

Fiscal Year 2021 Budget



 Rutland Regional
Medical Center



Introductions

- Claudio Fort, President
 - Judi Fox, Chief Financial Officer
-

- Board of Trustee Members
- Executive Management Team



Rutland Regional Medical Center Overview



Independent, non-profit community hospital



Service Area = 60,000 patients



144 Inpatient Beds



7,105 Inpatient Admissions



33,193 Emergency Department Visits



1,721 Employees



258 Members on Medical Staff representing 37 Specialties

- Most specialty physicians employed by RRMHC
- Most primary care providers employed by Community Health FQHC



Quality & Recognition



**BlueCross
BlueShield**
of Vermont

An Independent Licensee of
the Blue Cross and Blue Shield Association.

Designated
BlueDistinction®
Center
Knee and Hip Replacement





Rutland Regional Medical Center Overview

- History of compliance with GMCB budget orders
- Advancing healthcare reform in Rutland County
 - Leading community-wide effort to create a unified care management system
- Leaders in mental health and substance abuse services, only community hospital in the State that provides:
 - Level 1 (acute psychiatric) services
 - Medication assisted treatment (HUB) for opiate addiction through the West Ridge Center



COVID-19 Response

➤ PROTECT OUR PATIENTS

Telehealth Visits Simple, Reliable, HIPAA-Compliant

Staying Healthy While Social Distancing

You may receive a call from your clinic if they feel a video chat with your provider is right for you. Telehealth will not be right for every patient.

- See your doctor from anywhere. Just click the personalized link provided on your cell phone or computer to join them for a video call.
- Nothing to download, you just need a computer or device with a camera & microphone.
- All data is private, secure and no info is stored.
- Most telehealth visits are covered by Medicare, Medicaid and private pay insurance.



Our Clinics Offering Telehealth

- Center for Sleep Disorders – 802.747.3792
- ENT & Audiology Care – 802.775.3314
- Physical Medicine & Rehabilitation – 802.747.3633
- Rutland Diabetes & Endocrinology Center – 802.775.7844
- Rutland Digestive Services – 802.786.1400
- Rutland General Surgery – 802.775.1903
- Rutland Heart Center – 802.747.3600
- Rutland Pulmonary Center – 802.775.2036
- Rutland Regional Neurology Center – 802.775.4266
- Rutland Women's Healthcare – 802.775.1901
- Vermont Orthopaedic Clinic – 802.775.2937

To stay up-to-date, visit www.RRMC.org or follow us on Facebook



VISITOR RESTRICTION

We are **RESTRICTING ALL VISITORS** except for one **ESSENTIAL** support person that is necessary to assist with a patient's care. For Our Current Visitor Restriction Policy visit www.RRMC.org

If you have a specific question/concern, please call our

COVID-19 HOTLINE: 802.786.4299
9am-4pm Daily

Rutland Regional Medical Center Reschedules Elective Surgery & Rehabilitation Appointments

Rutland Regional will be rescheduling elective surgeries (a surgery that does not involve an emergency).

Rutland Regional is putting these changes in place to preserve the Operating Room specifically for urgent and emergency surgeries. This change is in accordance with recommendations from the American College of Surgeons.

"We are being proactive and are implementing these measures for the safety and health of our patients, employees, and physicians. We understand these are challenging times and, as always, we appreciate everyone's patience and flexibility."

– Dr. Melbourne Boynton,
Chief Medical Officer

We are also canceling all scheduled outpatient Physical, Occupational, and Speech Therapy appointments.

Patients are already being contacted by their physician's office about rescheduling their upcoming surgeries and therapy appointments.



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COVID-19 Response

➤ PROTECT OUR STAFF



Dear Community –

Many of you have reached out to advise and support Rutland Regional in communicating important information about our COVID-19 preparations and response. We are actively working on expanding our community outreach and communication activities. As part of this effort, I want to share with you measures that Rutland Regional is taking to protect our patients, staff, and community from the impact of the COVID-19 public health crisis.

Over The Past Several Weeks, Hospital Medical And Administrative Leadership Have Been Putting The Following Measures Into Place:

- We have secured a supply of personal protective equipment (PPE) and provided refresher training to over 120 “front-line” employees on their use.
- We have developed and implemented a testing protocol in coordination with primary care providers and the Vermont Dept. of Health that allows us to collect specimens from patients in their cars, thus preventing potentially infected patients from compromising staff & patients.
- We have developed patient surge plans and human resource staffing plans to ensure we have the capacity to care for patients if or when widespread infection reaches Rutland County.
- We have cancelled all external conferences and travel for staff and physicians and will be limiting outside groups from using our conference facilities for all but essential meetings.
- On Wednesday, we will be imposing stringent visitor restrictions. We are restricting all visitors except for one essential support person that is necessary to assist with a patient’s care.

All of these actions have been taken to protect our staff, protect our patients, and ensure the operational capacity of Rutland Regional Medical Center.

What Can You Do?

1. If you are sick or concerned about your health, stay at home and call your healthcare provider.
2. Do not hesitate to go to the emergency room immediately or call an ambulance when you have difficulty breathing, chest pain, sudden dizziness, numbness and weakness or other emergency medical condition.
3. Wash your hands often with soap and water – if not available, use a hand sanitizer.
4. Cover your mouth and nose when coughing and sneezing.
5. Practice “social distancing.”
 - a. Avoid large gatherings.
 - b. Avoid visiting patients in nursing homes and hospitals unless if necessary to assist with patient care.
 - c. Conduct meetings remotely using teleconferencing and other technology.
6. Check the Vermont Department of Health website frequently: <https://www.healthvermont.gov/> and follow the guidance provided.

Please be aware that Rutland Regional does not provide “walk-in” or “drive-up” COVID-19 Coronavirus testing. Tests are limited and must be ordered by a primary care physician in accordance with the protocols established by the Vermont Department of Health.

Our hospital incident command center is active and being staffed continuously. If you have any questions, please call the hospital switchboard at 802.775.7111.



Claudio Fort
President and CEO





COVID-19 Response

➤ ENSURE THE OPERATIONAL CAPABILITY OF RUTLAND REGIONAL MEDICAL CENTER



Dear Community –

We are the first line of defense for our community and our nation.

The COVID-19 Public Health Crisis is unlike anything we have seen in our lifetimes. We are joined with our Community Health Primary Care Partners and local medical providers as well as hospitals across the country in this battle.

We understand things are changing rapidly every hour, every day. Please be assured that Rutland Regional has taken unprecedented steps in enacting protocols to protect our patients and staff. Some of these measures include ramping up our visitor restriction policies, suspending our volunteer program, and canceling all outside meetings held in the CVPS/Leahy Community Health Education Center (except for Narcotics Anonymous and Alcoholics Anonymous).

Here is What I Am Asking You As A Community To Do:

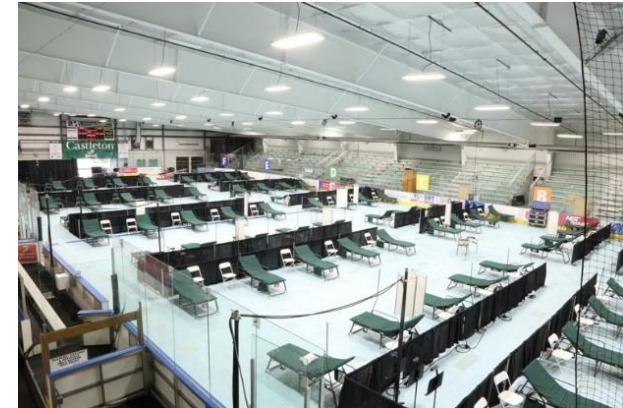
- Go Home and Practice Social Distancing
- Cancel Any Non-Emergency Appointments
- and
- Don't Travel

We at Rutland Regional are well prepared to take care of your emergency needs but need your help. It is critically important that you do everything to stay safe. The social distancing measures mentioned above are the most important things you can do to protect yourself, your family, friends and neighbors.

Our country has survived world wars, natural disasters, terrorist attacks, economic recessions and we remain standing. If we all stay calm, stay home, and stay informed, we will get through this crisis together.

