

Fiscal Year 2019 Vermont Hospital Budgets

Year-End Actuals Reporting

Report Date: February 26, 2020

Overview

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2. Systemwide Analysis
3. Hospital Profiles
4. Appendix
 1. Key Financial Indicators
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FY2019 Year-End Review

Vermont hospitals are required to report their Fiscal Year (FY) 2019 actual operating results as part of the Green Mountain Care Board's FY2019 budget orders. Additionally, each hospital is required to submit its FY2019 audited financial statement, as well as the hospital's parent organization's audited consolidated financial statements, if applicable. These documents, and other additional information, are available on the [Green Mountain Care Board website](#).

Recap of FY2019 Amended Budget Orders

Hospital	Date	Purpose
Brattleboro Memorial Hospital	3/22/2019	Provider Transfer/Acquisition
Gifford Medical Hospital	4/2/2019	Change in charge
Springfield Hospital	5/10/2019	Change in charge

Note: Springfield Hospital did not submit audited Fiscal Year End 2019 data. As a result, this report uses unaudited data submitted by the hospital for Fiscal Year End September 2019.

Summary Assessment

FY2019 marked a year of challenging financial circumstances for many Vermont hospitals. Most hospitals did not achieve their budgeted net patient revenue/fixed prospective payment (NPR/FP)P revenues or their budgeted Operating Expense targets.

Drivers of systemwide changes in Revenue include:

- Other Operating Revenue (+)
- Shift from Commercial to Medicare (-)
- Increase in Bad Debt/Free Care (-)
- Utilization (-)
 - Shift from inpatient to outpatient (-)
 - Electronic Health Records (-)

Drivers of systemwide increased Operating Expense include:

- Cost of drugs and supplies
 - New/specialty drugs and implants
- Workforce
 - Contract labor
 - Salaries and benefits (e.g. insurance claims and pension funding)
 - Recruitment and turnover

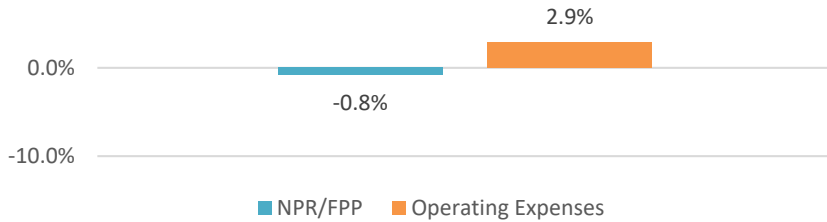
As hospitals work to provide access to quality health care in appropriate settings, their ability to balance community needs with financial performance is increasingly stressed.

System Profile

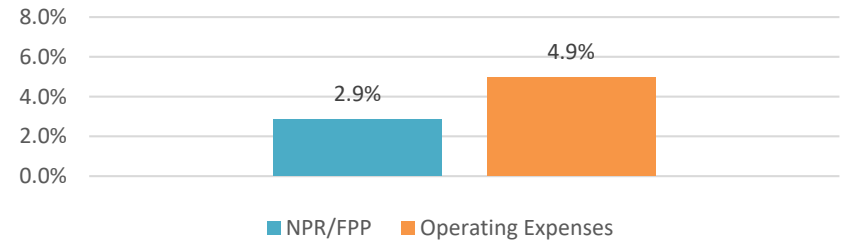
Vermont Hospital System

	FY18 budget-to-FY19 budget % growth	FY2019 budget-to-actual % variance	5-year CAGR
NPR/FPP	2.9%	-0.8%	3.3%
Operating Expenses	4.9%	2.9%	4.9%

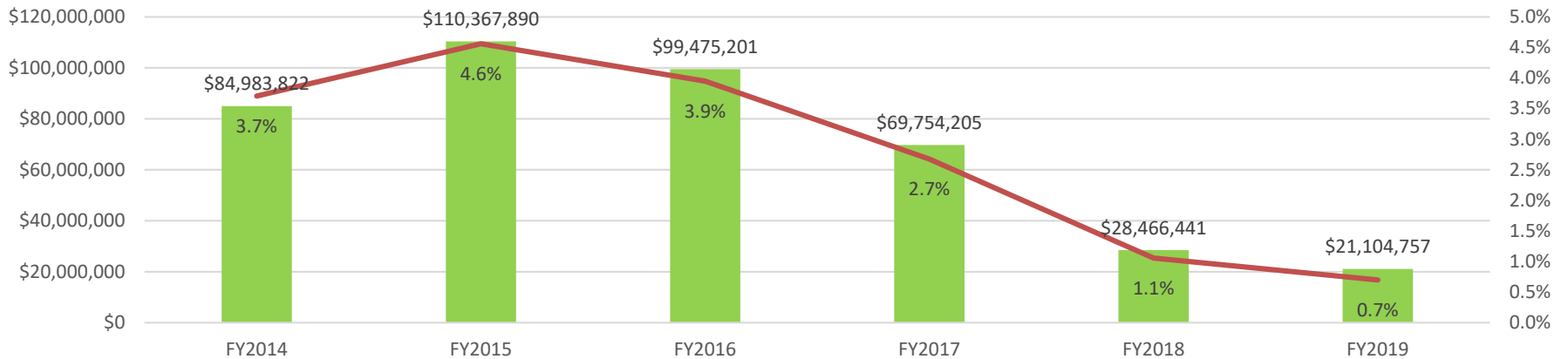
FY19 Budget-to-Actual Variance



FY18 to FY19 Actual-to-Actual Growth



Hospital System Operating Margin



Note: Springfield did not submit audited FY19 year-end results. Analysis is based on Springfield's unaudited submission.

FY19 Year-End Results

Net Patient Revenue/Fixed Prospective Payment

	FY2018 Actuals	FY2019 Budget	FY2019 Actuals	Budget-to-Actual Variance	Actual-to-Actual % Growth
Brattleboro	\$77,601,735	\$83,947,707	\$83,994,257	0.1%	8.2%
CVMC	\$194,586,135	\$211,387,021	\$208,006,996	-1.6%	6.9%
Copley	\$66,226,448	\$70,201,316	\$66,993,816	-4.6%	1.2%
Gifford	\$48,844,171	\$55,894,654	\$50,052,096	-10.5%	2.5%
Grace Cottage	\$18,193,737	\$19,292,581	\$18,734,702	-2.9%	3.0%
Mt. Ascutney	\$50,808,643	\$51,195,770	\$50,849,386	-0.7%	0.1%
North Country	\$76,427,164	\$81,523,350	\$80,634,917	-1.1%	5.5%
NVRH	\$78,445,072	\$81,568,705	\$84,684,742	3.8%	8.0%
Northwestern	\$103,317,768	\$112,773,980	\$106,529,464	-5.5%	3.1%
Porter	\$80,346,401	\$84,530,515	\$84,961,115	0.5%	5.7%
RRMC	\$254,235,029	\$258,720,325	\$257,189,661	-0.6%	1.2%
SVMC	\$161,115,765	\$165,201,376	\$163,952,570	-0.8%	1.8%
Springfield	\$52,978,810	\$60,485,878	\$47,392,822	-21.6%	-10.5%
UVMC	\$1,254,036,509	\$1,273,460,046	\$1,285,234,193	0.9%	2.5%
SYSTEM	\$2,517,163,387	\$2,610,183,225	\$2,589,210,737	-0.8%	2.9%

Note: Springfield did not submit audited FY19 year-end results. Analysis is based on Springfield's unaudited submission.

FY19 Year-End Results

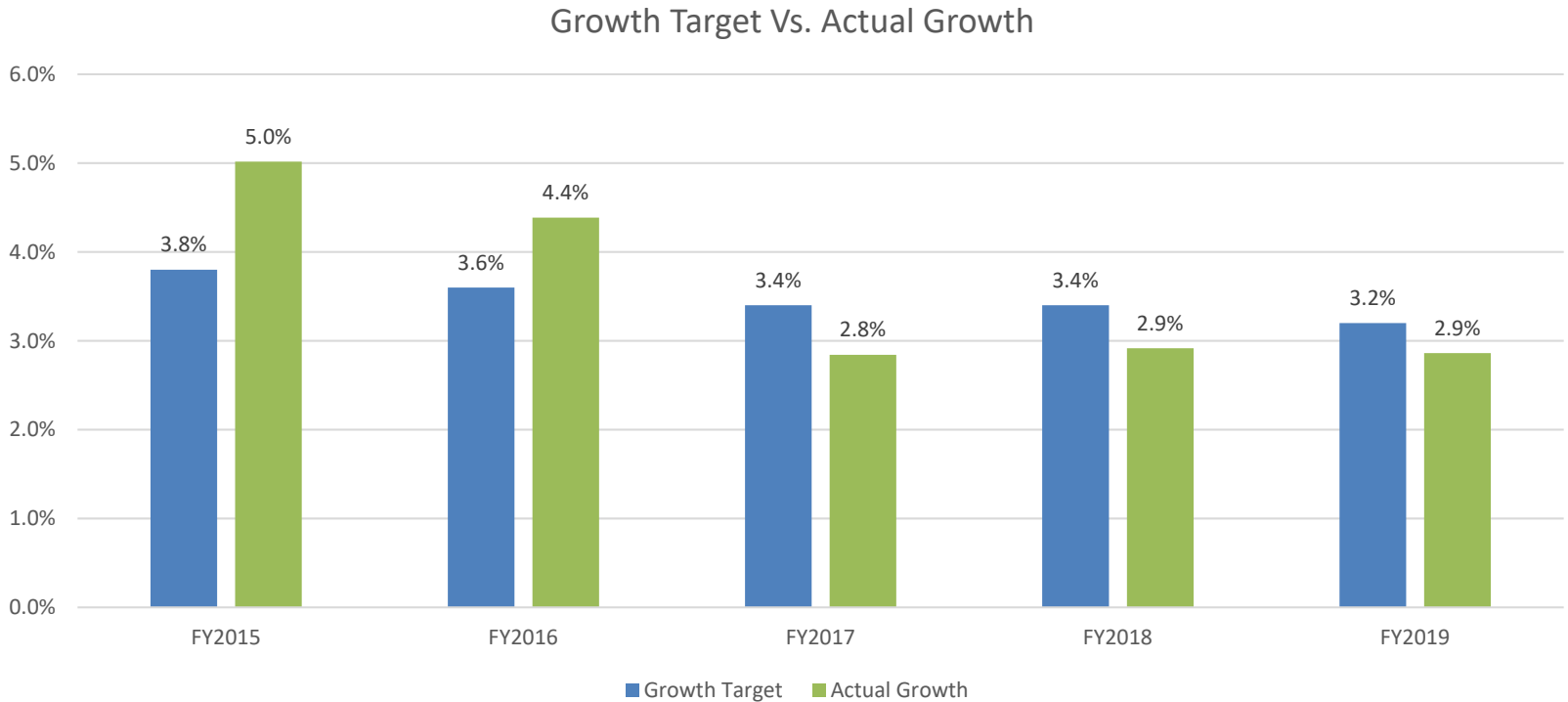
Operating Expenses

	FY2018 Actuals	FY2019 Budget	FY2019 Actuals	Budget-to-Actual % Variance	Actual-to-Actual % Growth
Brattleboro	\$83,705,782	\$87,154,734	\$87,095,267	-0.1%	4.0%
CVMC	\$216,033,931	\$221,962,950	\$228,415,989	2.9%	5.7%
Copley	\$69,683,657	\$71,157,535	\$70,299,334	-1.2%	0.9%
Gifford	\$55,321,562	\$55,346,116	\$51,938,902	-6.2%	-6.1%
Grace Cottage	\$19,947,999	\$20,329,626	\$20,743,344	2.0%	4.0%
Mt. Ascutney	\$53,451,291	\$54,837,975	\$54,566,701	-0.5%	2.1%
North Country	\$83,367,796	\$86,648,310	\$85,997,751	-0.8%	3.2%
NVRH	\$81,424,338	\$83,702,505	\$87,189,684	4.2%	7.1%
Northwestern	\$113,575,304	\$116,243,347	\$119,729,265	3.0%	5.4%
Porter	\$81,233,322	\$86,193,573	\$86,649,174	0.5%	6.7%
RRMC	\$268,120,067	\$268,220,795	\$274,016,566	2.2%	2.2%
SVMC	\$158,556,275	\$164,211,565	\$165,778,101	1.0%	4.6%
Springfield	\$61,860,030	\$60,641,591	\$58,081,277	-4.2%	-6.1%
UVMC	\$1,317,389,315	\$1,339,909,058	\$1,404,942,642	4.9%	6.6%
SYSTEM	\$2,663,670,669	\$2,716,559,679	\$2,795,443,997	2.9%	4.9%

Note: Springfield did not submit audited FY19 year-end results. Analysis is based on Springfield's unaudited submission.

Net Patient Revenue/Fixed Prospective Payments

FY2019 marks the third consecutive year that hospitals were under the target NPR/FPP set in the GMCB Budget Guidance.

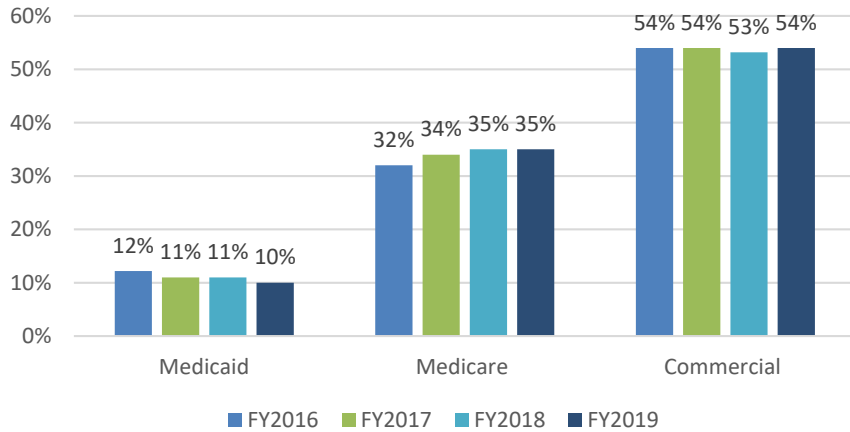


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Payer Mix and Revenues

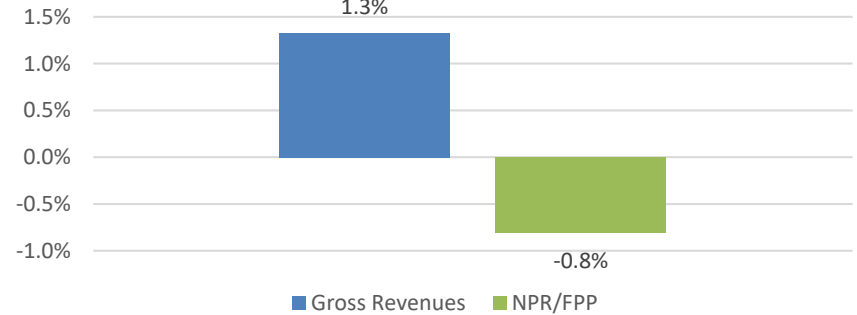
Payer mix continues to shift from Commercial to Medicare.

% of NPR/FPP (less DSH) by Payer

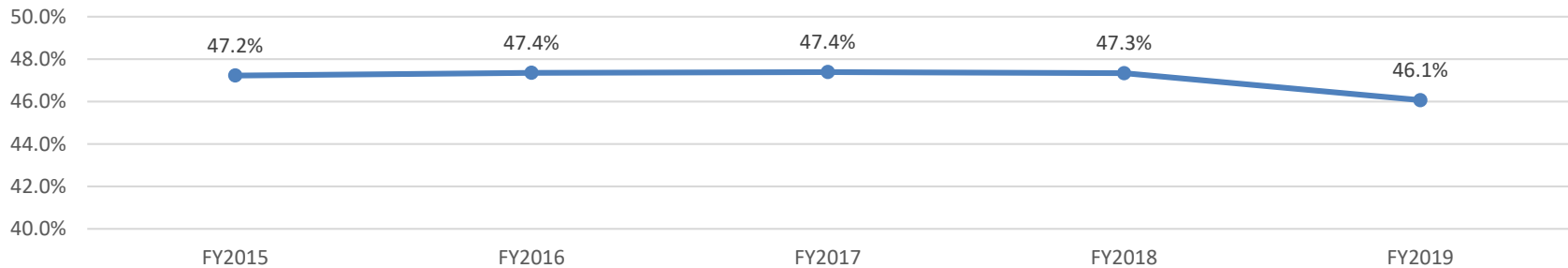


Bad debt, free care, reserves, contractual allowances, etc. contribute to FY19's variance in gross to net patient revenues.

Gross Revenues above Target
Net Patient Revenues below Target
FY19 Budget Variances



NPR/FPP % of Gross Revenues

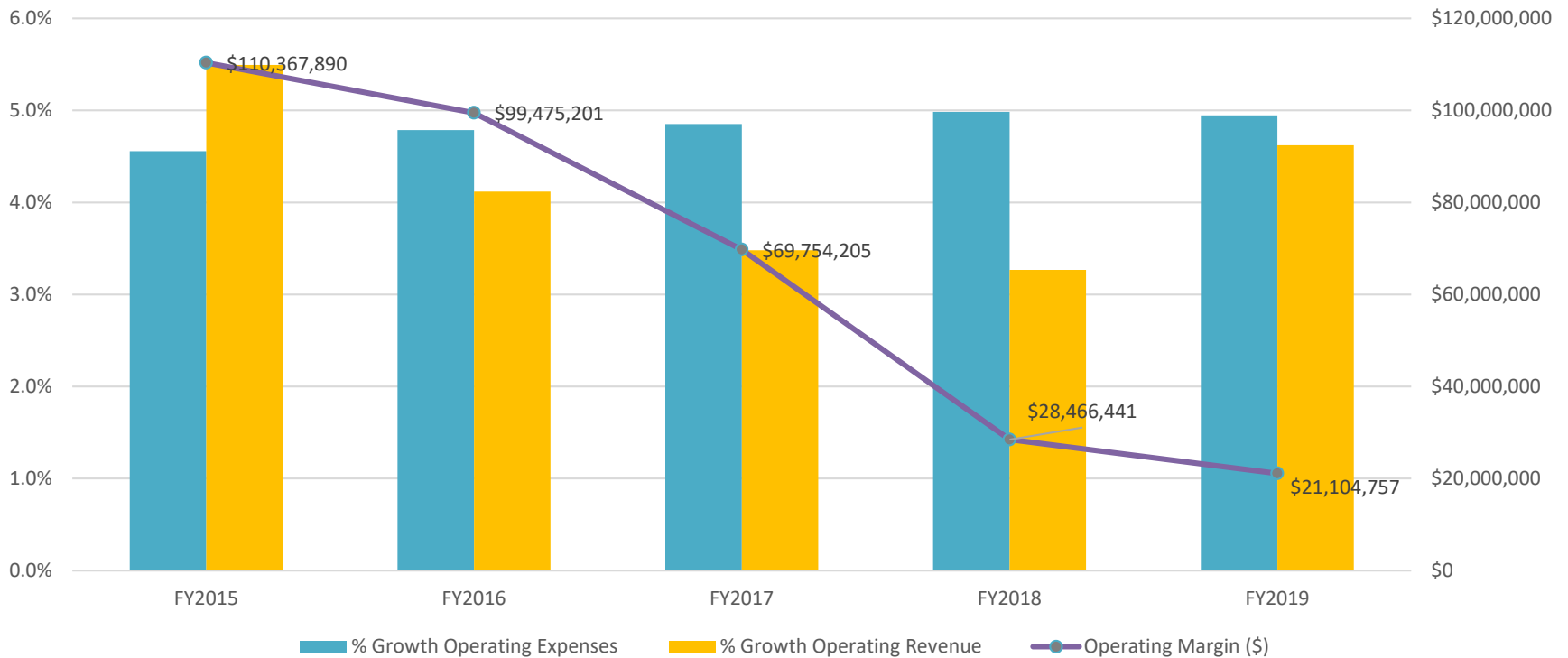


Note: Springfield did not submit audited FY19 year-end results. Analysis is based on Springfield's unaudited submission.

Operating Expenses Outpace Operating Revenue

Operating expenses continue to outpace Operating Revenue. The corresponding impact on the system is a decline in operating margin. Since FY2015, net operating margin has decreased by 81%, or approximately \$89 million.

Growth in Operating Expenses Outpaces Growth in Operating Revenue



Note: Springfield did not submit audited FY19 year-end results. Analysis is based on Springfield's unaudited submission.

Operating Margin: 5-Year Results (\$)

	Actuals FY2015	Actuals FY2016	Actuals FY2017	Actuals FY2018	Actuals FY2019
Brattleboro	\$2,195,878	-\$437,372	-\$2,437,207	-\$1,924,959	\$670,579
CVMC	\$5,326,172	\$2,049,956	-\$1,902,075	-\$7,868,458	-\$4,677,987
Copley	\$4,002,957	-\$84,921	-\$377,946	-\$2,222,433	-\$2,161,242
Gifford	\$1,565,435	\$2,209,679	-\$874,293	-\$5,369,446	-\$413,707
Grace Cottage	-\$1,655,590	-\$1,447,624	-\$1,270,782	-\$556,530	-\$1,301,798
Mount Ascutney	-\$1,173,573	\$141,292	\$1,390,379	\$1,052,255	-\$42,885
North Country	\$2,844,141	\$141,751	-\$1,871,960	-\$1,883,575	\$1,676,946
Northeastern	\$1,467,745	\$1,487,940	\$1,477,373	\$1,430,264	\$1,627,193
Northwestern	\$10,064,415	\$3,655,142	-\$1,259,824	-\$3,729,620	-\$8,905,148
Porter	-\$1,748,578	\$1,450,905	\$2,196,330	\$1,492,207	\$4,705,271
Rutland	\$4,408,033	\$10,778,375	\$4,163,384	\$1,297,252	\$1,958,883
Southwestern	\$5,207,193	\$5,298,810	\$5,775,890	\$7,618,119	\$5,583,044
Springfield	\$2,264,152	\$181,122	-\$3,835,857	-\$6,996,078	-\$9,021,952
UVMCMC	\$75,599,510	\$74,050,147	\$68,580,794	\$46,127,444	\$31,407,561
SYSTEM	\$110,367,890	\$99,475,201	\$69,754,205	\$28,466,441	\$21,104,757

Note: Springfield did not submit audited FY19 year-end results. Analysis is based on Springfield's unaudited submission.

