 1,015,000	\$ 2,589,046	\$ 2,595,862	\$ (6,816)
Total	\$ (136,044,743)	\$ (119,330,618)	\$ 65,400,323	\$ 47,815,000	\$ (6,115,295)	\$ 49,157,992	\$ (55,273,287)

In FY 2020:

- The loss of \$-6.1M put UVM Health Network dangerously close to triggering a debt covenant violation
- Approximately \$60M of capital investment funds were diverted to preserve cash;
it will take years to recover those lost capital funds/investments

UVM Health Network Financials

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Green Mountain Care Board and UVM Health Network – Our mutual goals

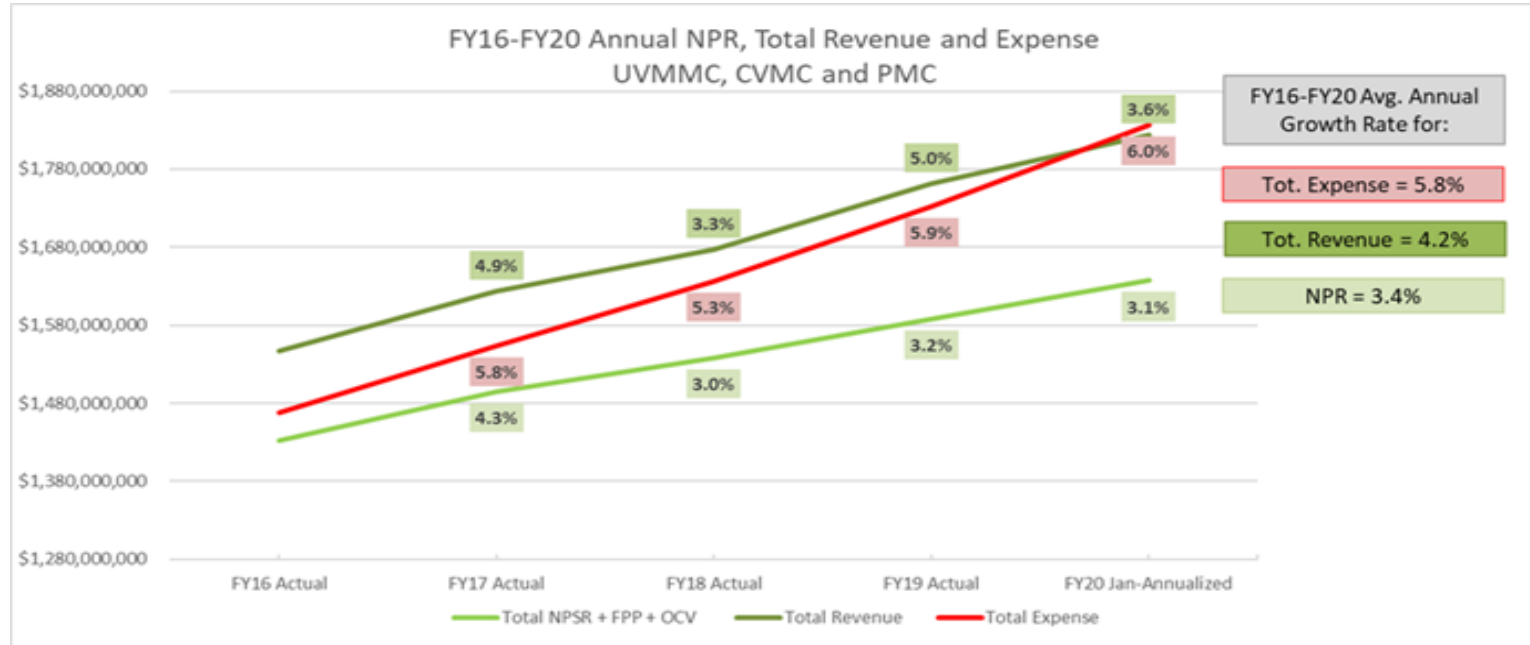
- Improving the health of the population
- Enhancing patient access
- Reducing the growth of the total cost of care per person
- Improving the work life of our people

The Path to Financial Sustainability

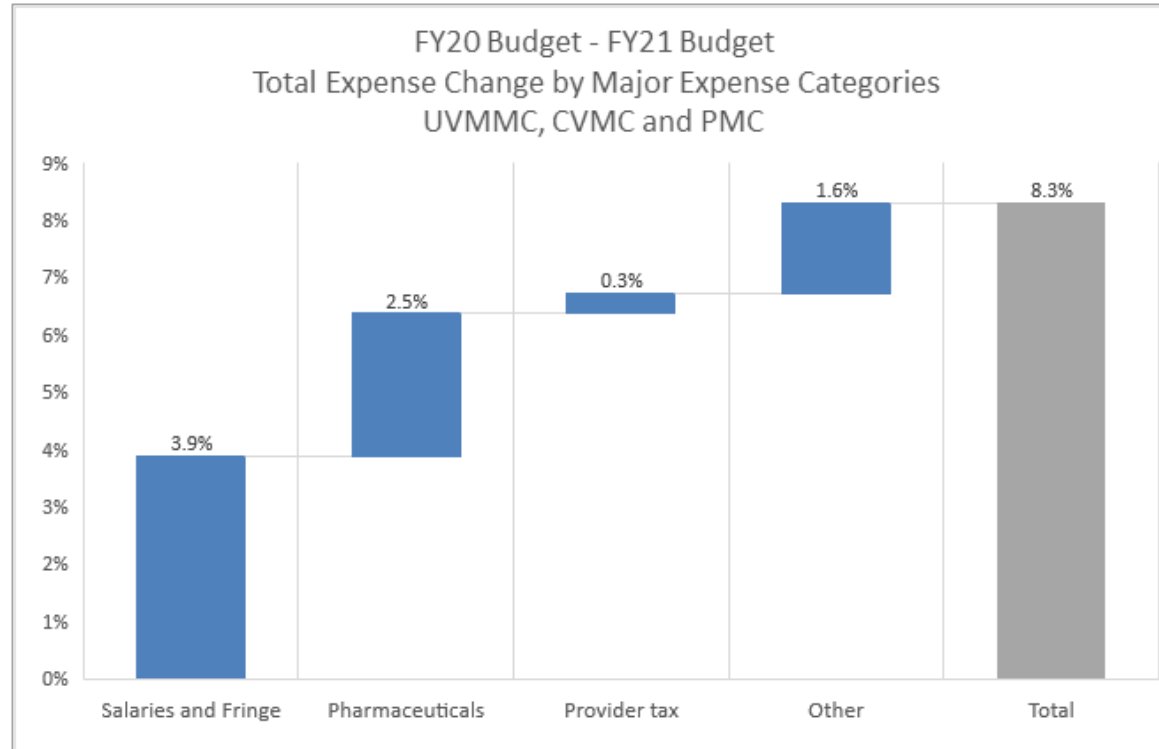
	FY2017 Act	FY2018 Act	FY2019 Act	FY2020 Bud	FY2020 YTD January	FY 2021 Budget	Financial Framework		
							2022	2023	2024
UVMHC	5.2%	3.4%	2.2%	3.1%	0.2%	2.5%	3.0%	3.5%	4.0%
CVMC	-0.9%	-3.8%	-2.1%	0.1%	-4.4%	0.5%	1.0%	2.0%	2.5%
PMC	3.4%	3.0%	2.5%	2.5%	-5.8%	2.5%	2.5%	2.5%	2.5%

- FY 2021 sets the path for UVM Health Network 3-3.5% margin performance over the next 30 months
- We received a downgrade from Moody's Investors Service in March 2020
 - If financial performance does not improve, we will be at risk for more rating downgrades
- A margin of 3% produces \$53M a year – that goes to fund reinvestment in facilities and technology to maintain our average age of physical plant, all of which are necessary for us to continue to provide high quality patient care

Revenues have not kept pace with expense growth



Staff salaries and pharmaceutical costs drive expense growth

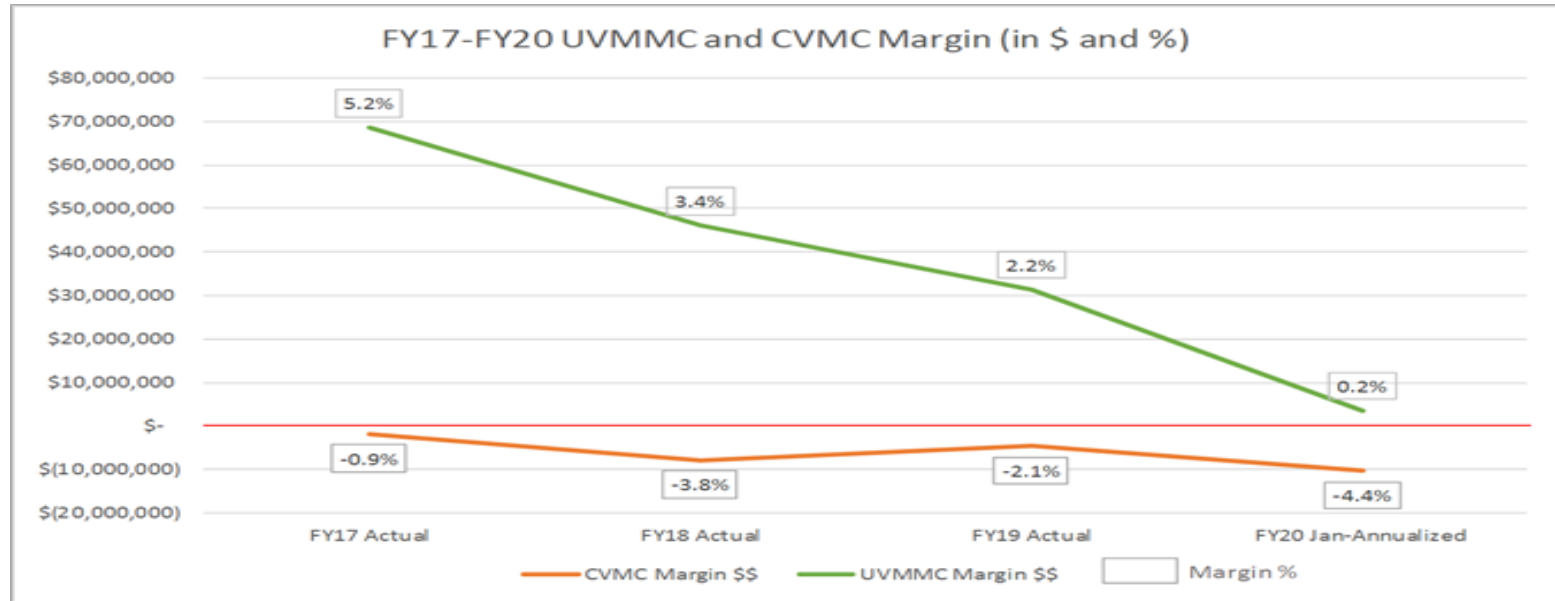


Hospital commercial rates have not kept pace with expense growth

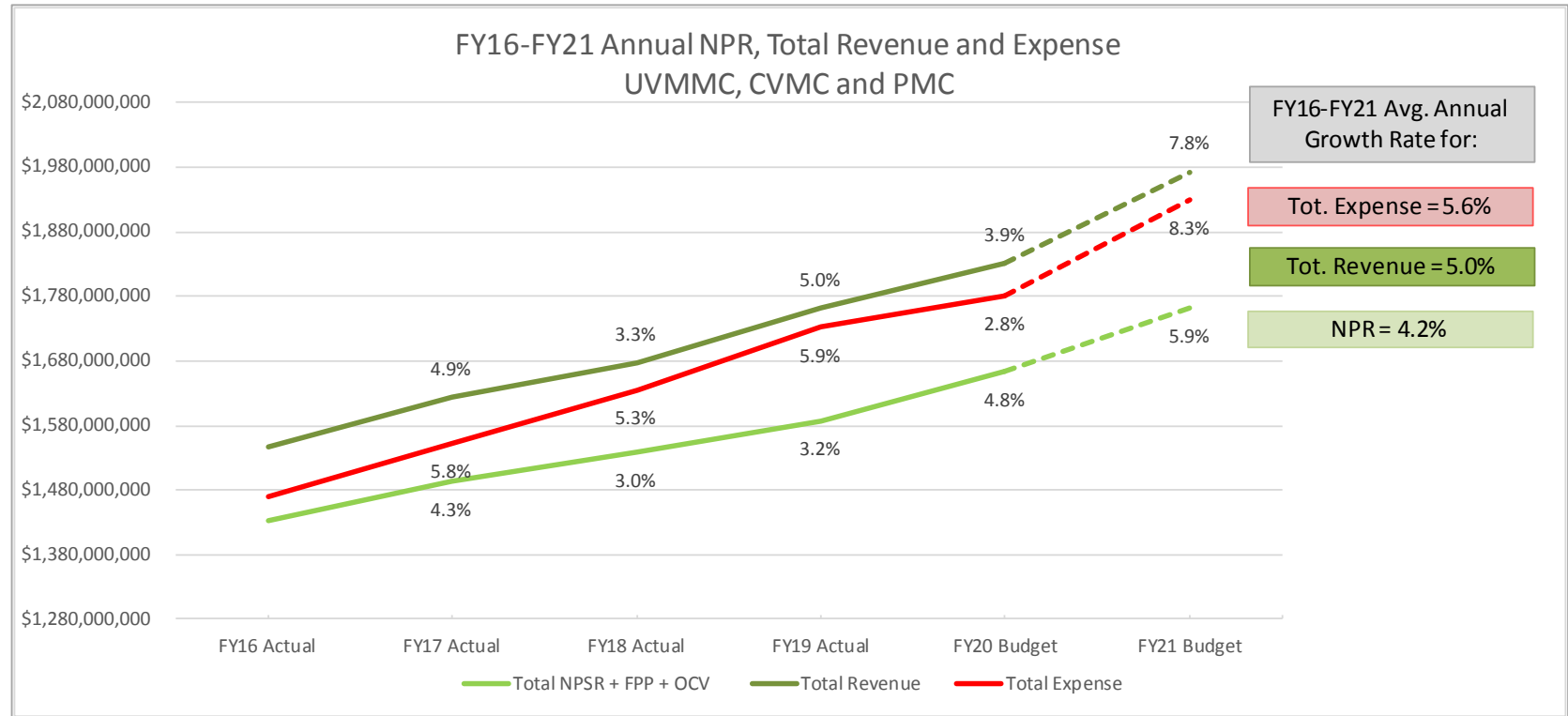
Approved Commercial Rate	2017	2018	2019	2020	2021	5-year Average
Central Vermont Medical Center	2.5%	0.7%	2.3%	5.9%	8.5% required	3.98%
Porter Hospital	5.3%	3.0%	2.8%	2.6%	5.75% required	3.89%
University of Vermont Medical Center	2.5%	0.7%	2.5%	3.5%	7.97% required	3.30%

