

Green Mountain Care Board

2021 SVMC Budget Presentation

August 18, 2020
Thomas Dee, CEO



EXCEPTIONAL CARE CLOSE TO HOME

Southwestern Vermont Health Care (SVHC) is a comprehensive health care system servicing Bennington and Windham Counties in Vermont, eastern Rensselaer and Washington Counties in New York, and northern Berkshire County in Massachusetts.

MISSION

SVHC exists to provide exceptional health care and comfort to the people we serve.

VISION

SVHC is recognized as a preeminent, rural, integrated health care system that provides exceptional, convenient, safe, and affordable care.

VALUES

Quality | Empathy | Safety | Teamwork | Stewardship



NEW YORK



HOOSICK FALLS

TWIN RIVERS MEDICAL, P.C.
THE CENTERS FOR NURSING AND REHABILITATION



BENNINGTON

BENNINGTON CAMPUS

SOUTHWESTERN VERMONT MEDICAL CENTER
SOUTHWESTERN VERMONT REGIONAL CANCER CENTER
CENTERS FOR LIVING & REHABILITATION



POWNAL

POWNAL CAMPUS



WILLIAMSTOWN

NORTH ADAMS

NORTHERN BERKSHIRE ORTHOPEDICS



MOUNTAIN MEDICAL



WEST DOVER

WILMINGTON

DEERFIELD VALLEY CAMPUS



BERLIN

MASSACHUSETTS



- 1918** **Opened**
- 3** **States Served**
(VT, NY, MA)
- 2** ***ExpressCare* Locations**
Bennington and Manchester
- 189** **Medical Staff**
Physicians and Associate Providers
- 132** **TeleProviders**
- 1,400** **Total Employees**



Received an "A" score for Hospital Safety from The Leapfrog Group



Awarded deficiency-free surveys for preventing COVID-19 transmissions



Ranked 4th out of 3,282 hospitals for value of care by Lown Institute Hospitals Index



Best Places to Work in Vermont for the sixth straight year by *Vermont Business Magazine*



VISION 2020

PARTNERSHIP | TRANSFORMATION | SUSTAINABILITY

A Strategic Road Map Based Upon ...

> **Partnership**

Deepen affiliation with Dartmouth-Hitchcock, expand access, enhance service delivery, and gain economies of scale

> **Transformation**

Create an exceptional patient-centered care delivery system while moving to an ambulatory care model

> **Sustainability**

Provide a higher value of care at a more affordable cost



Create Affiliation & Partnerships

- Complete system in combination with D-H
- Pursue partnerships with other healthcare organizations to meet community need and strengthen SVHC



Advance Clinical Services

- Enhance primary care
- Expand specialty care services
- Launch behavioral health & substance abuse services
- Develop cooperative long-term care service



Accelerate Operations Management

- Strengthen ties to D-HH practice management services
- Strengthen long-term care
- Improve hospital-based operations
- Seek economies of scale with partners



Improve Infrastructure

- Modernize Emergency Dept.
- Expand Cancer Center
- Create workforce pipelines for physicians & staff
- Leverage telemedicine
- Install integrated IT platform with affiliate



Primary Prevention and Community Development

- Expand Primary Prevention efforts with community partners
- Continue investments to revitalize economy & community



Evolve Toward Population Health and Value-Based Care

- Meet needs of the community with locally delivered, high quality care
- Expand participation in OneCare VT
- Deepen collaboration with community partners

Presentation to

Green Mountain Care Board

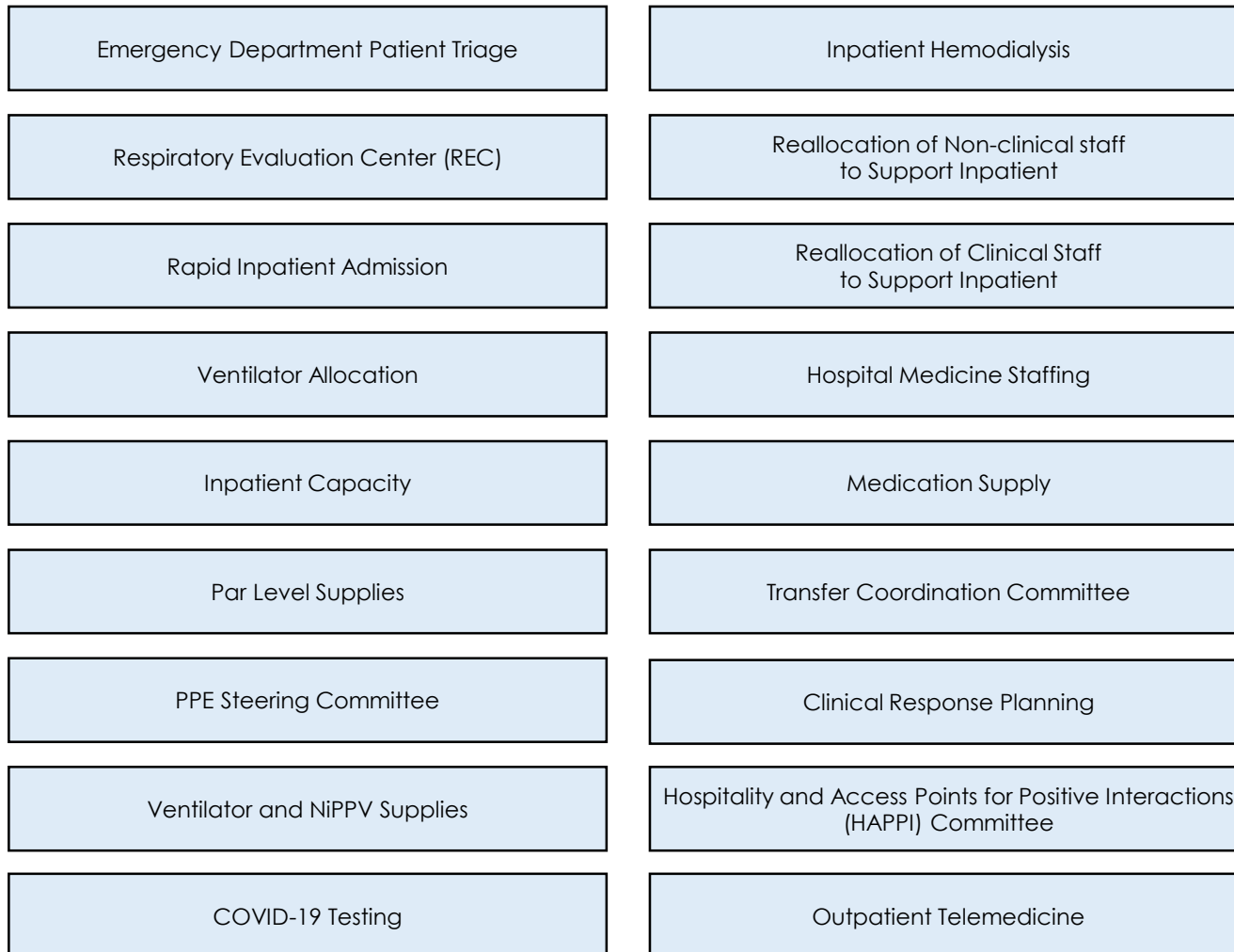
2020 SVMC Budget COVID-19 Response

August 18, 2020

Trey Dobson, MD, CMO

Preparations

Incident Command Structure and Committees



Preparations

Volume Surge

- Identify, credential, and instruct physicians and advanced practice providers for inpatient and critical care
- Cross-train nursing staff
- Reassign non-clinical staff duties to support inpatient
- Secure additional beds
- Implement drive through testing

Preparations

Staff Safety Via Innovative Means



Operational Recovery

Imperative: Sustainability

- Those health systems that effectively manage safety as a priority with rapid volume recovery will thrive.

Operational Recovery

Open. Ready. Safe.

- All sites open
- Following CDC guidelines and recommendations
- Entry point screening
- Distancing throughout
- Expanded waiting rooms
- Masks for everyone, everywhere – staff, patients, visitors

Operational Recovery

Response

Innovate

We need to be innovative in delivering healthcare in ways that people can afford.

Become more efficient

We have to improve operational, facility, and staff efficiency.

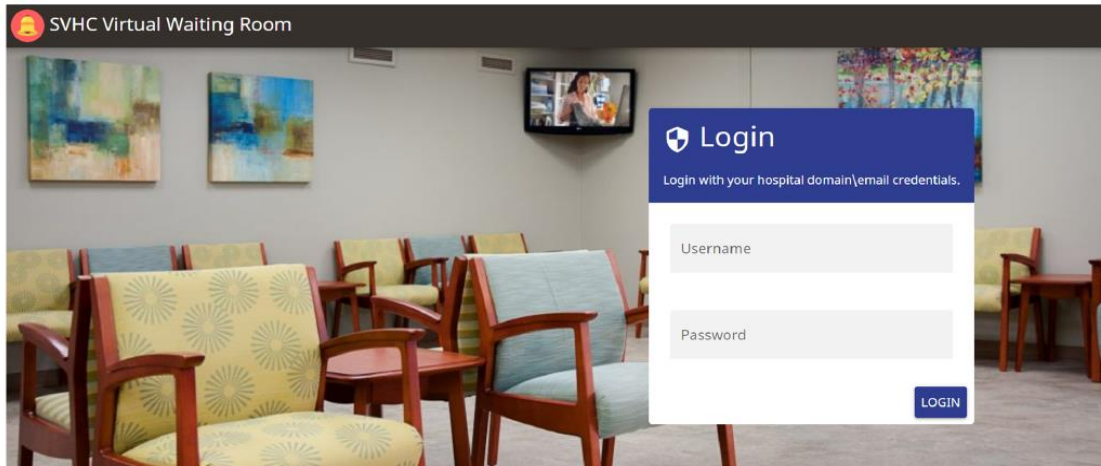
Become the resource to regional businesses and schools

We need to continue to develop as the resource and reference on COVID-19.

