

Springfield Hospital

Fiscal Year 2019 Budget Analysis

Report Date: 8/6/2018

QUESTIONS:

1. Have the hospital's projections for FY2018 changed?
2. There appears to be a significant decrease in FY2018 Projections and FY2019 Budget related to Physician Fees, Salaries, and Contracts. With physician FTEs increasing from 19 (FY2018B and FY2018P) to 25 (FY2019B), please explain how this savings is possible.
3. There are significant decreases in Fringe Benefits Non-MD and Fringe Benefits MD from FY2018 Projections to FY2019 Budget. Salary & Benefits per FTE in FY2019 Budget is also decreasing from FY2018 Projections. Please explain the factors contributing to these savings.
4. Please describe the consequences if the hospital does not meet its utilization and reimbursement expectations in FY2019, or if Days Cash on Hand declines again.
5. What has changed between FY2018 projections and FY2019 budget for Property, Plant and Equipment?
6. Age of Plant declines from 22.0 in FY2018 Projections to 16.4 in FY2019 Budget. What non-CON capital improvements are budgeted in FY2019 to reduce Age of Plant by nearly four years?
7. The Health Reform Investments section of the narrative is repetitive of last year's submission. Please provide updates.
8. If not addressed in the narrative, please explain any factors contributing to changes in bad debt and free care, including policy changes if any.
9. Please provide more specificity about what is included in Other Operating Expense for FY2017 Actuals, FY2018 Budget and Projections, and FY2019 Budget, and explain the variation from year to year.
10. Please complete the table that has been provided to clarify accounting of ACO-related revenue and expenses.

Fiscal Year 2019 Budget Analysis Springfield Hospital

INCOME STATEMENT	FY2015A	FY2016A	FY2017A	FY2018B	FY2018P	FY2019B	2018B - 2018P	2018B - 2019B	2018P - 2019B
							% Chg	% Chg	% Chg
Revenues									
Gross Patient Care Revenue	119,561,775	119,749,195	115,399,145	129,887,486	121,452,086	134,546,960	-6.5%	3.6%	10.8%
Disproportionate Share Payments	2,203,544	1,590,219	1,552,618	881,186	881,186	1,058,694	0.0%	20.1%	20.1%
Bad Debt	(4,129,553)	(4,702,358)	(4,915,458)	(4,472,028)	(5,010,000)	(4,674,519)	12.0%	4.5%	-6.7%
Free Care	(2,606,086)	(2,111,595)	(1,805,615)	(2,737,480)	(2,057,000)	(2,395,236)	-24.9%	-12.5%	16.4%
Deductions from Revenue	(59,103,590)	(60,887,341)	(58,231,341)	(64,183,966)	(58,130,000)	(68,538,946)	-9.4%	6.8%	17.9%
Net Patient Care Revenue	55,926,090	53,638,120	51,999,349	59,375,198	57,136,272	59,996,953	-3.8%	1.0%	5.0%
Fixed Prospective Payments & Reserves	0	0	0	0	0	0	#DIV/0!	#DIV/0!	#DIV/0!
Net Patient Care Revenue & Fixed Payments & Reserves	55,926,090	53,638,120	51,999,349	59,375,198	57,136,272	59,996,953	-3.8%	1.0%	5.0%
Other Operating Revenue	1,967,548	1,730,776	1,656,489	1,458,000	1,554,000	1,455,000	6.6%	-0.2%	-6.4%
Total Operating Revenue	57,893,638	55,368,896	53,655,838	60,833,198	58,690,272	61,451,953	-3.5%	1.0%	4.7%
Expenses									
Salaries Non MD	16,193,138	16,531,241	16,837,179	17,953,143	17,654,815	18,053,239	-1.7%	0.6%	2.3%
Fringe Benefits Non MD	5,482,087	5,009,369	5,656,209	5,360,128	6,750,000	5,510,668	25.9%	2.8%	-18.4%
Fringe Benefits MD	600,000	400,000	500,000	600,000	800,000	600,000	33.3%	0.0%	-25.0%
Physician Fees, Salaries, Contracts	5,574,664	5,587,163	6,332,582	5,822,000	5,751,900	5,133,644	-1.2%	-11.8%	-10.7%
Health Care Provider Tax	3,173,125	3,172,987	3,195,888	3,562,512	3,482,900	3,599,817	-2.2%	1.0%	3.4%
Depreciation & Amortization	2,086,564	1,890,039	1,697,212	1,863,315	1,580,000	1,676,635	-15.2%	-10.0%	6.1%
Interest - Long Term & Short Term	320,222	381,924	477,005	529,100	587,000	615,100	10.9%	16.3%	4.8%
Other Operating Expense	22,199,686	22,215,051	22,795,620	24,105,846	23,005,354	25,452,488	-4.6%	5.6%	10.6%
Total Operating Expense	55,629,486	55,187,774	57,491,695	59,796,044	59,611,969	60,641,591	-0.3%	1.4%	1.7%
Net Operating Income (Loss)	2,264,152	181,122	(3,835,857)	1,037,154	(921,697)	810,362	-188.9%	-21.9%	-187.9%
Non-Operating Revenue	(2,699,949)	199,062	2,057,619	1,290,000	658,000	860,000	-49.0%	-33.3%	30.7%
Excess (Deficit) of Rev Over Exp	(435,797)	380,184	(1,778,238)	2,327,154	(263,697)	1,670,362	-111.3%	-28.2%	-733.4%

