

# Hospital Budget Review: Review of Hospital Budget Requests & Key Metrics

SEPTEMBER 6 & 9, 2024

# Agenda

1. Review Hospital Budget Requests
  1. Follow-up from 9/4
  2. Day 1 (Sept 6): SVMC, Copley, RPMC, Grace, Gifford, NC, Mt. Ascutney
  3. Day 2 (Sept 9): NMC, Brattleboro, NVRH, Springfield, UVMMC, CVMC, Porter
2. Deliberations & Potential Vote (Sept 11 & 13)

# FOLLOW-UP FROM 9/4

# Statutory Overview



- When reviewing a hospital's budget, the Board is guided by:
  - The Board's statutory purpose and charge. 18 V.S.A. § 9372.
  - Its duty to regulate consistent with the principles for health care reform. 18 V.S.A. § 9371; 18 V.S.A. § 9375(a).
  - Its obligation to establish budgets using statutory considerations set forth for hospital budget review. 18 V.S.A. § 9456; GMCB Rule 3.000, § 3.306.
  - The annual benchmarks established by the Board, against which proposed budgets are evaluated. 18 V.S.A. § 9456(e); GMCB Rule 3.000, §§ 3.202, 3.305.

# Process Overview



- The Board is tasked with establishing hospital budgets that meet the state's objectives as described in statute.
- These regulatory objectives consistently tie back to the need to increase access, improve quality, promote efficient and economic operation of the hospitals, and balance health care needs with the ability to pay for care.
- Each year the Board undergoes a process to define specific criteria for hospitals to meet, called benchmarks.
- Hospitals bear the burden of justifying that the budgets they propose align with the state's regulatory objectives.

# Suggested Motion Language

## Approve Budget with Modifications (modify language as needed):

Move to approve [Hospital]'s budget with modifications as follows:

1. With FY25 NPR approved at a growth rate of not more than [X]% over its FY24 approved budget (reduced from [X]%) and a commensurate reduction in operating expenses;
2. With FY25 commercial **change in charge and** negotiated rate growth capped at [X]% over the FY24 approved commercial rate cap (reduced from [X]%), with no commercial rate increase for any payer exceeding that amount; and
3. Subject to all other standard budget conditions as approved by this Board.

# Suggested Motion Language

Approve Budget as Submitted (modify language as needed):

Move to approve [Hospital]'s budget as submitted:

1. With FY25 NPR approved at a growth rate of not more than [X]% over its FY24 approved budget;
2. With FY25 commercial **change in charge and** negotiated rate growth capped at [X]% over the FY24 approved commercial rate cap, with no commercial rate increase for any payer exceeding that amount; and
3. Subject to all other standard budget conditions as approved by this Board.

# Enforcement - 18 V.S.A. § 9456



- “Each hospital shall operate within the budget established under this section.” 18 V.S.A. § 9456(d)(1)
- If a hospital violates a provision of this section, the Board may order a hospital to:
  - cease material violations of this subchapter or of a regulation or order issued pursuant to this subchapter; or
  - cease operating contrary to the budget established for the hospital under this section, provided such a deviation from the budget is material; and
  - take such corrective measures as are necessary to remediate the violation or deviation and to carry out the purposes of this subchapter. 18 V.S.A. § 9456(h)(2)(B).



# Budget Adjustment - 18 V.S.A. § 9456



- 18 V.S.A. § 9456 (f): "The Board may, upon application, adjust a budget established under this section upon a showing of need based upon exceptional or unforeseen circumstances in accordance with the criteria and processes established under section 9405 of this title."

# Enforcement - Rule 3.000, § 3.401



Before enforcing or adjusting a budget, the Board first determines if a hospital's performance has differed substantially from its budget. To do so, it considers:

1. The variability of a hospital's actual revenues, taking into account the resources of payers and the methods of payment used by the payers;
2. the hospital's ability to limit services to meet its budget, consistent with its obligations to provide appropriate care for all patients;
3. the financial position of the hospital in relation to other hospitals and to the health care system as a whole, using the statistics developed from information submitted in compliance with the uniform reporting manual;
4. the hospital's performance under budgets identified or established under subchapter 7 of Chapter 221 of Title 18 of Vermont Statutes Annotated for the previous three years and its budget projections for the next three years; and
5. any other considerations deemed appropriate by the Board, including but not limited to other instances in which a hospital has less than full control over the expenditures limited by the budget.

# Policy on Hospital Budget Enforcement



- GMCB adopted this policy in 2021 to provide hospitals notice and guidance about the Board’s intent to enforce NPR caps.
- Policy was implemented because some hospitals were exceeding these caps, resulting in unanticipated commercial costs.
- Prior to this policy, the Board found that “no meaningful regulatory action” was being taken in these circumstances.
- Policy states that deviation greater than 1% from the NPR cap may cause the GMCB to take enforcement action under GMCB Rule 3.000, § 3.401(c).

# Enforcement or Adjustment – Rule 3.000



GMCB Rule 3.000, § 3.401(c). After determining that a hospital's performance has differed substantially from its budget, the Board may adjust its budget by:

1. changing hospital rates or prices by the amount of net revenues exceeding the budgeted net revenues;
2. changing the net revenue and/or expenditure levels of future budgets;
3. allowing hospital rates to be increased for a hospital with a deficit caused by revenues that were less than projected, but whose actual expenditures were within the budget limits;
4. allowing a hospital to retain surplus funds if the surplus was achieved while the hospital stayed within its established budget;
5. allowing a hospital to retain a percentage of surplus generated primarily by volume in excess of that projected for a particular year; or
6. any other circumstance the Board deems appropriate.

# FY25 Standard Budget Conditions



1. [Hospital]’s FY25 NPR budget is approved at a growth rate of not more than [X]% over its FY24 budget, with a total NPR of not more than \$[X] for FY25.
2. [Hospital]’s total commercial change in charge and negotiated rate increases are approved at not more than [X]% over current approved levels, with no commercial change in charge or negotiated rate increase for any payer at more than [X]% over current approved levels. Actual FY25 commercial growth may be less than [X]% but under no circumstance may it exceed [X]%.
3. [Hospital]’s expected commercial NPR, based on its budget as adjusted in this Order, is \$[X]. [Hospital] shall report its actual expected commercial NPR not later than March 15, 2025, or such later date as specified by the Director of Health Systems Finance and explain any variations from the expected commercial NPR.
4. [Hospital] shall file an updated Rate Decomposition Sheet with the Board no more than 30 days after its FY25 contracts have been finalized with commercial payers.

# FY25 Standard Budget Conditions



5. Beginning on or before November 20, 2024, and every month thereafter, [Hospital] shall file with the Board the actual year-to-date FY25 operating results as of the end of the prior month. The report shall be in a form and manner as prescribed by GMCB staff.
6. On or before January 31, 2025, [Hospital] shall file with the Board, in a form and manner prescribed by GMCB staff, such information as the Board determines necessary to review the hospital's FY24 actual operating results.
7. [Hospital] shall file with the Board one copy of its FY24 audited financial statements and associated management letter(s), as well as the parent organization's audited consolidated financial statements, if applicable, 15 days after the hospital receives its statements, or by January 31, 2025, whichever is earlier.
8. [Hospital] shall file with the Board its actual year-to-date FY24 operating results on April 30, 2025 for October 1, 2024 through March 31, 2025. The report shall be in a form and manner as prescribed by GMCB staff.
9. [Hospital] shall participate in check-ins to be scheduled at the discretion of the Director of Health Systems Finance based on the hospital's FY25 year-to-date operating performance.

# FY25 Standard Budget Conditions



10. Beginning on or before November 20, 2024, [Hospital] shall include with each year-to-date monthly report a letter, if applicable, identifying any material changes to its FY25 budgeted revenues and expenses, or to the assumptions used in determining its budget, including: A. changes in Medicaid, Medicare, or commercial reimbursement; B. additions or reductions in programs or services to patients; and C. any other event that could materially change the approved NPR/FPP budget.
11. [Hospital] shall develop and maintain a system to be able to measure and report to the GMCB the referral lag and the visit lag for each hospital-owned primary and specialty care practice as well as the top five most frequent imaging procedures. Referral lag means the percentage of appointments scheduled within 3 business days of referral (percentage of all referrals where the clinic or hospital has completed scheduling an appointment within 3 business days of receiving the referral, regardless of the date on which the appointment will take place). Visit lag means the percentage of new patient appointments scheduled for the patient to be seen within 2 weeks, 1 month, 3 months, and 6 months of their scheduling date (the scheduling date is the date the hospital or practice schedules the appointment, not the date the referral was received or the date the patient will be seen).
  - A. [Hospital] shall report to the GMCB the referral lag and the visit lag for each hospital owned primary and specialty care practice as well as the top five most frequent imaging procedures on April 30, 2025, for February and March 2025, and as required by the GMCB's FY26 hospital budget guidance.

# FY25 Standard Budget Conditions



12. [Hospital] shall participate in the Board's work, including the community engagement process, pursuant to Act 167.
13. [Hospital] shall timely file all forms and information required for practice acquisitions and/or transfers as determined by GMCB staff, if applicable.
14. [Hospital] shall file all requested data and other information in a timely and accurate manner.
15. [Hospital] shall report on any changes it makes to the methods it uses to calculate information it reports to the GMCB. Any such report shall include a detailed explanation as to the reason for the change and the inclusion of a comparison report that shows the results using the hospital's prior method of calculation.
16. After notice and an opportunity to be heard, the GMCB may amend the provisions contained herein, and issue an amended order, consistent with its authority as set forth in 18 V.S.A. Chapter 220, Subchapter 1, 18 V.S.A. Chapter 221, Subchapter 7, and GMCB Rule 3.000.
17. All materials required above shall be provided electronically, unless doing so is not practicable, as determined by the Director of Health Systems Finance.
18. The findings and orders contained in this decision do not constrain the Board's decisions in future hospital budget reviews, future certificate of need reviews, or any other future regulatory or policy decisions.



# Standard Budget Conditions

## Suggested Motion Language (modify as needed):

Move to approve the Standard Budget Conditions as presented to the Board [with any modifications discussed] to be included as the default conditions for the FY25 hospital budget orders, subject to any changes to the budget conditions or additional conditions approved by the Board for any specific hospitals.

# Hospitals' (Primary) Levers in a Fee-for-Service World...

$$\text{Price} \times \text{Volume} - \text{Expense} = \text{Margin}$$

$\Delta$  Affordability

\*There are other ways that hospitals can earn a higher margin outside of delivering patient care including investment income, grants and other program revenue, write-offs etc.

# Selected standard definitions of rate & price



**Charge:** The amount a hospital sets for services provided to the patient *before any insurance discounts*. Similar to a “sticker price,” it is usually not the final amount paid.

**Allowed Amount:** This is the total amount to be paid (between insurance and patient) for this service. (List Price - Contractual Adjustment) = \$26,600. Example, the hospital will receive \$1,000 from the patient and \$ 25,600 from the insurance.

**Commercial Effective Rate:** Growth in commercial net patient revenue, inclusive of price and volume.

**Commercial Negotiated Rate:** Growth in the commercial net patient revenue, due to price only (See Rate Decomposition Workbook).

Adaptive from: <https://www.swgeneral.com/financial-tools/patient-price-list/glossary/>

Total Cost Inflation	\$105,184,805
Less Retail Pharmacy	(\$11,125,922)
<b>Net Cost Inflation for Commercial Rate Calc</b>	<b>\$94,058,883</b>
<b>Less:</b>	
FY2024 - Medicare Rate Increase	\$9,081,815
FY2024 - Medicare ACO Rate Increase	\$5,692,377
FY2024 - Medicaid Rate Increase	(\$121,437)
FY2024 - Other Payer Changes	(\$4,097,796)
Impact on Bad Debt/Charity/Denials Calculation	(\$5,483,592)
<b>Sub-Total</b>	<b>\$5,071,367</b>
<b>Required Funding from Commercial Rate</b>	<b>\$88,987,516</b>
<b>Per 1 % Impact of Commercial Rate:</b>	
Budget Year ( 9 months: Jan-Sept)	\$6,503,624
<b>Commercial Rate Increase in FY2024 Budget</b>	<b>13.68%</b>
Additional Adjustments not yet in FY2024 Budget	
Medicaid Professional Rate Increases for Specialty & Primary Care	\$1,512,995
Adjusted Funding from Commercial Rate	\$87,474,521
<b>Adjusted Commercial Rate after Add'l Medicaid changes</b>	<b>13.45%</b>



# Commercial Effective Rate (An Example)

# Suggested Motion Language

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2. With FY25 commercial charges and negotiated rate growth capped at [X]% over the FY24 approved commercial rate cap (reduced from [X]%), with no commercial rate increase for any payer exceeding that amount; and
3. Subject to all other standard budget conditions as approved by this Board.

# Staff Recommendations: FY2023 Enforcement (CORRECTED)



Hospital	FY23B	FY23A	FY23 B vs. A	Subject to Enforcement	Enforcement Rec	Comm Impact %
Brattleboro Memorial Hospital	105,484,860	106,185,271	1%	-	-	0.0%
Central Vermont Medical Center	269,231,389	252,125,510	-6%	-	-	0.0%
Copley Hospital	96,033,233	96,200,700	0%	-	-	0.0%
Grace Cottage Hospital	25,375,255	24,857,527	-2%	-	-	0.0%
Gifford Medical Center	58,010,676	54,811,925	-6%	-	-	0.0%
Mt. Ascutney Hospital & Health Ctr	65,869,470	65,352,824	-1%	-	-	0.0%
North Country Hospital	98,854,148	95,226,076	-4%	-	-	0.0%
Northeastern VT Regional Hospital	110,058,000	112,163,926	2%	2,105,926		0.0%
Northwestern Medical Center	121,093,673	117,534,401	-3%	-	-	0.0%
Porter Medical Center	104,464,068	115,464,374	11%	11,000,307	5,500,153	-11.4%
Rutland Regional Medical Center	313,970,338	325,035,199	4%	11,064,861	5,532,430	-3.3%
Springfield Hospital	58,778,639	55,407,788	-6%	-	-	0.0%
Southwestern VT Medical Center	188,872,209	184,701,748	-2%	-	-	0.0%
The University of Vermont Medical Center	1,658,725,627	1,739,015,783	5%	80,290,156	80,290,156	-8.8%
<b>Total</b>	<b>3,274,821,586</b>	<b>3,344,083,053</b>	<b>2%</b>	<b>104,461,250</b>	<b>91,322,740</b>	<b>-5.1%</b>

# Sensitivity Analysis: Potential Impact of Staff Recommendations on DCOH



	Submitted DCOH	With Assumptions A			With Assumptions B		
		Approved DCOH Est.	Approved DCOH Est. w/o Volume	Days Cash @ Risk w/o making up volume	Approved DCOH Est.	Approved DCOH Est. w/o Volume	Days Cash @ Risk w/o making up volume
Brattleboro Memorial Hospital	99.69	99.69	95.69	4.00	99.69	95.69	4.00
Central Vermont Medical Center	69.41	74.48	70.32	4.16	50.89	48.02	2.87
Copley Hospital	69.41	73.01	65.33	7.69	49.57	41.99	7.58
Gifford Medical Center	108.94	113.78	107.43	6.35	91.91	85.50	6.41
Grace Cottage Hospital	87.90	94.45	93.07	1.38	68.93	68.93	0.00
Mt. Ascutney Hospital & Health Ctr	229.02	231.72	231.52	0.20	225.28	225.28	0.00
North Country Hospital	212.09	212.09	210.18	1.91	212.09	210.18	1.91
Northeastern VT Regional Hospital	86.22	86.64	84.85	1.79	84.81	83.10	1.71
Northwestern Medical Center	240.43	242.40	236.04	6.36	237.77	231.58	6.19
Porter Medical Center	93.21	93.86	77.88	15.98	90.56	74.67	15.90
Rutland Regional Medical Center	203.57	205.79	199.03	6.77	199.83	193.21	6.62
Southwestern VT Medical Center	43.90	43.90	43.61	0.29	43.90	43.61	0.29
Springfield Hospital	55.72	59.45	59.46	-0.02	32.69	32.69	0.00
The University of Vermont Medical Center	119.67	129.55	107.60	21.95	102.50	84.55	17.95

## Assumptions A

Operating Expenses reduced from Submitted Budget commensurate with approved NPR reduction

Other Operating Revenue same as Submitted Budget

For the cash component of the Days Cash on Hand calculation (numerator), the submitted net revenue was deducted from Cash & Investments, then the modelled net revenue was added.

## Assumptions B

Operating Expenses same as Submitted Budget

Other Operating Revenue same as Submitted Budget

For the cash component of the Days Cash on Hand calculation (numerator), the submitted net revenue was deducted from Cash & Investments, then the modelled net revenue was added.

# Compliance: Complete & Timely

*Southwestern Vermont Medical Center*



SVMC's submission was *moderately late*.

In mid-July, SVMMC notified us that they needed to request a higher rate due to an inability to negotiate a higher Medicare reimbursement rate. They resubmitted their budget on July 24, 2024.



# Budget Request vs. FY25 Benchmarks

## Southwestern Vermont Medical Center



### Section I - Net Patient Revenue Growth < 3.5%

NPR Request %	NPR Request \$	% of System > Guidance
3.5%	211 M	0%

### Section I - Commercial Rate Growth < 3.4%

Comm Rate Request %	Comm Rate Request \$	% of System > Guidance
3.5%	4.0 M	0%

### Section I - Operating Margin > 0%

Op Margin %	Op Margin \$	% of System
1.6%	3.6 M	4%

# Summary of Hospital Justifications

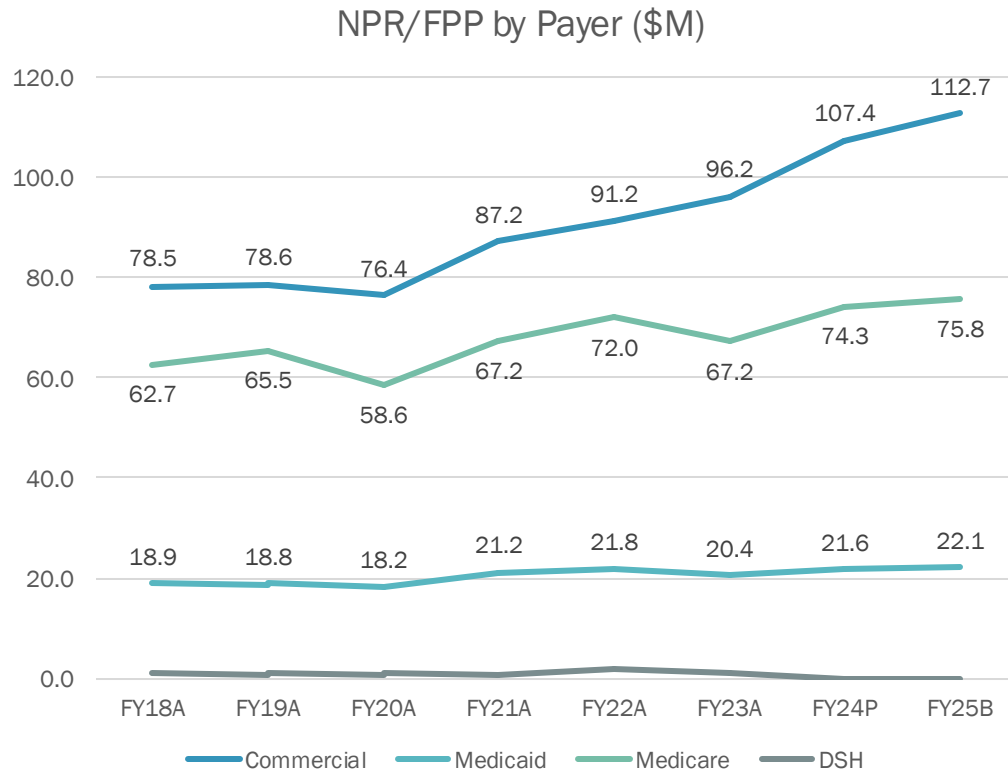
## *Southwestern Vermont Medical Center*



- They are a low-cost provider: In their narrative, SVMC argues that they are a low-cost provider. They write, "as a low-cost provider, it is more difficult to change operating income by cutting expenses and maintaining the high level of care provided to residents of the community." (Narrative, page 5)
- They've made significant progress cutting expenses: In their presentation, SVMC argued that they cut administrative expenses from 18.1% to 17.4%. (Presentation, slide 24). In their narrative, they argue that they have decreased administrative salaries by 1.6%. (Narrative, page 5)

# Revenue Trends: NPR Growth by Payer

## Southwestern Vermont Medical Center



		FY18 Δ	FY19 Δ	FY20 Δ	FY21 Δ	FY22 Δ	FY23 Δ
<b>Commercial</b>	Budget	82.06	83.22	86.76	83.60	92.11	99.81
	Actual	78.48	78.64	76.42	87.15	91.20	96.22
	<i>Budget-to-PY Budget Growth</i>	-	1.4%	4.3%	-3.6%	10.2%	8.4%
	<i>Actual-to-PY Actual Growth</i>	-	0.2%	-2.8%	14.0%	4.6%	5.5%
	<i>Budget-to-PY Actual Growth</i>		6.0%	10.3%	9.4%	5.7%	9.4%
<b>Medicaid</b>	Budget	17.63	18.65	18.70	17.97	18.27	18.34
	Actual	18.94	18.84	18.17	21.19	21.78	20.42
	<i>Budget-to-PY Budget Growth</i>	-	5.8%	0.3%	-3.9%	1.7%	0.4%
	<i>Actual-to-PY Actual Growth</i>	-	-0.5%	-3.6%	16.6%	2.8%	-6.2%
	<i>Budget-to-PY Actual Growth</i>		-1.5%	-0.7%	-1.1%	-13.8%	-15.8%
<b>Medicare</b>	Budget	58.77	62.31	65.98	64.68	66.48	69.94
	Actual	62.66	65.49	58.64	67.24	71.99	67.20
	<i>Budget-to-PY Budget Growth</i>	-	6.0%	5.9%	-2.0%	2.8%	5.2%
	<i>Actual-to-PY Actual Growth</i>	-	4.5%	-10.5%	14.7%	7.1%	-6.7%
	<i>Budget-to-PY Actual Growth</i>		-0.6%	0.7%	10.3%	-1.1%	-2.8%
<b>DSH</b>	Budget	1.04	1.02	0.84	0.84	0.74	0.78
	Actual	1.04	0.98	0.84	0.76	1.77	0.86
	<i>Budget-to-PY Budget Growth</i>	-	-2.1%	-17.9%	0.0%	-12.3%	6.1%
	<i>Actual-to-PY Actual Growth</i>	-	-5.9%	-13.9%	-9.6%	132.4%	-51.2%
	<i>Budget-to-PY Actual Growth</i>		-1.6%	-14.1%	-0.2%	-3.2%	-55.8%
<b>Total</b>	Budget	159.50	165.20	172.28	167.09	177.59	188.87
	Actual	161.12	163.95	154.07	176.34	186.73	184.70
	<i>Budget-to-PY Budget Growth</i>	-	3.6%	4.3%	-3.0%	6.3%	6.4%
	<i>Actual-to-PY Actual Growth</i>	-	1.8%	-6.0%	14.5%	5.9%	-1.1%
	<i>Budget-to-PY Actual Growth</i>		2.5%	5.1%	8.5%	0.7%	1.1%

# Revenue Trends: Actual vs. Budgeted NPR

## Southwestern Vermont Medical Center

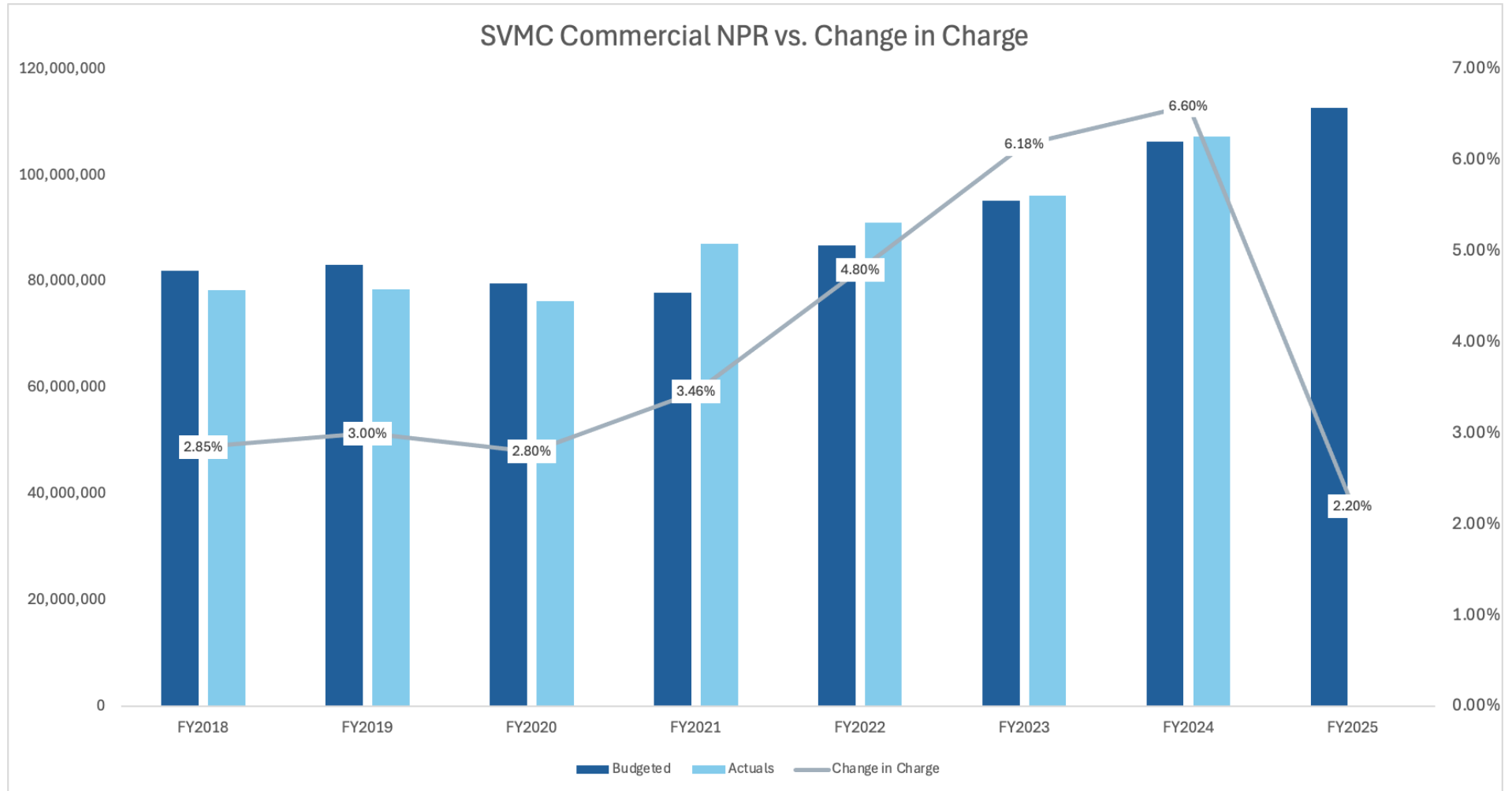


	FY18 Δ		FY19 Δ		FY20 Δ		FY21 Δ		FY22 Δ		FY23 Δ	
<b>Commercial</b>	(3.58)	-4.4%	(4.58)	-5.5%	(10.34)	-11.9%	3.55	4.2%	(0.91)	-1.0%	(3.58)	-3.6%
<b>Medicaid</b>	1.31	7.4%	0.20	1.1%	(0.54)	-2.9%	3.22	17.9%	3.51	19.2%	2.08	11.3%
<b>Medicare</b>	3.90	6.6%	3.17	5.1%	(7.34)	-11.1%	2.56	4.0%	5.51	8.3%	(2.74)	-3.9%
<b>DSH</b>	(0.01)	-0.5%	(0.05)	-4.4%	0.00	0.2%	(0.08)	-9.4%	1.03	140.1%	0.08	10.4%
	1.62	1.01%	(1.25)	-0.76%	(18.22)	-10.57%	9.25	5.54%	9.13	5.14%	(4.17)	-2.21%

*Note: **Negative values** reflect over-budgeted revenues (actuals less than budget), positive values, under-budgeted.*

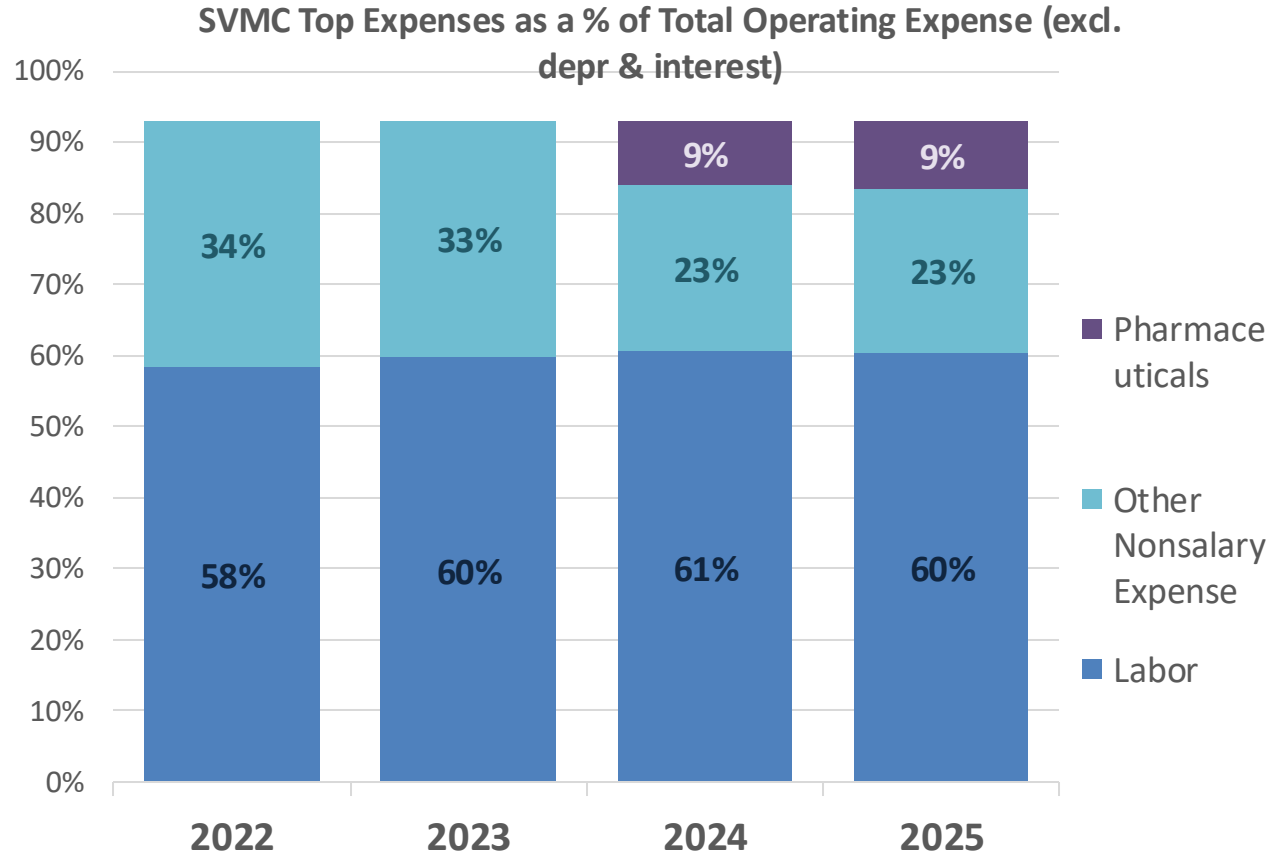
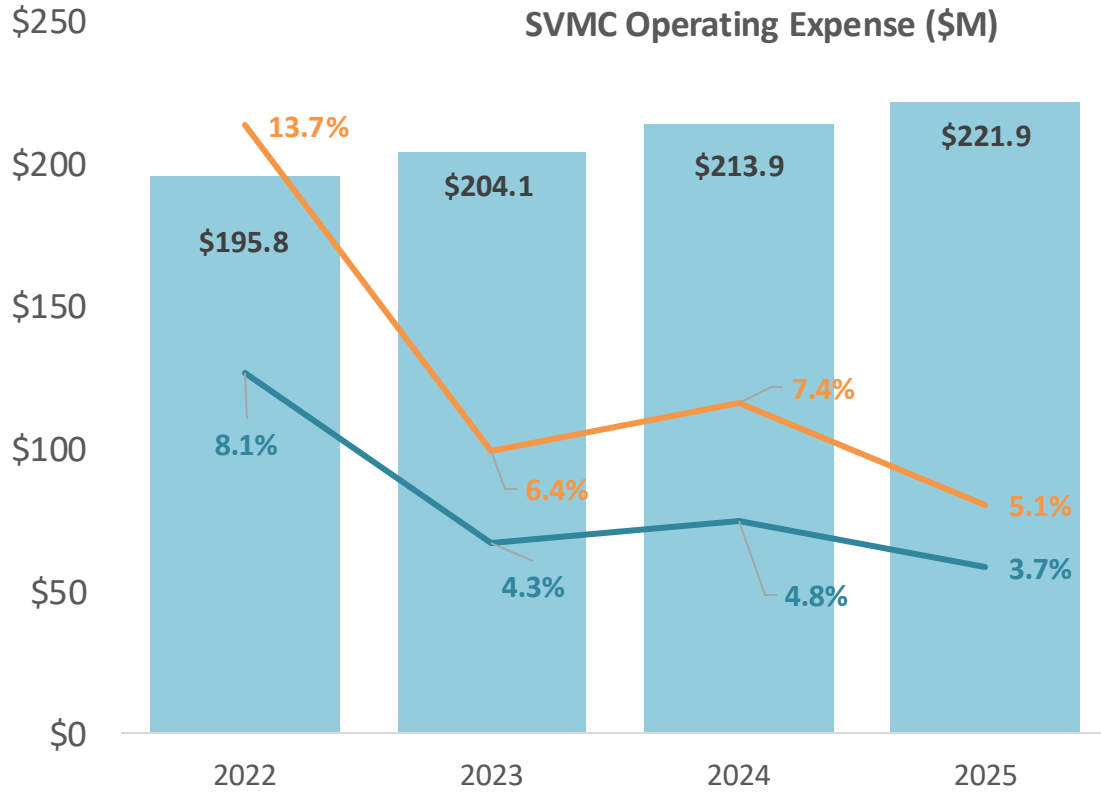
# Commercial Revenue Trends

## Southwestern Vermont Medical Center



# Expense Trends

## Southwestern Vermont Medical Center



■ SVMC Actual  
— SVMC Year over Year Growth (%)  
— VT Average Total Year over Year Growth

Labor includes Salaries, Non-MD, Fringe Benefits Non-MD, Fringe Benefits, MD & Physician Fees, salaries, contracts & fringes. Expense trend includes 2022 – 2023 actuals, 2024 *projected* and 2025 budget

	2022	2023	2024	2025
<b>SVMC - Labor YoY Growth</b>	4.7%	6.5%	5.8%	3.3%
<b>SVMC - Labor (Actual - Budget)</b>	\$4,592,940	\$3,082,242	\$934,765	
<b>SVMC - Labor (Actual - Budget)/Budget</b>	4.3%	2.7%	0.8%	
<b>SVMC - Other Nonsalary Expense YoY Growth</b>	14.2%	0.6%		1.6%
<b>SVMC - Other Nonsalary Expense (Actual - Budget)</b>	\$9,147,525	\$5,057,947	\$725,155	
<b>SVMC - Other Nonsalary Expense (Actual - Budget)/Budget</b>	16.4%	8.4%	1.5%	

# Expense Trends: Labor

## Southwestern Vermont Medical Center



Total FTEs employees				
Employee	FY2024	FY2025	Distribution of Additional FTE	Clinical/Non Clinical Budgeted Split
Clinical FTEs	690	694	79%	75%
Non Clinical FTEs	225	226	21%	25%
<b>Total</b>	<b>914</b>	<b>919</b>		

Top Changes in Staffing by Department			
Combined Department	FY2024	FY2025	Change
Department (Uncategorized) Clinical FTEs	690	694	4
Department (Uncategorized) Non Clinical FTEs	225	226	1

Changes in staffing account for 100.0% of FTE employee changes

### Labor Expense in the narrative:

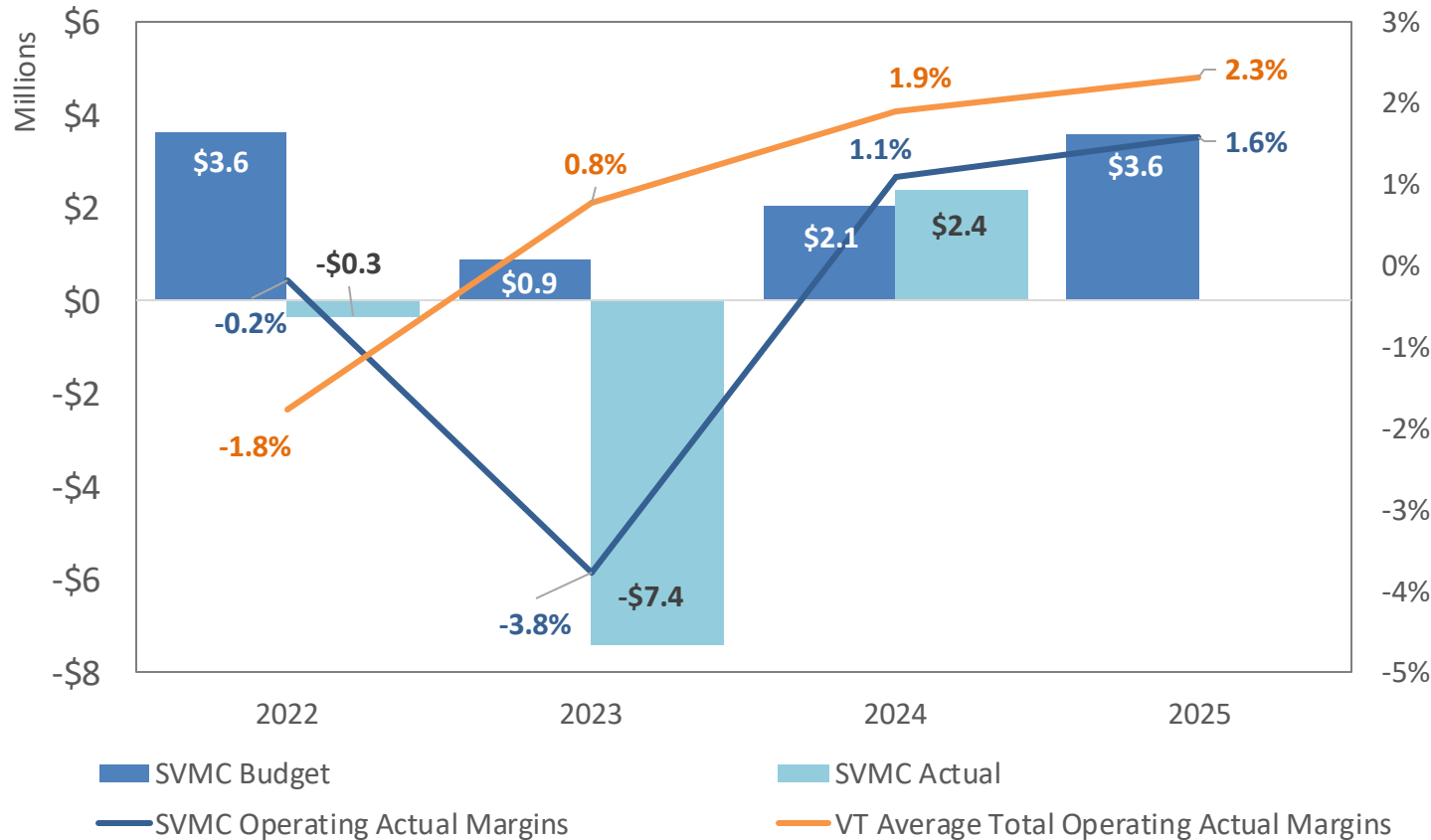
- The budget assumes contracted labor expenses in 3 hard to fill clinical areas: 1 FTE respiratory therapist, 1 FTE in ultrasound and 1 FTE in oncology.
- In FY2024 it was necessary to use contract labor in CT scan and Nuclear Medicine, but have recruited staff for those positions for FY2025
- There will be an addition of new FTE nurses budget to budget primarily from the Nursing Pipeline Grant
- SVMC was able to reduce 2 senior executive position for FY2025 through their collaboration with DH

# Operating Margin Growth

## Southwestern Vermont Medical Center



SVMC Operating Margin (\$M)



	2022	2023	2024
<b>SVMC Operating Revenue</b>	\$195,437,613	\$196,737,153	\$216,314,408
<b>SVMC Operating Expense:</b>	\$195,777,045	\$204,148,854	\$213,938,841
<b>SVMC Margin:</b>	-\$339,432	-\$7,411,702	\$2,375,567
<b>SVMC Operating Revenue: (Actual - Budget)</b>	\$11,048,846	-\$284,513	\$2,663,595
<b>SVMC Operating Revenue: % Difference in Actual vs. Budget</b>	6.0%	-0.1%	1.2%
<b>SVMC Operating Expense: (Actual - Budget)</b>	\$15,016,803	\$8,031,716	\$2,347,353
<b>SVMC Operating Expense: % Difference in Actual vs. Budget</b>	8.3%	4.1%	1.1%
<b>VT Operating Revenue: % Difference in Actual vs. Budget</b>	5.7%	3.1%	3.0%
<b>VT Operating Expenses: % Difference in Actual vs. Budget</b>	10.4%	4.3%	3.3%

\*Margin % shows Actuals 2022 - 2023, Projected 2024 & Budgeted 2025



# Financial Health: Profitability

## Southwestern Vermont Medical Center

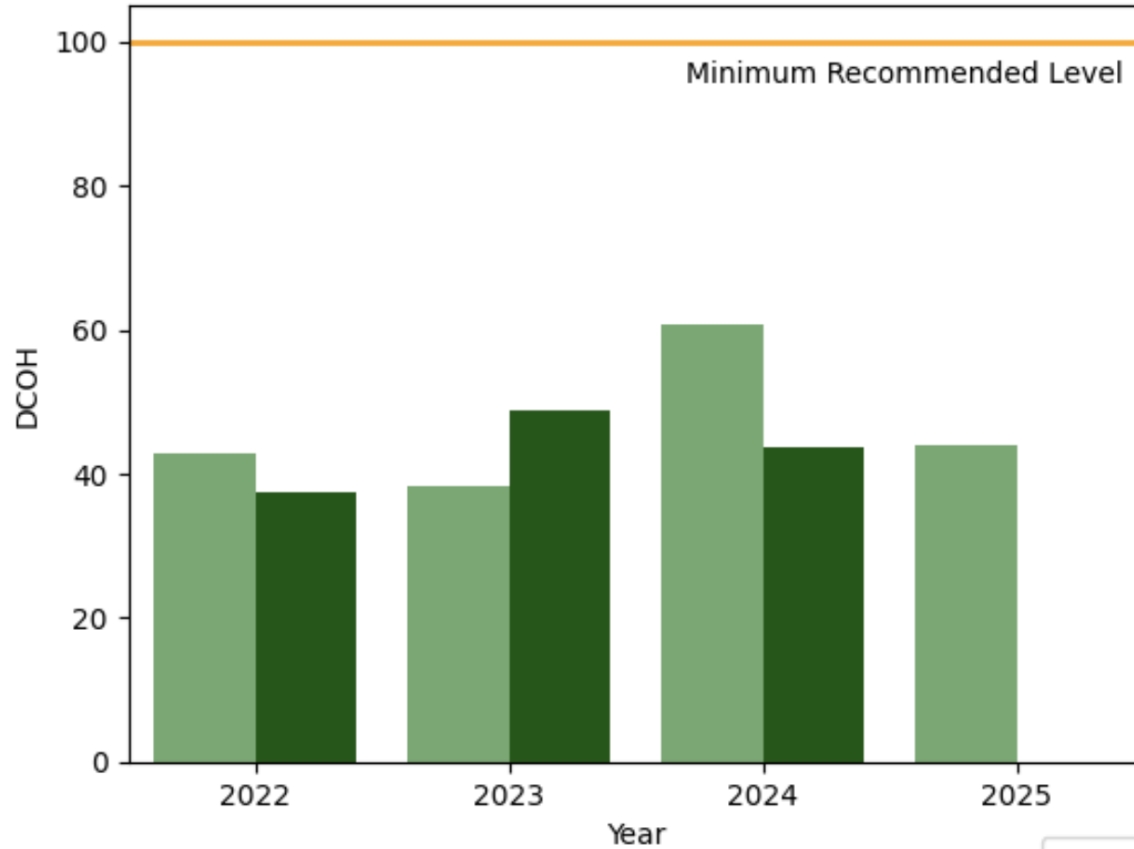


	FY22 Budget	FY22 Actuals	FY23 Budget	FY23 Actuals	FY24 Budget	FY24 Projected	FY25 Budget
Operating Margin	2.0%	-0.2%	0.5%	-3.8%	1.0%	1.1%	1.6%
Total Margin	-33.7%	3.8%	0.8%	-0.7%	5.8%	4.2%	3.0%
EBIDA	6%	3.4%	4.0%	0.0%	5.5%	5.0%	5.8%

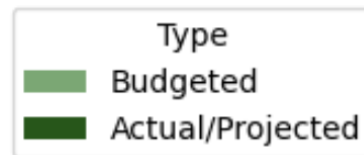
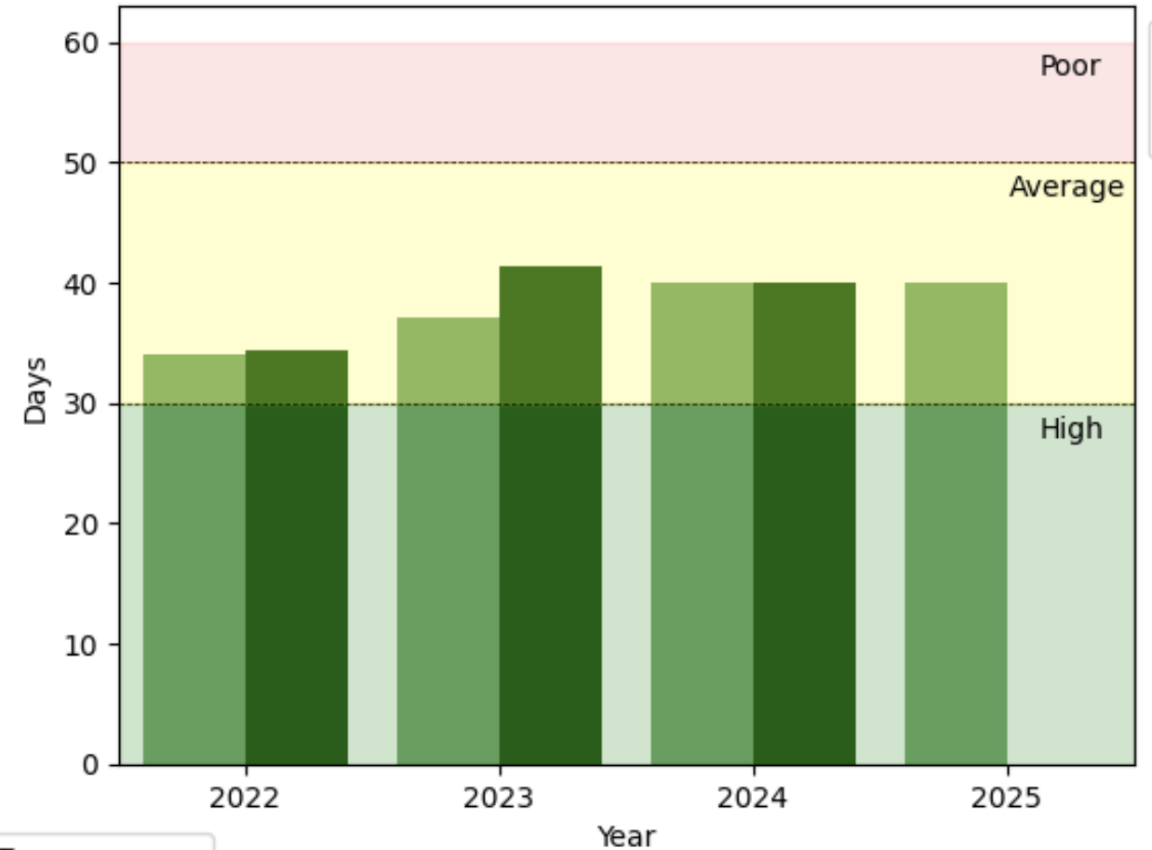
# Financial Health: Profitability

## Southwestern Vermont Medical Center

SVMC Days Cash on Hand



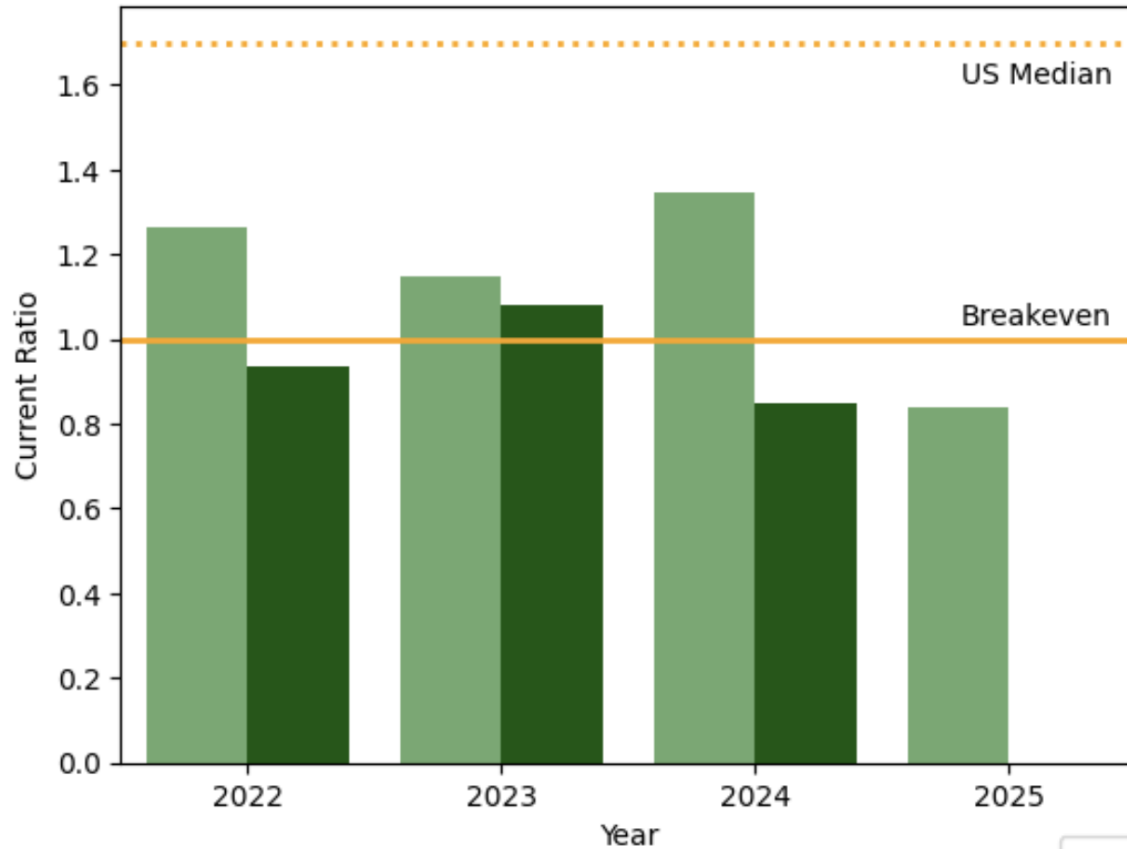
SVMC Days in Patient Account Receivable



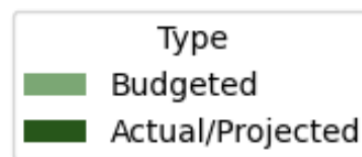
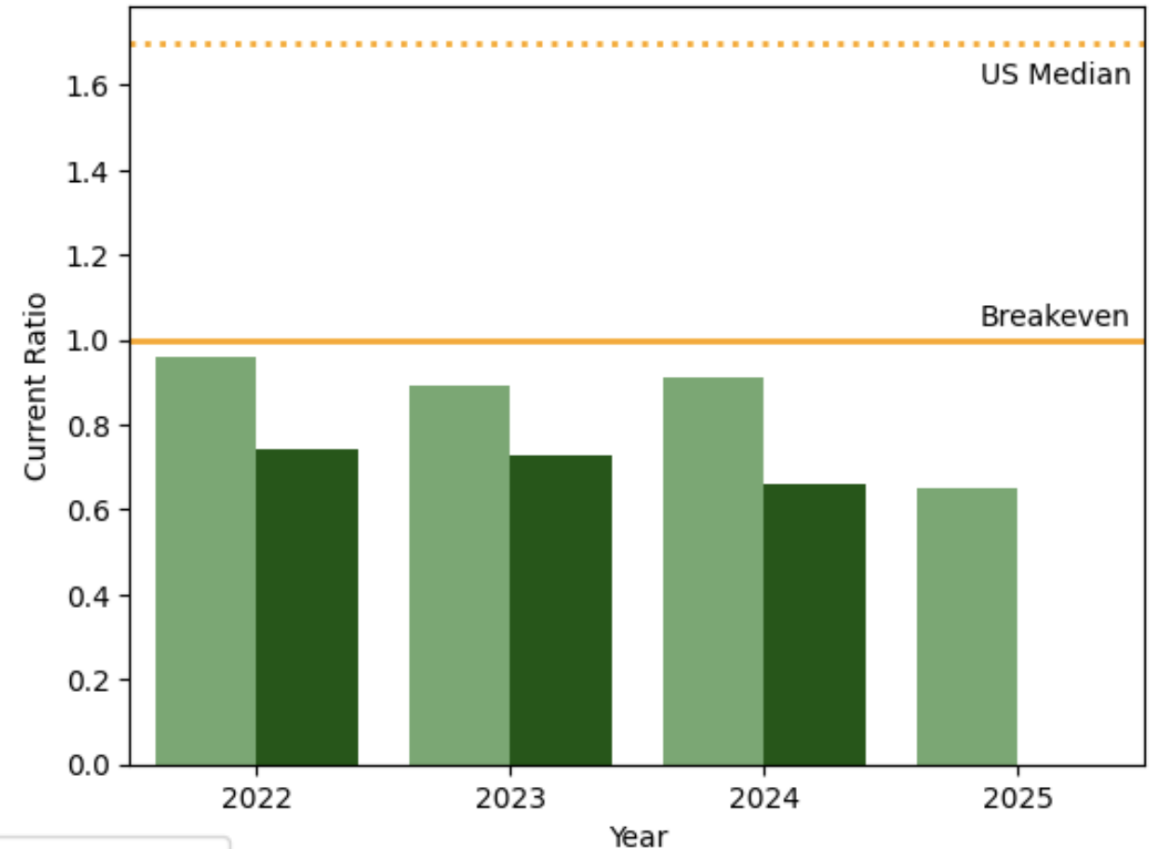
# Financial Health: Profitability

## Southwestern Vermont Medical Center

SVMC Current Ratio (including funded depreciation)



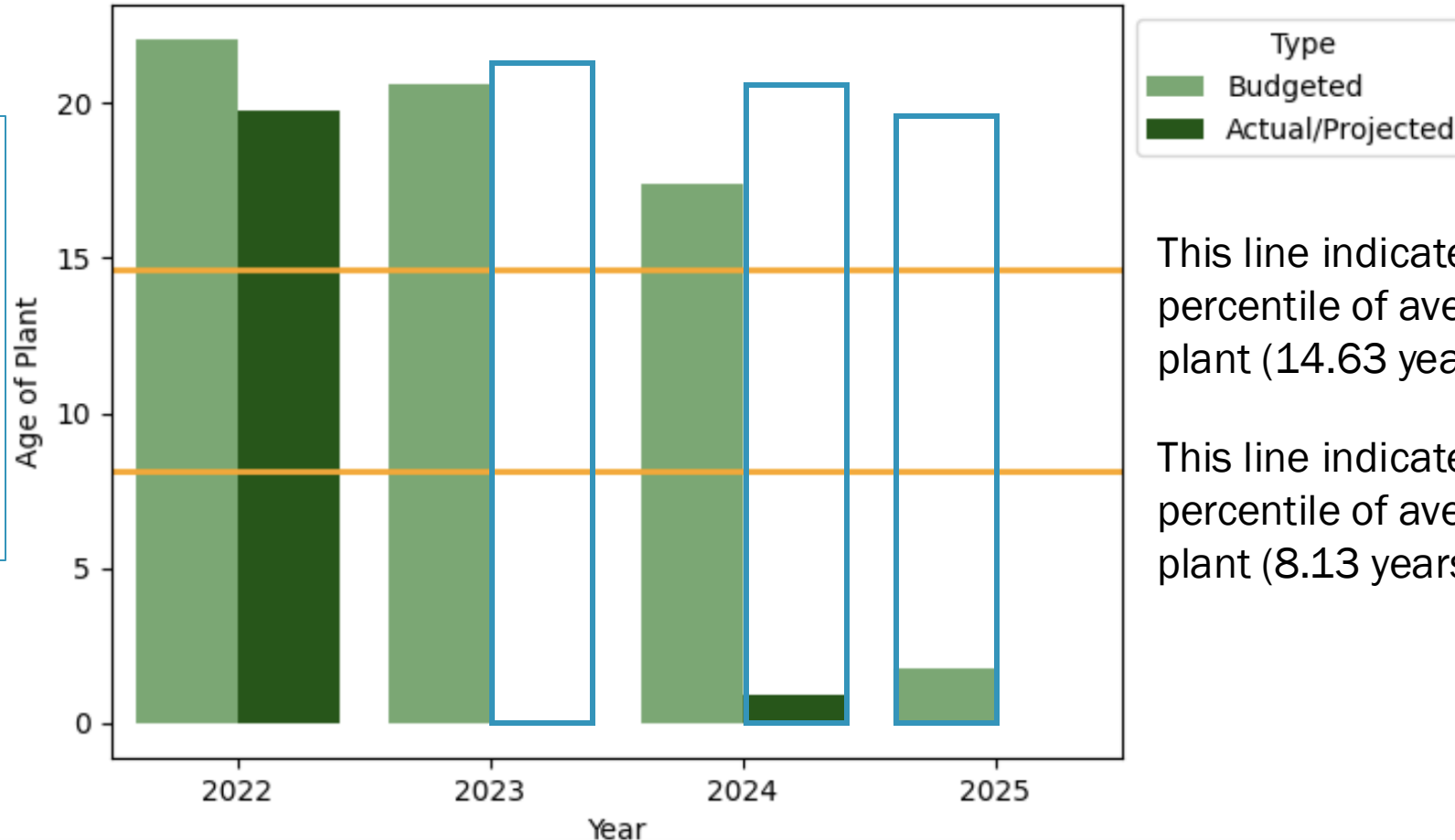
SVMC Current Ratio (assets/liabilities only)



# Financial Health: Capital Spending

## Southwestern Vermont Medical Center

SVMC Age of Plant



The blue outlines represent what SVMC has told us their Age of Plant actually is. This discrepancy is due to all plant assets being revalued.

