

# Northwestern Medical Center

## Fiscal Year 2021 Budget Analysis

Report Date: 7/31/2020

QUESTIONS

**TECHNICAL QUESTIONS:**

Please be prepared to explain how COVID-19 has affected your staffing. For Non-MD FTEs and MD FTEs. Please discuss the reductions in force and the plans to return staffing to pre-COVID-19 levels.

COVID-19 significantly impacts staffing in the following areas:

**Nursing Staff** – A surge in Covid-19 cases corresponding to Phase I of reopening will require additional staffing in the emergency department and inpatient floors to accommodate a lower nurse to patient ratio and to allow for a PPE observer to assist the direct patient care nurses. The cost of these higher levels of staffing for a three month Phase I period, including benefits, is estimated to be \$350,000.

**Inpatient Provider Staffing** – Additional inpatient provider capacity is needed for both Phase I and Phase II stages. An additional Advanced Practice Provider (APP) is included in the Covid-19 budget and recruitment for this position is currently ongoing. The cost of an APP, including benefits is \$136,000.

**Entrance Screeners** – Screening patients and staff upon arrival will be required throughout the year, in both Phase I and Phase II. Screeners are located at the main hospital entrance, employee entrance as well as entrances to the medical office building, emergency department and the pediatrics locations in St. Albans and Enosburg. Assuming that Phase I would again require us to close the main entrance and send all patients through the medical office building, the total estimated cost of screeners, including benefits, is \$490,000.

The FY2021 budget (not including the impact of COVID-19) includes a total reduction of 62.3 full time equivalents (FTEs) compared with the FY2020 budget. NMC's reduction in force efforts resulted in a decrease of 26.9 FTEs. The remaining decrease of 35.4 FTEs are the result of program and service changes and eliminating open/posted positions throughout the organization. Our COVID-19 assumptions, result in an add back of 20.29 FTEs.

