

# FY2020 GMCB Financial Narrative

## Rutland Regional Medical Center

### EXECUTIVE SUMMARY

Provide a summary of the hospital's FY21 budget submission, including any information the GMCB should know about programmatic changes such as telemedicine, as well as staffing and operational changes and the overall impact of COVID-19. Please include COVID-19 information on the relief funds received from state (e.g. stabilization grant funds) or federal government (e.g. CARES, ACT, rural stimulus grant funds), including the amounts, how the hospital has and or plans to use the funding, and if there were any requirements related to the funding (e.g. a prohibition on balance billing uninsured patients).

The organization continues to struggle with the uncertainty brought on by COVID-19. Although Governor Scott announced that limited outpatient elective procedures could resume our revenue continues to be significantly underbudget. We are projecting a net revenue loss of \$32.7 million in 2020. Offsetting this revenue, we have received a total of \$19.7 million in CARES funding. The remaining deficit will be supported by reduced operational expenses, including a workforce reduction plan. Even with the CARES funding and the reduced operational expenses we will not achieve any operating margin. In 2020, our operating margin deficit from budget is expected to be \$5.3 million.

Given the uncertainty our ability to project future performance is significantly challenged. Under normal circumstances, the current year serves as a solid foundation to base budgets, this is not the case this year. There are more unknowns than assurances such that estimating future performance is challenged at best. We are projecting a \$20.3 million reduction in net revenue in 2021. RRMC has not eliminated any medical services or programs, rather the reduction is due to limited access related to social distancing, enhanced disinfectant practices, and continued patient reluctance in seeking medical care. This loss is the net impact of a \$28.7 million volume decline and a \$8.5 million increase related to a rate increase. The rate increase is the result of a 6% increase in patient charges. It is important to note that if RRMC were to grow net revenue by the GMCB allowed amount we would have had to raise rates by 27%.

Although the rate increase yields a \$32.7 million gross revenue increase, due to the volume of payers who do not participate in the rate increase the net impact is only \$8.5 million. Should there be a deterioration in our payer mix, movement from commercial coverage to Medicaid or uninsured, we risk not realizing the full impact of the \$8.5 million. As we consider the economic impact of COVID, in addition to the risk of a change in payer mix, there is risk of patients not being able to meet their deductible and co-pays. Thus far in 2020 of the free care that we have provided, \$1.5 million supported patients who have insurance but lack the financial means to assume responsibility for copays and deductibles. We continue this assumption in 2021.

In response to the change in our revenue structure we have reduced our cost structure and significantly limited our net operating margin. In total we have reduced our cost structure by \$12.7 million. This reduction has been a broad based reduction across the organization and includes a net workforce reduction of 38 FTEs, an elimination of 80% of our traveler expenses, physician locum costs, salary related fringe benefits and reduction in medical and pharmaceutical costs related to volume. We have also eliminated our annual salary increase program and will not provide cost of living, market or performance incentive salary increases. Our RN Union has supported our salary decision and voted to approve forgoing salary increases that had previously been negotiated.

In order to maintain our current programs and medical services RRMC was faced with reducing our budgeted operating margin. Our 2021 Budget reduces our operating margin to 0.7% and only yields an operating profit of \$1.7 million. Profit at this level is not enough to cover cash flow requirements for debt service, pension funding and our capital reinvestment strategies. As a result, we have limited our capital funding plan to the amount equal to depreciation and eliminated the planned \$2.0 million contribution to our pension plan. These cash flow actions will minimize the cash deficit (spending more cash than earning) and therefore serve to limit our need to fund operations from investments.

The impact on reduced operating margins on cash flow is an important issue for Rutland. The volatility in the market is challenging and at the current market levels our performance is over \$3 million less than expected. This lagging market performance coupled with the fact that we have transferred of \$10 million from investment to support operations in the last three years required us to promote to commit to a disciplined spending approach and cash management focus.

## YEAR-OVER-YEAR AND RECONCILIATION

Explain each component of the budgeted FY21 based on the prompts below, please explain the hospital's budget-to-budget growth (or decline), in the context of its FY20 projection, including the COVID-19 assumptions.