Operational Recovery

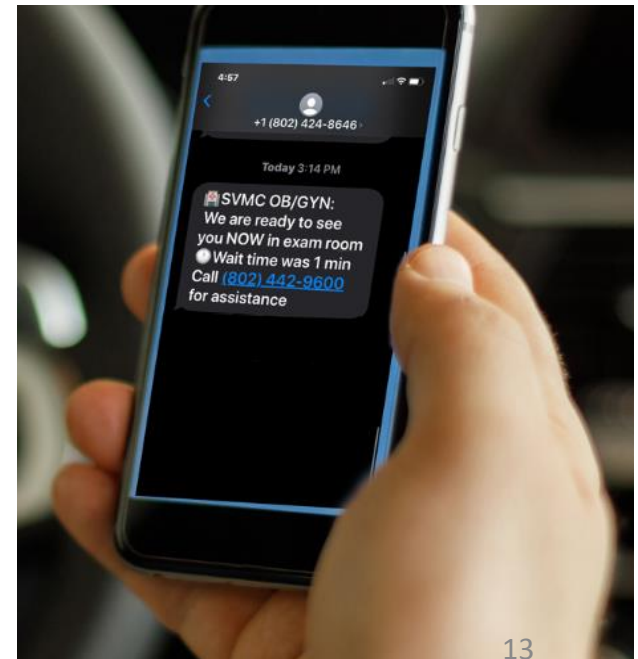
Innovation

- Virtual waiting room
- Telemedicine
- Respiratory Evaluation Center



Appointment Arrival: Entered by resources staffing Appointment Arrival Hotline

Enter date of birth or name. A quick pic name selector will be available if a match is found. This feature will auto populate a phone number. Verification of the phone number that the patient will be using when they arrive for the appointment is key.



Concern for Outbreak Manchester, VT

- Regional businesses, camps, and activities shutdown
- Immediate need for testing
- VT DOH tests 400 at pop-up clinic
- SVMC establishes drive-through in Manchester
- 1,400 tests over 5 days
- Physicians and nurses onsite



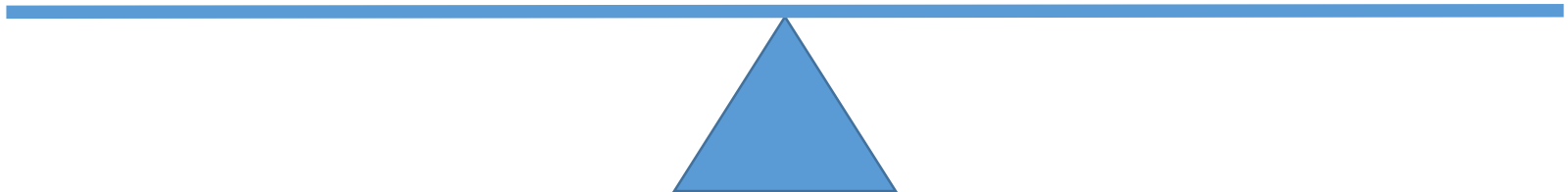
Operational Recovery

Resource to Regional Businesses and Schools

- Regional businesses and schools have very good access to guidance from CDC, VT Department of Health, Vermont Agency of Education, and others
- They are in need of assurance and support

Some staff paralyzed with
fear and anxiety

Some staff lulled into
complacency and denial



Operational Recovery

Resource to Regional Businesses and Schools

- Bennington College
- Stratton Mountain School
- Maple Street
- Mack Molding
- Williams College
- The Bennington Museum
- The Clark
- Orvis
- Vermont Tech
- Pine Cobble
- West Mountain Animal Hospital
- The Village School of North Bennington
- Dental practices

Presentation to

Green Mountain Care Board

2021 SVMC Budget

Summary of SVMC's Financial Performance,

FY 2021 Request

August 18, 2020

Stephen D. Majetich, CFO

**Southwestern
Vermont**

HEALTH CARE

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Southwestern Vermont Medical Center

Statement of Operations and Changes in Net Assets

	FY 2019 Audited	FY 2020 Projection	FY 2021 Budget	Change to Projection	%
		Prepared after June FS			
<u>Operating revenues</u>					
Net patient service revenues	\$170,266,365	\$156,136,270	\$174,089,128	\$17,952,858	11.5%
Less: Provision for bad debts	6,109,000	6,488,359	7,000,000	511,641	7.9%
<i>Net patient service revenues net of provision for bad debts</i>	164,157,365	149,647,911	167,089,128	17,441,217	11.7%
Federal and State Stimulus		10,221,192		(10,221,192)	-100.0%
Other operating revenues	7,408,569	6,128,058	7,505,174	1,377,116	22.5%
<i>Total operating revenues</i>	171,565,934	165,997,161	174,594,302	8,597,141	5.2%
<u>Operating expenses</u>					
Salaries and wages	50,382,751	50,751,191	52,207,903	1,456,712	2.9%
Employee benefits	15,053,109	13,375,079	15,769,277	2,394,198	17.9%
DH PSA	28,967,237	30,188,420	32,737,554	2,549,134	8.4%
Drug Costs	14,443,572	14,783,310	15,506,788	723,478	4.9%
Supply expenses	11,366,557	11,395,006	11,914,428	519,422	4.6%
Purchase services, utilities, insurance and other	29,285,249	27,384,592	29,767,720	2,383,128	8.7%
Provider tax	9,766,182	9,981,585	9,248,702	(732,883)	-7.3%
Depreciation and amortization	6,155,238	6,082,534	6,350,000	267,466	4.4%
Interest	499,629	583,693	900,000	316,307	54.2%
<i>Total operating expenses</i>	165,919,524	164,525,410	174,402,372	9,876,962	6.0%
Income (loss) from operations	5,646,410	1,471,751	191,930	(1,279,821)	-87.0%
<u>Non operating gains (expenses)</u>					
Investment return	463,844	315,373	150,000	(165,373)	-52.4%
Change in fair value of interest rate swap agreement	(693,635)	(120,605)	0	120,605	0.0%
Contributions	643,103	803,690	300,000	(503,690)	-62.7%
<i>Net non operating gains (expenses)</i>	413,312	998,458	450,000	(548,458)	-54.9%
Excess (deficit) of revenues over expenses	\$6,059,722	\$2,470,209	\$641,930	(\$1,828,279)	18 -74.0%

