

# The University of Vermont Medical Center

Fiscal Year 2019 Budget Analysis

Report Date: 7/30/2018

**HIGH-LEVEL OBSERVATIONS:**

1. The GMCB approved a rebase of UVMHC's Net Patient Revenue (NPR) for calculating the NPR growth rate from FY2018 to FY2019. However, no other financial metrics were rebased accordingly. As a result, there are limitations in comparing FY2018 Budget to FY2019 Budget for those other metrics; it may be more useful to compare FY2018 Projections to FY2019 Budget.
2. UVMHC made adjustments (i.e., increases) to the rebased FY2018 NPR for ACO accounting changes that resulted in a lower NPR growth rate in the narrative. This staff analysis reflects the board-approved FY2018 base, not the UVMHC-adjusted base.

**QUESTIONS:**

1. The GMCB directed UVMHC to invest \$21 million for mental health inpatient capacity to address the overage in FY2017 NPR. Where are these funds recorded or reserved in the financials?
2. Have the hospital's projections for FY2018 changed?
3. Please verify the hospital's Days Cash on Hand (DCOH) for the FY2019 Budget. The narrative indicates that DCOH would decline, given expenditures for the Miller Building and EPIC project commitments. Does the 192.4 DCOH estimate in the FY2019 Budget submission include the impact of those projects?
4. Are the Tilley Drive property lease versus purchase transactions reflected in the budget? If so, where?
5. Please provide more specificity about what is included in Non-Operating Revenue for FY2017 Actuals, FY2018 Budget, FY2018 Projections, and FY2019 Budget, and explain the variation from year to year.
6. Please provide more specificity about what is included in Other Operating Expense (including expenses related to the Miller Building and EPIC CONs) for FY2017 Actuals, FY2018 Budget FY2018 Projections, and FY2019 Budget, and explain the variation from year to year.
7. How does UVMHC plan to offset expenses incurred to cover costs related to the nurses' labor dispute, as well as expense increases resulting from settlement of the dispute?
8. The narrative indicates that Bad Debt and Free Care continue to increase; please explain factors in the increase, including policy changes if any.
9. There are 31 budgeted FTEs for the Miller Building and the EPIC project; please explain the need for additional FTEs.
10. UVMHC projects no travelers for FY2019; please explain why this is believed to be realistic.
11. "Salaries non-MD" and "Fringe Benefits Non-MD" both show increases for FY2019 Budget over FY2018. "Salary per FTE – Non-MD" and "Salary & Benefits per FTE – Non-MD" are budgeted to be slightly less than FY2018 Projections. Please explain whether the decline related to the savings mentioned in the narrative and/or other factors.
12. Long-term debt is budgeted to decrease; does this reflect the EPIC project and Tilley Drive mortgages and/or other factors? Are the mortgages included in liabilities?
13. Please explain in more detail why EPIC implementation and Via Oncology should be considered Health Reform Investments.
14. Please clarify whether the health reform investment of \$7,300,000 for the "Network EPIC Implementation" is included in the CON (Docket No. GMCB-001-17con) approved by the Board on January 5, 2018 for the replacement of the EPIC electronic health record and related health information technology systems at four UVM Health Network hospitals. If not included, please explain.
15. Please provide more detail on the "cost-cutting and non-patient revenue opportunities" referenced on page 28 of the hospital's narrative.
16. Please complete the table that has been provided to clarify accounting of ACO-related revenue and expenses.

