

Northwestern Vermont Medical Center: Budget Modification Request

Revised April 30, 2020

Northwestern Vermont Medical Center: Request for Budget Modification



- NMC submitted request on April 1, 2020
- NMC’s Board authorized request on March 31, 2020
- Requesting a 14.9% increase in addition to approved 5.9% change in charge (rate) to Gross Charges resulting in a compounding (1.149 x 1.059 = 1.217) 21.7%.
 - Effective May 1st
 - 1.0% value = \$610,112 of NPR
 - Total Gross Revenue impact is \$32.4 million for a full year; partial year \$13.6 million
 - NPR/FPP impact \$9.0 million for a full year; partial year is \$3.7 million

Net Patient Revenue/Fixed Prospective Payment		
FY2020 Approved	FY2020 Projection without Amendment	FY2020 Projection with Amendment
\$116.9 million	\$108.4 million	\$112.2 million

- Reason for Request
 - Offset negative impact of reduced physician practices and related ancillary volume due to EHR; increased cost of patient care staff

Northwestern Vermont Medical Center: Additional Information



In response to questions from GMCB staff, NMC provided the following additional information:

- NMC will be speaking soon with their commercial payers and will provide an update asap.
- Contingency if not approved- Pressure to reduce services that require subsidies
- EHR contract- no grounds for legal recourse
- Adjusted request matches budget utilization and expenses, does not support budget projections NMC will reconcile at FY21 budget submission
- Preliminary COVID-19 impact for April- 55% reduction in gross revenues (note- this request is not related to COVID-19).

Northwestern Vermont Medical Center: Request for Budget Modification



INCOME STATEMENT	2019 A Due 1/31/20 in Adaptive	2020 B	2020 YTD	2020 PROJ	2020 Mid Year Request
Revenues					
Gross Patient Care Revenue	\$210,917,710	\$223,749,944	\$ 92,430,784	\$ 218,787,875	\$ 232,381,752
Disproportionate Share Payments	\$942,501	\$934,355	\$ 390,148	\$ 934,355	\$ 934,355
Bad Debt	-\$6,899,923	-\$7,099,149	\$ (2,089,999)	\$ (5,032,121)	\$ (5,148,289)
Free Care	-\$1,089,453	-\$1,196,174	\$ (242,443)	\$ (820,455)	\$ (871,431.57)
Deductions from Revenue	-\$114,174,877	-\$124,052,177	\$ (53,119,477)	\$ (124,150,920)	\$ (133,850,212)
Net Patient Care Revenue	\$89,695,958	\$92,336,799	\$ 37,369,013	\$ 89,718,734	\$ 93,446,175
Fixed Prospective Payments, Reserves & Other	\$16,833,506	\$24,589,780	\$ 7,801,663	\$ 18,723,991	\$ 18,723,991
Total NPR & FPP	\$106,529,464	\$116,926,579	\$ 45,170,676	\$ 108,442,725	\$ 112,170,166
Other Operating Revenue	\$4,294,653	\$5,213,346	\$ 2,188,772	\$ 5,253,053	\$ 5,213,346
Total Operating Revenue	\$110,824,117	\$122,139,925	\$ 47,359,448	\$ 113,695,778	\$ 117,383,512
Operating Expense	\$119,729,265	\$122,388,212	\$ 51,380,149	\$ 123,310,372	\$ 122,388,212
Net Operating Income	-\$8,905,148	-\$248,287	\$ (4,020,701)	\$ (9,614,594)	\$ (5,004,700)
Non Operating Revenue	\$411,783	\$1,706,318	\$ 657,026	\$ (4,000,000)	\$ 1,706,318
Excess (Deficit) of Rev over Exp	-\$8,493,365	\$1,458,031	-\$3,363,675	-\$13,614,594	-\$3,298,382
Income Statement Metrics					
Operating Margin %	-8.0%	-0.2%	-8.5%	-8.5%	-4.3%
Total Margin %	-7.6%	1.2%	-7.0%	-12.4%	-2.8%

Reasons for Request



To offset the negative impacts:

Description	Dollars	Rate Request
EMR Impact on Volumes	7,038,199	11.5%
Temporary Patient Care Staff	2,029,598	3.3%
Total (Annualized)	9,067,797	14.9%