5 Year Average Growth Rates										
	Revenue			Expense						
	NPR/FPP	Other Revenue	Total Revenue	Salary & Fringe	Med/Surg	Outpatient Pharmacy	Pharmaceutical	Other	Provider Tax	Total Exp
Central Vermont Medical Center	4.4%	7.2%	4.6%	2.7%	3.2%	0.0%	19.8%	5.7%	6.7%	8.2%
Porter Hospital	3.9%	7.1%	4.1%	4.8%	1.9%	0.0%	7.4%	2.8%	2.7%	4.1%
University of Vermont Medical Center	4.3%	14.1%	5.2%	5.5%	4.5%	32.1%	10.2%	3.6%	5.1%	5.9%

Margin has deteriorated



Our plan, if approved, to achieve financial sustainability



Our budget development was based upon the need for revenues to cover expenses and to meet patient care needs

- This could not be accomplished within the GMCB's 3.5% rate cap
- Our commercial rate must cover the cost of commercial business, as well as expenses that are not reimbursed by government payers
- Without the approval of our budget as presented, we cannot achieve UVM Health Network 3-3.5% margin, which is essential to meet the health care needs of our patients

Components of Hospital Commercial Rate Process

- Changes in Payment Rates

- Payer mix
- Service mix
- Bad debt/charity care
- Changes in anticipated payment trends
- Payer policy changes

- Unit Cost Inflation

- Salary/fringe
- Med/surg expense
- Pharmaceutical expense
- Software & IT
- Other expense
- Provider tax

- Financial Sustainability

- Maintaining appropriate balance sheet reserves for access to capital/maintain credit rating
- Reserves for risk-based contracts
- Sustainable margins to continue investments to meet communities' future care needs
- Major contributor to local & state economies
- Capacity to respond to health crisis

- Other Payer Offsets

- Adjust for other payer changes
 - Medicare
 - Medicaid
 - Others

The effects below vary by hospital:

- Payer mix
- Payer policy changes
- Service/case mix
- Cost shift
- Hospital type
- Changes in bad debt/charity care trends
- Population movements & aging
- Local economies/demographics
- Size of service area
- Mix of specialty services
 - Hospital
 - Physician
 - Pharmaceutical/chemotherapy
 - Other

Hospital and Commercial Payer Growth Rates

	Hospital Fiscal Year¹			3 Year Avg
UVMMC	Commercial Payer NPR/FPP			6.4%
CVMC	Change from Prior Period²			6.3%
Porter Hospital	FY2019 Actual	FY2020 Jan Annlzd	FY2021 Budget	6.6%
UVMHN - VT Hospitals				6.4%

<u>L&E Actuaries Summary: Blended Medical & Pharmacy Trend³</u>				3 Year Avg
	Plan Year			
BCBS VHC Rate Submission	2019	2020 ⁴	2021 ⁵	8.2%
MVP VHC Rate Submission				5.8%

Notes:

1) %'s shown are based on hospital fiscal year impact Oct-Sept, BCBS/MVP plan year is based on Jan-Dec.

2) %'s are based on actual & anticipated payments for the respective fiscal years, they do not include any charge-offs to bad debt or charity care.

3) Trend summaries are based on L&E's summary & recommendations, they do not reflect any specific adjustments to medical & pharmacy trend the GCMB may have made in the final ruling.

4) Plan 2020 trends are based on projection modeling, actual trend will not be known until 2020 claims fully adjudicated in the 2022 filing.

5) Plan 2021 trends are based on projection modeling, actual trend will not be known until 2021 claims fully adjudicated in the 2023 filing.

Components of the FY 2021 Commercial Rate

Components of the Effective Commercial Rate									
UVMHC				CVMC			Porter Hospital		
Effective Commercial Rate		7.97%		8.50%		5.75%			
Per 1% Budget Impact		\$4,729,898		\$621,282		\$277,831			
Changes in payment rates	\$	6,137,519	1.30%	\$	429,068	0.69%	\$	355,000	1.28%
Unit Cost Inflation	\$	31,707,829	6.70%	\$	4,924,474	7.93%	\$	2,124,359	7.10%
Financial Sustainability	\$	2,776,860	0.59%	\$	403,909	0.65%	\$	-	0.00%
Other Payer Offsets	\$	(2,923,816)	-0.62%	\$	(474,819)	-0.76%	\$	(728,925)	-2.62%
Net Effective Commercial Rate Change	\$	37,698,393	7.97%	\$	5,282,632	8.50%	\$	1,750,434	5.75%

Components of the Unit Cost Inflation		UVMHC		CVMC		Porter Hospital	
Total Expense		\$31,707,829		\$4,924,474		\$2,124,359	
Provider Tax		\$2,336,337		\$280,129		\$15,355	
Other Expense		\$1,276,591		\$269,443		\$92,383	
Software and IT Maintenance Fees		\$1,210,070		\$155,756		\$-	
Pharmacy		\$3,458,430		\$1,242,410		\$130,733	
Med/Surg Expense		\$3,134,915		\$331,330		\$127,035	
Salary & Fringe		\$20,291,486		\$2,645,406		\$1,758,853	

UVM Medical Center

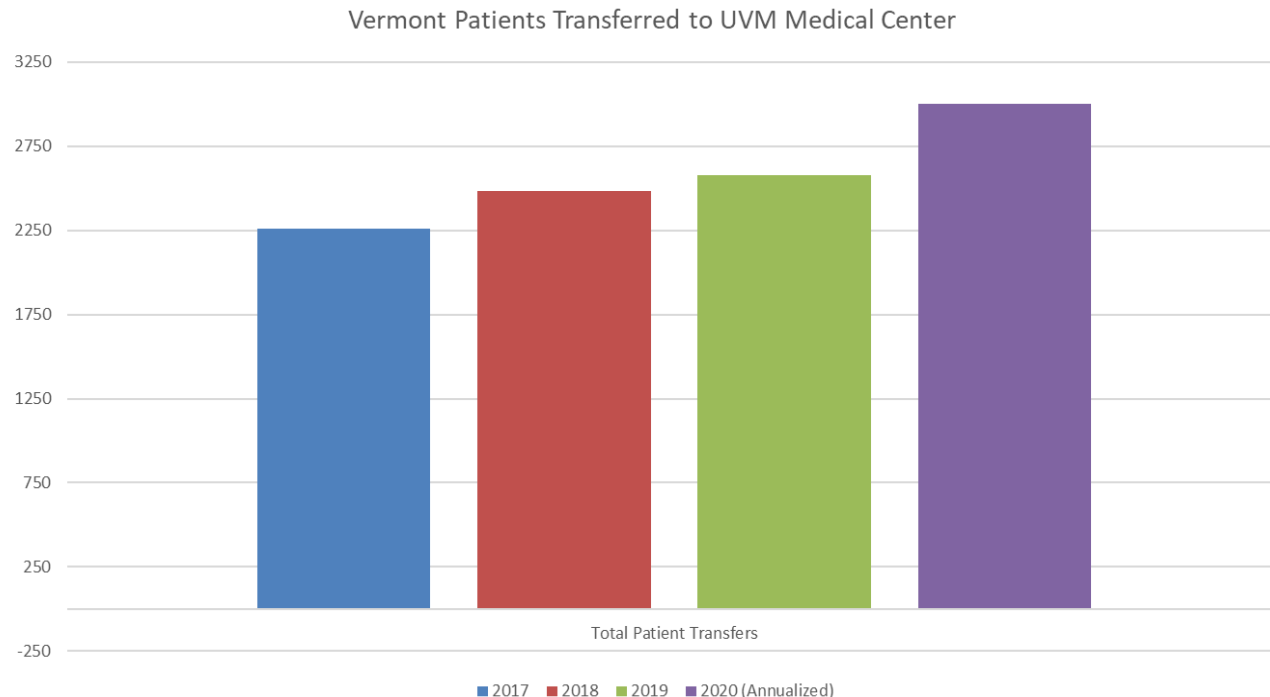


2020 has been a challenging year, to say the least

- Temporary closure of Fanny Allen operating rooms
- Epic go-live (clinical and revenue cycle systems)
- COVID-19 pandemic
- Learning to work remotely and expansion of telehealth visits
- Relocation of Fanny Allen inpatient rehab
- Leadership turnover and pending retirements
- More recently, the return to high volumes and census management issues

UVM Medical Center tertiary care volume continues to grow

- Trauma
- Cardiac care
- Strokes
- NICU
- Psychiatry
- Dialysis



Increased volume/revenue does not offset expense inflation

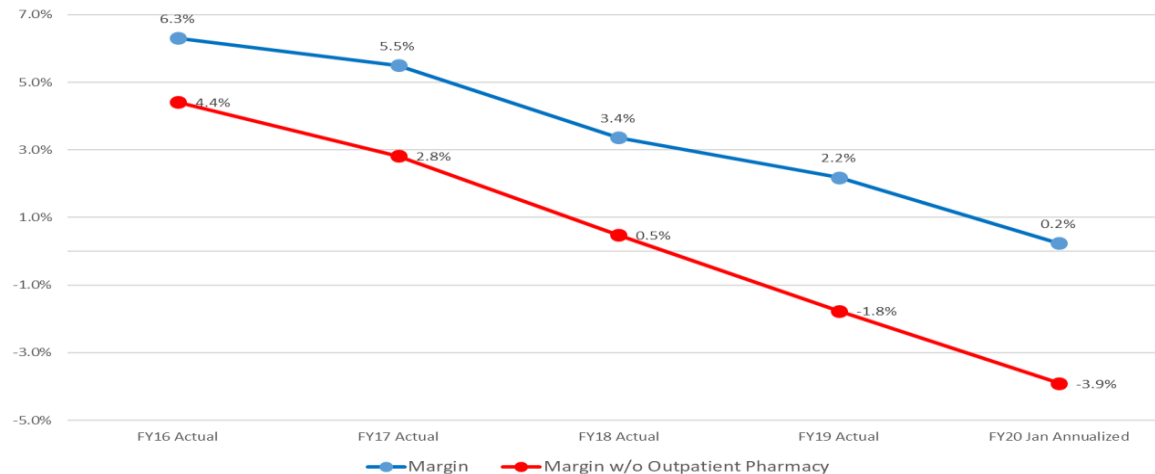
- Examples of services provided at a loss:
 - Dialysis \$(14M) per year
 - Medical specialties \$(10M) per year
 - Psychiatric \$ (7M) per year
 - Rehabilitation \$ (5M) per year
 - Transplant \$ (3M) per year
 - Neuro/stroke \$ (2M) per year
- In general, services that generate a margin offset those that lose money to hold the overall margin constant as volume/revenue increases
- If rate increase is not sufficient to cover inflation, only option to impact margin and get back on solid financial footing is to eliminate services that lose money

Annual impact of rate increases below expense inflation

	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Budget
Commercial Rate Increase	6.0%	2.5%	0.7%	2.5%	3.5%
Required 6% Rate Increase	6.0%	6.0%	6.0%	6.0%	6.0%
Difference	0.0%	3.5%	5.3%	3.5%	2.5%
Value of 1% Increase (12 months)	\$ 5,700,000	\$ 5,702,000	\$ 5,784,000	\$ 5,746,000	\$ 6,152,000
Revenue Impact of Below Inflation Rate Increase	\$ -	\$ 19,957,000	\$ 30,655,200	\$ 20,111,000	\$ 15,380,000

- Increase in volume and patients creates an increase in expense
- Need 3% revenue increase to cover 3% inflation on total expenses
- If not receiving 3% from government payers and ACO, need to get 6% from commercial payers (50% of revenue) to keep pace with expense inflation

Outpatient pharmacy growth masks the real impact of commercial rate reductions



- The impact of not receiving rate increases to cover the cost of inflation becomes even clearer when you remove the margin earned from our outpatient pharmacy business
- From FY 2016 to FY 2020 January annualized (before the impacts of COVID-19), our cash reserves had gone from 196 days cash on hand to 162, equating to approximately \$125M

