

FY20 Year-to-Date May Hospital Budget Review

October – May 2020

Green Mountain Care Board
JULY 10, 2020

Introduction

Vermont hospitals are required to report their monthly and year-to-date (YTD) operating performance as part of the Green Mountain Care Board's Fiscal Year 2020 (FY20) budget orders.

This report includes Actual Net Patient Revenue (NPR) and Fixed Prospective Payment (FPP) revenue, which are combined, as well as expenses and key utilization indicators, through May 2020. This report represents 8 months of FY2020.

FPP budgeted Gross Revenue as a percentage of budgeted Total Gross Revenue is 18% and FPP as a percentage of FPP/NPR was budgeted at 14.5%.

The following table shows the FY20 approved budgets.

MEDICARE DESIGNATION	CONTRACT WITH ONE CARE VT	HOSPITAL	2020 APPROVED BUDGET	% OF TOTAL
PPS	YES	BRATTLEBORO	\$88,145,092	3.2%
PPS	YES	CENTRAL VERMONT	\$218,043,247	8.0%
CAH	YES	COPLEY	\$72,658,362	2.7%
CAH	YES	GIFFORD	\$52,382,984	1.9%
CAH		GRACE COTTAGE	\$19,967,821	0.7%
CAH	YES	MOUNT ASCUTNEY	\$53,755,559	2.0%
CAH	YES	NORTH COUNTRY	\$83,623,249	3.1%
CAH	YES	NORTHEASTERN	\$87,253,844	3.2%
PPS	YES	NORTHWESTERN	\$116,926,579	4.3%
CAH	YES	PORTER	\$87,487,539	3.2%
PPS	YES	RUTLAND REGIONAL	\$267,787,827	9.9%
PPS	YES	SOUTHWESTERN	\$172,284,645	6.3%
CAH	YES	SPRINGFIELD	\$48,889,189	1.8%
PPS	YES	UVMHC	\$1,348,125,703	49.6%
		SYSTEM TOTAL	\$2,717,331,641	100.0%

SYSTEM LEVEL FINANCIAL RESULTS

This section reports on entity level results and provides a system aggregate roll up.

COVID-19 Recap – March and April: On March 7, 2020, the Vermont Department of Health announced the State's [first presumptive case of COVID-19](#). Since the reporting of Vermont's first presumptive case, the COVID-19 pandemic has spread and substantially impacted hospital operations. The initial impact of COVID-19 appears in the year-to-date financial results of March and April.

Beginning in April, all hospitals received some form of replacement (stimulus) funding or cash flow relief either in the form of Medicare Advance Claims (loans), SBA loans, advanced payments from payers or stimulus payments and grants. These funds were utilized to partially replace the loss of Net Patient Revenues (NPR) and/or fill cash flow voids that were created by the cessation of all elective, non-emergent, procedures across all Vermont Hospitals, beginning in mid-March and continuing through the month of April.

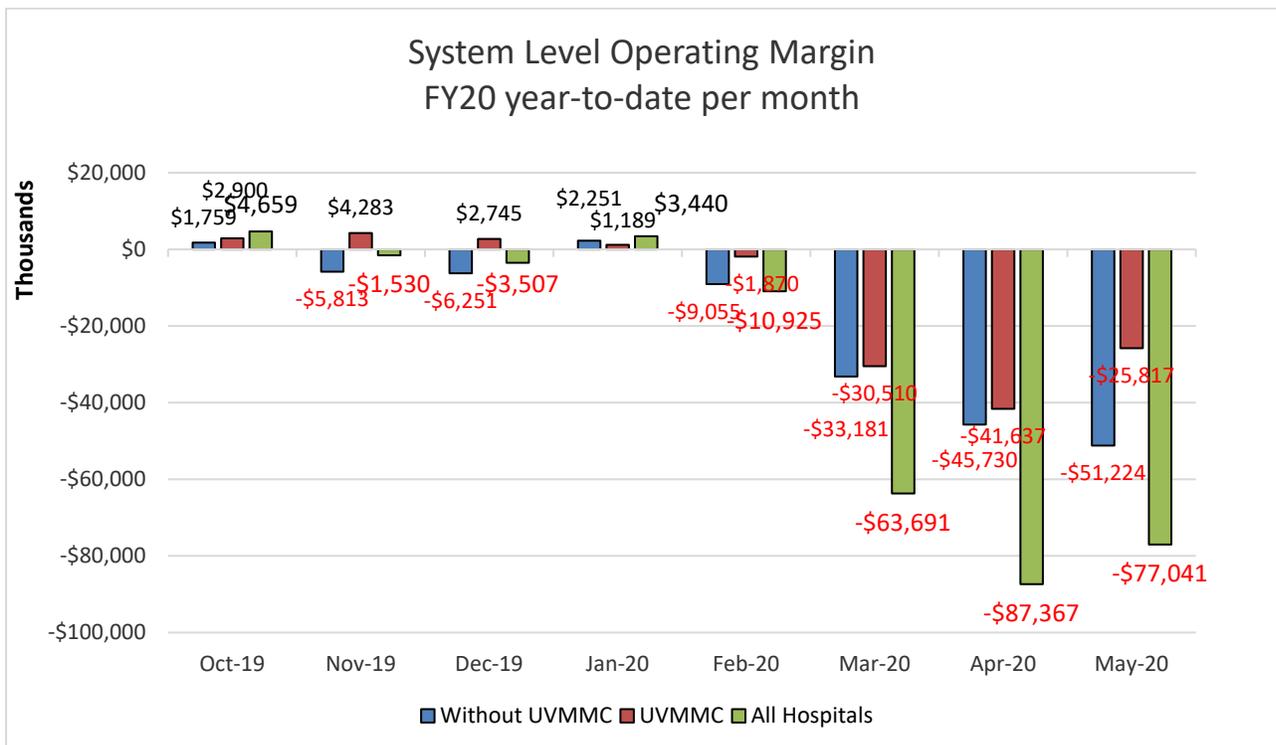
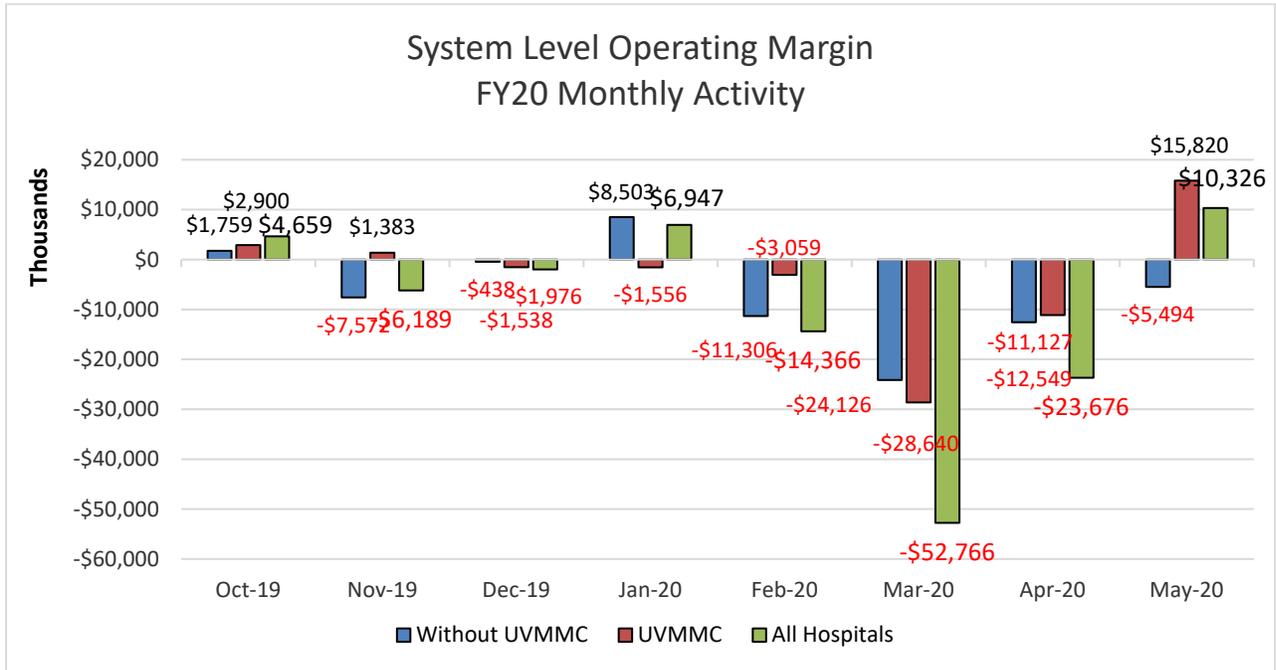
Prior to March the overall financial situation of Vermont's hospitals varied. Some hospitals were underperforming their budget and/or struggling financially while others were showing signs, or continued signs, of improvement. As March approached and the fear of COVID grew, hospitals began to see voluntary cancellations of elective procedures which squeezed already narrow margins or compounded losses already being incurred year-to-date. With the cessation of elective, non-emergent, procedures in mid-March, leading to the loss of important revenues centers and the growing need to expend resources to react to the crisis, Vermont's hospitals incurred financial pressures that potentially threatened their existence. At the beginning of April, the federal funding being dispersed following the passage of the Coronavirus Aid, Relief and Economic Security (CARES) Act began to alleviate some of the financial burden that the hospitals had incurred. The impact of the CARES Act relief funding is apparent in the operating margin activity outlined below in the table showing FY20 operating margin activity month-to-month.

