



**Green Mountain Care Board**  
Budget Adjustment Hearing  
March 17, 2022



# 2022 Forecast

	Fiscal 2021 Actual	Fiscal 2022 Projected	2022 Projected w/ rate increase	Fiscal 2022 Budget
<b>OPERATING REVENUE</b>				
Inpatient Routine Revenue	\$81,394,264	\$96,778,243	\$96,778,243	\$90,415,758
Inpatient Ancillary Revenue	127,402,598	\$140,997,421	\$145,713,703	131,154,365
Outpatient Revenue	429,039,413	\$459,766,330	\$486,809,954	418,268,510
<b>TOTAL PATIENT SERVICE REVENUE</b>	<b>\$637,836,275</b>	<b>\$697,541,994</b>	<b>\$729,301,900</b>	<b>\$639,838,633</b>
Total Allowances	\$354,995,504	\$390,310,077	\$414,208,496	\$361,822,542
Provision for Uninsured	\$10,635,039	\$10,294,769	\$10,994,256	\$9,876,429
Medicaid DPS	(\$3,346,115)	(\$3,399,846)	(\$3,604,622)	(\$3,435,517)
Net Allowances	\$362,284,428	\$397,205,000	\$421,598,130	\$368,263,454
<b>NET PATIENT SERVICE REVENUE</b>	<b>\$275,551,847</b>	<b>\$300,336,994</b>	<b>\$307,703,770</b>	<b>\$271,575,179</b>
<b>Fixed Prospective Payment</b>	<b>\$456,369</b>	<b>(\$736,057)</b>	<b>(\$736,057)</b>	<b>(\$1,213,808)</b>
Other Operating Revenue	\$21,000,906	\$21,063,435	\$21,063,435	\$20,745,734
COVID Funding	\$14,346,776	\$7,406,612	\$7,406,612	\$0
<b>Total Other Operating Revenue</b>	<b>\$35,347,682</b>	<b>\$28,470,047</b>	<b>\$28,470,047</b>	<b>\$20,745,734</b>
<b>TOTAL OPERATING REVENUE</b>	<b>\$311,355,898</b>	<b>\$328,070,984</b>	<b>\$335,437,760</b>	<b>\$291,107,105</b>
<b>OPERATING EXPENSES:</b>				
Salaries & Payments to Physicians	\$35,560,913	\$37,808,261	\$37,808,261	\$34,314,275
Salaries - Other	\$97,665,678	\$113,500,781	\$113,500,781	\$95,658,732
Supplies & Expense	\$141,604,505	\$152,560,520	\$152,560,520	\$130,673,919
Medicaid Tax Assessment	\$15,739,721	\$17,574,079	\$17,574,079	\$16,064,517
Provision for Depreciation	\$12,633,291	\$12,712,259	\$12,712,259	\$12,712,258
Interest & Other Bond Expense	\$1,181,728	\$1,469,175	\$1,469,175	\$1,562,040
<b>TOTAL OPERATING EXPENSES</b>	<b>\$304,385,836</b>	<b>\$335,625,075</b>	<b>\$335,625,075</b>	<b>\$290,985,741</b>
<b>EXCESS OPERATING REVENUE</b>	<b>\$6,970,062</b>	<b>(\$7,554,091)</b>	<b>(\$187,315)</b>	<b>\$121,364</b>
<b>NET REVENUE TO GROSS REVENUE</b>	<b>43.20%</b>	<b>43.1%</b>	<b>42.2%</b>	<b>42.4%</b>
<b>NET PROFIT FROM OPERATIONS</b>	<b>2.5%</b>	<b>(2.5%)</b>	<b>(0.1%)</b>	<b>0.0%</b>

Projected operating loss due almost entirely to significant increases in labor costs



# 2022 Forecast

<b>Major Drivers of Deficit</b>	
<b>Increased Utilization</b>	
Utilization	\$ 28,800,000
COVID Funding	\$ 7,400,000
<b>Total Revenue</b>	<b>\$ 36,200,000</b>
<b>Increased Staffing Related Expenses</b>	
Temporary Staffing	\$ 11,600,000
Base Rates and Minimum Wage	\$ 4,200,000
Incentive Plans	\$ 16,300,000
Fringe Benefits	\$ 2,900,000
<b>Total Staffing Expense</b>	<b>\$ 35,000,000</b>
<b>Increased Other Expense</b>	
Pharmaceutical/Supply	\$ 3,200,000
Medicaid Tax	\$ 1,500,000
COVID Response	\$ 3,800,000
All Other	\$ 250,000
<b>Total Other Expense</b>	<b>\$ 8,750,000</b>
<b>Total Deficit</b>	<b>\$ (7,550,000)</b>

