

North Country Hospital
Fiscal Year 2021 Budget
Presentation
to the Green Mountain Care
Board
August 26, 2020



Presenters

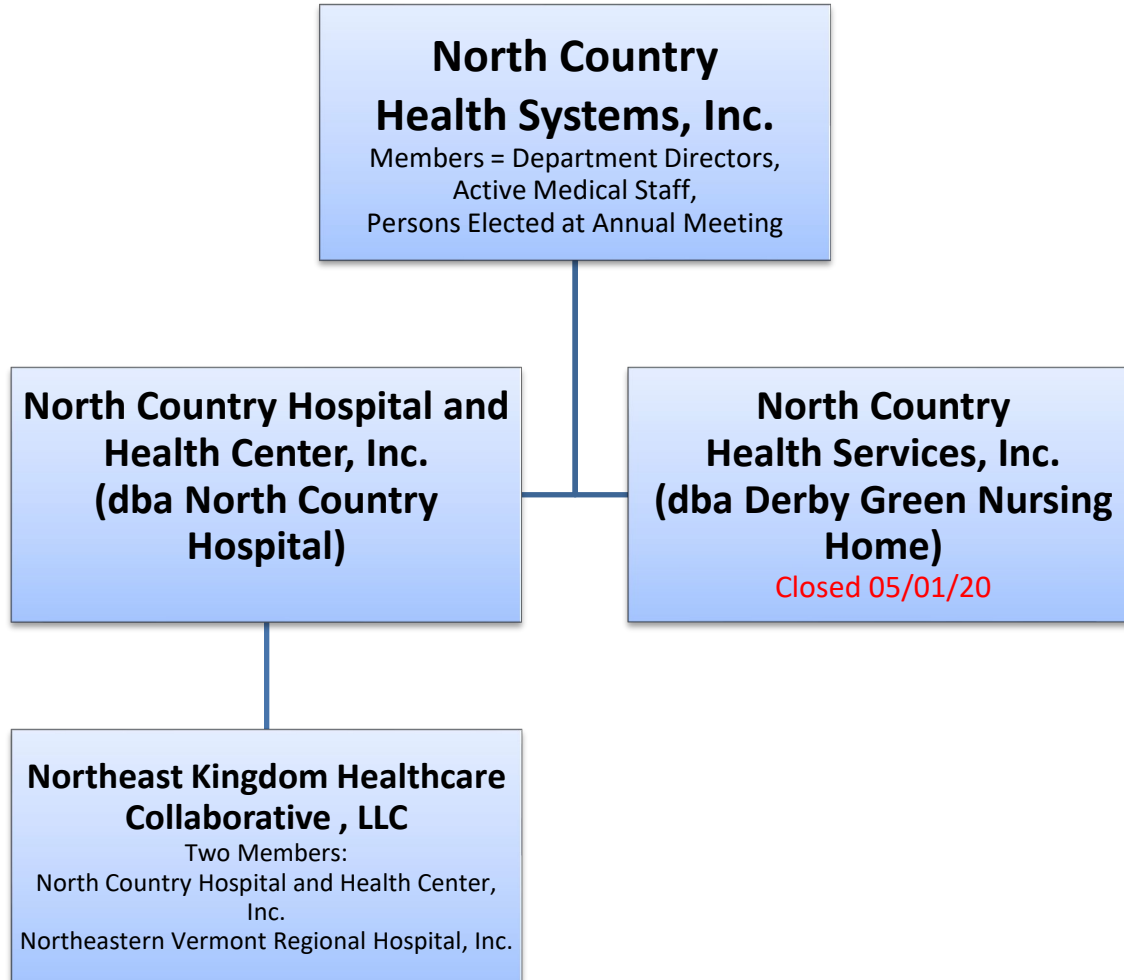
- Brian Nall, President and CEO
- Tracey Paul, CFO



