

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

SEPTEMBER 6 & 9, 2024

# Agenda

1. Review Hospital Budget Requests
  1. Follow-up from 9/6
  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)

# FY25 Standard Budget Conditions



- A. [Hospital]’s FY25 NPR/FPP (“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.
- B. [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].
- C. The commercial rate increase cap in Paragraph B is a maximum and is subject to negotiation between [Hospital] and commercial insurers. [Hospital] shall not represent the maximum commercial rate increase approved by the GMCB in Paragraph B or the expected commercial NPR based on that rate increase as the amounts set or guaranteed by the GMCB in the hospital’s negotiations with insurers.
- D. [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.
- E. [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.
- F. [Hospital] shall make any necessary changes to its methods of data collection such that it can report revenues segmented by the following payer types starting FY25: (1) Medicare, (2) Medicare Advantage, (3) Medicaid, (4) commercial health insurance, (5) Vermont-specific commercial payers, (6) non-Vermont commercial payers, and (7) all other payers (e.g. self-pay, workers’ compensation, etc.), for which data collection and reporting may be combined. The GMCB shall provide definitions for each payer type by October 1, 2024, so hospitals can uniformly implement this change.

# FY25 Standard Budget Conditions



- G. 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.
- H. 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.
- I. [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.
- J. [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.
- K. [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



- L. 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 budget.
- M. [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



- N. [Hospital] shall participate in the Board's work, including the community engagement process, pursuant to Act 167.
- O. [Hospital] shall timely file all forms and information required for practice acquisitions and/or transfers as determined by GMCB staff, if applicable.
- P. [Hospital] shall file all requested data and other information in a timely and accurate manner.
- Q. [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.
- R. 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.
- S. All materials required above shall be provided electronically, unless doing so is not practicable, as determined by the Director of Health Systems Finance.
- T. 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.

# Considering FY24 Projected Net Patient Revenue (NPR)



Hospital	FY24B vs. FY23B (\$)	FY24B vs. FY23B (%)	FY24P vs. FY24B (\$)	FY24P vs. FY24B (%)	FY24P vs. FY23B (\$)	FY24P vs. FY23B (%)	FY24P vs. FY22B (\$)	FY24P vs. FY22B (%)	Rec vs. FY24P (\$)	Rec vs. FY24P (%)
Brattleboro Memorial Hospital	5,679,322	5.4%	(1,201,076)	-1.1%	4,478,246	4.3%	16,874,882	15.3%	3,958,136	3.6%
Central Vermont Medical Center	5,770,904	2.1%	16,527,653	5.7%	22,298,557	7.8%	40,575,219	13.9%	(27,515)	0.0%
Copley Hospital	9,406,590	9.8%	3,721,550	3.4%	13,128,140	13.2%	23,505,103	21.5%	2,604,839	2.4%
Grace Cottage Hospital	2,192,843	8.6%	1,200,561	4.2%	3,393,404	12.8%	6,696,632	23.3%	453,525	1.6%
Gifford Medical Center	6,462,508	11.1%	(2,877,610)	-4.7%	3,584,898	6.5%	7,371,495	12.0%	5,134,171	8.3%
Mt. Ascutney Hospital & Health Ctr	4,463,880	6.8%	(1,130,169)	-1.6%	3,333,711	5.1%	9,562,269	13.8%	3,383,362	4.9%
North Country Hospital	5,067,635	5.1%	(1,015,652)	-1.0%	4,051,983	4.1%	15,016,458	14.6%	2,720,287	2.6%
<b>Northeastern VT Regional Hospital</b>	<b>10,265,179</b>	<b>9.3%</b>	<b>(119,279)</b>	<b>-0.1%</b>	<b>10,145,900</b>	<b>9.2%</b>	<b>22,835,112</b>	<b>19.0%</b>	<b>4,330,590</b>	<b>3.6%</b>
Northwestern Medical Center	5,086,980	4.2%	904,853	0.7%	5,991,833	4.9%	11,159,973	8.8%	6,665,986	5.2%
<b>Porter Medical Center</b>	<b>20,571,034</b>	<b>19.7%</b>	<b>(4,772,116)</b>	<b>-4.0%</b>	<b>15,798,918</b>	<b>15.7%</b>	<b>26,094,950</b>	<b>21.7%</b>	<b>9,148,345</b>	<b>7.6%</b>
<b>Rutland Regional Medical Center</b>	<b>14,851,362</b>	<b>4.7%</b>	<b>8,070,215</b>	<b>2.4%</b>	<b>22,921,577</b>	<b>7.1%</b>	<b>66,530,544</b>	<b>19.7%</b>	<b>8,370,869</b>	<b>2.5%</b>
Springfield Hospital	2,035,917	3.5%	1,873,108	3.0%	3,909,025	6.5%	7,997,750	12.8%	1,775,765	2.8%
Southwestern VT Medical Center	14,587,498	7.7%	(203,755)	-0.1%	14,383,743	7.6%	25,661,513	12.6%	7,324,844	3.6%
<b>The University of Vermont Medical Center</b>	<b>174,932,792</b>	<b>10.5%</b>	<b>41,381,889</b>	<b>2.2%</b>	<b>216,314,680</b>	<b>12.8%</b>	<b>366,533,832</b>	<b>19.5%</b>	<b>22,796,156</b>	<b>1.2%</b>
<b>Total</b>	<b>281,374,443</b>	<b>8.6%</b>	<b>62,360,173</b>	<b>1.7%</b>	<b>343,734,615</b>	<b>10.3%</b>	<b>646,415,732</b>	<b>17.9%</b>	<b>78,639,362</b>	<b>2.2%</b>