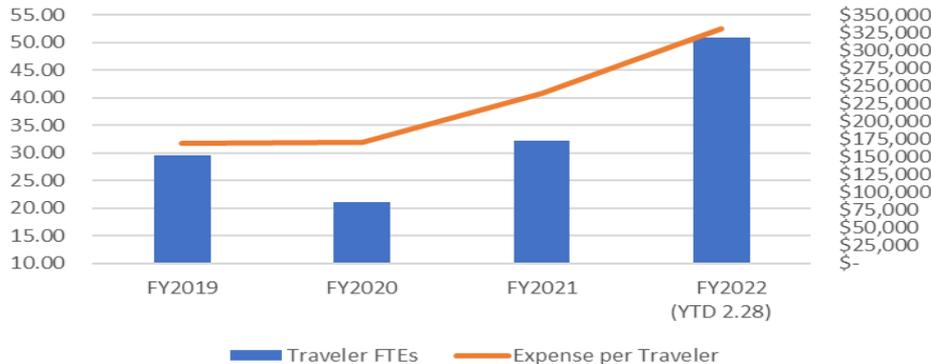
COVID funding is exhausted but inflationary pressures continue

Increases in staffing costs equate to a 27% increase over expected budgets

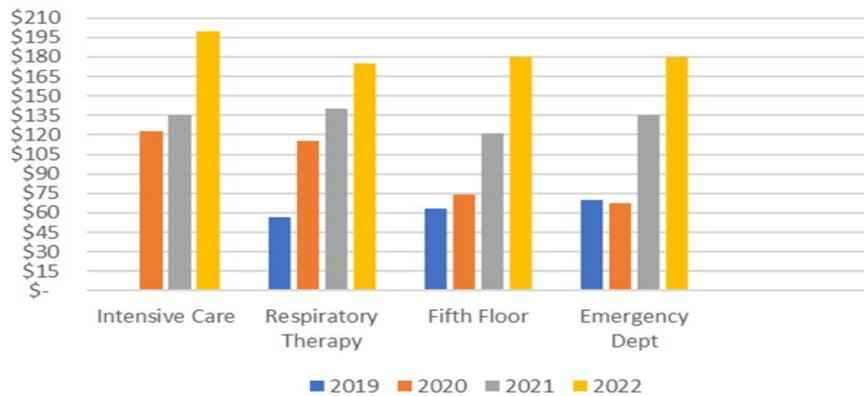


# Impact of Travelers

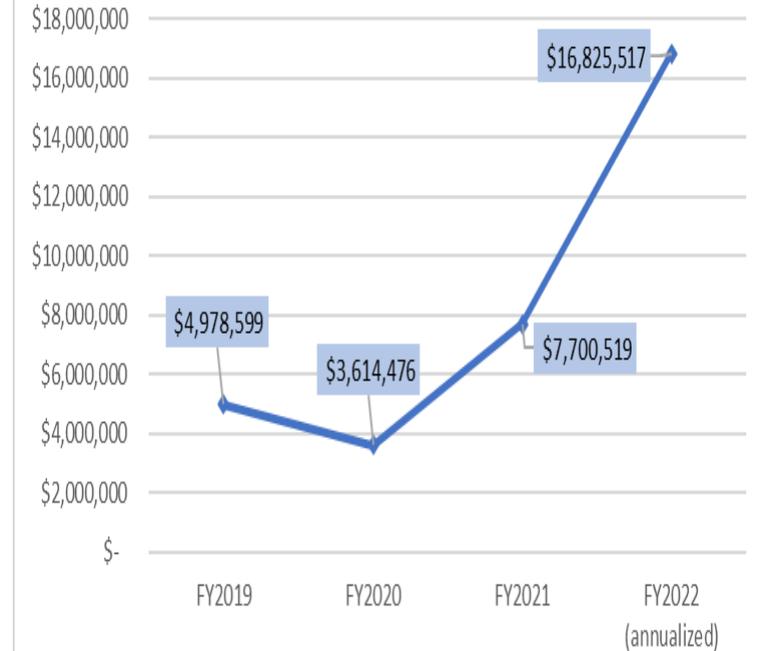
Traveling Staff Expense



Travler Rates of Pay



Traveler Expense

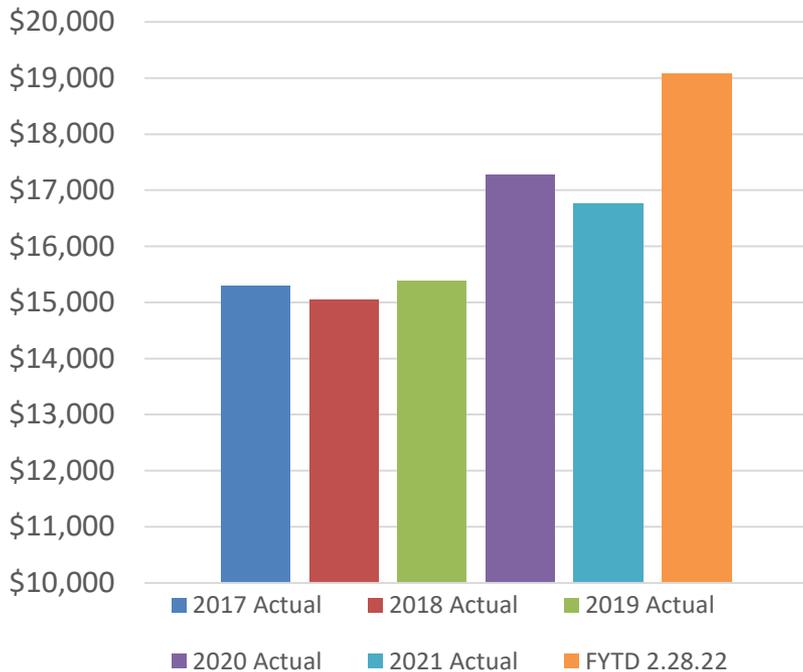


Temporary staffing rates have increased 250% to 300% since 2019

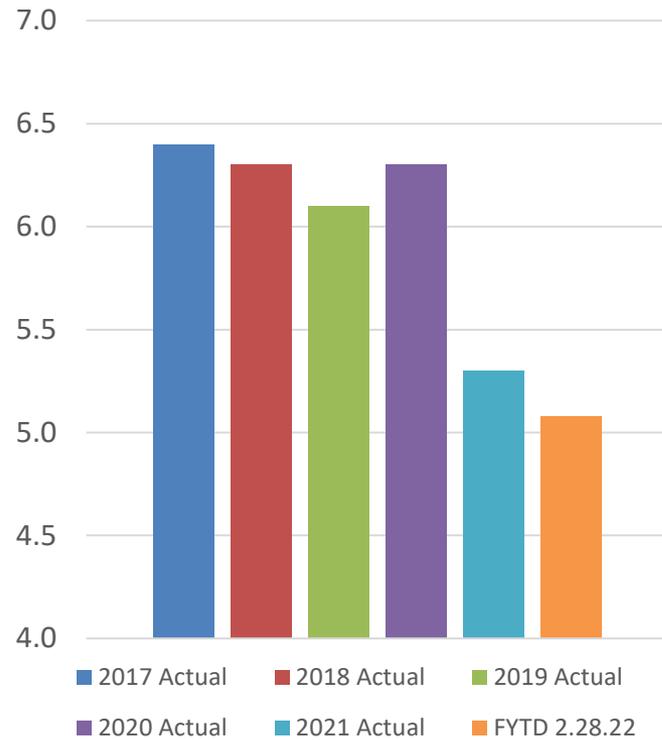


# Inflation Driving Total Expenses

### Expense Per Adjusted Discharge Including Proposed Reductions



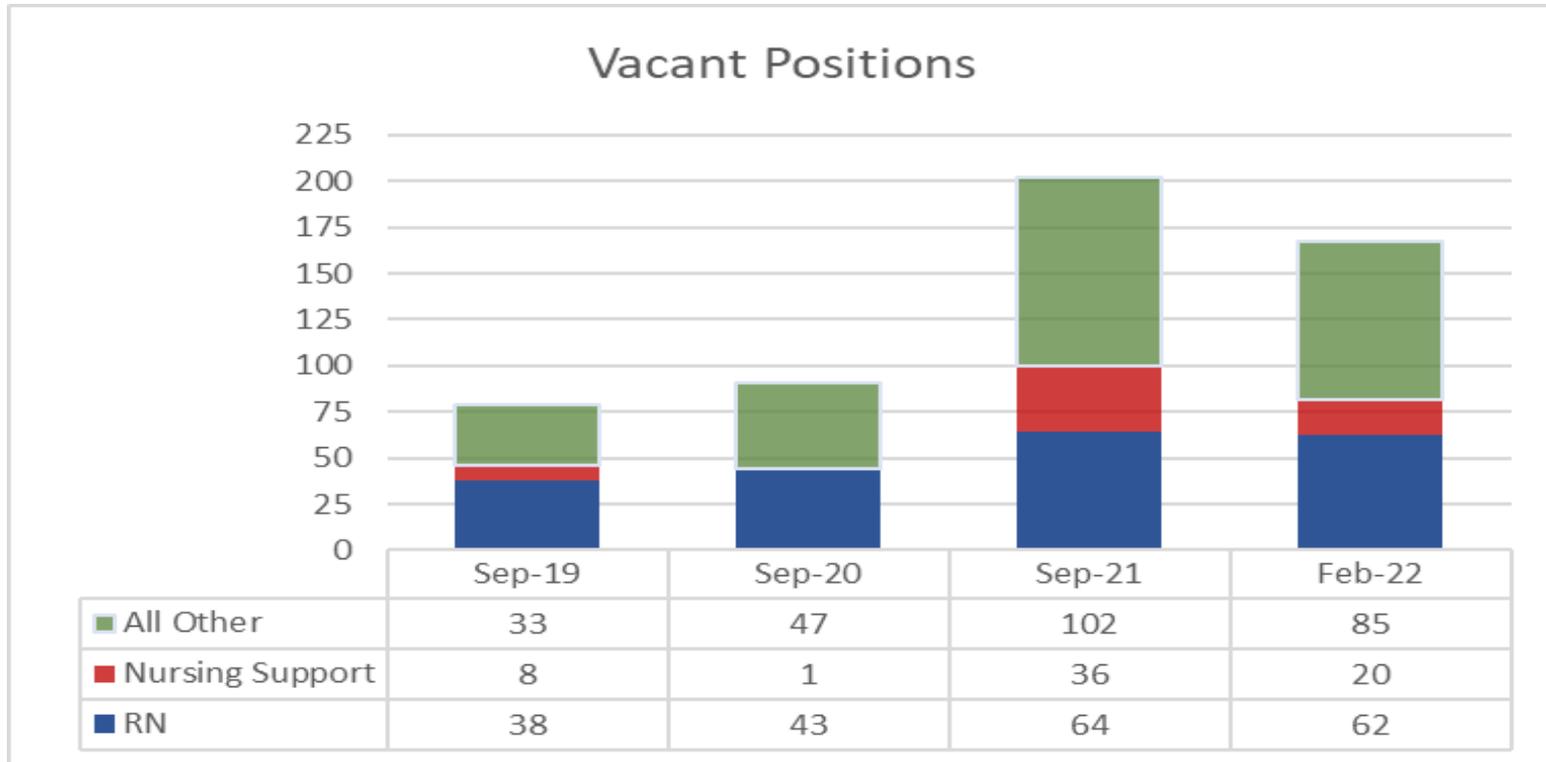
### FTEs Per Adjusted Occupied Bed



Expense growth relates to inflationary pressures and not a decrease in productivity



# Retention & Recruitment Challenges



Despite substantial investments in compensation plans recruiting and retaining staff continues to be our most significant operational challenge



# Recruitment Strategies

- **Stafford Technical Center**

- High School Program
  - Increase the number of STC high school interns
  - Offer a summer on-site program for HS students
- Adult Education Program:
  - Dedicated classroom space on-site
