

North Country Hospital 2017 Fiscal Year Narrative on Financial Performance

Patient Revenue

In FY 2017, we realized significantly lower than anticipated gross revenue. While inpatient services were slightly over budget, outpatient services were significantly under budget. The total gross revenue deficit was \$7,680,810.

Inpatient Revenues – The total Inpatient gross revenue surplus was \$292,903. Intensive care was significantly under budget, while surgical services, respiratory care, and laboratory were over budget.

Outpatient Revenues – The total Hospital Outpatient gross revenue was significantly under budget by \$7,073,131. Most outpatient areas did not meet budgeted revenues. Specific areas significantly under budget were Surgical Services, Respiratory Care, Oncology, Pharmacy, and Diagnostic Radiology. Oncology and Pharmacy were significantly under budget due to the discontinuation of our Chemotherapy program in April 2017.

Physician Practice Revenues – Total Practice gross revenues were \$900,582 under budget. Key areas that were significantly under budget were Orthopedics, Psychiatry, Pediatrics, and Surgical Services.

Net Revenues – Total Patient Net Revenues were below target by \$4,254,053. This was due mainly to the shortfall in outpatient revenue. Our patient net revenue ended the year at 42.6% of gross compared to budgeted net revenue of 43.2% of gross.

Meaningful Use Revenue – There was no budget for Meaningful Use Revenue however, the actual total received was \$255,000.

Other Operating Revenue – Total Other Operating Revenue was slightly under budget by \$107,723 for 2017.

Operating Expenses - Total Operating Expenses were under budget by \$1,173,879. Expense categories contributing significantly to the positive variance to budget were contract services, pharmacy drugs, and travel and education. Pharmacy drugs had the largest positive variance of \$1,856,622. Locum tenens had a significant negative variance of \$1,413,527.

Non-Operating Revenue – Non-Operating Revenue exceeded budget by \$664,359 of which Non-Operating Realized gains were \$645,034 over budget while Unrealized gains exceeded budget by \$2,797,370 due to higher than expected performance of the investment market.