Operating Margin %

At an entity level, 7 of 14 hospitals experienced operating losses in FY2019, several of which have experienced operating losses for consecutive years.

	Operating Margin (%)					
	Actuals FY2015	Actuals FY2016	Actuals FY2017	Actuals FY2018	Actuals FY2019	5-Year Average
Brattleboro Memorial Hospital	2.8%	-0.6%	-3.1%	-2.4%	0.8%	-0.5%
Central Vermont Medical Center	2.9%	1.0%	-0.9%	-3.8%	-2.1%	-0.6%
Copley Hospital	6.2%	-0.1%	-0.6%	-3.3%	-3.2%	-0.2%
Gifford Medical Center	2.7%	3.9%	-1.6%	-10.7%	-0.8%	-1.3%
Grace Cottage Hospital	-9.8%	-8.0%	-6.9%	-2.9%	-6.7%	-6.9%
Mt. Ascutney Hospital & Health Ctr	-2.4%	0.3%	2.7%	1.9%	-0.1%	0.5%
North Country Hospital	3.5%	0.2%	-2.3%	-2.3%	1.9%	0.2%
Northeastern VT Regional Hospital	2.2%	2.0%	1.9%	1.7%	1.8%	1.9%
Northwestern Medical Center	9.7%	3.4%	-1.2%	-3.4%	-8.0%	0.1%
Porter Medical Center	-2.4%	1.9%	2.7%	1.8%	5.2%	1.8%
Rutland Regional Medical Center	1.9%	4.2%	1.6%	0.5%	0.7%	1.8%
Southwestern VT Medical Center	3.6%	3.4%	3.7%	4.6%	3.3%	3.7%
Springfield Hospital	3.9%	0.3%	-7.1%	-12.8%	-18.4%	-6.8%
The University of Vermont Medical Center	6.3%	5.9%	5.2%	3.4%	2.2%	4.6%
SYSTEM TOTAL	4.6%	3.9%	2.7%	1.1%	0.7%	2.6%

Note: Springfield did not submit audited FY19 year-end results. Analysis is based on Springfield's unaudited submission.

Total Margin %

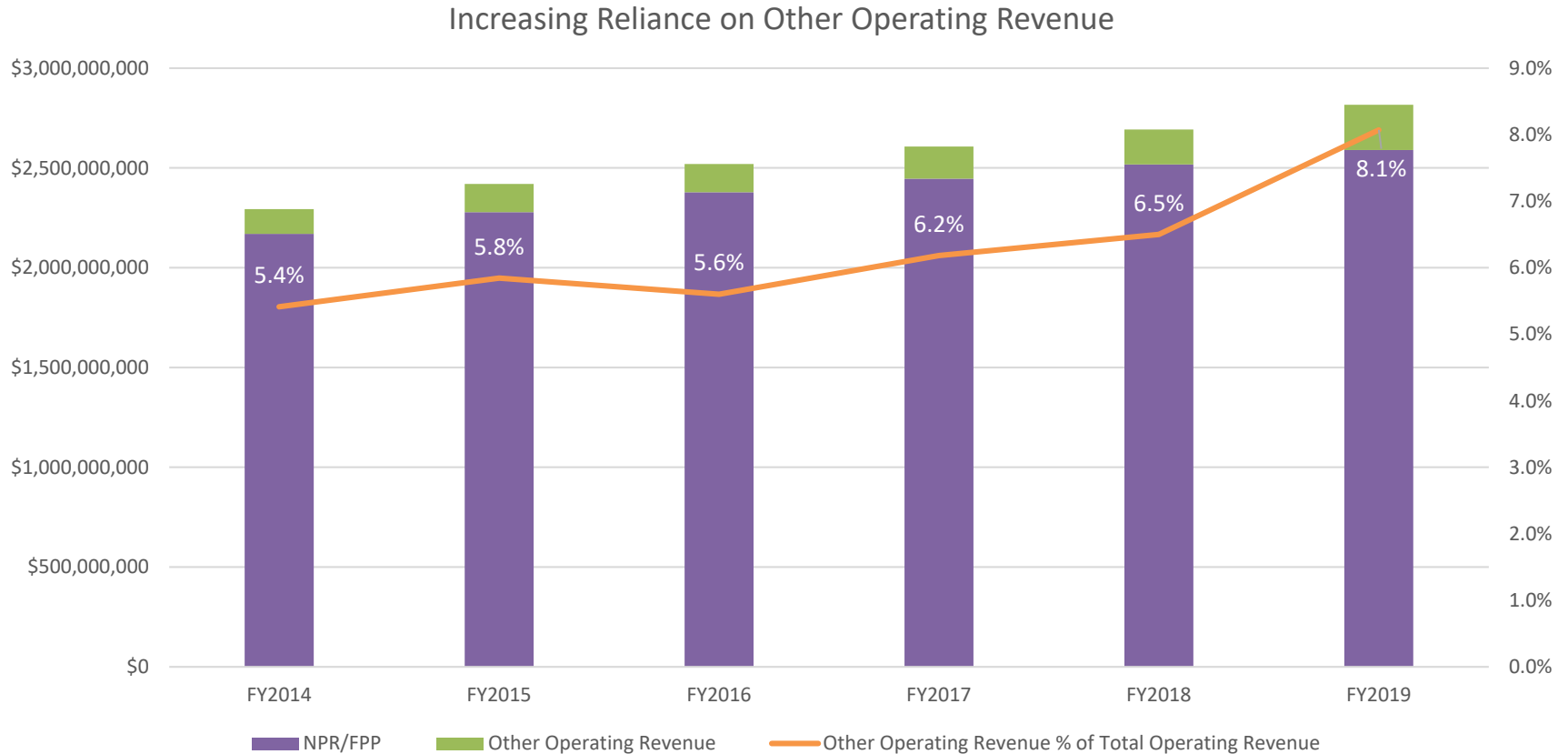
At an entity level, 6 of 14 hospitals experienced losses in FY2019, some of which have experienced losses for consecutive years of losses.

	Total Margin (%)					
	Actuals FY2015	Actuals FY2016	Actuals FY2017	Actuals FY2018	Actuals FY2019	5-Year Average
Brattleboro Memorial Hospital	4.0%	2.3%	0.9%	1.1%	1.6%	2.0%
Central Vermont Medical Center	3.5%	1.9%	6.7%	0.9%	-4.0%	1.8%
Copley Hospital	7.1%	0.3%	3.9%	-2.4%	-2.6%	1.2%
Gifford Medical Center	7.9%	7.8%	0.3%	-6.2%	4.8%	2.9%
Grace Cottage Hospital	-4.0%	-2.1%	1.3%	3.7%	-0.3%	-0.3%
Mt. Ascutney Hospital & Health Ctr	-3.1%	2.6%	10.5%	5.3%	-4.0%	2.2%
North Country Hospital	1.8%	2.5%	2.3%	1.2%	3.0%	2.2%
Northeastern VT Regional Hospital	0.6%	3.2%	0.6%	2.3%	1.8%	1.7%
Northwestern Medical Center	8.1%	6.2%	6.8%	0.5%	-7.6%	2.8%
Porter Medical Center	2.4%	5.9%	7.1%	6.1%	5.9%	5.5%
Rutland Regional Medical Center	1.7%	8.3%	7.5%	4.2%	2.4%	4.8%
Southwestern VT Medical Center	3.6%	3.8%	4.9%	5.8%	3.5%	4.3%
Springfield Hospital	-0.8%	0.7%	-3.2%	-12.0%	-30.9%	-6.7%
The University of Vermont Medical Center	4.4%	6.8%	6.7%	5.1%	4.5%	5.5%
SYSTEM TOTAL	3.7%	5.5%	5.8%	3.5%	1.9%	4.6%

Note: Springfield did not submit audited FY19 year-end results. Analysis is based on Springfield's unaudited submission.

Increasing Reliance on Other Operating Revenue

As operating margins continue to deteriorate and programs including 340B become less predictable, hospitals' ability to rely on other operating revenue is challenged. Several hospitals credited the 340B program as **critical to the sustainability of their organizations**.

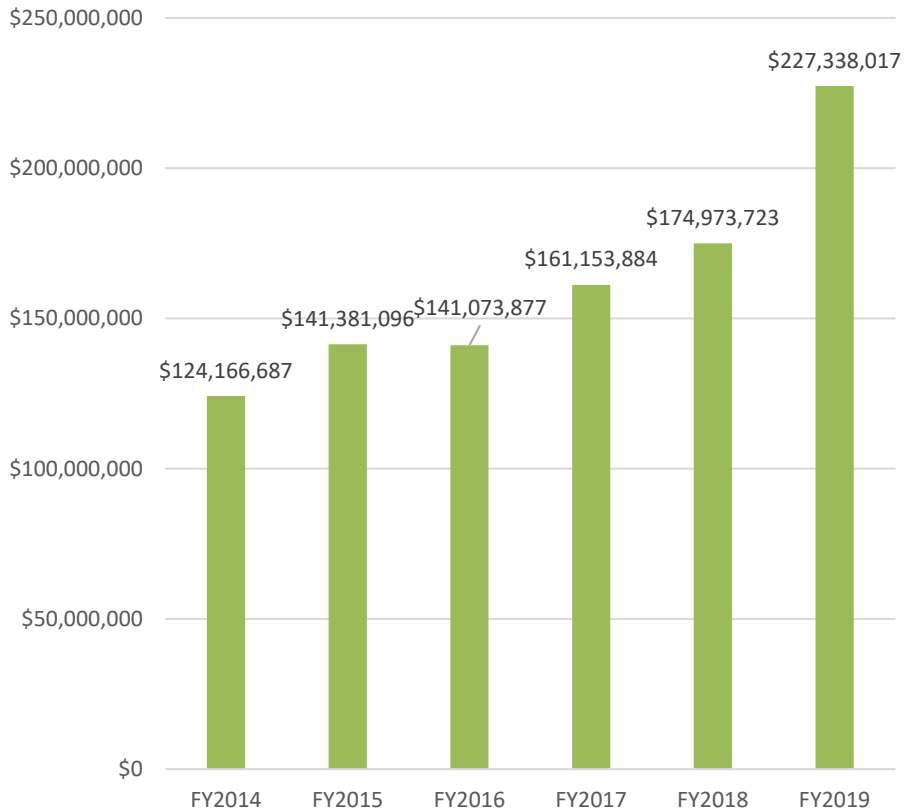


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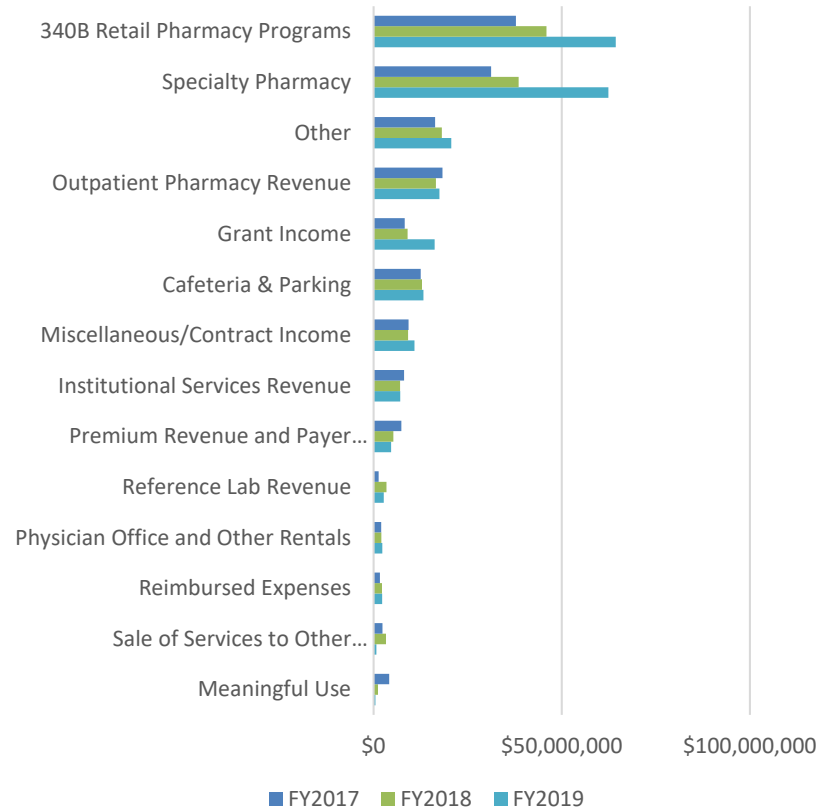
Other Operating Revenue

Other operating revenue has increased by 83% since FY2014. Categories of other operating revenue include:

Other Operating Revenue



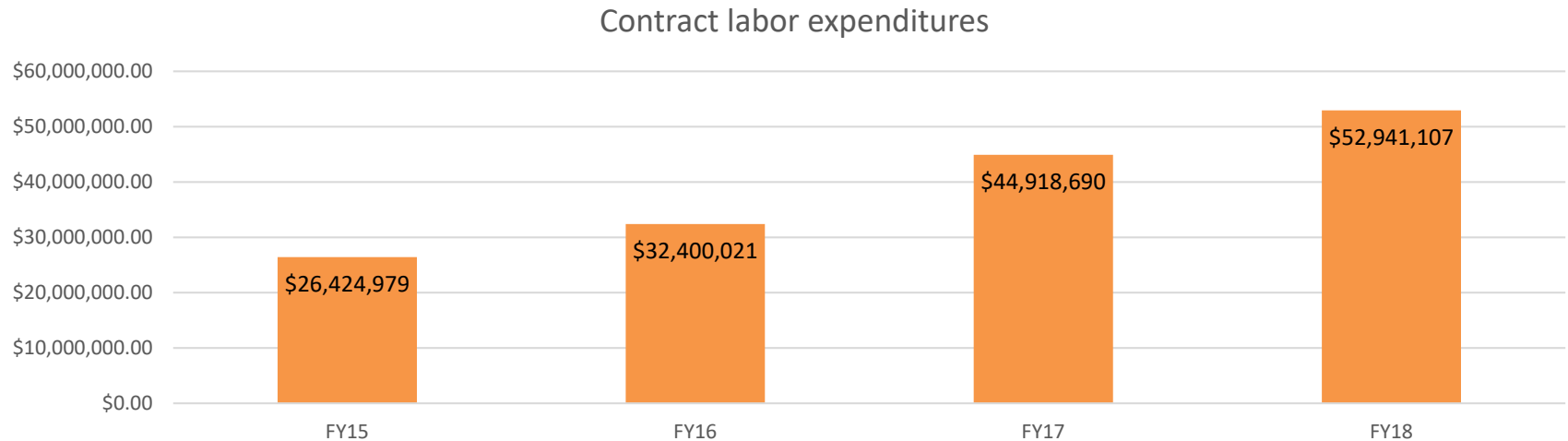
Categories of Other Operating Revenue



Note: Springfield did not submit audited FY19 year-end results. Analysis is based on Springfield's unaudited submission. Springfield data is not included in the Categories of Other Operating Revenue graph.

Drivers of Operating Expenses

Drivers of operating expenses include rising drug costs and workforce issues



Source: Excerpt from the Rural Health Services Task Force Report. Data includes 11 of 15 hospitals, including the Brattleboro Retreat

Leadership Turnover

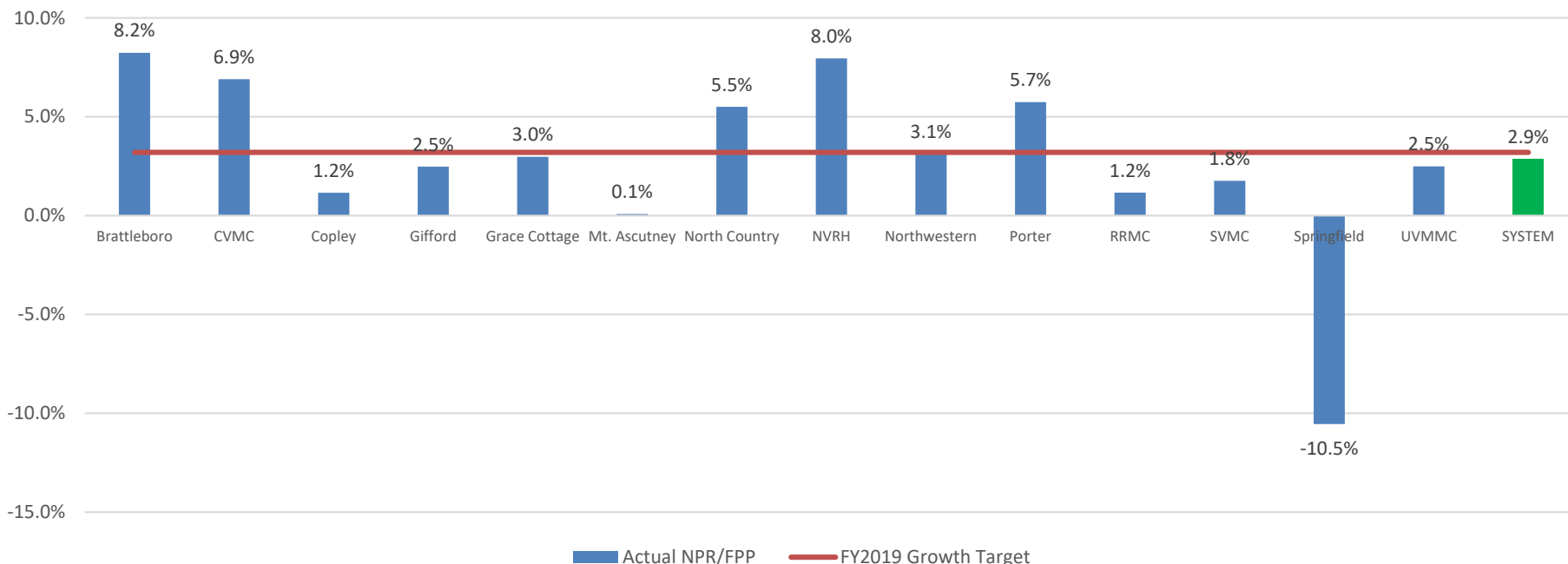
At the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) level:

- In FY2019, turnover in 9 CEO and CFO positions
- Since 2017, every hospital, with the exception of Southwestern Vermont Medical Center, has had turnover in either the CEO or CFO position

FY19 Actual-to-Actual Growth Systemwide Growth is Below Target

Systemwide NPR/FPP grew 2.9% from FY18 to FY19, below the 3.2% maximum growth target set forth by the GMCB. On an entity level, 9 of 14 hospitals did not reach the maximum growth limit.

Actual-to-Actual Growth Copared to 3.2% Growth Target



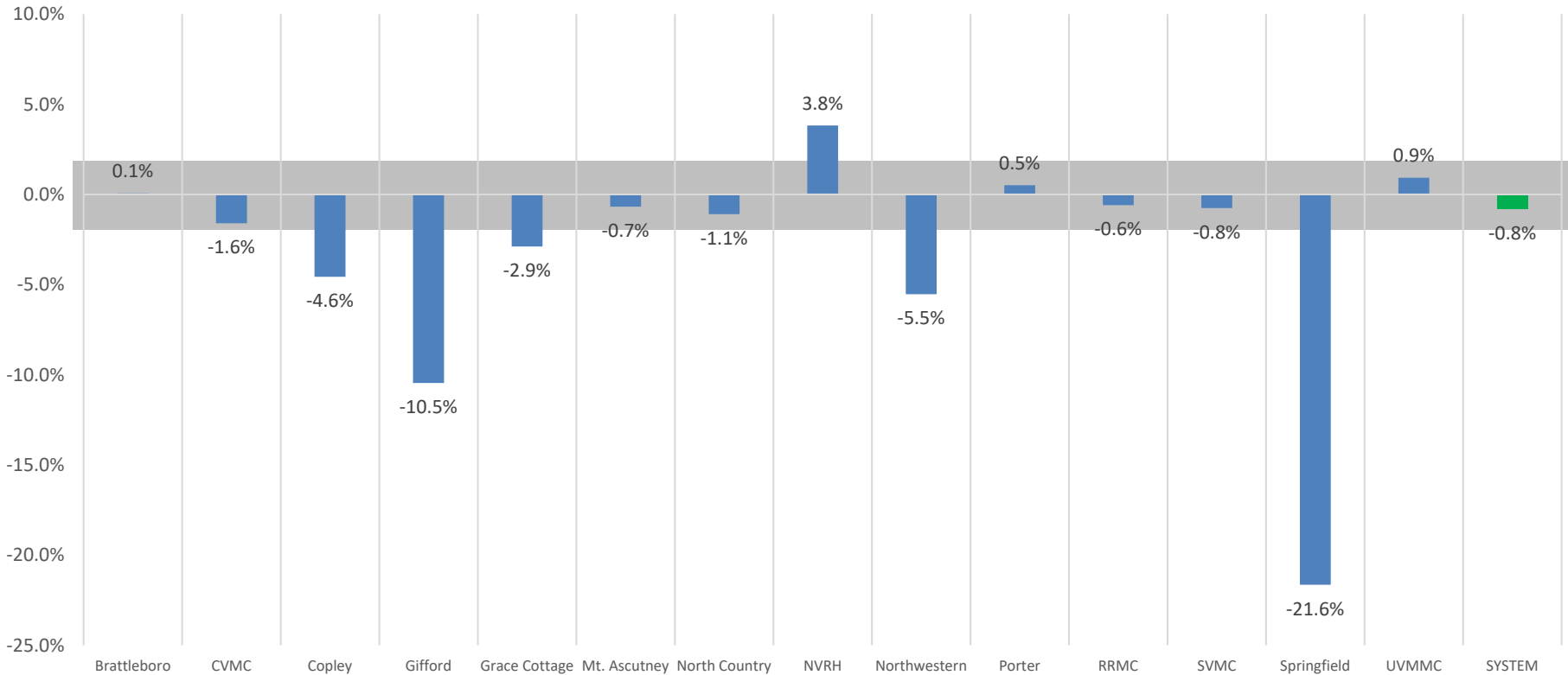
Note: [FY2019 Budget Guidance](#) established a 3.2% growth target (2.8% growth target with an additional 0.4% allowance for health care reform investments). Springfield did not submit audited FY19 year-end results. Analysis is based on Springfield’s unaudited submission.

