SOUTHWESTERN VERMONT MEDICAL CENTER
Financial Summary
Fiscal Year ended September 30, 2020

Southwestern Vermont Medical Center (hereafter "SVMC" or "Medical Center" or "Hospital")

The gain from operations was $4,766,481 or a 2.76% operating margin. Below is the comparative summary FY 2020 financial results vs. FY 2020 budget.

Summary Financial Results

	FY 2019 Actual	***FY 2020 Budget***	***FY 2020 Actual***
Net patient service revenues	$140,176,675	$145,234,064	$127,017,217
Fixed prospective payments	23,775,895	27,050,586	27,050,586
Total net patient service revenues	*163,952,570*	*172,284,650*	*154,067,803*
Other COVID-19 relief funds			7,982,330
Provider Relief Funds—HHS			5,052,387
Other operating revenues	7,408,575	5,722,145	5,868,239
Total operating revenues	*171,361,145*	*178,006,790*	*172,970,759*
Operating expenses	*165,778,101*	*171,954,316*	*168,204,278*
Operating gain	*5,583,044*	*6,052,474*	*4,766,481*
Non-operating activities-net	413,313	600,000	3,322,690
Excess revenues over expenses	***$5,996,357***	***$6,652,474***	***$8,089,171***
Operating margin	***3.3%***	***3.4%***	***2.76%***

Fiscal year 2020 for the Hospital one could look at the operating results in three sections:

1. Pre pandemic;
2. Start of the pandemic and "shutdown";
3. "Reopening" and "Recovery".

Pre pandemic operating results were behind plan at the start of the fiscal year which was not unusual for SVMC. The negative performance was driven by nearly a 4% volume and revenue decline. Operating expenses were under plan but not to the level of the revenues. A corrective action plan was in the process of being executed to address the variances and work on improving volumes was underway.

The start of the pandemic and “shutdown” was the second time period. Looking back the expected financial results were grim, to say the least. During this period volumes dropped, the staff prepared for a surge of COVID-19 patients, all non-essential activities were suspended and a significant part of the workforce was furloughed. Over 20% of the workforce were furloughed either full-time or part-time. At the start of this period there was no clear view of State or Federal funding that would be available. The Hospital was attempting to assure that the supply chain was intact and the staff had the necessary PPE to protect themselves and the patients as well as securing and building cash.

The final portion of the fiscal year was the reopening and recovery phase. Volumes grew to pre pandemic levels and for a short period increased to budgeted levels. The workforce was slowing brought back as volumes required. New procedures were put in place to manage the flow of patients, minimize crowds and contact where possible as well as assuring the safety of the providers, staff and patients. We have also increased our capacity for COVID-19 testing, planned flu clinics, vaccination, as well as preparing for a possible increase in volumes in the coming months.

<u>Operating Revenues</u>

In FY 2020, NPSR of $154,068,253 was $18,216,392 lower than budget. As described above the year has been one where no one could have predicted. Volumes under plan and changes in patient behavior during the pandemic created this variance. Typically, management would provide the GMCB with detail explanations on the causes for the NPSR variances. Volumes and payer mix would be provided. At the macro level volumes were under plan, service utilization has shifted, payer mix in services has also changed as well as new platforms and ways of delivering care has changed. One example is the increased use of tele-health both within our System and within patients using standalone applications.

The total operating revenues in FY 2020 was $172,970,759 versus a budget of $178,006,790 or a variance of $5,036,031 or a 2.83% negative variance. Included in the total operating revenues was the recognition of $5,052,387 of HHS Provider relief funds and $7,982,330 or other COVID-19 relief funds. The Table on the following page provides details of the amounts of COVID related funding recorded in operating revenues as well as advances that need to be repaid in the future.

Advances, Provider Relief Funds and other grants

Description	Amounts Received	Recognized as Revenues in FY 2020	Recorded as a liability as of Sept. 30, 2020
1. Medicare Advance – repayment	$9,470,000		$9,470,000
2. VT Blue Cross Advance	1,900,000		1,900,000
3. VT Healthcare Stabilization Grant	6,457,919	$6,457,919	
4. VT Medicaid Retainer Funding	784,500	706,050	78,450
5. VT Hazard Pay Grant	466,400	466,400	
6. VT Unemployment credit – CARES act	263,773	263,773	
7. CARES workforce retention credit	88,188	88,188	
Subtotals	*19,430,780*	*7,982,330*	*11,448,450*
8. Provider Relief Funds	9,745,970	5,052,387	4,693,583
Totals	***$29,176,750***	***$13,034,717***	***$15,942,033***

The patient service revenues were under plan by $18 million, however the recognized COVID related grants, programs and revenues of just over $13 million offset a significant portion of the revenue loss.

Operating Expenses

Operating expenses of $168,204,278 were $3,750,038 were under budget. As mentioned above the year had three phases.

- Staff salary expenses were under budget by $613,363. FTE's were 36 FTE's under plan for the year. In the period April through July nearly 175 employees were either furloughed full or part time. In the early period of the pandemic FTE's were over plan due to the expected surge. Also, SVMC paid and expensed funds paid via the VT Hazard Pay Grant program. The VT Hazard Pay Grant program had eligibility requirements. SVMC through COVID relief funding expanded that program to all employees in September costing nearly $1 million above the grant received from the State of Vermont.

- Employee benefit expenses were $1.9 million under plan. In the FY 2020 budget management budgeted a $500,000 credit due to the Defined Benefit Pension Plan. In FY 2020, after budget submission, the Health System, adopted ASU 2017-17 titled Compensation – *"Retirement Benefits, Improving the Presentation of Net Period Pension Cost and Net Periodic Post Retirement Benefit Cost".* Simply the credit will be recorded as a non-operating item. The remaining portion of the variance is related to lower health benefit claims paid due to utilization.

- Supplies, drugs and other costs were under plan mainly due to volumes. Included in the positive variance are also unbudgeted costs due to the pandemic.

SVMC Balance Sheet changes in FY 2020

There has been significant changes in SVMC's balance sheet when compared to FY 2019.

- Cash and cash equilivants have increased mainly due to the Medicare advances and Blue Cross advances received early in the pandemic. In addition the grants and HHS Provider Relief Funds. See the table above. The increase in cash is offset with the increases in liabilities of nearly $16 million.

- Accounts receivables decreased in absolute dollars mainly due to volumes. The days in accounts receivable improved by approximately one day to 34.5 days from 35.6 in FY 2019.

- Liabilities increased mainly due the $16 million of liabilities discussed above.

Further detail information is available upon request and management urges the GMCB and staff of the GMCB to communicate their additional needs. Additional information can be requested from Stephen D. Majetich, CFO at 802-447-5011 or stephen.majetich@svhealthcare.org and James Roy, Controller at 802-447-5040 or james.roy@svhealthcare.org.