At its March 30, 2022 public meeting, the Board established An NPR growth guidance of up to an aggregate of **8.6%** for FY23 and FY24 combined (over each hospital's FY22 budget).

FY24 performance is evaluated after year end (Audited Financials are submitted in January 202). Building in growth in FY25 based on FY24 projections without evaluation, could inflate FY25.



# Budget Request vs. FY25 Benchmarks

*Northwestern Medical Center*



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

NPR Request %	NPR Request \$	% of System > Guidance
6.8%	135 M	3%

## Section I - Commercial Rate Growth < 3.4%

Comm Rate Request %	Comm Rate Request \$	% of System > Guidance
6.4%	4.9 M	6%

## Section I - Operating Margin > 0%

Op Margin %	Op Margin \$	% of System
1.0%	1.4 M	1%

# Summary of Hospital Justifications

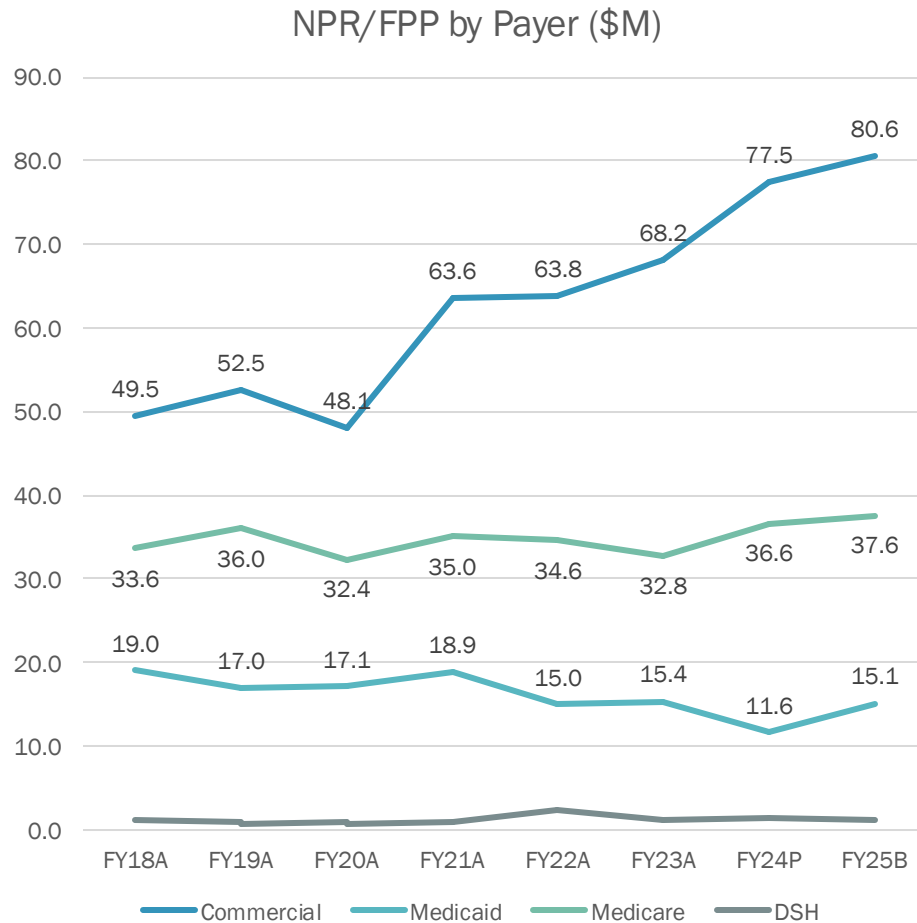
## *Northwestern Medical Center*



- They have high productivity: NMC argues that they are a productive hospital. They have provided 'productivity reports' from Premier, for which most departments rank above to above average. (Narrative, page 5).
- They have low operating costs: NMC argues that they have low operating costs, including low average operating costs per adjusted patient discharges. (Narrative, page 6).
- They need to address long wait times: They argue that they need to reduce wait-times for key outpatient services. In their narrative, they provide a high level of detail of how they're investing in each specialty service area. (Narrative, pages 4 – 5).