Northwestern Medical Center												
Jerry Barbini (Interim)												
Robyn Avis												
Fiscal Year 2021 Budget Analysis	GMCB Data Entry				Hospital Data Entry							
INCOME STATEMENT	2019 A	2020 B	1st Qtr FY20	2nd Qtr FY20	3rd Qtr FY20	4th Qtr FY20 Projected	2020 PROJ	2021 B	2019A-2020P	2020B-2020P	2020B-2021B	2020P-2021B
<b>Revenues</b>												
<b>Gross Patient Care Revenue</b>	\$210,917,710	\$223,749,944	\$55,519,149	\$51,698,959	\$34,476,561	\$51,353,061	\$193,047,730	\$259,782,992	-8.5%	-13.7%	16.1%	34.6%
Disproportionate Share Payments	\$942,501	\$934,355	\$234,088	\$234,090	\$234,090	\$232,087	\$934,355	\$750,000	-0.9%	0.0%	-19.7%	-19.7%
Graduate Medical Education (UVMC only)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Bad Debt	-\$6,899,923	-\$7,099,149	-\$1,590,999	-\$785,989	\$611,576	-\$4,139,822	-\$5,905,234	-\$7,797,363	-14.4%	-16.8%	9.8%	32.0%
Free Care	-\$1,089,453	-\$1,196,174	-\$242,443	\$0	-\$668,513	-\$330,149	-\$1,241,105	-\$1,419,266	13.9%	3.8%	18.7%	14.4%
Deductions from Revenue	-\$114,174,877	-\$124,052,177	-\$30,395,163	-\$32,790,918	-\$19,664,510	-\$26,526,757	-\$109,377,348	-\$153,399,266	-4.2%	-11.8%	23.7%	40.2%
<b>Net Patient Care Revenue</b>	\$89,695,958	\$92,336,799	\$23,524,632	\$18,356,142	\$14,989,204	\$20,588,420	\$77,458,398	\$97,917,097	-13.6%	-16.1%	6.0%	26.4%
<b>Fixed Prospective Payments, Reserves &amp; Other</b>												
Fixed Prospective Payments	\$16,833,506	\$24,589,780	\$4,331,741	\$5,229,481	\$5,386,829	\$4,982,684	\$19,930,735	\$20,376,132	18.4%	-18.9%	-17.1%	2.2%
Reserves	\$0	\$0	\$0	\$0	\$0	\$0	\$0	-\$1,600,000	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Other Reform Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
<b>Fixed Prospective Payments, Reserves &amp; Other</b>	\$16,833,506	\$24,589,780	\$4,331,741	\$5,229,481	\$5,386,829	\$4,982,684	\$19,930,735	\$18,776,132	18.4%	-18.9%	-23.6%	-5.8%
<b>Total NPR &amp; FPP</b>	\$106,529,464	\$116,926,579	\$27,856,373	\$23,585,623	\$20,376,033	\$25,571,104	\$97,389,133	\$116,693,229	-8.6%	-16.7%	-0.2%	19.8%
<b>COVID-19 Stimulus and Other Grant Funding</b>												
Other	\$4,294,653	\$5,213,346	\$1,318,788	\$1,056,505	\$12,616,067	\$0	\$12,616,067	\$0	#DIV/0!	#DIV/0!	#DIV/0!	20.4%
<b>Other Operating Revenue</b>	\$4,294,653	\$5,213,346	\$1,318,788	\$1,056,505	\$13,691,533	\$1,096,808	\$17,163,634	\$5,473,872	299.7%	229.2%	5.0%	-68.1%
<b>Total Operating Revenue</b>	\$110,824,117	\$122,139,925	\$29,175,161	\$24,642,128	\$34,067,566	\$26,667,912	\$114,552,767	\$122,167,101	3.4%	-6.2%	0.0%	6.6%
<b>Expenses</b>												
Salaries, Fringe Benefits, Physician Fees, Contracts	\$74,172,647	\$75,885,861	\$19,798,691	\$18,803,955	\$16,947,561	\$17,700,000	\$73,250,207	\$71,616,728	-1.2%	-3.5%	-5.6%	-2.2%
Medical/Surgical Drugs and Supplies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Health Care Provider Tax	\$6,345,312	\$7,288,305	\$1,672,223	\$1,672,224	\$1,516,164	\$1,438,134	\$6,298,745	\$4,775,705	-0.7%	-13.6%	-34.5%	-24.2%
Depreciation/Amortization	\$5,696,512	\$6,702,192	\$1,674,999	\$1,674,999	\$1,674,999	\$1,675,003	\$6,700,000	\$6,189,830	17.6%	-0.0%	-7.6%	-7.6%
Interest - Short and Long Term	\$770,957	\$961,816	\$187,449	\$185,303	\$233,160	\$201,971	\$807,883	\$893,795	4.8%	-16.0%	-7.1%	10.6%
Other Operating Expenses (includes ACO Participation Fees)	\$32,743,837	\$31,550,038	\$7,255,772	\$8,356,659	\$8,539,293	\$8,050,575	\$32,202,299	\$35,886,107	-1.7%	2.1%	13.7%	11.4%
<b>Operating Expense</b>	\$119,729,265	\$122,388,212	\$30,589,134	\$30,693,140	\$28,911,177	\$29,065,683	\$119,259,134	\$119,362,165	-0.4%	-2.6%	-2.5%	0.1%
<b>Net Operating Income</b>	-\$8,905,148	-\$248,287	-\$1,413,973	-\$6,051,012	\$5,156,389	-\$2,397,771	-\$4,706,367	\$2,804,936	-47.2%	1795.5%	-1229.7%	-159.6%
<b>Non Operating Revenue</b>	\$411,783	\$1,706,318	\$2,883,253	-\$8,482,074	\$2,483,444	\$426,580	-\$2,688,797	\$1,673,675	-753.0%	-257.6%	-1.9%	-162.2%
<b>Excess (Deficit) of Rev over Exp</b>	-\$8,493,365	\$1,458,031	\$1,469,280	-\$14,533,086	\$7,639,833	-\$1,971,191	-\$7,395,164	\$4,478,611	-12.9%	-607.2%	207.2%	-160.6%
<b>Income Statement Metrics</b>												
Operating Margin %	-8.0%	-0.2%	-4.8%	-24.6%	15.1%	-9.0%	-4.1%	2.3%				
Total Margin %	-7.6%	1.2%	4.6%	-89.9%	20.9%	-7.3%	-6.6%	3.6%				

