Fiscal Year 2020 Budget

Rutland Regional
Medical Center

Introductions

- Claudio Fort, President
- Judi Fox, Chief Financial Officer
- Jeff McKee, PsyD, Vice President Community and Behavioral Health

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- Board of Trustee Members
- Executive Management Team

Rutland Regional Medical Center Overview

Independent, non-profit community hospital

Service Area = 60,000 patients

144 Inpatient Beds

7,105 Inpatient Admissions

33,193 Emergency Department Visits

1,900 Employees

258 Members on Medical Staff representing 37 Specialties

- Most specialty physicians employed by RRMC
- Most primary care providers employed by Community Health FQHC

Quality & Recognition

NATIONALLY RECOGNIZED
A
STRAIGHT A's 2016-2019
LEAPFROG HOSPITAL SAFETY GRADE

CAP ACCREDITED
COLLEGE of AMERICAN PATHOLOGISTS

BEST REGIONAL HOSPITALS
U.S.News & WORLD REPORT
CENTRAL VERMONT
RECOGNIZED IN 3 TYPES OF CARE
2018-19

U.S.News HIP REPLACEMENT
U.S.News HEART FAILURE
U.S.News KNEE REPLACEMENT

JOINT REPLACEMENT EXCELLENCE AWARD™ 2019
healthgrades.

TREATMENT OF CHRONIC OBSTRUCTIVE PULMONARY DISEASE FIVE-STAR RECIPIENT 2019 healthgrades.
TOTAL HIP REPLACEMENT FIVE-STAR RECIPIENT 2019 healthgrades.
TOTAL KNEE REPLACEMENT FIVE-STAR RECIPIENT 2019 healthgrades.

Advisory Board
WORKPLACE OF THE YEAR
2018 AWARD WINNER

THE JOINT COMMISSION
NATIONAL QUALITY APPROVAL

MAGNET RECOGNIZED
AMERICAN NURSES CREDENTIALING CENTER

AMERICAN COLLEGE OF RADIOLOGY
ACR AMERICAN COLLEGE OF RADIOLOGY
ACCREDITED FACILITY

HealthCare's most wired®
WINNER 2017

DESIGNATED
Lung Cancer Screening Center
AMERICAN COLLEGE OF RADIOLOGY

Commission on Cancer®
ACCREDITED PROGRAM

Rutland Regional Medical Center Overview

- History of compliance with GMCB budget orders
- Advancing healthcare reform in Rutland County
  - Leading community-wide effort to create a unified care management system
- Leaders in mental health and substance abuse services, only community hospital in the State that provides:
  - Level 1 (acute psychiatric) services
  - Medication assisted treatment (HUB) for opiate addiction through the West Ridge Center

Community Health Needs Assessment Priorities

Supporting an Aging Community

Housing

Childcare & Parenting

Mental Health

Overview: Budget Highlights

- Rutland Regional Medical Center's net patient revenue growth of **3.5%** has ***met the Green Mountain Care Board's*** growth target for 2020

- ***Requesting a 2.65%*** rate increase to cover reimbursement losses related to the underinsured
  - Increased reserve for Bad Debt & Free Care of $3.2 million

- Considering our 3 rate reductions, RRMC's ***5-year average annual rate*** increase has been less than 3%

- Our 2020 Budget demonstrates ***reasonable trends*** and is consistent with actual volume in 2019

- When available, reimbursement assumptions are ***based on proposed regulations*** from Medicare/Medicaid and commercial payer contracts

- Budget ***assumes OneCare risk*** participation for Medicaid FQHC population – estimated at ***7,800*** lives
  - Maximum Risk/Reward originally estimated at ***$600,000***, updated to ***$1.0 million*** in July 2019

- Our ***Cost Structure increases by only 2.2%*** from projected spending, demonstrating our commitment to cost reduction initiatives that are required to offset inflationary and labor management cost overrun challenges

Summary of Net Patient Service Changes

2019 Net Patient Service Revenue	**$258,721,000**
Growth:	
• Volume /mix `	$ 7,772,000
• Reimbursement (Medicare/Medicaid)	$ 1,061,000
• State psychiatric care	$ 1,319,000
• DSH	$ 79,000
• Rates 2.65%	$ 2,758,000
Reductions:	
• ACO withholds to fund care management	($ 722,000)
• Bad debt and free care (rates and volume)	($ 3,200,000)
2020 Net Patient Service Revenue	**$267,788,000**

FY20 Request (% change FY19B)	**3.5%**
FY20 Request (% change FY19P)	3.4%
Request is within budget guidance limit	

Rate Increase

Rate increase averages 2.65%

- Not "across the board" but consistent across all payers
- Lowered CT and MRI rates – *Benchmarked from "Act 53 Comparative Pricing"*
- Pharmaceutical and supply charges based on acquisition cost
- Restructured professional fees
- All Other charges increase by 4.25%

Hospital Issues: Access to "Appropriate" Care

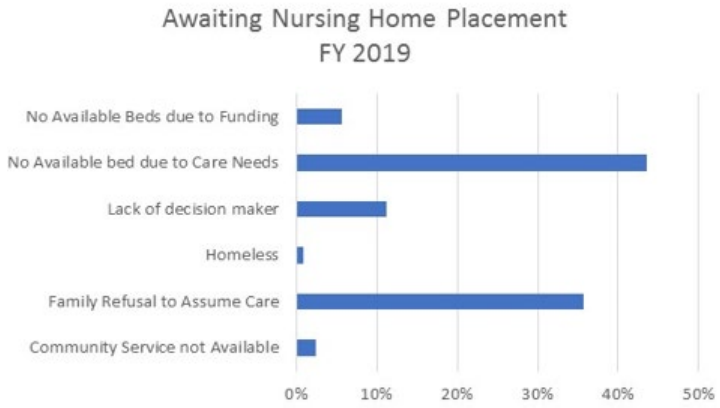
Mental Health

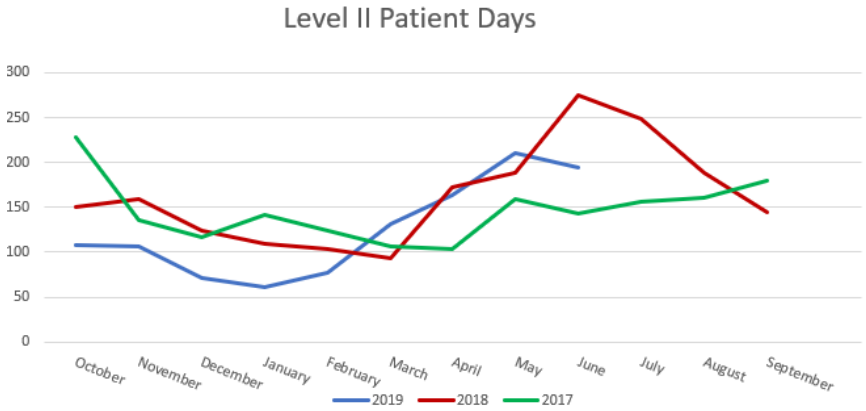
- 1,700 patients held in ED last year
  - 26,700 hours
- ***Over 6 years ED holds have increased 80%***

	FY2014	FY2015	FY2016	FY2017	FY2018	5-year Trend	% Change (2014-2018)
No. Holds	1305	1484	1499	1538	1702		30%
Average Holds/day	3.58	4.07	4.11	4.21	4.66		30%
Total Time (hours)	14850	19399	19192	23349	26677		80%
Total Time (days)	619	808	800	973	1112		80%
Average Holds (hrs)	11.4	13.1	12.8	15.2	15.67		38%
Min Hold (hours)	0.54	0.30	0.75	0.68	0.10		-81%
Max Hold (hours)	216	311	283	310	454		110%
Avg. No. Holds >8 hours	43	54	61	73	87		101%