Service Area \approx 30,000

45 Minutes to Closest Critical Access Hospital

2 Hours to Tertiary Care



North Country Hospital												
Brian Nall												
Tracey Paul												
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
Revenues												
Gross Patient Care Revenue	\$191,002,248	\$199,661,481	\$48,256,132	\$47,110,906	\$38,058,491	\$44,475,177	\$177,900,706	\$202,715,312	-6.9%	-10.9%	1.5%	13.9%
Disproportionate Share Payments	\$886,086	\$906,720	\$226,679	\$226,678	\$195,187	\$216,181	\$864,725	\$906,713	-2.4%	-4.6%	-0.0%	4.9%
Graduate Medical Education (UVMC only)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Bad Debt	-\$3,582,373	-\$4,491,912	-\$992,692	-\$664,863	-\$1,266,229	-\$974,595	-\$3,898,379	-\$3,063,212	8.8%	-13.2%	-31.8%	-21.4%
Free Care	-\$1,562,324	-\$1,826,157	-\$416,800	-\$400,798	-\$228,861	-\$348,820	-\$1,395,279	-\$1,754,951	-10.7%	-23.6%	-3.9%	25.8%
Deductions from Revenue	-\$112,251,783	-\$116,876,281	-\$28,802,027	-\$29,424,845	-\$22,652,665	-\$26,359,846	-\$107,239,383	-\$123,101,957	-4.5%	-8.2%	5.3%	14.8%
Net Patient Care Revenue	\$74,491,854	\$77,373,851	\$18,271,292	\$16,847,078	\$14,105,923	\$17,008,097	\$66,232,390	\$75,701,905	-11.1%	-14.4%	-2.2%	14.3%
Fixed Prospective Payments, Reserves & Other												
Fixed Prospective Payments	\$6,143,063	\$6,249,398	\$1,301,122	\$2,441,659	\$2,120,579	\$1,954,453	\$7,817,813	\$7,035,060	27.3%	25.1%	12.6%	-10.0%
Reserves							\$0	\$0	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Other Reform Payments							\$0	\$0	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Fixed Prospective Payments, Reserves & Other	\$6,143,063	\$6,249,398	\$1,301,122	\$2,441,659	\$2,120,579	\$1,954,453	\$7,817,813	\$7,035,060	27.3%	25.1%	12.6%	-10.0%
Total NPR & FPP	\$80,634,917	\$83,623,249	\$19,572,414	\$19,288,737	\$16,226,502	\$18,962,550	\$74,050,203	\$82,736,965	-8.2%	-11.4%	-1.1%	11.7%
COVID-19 Stimulus and Other Grant Funding												
Other	\$7,039,780	\$6,477,173	\$2,215,333	\$1,523,239	\$4,328,238	\$0	\$4,328,238	\$0	#DIV/0!	#DIV/0!	#DIV/0!	
Other Operating Revenue	\$7,039,780	\$6,477,173	\$2,215,333	\$1,523,239	\$1,745,727	\$1,828,100	\$7,312,399	\$7,649,920	3.9%	12.9%	18.1%	4.6%
Total Operating Revenue	\$87,674,697	\$90,100,422	\$21,787,747	\$20,811,976	\$22,300,467	\$20,790,650	\$85,690,840	\$90,386,885	-2.3%	-4.9%	0.3%	5.5%
Expenses												
Salaries, Fringe Benefits, Physician Fees, Contracts	\$51,070,374	\$52,284,770	\$14,274,156	\$14,403,015	\$12,661,179	\$13,779,450	\$55,117,800	\$55,410,287	7.9%	5.4%	6.0%	0.5%
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	\$4,555,652	\$4,692,876	\$1,173,219	\$1,173,219	\$1,265,291	\$1,203,910	\$4,815,639	\$4,880,591	5.7%	2.6%	4.0%	1.3%
Depreciation/Amortization	\$4,141,025	\$4,428,744	\$992,270	\$1,064,948	\$897,927	\$983,237	\$3,938,382	\$3,895,786	-4.9%	-11.1%	-12.0%	-1.1%
Interest - Short and Long Term	\$627,738	\$630,261	\$137,698	\$140,588	\$145,998	\$141,428	\$565,712	\$588,924	-9.9%	-10.2%	-6.6%	4.1%
Other Operating Expenses (includes ACO Participation Fees)	\$25,602,961	\$26,591,830	\$4,935,012	\$5,263,252	\$4,379,785	\$4,861,161	\$19,439,210	\$24,058,512	-24.1%	-26.9%	-9.5%	23.8%
Operating Expense	\$85,997,751	\$88,628,481	\$21,512,355	\$22,045,022	\$19,350,180	\$20,969,186	\$83,876,743	\$88,834,100	-2.5%	-5.4%	0.2%	5.9%
Net Operating Income	\$1,676,946	\$1,471,941	\$275,392	-\$1,233,046	\$2,950,287	-\$178,536	\$1,814,097	\$1,552,785	8.2%	23.2%	5.5%	-14.4%
Non Operating Revenue	\$940,204	\$1,351,149	\$9,497,602	\$200,449	-\$168,944	\$82,752	\$9,653,237	\$586,599	926.7%	614.4%	-56.6%	-93.9%
Excess (Deficit) of Rev over Exp	\$2,617,150	\$2,823,090	\$9,772,994	-\$1,032,597	\$2,781,343	-\$95,784	\$11,467,333	\$2,139,384	338.2%	306.2%	-24.2%	-81.3%
Income Statement Metrics												
Operating Margin %	1.9%	1.6%	1.3%	-5.9%	13.2%	-0.9%	2.1%	1.7%				
Total Margin %	3.0%	3.1%	31.2%	-4.9%	12.6%	-0.5%	12.0%	2.4%				