  - Hold three adult education LNA courses per year, provide on-site classroom space
  - Support RRMC employees with full tuition cost



- **Vermont Technical Center**

- Support a joint-appointment role for RRMC nurses that serve as faculty
- Increase in available clinical experiences for VTC students
- Create a dedicated classroom space on-site to expand the VTC cohort



- **Castleton University**

- Joint-appointment role for RRMC nurses that serve as faculty
  - Three RRMC nurses as clinical faculty (10 hours/week)
  - Two RRMC nurses as clinical instructors (16 hours/week)
- Increase in available clinical experiences for CU students



21 New Grad RNs will join us this Spring/Summer



# Recruitment Strategies

## Promoting Learning By Activating Community Engagement (PLACE)

- Rutland High School internships
- Weekly shadow experiences at RRMCC
- RRMCC Nursing provides mentorship to work toward learning goals, discuss career planning, and receive routine feedback
- Students complete a Service-Learning project for RRMCC

**MY EXPERIENCE**

I had the best experience as an intern during my time here at the hospital. I shadowed so many different nurses which opened me up to new experiences. My first day as an intern I was very nervous, but right away the atmosphere and energy that nurses gave me I knew I was going to have a great time. So if you're nervous I promise there's no need to be. I rotated around the units to get the full experience which I really enjoyed.

I shadowed different units such as the Emergency Department, Oncology Unit, Women's and Children's Unit, Progressive Care, Intensive Care, Surgical Care unit and more. I also got time to experience what the vaccine clinic looks like, learn what the house supervisor does, and visit histology in the lab! I highly suggest taking time to visit the lab once or twice, you will be surprised with all the different things that go on back there!

**WHAT TO EXPECT**

Each unit is unique in its own way. For example my time in the Emergency Department was completely different from my time in the Woman and Children's Unit. Some units require gear, for example goggles, shoe covers, and hair nets, others you don't need to wear any of that. I highly encourage asking questions when you have one, everytime I did the nurses were so kind and answered so don't be afraid to ask. I learned so much by asking and was able to enjoy my time there even more because of it.