Annual Value of 1% Rate Change 610,112

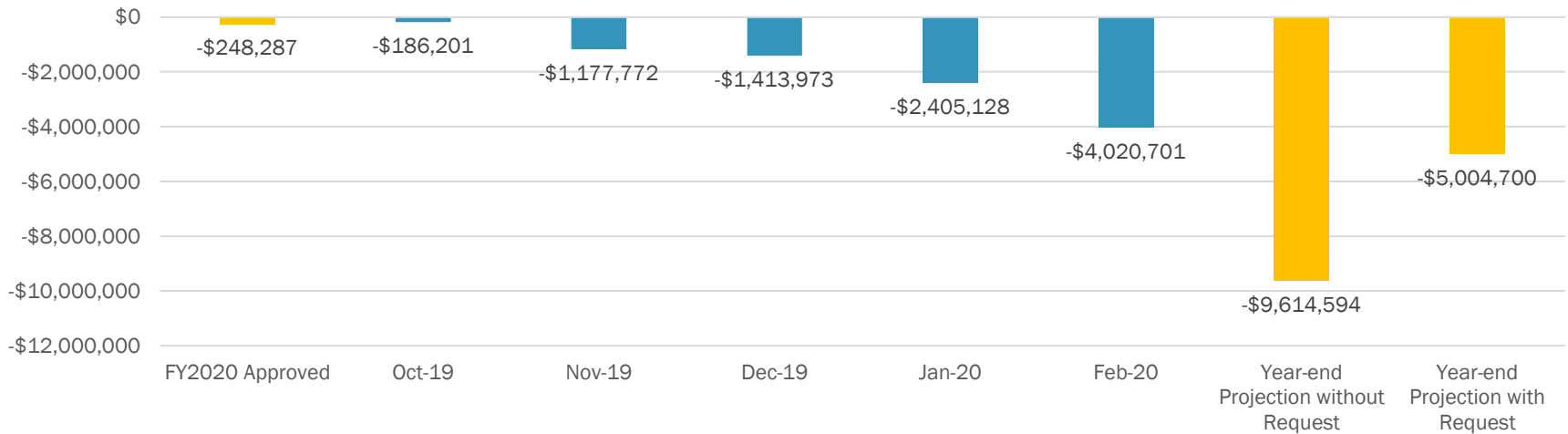
Travelers expenses year or year breakdown:

Fiscal Year	Traveler Expense
FY2016	\$ 412,287
FY2017	\$ 203,907
FY2018	\$ 385,938
FY2019	\$ 690,800
Projected 2020	\$ 2,329,829

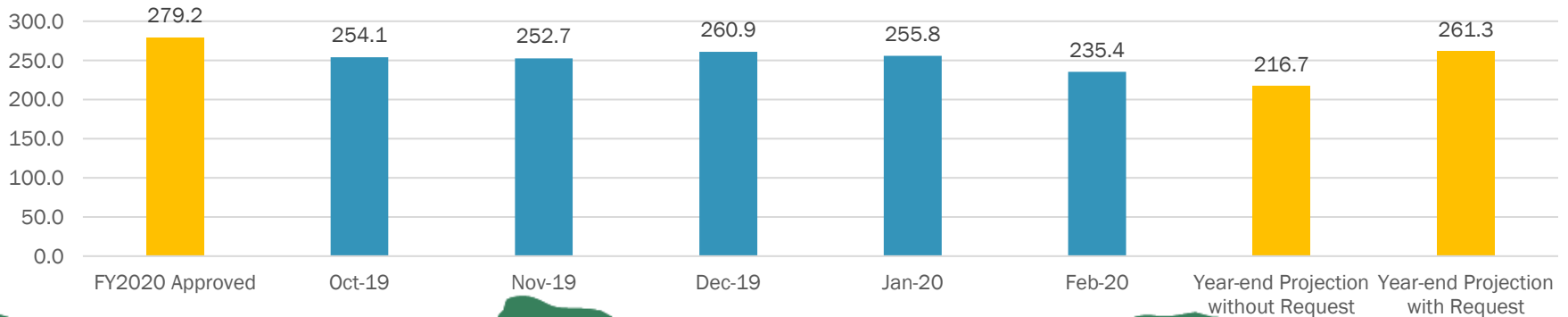
Northwestern Vermont Medical Center: Monthly Year-to-Date as of February