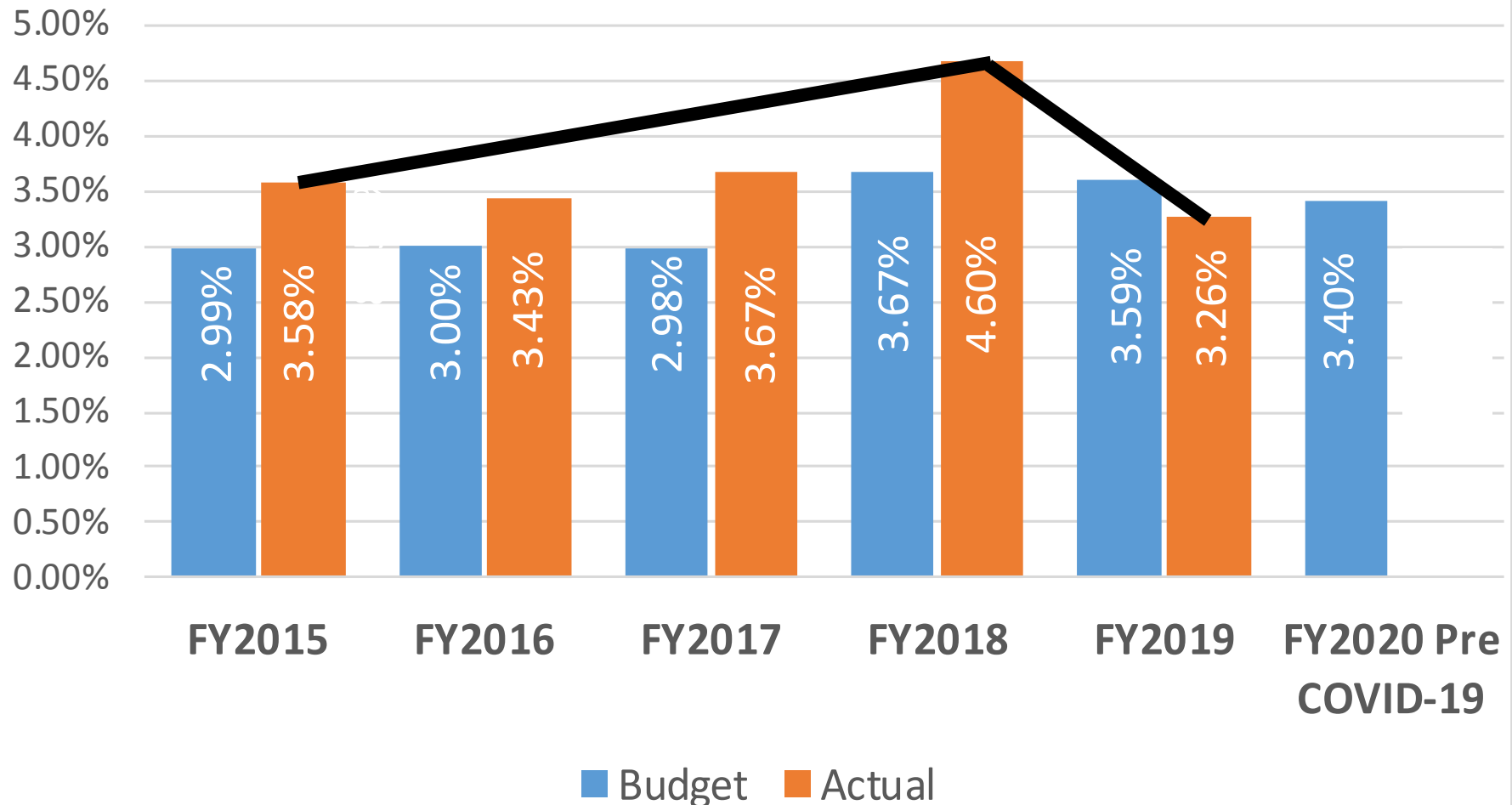
Southwestern Vermont Medical Center

Statement of Operations and Changes in Net Assets

	FY 2019 <i>Audited</i>	FY 2020 <i>Budget</i>	FY 2021 <i>Budget</i>	Change to <i>Budget</i>	%
<u>Operating revenues</u>					
Net patient service revenues	\$170,266,365	\$178,684,645	\$174,089,128	(\$4,595,517)	-2.57%
Less: Provision for bad debts	6,109,000	6,400,000	7,000,000	600,000	9.38%
<i>Net patient service revenues net of provision for bad debts</i>	164,157,365	172,284,645	167,089,128	(5,195,517)	-3.02%
Federal and State Stimulus					0.00%
Other operating revenues	7,408,569	5,722,145	7,505,174	1,783,029	31.16%
<i>Total operating revenues</i>	171,565,934	178,006,790	174,594,302	(3,412,488)	-1.92%
<u>Operating expenses</u>					
Salaries and wages	50,382,751	52,531,822	52,207,903	(323,919)	-0.62%
Employee benefits	15,053,109	15,032,690	15,769,277	736,587	4.90%
DH PSA	28,967,237	32,000,548	32,737,554	737,006	2.30%
Drug Costs	14,443,572	14,378,107	15,506,788	1,128,681	7.85%
Supply expenses	11,366,557	12,390,033	11,914,428	(475,605)	-3.84%
Purchase services, utilities, insurance and other	29,285,249	28,389,527	29,767,720	1,378,193	4.85%
Provider tax	9,766,182	9,981,606	9,248,702	(732,904)	-7.34%
Depreciation and amortization	6,155,238	6,500,000	6,350,000	(150,000)	-2.31%
Interest	499,629	750,000	900,000	150,000	20.00%
<i>Total operating expenses</i>	165,919,524	171,954,333	174,402,372	2,448,039	1.42%
<i>Income (loss) from operations</i>	5,646,410	6,052,457	191,930	(5,860,527)	-96.83%
<u>Non operating gains (expenses)</u>					
Investment return	463,844	349,214	150,000	(199,214)	-57.05%
Change in fair value of interest rate swap agreement	(693,635)	0	0	0	0.00%
Contributions	643,103	300,000	300,000	0	0.00%
<i>Net non operating gains (expenses)</i>	413,312	649,214	450,000	(199,214)	0.00%
<i>Excess (deficit) of revenues over expenses</i>	\$6,059,722	\$6,701,671	\$641,930	(\$6,059,741)	-90.42%

Historical Operating Performance

SVMC Operating Margin 2015 -- 2020



Summary of NPSR Request

SVMC submitted an Operating Budget for FY 2021 with Net Patient Service Revenues of \$167,089,128, inclusive of Fee for Service and Fixed Payments revenues, a decrease of \$5,195,517 to the FY 2020 Budget.

Significant Assumption

The volumes included in the FY 2021 budget were based upon the pre Pandemic 12 month volume trends. The volumes were trending at over 4% below previous years actual and FY 2020 budgeted levels.

4% impact is approx. \$7 million.

Summary of NPSR Request

SVMC submitted an Operating Budget for FY 2021 with Net Patient Service Revenues of \$167,089,128, inclusive of Fee for Service and Fixed Payments revenues, a decrease of \$5,195,517 to the FY 2020 Budget.

Below are the components of the change compared to FY 2020's Budget:

	Amounts
Revenue Rate/Price (what SVMC gets paid)	\$1,870,000
Volume and Services	(7,065,517)
Total decrease in NPSR	\$(5,195,517)

Summary of NPSR Request

Rate/Price (what SVMC gets paid)

	Amounts <i>(rounded)</i>
Charge increase of 3.46% – realization from commercial payers	\$3,000,000
Medicare increase – 1% from Fee for Service and Fixed Payment Model	450,000
Payer Mix shift to Medicare	(550,000)
Office Telehealth reduction	(430,000)
Net increase in Bad Debt and Charity Care	(600,000)
Change in Rate/Price	\$1,870,000

Summary of NPSR Request

Rate/Price (what SVMC gets paid)

	Amounts <i>(rounded)</i>
Charge increase of 3.46% – realization from commercial payers	\$3,000,000

Gross charge increase is 5% on approximately 69% of the Hospital charges.

NO across the board increase on physician office practice charges;

Drugs and Medical Surgical Supplies NO across the board increase on charges;

The \$3 million increase represents 1.79% of the Total FY 2021 NPSR with a realization rate of 3.46%.

Summary of NPSR Request

Rate/Price (what SVMC gets paid)

	Amounts <i>(rounded)</i>
Medicare increase – 1% from Fee for Service and Fixed Payment Model	\$450,000
Payer Mix shift to Medicare	(550,000)
Office Telehealth reduction	(430,000)
Net increase in Bad Debt and Charity Care	(600,000)

Bad Debt and Charity combined:

- **FY 2020 budget was \$8,650,000 or 5.0% of NPSR;**
- **FY 2021 budget is \$9,250,000 or 5.5% of NPSR.**

Summary of NPSR Request

Volume and Services (***budget to budget***)

	Amounts
<i>Inpatient volumes</i>	<i>\$(1,575,000)</i>
<i>Emergency room</i>	<i>(943,000)</i>
<i>Outpatient surgical services</i>	<i>(865,000)</i>
<i>Endoscopy</i>	<i>(860,000)</i>
<i>Medical Group volumes</i>	<i>(811,000)</i>
<i>Observation patients</i>	<i>(520,000)</i>
<i>All other services</i>	<i>(1,491,517)</i>
<i>Change in Volumes and Services</i>	<i>\$(7,065,517)</i>

Volume and Services

Pre-pandemic, March 19 to February 20, saw a volume decline. FY 2020 volumes and revenues were in excess of 4% behind plan. Basis for FY 2021 volumes

Actual to Actual--Feb FY 20 vs Feb FY 19

	<i>FY 20</i>	<i>FY 19</i>	<i>Variance</i>	<i>%</i>
Inpatient Volumes	1,388	1,460	(72)	-4.93%
ER visits	9,799	10,007	(208)	-2.08%
Outpatient Surgery	957	987	(30)	-3.04%
Endoscopies	1,171	1,312	(141)	-10.75%
Medical Practice <i>(see note)</i>	49,264	50,556	(1,292)	-2.56%
Observation Patients	270	303	(33)	-10.89%

Note--Excludes Express Care and Dermatology

Volume and Services

Pre-pandemic, March 19 to February 20, saw a volume decline. FY 2020 volumes and revenues were in excess of 4% behind plan. Basis for FY 2021 volumes

FY 2020 Actual to Budget 5 months ended Feb 2020

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>	<i>%</i>
Inpatient Volumes	1,388	1,466	(78)	-5.32%
ER visits	9,799	9,829	(30)	-0.31%
Outpatient Surgery	957	986	(29)	-2.94%
Endoscopies	1,171	1,364	(193)	-14.15%
Medical Practice <i>(see note)</i>	49,264	57,075	(7,811)	-13.69%
Observation Patients	270	316	(46)	-14.56%

Note--Excludes Express Care and Dermatology

Fixed Prospective Revenues

Total NPSR breakout

Fee for service NPSR	\$130,039,128
Fixed prospective payment NPSR	<u>37,050,000</u>
Total NPSR	<u><u>\$167,089,128</u></u>

Fixed Prospective Revenue

Medicare	\$23,900,000
Medicaid	7,450,000
Blue Cross Exchange – <u>upside only</u>	<u>5,700,000</u>
Total	<u><u>\$37,050,000</u></u>

SVMC reserves the right to withdraw from the respective payer plan if the negotiated risk corridors are not acceptable to SVMC's Leadership.