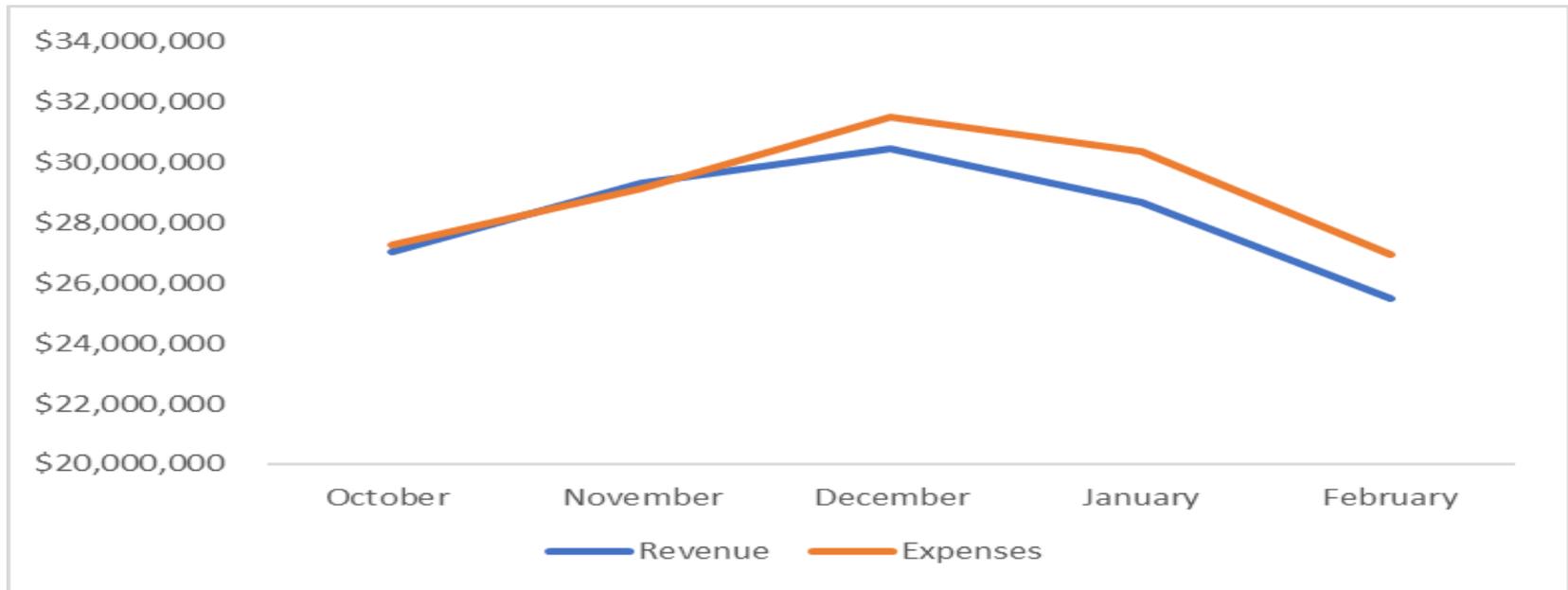
## OR Experience Pilot

*Introduce nursing students to the knowledge, skills and attitudes associated with perioperative nursing through an enhanced perioperative clinical rotation*

- Development of OR simulation lab
- Pilot program for VTC second year students to experience the OR
- First pilot started this semester, 3 students recruited



# Revenue and Expense Trending



## 1<sup>st</sup> Quarter results can not be used to predict 2022 performance

Volume and COVID funding supported expenses in October and November  
Going forward volume has declined and COVID funding is now exhausted

Rates will not solve our performance deficit alone  
We have a continued focus to reduce expenses in alignment with utilization



# Operating Margin Trending

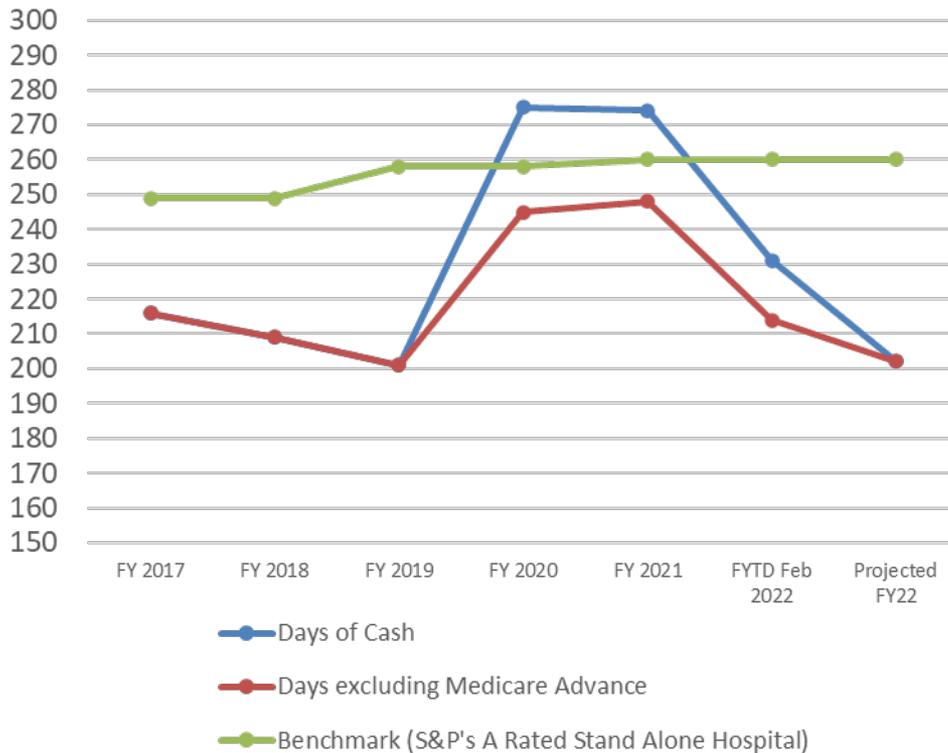


With declining operating margins over the past five years we have only generated a total of \$2.4 million