Volume

- **Admissions & Discharges:** 6% increase from FY 2020 budget primarily due to increased McClure 5 capacity
- **OR Cases:** 2.0% increase from FY 2020 budget from moving dental cases from Fanny Allen to create more capacity, and increased procedure room volumes
- **CMI:** FY 2021 Budget – 1.75 / FY2020 Budget – 1.73
 - Projecting increase due to 3M CDI engagement this summer/fall (coders and providers), new Medical Staff policy on coding query delinquencies, and planned 3M 360 system implementation
- **MG Volumes:** 2% increase from FY 2020 budget from new providers
- **Significant Ancillary Volume Changes:**
 - **GI/Endoscopy:** 7% increase from FY 2020 budget due to new providers
 - **MRI:** 2% increase from FY 2020 budget due to continued increased demand for advanced imaging
 - **CT Scan:** 10% increase from FY 2020 budget due to continued increased demand for advanced imaging
 - **NucMed/PET:** 10% increase from FY 2020 budget due to continued increased demand for advanced imaging

Commercial Rate Increase

Effective Commercial Rate 7.97%

Per 1% Budget Impact \$4,729,898

Changes in Payment Rates	\$	6,137,519	1.30%		1.30% Changes in Payment Rates
Salary & Fringe	\$	20,291,486	4.29%		6.70% Unit Cost Inflation
Med/Surg Expense	\$	3,134,915	0.66%		
Pharmacy	\$	3,458,430	0.73%		
Outpatient Pharmacy	\$	-	0.00%		
Software and IT Maintenance Fees	\$	1,210,070	0.26%		
Interest/Depreciation	\$	-	0.00%		
Other Expense	\$	1,276,591	0.27%		
Provider Tax	\$	2,336,337	0.49%		
Total Expense Inflation	\$	31,707,829	6.70%		
Sustainable Margin	\$	2,776,860	0.59%		0.59% Financial Sustainability
Offsets by Other Payers	\$	(2,923,816)	-0.62%		-0.62% Other Payer Offsets
Total			7.97%		7.97% Net Effective Commercial Rate Change

NPR/FPP and Other Revenue

- Total patient revenue growing by 5.7% budget to budget
 - Pharmaceutical revenue increase 1.9%
 - Aggregate rate increase 3.0%
 - Lower collection rate/payer mix shift (1.2%)
 - Increase in patients 1.7%
 - Increase in CMI 0.3%
- Non patient revenue growing by \$42M budget to budget
 - Outpatient pharmacy revenue growing by \$40M due to new local pharmacy contracts, increased in-house pharmacy volume being driven by expanded mail-to-home and meds-to-beds programs, and new specialty drugs (margin impact after increase in expenses = \$9M)
 - Other revenue increasing by \$7M due to change in recording grant revenue as operating revenue instead of non-operating (same for grant expenses which results in \$0 impact on margin)

Expenses

- Total expenses growing by \$125M, or 8.7% from budget to budget
 - Inflation \$32M 2.2%
 - Outpatient pharmacy \$27M 1.9% - driven by outpatient pharmacy volume
 - Salaries and benefits \$38M 2.6% - driven by patient volume and acuity & premium labor costs
 - Med, surg, Rx supplies \$10M 0.7% - driven by patient volume and acuity
 - Grant expenses \$7M 0.5% - accounting change (offset by other revenue)
 - IT expenses \$6M 0.5% - new systems
 - Provider tax \$5M 0.3% - payments to State of Vermont related to patient revenue
 - Total expenses \$125M 8.7%
- Physician FTEs growing by 18 from budget to budget
 - Anesthesia, Medicine, Neurology, Surgery, Children's, Radiology & Pathology
- Staff FTEs growing by 129, or 2% from budget to budget
 - 95 for new McClure 5 capacity and increased inpatient census
 - 29 APPs for increased volume and primary care/mental health integration
 - 22 outpatient pharmacy staff (expanded mail-to-home, meds-to-beds, specialty)
 - 14 radiology staff for increased imaging volume
 - 37 staff across multiple areas to support volume increases and new systems
 - (68) position eliminations across multiple departments

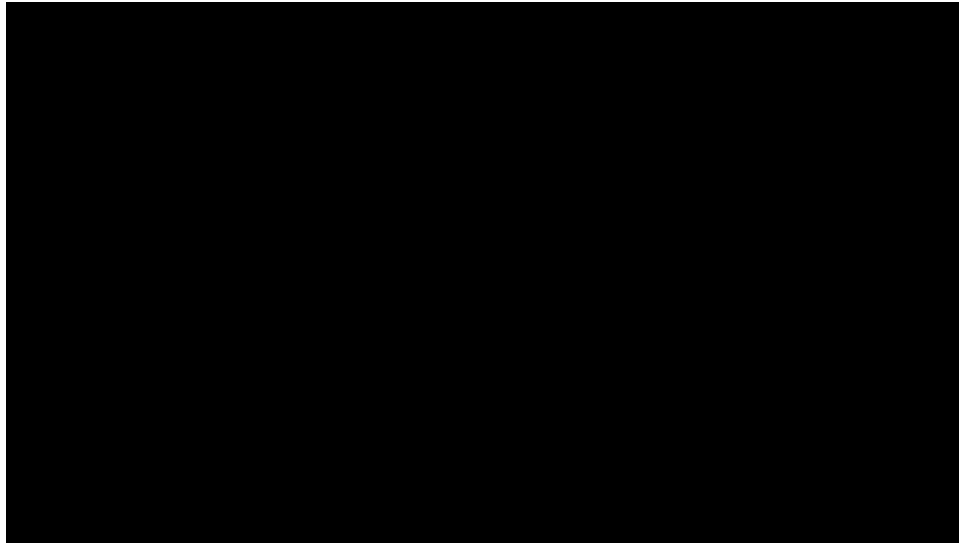
Looking Ahead

- Reevaluating our capital priorities given our significant losses
- Potential need to restrict elective care again this fall or winter
- Chittenden County population continues to grow
- Snowbirds may stay in Vermont this winter
- Committed to using our resources and expertise to be a state asset – especially in difficult times, such as COVID-19

UVM Medical Center COVID-19 Story

Introduction by Dr. Stephen Leffler

A moment in time with Dr. Robert Gramling, Division Chief, Palliative Care



Central Vermont Medical Center



Central Vermont Medical Center

Central to our community. Caring for a lifetime.

CENTRAL VERMONT MEDICAL CENTER BY THE NUMBERS



1,700+

Over 1,700
employees



66,000

Serves 66,000
people in our
region in 24 cities
and towns



275

122 licensed
hospital beds
+ 153 skilled
nursing beds



23

23 medical
practices



283

283 providers
= 213 MDs +
70 advanced
practice providers
representing 25
medical specialties



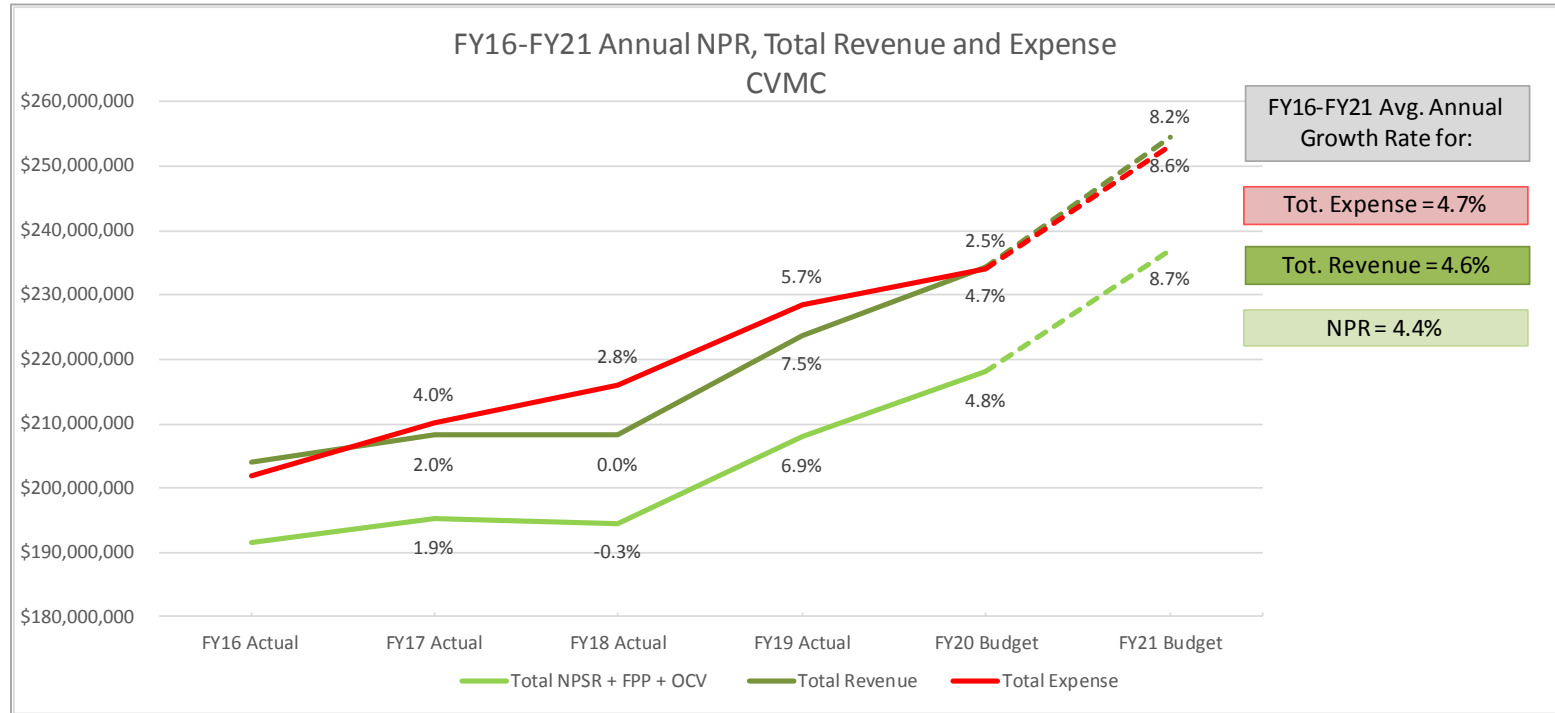
400,000

Over 400,000
patient
encounters per
year

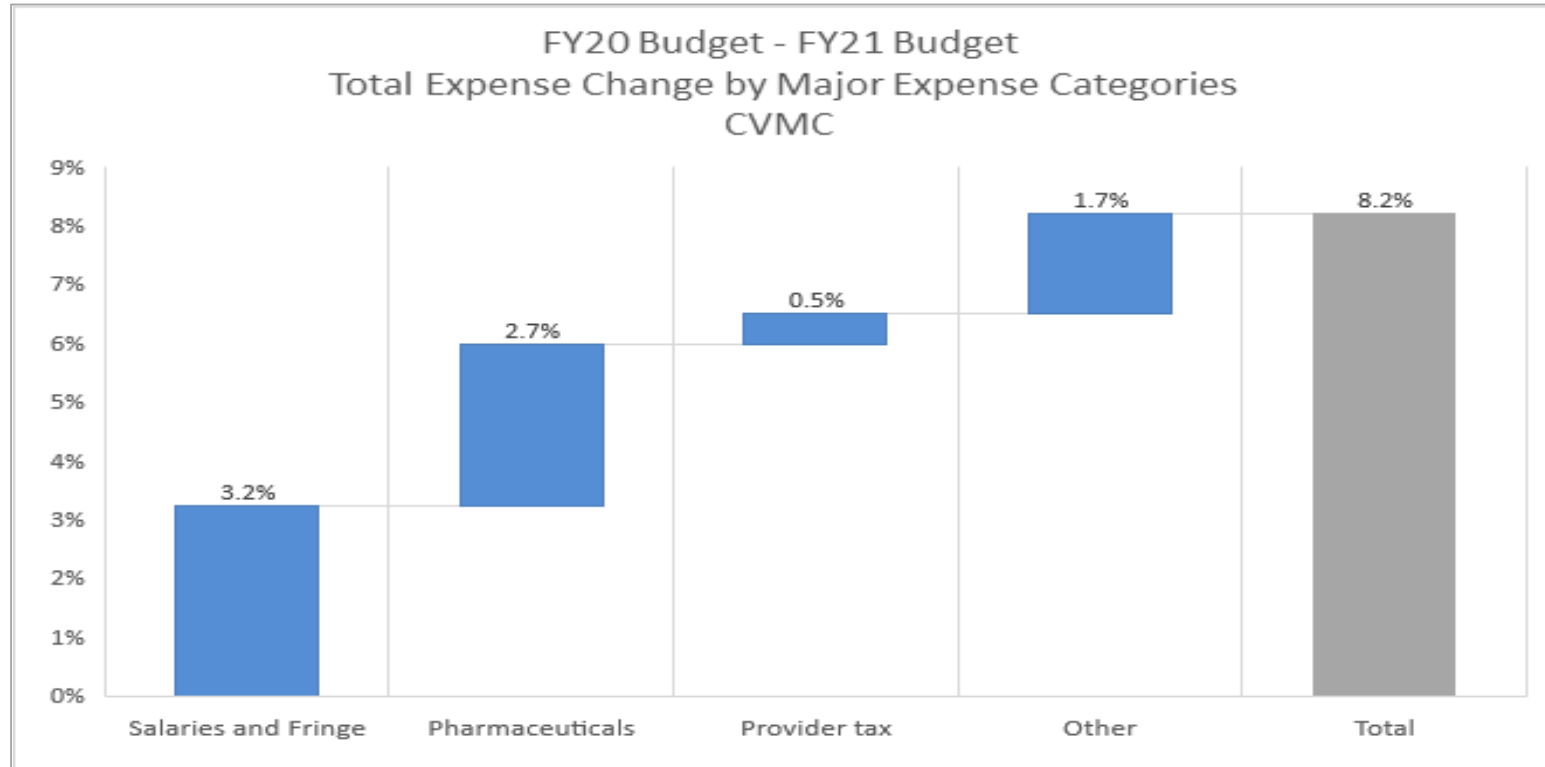
2020 has been a challenging year, to say the least

