State of Vermont
Green Mountain Care Board
144 State Street
Montpelier VT 05620

Report to the Legislature

Analysis of Brattleboro Retreat's Financial Statements for FY20

In accordance with Act 53 of 2019

Submitted by the
Green Mountain Care Board

January 3, 2022

Executive Summary

Per Act 53 of 2019, the Green Mountain Care Board (GMCB, The Board), was given the additional duties of limited budget oversight of each psychiatric hospital in the state licensed pursuant to chapter 43 of Title 18. The Board's oversight of mental health facilities is limited to a significantly smaller process than the one the Board undertakes for the other 14 hospitals in the state per 18 V.S.A. § 9375(b)(7), § 9372, and § 9456, allowing for a review of financial statements, but not the setting of budgets, financial targets, or commercial rates.

In early 2019 and 2020, the Board provided a financial review of Brattleboro Retreat's (Retreat, Organization) Financial Statements from FY 2015-2018 and FY 2019. This year's report includes FY 2020 data. The analysis of 2019 financials points to serious threats to the Brattleboro Retreat's financial sustainability, evidenced by the continued downward spiral of operating margins paired with an increasing age of plant and shrinking net assets. GMCB staff also analyzed year-to-date (YTD) October 2020 internal financial statements, which are unaudited, representing the first 10 months of the Retreat's 2020 fiscal year. Based on interim financials, FY20 was an improvement over FY19, however, the compounding nature of the losses puts the Retreat at continued risk.

Despite the significant infusion of state and federal funding into the Brattleboro Retreat in 2020, the Brattleboro Retreat's poor financial health is likely to continue until they can get a handle on sustainable funding of service lines. In an effort to work toward sustainability, the Brattleboro Retreat re-organized and worked to transfer some services they offer to other community providers. As we have seen in our work on Hospital Sustainability planning, essential services are critical to sustain in underserved areas. The essential services provided by the Brattleboro Retreat are further critical to ensuring the state's performance on several All-Payer Model goals, such as reducing deaths due to suicide and drug overdose.

We look forward to presenting the findings in this report to you and welcome any feedback as we carry out our expanded duties for limited financial oversight of the Brattleboro Retreat.

Key Takeaways:

- The Brattleboro Retreat continues to experience significant operating losses ($3.64 million in FY20) and has lost $14.2 million from FY16-FY20.
- COVID-19 and related state and federal government relief funds had a significant impact on the Retreat's FY20 financials, as it has for all health care providers.
- The Retreat made major changes to its operations in FY20, including cutting service lines for which they had historically lost money; it remains to be seen how these changes impact the organization's financials in FY21 and beyond.

Fiscal Year 2020

This report serves as a continuation of the annual Fiscal Year (FY) reporting performed by the Green Mountain Care Board (GMCB, The Board). Prior reports of this nature were issued on January 9, 2020, and January 15, 2021, regarding a financial analysis of Brattleboro Retreat's (Retreat, Organization) Financial Statements for FY2015-2019. The following information was derived from FY 2020 audited financial statements requested by GMCB staff.

A point of emphasis throughout the following analysis is that during FY20, The Retreat's leadership made significant operational adjustments, with significant impacts on this and future analyses:

1.) The adjustments were made to improve the long-term financial outlook of the Brattleboro Retreat by eliminating several underperforming service lines.
2.) The elimination of the service lines had a material impact on the FY20 finances of The Retreat. Due to this material change, the FY19 Income Statement was restated in the FY20 audit to provide for better financial comparison year-to-year. The FY19 Balance Sheet was not affected.

Additionally, underlying the FY20 analysis are the operational and financial challenges brought on by the COVID-19 pandemic beginning in March 2020. With a fiscal year that begins on January 1, ending December 31, the Retreat experienced nearly nine months of operations on a pandemic footing which had a substantial impact on how the Retreat was able to care for patients during this time. With the pandemic continuing through 2021, any subsequent analysis will also require consideration for COVID-19's impact on the organization.

With the FY20 service line adjustments and restatement of the FY19 Income Statement, the latter of which is in alignment with Generally Accepted Accounting Principles (GAAP), these activities pose challenges to some of the multi-year analysis that has been part of this report in the past. For more information on this topic please see Note 16 & 17 of the FY20 Audited Financial Statements.

Key Points (Balance Sheet & Income Statement)

Key Points: Balance Sheet	2018	2019	2020
Net Assets	$ 24,548,012	$ 19,346,759	$ 17,842,626
Days Receivable	60.2	55.8	61.7
Days Payable	59.4	110.0	154.7
Days Cash on Hand	40.2	23.6	54.4
Age of Plant	20.4	21.8	22.5
LTD to Capitalization	0.3	0.0	0.0
Current Ratio (to:1)	1.9	0.8	0.7
Working Capital	$ 3,289,057	$ (10,510,906)	$ (10,909,585)

Key Points: Income Statement	2018	2019	2019 Restated	2020
Total Operating Revenues	$ 72,740,735	$ 73,232,779	$ 55,689,246	$ 63,861,733
Total Operating Expenses	$ 73,968,324	$ 79,101,795	$ 61,658,324	$ 64,833,445
Operating Margin (%)	-1.7%	-8.0%	-10.5%	-5.7%
Operating Margin ($)	$ (1,227,589)	$ (5,869,016)	$ (5,869,016)	$ (3,644,543)
Total Margin (%)	-1.5%	-7.5%	-9.8%	-5.1%
Total Margin ($)	$ (1,100,830)	$ (5,490,590)	$ (5,490,590)	$ (3,266,624)
Cash Flow Margin (%)	1.5%	-4.8%	-6.4%	-2.4%

Balance Sheet

Several factors impacted the Retreat's FY20 balance sheet:

1. The COVID-19 pandemic and subsequent provider relief funding. As with other healthcare providers around the state (and nation), emergency measures were enacted at state and federal levels to mitigate the revenue challenges brought about by the pandemic. These measures protected providers from financial volatility and allowed continuance and of access to care during the pandemic. The result of these emergency measures was millions of dollars in grant/loan relief and advance claims funding. These funds have padded cash balances of healthcare providers and, in many instances, created corresponding liabilities, and the Retreat is no exception.
2. Ongoing construction of additional beds, funded by the State of Vermont.
3. Elimination of service lines. This impacts revenues, accounts receivable (A/R) balances and cash balances.
4. Ongoing financial struggles. The ongoing financial struggle of the Retreat continues to whittle away the organization's resources.

FY20 asset values of the Retreat totaled $45 million, marking a 4.8% increase over FY19. The major drivers of the total asset increase were mostly due to current assets. Specifically, cash balances of $5.7 million which grew from $41 thousand in the prior year due to various COVID relief fund infusions. Cash balances at the end of the year demonstrate an increased capacity for the Retreat to fund operations from cash if need be. Days cash on hand for FY20 was calculated to be more than 54 days, up from 23 days in FY19. It should be noted, however, that some of the cash balances at fiscal year-end 2020 may have corresponding liabilities related to various COVID-19 relief funding which would mean that some of the reported cash balance has stipulations as to use dictated by outside parties such as the state or federal governments. Additionally, an 83% increase in due from third-party payers which is possibly due to estimated future settlement activity, and a 17% increase in net property, plant, and equipment values due to the State of Vermont's continued investment in additional psychiatric beds at the Retreat.

Offsetting the major drivers were reductions to A/R, falling 28% to $7.7 million, due to the elimination of services, assets limited as to use of $5.5 million, falling 40% due to continued operational losses subsidization from the Retreat's board-designated assets and use of State of Vermont restricted funds for the construction of new beds. Additionally, prepaid expenses of $780 thousand and other assets of $754 thousand, declined 32% and 39%, respectively. The reason for the reduction of prepaid expenses is likely due to timing. The decline of other assets is not clear from the audited financial statements, however, the FY20 reduction does represent a declining trend dating back to FY17 when other assets reached a high value of $1.83 million.

See Appendix for Asset Concentration graphs.

FY20 liabilities values of the Retreat totaled $27.2 million, marking a 15% increase over FY19 and the first year-over-year increase in total liabilities since FY17. The major drivers of the total liabilities increase were largely due to current liabilities: accounts payable (A/P) and accrued expenses of $6.88 million (29% increase over prior year) and accrued salaries of $3.5 million (5.5% increase over prior year). Another major driver over FY19 is a $5.6 million increase in due to third-party payers. On a dollar-for-dollar basis, this is the largest liability increase and is related to Medicare advance claims ($1.67 million) and deferred CARES Act relief funds ($3.9 million) yet to be recognized on the Income Statement for COVID-19 financial relief. It is important to note that these funds are susceptible to guidance from federal government administrators and the potential exists for federal reclamation of those relief funds for a variety of reasons. Finally, deferred compensation obligations of $604 thousand, rose 21% over prior year, marking the first increase to this line item since FY17.

There were also some major positive offsets to the growth in total liabilities. Bank overdraft fees, although still high at $219 thousand, declined 91% from their prior year comparable of $2.47 million. This implies the cash flow activity of the Retreat's bank accounts improved over the prior year resulting in less overdraft fees. Additionally, the Line of Credit (LOC) that the Retreat holds had a $0 (zero) balance as of FY20. After consecutive years of maintaining a year-end balance in FY18 and FY19, the Retreat was able to pay down their LOC to $0 which also indicates an improvement in the organization's short-term cash flows. The LOC held by the Retreat has a maximum draw amount of $3.25 million, however, only $1.54 million is available as of FY20. The reason for this is that a Letter of Credit is held against the LOC for the specified purpose of collateralizing the Retreat's self-insured worker's compensation claims in the amount of $1.7 million. Without a standing balance the Retreat is less susceptible to the variable rate nature of the LOC.