Benchmarks-Hospital									
Operating Margin%	3.9%	0.3%	-7.1%	1.7%	-1.6%	1.3%			
Total Margin %	-0.8%	0.7%	-3.2%	3.7%	-0.4%	2.7%			
Cost per Adjusted Admission	6,158	5,636	5,883	6,861	6,250	6,561			

OBSERVATIONS: The NPR increase of \$621,755 in FY2019 Budget is 1% over the FY 2018 Budget. This is about \$1.1 million under the 2.8% NPR growth target. However, when compared to the FY2018 Projections, this is an increase in NPR of 5.0%. Much of the NPR increase is due to the hospital's rate/price increase request of 5.0%. The narrative indicates that Springfield did not achieve planned growth for perioperative services in FY2018, but expects growth in FY2019 as the hospital strives to rebuild surgical services. Plans include adding a new urologist and increasing orthopedic surgeries as compared to FY2018 projections. Total Operating Expense budget to budget increase is 1.4% ; the FY2018 Budget to FY2018 Projected increase is 1.7%. The most significant increase appears to be in Other Operating Expense. There are large decreases from FY2018 Projected to FY2019 Budget in several compensation-related lines.

QUESTIONS: There appears to be a significant decrease in FY2018 Projections and FY2019 Budget related to Physician Fees, Salaries, and Contracts. With physician FTEs increasing from 19 (FY2018B and FY2018P) to 25 (FY2019B), please explain how this savings is possible. There are also significant decreases in Fringe Benefits Non-MD and Fringe Benefits MD from FY2018 Projections to FY2019 Budget. Please explain how this savings is possible.