- Eroding margin: shift in payer mix, growth in pharmaceutical & labor inflation, unpredictable volumes
- Epic go-live Wave 1 (clinic/practice operations) followed by stabilization efforts
- Epic go-live Wave 2 readiness: resource consumption
- COVID-19 pandemic
- Capital spend restrictions to maintain liquidity
- Workforce constraints

Expenses have exceeded revenues since FY 2016



Staff salaries and pharmaceutical costs drive expense growth



CVMC Operating Expenses

- Budget to budget operating expenses increasing 8.2% or \$19.2M
 - Salary and benefits \$7.6M 3.2%
 - Pharmaceuticals \$6.4M 2.7%
 - Medical surgical supplies \$1.3M 0.6%
 - Other \$1.3M 0.6%
 - IT expenses \$1.4M 0.6%
 - Provider tax \$1.2M 0.5%
 - Total expenses \$19.2M 8.2%
- FY 2020 COVID-19 budget impacts
 - Pre COVID-19, operating expenses were \$3.5M over budget
 - Expense reductions from the COVID-19 shutdown has resulted in a positive expense variance through July
 - Projected expenses anticipated to be \$1.6M over FY 2020 budget by year-end
 - Fourth quarter is an unknown – this represents a conservative estimate

CVMC Revenue

- The aggregate growth for NPR and FPP from budget to budget is 8.7%
 - Pharmaceutical revenue increase 2.4%
 - Aggregate rate increase 2.3%
 - Higher collection rate trend 2.5%
 - Increase in volume 1.5%
- Other operating revenue is increasing by \$1.3M budget to budget
 - Five new 340B retail pharmacies
 - Offset by a one-time adjustment included in the calculation of the FY 2020 budget, which was not a recurring transaction
- Non-operating revenue is increasing \$2.4M budget to budget
 - Driven by interest rates

CVMC pharmaceutical inflation consumes two-thirds of the NPR growth cap

	FY 2016	FY 2017	FY 2018	FY 2019	FY2020 Annualized	BY 2021
All Pharmaceuticals						
Gross Revenue	25,068,995	28,541,025	34,514,194	42,269,911	46,469,303	57,870,025
Net Revenue*	9,228,621	10,909,190	11,050,008	12,437,422	16,821,888	21,932,739
Drug Expense	7,598,179	9,535,767	11,486,332	15,666,920	17,421,509	26,090,610

	FY 2016	FY 2017	FY 2018	FY 2019	FY2020 Annualized	BY 2021
Oncology Drugs						
Gross Revenue	8,840,987	10,610,798	15,389,445	20,273,452	24,637,855	30,682,476
Net Revenue*	3,254,622	4,055,748	4,927,059	5,965,224	8,918,904	11,628,659
Drug Expense	2,679,621	3,545,146	5,121,611	7,514,152	9,236,821	13,833,146

Oncology % to Total	35%	37%	45%	48%	53%	53%
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CVMC Effective Commercial Rate

Elements of the Effective Commercial Rate:					
Effective Commercial Rate		8.50%			
Per 1% Budget Impact		\$621,282	\$5,280,897.21		
Increase in Bad Debt & Charity	\$	429,068	0.69%	}	0.69% Changes in payment rates
Decrease in APM Assumptions	\$	-	0.00%		
Changes in Payment Rates	\$	429,068	0.69%		
Salary & Fringe	\$	2,645,406	4.26%	}	7.93% Unit Cost Inflation
Med/Surg Expense	\$	331,330	0.53%		
Pharmacy	\$	1,242,410	2.00%		
Software and IT Maintenance Fees	\$	155,756	0.25%		
Interest/Depreciation	\$	-	0.00%		
Other Expense	\$	269,443	0.43%		
Provider Tax	\$	280,129	0.45%		
Total Expense Inflation	\$	4,924,474	7.93%		
Sustainable Margin	\$	403,909	0.65%		0.65% Financial Sustainability
Offsets by Other Payers	\$	(474,819)	-0.76%		-0.764% Other Payer Offsets
			8.50%		8.50% Net Effective Commercial Rate Change

CVMC Operating Margin & Total Margin

- FY 2021 budget includes:
 - An operating margin of \$1.2M or 0.47%, versus a breakeven margin for FY 2020
 - A total margin of 2.4%, versus the FY 2020 budget of 1.7%
- FY 2020 projected year-end:
 - Operating margin -\$4.5M
 - Salary costs have stabilized through expense management
 - \$17.3M in stimulus funds
 - Fourth quarter is an unknown – this represents a conservative estimate

Financial Risks

- Increase in COVID-19 cases
- Increased percentage of Medicare/Medicaid payer mix
- Telehealth reimbursement
- Workforce supply and labor costs
- Pharmaceutical inflation

Opportunities

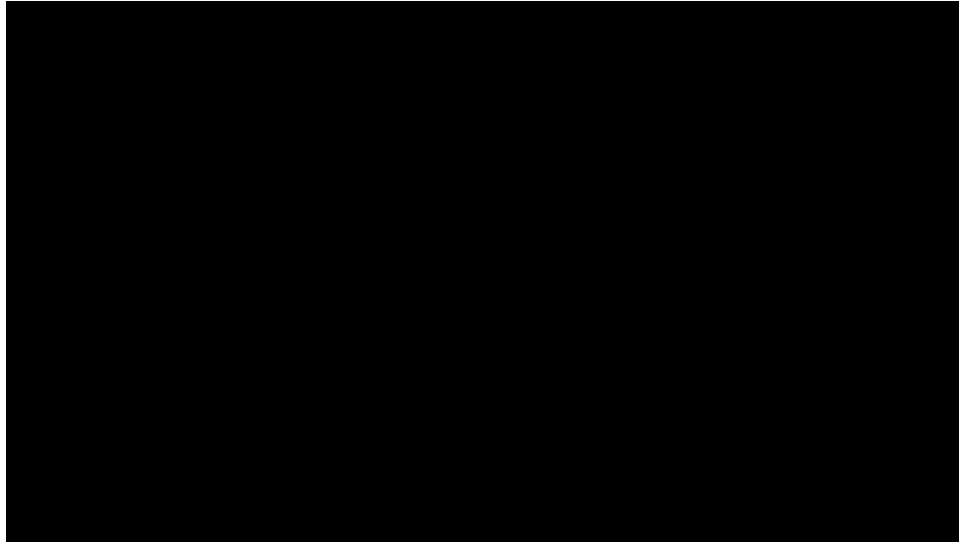
- Expansion of LNA to LPN program
- Assessment of pharmacy revenue programs
- Documentation and coding improvements



CVMC COVID-19 Story

Introduction by Anna Noonan, RN

A moment in time with Jess Sherman, DNP, RN-BC,
PCCN-K, Nurse Manager, Medical Surgical Unit

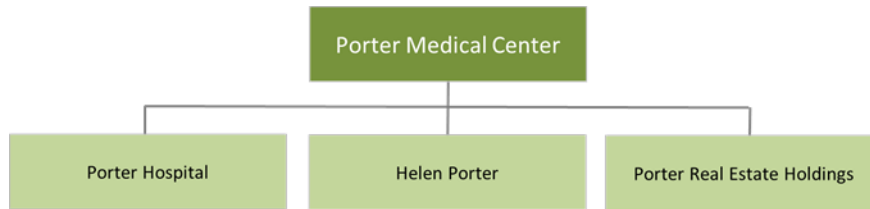


Porter Hospital

The background is a solid dark green. Three curved lines sweep across the lower half of the image. The top line is white, the middle line is a light green, and the bottom line is a darker green. They all curve upwards from left to right, with the white line being the highest and the darker green line being the lowest.

Introduction

- COVID-19 readiness – ongoing work
- “Serve our mission with sustainable financial health”
- Health care reform – “Value” focus
- Access to care
- Helen Porter Skilled Nursing Facility



Our Mission

To improve the health of our community, one person at a time

Our Vision

Be a transforming, integrated, modern healthcare system of choice

Our Values

PATIENT-CENTERED

Patients and residents are the center of every decision

LEADERSHIP

Accountable, mission driven leadership at every level of the organization

STEWARDSHIP

Stewardship of resources is required to fulfill our mission

EXCELLENCE

Striving for excellence in all that we do

THE
University of Vermont
HEALTH NETWORK

Porter Medical Center

The heart and science of medicine.

Summary of Budget Request

- Porter Hospital continues to remain in compliance with GMCB guidelines
- Our FY 2021 budget does not include any assumptions pertaining to future impacts of COVID-19
- Incorporates a rate increase of 5.75%
- Our proposed budget provides the baseline funding necessary to deliver the vital health care services our community expects

NPR/FPP

- Requesting a 2.7% NPR increase over prior year's budget

Budget-to-Budget Change		
Net Patient Revenue Increase		%Δ
FY 2020 Budget	87,487,538	
FY 2021 Budget	89,810,556	
Total Increase	2,323,018	2.7%

- FY 2021 assumes FY 2020 budgeted estimates as a placeholder for FPP and other reform payments
- Did not incorporate a reserve for risk in FY 2021; the risk reserve remaining at the close of FY 2020 will be rolled forward

Porter Hospital Effective Commercial Rate

Elements of the Effective Commercial Rate:

Effective Commercial Rate	5.75%
Per 1% Budget Impact	\$277,831

Changes in Payment Rates	\$ 355,000	1.28%
Salary & Fringe	\$ 1,758,853	5.78%
Med/Surg Expense	\$ 127,035	0.46%
Pharmacy	\$ 130,733	0.47%
Other Expense	\$ 92,383	0.33%
Provider Tax	\$ 15,355	0.06%
Total Expense Inflation	\$ 2,124,359	7.10%
Offsets by Other Payers	\$ (728,925)	-2.62%

Total	5.75%
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Effective Commercial Rate

1.28% Changes in Payment Rates

7.10% Unit Cost Inflation

-2.62% Other Payer Offsets

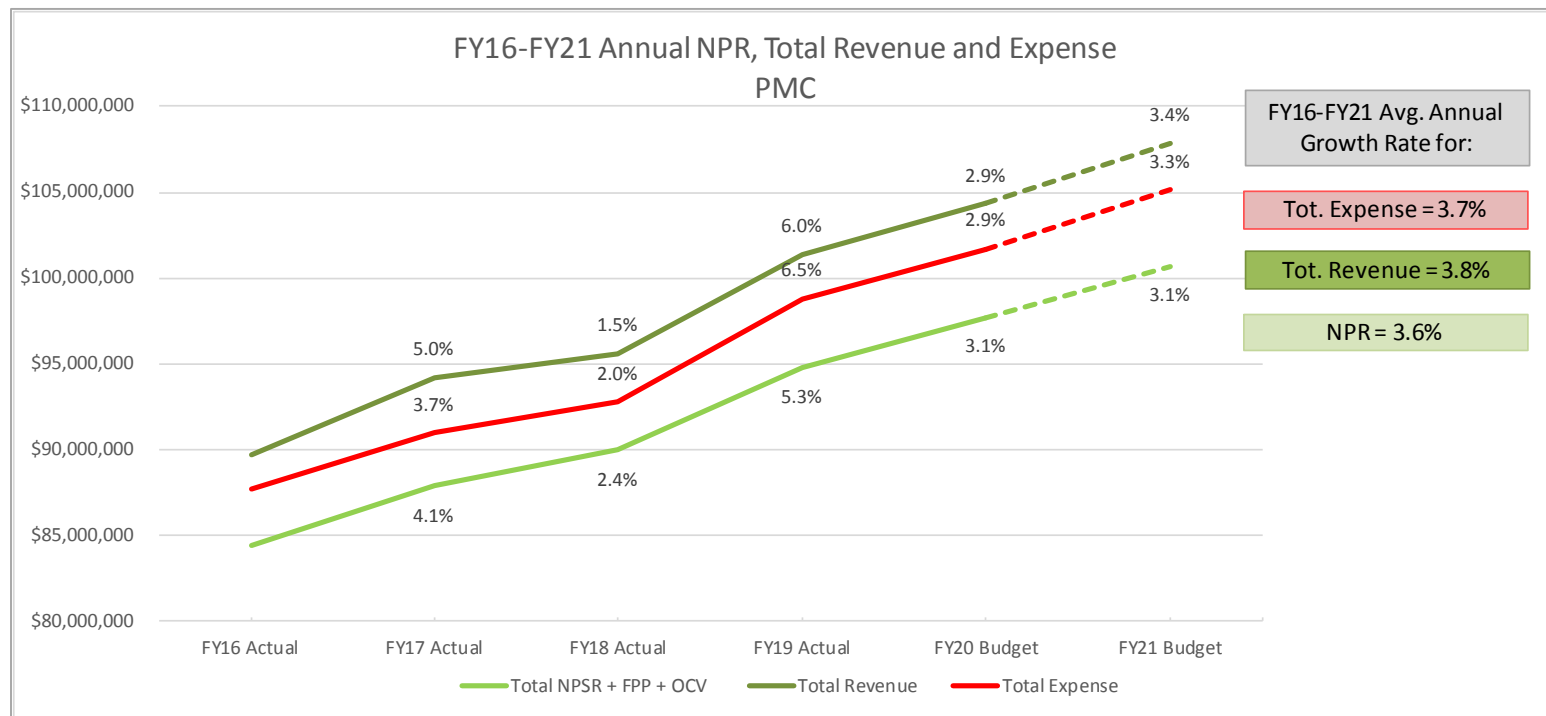
5.75% Net Effective Commercial Rate Change

