

Fiscal Year 2019 Vermont Hospital Budgets

Quarter 1 Year-to-Date Reporting
(October-December, 2018)

Follow-Up to **“Report on Financial Health of
Vermont’s Critical Access Hospitals”**

January 29, 2019

Overview

1. FY2019 year-to-date through December 2018
2. Summary of Financial Indicators
3. Budget-to-Actual Variances
 - a. Net Patient Revenue (NPR) and Fixed Prospective Payments (FPP)
 - b. Total Operating Expenses
 - c. NPR/FPP compared to Total Operating Expenses

Year-to-Date Hospital Budget Report: FY19 through December 2018

Vermont hospitals are required to report their year-to-date (YTD) operating performance on a monthly basis as part of the Green Mountain Care Board's Fiscal Year 2019 budget orders.

This report includes actual Net Patient Revenue (NPR) and Fixed Prospective Payment (FPP) revenue, which are combined, as well as Expenses, through December 2018.



GMCB has asked the hospitals to:

- Explain variances greater than 3% for NPR/FPP and Expenses. Explanations are provided in the hospitals' own words on the narrative slides of each section.
 - Hospitals also submitted information on Non-Operating Revenues. Non-Operating Revenues during this YTD reporting period experienced considerable variances (mostly negative). These swings were due to recent stock market volatility.
- Provide financial indicators and a balance sheet.

Net Patient Revenue and Fixed Prospective Payments Approved FY19 Budgets

Medicare Designation	Contract with One Care VT	Hospital	FY2019 Approved Budget NPR & FPP Revenue	% of System Total
PPS	✓	Brattleboro Memorial Hospital	\$82,769,115	3.2%
PPS	✓	Central Vermont Medical Center	\$211,387,021	8.1%
CAH		Copley Hospital	\$70,201,316	2.7%
CAH	✓	Gifford Medical Center	\$55,894,651	2.1%
CAH		Grace Cottage Hospital	\$19,292,581	0.7%
CAH	✓	Mount Ascutney Hospital	\$51,951,770	2.0%
CAH	✓	North Country Hospital	\$81,523,350	3.1%
CAH	✓	Northeastern Vermont Regional Hospital	\$80,527,005	3.1%
PPS	✓	Northwestern Medical Center	\$112,773,980	4.3%
CAH	✓	Porter Medical Center	\$84,530,515	3.2%
PPS	✓	Rutland Regional Medical Center	\$258,720,325	9.9%
PPS	✓	Southwestern Vermont Medical Center	\$165,201,376	6.3%
CAH	✓	Springfield Hospital	\$59,996,953	2.3%
PPS	✓	University of Vermont Medical Center	\$1,273,460,046	48.8%
System Total			\$2,608,230,005	100.0%

Critical Access Hospital (CAH), Prospective Payment System (PPS)

Brattleboro Memorial Hospital (BMH) is categorized as a PPS hospital for the purposes of this report; however, BMH is officially designated as a Medicare Dependent Hospital.

Hospital Year-to-Date Reporting Comments, Considerations

As has been noted, this report includes actual NPR and FPP, as well as key spending indicators, through December 2018. The report measures the YTD actual results against the YTD budget.

There are some notable variances. Most of these variances are related to the fact that hospital revenues and expenses can be seasonal. The variances may be further complicated by relatively small numbers in various data points for many of Vermont's hospitals.

The hospitals have provided comments explaining their variances. Explanations are provided in each section: NPR/FPP and Total Operating Expenses. GMCB staff will monitor and update this information throughout the year as hospitals continue to report their YTD data.

Springfield Hospital did not submit data for this report.