Finally, the category, Current portion of Long-Term Debt (LTD) continues to require additional context as of FY20. In FY19, the Retreat's financial covenants, related to a bond note, were not maintained at acceptable levels. This led the bond holder to consider the note in default. It is because of the default that this balance has been accounted for in current liabilities as opposed to long-term liabilities since FY19. The balance of that bond note continues to be accounted for as short-term obligation in FY20 as the Retreat is still not in compliance with the financial covenants set forth in the bond. Because the Retreat lacks compliance, the note could potentially be called in by the bond holder at any time and the Retreat would need to meet the $10.4 million obligation or alternative repayment plan set forth by said bond holder. That said, the balance of the bond continues to be paid down in the last year, representing a 7.1% reduction from the prior year year-end balance.

See Appendix for Liabilities Concentration graphs.

Total net assets declined for a second consecutive year, down to $17.8 million (a decrease of 7.8% from FY19). The decline was driven by a 25% reduction in net assets <u>without</u> restrictions which as of FY20 has a balance of $10 million. This reduction is due to the ongoing operational losses being incurred by the Retreat; because of this, the Retreat had the need to fund losses from assets. Partially offsetting the reduction to net assets <u>without</u> restriction, was a 32% increase in net assets <u>with</u> restriction which was driven by the ongoing psychiatric bed construction project being funded by the State of Vermont.

Income Statement

As previously stated, the Brattleboro Retreat's FY20 income statement reflects a different organization than in past reviews. With the reduction of service lines comes the reduction in revenues and associated operating expenses. The service lines impacted were suboxone treatment, special education school, and adolescent residential services. The Retreat also moved the on-site childcare center to an offsite provider. To better understand and compare FY20 to the prior year, a brief recap of the FY19 restated income statement is necessary.

2019: Variance	Variance Analysis FY19 Restated from FY19 Original		
	Healthcare Services	Administrative Support	Total
Salary, payroll taxes and fringe benefits	$ (11,928,107)	$ (2,618,365)	$ (14,546,472)
Supplies and other	$ (687,726)	$ (150,964)	$ (838,690)
Purchased services	$ (1,226,632)	$ (269,261)	$ (1,495,893)
Provider Tax	$ (562,416)	$ -	$ (562,416)
Depreciation	$ -	$ -	$ -
Interest expense	$ -	$ -	$ -
	$ (14,404,881)	$ (3,038,590)	**$ (17,443,471)**

Effectively, the Retreat's decision to remove the underperforming service lines adjusts FY19 revenues down by $17.5 million. Corresponding expenses were adjusted down $17.4 million as seen in the adjacent table. Prior to the restatement activity, revenues, and operating expenses for the Retreat in FY19 were $73.2 million and $79.1 million, respectively. These adjustments reset FY19 revenues to $55.7 million and operating expense to $61.7 million for comparison purposes with FY20. The negative operating margin experienced in FY19 remains unchanged post restatement from a dollar's perspective but, from the percentage perspective the operating margin declined from -8%, down to -10.5% as the dollar value of the loss held a greater financial weight against the lower restated operating revenues.

The Brattleboro Retreat's income statement continues to demonstrate financial hardship for the organization, with an FY20 operating loss of $3.26 million or -5.7% margin. Although an improvement over FY19's $5.5 million loss and -10.5% margin, the FY20 loss still has a material negative impact on the organization. In sum, the Retreat has reported negative operating losses for the past 5 years in the amount of $14.2 million.

The graph below includes FY19 as originally reviewed and the restated FY19 revenues and expenses. However, the story is still the same with generation of revenues not sufficient to cover operating costs which has become a multi-year trend. The graph below may appear to show FY20's results as narrowing the gap of operating expenses over revenues, but this graph does not account for nearly $2.7 million in operational losses from the discontinuation of service lines and it is too early to tell if the changes made at the Retreat in FY20 will have a substantive positive impact in the months and years ahead.

Over shadowing much of the operations of the Retreat is the ongoing COVID-19 pandemic which has created reporting issues on the financial statements of all healthcare providers since the pandemic began.

See appendix for Revenues and Expenses History

Net Patient Service Revenues (NPR) receded by 12.6%, or $6.6 million, from restated FY19, falling to $45.6 million for the year. This variance was likely brought about by a combination of the discontinuation of several service lines, as well as the onset of the COVID-19 pandemic (and subsequent volume reductions), both of which occurred in March 2020. The financial impact can be seen in the table below with a FY19 comparable for context relating to the revenues and expenses generated by the discontinued service lines.

Discontinued Ops Reconciliation	2020	2019
Gross Patient Service Revenue	$ 8,699,193	$ 40,226,570
Less: Contractual Allowances	$ 5,121,080	$ 22,683,037
Net Patient Service Revenue	*$ 3,578,113*	*$ 17,543,533*
Expenses		
Salaries and Benefits	$ 4,641,707	$ 14,546,472
Contract Labor	$ 1,006,732	$ 1,495,892
Supplies	$ 426,464	$ 838,691
Provider Tax	$ 176,041	$ 562,416
Total Expenses	*$ 6,250,944*	*$ 17,443,471*
(Loss) income from discontinued operations	**$ (2,672,831)**	**$ 100,062**

Major variances from the prior year were not unusual in FY20 as the COVID-19 pandemic brought financial uncertainty to healthcare providers around Vermont and the nation. Vermont's 14 community hospitals cumulatively reported 6.3% less NPR in FY20 than reported in FY19. The existence of States of Emergency, Stay-at-Home orders, and other public safety initiatives to slow the spread of the virus, in early-mid 2020, took a major financial toll on all aspects of the health care system and caused major delays in care for individuals.

To maintain access to care and offset the major financial losses being incurred, the federal government undertook a massive relief package known as the Coronavirus Aid, Relief, and Economic Security (CARES) Act which funneled more than $175 billion to eligible healthcare providers. Once the relief funds are utilized by an organization, they are booked in other operating revenue (OOR) as the funds are not directly derived from patient care through the usual claim submissions/reimbursement processes. Other relief vehicles such as the Small Business Administration's Paycheck Protection Program aided small businesses in stemming the financially debilitating onset of the pandemic.

As a result of the infusion of provider relief funding, other operating revenues of the Retreat increased nearly 417% over restated FY19 with the primary driver of the increase being derived from COVID-related provider relief funding. Of the $18.3 million reported in OOR for FY20, 79% or $14.3 million was from provider relief funding. As a result of this infusion, total operating revenues (NPR plus OOR) of the Retreat for FY20 were $63.9 million, a 14.7% increase over restated FY19 total operating revenues of $55.7 million.

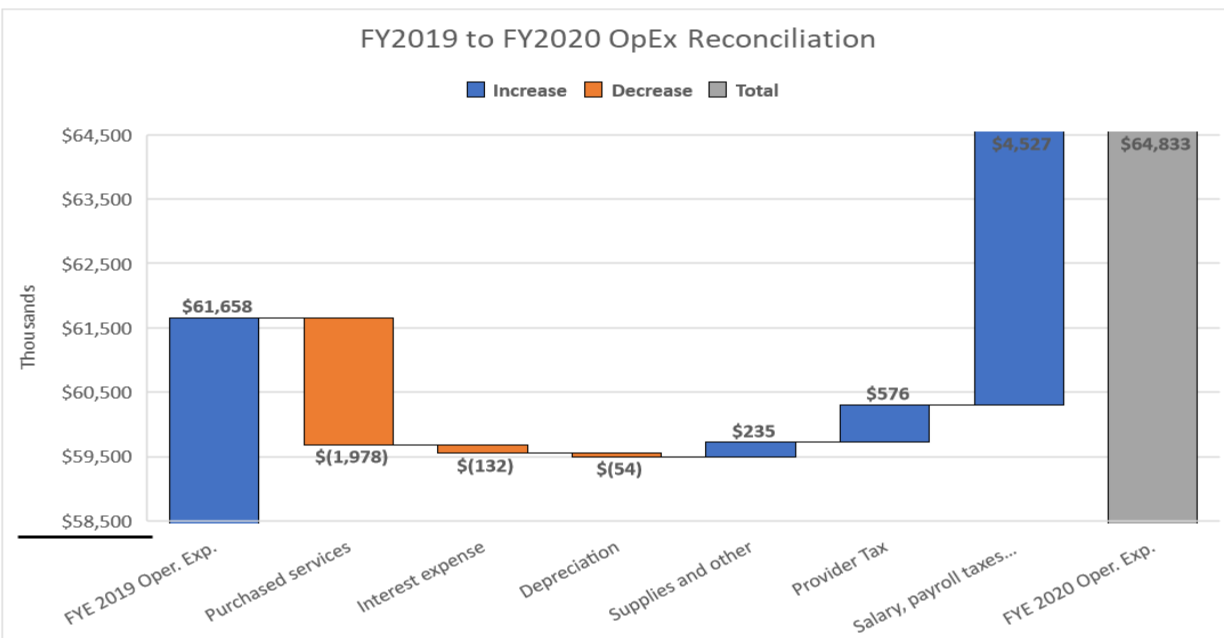
2020:	Operating Expense Allocation		
	Healthcare Services	Administrative Support	Total
Salary, payroll taxes and fringe benefits	$ 35,996,943	$ 5,976,901	$ 41,973,844
Supplies and other	$ 2,835,641	$ 5,405,012	$ 8,240,653
Purchased services	$ 9,328,239	$ 659,029	$ 9,987,268
Provider Tax	$ 2,496,765	$ -	$ 2,496,765
Depreciation	$ 970,244	$ 789,397	$ 1,759,641
Interest expense	$ 203,849	$ 171,425	$ 375,274
	$ 51,831,681	$ 13,001,764	$ 64,833,445
Allocation Percentage	*80%*	*20%*	*100%*

Total Operating Expenses of the Retreat in FY20 continued the trend of growing faster than operating revenues, rising to $64.8 million. Prior to the restatement of FY19, operating expenses were growing at an average rate of 4.9% from 2016-2019.