Financial Summary

- Balance and manage expense growth with the revenue increase
- Budgeted margin for Porter Hospital is necessary to continue financial support of our nursing home
- Porter's FY 2021 budget does not include any provider transfers or accounting adjustments

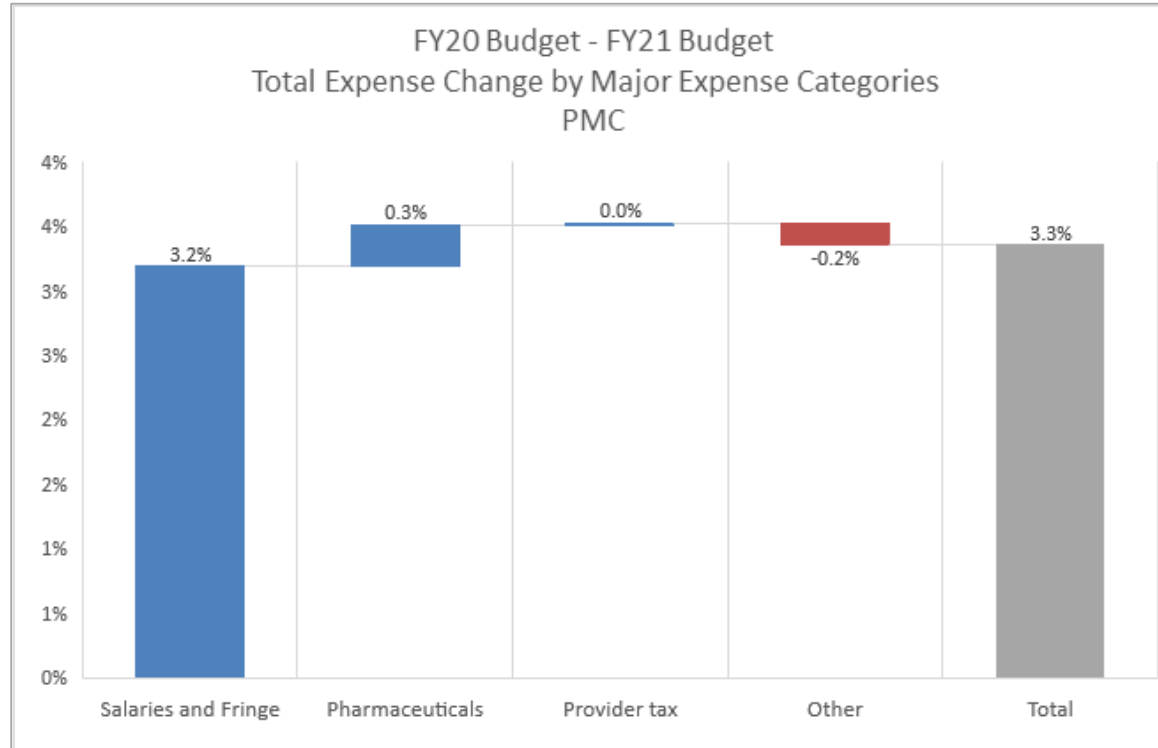
Porter Hospital		
FY 2021 Budget	\$ Δ	% Δ
Net Revenue	2,323,018	2.7%
Other Revenue	527,452	0.3%
Total Operating Revenue	2,850,470	3.0%
Expenses	2,066,133	2.3%

Our plan, if approved, to continue Porter Hospital's success



The graph above is represented at the consolidated level and includes Helen Porter Nursing Home.

Staff salaries and pharmaceutical costs drive expense growth



The chart above is represented at the consolidated level and includes Helen Porter Nursing Home.

Risks and Opportunities

Risks:

- Preserving access to care
- Workforce challenges
- Epic implementation
- Continued support of Helen Porter
- Long-term COVID-19 impact
- Financial sustainability

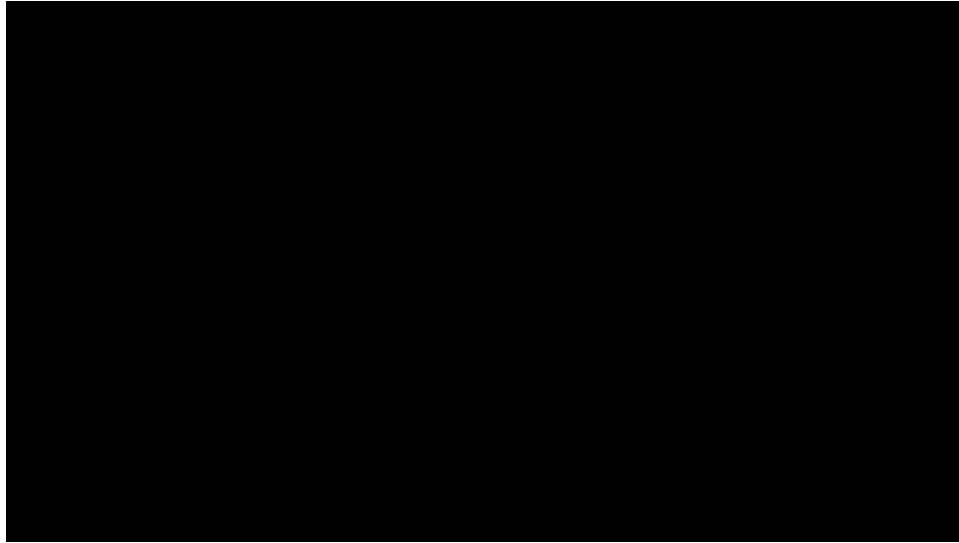
Opportunities:

- Population health initiatives
- Telehealth services
- Further investment in existing (and new) services
- Integrated medical record
- Process improvement

Porter Hospital COVID-19 Story

Introduction by Tom Thompson

A moment in time with John Countryman, RN, Medical Surgical Unit



UVM Health Network



Should these trends continue, it will have lasting effects on Vermont's care delivery system and its ability to provide care

**Vermont hospital margins have been deteriorating:
\$99M in FY 2016 to \$21M in FY 2019**

- **FY 2016 Actual**
 - VT hospitals margin \$99M or 3.9%
 - 3 of 14 hospitals had a negative margin totaling \$-2M
 - 11 of 14 hospitals had a positive margin totaling \$101M
- **FY 2019 Actual**
 - VT hospitals margin \$21M or 0.7%
 - 7 of 14 hospitals had a negative margin totaling \$-26.5M
 - 7 of 14 hospitals had a positive margin totaling \$47.5M

Margin Challenges

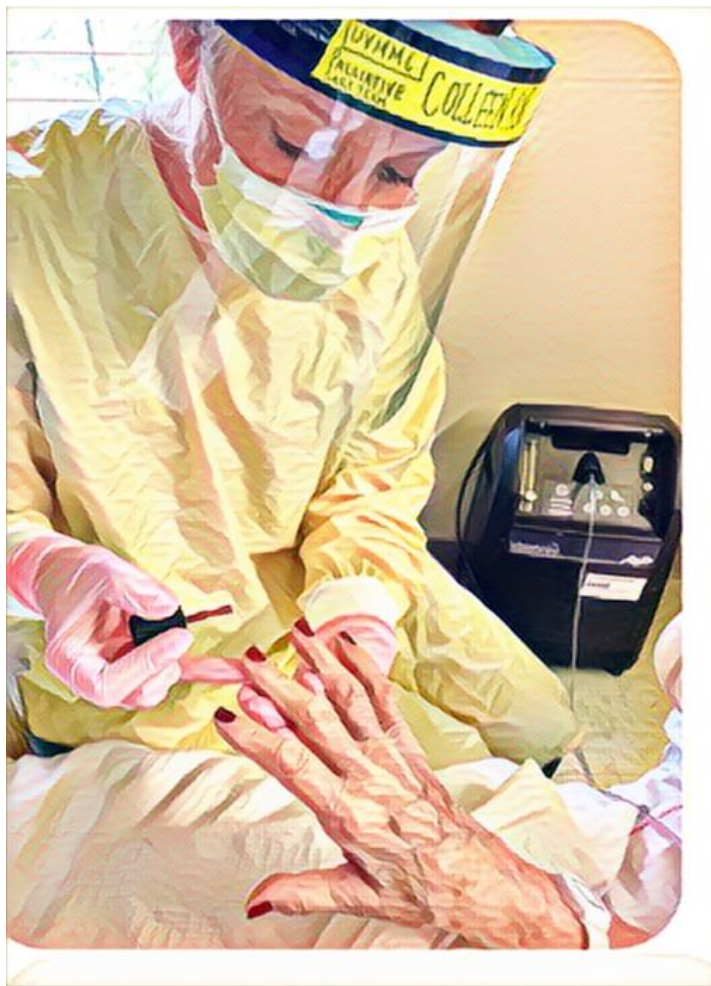
- COVID-19
- Expense growth outpacing patient revenues
 - Labor market: skilled staffing shortages
 - Pharmaceutical growth
 - Provider tax
 - Margin deterioration
- Reliance on other revenue
- Commercial rate increases not keeping pace with medical & pharmaceutical inflation
- Payer mix/cost shift

COVID-19 Today

COVID-19 is not over. We face an uncertain future this fall, and must be prepared to continue to support our people, our patients, and our communities.

Today, August 24, we are experiencing impacts, which demand our focus and leadership.