Summary of Financial Indicators as of December 31, 2018 FY19 YTD (October-December)

	Days Cash on Hand	Current Ratio	Debt Service Coverage Ratio	Days Payable	Days Receivable	Operating Margin
Brattleboro	183.1	7.0	4.1	67.9	44.4	-0.2%
Central Vermont	108.2	2.4	2.8	69.6	40.4	-0.6%
Copley	59.2	3.7	0.7	31.7	28.6	-2.3%
Gifford	210.0	2.3	0.8	41.2	36.3	-1.6%
Grace Cottage	84.1	0.8	-0.8	99.1	43.9	-11.0%
Mount Ascutney	169.2	2.6	8.3	66.2	46.1	1.0%
North Country	164.0	3.7	2.1	-**	58.6	-10.3%
Northeastern	88.0	3.2	6.2	57.4	52.0	2.7%
Northwestern	276.6	6.9	3.1	44.6	26.0	-2.7%
Porter	121.3	2.7	4.8	60.9	56.0	-4.4%
Rutland Regional	187.0	6.1	5.4	41.2	40.2	-1.1%
Southwestern	24.9*	1.5	14.5	35.8	34.6	0.8%
Springfield	-	-	-	-	-	-
UVMHC	177.5	5.2	3.4	13.0	46.4	2.8%

This report considers three months of actual results (October-December FY19). Results may be skewed due to this narrow time period and whether or not a hospital adjusted for seasonality.

*Southwestern's Days Cash on Hand does not consider the hospital's parent company. As of December 31, 2018, Days Cash on Hand for the parent company was 140.8.

**North Country Hospital was not able to submit Days Payable data due to a change in its accounting software.

Net Patient Revenue/Fixed Prospective Payment and Operating Expenses

Net Patient Revenue and Fixed Prospective Payments: Budget-to-Actual Variance FY19 YTD (October-December)

	Budget FY19 YTD	Actual FY19 YTD	Budget-to-Actual Variance FY19 YTD
Brattleboro	\$20,692,279	\$20,575,417	-0.6%
Central Vermont	\$52,645,346	\$52,029,342	-1.2%
Copley	\$17,550,329	\$16,940,757	-3.5%
Gifford	\$13,973,663	\$12,329,967	-11.8%
Grace Cottage	\$4,823,145	\$4,329,151	-10.2%
Mount Ascutney	\$12,987,943	\$13,101,963	0.9%
North Country	\$19,710,761	\$18,481,219	-6.2%
Northeastern	\$20,131,751	\$20,562,764	2.1%
Northwestern	\$28,193,495	\$27,586,244	-2.2%
Porter	\$20,104,669	\$18,733,313	-6.8%
Rutland Regional	\$64,680,081	\$63,851,265	-1.3%
Southwestern	\$41,300,344	\$39,677,498	-3.9%
Springfield	\$14,999,238	-	-
UVMHC	\$311,051,070	\$318,325,281	2.3%
SYSTEM	\$642,844,114	\$626,524,181	-2.5%

