



Rutland Regional Medical Center

An Affiliate of Rutland Regional Health Services

160 Allen Street
Rutland, VT 05701

802.775.7111
January 31, 2017

Michael Davis, Director
Green Mountain Care Board
89 Main Street
Montpelier, VT 05620-3101

Dear Mike,

The following narrative highlights the operating performance of Rutland Regional Medical Center for the fiscal year ended September 30, 2016. As we discussed, RRMCC's audited financial statements will not be available until late February. We will send an electronic copy of RRMCC's fiscal year 2016 audit report as soon as it becomes available.

Utilization

Total FY 2016 actual gross revenue was over budget by \$18.4 million or 3.61%.

Overall, inpatient routine revenue was over budget by \$4.8 million or 6.0%. Total admissions were over budget by 875, or 14.8% while patient days were over budget 10.5% or 2,992 days. RRMCC's actual average length of stay of 4.66 was lower than the 2016 budget of 4.84.

Outpatient services revenue was over budget by \$3.8 million or 3.6%. Specialty Clinics are reported here and cause the entire variance. In total, Specialty Clinics generated \$5 million more than budget.

Inpatient ancillary services revenue was over budget by \$9.7 million or 9.3%. Emergency Department (\$1.7 million), Operating Room (\$1.1 million), Diagnostic Imaging (\$2.2 million) Pharmacy Drugs (\$1.4 million), and Medical Surgical Supplies (\$1.5 million) combined to make up most of this variance.

Outpatient ancillary for FY 2016 was \$90,000 or .03% over budget.

Net Patient Revenue

Net patient revenue is over budget by \$12.6 million or 5.4%. Our strong performance is driven by volume and a reduction in reserve requirements for bad debt expense. On average for the year, each day we treated 8 more inpatients than the budget projected and our bad debt expense is under budget by \$4.0 million. This patient volume is a mix of increased market share, particularly in Orthopedics and Neurology and increases with in our medical population. Bad debt includes an adjustment to change our commercial reserve methodology.

In an effort to offset increased volumes, a rate decrease was put in place on April 8, 2016. This decrease was primarily in the areas laboratory services, diagnostic imaging and routine bed rates. The Fiscal 2016 impact of this decrease was \$9.3 million.

Other Operating Revenue

Other Operating Revenue was under budget by \$1.3 million or 13.5%. The majority of this is in Grant Income (under by \$700,000) and 340b Retail Pharmacy Program (under by \$681,000).

Staffing and Productivity

There were 1,243 non-physician FTEs for FY 2016. This was an increase of 51.7 FTEs, or 4.3%, over budget. Of the 51.7 additional FTEs over budget there were 19.43 Advanced Practice Providers (NP and PA). These were included with the physician FTEs in Budget 2016. The additional 32.27 were mainly in our volume driven areas and were a result of higher volume.

Both productivity measures (FTEs per Adjusted Discharges and FTEs per Adjusted Occupied Bed) for actual 2016 were under budget. FTEs per Adjusted Discharges were 6.9 actual with a budget of 7.4. Adjusted Occupied Beds were 5.3 actual with a budget of 5.5.

Operating Expenses

Total operating expenses were over budget by \$6.3 million or 2.7%. The largest variance is:

- 1) Salaries (Non-MD) \$ 5,300,000 (related to FTE variance)
(\$2 million is related to the 19.43 APPs that are now included with non-physician FTEs)

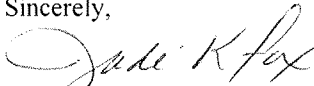
Statement of Cash Flows

The Statement of Cash Flows in the ACT16H40 file is reporting a \$2,606,145 change in fund balance less net income. This change is related to the following:

a. Net change in pension discount rate and expected Rate of return	\$ 2,631,002
b. Retiree Health Insurance actuarial loss related to	
c. discount rate	\$ 274,388
d. To record difference between the expected investment Return and actual gain	\$ 7,551,469
e. Decrease in Projected Benefit Obligation from increasing The Discount Rate	(\$10,533,685)
f. VCF Transfer	(\$ 321,360)
g. Retiree Health Insurance change in discount rate impact	(\$ 132,011)
h. Transfer of property from RRHS to RRMC	\$ 3,136,342
Total	<u>\$ 2,606,145</u>

Please feel free to call me if you have any questions or concerns regarding information relative to our 2016 performance and the binding budget process.

Sincerely,



Judi Fox
Chief Financial Officer