Northeastern Vermont Regional Hospital
GMCB Submission – FY 2020 Audited Results
Narrative

This narrative supplements the FY 2020 audited results reported in worksheets provided by the Green Mountain Care Board.

Explanations for Net Patient Revenue and Expense Budget Variances:

Net Patient Revenue:

NPR/FPP	Total	% over/under
FY 20 Approved Budget	$ 87,253,800	
Utilization	(4,477,600)	-5.1%
Reimbursement/Payer Mix	1,298,900	1.5%
Bad Debt/Free Care	1,715,800	2.0%
Physician Acq/Trans		
Changes in Accounting		
Changes in DSH	(15,100)	0.0%
Other (please label)		
Other (please label)	0	
FY 20 Actual Results	$ 85,775,800	-1.7%

Utilization: The 5.1% unfavorable utilization variance was a combination of lower volume resulting from a reduction of services due to the pandemic and the loss of the community's only ophthalmologist for 75% of the fiscal year.

Reimbursement/Payer Mix: There was fairly significant shift in payer mix from Medicare to Commercial. This can be attributed to patient preferences to seek or not seek services once the pandemic hit.

Bad Debt/Free Care: Uncompensated care is budgeted as a percentage of gross revenue. Therefore, lower gross revenue explains part of the drop in uncompensated care. The NVRH community provided tremendous support to the hospital during the pandemic. Patients with old accounts called the hospital and reported they would be making payments on those accounts. And, they did!

Operating Expenses:

Expenses	Amount	% over/under
FY 20 Approved Budget	$ 90,308,900	
Salaries	(1,537,000)	-1.7%
Fringe Benefits	(817,100)	-0.9%
Physician Contracts	(430,900)	-0.5%
Contract Staffing	1,158,800	1.3%
Supplies	817,200	0.9%
Drugs	386,200	0.4%
Depreciation	(768,300)	-0.9%
Interest	20,000	0.0%
Health Care Provider Tax	(96,200)	-0.1%
Covid Related Expenses	1,039,400	1.2%
Accounting Change-Malp Ins	773,000	0.9%
Cost Savings	(148,600)	-0.2%
FY 20 Actual Results	$ 90,705,400	0.4%

Salaries: There was 27 fewer FTEs than the number budgeted for the year. Reasons for this include:

- Employees voluntarily furloughed and/or reduced worked hours when the pandemic forced curtailment of services
- Several employees took advantage of an Early Retirement Program
- A delay in filling all but the most essential vacant positions during period of financial uncertainty created by the pandemic
- Vacant essential positions that we could not successfully recruit for and fill

Fewer FTEs explains most of the favorable salary variance. One other factor was several employees voluntarily reduced their salary by up to 10% when the hospital's financial picture looked bleak after covid hit and services were curtailed

Fringe Benefits: One factor for the favorable fringe benefit variance was the lower salaries. The other major factor was reduced health insurance expenses, which was also related to curtailment of services during part of the year.

Physician Salaries/Contracts: See explanation for salary variance. Additionally, there were positions that NVRH was not able to recruit for and fill during the year.

Contract Staffing: NVRH was challenged to fill a number of nursing, allied health and provider positions during the year. Essential vacant positions were covered by using locum tenens and travelers.

Drugs: Two patients required incredibly expense (up to $65,000 per treatment!) and ongoing drug treatments that weren't anticipated in the budget.

Depreciation: To preserve cash all but the most essential capital purchases were put on hold starting April 1st. Lower capital expenditures created the depreciation expense variance.

Health Provider Tax: The higher tax was a result of the 2019 NPR exceeding budget.

Covid Related Expenses: Covid related expenses incurred include the following:

- Increased staff to screen patients at entrances
- Higher use of PPE and higher cost of PPE purchases
- Set up and staffing a temporary Respiratory Unit
- Staffing Covid Testing Site
- Send out lab fees for covid tests
- Unemployment for furloughed employees
- Set up and staffing of an outpatient Respiratory Clinic

Accounting Change: Provider contracts require NVRH to purchase "tail" malpractice liability upon termination of employment. The associated cost of this coverage has increased significantly over the years, creating a previously unrecorded liability. During 2020 NVRH determined there was a need to recognize that liability and cost.

Cost Savings: Savings achieved for outpatient drugs under the 340B program totaled $1,368,000. The budgeted savings was $1,200,000.

Explanations for Change in Charge Increase Variance:

NVRH implemented a 3% charge increase for fiscal 2020, which is the increase approved by the GMCB. Therefore, there is no charge increase variance.

Explanations for Other Operating and Non-Operating Variances:

NORTHEASTERN VT REGIONAL HOSPITAL
SCHEDULE 9
OTHER OPERATING REVENUE

	2020B	2020A
COMMUNITY FOUNDATION REVENUE	-	-
GRANT INCOME	-	117,759
CAFETERIA & PARKING	-	-
EMPLOYEE SALES PHARMACY	53,200	-
PHYSICIAN OFFICE AND OTHER RENTALS	121,100	-
340B RETAIL PHARMACY PROGRAMS	2,150,000	2,712,187
COVID-19 STIMULUS AND OTHER GRANT FUNDING	-	1,788,510
OTHER	144,100	34,000
REFERENCE LAB REVENUE	2,200,000	1,458,431
TOTAL OTHER OPERATING REVENUE	4,668,400	6,110,887

NORTHEASTERN VT REGIONAL HOSPITAL
SCHEDULE 10
NONOPERATING REVENUE

	2020B	2020A
GENERAL CONTRIBUTIONS	-	352,495
INCOME FROM INVESTMENTS	-	478,781
GAIN (LOSS) FROM SALE OF INVESTMENTS	-	1,587,250
TOTAL NONOPERATING REVENUE	-	2,418,526

Other Operating Revenue:

The most significant Other Operating Revenue variance is the unanticipated Covid Stimulus Funds received. Reference Lab revenue was unfavorable to budget as a result of the fewer provider office visits and a budgeting error. 340B Revenue was favorable to budget as a result of adding providers to the eligibility list and ongoing provider education about the program.

Non-Operating Revenue:

General contributions were not anticipated and therefore not budgeted. Realized, unrealized and other income from investments is not budgeted as changes in the financial markets can't be predicted accurately.

Description of How Covid Relief Funds Treated in Financial Statements:

NVRH included Covid Relief Funds (CRF) received from both Health and Human Services and Department of Vermont Health Access as Other Operating Revenue. The CRFs reported as OOR totaled $1,788,500. HHS CRF was a result of pandemic-related expense increases. There was an offsetting CRF reduction for the estimated Medicare reimbursement for those expenses. The net HHS CRF reported as OOR was $1,004,300. NVRH did not have any lost revenue that qualified for CRF, according to HHS guidelines as of December 2, 2020 (the date NVRH's audited financial statements were issued.) NVRH received $871,300 as Medicaid Retainer Program CRF from DVHA. DVHA's guidelines as of December 2, 2020 indicated hospitals were essentially guaranteed to retain at least 90% of the CRF received. Therefore, $784,200 of DVHA CRF was reported as OOR.

HHS CRFs received by NVRH totaled $6.7 million. As noted above, $1 million was recognized as OOR. The balance will be repaid to HHS and was reported as a Current Liability on the balance sheet. Similarly, the difference between the amount received from DVHA and the amount recognized as revenue, $78,400, is reported as a Current Liability.

Our auditors, BerryDunn, agreed with NVRH's formulas to recognize all Covid Relief Funds.