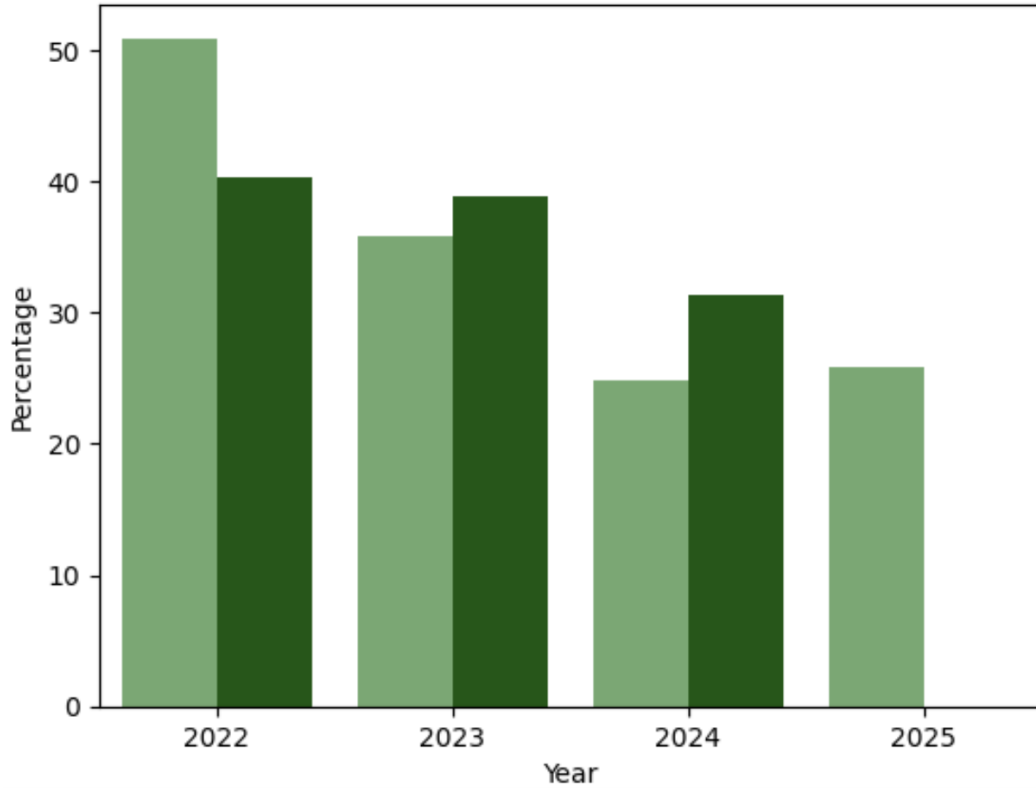
This line indicates the 75<sup>th</sup> percentile of average age of plant (14.63 years).

This line indicates the 25<sup>th</sup> percentile of average age of plant (8.13 years).

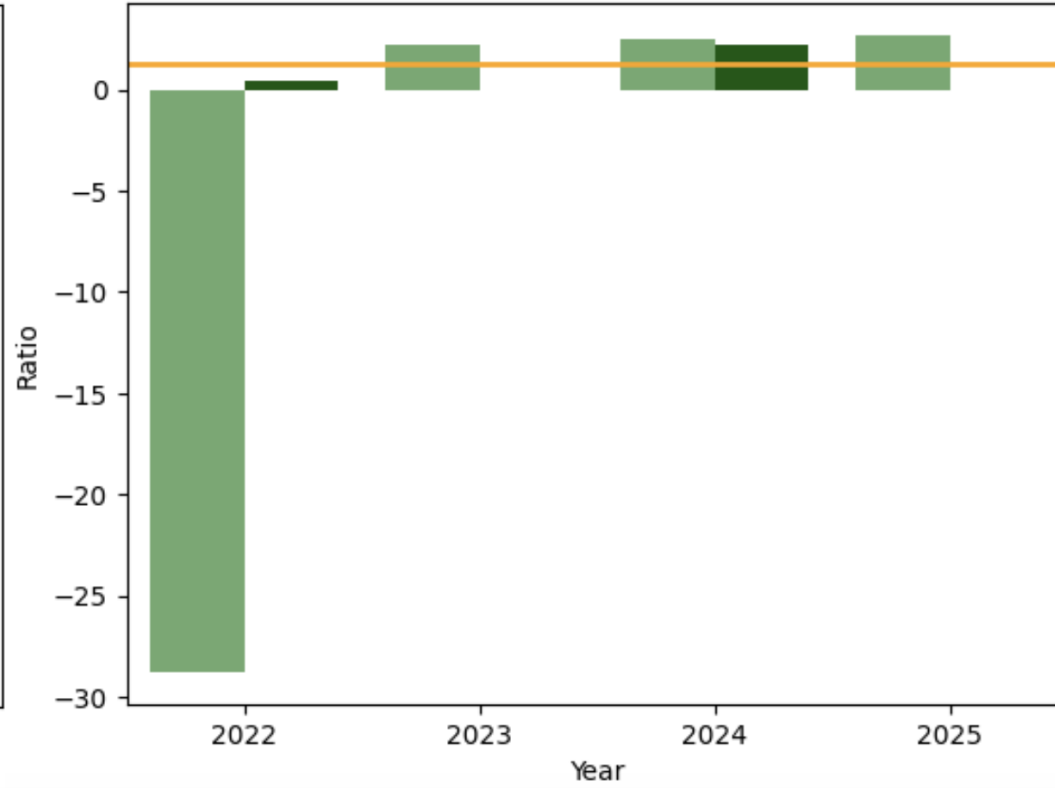
# Financial Health: Solvency

## Southwestern Vermont Medical Center

SVMC Long Term Debt to Capitalization



SVMC Debt Service Coverage Ratio



This line indicates the standard minimum ratio for lenders (1.25).

Type

- Budgeted
- Actual/Projected

# Summary of Financial Health

*Southwestern Vermont Medical Center*



- FY24 is projected to produce positive margins
- It is difficult to assess SVMC's financial health given that many of these metrics are affected by their relationship with, and contingent on, the financial health of their parent organization

# Commercial Price (RAND 5.0)

## Southwestern Vermont Medical Center



Core Service Line	Relative Price	Relative Price Decile	Standardized Price	Standardized Price Decile
Outpatient	316%	8	\$438.21	8
Inpatient	226%	5	\$23,165	6
Inpatient & Outpatient	295%	8		
Professional (Inpatient & Outpatient)	168%	2		
Inpatient Facility	244%	9	\$21,482	5
Outpatient Facility	390%	9	\$354.45	5

# Reasonable Assumptions: Public Payer Prices

## *Southwestern Vermont Medical Center*



- What did they assume for Medicare/Medicaid price/reimbursement increase?
  - From the narrative: "Medicare rates will increase by 2.5% for inpatient services as of October 1, 2024 and 1.0% for outpatient services effective January 1, 2025, including physician practices."
  - From the narrative: "Medicaid rates will not be increase[d] for any service in FY 2025."
  - From the workbook: 0.7% for Medicare, 0% for Medicaid.



# Reasonable Assumptions: Volume

## Southwestern Vermont Medical Center



	FY24P Payer Mix
Medicaid	10.6%
Medicare - Traditional	36.5%
Medicare - Advantage	
Commercial	52.8%
Uncategorized	0.0%
Total	100%

Source: Adaptive Payer Revenue Trends

	Changes to Volume <i>*not payer mix</i>
Medicaid	3.9%
Medicare - Traditional	-2.5%
Medicare - Advantage	-0.9%
Commercial	3.7%
FPP	0.0%
<b>Attributable NPR Increase</b>	<b>1.7%</b>

Source: GMCB Healthcare Finance Team Rate Decomposition Data

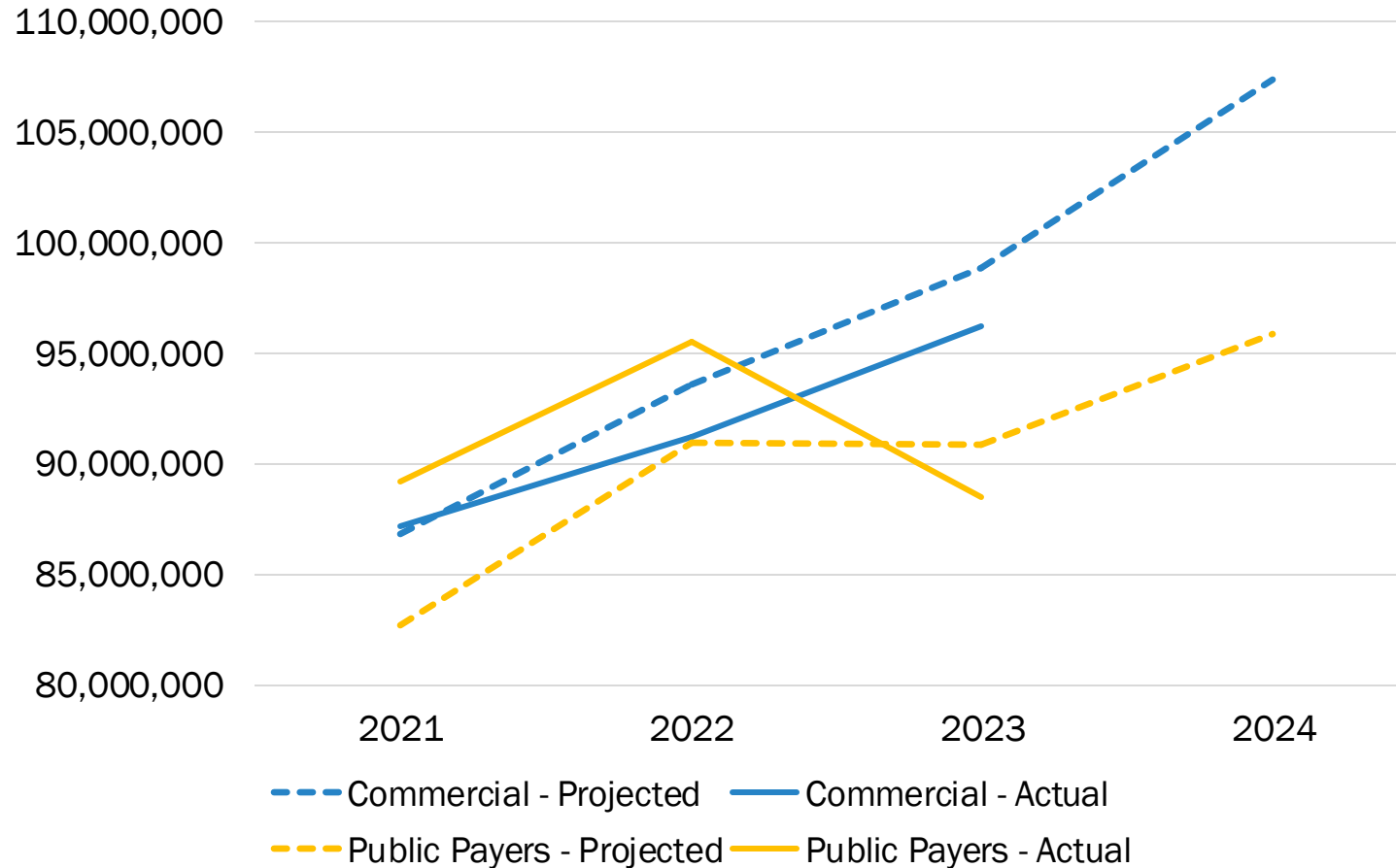
**SVMC requested an NPR increase of 3.5%. According to their workbook, 1.7% of this will come from increased volume.**

# Reasonable Assumptions: Projected vs. Actual NPR

## Southwestern Vermont Medical Center



SVMC

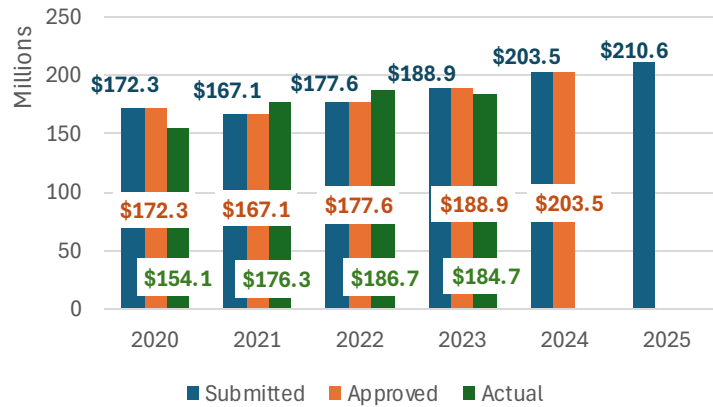


# Reasonable Assumptions: Budget History

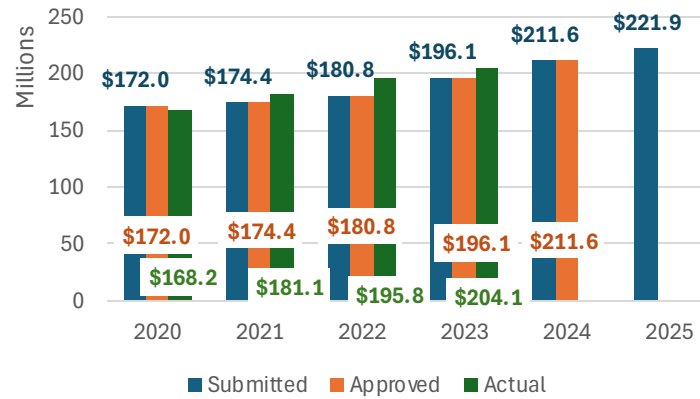
## Southwestern Vermont Medical Center



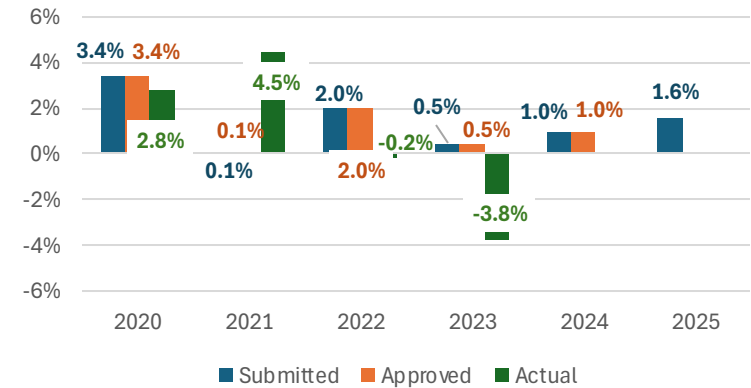
Southwestern VT Medical Center NPR & FPP



Southwestern VT Medical Center Operating Expense (\$M)



Southwestern VT Medical Center Operating Margin %



# Efficiency: Summary

## *Southwestern Vermont Medical Center*



- Clinical Productivity- 40.57 Clinical FTEs. 28.5% of FTEs are under 25th percentile. 66.4% are under 50th percentile.
- Cost- Well below all comparator groups for the average inpatient cost per Medicare discharge from 2018-2022. The gap between SVMC and the comparison groups grew significantly in 2022.
- Revenue- Compound annual growth rate of NPR per adjusted discharge from 2018-2022 is 1.04%, compared to the State Total of 5.26% and the National Median of 6.00%
- Admin to clinical salary ratio- Higher than that of the comparator groups but fell from 49.4% to 36% between 2021-22

### Hospital justifications:

Low-cost provider

Made significant progress cutting expenses

# Suggested Motion Language

## Approve Budget with Modifications (modify language as needed):

Move to approve SVMC's budget with modifications as follows:

1. With FY25 NPR approved at a growth rate of not more than 3.5% over its FY24 approved budget and a commensurate reduction in operating expenses;
2. With FY25 commercial change in charge and negotiated rate growth capped at 3.4% over the FY24 approved commercial rate cap (reduced from 3.5%), with no commercial rate increase for any payer exceeding that amount; and
3. Subject to all other standard budget conditions as approved by this Board.

# Budget Request vs. FY25 Benchmarks

*Copley Hospital*



## Section I - Net Patient Revenue Growth < 3.5%

NPR Request %	NPR Request \$	% of System > Guidance
11.8%	118 M	5%

## Section I - Commercial Rate Growth < 3.4%

Comm Rate Request %	Comm Rate Request \$	% of System > Guidance
10.5%	5.9 M	10%

## Section I - Operating Margin > 0%

Op Margin %	Op Margin \$	% of System
2.8%	3.3 M	3%

# Summary of Hospital Justifications

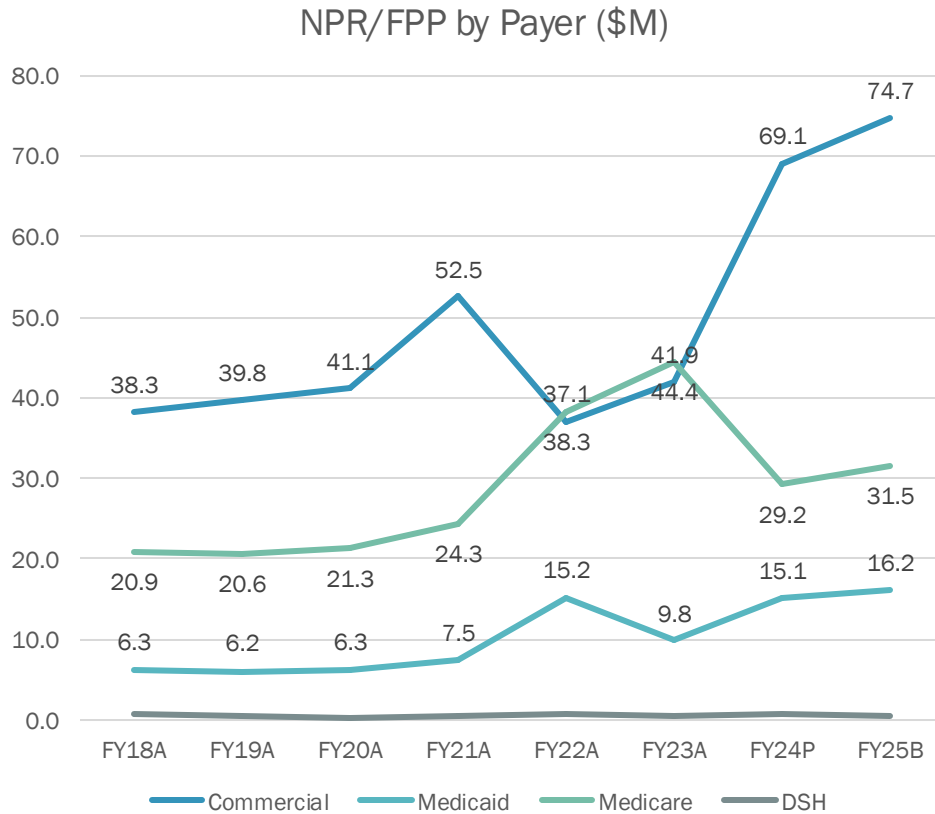
## *Copley Hospital*



- They have low prices: Copley has largely justified their budget by noting that their prices are low compared to other Vermont hospitals.
- They need to preserve their financial viability: Copley argues that, under the current price, “[we are] spending down our reserves and chipping away at our financial viability at a concerning rate.” (Narrative, page 5).
- They've experienced a mid-year rate increase: Copley has requested an 11.8% NPR increase budget to budget. However, Copley points out that 5.9% of the 11.8% is attributable to the FY24 midyear rate jump. Otherwise, their NPR increase would be 5.9%.

# Revenue Trends: NPR Growth by Payer

## Copley Hospital



		FY18 Δ	FY19 Δ	FY20 Δ	FY21 Δ	FY22 Δ	FY23 Δ
<b>Commercial</b>	Budget	39.37	42.96	42.66	36.49	48.79	44.57
	Actual	38.26	39.75	41.09	52.51	37.07	41.94
	<i>Budget-to-PY Budget Growth</i>	-	9.1%	-0.7%	-14.5%	33.7%	-8.6%
	<i>Actual-to-PY Actual Growth</i>	-	3.9%	3.4%	27.8%	-29.4%	13.1%
	<i>Budget-to-PY Actual Growth</i>		12.3%	7.3%	-11.2%	-7.1%	20.2%
<b>Medicaid</b>	Budget	6.64	5.71	6.28	9.67	11.64	16.84
	Actual	6.29	6.17	6.30	7.46	15.23	9.83
	<i>Budget-to-PY Budget Growth</i>	-	-14.1%	10.1%	53.9%	20.4%	44.7%
	<i>Actual-to-PY Actual Growth</i>	-	-2.0%	2.2%	18.3%	104.3%	-35.4%
	<i>Budget-to-PY Actual Growth</i>		-9.4%	1.8%	53.4%	56.1%	10.6%
<b>Medicare</b>	Budget	21.25	21.07	23.27	29.58	24.78	34.14
	Actual	20.92	20.61	21.26	24.31	38.28	44.43
	<i>Budget-to-PY Budget Growth</i>	-	-0.8%	10.4%	27.1%	-16.2%	37.8%
	<i>Actual-to-PY Actual Growth</i>	-	-1.5%	3.1%	14.3%	57.5%	16.0%
	<i>Budget-to-PY Actual Growth</i>		0.7%	12.9%	39.1%	1.9%	-10.8%
<b>DSH</b>	Budget	0.76	0.46	0.45	0.46	0.46	0.48
	Actual	0.76	0.46	0.46	0.50	0.79	0.44
	<i>Budget-to-PY Budget Growth</i>	-	-39.5%	-0.9%	0.1%	0.0%	5.9%
	<i>Actual-to-PY Actual Growth</i>	-	-39.5%	-0.7%	10.0%	58.8%	-44.9%
	<i>Budget-to-PY Actual Growth</i>		-39.5%	-0.9%	0.0%	-9.1%	-39.4%
<b>Total</b>	Budget	68.02	70.20	72.66	76.19	85.66	96.03
	Actual	66.23	66.99	69.11	84.77	91.38	96.64
	<i>Budget-to-PY Budget Growth</i>	-	3.2%	3.5%	4.9%	12.4%	12.1%
	<i>Actual-to-PY Actual Growth</i>	-	1.2%	3.2%	22.7%	7.8%	5.8%
	<i>Budget-to-PY Actual Growth</i>		6.0%	8.5%	10.2%	1.0%	5.1%



# Revenue Trends: Actual vs. Budgeted NPR

## Copley Hospital

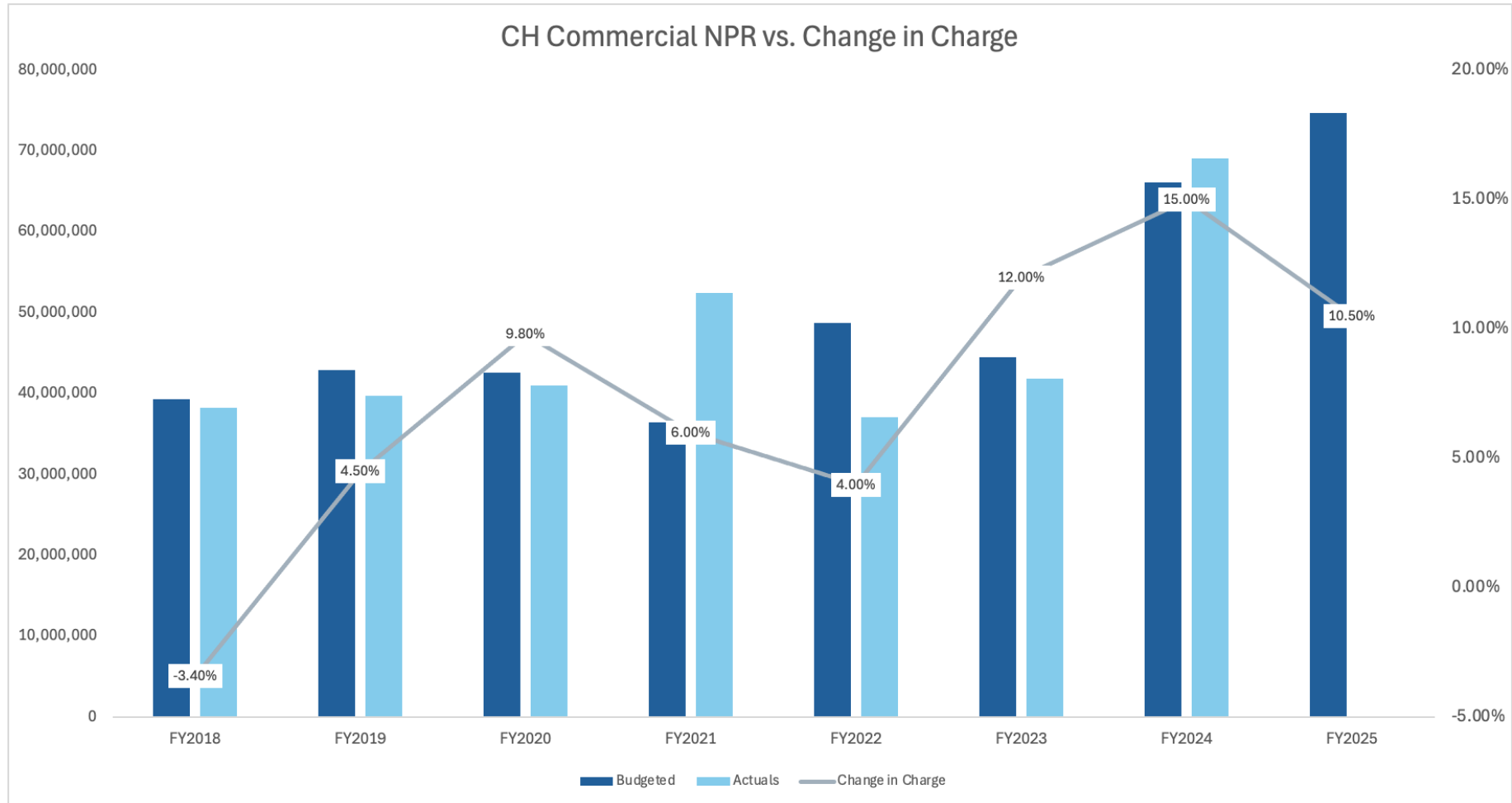


	FY18 Δ		FY19 Δ		FY20 Δ		FY21 Δ		FY22 Δ		FY23 Δ	
<b>Commercial</b>	(1.12)	-2.8%	(3.21)	-7.5%	(1.56)	-3.7%	16.02	43.9%	(11.71)	-24.0%	(2.63)	-5.9%
<b>Medicaid</b>	(0.35)	-5.2%	0.46	8.1%	0.02	0.3%	(2.21)	-22.9%	3.59	30.9%	(7.01)	-41.6%
<b>Medicare</b>	(0.33)	-1.6%	(0.46)	-2.2%	(2.01)	-8.6%	(5.27)	-17.8%	13.50	54.5%	10.28	30.1%
<b>DSH</b>	(0.00)	0.0%	-	0.0%	0.00	0.2%	0.05	10.0%	0.34	74.7%	(0.04)	-9.2%
	(1.80)	-2.64%	(3.21)	-4.57%	(3.55)	-4.88%	8.58	11.26%	5.72	6.68%	0.61	0.63%

*Note: **Negative values** reflect over-budgeted revenues (actuals less than budget), positive values, under-budgeted.*

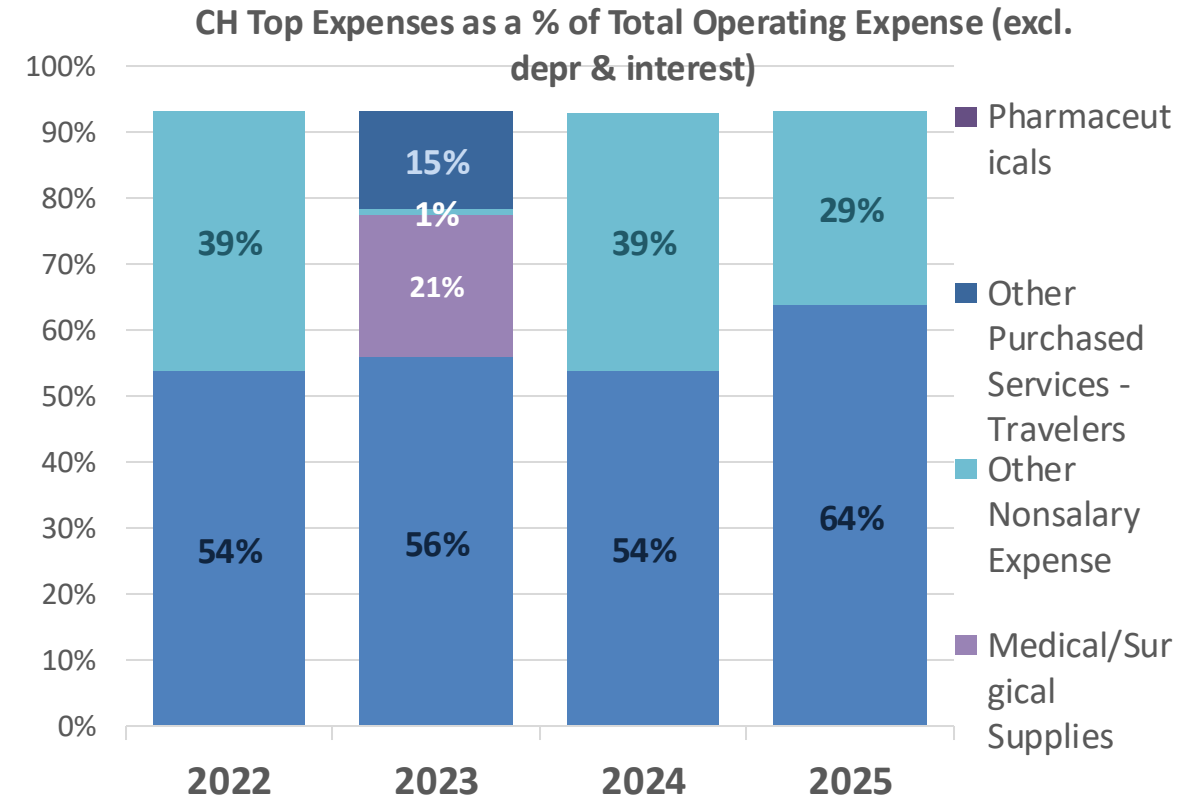
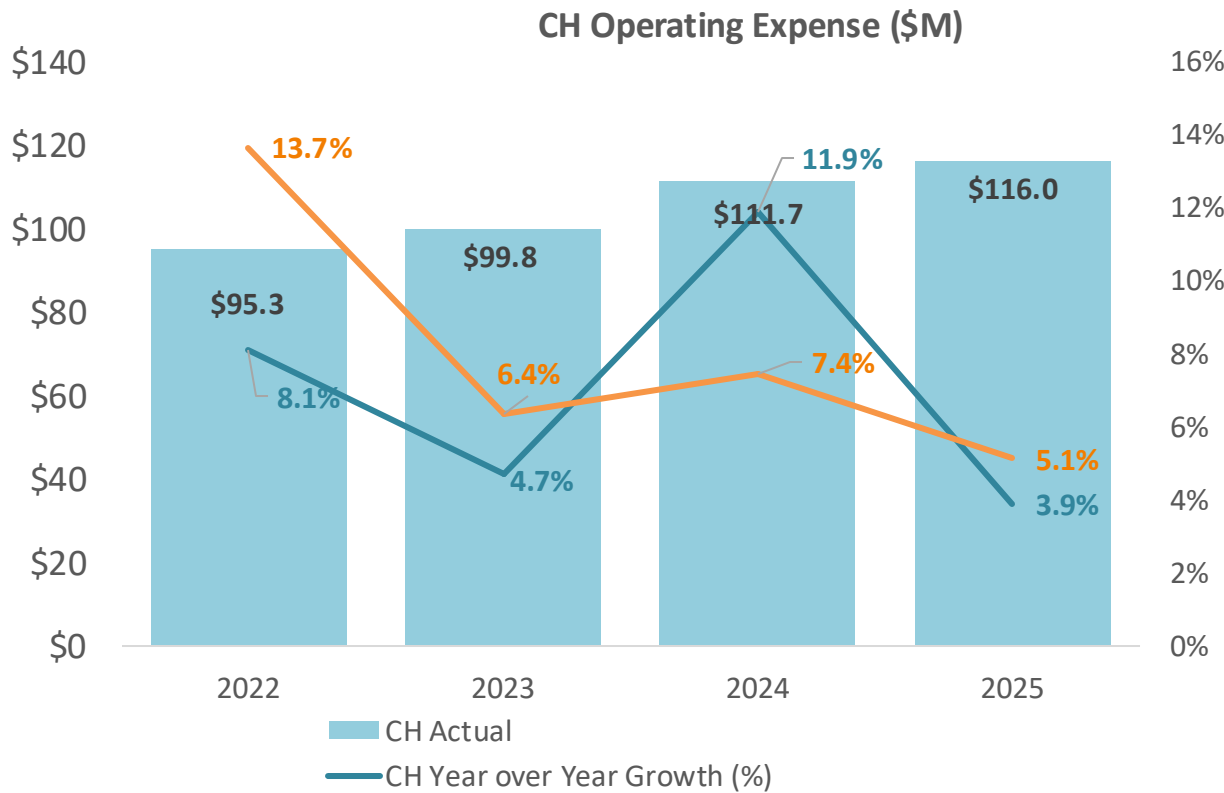
# Commercial Revenue Trends

## Copley Hospital



# Expense Trends

## Copley Hospital



Labor includes Salaries, Non-MD, Fringe Benefits Non-MD, Fringe Benefits, MD & Physician Fees, salaries, contracts & fringes. Expense trend includes 2022 - 2023 actuals, 2024 *projected* and 2025 budget

	2022	2023	2024	2025
CH - Labor YoY Growth	12.2%	8.8%	8.3%	21.8%
CH - Labor (Actual - Budget)	\$652,546	-\$2,561,106	-\$8,971,619	
CH - Labor (Actual - Budget)/Budget	1.3%	-4.5%	-13.3%	
CH - Other Nonsalary Expense YoY Growth	8.5%			-22.5%
CH - Other Nonsalary Expense (Actual - Budget)	\$8,937,605		\$11,772,252	
CH - Other Nonsalary Expense (Actual - Budget)/Budget	32.7%		38.4%	

# Expense Trends: Labor

## Copley Hospital



### Total FTEs employees

Employee	FY2024	FY2025	Distribution of	
			Additional Budgeted FTE	Clinical/Non Clinical Budgeted Split
Clinical FTEs	324	332	65%	72%
Non Clinical FTEs	127	131	35%	28%
<b>Total</b>	<b>450</b>	<b>463</b>		

### Labor Expense in the narrative:

- Over the past two years overall staff vacancy rate has been as high as 34% - continue to see high travelers' usage/expense
- To be competitive in the market - had to make additional wage adjustments for all staff
- For Budget 2025 - seeing larger than normal increase due to health insurance increases, additional payroll taxes, 24/7 security, etc.

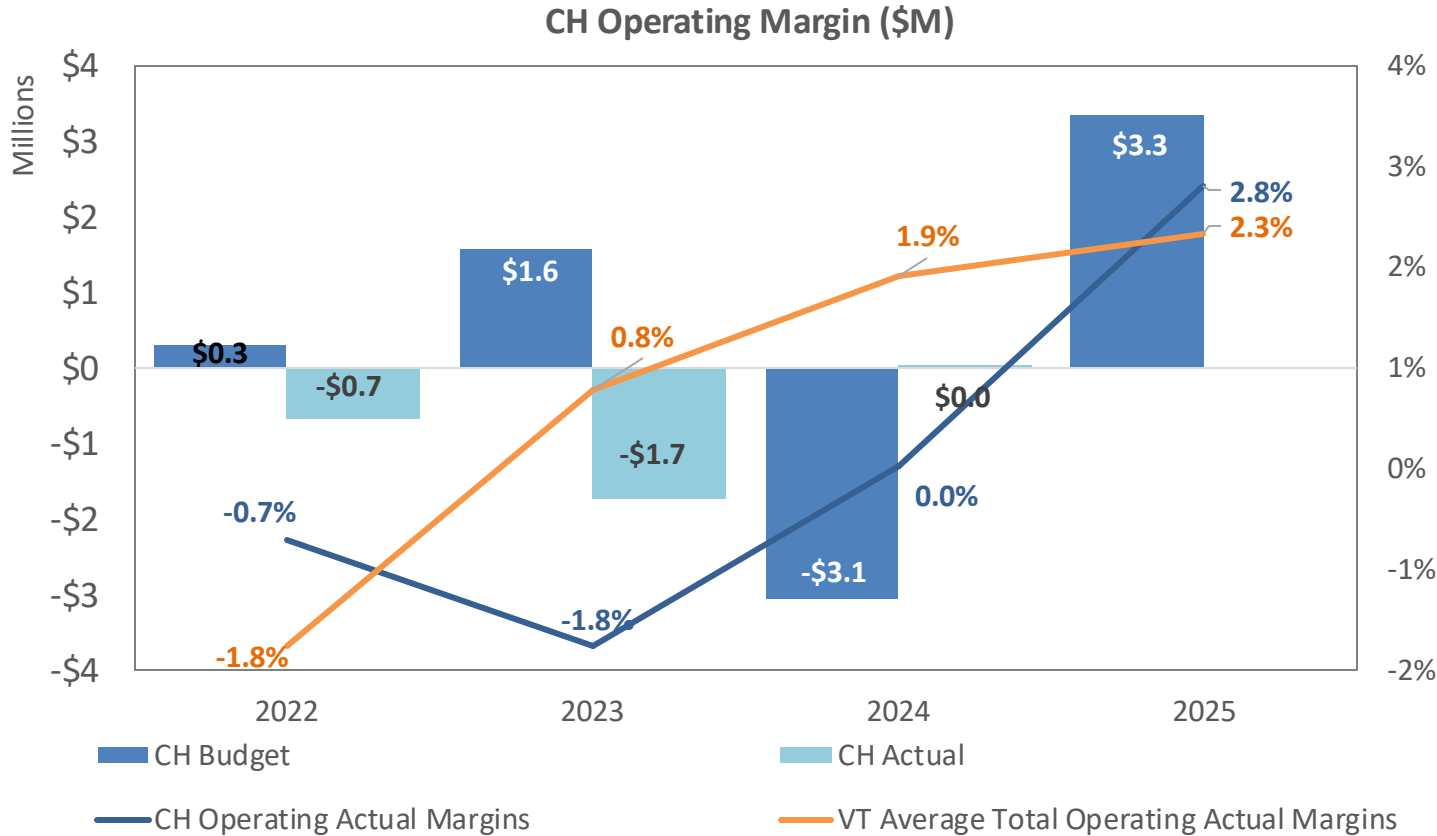
### Top Changes in Staffing by Department

Department	FY2024	FY2025	Change
Physician practices Clinical FTEs	100	106	6
Operation of Plant & Maintenance Non Clinical FTEs	7	11	4
Radiology - Diagnostic Clinical FTEs	22	26	3
Medical/Surgical Clinical FTEs	43	40	-3
Recovery Room Clinical FTEs	11	12	1
Medical Records Non Clinical FTEs	22	21	-1
Emergency Room Clinical FTEs	30	29	-1
Social Service Clinical FTEs	4	5	1
Fiscal Services Non Clinical FTEs	41	42	1
Nursing Administration Clinical FTEs	10	9	-1
Physical Therapy Clinical FTEs	22	23	1
Inhalation Therapy Clinical FTEs	10	9	-1
Administration Non Clinical FTEs	15	15	1
Laboratory Clinical FTEs	16	16	0
Speech Therapy Clinical FTEs	1	1	0
Housekeeping Non Clinical FTEs	19	19	0
Dietary Non Clinical FTEs	17	17	0
Infusion Therapy/Anticoagulation Clinical FTEs	4	4	0
EKG Clinical FTEs	1	1	0
Pharmacy Clinical FTEs	10	11	0

Changes in staffing account for 100.0% of FTE employee changes

# Operating Margin Growth

## Copley Hospital



	2022	2023	2024
<b>CH Operating Revenue</b>	\$94,664,395	\$98,076,098	\$111,709,076
<b>CH Operating Expense:</b>	\$95,335,394	\$99,802,638	\$111,672,475
<b>CH Margin:</b>	-\$670,999	-\$1,726,541	\$36,601
<b>CH Operating Revenue: (Actual - Budget)</b>	\$7,993,798	\$1,028,539	\$5,600,181
<b>CH Operating Revenue: % Difference in Actual vs. Budget</b>	9.2%	1.1%	5.3%
<b>CH Operating Expense: (Actual - Budget)</b>	\$8,956,412	\$4,324,175	\$2,504,042
<b>CH Operating Expense: % Difference in Actual vs. Budget</b>	10.4%	4.5%	2.3%
<b>VT Operating Revenue: % Difference in Actual vs. Budget</b>	5.7%	3.1%	3.0%
<b>VT Operating Expenses: % Difference in Actual vs. Budget</b>	10.4%	4.3%	3.3%

\*Margin % shows Actuals 2022 - 2023, Projected 2024 & Budgeted 2025

\*This slide has been updated – see appendix

# Financial Health: Profitability

*Copley Hospital*



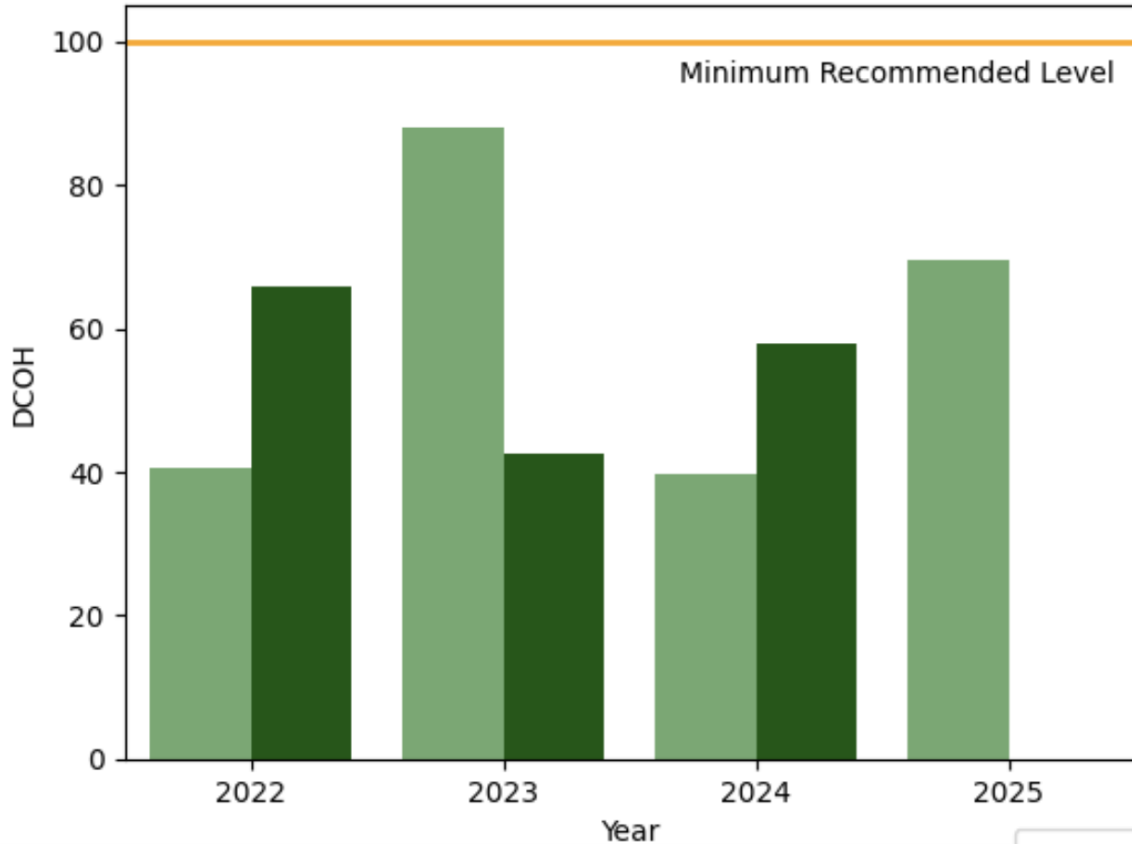
	FY22 Budget	FY22 Actuals	FY23 Budget	FY23 Actuals	FY24 Budget	FY24 Projected	FY25 Budget
Operating Margin	0.3%	-0.7%	1.6%	-1.8%	-2.9%	0.0%	2.8%
Total Margin	0.7%	0.7%	1.9%	-1.4%	-2.6%	0.2%	3.2%
EBIDA	4.0%	2.6%	5.0%	1.6%	0.6%	2.9%	6.4%

# Financial Health: Profitability

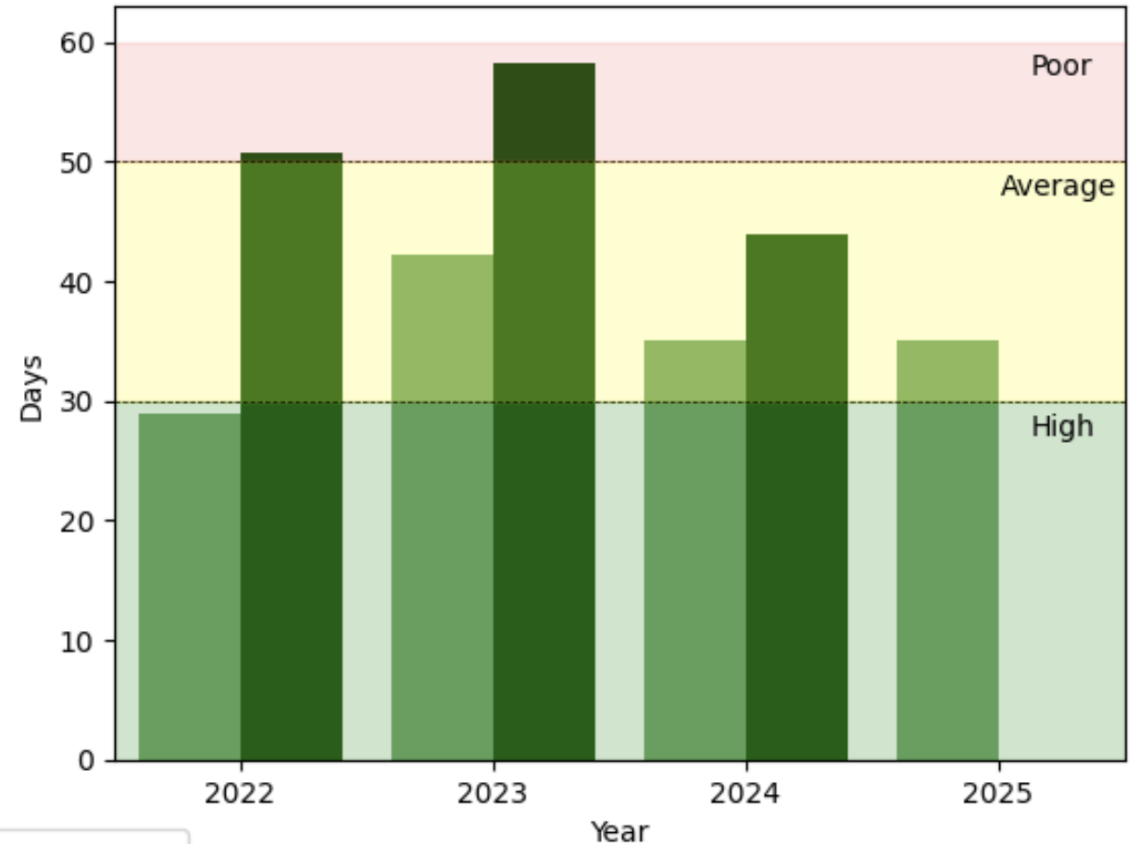
## Copley Hospital



### CH Days Cash on Hand



### CH Days in Patient Account Receivable



Type

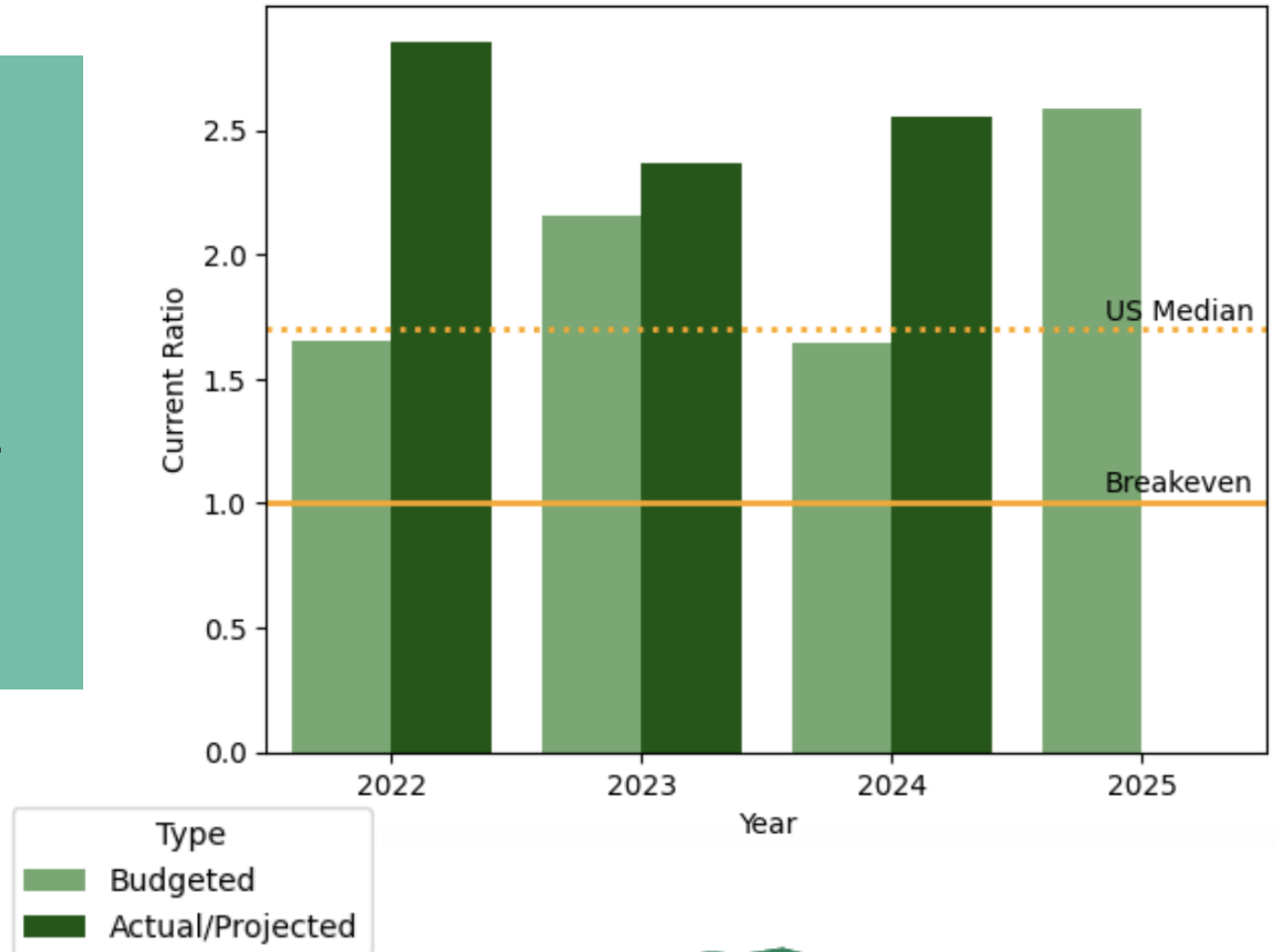
- Budgeted
- Actual/Projected

# Financial Health: Profitability

*Copley Hospital*

Copley Hospital does not have any unrestricted funded depreciation, so the current ratio does not change between the two graphs.