System variance last year at this time for NPR/FPP: 0.9%

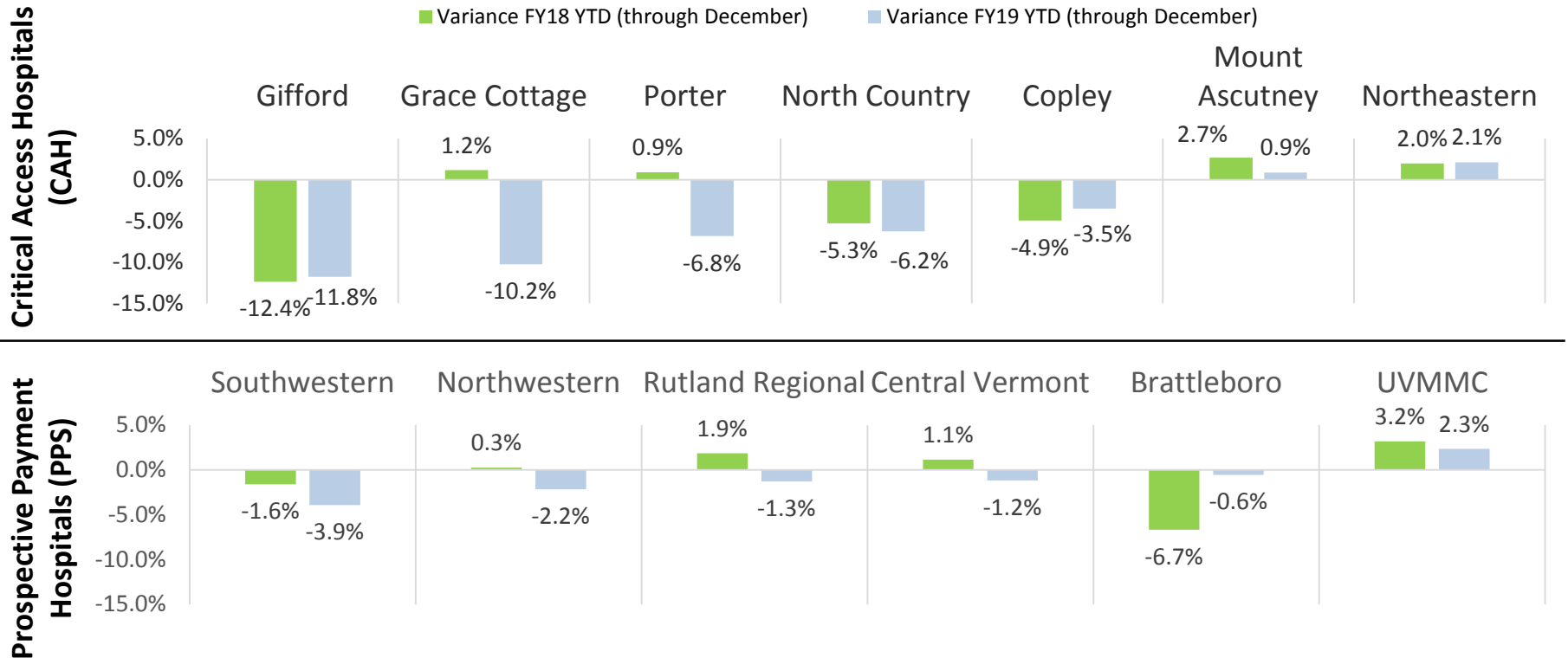
Net Patient Revenue and Fixed Prospective Payments: Budget-to-Actual Variance FY19 YTD Comparison to FY18 YTD (October-December)

	Actual FY18 YTD	Actual 19 YTD	Actual FY18 YTD to Actual FY19 YTD % Change
Brattleboro	\$18,407,381	\$20,575,417	11.8%
Central Vermont	\$50,776,929	\$52,029,342	2.5%
Copley	\$16,166,304	\$16,940,757	4.8%
Gifford	\$13,037,850	\$12,329,967	-5.4%
Grace Cottage	\$4,716,861	\$4,329,151	-8.2%
Mount Ascutney	\$12,498,465	\$13,101,963	4.8%
North Country	\$18,728,042	\$18,481,219	-1.3%
Northeastern	\$20,093,368	\$20,562,764	2.3%
Northwestern	\$26,166,066	\$27,586,244	5.4%
Porter	\$19,766,598	\$18,733,313	-5.2%
Rutland Regional	\$63,909,042	\$63,851,265	-0.1%
Southwestern	\$39,238,542	\$39,677,498	1.1%
Springfield	\$13,678,050	-	-
UVMHC	\$303,662,292	\$318,325,281	4.8%
SYSTEM	\$620,845,789	\$626,524,181	0.9%

Net Patient Revenue and Fixed Prospective Payments: Budget-to-Actual Variance

FY19 YTD Comparison to FY18 YTD (October-December)

The chart below demonstrates data from the previous slides, broken down by hospital type. Averages are weighted against a hospital's approved FY18 and FY19 NPR/FPP budgets.



NPR/FPP Weighted Averages	FY18 YTD	FY19 YTD
Critical Access Hospitals	-2.6%	-4.4%
Fixed Prospective Payment Hospitals	1.9%	0.7%

Springfield did not submit FY19 data

Net Patient Revenue and Fixed Prospective Payments: Hospital Narrative on Budget-to-Actual Variance FY19 YTD (October-December)