Fee increase on Gross Revenues

- 3.60% Overall fee increase

Net Revenue (NPR)

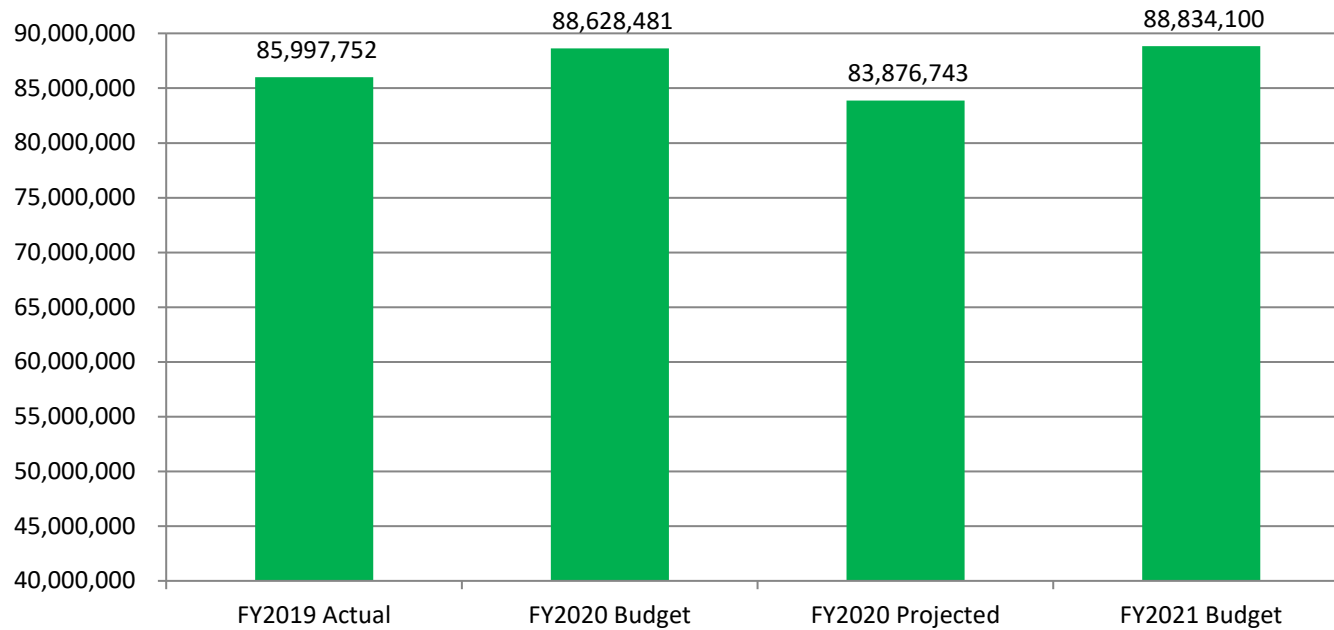
- Decrease of 1.00%

Budget FY20 to Budget FY21

Other operating revenue -18.10% increase =
\$1.1M

Non operating revenue – 56.60% decrease =