**FY2018 BUDGET FOR NPR HAS BEEN REBASED, ALL OTHER ACCOUNTS HAVE NOT BEEN REBASED**

INCOME STATEMENT	FY2015A	FY2016A	FY2017A	FY2018B	Rebased		2018B - 2019B	2018 Rebased -	2018P - 2019B
					FY2018B	FY2018P	FY2019B	% Chg	2019B % Chg
<b>Revenues</b>									
Gross Patient Care Revenue	2,475,195,109	2,529,488,342	2,648,146,194	2,630,800,332		2,700,220,257	2,785,724,814	5.9%	3.2%
Disproportionate Share Payments	15,880,155	18,724,391	17,474,390	13,724,391		12,941,391	10,592,241	-22.8%	-18.2%
Bad Debt	(19,610,271)	(22,610,131)	(24,522,185)	(23,521,029)		(27,350,643)	(28,834,737)	22.6%	5.4%
Free Care	(11,643,918)	(13,430,399)	(17,770,112)	(15,623,425)		(22,240,887)	(20,131,012)	28.9%	-9.5%
Deductions from Revenue	(1,374,463,409)	(1,385,625,548)	(1,460,165,745)	(1,588,572,821)		(1,547,599,604)	(1,696,738,531)	6.8%	9.6%
Graduate Medical Education	30,000,000	30,000,000	29,445,510	30,000,000		30,000,000	30,000,000	0.0%	0.0%
<b>Net Patient Care Revenue</b>	<b>1,115,357,666</b>	<b>1,156,546,653</b>	<b>1,192,608,052</b>	<b>1,046,807,448</b>		<b>1,145,970,514</b>	<b>1,080,612,774</b>	<b>3.2%</b>	<b>-5.7%</b>
Fixed Prospective Payments & Reserves	0	0	18,510,923	162,847,314		102,193,606	192,847,272	18.4%	88.7%
<b>Net Patient Care Revenue &amp; Fixed Payments &amp; Reserves</b>	<b>1,115,357,666</b>	<b>1,156,546,653</b>	<b>1,211,118,975</b>	<b>1,209,654,762</b>	<b>1,252,297,020</b>	<b>1,248,164,120</b>	<b>1,273,460,046</b>	<b>5.3%</b>	<b>1.7%</b>
Other Operating Revenue	87,569,491	89,305,701	102,701,941	105,924,587		109,384,494	105,693,036	-0.2%	-3.4%
<b>Total Operating Revenue</b>	<b>1,202,927,157</b>	<b>1,245,852,354</b>	<b>1,313,820,916</b>	<b>1,315,579,349</b>		<b>1,357,548,614</b>	<b>1,379,153,082</b>	<b>4.8%</b>	<b>1.6%</b>
<b>Expenses</b>									
Salaries Non MD	373,276,785	386,869,572	419,350,487	426,939,307		436,376,374	441,769,904	3.5%	1.2%
Fringe Benefits Non MD	116,060,905	112,964,136	132,006,117	117,633,655		123,922,339	125,471,878	6.7%	1.3%
Fringe Benefits MD	24,926,324	25,575,661	27,010,679	27,455,233		30,649,022	31,449,290	14.5%	2.6%
Physician Fees, Salaries, Contracts	144,455,636	150,895,527	155,179,685	158,478,264		169,653,566	172,174,147	8.6%	1.5%
Health Care Provider Tax	61,055,591	64,131,080	66,889,902	68,997,375		69,235,466	72,734,280	5.4%	5.1%
Depreciation & Amortization	44,842,796	47,852,346	48,073,712	52,007,581		49,076,136	52,791,794	1.5%	7.6%
Interest - Long Term & Short Term	14,826,075	13,218,300	14,003,164	17,001,620		14,234,739	16,796,030	-1.2%	18.0%
Other Operating Expense	347,883,536	370,295,586	382,726,377	396,669,781		410,850,701	426,721,734	7.6%	3.9%
<b>Total Operating Expense</b>	<b>1,127,327,647</b>	<b>1,171,802,207</b>	<b>1,245,240,122</b>	<b>1,265,182,817</b>		<b>1,303,998,343</b>	<b>1,339,909,058</b>	<b>5.9%</b>	<b>2.8%</b>
<b>Net Operating Income (Loss)</b>	<b>75,599,510</b>	<b>74,050,147</b>	<b>68,580,794</b>	<b>50,396,532</b>		<b>53,550,271</b>	<b>39,244,024</b>	<b>-22.1%</b>	<b>-26.7%</b>
Non-Operating Revenue	(23,681,502)	11,062,297	21,191,258	17,990,319		23,802,659	32,931,772	83.1%	38.4%
<b>Excess (Deficit) of Rev Over Exp</b>	<b>51,918,007</b>	<b>85,112,444</b>	<b>89,772,052</b>	<b>68,386,852</b>		<b>77,352,930</b>	<b>72,175,796</b>	<b>5.5%</b>	<b>-6.7%</b>