Medical: Sub-Acute

1 of every 6 patients on our medical unit is sub-acute awaiting placement in the community





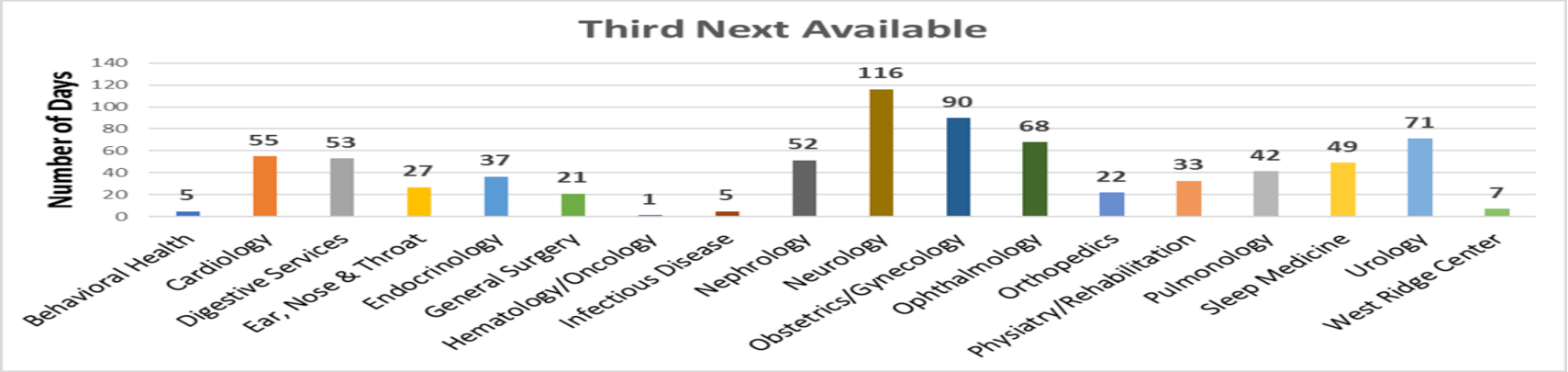
Hospital Issues: Access

Successful Recruitments:

- **Obstetrics/Gynecology:** Recruitment of a fifth physician (replaces retiring physician) started in July 2019
- **Neurology:** Single physician practice, recruitment of second physician started in July 2019

Continuing Recruitment Focus:

- **Urology:** Single physician practice with part-time APP. Recruitment in process that will require significant investment in robotic technology. Actively recruiting physician for the ***past 5 years***
- **Gastroenterology:** Upcoming retirement (1 of 2.5 physicians in Rutland) – nationally one of the hardest specialty practices to recruit
- **ENT:** Upcoming retirement (1 of 2 physicians in Rutland)



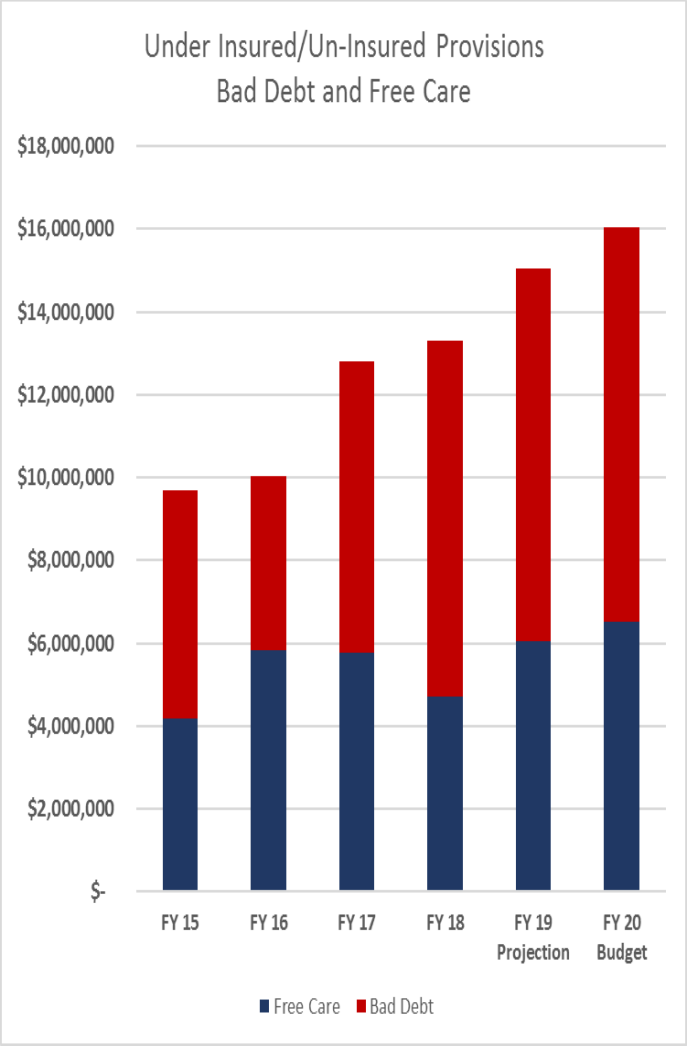
Hospital Issues: Accepting Risk

RRMC is accepting Risk for Medicaid patients without any reserve to support claims overruns

Challenges:

- RRMC ***does not employ primary care*** - collaborative care management is still in early stages
- ***Significant change in leadership*** in the Rutland HSA – FQHC (Community Health) CEO vacancy
- ***Lack of access to patient-level clinical data*** *to* ensure we are targeting patients that would benefit most from care management
- ***Building reserves*** to join all OneCare risk programs - $8.0 million of potential risk

Hospital Issues: Erosion of Commercial Insurance

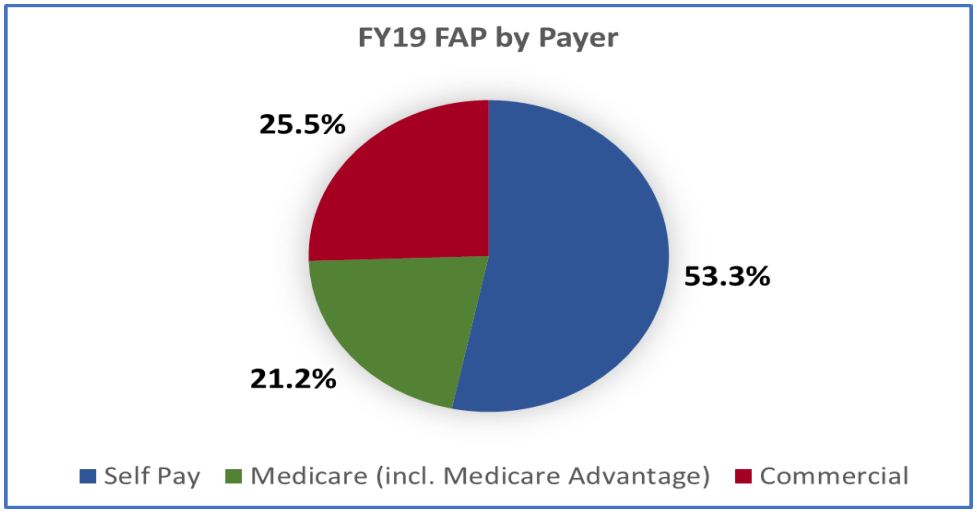


Reserve for Free Care and Uninsured has increased by $3.2 million

- 2.7% of gross revenue – consistent with our 2019 projection

Increasing due to patient inability to afford high deductible plans

- 66% of bad debt relate to encounters with insurance
- 46% of our free Care is provided to individuals who have insurance