The decline of NPR/FPP for the month of April was relatively consistent in its severity across all Vermont hospitals regardless of COVID-related cases that organizations encountered. With elective, non-emergent, procedures suspended for the entire month, negative variances on budget to actual and actual to actual NPR/FPP entered double-digit territory for several hospitals.

The severity of the effect on expenses differed due to several factors which include but are not limited to, number of COVID-related cases being treated (increasing expenses), more expensive PPE supplies (increasing expenses), furloughing of staff (reduction of expenses), pay reductions for leadership (reduction of expenses), suspension or freeze of capital improvement projects (reduction of expenses), reduction of supplies related to elective procedures (reduction of expenses), etc.

Operating margins through March and April have been impacted by the combination of cessation of electives procedures, COVID-related patient care needs (testing, monitoring, and treatment) of potential and actual COVID patients, and other fluctuations in operating expenses. Total margins have also been significantly affected by the overall economic impact that COVID has caused beyond the healthcare environment. The value and return on investment portfolios that provide an additional income stream for hospitals was not immune from COVID's global reach as markets retreated rapidly causing many hospitals to incur a significant devaluation of their investments with realized and unrealized losses impacting their total margins. By the end of April balance sheets were in a weakened state across the

system but collective operating margins had rebounded slightly to -\$23.6 million for the month, marking improvement over March's collective loss of -\$52.7 million.



Income Statements:

It's no secret that hospitals nation-wide have felt the immediate financial pressures and are bearing the burden brought about by COVID-19. The graphs shown above indicate COVID's impact on the financial health of Vermont's hospital system. YTD May 2020, Vermont's 14 hospitals are reporting system-wide NPR/FPP revenues in excess of \$1.561 billion (See Appendix I for per hospital and system view). This figure marks a -13.1% departure from FY20 YTD budgeted expectations (\$1.796 Billion) and a -8.9% departure from the same period prior year when NPR/FPP totals exceeded \$1.713 billion, representing a budget to actual and actual to actual differential of \$235 million and \$152 million, respectively. As a pre-COVID comparable, we have also added a table to indicate where the system was as of year-end February when compared to YTD budgeted expectations at that time and actual to actual comparable between February 2019 and February 2020. As the table indicates, collectively, actual YTD February 2020 NPR/FPP for the system was running under budget at -1.8% and over by 2.8% when compared to the same period prior year (See Appendix II for per hospital and system view).

To partially assist with offsetting the above-mentioned NPR/FPP revenue gap created by the response to COVID-19, several rounds of stimulus grants, funded by passage of the CARES Act, were received by Vermont's hospitals. The Vermont Association of Hospitals and Health Systems (VAHHS) worked with their hospital members to compile totals of the receipt of those funds and shared the results with GMCB and other stakeholders.

	FY20 year-to-date May	
	STIMULUS FUNDS	ADVANCES/LOANS
BRATTLEBORO	\$6,200,229	\$6,295,000
CENTRAL VERMONT	\$11,116,062	\$9,611,433
COPLEY	\$5,824,558	\$10,741,000
GIFFORD	\$5,266,000	\$6,870,000
GRACE COTTAGE	\$4,234,139	\$5,950,514
MOUNT ASCUTNEY	\$5,183,705	\$3,900,000
NORTH COUNTRY	\$6,428,985	\$9,344,750
NORTHEASTERN	\$6,607,100	\$13,725,500
NORTHWESTERN	\$7,178,355	\$2,900,000
PORTER	\$6,139,090	\$3,167,947
RUTLAND REGIONAL	\$13,945,000	\$25,000,000
SOUTHWESTERN	\$9,417,189	\$11,084,746
SPRINGFIELD	\$5,192,457	0
UVMMC*	\$22,711,280	\$54,125,215
SYSTEM TOTAL	\$115,444,149	\$162,716,105

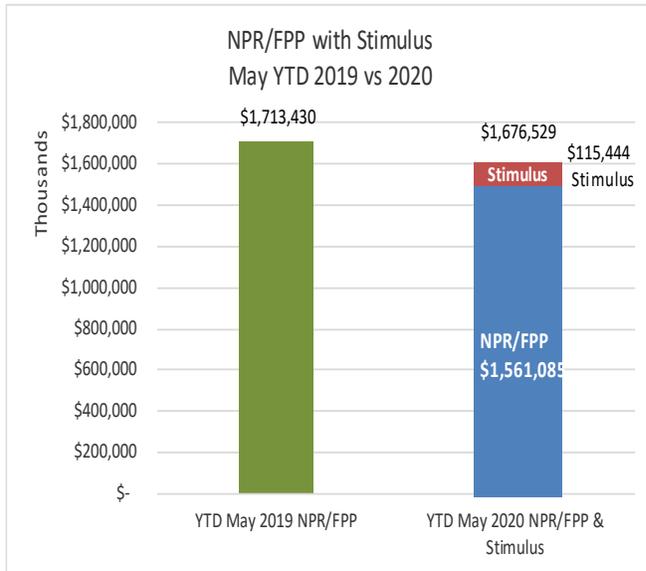
*UVMMC was not granted funding from the Rural Stimulus relief package due to a combination of their designation under CMS as a metropolitan statistical area (not rural) and their overall lack of high inpatient COVID-19 admissions as outlined by Health and Human Services (HHS).

