

| Fiscal Year | Traveler Expense |
|-----------------------|---------------------|
| FY2016 | \$ 412,287 |
| FY2017 | \$ 203,907 |
| FY2018 | \$ 385,938 |
| FY2019 | \$ 690,800 |
| Projected 2020 | \$ 2,329,829 |

We continue to invest in nurse recruitment and nurse training, as evidenced by our partnership with Vermont Technical College to hold nursing courses in St. Albans in space owned by NMC.

Expense Reduction and Operational Efficiency

We take our responsibility to our community, in terms of patient care, but also in terms of accessibility, which includes affordability, very seriously. We are proud to be a low cost provider and have regularly included data showing that NMC is one of two significant outliers in terms of having low annual rate increases over the past 8 years. While our current financial situation dictates that we must step away from this achievement to some extent, it does not require us to use rates alone to improve our financial sustainability. We continue to have an obligation to our community to provide the best care that we can in an affordable way and to ensure that that care is accessible to everyone. For this reason, the requested rate increase is only part of a larger plan to return the organization to a position of financial stability. If the Green Mountain Care Board were to approve the entire request and no other action was taken to reduce costs, NMC would still be facing a negative operating margin in FY2021. Alterations to our self-insured health plan were mentioned in the introduction as one example of the broader plan that is in place. We are actively reviewing service lines, administrative structure, and community partnership opportunities to ensure that vital services can continue to be available in our community, even if not provided by NMC. We will be submitted a budget for FY2021 in a few short months which will contain the impact of many of these initiatives. We look forward to discussing these initiatives with the Green Mountain Care Board in more detail in the future.

Required Under Appendix I

| | A | B | C | D | |
|---|-------------------------------------|--|---|--|--|
| Gross Charges by Payer | FY2020 Budget - Approved | FY2020 Projection (As of Feb) | FY2020 Budget - Mid Year Request | Annualized - Mid Year Request | Percentage Increase (Column D to B) |
| <i>Acute (Hospital Based)</i> | | | | | |
| Commercial, Self-Pay, Other | \$ 69,098,909 | \$ 66,385,132 | \$ 71,754,924 | \$ 79,272,632.74 | 19.4% |
| Medicaid | 33,749,790 | 34,632,857 | 37,434,777 | 41,357,465 | 19.4% |
| Medicare | 61,859,634 | 62,679,166 | 67,749,810 | 74,848,712 | 19.4% |
| Workers Comp | 3,979,143 | 4,240,258 | 4,583,779 | 5,064,708 | 19.4% |
| Total Acute | 168,687,476 | 167,937,413 | 181,523,290 | 200,543,518 | 19.4% |
| <i>Ambulatory (Physician Practice and Clinic, includes PBB)</i> | | | | | |
| Commercial, Self-Pay, Other | 24,059,918 | 23,751,449 | 23,751,449 | 23,751,449 | 0.0% |
| Medicaid | 12,362,045 | 13,426,947 | 13,426,947 | 13,426,947 | 0.0% |
| Medicare | 17,353,032 | 12,321,117 | 12,321,117 | 12,321,117 | 0.0% |
| Workers Comp | 1,287,473 | 1,350,949 | 1,350,949 | 1,350,949 | 0.0% |
| Total Ambulatory | 55,062,468 | 50,850,462 | 50,850,462 | 50,850,462 | 0.0% |
| <i>Total Acute and Ambulatory</i> | | | | | |
| Commercial, Self-Pay, Other | 93,158,827 | 90,136,581 | 95,506,373 | 103,024,082 | 14.3% |
| Medicaid | 46,111,835 | 48,059,804 | 50,861,724 | 54,784,412 | 14.0% |
| Medicare | 79,212,666 | 75,000,283 | 80,070,927 | 87,169,829 | 16.2% |
| Workers Comp | 5,266,616 | 5,591,207 | 5,934,728 | 6,415,657 | 14.7% |
| Grand Total | \$ 223,749,944 | \$ 218,787,875 | \$ 232,373,752 | \$ 251,393,980 | 14.9% |