1. Net Patient Revenue and Fixed Prospective Payments (NPR/FPP)

**Refer to Appendix I**

2. Other Operating and Non-Operating Revenue

**Other Operating Revenue:** Budget 2021 Other Operating Income is increasing \$2.5 million or 14%. The major increases/decreases are:

	Amount
<b>FY 20 Approved Budget</b>	<b>\$ 18,405,876</b>
Pharmacy 340b	\$ 1,804,160
Reference Lab	\$ 770,449
Retail Pharmacy	\$ 648,836
Misc reduction	\$ (372,516)
Grants	\$ (145,401)
Endowments and Pledges	\$ (127,439)
<b>FY21 Budget</b>	<b>\$ 20,983,965</b>

**Non-Operating Revenue:** Budget 2021 Non-Operating Income is increasing \$1.8 million or 28%.

	Amount
<b>FY 20 Approved Budget</b>	<b>\$ 6,545,054</b>
Changes in Market Value	\$ 1,835,450
<b>FY21 Budget</b>	<b>\$ 8,380,504</b>

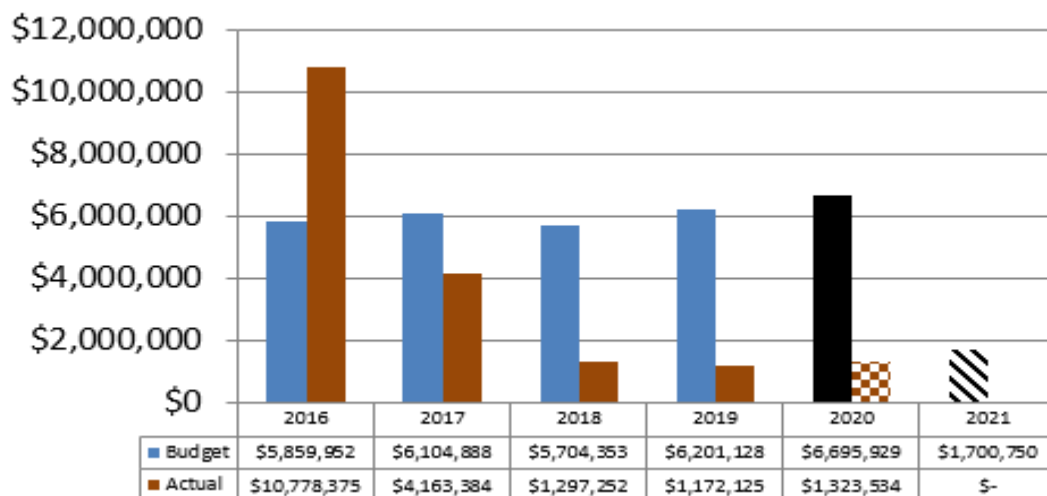
### 3. Operating Expenses

Budget 2021 Operating Expenses are 4.5% less than Budget 2020 Operating Expenses, or \$12.7 million. The major increases/decreases are:

Expenses	Amount	
<b>FY 20 Approved Budget</b>	<b>\$ 279,494,218</b>	
Salaries (FTE changes)	(2,356,290)	-18.5%
Fringe	(1,985,700)	-15.6%
Medical Supplies	(1,853,919)	-14.6%
Pharmaceuticals and 340b	(1,690,770)	-13.3%
Contract Staffing	(1,595,640)	-12.5%
Health Care Provider Tax	(1,402,220)	-11.0%
Physician Contracts and Locums	(1,401,690)	-11.0%
Travel and Education (Physicians & Staff)	(630,000)	-5.0%
Depreciation	(559,000)	-4.4%
Hiring Agreements	(300,000)	-2.4%
Interest	158,430	1.2%
Premium Pay	159,860	1.3%
IT Related	301,000	2.4%
<b>FY21 Budget</b>	<b>\$ 266,770,899</b>	<b>-4.6%</b>

### 4. Operating Margin and Total Margin

**Operating Margin:** Given the decline in revenues and the continued healthcare inflation we have been challenged in meeting our operating margin. Over the past 5 years RRMC has fallen short of budgeted margins by \$11.8 million or 39%.