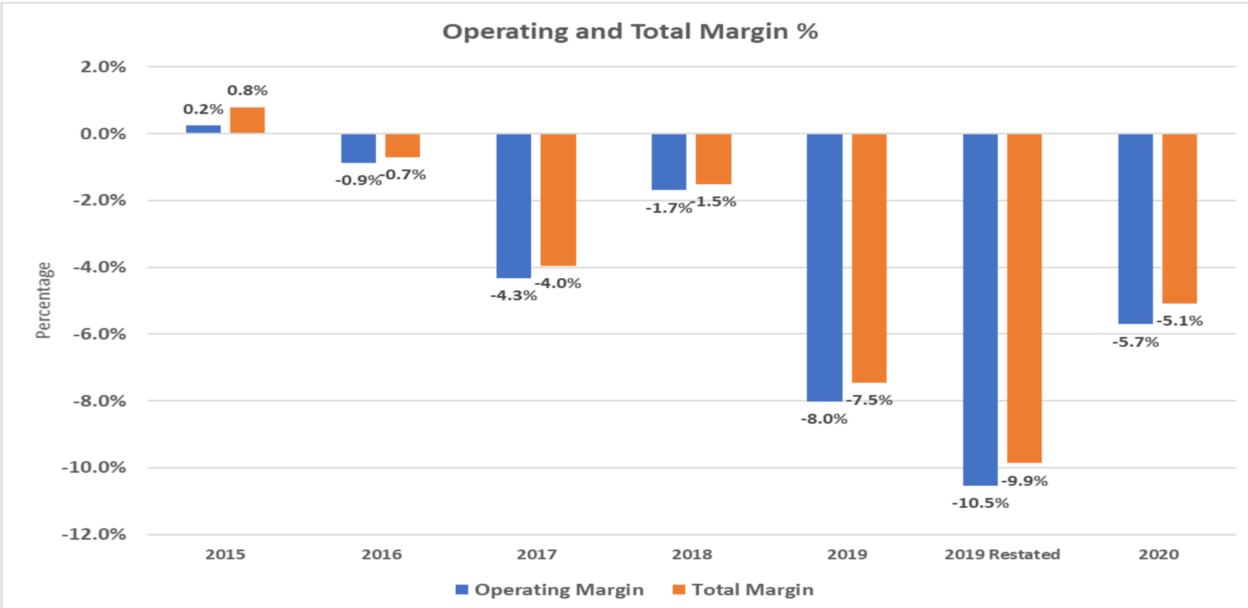
Even with a restated FY19, FY20 expenses rose 5.1% over FY19 which is in line with past year-over-year growth.

As a mission-based organization that serves the Vermont community, the Retreat expends most of its financial resources in pursuit of the organization's mission to serve. Of the Retreat's total expenditures in FY20, 80% are allocated to healthcare services and 20% are allocated to administrative services in support of the healthcare functions. This is comparable to past years where the allocation of healthcare resources average between 82%-83% and between 17%-18% for administrative support.

From FY19 to FY20 the primary drivers of expense growth were related to salaries and benefits at 9.5% and 22.4%, respectively. Combined, salaries and benefits totaled nearly $42 million and contributed $4.5 million in additional expenses in FY20. With salaries and benefits effectively comprising 65% of total operating expenses, increases in those categories can have a major impact on the overall growth of operating expenses for the organization. Other areas of increase were the health care provider tax and supplies expense which contributed $576 thousand and $235 thousand to expense growth, respectively. A primary offset to these increases was a reduction of $1.97 million in purchased services. This marks the first time during the review of financial information for the Retreat (2015-2020) that this line item has receded from prior year. Other areas where expenses receded were in interest expense, falling $132 thousand and depreciation, falling $54 thousand, respectively. The graph below shows the impact of each of these line items reconciling from FY2019 operating expenses total to FY20 operating expense totals.



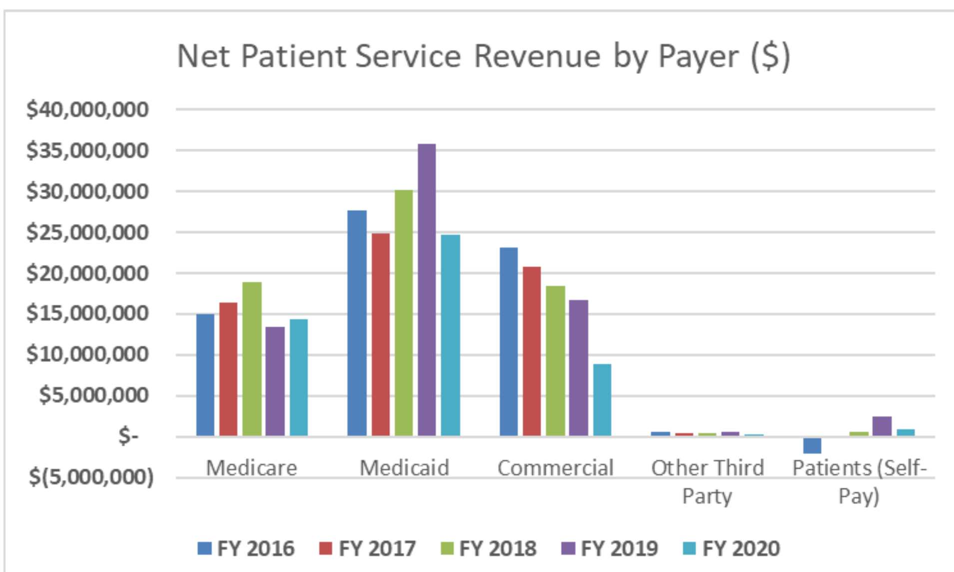
As reported by the Retreat, combined non-operating revenues (derived from investment activity) from release of net assets, realized and unrealized gains on sales and or equity investments totaled $378 thousand. The generation of non-operating revenues did little to change the financial outcome for the Retreat in FY20. The net operating loss for the Retreat of $3.64 million, a margin of -5.7%, was eased slightly by non-operating activity which provided some mitigation of the total margin at a loss of $3.3 million, a total margin of -5.1%. The last five (5) fiscal years (2016-2020) have reported material losses for the Retreat which continue to whittle away at the organization's net assets. Overall, since FY2016 net assets without donor restriction have been reduced by a cumulative $12.35 million due largely to losses on operations.



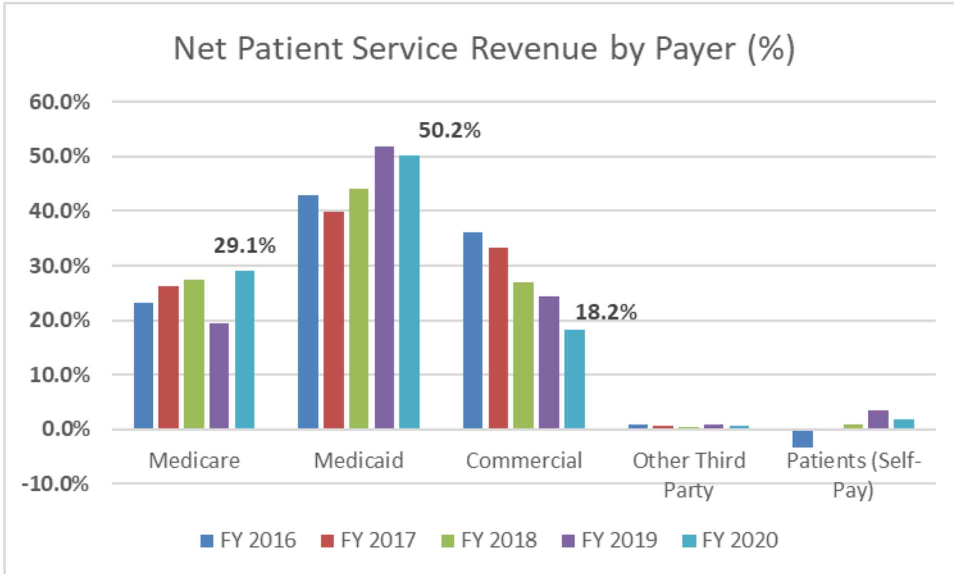
Payer Mix

NOTE: The information included in this section cannot be derived from audited financial statements and instead is derived from FY 2020 unaudited financial statements supplied by the Brattleboro Retreat. Some figures in this section may not correspond with data discussed earlier in the report. Additionally, the FY19 comparable represents the original figures as reported prior to the material changes in operations.

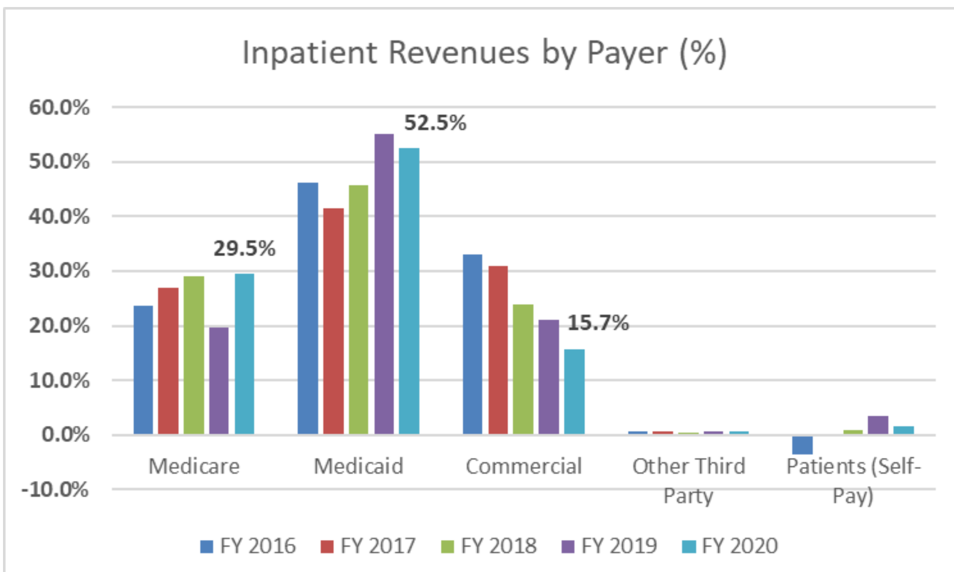
The operational changes that were implemented by the Retreat had an obvious impact on the payer mix of the organization, in terms of dollars, compared to information reported in previous years.