Benchmarks-Hospital									
Operating Margin%	6.3%	5.9%	5.2%	3.8%		3.9%	2.8%		
Total Margin %	4.4%	6.8%	6.7%	5.1%		5.6%	5.1%		
Cost per Adjusted Admission	17,036	16,897	18,419	19,523		20,290	21,044		

**OBSERVATIONS:** The GMCB-approved FY2018 NPR Rebase of \$ 1,252,297,020 is calculated by applying a 3.4% growth rate (the growth target in the "FY 2018 HOSPITAL BUDGET SUBMISSIONS REPORTING REQUIREMENTS" when health reform investments are included) to the hospital's FY2017 Actuals results. UVMMC is requesting an accounting adjustment of \$7,919,705 for ACO participation fees to the rebased FY2018 NPR (see narrative).

**QUESTIONS:** How does UVMMC plan to offset expenses incurred to cover costs related to the nurses' strike? What is included in Non-Operating Revenue and Other Operating Expense in FY2017A, FY2018 Budget, FY2018P, and FY2019B, and what is the cause of the year-to-year variation? The narrative indicates that the EPIC and Miller Building projects are reflected in the budget; are the Tilley Drive property lease versus purchase transactions reflected in the budget as well? In the past several years, amortization has been recorded as a negative expense; please explain. The narrative indicates that Bad Debt and Free Care continue to increase; please explain factors in the increase, including policy changes if any. Please provide more detail on the "cost-cutting and non-patient