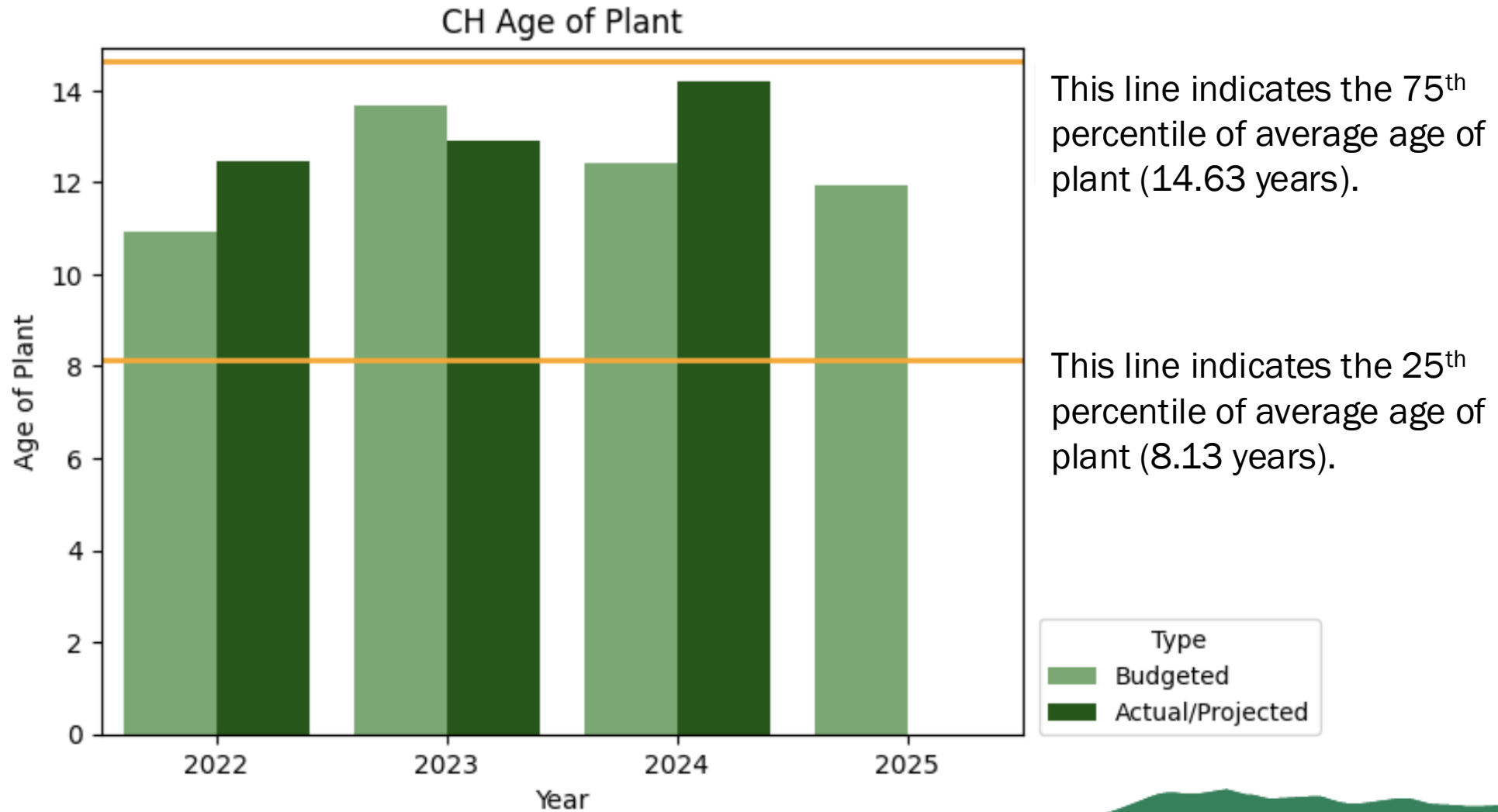
CH Current Ratio (assets/liabilities only)





# Financial Health: Capital Spending

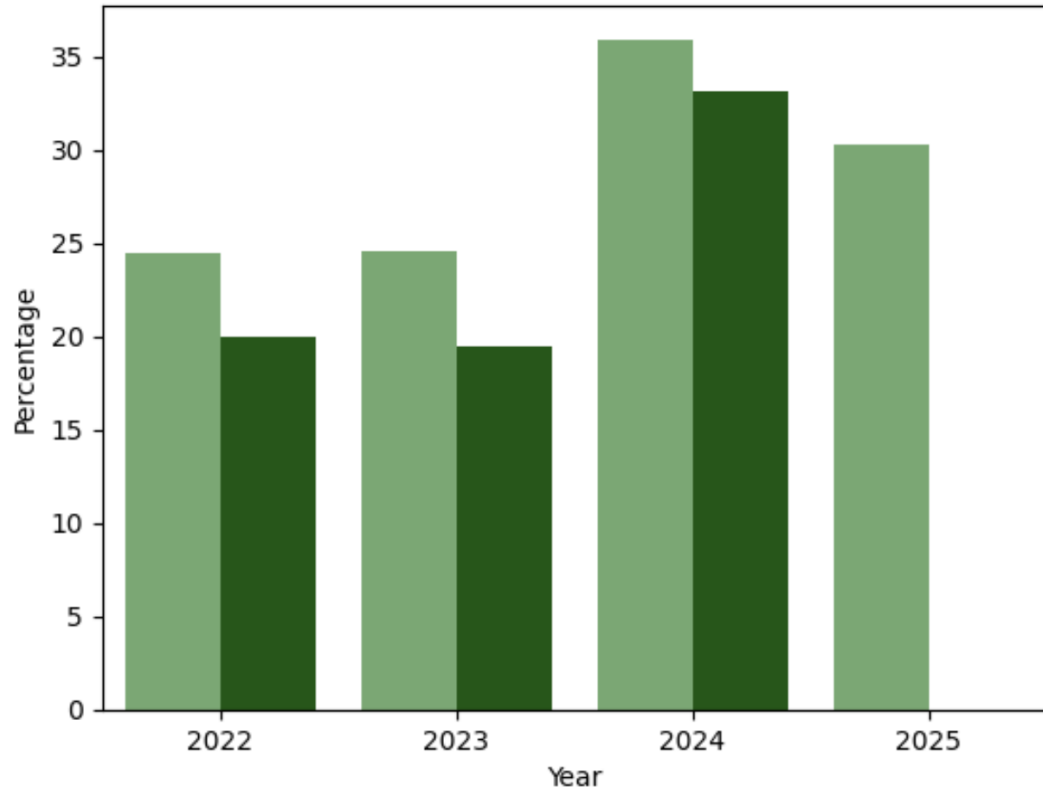
*Copley Hospital*



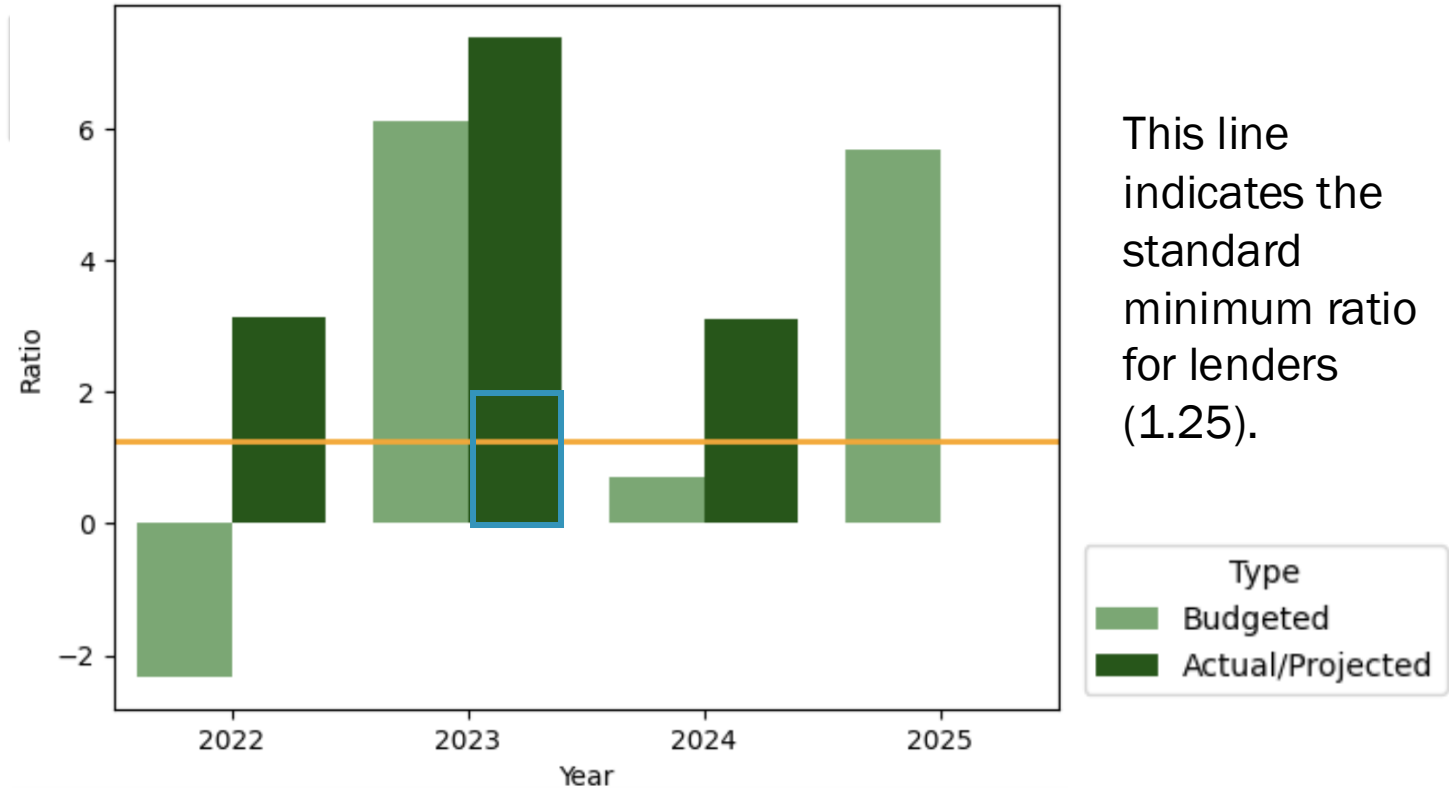
# Financial Health: Solvency

## Copley Hospital

CH Long Term Debt to Capitalization



CH Debt Service Coverage Ratio



# Summary of Financial Health

## *Copley Hospital*



- Some concerning data in recent past, but projecting positive margins for FY24 and FY25B
- DCOH is low, which is something to consider and monitor
- Days in Patient Account Receivable has improved to average performance
- Current Ratio is strong.
- Age of plant is in the middle of the national range.
- No concerns with Long Term Debt to Capitalization or Debt Service Coverage Ratio

# Commercial Price (RAND 5.0)

*Copley Hospital*



Core Service Line	Relative Price	Relative Price Decile	Standardized Price	Standardized Price Decile
Outpatient	152%	1	\$314.51	6
Inpatient	121%	1	\$16,127	2
Inpatient & Outpatient	144%	1		
Professional (Inpatient & Outpatient)	172%	3		
Inpatient Facility	120%	2	\$15,076	2
Outpatient Facility	147%	1	\$252.70	2

# Reasonable Assumptions: Public Payer Prices

## *Copley Hospital*



- What did they assume for Medicare/Medicaid price/reimbursement increase?
  - From the narrative: "Copley received cost-based reimbursement for inpatient and outpatient services provided to Medicare patients. The cost of treating Medicare patients is estimated using cost accounting data from Medicare Cost Reports."
  - From the narrative: "Copley is not budgeting any additional reimbursement due to the rate increase for Medicaid."
  - From the workbook: 9% for Medicare, 0% for Medicaid.

# Reasonable Assumptions: Volume

## Copley Hospital



	FY24P Payer Mix
Medicaid	13.25%
Medicare - Traditional	25.6%
Medicare - Advantage	
Commercial	60.6%
Uncategorized	0.6%
Total	100%

Source: Adaptive Payer Revenue Trends

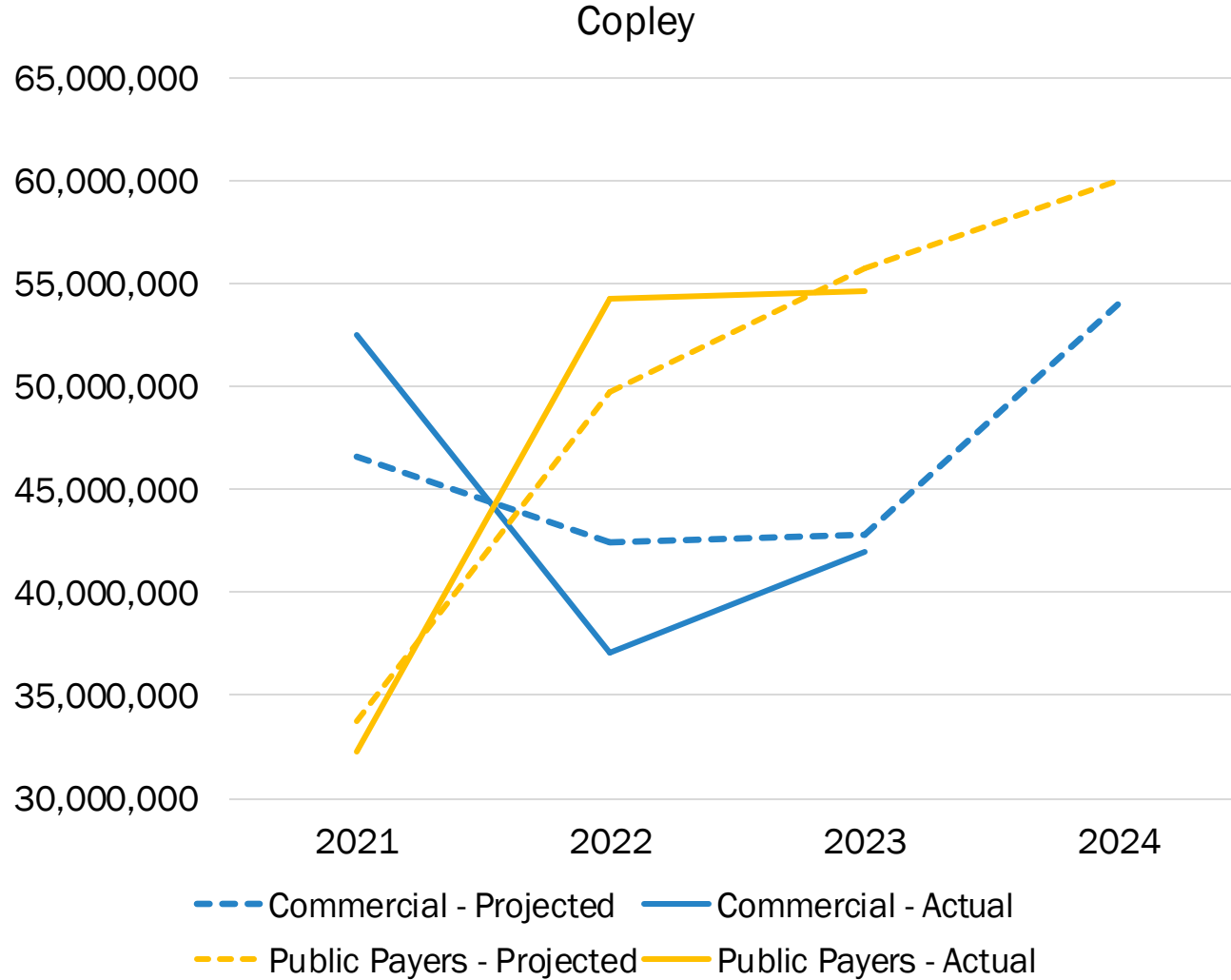
	Changes to Volume <i>*not payer mix</i>
Medicaid	0.0%
Medicare - Traditional	0.2%
Medicare - Advantage	0.2%
Commercial	0.2%
FPP	0.0%
<b>Attributable NPR Increase</b>	<b>0.2%</b>

Source: GMCB Healthcare Finance Team Rate Decomposition Data

Copley requested an NPR increase of 11.8%. According to their workbook, 0.2% will come from increased volume.

# Reasonable Assumptions: Projected vs. Actual NPR

*Copley Hospital*

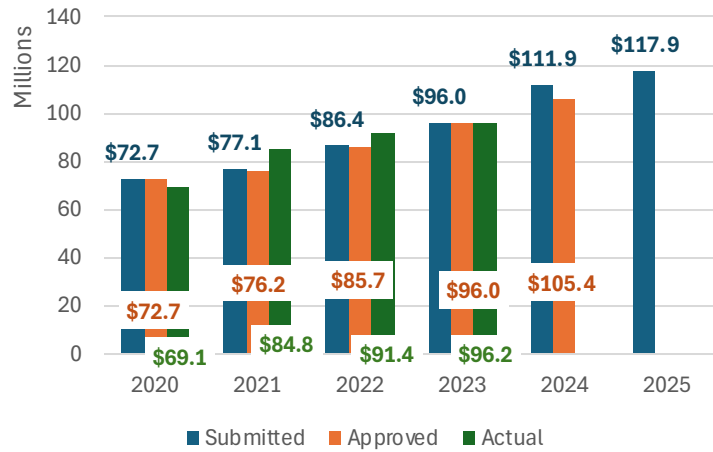


# Reasonable Assumptions: Budget History

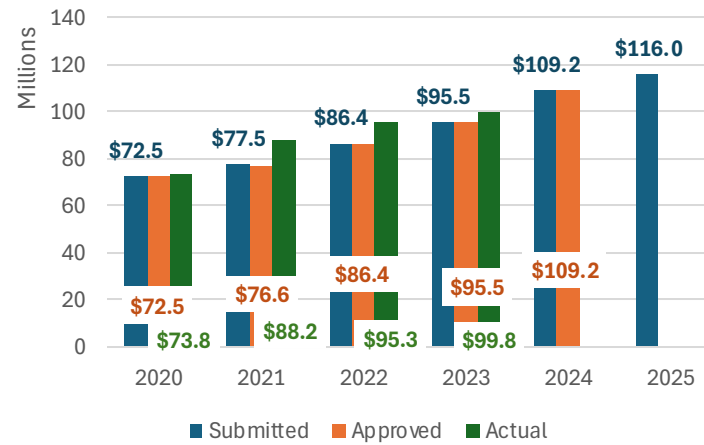
## Copley Hospital



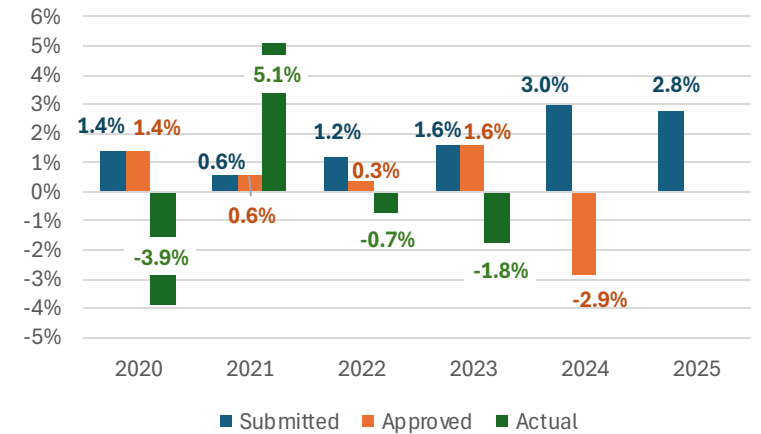
Copley Hospital NPR & FPP (\$M)



Copley Hospital Operating Expense (\$M)



Copley Hospital Operating Margin %





# Efficiency: Summary

## *Copley Hospital*



- Clinical Productivity- 20.9 Clinical FTEs. 30.6% of FTEs are under 25th percentile. 90.4% are under the 50th percentile.
- Cost -well below all comparator groups for the average inpatient cost per Medicare discharge from 2018-2022. The gap between Copley and the comparison groups decreased in 2022.
- Revenue- Compound annual growth rate of NPR per adjusted discharge from 2018-2022 is 8.38%, compared to the CAH State Total of 4.35% and the CAH National Median of 5.66%.
- Admin to clinical salary ratio- varied from 2018-22 but never more than 16.4%, which is lower than the VT median and other VT CAHs.

### Hospital justifications:

Low prices

Need to preserve financial viability

Experienced a mid-year rate increase

# Suggested Motion Language

## Approve Budget with Modifications (modify language as needed):

Move to approve Copley's budget with modifications as follows:

1. With FY25 NPR approved at a growth rate of not more than 6% over its FY24 approved budget (reduced from 11.8%) and a commensurate reduction in operating expenses;
2. With FY25 commercial change in charge and negotiated rate growth capped at 6.4% over the FY24 approved commercial rate cap (reduced from 10.5%), with no commercial rate increase for any payer exceeding that amount; and
3. Subject to all other standard budget conditions as approved by this Board.

# Budget Request vs. FY25 Benchmarks

## Rutland Regional Medical Center



### Section I - Net Patient Revenue Growth < 3.5%

NPR Request %	NPR Request \$	% of System > Guidance
6.1%	349 M	5%

### Section I - Commercial Rate Growth < 3.4%

Comm Rate Request %	Comm Rate Request \$	% of System > Guidance
2.8%	4.8 M	-2%

### Section I - Operating Margin > 0%

Op Margin %	Op Margin \$	% of System
2.5%	9.1 M	9%

# Summary of Hospital Justifications

## *Rutland Regional Medical Center*



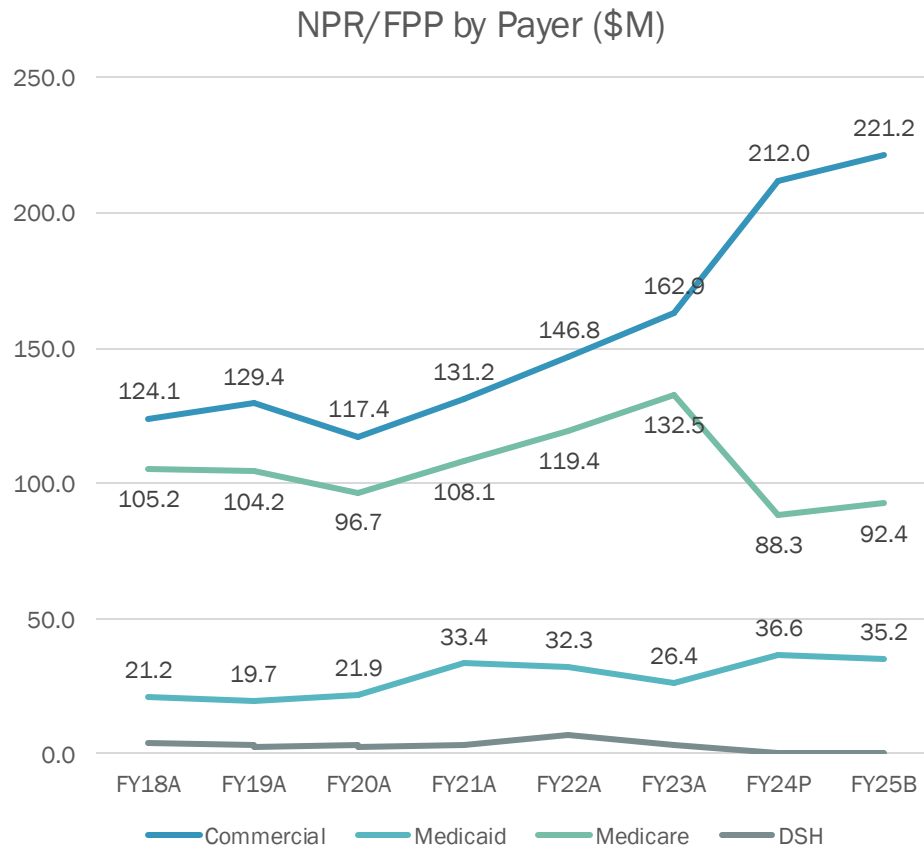
- They need to increase utilization to outpatient service lines: In their narrative, they write they have requested a high NPR to expand access and reduce wait times for outpatient services. "Those areas include, outpatient surgical services, laboratory volume, diagnostic imaging, MRI, Infusion Center services, CT Scan, Pharmacy, and Endoscopy." (Narrative, page 6).

# Revenue Trends: NPR Growth by Payer

## Rutland Regional Medical Center



### GREEN MOUNTAIN CARE BOARD



		FY18 Δ	FY19 Δ	FY20 Δ	FY21 Δ	FY22 Δ	FY23 Δ
<b>Commercial</b>	Budget	130.25	128.29	139.52	127.74	125.85	170.15
	Actual	124.05	129.42	117.42	131.18	146.84	162.85
	<i>Budget-to-PY Budget Growth</i>	-	-1.5%	8.8%	-8.4%	-1.5%	35.2%
	<i>Actual-to-PY Actual Growth</i>	-	4.3%	-9.3%	11.7%	11.9%	10.9%
	<i>Budget-to-PY Actual Growth</i>		3.4%	7.8%	8.8%	-4.1%	15.9%
<b>Medicaid</b>	Budget	24.69	26.36	24.61	23.97	30.48	33.18
	Actual	21.23	19.67	21.85	33.38	32.28	26.42
	<i>Budget-to-PY Budget Growth</i>	-	6.8%	-6.6%	-2.6%	27.2%	8.9%
	<i>Actual-to-PY Actual Growth</i>	-	-7.4%	11.1%	52.7%	-3.3%	-18.1%
	<i>Budget-to-PY Actual Growth</i>		24.1%	25.1%	9.7%	-8.7%	2.8%
<b>Medicare</b>	Budget	92.03	100.98	100.49	92.41	110.60	105.95
	Actual	105.19	104.24	96.73	108.10	119.37	132.53
	<i>Budget-to-PY Budget Growth</i>	-	9.7%	-0.5%	-8.0%	19.7%	-4.2%
	<i>Actual-to-PY Actual Growth</i>	-	-0.9%	-7.2%	11.7%	10.4%	11.0%
	<i>Budget-to-PY Actual Growth</i>		-4.0%	-3.6%	-4.5%	2.3%	-11.2%
<b>DSH</b>	Budget	4.00	3.09	3.17	3.37	3.44	3.34
	Actual	3.76	3.07	3.24	3.35	6.87	3.23
	<i>Budget-to-PY Budget Growth</i>	-	-22.6%	2.6%	6.3%	1.9%	-2.7%
	<i>Actual-to-PY Actual Growth</i>	-	-18.2%	5.5%	3.2%	105.4%	-53.0%
	<i>Budget-to-PY Actual Growth</i>		-17.7%	3.1%	3.9%	2.7%	-51.4%
<b>Total</b>	Budget	250.96	258.72	267.79	247.49	270.36	312.62
	Actual	254.24	256.40	239.26	276.01	305.37	325.04
	<i>Budget-to-PY Budget Growth</i>	-	3.1%	3.5%	-7.6%	9.2%	15.6%
	<i>Actual-to-PY Actual Growth</i>	-	0.9%	-6.7%	15.4%	10.6%	6.4%
	<i>Budget-to-PY Actual Growth</i>		1.8%	4.4%	3.4%	-2.0%	2.4%

# Revenue Trends: Actual vs. Budgeted NPR

## Rutland Regional Medical Center

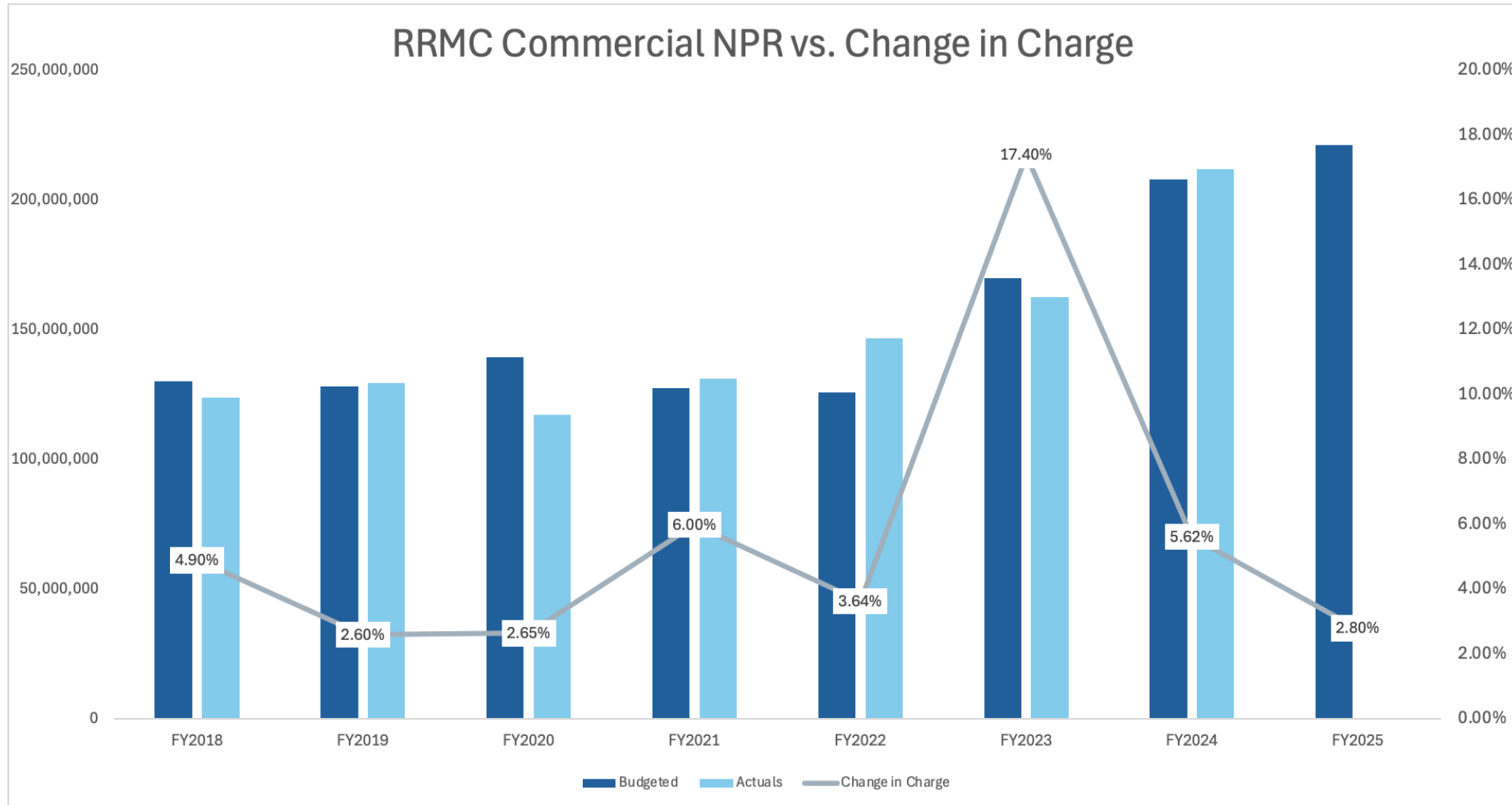


	FY18 Δ		FY19 Δ		FY20 Δ		FY21 Δ		FY22 Δ		FY23 Δ	
<b>Commercial</b>	(6.20)	-4.8%	1.14	0.9%	(22.10)	-15.8%	3.44	2.7%	20.99	16.7%	(7.30)	-4.3%
<b>Medicaid</b>	(3.46)	-14.0%	(6.69)	-25.4%	(2.75)	-11.2%	9.42	39.3%	1.81	5.9%	(6.75)	-20.3%
<b>Medicare</b>	13.17	14.3%	3.25	3.2%	(3.76)	-3.7%	15.68	17.0%	8.77	7.9%	26.58	25.1%
<b>DSH</b>	(0.24)	-6.0%	(0.02)	-0.6%	0.07	2.3%	(0.02)	-0.7%	3.44	100.1%	(0.11)	-3.4%
	3.27	1.30%	(2.32)	-0.90%	(28.53)	-10.65%	28.52	11.52%	35.01	12.95%	12.42	3.97%

Note: *Negative values* reflect over-budgeted revenues (actuals less than budget), positive values, under-budgeted.

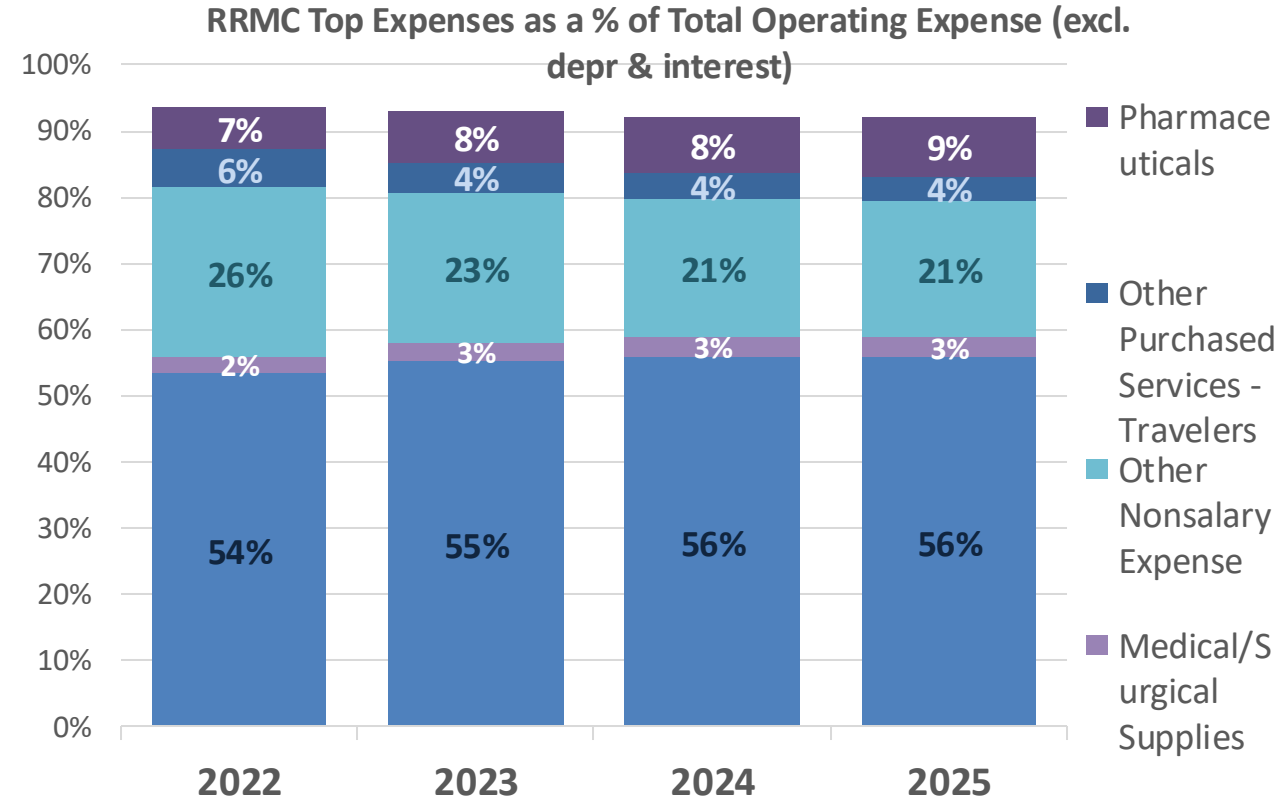
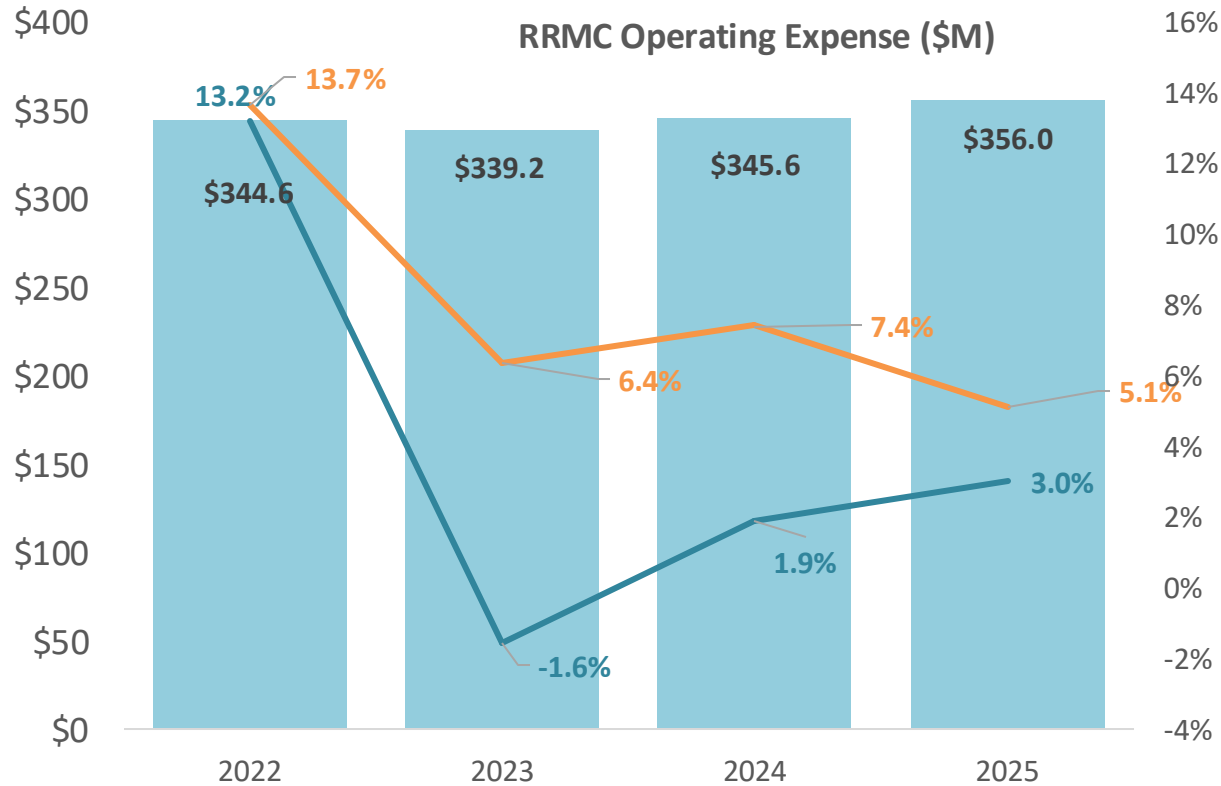
# Commercial Revenue Trends

## Rutland Regional Medical Center



# Expense Trends

## Rutland Regional Medical Center



■ RRMC Actual  
— RRMC Year over Year Growth (%)  
— VT Average Total Year over Year Growth

Labor includes Salaries, Non-MD, Fringe Benefits Non-MD, Fringe Benefits, MD & Physician Fees, salaries, contracts & fringes. Expense trend includes 2022 - 2023 actuals, 2024 projected and 2025 budget

	2022	2023	2024	2025
<b>RRMC - Labor YoY Growth</b>	5.1%	1.4%	3.3%	2.7%
<b>RRMC - Labor (Actual - Budget)</b>	\$14,721,197	\$2,100,434	\$5,742,643	
<b>RRMC - Labor (Actual - Budget)/Budget</b>	9.1%	1.2%	3.2%	
<b>RRMC - Other Nonsalary Expense YoY Growth</b>	29.3%	-12.8%	-6.9%	2.8%
<b>RRMC - Other Nonsalary Expense (Actual - Budget)</b>	\$17,935,830	\$4,232,421	-\$3,995,396	
<b>RRMC - Other Nonsalary Expense (Actual - Budget)/Budget</b>	26.8%	6.1%	-5.5%	



# Expense Trends: Labor

## Rutland Regional Medical Center



**Total FTEs employees**

Employee	FY2024	FY2025	Distribution of Clinical/Non Clinical	
			Additional FTE	Budgeted Split
Clinical FTEs	781	810	77%	61%
Non Clinical FTEs	502	511	23%	39%
<b>Total</b>	<b>1283</b>	<b>1321</b>		

**Top Changes in Staffing by Department**

Combined Department	FY2024	FY2025	Change
Clinics Clinical FTEs	194	209	15
OB/GYN Clinical FTEs	18	11	-7
Critical Care Clinical FTEs	34	38	4
Rehabilitative Services Clinical FTEs	13	17	4
Fiscal Services Non Clinical FTEs	42	46	4
Medical/Surgical Clinical FTEs	130	134	4
Dietary Non Clinical FTEs	39	36	-3
Labor & Delivery Clinical FTEs	10	7	-3
Operating Room Clinical FTEs	23	25	3
Administration Non Clinical FTEs	93	91	-3
Cat Scan Clinical FTEs	11	13	2
Drugs Sold Non Clinical FTEs	32	34	2
Social Service Clinical FTEs	5	7	2
Radiology - Diagnostic Clinical FTEs	36	38	2
Maintenance of Personnel Non Clinical FTEs	10	12	2
Ancillary Services (Uncategorized) Clinical FTEs	4	6	2
Operation of Plant & Maintenance Non Clinical FTEs	49	51	2
Medical Care Evaluation Non Clinical FTEs	35	37	2
Psychiatry - Inpatient Clinical FTEs	56	57	2
Magnetic Resonance Image Clinical FTEs	5	4	-1

### Labor Expense in the narrative:

- Reduction of locums expense is expected as provider vacancies are filled
- Contracted labor expense are anticipated to decrease with the onboarding of new nursing graduates to fill vacant positions

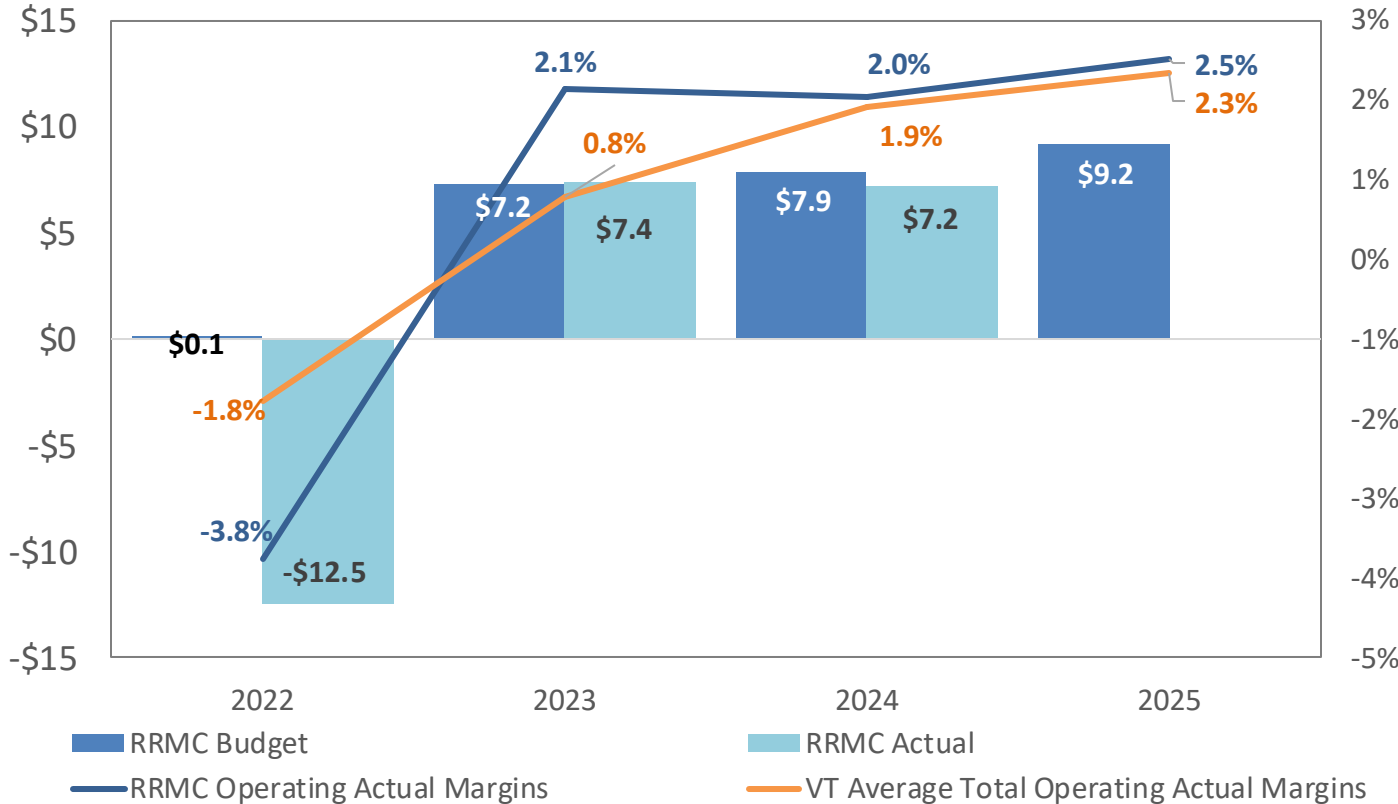
Top Changes in staffing account for 83.9% of FTE employee changes

# Operating Margin Growth

## Rutland Regional Medical Center



RRMC Operating Margin (\$M)



	2022	2023	2024
<b>RRMC Operating Revenue</b>	\$332,091,819	\$346,573,334	\$352,732,684
<b>RRMC Operating Expense:</b>	\$344,575,357	\$339,150,667	\$345,558,192
<b>RRMC Margin:</b>	-\$12,483,538	\$7,422,666	\$7,174,492
<b>RRMC Operating Revenue: (Actual - Budget)</b>	\$40,984,715	\$13,261,505	\$5,894,655
<b>RRMC Operating Revenue: % Difference in Actual vs. Budget</b>	14.1%	4.0%	1.7%
<b>RRMC Operating Expense: (Actual - Budget)</b>	\$53,589,616	\$13,088,195	\$6,612,516
<b>RRMC Operating Expense: % Difference in Actual vs. Budget</b>	18.4%	4.0%	2.0%
<b>VT Operating Revenue: % Difference in Actual vs. Budget</b>	5.7%	3.1%	3.0%
<b>VT Operating Expenses: % Difference in Actual vs. Budget</b>	10.4%	4.3%	3.3%

\*Margin % shows Actuals 2022 - 2023, Projected 2024 & Budgeted 2025

\*This slide has updates – see appendix

# Financial Health: Profitability

*Rutland Regional Medical Center*



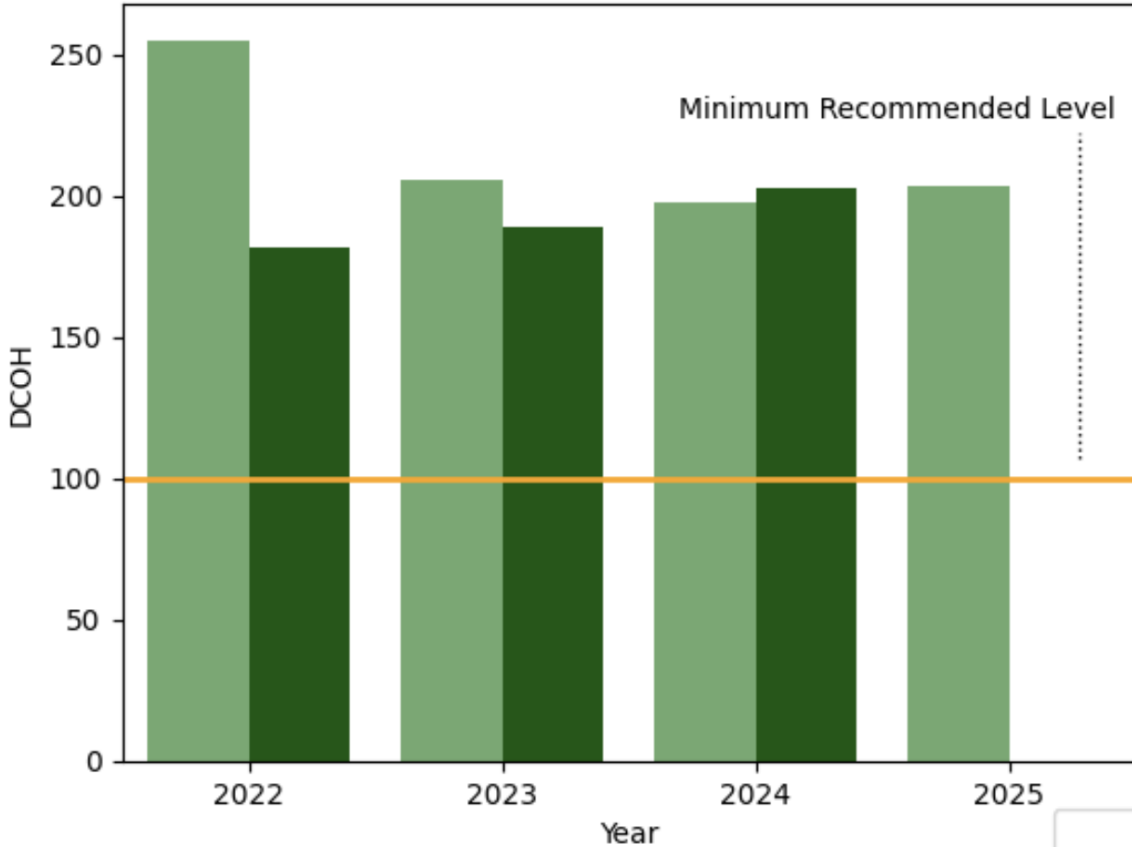
	FY22 Budget	FY22 Actuals	FY23 Budget	FY23 Actuals	FY24 Budget	FY24 Projected	FY25 Budget
Operating Margin	0.0%	-3.8%	2.2%	2.1%	2.3%	2.0%	2.5%
Total Margin	2.2%	-13.6%	2.3%	-0.3%	4.4%	6.3%	5.3%
EBIDA	5.0%	0.5%	6.3%	6.3%	6.4%	6.2%	6.6%