Medicaid was unusually high in FY19 and thus incurred the largest impact in FY20, falling $11.2 million from prior year. Revenues derived from commercial payers was second to Medicaid, falling $7.8 million from prior year, while Medicare and Other Third Party remained relatively stable.

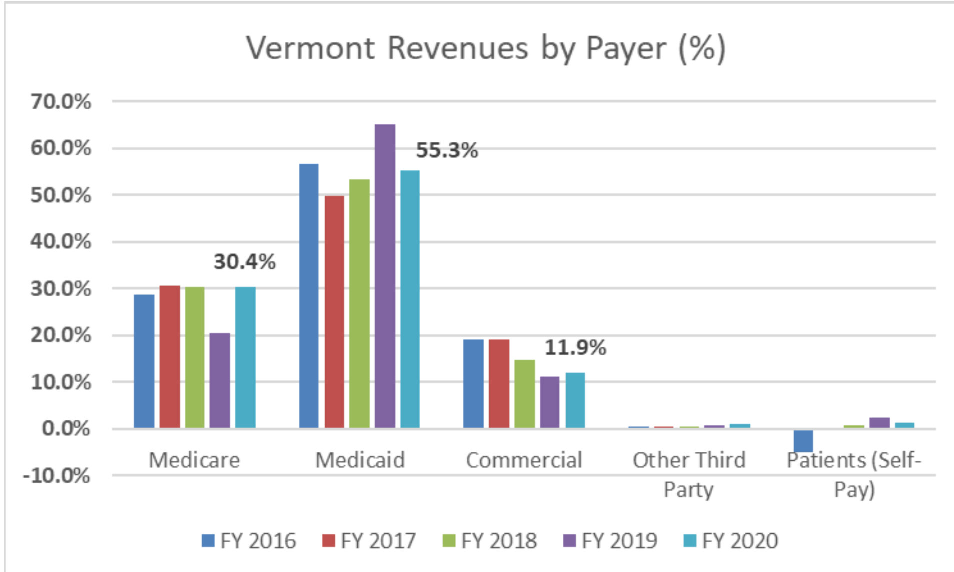


On a percentage basis of total NPR, Medicaid is still the predominant payer at 50.2% of total NPR, accounting for over 50% of revenues for the second consecutive year. Medicare gained nearly 10% points over FY19, rising to 29.1%. As the table below shows, the FY19 reduction in Medicare revenue concentrations appears to be an anomaly. Commercial revenues as a percentage of total continue a year-over-year decline as the table below indicates. As of FY16 commercial revenues consisted of 36% of the Retreat total NPR and as of FY20 only accounts for 18.2%, a 50% reduction in five years. Erosion of the commercial payer base is being supplanted by greater concentrations of Medicaid and Medicare payers.



Additionally, Inpatient (I/P) Revenues of the Retreat continues to account for over 92% of the Retreat's total NPR. The remaining roughly 8% is derived from Outpatient (O/P) Revenues at $3.8 million.

Vermont-only revenues, both I/P and O/P, account for over 85% of the Retreat's total NPR with the remaining 15% being derived from non-Vermont revenues, both I/P and O/P, at $7.3 million. Vermont-based revenues are highly concentrated in Medicaid and Medicare I/P at $22.3 million and $11.9 million, respectively.



Non-Vermont-based revenues are concentrated on Commercial I/P and O/P with these categories contributing $2.8 million and $1.1 million, respectively, making commercial I/P and O/P nearly 54% of total non-Vermont-based revenues. With I/P and Vermont-based revenues making up the majority of the Retreat's total NPR, payer mix concentrations follow relative trends as those discussed at the beginning of this section with Medicaid remaining the predominant payer and commercial continuing to give ground to both Medicaid and Medicare payers.

Conclusions

The Retreat's financial situation continued to deteriorate at an unsustainable pace from FY19 to FY20, incurring further operational losses that continue to challenge the organization's operational capacity. But for the infusion of cash from COVID-19 related provider relief funding, the Retreat's cash reserves would have been strained further, possibly challenging its existence. Despite the infusion of provider relief funding, liquidity continues to be a major concern in the short-term. With working capital (-$10.9 million) and cash flow margin (-2.4%) remaining negative for the second consecutive year, the Retreat continues to find itself on volatile financial ground. Additionally, the Retreat's current ratio, a measure of ability to meet short-term obligations (liquidity), continues to remain under a 1:1 ratio at 0.7:1, meaning the Retreat only has 70 cents in current (short-term) asset values, per $1 dollar of current (short-term) liabilities. The long-term strain on cash reserves affects the average age of the Retreat's physical plant as it continues to age from 20.4 years in FY18, up to 22.5 years in FY20. With net assets that continue to be extinguished through the need to cover operational losses, the Retreat does not have the funds to make the necessary asset replacements and with continued poor financial performance, the ability to borrow funds to make improvements becomes more difficult every year.

The Retreat's FY20 audit outlines the auditor's "substantial doubt" about the Brattleboro Retreat's ability to operate as a going concern, citing the significance of losses over several years and the resulting impact on cash flow.

Fiscal Year-to-Date (YTD) 2021 Update

Below is a brief, high-level update of the Retreat's FY 2021 position through month-end September 2021, representing 9 months of operating activity in the current fiscal year.

The Retreat's balance sheet as of September 30, 2021, reports total assets of $37.7 million, a noticeable decline from FY20 when assets totaled $45 million. In current assets, cash balances have grown considerably throughout the current year, despite mounting operational losses. Cash balances as of September 30 were reportedly more than $13 million, marking a 128% increase over FY20. When queried about the growth in cash, the Retreat noted this was due to a reduction in expenses and the addition of an All-Payer Model (APM) payment. The APM component appears to be a new type of reimbursement mechanism for the Retreat, the full extent of which is not known as of this report, however, the APM component is important to the balance sheet equation. The Retreat is still working on applying the APM payment and therefore there is a contra asset application of $13.6 million which is suppressing current (and overall) asset totals, therefore, current assets are being reported at $10.1 million YTD due to the current reductive impact of the contra application. The contra account exists because although the APM dollars have been advanced to the Retreat, they have yet to be applied to patient accounts while the Retreat waits for the state to adjudicate the claims. When the state does so, the corresponding dollars can be applied. One other item of note is the increase YTD A/R, which is reported at $9.6 million, a near $2 million increase over FY20. When queried on this line item and renewed concerns about collection activity in the light of decreased YTD revenues, the Retreat also cited the ongoing effort to apply the APM payment and that there was no reason for concern over the growth of A/R.

Long term assets reporting material shifts YTD over FY20 are assets limited to use, both board-designated, and donor restricted, as well as the net value of PP&E. Board designated assets are reportedly $4.3 million YTD, marking a near $700 thousand increase over FY20. It is unclear from the YTD perspective why or how these assets have increased given the YTD loss being incurred. However, this is a category that has declined precipitously over the years as the Retreat has drawn on these funds to cover operational losses and therefore any increase could prove useful to the Retreat in the long term. Donor restricted assets limited to use have declined significantly largely due to the nearing completion of the State of Vermont's investment in additional psychiatric beds at the facility. As those funds are utilized during construction of the new assets, the restrictive balance declines appropriately. Finally, the net value of PP&E declined $580 thousand dollars YTD from FY20, which corresponds with a reduction of relative values related to depreciation expenses on the income statement, meaning it is likely that an asset was sold, or retired from use and therefore the depreciative value was removed from the Retreat's balance sheet.

Total liabilities of the Retreat are being reported at $22.3 million which would constitute an 18%, or $4.9 million reduction from FY20. The near totality of this reduction is being driven by short-term liabilities. The primary drivers of this decline are the total reclamation of Medicaid Advance funds and partial reclamation of Medicare funds which were part of the initial COVID-19 relief effort. With these sizable debts being reclaimed, the total balance of liabilities has been reduced. The second driver of the reduction in liabilities is the reduced balance of the previously discussed bond note on page 4 of this report. The note is considered a short-term liability due to the Retreat's inability to meet certain lending covenants. Finally, both A/P & accrued expenses and accrued salaries are reporting small increases which are partially offsetting some of the reductions.

Net assets continue to experience a decline due to ongoing operational losses. However, as will be discussed in the next section, the Retreat was the benefactor of SBA PPP loan forgiveness. This is a one-time opportunity that the Retreat opted to take advantage of as it helps offset the organization's losses on margin and therefore mitigates further deterioration to Net Assets YTD.

It is important to note that with the Retreat yet to capture the previously mentioned APM payments, the income statement analysis presented here, may not be accurate once those APM payments are applied.

The COVID-19 public health crisis continues to create significant challenges for Vermont health care providers in 2021 from the care and finance perspectives. Year-to-date, month-end September, NPR totals $28.4 million which is 18.6% under budgeted NPR totals. The YTD budgeted NPR through September is the equivalent of average expected revenues of $3.9 million per month. The Retreat is posting average revenues of $3.2 million per month, for an average monthly revenue shortfall of $720 thousand per month. Other operating revenues which, are not derived from direct patient care, are exceeding budget by 66% at $3.8 million. The combination of NPR and OOR produces YTD operating revenues for the Retreat of $32.2 million.