Operating Margin
Year-to-date February



Days Cash on Hand

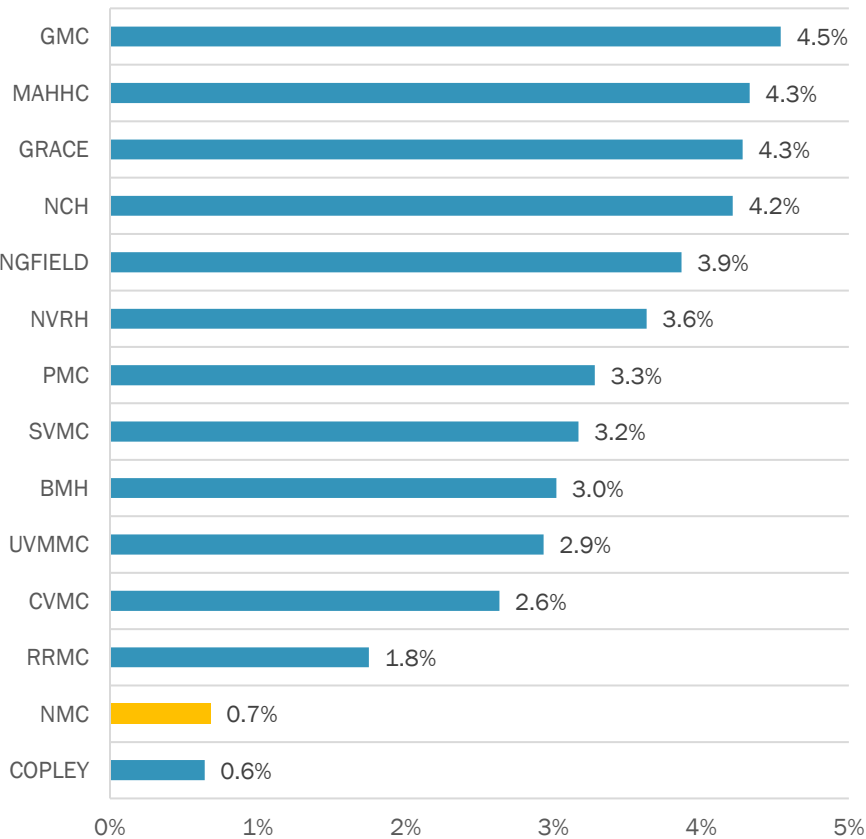


Change in Charge:

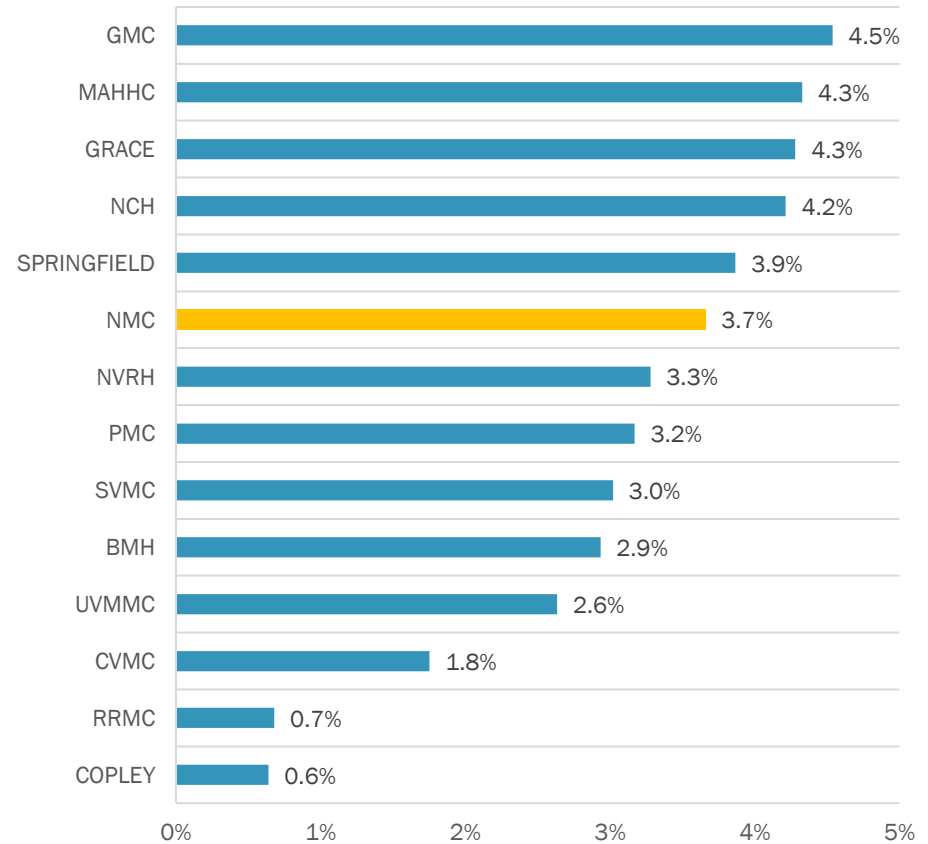
5-year Average -8.0%, 0.0%, 3.5%, 2.0%, and 5.9%