FY19 Budget-to-Actual Variance

Comparing actual growth to budgeted growth, 10 of 14 hospitals fell below their budgeted NPR/FPP revenues.

Enforcement Discussion Prompt: Last year, the GMCB set a variance range for review of -2.5% to +2.0% when reviewing. The GMCB is scheduled to discuss Enforcement at its 3/18 meeting.

NPR/FPP Budget-to-Actual Variance



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Hospital Profiles

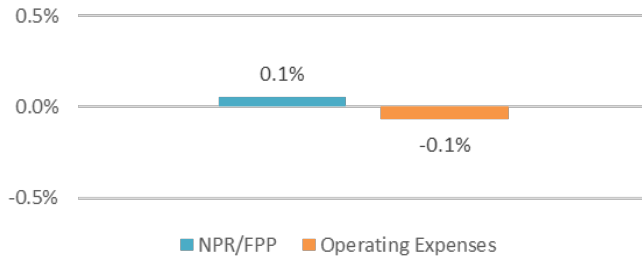
FY2019 Year-End Review

Medicare Designation	Hospital	NPR/FPP Actual FY19	% of Total	Budget-to-Actual Variance
PPS	Brattleboro Memorial Hospital	\$83,994,257	3.2%	0.1%
PPS	Central Vermont Medical Center	\$208,006,996	8.0%	-1.6%
CAH	Copley Hospital	\$66,993,816	2.6%	-4.6%
CAH	Gifford Medical Center	\$50,052,096	1.9%	-10.5%
CAH	Grace Cottage Hospital	\$18,734,702	0.7%	-2.9%
CAH	Mount Ascutney Hospital & Health Center	\$50,849,386	2.0%	-0.7%
CAH	North Country Hospital	\$80,634,917	3.1%	-1.1%
CAH	Northeastern VT Regional Hospital	\$84,684,742	3.3%	3.8%
PPS	Northwestern Medical Center	\$106,529,464	4.1%	-5.5%
CAH	Porter Medical Center	\$84,961,115	3.3%	0.5%
PPS	Rutland Regional Medical Center	\$257,189,661	9.9%	-0.6%
PPS	Southwestern VT Medical Center	\$163,952,570	6.3%	-0.8%
CAH	Springfield Hospital	\$47,392,822	1.8%	-21.6%
PPS	University of Vermont Medical Center	\$1,285,234,193	49.6%	0.9%
	SYSTEM	\$2,589,210,737	100.0%	-0.8%

Note: Springfield did not submit audited FY19 year-end results. Analysis is based on Springfield's unaudited submission.

Brattleboro Memorial Hospital

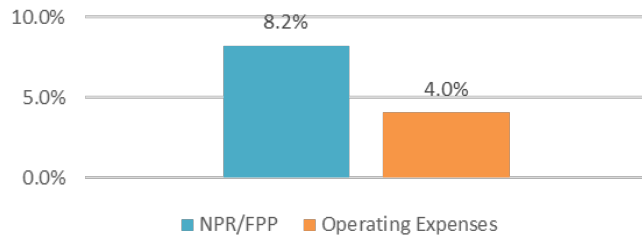
Budget-to-Actual Variance



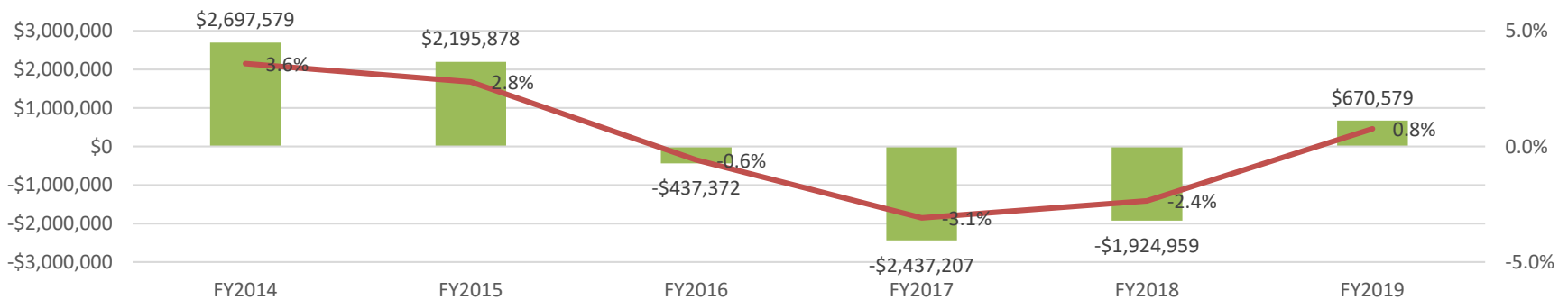
BMH's NPR/FPP FY19 budget-to-actual results are on budget, however, actual growth over FY18 is substantial.

As of February 20, 2020, Brattleboro Memorial Hospital did not submit its narrative, oaths or audited financial statements (due January 31, 2020).

Actual-to-Actual Growth



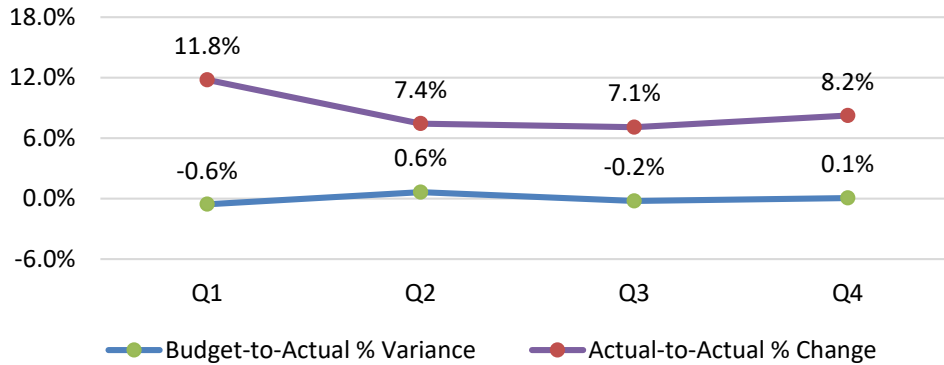
Operating Margin



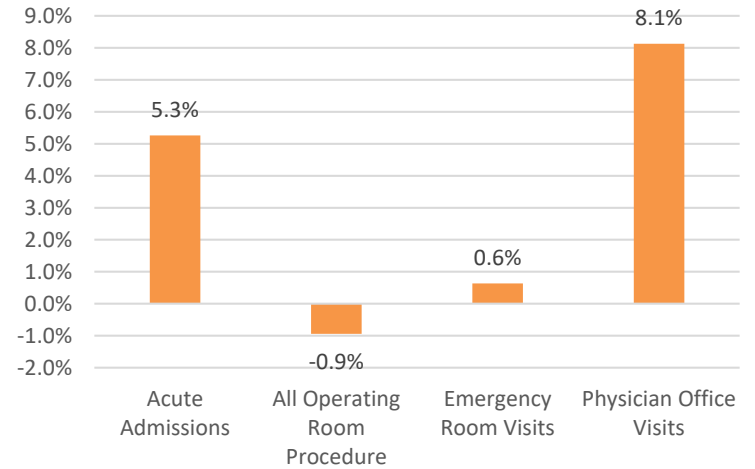
Brattleboro Memorial Hospital

NPR/FPP

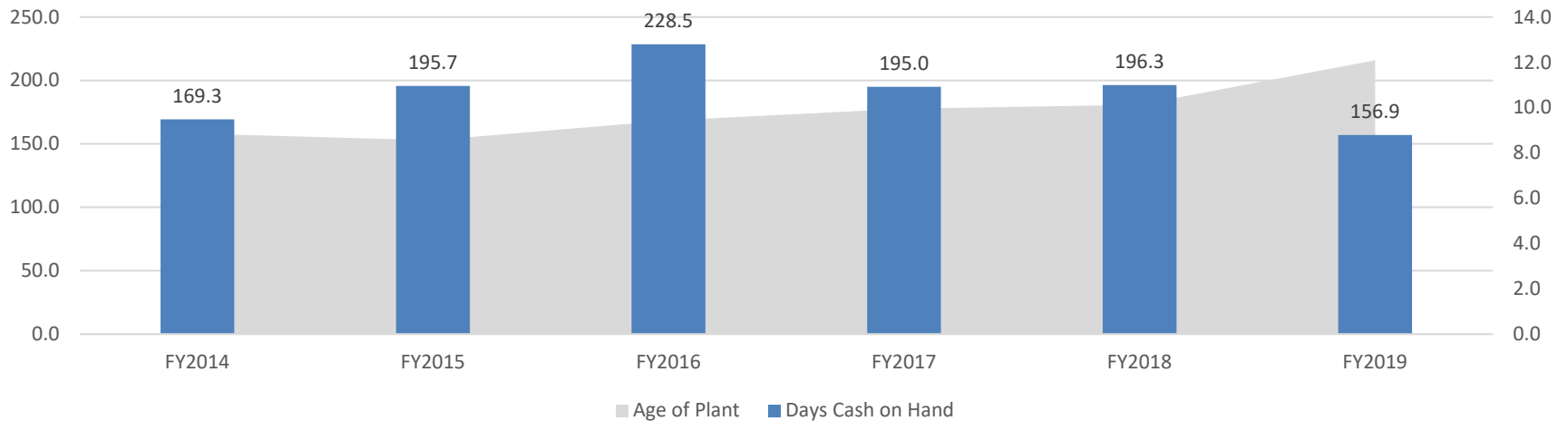
FY2019 Budget Variances & FY2018-to-FY2019 Actual Growth



Actual-to-Actual Utilization

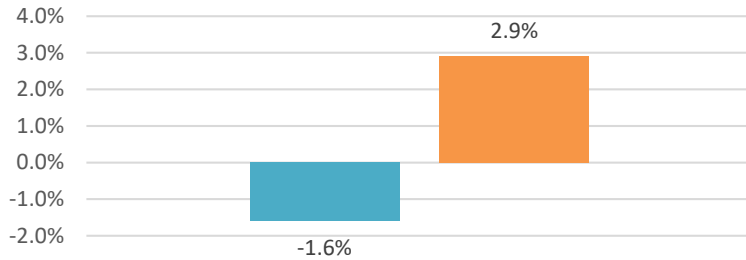


Days Cash on Hand and Age of Plant

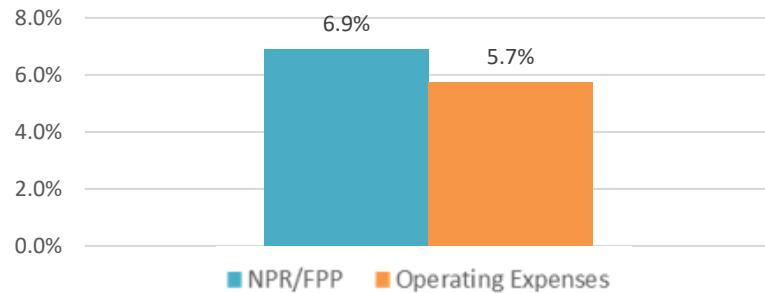


Central Vermont Medical Center

Budget-to-Actual Variance



Actual-to-Actual Growth



Summary of FY19 Operating Performance:

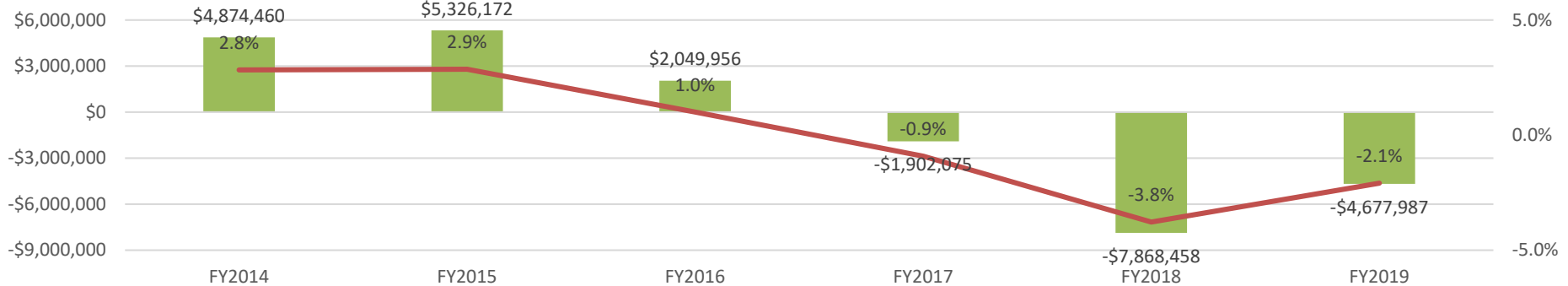
- Decline in reimbursements due to bad debt/free care and payer mix shift
- Accounting change: payment reform investments moved to deductions
- Cost drivers include contract staffing and drug costs
- Pension liability negatively impacted non-operating revenues

Financial Assessment:

CVMC's financial performance did not improve as budgeted in FY19

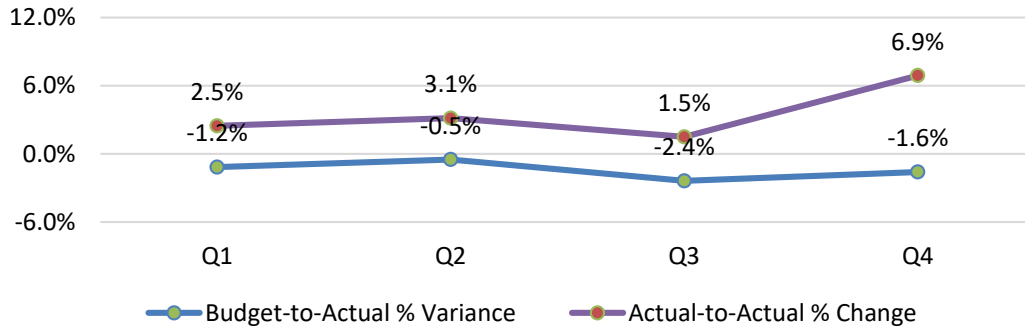
- Third consecutive year of operating losses
- Participating in bi-monthly monitoring and sustainability planning in FY2020

Operating Margin

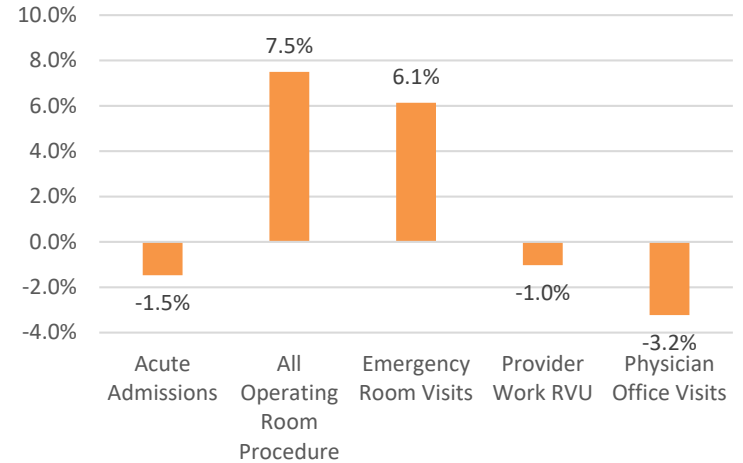


Central Vermont Medical Center

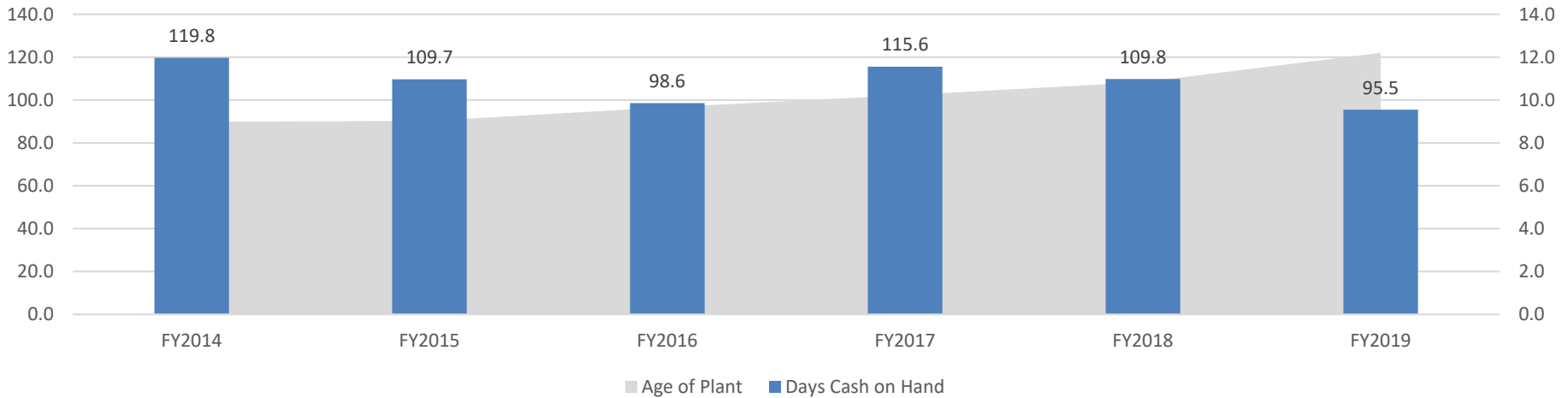
NPR/FPP
FY2019 Budget Variances &
FY2018-to-FY2019 Actual Growth



Actual-to-Actual Utilization

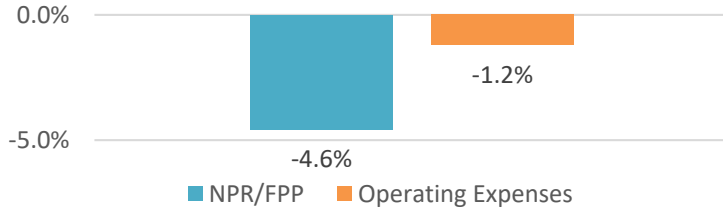


Days Cash on Hand and Age of Plant

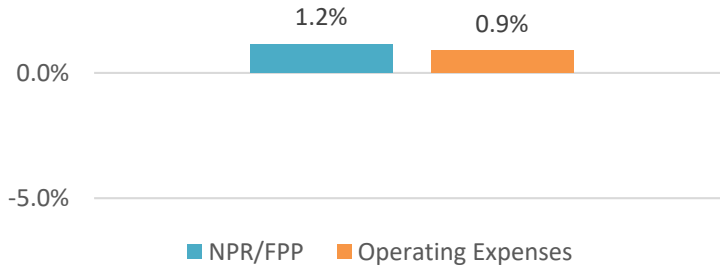


Copley Hospital

Budget-to-Actual Variance



Actual-to-Actual Growth



Summary of FY19 Operating Performance:

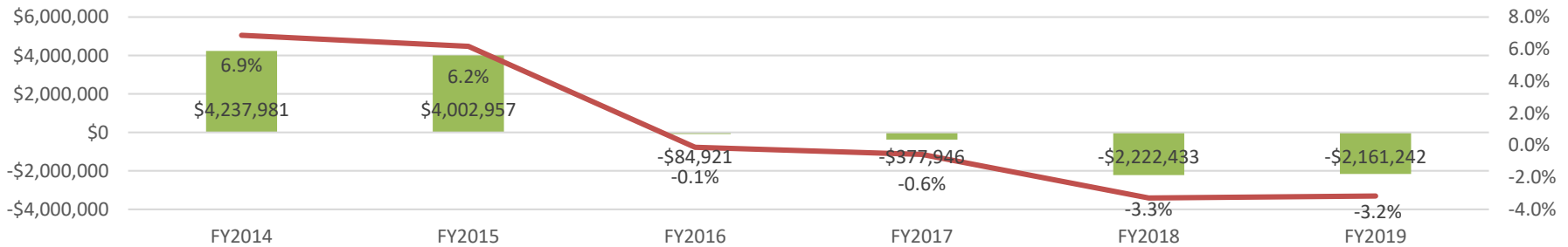
- New CEO and CFO in FY2019
- Decreased utilization due to medical staff:
 - Orthopedic surgery staffing
 - Pediatric dental surgery staffing
 - Slower than expected ramp of new surgeons
- Commercial to Medicare payer mix shift
- Cost drivers:
 - Unfavorable health insurance claims
 - Travelers
 - Supply and drug costs (joined NEAH in May 2019)

