



# Achieving a Healthier Future

**Northwestern Medical Center's  
Fiscal Year 2018 and YTD 2019 Financial Update  
To the Green Mountain Care Board**

**April 8, 2019**

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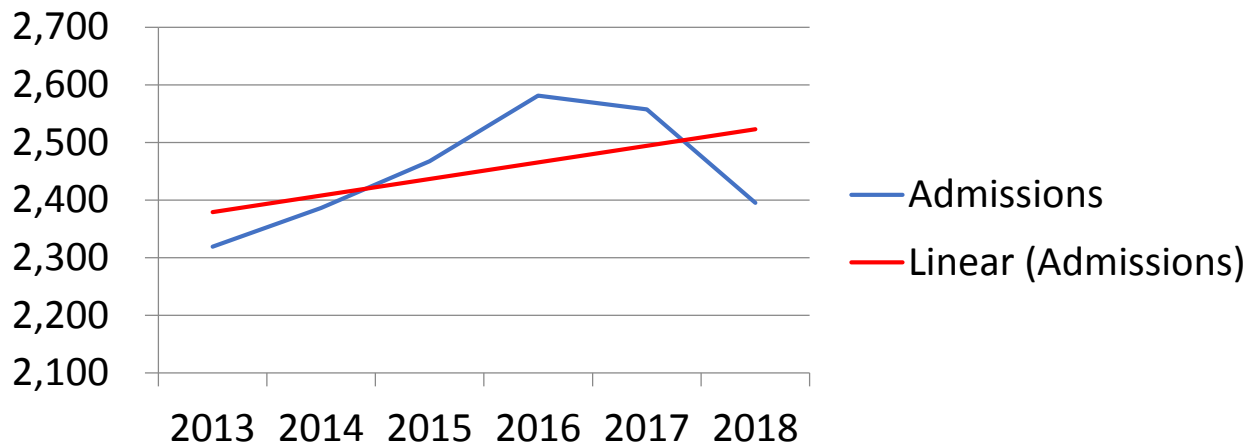


# Topics to Discuss:

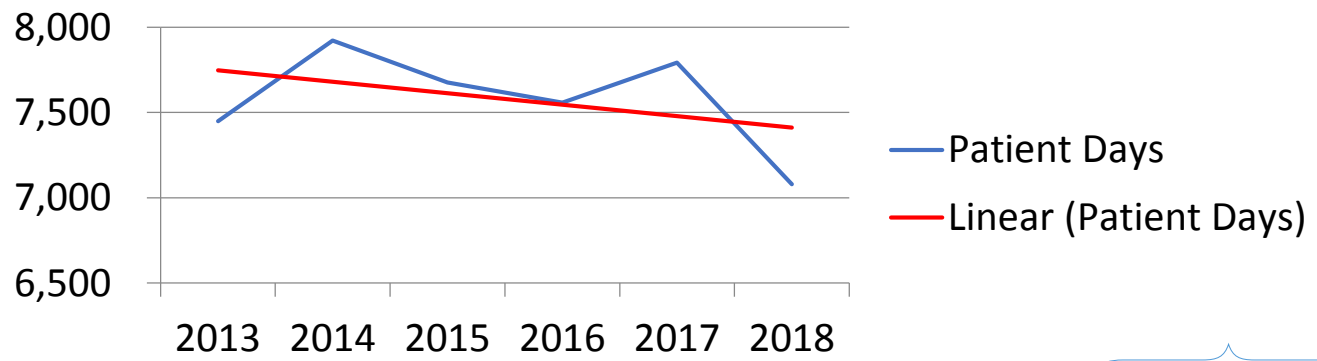
- Drivers of the NPR/FPP variance
  - Key volume trends
  - Bad debt increases
- Drivers of operating margin variance
  - NPR variance combined with expense challenges; salary and benefit expense due to wage pressures and physician expenses including locum tenens
- Actions to meet FY 2019 budget
  - Operational improvement plan
- Year-do-date results, as of February 28, 2019
  - NPR running below budget (1.7%) with continued increase in bad debt write offs and wage pressures
- FY 2019 forecast for NPR/FPP and operating margin
  - NPR will be close to budget
  - Operating margin breakeven by fiscal year end