Fiscal Year 2019 Budget Analysis										
Springfield Hospital										
NET PAYER REVENUE CHANGE - PAYERS		FY2018B	FY2018P	FY2019B	2018B - 2018P % Chg	2018B - 2019B % Chg	2018P - 2019B % Chg	Change due to Rate	Change due to Non-Rate Items	
All Payers	Gross Patient Care Revenue	\$129,887,486	\$121,452,086	\$134,546,960	-6.5%	3.6%	10.8%			
	Contractual Allowances	(\$64,183,966)	(\$58,130,000)	(\$68,538,946)	-9.4%	6.8%	17.9%			
	Bad Debt	(\$4,472,028)	(\$5,010,000)	(\$4,674,519)	12.0%	4.5%	-6.7%			
	Free Care	(\$2,737,480)	(\$2,057,000)	(\$2,395,236)	-24.9%	-12.5%	16.4%			
	Graduate Medical Education Payments	\$0	\$0	\$0	#DIV/0!	#DIV/0!	#DIV/0!			
	Disproportionate Share Payments	\$881,186	\$881,186	\$1,058,694	0.0%	20.1%	20.1%			
	Net Payer Revenue	\$59,375,198	\$57,136,272	\$59,996,953	-3.8%	1.0%	5.0%			
	Fixed Prospective Payments & Reserves	\$0	\$0	\$0	#DIV/0!	#DIV/0!	#DIV/0!			
	Net Patient Care Rev & Fixed Payments & Reserves	\$59,375,198	\$57,136,272	\$59,996,953	-3.8%	1.0%	5.0%	\$1,593,897	(\$972,142)	
Commercial	Gross Patient Care Revenue	\$46,871,229	\$44,092,576	\$47,385,552	-5.9%	1.1%	7.5%			
	Contractual Allowances	(\$14,173,154)	(\$12,603,202)	(\$15,110,011)	-11.1%	6.6%	19.9%			
	Bad Debt	(\$4,472,028)	(\$5,010,000)	(\$4,674,519)	12.0%	4.5%	-6.7%			
	Free Care	(\$2,737,480)	(\$2,057,000)	(\$2,395,236)	-24.9%	-12.5%	16.4%			
	NPR	\$25,488,567	\$24,422,374	\$25,205,786	-4.2%	-1.1%	3.2%			
		Fixed Prospective Payment & Reserves	\$0	\$0	\$0	#DIV/0!	#DIV/0!	#DIV/0!		
		Total Net Payer Revenue & Fixed Prospective Payment	\$25,488,567	\$24,422,374	\$25,205,786	-4.2%	-1.1%	3.2%	\$1,163,509	(\$1,446,290)
Medicaid	Gross Patient Care Revenue	\$27,842,365	\$26,262,042	\$29,673,917	-5.7%	6.6%	13.0%			
	Contractual Allowances	(\$16,143,564)	(\$15,234,673)	(\$18,308,316)	-5.6%	13.4%	20.2%			
	Bad Debt	\$0	\$0	\$0	#DIV/0!	#DIV/0!	#DIV/0!			
	Free Care	\$0	\$0	\$0	#DIV/0!	#DIV/0!	#DIV/0!			
	Graduate Medical Education Payments	\$0	\$0	\$0	#DIV/0!	#DIV/0!	#DIV/0!			
	NPR	\$11,698,801	\$11,027,369	\$11,365,601	-5.7%	-2.8%	3.1%			
		Fixed Prospective Payment & Reserves	\$0	\$0	\$0	#DIV/0!	#DIV/0!	#DIV/0!		
	Total Net Payer Revenue & Fixed Prospective Payment	\$11,698,801	\$11,027,369	\$11,365,601	-5.7%	-2.8%	3.1%	\$174,879	(\$508,079)	
Medicare	Gross Patient Care Revenue	\$55,173,892	\$51,097,468	\$57,487,491	-7.4%	4.2%	12.5%			
	Contractual Allowances	(\$33,867,248)	(\$30,292,125)	(\$35,120,619)	-10.6%	3.7%	15.9%			
	Bad Debt	\$0	\$0	\$0	#DIV/0!	#DIV/0!	#DIV/0!			
	Free Care	\$0	\$0	\$0	#DIV/0!	#DIV/0!	#DIV/0!			
	NPR	\$21,306,644	\$20,805,343	\$22,366,872	-2.4%	5.0%	7.5%			
		Fixed Prospective Payment & Reserves	\$0	\$0	\$0	#DIV/0!	#DIV/0!	#DIV/0!		
		Total Net Payer Revenue & Fixed Prospective Payment	\$21,306,644	\$20,805,343	\$22,366,872	-2.4%	5.0%	7.5%	\$255,509	\$804,719
	Disproportionate Share Payments	\$881,186	\$881,186	\$1,058,694	0.0%	20.1%	20.1%		\$177,508	
	NPR to Gross Commercial (no dsh)	54.4%	55.4%	53.2%						
	NPR to Gross Medicaid (no dsh)	42.0%	42.0%	38.3%						
	NPR to Gross Medicare (no dsh)	38.6%	40.7%	38.9%						
	NPR to Gross All (no dsh)	45.0%	46.3%	43.8%						
<p>OBSERVATIONS: The NPR increase is primarily due to the rate increase of \$1.6 million. Utilization changes are affecting Commercial and Medicaid negatively but Medicare is expected to see positive growth. Disproportionate Share Payments are budgeted to increase \$177,508 from FY2018 to FY2019.</p>										

Springfield Hospital

RATE AND NET PATIENT REVENUE INCREASE

Rate is the average change in price for services provided.