Recap of 2021 NPSR Request

- *SVMC's FY 2021 requested budget is a reduction of \$5,195,517 or 3%:*
- *Effective 3.46% rate increase;*
- *Volumes back to per Pandemic "12 month run rate" levels; NO volume reductions/additions due to Pandemic;*
- *One half of 1% increase in combined Bad Debt and Charity Care;*
- ***FY 2021 Budgeted Requested NPSR \$167,089,128 vs \$172,284,645 in FY 2020.***

Presentation to

Green Mountain Care Board

2021 SVMC Budget
Income Statement, Balance Sheet,
and Cash Flows

August 18, 2020

Stephen D. Majetich, CFO

**Southwestern
Vermont**

HEALTH CARE

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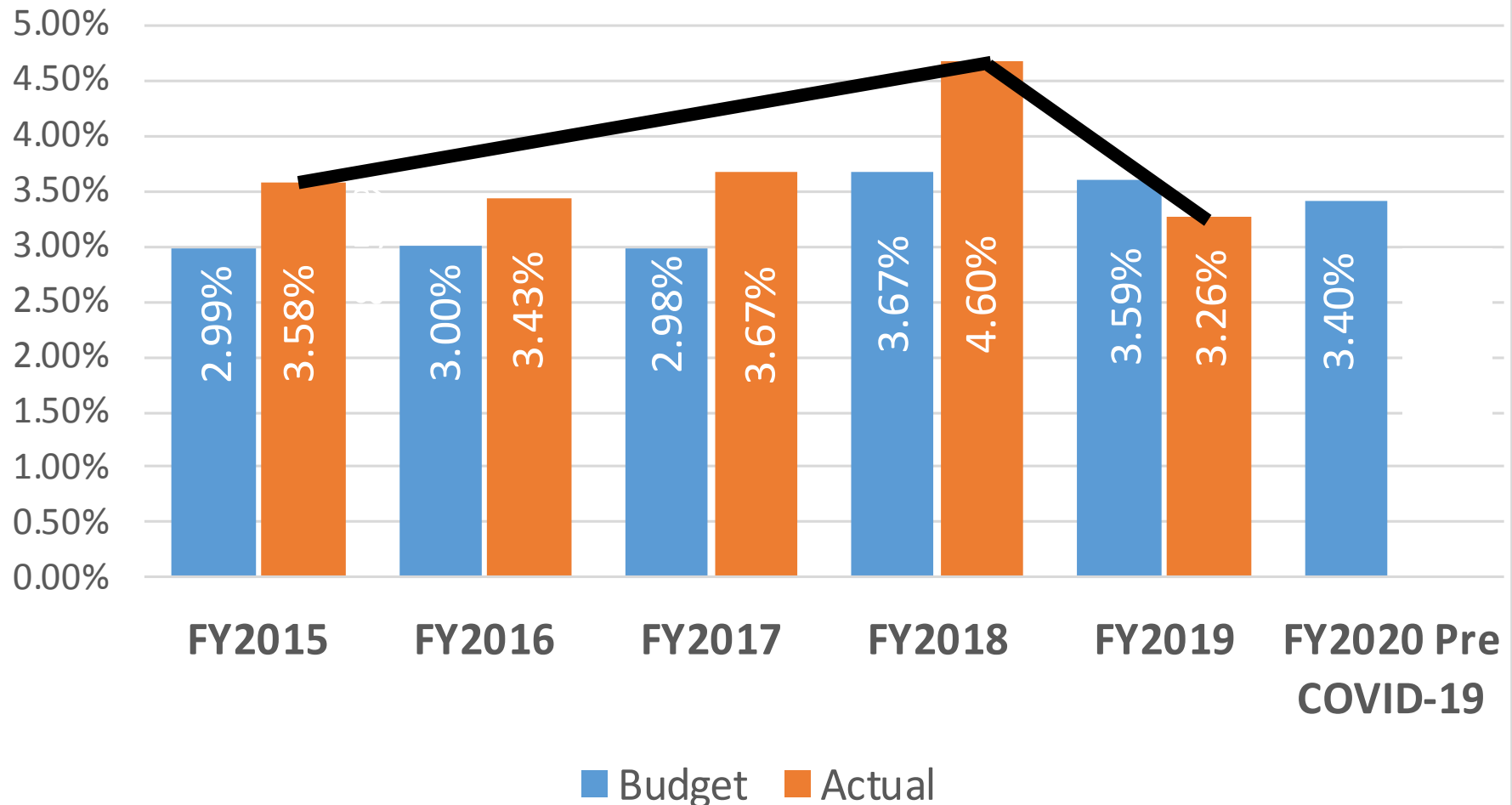
Southwestern Vermont Medical Center

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Historical Operating Performance

