



February 13, 2020

Patrick Rooney, Director of Health Systems Finance
 Green Mountain Care Board
 144 State Street
 Montpelier, Vermont 05602

Dear Patrick,

The following narrative refers to Brattleboro Memorial Hospital's operating results for FY2019.

Gross revenues from Patient Services were \$46,550 (0.1%) greater than budgeted.

	<i>FY2019 Actual</i>	<i>FY2019 Budget</i>	<i>variance from FY2019 Budget</i>	
<i>Gross Patient Care Revenue</i>	182,085,238	173,560,346	8,524,892	4.9%
<i>Disproportionate Share Payments</i>	585,323	604,168	(18,845)	-3.1%
<i>Bad Debt & Free Care</i>	(5,464,526)	(5,408,361)	(56,165)	1.0%
<i>Deductions From Revenue</i>	(104,062,599)	(94,839,665)	(9,222,934)	9.7%
<i>Net Patient Care Revenue</i>	73,143,436	73,916,488	(773,052)	-1.0%
<i>Fixed Prospective Payments</i>	10,850,821	10,031,219	819,602	8.2%
	83,994,257	83,947,707	46,550	0.1%
<i>net to gross</i>	46.1%	48.4%	-2.2%	-4.6%

<i>Net Patient Revenue Bridge</i>	<i>Total</i>	<i>% over/under</i>
<i>FY 19 Approved Net Patient Revenue Budget</i>	\$ 83,947,707	
<i>Utilization</i>	3,652,875	4.4%
<i>Reimbursement/Payer Mix</i>	(4,350,918)	-5.2%
<i>Bad Debt/Free Care</i>	(56,164)	-0.1%
<i>Physician Acq/Trans</i>		
<i>Changes in Accounting</i>		
<i>Changes in DSH</i>	(18,845)	0.0%
<i>Other-Changes in FFP</i>	819,602	1.0%
<i>Other (please label)</i>		
<i>FY 19 Actual Results</i>	\$ 83,994,257	100.1%

Medicare reimbursement was lower than budgeted. As discussed in the FY2020 Budget narrative, the FY2019 budget had \$3.1 M of Medicare HMO contractual allowance mapped to the Commercial Allowance summary.

	<i>FY2019 Actual</i>	<i>FY2019 Budget</i>	<i>variance from FY2019 Budget</i>	
<i>Medicare Gross PSR</i>	84,648,677	78,962,464	5,686,213	7.2%
<i>Deductions From Revenue</i>	(63,764,655)	(54,717,659)	(9,046,996)	16.5%
<i>Fixed Prospective Payments</i>	7,748,009	7,162,774	585,235	8.2%
<i>Net PSR & FFP</i>	28,632,031	31,407,579	(2,775,548)	-8.8%
	33.8%	39.8%	-6.0%	-15.0%

Medicaid volume and reimbursement were lower than budgeted.

	<i>FY2019 Actual</i>	<i>FY2019 Budget</i>	<i>variance from FY2019 Budget</i>	
Medicaid Gross PSR	30,812,013	32,278,893	(1,466,880)	-4.5%
<i>Deductions From Revenue</i>	(26,578,508)	(24,192,570)	(2,385,938)	9.9%
<i>Fixed Prospective Payments</i>	3,102,812	2,868,445	234,367	8.2%
Net PSR & FPP	7,336,317	10,954,768	(3,618,451)	-33.0%
	23.8%	33.9%	-10.1%	-29.8%

Net revenues from all other payors were greater than budgeted levels due to the Medicare classification error in the FY2019 Budget and favorable Bad Debt and Free Care deductions.