Hospital	NPR/FPP Variance Explanation
Brattleboro	Gross Revenue variance 1.9% under budget; Net Patient Revenue was 1.7% under budget FPP variance 16.7% under budget - Medicare FPP was cut in 16% beginning in October due to CMS payment adjustments; Total net revenue variance was 0.5%.
Copley	NPR is below budget by 3.5% for the first quarter of FY19 due to decreased utilization and a shift in the payer mix of services provided. Current projections indicate that we may not generate \$2.4 million (3.5%) of our budgeted NPR and, after considering related cost reductions, we project a \$1.8 million loss from operations. We project a \$1.4 million deficit of revenues over expenses for FY19.
Gifford	Net Patient Revenues are greater than the 3% variance. This is due to lower than expected volumes for IP and OR. Gifford did have a piece of surgical equipment go down which impacted the YTD results. The equipment has been replaced and we are working on rescheduling those procedures.
Grace Cottage	As reported in November, the NPR variance is greater than 3.0% as a result of the timing of cost report reimbursements/interim rate changes (making the Deductions From Revenue higher than budgeted for the period, but will be adjusted later in the year as reflected in the projected numbers) and one unusually large unexpected Bad Debt write-off on a Swing Bed patient. Our 2019 projections recognize that our Primary Care practice was not back up to our expected level by October 1st as we had planned. We however had an additional full-time MD start in January as well as other MDs increasing hours. This accounts for the increased projection in both Physician Revenue and Outpatient Revenue going forward.

Net Patient Revenue and Fixed Prospective Payments: Hospital Narrative on Budget-to-Actual Variance FY19 YTD (October-December)

Hospital	NPR/FPP Variance Explanation
Mount Ascutney	<p>Inpatient: Patient days and inpatient surgeries were all significantly below budget, causing inpatient ancillary revenues to drop as well. Inpatient rehabilitation revenues and days were also below budget. Swing also experienced a surge in volume and days which were favorable to budget. Experienced significantly longer lengths of low acuity swing stays, making swing patient days strong, but reducing the number of admissions as compared to budget and decreasing net revenue as a percentage.</p> <p>Outpatient: Strong volumes in established specialty provider practices are driving higher utilization of ancillary services. Pharmaceutical volumes and acuity, particularly in the infusion and chemotherapy services, have been significant drivers in the strong outpatient revenue results.</p> <p>Physician Practices: Higher than anticipated volumes/visits in our specialty services departments due to stabilization of physician/provider workforce, and the growing reputation of our well established practices and providers in the area.</p>
North Country	Volumes were down during December possibly due to weather and holidays.
Northeastern	The NVRH budget has not been adjusted for the revenues and expenses associated with the acquisition of a physical therapy practice on December 1st. Revenues have kept pace and will likely to continue to do so.

Net Patient Revenue and Fixed Prospective Payments: Hospital Narrative on Budget-to-Actual Variance FY19 YTD (October-December)

Hospital	NPR/FPP Variance Explanation
Porter	Net patient revenues are performing below budgeted expectations by 6.8%. This is primarily driven by lower than anticipated Outpatient volumes coupled with a reduction in the Medicare fixed perspective payment. The reduction in the FPP is due to Medicare including attributed lives and claims in the initial FPP calculation that should have been excluded.
Rutland Regional	Year to date, our Gross Patient Service Revenue (GPSR) was over budget by \$766,000. Inpatient volume under budget by \$476,000 or 1.3% – driven by declines in respiratory & emergency services. These were offset some by pharmacy volume and surgical services. Outpatient volume is over budget \$2.3 million or 2.8% - led by diagnostic imaging services, laboratory services and pharmaceuticals. Allowances are on budget. Overall gross revenue and allowance activity result to Net Patient Service Revenue to be over budget by \$675,000 or 1%.
Southwestern	Net revenue is approximately 1.5% below budget for the first three months due to lower inpatient volume than anticipated and lower commercial insurance volume.
UVMHC	2.3% favorable, within limit. Favorable NPSR was driven by increased gross charges and higher than budgeted Medicare and Commercial volumes, as well as lower charity care and bad debt expense.