# Drivers of the NPR/FPP variance

## Admissions

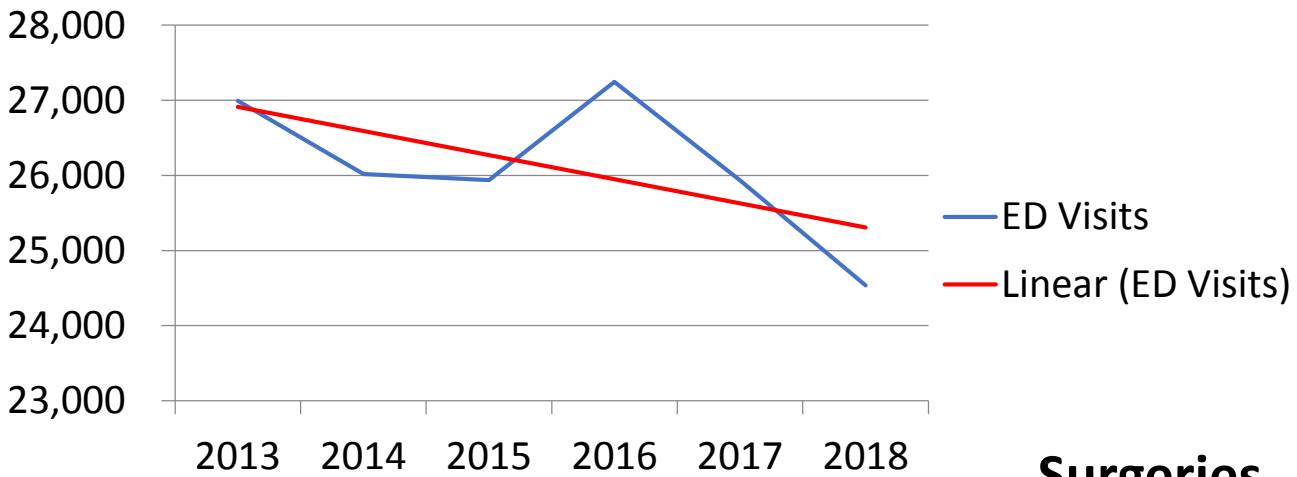


## Patient Days

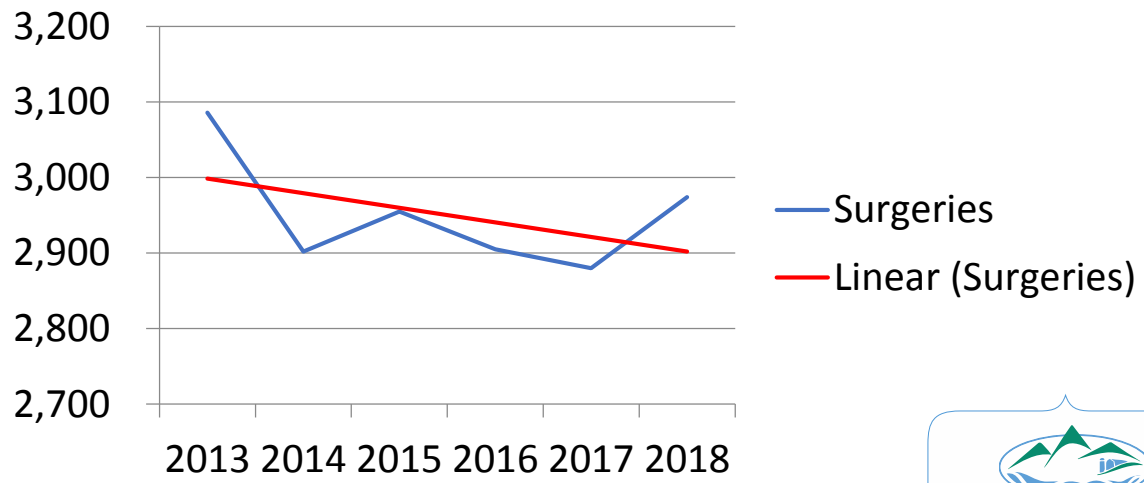


# Drivers of the NPR/FPP variance

### ED Visits

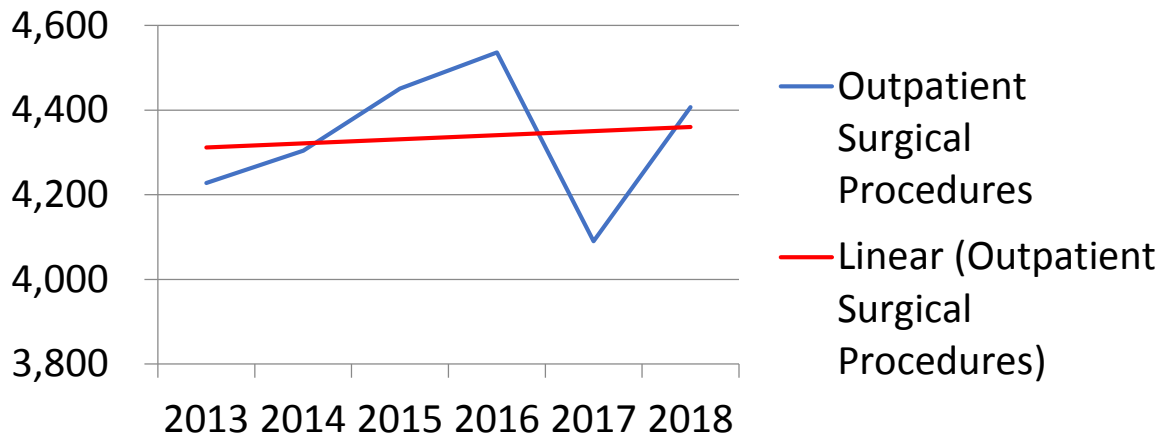


### Surgeries

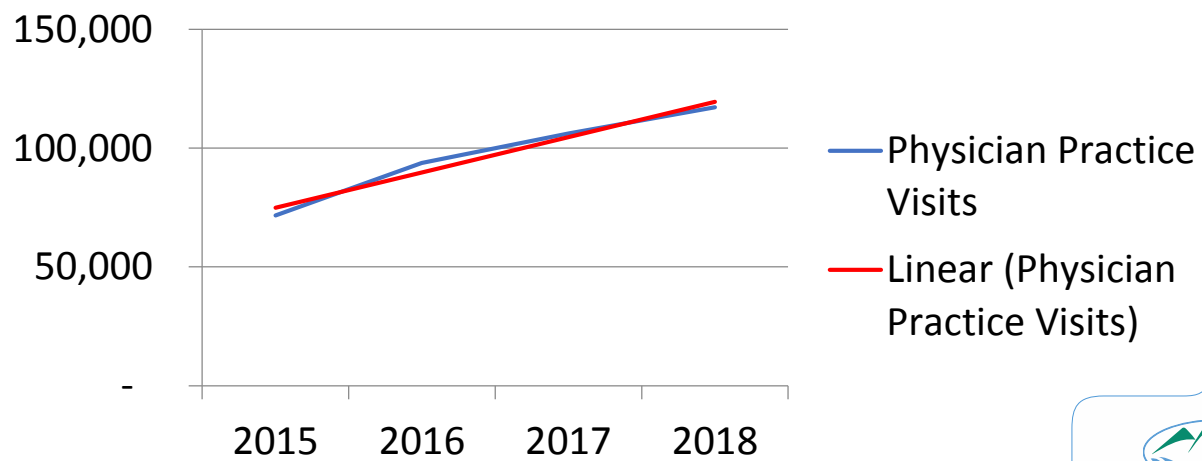


# Drivers of the NPR/FPP variance

## Outpatient Surgical Procedures



## Physician Practice Visits



# Drivers of 2018 Operating Margin Variance

- Volume reductions previously discussed
  - \$5.5 million
- Increase in bad debt write offs
  - \$768,000 (3.2% vs budget of 2.7%)
- Operating expenses
  - Salary and benefits (non MD)
    - \$1.3 million
  - Locum tenens
    - \$1.5 million

# Actions to Meet FY 2019 Budget

- NPR/FPP running closer to budget
  - Potential impacts of physician transfers, change in ortho providers, and system implementations.
- Operational Improvement Plan
  - Identified expense reductions and/or revenue capture opportunities of \$2.8 million in FY 2019
    - Contract Related Initiatives - \$645,000
    - Supply and Operational Initiatives - \$204,000
    - Revenue Capture Initiatives - \$753,000
    - Position Reductions - \$1 million (27.5 FTEs)
    - Program Related and Other - \$200,000



# Year-to-date 2019 Results

- NPR/FPP running closer to budget
  - Within 1.7% of budget through February of 2019 with the majority of the variance in bad debt write offs (3.2% vs budget of 2.7%).
- Expenses continue to be a challenge