Through May 2020 total stimulus funding received by hospitals were more than \$115.4 million dollars. In early May a rural stimulus package was released by Health and Human Services to America's rural hospitals and those with high COVID-related inpatient admissions. According to information provided by VAHHS, the rural stimulus package provided over \$67 million in funding to Vermont's rural hospitals. The University of Vermont Medical Center was not a recipient of this round of funding.

It is important to note that stimulus funds have been received (Cash) but may not have yet been realized in the financial figures reported year-to-date on income statements. This is due to the wide-spread application and use of deferred revenue accounts. Deferred revenue accounts are used to accrue the funds when received and are released and realized monthly until exhausted. For example, some hospitals are releasing funds to cover operation shortfalls monthly, bringing them to break-even status for the month and others are releasing funds to allow them to meet their budgeted levels for that month. This means that the dollars being realized will vary based on these methodologies. When those

monies are released from deferred revenue and realized on the income statement, they are not being recorded in NPR/FPP and instead, are recorded in other operating revenue accounts as they are not directly associated with the delivery of patient care and thus have no contractual allowances

associated with them.



In an effort to show how the receipt of those funds could partially cover the year-to-date NPR/FPP revenue gap, we have compiled a graph that shows the potential impact of stimulus funding on the system were it to be fully realized if it were treated as NPR/FPP in our May 2020 YTD reporting. This graph is an attempt to provide context around the fact that even with over \$115.4 million is relief funding, the Vermont hospital system would still fall short of prior year NPR/FPP comparable by roughly \$37 million.

**NPR/FPP & OPERATING EXPENSES
Comparison View
FY20 year-to-date May**

	BUDGET-TO-ACTUAL % VARIANCE		ACTUAL-TO-ACTUAL % CHANGE	
	NPR/FPP	Operating Expenses	NPR/FPP	Operating Expenses
BRATTLEBORO	-16.0%	-0.2%	-11.7%	4.7%
CENTRAL VERMONT	-9.4%	0.9%	-5.8%	5.3%
COPLEY	-10.9%	-0.2%	-5.1%	2.2%
GIFFORD	-12.2%	-0.7%	-6.6%	-1.4%
GRACE COTTAGE	-16.2%	-4.8%	-8.8%	2.0%
MOUNT ASCUTNEY	-19.6%	-3.0%	-13.9%	0.3%
NORTH COUNTRY	-12.9%	-5.2%	-9.1%	-1.9%
NORTHEASTERN	-11.8%	-2.1%	-8.4%	0.5%
NORTHWESTERN	-18.7%	-2.0%	-13.6%	0.2%
PORTER	-16.7%	-3.1%	-10.5%	2.8%
RUTLAND REGIONAL	-14.5%	-2.0%	-11.0%	-0.6%
SOUTHWESTERN	-14.8%	-4.5%	-10.2%	-0.1%
SPRINGFIELD	-17.1%	-0.5%	-19.8%	-14.6%
UVMCC	-12.1%	2.1%	-7.8%	6.1%
SYSTEM TOTAL	-13.1%	0.1%	-8.9%	3.3%

Operating Expense variances/growth rates exceeded that of NPR/FPP:

- All hospitals reporting this period, experienced operating expense budget variances that exceeded their NPR/FPP budget variance and 14 of the 14 hospitals reporting this period experienced operating expense growth that exceeded their NPR/FPP growth from the previous year.

System-wide operating expenses for year to date May 2020 are nearly on target, at \$1.903 billion, with FY20 budgeted expectations of \$1.902 billion and are roughly 3.3% higher when compared to the same period prior year. Cost control measures such as furloughing of staff, salary reductions for top leadership, employee benefit program reductions or temporary cessations, freezes on capital projects, and reduction of costs and supply orders related to elective procedures, have been cited as a few reasons that operating expenses are being maintained at current levels from a system perspective.

Individually, the situation varies in relation to COVID’s impact on a hospital by hospital basis. 12 of the 14 organizations are realizing actual expenditures that are below budget and are also under or near levels they experienced at the same period prior year, while others are operating slightly over budget expenditures and are near or above the same period prior year as evidenced in the table below. It should be noted that from a YTD perspective, there could be other YTD drivers that are causing

OPERATING EXPENSES FY20 year-to-date May				
	FY2020 YTD BUDGET	FY2020 YTD ACTUALS	BUDGET-TO- ACTUAL % VARIANCE	ACTUAL-TO- ACTUAL % CHANGE
BRATTLEBORO	\$60,920,106	\$60,791,482	-0.2%	4.7%
CENTRAL VERMONT	\$157,004,308	\$158,356,863	0.9%	5.3%
COPLEY	\$48,311,616	\$48,204,897	-0.2%	2.2%
GIFFORD	\$34,442,024	\$34,215,990	-0.7%	-1.4%
GRACE COTTAGE	\$14,777,874	\$14,070,051	-4.8%	2.0%
MOUNT ASCUTNEY	\$38,038,024	\$36,899,398	-3.0%	0.3%
NORTH COUNTRY	\$59,053,774	\$55,973,016	-5.2%	-1.9%
NORTHEASTERN	\$60,205,929	\$58,969,146	-2.1%	0.5%
NORTHWESTERN	\$81,592,141	\$79,975,949	-2.0%	0.2%
PORTER	\$60,227,082	\$58,371,615	-3.1%	2.8%
RUTLAND REGIONAL	\$186,329,733	\$182,518,242	-2.0%	-0.6%
SOUTHWESTERN	\$114,636,211	\$109,514,829	-4.5%	-0.1%
SPRINGFIELD	\$34,278,679	\$34,095,738	-0.5%	-14.6%
UVMMMC	\$952,331,610	\$971,913,979	2.1%	6.1%
SYSTEM TOTAL	\$1,902,149,113	\$1,903,871,195	0.1%	3.3%

variances besides those related to COVID activity. If we look at a pre-COVID world with the February 2020 reporting (see table below) we can see that half of the hospitals were running near or above budgeted expenses and 13 of 14 hospitals were at or above their YTD February prior

year comparable. Much of this has changed in the months following the COVID outbreak and response. These tables do show that the cost reduction efforts being employed by many hospitals have attributed, in part, towards bringing them more in-line with their budgeted and actual YTD comparable. COVID preparation, alterations of physical floorplans and new safety protocols are driving costs in hospitals, as have COVID admissions, testing, monitoring and treatment needs on a hospital by hospital basis. Additionally, the acquisition of needed PPE has become more expensive throughout the crisis. Some hospitals have noted that this trend is expected to continue even as elective procedural volumes begin to rebound, because social distancing safety practices will continue into the foreseeable future, impacting how hospitals provide care. Finally, it should be noted that the scale of UVMMMC does skew the system totals based on its proportion of overall costs.