Financial Assessment:

Copley's financial performance did not improve as budgeted in FY19

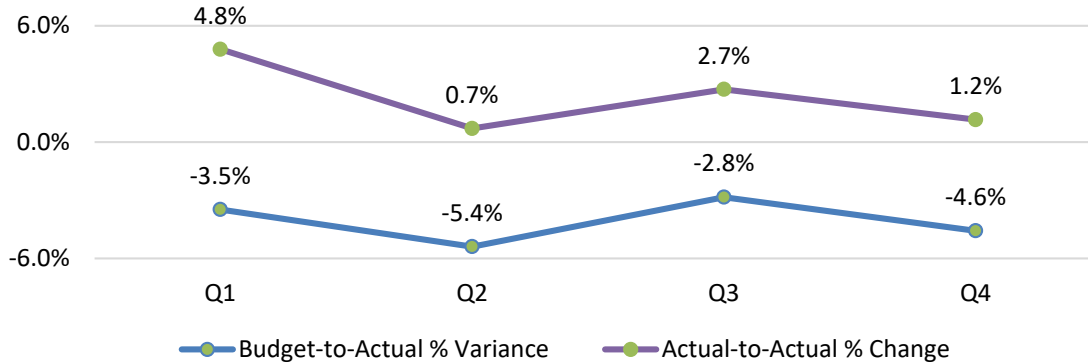
- Participating in monthly monitoring
- 4th year of operating losses
- Depleted cash position

Operating Margin

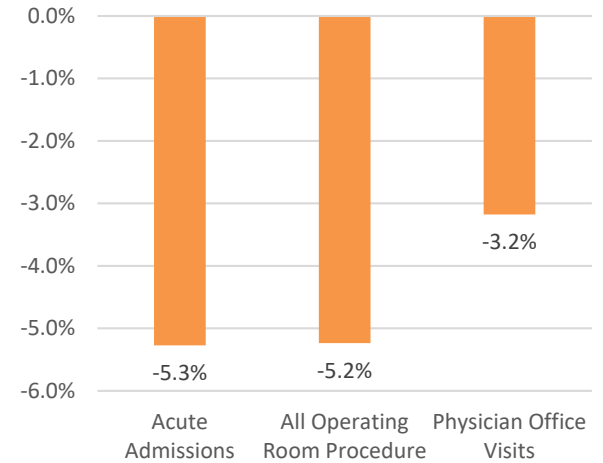


Copley Hospital

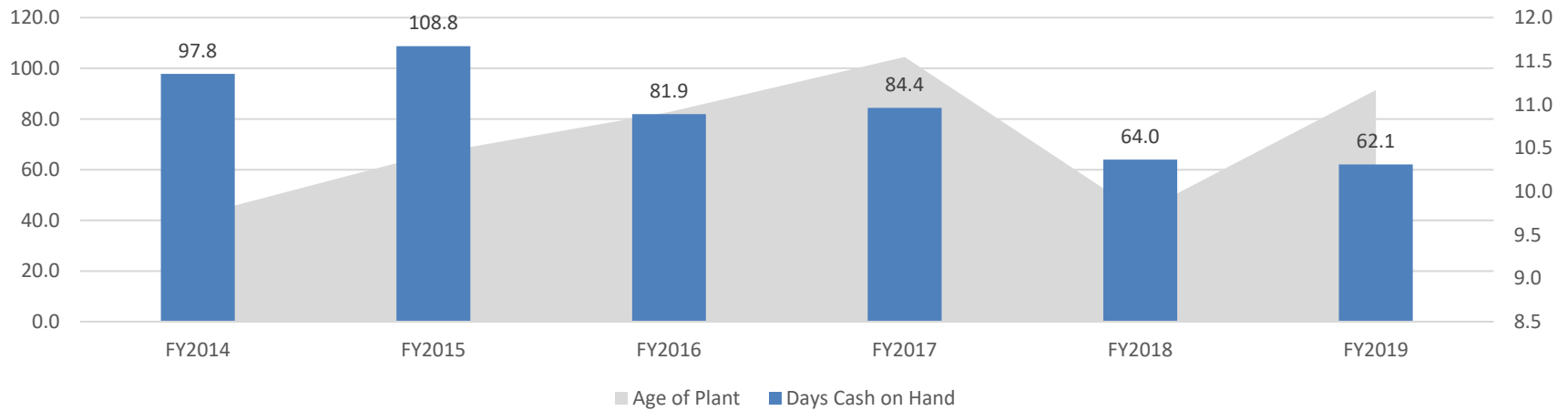
NPR/FPP
FY2019 Budget Variances &
FY2018-to-FY2019 Actual Growth



Actual-to-Actual Utilization

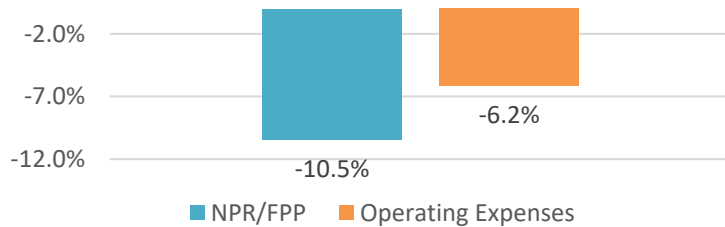


Days Cash on Hand and Age of Plant

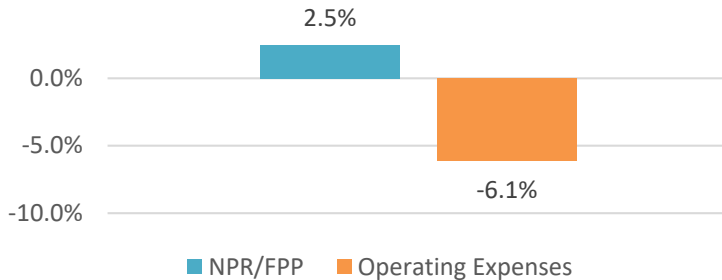


Gifford Medical Center

Budget-to-Actual Variance



Actual-to-Actual Growth



Summary of FY19 Operating Performance:

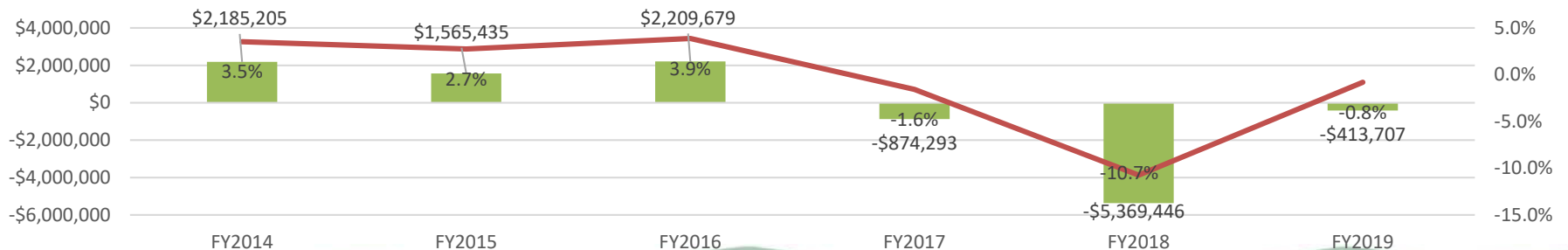
- Interim CFO in FY2019
- Lower than budgeted utilization
- Cost drivers include travelers and locum providers

Financial Assessment:

Gifford's financial performance improved in FY19

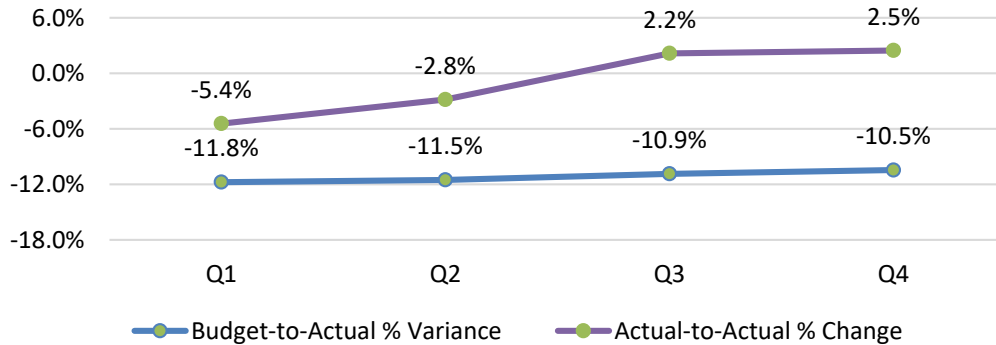
- Participating in bi-monthly monitoring and sustainability planning
- Significant improvement in operating margin
 - Other Operating Revenue favorable due to 340B, grants and rebates
- Cash position is stable

Operating Margin

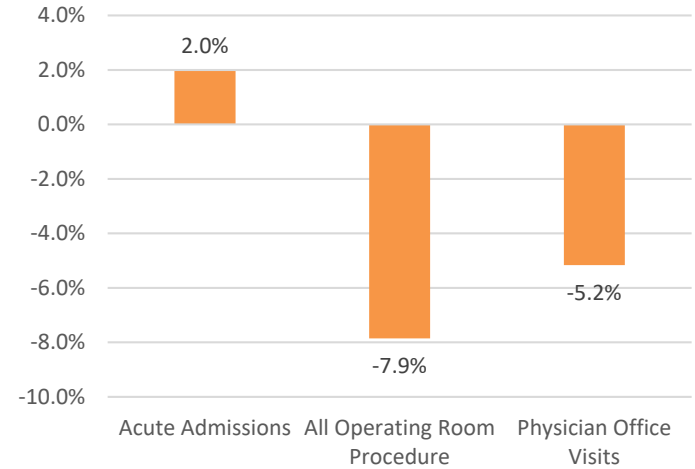


Gifford Medical Center

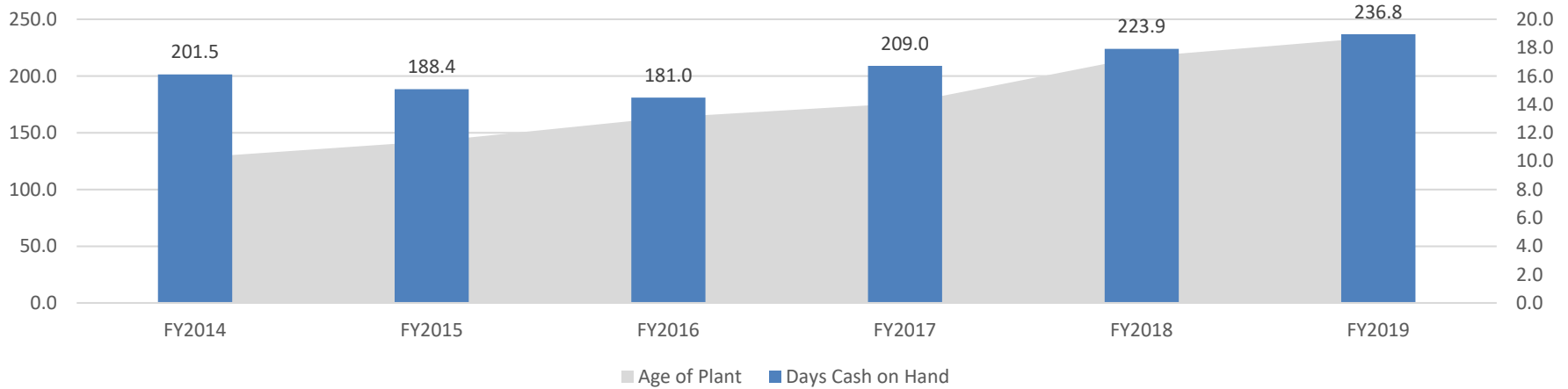
NPR/FPP
FY2019 Budget Variances &
FY2018-to-FY2019 Actual Growth



Actual-to-Actual Utilization

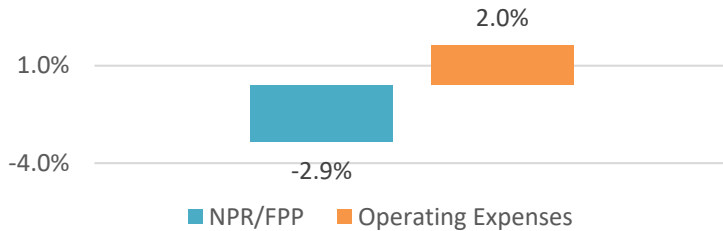


Days Cash on Hand and Age of Plant

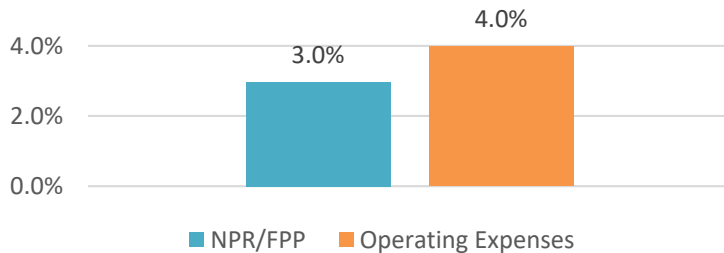


Grace Cottage Hospital

Budget-to-Actual Variance



Actual-to-Actual Growth



Summary of FY19 Operating Performance:

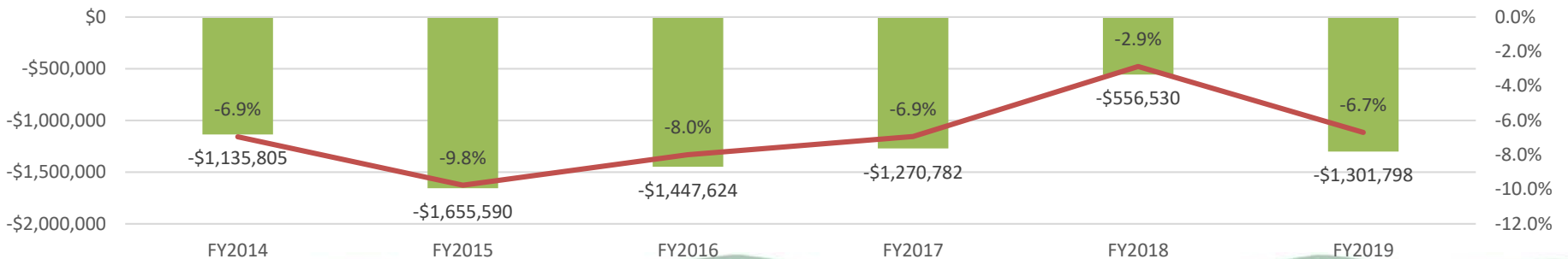
- Lower than budgeted utilization in acute admissions
- Medicaid reimbursement ratio declined from 34.6% to 34.1%
- Cost drivers include contract staffing and salaries/benefits

Financial Assessment:

Grace Cottage's financial performance did not improve as expected in FY19

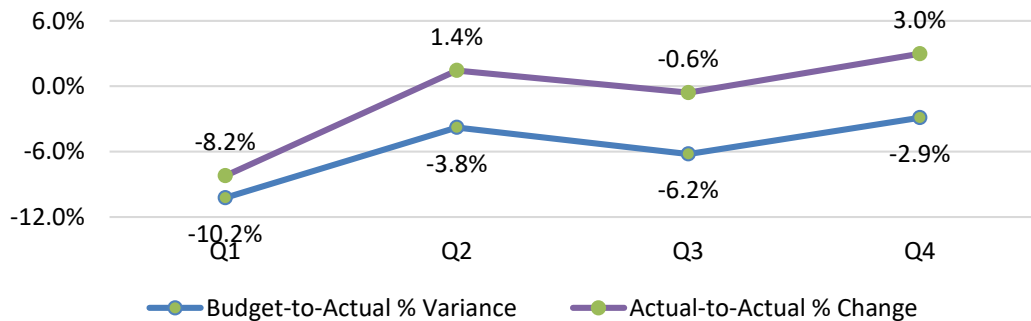
- Participating in bi-monthly monitoring
- Total Margin of -0.3% and Operating Margin of -6.7% below budget
- Cash position is stable

Operating Margin

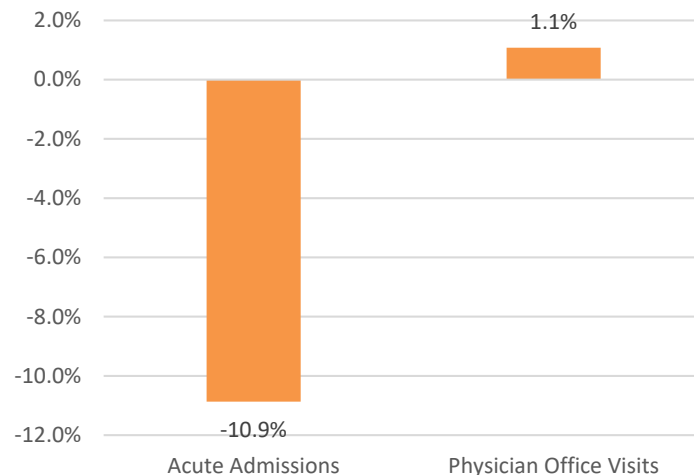


Grace Cottage Hospital

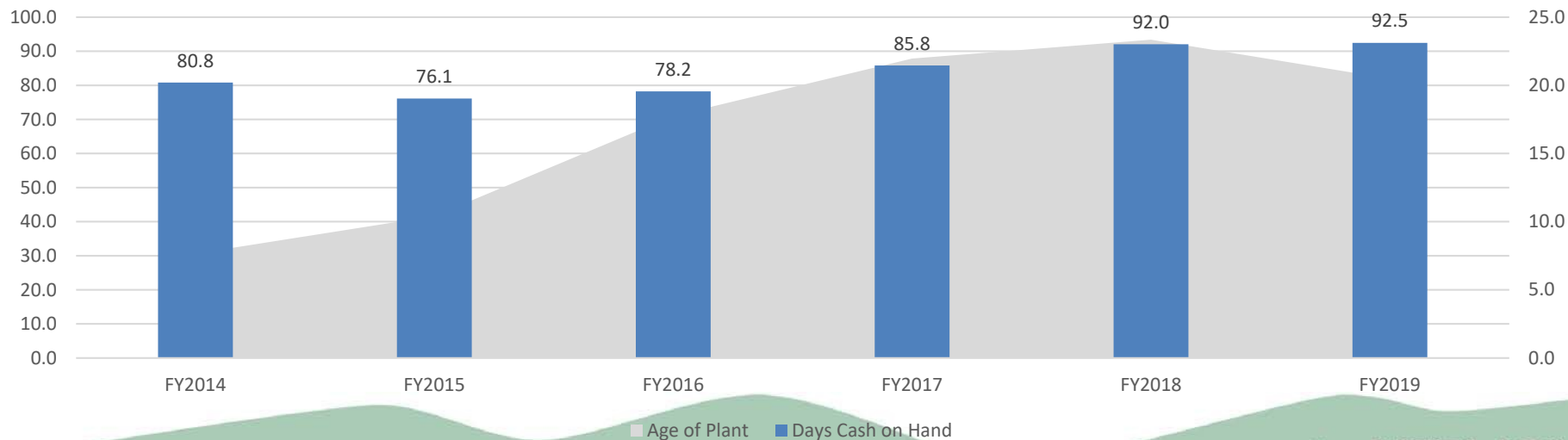
NPR/FPP
FY2019 Budget Variances &
FY2018-to-FY2019 Actual Growth



Actual-to-Actual Utilization

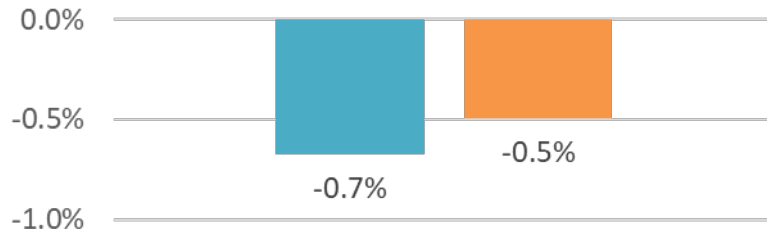


Grace Cottage Cash on Hand and Age of Plant

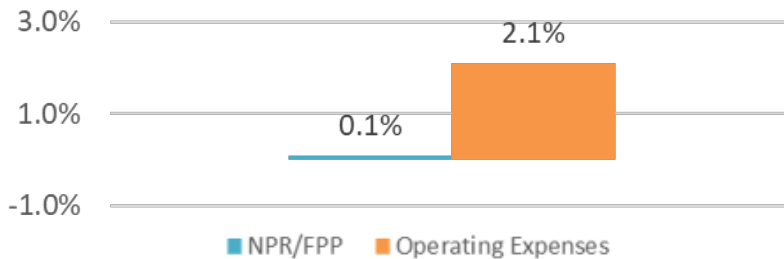


Mount Ascutney Hospital and Health Center

Budget-to-Actual Variance



Actual-to-Actual Growth



Summary of FY19 Operating Performance:

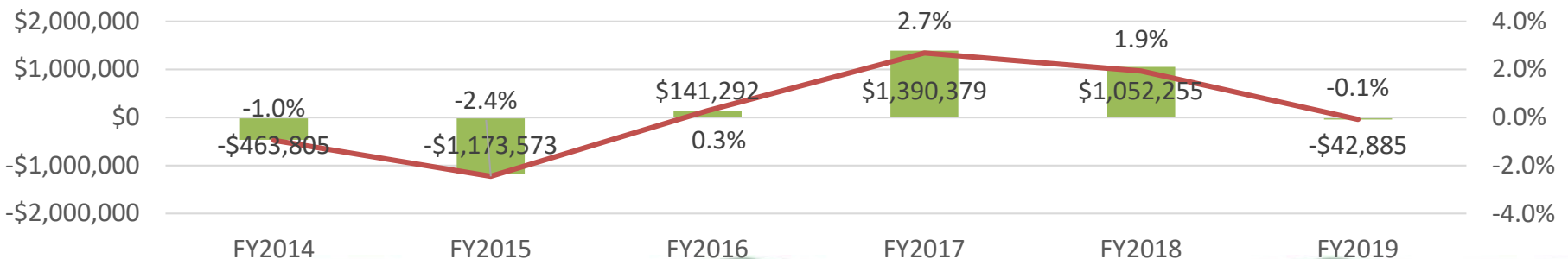
- Effort to support Springfield patients
- Challenges with ACO participation
- Payer mix shift from commercial to Medicare
- Pension plan obligations contributed to non-operating losses

Financial Assessment:

Mt Ascutney's financial performance did not improve as expected in FY19

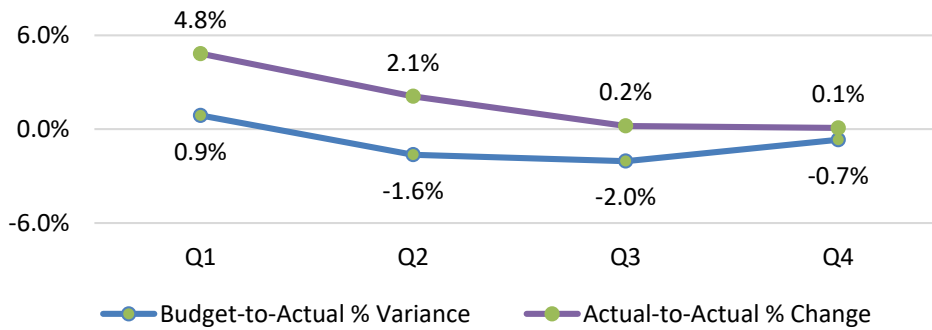
- Negative Operating Margin, first time since FY2015
- Cash position is stable
- D-HH affiliation supports financial and clinical initiatives

Operating Margin

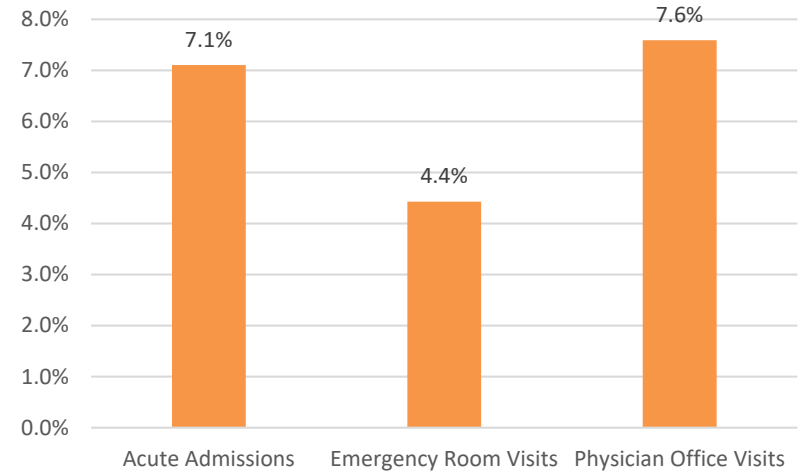


Mt. Ascutney Hospital and Health System

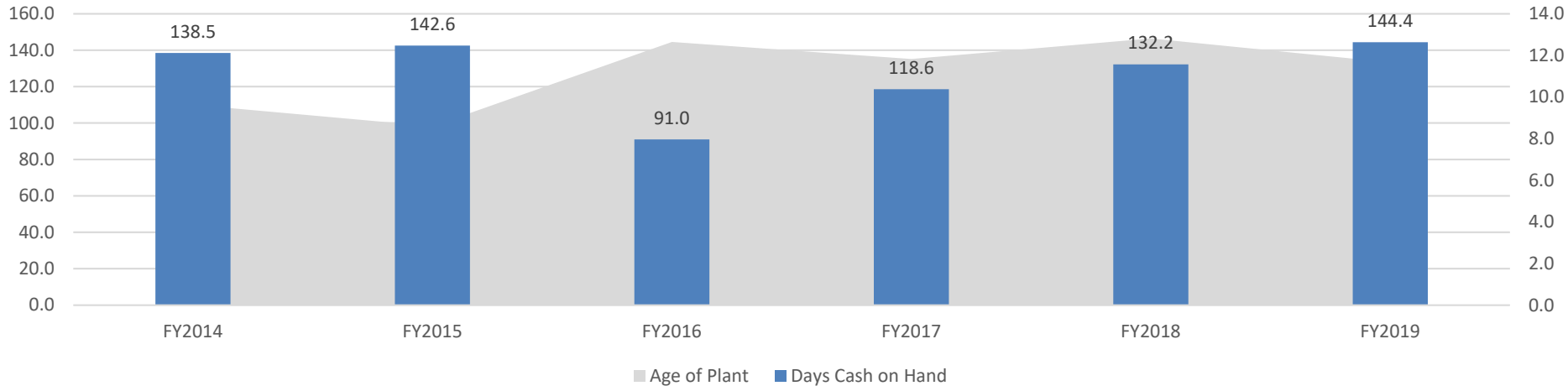
NPR/FPP
FY2019 Budget Variances &
FY2018-to-FY2019 Actual Growth



Mt. Ascutney Actual-to-Actual Utilization

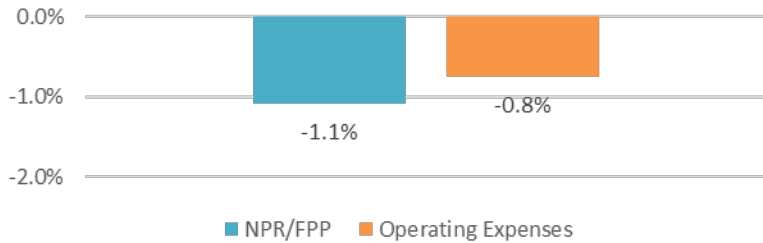


Days Cash on Hand and Age of Plant



North Country Hospital

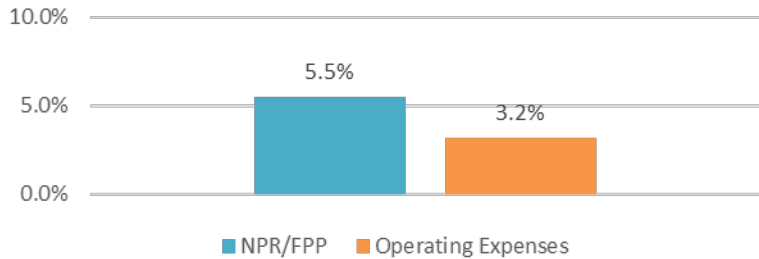
Budget-to-Actual Variance



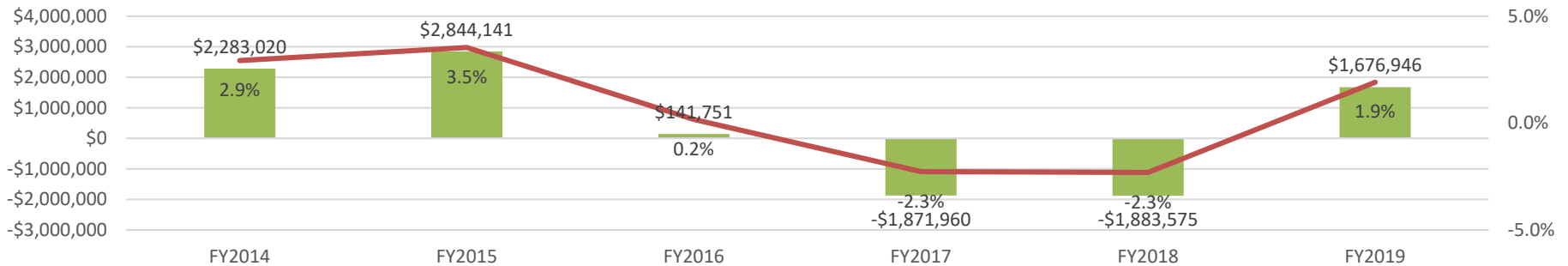
North Country's NPR/FPP budget-to-actual results fall below budget however, actual growth over FY18 is positive.

As of February 20, 2020, North Country did not submit a narrative (due January 31, 2020).

Actual-to-Actual Growth

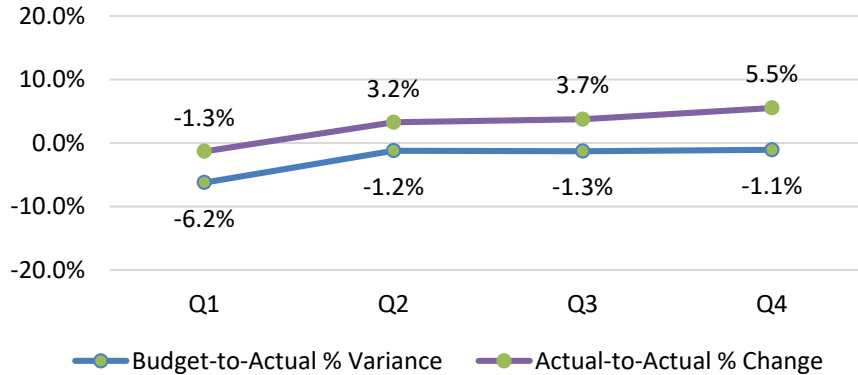


Operating Margin

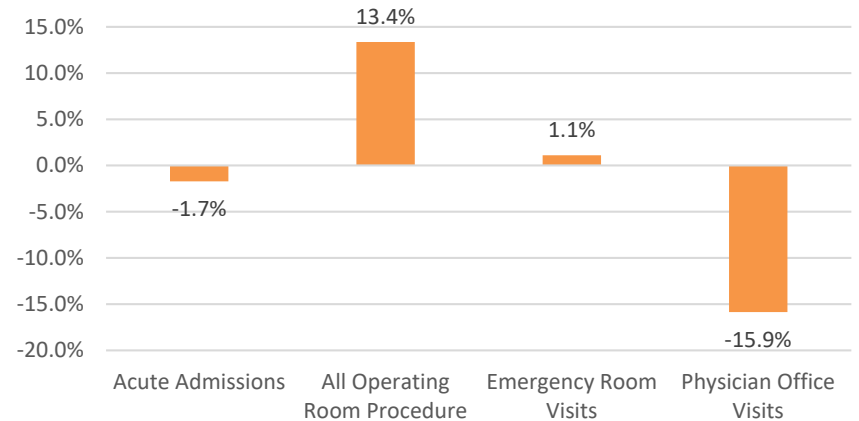


North Country Hospital

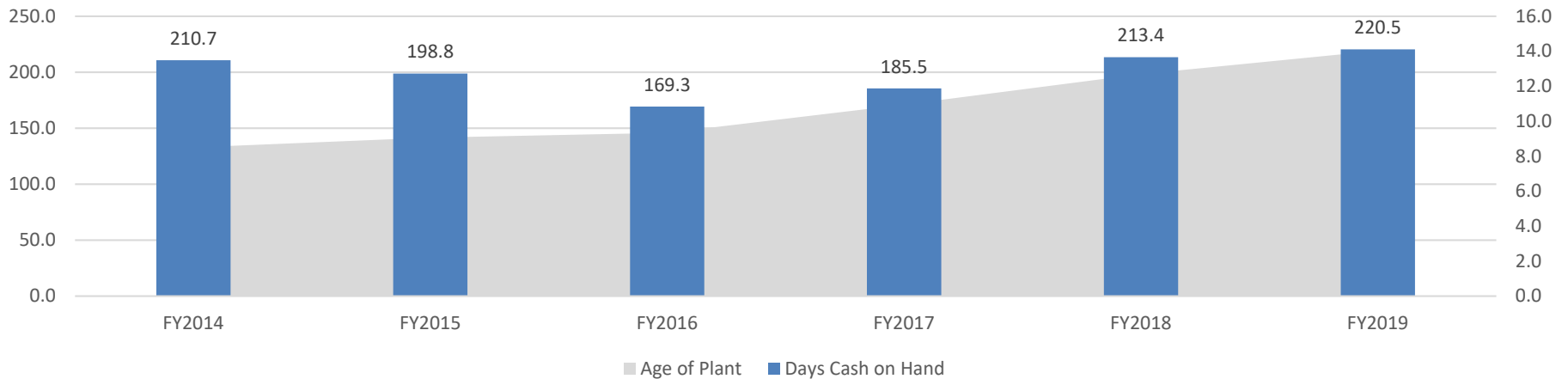
NPR/FPP
FY2019 Budget Variances &
FY2018-to-FY2019 Actual Growth



Actual-to-Actual Utilization

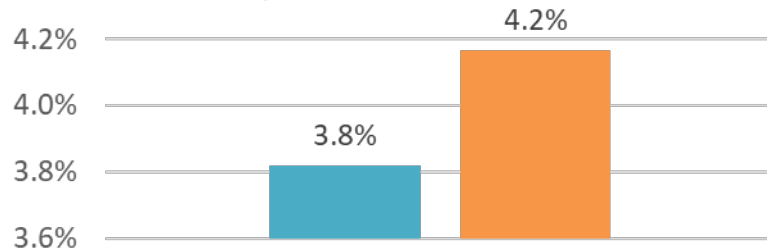


Days Cash on Hand and Age of Plant

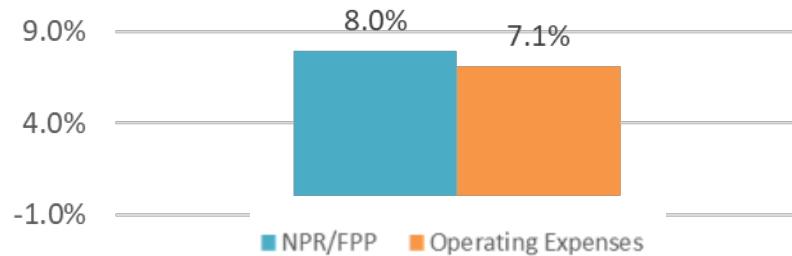


Northeastern Vermont Regional Hospital

Budget-to-Actual Variance



Actual-to-Actual Growth



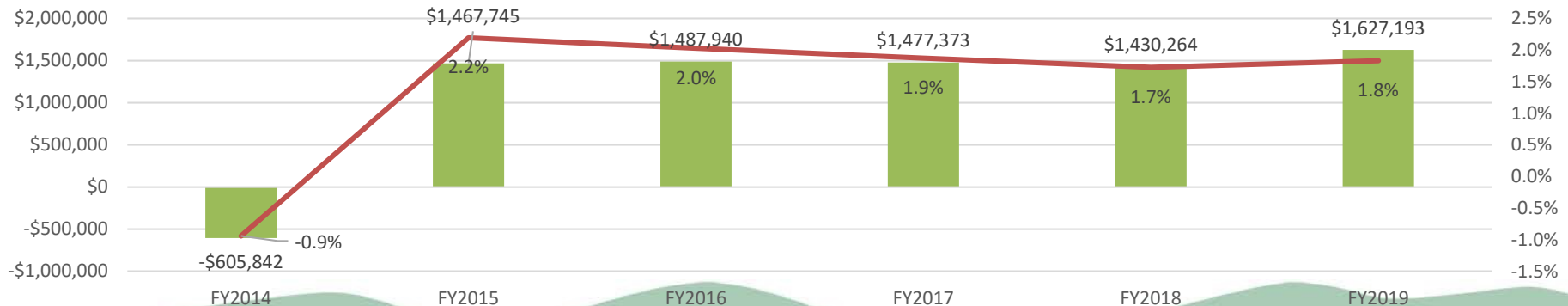
Summary of FY19 Operating Performance:

- Utilization increases in acute patient days and emergency department; increases in out-of-state patients
- Accounting adjustment: reference lab revenue recorded as “other operating revenue”
- Cost drivers include contract staffing and salaries/benefits

Financial Assessment:

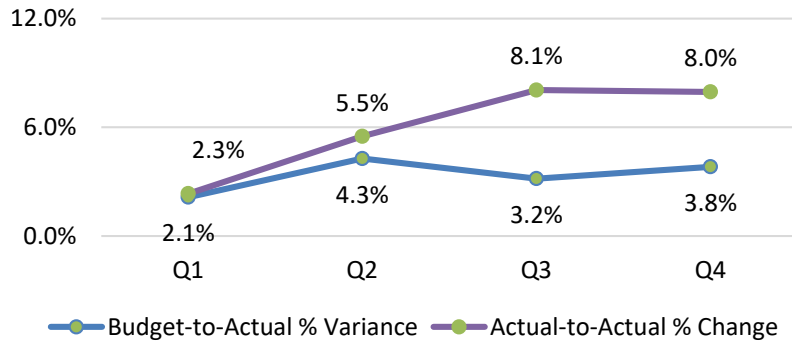
- NVRH’s financial performance remained stable in FY19
- Cash position is stable

Operating Margin

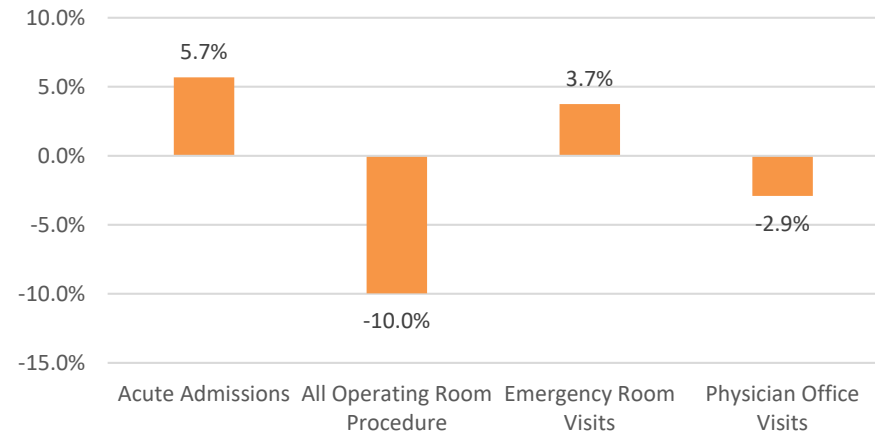


Northeastern Vermont Regional Hospital

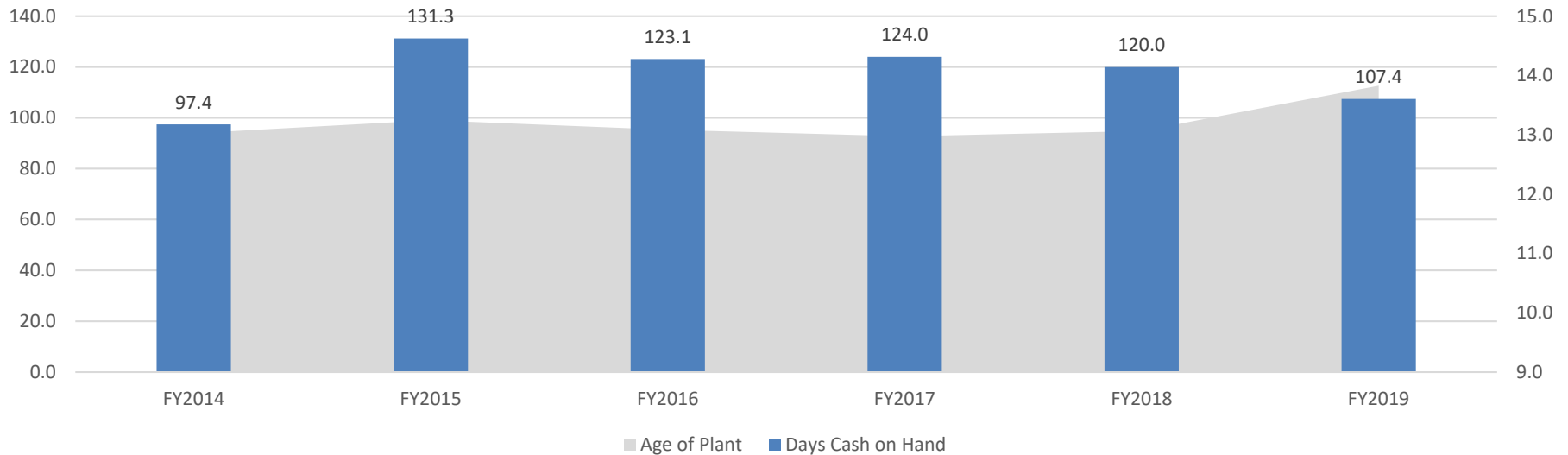
NPR/FPP
FY2019 Budget Variances &
FY2018-to-FY2019 Actual Growth