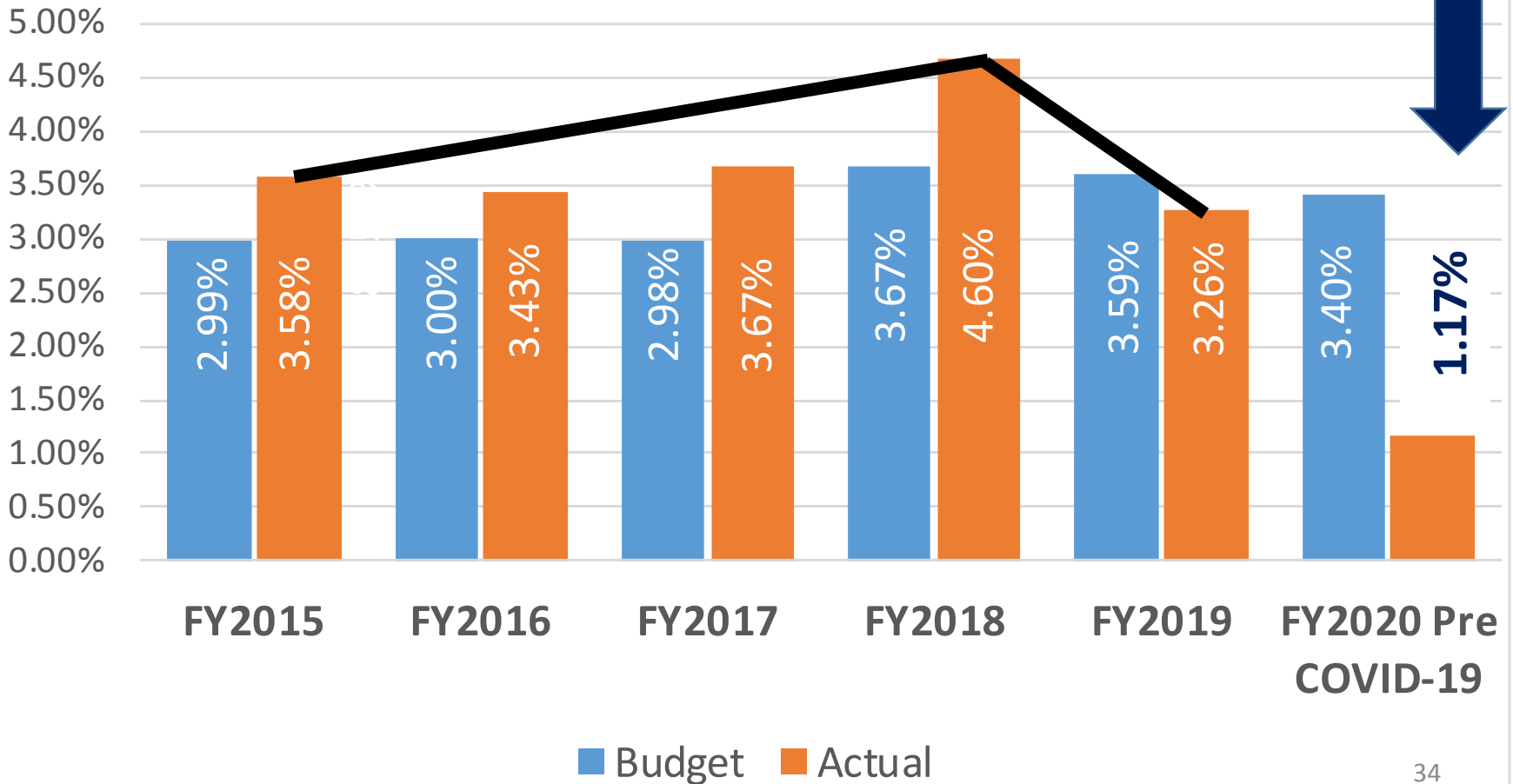
SVMC Operating Margin 2015 -- 2020



SVMC Projected – FY 2020

Prepared February 2020 with NO Action Plan

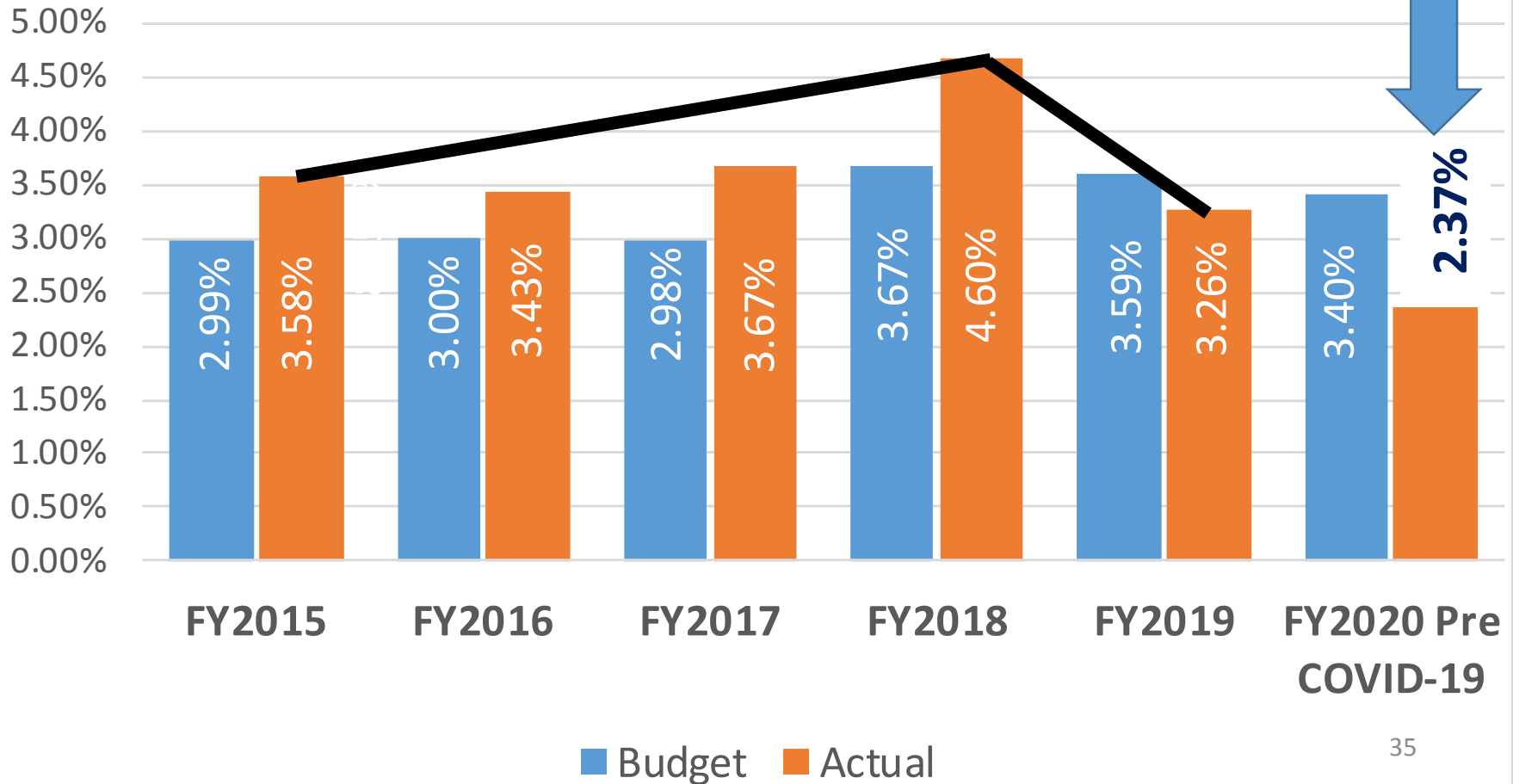
SVMC Operating Margin 2015 -- 2020



SVMC Projected – FY 2020

***Prepared February 2020 with
Action Plan, over \$2 million***

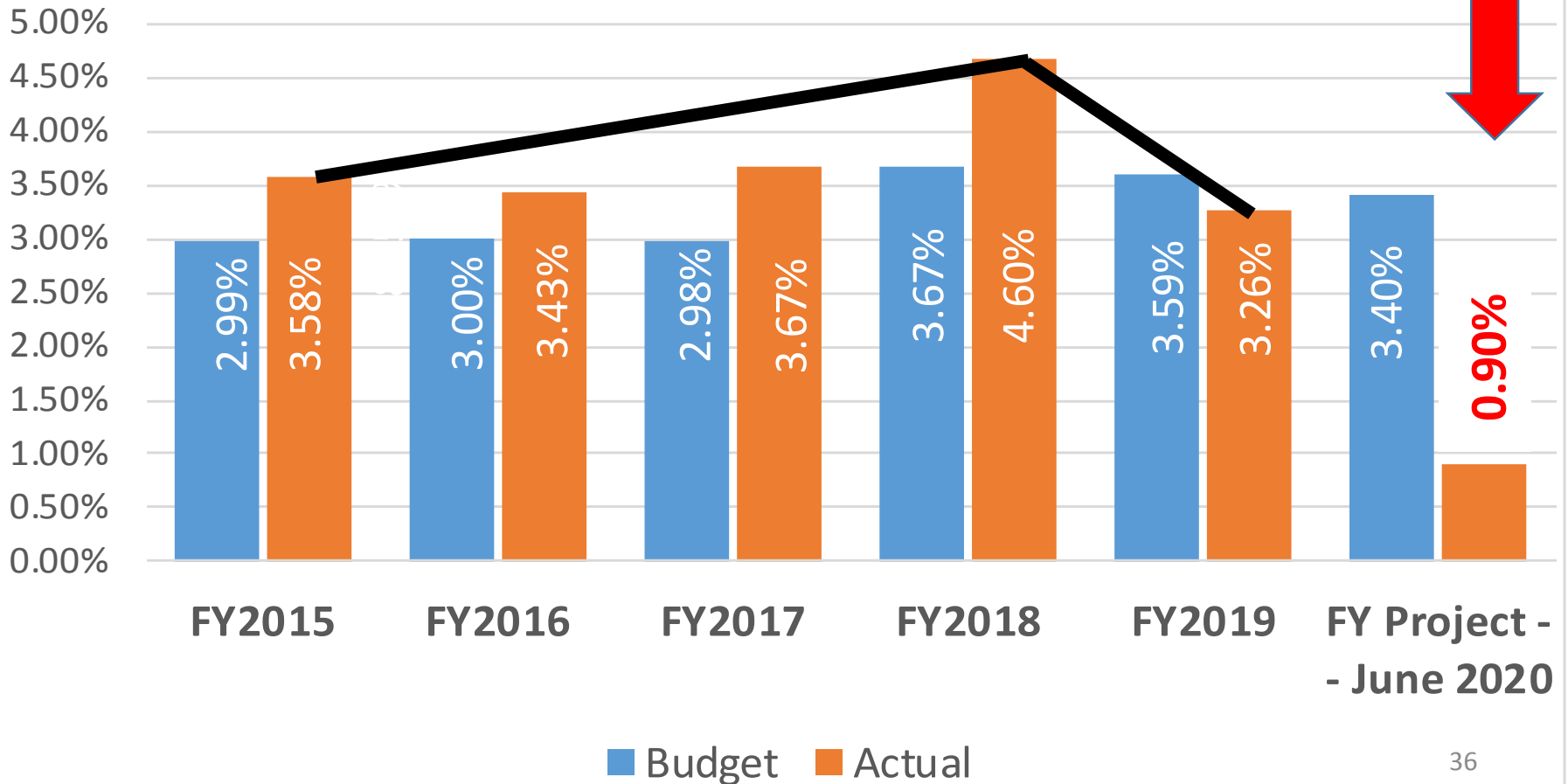
SVMC Operating Margin 2015 -- 2020



SVMC Projected – FY 2020

Prepared after June 2020 Financial Statement was issued

SVMC Operating Margin 2015 -- 2020



Southwestern Vermont Medical Center
Operating Indicators and Significant Financial Ratios
FY 2021 Budget

<u>Profitability Indicators</u>	<u>FY 2018 Actual</u>	<u>FY 2019 Actual</u>	<u>FY 2020 Budget</u>	<u>FY 2020 Projected</u>	<u>FY 2021 Budget</u>
				Prepared after June FS	
<i>Income from operations</i>	\$7,613,745	\$5,583,044	\$5,723,684	\$1,471,751	\$191,930
<i>Operating margin</i>	4.60%	3.26%	3.40%	0.90%	0.10%
<i>Total margin</i>	5.80%	3.49%	3.70%	1.50%	0.40%
<i>Return on assets</i>	19.59%	15.15%	14.70%	4.39%	0.73%

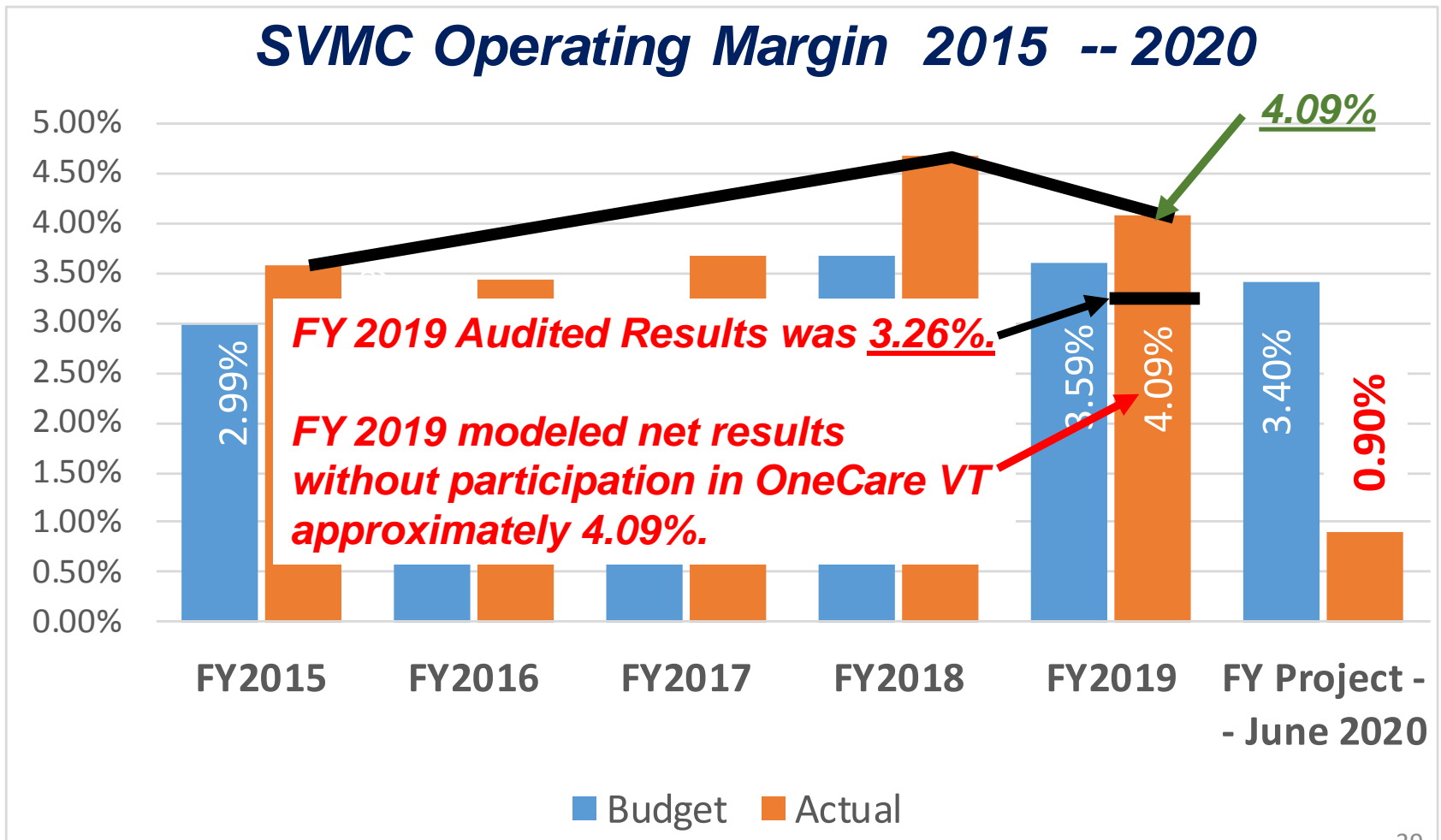
- Profitability indicators have been consistent until FY 2019 when SVMC saw volumes decline and payer mix shift more to Medicare. Key factors to consider when examining profitability indicators:
 - Income from operations consistent prior to Pandemic. FY 2019 started to see declines. FY 2020 pre-Pandemic operating volumes and revenues below budget by greater than 4%;
 - Operating expenses, per indicators, SVMC is lower when compared to other Vermont PPS Hospitals;
 - Depreciation expense significantly lower than benchmarks, due to aging plant;
 - Interest expense is below benchmarks due to low debt and aging plant. Long term debt to capitalization is extremely low;
 - Impact of OneCare VT participation in FY 2019 and FY 2020, pre-pandemic was a negative contributing factor.