OPERATING EXPENSES
FY20 year-to-date February

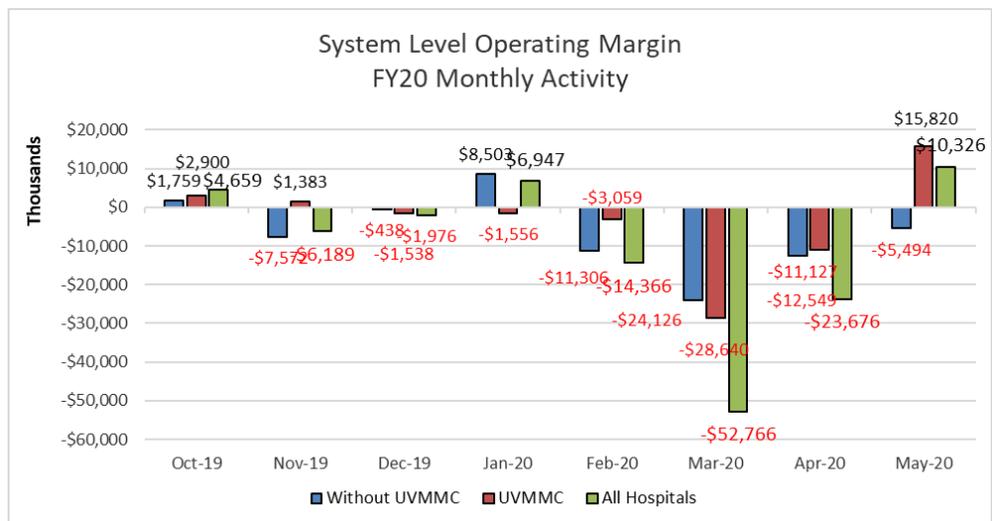
	FY2020 YTD BUDGET	FY2020 YTD ACTUALS	BUDGET-TO- ACTUAL % VARIANCE	ACTUAL-TO- ACTUAL % CHANGE
BRATTLEBORO	\$38,075,066	\$39,097,947	2.7%	9.0%
CENTRAL VERMONT	\$98,306,074	\$101,807,768	3.6%	10.1%
COPLEY	\$30,194,760	\$31,132,094	3.1%	7.0%
GIFFORD	\$21,526,265	\$21,708,076	0.8%	1.4%
GRACE COTTAGE	\$9,236,171	\$8,729,694	-5.5%	2.9%
MOUNT ASCUTNEY	\$23,773,765	\$23,411,053	-1.5%	0.7%
NORTH COUNTRY	\$36,824,506	\$36,320,838	-1.4%	1.1%
NORTHEASTERN	\$37,628,706	\$36,952,221	-1.8%	4.2%
NORTHWESTERN	\$50,995,088	\$51,380,149	0.8%	3.8%
PORTER	\$37,554,658	\$37,750,337	0.5%	6.8%
RUTLAND REGIONAL	\$116,456,083	\$114,674,701	-1.5%	0.4%
SOUTHWESTERN	\$71,647,632	\$69,339,417	-3.2%	2.8%
SPRINGFIELD	\$21,424,175	\$22,147,763	3.4%	-15.7%
UVMCMC	\$594,963,273	\$616,090,595	3.6%	9.0%
SYSTEM TOTAL	\$1,188,606,222	\$1,210,542,653	1.8%	6.2%

Operating and Total Margins continue to fall below budget:

- 11 out of 14 hospitals budgeted a positive operating margin for FY20, 12 of the 14 hospitals reporting this period experienced a negative operating margin year-to-date.
- 12 of the 14 hospitals budgeted a positive total margin for FY20, 8 of the 14 reporting hospitals this period experienced negative total margins year-to-date.

Operating and Total Margins:

In the months leading up to the COVID-19 pandemic, system-wide operating margin activity had been varied as the charts on page 3 above, and below, indicate. Activity fluctuated month over month between positive and negative margins for the system. With the onset of COVID-19 in March and related cessation of elective, non-emergent procedures, the hospital system reached a low ebb for the fiscal year thus far, as losses began to mount, compiling a -\$52.8 million loss on margin for that single month. As relief funds began to flow into Vermont’s hospitals, and cost cutting



measures were employed, margins improved in April when the system recorded a loss of -\$23.6 million dollars. With the arrival of May, Vermont’s success with bending the curve, thus lowering the pandemic’s demand on hospitals, combined with further relief funding and continued cost cutting measures, aided to improve the finances of Vermont’s hospitals. For month-end May, the system posted a combined gain of \$10.3 million which was largely due to UVMHC’s weight on operating margin being brought to bear on system totals.

Year-to-date, system-wide operating margins are difficult to digest with combined losses on a scale which has never been seen and has no comparable. Year-to-date, combined operating losses on margin are in excess of \$77 million. Individually, the situation can differ based on actual impact of COVID, cost

**OPERATING MARGIN AND TOTAL MARGIN
FY20 year-to-date May**

	Operating Margin (\$)	Operating Margin (%)	Total Margin (\$)	Total Margin (%)
BRATTLEBORO	-\$2,474,748	-4.2%	\$4,978,681	7.6%
CENTRAL VERMONT	-\$7,042,596	-4.7%	-\$5,078,925	-3.3%
COPLY	-\$3,706,178	-8.3%	-\$3,398,433	-7.6%
GIFFORD	\$1,876,185	5.2%	\$3,066,958	8.2%
GRACE COTTAGE	-\$389,424	-2.8%	\$279,534	1.9%
MOUNT ASCUTNEY	-\$882,167	-2.4%	\$3,494,163	8.7%
NORTH COUNTRY	-\$2	0.0%	\$9,241,153	14.2%
NORTHEASTERN	-\$2,427,674	-4.3%	-\$2,030,885	-3.6%
NORTHWESTERN	-\$6,350,837	-8.6%	-\$10,875,518	-15.7%
PORTER	\$710,381	1.2%	\$859,908	1.5%
RUTLAND REGIONAL	-\$2,468,405	-1.4%	-\$5,313,782	-3.0%
SOUTHWESTERN	-\$1,314,398	-1.2%	-\$1,298,696	-1.2%
SPRINGFIELD	-\$1,346,863	-4.1%	-\$1,328,379	-4.1%
UVMHC	-\$51,224,342	-5.6%	-\$99,862,346	-11.5%
SYSTEM TOTAL	-\$77,041,069	-4.2%	-\$107,266,568	-6.0%

reduction measures taken by management, the volume and diversity of elective procedures an organization may provide, as well as, accounting methodology that is being applied as it relates to stimulus funding, as mentioned above.

COVID’s financial impact on Vermont’s hospitals is not segregated to the healthcare response and goes beyond the healthcare environment, generally. Total margins are often supported by non-operating revenues derived from income earned from investment portfolios. The international ripple-effect of COVID on global markets sent investment portfolio earnings into free-fall in March with a slight rebound in April and further improvement at the close of May. That said, in an effort to access short-term cash, prior to governmental relief, some hospitals reported the need to liquidate (sell off) portions of their investments when their portfolios were at a lower value, causing them to incur a reduced return and realized loss. As of May 2020, the total loss on margin for Vermont’s hospitals exceeded \$107.2 million YTD.

GMCB’s monthly reporting requirements offer a high-level view of each hospital and are compiled into various system-wide perspectives. More granular operational details are not readily available without a discussion with an individual hospital(s). The section below will focus on current assets and liabilities. Long-term asset and liability activity have been stalled in the midst of COVID-19.

Balance Sheets:

Balance Sheets of Vermont’s hospitals have been in a state of flux through the COVID-19 crisis and will remain influx as the pandemic continues into the summer, fall and winter of 2020-2021. The impact of cessation of elective, non-emergent procedures, the need to expend critical financial resources to establish testing sites, alter physical floor plans for care and safety, procure essential PPE supplies for

provider and patient safety, infusions of loans/incursion of other short-term debts and federal stimulus grant funding, and significant stock market activity have all impacted the balances sheets of Vermont's hospitals. Below is a synopsis of the impact from these shifts in specific line items of the hospital system's balance sheets since the pandemic began.

