

Northwestern Medical Center

Analysis of Fiscal Year 2016 Actuals

Income Statement	FY-2016B	Physician Transfer during FY 2016	Approved FY 2016B w/Physician Transfer	FY-2016A	\$ Change FY-2016B w/Phys Transfer -FY-2016A higher/lower	% Change FY-2016B-FY-2016A higher/lower
Revenues						
Gross Patient Care Revenue	180,271,472		180,271,472	183,899,105	3,627,633	2.0%
Disproportionate Share Payments	1,444,571		1,444,571	1,565,986	121,415	8.4%
Bad Debt	(5,045,412)		(5,045,412)	(3,031,340)	2,014,072	-39.9%
Free Care	(1,621,948)		(1,621,948)	(1,292,667)	329,281	-20.3%
Deductions from Revenue	(79,351,293)		(79,351,293)	(81,245,324)	(1,894,031)	2.4%
Net Patient Care Revenue	95,697,390	2,300,000	97,997,390	99,895,760	1,898,370	1.9%
Other Operating Revenue	4,186,270		4,186,270	6,079,088	1,892,818	45.2%
Total Operating Revenue	99,883,660	2,300,000	102,183,660	105,974,848	3,791,188	3.7%
Expenses						
Salaries Non MD	33,673,265		33,673,265	38,214,236	4,540,971	13.5%
Fringe Benefits Non MD	9,735,273		9,735,273	9,690,855	(44,418)	-0.5%
Fringe Benefits MD	1,515,343		1,515,343	1,357,663	(157,680)	-10.4%
Physician Fees Salaries Contracts & Fr	13,232,067		13,232,067	11,837,699	(1,394,368)	-10.5%
All Other Expenses	39,641,612		39,641,612	41,219,253	1,577,641	4.0%
Total Operating Expense	97,797,560	2,100,000	99,897,560	102,319,706	2,422,146	2.4%
Net Operating Income (Loss)	2,086,100	200,000	2,286,100	3,655,142	1,369,042	59.9%
Non-Operating Revenue	542,442		542,442	3,076,611	2,534,169	467.2%
Excess (Deficit) of Revenue Over Expe	2,628,542	200,000	2,828,542	6,731,753	3,903,211	138.0%

Payer Schedule - Net Payer Revenue	FY-2016B	Physician Transfer during FY 2016	Approved FY 2016B w/Physician Transfer	FY-2016A	\$ Change FY-2016B - FY-2016A higher/lower	% Change FY-2016B-FY-2016A higher/lower
Commercial NPR	46,999,864	1,129,599	48,129,463	48,599,769	470,306	3.4%
Medicaid NPR	19,589,821	470,824	20,060,645	18,847,199	(1,213,446)	-3.8%
Medicare NPR	29,107,705	699,577	29,807,282	32,448,792	2,641,510	11.5%
Total NPR	95,697,390	2,300,000	97,997,390	99,895,760	1,898,370	1.9%

Income Statement	FY-2016B	Physician Transfer during FY 2016	Approved FY 2016B w/Physician Transfer	FY-2016A	\$ Change FY-2016B w/Phys Transfer -FY-2016A higher/lower	% Change FY-2016B w/Phys Transfer -FY-2016A higher/lower	Over/Under Explained				Total of Explained Variance
							Utilization (change in services)	Changes in Bad Debt/Free Care	Changes in DSH	Other	
Revenues											
Gross Patient Care Revenue	180,271,472		180,271,472	183,899,105	3,627,633						
Disproportionate Share Payments	1,444,571		1,444,571	1,565,986	121,415						
Bad Debt	(5,045,412)		(5,045,412)	(3,031,340)	2,014,072						
Free Care	(1,621,948)		(1,621,948)	(1,292,667)	329,281						
Deductions from Revenue	(79,351,293)		(79,351,293)	(81,245,324)	(1,894,031)						
Net Patient Care Revenue	95,697,390	2,300,000	97,997,390	99,895,760	1,898,370	1.9%		2,343,353	121,415	(566,398)	1,898,370
Other Operating Revenue	4,186,270		4,186,270	6,079,088	1,892,818						1,892,818
Total Operating Revenue	99,883,660	2,300,000	102,183,660	105,974,848	3,791,188						3,791,188
Expenses											
Salaries Non MD	33,673,265		33,673,265	38,214,236	4,540,971						
Fringe Benefits Non MD	9,735,273		9,735,273	9,690,855	(44,418)						
Physician Fees Salaries Contracts &	13,232,067		13,232,067	11,837,699	(1,394,368)						
All Other Expenses	39,641,612		39,641,612	41,219,253	1,577,641						
Total Operating Expense	97,797,560	2,100,000	99,897,560	102,319,706	2,422,146	2.4%	1,723,159		58,629	640,358	2,422,146
Net Operating Income (Loss)	2,086,100	200,000	2,286,100	3,655,142	1,369,042						1,369,042
Non-Operating Revenue	542,442		542,442	3,076,611	2,534,169						2,534,169
Excess (Deficit) of Revenue Over Exp	2,628,542	200,000	2,828,542	6,731,753	3,903,211						3,903,211