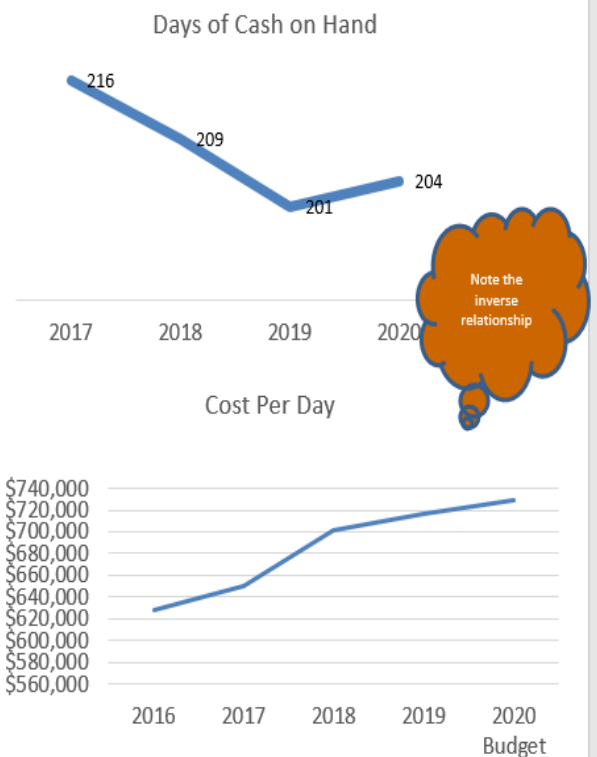
The Fiscal 2021 budgeted operating margin of .7% is lower than past years and has required senior leadership to take make operational decisions to minimize the impact on cash flow. The margin at .7% generates \$1.7 million and is used to fund the following:

	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 <sup>rd</sup> 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
<b>Operating Margin</b>	<b>\$6.9 million</b>	<b>\$1.7 million</b>	

**Total Margin:** Our total margin, the sum of the operating margin and investment income, is budgeted at 4.0% or \$10.0 million. We base our investment return on a 4.2% rate of return. Our total margin is important as it supplements operating losses and allows us to manage our cash flow while still investing in major capital projects. Over the past 3 years our total margin supplemented cash flow deficits by nearly \$16.9 million.

Operating Margin	\$ 6,738,426	Beginning Cash 10/1/2016	\$ 129,104,140
Investment Returns	\$ 27,478,122		
Depreciation	\$ 36,885,734	Change in Cash Flow	\$ 20,108,924
Capital Spending	\$ (42,379,630)		
Pension Funding	\$ (10,000,000)	Ending Cash 9/30/2019	\$ 149,213,064
Changes in Working Capital	\$ 2,867,559		
New Debt, less principal	\$ (1,481,287)		
	\$ 20,108,924		

- ❖ Our operating margin must cover investments in capital in excess of depreciation, pension funding and principal payments. Between 2017 and 2019 this was \$16.9 million.
- ❖ At \$6.7 million our operating margin was \$10.2 million lower than required which prompted that we transfer cash from investments.
- ❖ Investment returns must grow and be maintained at the same rate as our cost structure or we risk our “Days of Cash” performance.
- ❖ The 15-day decline in Days of Cash from 2017 to 2019 represents \$10.7 million, equivalent to the operating margin deficit in covering capital, pension and principal.



## **Fiscal 2020 Reconciliation - Refer to Appendix II**

### **CHANGE IN CHARGE REQUEST**

1. Explain how the hospital's overall change-in-charge request in gross revenue was derived and what assumptions, including those related to COVID-19, were used in quantifying the requested increase/decrease.

RRMC's decision to request the 6% rate increase was based on our cash flow requirements. Where we could exercise discretion in mitigating negative cash flow we did. Operational and strategic decisions to reduce our cost structure, eliminate pension funding and limit capital investments all minimized our need to request a higher rate increase. It was our requirement to fund debt principal payments that ultimately drove the need for our rate increase. The projected principal payments on our debt is \$2.5 million, while our requested rate increase is projected to generate \$1.7 million in operating profit. It is our operational profit that funds the principal payments.

The rate increase allows us to maintain operations independent of investment performance. In 2021 this is a critical strategic initiative for two reasons. The first relates to the volatility of the market and the fact that investment returns have diminished to a point that we are facing significant investment losses. The second reason relates to the fact that the last three years have been challenging and required RRMC to support operations from investment by nearly \$10 million. Supporting operations from investments is not a sustainable path and risks our financial viability.