**FY2018 BUDGET FOR NPR HAS BEEN REBASED, ALL OTHER ACCOUNTS HAVE NOT BEEN REBASED**

NET PAYER REVENUE CHANGE - PAYERS		FY2018B	Rebased FY2018B	FY2018P	FY2019B	2018B - 2018P % Chg	2018B - 2019B % Chg	2018P - 2019B % Chg	Change due to Rate	Change due to Non-Rate Items	
<b>All Payers</b>	Gross Patient Care Revenue	\$2,630,800,332		\$2,700,220,258	\$2,785,724,813	2.6%	5.9%	3.2%			
	Contractual Allowances	(\$1,588,572,821)		(\$1,547,599,604)	(\$1,696,738,531)	-2.6%	6.8%	9.6%			
	Bad Debt	(\$23,521,029)		(\$27,350,643)	(\$28,834,737)	16.3%	22.6%	5.4%			
	Free Care	(\$15,623,425)		(\$22,240,887)	(\$20,131,012)	42.4%	28.9%	-9.5%			
	Graduate Medical Education Payments	\$30,000,000		\$30,000,000	\$30,000,000	0.0%	0.0%	0.0%			
	Disproportionate Share Payments	\$13,724,391		\$12,941,391	\$10,592,241	-5.7%	-22.8%	-18.2%			
	<b>Net Payer Revenue</b>	<b>\$1,046,807,448</b>		<b>\$1,145,970,515</b>	<b>\$1,080,612,774</b>	<b>9.5%</b>	<b>3.2%</b>	<b>-5.7%</b>			
	Fixed Prospective Payments & Reserves	\$162,847,314		\$102,193,606	\$192,847,272	-37.2%	18.4%	88.7%			
	<b>Net Patient Care Rev &amp; Fixed Payments &amp; Reserves</b>	<b>\$1,209,654,762</b>	<b>\$1,252,297,020</b>	<b>\$1,248,164,121</b>	<b>\$1,273,460,046</b>	<b>3.2%</b>	<b>5.3%</b>	<b>2.0%</b>	<b>\$25,349,382</b>	<b>\$38,455,902</b>	
	<b>Commercial</b>										
<b>Commercial</b>	Gross Patient Care Revenue	\$1,122,065,680		\$1,134,555,027	\$1,156,098,184	1.1%	3.0%	1.9%			
	Contractual Allowances	(\$402,870,760)		(\$358,553,380)	(\$410,392,671)	-11.0%	1.9%	14.5%			
	Bad Debt	(\$23,521,029)		(\$27,350,643)	(\$28,834,737)	16.3%	22.6%	5.4%			
	Free Care	(\$15,623,425)		(\$22,240,887)	(\$20,131,012)	42.4%	28.9%	-9.5%			
	<b>NPR</b>	<b>\$680,050,467</b>		<b>\$726,410,117</b>	<b>\$696,739,763</b>	<b>6.8%</b>	<b>2.5%</b>	<b>-4.1%</b>			
	Fixed Prospective Payment & Reserves	\$44,540,878		\$131,152	\$45,848,553	-99.7%	2.9%	34858.4%			
	<b>Net Patient Care Rev &amp; Fixed Payments &amp; Reserves</b>	<b>\$724,591,344</b>		<b>\$726,541,269</b>	<b>\$742,588,316</b>	<b>0.3%</b>	<b>2.5%</b>	<b>2.2%</b>	<b>\$18,843,451</b>	<b>(\$846,479)</b>	
	<b>Medicaid</b>										
	<b>Medicaid</b>	Gross Patient Care Revenue	\$405,576,695		\$428,107,658	\$434,782,765	5.6%	7.2%	1.6%		
		Contractual Allowances	(\$333,916,916)		(\$352,601,212)	(\$356,004,027)	5.6%	6.6%	1.0%		
Bad Debt		\$0		\$0	\$0	#DIV/0!	#DIV/0!	#DIV/0!			
Free Care		\$0		\$0	\$0	#DIV/0!	#DIV/0!	#DIV/0!			
Graduate Medical Education Payments		\$30,000,000		\$30,000,000	\$30,000,000	0.0%	0.0%	0.0%			
<b>NPR</b>		<b>\$101,659,779</b>		<b>\$105,506,446</b>	<b>\$108,778,738</b>	<b>3.8%</b>	<b>7.0%</b>	<b>3.1%</b>			
Fixed Prospective Payment & Reserves		\$28,960,291		\$30,280,105	\$28,703,494	4.6%	-0.9%	-5.2%			
<b>Net Patient Care Rev &amp; Fixed Payments &amp; Reserves</b>		<b>\$130,620,070</b>		<b>\$135,786,551</b>	<b>\$137,482,232</b>	<b>4.0%</b>	<b>5.3%</b>	<b>1.2%</b>	<b>\$311,063</b>	<b>\$6,551,099</b>	
<b>Medicare</b>											
<b>Medicare</b>		Gross Patient Care Revenue	\$1,103,157,956		\$1,137,557,573	\$1,194,843,865	3.1%	8.3%	5.0%		
	Contractual Allowances	(\$851,785,145)		(\$836,445,012)	(\$930,341,832)	-1.8%	9.2%	11.2%			
	Bad Debt	\$0		\$0	\$0	#DIV/0!	#DIV/0!	#DIV/0!			
	Free Care	\$0		\$0	\$0	#DIV/0!	#DIV/0!	#DIV/0!			
	<b>NPR</b>	<b>\$251,372,811</b>		<b>\$301,112,561</b>	<b>\$264,502,032</b>	<b>19.8%</b>	<b>5.2%</b>	<b>-12.2%</b>	<b>\$6,194,868</b>	<b>\$35,883,432</b>	
	Fixed Prospective Payment & Reserves	\$89,346,145		\$71,782,350	\$118,295,224	-19.7%	32.4%	64.8%			
	<b>Net Patient Care Rev &amp; Fixed Payments &amp; Reserves</b>	<b>\$340,718,956</b>		<b>\$372,894,910</b>	<b>\$382,797,257</b>	<b>9.4%</b>	<b>12.3%</b>	<b>2.7%</b>			
	<b>Disproportionate Share Payments</b>										
			<b>\$13,724,391</b>		<b>\$12,941,391</b>	<b>\$10,592,241</b>	<b>-5.7%</b>	<b>-22.8%</b>	<b>-18.2%</b>		<b>(\$3,132,150)</b>
	<b>NPR to Gross Commercial (no DSH)</b>										
		<b>64.6%</b>		<b>64.0%</b>	<b>64.2%</b>						
<b>NPR to Gross Medicaid (no DSH)</b>											
		<b>32.2%</b>		<b>31.7%</b>	<b>31.6%</b>						
<b>NPR to Gross Medicare (no DSH)</b>											
		<b>30.9%</b>		<b>32.8%</b>	<b>32.0%</b>						
<b>NPR to Gross All (no DSH)</b>											
		<b>45.5%</b>		<b>45.7%</b>	<b>45.3%</b>						