  - Salaries and benefits are the largest expense variance and the largest area of focus on the operational improvement plan discussed above.
- Result is a year-to-date operating margin of (2.6%).





# 2019 Forecast for NPR/FPP and Operating Margin

- NPR/FPP projection for 2019 is to be under budget by (0.7%).
  - Largest variance will be the transition of our dermatology practice from hospital owned to independent.
- Implementation of the operational improvement plan projects an operating margin between 0-1%.
- Rebasing at this time is not necessary for NMC.

# Looking Ahead FY 2020 and Beyond

- NMC just completed a community health needs assessment
- Top priorities include:
  - Mental Health
  - Substance Abuse
  - Obesity
  - Suicide
  - Domestic Violence & Sexual Assault
  - Food Insecurity
  - Tobacco Use & Vaping



# Looking Ahead FY 2020 and Beyond

- Mapping a path to a healthier future for all
  - Launching our strategic planning process this month
    - Building on the Community Health Needs Assessment
    - Engaging all aspects of NMC – Board, Management, Staff, Medical Staff
    - Involving our partners, community leaders, national experts
  - Mapping our future – Changing the Big Blue H from “Hospital” to “Health”
    - How do we continue to meet evolving community need?
    - How do we transform from fee-for-service to capitation?
    - How do we stay sustainable while investing in the future?



# Questions?