NVRH Actual-to-Actual Utilization

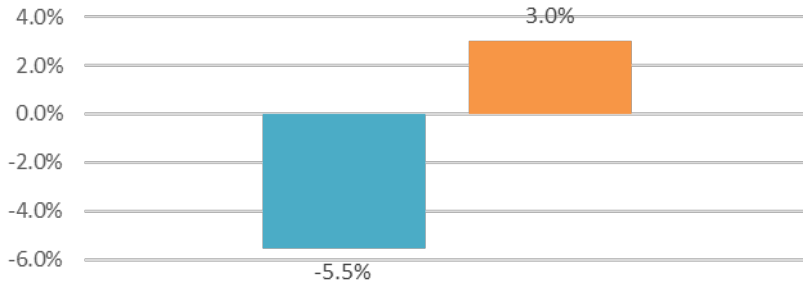


Days Cash on Hand and Age of Plant

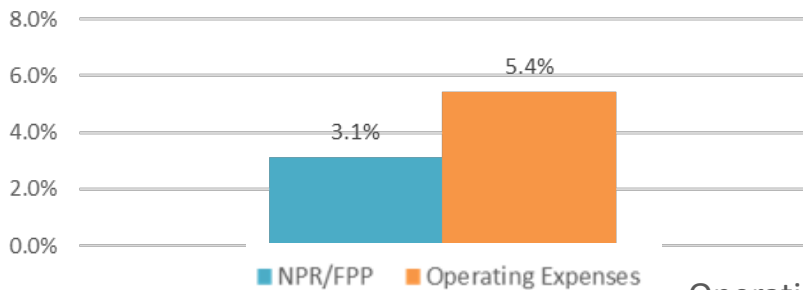


Northwestern Vermont Medical Center

Budget-to-Actual Variance



Actual-to-Actual Growth



Summary of FY19 Operating Performance:

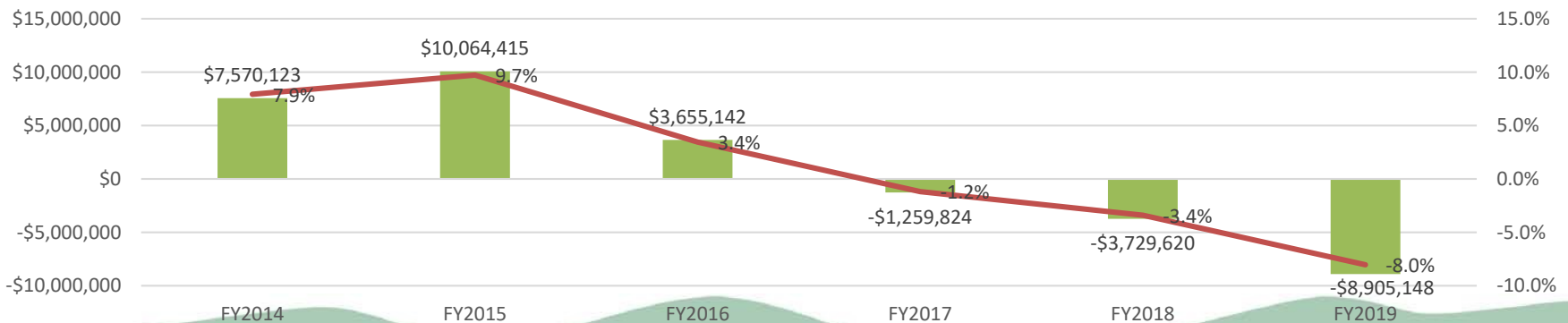
- Challenging Electronic Health Record implementation
 - Negative impact on utilization
 - -\$2.6 million NPR
- Challenges with ACO participation
- Increase in Bad Debt
- Cost drivers include contract staffing and unfavorable health insurance claims

Financial Assessment:

NMC's financial performance did not improve as expected in FY19

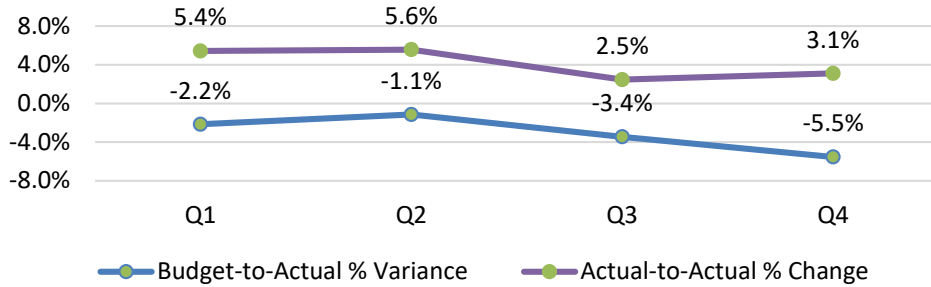
- Participated in bi-monthly monitoring
- Significant decline in operating margin
- Days cash on hand continues to decline

Operating Margin

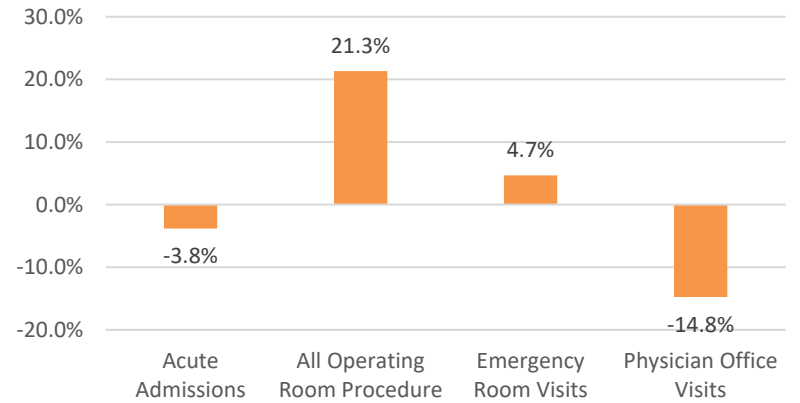


Northwestern Vermont Medical Center

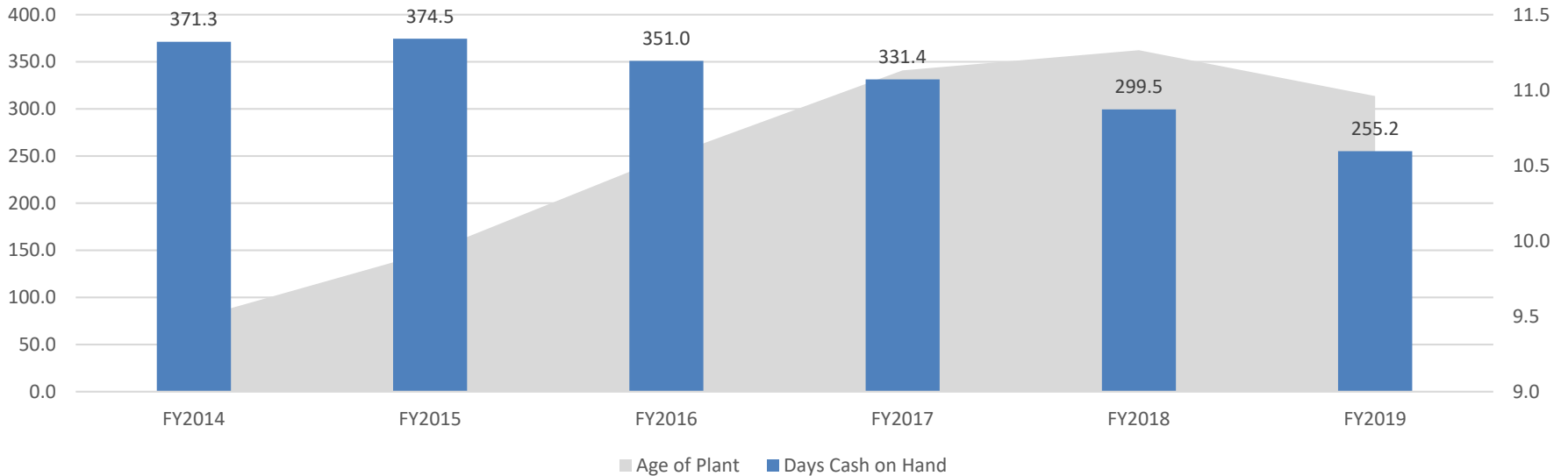
NPR/FPP
FY2019 Budget Variances &
FY2018-to-FY2019 Actual Growth



Actual-to-Actual Utilization

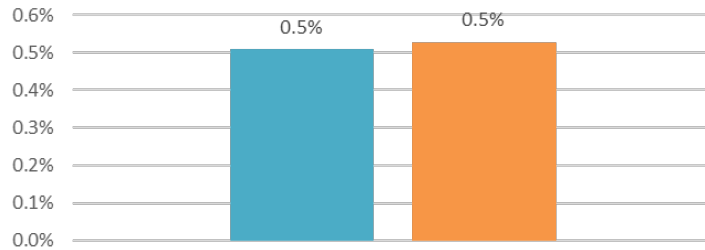


Cash on Hand and Age of Plant

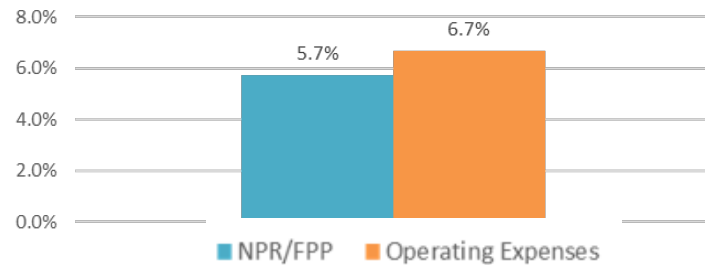


Porter Medical Center

Budget-to-Actual Variance



Actual-to-Actual Growth



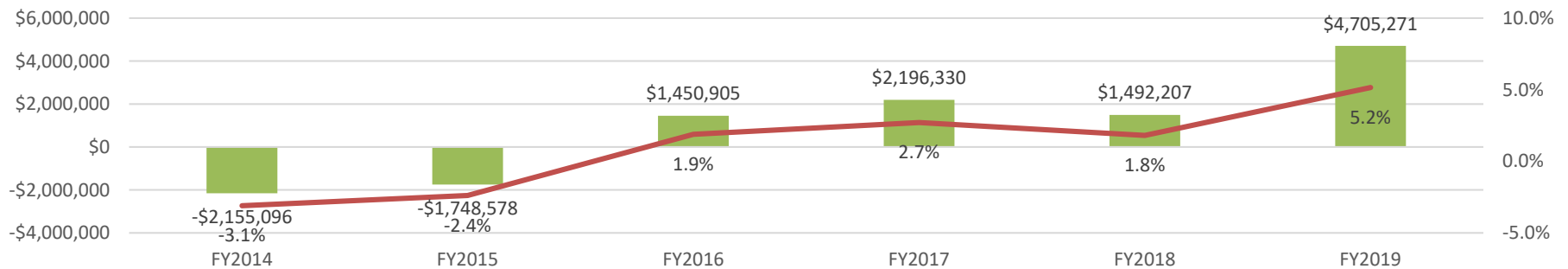
Summary of FY19 Operating Performance:

- Accounting change: payment reform investments moved to revenue deductions
- Utilization decreases
- Payer mix shift from commercial to government payers
- Favorable FY2018 ACO settlement
- Favorable FY2018 and 2019 Medicare Settlement
- Cost drivers include contract staffing

Financial Assessment:

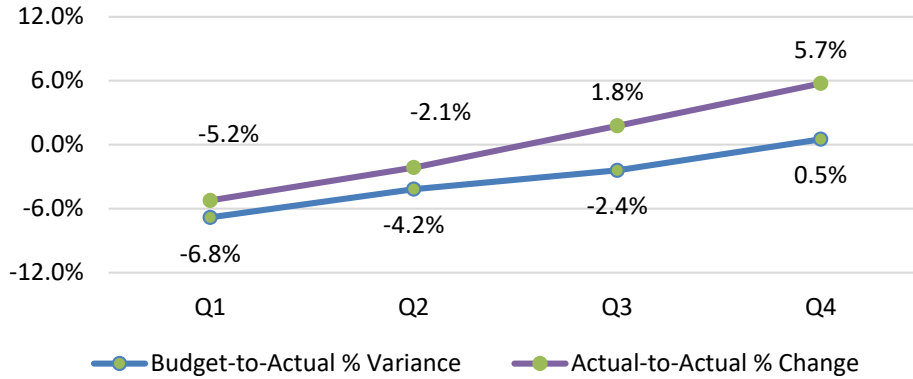
Porter's financial performance was stable in FY19. Favorable Medicare and ACO settlement contributed considerably to operating margin.

Operating Margin

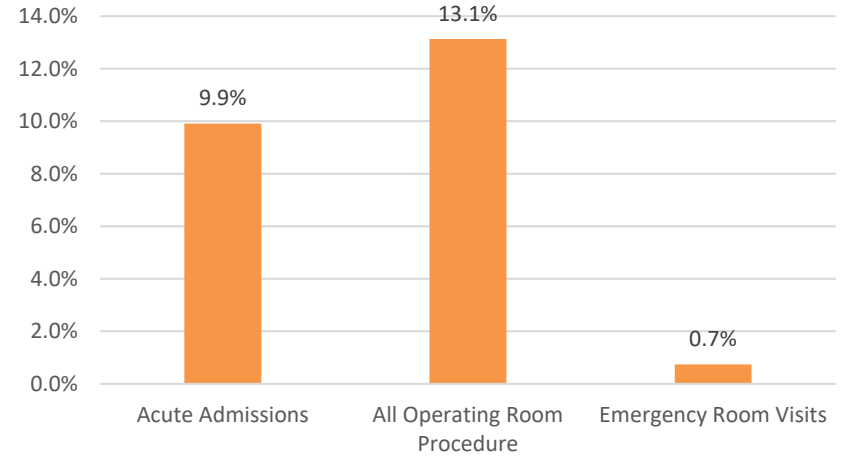


Porter Medical Center

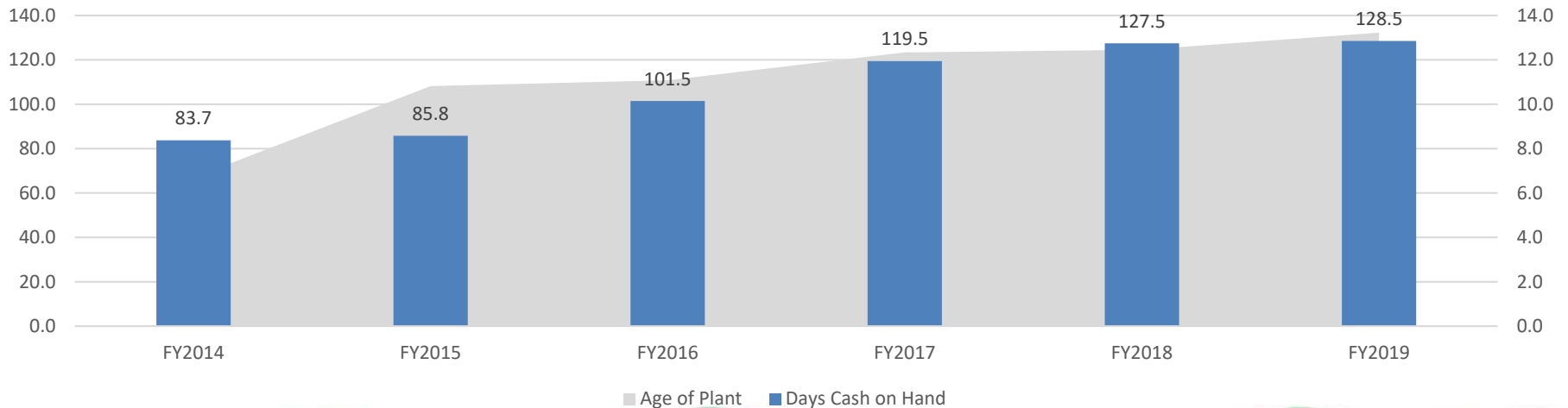
NPR/FPP
FY2019 Budget Variances &
FY2018-to-FY2019 Actual Growth



Actual-to-Actual Utilization

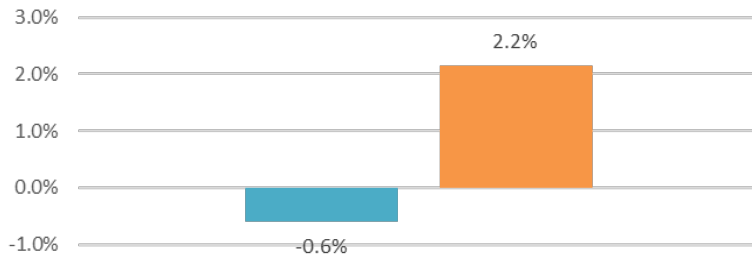


Days Cash on Hand and Age of Plant

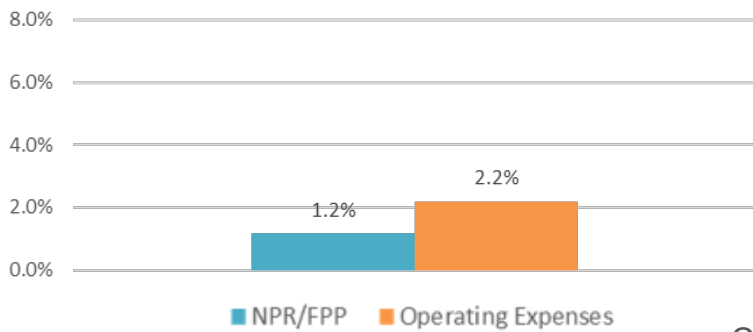


Rutland Regional Medical Center

Budget-to-Actual Variance



Actual-to-Actual Growth



Summary of FY19 Operating Performance:

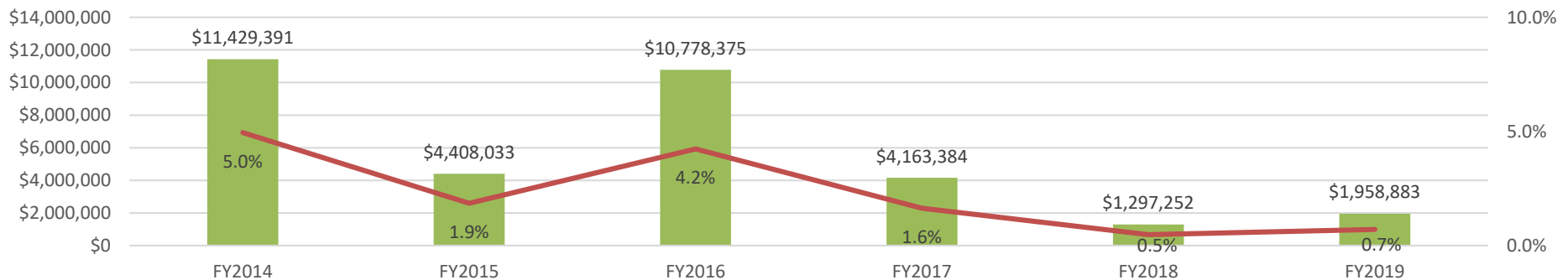
- Increases in bad debt and free care
- Payer mix change from commercial to government payers
- Challenges with ACO participation
- Cost drivers include pharmaceutical costs and contract staffing

Financial Assessment:

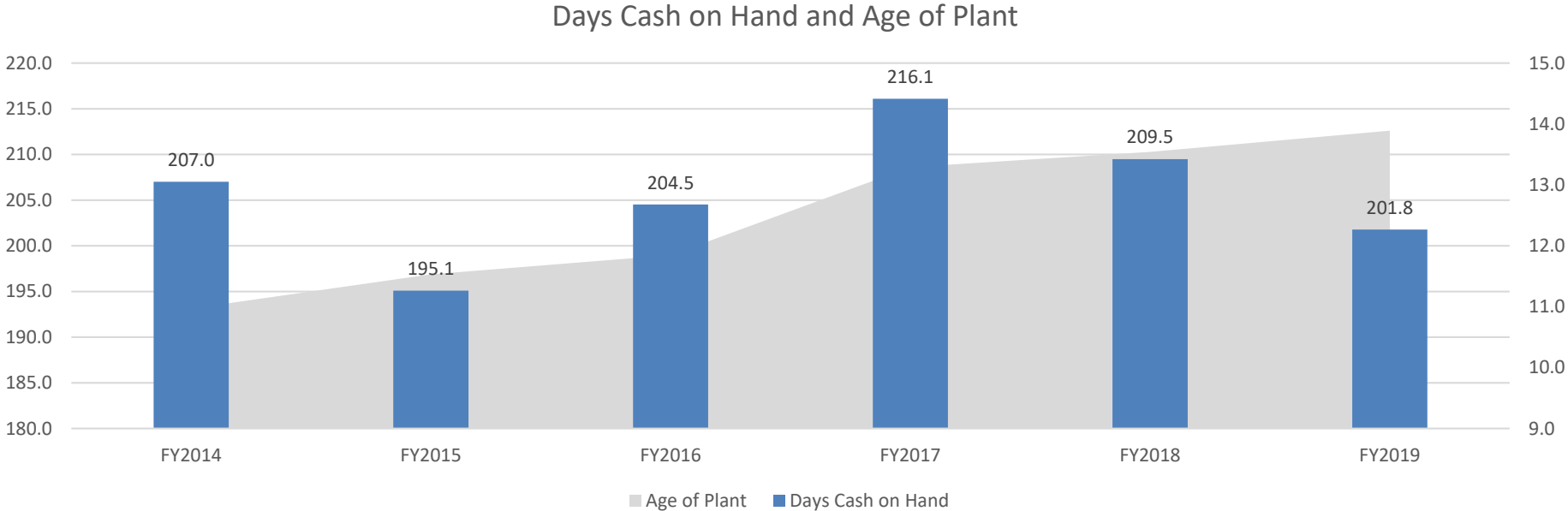
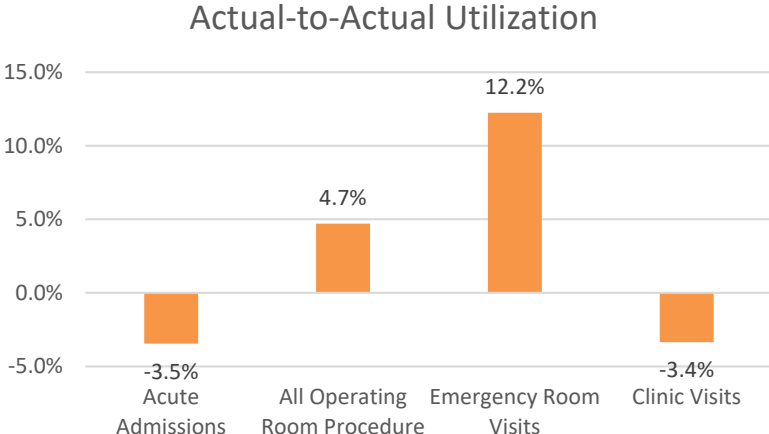
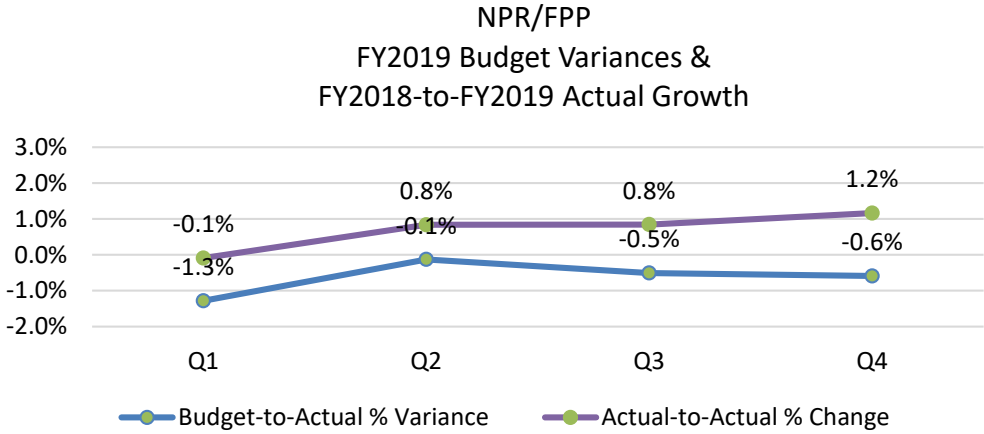
RRMC's financial performance did not improve as expected in FY19

- Though operating margin improved, did not achieve budget expectations of 2.3%.
 - 3rd year in a row operating margin did not meet budget

Operating Margin

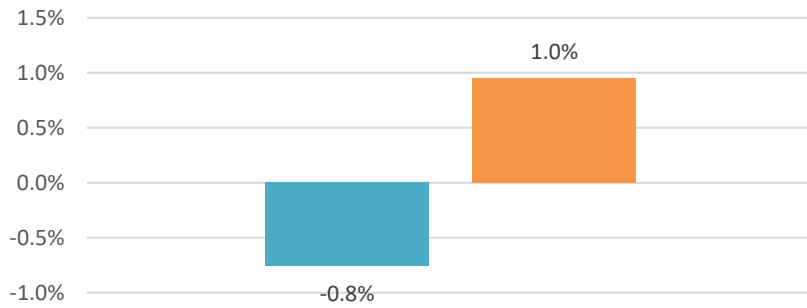


Rutland Regional Medical Center

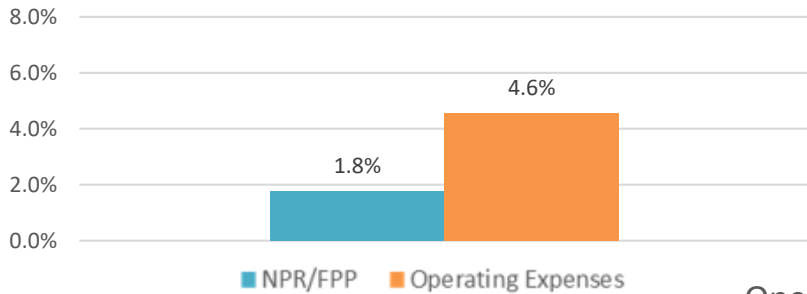


Southwestern Vermont Medical Center

Budget-to-Actual Variance



Actual-to-Actual Growth



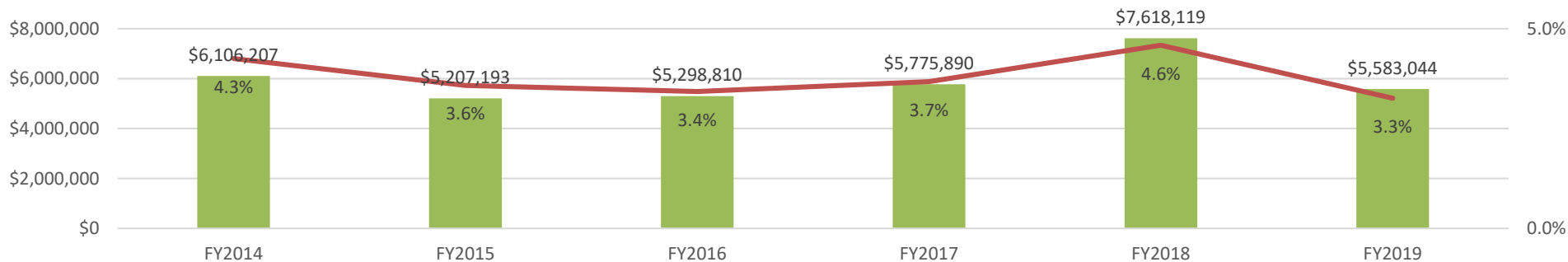
Summary of FY19 Operating Performance:

- First year of participation in all 3 ACOS Payer Programs
- Challenges with ACO participation
- Investments in ICU telemedicine
- Lower inpatient volumes
- Payer mix shift from commercial to government payers
- Cost drivers include contract staffing, salaries/benefits and drugs

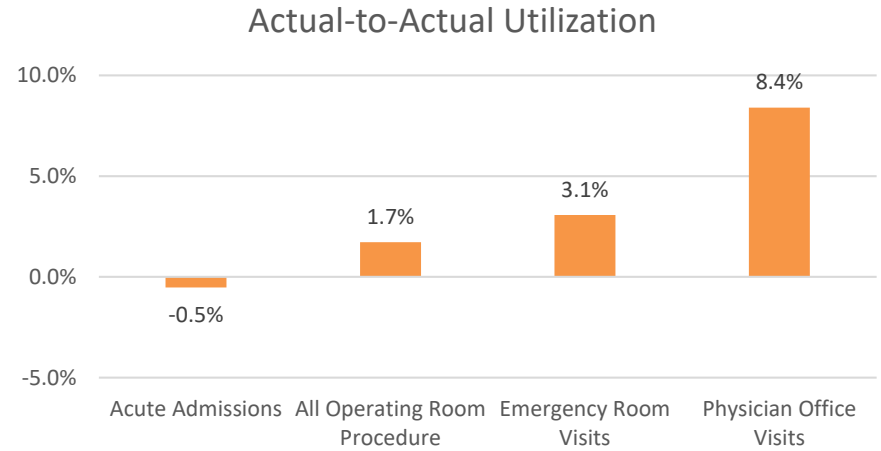
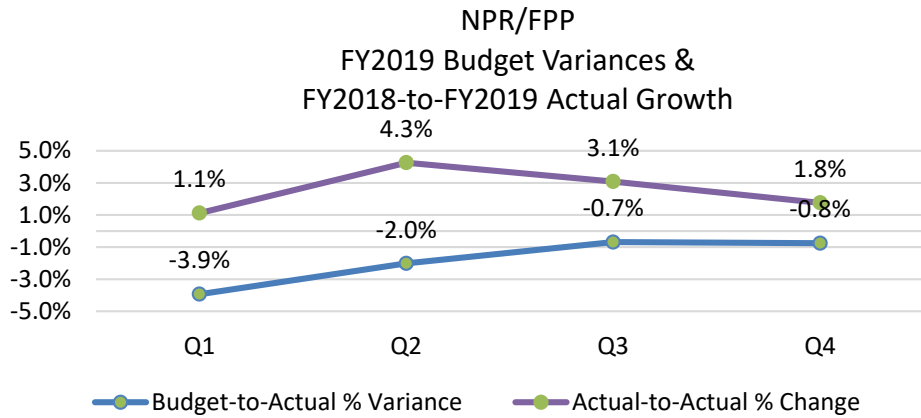
Financial Assessment:

SVMC's financial performance was stable in FY19

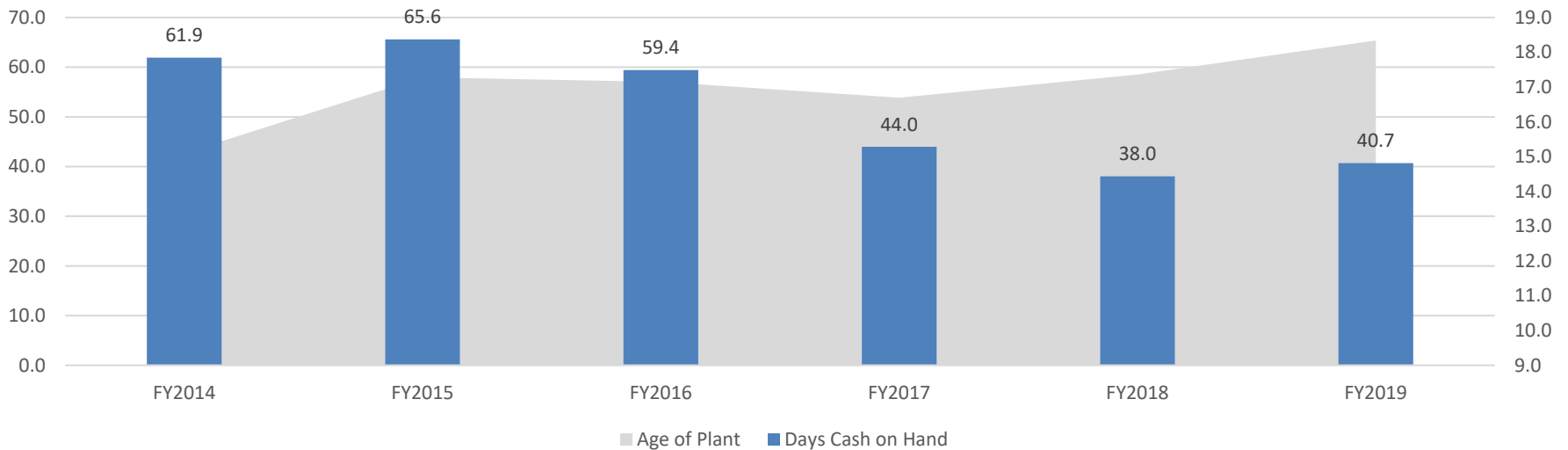
Operating Margin



Southwestern Vermont Medical Center



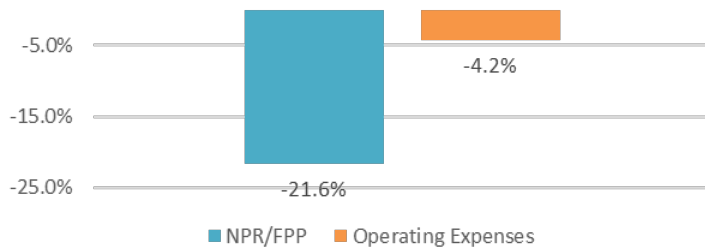
Days Cash on Hand and Age of Plant



Note: Days Cash on Hand does not include parent company

Springfield Hospital

Budget-to-Actual Variance

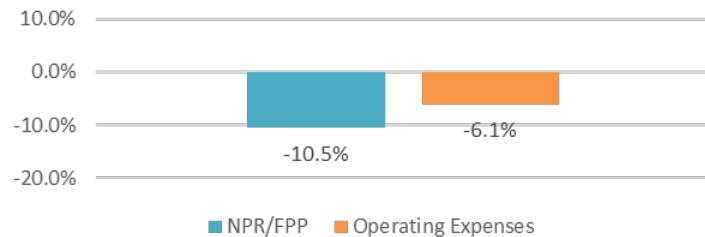


Springfield did not submit audited financial statements. Limited analysis is based on unaudited data.

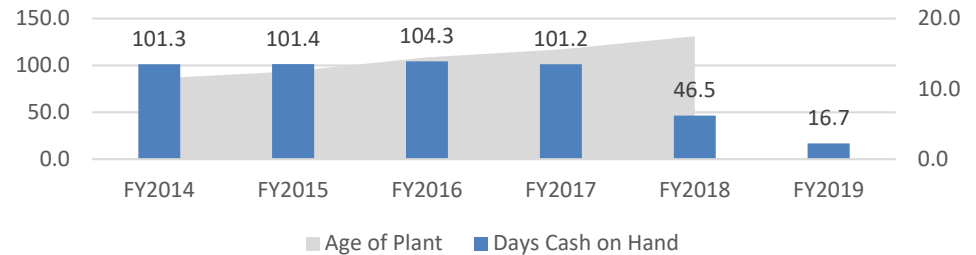
Springfield's NPR/FPP budget-to-actual results fall below budget. Operating Expenses grew at a faster rate than NPR/FPP.

Springfield Hospital, and its parent company, filed for Chapter 11 bankruptcy June 26, 2019.

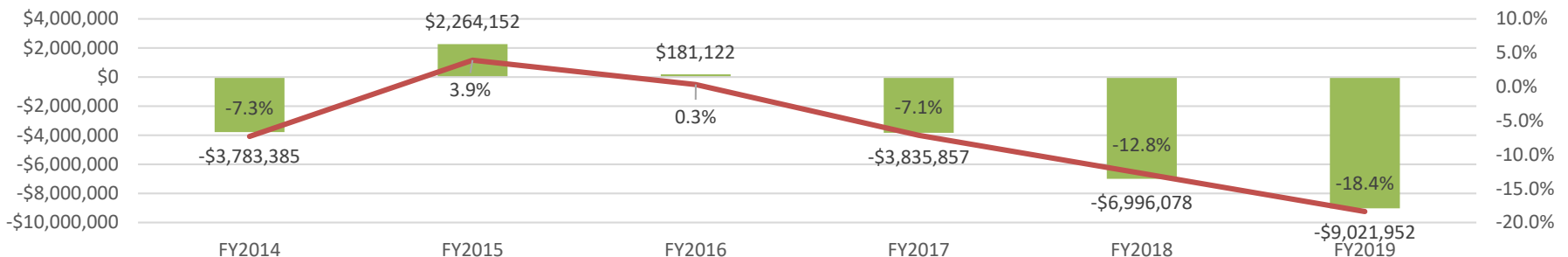
Actual-to-Actual Growth



Days Cash on Hand and Age of Plant



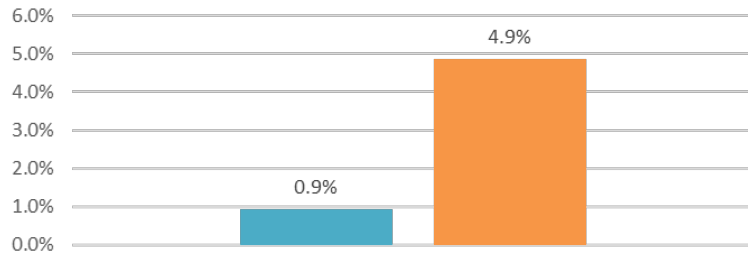
Operating Margin



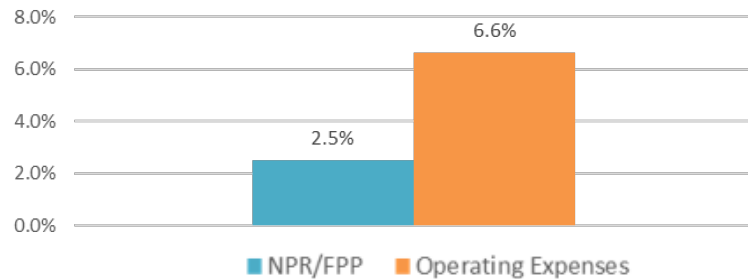
Note: Springfield did not submit audited FY19 year-end results. Limited analysis is based on Springfield's unaudited submission.

University of Vermont Medical Center

Budget-to-Actual Variance



Actual-to-Actual Growth



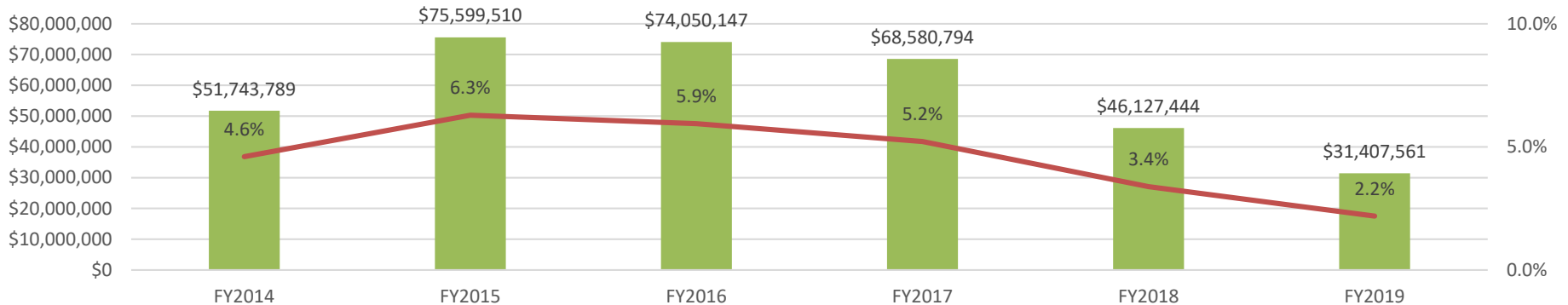
Summary of FY19 Operating Performance:

- Operating Expenses impacted by completion of Miller Building and planning stages for EPIC implementation

Financial Assessment:

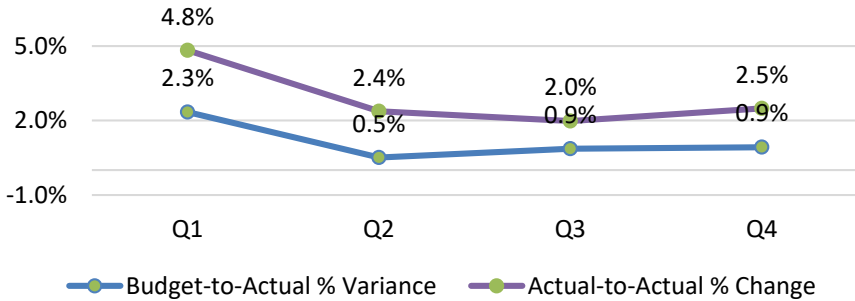
Although revenue performance is relatively stable, operating margin has been in decline for 4 consecutive years

Operating Margin

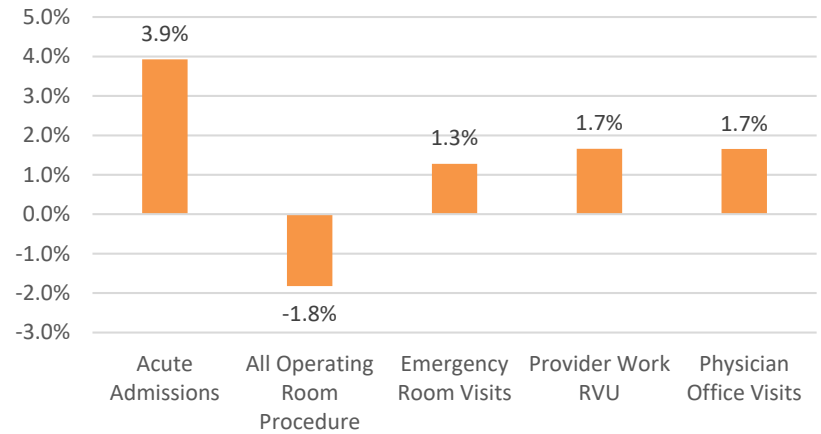


University of Vermont Medical Center

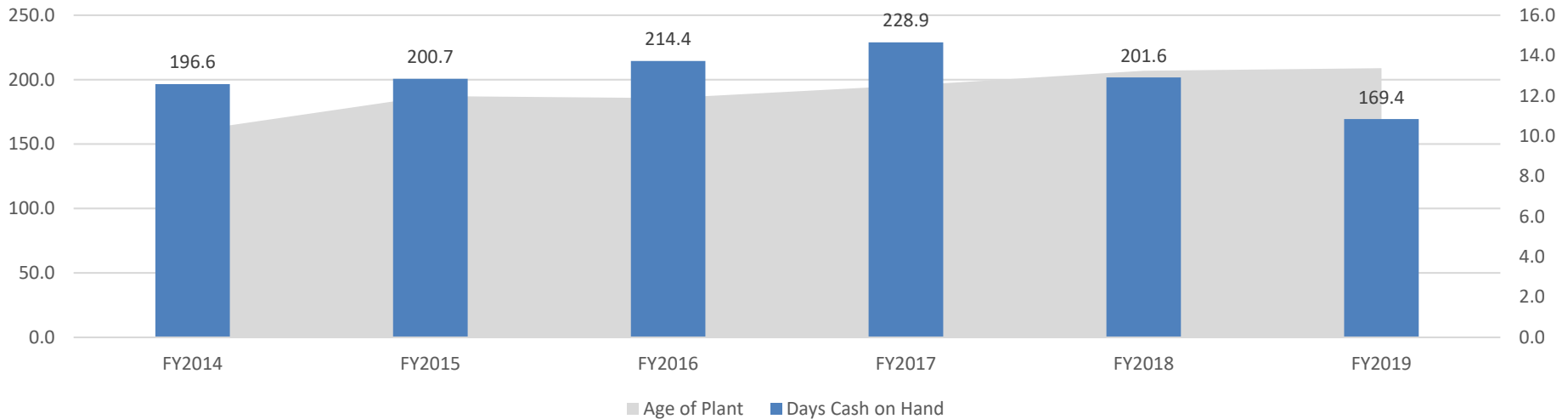
NPR/FPP
FY2019 Budget Variances &
FY2018-to-FY2019 Actual Growth



