



January 31, 2017

Michael Davis
Director of Health Systems Finances
Green Mountain Care Board
89 Main Street
Montpelier, VT 05620

Dear Mike,

The Fiscal Year 2016 Hospital Budget Submission of Actuals for Northeastern Vermont Regional Hospital (NVRH) has been completed and filed electronically using the forms provided by the Green Mountain Care Board. Following is an explanation of significant actual to budget variances during the fiscal year.

Net Patient Revenue:

Net patient revenue was favorable to budget by \$3,491,300 or 5.1%. This is the result of favorable patient volume. Overall patient volume, as measured by adjusted patient admissions, was favorable to budget by 6.3%. As noted during our budget presentation, NVRH expected the addition of a third orthopedic surgeon, a full-time Urologist and expansion of the Pain Clinic to increase net patient revenue significantly. The additional net patient revenue from these sources exceeded our expectations. Additional net patient revenue also resulted from volume increases in swing bed patients, physician practices, the Emergency Room and several ancillary departments. Noteworthy is the fact that the last quarter of the fiscal year generated more net patient revenue than had been realized in the last quarter of any prior fiscal year!

Payer mix was slightly unfavorable to budget. Patients with government sponsored insurance accounted for 64% of total revenue as compared to budget of 63.4%.

Net patient revenue as a percentage of gross revenue, adjusted for an increase in Disproportionate Share Revenue, at 48.9% was very close to the budget of 48.3%

Other Operating Revenue:

Other Operating Revenue was favorable to budget by \$79,000. Several minor variances contributed to this variance.

Operating Expenses:

Total operating expenses were \$3,130,000 or 4.6% unfavorable to budget. The most significant cause of this variance was locum tenens fees to staff the Emergency Department. Recruitment of employed ED physicians took significantly longer than anticipated. As a result the cost of physician staffing in the ED exceeded budget by over \$1,000,000. Other factors contributing to the unfavorable expense variance include:

- Higher cost of pharmaceuticals
- A mid-year salary market adjustment for certain employee groups
- Implementation of care manager service in the ED
- Increased salary and non-salary expenses related to higher volume levels

Net Operating Income

NVRH realized an operating gain of \$1,488,000 during fiscal year 2016. This was favorable to budget by \$\$440,400.

Non-Operating Revenues

NVRH did not budget non-operating revenues. During the year we experienced a \$906,400 unrealized loss on investments.

Return on Health Reform Investment


The only new Health Reform Investment for fiscal 2016 was an Ambulatory Pharmacist, who was hired in July, 2016. Since he was only on board for one quarter of the year, no material return on this investment was realized during the year.

Capital Budget

Total capital outlays were \$3,207,000 during fiscal year, which is approximately \$300,000 lower than expected.

Please feel free to contact me should you have any questions or need any additional information concerning the Fiscal Year 2016 Hospital Budget Submission of Actuals for NVRH.

Sincerely,



Bob Hersey, CFO

CC: Paul Bengtson, CEO
Terri Schoolcraft, Controller