Hospital Issues: Cost Structure Outpaces NPSR

Physician Cost

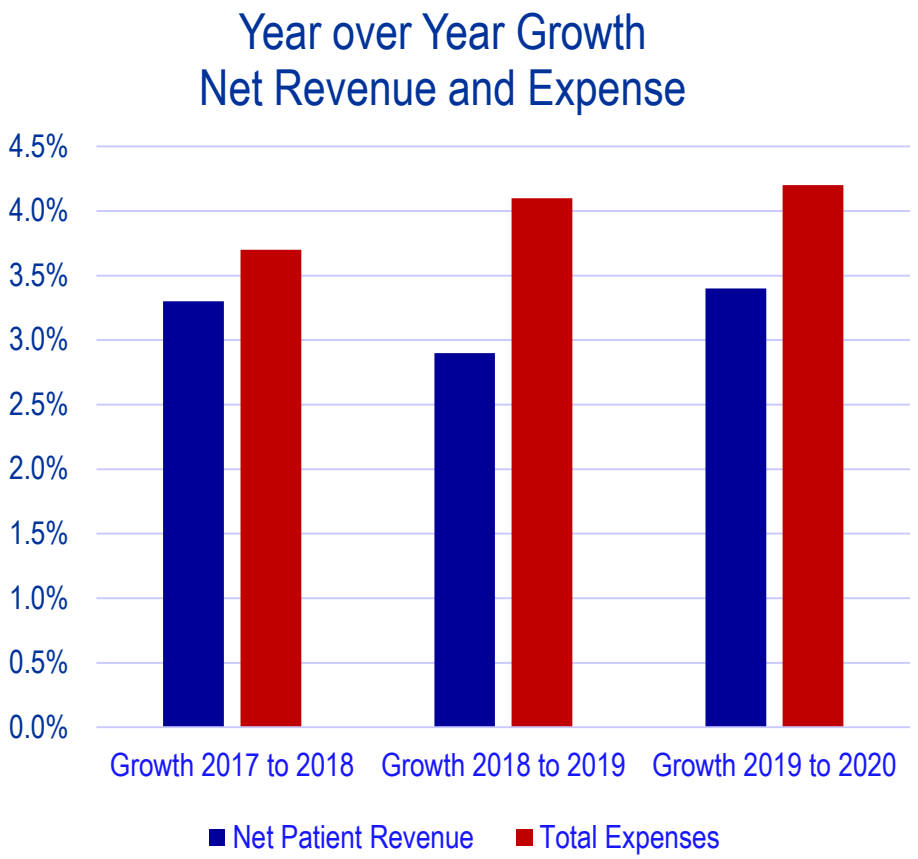
- Competitive recruitment and retention environment
- Long-term recruitment challenges
- Call and holiday coverage

Pharmaceutical Costs

- A mix of inflation and utilization
  - inflation targeted at 6%

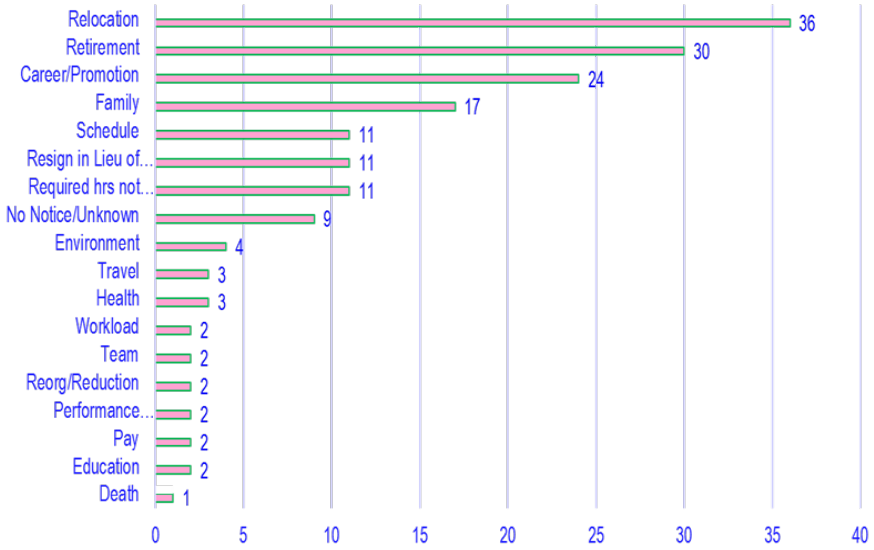
Labor Costs

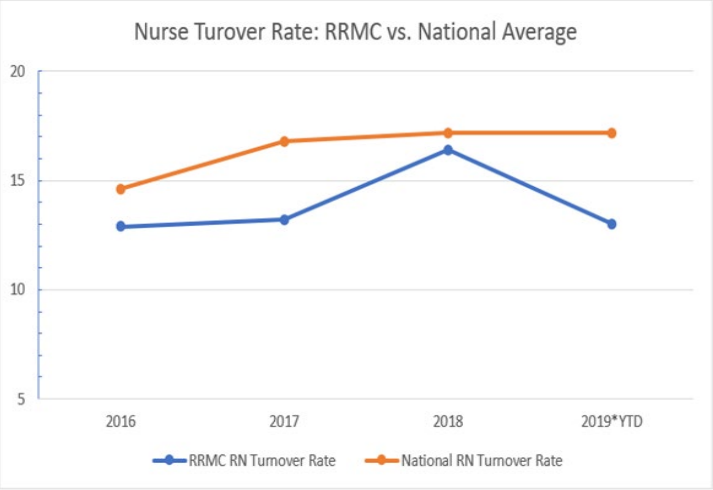
- Challenged to hire more staff than those terminating
- A mobile staff with ample employment options
- Competitive recruitment environment
- Reliance on travelers (25 in 2020 Budget)

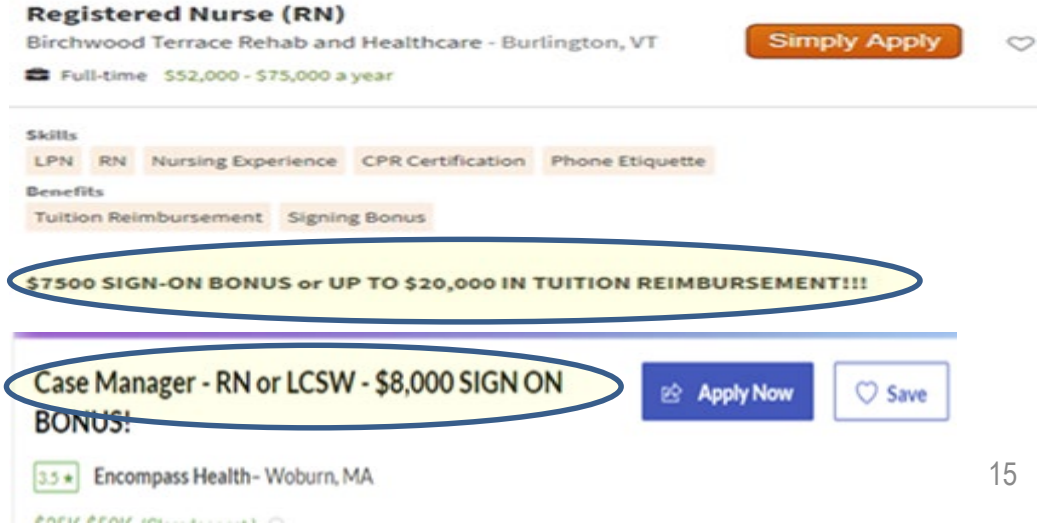


Hospital Issues: Nursing Recruitment

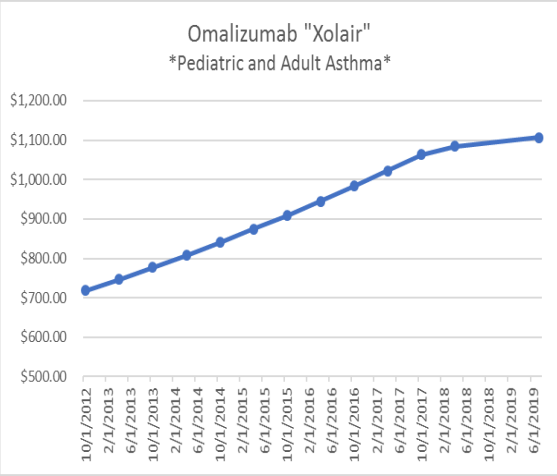
- Nurse turnover remains below the national average but increased significantly in 2018
- Aging workforce
- Mobile workforce with ample job opportunities
- Competitive recruitment environment that requires extended benefits and sign-on bonuses