Claudio Fort
President and CEO

Healthy You. Healthy Together.



Get Behind the Mask



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Principals to Guide the Budget

Goals

- ☐ Safeguard the long-term financial viability of the organization
- ☐ Continue to provide access to healthcare services that are necessary to meet the needs of our community
- ☐ Provide a safe environment for our staff to work and our patients to receive care

Actions Taken in Budget Planning

- ☐ Manage cash flows – Live within our means
 - Capital Planning - prioritize organizational investments (capital spend) based on access to care, safety and quality
 - Debt financing strategies – additional line of credit
 - Pension Management
- ☐ Maintain access to care
 - Continue all care programs – does not shift services to other providers or eliminate programs
- ☐ Limit rate increase in response to economic pressures within our community and business partners
 - Limits our operating margin to less than 1%
- ☐ Demonstrate a disciplined approach in controlling costs
 - FTE reductions and salary cost containment program
 - Limit discretionary spending
 - Restructure IT Costs



Balance Sheet

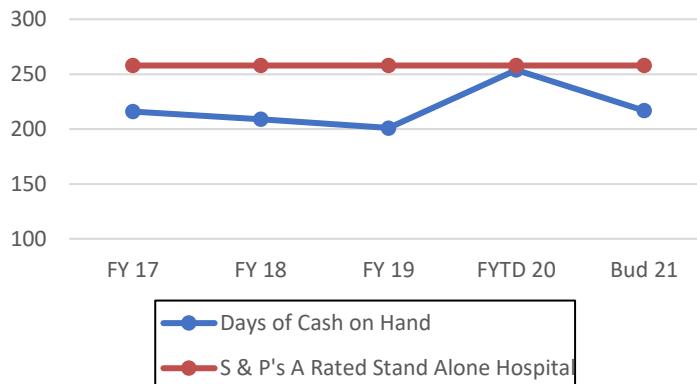
Rutland Regional Medical Center						
BALANCE SHEET	2020 PROJ	2021 B	2019A- 2020P	2020B- 2020P	2020B- 2021B	2020P- 2021B
Cash & Investments	\$26,397,699	\$6,095,566	165.7%	293.8%	-9.1%	-76.9%
Net Patient Accounts Receivable	\$26,090,423	\$31,963,675	-8.6%	-10.1%	10.1%	22.5%
ACO Risk Reserve/Settlement Receivable	\$0	\$0	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Other Current Assets	\$11,714,223	\$11,887,671	-5.2%	-10.9%	-9.6%	1.5%
Current Assets	\$64,202,345	\$49,946,912	26.3%	31.3%	2.2%	-22.2%
Board Designated Assets	\$138,222,014	\$146,616,746	1.7%	-3.6%	2.3%	6.1%
Net, Property, Plant And Equipment	\$90,248,584	\$95,955,936	2.3%	-14.9%	-9.5%	6.3%
Other Long-Term Assets	\$10,568,416	\$10,610,916	-14.2%	7.1%	7.5%	0.4%
Assets	\$303,241,359	\$303,130,510	5.5%	-1.6%	-1.6%	-0.0%
Accounts Payable	\$4,510,249	\$4,748,731	-7.1%	10.1%	15.9%	5.3%
Salaries, Wages And Payroll Taxes Payable	\$9,856,786	\$4,548,154	-23.7%	9.2%	-49.6%	-53.9%
ACO Risk Reserve/Settlement Payable	\$927,000	\$927,000	#DIV/0!	#DIV/0!	#DIV/0!	0.0%
COVID-19 Funding Short-Term Liabilities			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Other Current Liabilities	\$25,750,537	\$13,618,993	30.2%	100.9%	6.3%	-47.1%
Current Liabilities	\$41,044,572	\$23,842,878	9.3%	58.2%	-8.1%	-41.9%
Long Term Liabilities	\$44,797,783	\$52,802,171	24.4%	-14.5%	0.7%	17.9%
Other Noncurrent Liabilities	\$5,538,510	\$4,543,711	1.1%	24.8%	2.4%	-18.0%
COVID-19 Funding Long-Term Liabilities			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Fund Balance	\$211,860,494	\$221,941,750	1.7%	-6.0%	-1.5%	4.8%
Liabilities and Equities	\$303,241,359	\$303,130,510	5.5%	-1.6%	-1.6%	-0.0%



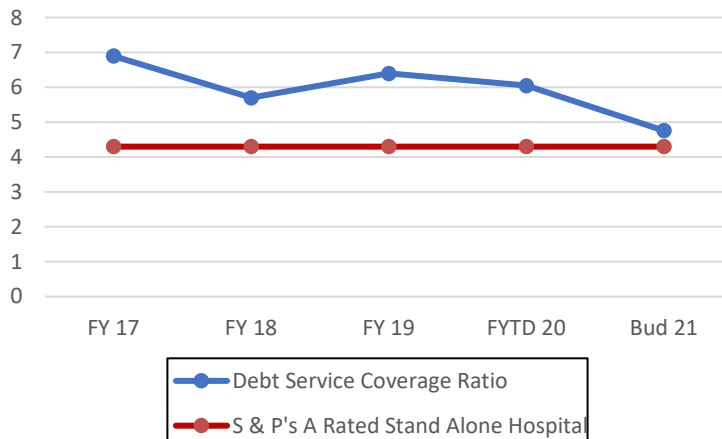
Financial Metrics

Balance Sheet Strength

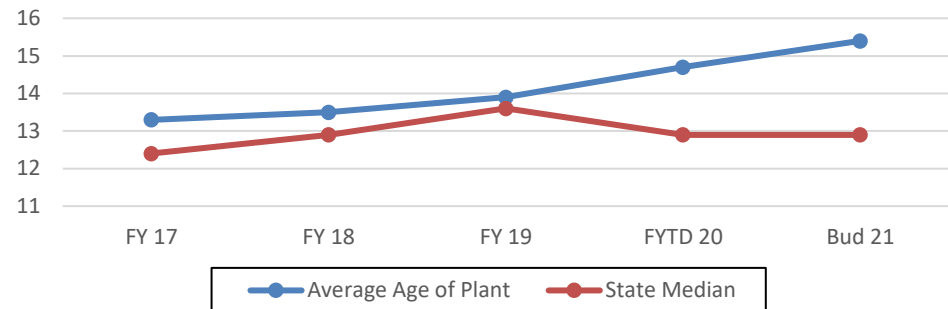
Days Cash On Hand



Debt Service Coverage Ratio



Average Age of Plant



Capacity to take on additional debt but limited due to cash flow constraints

Days Cash on Hand is higher than the Vermont System Average but has only been maintained **due to strong investment** performance

Cash Balances are Critical - RRM C **has not built** any new reserves to take on additional OCV Medicare risk programs, estimated at \$8 - \$10 million, a strategic future consideration

Age of Buildings and Equipment **higher than State Vermont System Average (RRMC 14.1 - State 12.8)**

- RRM C's strategy to preserve cash by limiting capital spend will challenge this metric even further as shown in FY 20 & 21



Statement of Cash Flows

	Budget 2021
Cash from Operations	
Excess Revenue Over Expenses	\$ 10,081,254
Depreciation / Amortization	\$ 12,668,835
Medicare Advance Payments	\$ (11,131,544)
Increase in Accounts Receivable	\$ (5,873,252)
ACO Risk Settlement	\$ (1,000,000)
Payroll Withholding & Accrual	\$ (6,323,219)
Other	\$ 28,095
Total	\$ (1,549,831)
Cash From Investing Activity	
Capital Purchases	\$ (12,500,000)
Medical Office Building	\$ (5,876,187)
Total	\$ (18,376,187)
Financing Activity	
Principal Payments	\$ (2,519,609)
New Debt Issued	\$ 10,523,998
Total	\$ 8,004,389
Beginning Cash - 2020 Projection	\$ 163,095,771
Net Increase/(Decrease) in Cash	\$ (11,921,629)
Ending Cash - 2021 Budget	\$ 151,174,142
Cash	
Operating Cash	\$ 6,095,566
Depreciation Reserves	\$ 115,574,202
Bowse Funds	\$ 2,459,280
Market Value Appreciation	\$ 27,045,094
Total	\$ 151,174,142