-\$764,550

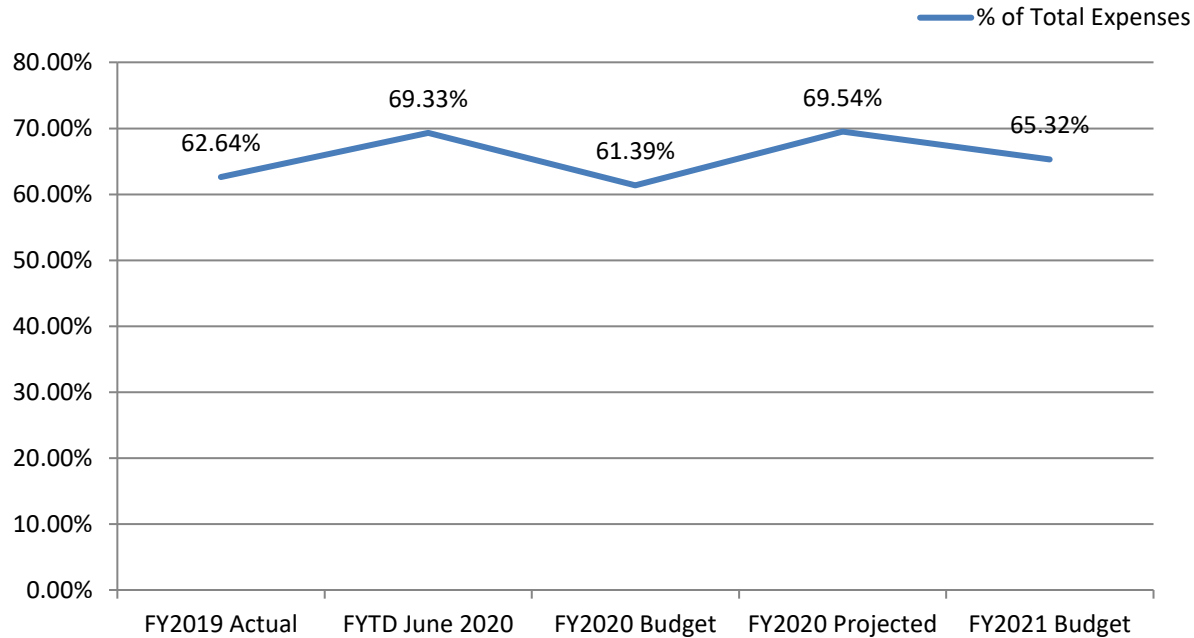
Total Operating Expenses



Expense Drivers:

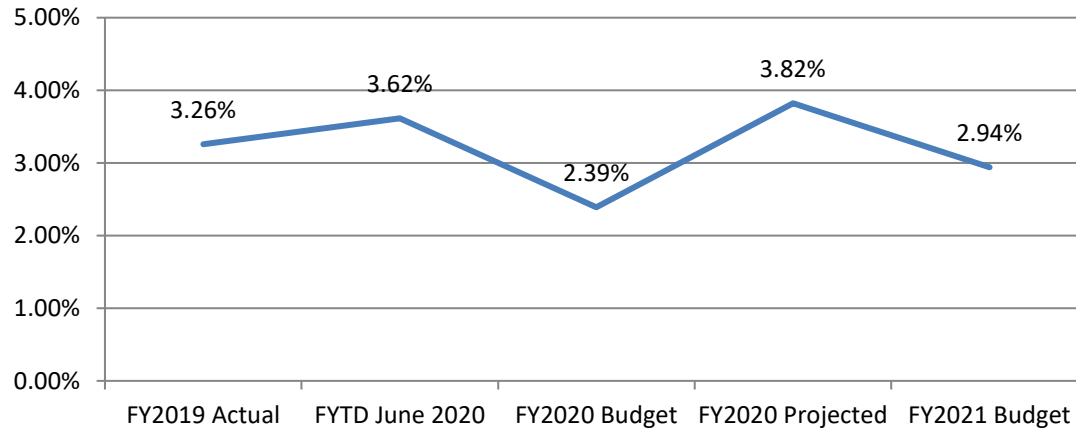
- Compensation and Benefits
- Locums/Travelers
- Covid related costs
- Furlough of staff