Direct Financial Impact OneCare VT FY 2019

Prior to OneCare VT and SVMC's participation in the program SVMC's Transitional Care program documented reduction in utilization of over 300 admissions annually and countless Emergency Room visits. Reducing SVMC base going into the program.

- OneCare VT CY 2019 results *(prelim. as of Aug 7th)*
- SVMC – Medicare, owes \$1.5 million
 - Medicaid, owes \$200,000.
- SVMC pays in approximately \$1.5 million net negative to OneCare VT.

Direct Financial Impact OneCare VT On FY 2019



Southwestern Vermont Medical Center
Operating Indicators and Significant Financial Ratios
FY 2020 Budget

<u>Liquidity Indicators</u>	<u>FY 2018 Actual</u>	<u>FY 2019 Actual</u>	<u>FY 2020 Budget</u>	<u>FY 2020 Projected</u>	<u>FY 2021 Budget</u>
				Prepared after June FS	
Days Cash on Hand--SVMC	38.02	40.70	35.70	27.50	20.20
Days Cash on Hand--SVHC (Parent)	163.00	166.38	162.59	170.00	172.00
Net Days in Patient Accounts Rec.	34.21	35.60	38.50	28.90	29.62
Net Days in Accounts Payable	54.36	55.70	47.90	28.90	28.60

- Days cash on hand (System) at or near VT System Averages;
- Days in Accounts Receivable continues below VT State Average;
- Days in Accounts Payable days favorable compared to VT State System Average. *(FY 2019 benchmark)*

Southwestern Vermont Medical Center
Operating Indicators and Significant Financial Ratios
FY 2020 Budget

<u>Capital Structure</u>	<u>FY 2018 Actual</u>	<u>FY 2019 Actual</u>	<u>FY 2020 Budget</u>	<u>FY 2020 Projected</u>	<u>FY 2021 Budget</u>
<i>Debt Service Coverage Ratio--SVMC</i>	15.10%	13.40%	11.50%	13.40%	8.61%
<i>Long Term Debt to Capitalization</i>	20.46%	21.40%	18.00%	27.00%	25.00%
<i>Average Age of Plant</i>	17.4	18.3	18.4	18.9	19.8

- Debt Service Coverage Ratio is 8.61% where the VT State Average is approximately 3.5 times (higher is better).
- Long Term Debt to Capitalization ratio is favorable to the VT State Average (lower is better).
- Average age of plant is unfavorable SVMC nearly 19 years, VT State Average of approximately 13 years (lower is better).

Southwestern Vermont Medical Center

Statement of Operations and Changes in Net Assets

	FY 2019 <i>Audited</i>	FY 2020 <i>Budget</i>	FY 2021 <i>Budget</i>	Change to <i>Budget</i>	%
<u>Operating revenues</u>					
Net patient service revenues	\$170,266,365	\$178,684,645	\$174,089,128	(\$4,595,517)	-2.57%
Less: Provision for bad debts	6,109,000	6,400,000	7,000,000	600,000	9.38%
<i>Net patient service revenues net of provision for bad debts</i>	<i>164,157,365</i>	<i>172,284,645</i>	<i>167,089,128</i>	<i>(5,195,517)</i>	<i>-3.02%</i>
Federal and State Stimulus					0.00%
Other operating revenues	7,408,569	5,722,145	7,505,174	1,783,029	31.16%
<i>Total operating revenues</i>	<i>171,565,934</i>	<i>178,006,790</i>	<i>174,594,302</i>	<i>(3,412,488)</i>	<i>-1.92%</i>
<u>Operating expenses</u>					
Salaries and wages	50,382,751	52,531,822	52,207,903	(323,919)	-0.62%
Employee benefits	15,053,109	15,032,690	15,769,277	736,587	4.90%
DH PSA	28,967,237	32,000,548	32,737,554	737,006	2.30%
Drug Costs	14,443,572	14,378,107	15,506,788	1,128,681	7.85%
Supply expenses	11,366,557	12,390,033	11,914,428	(475,605)	-3.84%
Purchase services, utilities, insurance and other	29,285,249	28,389,527	29,767,720	1,378,193	4.85%
Provider tax	9,766,182	9,981,606	9,248,702	(732,904)	-7.34%
Depreciation and amortization	6,155,238	6,500,000	6,350,000	(150,000)	-2.31%
Interest	499,629	750,000	900,000	150,000	20.00%
<i>Total operating expenses</i>	<i>165,919,524</i>	<i>171,954,333</i>	<i>174,402,372</i>	<i>2,448,039</i>	<i>1.42%</i>
<i>Income (loss) from operations</i>	<i>5,646,410</i>	<i>6,052,457</i>	<i>191,930</i>	<i>(5,860,527)</i>	<i>-96.83%</i>
<u>Non operating gains (expenses)</u>					
Investment return	463,844	349,214	150,000	(199,214)	-57.05%
Change in fair value of interest rate swap agreement	(693,635)	0	0	0	0.00%
Contributions	643,103	300,000	300,000	0	0.00%
<i>Net non operating gains (expenses)</i>	<i>413,312</i>	<i>649,214</i>	<i>450,000</i>	<i>(199,214)</i>	<i>0.00%</i>
<i>Excess (deficit) of revenues over expenses</i>	<i>\$6,059,722</i>	<i>\$6,701,671</i>	<i>\$641,930</i>	<i>(\$6,059,741)</i>	<i>-99.42%</i>

SVMC Operating Budget Summary – Operating Expenses

- ***Operating Expenses – Total \$174,402,372. This is an overall increase to:***
 - ***FY 2020 Budget \$171,954,333 or \$2,448,000 (1.4%)***
- ***Operating Expenses Increases***
 - ***People costs are over \$100.7 million or nearly 60% of the total costs. (amounts rounded)***
 - ***Salaries and Wages*** ***\$52,207,000***
 - ***Benefit related costs*** ***15,769,000***
 - ***Providers – DH PSA*** ***32,738,000***
 - ***Totals*** ***\$100,714,000***

Labor related Costs

- ***Points of Interest***
 - ***No base salary increase in FY 2020;***
 - ***3% base salary increase in early calendar year FY 2021;***
 - ***FTE's lower then FY 2020 budget by 14.7 FTE's:***
 - ***Blueprint FTE's added to budget 13.5;***
 - ***New functions related to COVID-19 11.3 FTE's added;***
 - ***Approximately 40 FTE's functions eliminated due to redeployment, change in staffing models, efficiencies gained using national benchmarking tools as well as attrition and retirements.***
 - ***Employee Benefits – health benefits projection up 10%.***
 - ***DH PSA increasing 2.3% mainly due to filling some of the difficult recruits.***

SVMC Operating Budget Summary – Operating Expenses

- ***Operating Expenses – Total \$171,954,316. This is an overall increase to:***
 - *FY 2020 Budget \$171,954,333 or \$2,448,000 (1.4%)*
- ***Operating Expenses Increases***
 - *Supplies– volume based with 5% inflation factor and use of PPE;*
 - *Drug Costs – increased nearly 8% and 340 B purchasing increases;*
 - *Provider Tax – 6% of revenues (no negotiations);*
 - *Depreciation and Interest—interest increasing due to plan of interim use of Line of Credit.*

Southwestern Vermont Medical Center
Balance Sheets

	<i>Balances as of</i>		
	<u>Sep. 30, 2019</u>	<u>Sep. 30, 2020</u>	<u>Sep. 30, 2021</u>
	<i>Audited</i>	<i>Projected based upon June FS</i>	<i>Budget</i>
<u>Assets</u>			
<i>Current Assets</i>			
Cash and cash equivalents	\$10,308,114	\$11,999,897	\$9,307,360
Patient accounts receivable, net	13,685,518	14,363,137	13,560,915
Other receivables	992,572	1,007,461	1,037,684
Inventories and supplies	3,054,259	3,200,000	3,296,000
Prepaid expenses and other current assets	1,885,098	1,941,648	1,999,896
<i>Total current assets</i>	<u>29,925,561</u>	<u>32,512,143</u>	<u>29,201,856</u>
<i>Total assets whose use is limited</i>	<u>7,492,747</u>	<u>7,803,000</u>	<u>7,958,000</u>
<i>Net property, plant and equipment</i>	<u>37,707,492</u>	<u>36,265,688</u>	<u>35,665,688</u>
<i>Other assets</i>	<u>10,547,004</u>	<u>9,411,436</u>	<u>8,320,194</u>
<i>Total assets</i>	<u>\$85,672,804</u>	<u>\$85,992,267</u>	<u>\$81,145,738</u>
<u>Liabilities and Net (Deficit) Assets</u>			
<i>Current liabilities</i>			
Line of credit			\$10,000,000
Current maturities of long-term debt	\$412,043	\$412,043	360,000
Accounts payable	7,589,661	6,940,986	7,045,101
Accrued salaries, wages and benefits	3,728,078	3,467,113	3,571,126
Earned benefit payable	1,786,765	2,014,284	2,074,713
Other current liabilities	9,305,848	10,382,099	8,193,562
Current portion of estimate 3rd party settlements	1,548,554	8,632,624	1,394,067
<i>Total current liabilities</i>	<u>24,370,949</u>	<u>31,849,148</u>	<u>32,638,568</u>
<i>Interest rate swap agreement</i>	1,461,327	1,864,697	1,864,697
<i>Long-term debt</i>	9,277,545	8,965,114	8,553,071
<i>Accrued pension liabilities</i>	13,505,080	8,480,764	10,617,279
<i>Asset retirement obligation</i>	1,201,688	1,273,790	1,337,479
<i>Total liabilities</i>	<u>49,816,589</u>	<u>52,433,514</u>	<u>55,011,094</u>
<u>Net assets</u>			
Unrestricted	35,856,215	33,558,753	26,134,644
<i>Total net assets</i>	<u>35,856,215</u>	<u>33,558,753</u>	<u>26,134,644</u>
<i>Total liabilities and net assets</i>	<u>\$85,672,804</u>	<u>\$85,992,267</u>	<u>\$81,145,738</u>