| Net Revenue by Payer | FY2020 Budget - Approved | FY2020 Projection (As of Feb) | FY2020 Budget - Mid Year Request | Annualized - Mid Year Request |
|-----------------------------------|-------------------------------------|--|---|--|
| <i>Total Acute and Ambulatory</i> | | | | |
| Commercial, Self-Pay, Other | \$ 54,146,674 | \$ 48,967,741 | \$ 52,271,184 | \$ 56,896,004.20 |
| Medicaid | 21,434,726 | 18,586,459 | 18,590,637 | 18,596,486 |
| Medicare | 37,415,915 | 36,261,411 | 36,457,039 | 36,730,918 |
| Workers Comp | 3,929,264 | 4,627,114 | 4,902,114 | 5,287,114 |
| Grand Total | \$ 116,926,579 | \$ 108,442,725 | \$ 112,220,974 | \$ 117,510,523 |

| Collection Rates by Payer | FY2020 Budget - Approved | FY2020 Projection (As of Feb) | FY2020 Budget - Mid Year Request | Annualized - Mid Year Request |
|-----------------------------------|-------------------------------------|--|---|--|
| <i>Total Acute and Ambulatory</i> | | | | |
| Commercial, Self-Pay, Other | 58.12% | 54.33% | 54.73% | 55.23% |
| Medicaid | 46.48% | 38.67% | 36.55% | 33.94% |
| Medicare | 47.23% | 48.35% | 45.53% | 42.14% |
| Workers Comp | 74.61% | 82.76% | 82.60% | 82.41% |
| Grand Total | 52.26% | 49.57% | 48.29% | 46.74% |

Gross Charges by Payer

The requested 14.9% rate increase will not be applied equally across all charges. Ancillary charges will receive an increase of 19.5% while Ambulatory charges will not be adjusted. The overall average impact experienced by each payer is a function of that payer's relative mix between ancillary and acute charges. As shown in the table above, Medicare will experience an overall average rate increase of 16.2% while all other payers will experience a rate increase below the requested 14.9% because Medicare constitutes a disproportionately high portion of the acute revenue relative to the ancillary revenue.

Contractual Allowances by Payer

The table above shows collection rate by payer for the FY2020 budget, FY2020 projected and the expected rates (partial year and full year) that would result from the requested rate increase. There are a couple of differences that stand out:

- 1) Commercial, Self-Pay, Other: The overall collection rate is coming in well below budget. These payers make up a higher percentage of the Ambulatory revenue than they do the Ancillary revenue (43.7% vs 41.0%). The reduction in volumes within the surgical physician practices ultimately impacts this overall collection rate. When fewer commercial patients are being referred to surgery which generates larger charges at a high percent-of-charge reimbursement, then the lower reimbursement rate services (those paid by fee schedule) weigh more heavily in the overall collection rate calculation. There are no indications that this will be materially improved in the near-term, so the current year to date collection rate has been applied in all forward looking calculations.
- 2) Medicaid: The collection rate observed in FY2020 is far below the budgeted rate (38.67% vs 46.48%). The budget assumed that we would break even on the risk portion of the all payer model agreement with OneCare Vermont. Much of this variance is related to the negative performance in that program and to the increased fees which run through Net Patient Revenue as an offset to the fixed prospective payments. This program is dynamic and is continuously being assessed internally and externally. Adjustments to this rate may be made in future budget submissions as more information is available.

Medicare and Medicaid collection rates decrease as gross charges increase since the net payment is fixed and not related to pricing. When additional net revenue is generated in these categories through a price increase, it is the result of patients who are classified as Medicare patients having secondary coverage that does pay based on a percent of charge. Workers Comp is a relatively small portion of total revenue and is known to have swings in collection rate. The most currently observed collection rate has been used in this analysis.

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