# Financial Health: Profitability

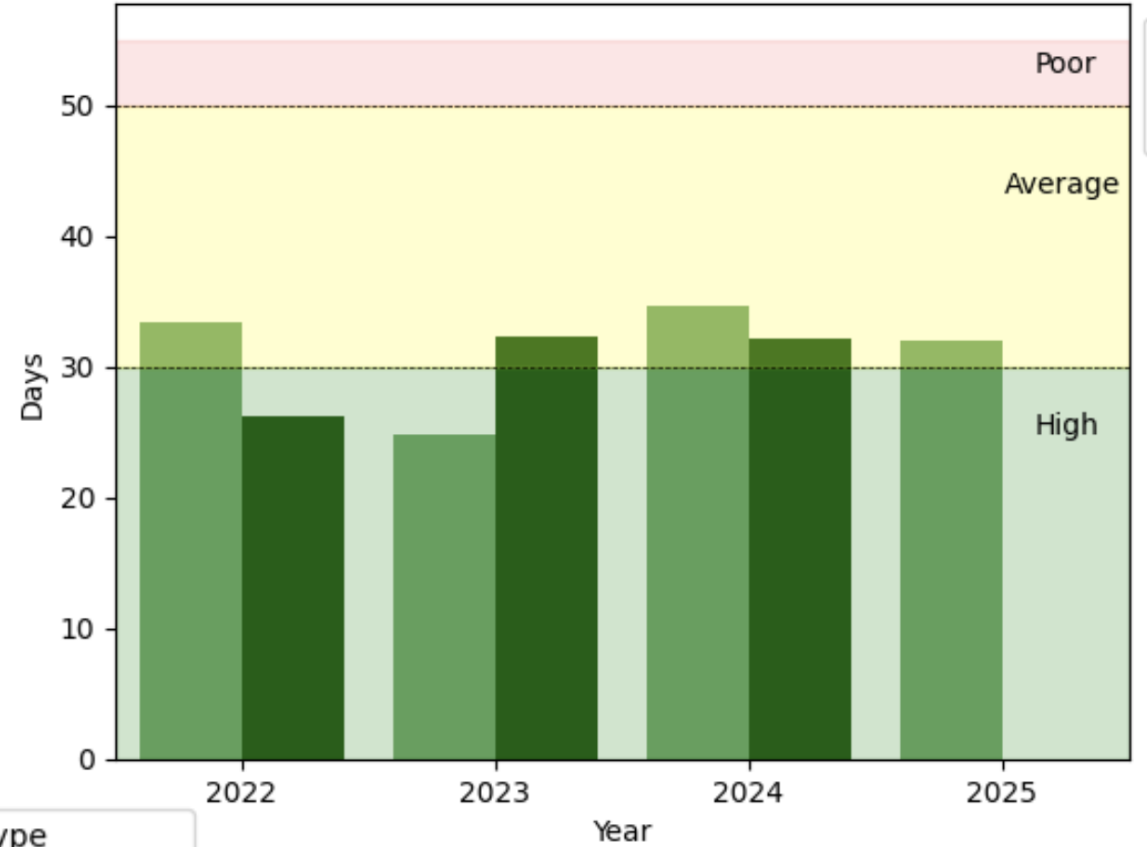
## Rutland Regional Medical Center



### RRMC Days Cash on Hand



### RRMC Days in Patient Account Receivable

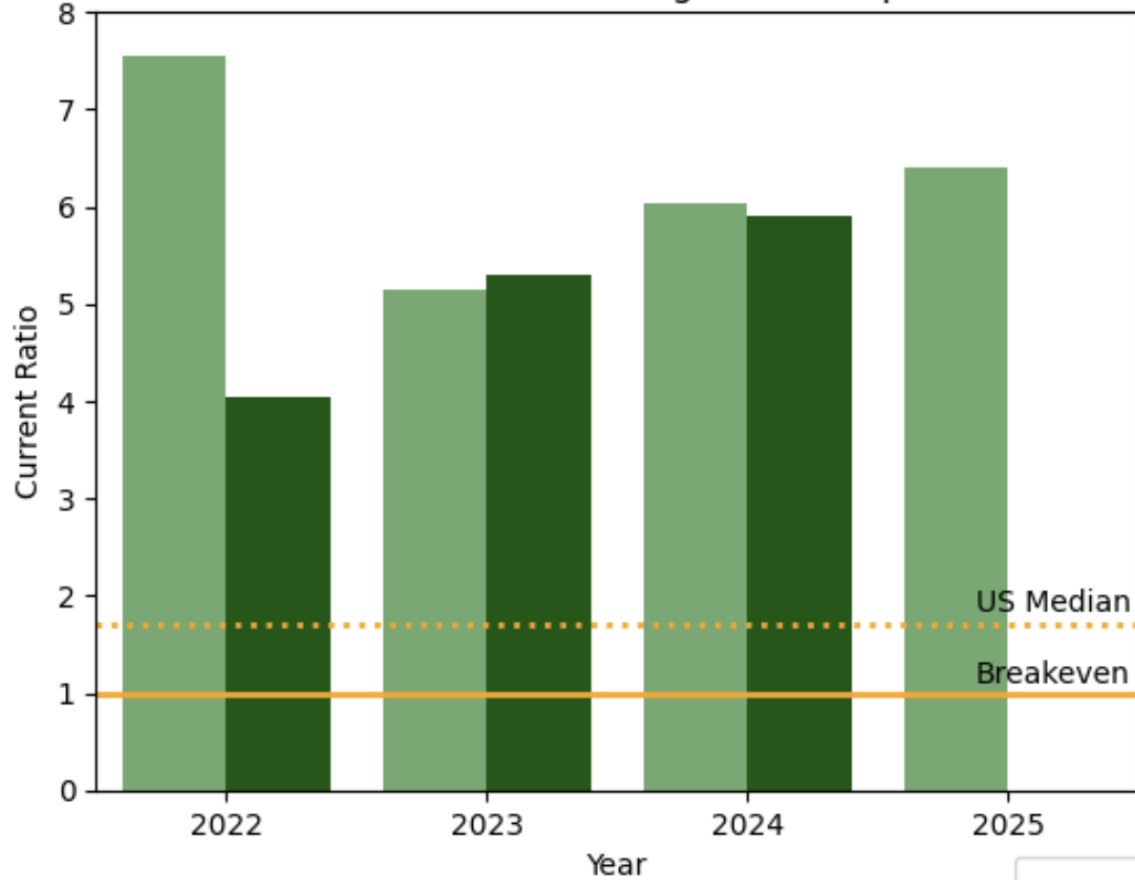


Type  
Budgeted  
Actual/Projected

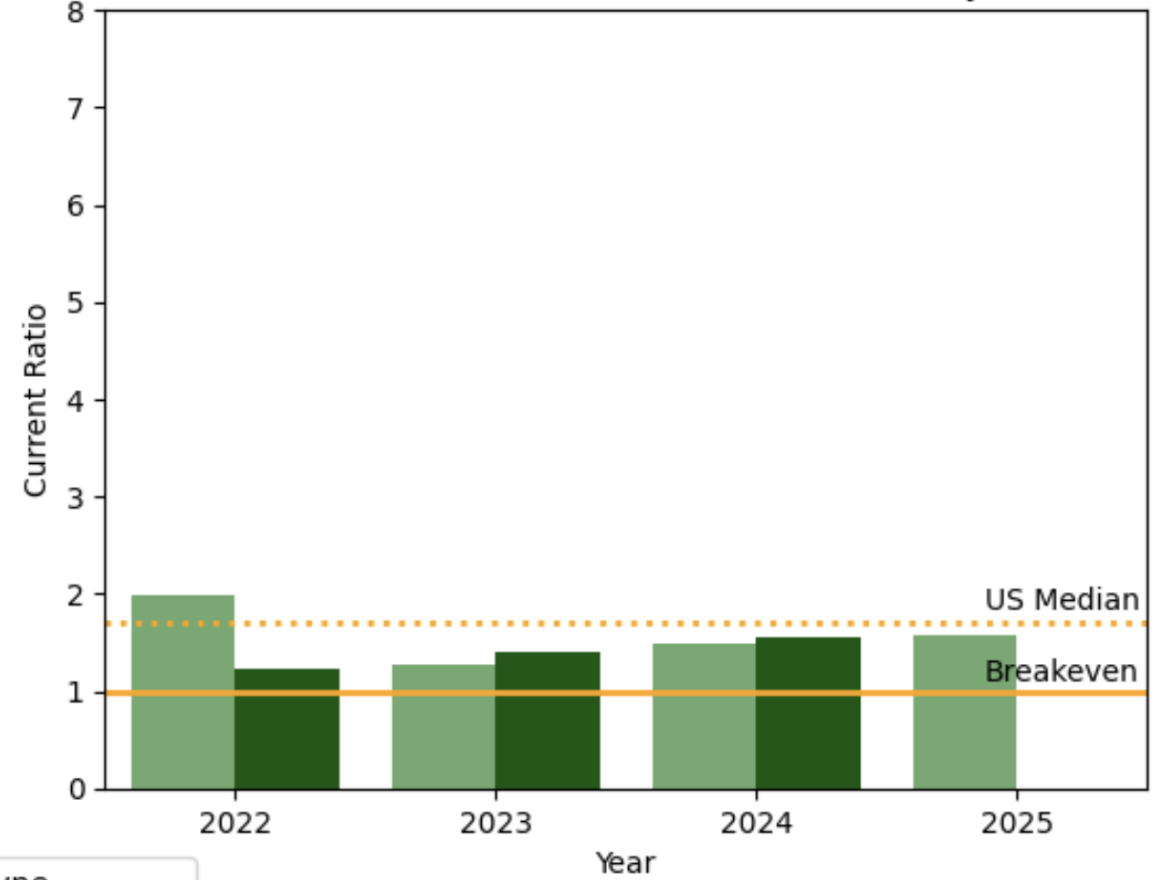
# Financial Health: Profitability

## Rutland Regional Medical Center

RRMC Current Ratio (including funded depreciation)



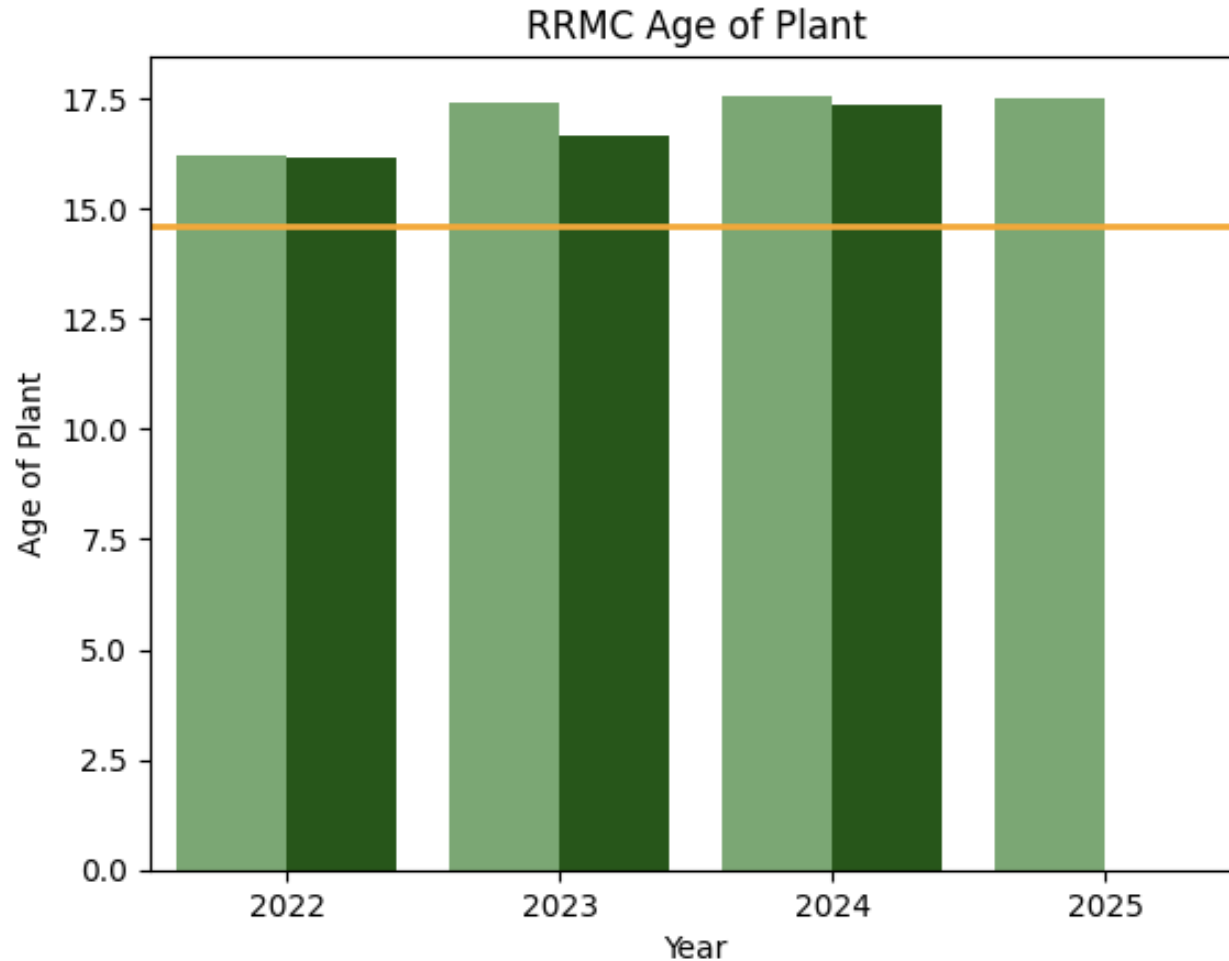
RRMC Current Ratio (assets/liabilities only)



Type  
Budgeted  
Actual/Projected

# Financial Health: Capital Spending

## Rutland Regional Medical Center

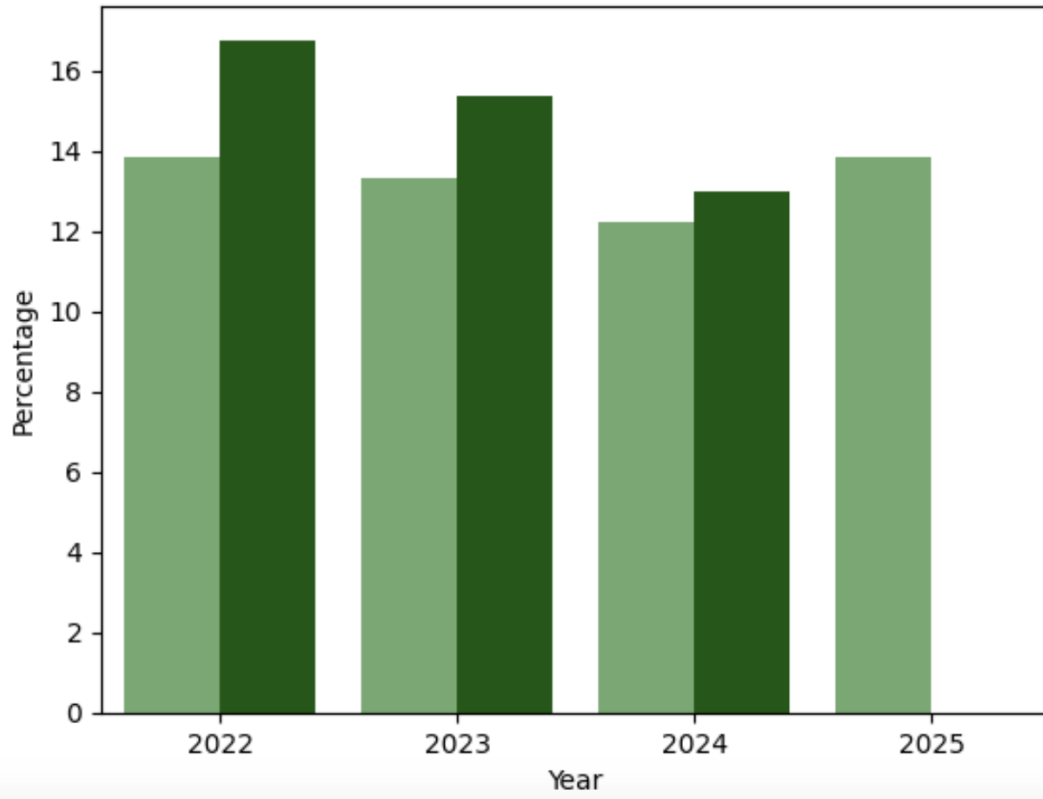


This line indicates the 75<sup>th</sup> percentile of average age of plant (14.63 years).

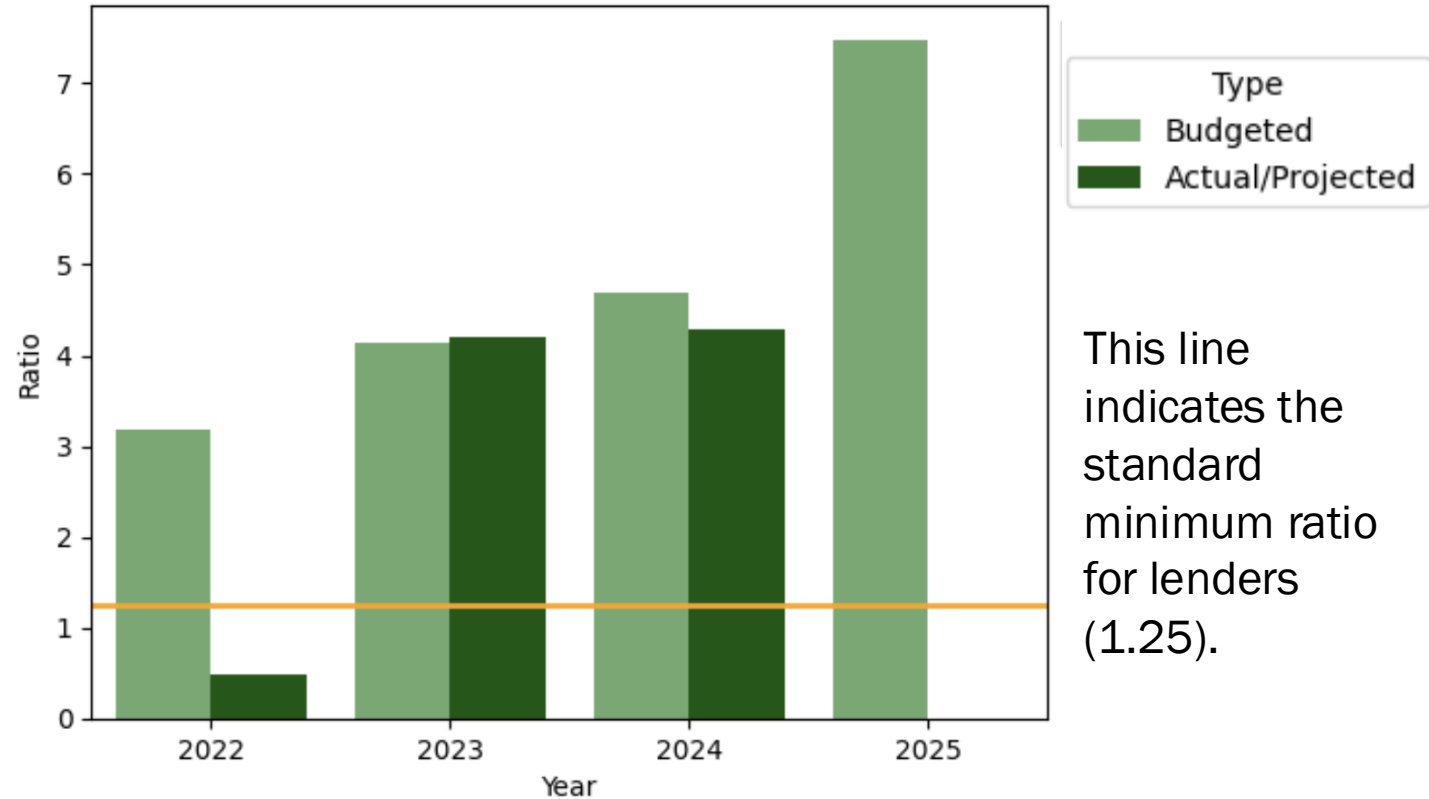
# Financial Health: Solvency

## Rutland Regional Medical Center

RRMC Long Term Debt to Capitalization



RRMC Debt Service Coverage Ratio



# Summary of Financial Health

## *Rutland Regional Medical Center*



- Margins are solid
- DCOH is well above the minimum recommended amount
- Days in Patient Account Receivable has good performance
- Current Ratio is good and Rutland appears to have a good amount of unrestricted funded depreciation
- No concerns with Long Term Debt to Capitalization or Debt Service Coverage Ratio



# Commercial Price (RAND 5.0)

*Rutland Regional Medical Center*



Core Service Line	Relative Price	Relative Price Decile	Standardized Price	Standardized Price Decile
Outpatient	332%	9	\$399.37	6
Inpatient	202%	4	\$24,645	6
Inpatient & Outpatient	287%	8		
Professional (Inpatient & Outpatient)	229%	8		
Inpatient Facility	204%	8	\$22,592	6
Outpatient Facility	370%	8	\$317.67	3

# Reasonable Assumptions: Public Payer Prices

*Rutland Regional Medical Center*



- What did they assume for Medicare/Medicaid price/reimbursement increase?
  - From the narrative: "For Medicare reimbursement, RRMC has applied the anticipated inflationary market basket of 2.6% to both inpatient and outpatient services. This results in an aggregated improvement of 0.97% in the Medicare rate, budget-to-budget."
  - From the narrative: "There are no changes included in the budget for either in-state or out-of-state Medicaid reimbursement."
  - From the workbook: 0% for Medicaid, 1% for Medicare (rounded).

# Reasonable Assumptions: Volume

## Rutland Regional Medical Center



	FY24P Payer Mix
Medicaid	10.87%
Medicare - Traditional	26.2%
Medicare - Advantage	
Commercial	62.9%
Uncategorized	0.0%
Total	100%

Source: Adaptive Payer Revenue Trends

	Changes to Volume <i>*not payer mix</i>
Medicaid	-6.2%
Medicare - Traditional	4.1%
Medicare - Advantage	21.3%
Commercial	2.9%
FPP	-100%
<b>Attributable NPR Increase</b>	<b>4.6%</b>

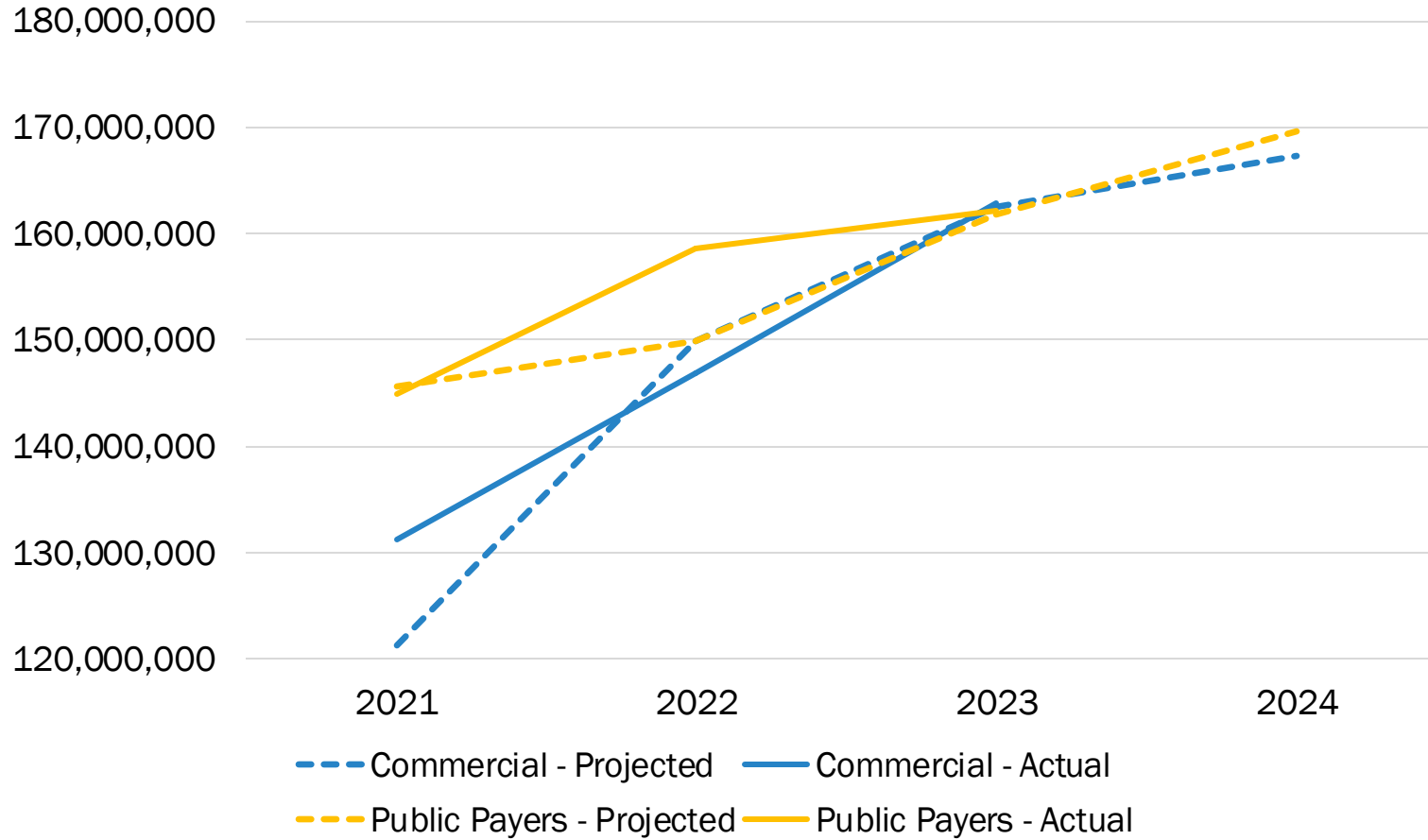
Source: GMCB Healthcare Finance Team Rate Decomposition Data

Rutland requested an NPR increase of 6.1%. According to their workbook, 4.6% will come from increased volume.

# Reasonable Assumptions: Projected vs. Actual NPR

## Rutland Regional Medical Center

Rutland

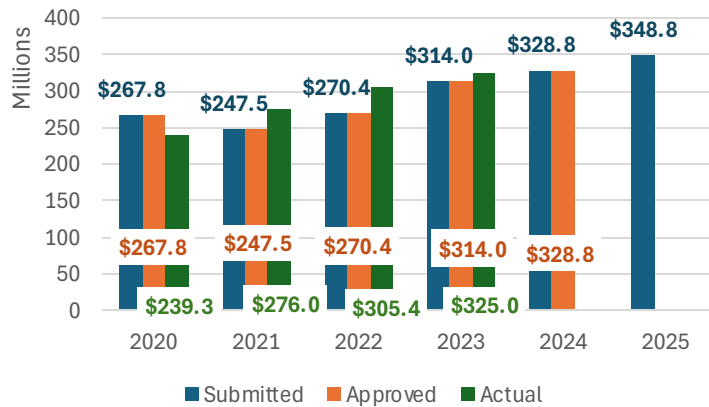


# Reasonable Assumptions: Budget History

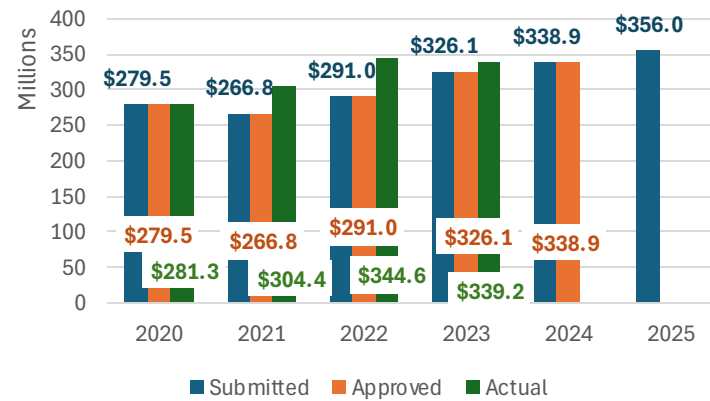
## Rutland Hospital



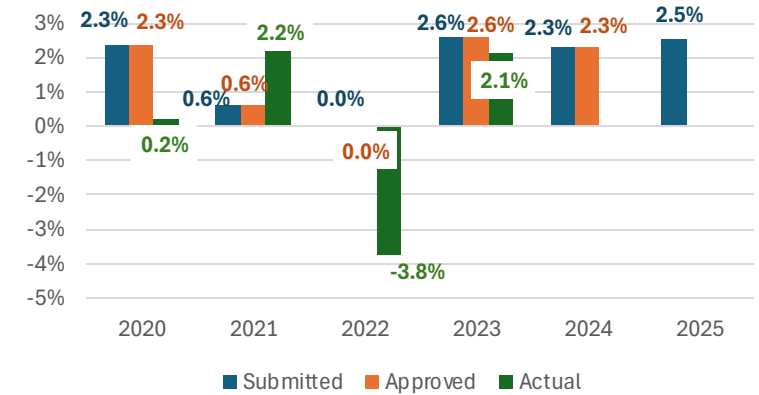
Rutland Regional Medical Center NPR & FPP (\$M)



Rutland Regional Medical Center Operating Expense (\$M)



Rutland Regional Medical Center Operating Margin %



# Efficiency: Summary

## *Rutland Regional Medical Center*



- Clinical Productivity- Data not required.
- Cost –Above all comparator groups for the average inpatient cost per Medicare discharge from 2018-2022. The gap between RRMC and its peers increased in 2022.
- Revenue- NPR per discharge is higher than VT median, but compound annual growth rate is -0.14% from 2018-22.
- Admin to clinical salary ratio- Varied year over year and at different times has been notably higher and lower than the ratios of the comparison groups. 20.2% in 2022 (lower than comparators)
- Direct Patient Care FTEs- higher than all comparator groups

### Hospital justifications:

Need to expand service lines to increase access and reduce wait times

# Suggested Motion Language

**Approve Budget with Modifications (modify language as needed):**

Move to approve RRMC's budget with modifications as follows:

1. With FY25 NPR approved at a growth rate of not more than 5% over its FY24 approved budget (reduced from 6.1%) and a commensurate reduction in operating expenses;
2. With FY25 commercial change in charge and negotiated rate growth capped at 2.8% over the FY24 approved commercial rate cap with no commercial rate increase for any payer exceeding that amount; and
3. Subject to all other standard budget conditions as approved by this Board.

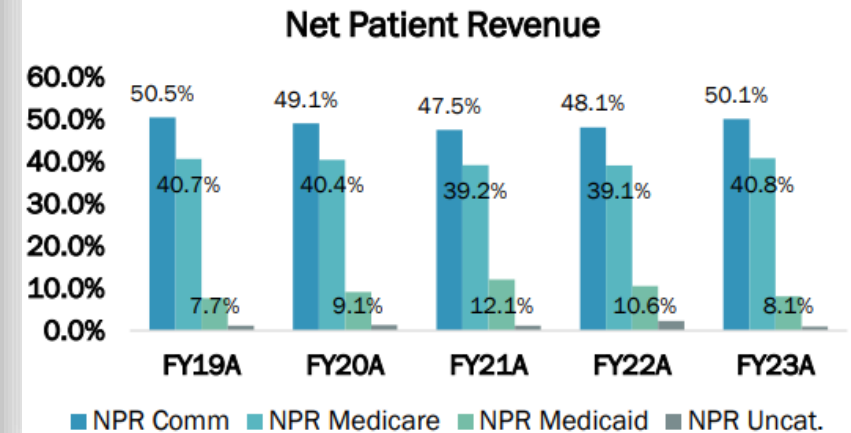
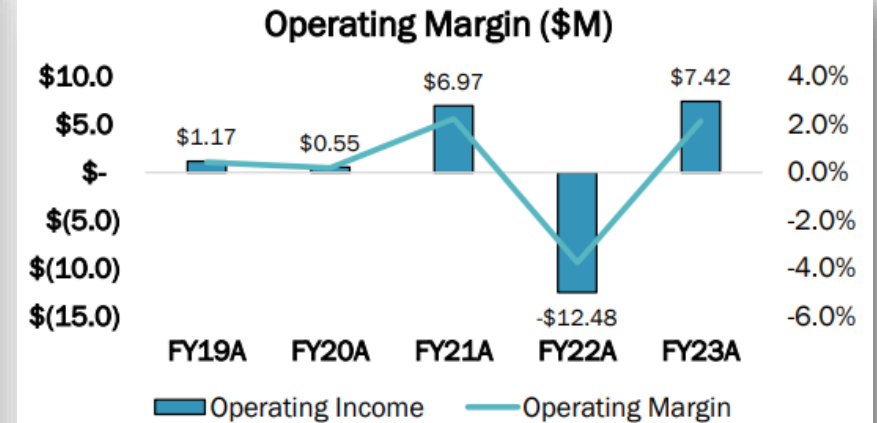
# Enforcement

## Rutland Hospital

Rutland Regional Medical Center	FY2022 Actuals	FY2023 Budget	FY2023 Actuals	Budget to Actuals	Actuals to Actuals
Gross Patient Care Revenue	699,431,594	814,125,077	862,623,622	6.0%	23.3%
Net Revenue Deductions	(394,454,410)	(500,154,739)	(538,845,064)	7.7%	36.6%
Net Patient Revenue (NPR)	304,977,184	313,970,338	323,778,558	3.1%	6.2%
Fixed Prosp. Payments (FPP)	389,523	(1,354,996)	1,256,641	-192.7%	222.6%
NPR + FPP	305,366,707	312,615,342	325,035,199	4.0%	6.4%
Other Operating Revenue	26,725,113	20,696,489	21,538,135	4.1%	-19.4%
<b>Total Operating Revenue</b>	<b>332,091,819</b>	<b>333,311,831</b>	<b>346,573,334</b>	<b>4.0%</b>	<b>4.4%</b>

Rutland Regional Medical Center	FY2022 Actuals	FY2023 Budget	FY2023 Actuals	Budget to Actuals	Actuals to Actuals
Fees, Salaries & Benefits	177,021,595	177,386,278	179,486,712	1.2%	1.4%
Other Operating Expense	135,212,282	116,159,928	126,766,210	9.1%	-6.2%
Health Care Provider Tax	18,349,218	18,838,220	18,608,796	-1.2%	1.4%
Depreciation Amortization	12,637,157	12,457,939	12,845,571	3.1%	1.6%
Interest	1,355,105	1,220,107	1,443,378	18.3%	6.5%
<b>Total Operating Expense</b>	<b>344,575,357</b>	<b>326,062,472</b>	<b>339,150,667</b>	<b>4.0%</b>	<b>-1.6%</b>

Operating Income	(12,483,538)	7,249,359	7,422,666
Operating Margin	-3.76%	2.17%	2.14%
Non-Operating Revenue	(28,723,213)	321,897	(8,555,369)
Total Income	(41,206,751)	7,571,256	(1,132,703)
Total Margin	-13.58%	2.27%	-0.34%





# Enforcement

## *Rutland Hospital*



**Recommendation:** Partial Enforcement (50% of NPR over budget) implemented through a downward adjustment to commercial-rate in FY25.

### Rationale

- Overage primarily due to unanticipated volume.
- According to MedPAC, an efficient hospital has a cost structure where approximately 70% of costs are considered fixed in the short term, with about 30% being variable. This would mean that enforcement for an efficient hospital could recover 70% of NPR overages, leaving 30% of additional revenue to cover variable costs for unanticipated utilization. Staff propose 50% to be conservative.

# Motion Language - Enforcement



## Suggested Motion Language (modify language as needed):

Finding that RRMC's performance differed substantially from its FY23 budget:

1. Move to deny RRMC's application for retroactive adjustment of its FY23 budget; and
2. Move to enforce this violation by reducing the FY25 commercial change in charge and negotiated rate growth cap from 2.8% over the FY24 approved commercial rate cap to 0.8% under (-0.8%) the FY24 approved commercial rate cap, with no commercial rate increase for any payer exceeding that amount.

# Budget Request vs. FY25 Benchmarks

## Grace Cottage



### Section I - Net Patient Revenue Growth < 3.5%

NPR Request %	NPR Request \$	% of System > Guidance
12.0%	31 M	1%

### Section I - Commercial Rate Growth < 3.4%

Comm Rate Request %	Comm Rate Request \$	% of System > Guidance
2.5%	317 K	0%

### Section I - Operating Margin > 0%

Op Margin %	Op Margin \$	% of System
-2.3%	-753 K	-1%

# Summary of Hospital Justifications

## *Grace Cottage Hospital*



### On their NPR

- They need to make process improvements within their rural health clinic: Grace Cottage has requested a higher NPR in part to account for the goal of increased productivity and process improvements within their rural health clinic. They argue that the NPR jump would not incur additional expenses.
- They need to add one FTE physical therapist: Grace Cottage has hired an additional provider to increase access to outpatient physical therapy.

### On their operating margin

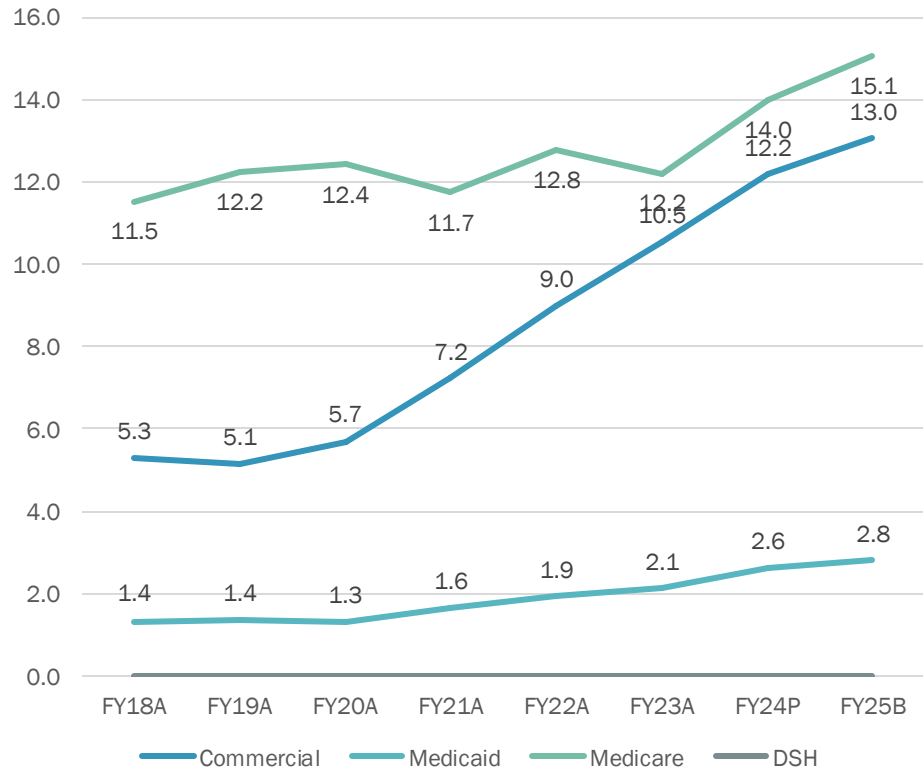
- They can rely on donations: “While a positive Operating Margin would be ideal, the submitted budget reflects a minimal Operating Loss slightly better than the loss submitted for FY24. The overall positive Total Margin is attributed to contributions by our generous supporters, with larger amounts in FY25 as the beginning phase of the new Clinic Building Project.” (Narrative, page 3).

# Revenue Trends: NPR Growth by Payer

## Grace Cottage Hospital



NPR/FPP by Payer (\$M)



		FY18 Δ	FY19 Δ	FY20 Δ	FY21 Δ	FY22 Δ	FY23 Δ
<b>Commercial</b>	Budget	5.01	5.57	5.55	6.96	7.17	9.28
	Actual	5.30	5.14	5.70	7.21	8.99	10.53
	<i>Budget-to-PY Budget Growth</i>	-	11.2%	-0.4%	25.3%	3.0%	29.6%
	<i>Actual-to-PY Actual Growth</i>	-	-3.1%	10.9%	26.6%	24.6%	17.1%
	<i>Budget-to-PY Actual Growth</i>		5.1%	8.1%	22.0%	-0.7%	3.3%
<b>Medicaid</b>	Budget	1.56	1.49	1.60	1.45	1.52	1.88
	Actual	1.37	1.37	1.31	1.64	1.93	2.12
	<i>Budget-to-PY Budget Growth</i>	-	-4.7%	7.4%	-9.4%	4.5%	23.8%
	<i>Actual-to-PY Actual Growth</i>	-	0.2%	-4.2%	25.1%	17.4%	9.9%
	<i>Budget-to-PY Actual Growth</i>		9.2%	16.9%	10.6%	-7.6%	-2.6%
<b>Medicare</b>	Budget	12.07	12.23	12.81	12.26	13.39	14.22
	Actual	11.52	12.23	12.41	11.73	12.77	12.21
	<i>Budget-to-PY Budget Growth</i>	-	1.3%	4.8%	-4.3%	9.2%	6.2%
	<i>Actual-to-PY Actual Growth</i>	-	6.1%	1.5%	-5.5%	8.9%	-4.4%
	<i>Budget-to-PY Actual Growth</i>		6.1%	4.8%	-1.2%	14.1%	11.3%
<b>DSH</b>	Budget	0.00	0.00	0.00	0.00	0.00	0.00
	Actual	0.00	0.00	0.00	0.00	0.00	0.00
	<i>Budget-to-PY Budget Growth</i>	-					
	<i>Actual-to-PY Actual Growth</i>	-					
	<i>Budget-to-PY Actual Growth</i>						
<b>Total</b>	Budget	18.65	19.29	19.97	20.67	22.07	25.38
	Actual	18.19	18.73	19.43	20.59	23.69	24.86
	<i>Budget-to-PY Budget Growth</i>	-	3.5%	3.5%	3.5%	6.8%	15.0%
	<i>Actual-to-PY Actual Growth</i>	-	3.0%	3.7%	6.0%	15.1%	4.9%
	<i>Budget-to-PY Actual Growth</i>		6.0%	6.6%	6.4%	7.2%	7.1%

# Revenue Trends: Actual vs. Budgeted NPR

## Grace Cottage Hospital

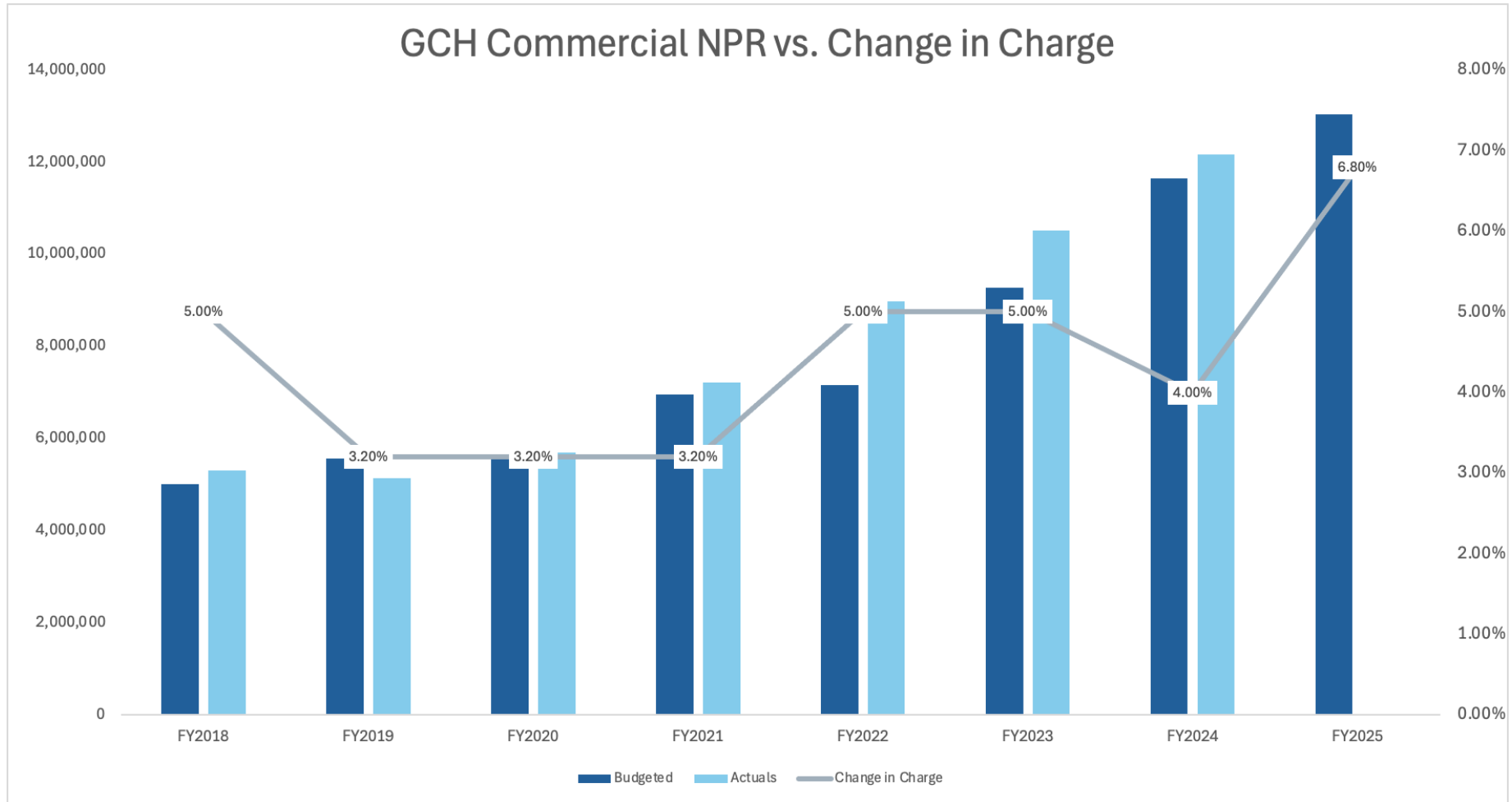


	FY18 Δ		FY19 Δ		FY20 Δ		FY21 Δ		FY22 Δ		FY23 Δ	
<b>Commercial</b>	0.29	5.9%	(0.44)	-7.8%	0.15	2.7%	0.26	3.7%	1.82	25.4%	1.24	13.4%
<b>Medicaid</b>	(0.20)	-12.7%	(0.12)	-8.2%	(0.29)	-18.1%	0.19	13.1%	0.41	27.1%	0.24	12.8%
<b>Medicare</b>	(0.55)	-4.6%	(0.00)	0.0%	(0.40)	-3.1%	(0.53)	-4.3%	(0.62)	-4.6%	(2.00)	-14.1%
<b>DSH</b>	-		-		-		-		-		-	
	(0.46)	-2.44%	(0.56)	-2.89%	(0.54)	-2.72%	(0.08)	-0.39%	1.61	7.31%	(0.52)	-2.04%

Note: *Negative values* reflect over-budgeted revenues (actuals less than budget), positive values, under-budgeted.