Preserving Cash with limited operating margins

- Limit capital spend to depreciation - reduction of over \$5.0 million
- Eliminates \$2 million in pension contributions

Risks to Managing Cash

- Repay \$25 million to CMS for Medicare Advance, severely limits available cash flow through January 2021
- Economic volatility in the investment markets
- Managing to the significant decrease in costs \$12.7 million
- Inflationary pressures not considered in the budget that would cause operating losses (labor, pharmaceuticals, testing)
- Capital investment, Infrastructure and equipment, demands that are necessary to respond to COVID

Future Focuses

- Nearly \$15 million of RRMC variable rate debt expires in 2023 requires solid plan to refinance
- Requires consistent financial performance and compliance with debt covenants



Income Statement

	FY19 Actual	FY20 Budget	FY20 Projection	FY21 Budget	Percentage of Change		
					Actual to Projection	Budget to Budget to	Projection to Budget
OPERATING REVENUE							
Net Patient Service Revenue w. FPP	\$ 256,402,901	\$ 267,784,278	\$ 233,920,097	\$ 247,487,684	-8.77%	-7.58%	5.80%
Other Operating Revenue	\$ 18,785,789	\$ 18,405,876	\$ 38,607,924	\$ 20,983,965	105.52%	14.01%	-45.65%
Total Operating Revenue	\$ 275,188,690	\$ 286,190,154	\$ 272,528,021	\$ 268,471,649	-0.97%	-6.19%	-1.49%
OPERATING EXPENSES							
Total Salaries (Physicians & Staff)	\$ 123,846,616	\$ 125,864,444	\$ 124,059,554	\$ 122,399,341	0.17%	-2.75%	-1.34%
Total All Other Expenses	\$ 150,169,889	\$ 153,629,774	\$ 147,144,933	\$ 144,371,558	-2.01%	-6.03%	-1.88%
Total Operating Expense	\$ 274,016,504	\$ 279,494,218	\$ 271,204,487	\$ 266,770,899	-1.03%	-4.55%	-1.63%
INCOME FROM OPERATIONS	\$ 1,172,186	\$ 6,695,936	\$ 1,323,534	\$ 1,700,750	12.91%	-74.60%	28.50%
Total Non Operating Revenue	\$ 4,782,259	\$ 6,545,054	\$ 2,263,462	\$ 8,380,504	-52.67%	28.04%	270.25%
Excess Revenue Over Expenses	\$ 5,954,445	\$ 13,240,990	\$ 3,586,996	\$ 10,081,254	-39.76%	-23.86%	181.05%

COVID volume reduction driving a decline of \$38.5 million in gross revenue

Requesting a 6.0% rate increase to cover volume losses related to COVID restrictions

Do not anticipate additional CARES funding in 2021

Budget **assumes OneCare risk** participation for Medicaid, Blue Cross primary and MVP program – estimated at nearly **20,000** lives

➤ Maximum Risk estimated at **\$837,000** and dues are estimated at **\$600,000** (based on OneCare modeling provided in June 2020)

Our **Cost Structure decreases by 4.5%** from 2020 Budget, required to support the significant reduction in net patient revenue

- No significant changes to service offerings
- Reduction of 40 FTEs



2020 Performance Projections

Volume:

Beginning May 18th – 20% increase over April/May performance

June – Additional 10% increase

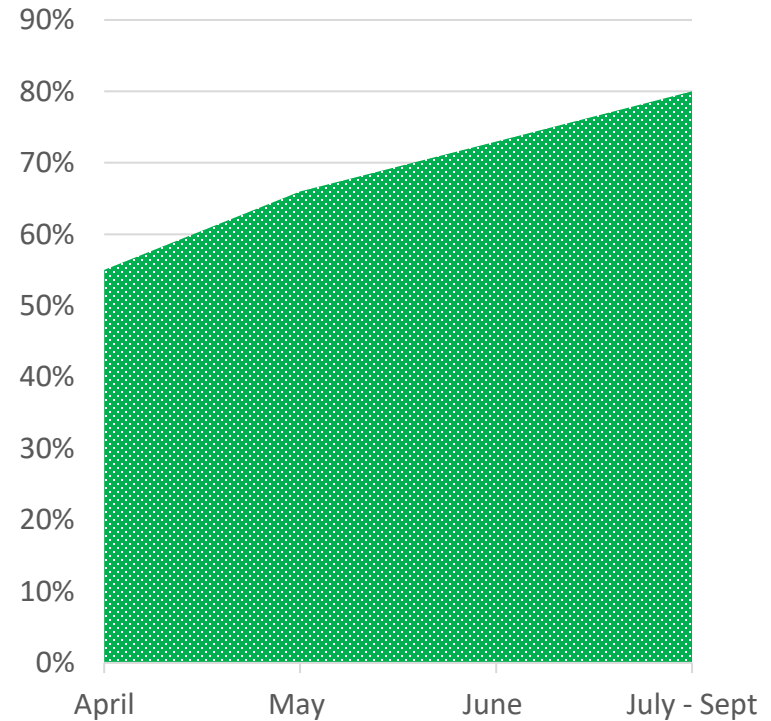
July – Additional 10% increase

July – September; Hold at 80% of volume

Projected Variance from Budget

- Net Revenue Loss \$ (33,863,000)
- CARES Funding \$ 19,569,000
- Change in OOI \$ 633,000
- All other Expenses \$ 8,289,000
- Projected Deficit from Budget \$ (5,372,000) - Gain \$1,323,534 compared to budgeted gain of \$6,695,286

Service Restart
Volume Percentages

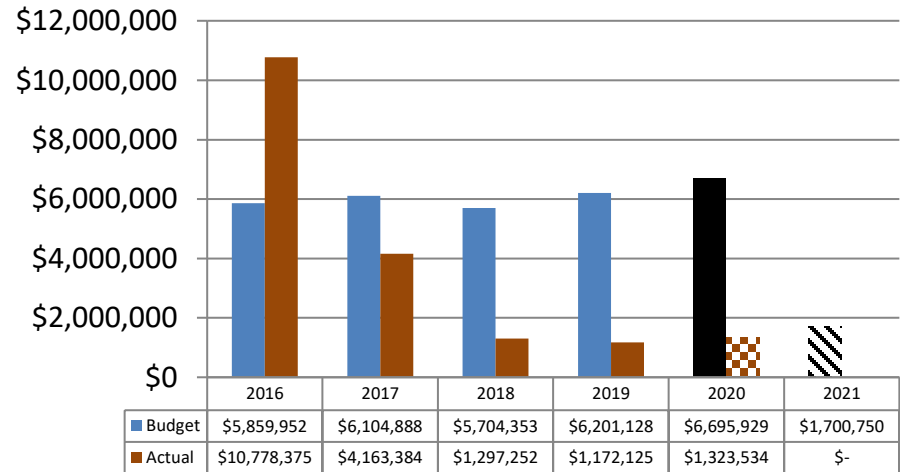




Operating Margin – Reduced Target

We have budgeted a .7% operating margin

- Need to achieve the margin to minimize the impact of cash flow
- Risk that investments no longer fund operational overspending
- Over that last 5 years RRMC fell short of budgeted margin by \$11.8 million – 39% variance from expected levels
- 5-Year Operating Margin accumulation is \$18.7



	2020	2021	Action Required
Fund Pension	\$2.0 million	\$0	Not obligated, pension funded status is a solid position
Reinvest in Capital, over depreciation	\$2.5 million	\$0	Delayed capital spending for 2020 and 2021 in the amount of \$5.2 million
3 rd Party Settlements	\$1.0 million	\$0	Any settlement will be funded using investments – do not anticipate large settlement
Pay Principal on Debt	\$1.4 million	\$2.5 million	Support additional Medical Office Building debt
Operating Margin	\$6.9 million	\$1.7 million	



Summary of Net Patient Service Revenue

2020 Net Patient Service Revenue Budget	\$267,784,278
Volume Declines	(\$ 28,746,112)
Reimbursement and Rates – 6% Rate Increase	<u>\$ 8,449,518</u>
2021 Net Patient Service Revenue Budget	\$247,487,684
Other Operating Revenue	<u>\$ 20,983,965</u>
Total Revenue to Support Expenses and Margin	\$268,471,649

GMCB regulations supports a 3.5% net revenue increase or \$9.4 million.