System-wide, cash and short-term investment balances, the most liquid of balance sheet line items, total in excess of \$508.3 million as of month-end May 2020. This marks a 127% increase compared with the same period in 2019. Make no mistake, this should not be viewed as a hospital system that is cash rich or has benefited financially from the infusion of dollars to help with COVID's onslaught. The current levels of liquidity will not last. The growth of cash balances has been driven

CASH AND INVESTMENTS				
Comparison View				
FY20 year-to-date May				
	CASH AND INVESTMENTS		DAYS CASH ON HAND	
	FY2019 YTD ACTUALS	FY2020 YTD ACTUALS	FY2019 YTD ACTUALS	FY2020 YTD ACTUALS
BRATTLEBORO	\$3,973,981	\$16,804,348	178	239
CENTRAL VERMONT	\$7,053,595	\$21,797,658	96	110
COPLEY	\$8,839,203	\$33,119,475	70	203
GIFFORD	\$5,349,153	\$16,125,096	237	335
GRACE COTTAGE	\$232,042	\$8,567,540	88	211
MOUNT ASCUTNEY	\$8,108,228	\$14,699,595	133	184
NORTH COUNTRY	\$2,529,873	\$20,392,352	197	344
NORTHEASTERN	\$5,176,306	\$26,085,687	99	134
NORTHWESTERN	\$63,863,691	\$55,817,840	280	265
PORTER	\$22,341,849	\$36,031,756	128	158
RUTLAND REGIONAL	\$7,246,120	\$46,818,670	192	250
SOUTHWESTERN	\$6,794,988	\$25,007,244	16	58
SPRINGFIELD	\$1,195,065	\$7,079,744	14	53
UVMMC	\$80,974,506	\$180,012,722	178	180
SYSTEM TOTAL	\$223,678,601	\$508,359,726		

by several reasons. During the early stages of the crisis some organizations liquidated investments when the need for access to cash arose. The transfer of those funds also padded the current cash balances that are evident at the end of March and April. Some organizations have suspended improvements and investments in their facilities which have kept balances higher than normal, the adverse of this specific situation is the pace of those improvements and their impact on care may never be fully recaptured. That said, the primary reason cash balances are artificially high is because the hospitals received various forms of funding in large installments that are intended to see the hospitals through several months of below average volume activity both in outpatient and inpatient services. Some of those funds are in the form of loans, for which there is a corresponding liability (debt), while other funds were received via several stages of stimulus grant funding in April and May.

Even with the initial stage of limited re-opening of our state's hospitals beginning in late-May, these cash balances are being used to partially offset the revenue gap created by the pandemic. As subsequent stages of re-openings occur cash balances will decline as volumes are likely to remain below historical average levels. That said, it is anyone's guess as to when Vermont's hospitals will return to their full operational capacity especially as social distancing and other safety practices must continue to be adhered to within the hospital environment and barring a resurgence of the virus. Finally, any Medicare advance claims (loans) will require reclamation in the coming months and this will also aid in reducing the current system-wide cash balances.

Due to the cessation of elective, non-emergent, procedures all hospitals have seen declines in revenues which, as A/R is collected, drives down A/R balances as they are not being adequately replaced. System averages indicate, at month-end May 2020 (39 days), A/R is being collected at a similar rate when compared to month-end May 2019 (42 days). A/R balances at the end of May, for the system, total \$242.6 million, compared with May 2019 at \$295.5 million, representing a 17.9% decline year-over-year for month-ending May. A prolonged period of suppressed A/R balances, with collection activity at similar rates, would have posed an

A/R BALANCES				
Comparison View				
FY20 year-to-date May				
	NET A/R BALANCES		DAYS RECEIVABLE	
	FY2019	FY2020	FY2019	FY2020
	YTD ACTUALS	YTD ACTUALS	YTD ACTUALS	YTD ACTUALS
BRATTLEBORO	\$8,985,181	\$8,616,690	45	52
CENTRAL VERMONT	\$23,170,741	\$20,767,761	50	52
COPLEY	\$5,466,675	\$2,529,323	29	14
GIFFORD	\$4,506,888	\$2,235,788	43	29
GRACE COTTAGE	\$2,082,051	\$1,745,969	41	33
MOUNT ASCUTNEY	\$4,682,544	\$3,762,021	37	34
NORTH COUNTRY	\$7,850,021	\$6,144,640	37	39
NORTHEASTERN	\$10,654,887	\$4,228,590	43	19
NORTHWESTERN	\$9,199,562	\$9,448,472	37	37
PORTER	\$8,762,705	\$7,852,352	50	68
RUTLAND REGIONAL	\$28,049,706	\$19,322,051	40	31
SOUTHWESTERN	\$13,012,224	\$6,634,788	33	20
SPRINGFIELD	\$7,629,253	\$4,871,104	55	44
UVMCC	\$161,432,389	\$144,441,197	49	68
SYSTEM TOTAL	\$295,484,827	\$242,600,746		

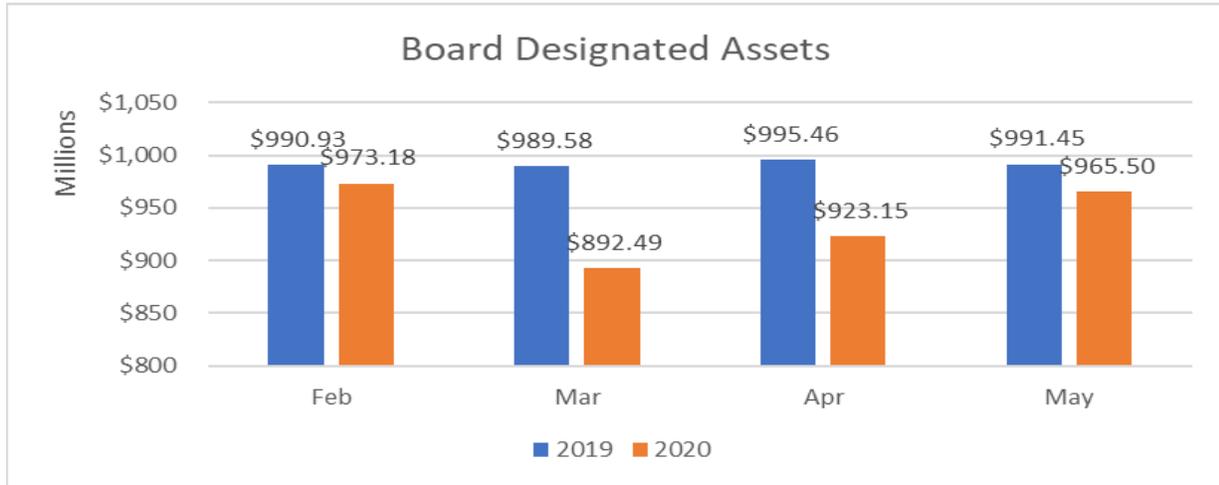
operational cash flow problem for Vermont's Hospitals were it not for the infusion of several emergency relief funding sources. A/R balances, system-wide, reached their low ebb in April at \$144 million and in May reported an uptick from April's balance of nearly \$100 million, an indicator of the initial stages of re-opening.

Board Designated Assets, which consist of assets designated for a variety of purposes both with and without restriction reported a reduction in value from February to March, falling from roughly \$973 million to \$892 million (see trend graph below). Some of the reduction was caused when markets went into freefall in March, impacting those board assets that are invested in securities intended to spin-off an income stream. Another portion of the reduction was the liquidation of investments to fill short-term cash needs as the crisis geared up.