Operating Expenses: Budget-to-Actual Variances FY19 YTD (October-December)

	Budget FY19 YTD	Actual FY19 YTD	Variance FY19 YTD
Brattleboro	\$21,494,036	\$21,632,719	0.6%
Central Vermont	\$56,011,687	\$55,726,341	-0.5%
Copley	\$17,789,384	\$17,743,071	-0.3%
Gifford	\$13,836,529	\$12,778,562	-7.6%
Grace Cottage	\$5,082,407	\$5,064,576	-0.4%
Mount Ascutney	\$13,709,494	\$13,964,992	1.9%
North Country	\$21,728,817	\$22,095,580	1.7%
Northeastern	\$20,695,126	\$20,896,860	1.0%
Northwestern	\$29,060,837	\$29,835,149	2.7%
Porter	\$21,347,975	\$21,208,812	-0.7%
Rutland Regional	\$67,055,199	\$68,925,729	2.8%
Southwestern	\$41,052,891	\$40,608,743	-1.1%
Springfield	\$15,160,398	-	-
UVMCMC	\$333,142,152	\$343,193,546	3.0%
SYSTEM	\$677,166,930	\$673,674,680	-0.5%

Last year at this time the System Variance for YTD Operating Expenses: 1.9%

Operating Expenses: Budget-to-Actual Variances FY19 YTD Comparison to FY18 YTD (October-December)

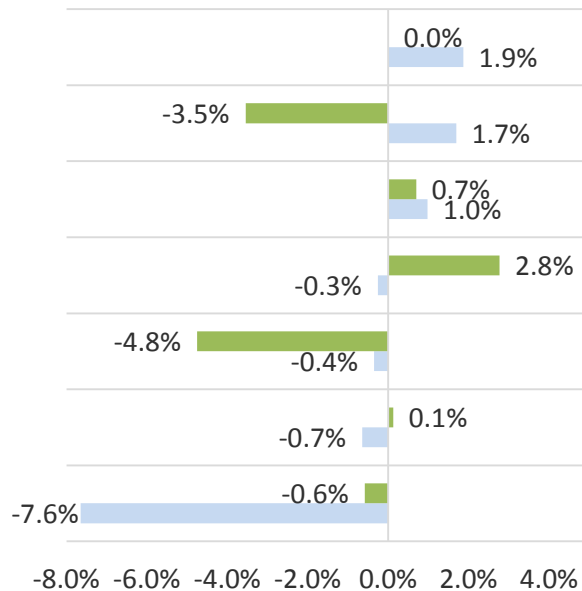
	Actual FY18 YTD	Actual FY19 YTD	Actual 18 YTD to Actual 19 YTD % Change
Brattleboro	\$21,394,130	\$21,632,719	1.1%
Central Vermont	\$53,552,571	\$55,726,341	4.1%
Copley	\$17,803,476	\$17,743,071	-0.3%
Gifford	\$14,677,363	\$12,778,562	-12.9%
Grace Cottage	\$4,878,162	\$5,064,576	3.8%
Mount Ascutney	\$13,237,944	\$13,964,992	5.5%
North Country	\$20,319,292	\$22,095,580	8.7%
Northeastern	\$19,866,293	\$20,896,860	5.2%
Northwestern	\$27,538,520	\$29,835,149	8.3%
Porter	\$20,290,586	\$21,208,812	4.5%
Rutland Regional	\$65,640,591	\$68,925,729	5.0%
Southwestern	\$39,921,553	\$40,608,743	1.7%
Springfield	\$14,958,580	-	-
UVMCC	\$323,414,564	\$343,193,546	6.1%
SYSTEM	\$657,493,626	\$673,674,680	2.5%