# Commercial Revenue Trends

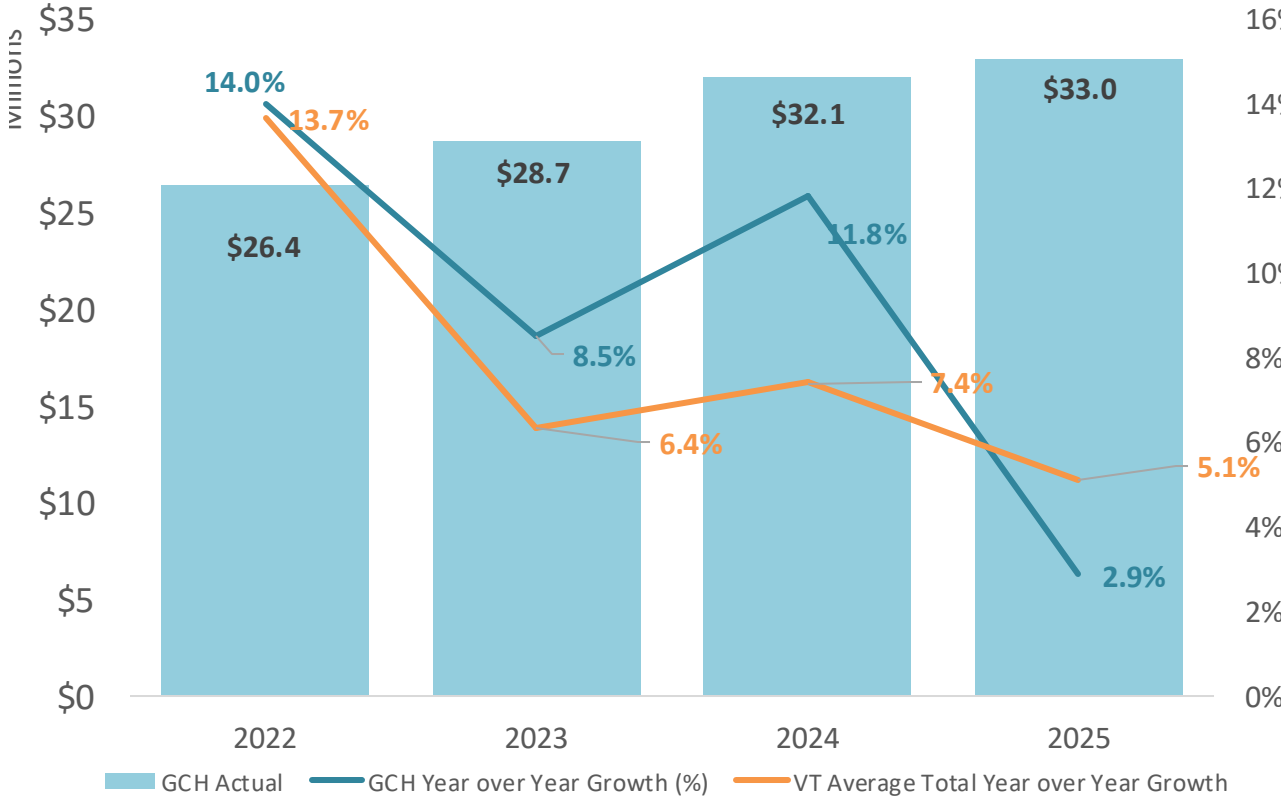
## Grace Cottage Hospital



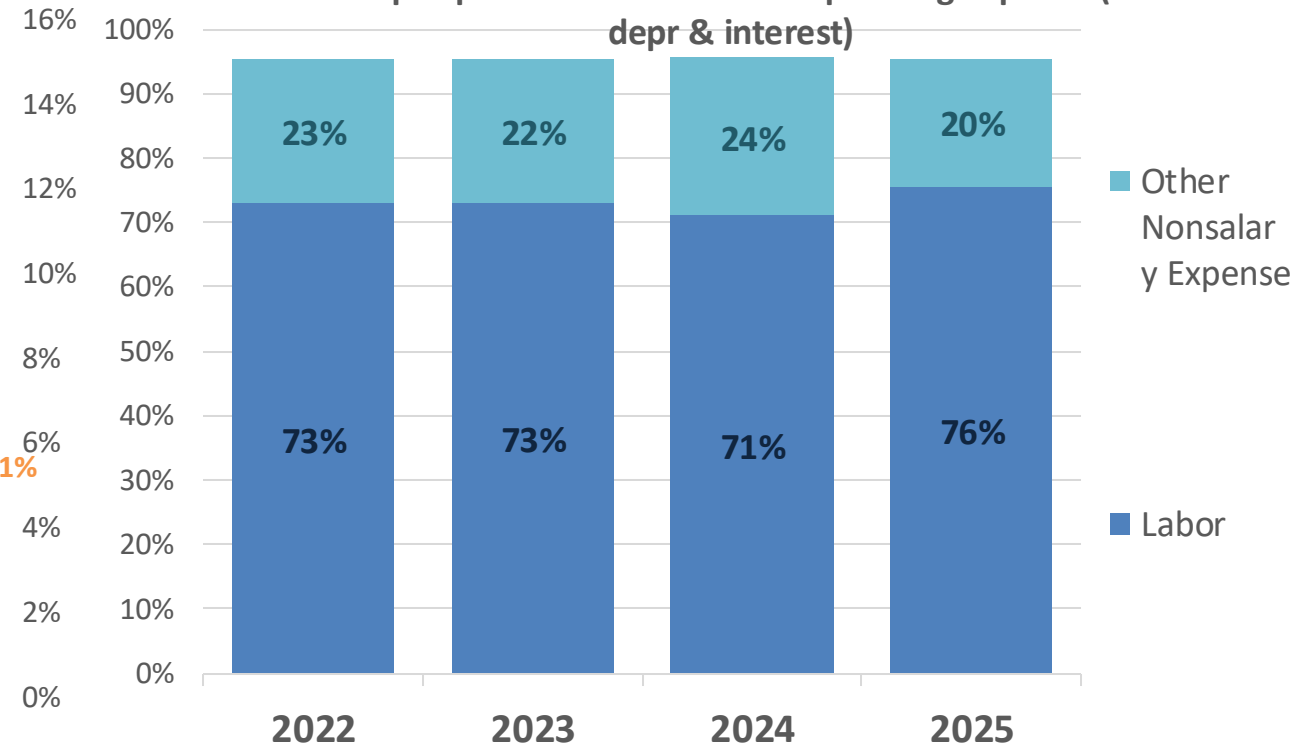
# Expense Trends

## Grace Cottage Hospital

GCH Operating Expense (\$M)



GCH Top Expenses as a % of Total Operating Expense (excl. depr & interest)



Labor includes Salaries, Non-MD, Fringe Benefits Non-MD, Fringe Benefits, MD & Physician Fees, salaries, contracts & fringes. Expense trend includes 2022 - 2023 actuals, 2024 *projected* and 2025 budget

	2022	2023	2024	2025
GCH - Labor YoY Growth	9.3%	9.1%	8.7%	9.5%
GCH - Labor (Actual - Budget)	\$211,206	-\$216,150	-\$66,285	
GCH - Labor (Actual - Budget)/Budget	1.1%	-1.1%	-0.3%	
GCH - Other Nonsalary Expense YoY Growth	29.5%	7.0%	23.3%	-16.4%
GCH - Other Nonsalary Expense (Actual - Budget)	\$1,652,812	\$1,549,114	\$1,984,374	
GCH - Other Nonsalary Expense (Actual - Budget)/Budget	40.3%	33.6%	35.4%	



# Expense Trends: Labor

## Grace Cottage Hospital



### Total FTEs employees

Employee	FY2024	FY2025	Distribution of	
			Additional Budgeted FTE	Clinical/Non Clinical Budgeted Split
Clinical FTEs	101	102	31%	57%
Non Clinical FTEs	74	76	69%	43%
<b>Total</b>	<b>176</b>	<b>179</b>		

### Labor Expense in the narrative:

- The goal is to return to employed staff instead of contracted labor – the 2025 budget includes continued use of contracted labor in Nursing, Diagnostic Imaging and Physical Therapy, however at a lower number in Nursing due to successes in filling open positions with employed staff
- One additional FTE is needed in the Physical Therapy department due to increased demand, and improved efficiencies in the Rural Health Clinic will allow additional patient encounters with no additional staff

### Top Changes in staffing by Department

Combined Department	FY2024	FY2025	Change
Medical/Surgical Clinical FTEs	31	28	-3
Administration Clinical FTEs	2		-2
Physical Therapy Clinical FTEs	10	12	2
Nursing Administration Clinical FTEs	2	4	2
Family Medicine Non Clinical FTEs	14	15	1
Family Medicine Clinical FTEs	29	30	1
Medical/Surgical Non Clinical FTEs	6	6	1
Radiology - Diagnostic Clinical FTEs	4	5	1
Fiscal Services Non Clinical FTEs	15	15	0
Administration Non Clinical FTEs	8	9	0
Emergency Room Physicians Clinical FTEs	5	5	0
Laboratory Clinical FTEs	5	5	0
Rehabilitative Services Clinical FTEs	5	6	0
Dietary Non Clinical FTEs	7	7	0
Central Services & Supplies Non Clinical FTEs	2	2	0
Hospitalist Clinical FTEs	2	2	0
Housekeeping Non Clinical FTEs	6	6	0
Laundry & Linen Non Clinical FTEs	2	2	0
Other - Comm Wellness Clinical FTEs	0	0	0
Medical Records Non Clinical FTEs	6	6	0

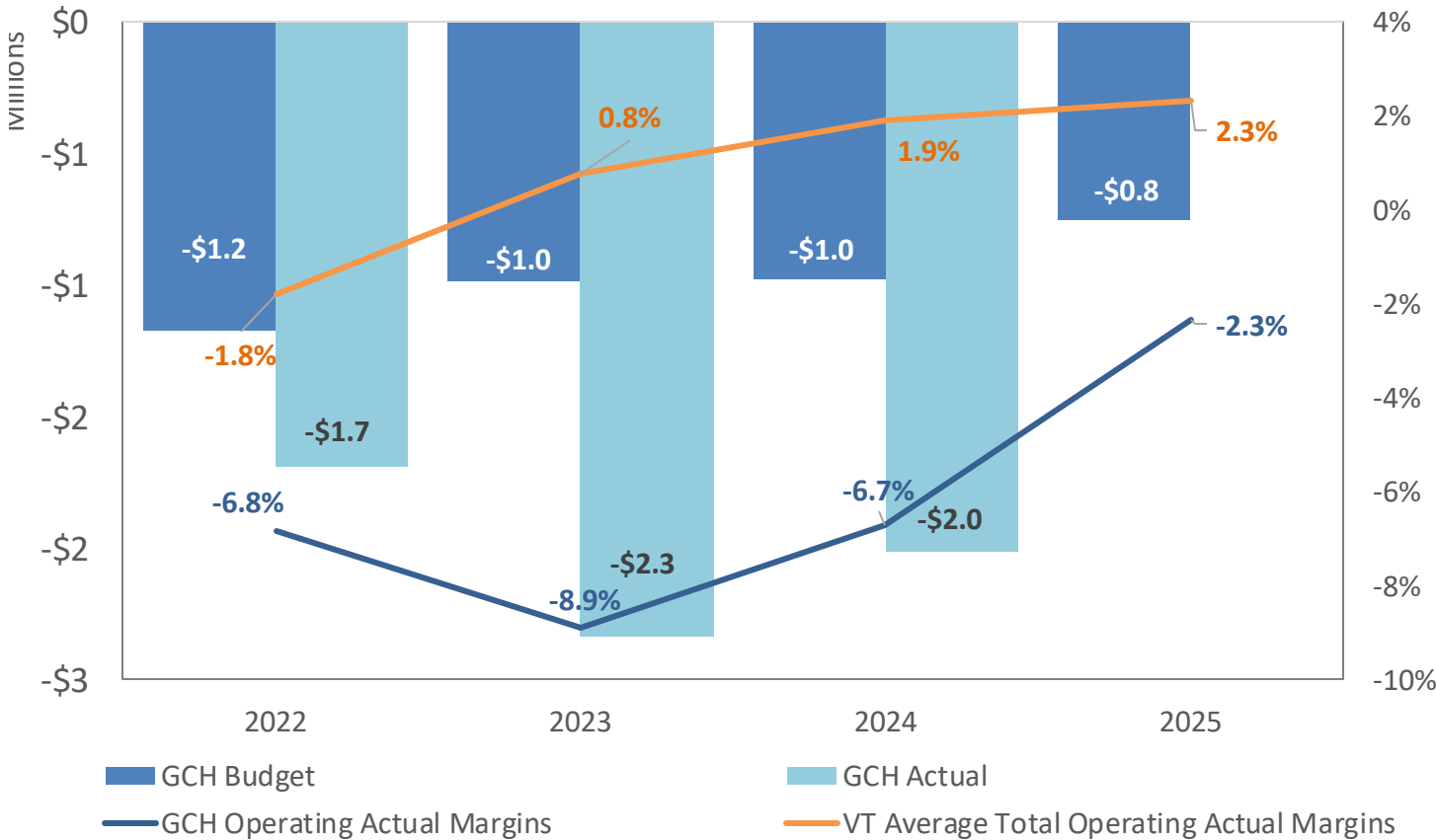
Top Changes in staffing account for 99% of FTE employee changes

# Operating Margin Growth

## Grace Cottage Hospital



GCH Operating Margin (\$M)



	2022	2023	2024
<b>GCH Operating Revenue</b>	\$24,750,893	\$26,357,862	\$30,075,634
<b>GCH Operating Expense:</b>	\$26,440,217	\$28,696,865	\$32,085,830
<b>GCH Margin:</b>	-\$1,689,324	-\$2,339,003	-\$2,010,196
<b>GCH Operating Revenue: (Actual - Budget)</b>	\$1,403,532	-\$100,059	\$957,934
<b>GCH Operating Revenue: % Difference in Actual vs. Budget</b>	6.0%	-0.4%	3.3%
<b>GCH Operating Expense: (Actual - Budget)</b>	\$1,921,332	\$1,252,618	\$1,989,775
<b>GCH Operating Expense: % Difference in Actual vs. Budget</b>	7.8%	4.6%	6.6%
<b>VT Operating Revenue: % Difference in Actual vs. Budget</b>	5.7%	3.1%	3.0%
<b>VT Operating Expenses: % Difference in Actual vs. Budget</b>	10.4%	4.3%	3.3%

\*Margin % shows Actuals 2022 - 2023, Projected 2024 & Budgeted 2025

\*This slide has updates – see appendix

# Financial Health: Profitability

*Grace Cottage Hospital*



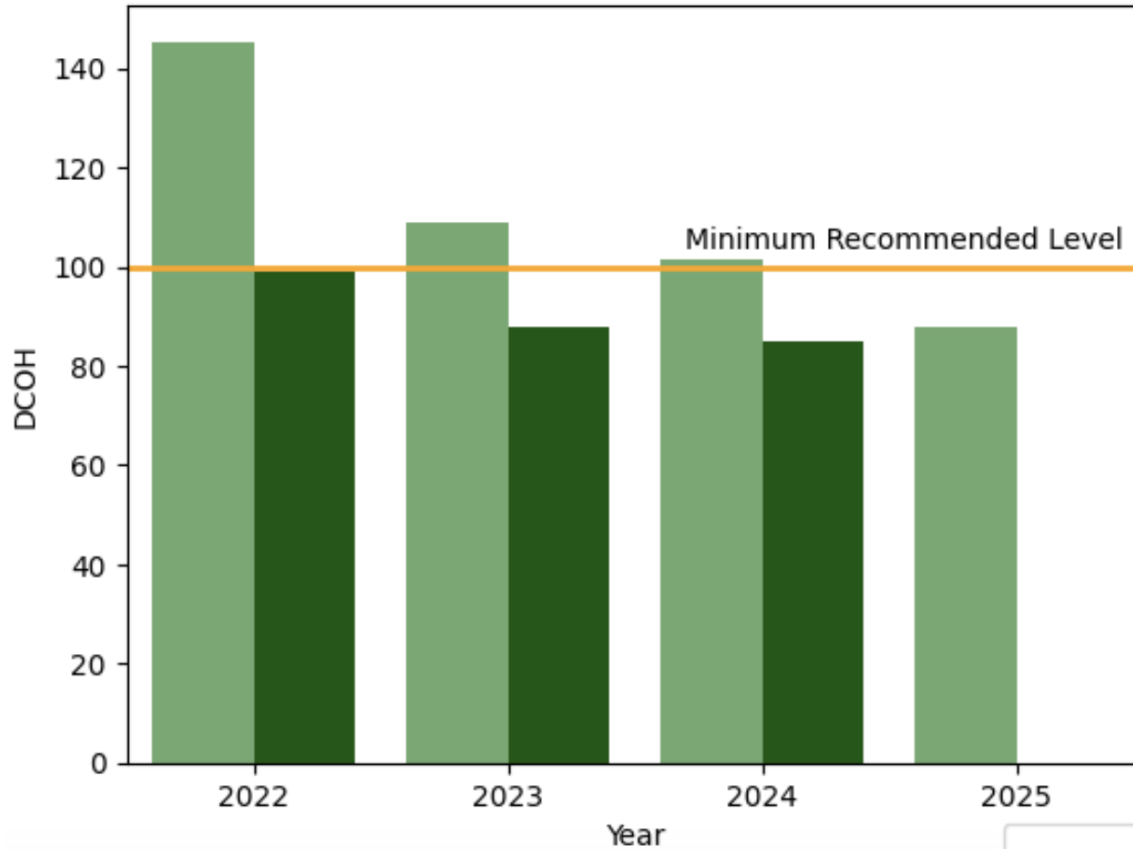
	FY22 Budget	FY22 Actuals	FY23 Budget	FY23 Actuals	FY24 Budget	FY24 Projected	FY25 Budget
Operating Margin	-5.0%	-6.8%	-3.7%	-8.9%	-3.4%	-6.7%	-2.3%
Total Margin	-1.0%	-7.6%	0.7%	-0.2%	12.9%	0.5%	12.4%
EBIDA	-0.7%	-3.0%	0.4%	-5.2%	0.3%	-3.0%	1.2%

# Financial Health: Profitability

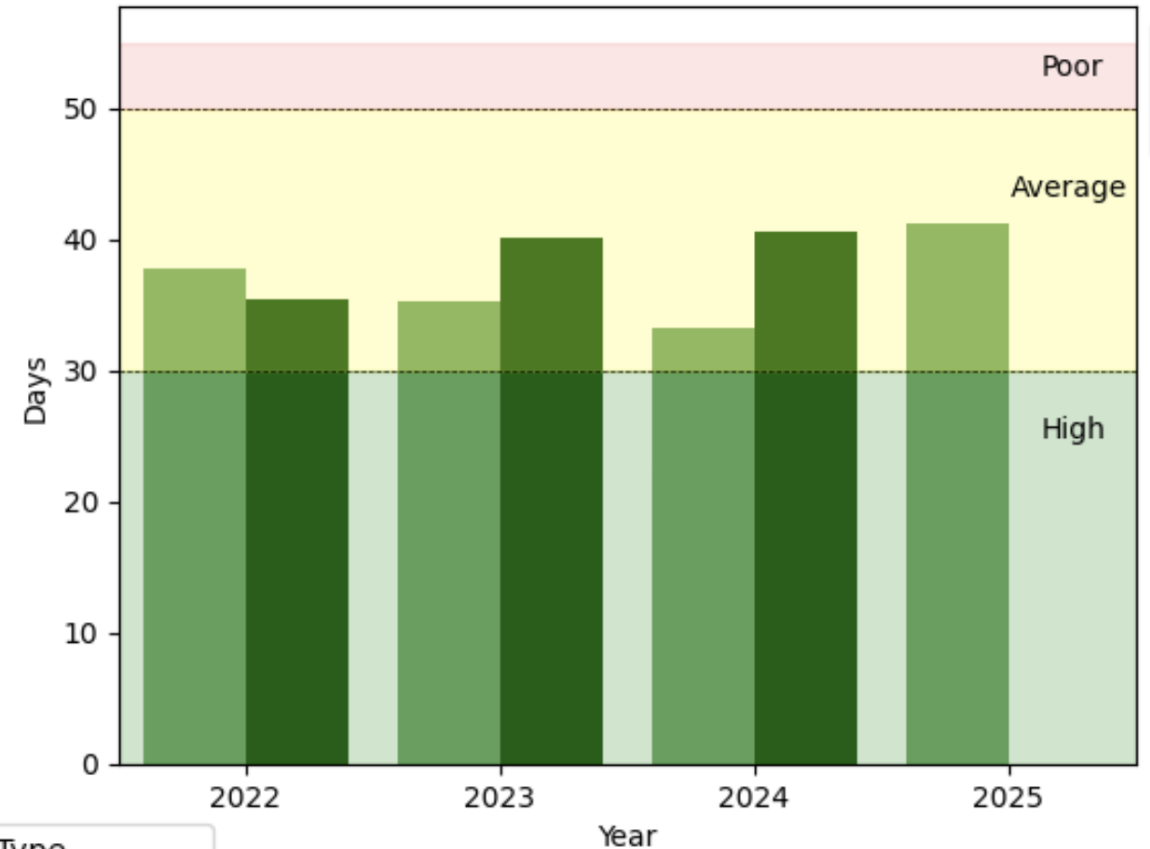
## Grace Cottage Hospital



GCH Days Cash on Hand



GCH Days in Patient Account Receivable



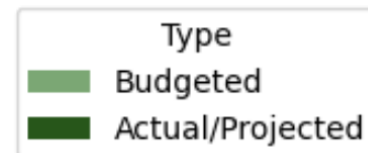
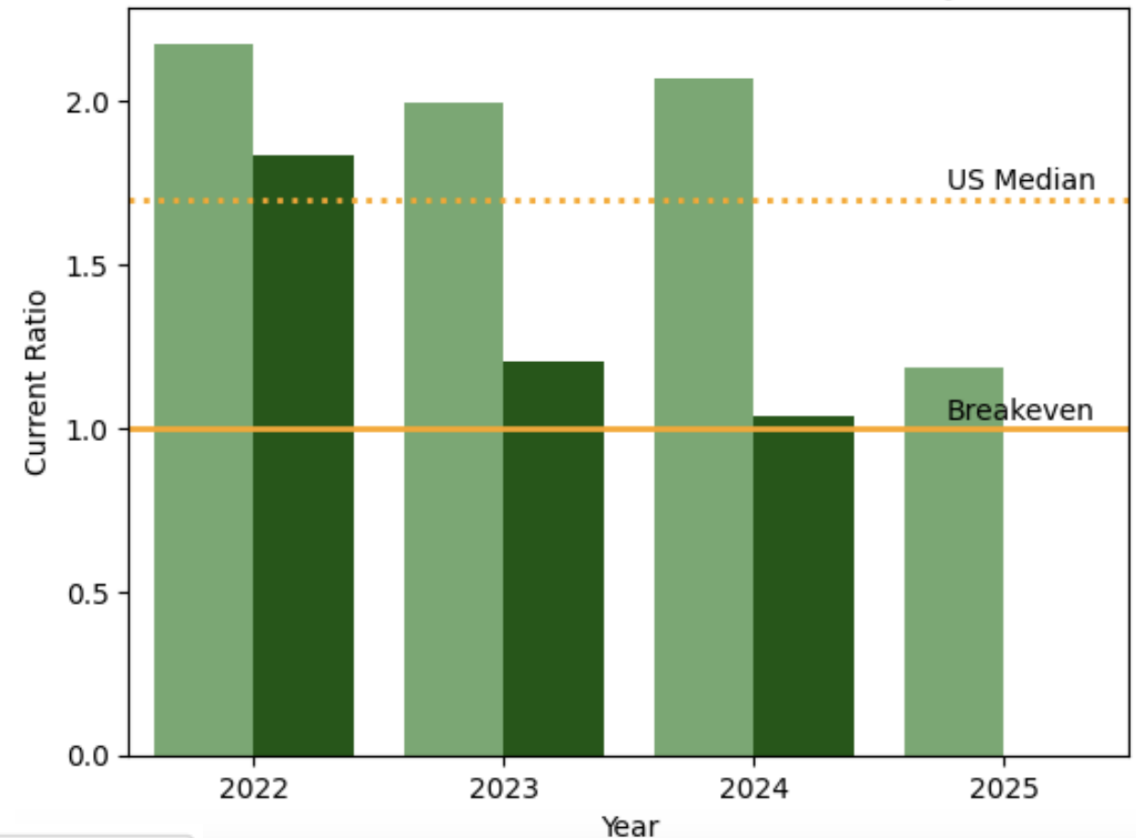
Type  
■ Budgeted  
■ Actual/Projected

# Financial Health: Profitability

*Grace Cottage Hospital*

Grace Cottage does not have any unrestricted funded depreciation, so the current ratio does not change between the two graphs.

GCH Current Ratio (assets/liabilities only)

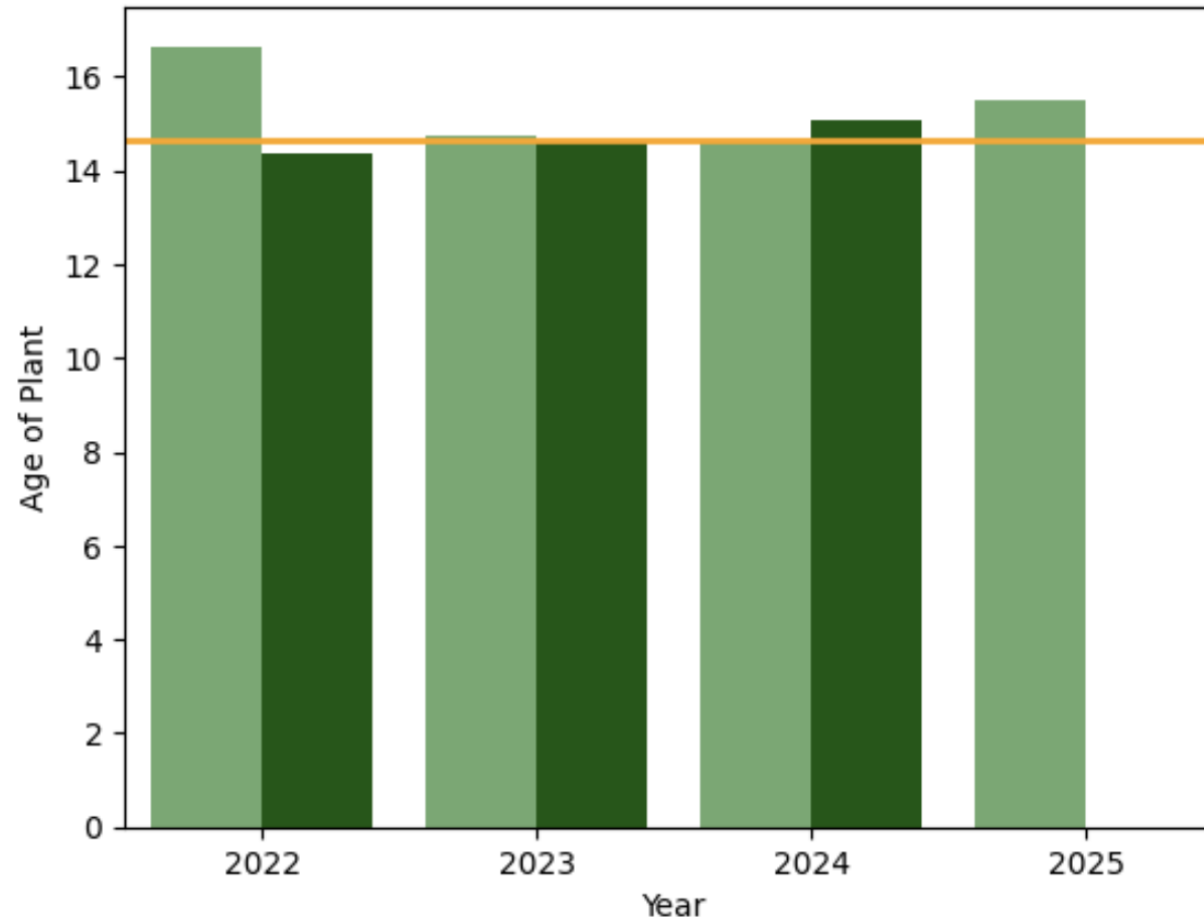


# Financial Health: Capital Spending

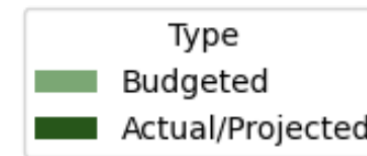
## Grace Cottage Hospital



GCH Age of Plant



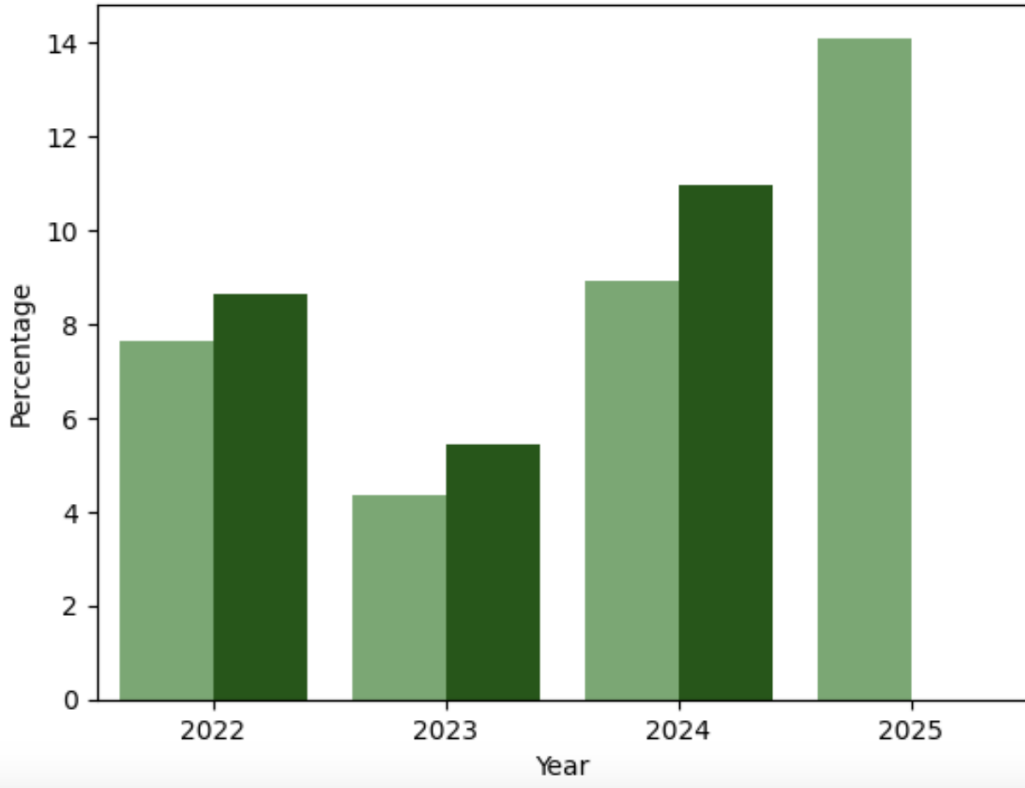
This line indicates the 75<sup>th</sup> percentile of average age of plant (14.63 years).



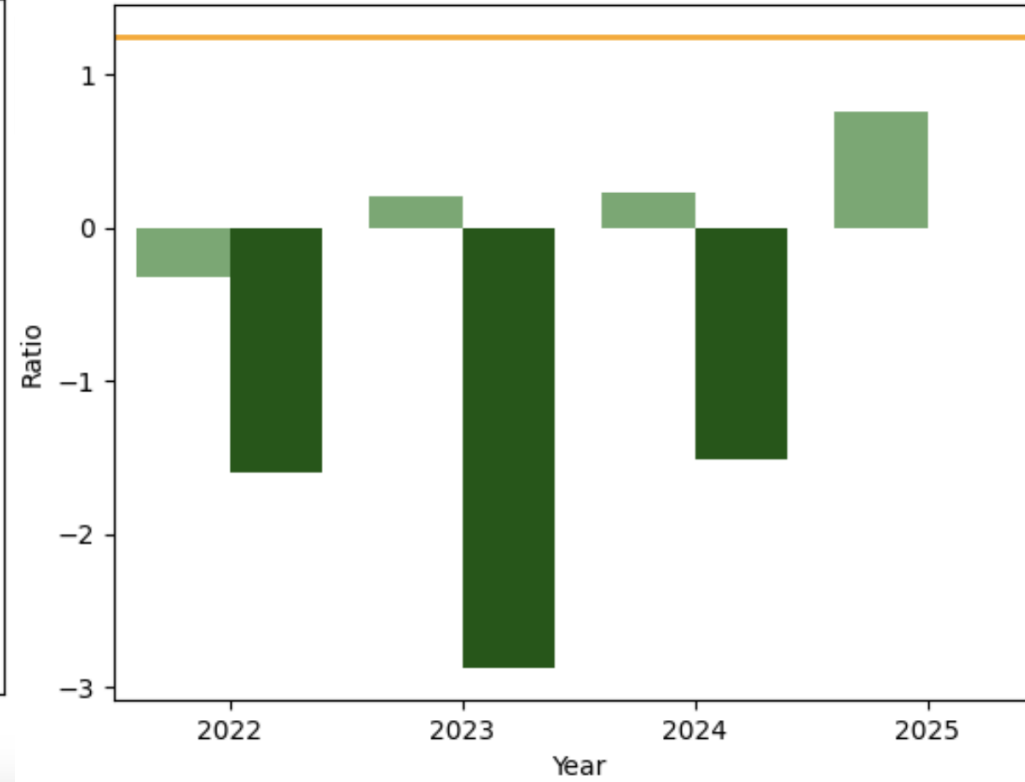
# Financial Health: Solvency

## Grace Cottage Hospital

GCH Long Term Debt to Capitalization



GCH Debt Service Coverage Ratio



This line indicates the standard minimum ratio for lenders (1.25).

Type  
Budgeted  
Actual/Projected

# Summary of Financial Health

## *Grace Cottage Hospital*



- Margins are negative and consistently worse than budgeted
- DCOH has dropped below 100 days in the last few years
- Days in Patient Account Receivable has average performance
- Current Ratio is dropping closer to 1, and there is no unrestricted funded depreciation
- Age of plant is high, right around the 75th percentile
- Long Term Debt to Capitalization is climbing but still low overall
- Debt Service Coverage Ratio is negative and does not meet the standard minimum ratio for lenders



# Commercial Price (RAND 5.0)

*Grace Cottage Hospital*



Core Service Line	Relative Price	Relative Price Decile	Standardized Price	Standardized Price Decile
Outpatient	215%	3	\$547.50	9
Inpatient				
Inpatient & Outpatient				
Professional (Inpatient & Outpatient)				
Inpatient Facility				
Outpatient Facility	270%	5	\$422.82	7

# Reasonable Assumptions: Public Payer Prices

## *Grace Cottage Hospital*



- What did they assume for Medicare/Medicaid price/reimbursement increase?
  - From the narrative (Medicare): "As a Critical Access Hospital and Rural Health Clinic, Medicare reimbursement is ultimately based on just under actual cost of providing care to those patients."
  - From the narrative (Medicaid): "Reimbursement is all based on fee schedules set by the State of Vermont of which Grace Cottage has no control over."
  - From the workbook: 5% for Medicare, 0% for Medicaid.

# Reasonable Assumptions: Volume

## Grace Cottage Hospital



	FY24P Payer Mix
Medicaid	9.08%
Medicare - Traditional	48.6%
Medicare - Advantage	
Commercial	42.3%
Uncategorized	0%
Total	100%

Source: Adaptive Payer Revenue Trends

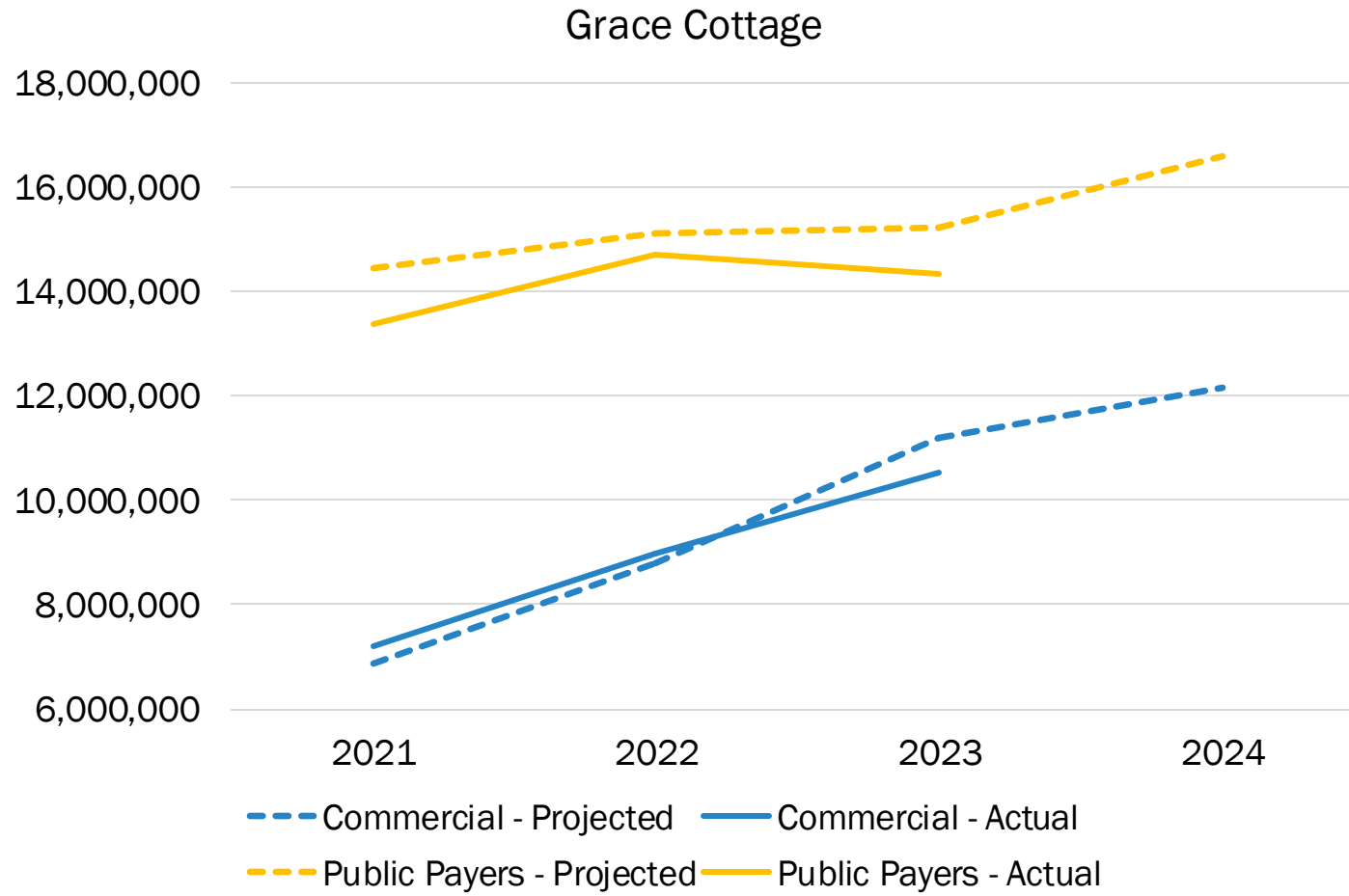
	Changes to Volume <i>*not payer mix</i>
Medicaid	25.8%
Medicare - Traditional	1.3%
Medicare - Advantage	0.0%
Commercial	8.0%
FPP	0.0%
<b>Attributable NPR Increase</b>	<b>6.0%</b>

Source: GMCB Healthcare Finance Team Rate Decomposition Data

Grace Cottage requested an NPR increase of 12.0%. According to their workbook, 6.0% will come from increased volume.

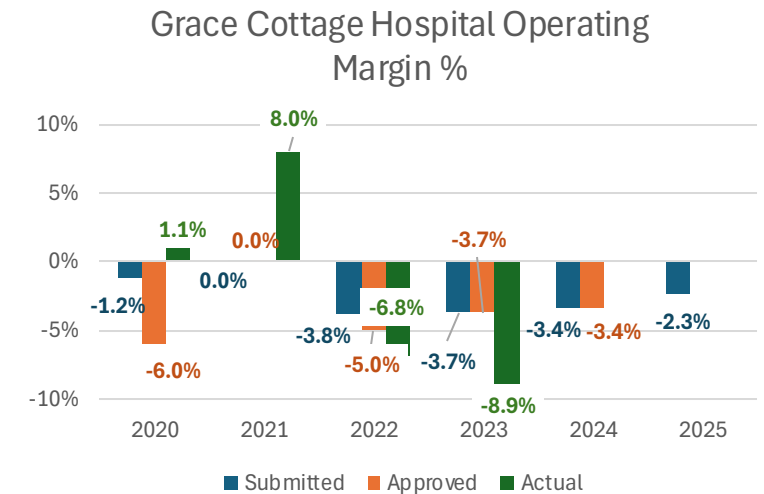
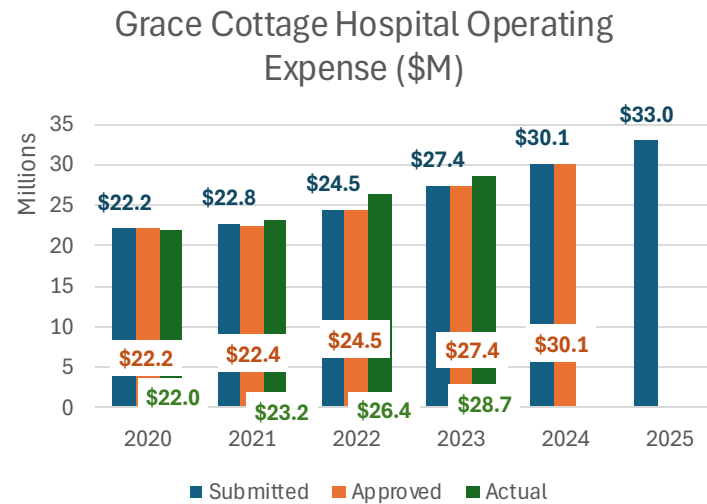
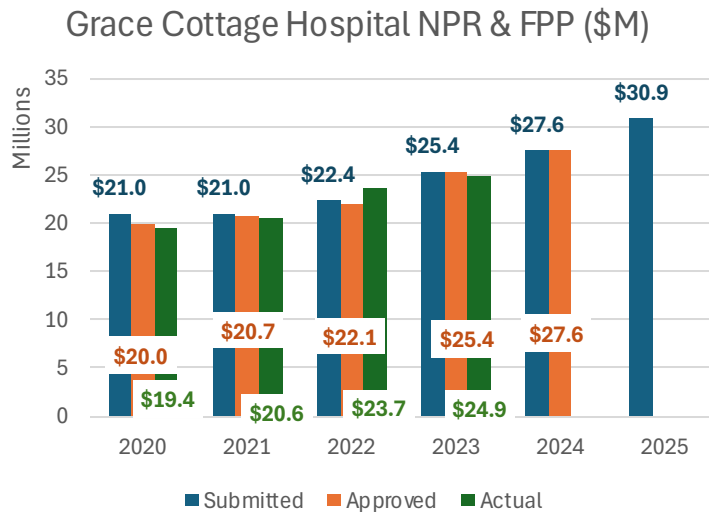
# Reasonable Assumptions: Projected vs. Actual NPR

## Grace Cottage Hospital



# Reasonable Assumptions: Budget History

## Grace Cottage Hospital



# Reasonable Assumptions: Volume

## Grace Cottage Hospital



HSA outflows: where are HSA residents going for hospital care? To what extent are residents spending at Grace Cottage vs. other hospitals?

Inpatient Hospital Market Share for Brattleboro HSA for All Services

Hosp	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Brattleboro	82.4%	83.5%	84.4%	86.4%	88.5%
Grace Cottage	6.5%	6.6%	5.7%	7.0%	5.2%
Springfield	8.2%	6.5%	5.9%	3.4%	3.8%
Southwestern	1.1%	1.3%	1.6%	1.8%	1.4%
Rutland	1.9%	2.1%	2.3%	1.4%	1.2%

Outpatient Hospital Market Share for Brattleboro HSA for All Services

Hosp	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Brattleboro	82.4%	79.6%	80.1%	81.1%	81.6%
Grace Cottage	11.3%	13.1%	13.1%	13.0%	12.5%
Springfield	3.3%	4.1%	3.5%	2.6%	2.5%
Southwestern	1.9%	2.0%	2.0%	1.8%	2.0%
Rutland	1.1%	1.2%	1.3%	1.4%	1.5%

Source: Hospital Market Share Report (VAHHS NSO)

# Efficiency: Summary

## *Grace Cottage Hospital*



- Clinical Productivity- Data not required
- Cost –above all comparator groups for the average inpatient cost per Medicare discharge from 2018-2022.
- Revenue- Compound annual growth rate of NPR per adjusted discharge from 2018-2022 is 7.03%, compared to the CAH State Total of 4.35% and the CAH National Median of 5.66%.
- Admin to clinical salary ratio- notably higher than other VT CAHs and VT Median
- Case Mix Index- Lowest in the state

### Hospital justifications:

Need to make process improvements and increase productivity

Need to hire one FTE PT

# Suggested Motion Language

## Approve Budget with Modifications (modify language as needed):

Move to approve GCH's budget with modifications as follows:

1. With FY25 NPR approved at a growth rate of not more than 6% over its FY24 approved budget (reduced from 12%) and a commensurate reduction in operating expenses;
2. With FY25 commercial change in charge and negotiated rate growth capped at 3.4% over the FY24 approved commercial rate cap, with no commercial rate increase for any payer exceeding that amount; and
3. Subject to all other standard budget conditions as approved by this Board.



# Budget Request vs. FY25 Benchmarks

## Gifford Medical Center



### Section I - Net Patient Revenue Growth < 3.5%

NPR Request %	NPR Request \$	% of System > Guidance
8.2%	70M	2%

### Section I - Commercial Rate Growth < 3.4%

Comm Rate Request %	Comm Rate Request \$	% of System > Guidance
6.8%	2.3 M	3%

### Section I - Operating Margin > 0%

Op Margin %	Op Margin \$	% of System
4.4%	3.1 M	3%

*\*this slide has updates – see appendix*

# Summary of Hospital Justifications

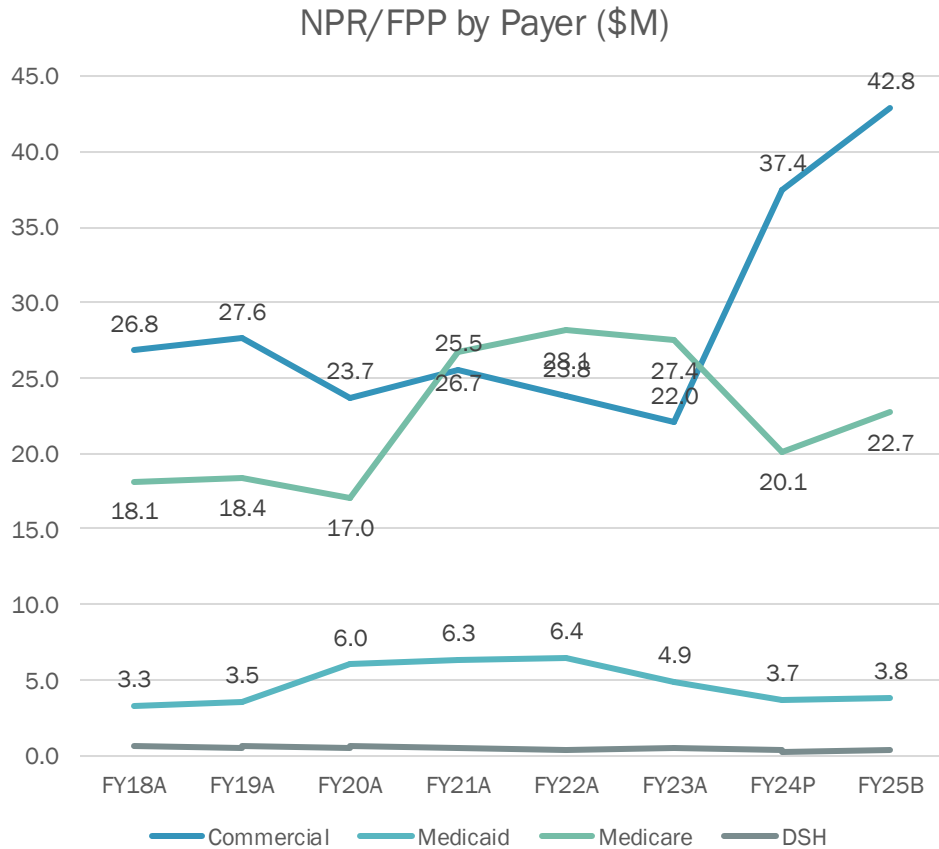
## *Gifford Medical Center*



- They need to meet their debt covenants: In their narrative, Gifford writes “cash continues to erode...which has not only resulted in the substantial draw on our reserves but has also reduced our current standing with our lending institution. If current trends continue, Gifford risks returning to technical default on our Bond.” (Narrative, page 2).
- They need to undertake capital repairs / improvements: In their narrative they write “in addition to supporting operations, the requested rate will permit GMC... to undertake much needed deferred capital repairs and improvements.” (Narrative, page 1).
- Their EHR improvements will increase their NPR: They argue that a new EHR has enabled them to improve charge capture and denials management. For this reason, their “collection rates improved beyond the budgeted projections of FY 2024. This yielded a budget-to-budget increase in Net Patient Revenue of 4.7%. This increase was before any applicable price increases.” (Narrative, page 4).

# Revenue Trends: NPR Growth by Payer

## Gifford Medical Center



		FY18 Δ	FY19 Δ	FY20 Δ	FY21 Δ	FY22 Δ	FY23 Δ
<b>Commercial</b>	Budget	33.10	31.55	27.83	28.85	27.71	25.28
	Actual	26.79	27.60	23.68	25.55	23.82	22.04
	<i>Budget-to-PY Budget Growth</i>	-	-4.7%	-11.8%	3.7%	-4.0%	-8.8%
	<i>Actual-to-PY Actual Growth</i>	-	3.0%	-14.2%	7.9%	-6.8%	-7.5%
<b>Medicaid</b>	Budget	4.86	4.11	5.11	4.28	7.18	4.31
	Actual	3.27	3.51	5.98	6.34	6.44	4.88
	<i>Budget-to-PY Budget Growth</i>	-	-15.5%	24.4%	-16.2%	67.7%	-40.0%
	<i>Actual-to-PY Actual Growth</i>	-	7.2%	70.4%	5.9%	1.6%	-24.3%
<b>Medicare</b>	Budget	20.91	19.69	18.90	18.42	18.82	28.07
	Actual	18.14	18.39	17.03	26.66	28.12	27.45
	<i>Budget-to-PY Budget Growth</i>	-	-5.8%	-4.0%	-2.6%	2.2%	49.2%
	<i>Actual-to-PY Actual Growth</i>	-	1.4%	-7.4%	56.5%	5.5%	-2.4%
<b>DSH</b>	Budget	0.65	0.55	0.54	0.54	0.52	0.36
	Actual	0.65	0.55	0.54	0.52	0.30	0.45
	<i>Budget-to-PY Budget Growth</i>	-	-14.1%	-2.6%	-0.8%	-3.0%	-31.2%
	<i>Actual-to-PY Actual Growth</i>	-	-14.1%	-2.4%	-4.0%	-41.7%	48.8%
<b>Total</b>	Budget	59.51	55.89	52.38	52.08	54.22	58.01
	Actual	48.84	50.05	47.23	59.06	58.68	54.81
	<i>Budget-to-PY Budget Growth</i>	-	-6.1%	-6.3%	-0.6%	4.1%	7.0%
	<i>Actual-to-PY Actual Growth</i>	-	2.5%	-5.6%	25.0%	-0.6%	-6.6%
			14.4%	4.7%	10.3%	-8.2%	-1.1%

# Revenue Trends: Actual vs. Budgeted NPR

## Gifford Medical Center

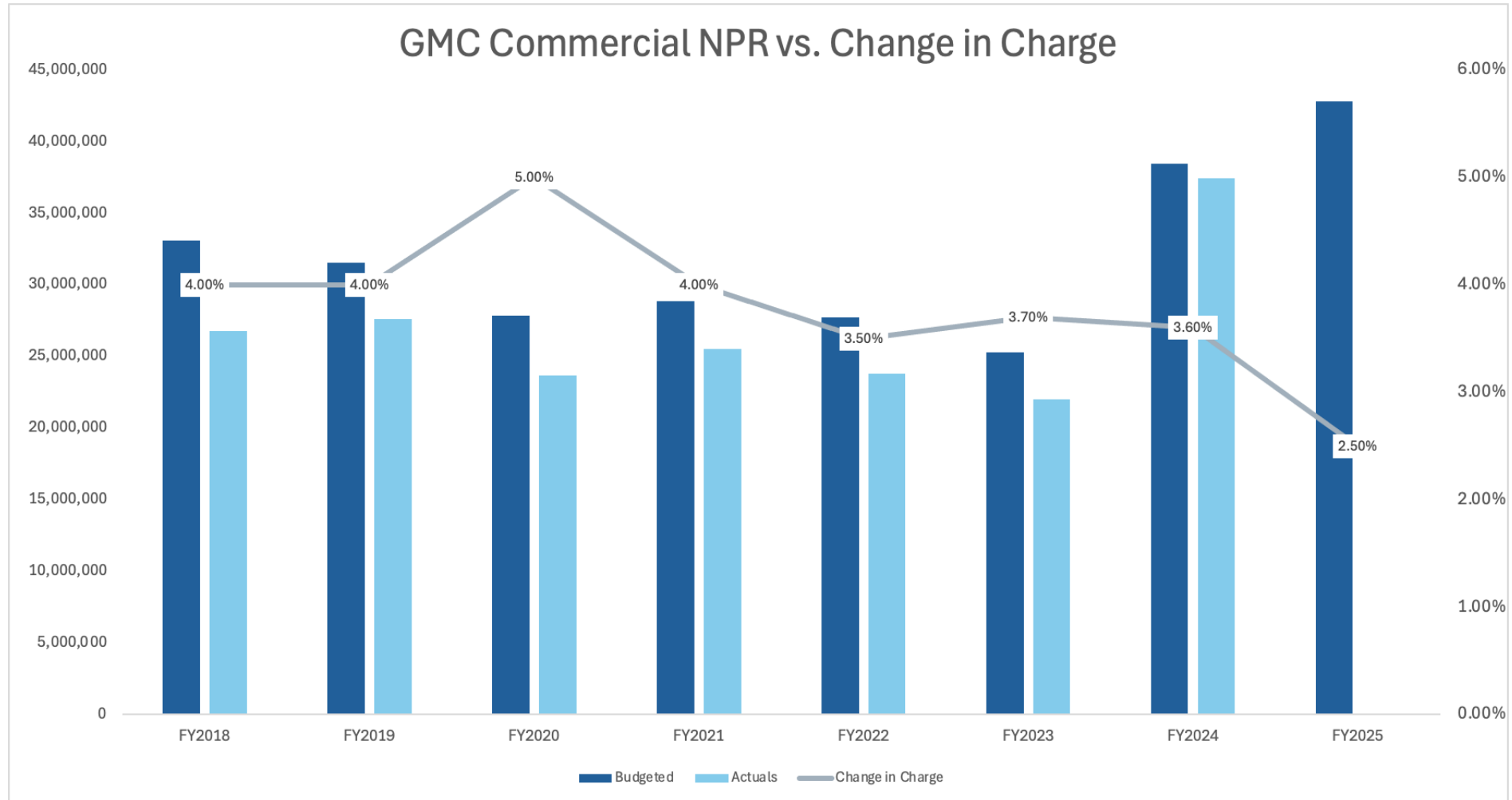


	FY18 Δ		FY19 Δ		FY20 Δ		FY21 Δ		FY22 Δ		FY23 Δ	
<b>Commercial</b>	(6.31)	-19.1%	(3.95)	-12.5%	(4.16)	-14.9%	(3.31)	-11.5%	(3.89)	-14.0%	(3.24)	-12.8%
<b>Medicaid</b>	(1.59)	-32.7%	(0.60)	-14.5%	0.87	17.1%	2.06	48.1%	(0.74)	-10.3%	0.57	13.1%
<b>Medicare</b>	(2.77)	-13.2%	(1.30)	-6.6%	(1.87)	-9.9%	8.24	44.7%	9.30	49.4%	(0.62)	-2.2%
<b>DSH</b>	(0.00)	0.0%	(0.00)	0.0%	0.00	0.3%	(0.02)	-2.9%	(0.22)	-41.6%	0.09	26.3%
	(10.67)	-17.93%	(5.84)	-10.45%	(5.15)	-9.83%	6.98	13.40%	4.46	8.22%	(3.20)	-5.51%

Note: *Negative values* reflect over-budgeted revenues (actuals less than budget), positive values, under-budgeted.

