



Rutland Regional Medical Center

An Affiliate of Rutland Regional Health Services

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January 31, 2018

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, 2017. As we discussed, RRMC's audited financial statements will not be available until late February. We will send an electronic copy of RRMC's fiscal year 2017 audit report as soon as it becomes available.

Utilization

Fiscal year 2017 actual Gross Patient Service Revenue (GPSR) was over budget by \$10.6 million or 2.1%.

Overall, inpatient routine revenue was over budget by \$3.3 million. Total admissions were over budget by 208, or 3.2% and patient days were over budget 3% or 933 days. RRMC's actual average length of stay of 4.66 was close to the 2017 budget of 4.67.

Outpatient routine service revenue was relatively close to budget ending the year with a positive variance of \$456,000. This variance was driven, in large part, by increased Endoscopy Service revenue having a positive variance of \$987,000 offset by our clinic revenue which is also reported in this category. Clinic revenue for the year was \$343,000 under budgeted expectations.

Inpatient ancillary services revenue was over budget by \$4.7 million. Pharmaceutical revenue was over budget \$1.5 million and Inhalation Therapy was over budget \$1.2 million. Increased surgical service volume (including supplies) drove a positive variance of \$908,000. Additionally, we experienced increased utilization in our Emergency Department resulting in a \$890,000 positive variance.

Outpatient ancillary was over budget \$2.2 million. Emergency Department visits were over budget 2,314 resulting in a positive revenue variance of \$1.6 million, Pharmaceutical revenue was over by \$2.3 million. Laboratory Services, specifically

Reference Lab and Chemistry, experienced increased volume during Fiscal 2017. In total Laboratory services were over budget \$1.6 million. Offsetting these positive variances was a decline in Sleep Center services due to the fact that we budgeted for an Advanced Practice Provider that was never hired. Sleep Center revenue was under budget by \$1.3 million for the year. Radiation Therapy saw a decrease in utilization resulting in revenue being under budget nearly \$1.0 million.

Net Patient Revenue

Year to date our Net Patient Service Revenue is running under budget by \$1.2 million. Our budget was set at 3% to comply with guidelines set by the Green Mountain Care Board. For the year we fell short of that by .58%. This short fall is the direct result of the increased need for contractual allowances. Drivers of this increase include increased volume resulting in more contractals, payment policy changes from Blue Cross Blue Shield, allocation of physician and facility revenue and the increased provision for uninsured patients. These combined resulted in an additional \$11.8 million in total allowances for the year.

NPR	Amount	% over/under
FY 17 Approved Budget	\$ 243,415,000	
Gross Patient Service Revenue	\$ 10,614,000	
Blue Cross payment changes	\$ (3,600,000)	
Free Care/Bad Debt Utilization	\$ (2,614,000)	
State and Federal Payment Programs	\$ (1,601,000)	
Prior Authorization denials	\$ (1,300,000)	
State Psychiatric Program	\$ (1,265,000)	
Medicaid DPS	\$ (456,000)	
FY 17 Actual Results	\$ 242,193,000	-0.58%

Other Operating Revenue

Other Operating Revenue was over budget by \$1.1 million or 9.7%. Grant Income was over budget by \$500,000 and our 340b program was over budget by \$1.0 million.

Staffing and Productivity

There were 1,265 non-physician FTEs for FY 2017. This was a decrease of 18.7 FTEs, or 1%, under budget.

Both productivity measures (FTEs per Adjusted Discharges and FTEs per Adjusted Occupied Bed) for actual 2017 were under budget. FTEs per Adjusted Discharges were 7.1 actual with a budget of 7.4. Adjusted Occupied Beds were 5.4 actual with a budget of 5.6.

Operating Expenses

Total operating expenses were over budget by \$1.8 million or .7%. The largest variances are:

- Salaries (Non-MD) are under budget by \$1.0 million – related to FTEs under budget.
- Fringe Benefits are under budget by \$3.7 million – Health Insurance made up this variance
- Physician Fees Salaries and Contracts are over budget by \$2.1 million – vacancies in Psych and the Emergency Department resulting in additional locums coverage that was not budgeted
- Other Operating Expenses are over budget by \$4.6 million – Contracted Staff FTEs were over budget 28.7 resulting in additional expense of \$4.2 million

Expenses	Amount	% over/under
FY 17 Approved Budget	\$ 248,328,291	
Physician Salary and Fees	\$ 2,136,552	7.13%
Other Salaries	\$ (1,005,066)	-1.22%
Supply & Expense	\$ 438,957	0.50%
Contract Staffing	\$ 4,200,000	72.41%
Fringe Benefits	\$ (3,700,000)	-12.60%
Medicaid Tax Assessment	\$ 291,893	2.03%
Depreciation	\$ (377,334)	-2.87%
Interest	\$ (199,880)	-11.43%
FY 17 Actual Results	\$ 250,113,413	0.72%

Non-Operating Revenue

Non-operating revenue was over budget by \$9.0 million. The increase was driven by an increased return on assets of 6.9%.

Operating Margin

RRMC Operating Margin Actual 2017 was 1.6% against a budget of 2.4%.

Investment in Health Care Activities

RRMCs Healthcare Reform for FY 2017 includes the following:

- **Case Management in the Emergency Room** – Fully staffed 7 days/week with RN Case Managers. The RN case managers screen all patients and see those patients who meet the risk stratification criteria which has been developed.
- **Case Management for Transfers of Care from inpatient care to home** – The Transitional Care Program is up and running. We have 1 transitional care RN and are currently recruiting a second one.
- **Blue Print and Patient Navigators** – RRMC’s investment over and above grant funded proceeds.
- **Medication Management** – The Emergency Department component of the Medication Management program is fully operational. The Pharmacist piece will be live in early Fiscal 2018.
- **Clinical Social Workers in Specialty Offices** – RRMC currently has social workers in the Foley Cancer Center, Rutland Heart Center, Women’s Health and the Multi-specialty Clinics.

Statement of Cash Flows

The Statement of Cash Flows in the ACT17H40 file is reporting a \$12,090,469 change in fund balance less net income. This change is related to the following:

Change in Funded Status of Defined Benefit Pension Plan	\$12,022,283
Change in Retiree Health Benefit Liability	\$68,186
	<u>\$12,090,469</u>

Please feel free to call me if you have any questions or concerns regarding information relative to our 2017 performance and the binding budget process.

Sincerely,



Judi Fox
Chief Financial Officer