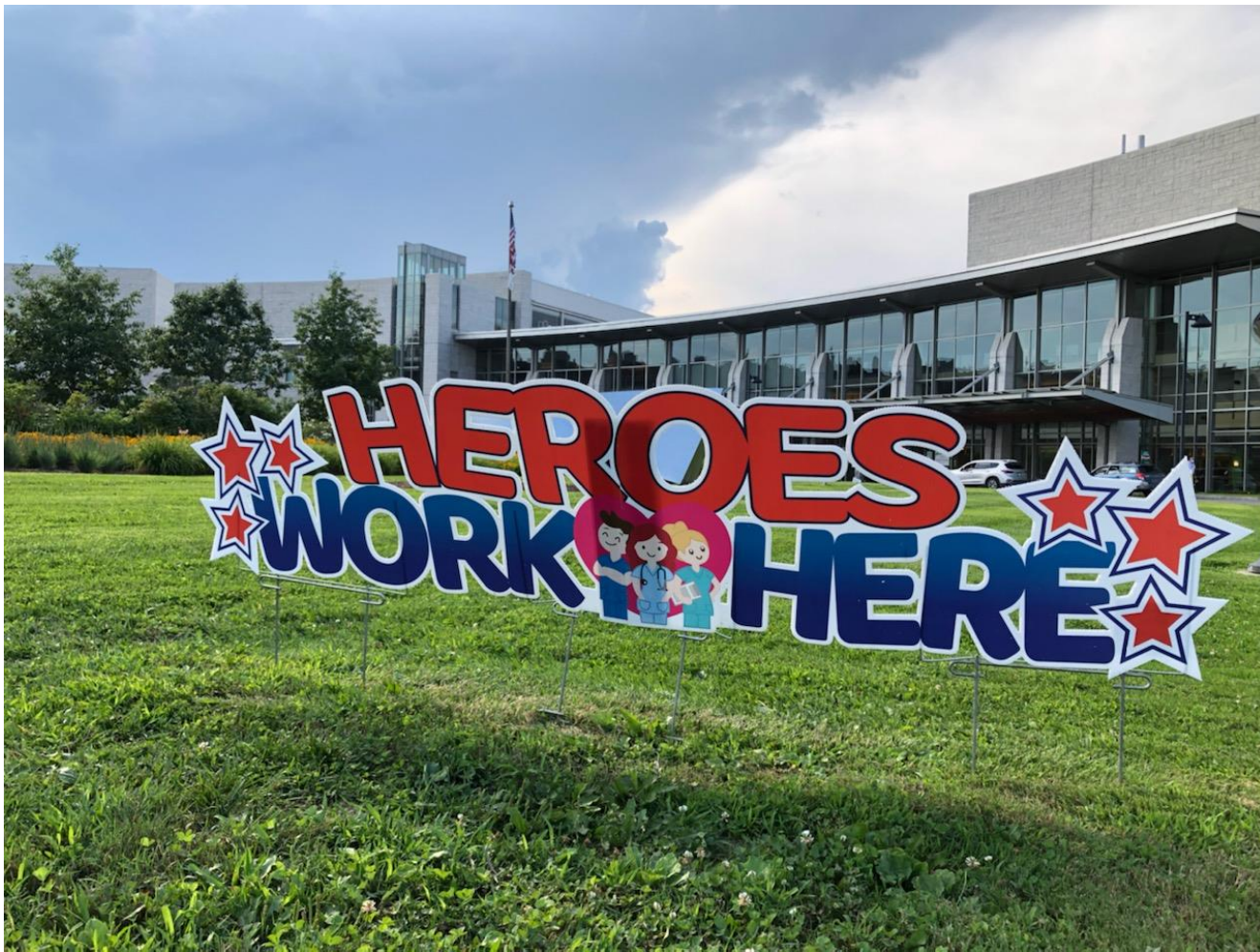






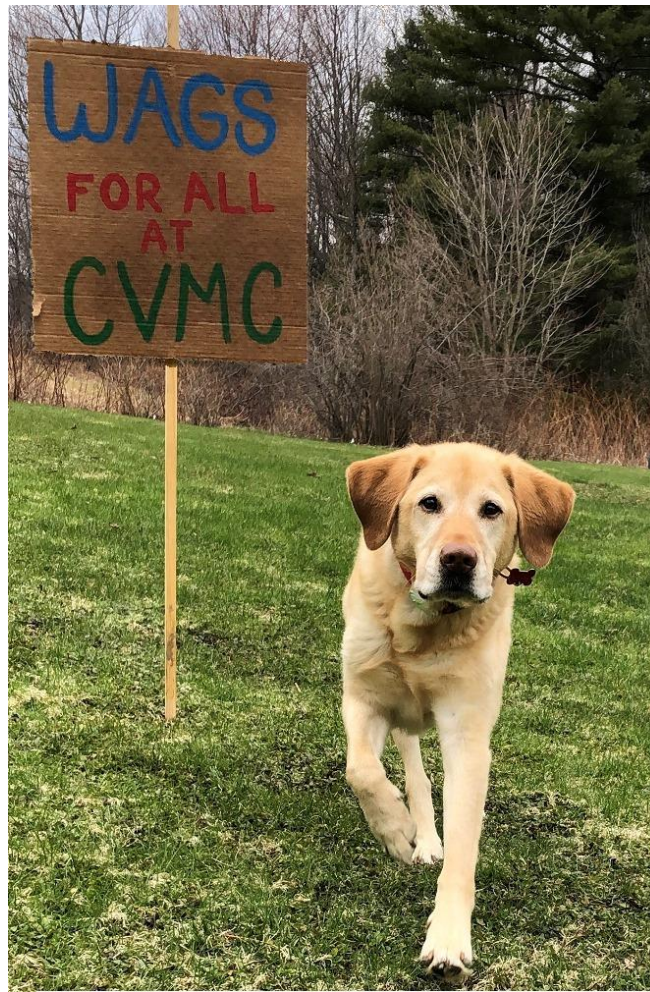












Thank You,
Helen Porter
Heroes



Questions?

UVMHealth.org

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THE
University of Vermont
HEALTH NETWORK

Thank you

UVMHealth.org

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Appendix

UVMHealth.org

FY 2021 Budget: UVMMC, CVMC, PH

Account	Account Description	FY18 Actual	FY19 Actual	FY20 Budget	FY20 Anlzd YTD Jan	FY21 Budget
	Total Gross Patient Service Revenue	3,260,564,605	3,464,271,262	3,565,758,056	3,642,182,429	3,972,591,201
	Total Deductions	1,889,696,064	2,086,628,635	2,212,907,464	2,234,254,804	2,517,617,574
	Net Patient Service Revenue	1,370,868,540	1,377,642,627	1,352,850,592	1,407,927,625	1,454,973,628
	<i>Collection %</i>	42.0%	39.8%	37.9%	38.7%	36.6%
	TOTAL NPSR + FPP + OCV REVENUE	1,528,969,047	1,578,202,303	1,653,656,489	1,625,763,087	1,751,798,309
	<i>Collection % including FPP + OCV</i>	46.9%	45.6%	46.4%	44.6%	44.1%
	Total Other Revenue	138,232,150	173,240,345	166,292,229	186,922,121	210,418,464
	TOTAL UNRESTRICTED REVENUE & OTHER	1,667,201,197	1,751,442,648	1,819,948,718	1,812,685,208	1,962,216,772
	<i>Total Physician FTEs</i>	736	736	762	758	780
	<i>Total Staff FTEs (Incl Travelers)</i>	7,990	8,260	8,342	8,485	8,547
	Total Salaries	761,843,046	798,260,077	829,106,672	875,230,664	874,208,604
	Payroll Tax & Fringe	187,338,030	195,806,224	200,326,554	195,930,975	222,890,064
	Salaries, Payroll Taxes, and Fringe Benefits	949,181,077	994,066,301	1,029,433,225	1,071,161,639	1,097,098,668
	Total Non-Salary Expense	675,167,396	725,941,504	740,362,833	753,849,521	819,267,421
	TOTAL EXPENSES	1,624,348,472	1,720,007,805	1,769,796,058	1,825,011,160	1,916,366,089
	NET INCOME (LOSS) FROM OPERATIONS	42,852,725	31,434,843	50,152,660	(12,325,952)	45,850,684
	<i>Income (Loss) Margin</i>	2.6%	1.8%	2.8%	-0.7%	2.3%

UVM Medical Center Income Statement

INCOME STATEMENT	2019 A	2020 B	1st Qtr FY20	2nd Qtr FY20	3rd Qtr FY20	4th Qtr FY20 Projected	2020 PROJ	2021 B
Revenues								
Gross Patient Care Revenue	\$2,877,767,129	\$2,965,263,597	\$753,213,172	\$688,150,620	\$548,338,730	\$724,039,200	\$2,713,741,722	\$3,327,313,496
Disproportionate Share Payments	\$10,984,363	\$11,352,235	\$2,815,068	\$2,815,067	\$2,815,067	\$3,676,009	\$12,121,212	\$11,214,283
Graduate Medical Education (UVMCM only)	\$30,000,000	\$30,000,000	\$7,500,000	\$7,500,000	\$7,500,000	\$9,793,753	\$32,293,753	\$30,000,000
Bad Debt	-\$32,400,668	-\$28,504,203	-\$9,027,604	-\$6,922,451	-\$5,415,391	-\$7,071,600	-\$28,437,045	-\$35,877,811
Free Care	-\$18,150,130	-\$18,769,732	-\$6,427,034	-\$5,168,616	-\$3,773,067	-\$4,926,998	-\$20,295,714	-\$23,305,651
Deductions from Revenue	-\$1,726,450,614	-\$1,842,549,479	-\$452,157,319	-\$429,477,373	-\$341,002,872	-\$449,793,047	-\$1,672,430,611	-\$2,112,791,360
Net Patient Care Revenue	\$1,141,750,080	\$1,116,792,418	\$295,916,283	\$256,897,248	\$208,462,468	\$275,717,319	\$1,036,993,317	\$1,196,552,958
Fixed Prospective Payments, Reserves & Other								
Fixed Prospective Payments	\$143,484,113	\$231,333,286	\$37,535,199	\$42,906,677	\$47,943,672	\$47,943,672	\$176,329,220	\$225,974,440
Reserves					\$0	\$0	\$0	\$0
Other Reform Payments			\$919,090	\$409,402	\$370,932	\$370,932	\$2,070,356	\$2,446,934
Fixed Prospective Payments, Reserves & Other	\$143,484,113	\$231,333,286	\$38,454,289	\$43,316,079	\$48,314,604	\$48,314,604	\$178,399,576	\$228,421,374
Total NPR & FPP	\$1,285,234,193	\$1,348,125,703	\$333,451,481	\$299,803,925	\$256,777,072	\$324,031,923	\$1,215,392,893	\$1,424,974,332
COVID-19 Stimulus and Other Grant Funding			\$0	\$0	\$25,311,279	\$13,290,913	\$38,602,192	\$0
Other	\$151,116,011	\$143,711,911	\$41,451,474	\$41,507,259	\$51,029,315	\$51,029,315	\$185,017,363	\$186,051,743
Other Operating Revenue	\$151,116,011	\$143,711,911	\$41,451,474	\$41,507,259	\$76,340,594	\$64,320,228	\$223,619,555	\$186,051,743
Total Operating Revenue	\$1,436,350,203	\$1,491,837,614	\$375,822,046	\$341,720,586	\$333,117,666	\$388,352,151	\$1,439,012,448	\$1,611,026,075
Expenses								
Salaries, Fringe Benefits, Physician Fees, Contracts	\$797,466,797	\$830,959,537	\$215,888,295	\$217,739,571	\$191,879,227	\$191,879,227	\$817,386,320	\$889,402,667
Medical/Surgical Drugs and Supplies	\$224,933,434	\$225,628,356	\$64,017,636	\$64,238,145	\$58,682,176	\$58,682,176	\$245,620,134	\$283,508,116
Health Care Provider Tax	\$72,231,105	\$77,080,026	\$18,474,595	\$18,474,595	\$18,344,999	\$18,344,999	\$73,639,187	\$82,020,106
Depreciation/Amortization	\$52,395,119	\$65,321,341	\$16,015,070	\$16,805,080	\$16,608,812	\$16,608,812	\$66,037,775	\$64,112,613
Interest - Short and Long Term	\$14,740,992	\$17,362,231	\$4,241,894	\$4,612,310	\$4,400,419	\$4,400,419	\$17,655,041	\$17,109,699
Other Operating Expenses (includes ACO Participation Fees)	\$243,175,196	\$229,111,096	\$54,439,977	\$53,105,216	\$57,645,605	\$57,645,605	\$222,836,404	\$234,597,222
Operating Expense	\$1,404,942,642	\$1,445,462,587	\$373,077,467	\$374,974,917	\$347,561,238	\$347,561,238	\$1,443,174,861	\$1,570,750,423
Net Operating Income	\$31,407,561	\$46,375,027	\$2,744,578	-\$33,254,332	-\$14,443,573	\$40,790,912	-\$4,162,414	\$40,275,652
Non Operating Revenue	\$34,396,196	\$18,218,325	-\$19,625,696	-\$73,387,184	\$53,844,364	-\$3,544,027	-\$42,712,543	\$13,857,219
Excess (Deficit) of Rev over Exp	\$65,803,757	\$64,593,352	-\$16,881,118	-\$106,641,516	\$39,400,792	\$37,246,885	-\$46,874,956	\$54,132,871
Income Statement Metrics								
Operating Margin %	2.2%	3.1%	0.7%	-9.7%	-4.3%	10.5%	-0.3%	2.5%
Total Margin %	4.5%	4.3%	-4.7%	-39.7%	10.2%	9.7%	-3.4%	3.3%

UVM Medical Center Balance Sheet

BALANCE SHEET	2019 A	2020 B	2020 PROJ	2021 B	2019A- 2020P	2020B- 2020P	2020B- 2021B	2020P- 2021B
Cash & Investments	\$63,501,966	\$167,164,576	\$219,623,872	\$245,049,988	245.9%	31.4%	46.6%	11.6%
Net Patient Accounts Receivable	\$156,943,724	\$155,398,542	\$160,188,263	\$160,188,263	2.1%	3.1%	3.1%	0.0%
ACO Risk Reserve/Settlement Receivable	\$0	\$0			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Other Current Assets	\$120,031,083	\$90,689,005	\$116,307,813	\$116,307,813	-3.1%	28.2%	28.2%	0.0%
Current Assets	\$340,476,773	\$413,252,122	\$496,119,948	\$521,546,064	45.7%	20.1%	26.2%	5.1%
					#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Board Designated Assets	\$629,357,482	\$632,636,553	\$512,417,087	\$516,577,841	-18.6%	-19.0%	-18.3%	0.8%
Net, Property, Plant And Equipment	\$646,093,130	\$645,678,156	\$630,564,296	\$646,684,466	-2.4%	-2.3%	0.2%	2.6%
Other Long-Term Assets	\$78,611,762	\$70,490,772	\$142,233,196	\$142,233,196	80.9%	101.8%	101.8%	0.0%
Assets	\$1,694,539,147	\$1,762,057,603	\$1,781,334,527	\$1,827,041,567	5.1%	1.1%	3.7%	2.6%
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Accounts Payable	\$29,281,370	\$37,809,999	\$35,717,005	\$35,717,005	22.0%	-5.5%	-5.5%	0.0%
Salaries, Wages And Payroll Taxes Payable	\$85,294,849	\$74,436,106	\$88,103,110	\$88,103,110	3.3%	18.4%	18.4%	0.0%
ACO Risk Reserve/Settlement Payable	\$0	\$0		\$0	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
COVID-19 Funding Short-Term Liabilities			\$75,362,994	\$21,500,000	#DIV/0!	#DIV/0!	#DIV/0!	-71.5%
Other Current Liabilities	\$75,814,693	\$78,817,630	\$66,822,766	\$67,936,249	-11.9%	-15.2%	-13.8%	1.7%
Current Liabilities	\$190,390,912	\$191,063,735	\$266,005,876	\$213,256,364	39.7%	39.2%	11.6%	-19.8%
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Long Term Liabilities	\$452,873,347	\$441,458,405	\$438,436,761	\$418,647,828	-3.2%	-0.7%	-5.2%	-4.5%
Other Noncurrent Liabilities	\$18,008,291	\$39,033,461	\$69,469,463	\$69,469,463	285.8%	78.0%	78.0%	0.0%
COVID-19 Funding Long-Term Liabilities				\$0	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Fund Balance	\$1,033,266,598	\$1,090,502,003	\$1,007,422,427	\$1,125,667,911	-2.5%	-7.6%	3.2%	11.7%
Liabilities and Equities	\$1,694,539,147	\$1,762,057,603	\$1,781,334,527	\$1,827,041,567	5.1%	1.1%	3.7%	2.6%
Balance Sheet Metrics					Change in Points			
Days Cash on Hand	169.4	192.7	194.6	185.0	25.2	1.9	-7.7	-9.5
Days Cash on Hand-COVID-19			174.5	179.8	174.5	174.5	179.8	5.3
Debt Service Coverage Ratio	3.0	3.5	2.2	3.3	-1.3	-0.8	-0.2	1.1
Long Term Debt to Capitalization	0.3	0.3	0.5	0.4	0.2	0.2	0.2	-0.0
Days Payable	51.4	50.5	70.7	51.8	20.2	19.3	1.3	-18.9
Days Receivable	50.2	50.8	56.5	48.9	5.7	6.4	-1.9	-7.7