UVMMMC Actual-to-Actual Utilization



Days Cash on Hand and Age of Plant



Appendix

Key Financial Indicators: FY2019 Year-End (as of September 30, 2018 and 2019)

	Days Cash on Hand			Operating Margin			Total Margin		
	FY18	FY19	△	FY18	FY19	△	FY18	FY19	△
Brattleboro	196.3	156.9	-39.4	-2.4%	0.8%	3.1%	1.1%	1.6%	0.6%
CVMC	109.8	95.5	-14.3	-3.8%	-2.1%	1.7%	0.9%	-4.0%	-4.9%
Copley	64.0	62.1	-1.8	-3.3%	-3.2%	0.1%	-2.4%	-2.6%	-0.1%
Gifford	223.9	236.8	12.9	-10.7%	-0.8%	9.9%	-6.2%	4.8%	11.0%
Grace Cottage	92.0	92.5	0.4	-2.9%	-6.7%	-3.8%	3.7%	-0.3%	-4.0%
Mount Ascutney	132.2	144.4	12.2	1.9%	-0.1%	-2.0%	5.3%	-4.0%	-9.3%
North Country	213.4	220.5	7.1	-2.3%	1.9%	4.2%	1.2%	3.0%	1.8%
Northeastern	120.0	107.4	-12.6	1.7%	1.8%	0.1%	2.3%	1.8%	-0.5%
Northwestern	299.5	255.2	-44.3	-3.4%	-8.0%	-4.6%	0.5%	-7.6%	-8.2%
Porter	127.5	128.5	1.0	1.8%	5.2%	3.3%	6.1%	5.9%	-0.2%
Rutland	209.5	201.8	-7.7	0.5%	0.7%	0.2%	4.2%	2.4%	-1.8%
Southwestern*	38.0	40.7	2.7	4.6%	3.3%	-1.3%	5.8%	3.5%	-2.3%
Springfield	46.5	16.7	-29.8	-12.8%	-18.4%	-5.6%	-12.0%	-18.4%	-6.4%
UVMC	201.6	169.4	-32.3	3.4%	2.2%	-1.2%	5.1%	4.5%	-0.7%

↑ increasing values are favorable; ↓ decreasing values are favorable

*Southwestern's Days Cash on Hand does not consider the hospital's parent company.

Note: Springfield did not submit audited FY19 year-end results. Analysis is based on Springfield's unaudited submission.

Key Financial Indicators (continued): FY2019 Year-End (as of September 30, 2018 and 2019)

	Days Payable ↓			Days Receivable ↓			Debt Service Coverage Ratio ↑		
	FY18	FY19	△	FY18	FY19	△	FY18	FY19	△
Brattleboro	71.5	52.8	-18.7	35.1	57.6	22.5	2.0	3.5	1.5
CVMC	77.2	70.4	-6.8	45.3	48.9	3.7	0.4	1.3	0.9
Copley	36.1	36.7	0.6	29.2	29.2	0.0	1.6	1.3	-0.3
Gifford	54.9	51.5	-3.4	33.2	42.8	9.6	-1.3	2.1	3.4
Grace Cottage	90.6	98.1	7.5	41.4	35.0	-6.3	0.3	-1.1	-1.4
Mount Ascutney	72.3	76.2	3.9	41.7	40.2	-1.6	8.0	5.6	-2.4
North Country	69.1	59.4	-9.7	41.8	32.5	-9.2	1.1	3.6	2.5
Northeastern	65.5	48.7	-16.8	38.1	39.9	1.8	4.8	5.1	0.3
Northwestern	44.7	39.8	-5.0	37.0	41.5	4.6	0.9	-1.1	-2.0
Porter	64.1	51.4	-12.8	61.8	60.7	-1.1	5.2	9.0	3.8
Rutland	48.8	52.4	3.5	36.8	40.5	3.7	4.5	4.7	0.2
Southwestern	54.4	55.7	1.4	34.2	35.6	1.4	15.1	13.4	-1.7
Springfield	141.5	178.3	36.8	57.0	44.8	-12.2	-0.4	-1.5	-1.1
UVMC	63.0	51.4	-11.6	46.0	50.2	4.2	3.4	3.0	-0.4

↑ increasing values are favorable; ↓ decreasing values are favorable

Note: Springfield did not submit audited FY19 year-end results. Analysis is based on Springfield's unaudited submission.

Net Patient Revenue/ Fixed Prospective Payments: 5-Year Results

	Actuals FY2015	Actuals FY2016	Actuals FY2017	Actuals FY2018	Actuals FY2019	5-year CAGR
Brattleboro	\$75,742,920	\$73,164,810	\$75,062,532	\$77,601,735	\$83,994,257	2.6%
CVMC	\$173,990,659	\$191,539,946	\$195,237,530	\$194,586,135	\$208,006,996	4.6%
Copley	\$63,464,436	\$62,804,324	\$64,983,966	\$66,226,448	\$66,993,816	1.4%
Gifford	\$53,896,728	\$54,787,886	\$54,307,372	\$48,844,171	\$50,052,096	-1.8%
Grace Cottage	\$16,038,766	\$17,241,709	\$17,261,208	\$18,193,737	\$18,734,702	4.0%
Mount Ascutney	\$45,514,515	\$46,402,275	\$48,253,025	\$50,808,643	\$50,849,386	2.8%
North Country	\$73,297,094	\$77,791,582	\$76,686,887	\$76,427,164	\$80,634,917	2.4%
Northeastern	\$65,548,594	\$71,586,551	\$76,794,700	\$78,445,072	\$84,684,742	6.6%
Northwestern	\$97,798,763	\$99,895,760	\$101,110,424	\$103,317,768	\$106,529,464	2.2%
Porter	\$70,596,270	\$75,061,496	\$78,203,218	\$80,346,401	\$84,961,115	4.7%
Rutland	\$228,328,637	\$245,822,952	\$242,193,431	\$254,235,029	\$257,189,661	3.0%
Southwestern	\$142,769,168	\$151,922,754	\$152,602,902	\$161,115,765	\$163,952,570	3.5%
Springfield	\$55,926,090	\$53,638,120	\$51,999,349	\$52,978,810	\$47,392,822	-4.1%
UVMC	\$1,115,357,666	\$1,156,546,653	\$1,211,118,975	\$1,254,036,509	\$1,285,234,193	3.6%
SYSTEM	\$2,278,270,306	\$2,378,206,818	\$2,445,815,519	\$2,517,163,387	\$2,589,210,737	3.3%

Note: Springfield did not submit audited FY19 year-end results. Analysis is based on Springfield's unaudited submission.

Net Patient Revenue and Fixed Prospective Payments: 5-Year Results

Results from previous slide expressed as year-to-year % change

	Actuals FY2015	Actuals FY2016	Actuals FY2017	Actuals FY2018	Actuals FY2019
Brattleboro	5.9%	-3.4%	2.6%	3.4%	8.2%
CVMC	7.8%	10.1%	1.9%	-0.3%	6.9%
Copley	5.9%	-1.0%	3.5%	1.9%	1.2%
Gifford	-7.5%	1.7%	-0.9%	-10.1%	2.5%
Grace Cottage	3.2%	7.5%	0.1%	5.4%	3.0%
Mount Ascutney	-0.6%	2.0%	4.0%	5.3%	0.1%
North Country	2.3%	6.1%	-1.4%	-0.3%	5.5%
Northeastern	5.9%	9.2%	7.3%	2.1%	8.0%
Northwestern	7.3%	2.1%	1.2%	2.2%	3.1%
Porter	5.8%	6.3%	4.2%	2.7%	5.7%
Rutland	3.4%	7.7%	-1.5%	5.0%	1.2%
Southwestern	2.4%	6.4%	0.4%	5.6%	1.8%
Springfield	12.5%	-4.1%	-3.1%	1.9%	-10.5%
UVMHC	5.7%	3.7%	4.7%	3.5%	2.5%
SYSTEM	5.0%	4.4%	2.8%	2.9%	2.9%

Note: Springfield did not submit audited FY19 year-end results. Analysis is based on Springfield's unaudited submission.

Operating Expenses: 5-Year Results

	Actuals FY2015	Actuals FY2016	Actuals FY2017	Actuals FY2018	Actuals FY2019	5-year CAGR
Brattleboro	\$76,473,143	\$76,037,368	\$81,302,905	\$83,705,782	\$87,095,267	3.3%
CVMC	\$180,875,428	\$201,969,871	\$210,065,504	\$216,033,931	\$228,415,989	6.0%
Copley	\$60,870,560	\$64,312,384	\$66,780,338	\$69,683,657	\$70,299,334	3.7%
Gifford	\$55,368,184	\$54,812,282	\$56,698,140	\$55,321,562	\$51,938,902	-1.6%
Grace Cottage	\$18,614,414	\$19,560,402	\$19,605,633	\$19,947,999	\$20,743,344	2.7%
Mount Ascutney	\$49,097,805	\$49,577,507	\$50,392,970	\$53,451,291	\$54,566,701	2.7%
North Country*	\$77,634,509	\$83,824,785	\$84,179,016	\$83,367,796	\$85,997,751	2.6%
Northeastern	\$65,373,391	\$71,826,326	\$77,395,413	\$81,424,338	\$87,189,684	7.5%
Northwestern	\$93,499,518	\$102,319,706	\$107,683,791	\$113,575,304	\$119,729,265	6.4%
Porter	\$75,017,499	\$75,577,275	\$78,874,889	\$81,233,322	\$86,649,174	3.7%
Rutland	\$233,196,542	\$243,642,860	\$250,113,413	\$268,120,067	\$274,016,566	4.1%
Southwestern	\$140,305,386	\$149,354,747	\$151,391,369	\$158,556,275	\$165,778,101	4.3%
Springfield	\$55,629,486	\$55,187,774	\$57,491,695	\$61,860,030	\$58,081,277	1.1%
UVMCC	\$1,127,327,647	\$1,171,802,207	\$1,245,240,122	\$1,317,389,315	\$1,404,942,642	5.7%
SYSTEM	\$2,309,283,512	\$2,419,805,495	\$2,537,215,198	\$2,663,670,669	\$2,795,443,997	4.9%

Note: Springfield did not submit audited FY19 year-end results. Analysis is based on Springfield's unaudited submission.

Operating Expenses: 5-Year Results

Results from previous slide expressed as year-to-year % change

	Actuals FY2015	Actuals FY2016	Actuals FY2017	Actuals FY2018	Actuals FY2019
Brattleboro	5.3%	-0.6%	6.9%	3.0%	4.0%
CVMC	8.1%	11.7%	4.0%	2.8%	5.7%
Copley	5.8%	5.7%	3.8%	4.3%	0.9%
Gifford	-7.3%	-1.0%	3.4%	-2.4%	-6.1%
Grace Cottage	6.5%	5.1%	0.2%	1.7%	4.0%
Mount Ascutney	-0.2%	1.0%	1.6%	6.1%	2.1%
North Country	2.5%	8.0%	0.4%	-1.0%	3.2%
Northeastern	0.6%	9.9%	7.8%	5.2%	7.1%
Northwestern	6.4%	9.4%	5.2%	5.5%	5.4%
Porter	4.6%	0.7%	4.4%	3.0%	6.7%
Rutland	6.3%	4.5%	2.7%	7.2%	2.2%
Southwestern	2.1%	6.4%	1.4%	4.7%	4.6%
Springfield	0.3%	-0.8%	4.2%	7.6%	-6.1%
UVMCC	5.1%	3.9%	6.3%	5.8%	6.6%
SYSTEM	4.6%	4.8%	4.9%	5.0%	4.9%

Note: Springfield did not submit audited FY19 year-end results. Analysis is based on Springfield's unaudited submission.

Operating Margin: 5-Year Results (\$)

	Actuals FY2015	Actuals FY2016	Actuals FY2017	Actuals FY2018	Actuals FY2019
Brattleboro	\$2,195,878	-\$437,372	-\$2,437,207	-\$1,924,959	\$670,579
CVMC	\$5,326,172	\$2,049,956	-\$1,902,075	-\$7,868,458	-\$4,677,987
Copley	\$4,002,957	-\$84,921	-\$377,946	-\$2,222,433	-\$2,161,242
Gifford	\$1,565,435	\$2,209,679	-\$874,293	-\$5,369,446	-\$413,707
Grace Cottage	-\$1,655,590	-\$1,447,624	-\$1,270,782	-\$556,530	-\$1,301,798
Mount Ascutney	-\$1,173,573	\$141,292	\$1,390,379	\$1,052,255	-\$42,885
North Country	\$2,844,141	\$141,751	-\$1,871,960	-\$1,883,575	\$1,676,946
Northeastern	\$1,467,745	\$1,487,940	\$1,477,373	\$1,430,264	\$1,627,193
Northwestern	\$10,064,415	\$3,655,142	-\$1,259,824	-\$3,729,620	-\$8,905,148
Porter	-\$1,748,578	\$1,450,905	\$2,196,330	\$1,492,207	\$4,705,271
Rutland	\$4,408,033	\$10,778,375	\$4,163,384	\$1,297,252	\$1,958,883
Southwestern	\$5,207,193	\$5,298,810	\$5,775,890	\$7,618,119	\$5,583,044
Springfield	\$2,264,152	\$181,122	-\$3,835,857	-\$6,996,078	-\$9,021,952
UVMCMC	\$75,599,510	\$74,050,147	\$68,580,794	\$46,127,444	\$31,407,561
SYSTEM	\$110,367,890	\$99,475,201	\$69,754,205	\$28,466,441	\$21,104,757

Note: Springfield did not submit audited FY19 year-end results. Analysis is based on Springfield's unaudited submission.

Operating Margin: 5-Year Results (\$)

	Actuals FY2015	Actuals FY2016	Actuals FY2017	Actuals FY2018	Actuals FY2019
Brattleboro	\$2,195,878	-\$437,372	-\$2,437,207	-\$1,924,959	\$670,579
CVMC	\$5,326,172	\$2,049,956	-\$1,902,075	-\$7,868,458	-\$4,677,987
Copley	\$4,002,957	-\$84,921	-\$377,946	-\$2,222,433	-\$2,161,242
Gifford	\$1,565,435	\$2,209,679	-\$874,293	-\$5,369,446	-\$413,707
Grace Cottage	-\$1,655,590	-\$1,447,624	-\$1,270,782	-\$556,530	-\$1,301,798
Mount Ascutney	-\$1,173,573	\$141,292	\$1,390,379	\$1,052,255	-\$42,885
North Country	\$2,844,141	\$141,751	-\$1,871,960	-\$1,883,575	\$1,676,946
Northeastern	\$1,467,745	\$1,487,940	\$1,477,373	\$1,430,264	\$1,627,193
Northwestern	\$10,064,415	\$3,655,142	-\$1,259,824	-\$3,729,620	-\$8,905,148
Porter	-\$1,748,578	\$1,450,905	\$2,196,330	\$1,492,207	\$4,705,271
Rutland	\$4,408,033	\$10,778,375	\$4,163,384	\$1,297,252	\$1,958,883
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UVMCMC	\$75,599,510	\$74,050,147	\$68,580,794	\$46,127,444	\$31,407,561
SYSTEM	\$110,367,890	\$99,475,201	\$69,754,205	\$28,466,441	\$21,104,757

Note: Springfield did not submit audited FY19 year-end results. Analysis is based on Springfield's unaudited submission.

Operating Margin (%): 5-Year Results

	Actuals FY2015	Actuals FY2016	Actuals FY2017	Actuals FY2018	Actuals FY2019
Brattleboro	2.8%	-0.6%	-3.1%	-2.4%	0.8%
CVMC	2.9%	1.0%	-0.9%	-3.8%	-2.1%
Copley	6.2%	-0.1%	-0.6%	-3.3%	-3.2%
Gifford	2.7%	3.9%	-1.6%	-10.7%	-0.8%
Grace Cottage	-9.8%	-8.0%	-6.9%	-2.9%	-6.7%
Mount Ascutney	-2.4%	0.3%	2.7%	1.9%	-0.1%
North Country	3.5%	0.2%	-2.3%	-2.3%	1.9%
Northeastern	2.2%	2.0%	1.9%	1.7%	1.8%
Northwestern	9.7%	3.4%	-1.2%	-3.4%	-8.0%
Porter	-2.4%	1.9%	2.7%	1.8%	5.2%
Rutland	1.9%	4.2%	1.6%	0.5%	0.7%
Southwestern	3.6%	3.4%	3.7%	4.6%	3.3%
Springfield	3.9%	0.3%	-7.1%	-12.8%	-18.4%
UVMCMC	6.3%	5.9%	5.2%	3.4%	2.2%
SYSTEM	4.6%	3.9%	2.7%	1.1%	0.7%

Note: Springfield did not submit audited FY19 year-end results. Analysis is based on Springfield's unaudited submission.

Case Mix Index Updated 2/26/2020

Hospital	Hospital Fiscal Year (10/1 - 9/30)				
	2015	2016	2017	2018	2019
BMH	1.24	1.26	1.24	1.22	1.19
Copley	1.20	1.23	1.28	1.35	1.41
CVMC	1.22	1.24	1.21	1.28	1.37
Gifford	1.01	1.02	1.01	1.04	0.93
Grace Cottage	0.87	0.91	0.87	0.92	0.89
MAHHC	1.14	1.06	0.98	1.06	1.04
NCH	1.04	1.05	1.05	1.06	1.09
NMC	1.32	1.37	1.35	1.31	1.30
NVRH	1.18	1.20	1.21	1.22	1.25
Porter	1.12	1.20	1.17	1.28	1.29
RRMC	1.34	1.38	1.38	1.35	1.34
Springfield	1.04	1.05	1.03	1.06	1.08
SVMC	1.25	1.23	1.25	1.23	1.22
UVMMC	1.70	1.75	1.77	1.75	1.75

Case Mix Index table provided by VAHHS

Data Source: Vermont Uniform Hospital Discharge Data Set

CMS public use DRG Grouper Version 36 used to identify case weights

This is aggregate inpatient data pulled from the discharge data warehouse as received from Vermont Hospitals.

Data received is "point in time" and does not reflect any updates hospitals may have made in their systems after data submission.

Porter's 2019 number is only through July 2019. The full fiscal year number is still being reconciled.

Glossary

Compound Annual Growth Rate 5-year (CAGR): Year-over-year growth for a 5-year period.

Critical Access Hospital: designation given to eligible rural hospitals by the Centers for Medicare and Medicaid Services. CAH designation aims to reduce the financial vulnerability of rural hospitals and improve access to healthcare by keeping essential services in rural areas. To accomplish this goal, CAHs receive certain benefits, such as cost-based reimbursement for Medicare services.

Prospective Payment System: A Prospective Payment System (PPS) is a method of reimbursement in which Medicare payment is made based on a predetermined, fixed amount. The payment amount for a particular service is derived based on the classification system of that service (for example, diagnosis-related groups for inpatient hospital services).

Net Patient Revenue: Revenue a hospital will receive for services rendered. It is the amount resulting after contractual allowances, commercial discounts, and free care are deducted from gross charges.

Fixed Prospective Payment (FPP): fixed payments from the ACO that cover the cost of medical care provided to lives attributed to the ACO, net of value-based incentive program deductions. Participation fees are recorded in Operating Expenses.

Operating Expenses: All input costs required to provide goods and services to patients. This includes salaries, fringes, insurance, professional fees, depreciation, interest, etc.

Glossary

Days Cash on Hand: $(\text{Cash} + \text{Investments} + \text{Unrestricted Funded Depreciation (Board Designated Assets)} + \text{Unrestricted Other Board Designated Assets}) * 365 / (\text{Total expense} - (\text{Depreciation} + \text{Amortization}))$

Operating Margin: $\text{Operating Surplus} / (\text{NPR} + \text{FPP} + \text{Other Operating Revenue})$

Total Margin: $(\text{Operating Surplus} \& \text{non-operating Revenues}) / (\text{NPR} + \text{FPP} + \text{Other Operating Revenue} + \text{Non-Operating Revenue})$

Days Payable: $\text{Current Liabilities} / (\text{Total Expenses} - (\text{Depreciation} + \text{Amortization} + \text{Interest}))$

Days Receivable: $\text{Net Patient Accounts Receivable} / \text{NPR} * 365$

Debt Service Coverage Ratio: $(\text{Net Operating Income} + \text{Depreciation} + \text{Amortization} + \text{Interest}) / (\text{Current Portion of Long Term Debt} + \text{Interest})$



GREEN MOUNTAIN CARE BOARD

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