*Net Patient Revenue **declined by 7.6%** from Budget to Budget*

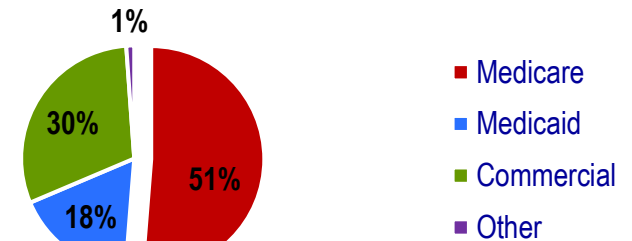
*Considering the decline in volume, in order to achieve this RRMC would have had to **raise rates by 27%***



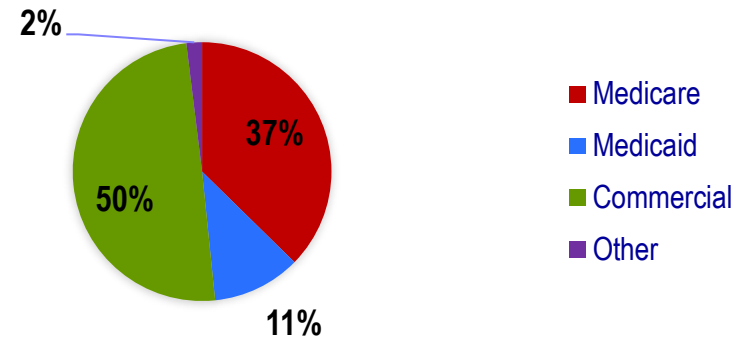
Payer Assumptions

Rutland Regional Medical Center						
Fiscal Year 2021 Budget Analysis						
Payer Mix	2020 PROJ	2021 B	2019A-2020P	2020B-2020P	2020B-2021B	2020P-2021B
Gross Patient Revenue						
Medicare	\$273,919,601	\$296,404,382	-9.9%	-9.5%	-2.1%	8.2%
Medicaid	\$92,311,654	\$100,423,318	3.4%	-2.9%	5.6%	8.8%
Commercial	\$163,032,448	\$174,896,811	-3.1%	-10.2%	-3.6%	7.3%
Self-Pay/Other/WC	\$6,150,656	\$6,564,586	9.8%	8.7%	16.0%	6.7%
Total Gross Patient Revenue	\$535,414,359	\$578,289,097	-5.6%	-8.5%	-1.1%	8.0%
Net Patient Revenue/Fixed Prospective Payments						
Medicare	\$89,622,431	\$92,412,104	-14.0%	-10.8%	-8.0%	3.1%
Medicaid	\$25,652,207	\$27,335,399	9.0%	-7.6%	-1.6%	6.6%
Commercial	\$114,153,590	\$122,910,763	-8.8%	-15.6%	-9.2%	7.7%
Self-Pay/Other/WC	\$4,491,869	\$4,829,418	7.0%	6.2%	14.2%	7.5%
Total NPR & FPP	\$233,920,097	\$247,487,684	-9.0%	-12.6%	-7.6%	5.8%
Reimbursement Ratio						
Medicare	33%	31%				
Medicaid	28%	27%				
Commercial	70%	70%				
Self-Pay/Other/WC	73%	74%				
Total Reimbursement Ratio	44%	43%				

Fiscal 2021 Gross Revenue



Fiscal 2021 Net Revenue



Demonstrates continued cost shift by ongoing reduction in State and Federal reimbursement ratios



Rate Increase

- Rate increase averages 6% but ***not “across the board”***
- Consistent across all payers
- Pharmaceutical and supply charges based on acquisition cost
- Professional services will not participate in the rate increase
- All Other charges increase by 8.5%

CHANGE IN CHARGE AND NET PATIENT REVENUE INCREASE

Change in charge is the average change in price for services provided.

Standard

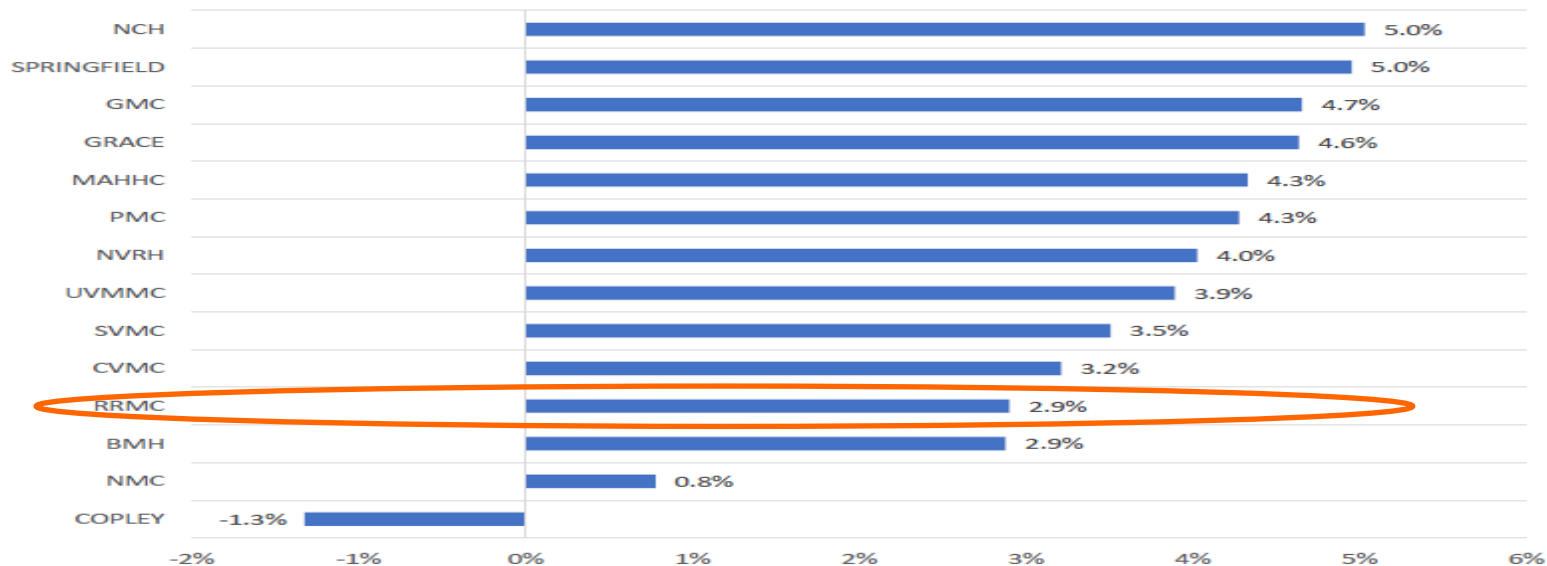
	FY2018	FY2019	FY2020	
Approved % Change in Charge	4.9%	2.6%	2.65%	n/a
Commercial Approved % Change in Charge				n/a
Submitted % Change in Charge	4.9%	3.0%	2.65%	6.0%
Commercial Submitted % Change in Charge				
Hospital Inpatient Change in Gross Charges				2.27%
Hospital Outpatient Change in Gross Charges				3.73%
Professional Services Change in Gross Charges				0.00%
Primary Care Change in Gross Charges				0.0%
Specialty Care Change in Gross Charges				0.0%
Skilled Nursing Facility Change in Gross Charges				0.0%
Other (please specify)				
Other (please specify)				
Net Patient Revenue Change Due to Charge Request				Dollar Value
Commercial				\$ 8,271,975
Medicaid				
Medicare				
Total Change Due to Charge Request				\$ 8,271,975