# Revenue Trends: NPR Growth by Payer

## Northwestern Medical Center



		FY18 Δ	FY19 Δ	FY20 Δ	FY21 Δ	FY22 Δ	FY23 Δ
<b>Commercial</b>	Budget	55.05	54.58	58.08	60.18	65.73	73.53
	Actual	49.48	52.54	48.11	63.61	63.77	68.15
	<i>Budget-to-PY Budget Growth</i>	-	-0.9%	6.4%	3.6%	9.2%	11.9%
	<i>Actual-to-PY Actual Growth</i>	-	6.2%	-8.4%	32.2%	0.3%	6.9%
	<i>Budget-to-PY Actual Growth</i>		10.3%	10.5%	25.1%	3.3%	15.3%
<b>Medicaid</b>	Budget	17.80	19.89	20.50	19.91	15.26	15.75
	Actual	19.03	17.03	17.10	18.91	14.96	15.40
	<i>Budget-to-PY Budget Growth</i>	-	11.8%	3.0%	-2.9%	-23.3%	3.2%
	<i>Actual-to-PY Actual Growth</i>	-	-10.5%	0.4%	10.6%	-20.9%	2.9%
	<i>Budget-to-PY Actual Growth</i>		4.5%	20.3%	16.4%	-19.3%	5.3%
<b>Medicare</b>	Budget	32.00	37.36	37.42	31.17	33.89	30.67
	Actual	33.62	36.01	32.39	35.05	34.59	32.79
	<i>Budget-to-PY Budget Growth</i>	-	16.7%	0.2%	-16.7%	8.7%	-9.5%
	<i>Actual-to-PY Actual Growth</i>	-	7.1%	-10.1%	8.2%	-1.3%	-5.2%
	<i>Budget-to-PY Actual Growth</i>		11.1%	3.9%	-3.8%	-3.3%	-11.3%
<b>DSH</b>	Budget	1.28	0.94	0.93	0.75	1.05	1.14
	Actual	1.19	0.94	0.96	1.03	2.27	1.19
	<i>Budget-to-PY Budget Growth</i>	-	-26.1%	-1.1%	-19.7%	39.7%	8.4%
	<i>Actual-to-PY Actual Growth</i>	-	-21.1%	1.6%	7.5%	120.6%	-47.5%
	<i>Budget-to-PY Actual Growth</i>		-20.9%	-0.9%	-21.7%	1.8%	-50.0%
<b>Total</b>	Budget	106.13	112.77	116.93	112.02	115.93	121.09
	Actual	103.32	106.53	98.56	118.59	115.59	117.53
	<i>Budget-to-PY Budget Growth</i>	-	6.3%	3.7%	-4.2%	3.5%	4.5%
	<i>Actual-to-PY Actual Growth</i>	-	3.1%	-7.5%	20.3%	-2.5%	1.7%
	<i>Budget-to-PY Actual Growth</i>		9.2%	9.8%	13.7%	-2.2%	4.8%