**OBSERVATIONS:** Revenues appears to be remaining fairly steady for Commercial Payers and Medicaid; the hospital's Medicare Revenues are budgeted to increase the most in FY2019. Utilization increases are most notable in Commercial; at the same time the Payer Mix is budgeted to shift away from this payer type. Medicare's rate differential appears to explain the majority of the non-rate growth. Disproportionate Share Payments are expected to decline.

## The University of Vermont Medical Center

### RATE AND NET PATIENT REVENUE INCREASE

Rate is the average change in price for services provided.

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
<b>Weighted Average Approved Rate (all hospitals)</b>	6.82%	4.37%	1.67%	2.04%	
<b>Weighted Average Submitted Rate (all hospitals)</b>	6.82%	4.40%	2.21%	2.34%	3.12%
<b>The University of Vermont Medical Center Approved Rate</b>	7.80%	6.00%	2.45%	0.72%	
<b>The University of Vermont Medical Center Submitted Rate</b>	7.80%	6.00%	3.00%	0.72%	4.00%

Hospital Inpatient Gross Revenue	4.9%
Hospital Outpatient Gross Revenue	3.2%
Physician Outpatient Gross Revenue	0.0%
Chronic/SNF Gross Revenue	0.0%
Swing Gross Revenue	0.0%

Net Patient Revenue Change Due to Rate Request		
	Commercial	\$ 18,843,451
	Medicaid	\$ 311,063
	Medicare	\$ 6,194,868
	Disproportionate Share	\$ -
	<b>Total Change Due to Rate Request</b>	<b>\$ 25,349,382</b>

<b>Value of 1% Rate - Calculated by GMCB</b>	\$ 4,500,353
<b>Value of 1% Rate - Calculated by UVMMC</b>	\$ 4,500,353
<b>Variance</b>	\$ -

**OBSERVATIONS:** UVMMC has requested an overall rate/price increase of 3.00%, with a commercial rate/price increase request of 4.00%. The 4.00% will result in increased NPR of \$25.3 million.

For UVMMC, every 1% increase in commercial rate is worth approximately \$4,500,353 in NPR. This estimate calculated by GMCB staff matches the estimated value of a 1% increase calculated by the hospital.