Operating Expenses: Budget-to-Actual Variances

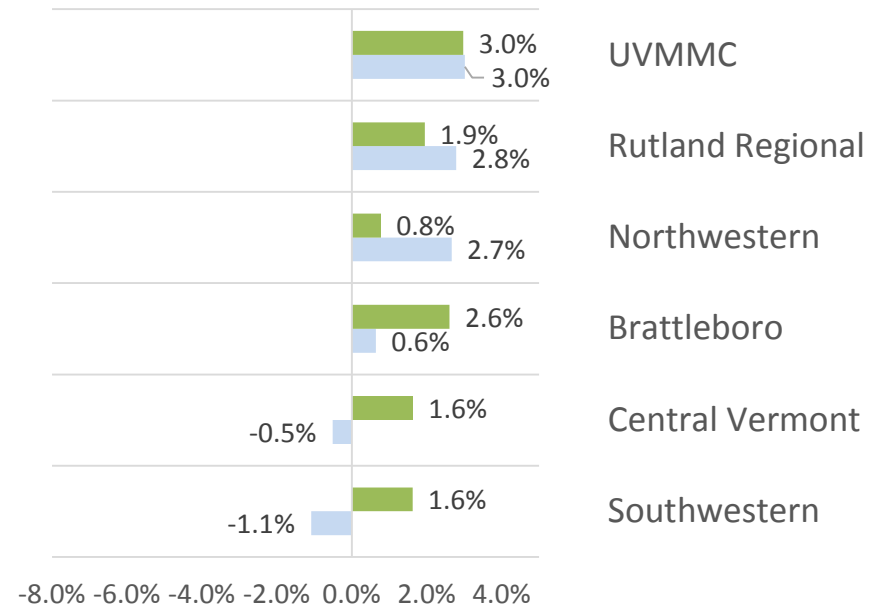
FY19 YTD Comparison to FY18 YTD (October-December)

The chart below demonstrate data from the previous slides, broken down by hospital type. Averages are weighted against a hospital's approved FY18 and FY19 Operating Expenses budget.

Critical Access Hospitals (CAH)



Prospective Payment Hospitals (PPS)



■ Variance FY18 YTD (through December) ■ Variance FY19 YTD (through December)

Springfield did not submit FY19 data

Operating Expenses Weighted Averages	FY18 YTD	FY19 YTD
Critical Access Hospitals	-0.4%	-0.4%
Fixed Prospective Payment Hospitals	2.5%	2.2%

Operating Expenses: Hospital Narrative on Budget-to-Actual Variance FY19 YTD (October-December)