BOARD DESIGNATED ASSETS		
Comparison View: FY20 year-to-date May		
BOARD DESIGNATED ASSETS		
	FY2019	FY2020
	YTD ACTUALS	YTD ACTUALS
BRATTLEBORO	\$36,515,525	\$40,069,087
CENTRAL VERMONT	\$61,222,057	\$57,447,804
COPLEY	\$4,174,874	\$5,505,022
GIFFORD	\$19,450,681	\$27,270,219
GRACE COTTAGE	\$4,590,288	\$4,896,393
MOUNT ASCUTNEY	\$18,962,472	\$19,383,824
NORTH COUNTRY	\$44,273,810	\$46,937,666
NORTHEASTERN	\$17,931,499	\$19,242,718
NORTHWESTERN	\$23,750,565	\$24,944,652
PORTER	\$6,547,864	\$470,919
RUTLAND REGIONAL	\$132,714,091	\$133,407,479
SOUTHWESTERN	\$7,148,102	\$7,699,878
SPRINGFIELD	\$354,085	\$359,257
UVMCC	\$613,817,750	\$577,867,974
SYSTEM TOTAL	\$991,453,663	\$965,502,892

Subsequently the market has shown signs of improvement from April to May as the graph below indicates. It should be noted that these causes are not the sole reasons for the reduction when

compared to prior year figures. Porter transferred most of its board designated assets to UVMHN at the end of the prior fiscal year, thus lowering their balances and UVMHC had to fund pension obligations at calendar year end 2019 thus lowering their balance and the systems as a whole. Overall, it appears that most hospitals are maintaining their board designated asset balances when compared to prior year as indicated by the table above.



CURRENT LIABILITIES AND FUND BALANCES

Comparison View FY20 year-to-date May

	CURRENT LIABILITIES		DAYS PAYABLE	
	FY2019 YTD ACTUALS	FY2020 YTD ACTUALS	FY2019 YTD ACTUALS	FY2020 YTD ACTUALS
BRATTLEBORO	\$13,424,904	\$22,243,025	59	93
CENTRAL VERMONT	\$39,289,660	\$53,279,312	68	85
COPLEY	\$7,542,118	\$32,793,408	40	173
GIFFORD	\$7,227,562	\$14,839,559	53	35
GRACE COTTAGE	\$4,989,874	\$11,849,856	91	186
MOUNT ASCUTNEY	\$9,592,974	\$15,586,340	67	109
NORTH COUNTRY	\$15,898,179	\$30,100,361	11	19
NORTHEASTERN	\$10,740,003	\$30,362,343	51	133
NORTHWESTERN	\$17,365,827	\$27,305,738	56	63
PORTER	\$12,141,969	\$14,375,264	54	62
RUTLAND REGIONAL	\$22,330,808	\$63,935,786	39	88
SOUTHWESTERN	\$20,991,862	\$35,296,531	35	36
SPRINGFIELD	\$22,567,889	\$30,563,130	99	228
UVMHC	\$177,306,743	\$298,456,290	57	117
SYSTEM TOTAL	\$381,410,372	\$680,986,944		

Current Liabilities (balances due within one-year), system-wide, have seen a substantial increase as of month-end May 2020, rising nearly 79% from its prior year comparable. There are several causes for the increase in current liabilities that include short-term debt incurred from acceptance of Medicare Advance claims and other payer advances, draws on lines of credit and other short-term borrowing, strategic or necessary delays in paying vendors, and use of deferred revenue accounts to hold stimulus grant funding until it is to be released and realized as income over several months. Average days payable as of May FY19 was 56 and as of May FY20 is 102 days.

Fund balances (Equity) of Vermont's hospital system has been impacted with the fluctuation of financial activity being incurred. Overall, the total equity position of the entire hospital system has fallen by 3.9% from the same period last year. As is the scenario across this new landscape, the changes in equity differ on a

	FUND BALANCES	
	FY2019	FY2020
	YTD ACTUALS	YTD ACTUALS
BRATTLEBORO	\$59,252,058	\$65,774,508
CENTRAL VERMONT	\$97,940,731	\$76,456,565
COPLEY	\$34,100,506	\$29,594,420
GIFFORD	\$58,494,107	\$61,577,038
GRACE COTTAGE	\$6,140,660	\$6,684,962
MOUNT ASCUTNEY	\$27,976,897	\$25,790,332
NORTH COUNTRY	\$53,533,974	\$57,757,063
NORTHEASTERN	\$41,475,507	\$40,324,230
NORTHWESTERN	\$121,908,122	\$108,724,234
PORTER	\$38,551,961	\$40,894,688
RUTLAND REGIONAL	\$204,703,161	\$203,772,827
SOUTHWESTERN	\$35,217,395	\$28,218,535
SPRINGFIELD	\$(2,146,078)	\$(9,388,755)
UVMCC	\$962,681,506	\$936,317,928
SYSTEM TOTAL	\$1,739,830,507	\$1,672,498,575

The **Fund Balance** is the excess of assets over liabilities (net equity). An excess of liabilities over assets is known as a deficit in fund balance

hospital-by-hospital basis, depending on the factors already discussed in this report such as size of losses on operating/total margin, infusion levels of cash from relief funds, incurrence of debt to access advance claims or loans, etc. Although results differ on a per hospital basis, the YTD equity position is reduced but, without access to debt-free relief funds to partially cover the loss of NPR/FPP, the equity position would have been much worse.

Debt Service Coverage Ratio:

Debt Service Coverage Ratios (DSCR) for five hospitals are currently being reported in negative territory or at a zero to 1 ratio. This could lead to lending covenant violations on the part of the hospitals who have fallen below the threshold approved by their lending authority. It should be noted that a borrower does not have to be in negative territory to trigger a covenant violation related to DSCR. Positioning in negative territory only has the ability to compound the nature of the covenant violation. However, it is important to note that lenders often have multiple covenants in place,

	DEBT SERVICE COVERAGE RATIO	
	FY2019	FY2020
	YTD ACTUALS	YTD ACTUALS
BRATTLEBORO	4.4	9.5
CENTRAL VERMONT	1.0	-
COPLEY	2.0	(3.8)
GIFFORD	3.4	4.5
GRACE COTTAGE	(0.9)	0.4
MOUNT ASCUTNEY	4.2	5.5
NORTH COUNTRY	3.2	10.1
NORTHEASTERN	5.4	(2.0)
NORTHWESTERN	0.8	(0.9)
PORTER	2.3	9.2
RUTLAND REGIONAL	6.0	2.8
SOUTHWESTERN	-	8.6
SPRINGFIELD	(0.5)	-
UVMCC	3.0	3.2
SYSTEM TOTAL		

including but not limited to DSCR and during times of extreme circumstances lenders are willing to find ways to mitigate covenant violations. In April, several more hospitals, not yet in violation of debt covenants, expressed concern that it is a reality that they could be in violation over the next several months if their financial situation does not improve. That message has eased slightly but, with COVID very present in the state and national narrative it is still a concern, nonetheless.