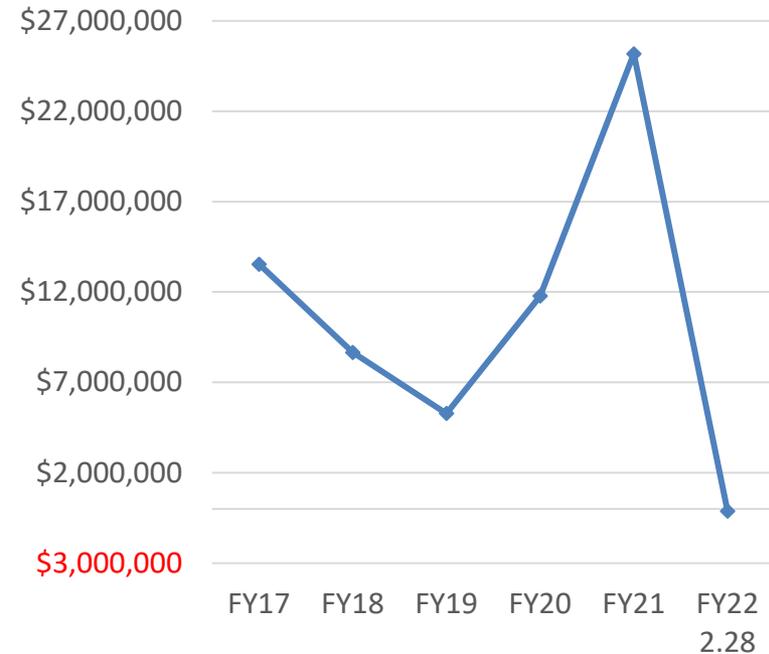


# Balance Sheet Strength

## Days of Cash



## Investment Return

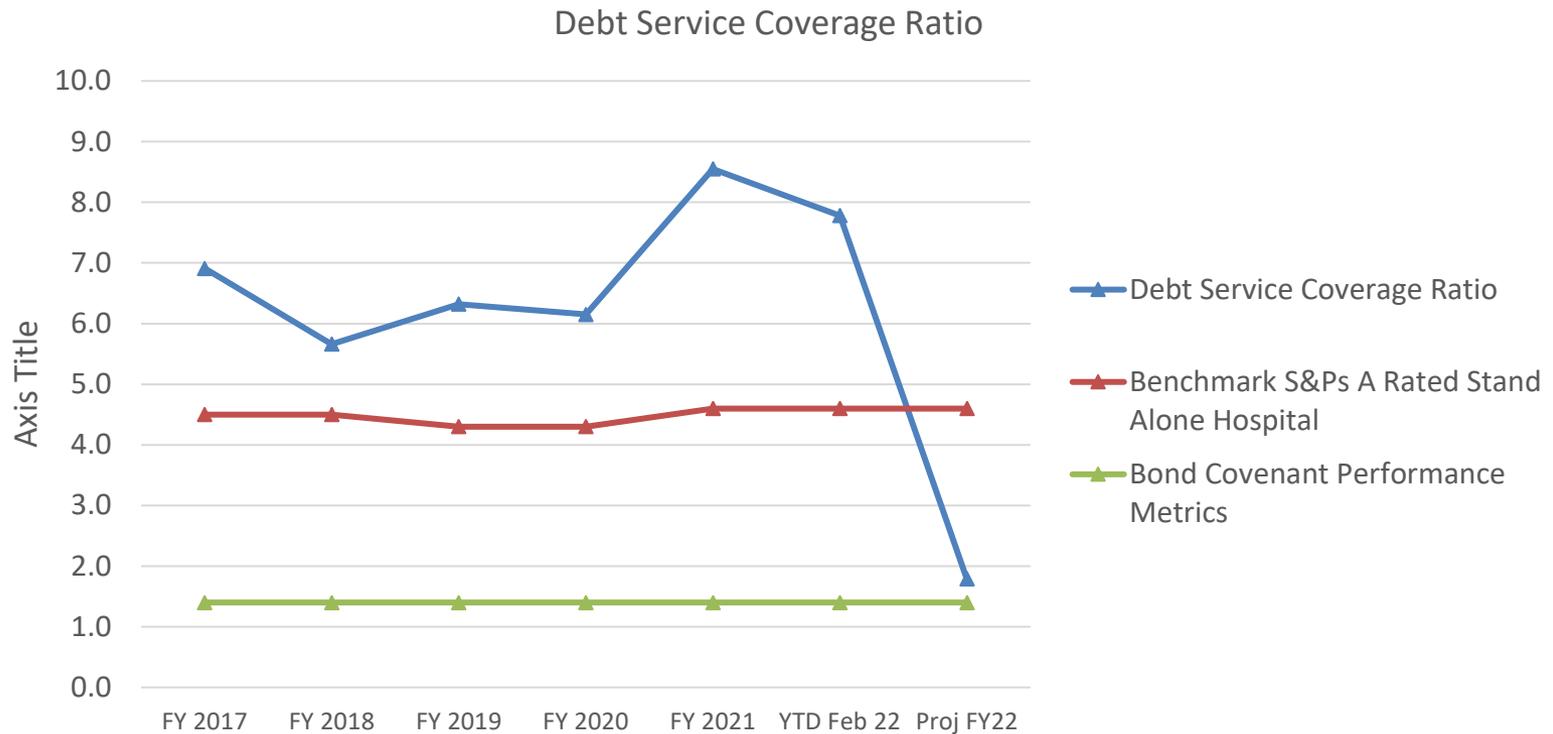


*“Investment returns have allowed many providers to add significantly to reserves for additional stability and boost non-operating income in 2021 and years prior, which has helped to offset weaker operating cash flow and to maintain stable debt service coverage. However, sustained market volatility could undo that.”*

**Source: Outlook For U.S. Not-For-Profit Acute Health Care: A Booster May Be Needed | S&P Global Ratings**



# Erosion of Balance Sheet



The projected operating deficit limits available cash flow from operations to support annual debt serve