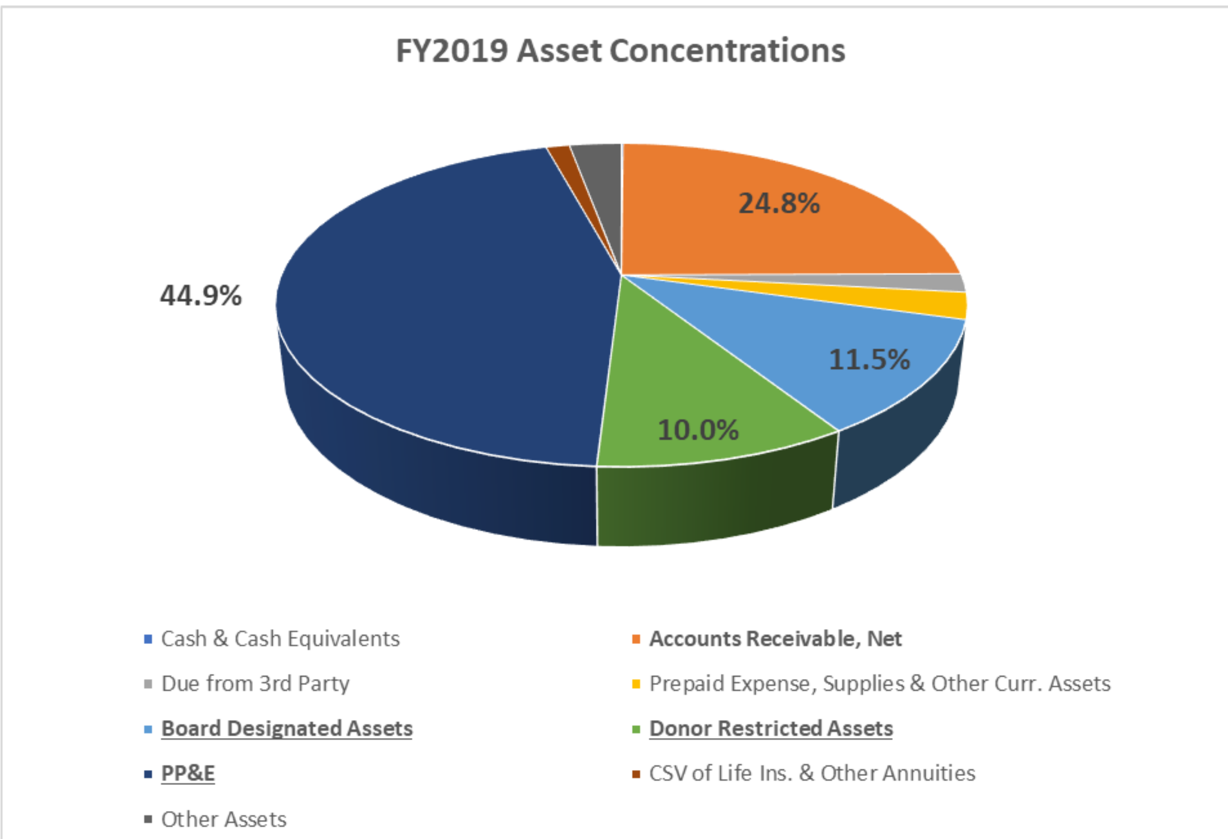
Overall, operating expenses total $44.5 million YTD and are under budget by 2% or nearly $1 million. Salaries of $22 million and benefits of $6.6 million are underperforming budget by 4% and 2%, or $955 thousand and $136 thousand, respectively. Additionally, Purchased Services are also underperforming budget by 5% or $255 thousand. Other operating expenses, an amalgamation of line-item expenses, is the only area where the budget is being outperformed on the operating expenses side of the income statement. Year-to-date other operating expenses is generating a 7%, or $400 thousand overage when compared to budget.

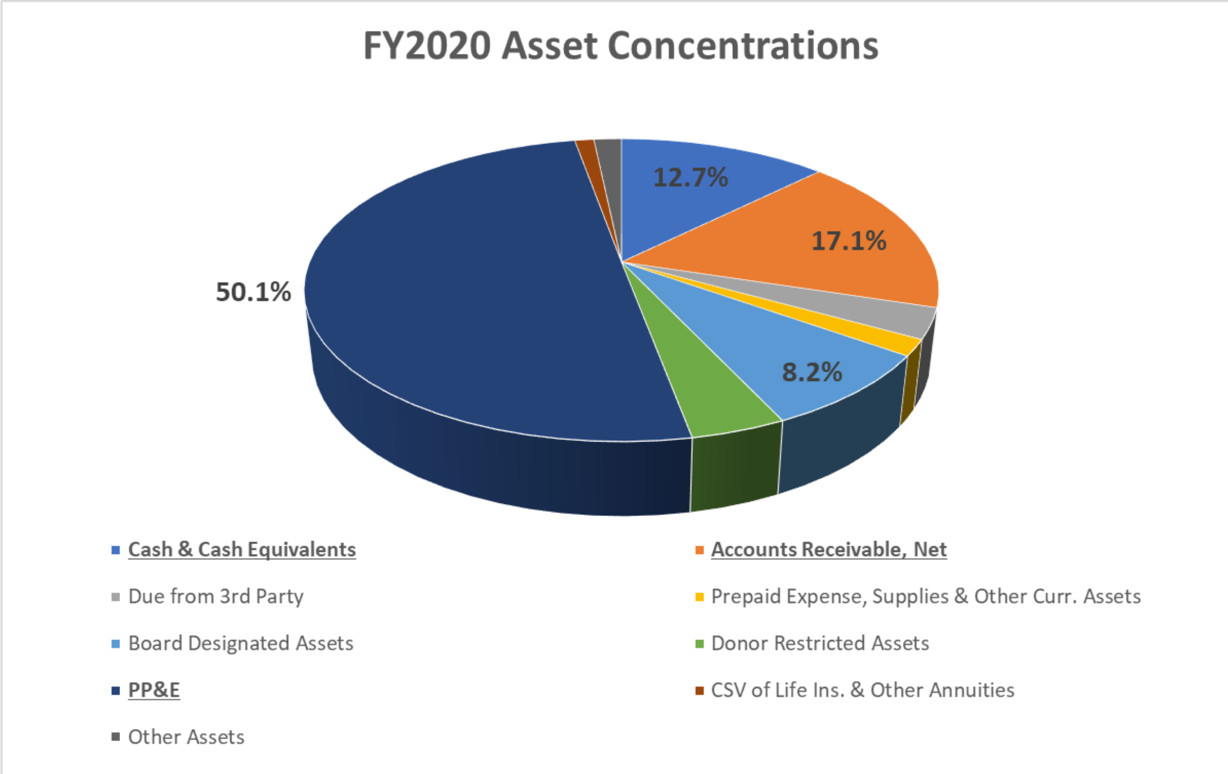
Finally, as of September 30, the Retreat is missing the budgeted margin by 32%, or $2.9 million, generating a YTD loss on margin of -$12.3 million or -38.1%. The primary driver of the loss is less than expected revenues.

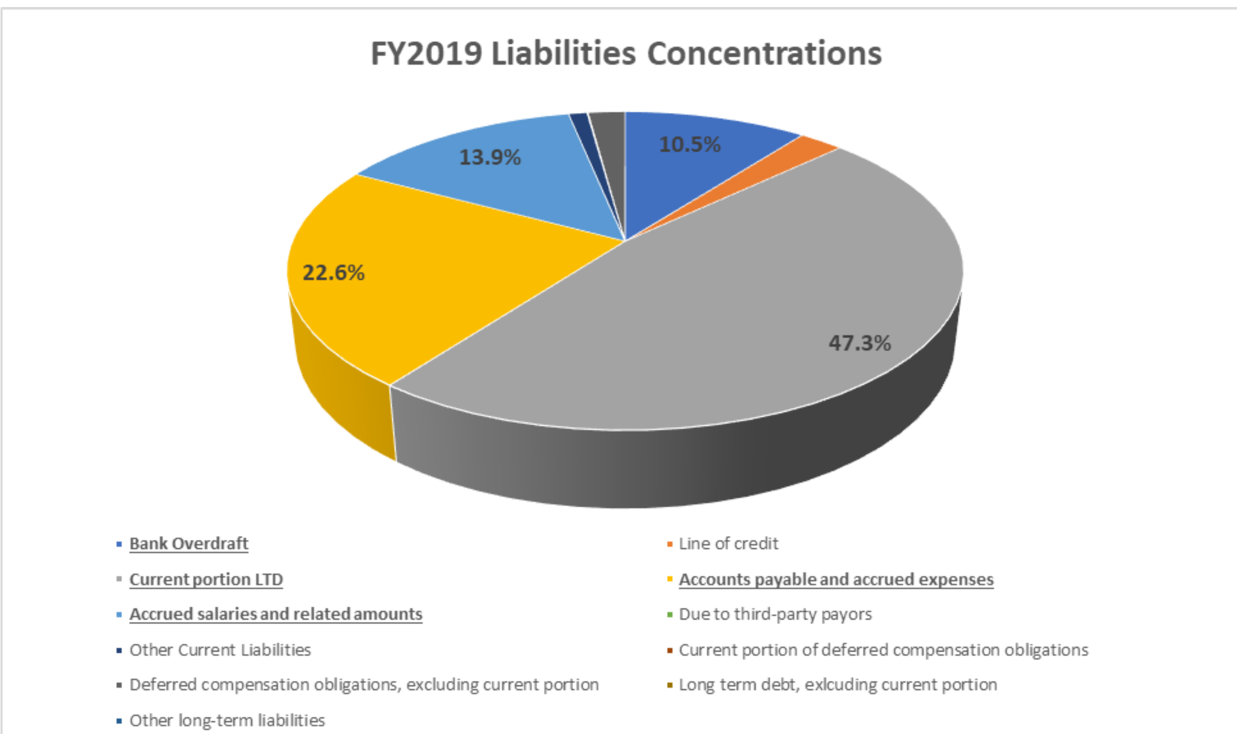
The Retreat noted in responses to follow-up questions that the decline in revenues YTD is due to an extremely low census. As of September 30, I/P admissions are nearly 290 below budget, patient days are more than 3,700 under budget, and ADC also underperforms budget by 14 persons. Because I/P is the largest component of the Retreat's revenues, the substantial underperformance of patient statistics is a major factor in the underperformance of the Retreat's revenues. Comparing these statistics YTD, to the prior year comparable, is not a valid perspective given the substantive organizational changes made at the Retreat to facilitate a financial recovery.