Compensation/Benefits/Locums

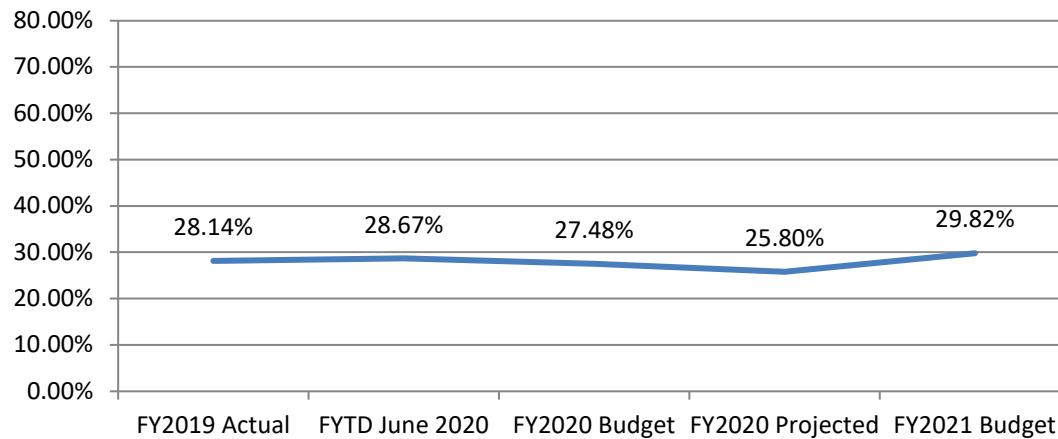


Locum Expense

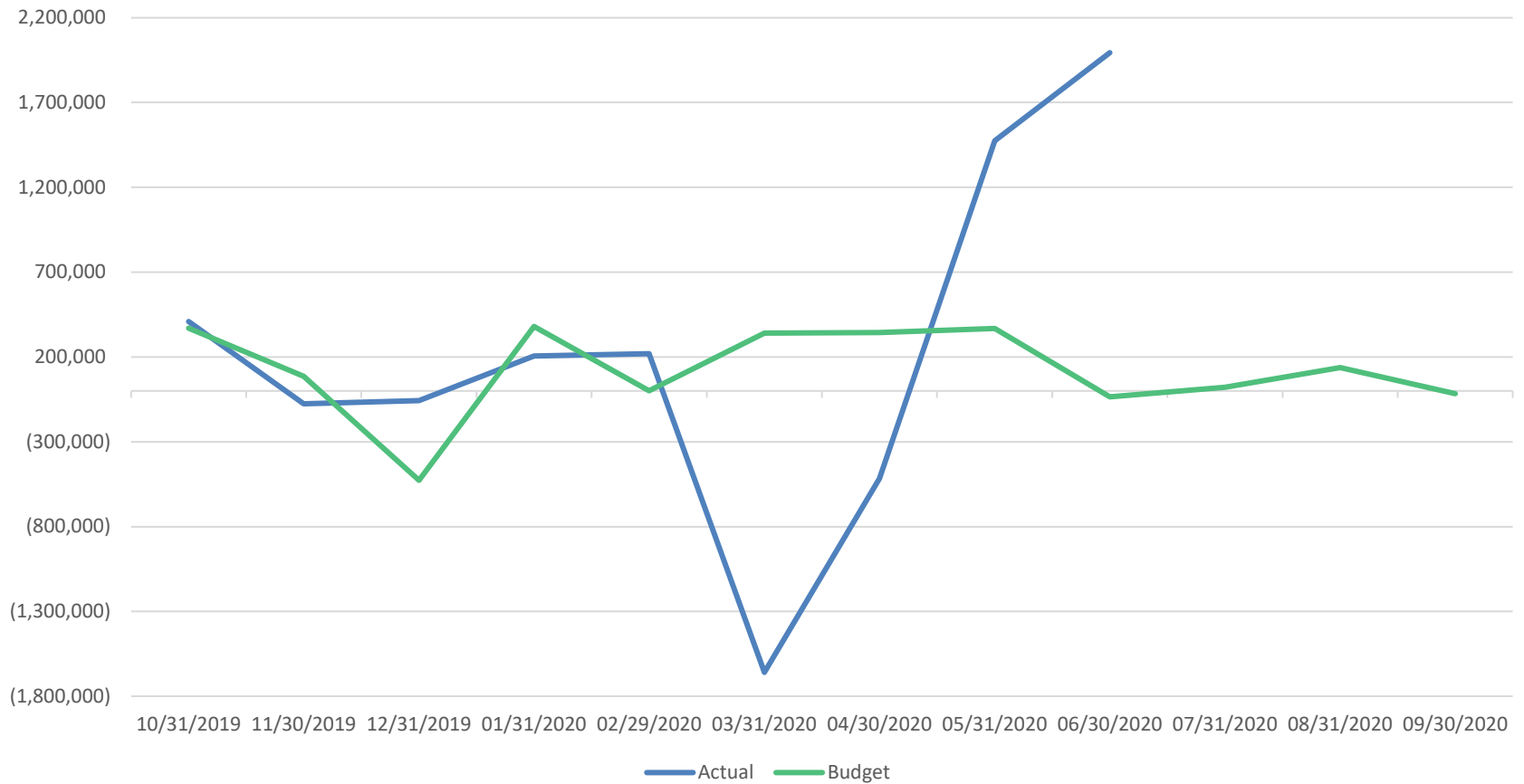
— % of Total Expenses



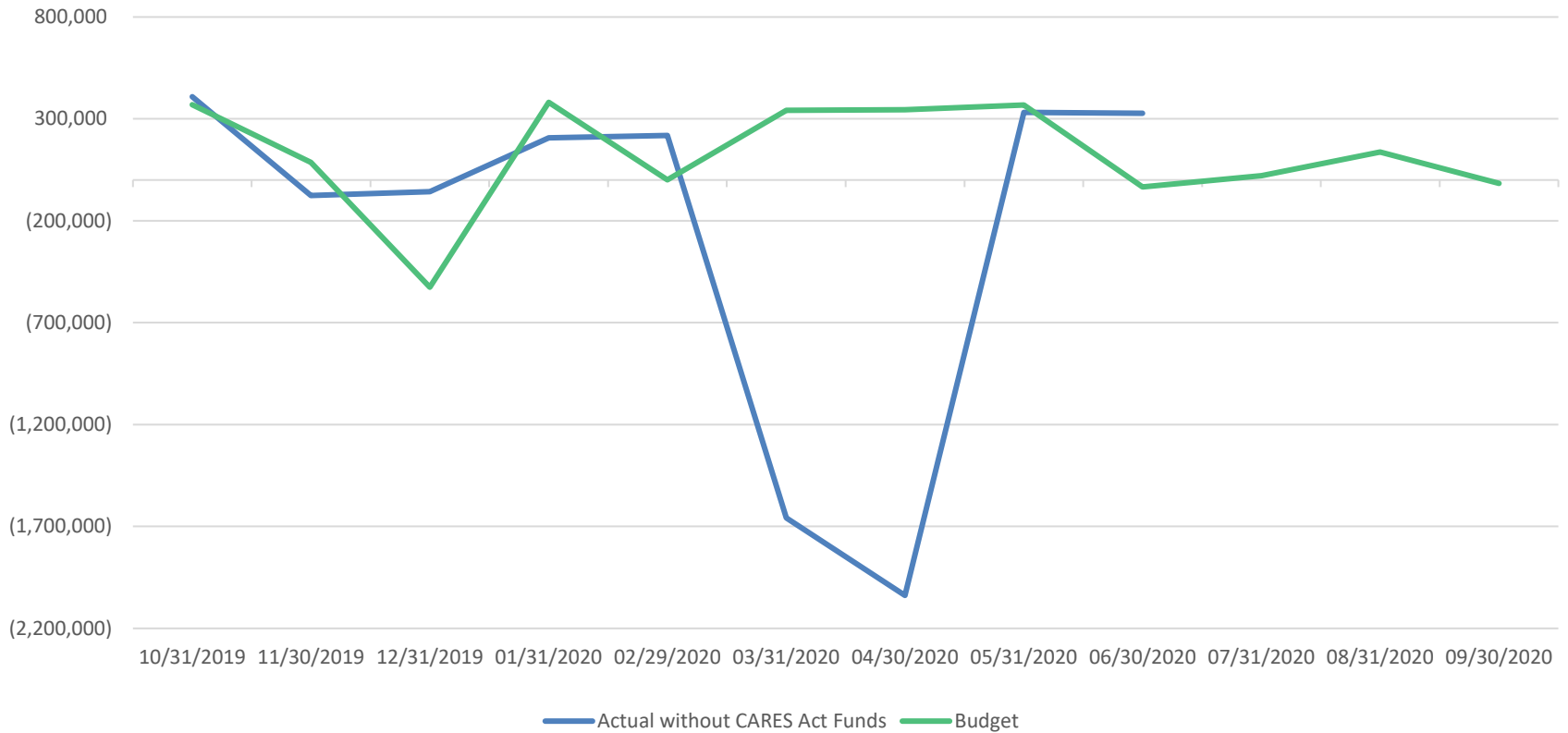