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Weighted Average Approved Rate (all hospitals)	6.82%	4.37%	1.67%	2.04%	
Weighted Average Submitted Rate (all hospitals)	6.82%	4.40%	2.21%	2.34%	3.12%
Springfield Hospital Approved Rate	5.45%	2.83%	0.00%	6.50%	
Springfield Hospital Submitted Rate	5.45%	2.83%	0.00%	6.50%	5.00%

Hospital Inpatient Gross Revenue	5.0%
Hospital Outpatient Gross Revenue	5.0%
Physician Outpatient Gross Revenue	5.0%
Chronic/SNF Gross Revenue	5.0%
Swing Gross Revenue	5.0%

Net Patient Revenue Change Due to Rate Request		
	Commercial	\$ 1,163,509
	Medicaid	\$ 174,879
	Medicare	\$ 255,509
	Disproportionate Share	\$ -
	Total Change Due to Rate Request	\$ 1,593,897

Value of 1% Rate - Calculated by GMCB	\$ 318,779
Value of 1% Rate - Calculated by Springfield	\$ 318,779
Variance	\$ 0

Springfield Hospital has requested a rate/price increase of 5.00%.

The 5.00% increase will result in increased NPR of \$1.6 million. Most of the requested rate increase appears to be intended to offset decreasing utilization.

For Springfield, every 1% increase in rate/price is worth approximately \$318,779 in net patient revenue. This estimate calculated by GMCB staff matches the estimated value of a 1% increase calculated by the hospital.

Fiscal Year 2019 Budget Analysis	Springfield Hospital					
DASHBOARD	FY2015A	FY2016A	FY2017A	FY2018B	FY2018P	FY2019B
Net Patient Care Revenue	55,926,090	53,638,120	51,999,349	59,375,198	57,136,272	59,996,953
Net Patient Care Rev & Fixed Payments & Reserves	55,926,090	53,638,120	51,999,349	59,375,198	57,136,272	59,996,953
NPR & FPP % Variance		-4.1%	-3.1%	14.2%	-3.8%	1.0%
Three Year NPR & FPP CAGR* (FY16A - FY19B)						3.8%
Operating Expense	55,629,486	55,187,774	57,491,695	59,796,044	59,611,969	60,641,591
Oper Exp % Variance		-0.8%	4.2%	4.0%	-0.3%	1.4%
Three Year Oper. Exp. CAGR* (FY16A - FY19B)						3.2%
Revenue						
Operating Margin %	3.9%	0.3%	-7.1%	1.7%	-1.6%	1.3%
Total Margin %	-0.8%	0.7%	-3.2%	3.7%	-0.4%	2.7%
Bad Debt %	3.5%	3.9%	4.3%	3.4%	4.1%	3.5%
Free Care %	2.2%	1.8%	1.6%	2.1%	1.7%	1.8%
Cost						
Cost per Adjusted Admission	6,158	5,636	5,883	6,861	6,250	6,561
Overhead Exp. as a % of Total Operating Exp.	21.2%	21.7%	21.7%	21.6%	21.4%	22.6%
Productivity & Utilization						
Acute Admissions	1,994	1,894	1,906	1,968	2,030	2,015
Adjusted Admissions	9,034	9,792	9,773	8,716	9,538	9,243
Average Length of Stay	4	4	4	4	4	4
FTEs Per Adjusted Occupied Bed	3	3	3	3	3	3
FTEs per 100 Adj Discharges	3	3	3	4	3	3
Cash						
Days Cash on Hand	101.4	104.3	101.2	112.5	106.0	106.8
Current Ratio	1.8	1.8	1.8	2.9	2.3	2.6
Capital						
Age of Plant	12.5	14.5	15.6	18.6	22.0	16.4
Long Term Debt to Capitalization				23.9%	23.5%	26.0%
Debt Service Coverage Ratio	4.06	0.98	-1.43	3.55	1.22	2.23
*CAGR = Compounded Annual Growth Rate						