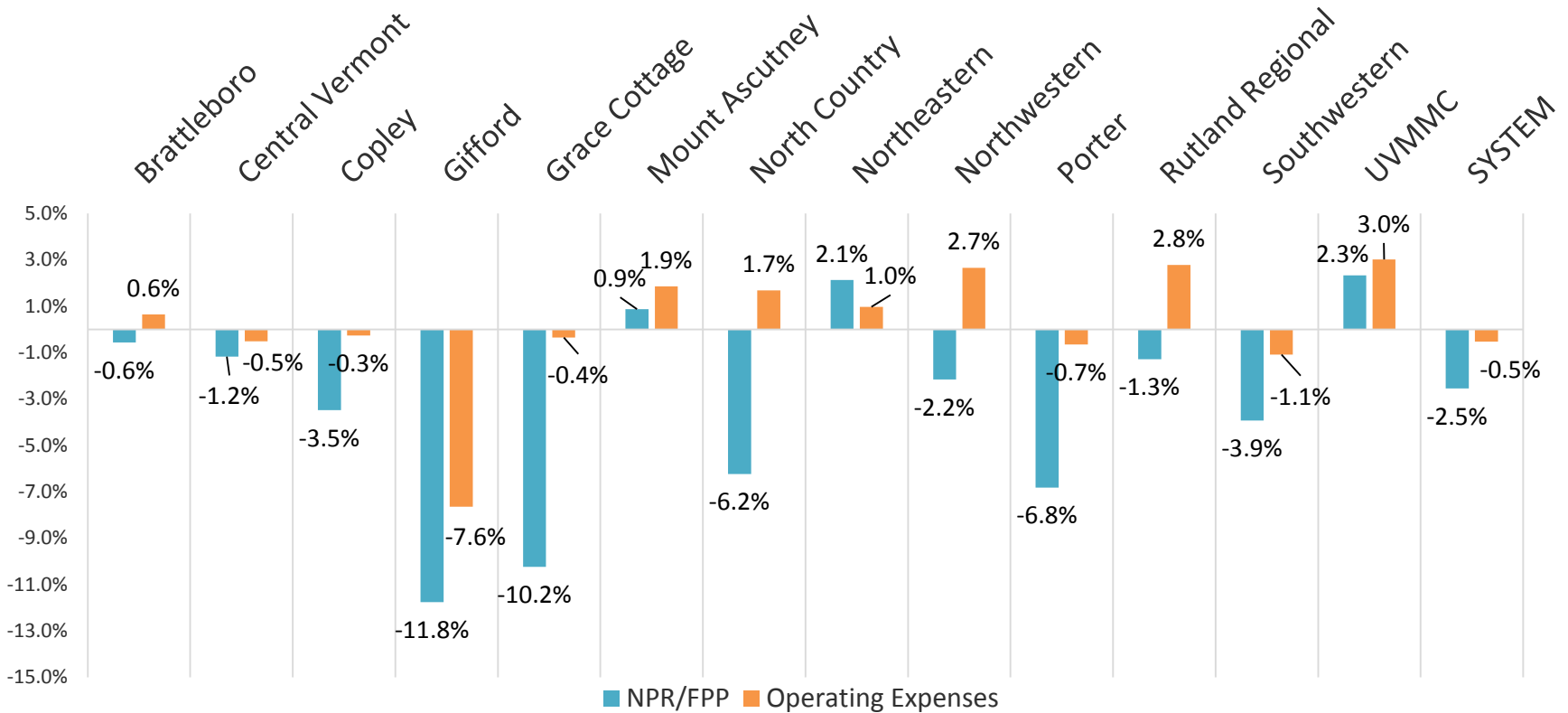
Hospital	Variance Explanation
Brattleboro	<p>Overall operating expenses were 0.6% under budget. Labor related expenses were 0.1% over budget largely due to continuing need to utilize contract temps.</p> <p>Non Labor related expenses were 2.8 % over budget. Heating oil and electricity (approx. \$77K) and reference lab fees (approx. \$89K) were some of the larger variances to date. Depreciation, interest and provider taxes were 8.2% under budget.</p>
Central Vermont Medical Center	<p>There is a (6.4%) variance in the Bad Debt expense, as we have reclassified the Collection Expense to Other Expenses instead of Bad Debt. This change was suggested by our Auditors, and will slightly increase our Net Revenue and our Operating Expenses.</p>
Mount Ascutney	<p>Within variance guidelines. Our continued focus on strong expense management and fiscal responsibility has helped us maintain costs within variance guidelines despite revenue growth.</p>
Northeastern	<p>The NVRH budget has not been adjusted for the revenues and expenses associated with the acquisition of a physical therapy practice on December 1st. Also, NVRH has spent more on locum tenens coverage during the first 3 months than the amount budgeted for the year. This trend will likely continue and create higher than budgeted expenses for the year.</p>

Operating Expenses: Hospital Narrative on Budget-to-Actual Variance FY19 YTD (October-December)

Hospital	Variance Explanation
Rutland Regional	<p>Fiscal 2019 year to date expenses are running over budget by \$2.2 million or 3.3%. This overage is driven, in large part, by the continued need for temporary staff FTEs and increased physician salaries related to recruitment and ongoing contractual obligations with physicians. In addition, we continue to see increased in pharmaceutical cost. These overruns were offset slightly by a continued decline in the number of claims against our self-insured health insurance policy. Please note our 2019 Projected Net Operating Revenue is forecasted to be \$1.5 million less than budget. To date the RRMCM Management Team is working on efficiency plans and cost reductions to offset any negative deficit in the operating margin.</p>
Southwestern	<p>Salaries and benefit cost are over budget by approximately \$460,000 or 2.85% for the first three months due to higher FTE's than planned and higher claim volume in the self-funded health insurance program. These negative variances are being offset by positive expense variances in purchased services and other expenses.</p>
UVMHC	<p>3.0% unfavorable, within limit. Key drivers are higher staffing due to census, Purchased Services and Other Expense.</p>

Summary: NPR/FPP and Operating Expenses Budget-to-Actual Variances FY19 YTD (October-December)

FY19 YTD NPR/FPP and Operating Expenses variances from previous slides shown side-by-side, by hospital.



Springfield did not submit FY19 data