Comparative Rate Increase Trend

Approved Change in Charge 5-year average

5 Year Average of Approved Rates



	FY16	FY17	FY18	FY19*	FY20	5-year average
Approved %	3.7%	-5.1%	4.9%	2.6%	NA	2.9%
Submitted %	3.7%	-5.1%	4.9%	3.0%	2.7%	3.0%



Inpatient Volume Trends

Changes in Budget 2021

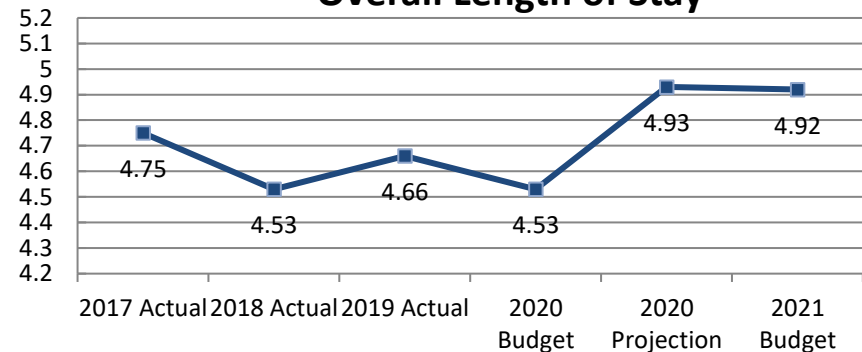
- Reduction in Medical Oncology Unit of 1.9 patient per day
- Reduction in Surgical Care Unit of 2 patients per day

❖ Average Daily Census 82.5

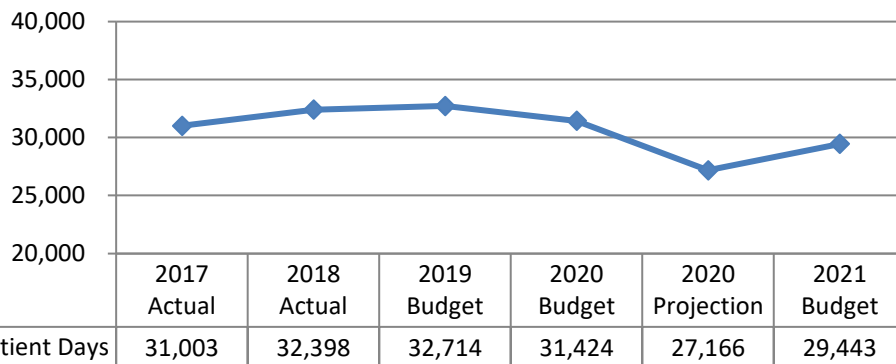
❖ Length of Stay - set at 4.9 days per stay

- ❖ Decline in short-stay inpatient surgical volume increases average length of stay

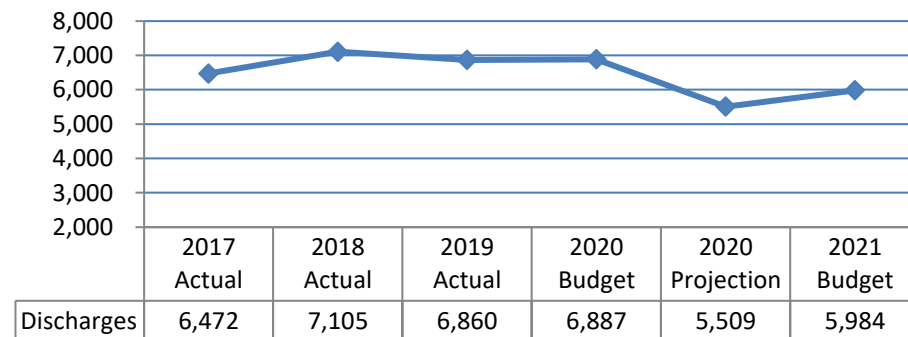
Overall Length of Stay



Patient Days (Excluding Nursery)



Discharges (Excluding Nursery)





Gross Revenue Changes by Service

Planned Volume Changes Before COVID

Increase in Volume:

Radiation Oncology	\$ 4,531,000
Diagnostic Imaging	\$ 1,881,000
OR Services	\$ 1,164,000

Radiation Therapy patients
Infusion, IR, Ultrasound, CT
Outpatient volume and supply revenue

Decrease in Volume:

Laboratory	(\$ 2,297,000)
Emergency Department	(\$ 2,161,000)
Psych Services	(\$ 1,488,000)
IP Physician Services	(\$ 950,000)
Cardiopulmonary Services	(\$ 877,000)
Other	(\$ 474,000)

Inpatient volume – all lab services
Inpatient and outpatient volume
Behavioral Health volume
Hospitalists, Intensivists volume
Respiratory, EEG, Pulmonary, EKG, Echo volume

Volume Variance COVID related (\$38,670,000)

Rate Changes \$ 32,735,000

6% Rate Request

Total (\$ 6,606,000)



Reimbursement Assumptions

Decline in collection and reimbursement

- 2020 net-to-gross budgeted at 45.8% in 2020 reduced to 42.8% in 2021
- A difference of **\$17.3** million from year to year

Why:

• Payers not participating in Rate Increase	\$ 23.0 million
— Overall Medicare increase is only 1.6%	
— Medicaid and Self Pay	
• Blue Cross Payment Rules and Domestic Discount	\$ 2.2 million
• Loss of State Psych Reimbursement (ED)	\$ 1.1 million
• Commercial Discounts	\$.6 million
• Reserve for Uninsured / Under insured	\$.6 million
• Other	<u>\$ 1.3 million</u>
Total Net Revenue Loss	\$ 28.8 million

• Commercial Rates (Rate Increase)	\$ 8.3 million
• Increase in Medicaid ACO Fixed Payment	<u>\$ 3.2 million</u>
Total Net Revenue Gain	\$ 11.5 million

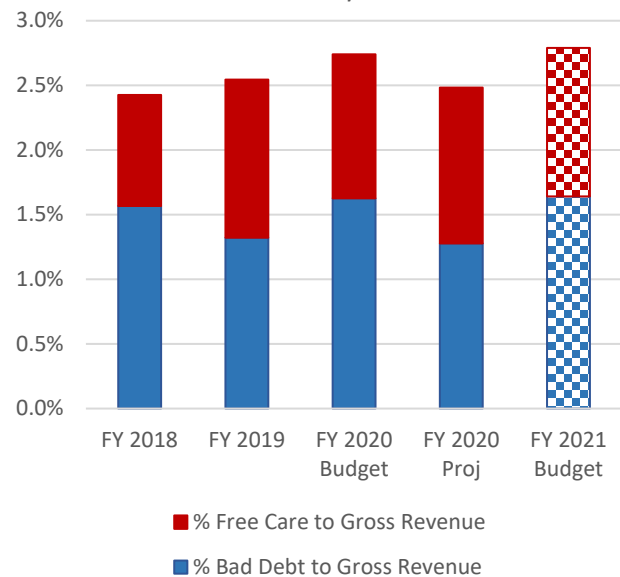
Net Change	\$ 17.3 million
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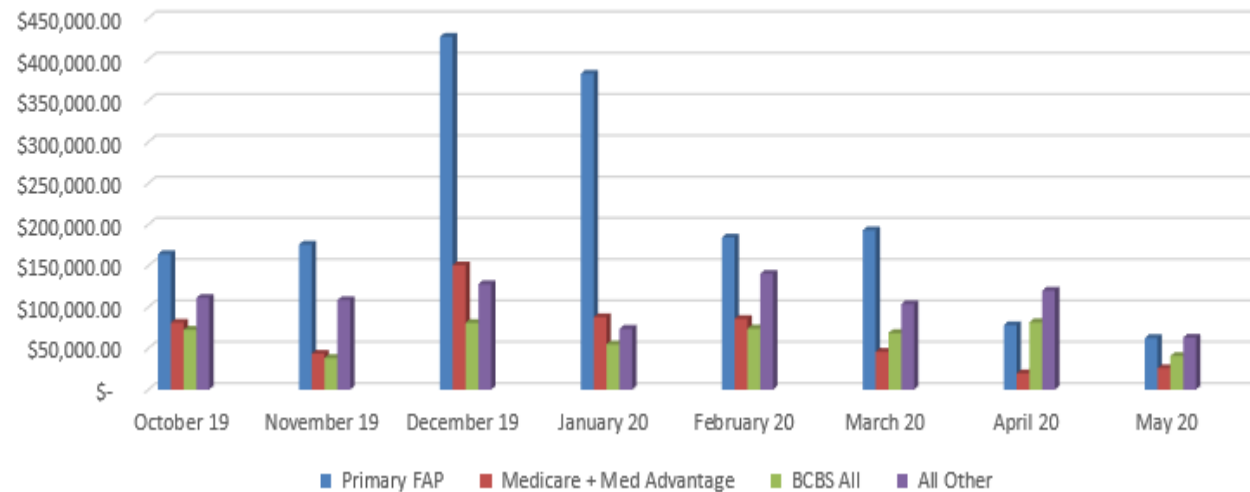
Bad Debt and Free Care Assumptions