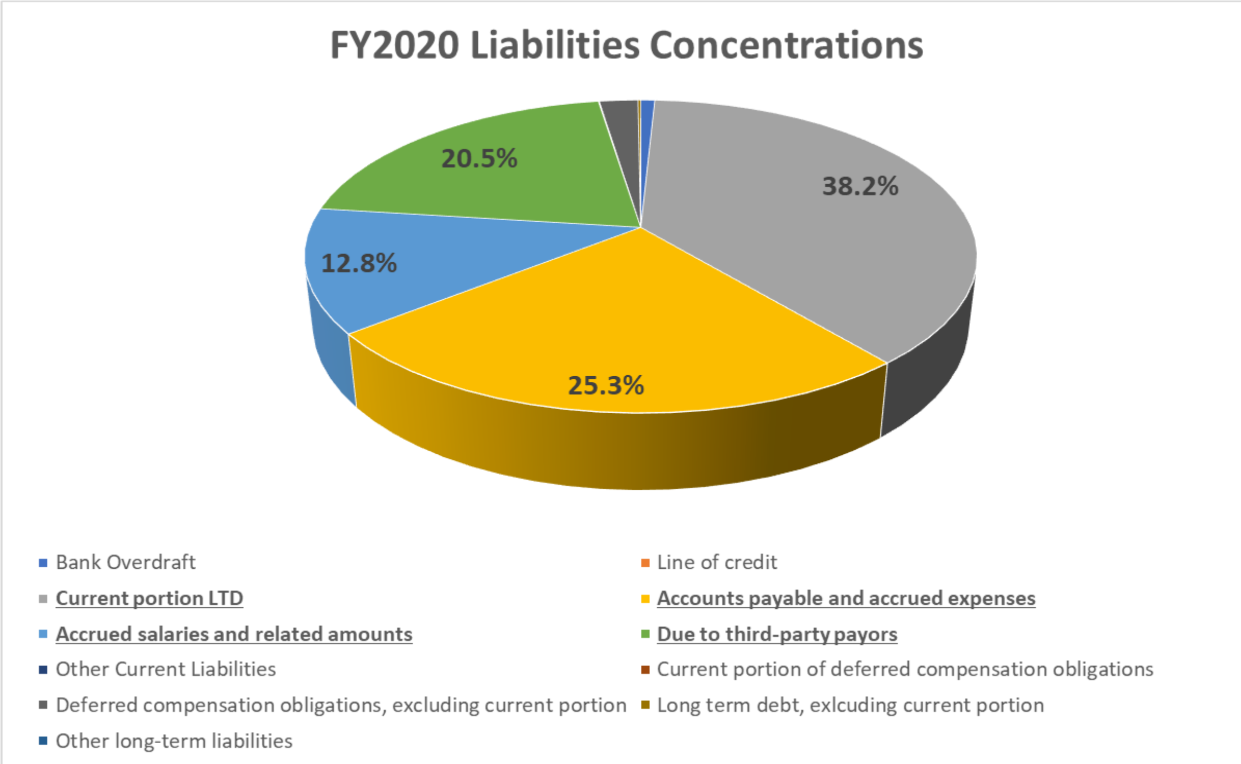
Year-To-Date 9/30/2021 Patient Statistics				
	Actual	Budget	Prior Year	Var. Actual to Budget
Inpatient (I/P)				
Admissions	832	1,120	1,519	-288
Patient Days	14,310	18,044	19,889	-3,734
Avg. Daily Census (ADC)	52.4	66.1	72.9	-14
Avg. Length of Stay (LOS)	17.6	16.7	12.5	1
Residential				
Admissions	4.0	4.0	13.0	0.0
Patient Days	1,747	1,626	2,512	121.0
ADC	6.4	6.0	9.2	0.4
LOS	311.4	152.0	170.0	159.4
Outpatient (O/P)				
Visits/Hospital/Starting	18,368	14,888	15,054	3,480