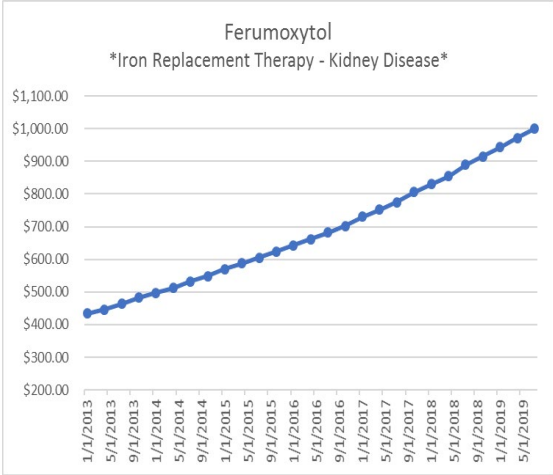






Hospital Issues: Pharmaceutical Inflation



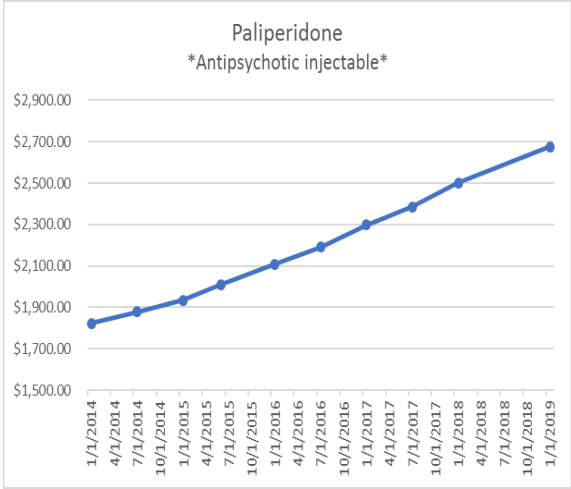


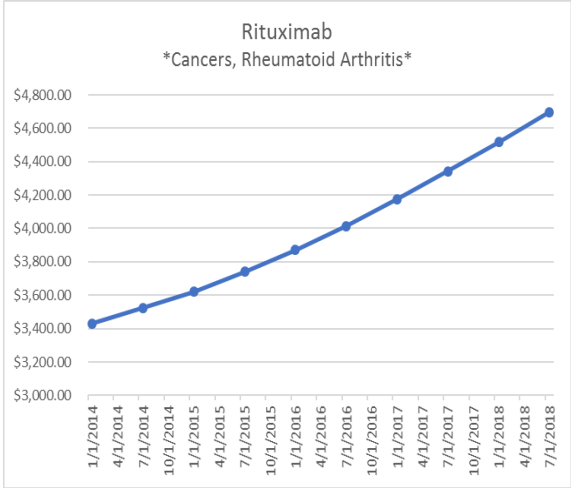
Pharmaceutical Inflation costs not supported by net patient revenue growth restrictions

Increased costs put further stress on "risk" based programs

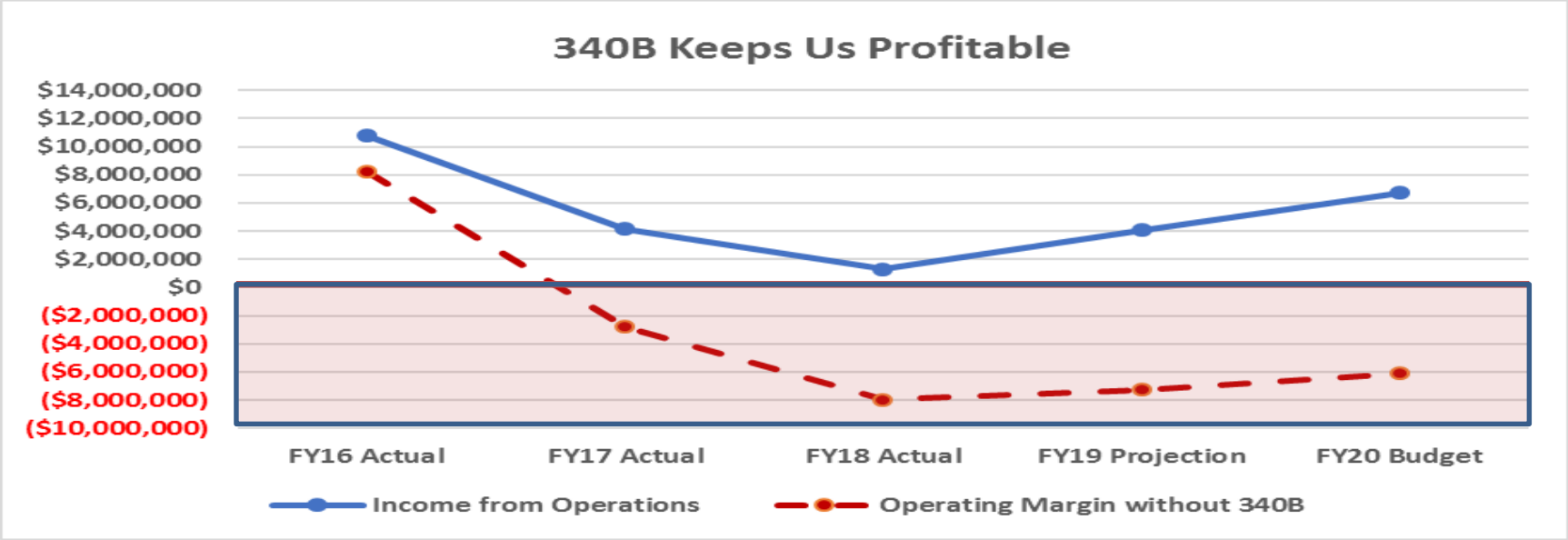
64% of our total pharmaceutical spend relates to the treatment of cancer related illnesses

- **Next generation drugs introduced at significantly higher costs**





Hospital Issues: Dependence on 340B



In 2018 RRMC would have had an ***$8.0 million*** operating loss without the 340b program

As budgeted in 2019 we would lose nearly ***$7.0 million***

With over $60 million of revenue budgeted Statewide in 2020, the 340B is a critical program in the ***sustainability*** of the Vermont Healthcare System

Challenged with numerous proposed Federal policies that could impact the viability of the program for Vermont

Opportunities

ACO:

- Developing informative data models and analysis
- Community health collaboration
- Care management to include other providers

Access to Care:

- Skilled nursing relationships
- Competitive edge to physician recruitment
- Telehealth/telemedicine
- Community mental health partnerships

Opportunities

Recruitment and Retention Strategies:

- Nurse residency program
- Baylor program to reduce on-call and overtime
- International staffing options
- Specialized bonuses for hard to fill positions / shifts
- Leveraging relationship with Castleton University BSN program
- Staff development:
  - supporting BSN degrees for current RNs,
  - LNA residency program - *growing LNAs to RNs*