An erosion of our commercial base

Under-Insured/Un-Insured Provisions



FAP Write Offs by Primary Payer by Month



Due to economic hardships caused by COVID RRMC suspended account collection calls and halted sending accounts to collection

Free care provided to patients with insurance demonstrates patient's inability to pay co-pay and deductibles



ACO Risk Position

2021 Participation Assumptions

- Medicaid program
- Blue Cross Primary
- MVP Qualified Health Plan
- Will not move forward with Medicare program
 - Risk too high, expected to be as much as \$8 to \$10 million

	Medicaid Traditional	Medicaid Expanded	Blue Cross Primary Risk	Blue Cross Primary Non Risk	MVP Qualified Health Plan	Total
Risk Corridor	2%	1%	0.5%	0%	0%	
Maximum Risk	\$ 549,965	\$ 62,389	\$ 225,000	\$ -	\$ -	\$ 837,354
Attributed Lives	8,936	2,250	7,500	-	1,170	19,856
Dues	Range: \$530,000 to \$738,000 Budget: \$600,000					



ACO Programmatic Changes

Improvement in ACO program structure drives more financial stability for hospitals

- Narrowing risk corridors
- Engaging primary care in risk management – Per Member Per Month (PMPM) at risk (\$1.50)
- Continued year over year reduction of expense structure
- Care Management transition to performance-based reimbursement

	2019	2020 YTD	2021 Budget	OneCare Model Estimates
RRMC Care Provided Vs. Fixed Payment	\$ (279,809)	Unknown COVID	\$ (300,000)	Unknown
ACO Dues (Admin and Population Health)	\$ (924,788)	\$ (1,347,435)	\$ (600,000)	2021 Range: Low Estimate \$530,000 --- High Estimate \$738,000
Risk Settlement - Blue Cross Primary	\$ -	\$ -	\$ (90,000)	
Risk Settlement - Medicaid	\$ (927,000)	Unknown COVID	\$ (410,000)	Maximum Risk: 2020 \$1,384,300 --- 2021: \$612,354
Overall Financial Impact	\$ (2,131,597)	\$ (1,347,435)	\$ (1,400,000)	



Other Operating Revenue

Outside of the 3% Net Revenue Growth Cap

Total Revenue **\$ 20,983,965**

Pharmacy **\$ 15,141,000**

RRMC Retail Pharmacy \$ 3,435,000

Contracted Pharmacy 340(B) \$ 11,706,000

Grants (State and Federal) **\$ 2,792,000**

Cafeteria Sales **\$ 804,000**

Board Approval of Endowment Funds **\$ 567,000**

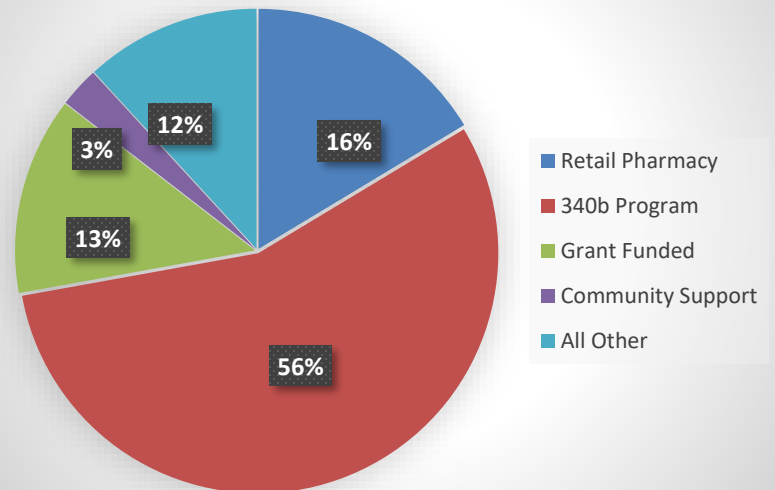
Rental Income **\$ 225,000**

Client Reference Lab **\$ 990,000**

Gift Shop / Rutland Health Foundation **\$ 233,000**

All Other **\$ 232,000**

Other Operating Income



Significant operational losses without 340B program for RRMC and Vermont hospitals overall



340B – Keeps Hospitals Profitable

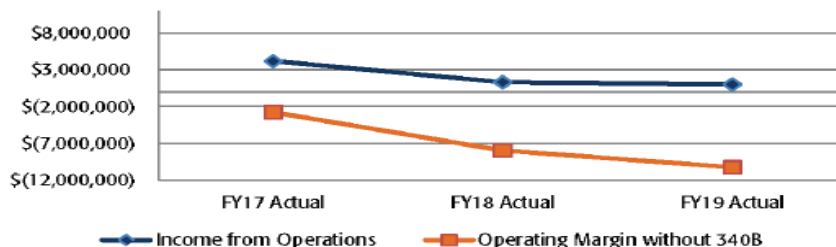
340B in Action

The 340B prescription drug program is a vital lifeline for safety-net providers, supporting critical health services in our communities. The program is narrowly tailored to reach only hospitals that provide a high level of services to low-income individuals or that serve isolated rural communities.

340B by the Numbers:

\$6.9M	Free Care/Financial Assistance for Healthcare – 6,752 Individuals
\$8.9M	Uncollectible Bad Debt for Healthcare – 8,836 Individuals
\$13.0M	Our Approximate Annual 340B Savings
\$1.9M	Operating Margin in 2019
17.4%	Our Inpatient Medicaid Utilization Percentage
\$18.3M	Amount Spent Annually on Drugs
\$35.9M	Unrecovered Medicaid and Uninsured Cost

340B Ensures Patient Access to Care



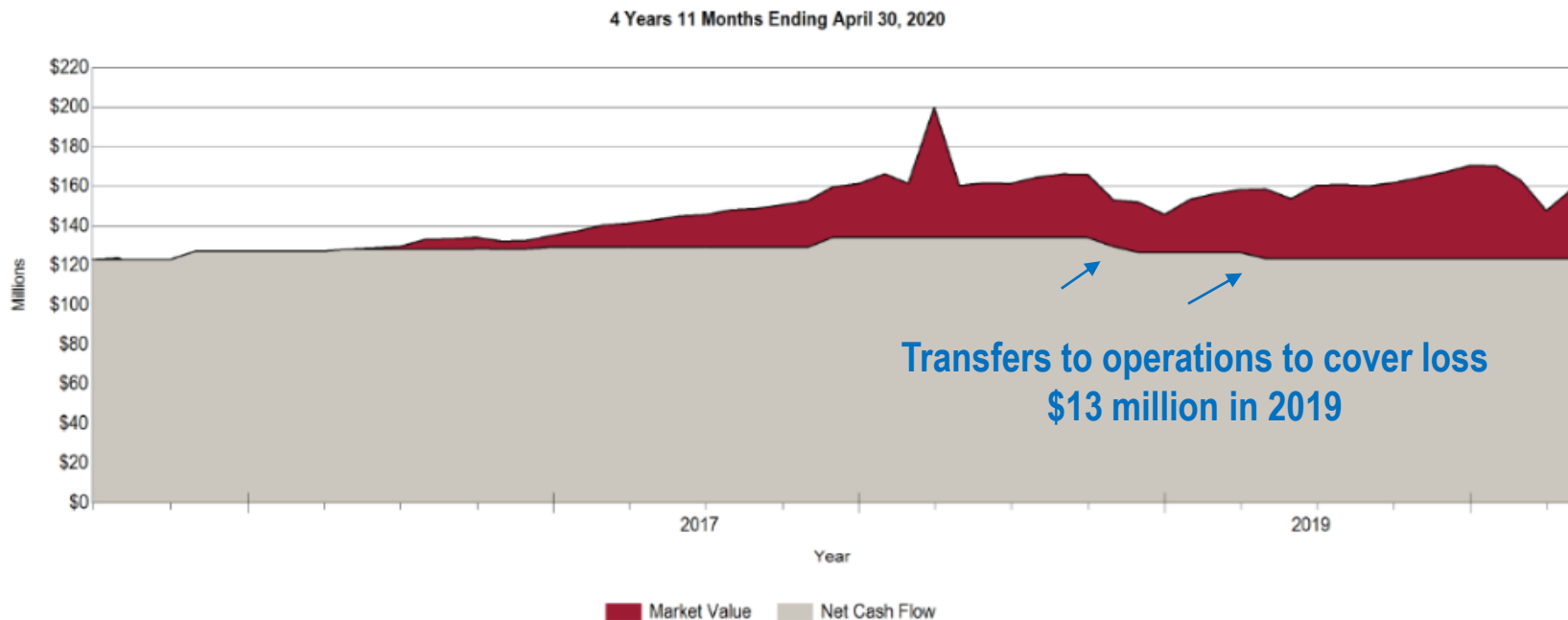
Rutland Regional Medical Center At a Glance