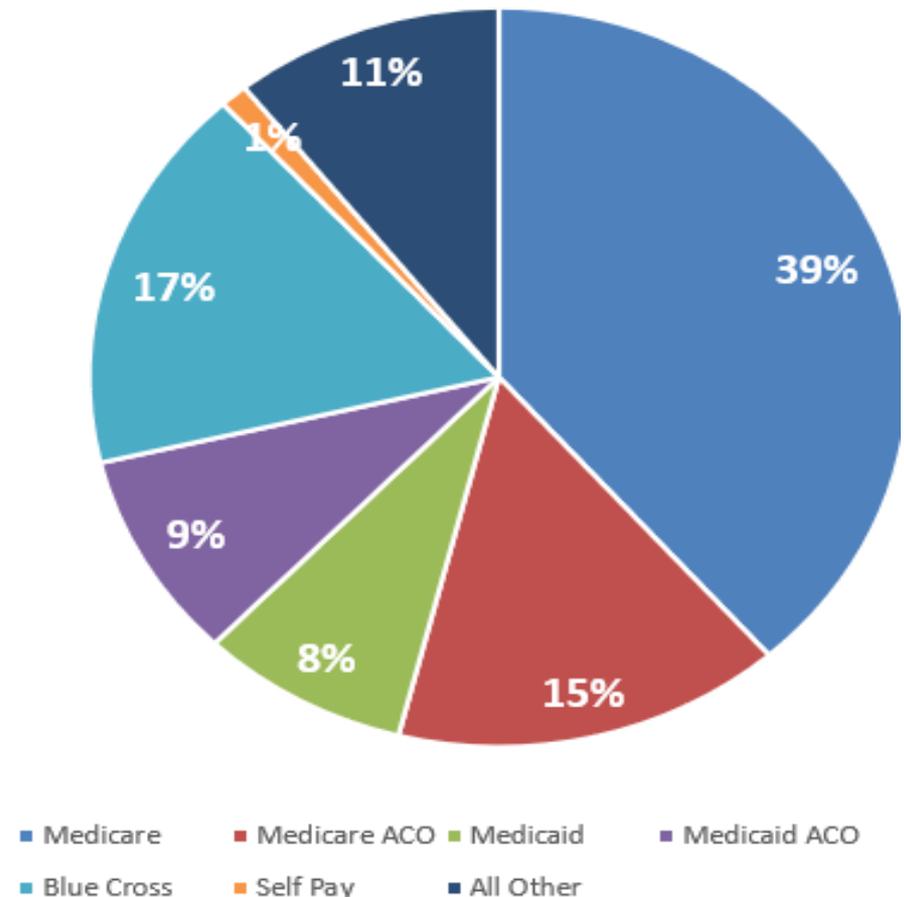
# Budget Adjustment Request

- As obligated by the Budget Order a letter to notify GMCB of significant budget variances issued in November 2021
  - Letter disclosed impacts of increased volume, Phase 4 Federal Funding, increased compensation costs and continued COVID expenditures
- Alerted GMCB of intent to request interim rate increase on February 24<sup>th</sup>
  - Requested a budget amendment of 9%, effective April 1<sup>st</sup>
  - Staffing overruns are expected to be \$35 million rate increase held to \$7.4 million
- Responded to GMCB Staff questions on March 4<sup>th</sup> and March 11<sup>th</sup>