Fiscal Year 2019 Budget Analysis	The University of Vermont Medical Center					
DASHBOARD	FY2015A	FY2016A	FY2017A	FY2018B	FY2018P	FY2019B
Net Patient Care Revenue	1,115,357,666	1,156,546,653	1,192,608,052	1,046,807,448	1,145,970,514	1,080,612,774
Net Patient Care Rev & Fixed Payments & Reserves	1,115,357,666	1,156,546,653	1,211,118,975	1,209,654,762	1,248,164,120	1,273,460,046
NPR & FPP % Variance		3.7%	4.7%	-0.1%	3.2%	5.3%
Three Year NPR & FPP CAGR* (FY16A - FY19B)						3.3%
Net Patient Care Rev & Fixed Payments & Reserves	REBASED FY 2018			1,252,297,020	1,248,164,120	1,273,460,046
NPR & FPP % Variance					-0.3%	1.7%
THE BELOW STATISTICS HAVE NOT BEEN REBASED FOR FY 2018						
Operating Expense	1,127,327,647	1,171,802,207	1,245,240,122	1,265,182,817	1,303,998,343	1,339,909,058
Oper Exp % Variance		3.9%	6.3%	1.6%	3.1%	5.9%
Three Year Oper. Exp. CAGR* (FY16A - FY19B)						4.6%
<b>Revenue</b>						
Operating Margin %	6.3%	5.9%	5.2%	3.8%	3.9%	2.8%
Total Margin %	4.4%	6.8%	6.7%	5.1%	5.6%	5.1%
Bad Debt %	0.8%	0.9%	0.9%	0.9%	1.0%	1.0%
Free Care %	0.5%	0.5%	0.7%	0.6%	0.8%	0.7%
<b>Cost</b>						
Cost per Adjusted Admission	17,036	16,897	18,419	19,523	20,290	21,044
Overhead Exp. as a % of Total Operating Exp.	31.8%	31.4%	33.1%	36.2%	36.5%	36.3%
<b>Productivity &amp; Utilization</b>						
Acute Admissions	18,395	19,299	19,496	19,378	19,445	19,489
Adjusted Admissions	66,200	69,394	67,658	64,807	64,269	63,677
Average Length of Stay	6	5	6	6	6	6
FTEs Per Adjusted Occupied Bed	6	6	6	6	6	6
FTEs per 100 Adj Discharges	9	9	9	10	10	10
<b>Cash</b>						
Days Cash on Hand	200.7	214.4	228.9	181.1	202.6	192.4
Current Ratio	3.9	4.5	5.3	3.8	4.7	4.6
<b>Capital</b>						
Age of Plant	12.0	11.9	12.5	12.7	13.2	13.3
Long Term Debt to Capitalization	32.5%	35.8%	34.7%	36.1%	31.7%	29.2%
Debt Service Coverage Ratio	5.17	5.43	4.22	3.53	3.73	3.21
*CAGR = Compounded Annual Growth Rate						

**FY2018 BUDGET ACCOUNTS HAVE NOT BEEN REBASED**

UTILIZATION & STAFFING	FY2015A	FY2016A	FY2017A	FY2018B	FY2018P	FY2019B	2018B-2018P	2018B-2019B	2018P-2019B
<b>UTILIZATION</b>									
Adjusted Admissions	66,174	69,349	67,606	64,805	64,269	63,673	-0.8%	-1.7%	-0.9%
Acute Admissions	18,395	19,299	19,496	19,378	19,445	19,489	0.3%	0.6%	0.2%
Acute Average Length Of Stay	5.7	5.5	5.6	5.7	5.8	5.7	0.9%	-0.6%	-1.5%
All Operating Room Procedure	37,504	38,963	40,073	39,396	40,098	40,017	1.8%	1.6%	-0.2%
Tests	2,512,410	2,528,957	2,506,098	2,544,397	2,523,408	2,463,080	-0.8%	-3.2%	-2.4%
Emergency Room Visits	60,162	61,179	60,182	61,082	58,428	59,979	-4.3%	-1.8%	2.7%
CT Scan, Radiology - Diagnostic	218,942	221,986	228,911	225,424	234,203	231,527	3.9%	2.7%	-1.1%
Exams	18,785	19,279	19,262	19,766	20,826	19,762	5.4%	0.0%	-5.1%
Provider Work RVU	0	0	2,819,321	2,828,981	2,758,304	2,896,847	-2.5%	2.4%	5.0%
Physician Office Visits	2,605,666	2,663,050	2,819,321	2,828,981	747,483	794,950	-73.6%	-71.9%	6.4%
Clinic Visits	1,246,412	1,228,492	1,320,280	1,300,284	1,302,641	1,341,979	0.2%	3.2%	3.0%
<b>STAFFING</b>									
FT Equivalents (Heads)	5,313	5,389	5,530	5,646	5,647	5,759	2	113	111
Travelers, Travelers MD	19	24	71	0	81	0	81	0	(81)
Residents & Fellows	318	324	333	335	339	344	4	9	5
MLPs	172	196	212	233	212	231	(21)	(3)	19
Physician FTEs	520	545	577	597	607	601	10	5	(5)
<b>Total FTEs</b>	<b>6,341</b>	<b>6,478</b>	<b>6,723</b>	<b>6,811</b>	<b>6,886</b>	<b>6,935</b>	<b>75</b>	<b>124</b>	<b>49</b>
<b>Benchmarks-Hospital</b>									
Salary per FTE - Non-MD	\$ 64,327	\$ 65,471	\$ 69,029	\$ 68,705	\$ 70,403	\$ 69,753	2.5%	1.5%	-0.9%
Salary & Benefits per FTE - Non-MD	\$ 84,327	\$ 84,588	\$ 90,758	\$ 87,635	\$ 90,396	\$ 89,565	3.2%	2.2%	-0.9%
FTEs Per Adjusted Occupied Bed	6	6	6	6	6	6	-0.3%	4.4%	4.7%
FTEs per 100 Adj Discharges	9	9	9	10	10	10	0.6%	3.7%	3.1%
<b>Benchmarks-Vermont System Averages</b>									
Salary per FTE - Non-MD	\$ 61,326	\$ 63,250	\$ 65,422	\$ 65,917	\$ 67,055	\$ 67,424	1.7%	2.3%	0.5%
Salary & Benefits per FTE - Non-MD	\$ 80,704	\$ 81,921	\$ 85,211	\$ 84,856	\$ 86,361	\$ 86,812	1.8%	2.3%	0.5%
FTEs Per Adjusted Occupied Bed	6	6	6	6	6	6	-0.7%	2.8%	3.6%
FTEs per 100 Adj Discharges	7	7	7	8	8	8	-1.1%	1.3%	2.4%