2. Describe how the change-in-charge request affects each payer type (Medicare, Medicaid, Commercial). Explain the underlying assumptions and methodology used to make that allocation. Explain how the change-in-charge request affects bad debt and free care. Please explain your government payer reimbursement assumptions and how they affect your non-government-payer change-in-charge request and underlying assumptions. (*See 18 V.S.A. § 9456(b)(9)*)

Although the rate increase yields a \$32.7 million gross revenue increase, due to the volume of payers who do not participate in the rate increase the net impact is only \$8.5 million. Our assumptions based on Medicare and Medicaid reimbursement projections assume that we will only get a 1.6% increase from the Medicare program while reimbursement will stay flat for the Medicaid program. This means that the increase in net revenue because of the rate increase is assumed to be realized from the commercial payers.

3. Please indicate the dollar value of 1% NPR/FPP FY21 overall change in charge.

### **Refer to Appendix III**

### **SERVICE LINE ADJUSTMENTS**

Please explain if the hospital plans to add or reduce service lines.

The hospital is not currently looking to add or reduce services being offered.

## **RISKS AND OPPORTUNITIES**

Please discuss the hospital's risks and opportunities in FY21. Recognizing the risks and opportunities in the current environment, please explain how the FY21 budget proposal supports strategies for addressing these issues.

The risk assessment that has guided our budget process year over year has shifted dramatically given the actual and potential impacts of COVID. Given the uncertainty, our ability to project future performance, volumes, and reimbursements is significantly challenged. Under normal circumstances, the current year serves as a solid foundation to base budgets, this is not the case this year. There are more unknowns than assurances such that estimating future performance is challenged at best.

### **Volume**

The 2021 Budget assumes that the organization will achieve approximately 95% of the volume that we had in previous years. We also assume that our payer mix will not change substantially, we have however continued to budget to reserve for uninsured volume. We have not anticipated a second round of COVID and any associated revenue loss due to a shutdown of services. To be in the best position to achieve this our opportunities relate to changes in the air handling functions to optimize the number of negative pressure rooms we have as well as to advance our ability to complete in-house COVID testing. In both cases we have supported funding of following projects:

- Air Handling Unit
- Laboratory Analyzers
- Off Site Laboratory Testing

### **Economic Challenges**

Our 2021 Budget assumes a 10-year average market return of 4.2%. While this market return is more modest than in previous years it still presents a risk to the organization if the U.S. economy faces a continued recession. Our total margin is important as it supplements operating losses and allows us to manage our cash flow while still investing in major capital projects. Over the past 3 years our total margin supplemented operating margin deficits by nearly \$10 million. To minimize the risk RRMC has committed to both strategic and operational tactics that will manage our cash flow and minimize any deficit or requirement to fund operations from investments. Tactics include:

- Limiting capital spend to the amount of depreciation
- Prioritizing capital projects that mitigate COVID risk
- Stopping contributions to the defined pension plan
- Addressing our cost structure and eliminating \$12.7 million in expenses

## Population Health and Payment Reform

Our past performance has demonstrated that RRMC is at substantial financial risk when we consider participating in the OneCare payment models. In 2019, our first year in the Medicaid program, our participation disadvantaged us by \$2.1 million. Unfortunately, the separation of hospital services from primary care services challenges our ability to mitigate the loss. Additionally, the immaturity of the data systems that support population health data limit our understanding of performance issues and challenge us in responding efficiently and effectively. Our opportunities for improvement include:

- Continued partnership with OneCare to address the structural issues that prevent true population health management
- Continued partnership with the Rutland community HSA to adopt integrated care management practices
- Advancement of population health data to help inform care management practices and the development of appropriate clinic programs

## ONECARE VERMONT PARTICIPATION (due September 1, 2020)

1. Is the hospital participating in OneCare Vermont’s provider network in CY 2021 and, if so, please state what payer programs? If the hospital is not planning to participate in all of OneCare’s payer programs, please explain why. Please state what the hospital is projecting for ACO dues for FY2020 and budgeting for FY2021.

The hospital is currently in the 2nd year of participating in the ACO for the Medicaid population. The results of the first year of participation (2019) ended with an overall net loss of approximately \$2.1 million. The results of 2020 are expected to be significantly better because of COVID and the loss of patient volume but still projected to impact RRMC by \$1.4 million.