APPENDIX I

NET PATIENT REVENUE/FIXED PROSPECTIVE PAYMENTS

FY20 year-to-date May

	FY2020 YTD BUDGET	FY2020 YTD ACTUALS	BUDGET-TO- ACTUAL % VARIANCE	ACTUAL-TO- ACTUAL % CHANGE
BRATTLEBORO	\$58,763,395	\$49,334,070	-16.0%	-11.7%
CENTRAL VERMONT	\$143,842,311	\$130,377,778	-9.4%	-5.8%
COPLEY	\$48,438,908	\$43,167,671	-10.9%	-5.1%
GIFFORD	\$34,921,989	\$30,644,275	-12.2%	-6.6%
GRACE COTTAGE	\$13,311,881	\$11,156,086	-16.2%	-8.8%
MOUNT ASCUTNEY	\$35,837,039	\$28,812,814	-19.6%	-13.9%
NORTH COUNTRY	\$55,544,881	\$48,399,134	-12.9%	-9.1%
NORTHEASTERN	\$58,169,229	\$51,294,630	-11.8%	-8.4%
NORTHWESTERN	\$77,951,053	\$63,336,655	-18.7%	-13.6%
PORTER	\$57,927,176	\$48,252,609	-16.7%	-10.5%
RUTLAND REGIONAL	\$178,525,218	\$152,587,820	-14.5%	-11.0%
SOUTHWESTERN	\$114,856,430	\$97,823,947	-14.8%	-10.2%
SPRINGFIELD	\$32,592,793	\$27,016,032	-17.1%	-19.8%
UVMCMC	\$886,220,957	\$778,881,151	-12.1%	-7.8%
SYSTEM TOTAL	\$1,796,903,259	\$1,561,084,672	-13.1%	-8.9%

Note: FPP received net of reserves is 13.5% of NPR/FPP.

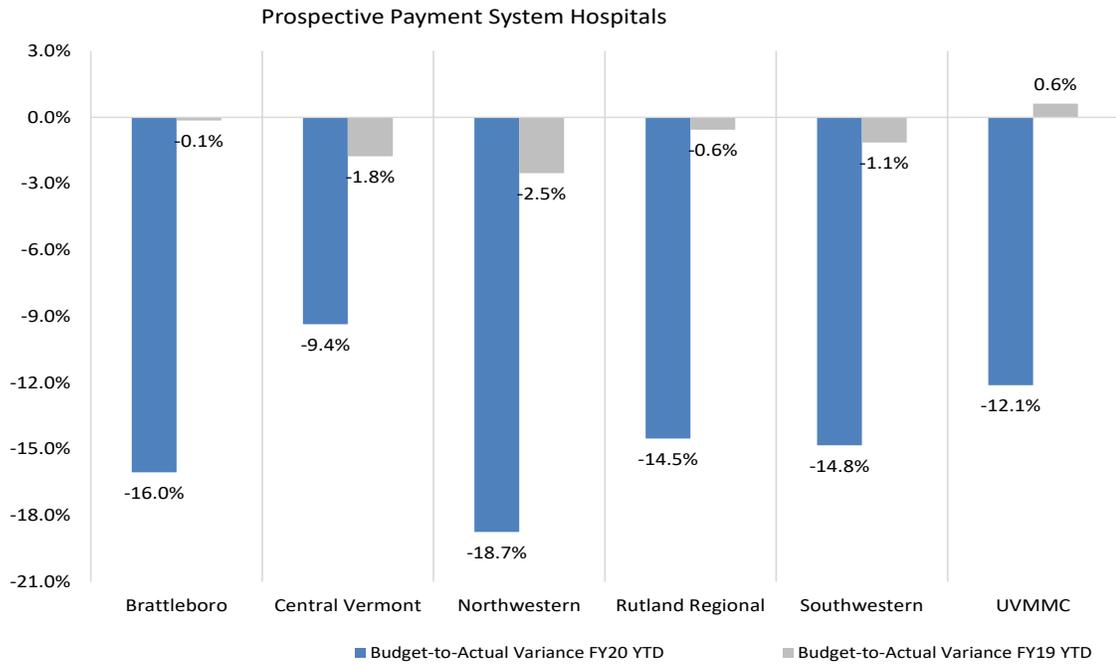
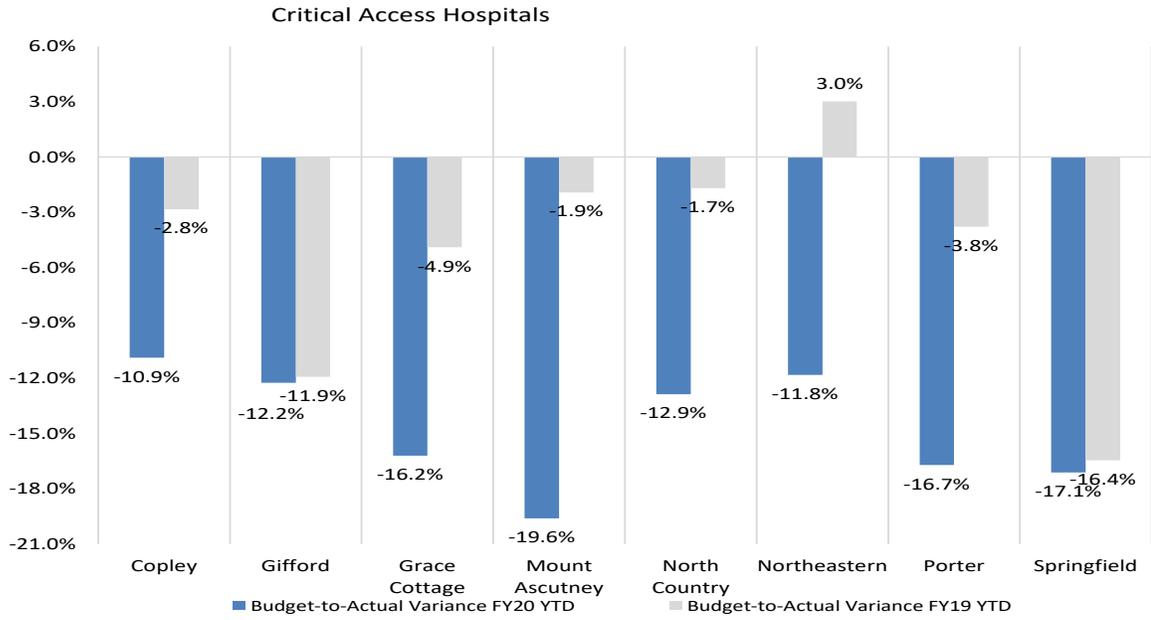
APPENDIX II

FY20 year-to-date February

	FY2020 YTD BUDGET	FY2020 YTD ACTUALS	BUDGET-TO- ACTUAL % VARIANCE	ACTUAL-TO- ACTUAL % CHANGE
BRATTLEBORO	\$36,727,122	\$36,899,538	0.5%	6.8%
CENTRAL VERMONT	\$88,616,428	\$91,174,763	2.9%	4.0%
COPLEY	\$30,274,318	\$31,168,326	3.0%	12.0%
GIFFORD	\$21,826,243	\$23,159,957	6.1%	10.5%
GRACE COTTAGE	\$8,319,925	\$7,752,573	-6.8%	4.4%
MOUNT ASCUTNEY	\$22,398,149	\$20,735,981	-7.4%	-2.5%
NORTH COUNTRY	\$34,103,564	\$33,174,937	-2.7%	2.4%
NORTHEASTERN	\$36,355,768	\$35,614,707	-2.0%	2.0%
NORTHWESTERN	\$48,719,408	\$45,170,676	-7.3%	-2.2%
PORTER	\$35,209,273	\$32,704,813	-7.1%	-1.9%
RUTLAND REGIONAL	\$111,578,261	\$107,093,204	-4.0%	-0.4%
SOUTHWESTERN	\$71,785,269	\$67,645,682	-5.8%	1.4%
SPRINGFIELD	\$20,370,495	\$19,817,635	-2.7%	-16.2%
UVMCMC	\$550,780,074	\$547,007,340	-0.7%	4.3%
SYSTEM TOTAL	\$1,117,064,297	\$1,099,120,131	-1.6%	2.8%