**OBSERVATIONS:** Overall utilization as reflected in adjusted admissions is showing decreases from recent years. Provider Work RVU is a new metric the GMCB is tracking this year; it relates to the Physician Office Visits metric used in the past. Provider Work RVU appears to be increasing at the same rate as Physician Office Visits reported in last year's budget submission. The narrative indicates that 8 CVMC FTEs were included in the UVMC budget for FY2018; they are now included in the CVMC budget for FY 2019.

**QUESTIONS:** There are 31 budgeted FTEs for the Miller Building and the Epic project; please explain the need for additional FTEs. UVMC projects no travelers for FY2019; please explain why this is believed to be realistic. Salary and Benefit costs are budgeted to be slightly less than FY2018 projections; is this related to the savings mentioned in the narrative, and/or other factors? How does UVMC plan to offset expenses incurred to cover costs related to the nurses' labor dispute, as well as expense increases resulting from settlement of the dispute?

**FY2018 BUDGET ACCOUNTS HAVE NOT BEEN REBASED**

BALANCE SHEET	FY2015A	FY2016A	FY2017A	FY2018B	FY2018P	FY2019B
Cash & Investments	\$ 186,606,000	\$ 198,208,000	\$ 150,422,000	\$ 175,034,966	\$ 182,910,287	\$ 173,729,640
Risk Reserve for Fixed Reform Payments	-	-	-	-	-	-
Other Current Assets	179,450,000	254,266,000	265,282,000	265,222,395	238,247,155	241,090,903
Current Assets	366,056,000	452,474,000	415,704,000	440,257,361	421,157,442	414,820,543
Board Designated Assets	430,108,000	502,848,000	605,182,000	448,391,439	581,114,339	571,933,692
Net, Property, Plant And Equipment	431,324,000	453,298,000	495,851,000	579,179,775	564,483,545	634,350,883
Other Long-Term Assets	31,951,000	54,493,000	63,743,000	55,544,756	69,283,898	69,283,898
<b>Assets</b>	<b>\$ 1,259,439,000</b>	<b>\$ 1,463,113,000</b>	<b>\$ 1,580,480,000</b>	<b>\$ 1,523,373,331</b>	<b>\$ 1,636,039,223</b>	<b>\$ 1,690,389,016</b>
Current Liabilities	\$ 183,891,000	\$ 190,042,000	\$ 181,064,000	\$ 214,246,037	\$ 197,377,921	\$ 201,254,016
Long Term Liabilities	339,803,000	444,944,000	474,245,000	462,591,699	452,500,179	430,754,926
Other Noncurrent Liabilities	29,951,000	31,269,000	31,847,000	27,802,355	13,453,348	13,453,348
Fund Balance	705,794,000	796,858,000	893,324,000	818,733,240	972,707,775	1,044,926,726
<b>Liabilities and Equities</b>	<b>\$ 1,259,439,000</b>	<b>\$ 1,463,113,000</b>	<b>\$ 1,580,480,000</b>	<b>\$ 1,523,373,331</b>	<b>\$ 1,636,039,223</b>	<b>\$ 1,690,389,016</b>
<b>Benchmarks-Hospital</b>						
Days Cash on Hand	200.7	214.4	228.9	181.1	202.6	192.4
Long Term Debt to Capitalization	32.5%	35.8%	34.7%	36.1%	31.7%	29.2%
Debt Service Coverage Ratio	5.2	5.4	4.2	3.5	3.7	3.2
<b>Benchmarks-Vermont System Averages</b>						
Days Cash on Hand	178.5	183.3	193.6	167.3	178.2	173.4
Long Term Debt to Capitalization	27.6%	30.5%	29.0%	29.6%	26.7%	25.4%
Debt Service Coverage Ratio	3.7	5.0	3.9	3.7	3.7	3.7