In 2021 RRMC is positioned, and has budgeted, to continue to participate in the OneCare Medicaid risk program. We expect to be accountable for approximately 11,100 Medicaid covered lives. In addition to the Medicaid program RRMC will continue participation in the MVP QHP and Blue Cross primary Care program. The MVP program is expected to attribute 1,170 lives, while the Blue Cross program attribution is expected to be nearly 7,500 lives.

The following table outlines each of the three year’s financial impacts:

	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)	

2. What is the value of your maximum risk liability by payer for CY2021?

Based on data provided by OneCare on June 24th the maximum risk attributed to RPMC for the Medicaid program is projected to be \$612,354 and \$225,000 for the Blue Cross Primary Program. Although we participate in the MVP QHP program there is no assumed risk associated with this program. Together for Medicaid and Blue Cross we have budgeted \$500,000 of risk in 2021.

3. A risk reserve table will be distributed to the hospitals in late summer early fall.

## CAPITAL INVESTMENT CYCLE

List the hospital's capital investments and describe the investment cycle and how it relates to the hospital's overall strategic plan, including the challenges facing Vermont's hospitals in response to the COVID-19 pandemic (e.g., pauses in capital improvement projects). In accordance with 18 V.S.A. § 9435(f), "routine replacements of nonmedical equipment and fixtures, including furnaces, boilers, refrigeration units, kitchen equipment, heating and cooling units, and similar items" that are not subject to Certificate of Need review must be included in a hospital's proposed budget. The Board will seek additional, more detailed information about anticipated capital improvement projects when FY21 budget data is inputted into Adaptive.

The 2021 Capital Budget supports \$8.5 million in named projects and \$1.5 million in contingency funds that will be managed bi-weekly by the Senior Leadership team. In addition, there is \$2.5 million in 2020 Carry Over projects which include Psychiatric Unit Renovations, Air Handling Unit (negative pressure ICU rooms) and Chiller upgrade. In previous years, RMC's strategy has been to fund capital replacement at 1.2 times our depreciation. To help preserve cash flow, the 2021 capital budget reflects spending of 1.0 times depreciation which serves to limit capital spend to \$12.5 million.

RPMC currently has two approved CoN projects:

- **Medical Office Building, Loading Dock and VOC Renovations. Project Cost \$23.7 million.**  
The Certificate of Need for the Medical Office Building was approved January 23, 2018. After being shut down for nearly a month due to the Governors Order, construction has resumed on this project. Project completion date is estimated to be August 2020. Total spent thru 5/31/20 was: \$13,109,612.

We submitted our most recent Interim Status report in July 2020.



- **Psychiatric Unit Renovations, Project Cost: \$4,067,353.**

The Certificate of Need was approved on June 20, 2019. In response to COVID all psychiatric rooms are now private which has reduced the number of beds we have available. This transition to private rooms will lengthen our project timeline as we will not be able to take as many rooms out of service at one time. The completion date of this project has been extended from the Fall of 2020 to the Spring of 2021. Total spent as of 5/31/20 was: \$ 1,056,397

We submitted our most recent Interim Status report on June 18, 2020

In support of the Uniform Reporting Guidelines, we are not allowed to budget expenditures related to Certificate of Need projects that have not been approved. We have not budgeted any operational expenses related to unapproved Certificate of Need projects. We are planning to submit a Certificate of Need for MRI Replacement with an estimated cost of \$3,104,885.

The four largest routine repair and replacement projects budgeted for Fiscal 2021 are as follows:

○ Supply Omnicell Replacement	\$ 1,065,364
○ Omnicell G4 to XT	\$ 728,985
○ Albert Cree Parking Lot Paving	\$ 690,806
○ Fluoroscopy Replacement	\$ 632,978