Cost:

- Group purchasing alignment
- Greater integration with IT partners
- Introduction of biosimilars
- Continued advancement in data analytics for cost
  - procedural cost reviews with physician partnership

Balance Sheet

	2018A	2019B	2019P	2020B	PERCENT CHANGE 2018A - 2019P	2019B - 2020B	2019P - 2020B
CURRENT ASSETS							
TOTAL CURRENT ASSETS	$44,883,819	$36,360,788	$50,624,414	$48,886,739	12.8%	34.4%	-3.4%
TOTAL BOARD DESIGNATED ASSETS	$140,154,549	$136,214,205	$136,769,902	$143,314,955	-2.4%	5.2%	4.8%
TOTAL PROPERTY, PLANT AND EQUIPMENT, NET	$81,446,095	$110,729,023	$96,872,096	$106,084,571	18.9%	-4.2%	9.5%
OTHER LONG-TERM ASSETS	$8,989,819	$10,392,859	$9,826,986	$9,869,485	9.3%	-5.0%	0.4%
TOTAL ASSETS	**$275,474,282**	**$293,696,875**	**$294,093,398**	**$308,155,750**	**6.8%**	**4.9%**	**4.8%**
LIABILITIES AND FUND BALANCE							
TOTAL CURRENT LIABILITIES	$34,286,876	$28,805,833	$28,567,838	$25,941,152	-16.7%	-9.9%	-9.2%
TOTAL LONG-TERM DEBT	$34,462,038	$47,926,995	$48,917,282	$52,409,663	41.9%	9.4%	7.1%
OTHER NONCURRENT LIABILITIES	$5,697,136	$10,449,585	$4,395,574	$4,438,074	-22.8%	-57.5%	1.0%
TOTAL LIABILITIES	**$74,446,050**	**$87,182,413**	**$81,880,694**	**$82,788,889**	**10.0%**	**-5.0%**	**1.1%**
FUND BALANCE	$201,028,232	$206,514,462	$212,212,704	$225,366,861	5.6%	9.1%	6.2%
TOTAL LIABILITIES AND FUND BALANCE	**275,474,282**	**293,696,875**	**294,093,398**	**308,155,750**	**6.8%**	**4.9%**	**4.8%**

Strong Balance Sheet as evidenced by the high liquidity and low leverage

Statement of Cash Flows

	Budget 2020
Cash From Operations	
Excess Revenue Over Expense	$ 13,244,156
Depreciation/Amortization	$ 13,227,845
Pension Payments	$ (2,000,000)
Other Changes	$ (689,329)
Total	**$ 23,782,672**
Cash From Investing Activity	
Capital Purchases	$ (22,762,766)
Total	**$ (22,762,766)**
Financing Activity	
Prinicpal Payments	$ (2,014,745)
New Debt Issued	$ 5,102,905
Total	**$ 3,088,160**
Beginning Cash - 2019 Projection	$ 144,781,603
Net Increase/(Decrease) in Cash	$ 4,108,066
Ending Cash - 2020 Budget	$ 148,889,669
Cash	
Operating Cash	$ 6,703,502
Depreciation Reserve	$ 113,323,480
Bowse Funds	$ 2,414,538
Market Value Appreciation	$ 26,448,150
Total	$ 148,889,669

Primary Impacts to Cash:

Uses

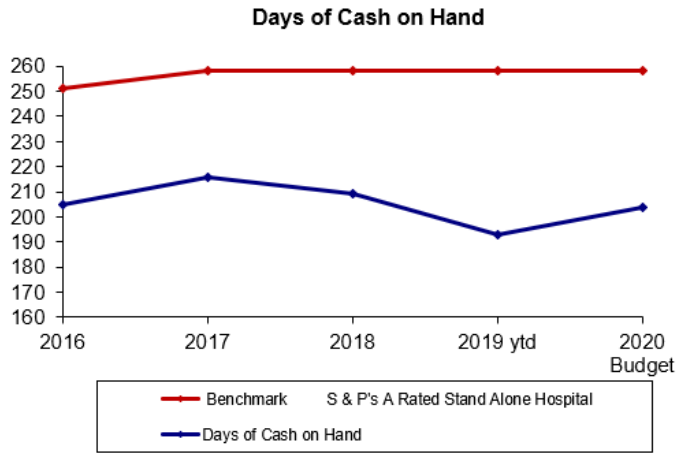
- Capital Plan *(net of depreciation)* - $9.5 million
- Pension Payments - $2.0 million
- Other Working Capital - $700,000

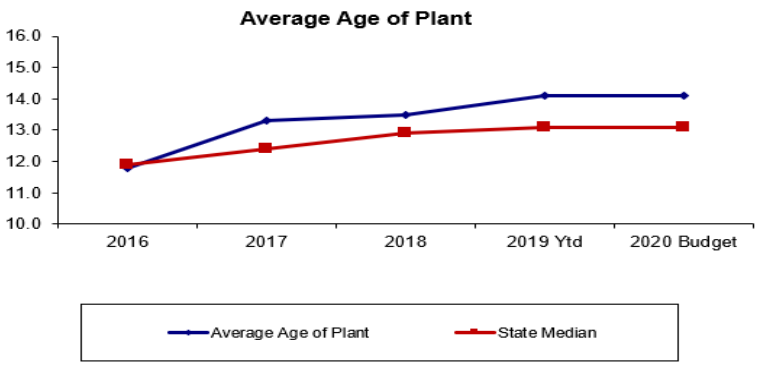
Sources

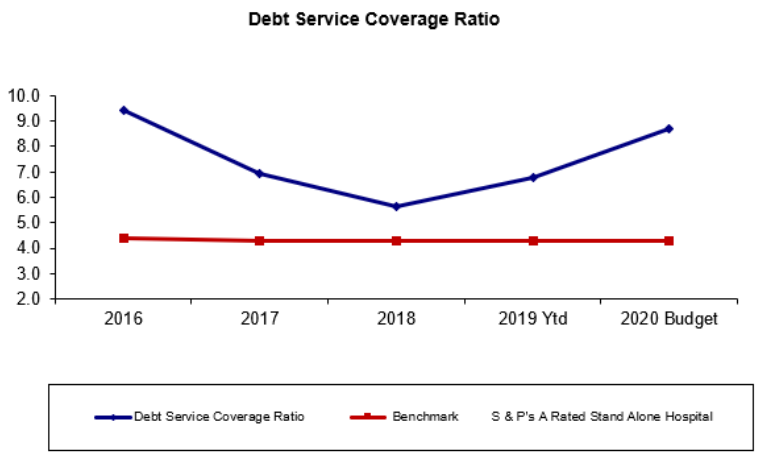
- 2.5% Operating Margin - $6.7 million
- Investment Return - $6.5 million
- Debt Issuance *(net of principal payments)* - $3.1 million

Cash flow obligations drive the requirement for the operating margin

Financial Metrics
Balance Sheet Strength







Capacity to take on additional debt but limited due to cash flow constraints

Days Cash on Hand is higher than the Vermont System Average but has ***continually decreased*** from 2017 to 2019 from 216 days to 188 days

Cash Balances are Critical

RRMC ***has not built*** any new reserves to take on additional risk for OneCare risk programs which could be as much as $8 million when Medicare and Blue Cross are considered

Age of Buildings and Equipment ***higher than State Vermont System Average (RRMC 14.1 - State 12.8)*** however planned investments will help to reduce the age