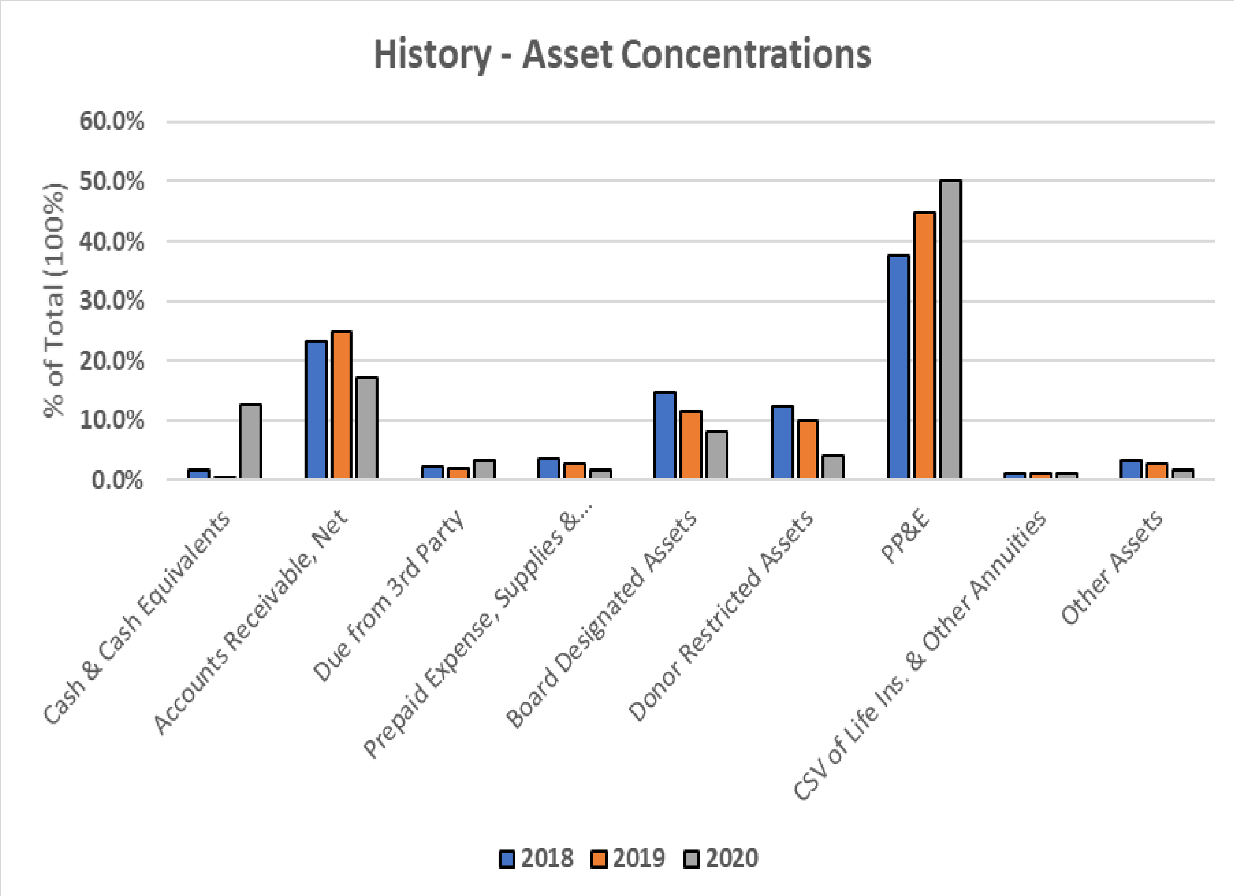
Appendix

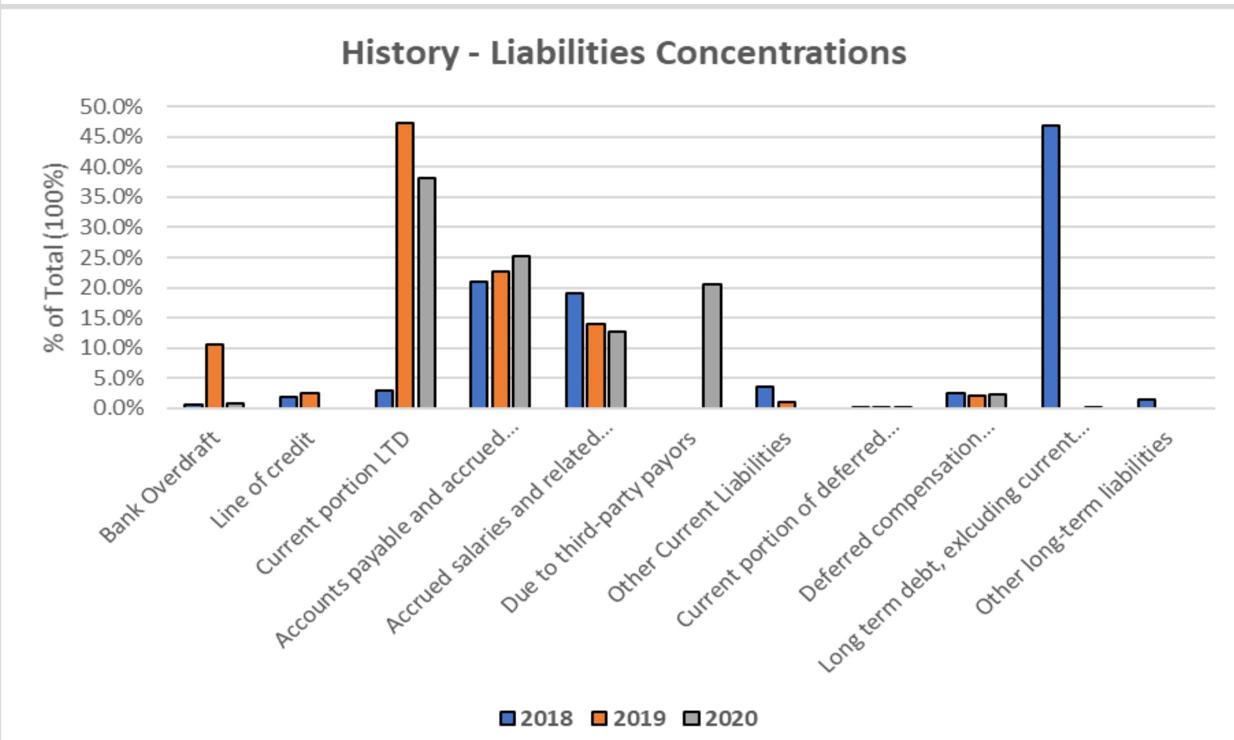


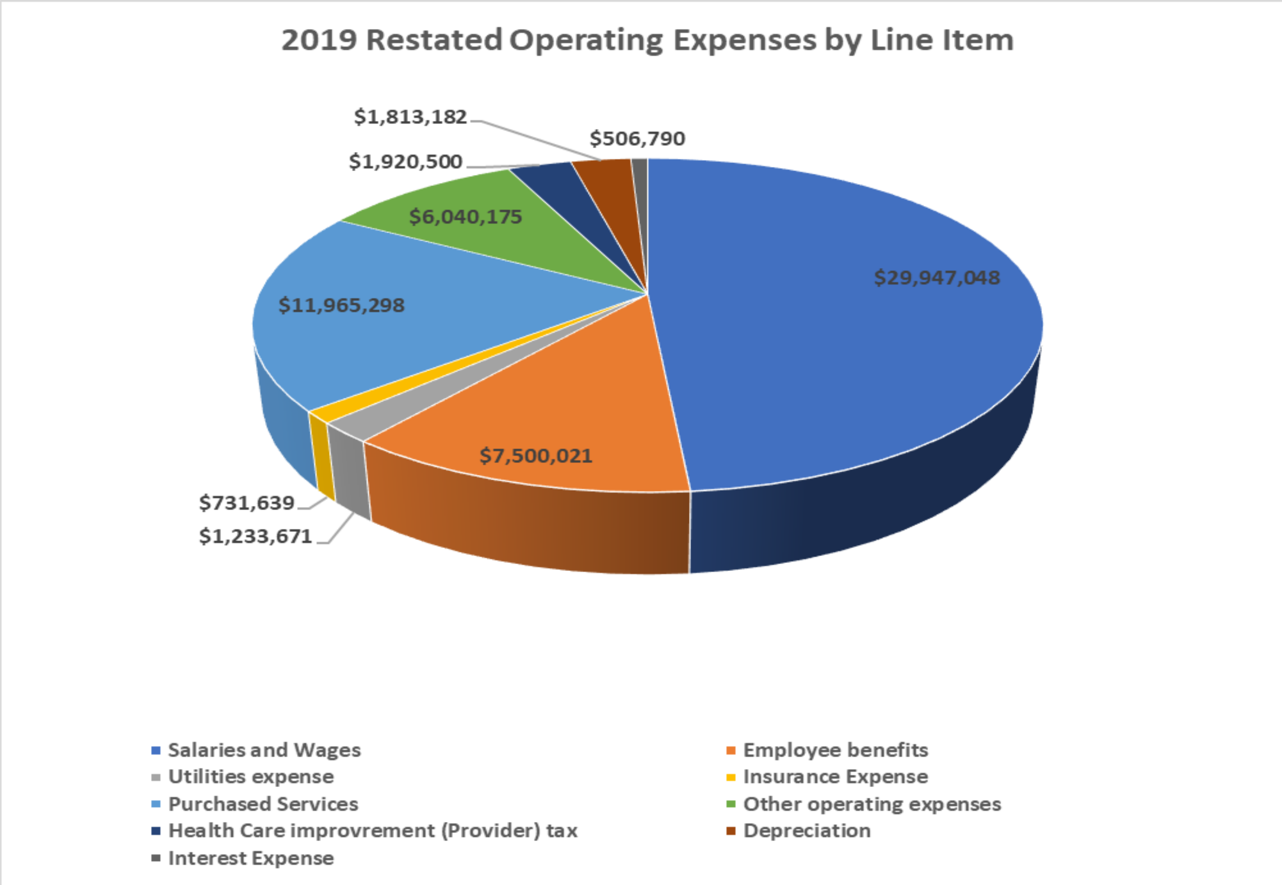

FY2020 Asset Concentrations
12.7%
17.1%
50.1%
8.2%
Cash & Cash Equivalents
Accounts Receivable, Net
Due from 3rd Party
Prepaid Expense, Supplies & Other Curr. Assets
Board Designated Assets
Donor Restricted Assets
PP&E
CSV of Life Ins. & Other Annuities
Other Assets

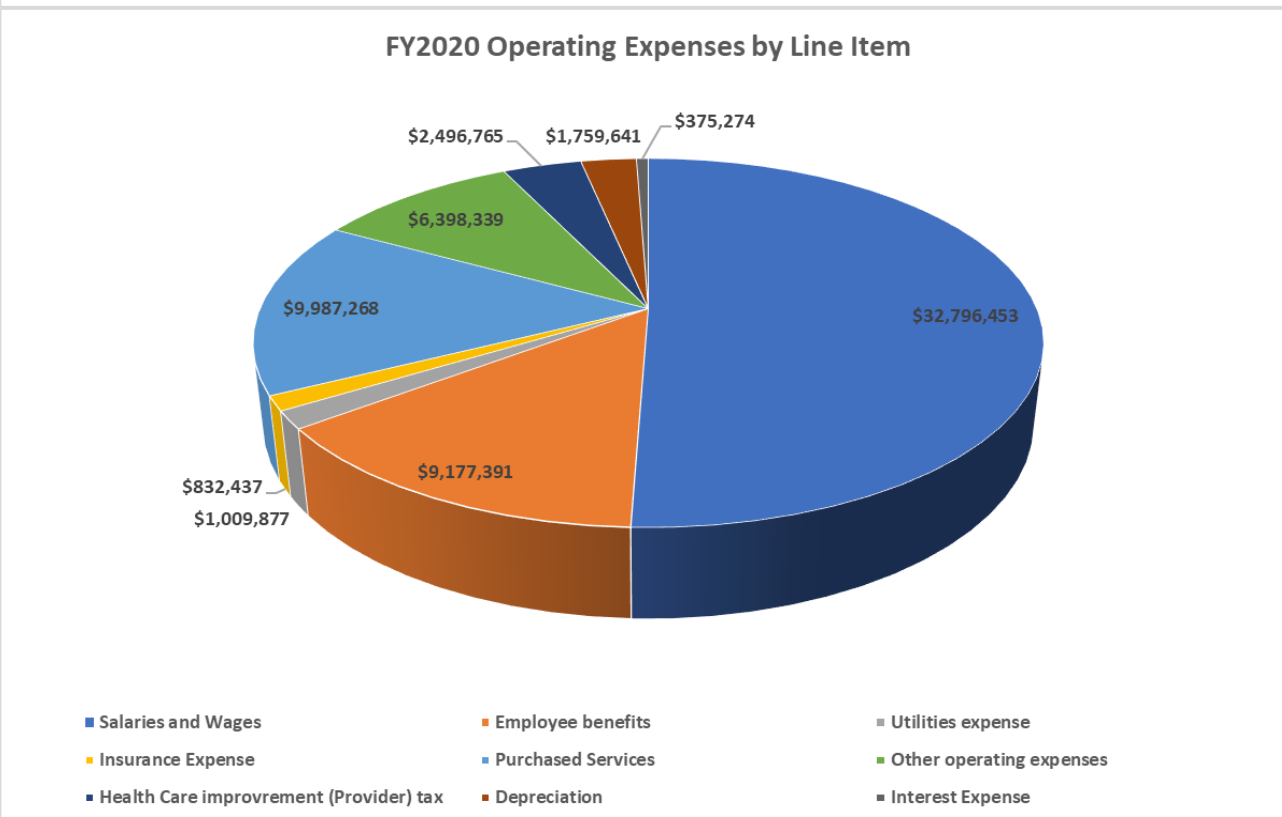

FY2019 Liabilities Concentrations
10.5%
13.9%
22.6%
47.3%
Bank Overdraft
Line of credit
Current portion LTD
Accounts payable and accrued expenses
Accrued salaries and related amounts
Due to third-party payors
Other Current Liabilities
Current portion of deferred compensation obligations
Deferred compensation obligations, excluding current portion
Long term debt, exlcuding current portion
Other long-term liabilities