Fiscal Year 2019 Budget Analysis		Springfield Hospital								
UTILIZATION & STAFFING	FY2015A	FY2016A	FY2017A	FY2018B	FY2018P	FY2019B	2018B-2018P	2018B-2019B	2018P-2019B	
UTILIZATION										
Adjusted Admissions	9,034	9,792	9,773	8,716	9,538	9,243	9.4%	6.1%	-3.1%	
Acute Admissions	1,994	1,894	1,906	1,968	2,030	2,015	3.2%	2.4%	-0.7%	
Acute Average Length Of Stay	4.3	4.3	4.0	4.1	4.3	4.2	4.7%	1.4%	-3.2%	
All Operating Room Procedure	1,453	1,393	1,394	1,486	1,476	1,740	-0.7%	17.1%	17.9%	
Tests	462,944	474,300	471,152	475,115	545,000	478,000	14.7%	0.6%	-12.3%	
Emergency Room Visits	15,142	15,224	14,448	14,400	16,712	14,790	16.1%	2.7%	-11.5%	
CT Scan, Radiology - Diagnostic	20,544	19,180	19,670	18,750	23,263	20,730	24.1%	10.6%	-10.9%	
Exams	1,693	1,711	1,511	1,614	1,514	1,390	-6.2%	-13.9%	-8.2%	
Provider Work RVU	0	0	0	0	0	0	#DIV/0!	#DIV/0!	#DIV/0!	
Physician Office Visits	0	0	0	24,750	20,432	21,146	-17.4%	-14.6%	3.5%	
Visits	2,545	1,958	1,959	1,800	2,590	2,300	43.9%	27.8%	-11.2%	
STAFFING										
FT Equivalents (Heads)	298	301	298	313	313	312	0	(1)	(1)	
Travelers, Travelers MD	0	0	0	0	0	0	0	0	0	
Residents & Fellows	0	0	0	0	0	0	0	0	0	
MLPs	0	0	0	0	0	0	0	0	0	
Physician FTEs	19	15	18	19	19	25	0	6	6	
Total FTEs	317	316	316	332	332	337	0	5	5	
Benchmarks-Hospital										
Salary per FTE - Non-MD	\$ 54,296	\$ 54,963	\$ 56,539	\$ 57,322	\$ 56,369	\$ 57,900	-1.7%	1.0%	2.7%	
Salary & Benefits per FTE - Non-MD	\$ 72,677	\$ 71,618	\$ 75,532	\$ 74,436	\$ 77,921	\$ 75,574	4.7%	1.5%	-3.0%	
FTEs Per Adjusted Occupied Bed	3	3	3	3	3	3	-12.8%	-7.4%	6.1%	
FTEs per 100 Adj Discharges	3	3	3	4	3	3	-8.6%	-6.1%	2.7%	
Benchmarks-Vermont System Averages										
Salary per FTE - Non-MD	\$ 61,326	\$ 63,250	\$ 65,422	\$ 65,917	\$ 67,055	\$ 67,424	1.7%	2.3%	0.5%	
Salary & Benefits per FTE - Non-MD	\$ 80,704	\$ 81,921	\$ 85,211	\$ 84,856	\$ 86,361	\$ 86,812	1.8%	2.3%	0.5%	
FTEs Per Adjusted Occupied Bed	6	6	6	6	6	6	-0.7%	2.8%	3.6%	
FTEs per 100 Adj Discharges	7	7	7	8	8	8	-1.1%	1.3%	2.4%	

OBSERVATIONS: Comparing FY2018 Budget to FY2018 Projections, utilization is generally up, especially in: Tests; ER Visits; CT Scans, Radiology - Diagnostic; and Clinic Visits. The budget to budget comparison increases are smaller, with the largest increases in: Operating Room Procedure; CT Scan, Radiology - Diagnostic; and Clinic Visits. The FY2018 Projections to FY2019 Budget comparison all show decreases, with the exception of Operating Room Procedure which is consistent with Springfield's narrative indicating an increase in orthopedic surgeries.

QUESTIONS: Does the hospital plan to recruit 6 new physicians or one as indicated in the narrative? Salary & Benefits per FTE in FY2019 Budget is decreasing from FY2018 Projections; please explain.