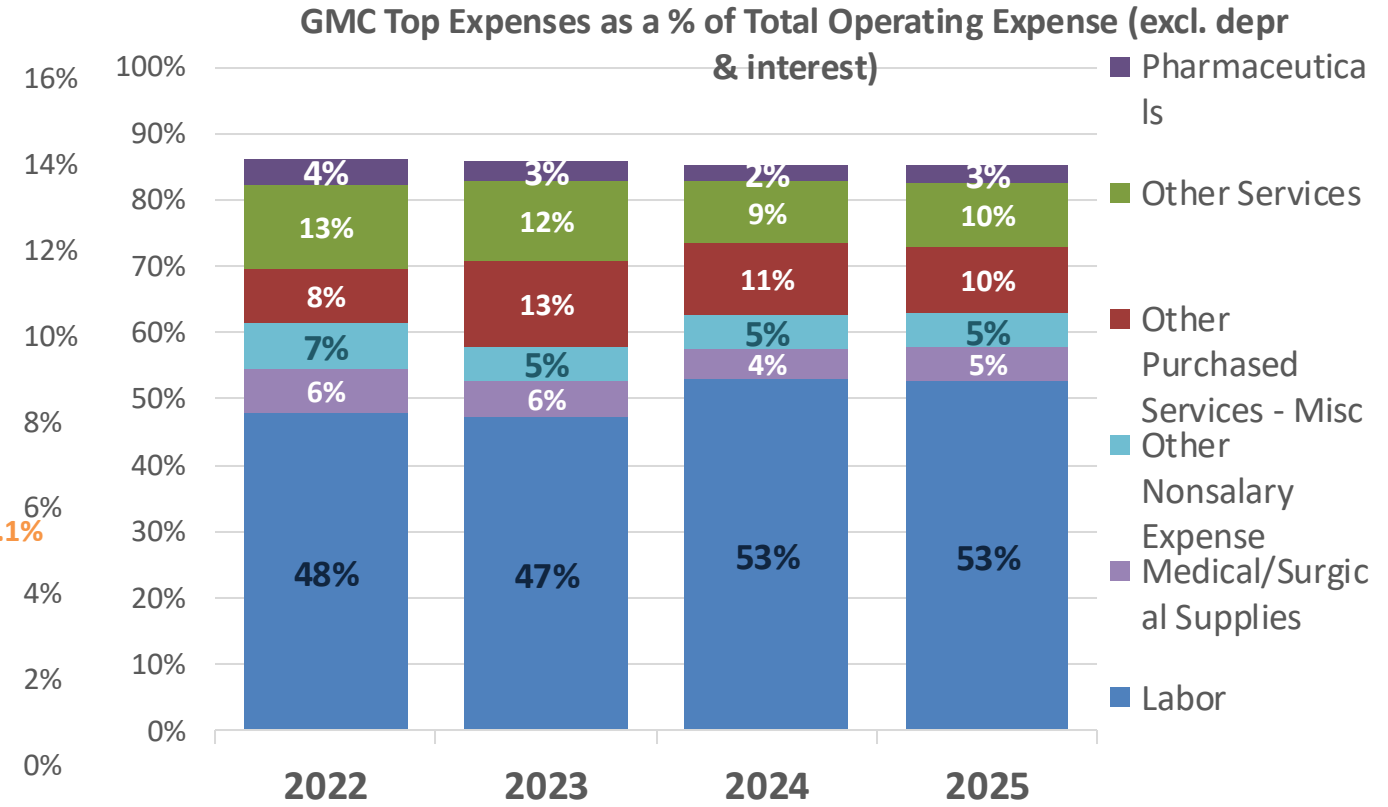
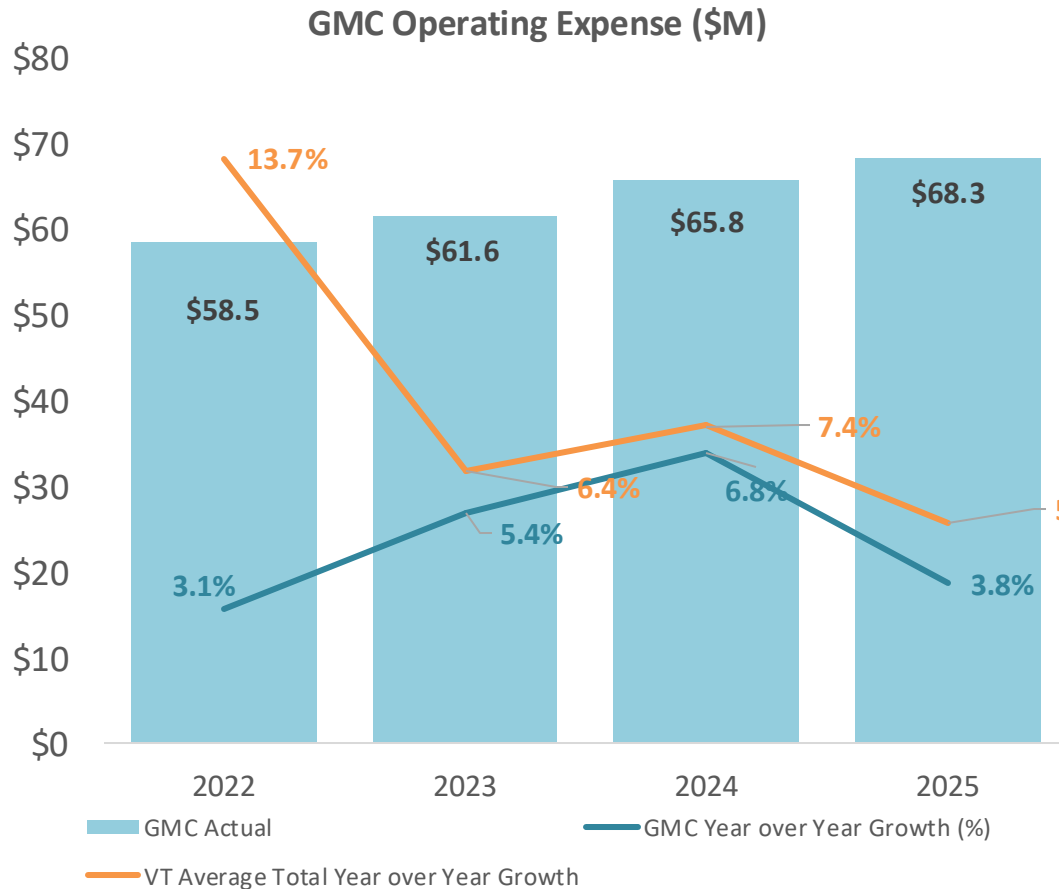
# Commercial Revenue Trends

## Gifford Medical Center



# Expense Trends

## Gifford Medical Center



Labor includes Salaries, Non-MD, Fringe Benefits Non-MD, Fringe Benefits, MD & Physician Fees, salaries, contracts & fringes. Expense trend includes 2022 – 2023 actuals, 2024 projected and 2025 budget

	2022	2023	2024	2025
<b>GMC - Labor YoY Growth</b>	-23.1%	3.6%	20.8%	3.4%
<b>GMC - Labor (Actual - Budget)</b>	-\$6,250,930	\$904,061	\$2,918,132	
<b>GMC - Labor (Actual - Budget)/Budget</b>	-19.3%	3.4%	9.8%	
<b>GMC - Other Services YoY Growth</b>	0.0%	-1.4%	-15.7%	6.5%
<b>GMC - Other Services (Actual - Budget)</b>	\$6,954,159	\$134,617	-\$1,846,258	
<b>GMC - Other Services (Actual - Budget)/Budget</b>	0.0%	2.0%	-24.2%	

# Expense Trends: Labor

## Gifford Medical Center



### Total FTEs employees

Employee	Total FTEs employees		Distribution of	
	FY2024	FY2025	Additional Budgeted FTE	Clinical/Non Clinical Budgeted Split
Clinical FTEs	175	186	93%	85%
Non Clinical FTEs	32	33	7%	15%
<b>Total</b>	<b>207</b>	<b>219</b>		

### Labor Expense in the narrative:

- The increase in labor will be offset by a reduction in traveler expenses - which is projected to decrease by about \$600K compared to projected FY2024

### Top Changes in staffing by Department

Combined Department	FY2024	FY2025	Change
Medical/Surgical Clinical FTEs	28	33	5
Clinics Clinical FTEs	11	14	3
Physician Office Practice Services (Uncategorized) Non Clinical FTEs	0	2	2
Surgery Non Clinical FTEs	4	2	-2
Surgery Clinical FTEs	4	6	1
Emergency Room Physicians Clinical FTEs	4	5	1
Ortho Rehab Clinical FTEs	3	4	1
Radiology - Diagnostic Clinical FTEs	11	11	1
Ortho Rehab Non Clinical FTEs		1	1
Laboratory Clinical FTEs	14	14	-1
Dietary Non Clinical FTEs	11	11	-1
Occupational Health Clinical FTEs	2	1	-1
Physician Office Practice Services (Uncategorized) Clinical FTEs	8	9	1
Physician practices Non Clinical FTEs	1	2	0
Nutrient Consulting Clinical FTEs	1	2	0
Physical Therapy Clinical FTEs	7	7	0
Clinics Non Clinical FTEs	5	4	0
Hospitalists Clinical FTEs	5	5	0
Laboratory Non Clinical FTEs	1	0	0
Operating Room Clinical FTEs	15	15	0

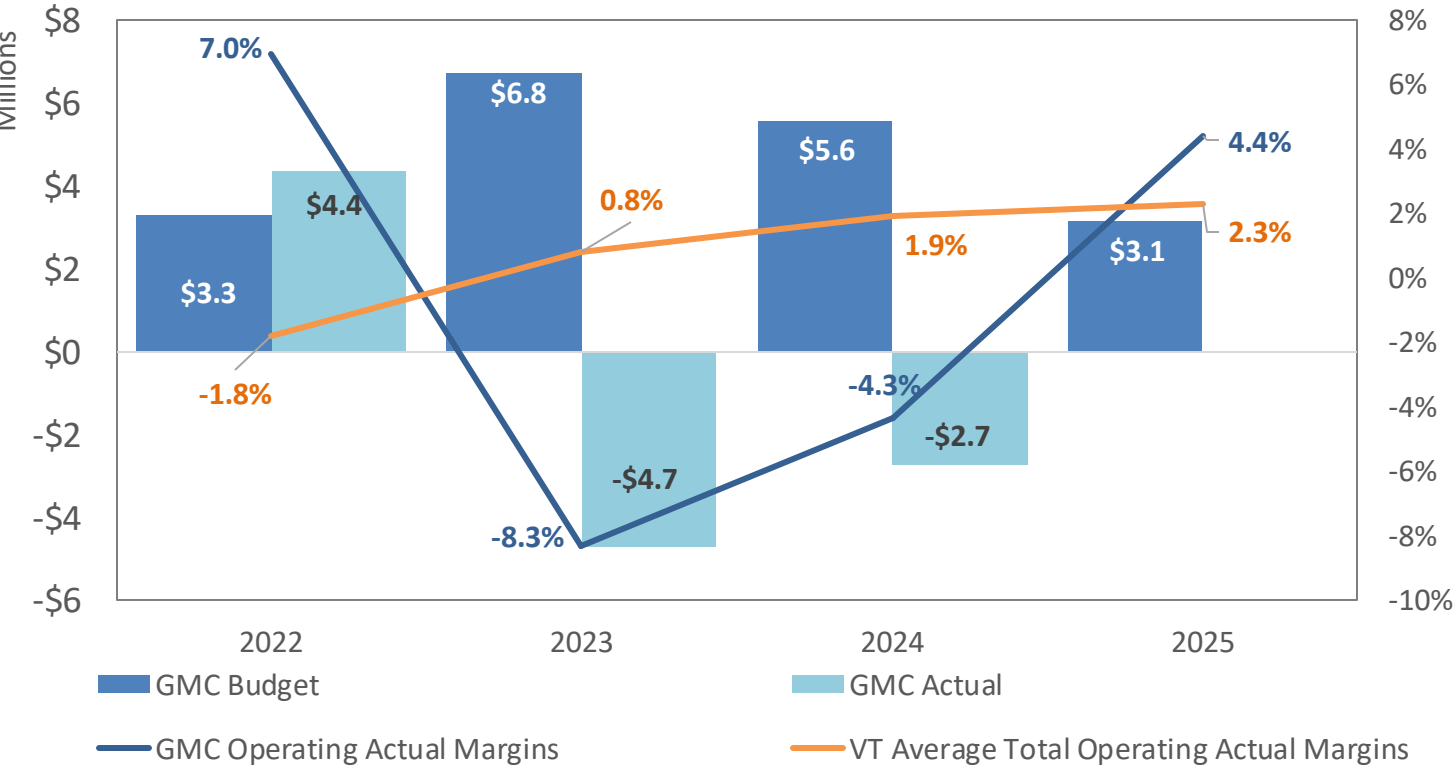
Top Changes in staffing account for 88.1% of FTE employee changes

# Operating Margin Growth

## Gifford Medical Center



GMC Operating Margin (\$M)



	2022	2023	2024
GMC Operating Revenue	\$62,855,580	\$56,895,993	\$63,100,782
GMC Operating Expense:	\$58,474,915	\$61,629,925	\$65,825,042
GMC Margin:	\$4,380,666	-\$4,733,932	-\$2,724,260
GMC Operating Revenue: (Actual - Budget)	\$6,358,173	-\$2,627,735	-\$3,343,608
GMC Operating Revenue: % Difference in Actual vs. Budget	11.3%	-4.4%	-5.0%
GMC Operating Expense: (Actual - Budget)	\$5,302,122	\$8,864,331	\$4,953,790
GMC Operating Expense: % Difference in Actual vs. Budget	10.0%	16.8%	8.1%
VT Operating Revenue: % Difference in Actual vs. Budget	5.7%	3.1%	3.0%
VT Operating Expenses: % Difference in Actual vs. Budget	10.4%	4.3%	3.3%

\*Margin % shows Actuals 2022 - 2023, Projected 2024 & Budgeted 2025

\*This slide has updates – see appendix



# Financial Health: Profitability

*Gifford Medical Center*



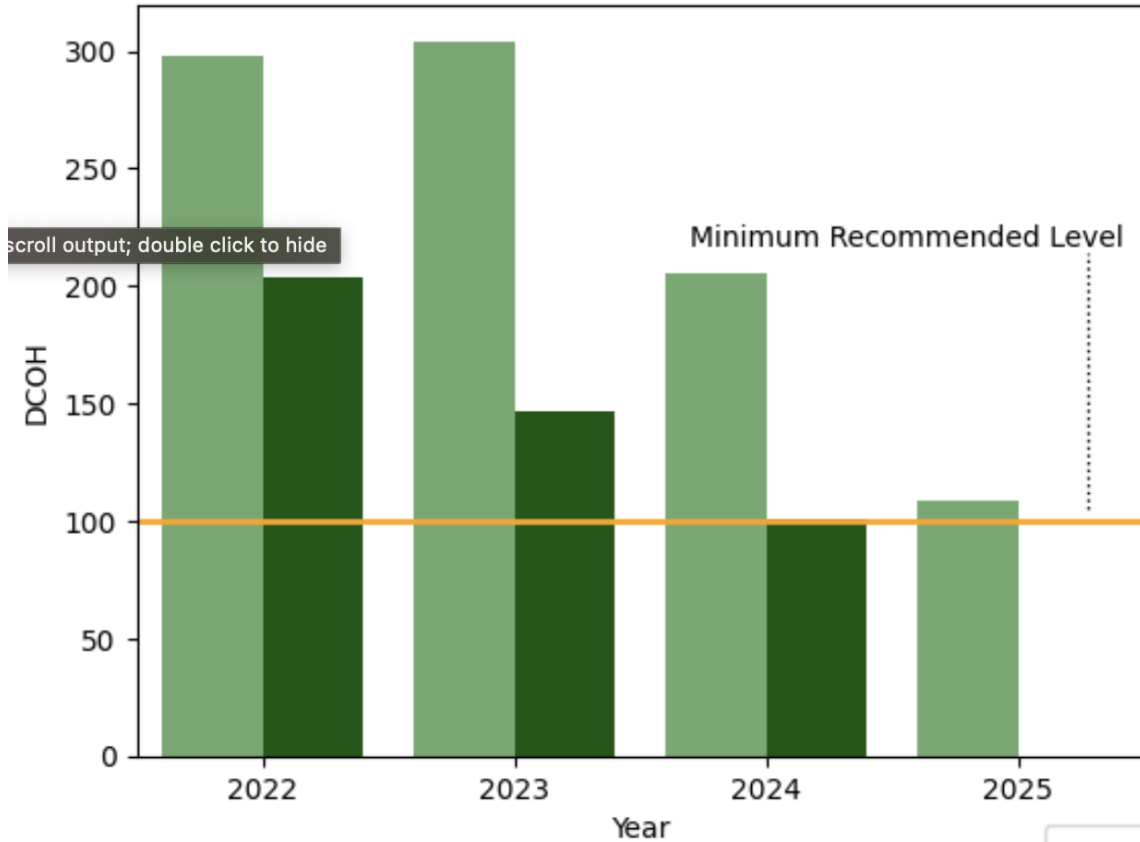
	FY22 Budget	FY22 Actuals	FY23 Budget	FY23 Actuals	FY24 Budget	FY24 Projected	FY25 Budget
Operating Margin	5.9%	7.0%	11.4%	-8.3%	8.4%	-4.3%	4.4%
Total Margin	7.4%	-0.3%	13.1%	-2.8%	8.4%	0.0%	4.8%
EBIDA	13.0%	13.0%	18.5%	-1.2%	14.3%	2.1%	10.0%

# Financial Health: Profitability

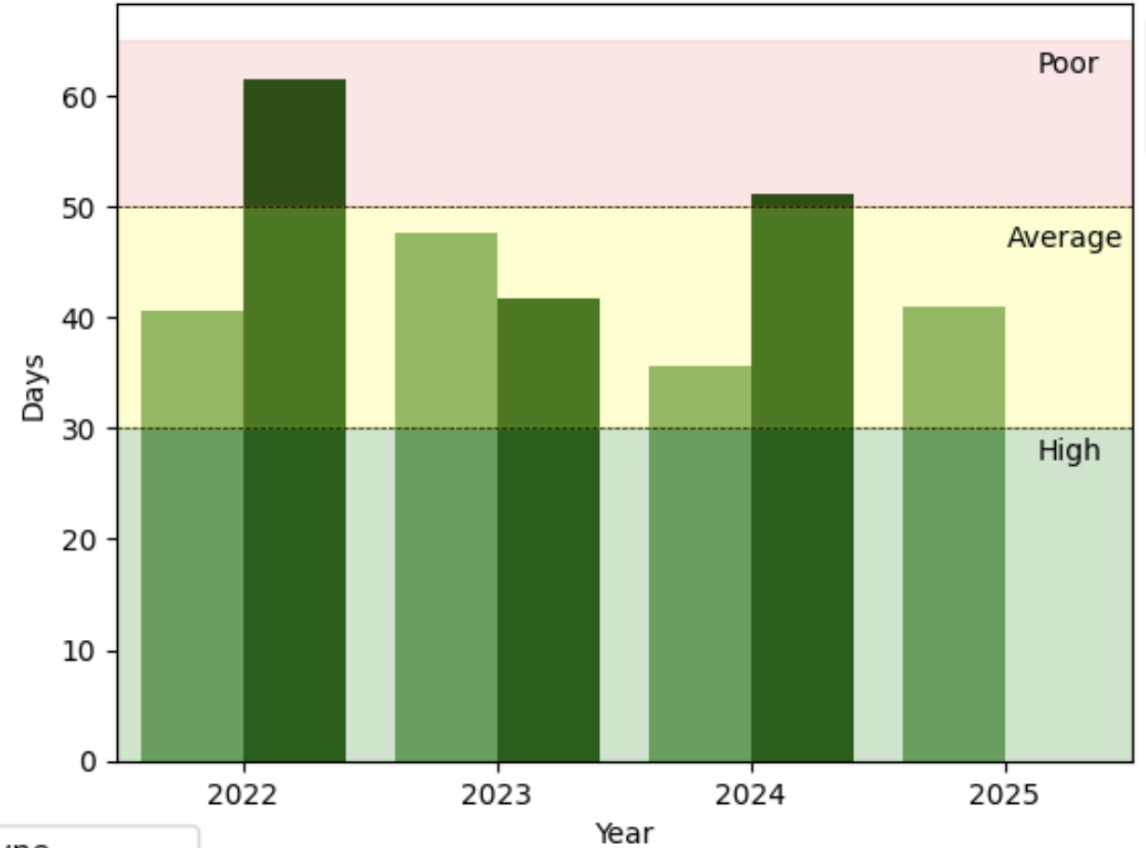
## Gifford Medical Center



### GMC Days Cash on Hand



### GMC Days in Patient Account Receivable



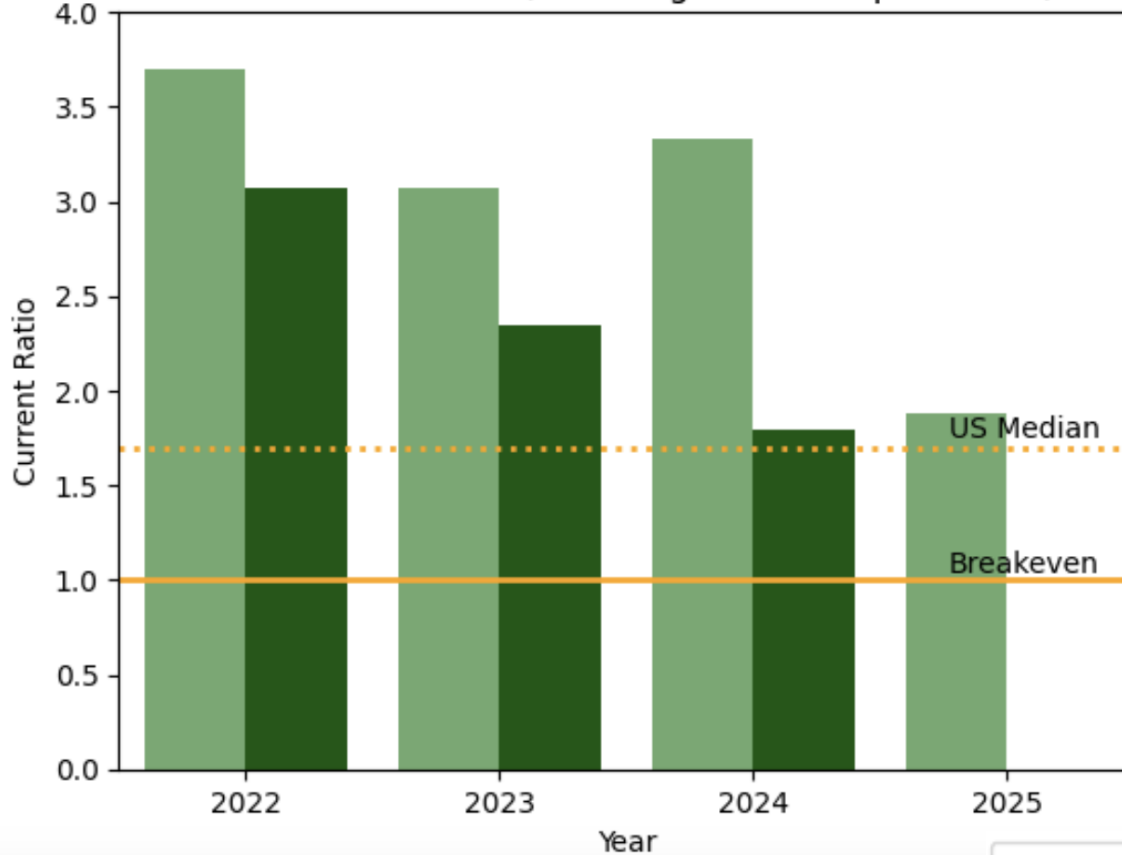
Type

- Budgeted
- Actual/Projected

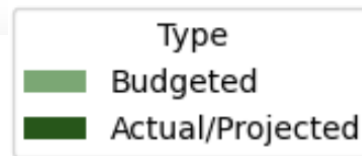
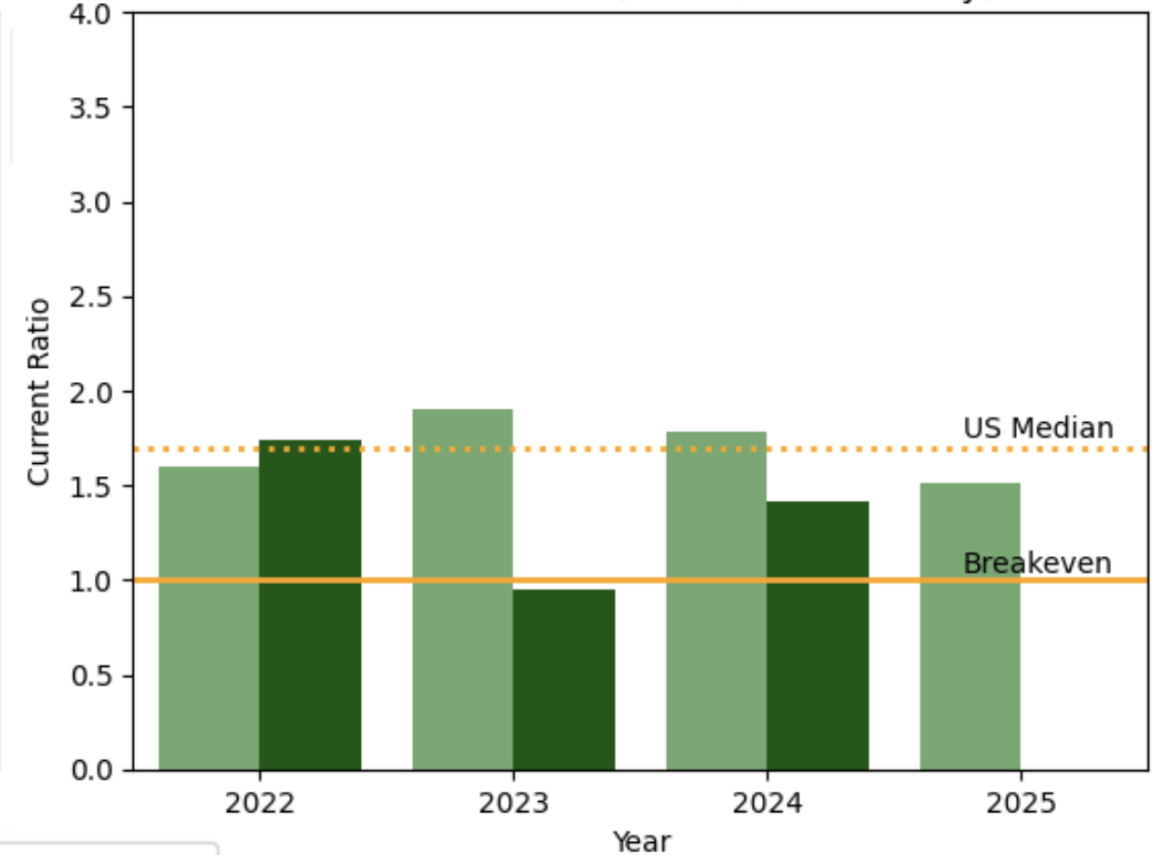
# Financial Health: Profitability

## Gifford Medical Center

GMC Current Ratio (including funded depreciation)

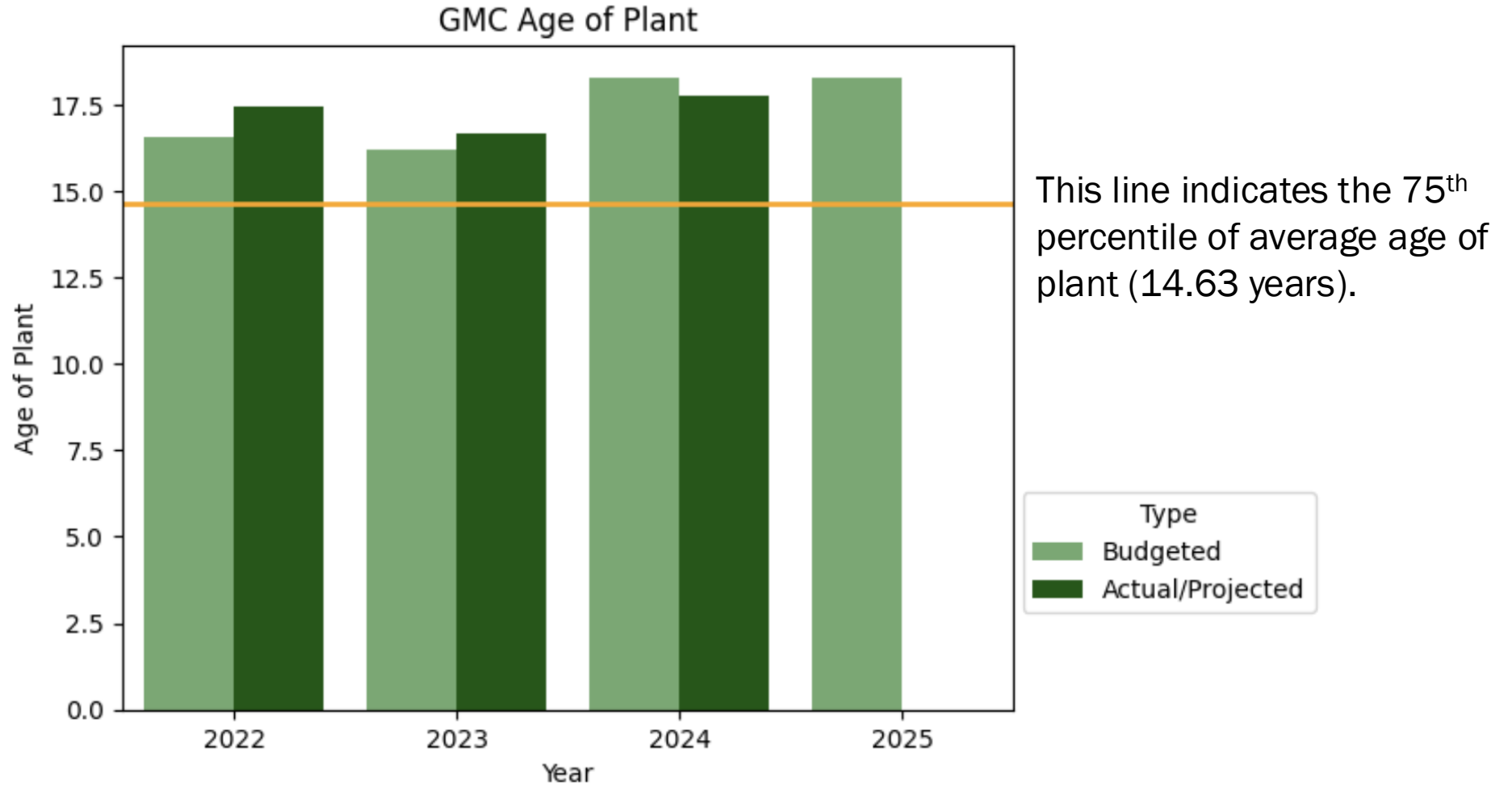


GMC Current Ratio (assets/liabilities only)



# Financial Health: Capital Spending

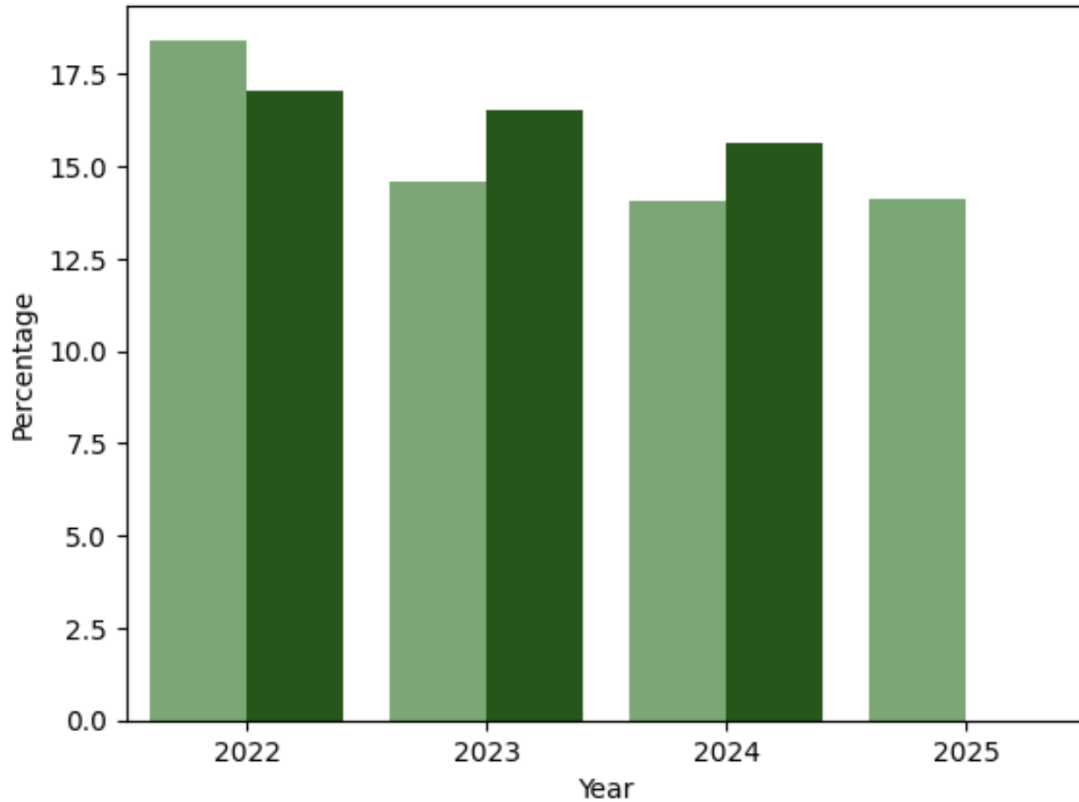
*Gifford Medical Center*



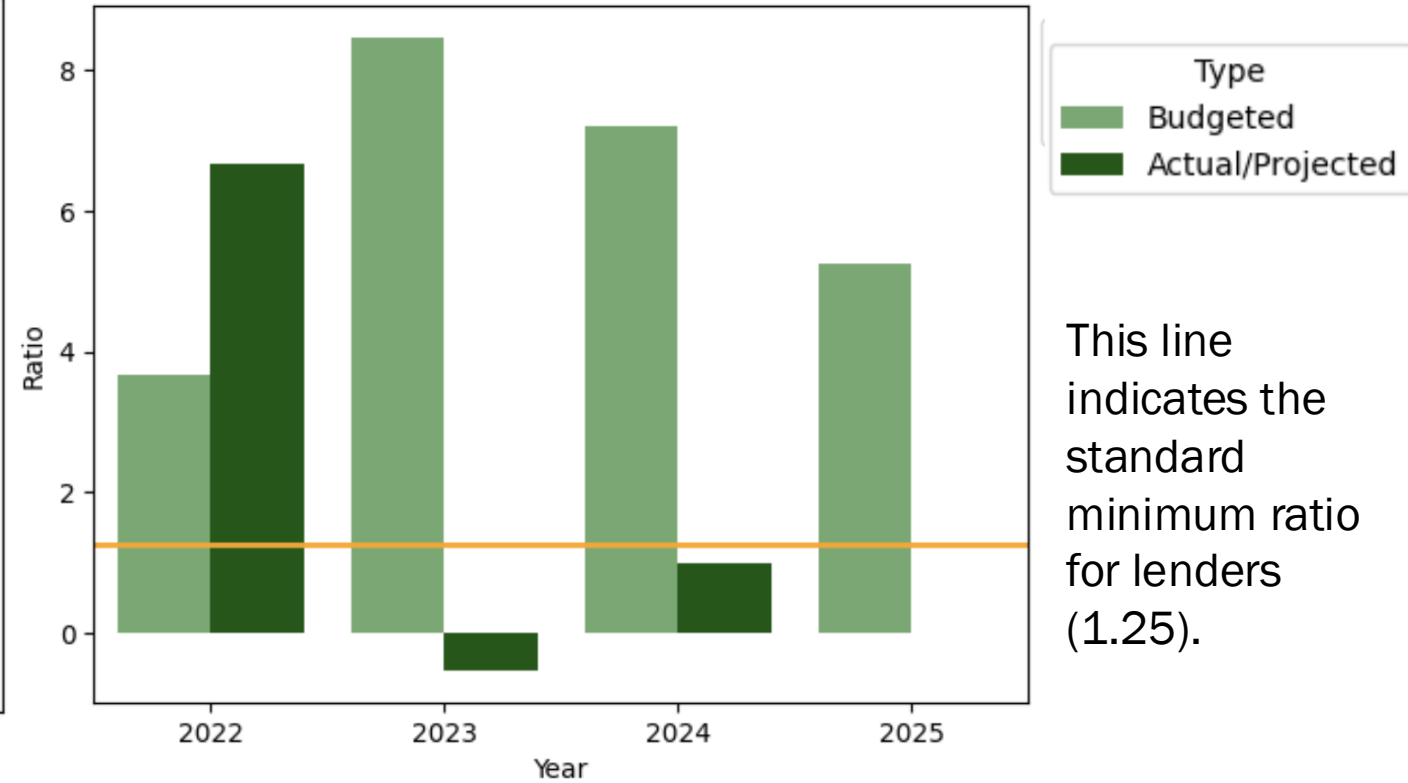
# Financial Health: Solvency

*Gifford Medical Center*

GMC Long Term Debt to Capitalization



GMC Debt Service Coverage Ratio



# Summary of Financial Health

## *Gifford Medical Center*



- Margins have struggled in FY23 and FY24
- DCOH has dropped significantly since 2022
- Age of Plant is above the 75th percentile
- Days in Patient Account Receivable has improved from poor to average
- Current Ratio is typically above 1 and there is unrestricted funded depreciation
- Long Term Debt to Capitalization is low and decreasing
- Debt Service Coverage Ratio is high.

# Commercial Price (RAND 5.0)

*Gifford Medical Center*



Core Service Line	Relative Price	Relative Price Decile	Standardized Price	Standardized Price Decile
Outpatient	203%	2	\$544.04	9
Inpatient	151%	1	\$22,530	5
Inpatient & Outpatient	192%	2		
Professional (Inpatient & Outpatient)	168%	2		
Inpatient Facility	153%	5	\$21,569	6
Outpatient Facility	213%	4	\$440.63	9

# Reasonable Assumptions: Public Payer Prices

*Gifford Medical Center*



- What did they assume for Medicare/Medicaid price/reimbursement increase?
  - From the narrative: "Medicare revenues are budgeted in accordance with our Critical Access Cost-based reimbursement and settlement process. GMC's Medicare reimbursement estimates for the FY 2025 budget have considered an increase in outpatient activity as well as the correlative increase in costs associated with the mix of services budgeted."
  - From the narrative: "Medicaid is not affected by the 6.8% increase in prices."
  - From the workbook: 0% for Medicare, 0% for Medicaid.



# Reasonable Assumptions: Volume

## Gifford Medical Center



	FY24P Payer Mix
Medicaid	5.96%
Medicare - Traditional	32.6%
Medicare - Advantage	
Commercial	60.8%
Uncategorized	0.6%
Total	0%

Source: Adaptive Payer Revenue Trends

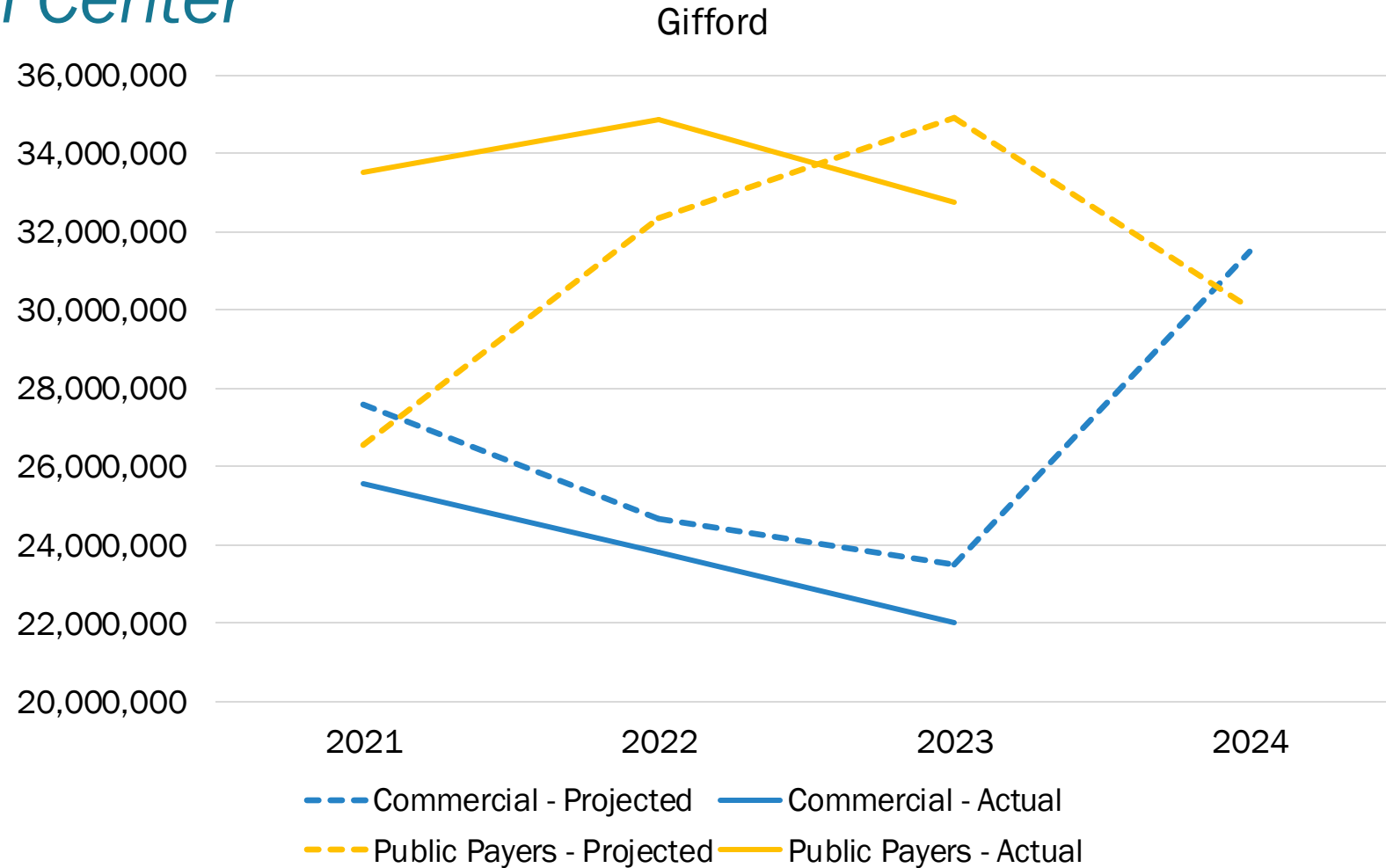
	Changes to Volume <i>*not payer mix</i>
Medicaid	-2.1%
Medicare - Traditional	-16.9%
Medicare - Advantage	-6.5%
Commercial	0.4%
FPP	0.0%
<b>Attributable NPR Increase</b>	<b>-5.3%</b>

Source: GMCB Healthcare Finance Team Rate Decomposition Data

Gifford requested an NPR increase of 8.2%. According to their workbook, -5.3% will come from increased volume.

# Reasonable Assumptions: Projected vs. Actual NPR

## Gifford Medical Center

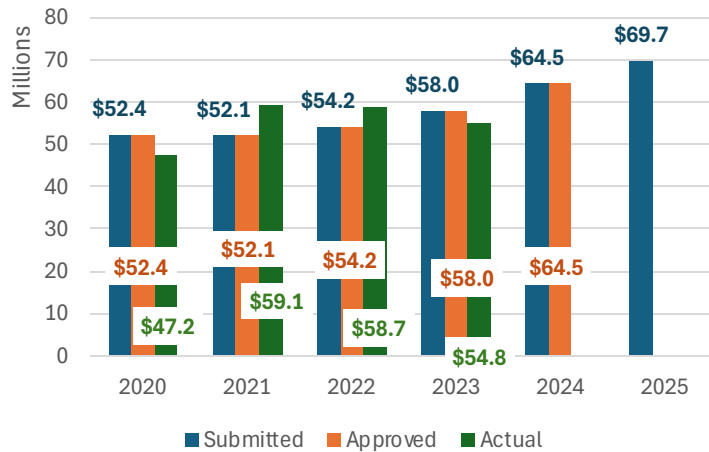


# Reasonable Assumptions: Budget History

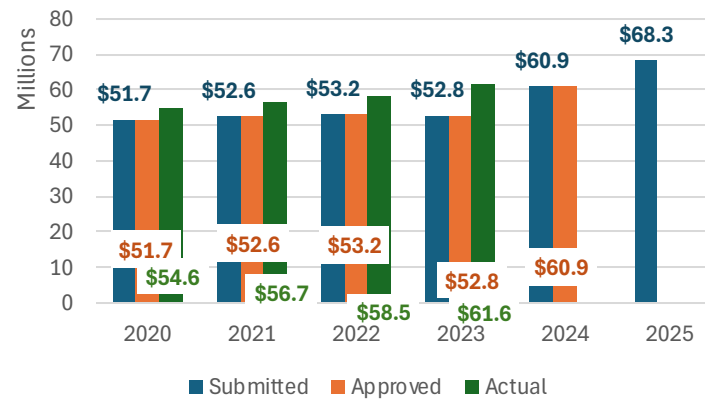
## Gifford Medical Center



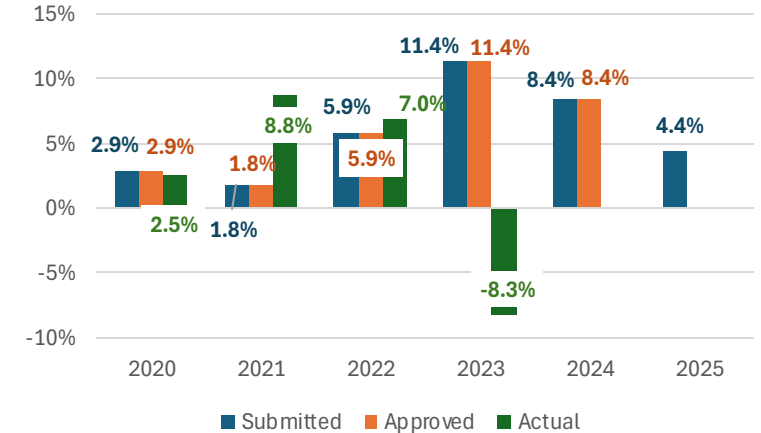
Gifford Medical Center NPR & FPP (\$M)



Gifford Medical Center Operating Expense (\$M)



Gifford Medical Center Operating Margin %



# Efficiency: Summary

## *Gifford Medical Center*



- Clinical Productivity- 19 Clinical FTEs. 10.5% of FTEs below 25th percentile. 30.0% of FTEs below 50th percentile.
- Cost – Above all VT comparator groups for the average inpatient cost per Medicare discharge from 2018-2022, but significantly lower than other peer group
- Revenue- Compound annual growth rate of NPR per adjusted discharge from 2018-2022 is 2.8%, compared to the CAH State Total of 4.35% and the CAH National Median of 5.66%.
- Admin to clinical salary ratio- relatively stable until 2022 when ratio increases from 16.6% to 23%
- Direct Patient Care FTEs- higher than peer group

### Hospital justifications:

New EHR will capture additional revenue

Need to meet their debt covenant

Need to undertake capital repairs/improvements

# Suggested Motion Language

## Approve Budget with Modifications (modify language as needed):

Move to approve Gifford's budget with modifications as follows:

1. With FY25 NPR approved at a growth rate of not more than 3.5% over its FY24 approved budget (reduced from 8.2%) and a commensurate reduction in operating expenses;
2. With FY25 commercial change in charge and negotiated rate growth capped at 3.4% over the FY24 approved commercial rate cap (reduced from 6.8%), with no commercial rate increase for any payer exceeding that amount; and
3. Subject to all other standard budget conditions as approved by this Board.

# Budget Request vs. FY25 Benchmarks

## North Country Hospital



### Section I - Net Patient Revenue Growth < 3.5%

NPR Request %	NPR Request \$	% of System > Guidance
1.6%	106 M	-1%

### Section I - Commercial Rate Growth < 3.4%

Comm Rate Request %	Comm Rate Request \$	% of System > Guidance
4.7%	2 M	1%

### Section I - Operating Margin > 0%

Op Margin %	Op Margin \$	% of System
2.0%	2.2 M	2%

# Summary of Hospital Justifications

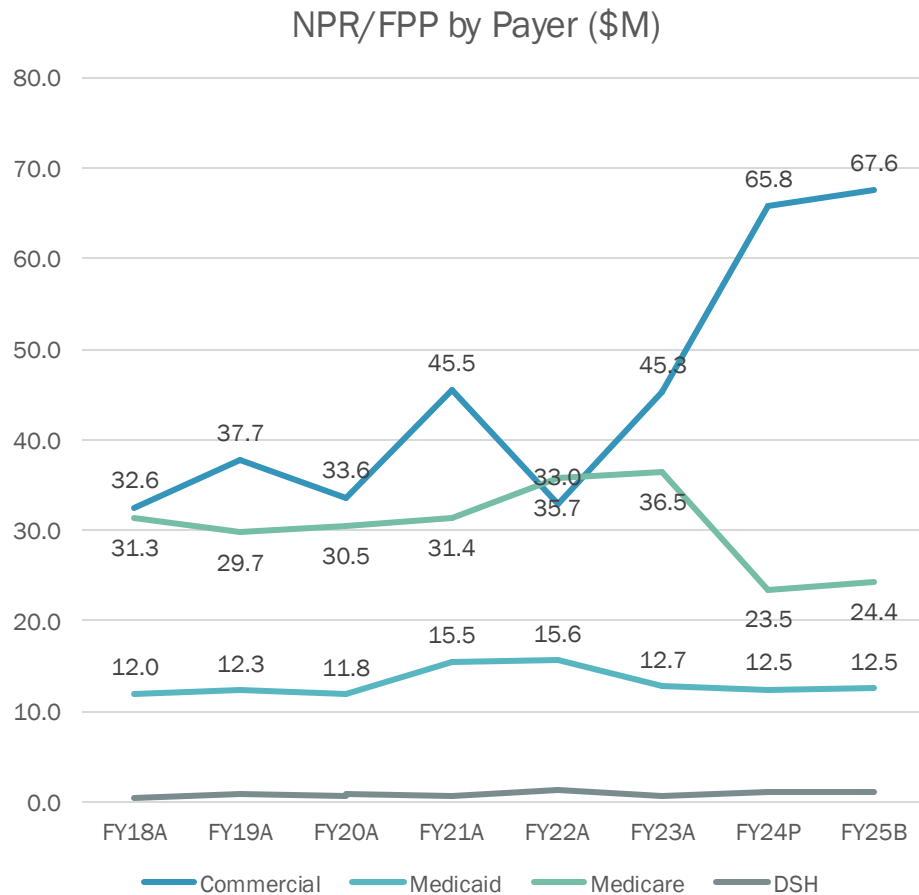
## *North Country Hospital*



- They have managed expenses well: North Country notes that they have *reduced* their total expenses from B2024 to B2025 by 0.4%, or about \$438,000. This decrease accounts for cost inflation.
- They rely on public payers: North Country notes that their payer mix is 67% Medicaid and Medicare (including Medicare Advantage.) They argue that their reliance on public payers necessitates a higher commercial rate.

# Revenue Trends: NPR Growth by Payer

## North Country Hospital



		FY18 Δ	FY19 Δ	FY20 Δ	FY21 Δ	FY22 Δ	FY23 Δ
<b>Commercial</b>	Budget	42.77	39.35	39.82	41.32	40.83	46.68
	Actual	32.57	37.74	33.65	45.52	32.97	45.30
	<i>Budget-to-PY Budget Growth</i>	-	-8.0%	1.2%	3.8%	-1.2%	14.3%
	<i>Actual-to-PY Actual Growth</i>	-	15.9%	-10.8%	35.3%	-27.6%	37.4%
	<i>Budget-to-PY Actual Growth</i>	-	20.8%	5.5%	22.8%	-10.3%	41.6%
<b>Medicaid</b>	Budget	11.25	13.07	12.74	12.83	12.96	18.45
	Actual	11.99	12.29	11.83	15.48	15.62	12.74
	<i>Budget-to-PY Budget Growth</i>	-	16.1%	-2.6%	0.8%	1.0%	42.3%
	<i>Actual-to-PY Actual Growth</i>	-	2.5%	-3.7%	30.8%	1.0%	-18.5%
	<i>Budget-to-PY Actual Growth</i>	-	9.0%	3.6%	8.5%	-16.2%	18.1%
<b>Medicare</b>	Budget	24.64	28.22	30.16	27.67	33.41	33.01
	Actual	31.34	29.72	30.48	31.39	35.75	36.50
	<i>Budget-to-PY Budget Growth</i>	-	14.5%	6.9%	-8.3%	20.7%	-1.2%
	<i>Actual-to-PY Actual Growth</i>	-	-5.2%	2.5%	3.0%	13.9%	2.1%
	<i>Budget-to-PY Actual Growth</i>	-	-10.0%	1.5%	-9.2%	6.4%	-7.7%
<b>DSH</b>	Budget	0.40	0.88	0.91	0.91	0.69	0.72
	Actual	0.52	0.89	0.85	0.67	1.37	0.69
	<i>Budget-to-PY Budget Growth</i>	-	117.7%	3.1%	0.0%	-24.3%	5.1%
	<i>Actual-to-PY Actual Growth</i>	-	69.5%	-3.9%	-21.0%	103.4%	-49.5%
	<i>Budget-to-PY Actual Growth</i>	-	68.2%	2.3%	6.5%	2.1%	-47.3%
<b>Total</b>	Budget	79.07	81.52	83.62	82.74	87.89	98.85
	Actual	76.43	80.63	76.81	93.06	85.71	95.23
	<i>Budget-to-PY Budget Growth</i>	-	3.1%	2.6%	-1.1%	6.2%	12.5%
	<i>Actual-to-PY Actual Growth</i>	-	5.5%	-4.7%	21.2%	-7.9%	11.1%
	<i>Budget-to-PY Actual Growth</i>	-	6.7%	3.7%	7.7%	-5.6%	15.3%



# Revenue Trends: Actual vs. Budgeted NPR

## North Country Hospital

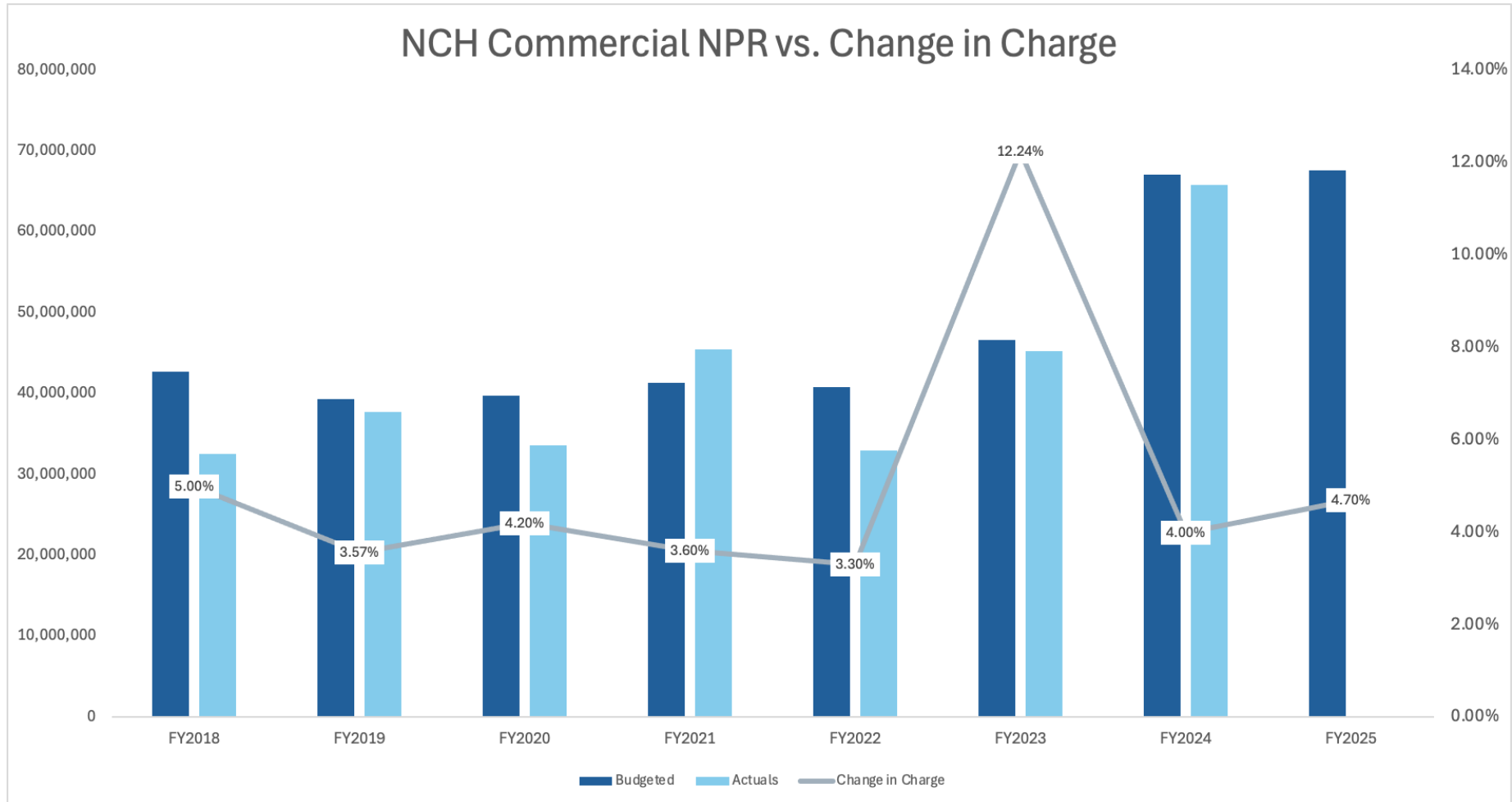


	FY18 Δ		FY19 Δ		FY20 Δ		FY21 Δ		FY22 Δ		FY23 Δ	
<b>Commercial</b>	(10.20)	-23.9%	(1.61)	-4.1%	(6.17)	-15.5%	4.19	10.1%	(7.86)	-19.3%	(1.38)	-3.0%
<b>Medicaid</b>	0.74	6.5%	(0.78)	-6.0%	(0.90)	-7.1%	2.64	20.6%	2.66	20.5%	(5.71)	-31.0%
<b>Medicare</b>	6.70	27.2%	1.50	5.3%	0.32	1.0%	3.72	13.4%	2.34	7.0%	3.50	10.6%
<b>DSH</b>	0.12	29.4%	0.01	0.8%	(0.06)	-6.1%	(0.23)	-25.8%	0.68	99.3%	(0.03)	-4.2%
	(2.65)	-3.35%	(0.89)	-1.09%	(6.81)	-8.15%	10.32	12.47%	(2.18)	-2.48%	(3.63)	-3.67%

Note: *Negative values* reflect over-budgeted revenues (actuals less than budget), positive values, under-budgeted.