**Northwestern Medical Center**

Northwestern Medical Center								
Fiscal Year 2021 Budget Analysis	GMCB Data Entry		Hospital Data Entry					
BALANCE SHEET	2019 A	2020 B	2020 PROJ	2021 B	2019A-2020P	2020B-2020P	2020B-2021B	2020P-2021B
Cash & Investments	\$54,566,464	\$64,477,298	\$56,111,093	\$44,002,265	2.8%	-13.0%	-31.8%	-21.6%
Net Patient Accounts Receivable	\$10,203,751	\$10,000,000	\$10,437,835	\$10,000,000	2.3%	4.4%	0.0%	-4.2%
<b>ACO Risk Reserve/Settlement Receivable</b>	\$0	\$0	\$0	\$0	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Other Current Assets	\$5,678,191	\$7,000,000	\$8,400,000	\$8,000,000	47.9%	20.0%	14.3%	-4.8%
<b>Current Assets</b>	<b>\$70,448,406</b>	<b>\$81,477,298</b>	<b>\$74,948,928</b>	<b>\$62,002,265</b>	<b>6.4%</b>	<b>-8.0%</b>	<b>-23.9%</b>	<b>-17.3%</b>
					#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Board Designated Assets	\$25,172,351	\$24,000,000	\$25,625,097	\$25,625,097	1.8%	6.8%	6.8%	0.0%
Net, Property, Plant And Equipment	\$68,211,296	\$67,800,000	\$68,700,000	\$77,260,170	0.7%	1.3%	14.0%	12.5%
Other Long-Term Assets	\$1,666,544	\$1,963,167	\$1,667,669	\$1,667,699	0.1%	-15.1%	-15.1%	0.0%
<b>Assets</b>	<b>\$165,498,597</b>	<b>\$175,240,465</b>	<b>\$170,941,694</b>	<b>\$166,555,231</b>	<b>3.3%</b>	<b>-2.5%</b>	<b>-5.0%</b>	<b>-2.6%</b>
					#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Accounts Payable	\$3,902,632	\$3,500,000	\$4,000,000	\$4,000,000	2.5%	14.3%	14.3%	0.0%
Salaries, Wages And Payroll Taxes Payable	\$3,717,581	\$4,500,000	\$4,500,000	\$4,500,000	21.0%	0.0%	0.0%	0.0%
<b>ACO Risk Reserve/Settlement Payable</b>	\$0	\$0	\$2,981,983	\$1,600,000	#DIV/0!	#DIV/0!	#DIV/0!	-46.3%
<b>COVID-19 Funding Short-Term Liabilities</b>			\$5,890,047	\$0	#DIV/0!	#DIV/0!	#DIV/0!	-100.0%
Other Current Liabilities	\$4,800,774	\$7,266,415	\$13,000,000	\$13,000,000	170.8%	78.9%	78.9%	0.0%
<b>Current Liabilities</b>	<b>\$12,420,987</b>	<b>\$15,266,415</b>	<b>\$30,372,030</b>	<b>\$23,100,000</b>	<b>144.5%</b>	<b>98.9%</b>	<b>51.3%</b>	<b>-23.9%</b>
					#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Long Term Liabilities	\$29,717,868	\$28,349,024	\$28,349,024	\$26,743,328	-4.6%	0.0%	-5.7%	-5.7%
Other Noncurrent Liabilities	\$4,445,731	\$1,500,000	\$3,187,348	\$3,200,000	-28.3%	112.5%	113.3%	0.4%
<b>COVID-19 Funding Long-Term Liabilities</b>			\$0	\$0	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Fund Balance	\$118,914,011	\$130,125,026	\$109,033,292	\$113,511,903	-8.3%	-16.2%	-12.8%	4.1%
<b>Liabilities and Equities</b>	<b>\$165,498,597</b>	<b>\$175,240,465</b>	<b>\$170,941,694</b>	<b>\$166,555,231</b>	<b>3.3%</b>	<b>-2.5%</b>	<b>-5.0%</b>	<b>-2.6%</b>
<b>Balance Sheet Metrics</b>						<b>Change in Points</b>		
Days Cash on Hand	255.2	279.2	245.7	226.0	-9.5	-33.5	-53.2	-19.7
<b>Days Cash on Hand-COVID-19</b>					0.0	0.0	0.0	0.0
Debt Service Coverage Ratio	(1.1)	2.9	0.0	5.6	-2.9	1.1	2.7	5.6
Long Term Debt to Capitalization	0.2	0.2	0.2	0.2	0.0	0.0	0.0	0.0
Days Payable	39.8	48.2	78.8	48.0	30.6	39.0	-0.2	-30.8
Days Receivable	41.5	39.5	36.2	36.5	-3.3	-5.3	-3.0	0.3

Budget Fiscal Year 2021		
COVID-19 Related Hospital Revenue Replacement Funding Sources FY20		
Total Funding Sources		
Funding Sources	Amount	% of Total
Medicare Advance Funding	\$ 2,900,000	15.7%
State Funding		0.0%
Federal Funding	\$ 12,579,324	68.0%
Blue Cross Advance Funding	\$ 2,975,196	16.1%
VAHHS Grant	\$ 18,442	0.1%
VHEPC Grant	\$ 13,636	0.1%
Donations & Other	\$ 4,664	0.0%
<b>TOTAL:</b>	<b>\$ 18,491,263</b>	<b>100%</b>

Budget Fiscal Year 2021		
COVID-19 Related Hospital Revenue Replacement Funding Sources FY20		
Funding Sources to be Paid Back		
Funding Sources	Amount	% of Total
Medicare Advance Funding	\$ 2,900,000	49.4%
State Funding		0.0%
Federal Funding		0.0%
Blue Cross Advance Funding	\$ 2,975,196	50.6%
Other (Please Specify)		0.0%
Other (Please Specify)		0.0%
Other (Please Specify)		0.0%
<b>TOTAL:</b>	<b>\$ 5,875,196</b>	<b>100%</b>

