



# Rutland Regional Medical Center

*An Affiliate of Rutland Regional Health Services*

160 Allen Street  
Rutland, VT 05701

802.775.7111

January 31, 2021

Mr. Patrick Rooney, Director of Health System Finances  
Green Mountain Care Board  
144 State Street  
Montpelier, VT 05620

Dear Patrick,

The following narrative highlights the operating performance of Rutland Regional Medical Center for the fiscal year ended September 30, 2020. We will send an electronic copy of our Fiscal 2020 audit report as soon as it becomes available.

### Utilization

During Fiscal 2020, the COVID-19 pandemic caused significant financial strain on the organization. The suspension of elective procedures and the overall decline in patient visits resulted in our Fiscal 2020 Gross Patient Service Revenue (GPSR) to be under budget by \$45.5 million or 7.8%.

Prior to COVID-19 our volume was close to budget. Unfortunately, with the suspension of elective procedures our inpatient volume suffered. The most significant reduction occurred from April to August where our average daily census was under budget by nearly 20% or 2,400 days. We were not able to recover and ended the year with inpatient medical and ICU volume under budget by 16% or 3,721 days. This led to a loss of inpatient routine revenue of \$5.5 million.

Accordingly, inpatient ancillary service revenue was under budget by \$21.9 million or 15.0%. The largest variances are noted below.

#### **Negative Variances:**

Surgical Service	\$	9,900,000
Clinic Services	\$	2,300,000
Pharmacy	\$	1,800,000
Diagnostic Imaging	\$	1,800,000
Laboratory Services	\$	1,600,000
	\$	<u>17,400,000</u>

Outpatient ancillary service volume saw mixed results throughout the year, As of March we were on budget. The months of April, May and June were the hardest hit and resulted in budgeted volume loss of \$24.3 million. Once the elective procedure ban was lifted patient volume increased. Due to patient demand our volume for July, August and September was over budget by \$6.0 million. Overall, our budget deficit of \$18.0 million or 5.0%. The largest variances are as follows:

**Positive Variances:**

Radiation Therapy	\$	3,200,000
Reference Lab	\$	1,900,000
	\$	<u>5,100,000</u>

**Negative Variances:**

Clinic Services	\$	7,000,000
Emergency Services	\$	4,000,000
Diagnostic Imaging	\$	2,700,000
Surgical Service	\$	2,500,000
Laboratory Services	\$	2,400,000
Endoscopy	\$	<u>2,200,000</u>
	\$	20,800,000

**Net Patient Revenue**

Fiscal 2020 net revenue was under budget \$28.5 million. This budget deficit is a mix of gross revenue loss and a decline in expected reimbursement.

Most of the decline, equivalent to \$22.5 million, relates to lost revenue. The additional \$6 million is related to reimbursement being less than expected, as demonstrated with the decline in net to gross of 44.5% against a budget of 45.8%. Drivers of this decline in reimbursement are noted below.

- Deterioration of payer mix
- Reimbursement loss from OneCare participation

**Bridges - FY 2020 Approved Budget to FY 2020 Actual Results**

NPR/FPP	Total	% over/under
FY 20 Approved Budget	\$ 267,784,279	
Utilization	(22,582,716)	-79.2%
Reimbursement/Payer Mix	(6,230,116)	-21.8%
Bad Debt/Free Care	1,315,995	4.6%
Changes in DSH	72,536	0.3%
PMPM	(1,104,636)	-3.9%
FY 20 Actual Results	\$ 239,255,342	

### **Other Operating Revenue**

For the year, Other Operating Revenue was over budget \$24.2 million or 132%.

In Fiscal 2020, RRMC recognized \$21.2 million in Federal and State relief funds as other operation income. (See CARES Act & Other Programs)

State Stabilization Grant	\$	13,091,000
Provider Relief Funds (PRF)	\$	5,357,000
Hazard Pay Grant	\$	822,000
FEMA Grant	\$	758,000
Retention Credit	\$	528,000
DOL Self Insured Credit	\$	517,000
DCF Grant	\$	113,000
VAHHS Grant	\$	18,000
HPP Grant	\$	14,000
	\$	<u>21,218,000</u>

During Fiscal 2020, our 340B program generated \$12.7 million in other operation revenue, \$2.9 million more than budgeted expectations. Numerous manufacturers have begun to exempt contract pharmacies from participating in the 340B program for certain drugs. RRMC is impacted by the issue and expects to lose more than \$1.0 million a year.

### **Operating Expenses**

Salary expense was over budget \$2.2 million in Fiscal 2020. The entire variance is attributed to pay related to COVID and includes hazard pay and premium pay. In addition to our own employed staff, we faced significant temporary staffing costs which were a blend of more contracting staff and higher contract rates.

Other Operating Expenses were under budget \$2.2 million in Fiscal 2020. Although the decrease in patient volume resulted in a savings in surgical supply and pharmaceutical expenses, these savings were somewhat offset by increased spending to respond to COVID. This increased spending included personal protective equipment, testing services, pharmaceuticals, surge site preparedness and community-wide education and communication expenses.

During the year management decided to delay many capital projects which resulted in less depreciation.

### Bridges - FY 2020 Approved Budget to FY 2020 Actual Results

Expenses	Amount	% over/under
FY 20 Approved Budget	\$ 279,494,225	
Salaries	2,271,348	2.47%
Fringe Benefits	(303,142)	-1.10%
Physician Contracts	(37,565)	-0.11%
Contract Staffing	1,526,992	18.00%
Supplies	(5,599,168)	9.18%
Drugs (includes 340B and Retail)	1,426,420	6.50%
Depreciation	(635,077)	-4.80%
Interest	25,884	2.03%
Health Care Provider Tax	(473,782)	-2.99%
ACO Dues	(213,303)	-35.55%
COVID-19 Supplies	1,730,764	100.00%
Reference Lab COVID-19 Supplies	209,565	20.15%
FY 20 Actual Results	\$ 279,423,161	

#### **Non-Operating Revenue**

Total dividends and market value adjustments resulted in gains of \$13 million. This was over budget by \$6.4 million

#### **Operating Margin**

RRMC's Operating Margin for Fiscal 2020 was 1% against a budget of 2.5%.

#### **CARES Act & Other Programs**

RRMC received \$19.6 million in Federal CARES funds during Fiscal 2020. In accordance with regulatory and compliance guidelines in place on September 30, 2020, RRMC has recognized approximately \$5.3 million of these funds as Other Operating Income. The unrecognized amount of approximately \$14.3 million are recorded as unearned revenue on our balance sheet. RRMC has until June 2021 to justify additional recognition through continued lost revenues or eligible expenses. If by June 2021 RRMC has not justified the full amount, we will be required to repay the funds.

As part of the Health Care Provider Stabilization Grant Program, RRMC received \$13.0 million. These funds have been recorded as Other Operating Income.

During Fiscal 2020, RRMC requested \$25.0 million in accelerated Medicare payments as provided for in the CARES Act. This amount is included in current and long-term liabilities on

our balance sheet. RRMC anticipates Medicare will begin to recoup these fund in April 2021.  
The actual recoupment phase is anticipated to span 29 months.

Please feel free to call me if you have any questions or concerns regarding information relative to our 2020 performance and the binding budget process.

Sincerely,

A handwritten signature in cursive script that reads "Judi Fox".

Judi Fox  
Chief Financial Officer