# Commercial Revenue Trends

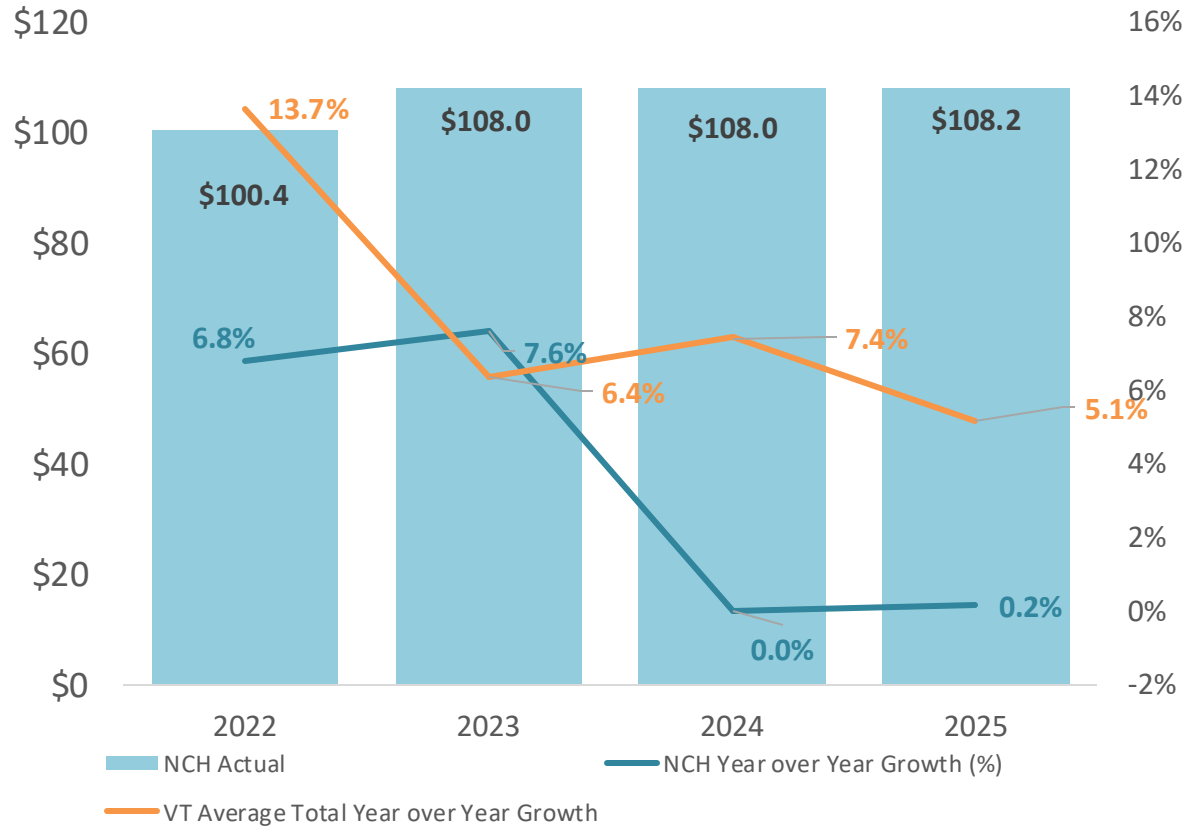
## North Country Hospital



# Expense Trends

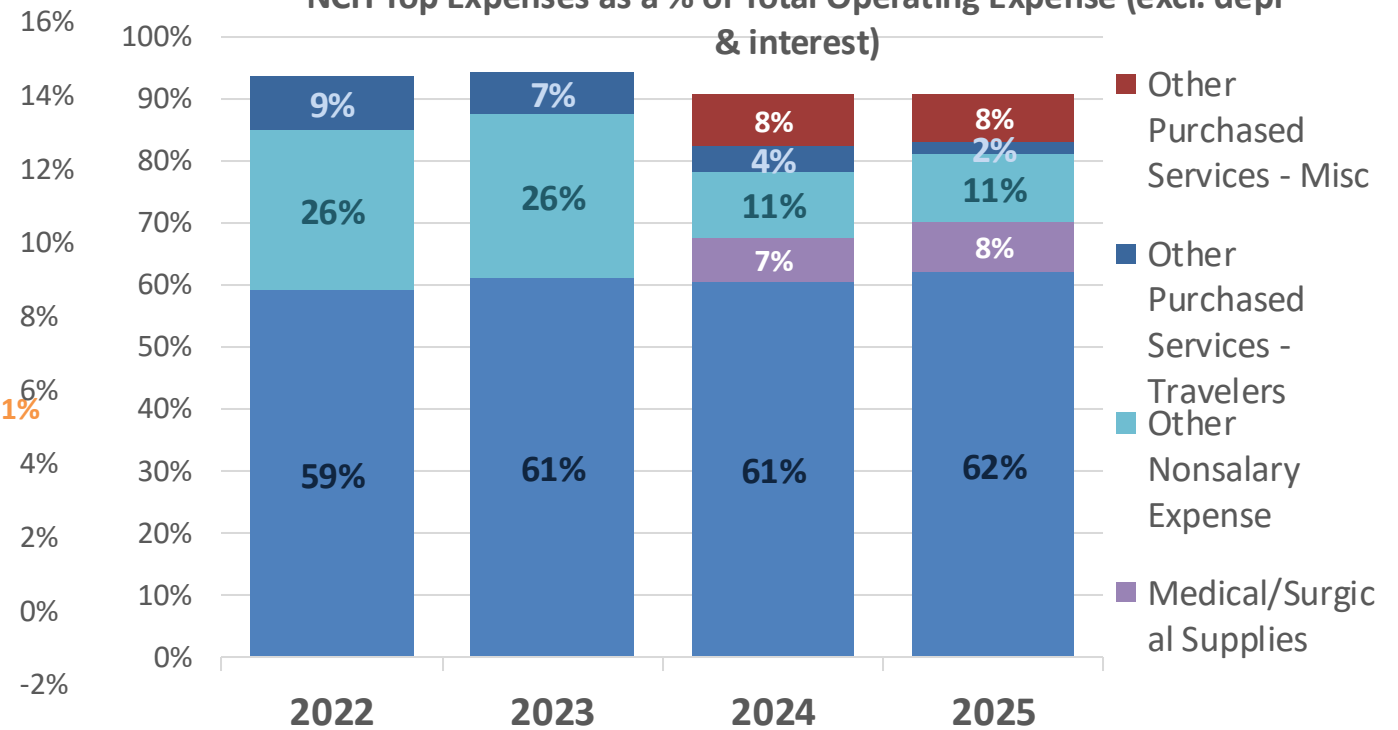
## North Country Hospital

NCH Operating Expense (\$M)



Labor includes Salaries, Non-MD, Fringe Benefits Non-MD, Fringe Benefits, MD & Physician Fees, salaries, contracts & fringes. Expense trend includes 2022 - 2023 actuals, 2024 *projected* and 2025 budget

NCH Top Expenses as a % of Total Operating Expense (excl. depr & interest)



	2022	2023	2024	2025
NCH - Labor YoY Growth	-1.7%	11.5%	-0.9%	2.1%
NCH - Labor (Actual - Budget)	-\$1,536,031	\$930,473	-\$3,782,316	
NCH - Labor (Actual - Budget)/Budget	-2.6%	1.5%	-5.7%	
NCH - Other Purchased Services -Travelers YoY Growth	117.8%	-15.7%	-41.1%	-48.6%
NCH - Other Purchased Services -Travelers (Actual - Budget)	\$8,350,331	\$7,039,509	\$1,172,608	
NCH - Other Purchased Services -Travelers (Actual - Budget)/Budget			39.4%	

# Expense Trends: Labor

## North Country Hospital



Total FTEs employees				
Employee	FY2024	FY2025	Distribution of	
			Additional FTE	Clinical/Non Clinical Budgeted Split
Clinical FTEs	272	285	67%	58%
Non Clinical FTEs	198	203	33%	42%
<b>Total</b>	<b>470</b>	<b>488</b>		

### Top Changes in Staffing by Department

Combined Department	FY2024	FY2025	Change
Operating Room Clinical FTEs	7	11	4
Family Medicine Clinical FTEs	46	48	2
OB/GYN Clinical FTEs	9	11	2
Family Medicine Non Clinical FTEs	32	34	2
Medical Records Non Clinical FTEs	9	11	2
Pharmacy Clinical FTEs	4	6	1
Operating Room Non Clinical FTEs	2	4	1
Emergency Room Clinical FTEs	17	15	-1
Nutrient Consulting Clinical FTEs	1	2	1
Medical Group Administration Clinical FTEs	8	9	1
Administration Non Clinical FTEs	15	15	1
Childrens Clinical FTEs	8	9	1
Operation of Plant & Maintenance Non Clinical FTEs	6	5	-1
Social Service Clinical FTEs	5	4	-1
Fiscal Services Non Clinical FTEs	48	49	1
Medical/Surgical Clinical FTEs	30	30	-1
Drugs Sold Clinical FTEs	1	2	1
Housekeeping Non Clinical FTEs	14	14	-1
Other - Physician Departments Clinical FTEs	14	14	0
Administration Clinical FTEs	0	1	0

### Labor Call-Outs in the Narrative: (Budget to Budget)

- Orthopedics decreased by 1 surgeon – no other staff was reduced – remaining surgeon planning on handling the volume remaining
- No longer employ a Urologist – the budget for 2025 consists of a two day a week urologist NP that will be done in collaboration with NVRH – support staff has been decreased to match
- A full time nurse practitioner to pediatrics has been added due to patient need

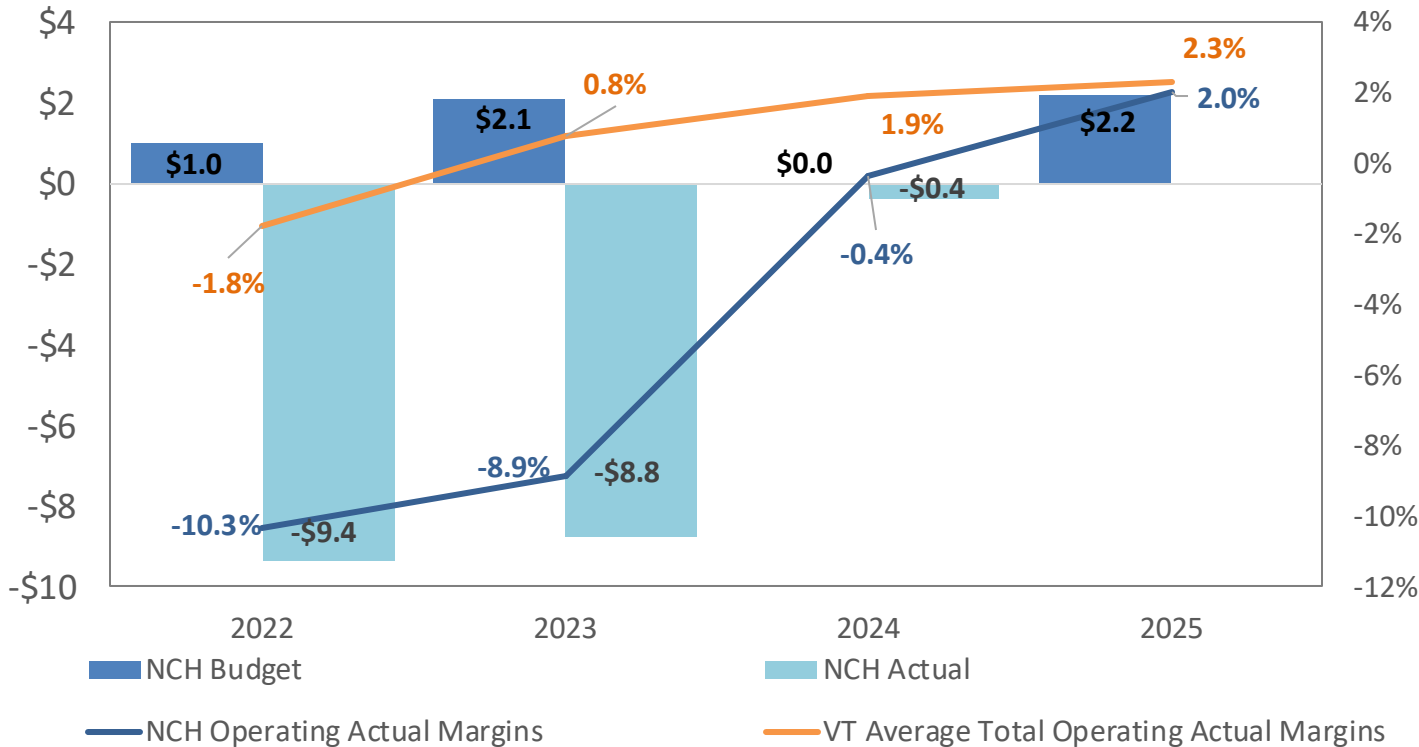
Top Changes in staffing account for 94.0% of FTE employee changes

# Operating Margin Growth

## North Country Hospital



NCH Operating Margin (\$M)



	2022	2023	2024
<b>NCH Operating Revenue</b>	\$91,013,640	\$99,222,055	\$107,590,732
<b>NCH Operating Expense:</b>	\$100,396,862	\$108,010,132	\$107,987,646
<b>NCH Margin:</b>	-\$9,383,222	-\$8,788,077	-\$396,914
<b>NCH Operating Revenue: (Actual - Budget)</b>	-\$3,373,994	-\$5,626,895	-\$998,480
<b>NCH Operating Revenue: % Difference in Actual vs. Budget</b>	-3.6%	-5.4%	-0.9%
<b>NCH Operating Expense: (Actual - Budget)</b>	\$6,989,809	\$5,256,406	-\$601,569
<b>NCH Operating Expense: % Difference in Actual vs. Budget</b>	7.5%	5.1%	-0.6%
<b>VT Operating Revenue: % Difference in Actual vs. Budget</b>	5.7%	3.1%	3.0%
<b>VT Operating Expenses: % Difference in Actual vs. Budget</b>	10.4%	4.3%	3.3%

\*Margin % shows Actuals 2022 - 2023, Projected 2024 & Budgeted 2025

\*this slide has updates – see appendix

# Financial Health: Profitability

*North Country Hospital*



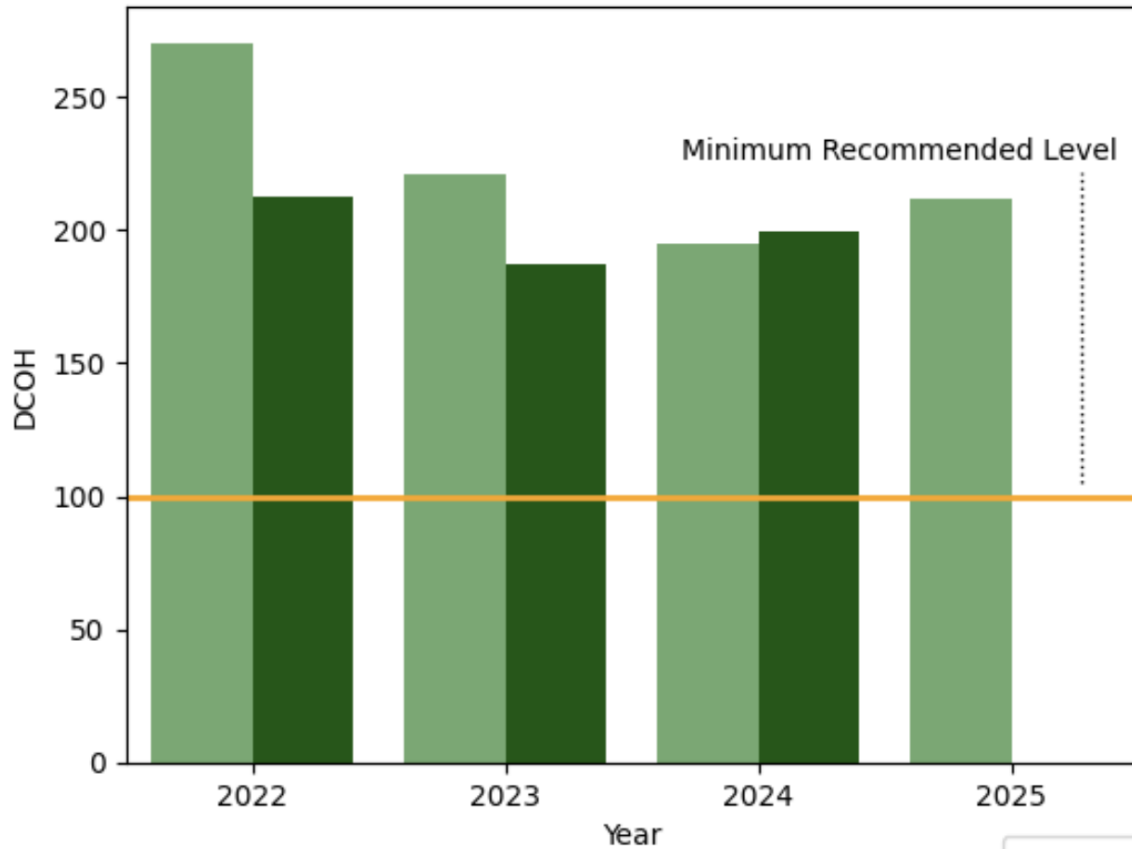
	FY22 Budget	FY22 Actuals	FY23 Budget	FY23 Actuals	FY24 Budget	FY24 Projected	FY25 Budget
Operating Margin	1.0%	-10.3%	2.0%	-8.9%	0.0%	-0.4%	2.0%
Total Margin	1.9%	-5.3%	2.0%	-10.9%	0.0%	3.9%	2.0%
EBIDA	5.0%	-5.9%	6.1%	-4.6%	4.0%	3.4%	6.2%

# Financial Health: Profitability

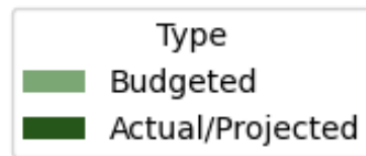
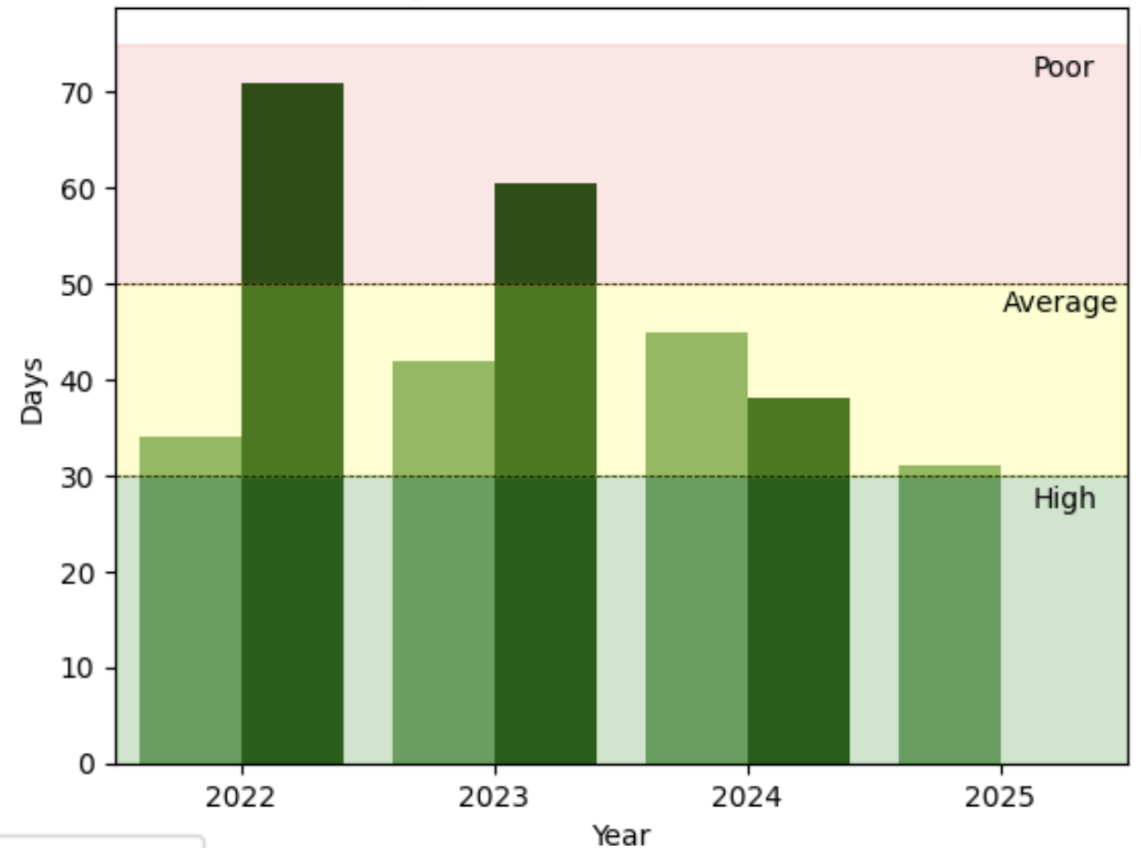
## North Country Hospital



### NCH Days Cash on Hand



### NCH Days in Patient Account Receivable

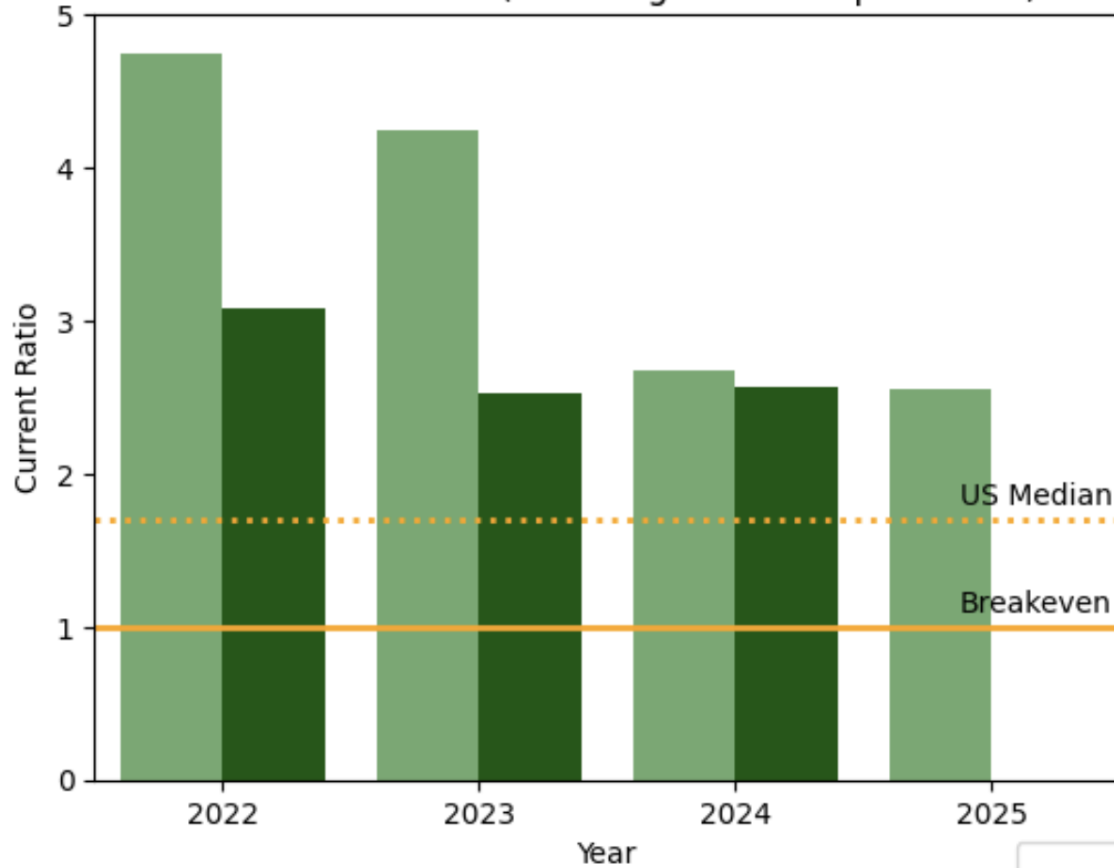


# Financial Health: Profitability

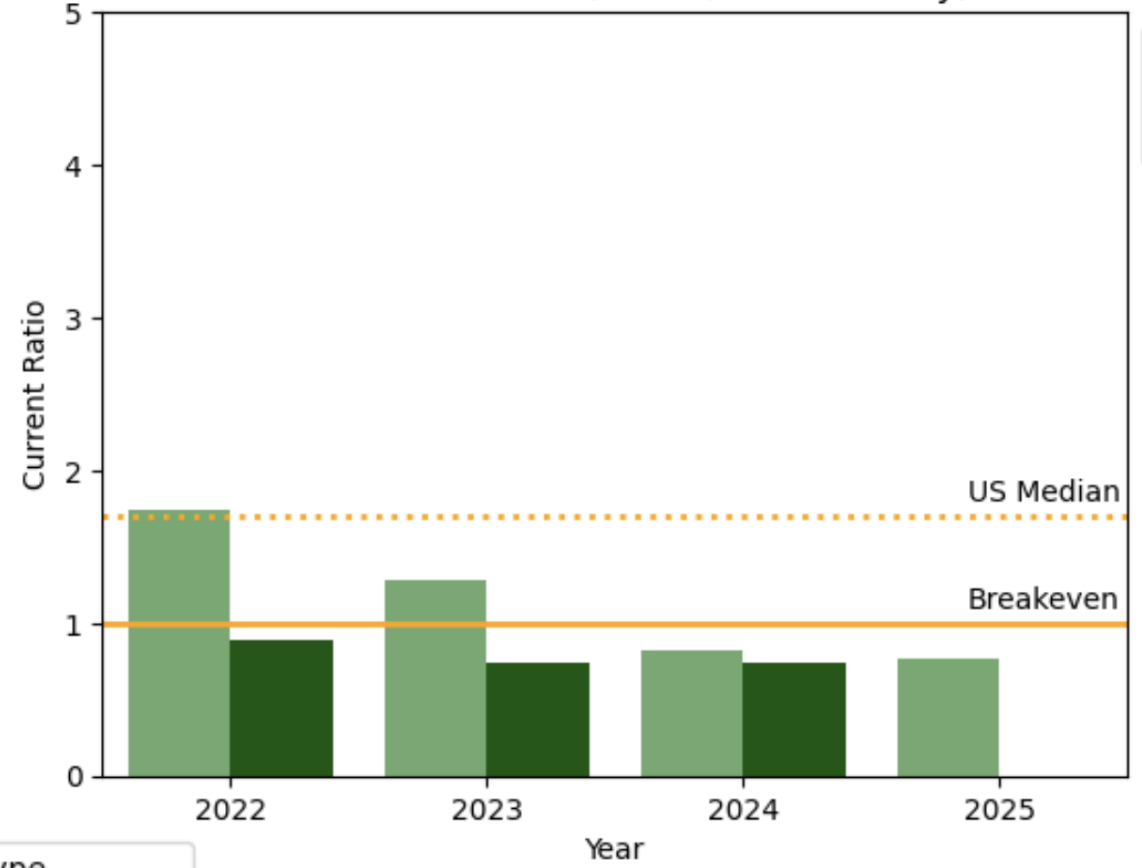
## North Country Hospital



NCH Current Ratio (including funded depreciation)



NCH Current Ratio (assets/liabilities only)

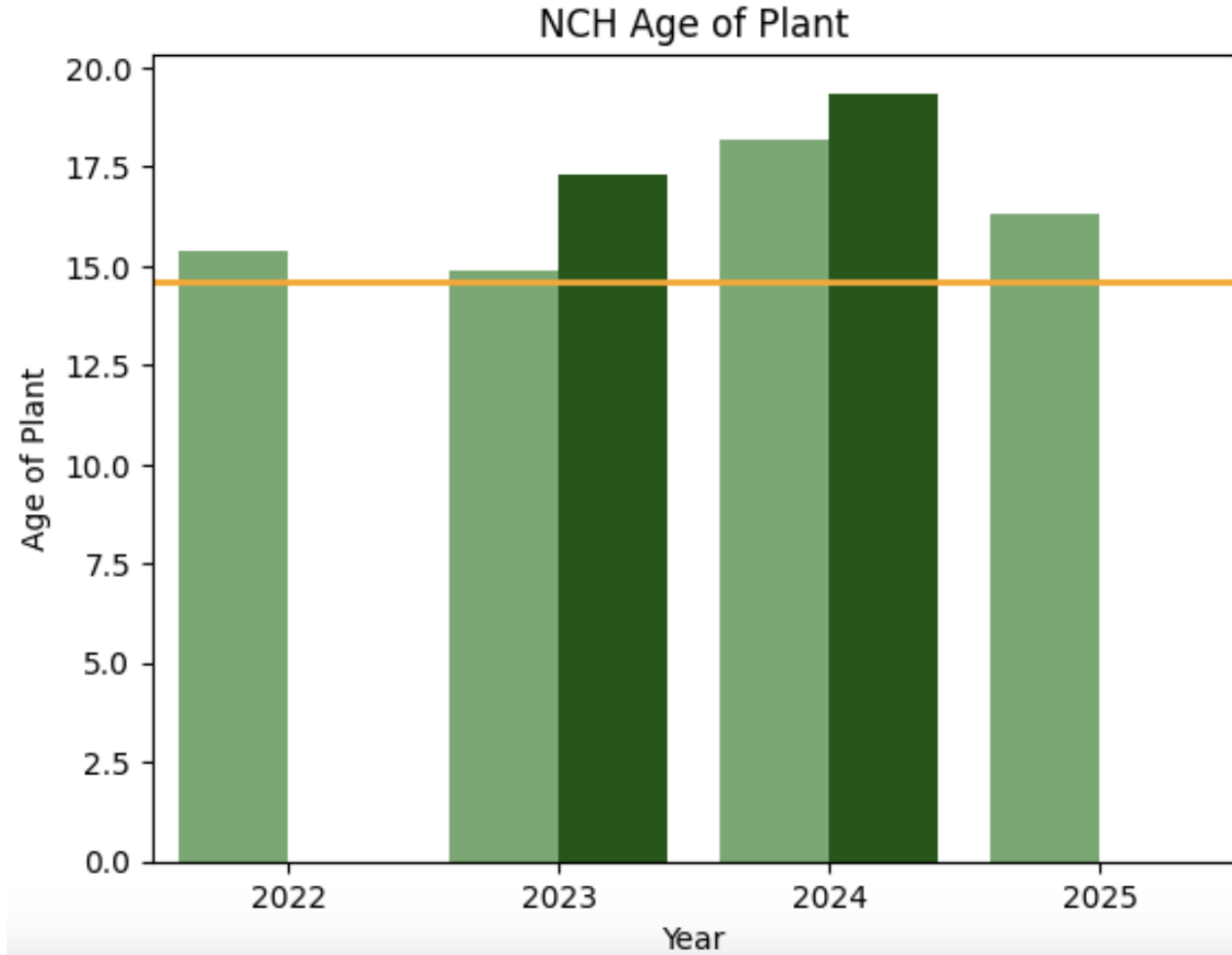


Type  
Budgeted  
Actual/Projected

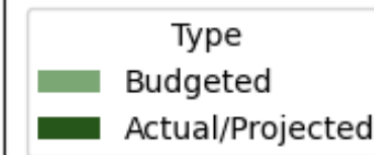


# Financial Health: Capital Spending

## North Country Hospital



This line indicates the 75<sup>th</sup> percentile of average age of plant (14.63 years).

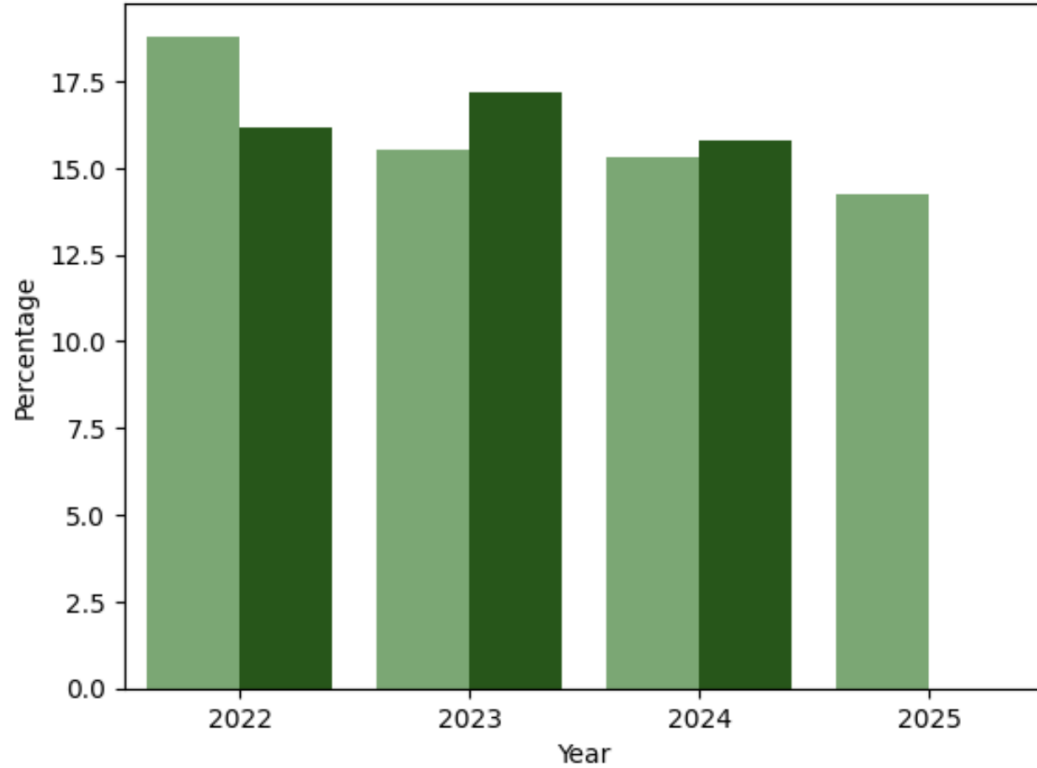


# Financial Health: Solvency

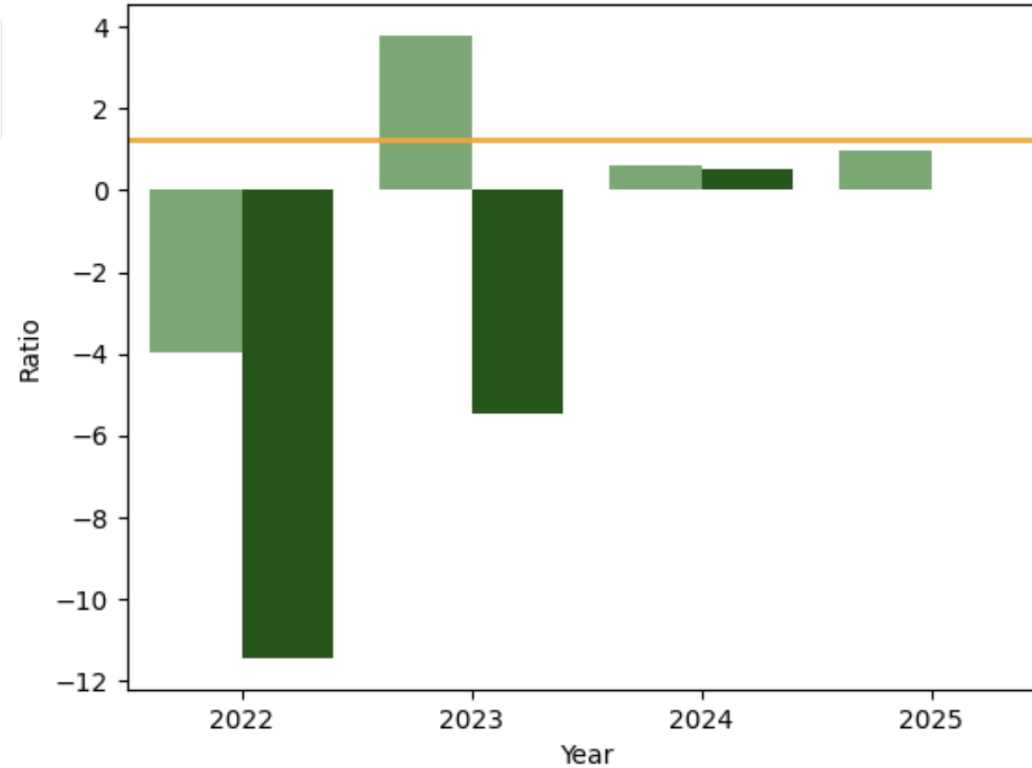
## North Country Hospital



NCH Long Term Debt to Capitalization



NCH Debt Service Coverage Ratio



This line indicates the standard minimum ratio for lenders (1.25).

Type

- Budgeted
- Actual/Projected

# Financial Health: Solvency

## *North Country Hospital*



- Margins seem to slowly be returning to positive values
- DCOH is solid and Days in Patient Account Receivable has shown great improvement from FY22, going from poor performance to budgeting high performance in FY25
- Current Ratio is below 1 without unrestricted funded depreciation, but with it grows to above the US median
- Age of Plant is above the 75th percentile, but may drop as the capital expenditure freeze ends
- Long Term Debt to Capitalization is unproblematic
- Debt Service Coverage Ratio is improving but still low

# Commercial Price (RAND 5.0)

*North Country Hospital*



Core Service Line	Relative Price	Relative Price Decile	Standardized Price	Standardized Price Decile
Outpatient	285%	7	\$605.88	10
Inpatient	196%	3	\$26,877	8
Inpatient & Outpatient	265%	7		
Professional (Inpatient & Outpatient)	180%	4		
Inpatient Facility	206%	8	\$25,161	8
Outpatient Facility	318%	6	\$505.05	10

# Reasonable Assumptions: Public Payer Prices

## *North Country Hospital*



- What did they assume for Medicare/Medicaid price/reimbursement increase?
  - From the narrative: "The 4% rate increase was applied to all hospital changes for all payers in inpatient and outpatient. No rate increase was applied to the Medical Group."
  - From the workbook: 0% for Medicaid, 2% for Medicare.

# Reasonable Assumptions: Volume

## North Country Hospital



	FY24P Payer Mix
Medicaid	12.1%
Medicare - Traditional	22.8%
Medicare - Advantage	
Commercial	64.0%
Uncategorized	1.1%
Total	100%

Source: Adaptive Payer Revenue Trends

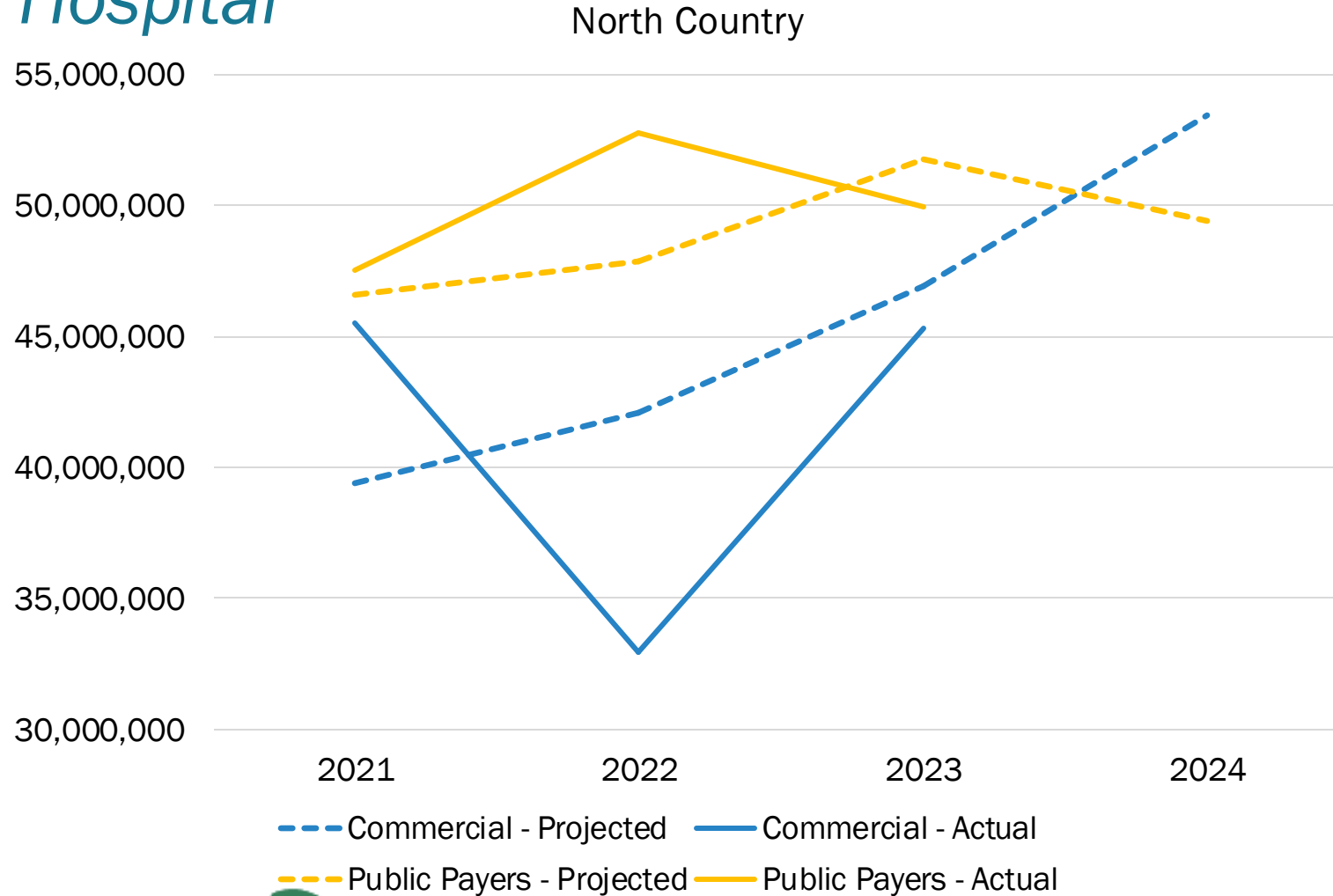
	Changes to Volume <i>*not payer mix</i>
Medicaid	2.0%
Medicare - Traditional	0.1%
Medicare - Advantage	1.0%
Commercial	4.5%
FPP	1.5%
<b>Attributable NPR Increase</b>	<b>2.3%</b>

Source: GMCB Healthcare Finance Team Rate Decomposition Data

NCH requested an NPR increase of 1.6%. According to their workbook, 2.3% will come from increased volume.

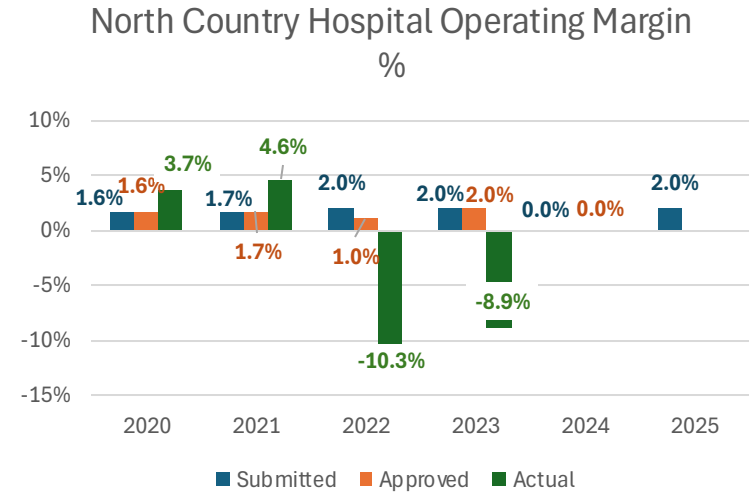
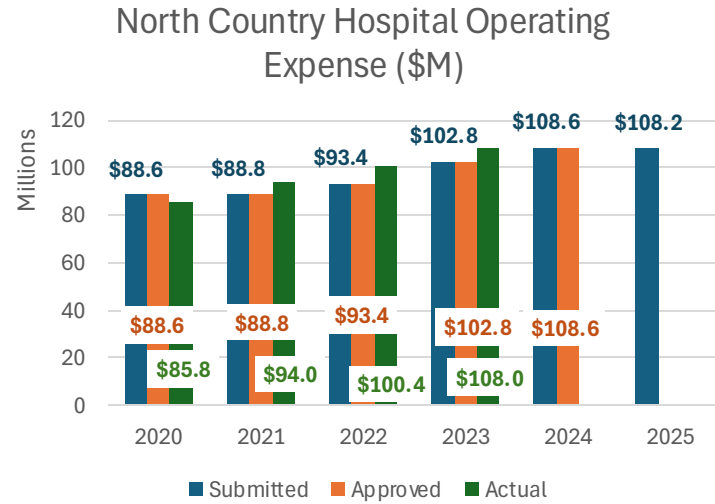
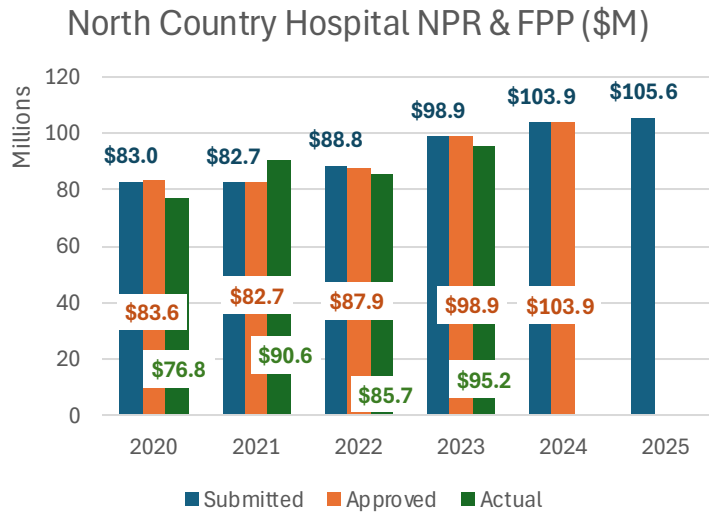
# Reasonable Assumptions: Projected vs. Actual NPR

## North Country Hospital



# Reasonable Assumptions: Budget History

## North Country Hospital





# Efficiency: Summary

## *North Country Hospital*



- Clinical Productivity- 13.95 FTEs. 0% of FTEs under 25<sup>th</sup> percentile. 49.1% of FTEs under 50th percentile.
- Cost – Lower than all VT comparator groups since 2020 for the average inpatient cost per Medicare discharge, but significantly lower than other peer group for all years
- Revenue- Compound annual growth rate of NPR per adjusted discharge from 2018-2022 is -0.31%, compared to the CAH State Total of 4.35% and the CAH National Median of 5.66%.
- Admin to clinical salary ratio- dropped from 24.3% in 2021 to 15.4% in 2022 (below comparators)

### Hospital justifications:

Well managed expenses

Reliance on public payers (67% of payer mix)

# Suggested Motion Language

## Approve Budget with Modifications (modify language as needed):

Move to approve NCH's budget with modifications as follows:

1. With FY25 NPR approved at a growth rate of not more than 1.6% over its FY24 approved budget and a commensurate reduction in operating expenses;
2. With FY25 commercial change in charge and negotiated rate growth capped at 3.4% over the FY24 approved commercial rate cap (reduced from 4.7%), with no commercial rate increase for any payer exceeding that amount; and
3. Subject to all other standard budget conditions as approved by this Board.