Physician to Total Salaries



NCH Operating Margin YTD Gain/(Loss) Actual and Budget



NCH Operating Margin YTD Gain/(Loss) Actual and Budget without CARES Act Funds



Ensure Continued Financial & Operational Sustainability

Operating Margins

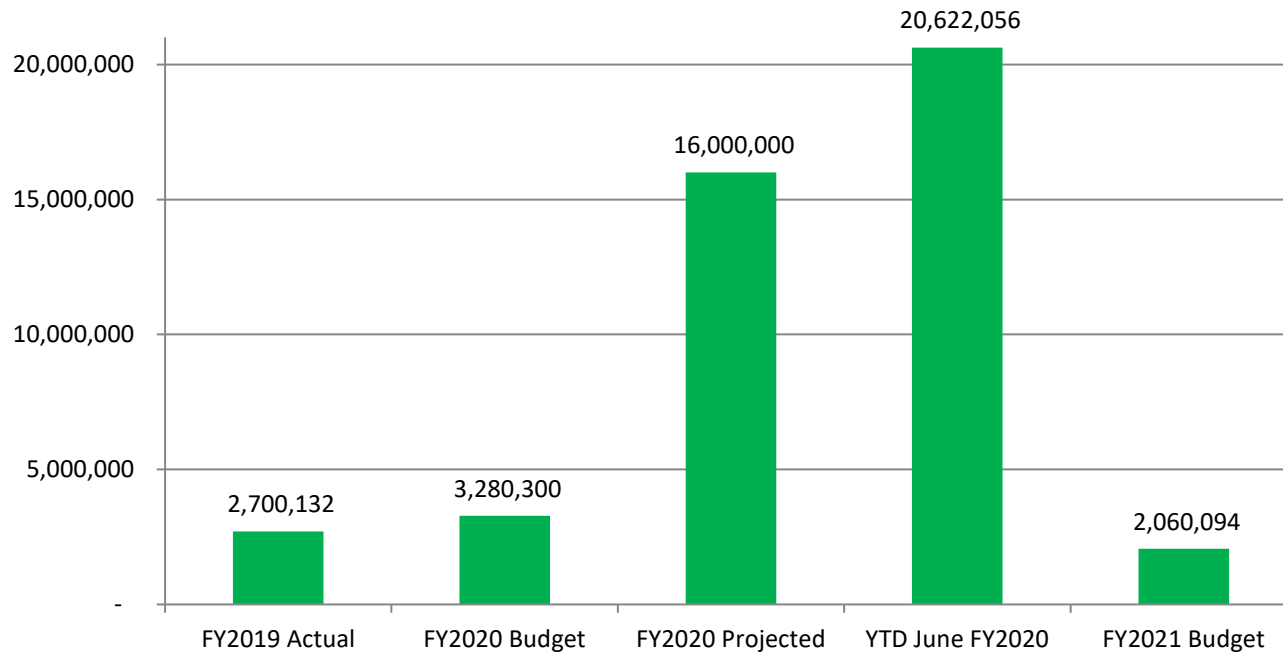
- YTD June 2020 Actual \$1.9 M = 3.00%
- YTD June 2020 Budget \$1.30 M = 2.00%