# APPENDIX I

NPR	Total	% over/under	Medicare	Medicaid-VT	Medicaid ACO	Commercial Major	Comm - Self/Sml Workers Comp	DSH
<b>FY 20 Approved Budget</b>	<b>\$ 267,786,283</b>		<b>\$ 100,488,445</b>	<b>\$ 13,112,008</b>	<b>\$ 11,494,990</b>	<b>\$ 120,596,788</b>	<b>\$ 18,924,062</b>	<b>\$ 3,169,990</b>
Commercial Rate	\$ 8,271,975	3.089%				\$ 6,842,259	\$ 1,429,716	
Rate - Non Commercial	\$ -	0.000%						
Utilization	\$ (26,878,011)	-10.037%	\$ (8,076,339)	\$ (3,718,281)	\$ 2,354,558	\$ (11,853,744)	\$ (5,584,207)	
Bad Debt/Free Care	\$ (2,614,695)	-0.976%					\$ (2,614,695)	
Physician Acq/Trans	\$ -	0.000%						
Changes in Accounting	\$ -	0.000%						
Changes in DSH	\$ 200,335	0.075%						\$ 200,335
PMPM Primary care, Complex care Level 1 and 2 With SHADOW	\$ 721,796	0.270%			\$ 721,796			
<b>FY 21 Budget</b>	<b>\$ 247,487,682</b>	<b>-7.58%</b>	<b>\$ 92,412,107</b>	<b>\$ 9,393,727</b>	<b>\$ 14,571,344</b>	<b>\$ 115,585,303</b>	<b>\$ 12,154,876</b>	<b>\$ 3,370,325</b>

## **APPENDIX II**

OPERATING REVENUE	FY20 Budget	FY20 Projection	Variance	
Patient Service Revenue	\$ 584,894,923	\$ 535,414,359	\$ (49,480,564)	Note A
Total Deductions	\$ (304,532,548)	\$ (290,580,573)	\$ 13,951,975	Note B
Provision for Free Care	\$ (6,514,109)	\$ (6,451,836)	\$ 62,273	Note C
Provision for Bad Debt	\$ (9,511,258)	\$ (6,832,055)	\$ 2,679,203	Note D
Provision for Medicaid DPS Payments	\$ 3,169,990	\$ 3,181,000	\$ 11,010	
<b>Net Patient Service Revenue</b>	<b>\$ 267,506,998</b>	<b>\$ 234,730,895</b>	<b>\$ (32,776,103)</b>	
<b>FIXED PROSPECTIVE PAYMENT</b>				
Fixed Prospective Payments	\$ 12,335,454	\$ 11,579,018	\$ (756,436)	
ACO Medicaid Withholds	\$ (721,796)	\$ (856,380)	\$ (134,584)	
Shadow Payment Reserves	\$ (11,336,378)	\$ (11,533,436)	\$ (197,058)	
<b>Net Fixed Prospective Payment</b>	<b>\$ 277,280</b>	<b>\$ (810,798)</b>	<b>\$ (1,088,078)</b>	Note B
<b>Net Patient Service Revenue w. FPP</b>	<b>\$ 267,784,278</b>	<b>\$ 233,920,097</b>	<b>\$ (33,864,181)</b>	
Other Operating Revenue	\$ 18,405,876	\$ 38,607,924	\$ 20,202,048	Note E
<b>Total Operating Revenue</b>	<b>\$ 286,190,154</b>	<b>\$ 272,528,021</b>	<b>\$ (13,662,133)</b>	
<b>OPERATING EXPENSES</b>				
Salaries Payments To Physicians	\$ 34,035,570	\$ 32,976,339	\$ (1,059,231)	Note F
Total Nursing Inpatient	\$ 18,739,272	\$ 19,591,094	\$ 851,822	
Total Ancillary Patient Care Services	\$ 44,784,933	\$ 43,163,364	\$ (1,621,569)	
Total Support Services	\$ 28,304,669	\$ 28,328,757	\$ 24,088	
Total Salaries Excluding Physicians	\$ 91,828,874	\$ 91,083,215	\$ (745,659)	Note G
Supplies Expense	\$ 86,722,422	\$ 83,491,441	\$ (3,230,981)	Note H
Admin & General Expense	\$ 35,732,813	\$ 33,900,417	\$ (1,832,396)	Note I
CHCRR Subsidy	\$ 248,712	\$ 248,712	\$ -	
Medicaid DPS Tax Assessment	\$ 15,821,854	\$ 15,098,465	\$ (723,389)	
ACO Dues	\$ 600,000	\$ 537,000	\$ (63,000)	
Depreciation Expense	\$ 13,227,845	\$ 12,510,236	\$ (717,609)	
Interest & Other Bond Expense	\$ 1,276,128	\$ 1,358,662	\$ 82,534	
<b>Total Operating Expense</b>	<b>\$ 279,494,218</b>	<b>\$ 271,204,487</b>	<b>\$ (6,484,841)</b>	
<b>INCOME FROM OPERATIONS</b>				
Total Non Operating Revenue	\$ 6,545,054	\$ 2,263,462	\$ (4,281,592)	
<b>Excess Revenue Over Expenses</b>	<b>\$ 13,240,990</b>	<b>\$ 3,586,996</b>	<b>\$ (9,653,994)</b>	

**Note A:**

Gross Patient Service Revenue (GPSR) revenue is projected to be \$49.4 million under budgeted expectations. This significant decline in revenue is driven by the Coronavirus virus pandemic that continues to plague our country. For the much of March and April, we saw revenue declines between 50% and 60%. As service began to come back online in mid-May we saw slight increases in our GPSR however our daily revenue continues to run \$500,000 under our projections.