High level Statement of Cash Flows

	<i>FY 2020</i>	<i>FY 2021</i>
	<u><i>Budget</i></u>	<u><i>Budget</i></u>
<i>Operating gain</i>	\$6,052,474	\$191,930
<u><i>Add: Non-cash activities and others</i></u>		
Non-operating gains	600,000	450,000
Depreciation expense	6,500,000	6,350,000
Pension credit	<i>(500,000)</i>	<i>(600,000)</i>
<i>Subtotal</i>	<u>12,652,474</u>	<u>6,391,930</u>
<i>Other operating activities</i>	<i>(1,024,220)</i>	<i>(1,370,381)</i>
<i>Cash provided by operations and non-cash activities</i>	<u>11,628,254</u>	<u>5,021,549</u>
<u><i>Less: Investing and financing activities</i></u>		
Capital purchases	<i>(6,000,000)</i>	<i>(5,750,000)</i>
Pension plan funding	<i>(4,500,000)</i>	<i>(3,000,000)</i>
Repayment of advances		<i>(8,500,000)</i>
Increase in line of credit		10,000,000
Long term debt payments	<i>(456,561)</i>	<i>(464,086)</i>
<i>Cash used for investing and financing activities</i>	<u><i>(10,956,561)</i></u>	<u><i>(7,714,086)</i></u>
<i>Net increase (decrease) in cash and equivalents</i>	<u>\$671,693</u>	<u><i>(\$2,692,537)</i></u>

Presentation to

Green Mountain Care Board

2021 SVMC Budget Service Line Adjustments,

August 18, 2020

Stephen D. Majetich, CFO



Service Line Adjustments

- **NO Service Line Adjustments, by definition in FY 2021**
- *Other points of interest:*
 - Anesthesia Group in budget for a full year in FY 2021, nine months in FY 2020;
 - Difficult provider recruits filled:
 - Endocrinologist
 - Neurologist

Presentation to

Green Mountain Care Board

2021 SVMC Budget

“High Level” Risks and Opportunities

August 18, 2020

Stephen D. Majetich, CFO

Southwestern
Vermont

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Risks and Opportunities in the Revenue Budget

<p><i>Estimated Dollar (Risk)</i></p>	<p><i>Events in the Plan Revenues</i></p>	<p><i>Estimated Dollar Opportunity</i></p>
<p>TBD</p>	<p><u>Patient Volumes</u></p> <p><i>The single largest risk in the revenue budget is the impact of the COVID—19 Pandemic on the patient volumes, mainly elective volumes in the future.</i></p> <p><i>No consideration was provided in the budget for a second “shutdown” or a “surge” of COVID-19 cases in our region.</i></p>	<p>TBD</p>

Risks and Opportunities in the Revenue Budget

<p><i>Estimated Dollar (Risk)</i></p>	<p><i>Events in the Plan Revenues</i></p>	<p><i>Estimated Dollar Opportunity</i></p>
<p>TBD</p>	<p><u>Patient Volumes</u></p> <p>The long-term effects of the COVID-19 Pandemic on the economy:</p> <ul style="list-style-type: none"> • Greater unemployment: <ul style="list-style-type: none"> • Higher Medicaid volumes • Higher Bad Debt and Charity Care • Quality of the employment • Social determinants of health • Commercial volumes 	<p>TBD</p>

Risks and Opportunities in the Revenue Budget

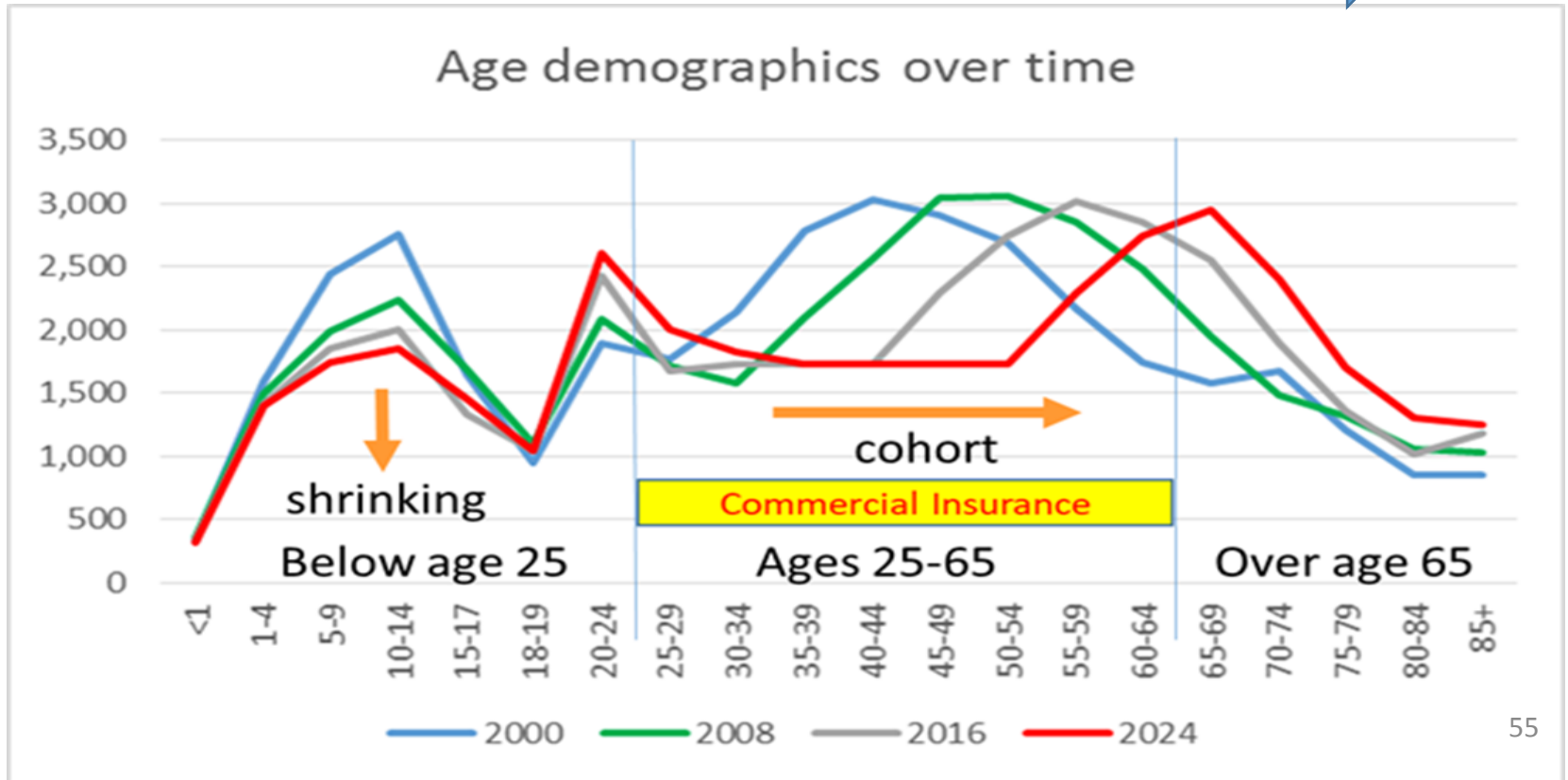
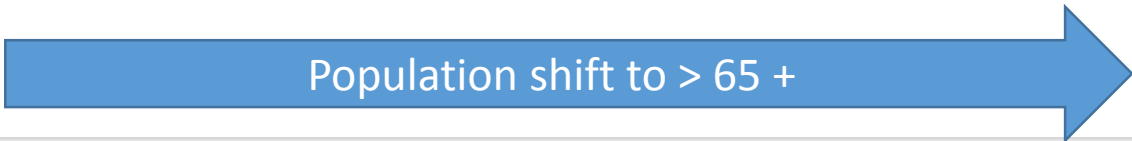
<i>Estimated Dollar (Risk)</i>	<i>Events in the Plan Revenues</i>	<i>Estimated Dollar Opportunity</i>
<i>TBD</i>	<p><u>340 B Program</u></p> <p><i>July 30th headlines – “US Appeals Court Upholds DEEP Cuts in 340B Hospital’s Part B Drug reimbursement reduction of 30%”.</i></p> <p>340B program which SVMC benefits by over <i>\$5 million</i>, annually, is constantly under attack.</p>	<i>TBD</i>

