

Central Vermont Medical Center

To: Green Mountain Care Board
From: Cheyenne Holland, CFO
Date: February 9, 2017
Subject: Hospital Budget Submission Worksheets - Fiscal Year 2016 Actuals

Central Vermont Medical Center is pleased to present its report on fiscal year 2016 actual results.

Operating Revenues

The FY 2016 Total Operating Revenues were favorable by \$18.4 million or 9.9% when compared to the FY 2016 Budget. Other Revenue was over budget by \$849K or 7.3% and there was a 10.1% favorable variance in Net Patient Care Revenue. The largest contributor to this favorability (\$12.8M) was the carryover from FY15 of the increased number of volume/patients served from our increased primary, substance abuse and mental health treatment capacity, and the expansion of the Medicaid program. Adding to the favorability was lower than planned bad debt and charity (\$2.4M) and the acquisition of an existing community practice, Green Mountain Orthopedics in April of 2016 (\$2.8M).

Compared to FY 2015, our Net Patient Care Revenue grew by \$17.5 million or 10.1%. The largest contributor to this increase was again the carryover from FY 2015 (\$12.8M), which is now part of the ongoing population we serve. This is the amount we addressed in our FY 2017 budget. We decreased our historic commercial rate increase (\$2.3M) and we made additional community investments (\$1M).

Operating Expenses

Total Operating Expense from the FY 2016 budget to FY 2016 actual was unfavorable by \$21.6 million or 12%. Salaries non MD was the largest driver of this expense accounting for an increase of \$8.2M or 11.9% due to higher than budgeted volumes and a need for Travelers. Fringe Benefits Non MD and MD were unfavorable by \$3.7 million partially due to increased FTEs and partially due to two large claims of which a portion has been refunded by our excess insurance carrier in Q1 of FY2017. Physician Fees were over budget by \$3.2M or 14.2% due to the acquisition of Green Mountain Orthopedic Surgery in April and increases in the Hospitalists, Urology and Family Psychiatry. Due to timing of the notification of the increase in Health care provider tax this

line item was \$860K or 9% over budget. Other Operating Expenses were unfavorable by \$6M or 14.2% mainly due to increasing drug expenses of \$2.3M and increased medical supplies of \$1.7M related to volumes.

Non-Operating Revenue

Non-Operating Revenues were unfavorable to budget by \$88K or 4.7%

Health Care Reform Investments

Central Vermont Medical Center's FY 2016 budget included incremental investments in health reform totaling \$1.6 million. Those investments fall primarily into the "system of care" or "shifting expenditures away from acute care" investment categories, and included:

- Continued IT investments that support systemness, population health improvement, and the appropriate use of resources;
- Enhanced systems support by the Jeffords Institute for Quality & Operational Effectiveness and administrative leadership;
- Investments in community partners to improve the health of our population;
- Investments in enhanced access to primary care, mental health care and substance abuse care; and
- Continued investments in our OneCare Vermont infrastructure.

As we have outlined in our budget narrative submissions and discussed at our budget hearings, we remain committed to shifting our delivery system away from today's fee-for-service system to one that pays based on the value of the care being delivered. Our major efforts are focused on enhancing care and containing expenses through the development of our network of hospitals, and our participation in OneCare Vermont. In FY 2016 One Care Vermont working together with the State of Vermont and Vermont Health Care Providers was awarded an All Payer Waiver by CMS. The first component of that Waiver, the Vermont Medicaid Next Generation program, is launching February 1st of this year.