Budget Summary

	FY18 Actual	FY19 Budget	FY19 Projection	FY20 Budget	Percentage of Change: Actual to Projection	Percentage of Change: Budget to Budget to	Percentage of Change: Projection to Budget
OPERATING REVENUE							
Net Patient Service Revenue w. FPP	$ 254,235,027	$ 258,721,013	$ 259,079,184	$ 267,787,827	1.91%	3.50%	3.36%
Other Operating Revenue	$ 15,182,291	$ 15,699,413	$ 18,461,158	$ 18,405,876	21.60%	17.24%	-0.30%
Total Operating Revenue	$ 269,417,318	$ 274,420,426	$ 277,540,342	$ 286,193,703	3.02%	4.29%	3.12%
OPERATING EXPENSES							
Total Salaries (Physician & Staff)	$ 120,900,090	$ 121,422,977	$ 123,033,711	$ 125,864,825	1.76%	3.66%	2.30%
Total All Other Expenses	$ 147,219,976	$ 146,796,321	$ 150,435,395	$ 153,629,775	2.18%	4.66%	2.12%
Total Operating Expense	$ 268,120,066	$ 268,219,298	$ 273,469,106	$ 279,494,600	2.00%	4.20%	2.20%
INCOME FROM OPERATIONS	$ 1,297,252	$ 6,201,128	$ 4,071,236	$ 6,699,103	213.84%	8.03%	64.55%
Total Non Operating Revenue	$ 10,592,382	$ 5,939,237	$ 6,146,261	$ 6,545,053	-41.97%	10.20%	6.49%
Excess Revenue Over Expenses	$ 11,889,634	$ 12,140,365	$ 10,217,497	$ 13,244,156	-14.06%	9.09%	29.62%

Summary

3.5% Net Patient Service Revenue – met GMCB requirements

- 2020 volume consistent with 2019 projections
- Includes ACO programmatic revenue/costs (fixed payments, population health and care management withholds)

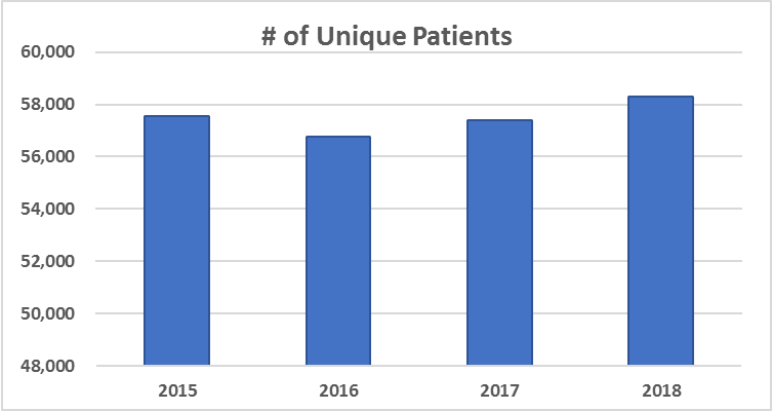
4.2% Expense Growth

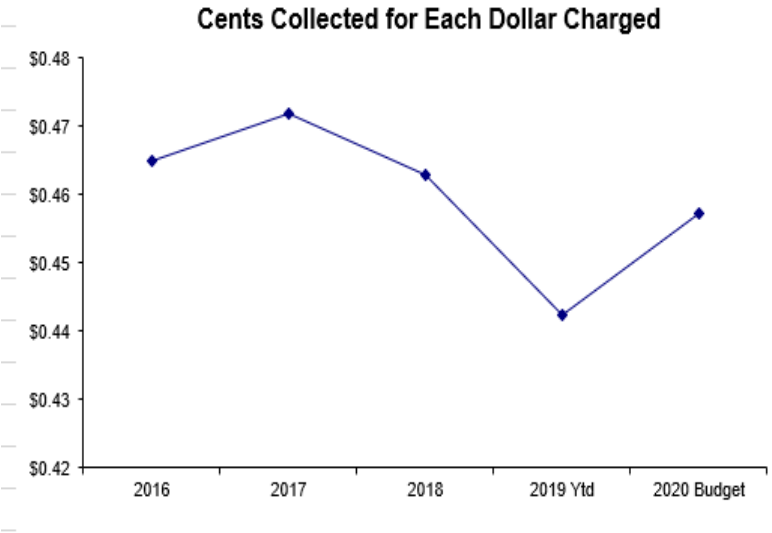
- Total salary adjustments (cost of living and recruitment) 3.75%, Pharmaceuticals 6%, 25 RN travelers
- Offset by $4.0 million in cost reductions

2.5% Operating Margin

- Over the last 3 years underperformed in meeting the operating margin
  - investment gains have mitigated operating loss

Financial Metrics
Operating Performance





Volume has been ***consistent***

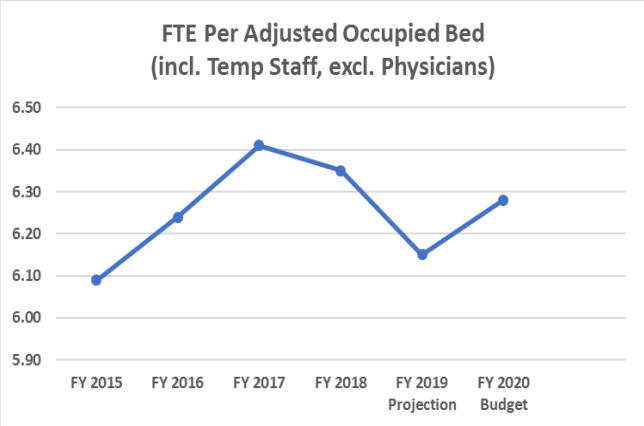
Collection rate has demonstrated a ***deterioration and downward trend***

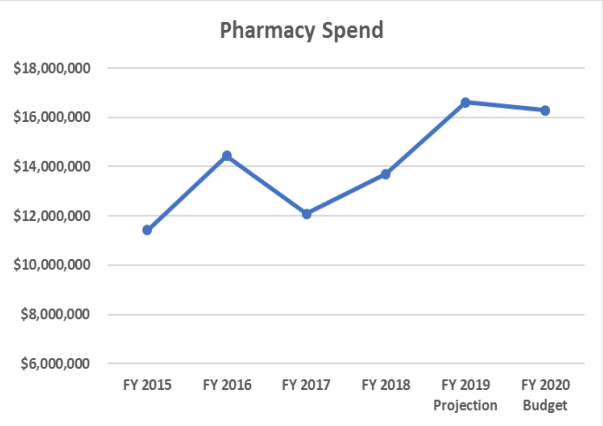
On average RRMC ***collects 45 cents*** for every dollar billed

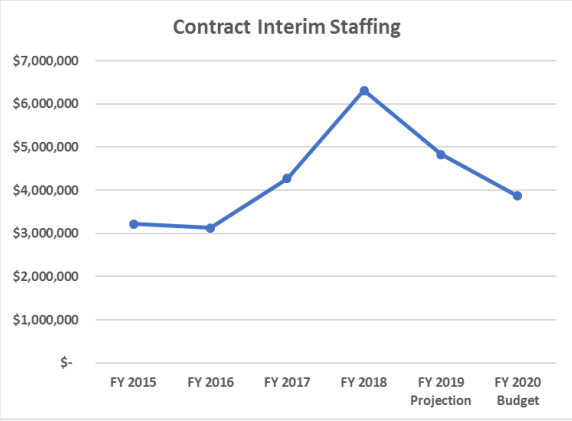
The ***deterioration of commercial payments*** is the driver of the reduction in reimbursement