5 Year Average of Approved Rates



5 Year Average of Approved Rates- NMC mid-year request



Change in Charge Request and Alternatives*



<u>NMC Rate Request and Alternatives</u>				
As Requested by NMC: (14.9%)				
	Charge	% of Year	Effective Rate	
Approved 9/2019	5.9%	0.58	3.4%	
Proposed May 1st-Sept. 30th, 2020	21.7%	0.42	9.0%	
		1.00	12.5%	For FY2020
NPR Dollar value of 1% change:	\$ 610,112			
	Full Year Impact		Partial Year Impact	
NPR Added value of change @14.9%	\$ 9,090,669	0.42	\$ 3,787,779	
Operating Margin	\$ 298,190		\$ (5,004,700)	

*Revised from April 29, 2020 presentation – calculations are showing the compounding effect of the increase.

Change in Charge Request and Alternatives*



Alternative #1: (10%)			
	Charge	% of Year	Effective Rate
Approved 9/2019	5.9%	0.58	3.4%
Proposed May 1st-Sept. 30th, 2020	17.5%	0.42	7.3%
		1.00	10.8%
			For FY2020
NPR Dollar value of 1% change:	\$ 610,112		
	Full Year Impact		Partial Year Impact
NPR Added value of change @10.0%	\$ 6,101,120	0.42	\$ 2,542,133
Operating Margin	\$ (2,691,359)		\$ (6,250,345)

Alternative #2: (7.5%: Half of Original Request)			
	Charge	% of Year	Effective Rate
Approved 9/2019	5.9%	0.58	3.4%
Proposed May 1st-Sept. 30th, 2020	13.8%	0.42	5.8%
		1.00	9.2%
			For FY2020
NPR Dollar value of 1% change:	\$ 610,112		
	Full Year Impact		Partial Year Impact
NPR Added value of change @7.5%	\$ 4,575,840	0.42	\$ 1,906,600
Operating Margin	\$ (4,216,639)		\$ (6,885,879)

Alternative #3: (5%)			
	Charge	% of Year	Effective Rate
Approved 9/2019	5.9%	0.58	3.4%
Proposed May 1st-Sept. 30th, 2020	11.2%	0.42	4.7%
		1.00	8.1%
			For FY2020
NPR Dollar value of 1% change:	\$ 610,112		
	Full Year Impact		Partial Year Impact
NPR Added value of change @5.0%	\$ 3,050,560	0.42	\$ 1,271,067
Operating Margin	\$ (5,741,919)		\$ (7,521,412)

Alternative #4: (3%)			
	Charge	% of Year	Effective Rate
Approved 9/2019	5.9%	0.58	3.4%
Proposed May 1st-Sept. 30th, 2020	9.1%	0.42	3.8%
		1.00	7.2%
			For FY2020
NPR Dollar value of 1% change:	\$ 610,112		
	Full Year Impact		Partial Year Impact
NPR Added value of change @3.0%	\$ 1,830,336	0.42	\$ 762,640
Operating Margin	\$ (6,962,143)		\$ (8,029,839)

*Revised from April 29, 2020 presentation – calculations are showing the compounding effect of the increase.

Next Steps

- Northwestern Vermont Medical Center to present request to GMCB.
- Board Discussion
- Public Comment
- Vote