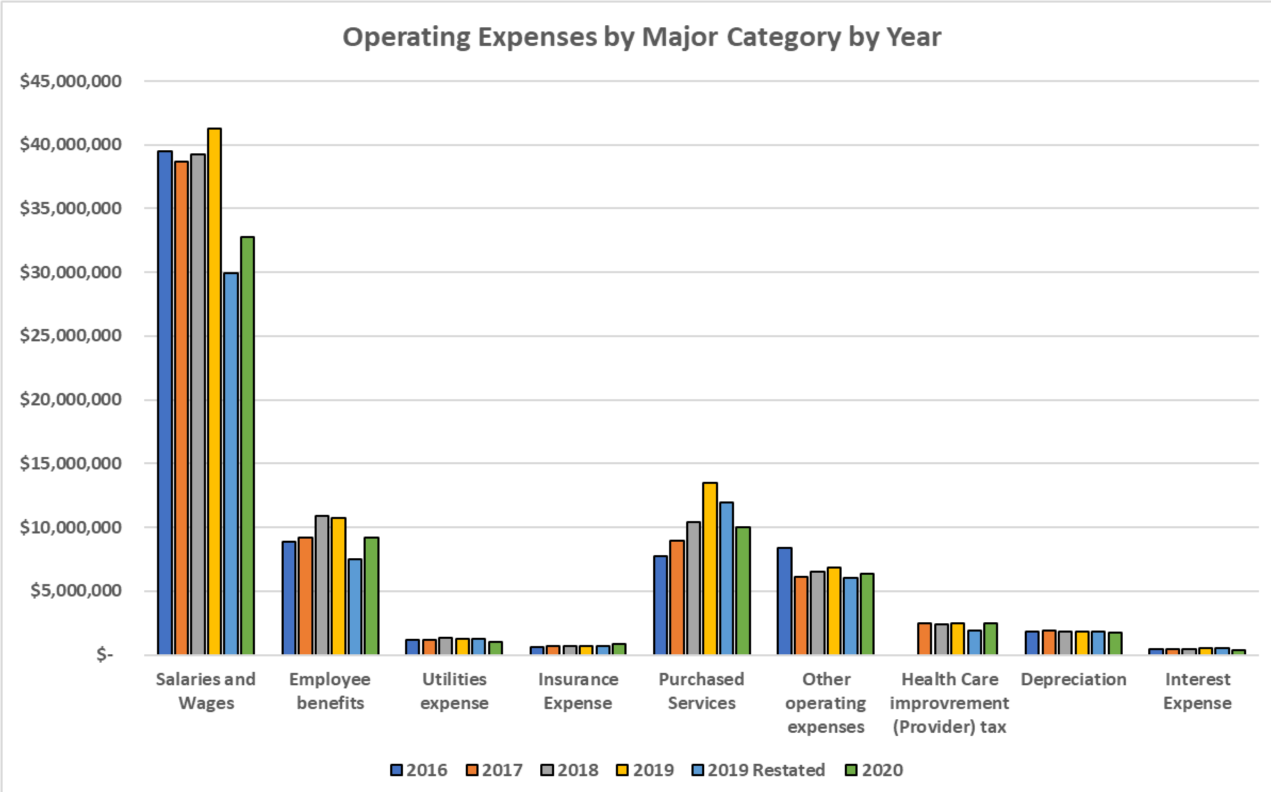

FY2020 Liabilities Concentrations
20.5%
38.2%
12.8%
25.3%
Bank Overdraft
Line of credit
Current portion LTD
Accounts payable and accrued expenses
Accrued salaries and related amounts
Due to third-party payors
Other Current Liabilities
Current portion of deferred compensation obligations
Deferred compensation obligations, excluding current portion
Long term debt, exlcuding current portion
Other long-term liabilities

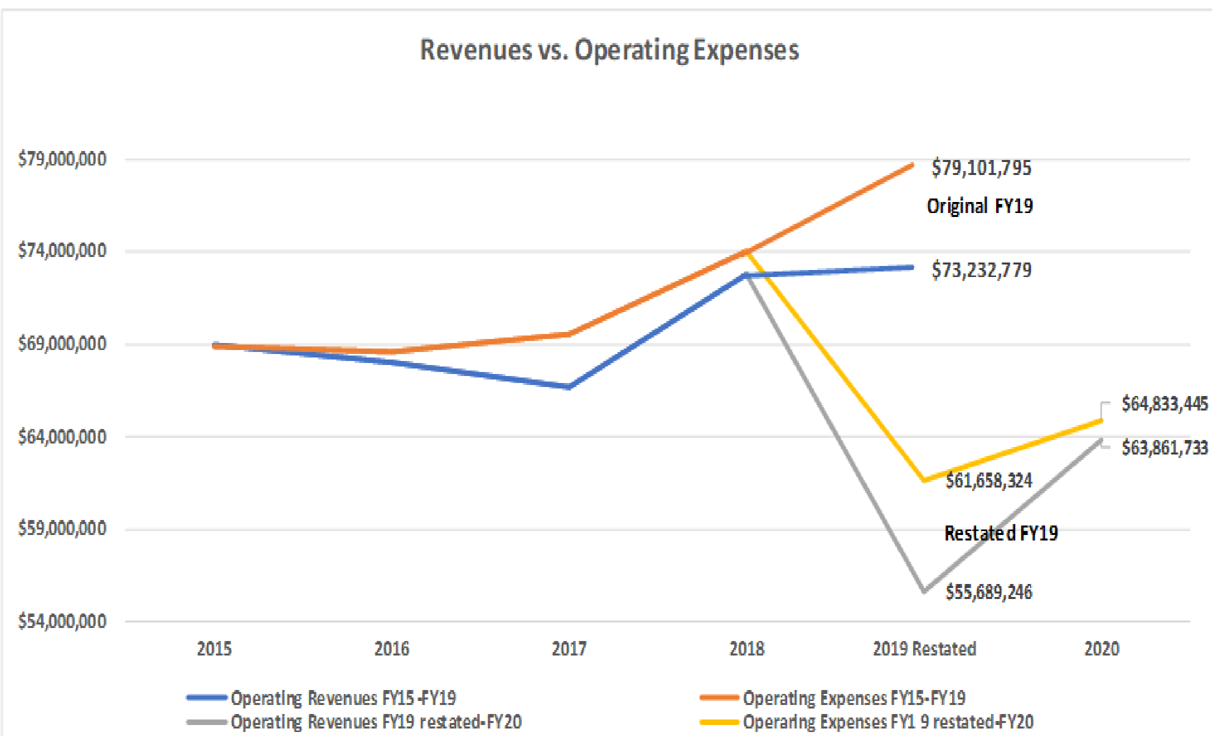

History - Asset Concentrations
% of Total (100%)
60.0%
50.0%
40.0%
30.0%
20.0%
10.0%
0.0%
Cash & Cash Equivalents
Accounts Receivable, Net
Due from 3rd Party
Prepaid Expense, Supplies &...
Board Designated Assets
Donor Restricted Assets
PP&E
CSV of Life Ins. & Other Annuities
Other Assets
2018
2019
2020

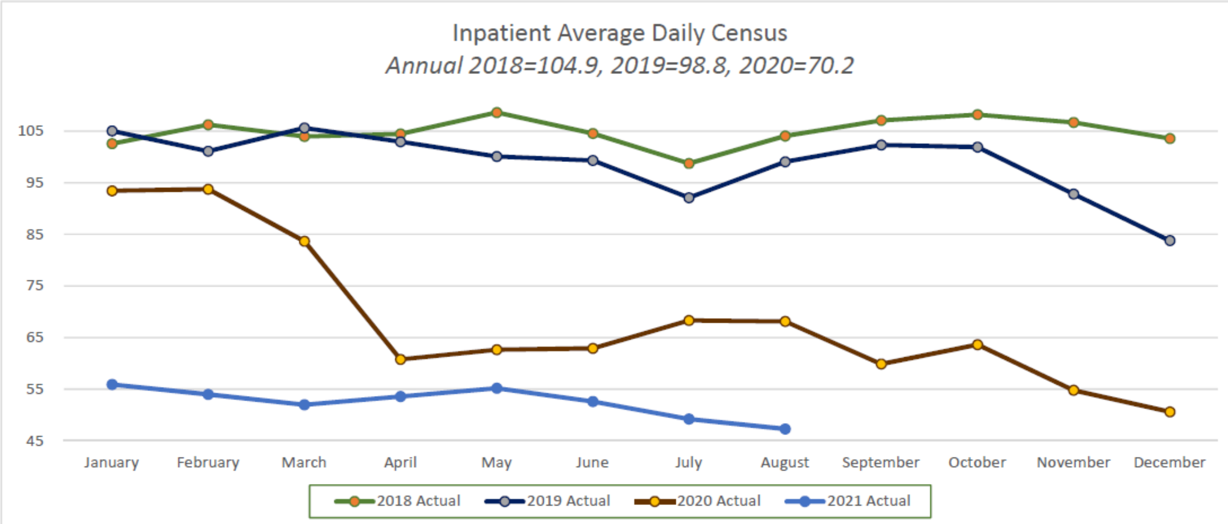

History - Liabilities Concentrations
% of Total (100%)
50.0%
45.0%
40.0%
35.0%
30.0%
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
Bank Overdraft
Line of credit
Current portion LTD
Accounts payable and accrued...
Accrued salaries and related...
Due to third-party payors
Other Current Liabilities
Current portion of deferred...
Deferred compensation...
Long term debt, exlcuding current...
Other long-term liabilities
2018
2019
2020


2019 Restated Operating Expenses by Line Item
$1,813,182
$506,790
$1,920,500
$6,040,175
$29,947,048
$11,965,298
$7,500,021
$731,639
$1,233,671
Salaries and Wages
Employee benefits
Utilities expense
Insurance Expense
Purchased Services
Other operating expenses
Health Care improvrement (Provider) tax
Depreciation
Interest Expense


FY2020 Operating Expenses by Line Item
$2,496,765
$1,759,641
$375,274
$6,398,339
$9,987,268
$32,796,453
$9,177,391
$832,437
$1,009,877
Salaries and Wages
Employee benefits
Utilities expense
Insurance Expense
Purchased Services
Other operating expenses
Health Care improvrement (Provider) tax
Depreciation
Interest Expense


Operating Expenses by Major Category by Year
$45,000,000
$40,000,000
$35,000,000
$30,000,000
$25,000,000
$20,000,000
$15,000,000
$10,000,000
$5,000,000
$-
Salaries and Wages
Employee benefits
Utilities expense
Insurance Expense
Purchased Services
Other operating expenses
Health Care improvement (Provider) tax
Depreciation
Interest Expense
2016
2017
2018
2019
2019 Restated
2020


Revenues vs. Operating Expenses
$79,000,000
$74,000,000
$69,000,000
$64,000,000
$59,000,000
$54,000,000
$79,101,795
Original FY19
$73,232,779
$64,833,445
$63,861,733
$61,658,324
Restated FY19
$55,689,246
2015
2016
2017
2018
2019 Restated
2020
Operating Revenues FY15-FY19
Operating Revenues FY19 restated-FY20
Operating Expenses FY15-FY19
Operaring Expenses FY1 9 restated-FY20


Inpatient Average Daily Census
Annual 2018=104.9, 2019=98.8, 2020=70.2
105
95
85
75
65
55
45
January
February
March
April
May
June
July
August
September
October
November
December
2018 Actual
2019 Actual
2020 Actual
2021 Actual