# Revenue Trends: Actual vs. Budgeted NPR

## Northwestern Medical Center



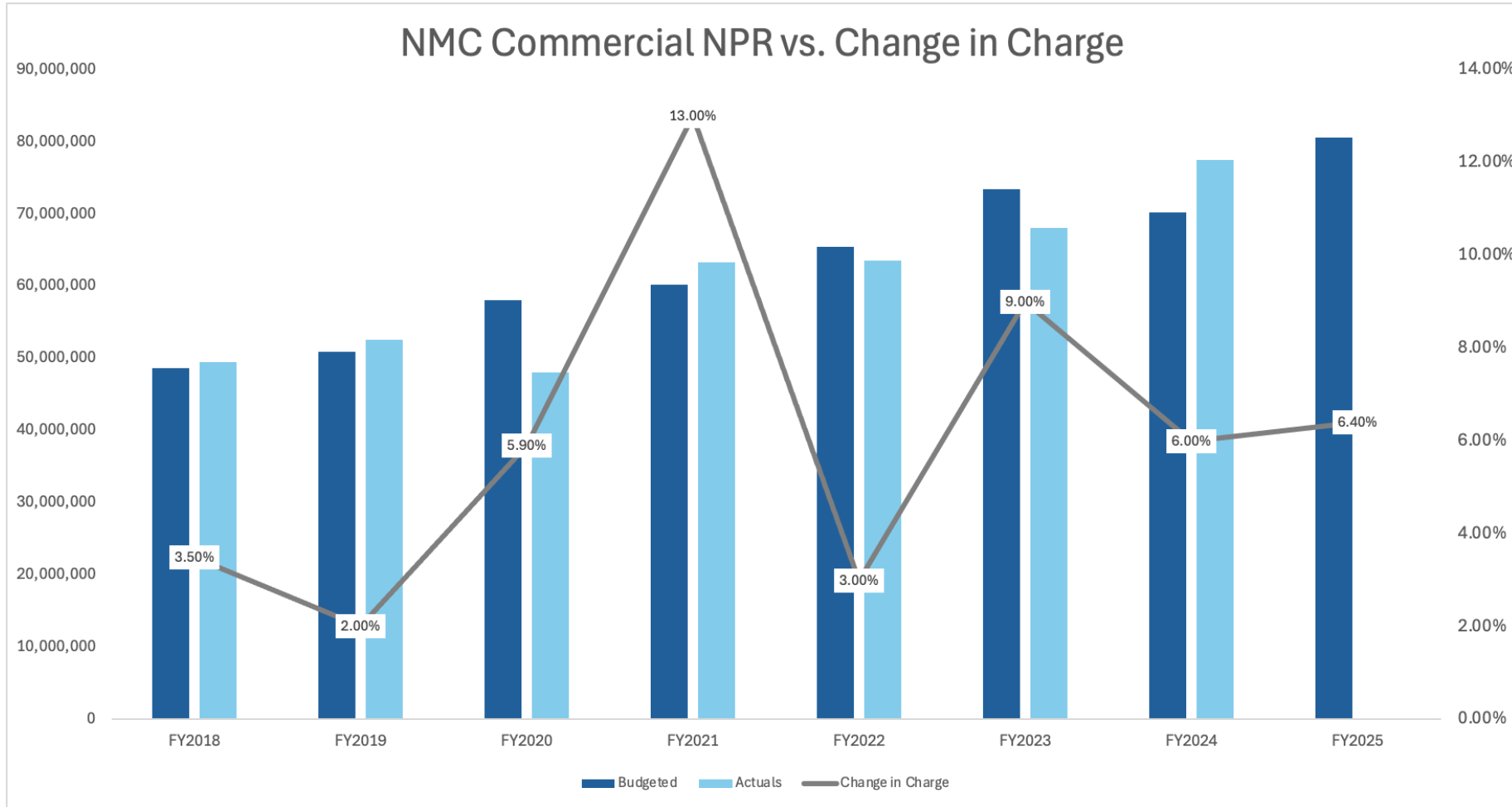
	FY18 Δ		FY19 Δ		FY20 Δ		FY21 Δ		FY22 Δ		FY23 Δ	
Commercial	(5.57)	-10.1%	(2.03)	-3.7%	(9.97)	-17.2%	3.42	5.7%	(1.95)	-3.0%	(5.38)	-7.3%
Medicaid	1.23	6.9%	(2.86)	-14.4%	(3.40)	-16.6%	(1.00)	-5.0%	(0.30)	-2.0%	(0.36)	-2.3%
Medicare	1.62	5.1%	(1.35)	-3.6%	(5.03)	-13.4%	3.88	12.4%	0.70	2.1%	2.12	6.9%
DSH	(0.08)	-6.5%	(0.00)	-0.2%	0.02	2.5%	0.28	37.2%	1.22	116.7%	0.06	5.0%
	(2.81)	-2.65%	(6.24)	-5.54%	(18.37)	-15.71%	6.57	5.87%	(0.34)	-0.29%	(3.56)	-2.94%