Northwestern Medical Center

Decision Dashboard

2017 Almanac of Hospital Financial and
Operating Indicators (Optum)US Not for Profit
Hospital 2015
Medians (Moody's)

	FY-2013A	FY-2014A	FY-2015A	FY-2016B	FY-2016A	FY-2017B	FY-2016A Vermont 25th	FY-2016A Vermont 50th Percentile	FY-2016A Vermont 75th Percentile	FY - 2015A Northeast Region	FY - 2015A Teaching Hospitals	FY - 2015A US Not for Profit
Net Patient Care Revenue	89,180,074	91,165,412	97,798,763	97,997,390	99,895,760	101,935,936						
Budget to Actual NPR %					1.9%							
Actual to Actual NPR Growth Rate	2.5%	2.2%	7.3%		2.1%		1.7%	4.9%	7.6%			
Three Year NPR CAGR (FY14 - FY16)					3.9%		2.8%	3.9%	4.8%			
Three Year NPR CAGR (FY13 - FY15)					4.0%		1.3%	4.0%	5.1%			
Operating Expense	85,866,771	87,861,917	93,499,518	99,897,560	102,319,706	104,464,400						
Budget to Actual OE %					2.4%							
Actual to Actual OE Growth Rate	6.2%	2.3%	6.4%		9.4%		0.8%	4.8%	8.9%			
Three Year OE CAGR (FY14-FY16)					6.0%		2.5%	3.7%	5.0%			
Three Year OE CAGR (FY13-FY15)					5.0%		1.1%	3.6%	5.4%			5.5%
Operating Margin %	8.0%	7.9%	9.7%	2.1%	3.4%	3.1%	0.2%	1.4%	3.4%	0.5%	3.3%	3.4%
Total Margin %	12.4%	11.2%	8.1%	2.6%	6.2%	3.5%	2.0%	2.9%	6.1%	2.4%	4.2%	6.1%
Long Term Debt to Capitalization	17.4%	15.2%	13.6%	12.8%	22.3%	22.1%	20.5%	25.7%	30.3%	28.2%	35.3%	33.7%
Current Ratio	5.9	7.0	7.8	9.6	9.8	9.0	2.5	3.1	4.1	1.6	1.8	2.0
Debt Service Coverage Ratio	9.3	9.5	11.7	5.0	6.5	7.1	3.4	4.4	6.2	3.0	5.3	4.8
Capital Expenditures to Depreciation	98%	124%	147%	155%	203%	213%	73%	90%	110%			
Cost per Adjusted Admission	9,409	9,092	8,822	9,433	8,739	8,911	8,714	9,948	11,857			
Days Cash on Hand	312	371	374	352	351	283	99	135	199	113	116	212
Days Receivable	34	35	36	35	34	32	34	41	45	42	43	48
Days Payable	61	60	54	40	40	35	47	60	67	70	66	64
Age of Plant	10.4	9.5	9.9	13.3	10.6	11.1	10.6	11.9	13.1	12.3	11.2	11.0
Approved Rate per Latest Order	2.9%	3.9%	6.4%	-8.0%	-8.0%	0.0%						

CAGR = Compounded Annual Growth Rate

Note: The NPR and OE for FY2016B includes the physician acquisition which became effective during FY2016.

NMC has exceeded the enforcement budget trigger of 0.5%. Review of NMC information finds that lower bad debt and free care explains the entire increase. During the 2017 Budget submission, NMC explained that they budgeted lower bad debt and free care in 2016, but did not recognize enough. The utilization shift from uninsured and self pays to commercial products and Medicaid explains much of this change. The effect of both NPR and expense variances was an operating surplus that was \$1,369,042 higher than budget.

The three year growth in NPR is at the state median while expenses are growing at a greater pace than state growth at the 75th percentile. Through February of FY 2017, NPR is currently 0.9% lower than the YTD approved budget. NMC was not asked to explain this as part of our monthly reporting process.

Most all indicators above reflect a very strong financial position. Strong operating and non-operating margins have provided increased cash on hand and the ability to fund greater capital spending. Increased capital spending during 2016 has lowered the age of plant which is now lower (favorable) than the state median. Cost per adjusted admission also shows a favorable position, with costs being at the 25th percentile.