**Note B:**

The decline in contractual allowances relates, for the most part, to the decline in GPSR. In addition, we are seeing a deterioration in our payer mix with volume shifting from commercial payers to governmental payers thereby reducing our reimbursement. In Fiscal 2020, we are projecting that our Fixed Prospective Payments (FPP) will be less than the care provided to our Medicaid ACO population. This primary driver of this variance was the fact that when additional Primary Care Providers from within our HSA joined the ACO we did not receive the updated attribution list and therefore were unable to categorize patient correctly. The offset to this variance is included in the 'Total Deductions' line of Net Revenue.

**Note C:**

Our free care is anticipated to be 1% of our total gross revenue. Which is consistent with our FY20 budget and prior year actual. Our Free Care provision is anticipated to be \$62,000 under budget.

**Note D:**

The provision for Bad Debt is expected to be 1.3% of gross revenue against a budget of 1.6%.

**Note E:**

There are numerous types of revenue in this category, but four subsets make up 80% of the revenue: 340B Pharmacy, Community Health Grant, Retail Pharmacy and Cafeteria Sales. Fiscal 2020 Other Operating Income (OOI) is projected to be over budgeted expectations by \$20.2 million. This variance directly relates to funding received from the CARES Act Provider Relief Fund. The first installment of \$5.6 million was in support of healthcare-related expenses and lost revenue attributed to COVID-19. The second installment of \$8.5 million was specific to the rural provider allocation of the CARES Act monies. The 3rd installment of \$5.6 million was in support of 'safety net hospitals' serving more vulnerable individuals. In total, RPMC has received \$19.6 million in CARES Act funding.

**Note F:**

Salaries and Payments to physicians is under budgeted expectations by \$1.0 million. This, in large part, relates to the decline in gross revenue and its impact on physician productivity incentive. In addition, most physicians who have a productivity component in their contract agreed to a compensation adjustment to help the hospital preserve cash flows. The impact of this adjustment was approximately \$490,668.

**Note G:**

Salaries (excluding physician) are under budget \$746,000. Much of this variance relates to employees who were furloughed and later laid off due to the financial impact COVID-19 had on our organization. This, when netted with severance packages, equates to a \$1.0 million expense savings. This is offset to some degree by increases in differential and incentive pay in our inpatient nursing units.

**Note H:**

Supplies expense is under budgeted expectations by \$3.2 million. In large part, this variance is driven by volume declines in surgical supplies and pharmaceuticals. We also saw a decrease in discretionary expenses related to travel and education, food catered and employee social gatherings. These savings were offset to some degree by the increase in emergency preparedness expenses related to the COVID-19 response. In 2020, we are anticipating this expense to be approximately \$1.1 million.

**Note I:**

Supplies expense is under budgeted expectations by \$1.7 million. This variance relates to our PBGC Premium projections related to our pension. Our return is expected to exceed interest and amortization costs resulting in our benefit cost providing income rather than expense resulting in positive variance of \$2.1 million. The hospital self-funds their unemployment insurance. With the drastic increase in furlough and laid off employees we are anticipating an increase in this expense of approximately \$1.1 million.

## **APPENDIX III**



## Rutland Regional Medical Center

Approximate NPR amount equal to 1% Rate/Price

Approximate NPR amount equal to 1% Rate/Price

Input amount into cell D6



\$ 1,377,458

Please show your calculation below (use as much space as needed).

	Gross Revenue	Net Revenue
Before any rate increase	545,528,737	240,407,330
After rate increase	578,289,094	248,679,308
Variance	32,760,356	8,271,978
Gross Revenue Percentage Increase	6.01%	
Increase in net revenue divided by rate increase %		1,377,458.06