



February 9, 2021

Patrick Rooney, Director of Health Systems Finance  
 Green Mountain Care Board  
 144 State Street  
 Montpelier, Vermont 05602

Dear Patrick,

The following narrative refers to Brattleboro Memorial Hospital's operating results for FY2020.

**Gross revenues** from Patient Services were \$15.6 m (8.3%) less than budgeted. Lower utilization due to Covid restrictions were the most significant factor causing these variance.

|  | <i>FY2020 Actual</i> | <i>FY2020 Budget</i> | <i>variance from FY2020 Budget</i> |        |
|--|----------------------|----------------------|------------------------------------|--------|
| <i>Gross Patient Care Revenue</i>      | 172,517,296          | 188,074,028          | (15,556,732)                       | -8.3%  |
| <i>Disproportionate Share Payments</i> | 532,030              | 530,861              | 1,169                              | 0.2%   |
| <i>Bad Debt &amp; Free Care</i>        | (4,731,098)          | (6,419,757)          | 1,688,659                          | -26.3% |
| <i>Deductions From Revenue</i>         | (107,163,504)        | (105,041,779)        | (2,121,725)                        | 2.0%   |
| <i>Net Patient Care Revenue</i>        | 61,154,725           | 77,143,353           | (15,988,628)                       | -20.7% |
| <i>Fixed Prospective Payments</i>      | 15,160,028           | 11,001,739           | 4,158,289                          | 37.8%  |
|  | 76,314,752           | 88,145,092           | (11,830,340)                       | -13.4% |
| <i>net to gross</i>                    | 44.2%                | 46.9%                | -2.6%                              | -5.6%  |

The Net Revenue Bridge indicates the favorable variances in FPP revenue and Bad Debts and free care are offset by the volume and payor mix variances attributed to Covid limitations.

| <i>Net Patient Revenue &amp; FPP Bridge</i>                | <i>Total</i>  | <i>% over/under</i> |
|--|---------------|---------------------|
| <i>FY 20 Approved Net Patient Revenue &amp; FPP Budget</i> | \$ 88,145,092 |                     |
| <i>Utilization</i>   | (6,498,809)   | -7.4%               |
| <i>Reimbursement/Payer Mix</i>                             | (11,179,648)  | -12.7%              |
| <i>Bad Debt/Free Care</i>                                  | 1,688,659     | 1.9%                |
| <i>Changes in DSH</i>                                      | 1,169         | 0.0%                |
| <i>Other-Changes in FPP</i>                                | 4,158,289     | 4.7%                |
| <i>Other (please label)</i>                                |               |                     |
| <i>FY 20 Actual Results</i>                                | \$ 76,314,752 | 86.6%               |

Medicare net revenue & FPP was only slightly (2.5%) lower than budgeted despite lower volume.

|                                   | <i>FY2020 Actual</i> | <i>FY2020 Budget</i> | <i>variance from FY2020 Budget</i> |       |
|-----------------------------------|----------------------|----------------------|------------------------------------|-------|
| <b><i>Medicare Gross PSR</i></b>  | 83,750,186           | 87,353,931           | (3,603,745)                        | -4.1% |
| <i>Deductions From Revenue</i>    | (65,396,965)         | (65,816,188)         | 419,223                            | -0.6% |
| <i>Fixed Prospective Payments</i> | 10,859,367           | 8,409,916            | 2,449,451                          | 29.1% |
| <b><i>Net PSR &amp; FPP</i></b>   | 29,212,588           | 29,947,659           | (735,071)                          | -2.5% |
| <i>net to gross</i>               | 34.9%                | 34.3%                | 0.6%                               | 1.7%  |

Medicaid net revenues & FPP were also slightly (4.7%) lower than budgeted.