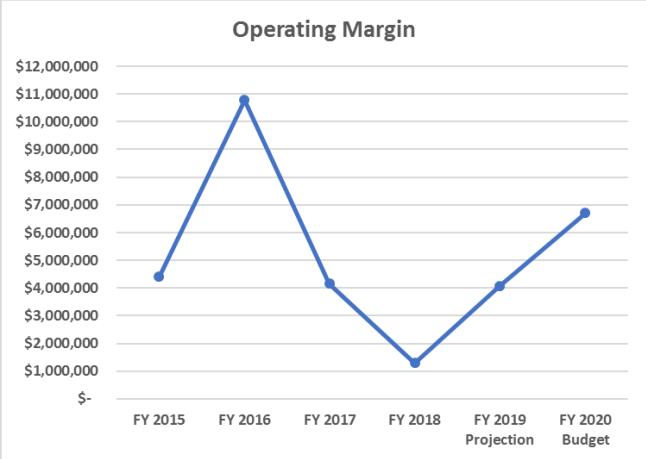
Changes in commercial rates are ***less effective*** as the net dollar value of each percent change in rates continues to decline

Financial Metrics
Costs and Margins









Productivity is well managed and below budgeted expectations which demonstrates ability to flex to volume

Premium pay remains an issue demonstrated with the heightened need for contract staffing

- cost of each contract staff averages twice that of an employed staff

Pharmaceutical spend ***continues to grow*** a result of inflation and new high cost drugs to market

The result… ***operating margin deficits*** from budget, in 6 of the last 12 months RRMC has underperformed its operating margin budget

However, RRMC ***continues to generate an operating profit***, only one of six hospitals to do so in 2018

What's Net Patient Service Revenue Growth Supporting?

Allowed 3.5% Growth – Volume / Reimbursement	$ 9,066,000	
Growth of Other Operating Revenue	$ 2,706,000	
Total Growth to Support Expenses	$11,772,000	
Physician Costs	$ 2,318,000	- 7% increase
Staffing (Rates and FTEs)	$ 2,123,000	- 2.3% increase
Temporary Staffing (Premium Only)	$ 943,000	- 96% increase
Pharmaceuticals (Utilization and Pricing)	$ 4,210,000	- 32% increase
All Other	$ 1,680,000	- 1% increase
Margin	$ 498,000	- 2.5% margin
	$11,772,000	

Cost Containment - $4.0 million

Position Eliminations	$1,800,000	
Pharmaceuticals	$1,000,000	Northeast Purchasing Coalition, Vizient, 340B Medicaid carve-in
Supplies / Other	$518,000	Northeast Purchasing Coalition, Vizient
Fiscal Services and Administration	$387,000	IT efficiency, transcription, project management
Discretionary Spending	$295,000	

Northeast Purchasing Coalition LLC, a Vizient member owned network

Through the aggregation of purchasing volume and the ability to collectively and quickly move market-share, through contracting and/or utilization initiatives, NPC can realize discounts for members beyond what would be possible individually.

Pharmacy Operations Committee Initiative examples:	Supplies / Operations Committee Initiative examples:
Biosimilar (Udencya for Neulasta) - Savings of $360,000	Medical supplies: (Phlebotomy, GI/Endo) Savings: $131,000
Pharmacy distribution/wholesaler (additional discount reduction) – Savings $50,000	Administrative: (Freight, Rebates, Contract Fees) – Savings $169,000
Miscellaneous contracting (vaccines, sterile compounds) – Savings $24,000	Surgical implants – Savings $244,000
340B Medicaid carve in – Savings $500,000 - $750,000	

Budget Impact of ACO Risk

Budget 2020 Assumptions:

- Assumes continued participation in OneCare Medicaid program – 7,800 attributable beneficiaries and UVMMC Self-Insured
  - Maximum risk of approximately $1.0 million (updated in July 2019)
- Will consider self-insured risk agreement for RRMC employees and beneficiaries if OneCare offers a program
- Deferral of the OneCare Medicare risk contract this year
  - There has been a significant leadership change in the Community Health (FQHC), the predominant provider of primary care services in our health service area
  - Continue to build capacity of data analytics and care coordination infrastructure necessary for successful management of additional risk

Direct Impact of ACO on Hospital Financial Performance:

Monthly fixed payment	$ 12,335,000	
Less:		
Fee for service rate	$ 11,336,000	
Withholds to fund care management	$ 722,000	
ACO admin expense	$ 600,000	
Estimated risk	$ 145,000	
Net Impact of ACO (Loss)	$ 468,000	Negative impact to RRMC

ACO – Current Performance

- Rutland HSA attribution of 7,800 Medicaid patients and receives approximately $1.0 million each month to provide for their care

- As of June, our performance in the ACO has impacted (reduced) our operating margin by $809,000, as follows:

  - Net Revenue Withheld to pay Primary Care - Care Management payments $339,000
  - ACO Administrative Fees $277,000
  - Difference in Care Provided: Fixed payments versus fee for service $193,000

- This information ***only reflects RRMC utilization -*** just beginning to get data on service area spend
  - Have not booked an estimated risk payment in 2019

- Originally our maximum risk was limited to $600,000 in calendar year 2019. As of July 2019 the Medicaid Risk sharing addendum raised our risk to $978,000

Health Service Area Cost & Utilization

Finding: ***While Rutland understands that cost of providing care to the Medicaid population is reported to be more expensive than other service areas the drivers of the cost remains unclear. We need to understand the impacts of:***

- The State Psychiatric Inpatient Unit: long-length of stays
- Opiate addiction treatment through our West Ridge Center
- The underlying data that this information is based on is limited
  - Only includes one-month of RRMC's participation in OneCare's Medicaid risk program (January 2019)

Strategies to support the State's goal of limiting the total cost of care:

- Organizational data strategy to advance population health analytics
- Community-wide care collaborative
- Focus on emergency room utilization
- RRMC and Community Health joint management practices
  - Medical Director of population health
  - ACO reporting and financial management
  - Care management
  - Development of a shared care plan

Reconciliation of Fiscal 2019 Approved Budget to Projection

OPERATING REVENUE	FY19 Budget	FY19 Projection	Variance	% of Variance
Net Patient Revenue w. FPP	$ 258,721,013	$ 259,079,184	$ 358,171	0.1%
Other Operating Revenue	$ 15,699,413	$ 18,461,158	$ 2,761,745	17.6%
Total Operating Revenue	$ 274,420,426	$ 277,540,342	$ 3,119,916	1.1%
OPERATING EXPENSES				
Total Salaries (Physician and Staff)	$ 121,422,977	$ 123,033,711	$ 1,610,734	1.3%
Total All Other Expenses	$ 146,796,321	$ 150,435,395	$ 3,639,074	2.5%
Total Operating Expense	$ 268,219,298	$ 273,469,106	$ 5,249,808	2.0%
INCOME FROM OPERATIONS	$ 6,201,128	$ 4,071,236	$ (2,129,892)	-34.3%
Total Non Operating Revenue	$ 5,939,237	$ 6,146,261	$ 207,024	3.5%
Excess Revenue Over Expenses	$ 12,140,365	$ 10,217,497	$ (1,922,868)	-15.8%
Operating Margin	2.40%	1.57%		

Summary:

RRMC projects to meet the net revenue target – less than $360,000 variance

- Offsetting performance: stronger outpatient volume mitigated by increased need to reserve for bad debt and free care

Expenses are projected to be $5.2 million more than budget

- Driven by ***temporary staff and pharmaceuticals***

Due to the significance of expense overruns RRMC will not meet its projected operating margin

- Operating margin is projected to be 1.6%, under budget by $2.1 million

Building and Infrastructure

Master facility plan in progress with phase one results to be delivered in August

Considering three large building/infrastructure projects over next four years

Waiting for master facility planning findings

- Lab automation
- Inpatient room capacity and efficiencies
- Operating Room Renovations

Included in 2020 capital planning budget

- Replacement of MRI – CoN to be submitted in October

Active projects (2019/2020)

- Medical Office Building
- Replacement of CT
- Foley Cancer Center renovations
- Inpatient psychiatric care – ligature risks