# Budget Request vs. FY25 Benchmarks

## Mount Ascutney Hospital and Health Center



### Section I - Net Patient Revenue Growth < 3.5%

NPR Request %	NPR Request \$	% of System > Guidance
3.2%	73 M	0%

### Section I - Commercial Rate Growth < 3.4%

Comm Rate Request %	Comm Rate Request \$	% of System > Guidance
2.2%	628 K	-1%

### Section I - Operating Margin > 0%

Op Margin %	Op Margin \$	% of System
0.7%	530 K	0.7%

*\*this slide has updates – see appendix for details*

# Summary of Hospital Justifications

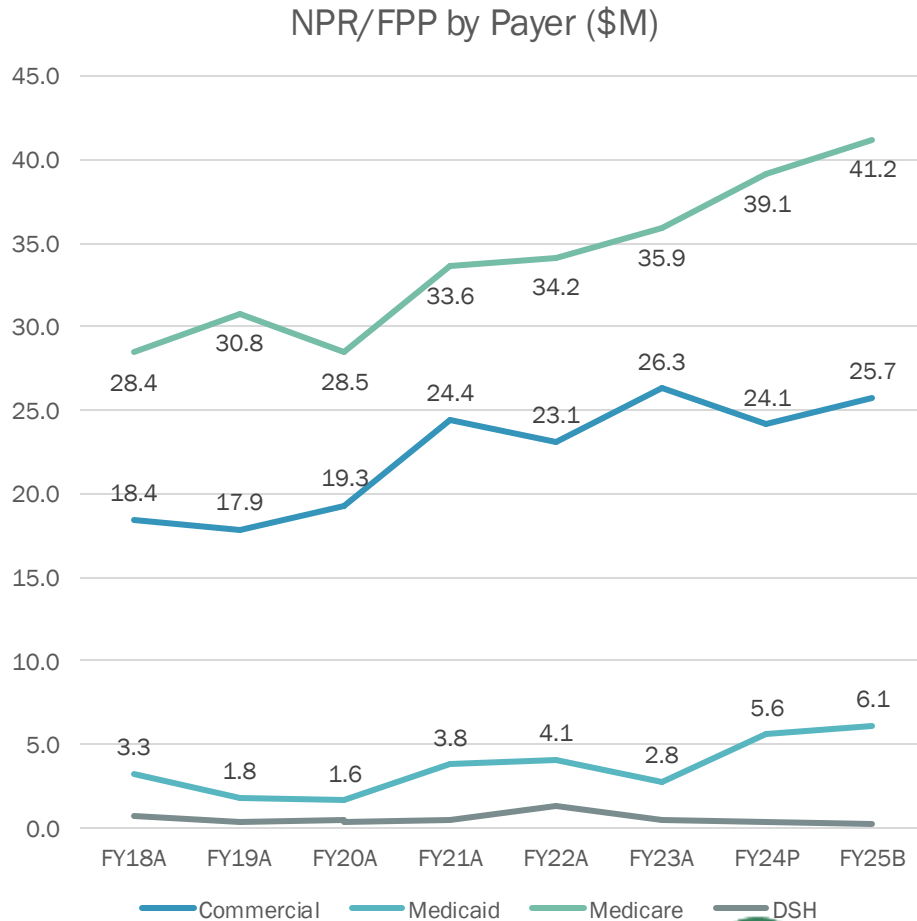
## *Mount Ascutney Hospital and Health Center*



- Not applicable
- ~~They need to increase access to certain services: Mount Ascutney is requesting a high NPR to expand access to service. They note that that their NPR increase would be “directly related to increased provider access in pediatrics (13% budget to budget) [and] primary care (9% budget to budget)...” (Narrative, page 6).~~
- ~~Their realized price increase is low compared to inflation: In their presentation, Mount Ascutney argues that their total realized price increase will likely be around 1.9%, which is lower than inflation for most expense categories (Presentation, slide 26)~~

# Revenue Trends: NPR Growth by Payer

## Mt. Ascutney Hospital and Health Center



		FY18 Δ	FY19 Δ	FY20 Δ	FY21 Δ	FY22 Δ	FY23 Δ
<b>Commercial</b>	Budget	20.77	20.43	18.51	19.74	22.52	25.13
	Actual	18.42	17.88	19.30	24.39	23.09	26.29
	<i>Budget-to-PY Budget Growth</i>	-	-1.6%	-9.4%	6.6%	14.1%	11.6%
	<i>Actual-to-PY Actual Growth</i>	-	-2.9%	8.0%	26.3%	-5.3%	13.9%
	<i>Budget-to-PY Actual Growth</i>	-	11.0%	3.5%	2.2%	-7.7%	8.8%
<b>Medicaid</b>	Budget	2.92	1.86	4.10	3.46	5.12	5.96
	Actual	3.27	1.82	1.63	3.81	4.07	2.76
	<i>Budget-to-PY Budget Growth</i>	-	-36.1%	120.1%	-15.6%	47.9%	16.4%
	<i>Actual-to-PY Actual Growth</i>	-	-44.2%	-10.6%	133.7%	6.8%	-32.2%
	<i>Budget-to-PY Actual Growth</i>	-	-43.1%	124.8%	112.2%	34.3%	46.4%
<b>Medicare</b>	Budget	24.31	28.60	30.81	32.67	31.60	34.24
	Actual	28.44	30.80	28.50	33.62	34.16	35.88
	<i>Budget-to-PY Budget Growth</i>	-	17.7%	7.7%	6.1%	-3.3%	8.3%
	<i>Actual-to-PY Actual Growth</i>	-	8.3%	-7.5%	18.0%	1.6%	5.0%
	<i>Budget-to-PY Actual Growth</i>	-	0.6%	0.0%	14.6%	-6.0%	0.2%
<b>DSH</b>	Budget	0.68	0.30	0.34	0.34	0.40	0.54
	Actual	0.68	0.34	0.45	0.51	1.27	0.42
	<i>Budget-to-PY Budget Growth</i>	-	-56.1%	13.3%	0.0%	17.6%	35.0%
	<i>Actual-to-PY Actual Growth</i>	-	-50.2%	31.0%	15.4%	145.9%	-66.5%
	<i>Budget-to-PY Actual Growth</i>	-	-56.1%	-0.2%	-23.8%	-22.3%	-57.3%
<b>Total</b>	Budget	48.68	51.20	53.76	56.21	59.64	65.87
	Actual	50.81	50.85	49.88	62.33	62.58	65.35
	<i>Budget-to-PY Budget Growth</i>	-	5.2%	5.0%	4.6%	6.1%	10.4%
	<i>Actual-to-PY Actual Growth</i>	-	0.1%	-1.9%	25.0%	0.4%	4.4%
	<i>Budget-to-PY Actual Growth</i>	-	0.8%	5.7%	12.7%	-4.3%	5.3%

# Revenue Trends: Actual vs. Budgeted NPR

*Mt. Ascutney Hospital and Health Center*

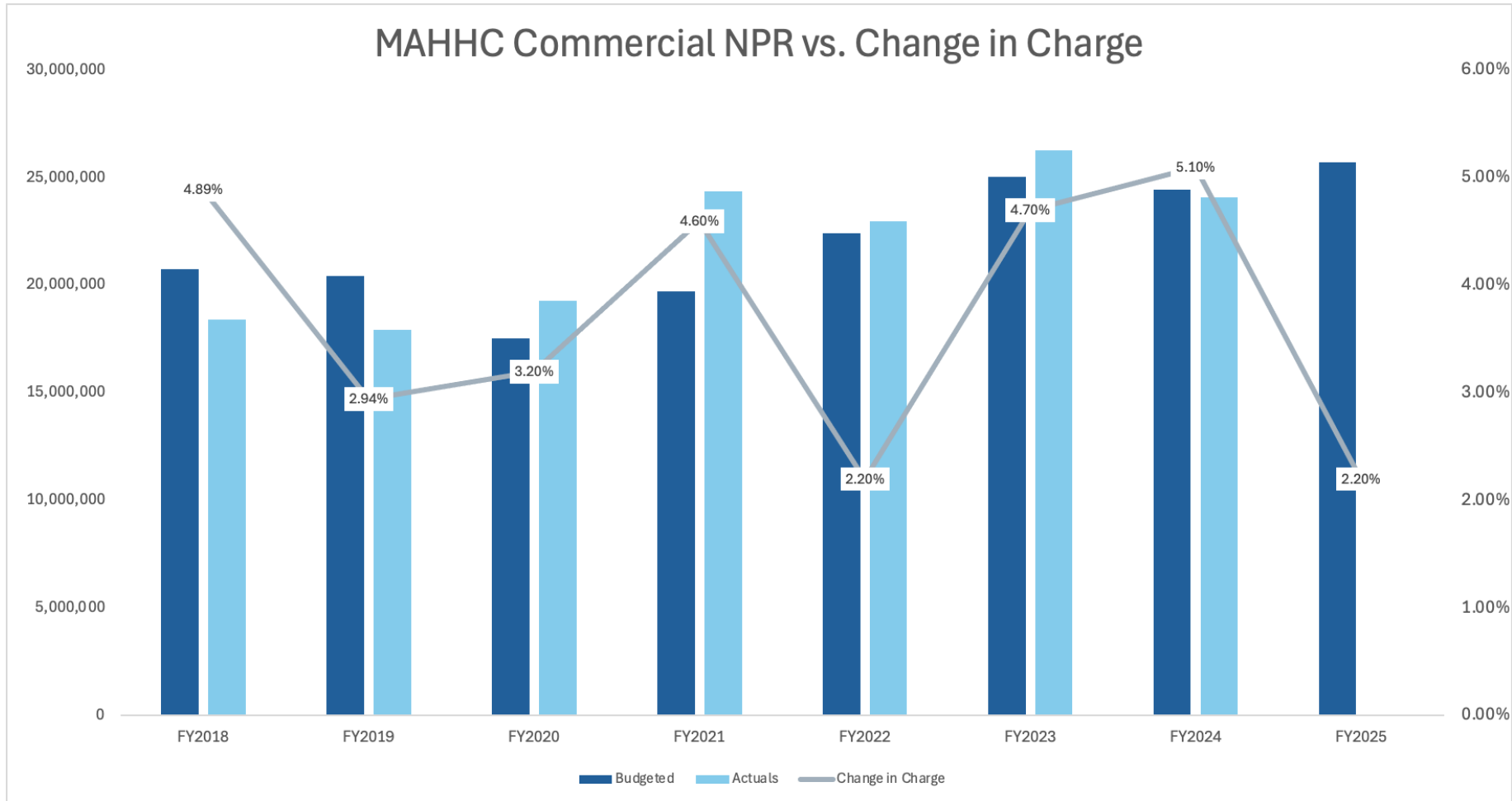


	FY18 Δ		FY19 Δ		FY20 Δ		FY21 Δ		FY22 Δ		FY23 Δ	
<b>Commercial</b>	(2.36)	-11.3%	(2.55)	-12.5%	0.80	4.3%	4.65	23.6%	0.57	2.5%	1.16	4.6%
<b>Medicaid</b>	0.35	12.2%	(0.04)	-2.1%	(2.47)	-60.2%	0.35	10.1%	(1.05)	-20.5%	(3.20)	-53.7%
<b>Medicare</b>	4.13	17.0%	2.20	7.7%	(2.31)	-7.5%	0.94	2.9%	2.55	8.1%	1.64	4.8%
<b>DSH</b>	0.00	0.0%	0.04	13.5%	0.11	31.2%	0.17	51.4%	0.87	216.3%	(0.12)	-21.4%
	2.13	4.37%	(0.35)	-0.68%	(3.87)	-7.21%	6.12	10.89%	2.94	4.93%	(0.52)	-0.78%

*Note: **Negative values** reflect over-budgeted revenues (actuals less than budget), positive values, under-budgeted.*

# Commercial Revenue Trends

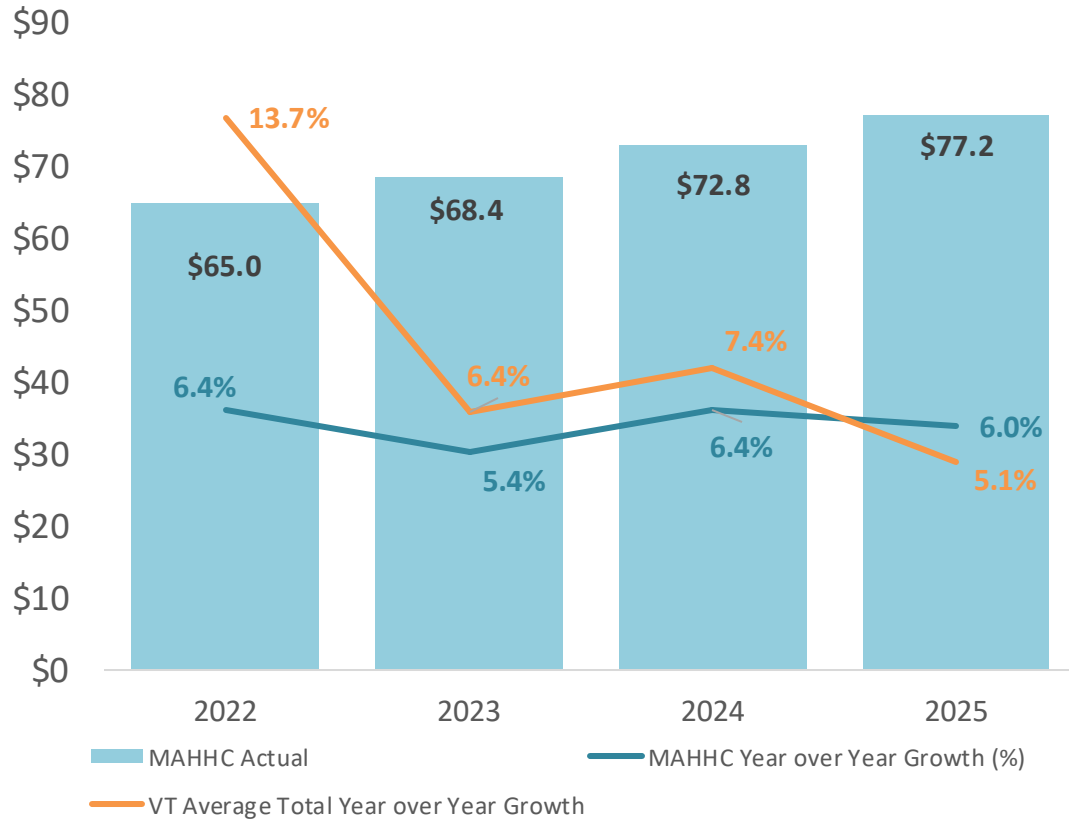
## Mt. Ascutney Hospital and Health Center



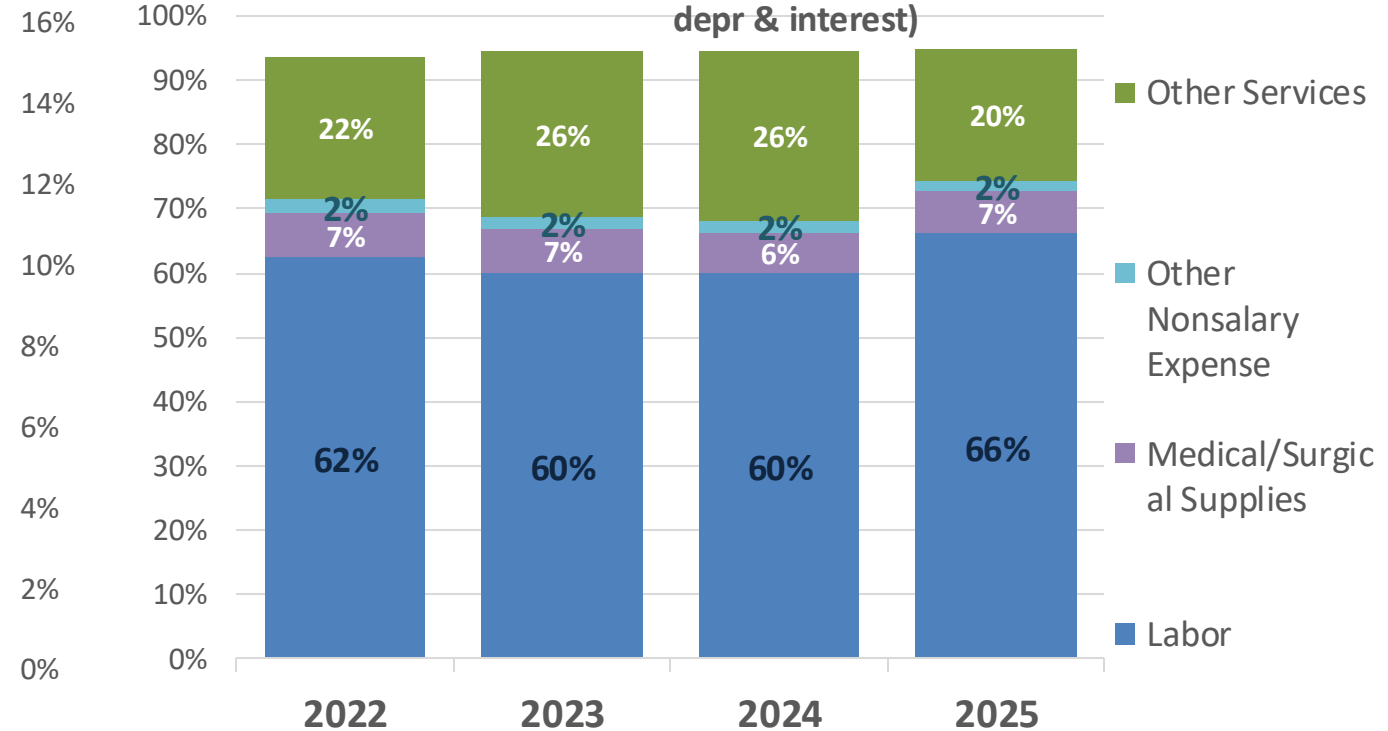
# Expense Trends

## Mount Ascutney Hospital and Health Center

MAHHC Operating Expense (\$M)



MAHHC Top Expenses as a % of Total Operating Expense (excl. depr & interest)



Labor includes Salaries, Non-MD, Fringe Benefits Non-MD, Fringe Benefits, MD & Physician Fees, salaries, contracts & fringes. Expense trend includes 2022 - 2023 actuals, 2024 *projected* and 2025 budget

	2022	2023	2024	2025
MAHHC - Labor YoY Growth	3.4%	1.4%	6.3%	16.9%
MAHHC - Labor (Actual - Budget)	-\$893,472	-\$3,114,020	-\$3,689,230	
MAHHC - Labor (Actual - Budget)/Budget	-2.2%	-7.3%	-8.1%	
MAHHC - Other Services YoY Growth	11.4%	22.1%	9.2%	-18.1%
MAHHC - Other Services (Actual - Budget)	\$1,561,232	\$3,364,090	\$3,951,307	
MAHHC - Other Services (Actual - Budget)/Budget	12.7%	24.8%	27.2%	



# Expense Trends: Labor

## Mount Ascutney Hospital and Health Center



Total FTE employees

Employee	FY2024	FY2025	Distribution of	
			Additional Budgeted FTE	Clinical/Non Clinical Budgeted Split
Clinical FTEs	167	215	73%	54%
Non Clinical FTEs	169	187	27%	46%
<b>Total</b>	<b>336</b>	<b>402</b>		

Top Changes in staffing by Department

Combined Department	FY2024	FY2025	Change
General Services (Uncategorized) Clinical FTEs	2	18	16
Medical/Surgical Clinical FTEs	35	46	10
General Services (Uncategorized) Non Clinical FTEs	6	15	8
Physician practices Non Clinical FTEs	44	50	7
Emergency Room Clinical FTEs	7	12	5
Physician practices Clinical FTEs	42	46	4
Fiscal Services Non Clinical FTEs	25	29	4
Nursing Administration Non Clinical FTEs	5	2	-3
Operating Room Clinical FTEs	8	10	3
Radiology - Diagnostic Clinical FTEs	7	10	3
Chronic & Rehabilitation Clinical FTEs	15	18	3
Nursing Education Clinical FTEs	2	4	2
Chronic & Rehabilitation Non Clinical FTEs	7	5	-2
Physical Therapy Clinical FTEs	12	14	2
Laboratory Clinical FTEs	10	12	1
Inhalation Therapy Clinical FTEs	5	6	1
Housekeeping Non Clinical FTEs	10	12	1
Administration Non Clinical FTEs	17	18	1
Medical Care Evaluation Clinical FTEs	3	2	-1
Nursing Education Non Clinical FTEs	2	1	-1

### Labor Expense in the narrative:

- The goal is to return to employed staff instead of contracted labor – the 2025 budget includes continued use of contracted labor in Nursing, Diagnostic Imaging and Physical Therapy, however at a lower number in Nursing due to successes in filling open positions with employed staff

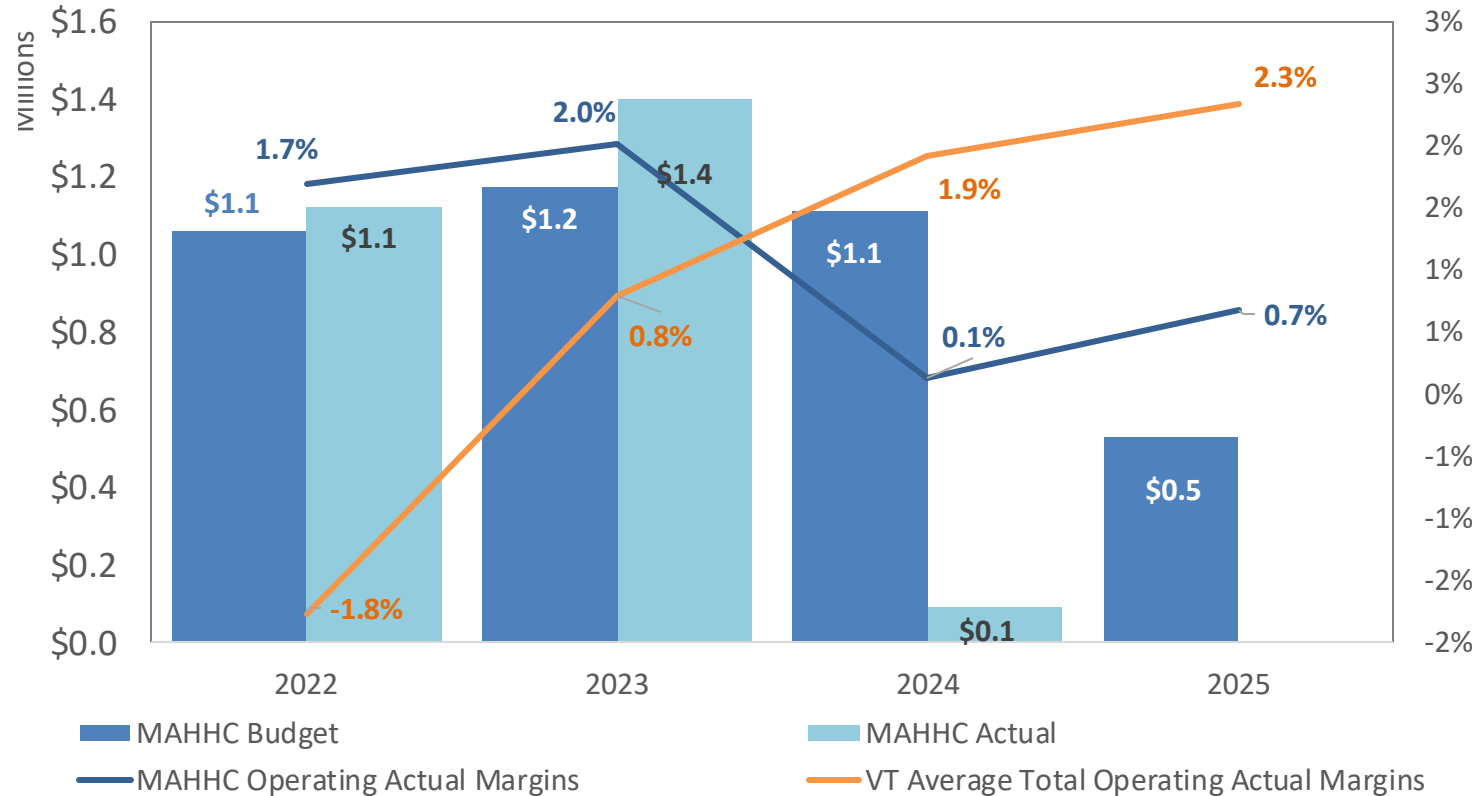
Top Changes in staffing account for 95.2% of FTE employee changes

# Operating Margin Growth

## Mount Ascutney Hospital & Health Center



MAHHC Operating Margin (\$M)



	2022	2023	2024
MAHHC Operating Revenue	\$66,083,669	\$69,843,963	\$72,931,426
MAHHC Operating Expense:	\$64,964,600	\$68,441,823	\$72,839,678
<b>MAHHC Margin:</b>	<b>\$1,119,070</b>	<b>\$1,402,140</b>	<b>\$91,748</b>
MAHHC Operating Revenue: (Actual - Budget)	\$2,074,638	\$386,638	-\$958,567
MAHHC Operating Revenue: % Difference in Actual vs. Budget	3.2%	0.6%	-1.3%
MAHHC Operating Expense: (Actual - Budget)	\$2,013,479	\$157,622	\$59,601
MAHHC Operating Expense: % Difference in Actual vs. Budget	3.2%	0.2%	0.1%
VT Operating Revenue: % Difference in Actual vs. Budget	5.7%	3.1%	3.0%
VT Operating Expenses: % Difference in Actual vs. Budget	10.4%	4.3%	3.3%

\*Margin % shows Actuals 2022 - 2023, Projected 2024 & Budgeted 2025

\*this slide has updates – see appendix

# Financial Health: Profitability

*Mount Ascutney Hospital & Health Center*



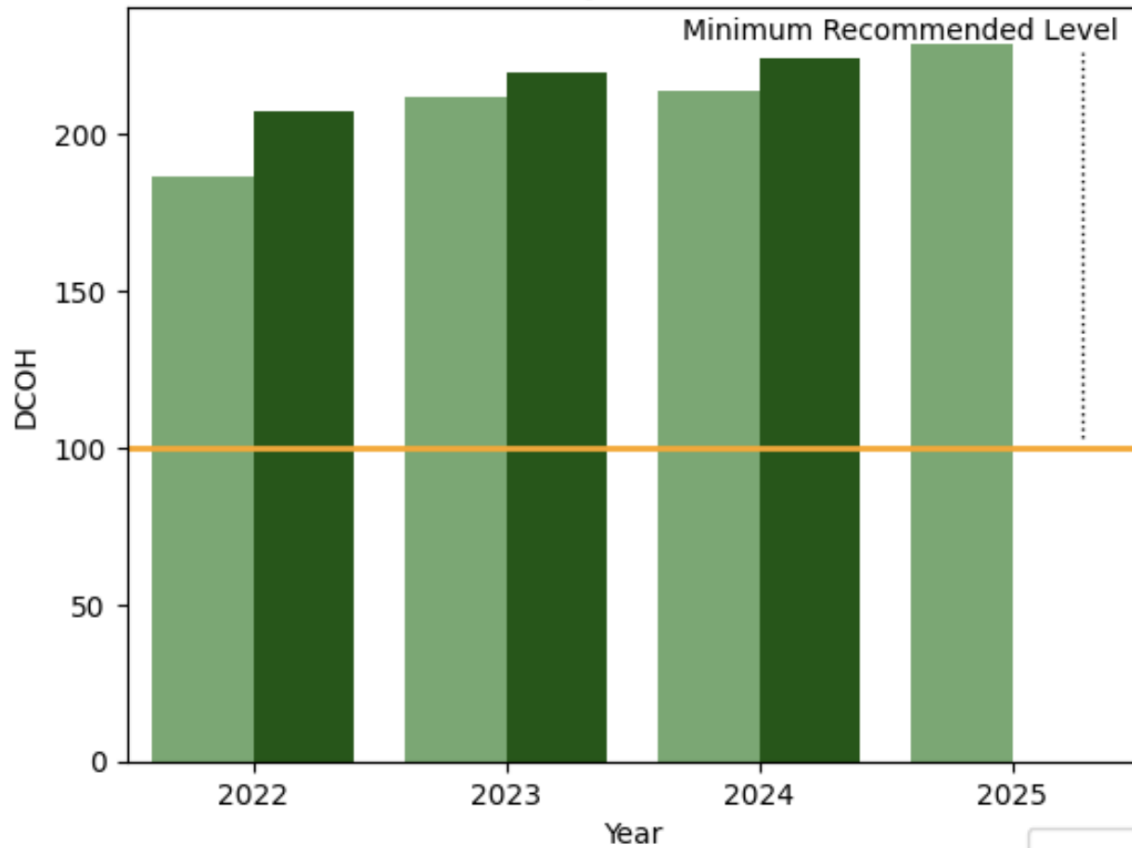
	FY22 Budget	FY22 Actuals	FY23 Budget	FY23 Actuals	FY24 Budget	FY24 Projected	FY25 Budget
Operating Margin	1.7%	1.7%	1.7%	2.0%	1.5%	0.1%	0.7%
Total Margin	3.5%	-1.0%	3.8%	7.5%	4.8%	5.0%	4.8%
EBIDA	7.0%	5.9%	6.1%	6.0%	5.7%	4.3%	4.8%

# Financial Health: Profitability

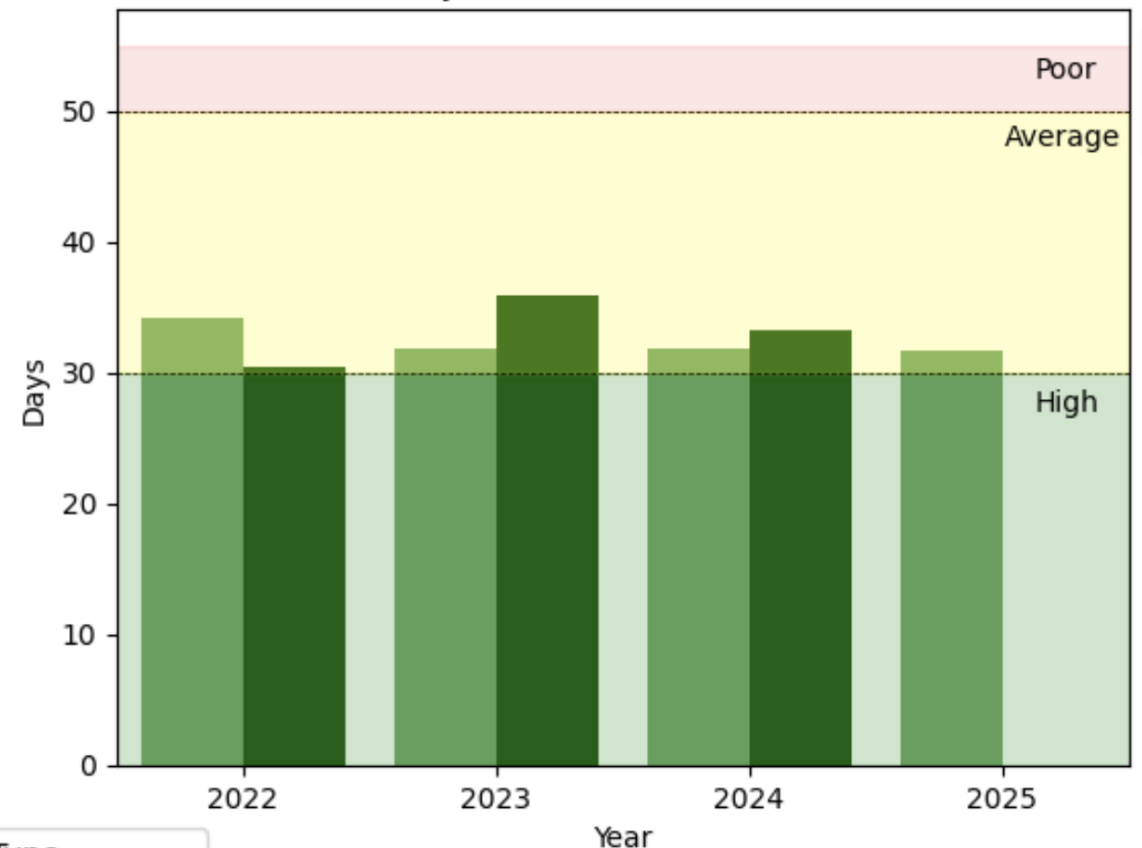
## Mount Ascutney Hospital & Health Network



MAHHC Days Cash on Hand



MAHHC Days in Patient Account Receivable



Type

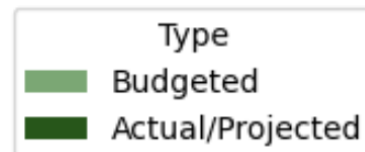
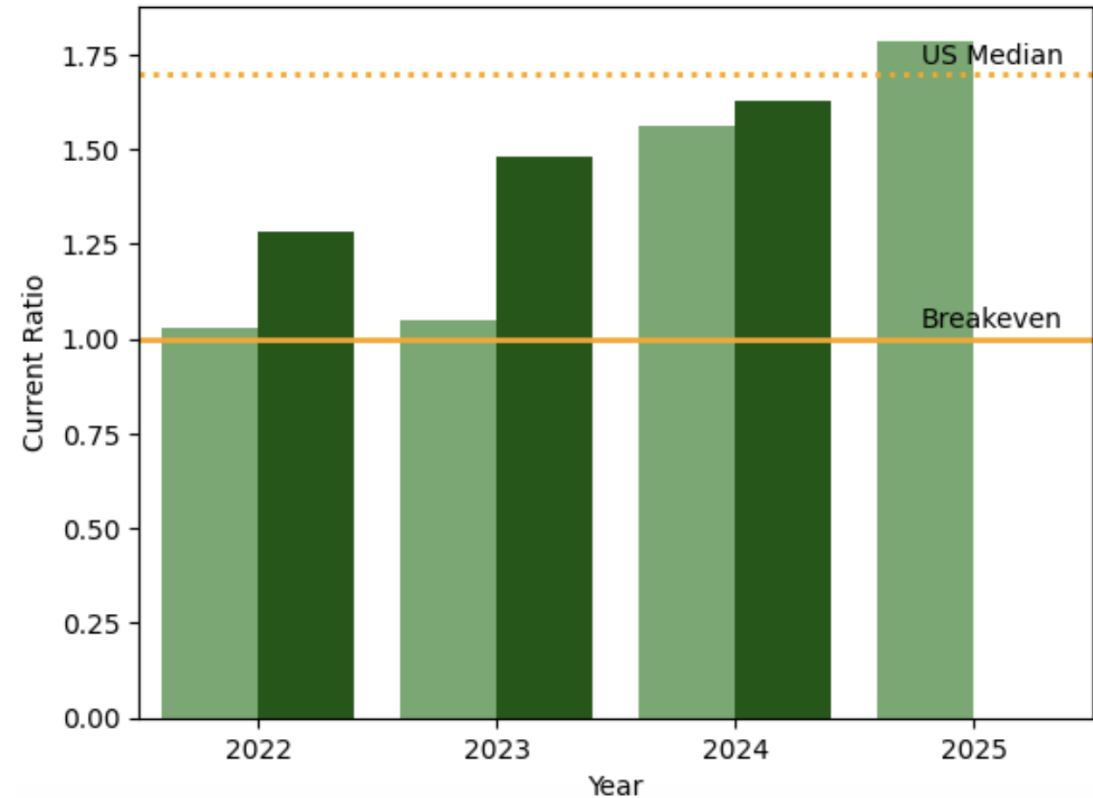
- Budgeted
- Actual/Projected

# Financial Health: Profitability

*Mount Ascutney Hospital & Health Center*

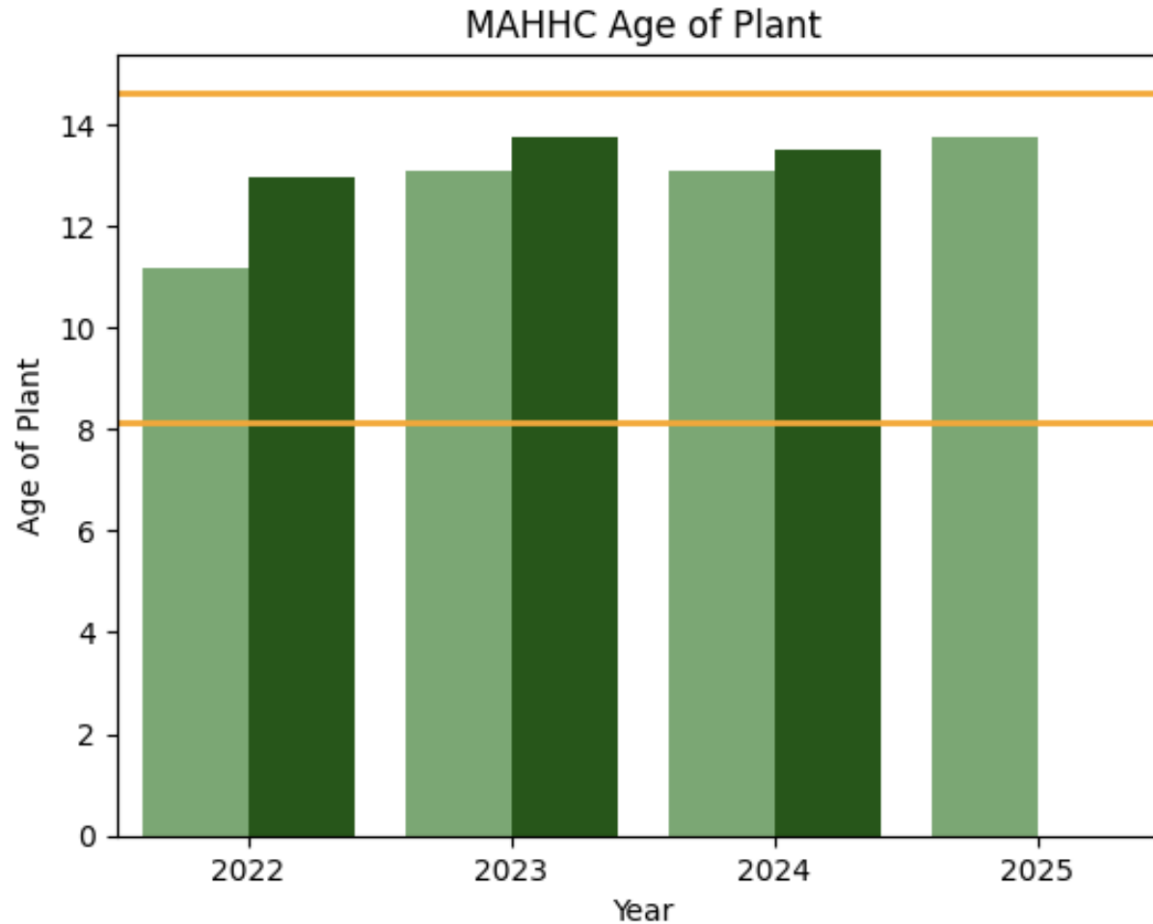
Mt. Ascutney does not have any unrestricted funded depreciation, so the current ratio does not change between the two graphs.

MAHHC Current Ratio (assets/liabilities only)



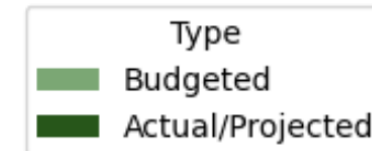
# Financial Health: Capital Spending

## Mount Ascutney Hospital & Health Center



This line indicates the 75<sup>th</sup> percentile of average age of plant (14.63 years).

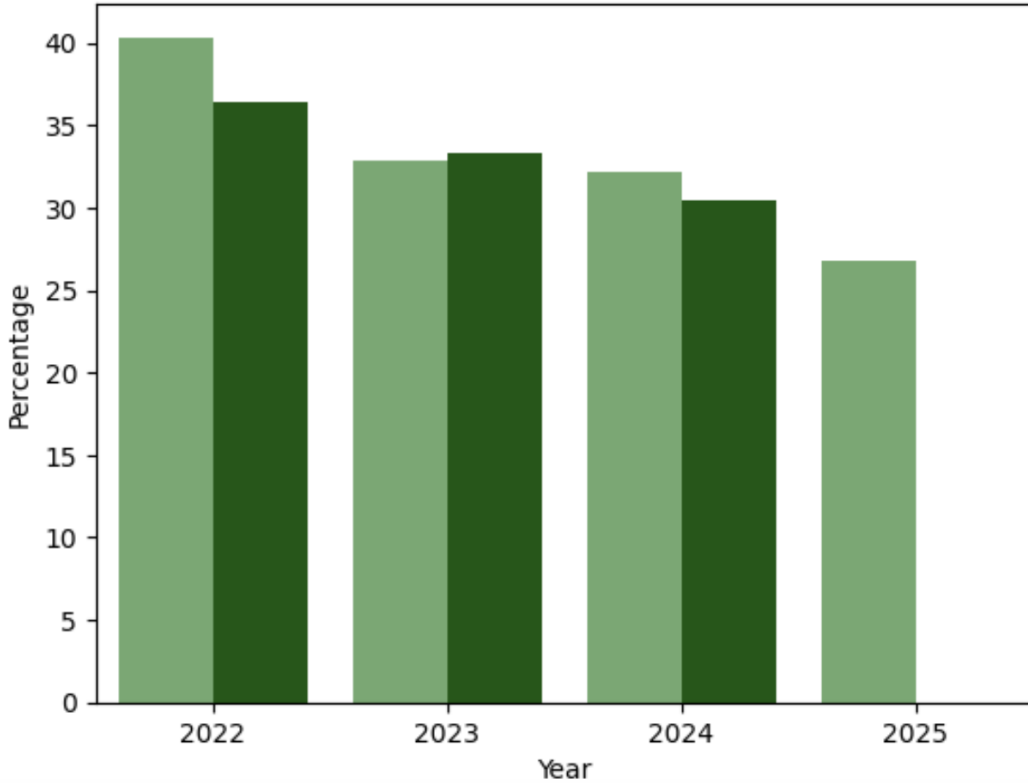
This line indicates the 25<sup>th</sup> percentile of average age of plant (8.13 years).



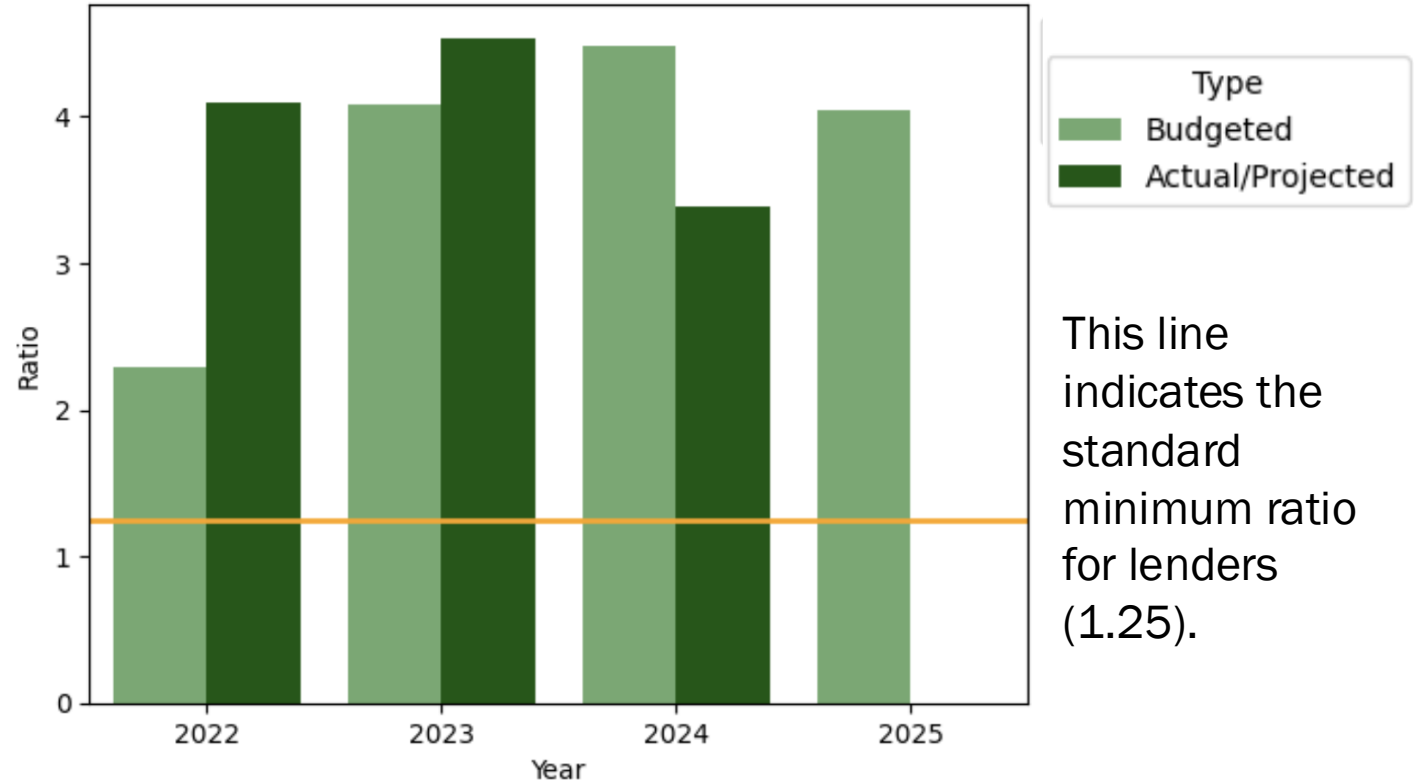
# Financial Health: Solvency

Mount Ascutney Hospital & Health Center

MAHHC Long Term Debt to Capitalization



MAHHC Debt Service Coverage Ratio



# Summary of Financial Health

## *Mount Ascutney Hospital & Health Center*



- Margins overall are positive or close to it
- DCOH is high and Days in Patient Account Receivable has average to high performance
- Current Ratio is above 1 and moving towards the US median, though there is no unrestricted funded depreciation
- Age of Plant is between 25th and 75th percentile
- Long Term Debt to Capitalization is decreasing year over year
- Debt Service Coverage Ratio is solid, no concerns



# Commercial Price (RAND 5.0)

*Mount Ascutney Hospital & Health Center*



Core Service Line	Relative Price	Relative Price Decile	Standardized Price	Standardized Price Decile
Outpatient	234%	4	\$543.10	9
Inpatient	132%	1	\$42,223	10
Inpatient & Outpatient	205%	3		
Professional (Inpatient & Outpatient)	216%	8		
Inpatient Facility	132%	3	\$41,154	10
Outpatient Facility	238%	4	\$445.96	9

# Reasonable Assumptions: Public Payer Prices

## *Mount Ascutney Hospital and Health Center*



- What did they assume for Medicare/Medicaid price/reimbursement increase?
  - From the narrative: "A majority of our Medicare reimbursement is driven by cost and is not driven by an increase in charges. The percent of our increase that will be recognized by Medicare will be limited to Medicare's portion of the inflation of cost that is recognized via the cost reporting mechanisms. Higher volumes will generally reduce reimbursement per unit since cost per unit also diminishes with higher volumes and CAH's have a very high percentage of fixed cost. Medicare typically pays slightly less than cost. With the 2% sequestration adjustment, this will be more significant than during the pandemic"
  - From the narrative: "We have no indication of what Medicaid reimbursement will be at this time for FY25, although we are hearing that there are no increases budgeted."
  - From the workbook: 0.9% for Medicaid, 1.9% for Medicare.

# Reasonable Assumptions: Volume

Mount Ascutney Hospital and Health Center



	FY24P Payer Mix
Medicaid	8.06%
Medicare - Traditional	56.5%
Medicare - Advantage	
Commercial	34.8%
Uncategorized	0.6%
Total	100%

Source: Adaptive Payer Revenue Trends

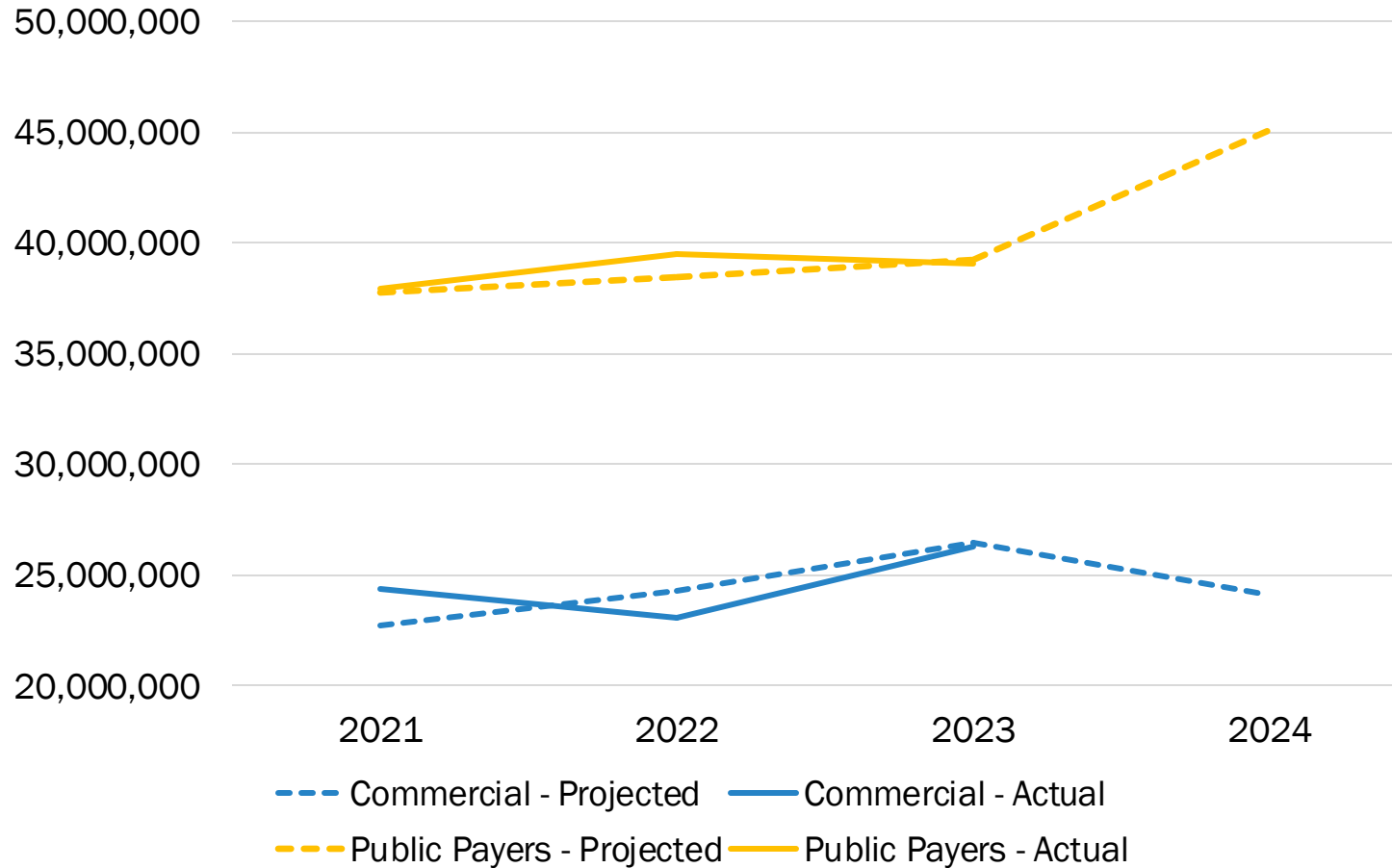
	Changes to Volume <i>*not payer mix</i>
Medicaid	3.8%
Medicare - Traditional	2.4%
Medicare - Advantage	0.0%
Commercial	0.8%
FPP	0.0%
<b>Attributable NPR Increase</b>	<b>1.8%</b>

Source: GMCB Healthcare Finance Team Rate Decomposition Data

Mount Ascutney requested an NPR increase of 3.2%. According to their workbook, 1.8% will come from increased volume.

# Reasonable Assumptions: Projected vs. Actual NPR

## *Mount Ascutney Hospital and Health Center* Mt. Ascutney

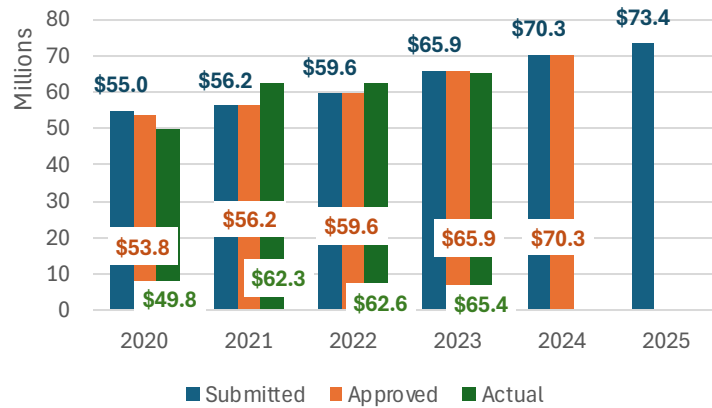


# Reasonable Assumptions: Budget History

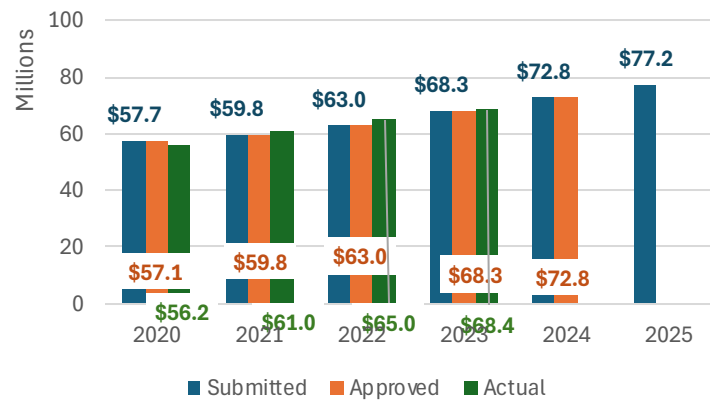
## Mount Ascutney Hospital and Health Center



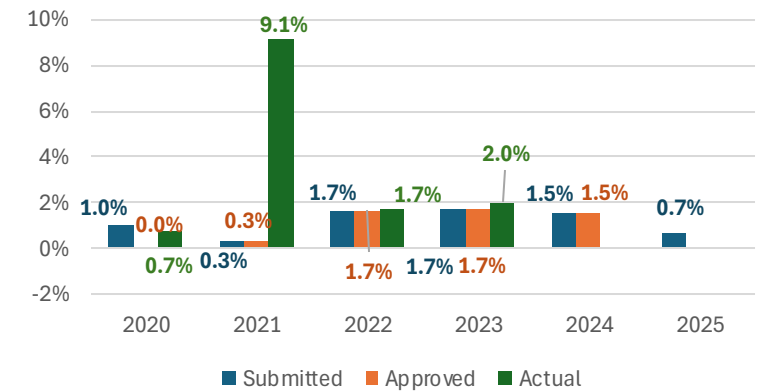
Mt. Ascutney Hospital & Health Ctr NPR & FPP (\$M)



Mt. Ascutney Hospital & Health Ctr Operating Expense (\$M)



Mt. Ascutney Hospital & Health Ctr Operating Margin %



# Efficiency: Summary

## *Mount Ascutney Hospital and Health Center*



- Clinical Productivity- Just over a third of all FTEs are above the 25<sup>th</sup> percentile, the remainder are less.
- Cost – Much higher than all VT comparator and peer groups for the average inpatient cost per Medicare discharge.
- Revenue- Compound annual growth rate of NPR per adjusted discharge from 2018-2022 is 4.55%, compared to the CAH State Total of 4.35% and the CAH National Median of 5.66%.
- Admin to clinical salary ratio- higher than comparators and climbing (22.4% in 2022)

### Hospital justifications:

Need to increase access to pediatrics and primary care

Budgeted price increase is low compared to inflation

# Suggested Motion Language

**Approve Budget as Submitted (modify language as needed):**

Move to approve Mount Ascutney's budget as submitted:

1. With FY25 NPR approved at a growth rate of not more than 3.2% over its FY24 approved budget;
2. With FY25 commercial negotiated rate growth capped at 2.2% over the FY24 approved commercial rate cap, with no commercial rate increase for any payer exceeding that amount; and
3. Subject to all other standard budget conditions as approved by this Board.

# Updates



- Updated requested *dollar amount* NPR for Mount Ascutney & Gifford on slides 55, 113
- On the operating margin slides – 32, 53, 74, 98, 120, 141, 162 – the table to the right shows operating expense overages as a percent of budget – this formula has been updated to equal:  $(\text{actual} - \text{budget})/\text{budget}$