**OBSERVATIONS:**

As noted in previous budget analyses, overall cash on hand is steady and is higher than the Vermont median and major teaching hospitals.

**QUESTIONS:** Long-term debt is budgeted to decrease; does this reflect the EPIC project and Tilley Drive mortgages? Are the mortgages included in liabilities? The narrative indicates that Days Cash On Hand would decline, given expenditures for the Miller Building and EPIC project commitments. Does the 192.4 Days Cash On Hand estimate in the FY2019 Budget submission include the impact of those projects?



**Fiscal Year 2019 Budget Analysis      The University of Vermont Medical Center**

<b>CAPITAL BUDGET</b>	<b>2015A</b>	<b>FY2016A</b>	<b>FY2017A</b>	<b>FY2018B</b>	<b>FY2018P</b>	<b>FY2019B</b>	<b>2020 Plan</b>	<b>2021 Plan</b>	<b>2022 Plan</b>
Non-Certificate of Need Capital Plans Tot:				\$ 56,249,255	\$ 38,191,136	\$ 50,513,304	\$ 2,893,260	\$ 24,100,260	\$ 26,700,000
Certificate of Need Capital Plans				\$ 129,643,000	\$ 115,999,166	\$ 102,060,196	\$ 58,952,518	\$ 41,021,959	\$ 13,162,080
<b>Total Capital Purchases</b>				<b>\$ 185,892,255</b>	<b>\$ 154,190,302</b>	<b>\$ 152,573,500</b>	<b>\$ 61,845,778</b>	<b>\$ 65,122,219</b>	<b>\$ 39,862,080</b>

**The University of Vermont Medical Center**

Age of Plant	12.0	11.9	12.5	12.7	13.2	13.3			
Capital Expenditures to Depreciation	91.8%	96.3%	82.9%	108.2%	77.8%	95.7%			
Capital Cost % of Total Expense	5.3%	5.2%	5.0%	5.5%	4.9%	5.2%			

**Benchmarks-Vermont System Averages**

Age of Plant	11.4	11.8	12.5	13.0	13.2	13.5	-	-	-
Capital Expenditures to Depreciation				116.6%	116.5%	145.7%	-	-	-
Capital Cost % of Total Expense				5.3%	5.3%	5.0%	-	-	-

**OBSERVATIONS:** CONs total budget \$102,060,196 and are mentioned in the narrative; this is lower than the amount budgeted last year. Non-CON expenditures are for relocations, upgrades, replacements and new equipment, which range from \$500,000 to \$2,818,000. Age of Plant and Capital Cost % of Total Expenses are favorable and at the Vermont median. Capital Expenditures to Depreciation is lower than the Vermont median.

**QUESTIONS:** Please clarify whether the investment of \$7,300,000 for the “Network EPIC Implementation” is included in the \$151.7 million CON (Docket No. GMCB-001-17con) approved by the Board on January 5, 2018 for the replacement of the EPIC electronic health record and related health information technology systems at four UVM Health Network hospitals. If not included, please explain.