Capital Targets

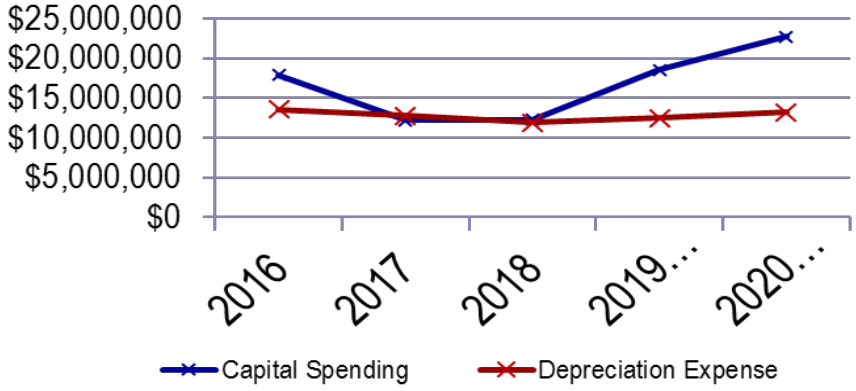
- Depreciation Expense is $13.2 million
- Goal to spend at least 1.2X our depreciation expense

2020 Capital Spending - Approved

- Routine capital funded by equity $10.5 million
- CoNs funded by equity $6.6 million
- CoNs funded by endowment $550,000
- CoNs funded by debt $5.1 million

5-year spending

- $83.8 million



2020 Capital Investments

Routine Capital		Spending in FY 2020
Chiller Plant Upgrade	$	2,589,678
AHU 3 Replacement	$	1,229,175
West Street Data Center Generator, UPS & Cooling	$	679,957
Multi Purpose Imaging with Digital Mobile Super C-Arm Replacement	$	307,800
Roof Replacement - 5B	$	275,000
Network Equipment Replacement - Core and Distribution Layer	$	268,330
ICU Ventilator Replacement & Bernoulli Workstation	$	260,641
Upgrade Parking Areas supported by South Storm Pond	$	35,000
Miscellaneous Capital (Items < $250,000 each)	$	2,537,042
Contingency	$	2,000,000
IT Roadmap	$	350,000
Total Routine Capital Budget FY 2020	**$**	**10,532,623**
CoNs		
Medical Office Building & Loading Dock - Approved		$5,102,905
MRI Replacement - Unapproved	$	3,059,885
Renovations & Substantial Remediations to Remedy Ligature Risks - Unapproved	$	4,067,353
Total CoN Capital Budget FY2020	**$**	**12,230,143**
Total Capital Budget	**$**	**22,762,766**

4-Year Forecast

	FY 2018 Actual (draft)	FY 2019 Budget	FY 2019 Updated Budget	FY 2020 Projection	FY 2021 Projection	FY 2022 Projection
Income Requirement for a 2.5% Operating Margi	6,333,082	6,468,008	6,517,693	6,700,189	6,887,794	7,080,652
Net Operating Revenue Projected in Proforma	499,520	6,199,107	4,840,165	3,151,954	1,052,722	(1,086,193)
Income/Margin Shortfall	$ (5,833,562)	$ (268,901)	$ (1,677,528)	$ (3,548,234)	$ (5,835,072)	$ (8,166,845)
Cost Reductions Target by Year						
2019 Cost Reductions		$ 268,901	$ 1,677,528	$ 1,677,528	$ 1,677,528	$ 1,677,528
2020 Cost Reductions				$ 1,870,706	$ 1,870,706	$ 1,870,706
2021 Cost Reductions					$ 2,286,838	$ 2,286,838
2022 Cost Reductions						$ 2,331,773
Accumulated Cost Reduction Targets	$ -	$ 268,901	$ 1,677,528	$ 3,548,234	$ 5,835,072	$ 8,166,845
	0.2%	2.5%	2.5%	2.5%	2.5%	2.5%

Fixed net revenue growth rates without inflationary relief drives the operating margin to decline year-over-year

Fixed net revenue targets require savings ranging from $1.6 to $2.3 million each year

Projections do not include any build of reserve to support risk-based contacts

Cost reductions assume savings are held each year

Additional/new expenses will need to be offset by increased cost reductions

Compliance with Budget Orders: Certificate of Need

Upgrade Air Handling Unit, Project Cost: $5,673,532

Status:

- ✓ *Closed: under budget by $388,000*

Replacement of Nuclear Medicine Camera, Project Cost: $2,840,596

Status:

- ➢ *Anticipated completion date of September 2019*
- ➢ *Total spent to date: $2,445,000, projected to be under budget*

Medical Office Building, Loading Dock and VOC Renovations, Project Cost: $23.7 million

Status:

- ➢ *Work began in April 2019 with a projected completion day of March 2021*
- ➢ *Total spent to date: $2,332,000*

GE Revolution CT Scanner Replacement, Project Cost: $2,024,027

Status:

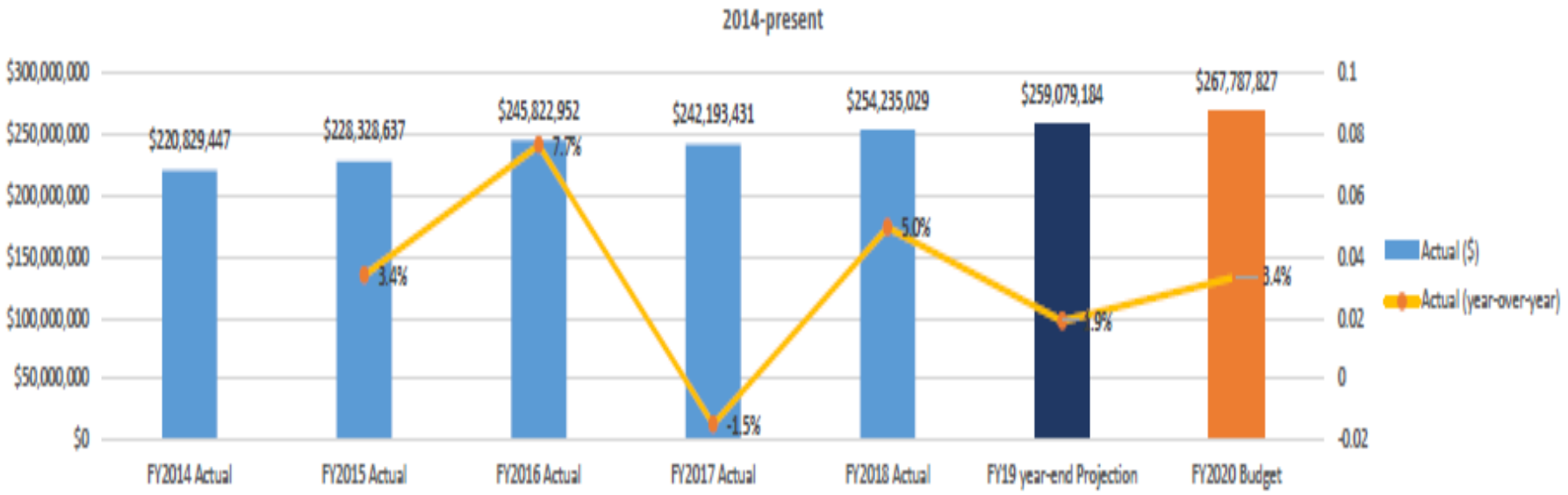
- ➢ *Expected to conclude work in August 2019*
- ➢ *Total spent to date: $64,5006*

Psychiatric Unit Renovations, Estimated Project Cost: $4,067,353

Status:

- ➢ *Expected to begin in the Fall of 2019*

Compliance with Budget Orders: Net Patient Service Revenue



RRMC's 5-year average is 3.6% and below the system average of 3.8%

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