- Budget FY2020 \$1.5 M = 1.6%
- FY2020 Projected \$1.8 M = 2.1%

- FY2021 Budget \$1.5 M = 1.7%

North Country Hospital								
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	\$2,700,132	\$3,280,300	\$16,000,000	\$2,060,094	492.6%	387.8%	-37.2%	-87.1%
Net Patient Accounts Receivable	\$6,639,926	\$8,045,757	\$7,300,000	\$7,300,000	9.9%	-9.3%	-9.3%	0.0%
ACO Risk Reserve/Settlement Receivable	\$0	\$0			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Other Current Assets	\$4,095,408	\$6,110,360	\$4,500,000	\$4,500,000	9.9%	-26.4%	-26.4%	0.0%
Current Assets	\$13,435,465	\$17,436,417	\$27,800,000	\$13,860,094	106.9%	59.4%	-20.5%	-50.1%
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Board Designated Assets	\$46,742,453	\$43,266,027	\$45,000,000	\$47,200,000	-3.7%	4.0%	9.1%	4.9%
Net, Property, Plant And Equipment	\$22,280,725	\$24,032,654	\$19,000,000	\$21,500,000	-14.7%	-20.9%	-10.5%	13.2%
Other Long-Term Assets	\$4,060,388	\$4,667,263	\$3,200,000	\$3,200,000	-21.2%	-31.4%	-31.4%	0.0%
Assets	\$86,519,032	\$89,402,361	\$95,000,000	\$85,760,094	9.8%	6.3%	-4.1%	-9.7%
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Accounts Payable	\$2,616,612	\$1,408,597	\$2,100,000	\$2,100,000	-19.7%	49.1%	49.1%	0.0%
Salaries, Wages And Payroll Taxes Payable	\$4,634,970	\$4,945,262	\$3,900,000	\$3,900,000	-15.9%	-21.1%	-21.1%	0.0%
ACO Risk Reserve/Settlement Payable	\$0	\$0	\$812,000	\$812,000	#DIV/0!	#DIV/0!	#DIV/0!	0.0%
COVID-19 Funding Short-Term Liabilities			\$9,300,155	\$0	#DIV/0!	#DIV/0!	#DIV/0!	-100.0%
Other Current Liabilities	\$6,078,671	\$9,398,243	\$5,600,000	\$5,600,000	-7.9%	-40.4%	-40.4%	0.0%
Current Liabilities	\$13,330,253	\$15,752,102	\$21,712,155	\$12,412,000	62.9%	37.8%	-21.2%	-42.8%
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Long Term Liabilities	\$17,582,747	\$15,893,196	\$17,200,000	\$17,200,000	-2.2%	8.2%	8.2%	0.0%
Other Noncurrent Liabilities	\$0	\$0	\$0	\$0	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
COVID-19 Funding Long-Term Liabilities					#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Fund Balance	\$55,404,693	\$57,757,063	\$56,087,845	\$56,148,094	1.2%	-2.9%	-2.8%	0.1%
Liabilities and Equities	\$86,317,693	\$89,402,361	\$95,000,000	\$85,760,094	10.1%	6.3%	-4.1%	-9.7%
Balance Sheet Metrics					Change in Points			
Days Cash on Hand	220.5	201.8		228.6	-220.5	-201.8	26.8	228.6
Days Cash on Hand-COVID-19					0.0	0.0	0.0	0.0
Debt Service Coverage Ratio	3.6	3.4		6.0	-3.4	-3.6	2.6	6.0
Long Term Debt to Capitalization	0.2	0.2		0.2	-0.2	-0.2	-0.0	0.2
Days Payable	59.4	68.3		16.0	-68.3	-59.4	-52.3	16.0
Days Receivable	32.5	38.0		38.4	-38.0	-32.5	0.4	38.4

NCH Cash Flow - Cash Balance



Charge increase request = 3.60%

Charge increase effect on payers:

- Medicare
- Medicaid
- Commercial

Effect on bad debt and free care

Service Line Changes from Budget 20

- Neurology
- Cardiology
- Ophthalmology

Pre Covid

- February YTD 2020 =
Operating margin - \$700,000 / 1.90%
Budget = \$310,316 / 1.00%

Covid – March to May

- 20% - 50% loss in revenue
- 80% telemedicine visits
- 200 staff furloughed
- 25% staff worked from home
- Physician and leaders voluntary wage decrease – 10% - 20%

Covid - March to May cont.

- Stand up Covid testing (Orleans/Essex Counties)
- Entry Screeners – staff and public
- Daily Incident Command
- Finalized Derby Green closure

Covid – June to July

- Return of furloughed staff
- Telemedicine visits at 10%
- Discontinued voluntary wage decrease
- Hired entry screeners
- Planning for Fall

August and beyond

- Generating healthy margins for reinvestment into the organization
- Recruit and retain workforce
- Adaptive Active Management
- Uncertainty of Covid 19 impact on Fall

➤ FY 2020 Capital Budget = \$3.6M

- Funded Through Operating Cash
- Medical Equipment 65% of spend
- Technology 25% of spend
- Facilities 10% of spend

➤ Lab Renovations ?



North Country Hospital
Where caring runs deep.

Questions and Answers