|                                   | <i>FY2020 Actual</i> | <i>FY2020 Budget</i> | <i>variance from FY2020 Budget</i> |        |
|-----------------------------------|----------------------|----------------------|------------------------------------|--------|
| <b>Medicaid Gross PSR</b>         | 29,399,451           | 34,160,744           | (4,761,293)                        | -13.9% |
| <i>Deductions From Revenue</i>    | (24,767,877)         | (27,303,957)         | 2,536,080                          | -9.3%  |
| <i>DSH</i>                        | 532,030              | 530,861              | 1,169                              | 0.2%   |
| <i>Fixed Prospective Payments</i> | 4,346,877            | 2,591,823            | 1,755,054                          | 67.7%  |
| <b>Net PSR &amp; FPP</b>          | 9,510,481            | 9,979,471            | (468,990)                          | -4.7%  |

Net revenues from all other payors were significantly (22.0%) less than budgeted levels despite favorable Bad Debt and Free Care deduction levels.

|                                   | <i>FY2020 Actual</i> | <i>FY2020 Budget</i> | <i>variance from FY2020 Budget</i> |        |
|-----------------------------------|----------------------|----------------------|------------------------------------|--------|
| <b>All other Gross PSR</b>        | 59,367,660           | 66,559,353           | (7,191,693)                        | -10.8% |
| <i>Deductions From Revenue</i>    | (16,998,662)         | (11,921,634)         | (5,077,028)                        | 42.6%  |
| <i>Bad Debt &amp; Free Care</i>   | (4,731,098)          | (6,419,757)          | 1,688,659                          | -26.3% |
| <i>Fixed Prospective Payments</i> | (46,216)             | 0                    |                                    |        |
| <b>Net PSR &amp; FPP</b>          | 37,591,683           | 48,217,962           | (10,626,279)                       | -22.0% |
| <i>net to gross</i>               | 63.3%                | 72.4%                | -9.1%                              | -12.6% |

**Other operating Revenue** included Cares Grants and Medicaid grants totaling \$12.5 M. These grants were not budgeted and preserved our ability to operate.

**Operating expenses** were \$54,467 (0.1%) under budget for the year.

| <i>Operating Expense Bridge</i>                                     | <i>Total</i>         | <i>% over/under</i> |
|---|----------------------|---------------------|
| <i>FY 20 Approved operating expense budget</i>                      | \$ 91,879,659        |                     |
| <i>Wages, Benefits, Physicians &amp; Contracted Med Specialists</i> | 982,738              | 63.7%               |
| <i>Contract Temps</i>   | 427,749              | 1.0%                |
| <i>Health Care Provider Tax</i>                                     | (31,676)             | 5.4%                |
| <i>Depreciation &amp; Amortization</i>                              | (43,093)             | 4.6%                |
| <i>Interest - Long Term</i>   | (409,953)            | 0.1%                |
| <i>ACO Dues</i>   | 279,102              | 0.3%                |
| <i>Other Operating Expense</i>                                      | (402,872)            | 25.7%               |
| <b><i>FY 20 Actual Results</i></b>                                  | <b>\$ 92,681,654</b> | <b>100.9%</b>       |

- Wages includes the hazard Pay for Essential Workers pay which accounts for \$388 K.
- Health claims exceeded budget by \$635 K in fy2020.
- Contract Anesthesia physician fees exceeded budget by \$202 K as we had to restructure our anesthesia services during the year due to an unexpected vacancy.
- Contract temporary labor cost \$428 K more than budgeted in FY2020.
- Medical supplies and drug expenses were 461 K less than budget.
- Interest expense was favorable as the new Bond for the Ron Reed Project has been drawn down more slowly than originally anticipated when the budget was built.
- ACO Dues were budgeted with FPP in FY2020. ACO dues are budgeted as expense in Fy2021.
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The **operating gain** of \$515,363 compared to a budgeted gain of \$475,566. This represents an operating margin of 0.6% compared to a budgeted operating margin of 0.5%.

**Non Operating income:**

Includes a transfer of 7.0 M from our Parent Company to to help fund the Ron Reed CON Project.

Please give me a call if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael O. Rogers". The signature is fluid and cursive, with a large, stylized initial "M" and "R".

Michael O. Rogers  
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