CVMC Income Statement

INCOME STATEMENT	2019 A	2020 B	1st Qtr FY20	2nd Qtr FY20	3rd Qtr FY20	4th Qtr FY20 Projected	2020 PROJ	2021 B
Revenues								
Gross Patient Care Revenue	\$418,151,359	\$430,983,508	\$106,081,485	\$102,739,765	\$79,938,278	\$106,631,287	\$395,390,815	\$474,516,163
Disproportionate Share Payments	\$1,441,012	\$1,329,351	\$320,733	\$320,733	\$323,563	\$431,607	\$1,396,636	\$1,260,709
Graduate Medical Education (UVMC only)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Bad Debt	-\$5,607,318	-\$4,700,000	-\$1,529,371	-\$1,549,877	-\$1,084,351	-\$1,446,438	-\$5,610,037	-\$5,308,003
Free Care	-\$4,517,178	-\$4,750,000	-\$836,287	-\$788,013	-\$525,747	-\$701,305	-\$2,851,353	-\$5,474,100
Deductions from Revenue	-\$242,710,762	-\$254,112,523	-\$61,688,775	-\$60,312,171	-\$50,311,148	-\$67,027,579	-\$239,339,673	-\$275,204,955
Net Patient Care Revenue	\$166,757,113	\$168,750,336	\$42,347,785	\$40,410,437	\$28,340,594	\$37,887,572	\$148,986,388	\$189,789,814
Fixed Prospective Payments, Reserves & Other								
Fixed Prospective Payments	\$41,249,882	\$49,292,911	\$9,664,271	\$11,875,165	\$13,513,204	\$13,513,204	\$48,565,845	\$45,514,084
Reserves					\$0	\$0	\$0	\$0
Other Reform Payments			\$807,567	\$474,114	\$442,568	\$442,568	\$2,166,816	\$1,709,522
Fixed Prospective Payments, Reserves & Other	\$41,249,882	\$49,292,911	\$10,471,838	\$12,349,279	\$13,955,772	\$13,955,772	\$50,732,661	\$47,223,607
Total NPR & FPP	\$208,006,996	\$218,043,247	\$52,819,624	\$52,759,716	\$42,296,366	\$51,843,344	\$199,719,050	\$237,013,421
COVID-19 Stimulus and Other Grant Funding								
Other	\$15,731,007	\$16,199,991	\$3,721,653	\$3,633,996	\$16,700,000	\$594,746	\$17,294,746	\$0
Other Operating Revenue	\$15,731,007	\$16,199,991	\$3,721,653	\$3,633,996	\$20,083,706	\$3,978,452	\$31,417,806	\$17,458,941
Total Operating Revenue	\$223,738,002	\$234,243,239	\$56,541,276	\$56,393,712	\$62,380,072	\$55,821,796	\$231,136,856	\$254,472,362
Expenses								
Salaries, Fringe Benefits, Physician Fees, Contracts	\$143,669,698	\$142,856,716	\$37,911,968	\$39,597,351	\$33,068,816	\$36,692,168	\$147,270,303	\$150,417,276
Medical/Surgical Drugs and Supplies	\$29,503,775	\$29,734,009	\$7,650,736	\$8,016,888	\$7,182,495	\$8,784,718	\$31,634,837	\$40,438,680
Health Care Provider Tax	\$11,393,875	\$13,092,010	\$3,013,938	\$3,013,938	\$2,895,331	\$2,895,331	\$11,818,538	\$14,307,015
Depreciation/Amortization	\$9,170,032	\$9,718,767	\$2,080,107	\$2,021,925	\$1,998,420	\$1,998,420	\$8,098,871	\$8,000,000
Interest - Short and Long Term	\$459,183	\$294,583	\$101,339	\$172,719	\$179,018	\$179,018	\$632,094	\$619,397
Other Operating Expenses (includes ACO Participation Fees)	\$34,219,427	\$38,360,050	\$9,185,889	\$9,865,176	\$8,452,970	\$8,720,730	\$36,224,765	\$39,489,824
Operating Expense	\$228,415,989	\$234,056,135	\$59,943,977	\$62,687,997	\$53,777,050	\$59,270,384	\$235,679,408	\$253,272,192
Net Operating Income	-\$4,677,987	\$187,103	-\$3,402,701	-\$6,294,285	\$8,603,022	-\$3,448,589	-\$4,542,553	\$1,200,170
Non Operating Revenue	-\$4,164,552	\$3,972,546	\$3,782,093	-\$7,081,907	\$6,508,053	-\$539,465	\$2,668,774	\$6,427,435
Excess (Deficit) of Rev over Exp	-\$8,842,539	\$4,159,649	\$379,392	-\$13,376,192	\$15,111,075	-\$3,988,053	-\$1,873,778	\$7,627,605
Income Statement Metrics								
Operating Margin %	-2.1%	0.1%	-6.0%	-11.2%	13.8%	-6.2%	-2.0%	0.5%
Total Margin %	-4.0%	1.7%	0.6%	-27.1%	21.9%	-7.2%	-0.8%	2.9%

CVMC Balance Sheet

BALANCE SHEET	2019 A	2020 B	2020 PROJ	2021 B	2019A-2020P	2020B-2020P	2020B-2021B	2020P-2021B
Cash & Investments	\$6,088,055	\$5,277,795	\$19,298,715	\$15,733,624	217.0%	265.7%	198.1%	-18.5%
Net Patient Accounts Receivable	\$22,357,096	\$22,983,689	\$22,713,991	\$18,171,193	1.6%	-1.2%	-20.9%	-20.0%
ACO Risk Reserve/Settlement Receivable	\$0	\$0	\$0	\$0	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Other Current Assets	\$7,856,762	\$8,890,716	\$7,732,174	\$7,732,174	-1.6%	-13.0%	-13.0%	0.0%
Current Assets	\$36,301,913	\$37,152,200	\$49,744,880	\$41,636,991	37.0%	33.9%	12.1%	-16.3%
					#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Board Designated Assets	\$59,583,176	\$49,792,274	\$50,240,000	\$56,667,435	-15.7%	0.9%	13.8%	12.8%
Net, Property, Plant And Equipment	\$67,370,691	\$75,785,919	\$78,169,415	\$78,646,042	16.0%	3.1%	3.8%	0.6%
Other Long-Term Assets	\$488,861	\$969,734	\$8,558,344	\$8,558,344	1650.7%	782.5%	782.5%	0.0%
Assets	\$163,744,641	\$163,700,127	\$186,712,638	\$185,508,812	14.0%	14.1%	13.3%	-0.6%
					#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Accounts Payable	\$6,811,349	\$4,662,380	\$3,673,750	\$3,673,750	-46.1%	-21.2%	-21.2%	0.0%
Salaries, Wages And Payroll Taxes Payable	\$11,635,419	\$22,630,995	\$13,877,608	\$12,777,608	19.3%	-38.7%	-43.5%	-7.9%
ACO Risk Reserve/Settlement Payable	\$0	\$0	\$2,600,000	\$2,600,000	#DIV/0!	#DIV/0!	#DIV/0!	0.0%
COVID-19 Funding Short-Term Liabilities			\$10,409,528	\$3,500,000	#DIV/0!	#DIV/0!	#DIV/0!	-66.4%
Other Current Liabilities	\$23,850,686	\$11,164,586	\$19,001,515	\$19,554,503	-20.3%	70.2%	75.1%	2.9%
Current Liabilities	\$42,297,454	\$38,457,960	\$49,562,399	\$42,105,861	17.2%	28.9%	9.5%	-15.0%
					#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Long Term Liabilities	\$9,508,872	\$6,088,325	\$20,136,300	\$15,304,206	111.8%	230.7%	151.4%	-24.0%
Other Noncurrent Liabilities	\$29,939,024	\$18,000,000	\$35,133,993	\$35,133,993	17.4%	95.2%	95.2%	0.0%
COVID-19 Funding Long-Term Liabilities					#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Fund Balance	\$81,999,291	\$101,153,842	\$81,879,946	\$92,964,752	-0.1%	-19.1%	-8.1%	13.5%
Liabilities and Equities	\$163,744,641	\$163,700,127	\$186,712,638	\$185,508,812	14.0%	14.1%	13.3%	-0.6%
Balance Sheet Metrics					Change in Points			
Days Cash on Hand	95.5	75.0	111.8	108.0	16.3	36.9	33.1	-3.8
Days Cash on Hand-COVID-19			95.1	102.8	95.1	95.1	102.8	7.7
Debt Service Coverage Ratio	1.3	2.8	0.9	1.8	-1.9	-0.4	-1.0	0.9
Long Term Debt to Capitalization	0.1	0.1	0.3	0.2	0.2	0.2	0.2	-0.1
Days Payable	70.4	62.6	79.7	62.8	17.1	9.3	0.3	-16.9
Days Receivable	48.9	49.7	55.8	34.9	6.1	6.9	-14.8	-20.9

Porter Hospital Income Statement

INCOME STATEMENT	2019 A	2020 B	1st Qtr FY20	2nd Qtr FY20	3rd Qtr FY20	4th Qtr FY20 Projected	2020 PROJ	2021 B
Revenues								
Gross Patient Care Revenue	\$168,352,774	\$169,510,951	\$42,103,451	\$39,774,098	\$29,744,987	\$41,537,345	\$153,159,881	\$170,761,542
Disproportionate Share Payments	\$500,464	\$497,840	\$114,243	\$114,243	\$115,876	\$119,142	\$463,504	\$478,461
Graduate Medical Education (UVMC only)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Bad Debt	-\$4,386,589	-\$4,275,135	-\$1,236,207	-\$1,394,404	-\$672,106	-\$1,068,783	-\$4,371,500	-\$5,038,763
Free Care	-\$1,492,822	-\$1,486,321	-\$216,207	-\$300,102	-\$232,654	-\$371,577	-\$1,120,540	-\$1,519,778
Deductions from Revenue	-\$93,838,393	-\$96,939,496	-\$25,046,361	-\$22,614,529	-\$17,109,528	-\$23,232,991	-\$88,003,409	-\$96,050,607
Net Patient Care Revenue	\$69,135,434	\$67,307,839	\$15,718,919	\$15,579,306	\$11,846,575	\$16,983,136	\$60,127,936	\$68,630,855
Fixed Prospective Payments, Reserves & Other								
Fixed Prospective Payments	\$15,401,349	\$20,661,080	\$2,980,404	\$4,310,375	\$4,508,928	\$4,107,413	\$15,907,119	\$20,661,081
Reserves	-\$46,270	-\$1,000,000	-\$130,230	\$32,867	\$231,130	\$458,400	\$592,167	\$0
Other Reform Payments	\$470,602	\$518,620	\$193,638	\$98,621	\$113,218	\$122,400	\$527,877	\$518,620
Fixed Prospective Payments, Reserves & Other	\$15,825,681	\$20,179,700	\$3,043,812	\$4,441,863	\$4,853,275	\$4,688,213	\$17,027,163	\$21,179,701
Total NPR & FPP	\$84,961,115	\$87,487,539	\$18,762,730	\$20,021,169	\$16,699,850	\$21,671,349	\$77,155,098	\$89,810,556
COVID-19 Stimulus and Other Grant Funding			\$0	\$0	\$6,480,738	\$334,000	\$6,814,738	
Other	\$6,393,330	\$6,380,326	\$1,634,775	\$1,612,715	\$1,648,112	\$1,595,085	\$6,490,687	\$6,907,780
Other Operating Revenue	\$6,393,330	\$6,380,326	\$1,634,775	\$1,612,715	\$8,128,850	\$1,929,085	\$13,305,425	\$6,907,780
Total Operating Revenue	\$91,354,445	\$93,867,865	\$20,397,506	\$21,633,884	\$24,828,700	\$23,600,434	\$90,460,524	\$96,718,336
Expenses								
Salaries, Fringe Benefits, Physician Fees, Contracts	\$52,929,809	\$55,616,973	\$13,458,500	\$14,222,588	\$12,772,920	\$13,565,388	\$54,019,396	\$57,283,810
Medical/Surgical Drugs and Supplies	\$6,857,853	\$7,049,863	\$1,811,379	\$1,776,729	\$1,607,453	\$1,725,288	\$6,920,849	\$7,106,928
Health Care Provider Tax	\$4,738,388	\$4,784,372	\$1,190,916	\$1,190,916	\$1,190,916	\$1,196,093	\$4,768,841	\$4,799,727
Depreciation/Amortization	\$2,864,387	\$3,501,544	\$755,331	\$756,042	\$730,620	\$875,386	\$3,117,379	\$3,096,378
Interest - Short and Long Term	\$328,419	\$299,873	\$77,128	\$76,740	\$74,764	\$74,969	\$303,601	\$284,195
Other Operating Expenses (includes ACO Participation Fees)	\$18,930,319	\$19,024,717	\$4,923,841	\$4,820,986	\$4,112,966	\$4,641,848	\$18,499,641	\$19,772,435
Operating Expense	\$86,649,174	\$90,277,341	\$22,217,095	\$22,844,001	\$20,489,639	\$22,078,972	\$87,629,707	\$92,343,473
Net Operating Income	\$4,705,271	\$3,590,524	-\$1,819,590	-\$1,210,117	\$4,339,061	\$1,521,462	\$2,830,817	\$4,374,863
Non Operating Revenue	\$698,021	\$526,723	\$72,433	\$60,828	\$25,470	\$131,680	\$290,411	\$639,746
Excess (Deficit) of Rev over Exp	\$5,403,292	\$4,117,247	-\$1,747,157	-\$1,149,289	\$4,364,531	\$1,653,142	\$3,121,228	\$5,014,609
Income Statement Metrics								
Operating Margin %	5.2%	3.8%	-8.9%	-5.6%	17.5%	6.4%	3.1%	4.5%
Total Margin %	5.9%	4.4%	-8.5%	-5.3%	17.6%	7.0%	3.4%	5.2%