	<i>FY2019 Actual</i>	<i>FY2019 Budget</i>	<i>variance from FY2019 Budget</i>	
All other Gross PSR	66,500,624	70,274,577	(3,773,953)	-5.4%
<i>Deductions From Revenue</i>	(13,719,436)	(15,929,436)	2,210,000	-13.9%
<i>Bad Debt & Free Care</i>	(5,546,503)	(7,361,361)	1,814,858	-24.7%
Net PSR & FPP	47,234,685	46,983,780	250,905	0.5%
	71.0%	66.9%	4.2%	6.2%

Operating expenses were \$54,467 (0.1%) under budget for the year.

Operating Expense	<i>FY2019 Actual</i>	<i>FY2019 Budget</i>	<i>Variance from FY2019</i>	
			<i>Approved Budget</i>	
<i>Wages, Benefits & Contracted Physicians</i>	52,926,958	55,330,216	(2,403,258)	-4.3%
<i>Health Care Provider Tax</i>	4,742,584	5,105,871	(363,287)	-7.1%
<i>Depreciation Amortization</i>	4,217,561	4,614,177	(396,616)	-8.6%
<i>Interest - Long Term</i>	122,297	210,141	(87,844)	-41.8%
<i>Other Operating Expense</i>	25,085,867	21,894,329	3,191,538	14.6%
Total	87,095,267	87,154,734	(59,467)	-0.1%

Operating Expense Bridge		<i>Total</i>	<i>% over/under</i>
<i>FY 19 Approved operating expense budget</i>		\$ 87,154,734	
<i>Salaries</i>		(1,137,655)	-1.3%
<i>Fringe Benefits</i>		(263,418)	-0.3%
<i>Physician Contracts</i>		(1,002,185)	-1.1%
<i>Contract Staffing</i>		1,485,437	1.7%
<i>Supplies</i>		(73,730)	-0.1%
<i>Drugs</i>		1,067,608	1.2%
<i>Facilities</i>			0.0%
<i>IT Related</i>		303,394	0.3%
<i>Health Reform Programs</i>			0.0%
<i>Depreciation</i>		(396,616)	-0.5%
<i>Interest</i>		(87,844)	-0.1%
<i>Health Care Provider Tax</i>		(363,287)	-0.4%
<i>Other (reference lab)</i>		480,391	0.6%
<i>Other (everything else)</i>		(71,562)	-0.1%
<i>Cost Savings</i>			
FY 19 Actual Results		\$ 87,095,267	99.9%

- Contract temporary labor in our ER and nursing units cost \$1.5 million more than budgeted in FY2019.
- Drugs expenses were the next largest variance and were driven by increases in volume in the Oncology program.

The **operating gain** of \$670,580 compared to a budgeted gain of \$14,118. This represents an operating margin of 0.8% compared to a budgeted operating margin of 0.0%. Taken over a 5 year period, our average operating margin is 2.0%, below most accepted benchmarks for a sustainable margin.

	<i>FY2019</i>	<i>FY2018</i>	<i>FY2017</i>	<i>FY2016</i>	<i>FY2015</i>	<i>5 Year cumulative</i>
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Margin</i>
<i>Net Operating Revenue</i>	87,765,847	81,743,750	78,865,699	75,827,884	78,908,554	403,111,733
<i>Operating Gain</i>	670,580	<u>(1,962,032)</u>	<u>(2,437,206)</u>	<u>(600,632)</u>	<u>1,988,164</u>	<u>(2,341,126)</u>
<i>Operating Margin</i>	0.8%	-2.4%	-3.1%	-0.8%	2.5%	-0.6%
<i>Total Gain</i>	1,452,930	893,285	763,387	1,795,377	3,216,333	8,121,312
<i>Total Margin</i>	1.7%	1.1%	1.0%	2.4%	4.1%	2.0%

Non Operating income:

Net investment income of \$630 thousand helped to generate a total Margin of 1.7%. Our parent company transferred \$32,719 to BMH. Most of these funds represent the collection of community pledges in support of our Emergency Department project which was completed 5 years ago.

Please give me a call if you have any questions.

Sincerely,

Michael O. Rogers
 Vice President – Financial Reporting
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