# Rate Considerations – Payers

- **Rate increases are *increasingly more ineffective*** - Dependence on Medicare and Medicaid programs that don't participate in rate increases
  - inpatient service rate increases generate about 16 cents on the dollar
  - outpatient service rate increases generate about 25 cents per dollar
- **Market constraints & Impact of Consumerism**—Community Hospital Pricing published through pricing transparency mandates create pressure from commercial





# Targeted Rates

Service	Gross Revenue Increase			Net Reimbursement			Percentage Reimbursement
	Inpatient	Outpatient	Total	Inpatient	Outpatient	Total	Total
Total	\$ 4,716,282	\$ 27,043,624	\$ 31,759,906	\$ 730,417	\$ 6,636,359	\$ 7,366,776	23.2%
				15.5%	24.5%	23.2%	
	Overall Rate Increase		9.0%				
	Net Revenue Per Percent		\$ 820,353.70				

The rate increase will be targeted and not imposed as an overall rate increase.

Targeted services to be impacted by rates based preserving access to supportive primary care and the comparison of rates with other Vermont hospitals.

Clinic Services

Pharmaceuticals

Diagnostic Imaging

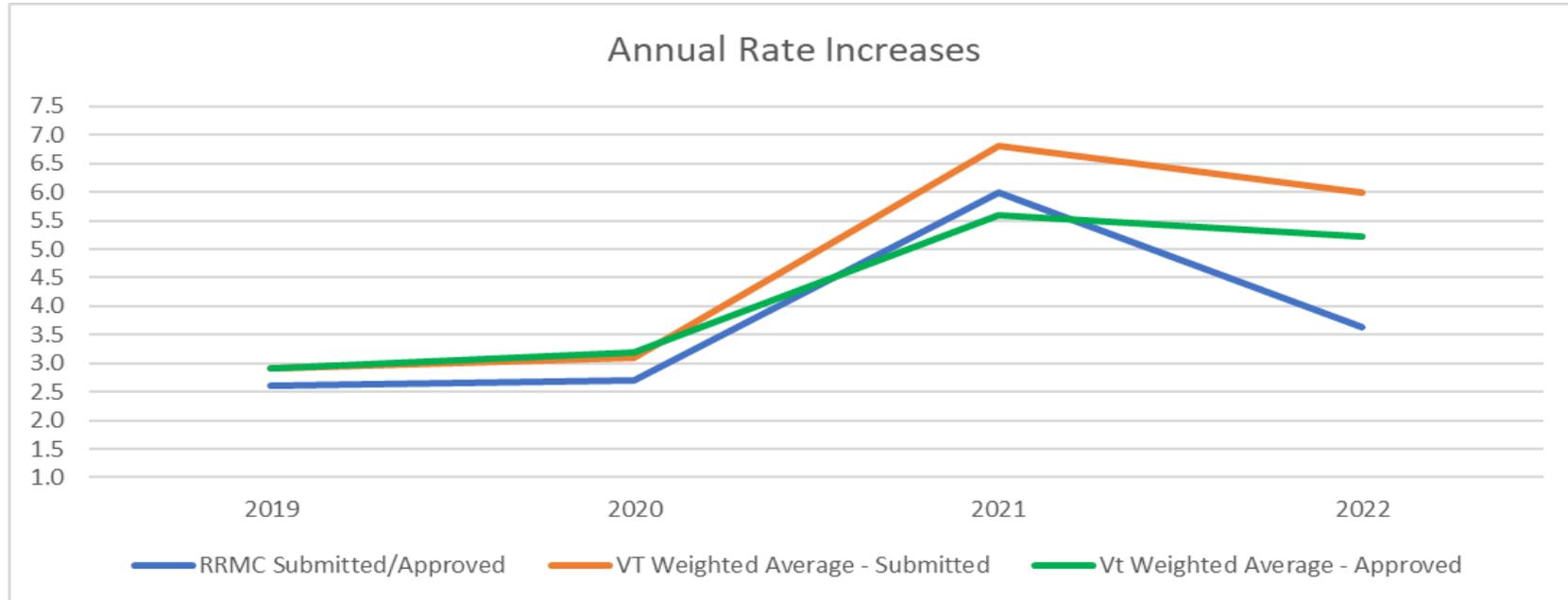
Emergent Care

Laboratory Services

Surgical Services



# Historical Rate Requests



While our rate increases have historically been held lower than VT averages  
the impact has resulted in minimal operating margin

Holding rates is no longer sustainable given the inflationary workforce pressures