Fiscal Year 2019 Budget Analysis		Springfield Hospital					
BALANCE SHEET	FY2015A	FY2016A	FY2017A	FY2018B	FY2018P	FY2019B	
Cash & Investments	\$ 14,325,942	\$ 14,693,512	\$ 14,950,445	\$ 16,500,000	\$ 15,500,000	\$ 15,900,000	
Risk Reserve for Fixed Reform Payments	-	-	-	-	-	-	
Other Current Assets	10,039,980	11,405,436	12,585,368	12,500,000	11,909,149	12,433,474	
Current Assets	24,365,922	26,098,948	27,535,813	29,000,000	27,409,149	28,333,474	
Board Designated Assets	548,578	543,280	513,131	1,350,000	1,350,000	1,350,000	
Net, Property, Plant And Equipment	14,240,591	13,193,522	13,248,273	26,503,291	26,503,291	19,947,727	
Other Long-Term Assets	-	-	-	-	-	-	
Assets	\$ 39,155,091	\$ 39,835,750	\$ 41,297,217	\$ 56,853,291	\$ 55,262,440	\$ 49,631,201	
Current Liabilities	\$ 13,814,569	\$ 14,892,850	\$ 15,289,533	\$ 9,958,592	\$ 11,958,592	\$ 11,028,200	
Long Term Liabilities	8,084,169	7,309,988	9,029,958	10,747,000	9,747,000	9,603,000	
Other Noncurrent Liabilities	-	-	-	-	-	-	
Fund Balance	17,256,353	17,632,912	16,977,726	36,147,699	33,556,848	29,000,001	
Liabilities and Equities	\$ 39,155,091	\$ 39,835,750	\$ 41,297,217	\$ 56,853,291	\$ 55,262,440	\$ 49,631,201	
Benchmarks-Hospital							
Days Cash on Hand	101.4	104.3	101.2	112.5	106.0	106.8	
Long Term Debt to Capitalization	32.9%	29.9%	36.4%	23.9%	23.5%	26.0%	
Debt Service Coverage Ratio	4.1	1.0	(1.4)	3.5	1.2	2.2	
Benchmarks-Vermont System Averages							
Days Cash on Hand	178.5	183.3	193.6	167.3	178.2	173.4	
Long Term Debt to Capitalization	27.6%	30.5%	29.0%	29.6%	26.7%	25.4%	
Debt Service Coverage Ratio	3.7	5.0	3.9	3.7	3.7	3.7	
<p>OBSERVATIONS: Springfield's Days Cash on Hand is significantly below the Vermont System Average. Section C of Springfield's narrative indicated a need to increase Days Cash on Hand to comply with new loan covenants due to refinancing a bond.</p> <p>QUESTIONS: Please describe the consequences if the hospital does not meet its utilization and reimbursement expectations in FY2019, or if Days Cash on Hand declines again. What has changed between FY2018 projections and FY2019 budget for Property, Plant and Equipment?</p>							

Fiscal Year 2019 Budget Analysis

Springfield Hospital

CAPITAL BUDGET	2015A	FY2016A	FY2017A	FY2018B	FY2018P	FY2019B	2020 Plan	2021 Plan	2022 Plan
Non-Certificate of Need Capital Plans Total				\$ 1,687,169	\$ 1,687,169	\$ 1,141,857	\$ -	\$ -	\$ -
Certificate of Need Capital Plans				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Capital Purchases				\$ 1,687,169	\$ 1,687,169	\$ 1,141,857	\$ -	\$ -	\$ -

Springfield Hospital									
Age of Plant	12.5	14.5	15.6	18.6	22.0	16.4			
Capital Expenditures to Depreciation	140.0%	49.3%	111.2%	90.5%	106.8%	68.1%			
Capital Cost % of Total Expense	4.3%	4.1%	3.8%	4.0%	3.6%	3.8%			

Benchmarks-Vermont System Averages									
Age of Plant	11.4	11.8	12.5	13.0	13.2	13.5	-	-	-
Capital Expenditures to Depreciation				116.6%	116.5%	145.7%	-	-	-
Capital Cost % of Total Expense				5.3%	5.3%	5.0%	-	-	-

OBSERVATIONS: Age of Plant declines from 22.0 in FY2018 Projections to 16.4 in FY2019 Budget.

QUESTIONS: What non-CON capital improvements are budgeted in FY2019 to reduce Age of Plant by nearly four years?