Porter Hospital Balance Sheet

BALANCE SHEET	2019 A	2020 B	2020 PROJ	2021 B	2019A-2020P	2020B-2020P	2020B-2021B	2020P-2021B
Cash & Investments	\$29,491,702	\$23,399,355	\$19,379,572	\$22,244,548	-34.3%	-17.2%	-4.9%	14.8%
Net Patient Accounts Receivable	\$11,493,505	\$11,340,470	\$11,340,469	\$11,810,703	-1.3%	-0.0%	4.1%	4.1%
ACO Risk Reserve/Settlement Receivable	\$0	\$0	\$0	\$0	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Other Current Assets	\$5,373,383	\$3,832,515	\$4,844,314	\$4,909,137	-9.8%	26.4%	28.1%	1.3%
Current Assets	\$46,358,590	\$38,572,341	\$35,564,355	\$38,964,388	-23.3%	-7.8%	1.0%	9.6%
					#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Board Designated Assets	\$5,517,237	\$11,965,901	\$11,520,919	\$11,559,437	108.8%	-3.7%	-3.4%	0.3%
Net, Property, Plant And Equipment	\$18,049,160	\$19,696,843	\$18,000,000	\$17,438,754	-0.3%	-8.6%	-11.5%	-3.1%
Other Long-Term Assets	\$1,106,474	\$1,899,913	\$4,856,227	\$4,962,586	338.9%	155.6%	161.2%	2.2%
Assets	\$71,031,461	\$72,134,998	\$69,941,501	\$72,925,165	-1.5%	-3.0%	1.1%	4.3%
					#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Accounts Payable	\$1,663,951	\$1,105,069	\$2,054,183	\$3,539,134	23.5%	85.9%	220.3%	72.3%
Salaries, Wages And Payroll Taxes Payable	\$4,839,274	\$5,775,872	\$3,985,622	\$3,877,188	-17.6%	-31.0%	-32.9%	-2.7%
ACO Risk Reserve/Settlement Payable	\$0	\$0	\$0	\$0	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
COVID-19 Funding Short-Term Liabilities			\$590,414	\$1,003,704	#DIV/0!	#DIV/0!	#DIV/0!	70.0%
Other Current Liabilities	\$5,285,844	\$7,352,318	\$4,591,857	\$4,817,021	-13.1%	-37.5%	-34.5%	4.9%
Current Liabilities	\$11,789,068	\$14,233,259	\$11,222,076	\$13,237,047	-4.8%	-21.2%	-7.0%	18.0%
					#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Long Term Liabilities	\$10,097,273	\$9,486,771	\$9,486,771	\$8,919,242	-6.0%	0.0%	-6.0%	-6.0%
Other Noncurrent Liabilities	\$9,417,003	\$4,453,131	\$6,576,649	\$6,560,207	-30.2%	47.7%	47.3%	-0.3%
COVID-19 Funding Long-Term Liabilities			\$0	\$0	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Fund Balance	\$39,728,118	\$43,961,837	\$42,656,005	\$44,208,669	7.4%	-3.0%	0.6%	3.6%
Liabilities and Equities	\$71,031,463	\$72,134,998	\$69,941,501	\$72,925,165	-1.5%	-3.0%	1.1%	4.3%
Balance Sheet Metrics					Change in Points			
Days Cash on Hand	128.5	125.3	133.8	138.3	5.3	8.5	12.9	4.4
Days Cash on Hand-COVID-19					0.0	0.0	0.0	0.0
Debt Service Coverage Ratio	9.0	8.7	10.5	11.6	1.8	1.5	2.9	1.1
Long Term Debt to Capitalization	0.2	0.2	0.2	0.2	0.0	0.0	0.0	-0.0
Days Payable	51.4	59.9	48.6	54.1	-11.3	-2.8	-5.8	5.5
Days Receivable	60.7	61.5	69.6	63.3	8.1	8.9	1.8	-6.3

Payer Mix

	FY2021 Budget			
	UVMHC	CVMC	Porter Hosp	
<u>Gross Payer Mix - Based on Gross Charges for Services Provided to Patients by Payer</u>				
Gov't Payers	58.5%	62.2%	57.8%	}
Commercial Payers	36.1%	31.7%	37.6%	
<u>All Other</u>	<u>5.4%</u>	<u>6.0%</u>	<u>4.5%</u>	
Total	100.0%	100.0%	100.0%	
This represents the payer mix for patients seeking services				
These are complex relationships, to understand the full meaning they should not be looked at in isolation of each other.				
We would welcome the opportunity to have a conversation on these relationships.				
<u>Net Mix of Business - based % anticipated NPR payment from Payer Plans</u>				
Gov't Payers	39.0%	51.3%	47.8%	}
Commercial Payers	59.7%	46.4%	52.6%	
All Other	5.5%	6.8%	7.0%	
<u>Bad Debt / Charity Care</u>	<u>-4.2%</u>	<u>-4.5%</u>	<u>-7.3%</u>	
Total	100.0%	100.0%	100.0%	
This represents the Total Net Mix of anticipated payments for services from the Payer				
<u>Proxy Cost Coverage (NPR as % Gross Payer Mix)</u>				
Gov't Payers	66.6%	82.5%	82.7%	}
Commercial Payers	165.5%	146.1%	139.7%	
All Other	101.1%	113.2%	153.3%	
If % is lower than 100% it means payments do not cover cost of care, the lower the % the higher the cost-shift				

Financial Performance

Financial performance is based on:

- **Academic medical centers hospital & systems benchmarks**
- **Rating agency benchmarks for “A” rated hospital systems**
- UVM Health Network
 - Maintaining an “A” credit rating
 - 3.0%-3.5% operating margin
- UVM Medical Center
 - 4% operating margin
- Other UVM Health Network affiliate hospitals
 - 2.5%-3.0% operating margin

89% of S&P rated hospital systems have an “A” rating or better

S&P Global
Ratings

RatingsDirect®

U.S. Not-For-Profit Health Care System Median Financial Ratios -- 2018 vs. 2017

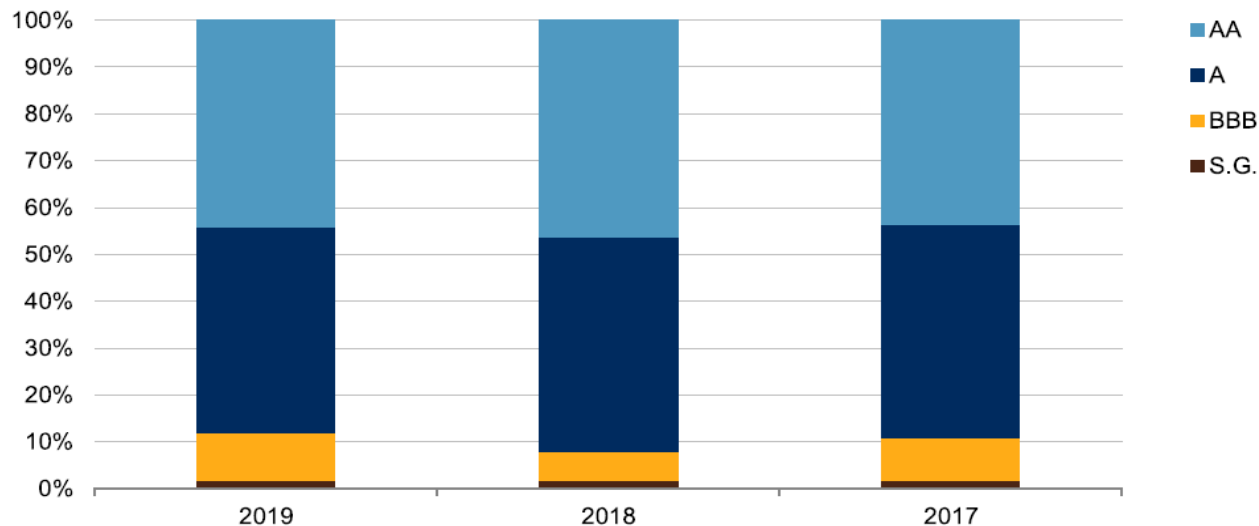
September 4, 2019

“Over the past three years, the rating distribution has remained relatively stable, with the vast majority of systems divided between the ‘A’ and ‘AA’ categories (see chart 1). S&P Global Ratings has outstanding ratings on 151 health care systems, of which 142 (94%) are included in the median ratios. At Aug. 15, 2019, we had just 16 health care systems (11%) rated below ‘A-’”.

S&P Rating Distribution: Chart 1

Chart 1

U.S. Not-For-Profit Acute Health Care System Rating Distribution



As of Aug. 15, 2019; June 22, 2018; and June 30, 2017, for all outstanding ratings. S.G.-speculative grade.

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Council of Teaching Hospitals and Health Systems (COTH)

Survey of Hospital Operations & Financial Performance, 2018

Autumn 2019 Databook

TABLE 22 OPERATING MARGIN, TOTAL MARGIN AND MARK-UP RATIO
Integrated Academic Medical Center Hospitals
Survey Year 2018 • Hospital Fiscal Years Ending January 1, 2018 to December 31, 2018

	Operating Margin ¹	Total Margin ²	Markup Ratio ³
WEST VIRGINIA UNIV	0.53%	-0.80%	2.6
YALE	4.42%	8.26%	3.5

STATISTICAL SUMMARY

Total N	92	92	92
Mean	3.17%	4.86%	3.4
Minimum	-35.70%	-15.12%	1.2
25th	0.63%	1.15%	2.8
Median	3.40%	4.99%	3.2
75th	6.79%	7.72%	3.9
Maximum	18.36%	21.17%	6.8

Academic Medical Center Margins

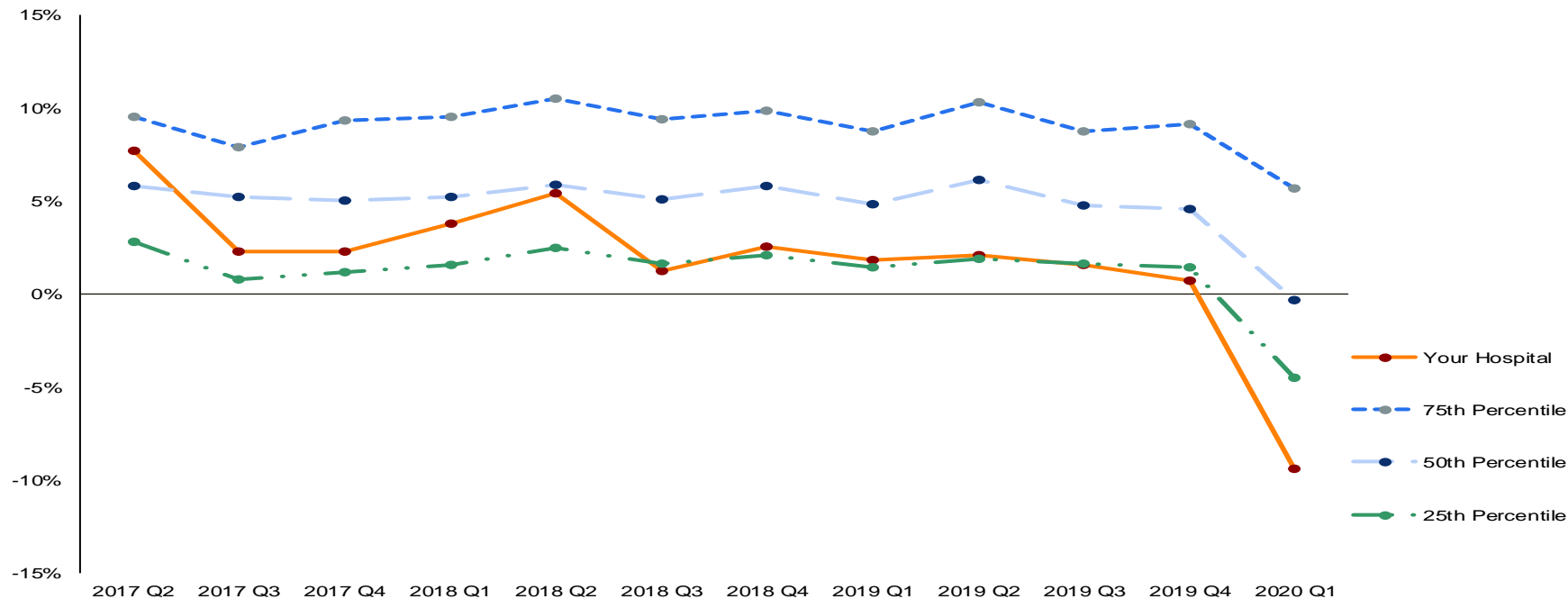
CHART
2

Operating Margin

Benchmarked against Participating Teaching Hospitals • Twelve Most Recent Quarters



University of Vermont Medical Center



Association of American Medical Colleges (AAMC) Council of Teaching Hospitals and Health Systems (COTH) survey