



Brattleboro Memorial Hospital
EXCEPTIONAL CARE FOR OUR COMMUNITY

January 31, 2019

Pat Jones, Director of Health Systems Finance
Green Mountain Care Board
144 State Street
Montpelier, Vermont 05602

Dear Pat,

The following narrative refers to Brattleboro Memorial Hospital's operating results for FY2018.

Gross revenues from Patient Services were 4.6% less than budgeted.

	Actual FY2018	Budget 2018	variance	
Gross Revenues	158,812,615	169,571,693	(10,759,078)	-6.3%
deductions				
DSH	539,206	517,313	21,893	4.2%
Allowances	(82,781,526)	(86,496,487)	3,714,961	-4.3%
Bad Debt & Free Care	<u>(6,474,285)</u>	<u>(4,713,086)</u>	(1,761,199)	37.4%
total deductions	(88,716,605)	(90,692,260)	1,975,655	-2.2%
Net Patient Service Revenue	70,096,010	78,879,433	(8,783,423)	-11.1%
Fixed Prospective Payments	7505725	0	7,505,725	na
Total NPR & FPP	77,601,735	78,879,433	(1,277,698)	-1.6%

Decline in gross revenues resulted from a delay in implementing the approved rate increase, lower patient volumes during the Cerner conversion and the loss of physician coverage in our community.

Medicare reimbursement was higher than budgeted.

	Actual FY2018	Budget 2018	variance	
Medicare Revenues	73,820,462	74,238,058	(417,596)	-0.6%
Allowances	(44,304,960)	(47,766,386)	3,461,426	-7.2%
Medicare FPP	5,366,759	0	5,366,759	#DIV/0!
Medicare Net	34,882,261	26,471,672	8,410,589	31.8%
Net to gross	47.3%	35.7%		

Medicaid reimbursement was better than budgeted, even after accounting for VT DSH and provider tax.

	Actual FY2018	Budget 2018	variance	
Medicaid Revenues	28,897,431	33,877,581	(4,980,150)	-14.7%
DSH	539,206	517,313	21,893	4.2%
Allowances	(21,030,068)	(24,016,028)	2,985,960	-12.4%
Medicaid FPP	<u>2,116,678</u>	<u>0</u>	<u>2,116,678</u>	#DIV/0!
Net Patient Service Revenue	10,523,247	10,378,866	144,381	1.4%
less provider tax	(4,541,687)	(4,500,295)	(41,392)	0.9%
Medicaid net of taxes	5,981,560	5,878,571	102,989	1.8%
net to gross	20.7%	17.4%	3.3%	19.3%

Net revenues from all other payors were less than budgeted levels due to the late application of the allowed rate increase, lower volume and unfavorable Bad Debt and Free Care deductions. This bad debt variance is related to the conversion difficulties experienced in the Cerner implementation and the resulting higher and older balances of accounts receivable.

	Actual FY2018	Budget 2018	variance	
All Other Patient Revenues	56,094,722	61,456,054	(5,361,332)	-8.7%
Allowances	(17,446,498)	(14,714,073)	(2,732,425)	18.6%
Other FPP	22,288	0		
Bad Debt & Free Care	(6,474,285)	(4,713,086)	(1,761,199)	37.4%
All other Net	32,196,227	42,028,895	(9,832,668)	-23.4%
net to gross	57.4%	68.4%		

Operating expenses were \$307,366 (0.37%) over budget for the year.

	Operating expenses	% (over) under
FY2018 Approved Budget	83,398,416	
Wages & Fringes	570,007	0.68% Favorable
Temp RNs	(1,055,536)	-1.27% Unfavorable
Depreciation & Interest	(599,849)	-0.72% Unfavorable
Provider tax	(41,392)	-0.05% Unfavorable
other favorable variances	1,434,136	1.72% Other cost containment efforts
FY 2018 Actual Operating Expenses	83,705,782	0.37%

- Contract temporary labor in our ER and nursing units cost \$1.1 million more than budgeted in FY2018.
- Depreciation and interest were over by almost \$600 thousand due to an error in the FY2018 budget model.

The operating loss was \$1,924,958 compared to a budgeted loss of \$963,130. This represents an operating margin of -2.4% compared to a budgeted operating margin of -1.2%. Taken over a 5 year period, our average operating margin is 0.0%, below most accepted benchmarks for a sustainable margin.

	Actual FY2018	Actual FY2017	Actual FY2016	Actual FY2015	Actual FY2014	5 Year cumulative
Net Operating Revenue	81,780,824	78,865,697	75,599,996	78,669,021	75,309,784	390,225,322
Operating gain (loss)	(1,924,958)	(2,437,208)	(437,373)	2,195,878	2,697,579	93,918
net margin	(2.4%)	(3.1%)	(0.6%)	2.8%	3.6%	0.0%

Non Operating income:

Investment income of \$2.6 million helped to make the total excess of revenue over expenses a positive number. Our parent company transferred \$132,397 to BMH. Most of these funds represent the collection of community pledges in support of our Emergency Department project which was completed 4 years ago.

Pat, please give me a call if you have any questions.

Sincerely,



Michael O. Rogers
Vice President - Financial Reporting
(802) 257-8379