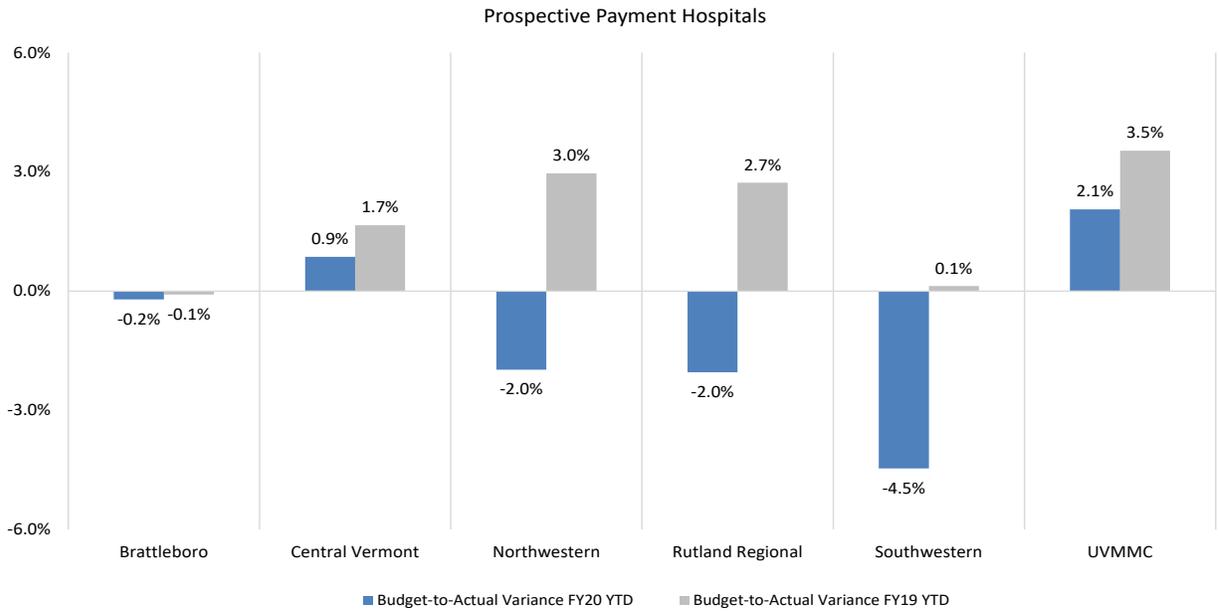
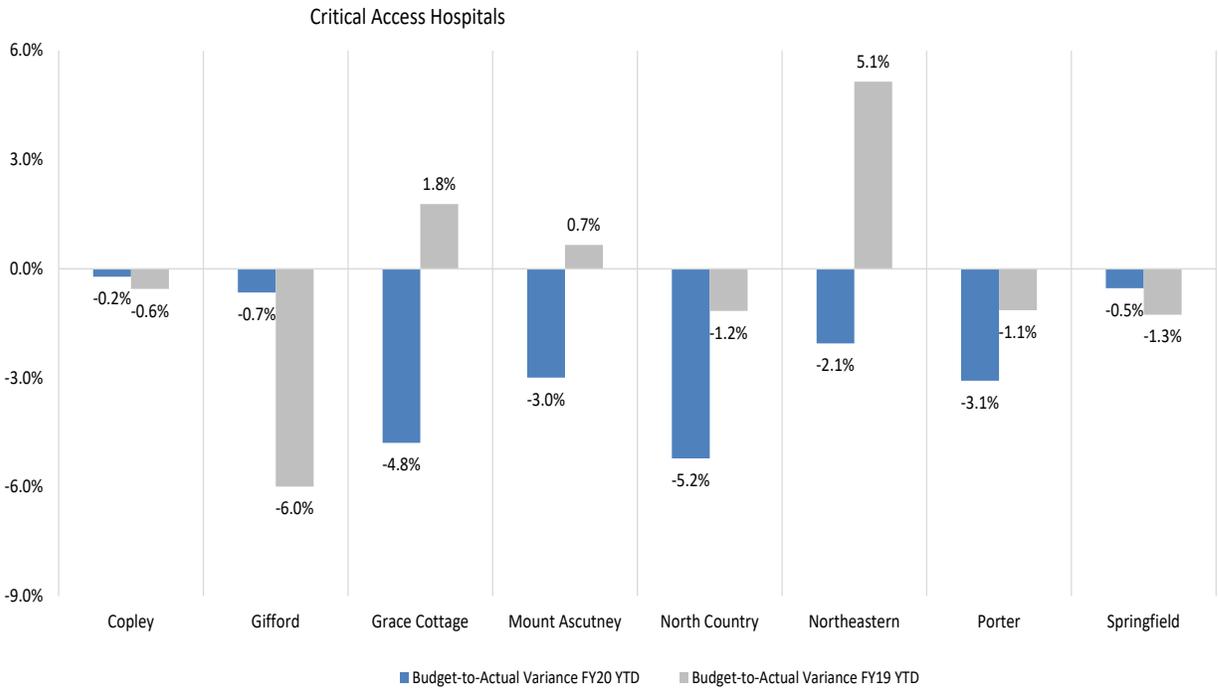
APPENDIX III

NET PATIENT REVENUE/FIXED PROSPECTIVE PAYMENTS



APPENDIX IV

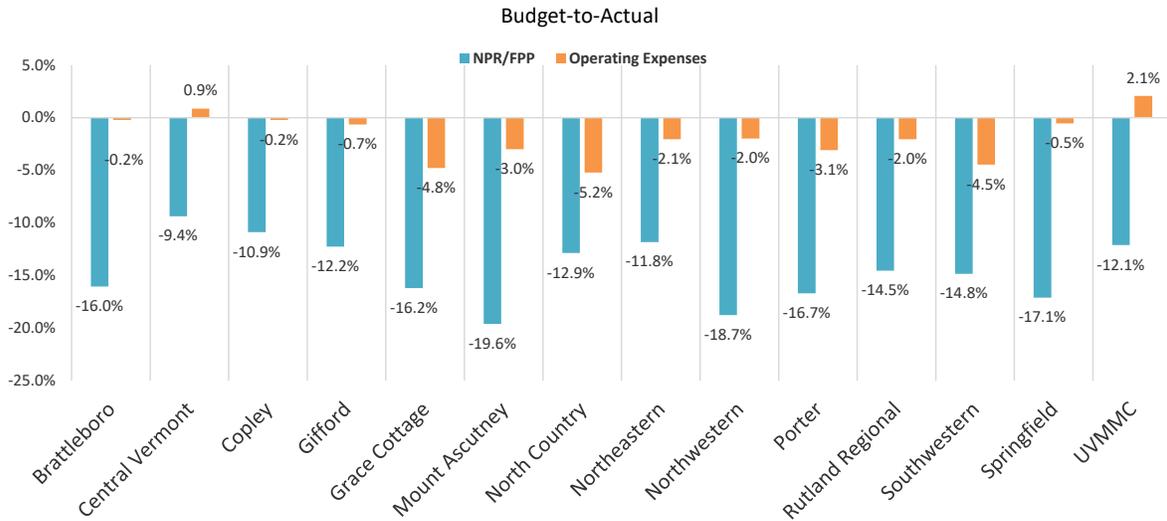
OPERATING EXPENSES



APPENDIX V

BUDGET-TO-ACTUAL % VARIANCES

FY20 year-to-date May



ACTUAL-TO-ACTUAL % GROWTH

FY20 year-to-date May