Budget Fiscal Year 2021		
COVID-19 Related Hospital Revenue Replacement Funding Sources FY20		
Funding Sources Not to be Paid Back		
Funding Sources	Amount	% of Total
Other (Please Specify)		0.0%
State Funding		0.0%
Federal Funding	\$ 12,579,324	99.7%
Other (Please Specify)		0.0%
VAHHS Grant	\$ 18,442	0.1%
VHEPC Grant	\$ 13,636	0.1%
Donations & Other	\$ 4,664	0.0%
<b>TOTAL:</b>	<b>\$ 12,616,066</b>	<b>100%</b>

Fiscal Year 2021 Budget Analysis			Northwestern Medical Center				
CHANGE IN CHARGE AND NET PATIENT REVENUE INCREASE							
Change in charge is the average change in price for services provided.					Standard Request		COVID-19
	FY2018	FY2019	FY2020	FY2021			
Approved % Change in Charge	3.5%	2.0%	5.9%	n/a		n/a	
Commercial Approved % Change in Charge				n/a		n/a	
Submitted % Change in Charge	6.0%	2.0%	5.9%	19.9%		1.18%	
Commercial Submitted % Change in Charge							
	Hospital Inpatient Change in Gross Charges			25.37%		1.53%	
	Hospital Outpatient Change in Gross Charges			25.37%		1.53%	
	Professional Services Change in Gross Charges			0.0%		0.0%	
	Primary Care Change in Gross Charges			0.0%		0.0%	
	Specialty Care Change in Gross Charges			0.0%		0.0%	
	Skilled Nursing Facility Change in Gross Charges			0.0%		0.0%	
	Other (please specify)						
	Other (please specify)						
<b>Net Patient Revenue Change Due to Charge Request</b>				<b>Dollar Value</b>	<b>Value of 1% Charge</b>	<b>Dollar Value</b>	<b>Value of 1% Charge</b>
Commercial				\$ 11,520,110	578,900	\$ 683,102	578,900
Medicaid					-		0%
Medicare					-		0%
<b>Total Change Due to Charge Request</b>				<b>\$ 11,520,110</b>	<b>579,900</b>	<b>\$ 683,102</b>	<b>0%</b>

Northwestern Medical Center								
Fiscal Year 2021 Budget Analysis								
Payer Mix	2019 A	2020 B	2020 PROJ	2021 B	2019A-2020P	2020B-2020P	2020B-2021B	2020P-2021B
<b>Gross Patient Revenue</b>								
Medicare	\$73,418,004	\$79,212,666	65,106,763.0	88,204,436.0	-11.3%	-17.8%	11.4%	35.5%
Medicaid	\$44,316,898	\$46,111,835	41,722,932.0	57,304,957.0	-5.9%	-9.5%	24.3%	37.3%
Commercial	\$88,203,107	\$93,158,827	81,611,231.0	108,131,863.0	-7.5%	-12.4%	16.1%	32.5%
Self-Pay/Other/WC	\$4,979,701	\$5,266,616	4,606,464.0	6,270,843.0	-7.5%	-12.5%	19.1%	36.1%
<b>Total Gross Patient Revenue</b>	<b>\$210,917,710</b>	<b>\$223,749,944</b>	<b>193,047,390.0</b>	<b>259,912,099.0</b>	<b>-8.5%</b>	<b>-13.7%</b>	<b>16.2%</b>	<b>34.6%</b>
<b>Net Patient Revenue/Fixed Prospective Payments</b>								
Medicare	\$36,008,706	\$37,415,915	30,399,018.0	32,096,254.0	-15.6%	-18.8%	-14.2%	5.6%
Medicaid	\$17,034,621	\$20,500,371	17,338,460.0	19,920,860.0	1.8%	-15.4%	-2.8%	14.9%
Commercial	\$48,977,758	\$54,146,674	46,541,626.0	60,234,330.0	-5.0%	-14.0%	11.2%	29.4%
Self-Pay/Other/WC	\$3,565,878	\$3,929,264	3,110,028.0	4,441,785.0	-12.8%	-20.8%	13.0%	42.8%
<b>Total NPR &amp; FPP</b>	<b>\$105,586,963</b>	<b>\$115,992,224</b>	<b>97,389,132.0</b>	<b>116,693,229.0</b>	<b>-7.8%</b>	<b>-16.0%</b>	<b>0.6%</b>	<b>19.8%</b>
<b>Reimbursement Ratio</b>								
Medicare	49%	47%	47%	36%				
Medicaid	38%	44%	42%	35%				
Commercial	56%	58%	57%	56%				
Self-Pay/Other/WC	72%	75%	68%	71%				
<b>Total Reimbursement Ratio</b>	<b>50%</b>	<b>52%</b>	<b>50%</b>	<b>45%</b>				