- Rural, community, acute care hospital in central Vermont providing care to 70,000 patients in a service area of 930 square miles
- Aging population, 2nd oldest county in Vermont
- Obesity rate in Rutland County is 35%, Vermont overall rate is 28%
- Inpatient and outpatient hospital services along with 22 specialty services clinics
- Patient care includes community based cancer center and expanded womens health services
- Provides comprehensive inpatient and outpatient mental health services and substance use treatment services
- Provide comprehensive Financial Assistance Program for healthcare services up to 500% of Poverty Level
- Financial Counseling provides healthcare benefit enrollment services to patients and community members



Investment Returns

- Important to fund major capital projects
- Set investment returns at 4.2% or \$8.4 million- (Based on 5-year modeling horizon) - Risk
- Performance in line with benchmarks
- Growth due to market gains and not cash transfers
- RRMC has not contributed to investment balances in the last four years, but have withdrawn \$13 million to cover operating cash deficits

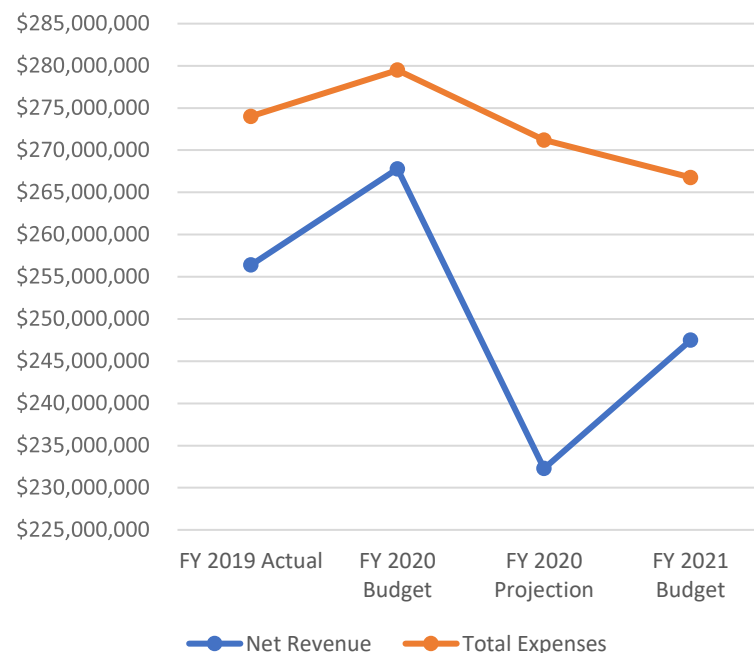




Reductions Required to Meet Revenue Loss

	<u>Dollar Change</u>	<u>% Change</u>
Budget to Budget Volume Change / Reimbursement Decline	\$ (20,297,000)	-7.5%
Growth in Other Operating Revenue	\$ 2,578,000	14.0%
	<u>\$ (17,719,000)</u>	
Physician Costs	\$ (1,402,000)	-4.1%
Staffing Changes	\$ (2,064,000)	-2.2%
Temporary Staff (Premium Only)	\$ (1,596,000)	-82.7%
Pharmaceuticals (Utilization & Pricing)	\$ (3,279,000)	-2.3%
Pension Programs (Salary Related & DB Funded)	\$ (2,590,000)	-59.3%
Disproportionate Share Tax	\$ (1,400,000)	-8.8%
Depreciation (Limited Spending)	\$ (559,000)	-4.2%
All Other	\$ 166,000	
Reduction in Margin (from 2.5% to .7%)	\$ (4,995,000)	-74.5%
Change in Expenses	<u>\$ (17,719,000)</u>	

Net Revenue vs Total Operating Expenses



Cost Avoidance: Salary adjustment program, cost of living and market funding, eliminated for 2021

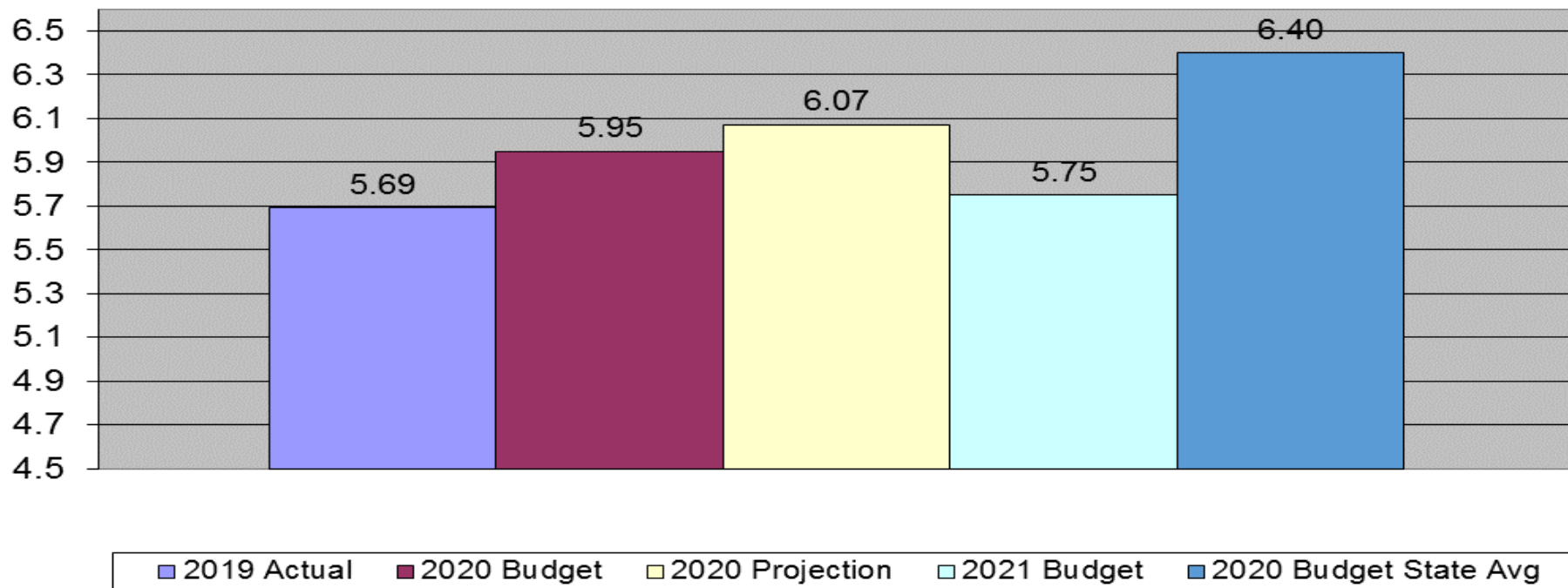
Represents a cost avoidance of \$2.7 million