Risks and Opportunities in the Revenue Budget

<p style="text-align: center;">Estimated Dollar (Risk)</p>	<p style="text-align: center;">Events in the Plan Revenues</p>	<p style="text-align: center;">Estimated Dollar Opportunity</p>
<p><i>EVERY 1% is at least \$500,000 and could be more depending on the services rendered</i></p> <p style="text-align: center;">Impact could be greater</p>	<p><u>Payment/Rate</u></p> <ul style="list-style-type: none"> • <i>Commercial Volumes patients/volumes decrease as a percent to total and shifts to Medicare:</i> <ul style="list-style-type: none"> • Budgeted approximately 1% shift to Medicare in volume equals nearly \$500,000. • <i>Population getting older in the service area. According to <u>Bennington Banner recently reported over 65 population in Bennington County percentage is greater than anticipated in Strategic Plan</u></i> • <i>Commercial charge increases</i> <ul style="list-style-type: none"> • As commercial population declines then inflationary increases will be greater on a smaller population. 	<p><i>If population trends reverse there is upside opportunity</i></p>

Bennington County has an aging baby-boomer cohort that is not being replaced

	Under 15	15-44	45-64	65-69	70-74	75-79	80+	0-64	65+	Total
Discharges	19	730	797	304	328	332	895	1,546	1,859	3,405
% of Total	1%	21%	23%	9%	10%	10%	26%	45%	55%	



Risks and Opportunities in the Revenue Budget

<i>Estimated Dollar (Risk)</i>	<i>Events in the Plan Revenues</i>	<i>Estimated Dollar Opportunity</i>
<p><i>None</i></p>	<p><u><i>Payment/Rate</i></u></p> <p>GMCB and OneCare VT are negotiating with CMMI and CMS on the FY 2021 increase. <i>Published rate increases could be as high as 4.3%</i>, according to OneCare VT Finance Team.</p>	<p><i>Included in the budget is 1%</i></p> <p><i>Each % in the OneCare VT program is worth about \$200,000</i></p> <p><i>Upside opportunity approx. \$600,000</i></p>

Risks and Opportunities in the Revenue Budget

<p>Estimated Dollar (Risk)</p>	<p>Events in the Plan Revenues</p>	<p>Estimated Dollar Opportunity</p>
<p>The Federal Government continues to reduce this provision. If provider based billing is reduced or eliminated in its entirety impact will be over \$4 million.</p> <p>VT DSH is a fixed dollar amount to be distributed to Hospitals of \$22,704,470.</p> <p>No inflationary increase.</p>	<p><u>Payment/Rate – Government Reductions</u></p> <ul style="list-style-type: none"> • <u>Medicare rule change – Offsite Provider Based Billing reduction</u> Effective Jan 1, 2020 a reduction for the three off site provider based billing provision. Proposals continuing to be discussed at the Federal level. • <u>Medicaid Disproportionate Share payment changes:</u> <ul style="list-style-type: none"> • FY 2021 \$838,847 – awaiting notification • FY 2020 \$838,847 • FY 2019 \$1,021,412 • FY 2018 \$863,230 • FY 2017 \$1,077,015 • FY 2016 \$923,393 	

Risks and Opportunities in the Revenue Budget

Estimated Dollar (Risk)	Events in the Plan Revenues	Estimated Dollar Opportunity																												
<ul style="list-style-type: none"> - Rates are going up 3.46% - Population getting older and poorer - \$1.0 million and \$1.5 million 	<p><u>Payment/Rate – Bad Debt and Charity Care</u></p> <ul style="list-style-type: none"> • FY 2021 budget is 5.6% of NSPR compared to projected 6.4% in FY 2020 and 5.1% in FY 2019. 																													
	<table border="1"> <thead> <tr> <th></th> <th>Charity Care</th> <th>Bad Debt</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td>\$1,623,587</td> <td>\$4,601,000</td> <td>\$6,224,587</td> </tr> <tr> <td>2017</td> <td>2,371,913</td> <td>4,985,000</td> <td>7,356,913</td> </tr> <tr> <td>2018</td> <td>2,350,000</td> <td>6,200,000</td> <td>8,550,000</td> </tr> <tr> <td>2019</td> <td>2,145,000</td> <td>6,109,000</td> <td>8,254,000</td> </tr> <tr> <td>2020 Proj.</td> <td>2,670,000</td> <td>6,488,000</td> <td>9,158,000</td> </tr> <tr> <td>2021 Budget</td> <td>2,500,000</td> <td>6,750,000</td> <td>9,250,000</td> </tr> </tbody> </table>		Charity Care	Bad Debt	Total	2016	\$1,623,587	\$4,601,000	\$6,224,587	2017	2,371,913	4,985,000	7,356,913	2018	2,350,000	6,200,000	8,550,000	2019	2,145,000	6,109,000	8,254,000	2020 Proj.	2,670,000	6,488,000	9,158,000	2021 Budget	2,500,000	6,750,000	9,250,000	
	Charity Care	Bad Debt	Total																											
2016	\$1,623,587	\$4,601,000	\$6,224,587																											
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2021 Budget	2,500,000	6,750,000	9,250,000																											

Risks and Opportunities in the Revenue Budget

<i>Estimated Dollar (Risk)</i>	<i>Events in the Plan Revenues</i>	<i>Estimated Dollar Opportunity</i>
	<p data-bbox="537 444 1363 534"><u>Volume—Medical Group— New providers and arrangements</u></p> <ul data-bbox="537 586 1412 1253" style="list-style-type: none"> <li data-bbox="537 586 1412 825">• Orthopedics – New provider that specializes in Hand procedures. NO new volumes. Run rate was included in the budget since provider left during 12 month run rate period. <li data-bbox="537 911 1412 1253">• GI Group arrangement – GI services the pre pandemic run rate was included in the budget. Expectations is that there will be additional procedures above budget, however, GI procedures over the past four year have never achieved budgeted levels due to provider and locum turnover. 	<p data-bbox="1522 568 1773 758"><i>\$250,000 to \$500,000 in contribution margin</i></p> <p data-bbox="1522 901 1773 1090"><i>\$150,000 to \$400,000 in contribution margin</i></p>

Risks and Opportunities in the Expense Budget

<i>Estimated Dollar (Risk)</i>	<i>Assumptions in or not in the Operating Budget</i>	<i>Estimated Dollar Opportunity</i>
\$500,000	<p><u>Salaries and wages</u></p> <ul style="list-style-type: none"> • Recruitment pressures and pay rates post COVID-19 pandemic; • NO contracted labor in the Nursing cost centers provided in purchase services. Leadership confident new models there is adequate staff. 	
\$350,000	<p><u>Employee Benefits</u></p> <ul style="list-style-type: none"> • Provided was a 10% increase in Health Benefits. Advisors range on the high end was 15%. 	

Risks and Opportunities in the Expense Budget

<p><i>Estimated Dollar (Risk)</i></p>	<p><i>Assumptions in or not in the Operating Budget</i></p>	<p><i>Estimated Dollar Opportunity</i></p>
<p><i>Each 1% inflationary increase adds approx. \$425,000</i></p> <p><i>Each 1% inflationary increase adds approx. \$125,000</i></p>	<ul style="list-style-type: none"> • <u>All other expenses</u> <p>Management is concerned with inflationary and cost increases which may have had a negative impact on the supply chain, energy costs as well as others. Estimates are unknown at this time. Management included all costs and increases projected from the group purchasing organizations.</p> <p>The cost of drugs are projected to increase nearly 8%. However, high tech Cancer drugs will exceed this 8% if utilized at a higher rate.</p> <p>Additional 340B group purchasing options being pursued via DH</p>	<p>\$300,000 <i>(high level est)</i></p>

Risks and Opportunities in the Expense Budget

<p><i>Estimated Dollar (Risk)</i></p>	<p><i>Assumptions in or not in the Operating Budget</i></p>	<p><i>Estimated Dollar Opportunity</i></p>
	<ul style="list-style-type: none"> • <u>ACO Dues and Fees are budgeted at current levels.</u> At the OneCare VT Finance Committee, OneCare VT Administration proposed a range of fees that would reduce Hospital contributions. GMCB needs to approve when they approve OneCare's budget after SVMC's budget is approved. 	<p>\$400,000-- \$500,000</p>

Risks and Opportunities -- SVMC

(Risk)	Description	Opportunity
<p style="text-align: center;">TBD</p> <p style="text-align: center;"><i>Range at risk \$600,000 to \$1,000,000</i></p> <p style="text-align: center;">TBD</p>	<p style="text-align: center;"><u>Other Risks in the FY 2021 Budget</u></p> <ol style="list-style-type: none"> 1. <i>Regulatory rate increases</i> <ul style="list-style-type: none"> • <i>Medicare IPPS and OPSS have not been approved;</i> 2. <i>Retention of Providers and recruitment</i> 3. <i>Volumes assumptions and Payer Mix Assumptions</i> 4. <i>Political climate</i> 	<p style="text-align: center;">TBD</p>

Presentation to

Green Mountain Care Board

2021 SVMC Budget *Capital and CON's*

August 18, 2020

Stephen D. Majetich, CFO



FY 2021 Capital Budget

<i>Total Spend in FY 2021</i>	<u>\$5,750,000</u>
• FY 2020 identified items – deferred due to Pandemic	\$2,000,000
• FY 2021 new routine replacement capital items	\$3,750,000

CON applications

- Emergency Department and Main Entrance
 - Estimated application submitted
 - Proposed project cost \$25,802,000
- Cancer Center
 - Estimated application submittal in CY 2021
 - Proposed project cost estimate \$10,000,000

Presentation to

Green Mountain Care Board

2021 SVMC Budget

Discussion and Closing Remarks

August 18, 2020

Stephen D. Majetich, CFO

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