Risk in labor market and competitive recruitment environment



Productivity Results

**Total FTEs per Adjusted Occupied Bed
(Excluding Physicians)**

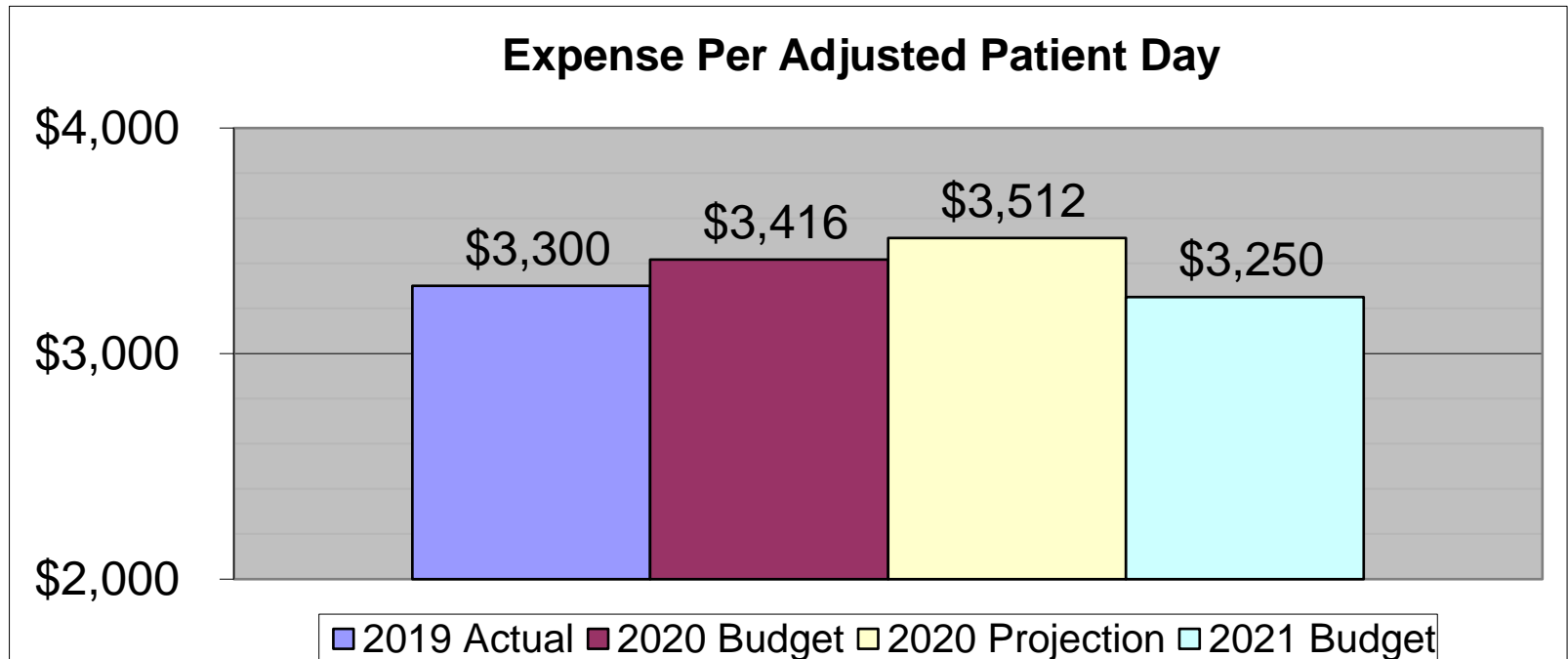


*Performance Improvement a result of the **reduction of nearly 40 FTEs***

*Staffing cuts result in performance **consistent with 2019 Actual***



Cost Trends – Day Based



Bending the cost curve

*Performance Improvement a result of the **reduction of 12.7 million of costs***

*Cost structure reduction result in performance **below 2019 Actual***



Service Line Adjustments

Maintain access to care

- Continue all care programs required by our community, regardless of financial impact
 - Behavioral health and substance abuse
 - Women's Health
 - Sub-acute care –long term care required without funding sources
- Does not shift services to other providers or eliminate programs
- Continued investment in community health related issues
 - Housing
 - Transportation



Areas of Risk



Volume patterns differ from assumptions

- Second COVID wave
- Lagging patient confidence



Significant change in payer mix

- Unemployment increase leads to loss of commercial insurance
- Shift to Federal or State payers
- Commercial coverage – continued migration to high deductible plans



Pressures in commercial contracting

- Budget does not consider deeper discounts to any insurer



Workforce stability

- Uncertainty in school reopening plans may impact staff ability to work
- Fatigue, stress and mental health impact
- Employee health impact of combined influenza and COVID resurgence



Areas of Risk

Investment Performance



- History of using investment performance to support operations, \$13 million transferred
- Will markets remain volatile

Cost Structure Inflation



- Significant change in utilization patterns
- Carrying cost, increase in inventory par levels
- Pharmaceutical spend, is 6% inflation enough
- Health insurance: Increase in RRMC covered lives due to spousal/family unemployment
- Labor market competition – forgoing salary increase program
- Change in building infrastructure to support COVID care
- Additional staff roles to promote patient and staff safety (temperature checking, door access)



2021 Capital Spending

Project	Capital Project Year	Cost Estimates
MRI Replacement CoN	2021	\$ 3,104,885
Supply Omnicell Replacement	2021	\$ 1,065,364
Omnicell G4 to XT	2021	\$ 728,985
1 Albert Cree Parking Lot Paving	2021	\$ 690,806
Fluoroscopy Replacement	2021	\$ 632,978
Telecommunications System Upgrade - Avaya	2021	\$ 598,082
OR Room Renovations	2021	\$ 257,657
Radiology Image Storage	2021	\$ 243,293
Backup System Project	2021	\$ 241,143
Kronos Time Clock Upgrade	2021	\$ 121,870
Pulmonary Function Testing Replacement	2021	\$ 99,647
Storz Flexible Endoscopes	2021	\$ 77,642
Test Lab Refresh	2021	\$ 72,486
GEM 5000 x2 Laboratory	2021	\$ 51,000
Histology Slide Stainer Replacement	2021	\$ 48,243
Physical Server Upgrade 2021	2021	\$ 45,682
Diabetes Carpet Replacement	2021	\$ 41,268
Urinalysis Clinitek Novus for the Lab	2021	\$ 41,144
Peripheral Vascular Access Ultrasound	2021	\$ 38,965
Device Refresh F 21	2021	\$ 38,150
KMC Truck Replacement	2021	\$ 37,201
MVU Ultrasound Machine	2021	\$ 36,468
KVM Replacement	2021	\$ 29,336
Visitor Management Software	2021	\$ 24,760
Pathologic Digital Cameras	2021	\$ 24,529
BIPAP V30 Support Equipment Replacement	2021	\$ 24,421
Smith and Nephew BBSM Instrument Sets	2021	\$ 24,332
mTuitive Cap eFRM	2021	\$ 24,154
WIFI - Wireless Survey Toolset	2021	\$ 22,530
PCU Shower Replacement	2021	\$ 18,496
SCU Shower Replacement	2021	\$ 18,496
ENTA Microscope Replacement - Dorset	2021	\$ 18,470
Convidien Generator FT 10	2021	\$ 16,472
Storz Laparoscopic Instrument Set	2021	\$ 12,570
Stryker Sternal Saw	2021	\$ 9,442
Named Projects		\$ 8,580,967
Contingency		\$ 1,500,000
2020 Carry Over (Excludes Medical Office Building)		\$ 2,500,000

MRI Replacement will require a CoN

- Target a late summer CoN submission

COVID Capital Funding Considerations

- Air Handling
- Testing
- Patient Distancing
- Disinfectant
- COVID Projects will be funded by
 - Investments
 - State CARES funding requests

Healthy Vermont. Together.



 Rutland Regional
Medical Center