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

\*this slide has been updated – see appendix for details

# Commercial Revenue Trends

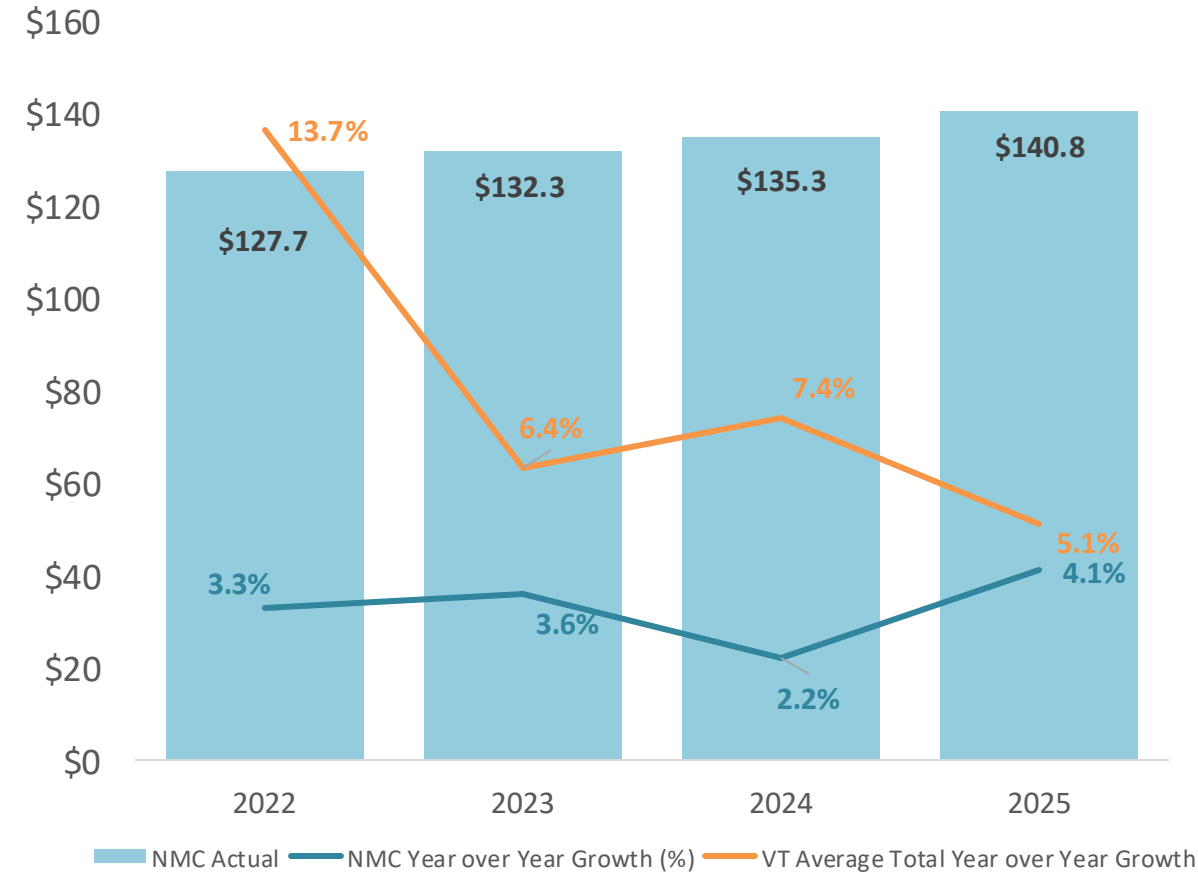
## Northwestern Medical Center



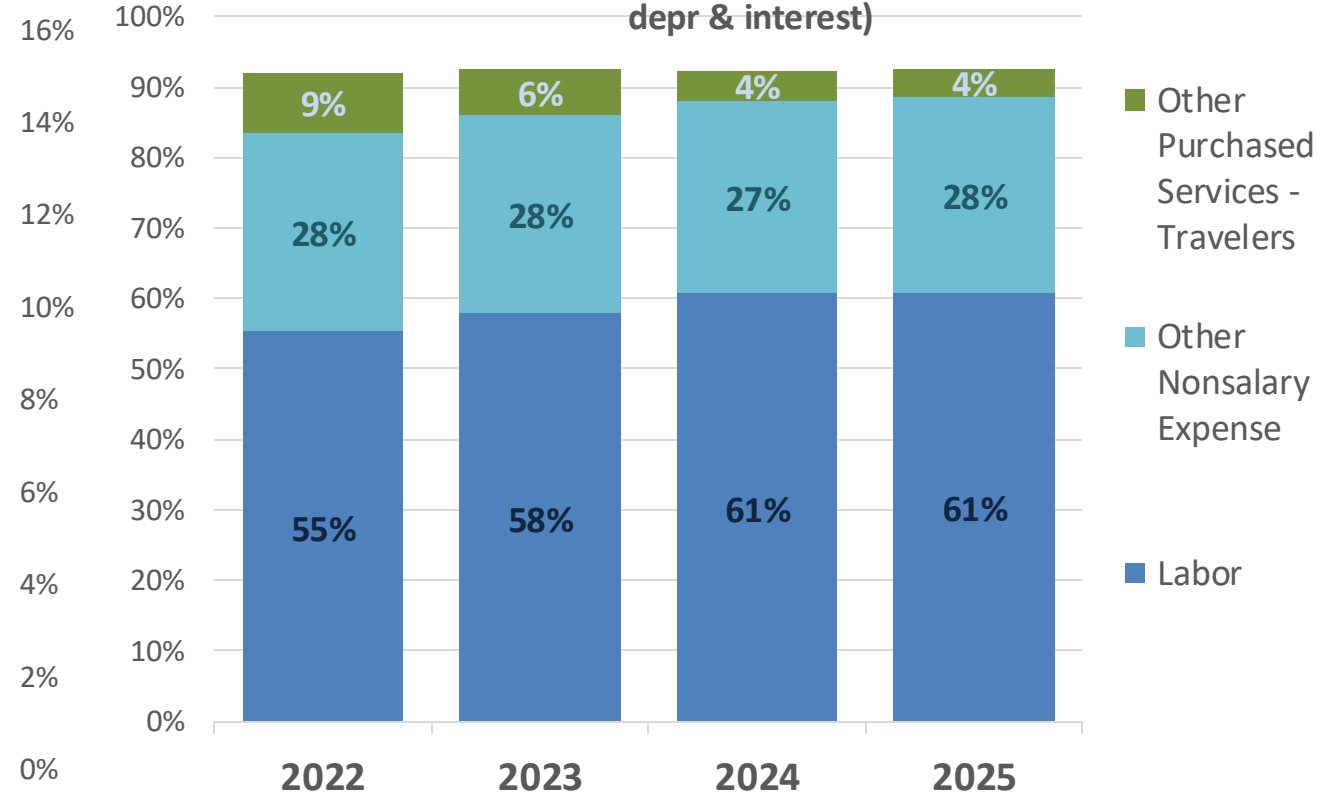
# Expense Trends

## Northwestern Medical Center

NMC Operating Expense (\$M)



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



Difference to Actual vs. Budget

	2022	2023	2024	2025
NMC - Labor YoY Growth	-5.2%	8.8%	7.0%	3.9%
NMC - Labor (Actual - Budget)	-\$2,280,548	\$4,253,049	\$2,478,996	
NMC - Labor (Actual - Budget)/Budget	-3.3%	6.2%	3.3%	
NMC - Other Nonsalary Expense YoY Growth	1.0%	4.3%	-0.8%	5.6%
NMC - Other Nonsalary Expense (Actual - Budget)	-\$415,148	\$3,507,729	-\$410,513	
NMC - Other Nonsalary Expense (Actual - Budget)/Budget	-1.2%	11.0%	-1.2%	

# Expense Trends: Labor

## Northwestern Medical Center



Total FTEs employees

Employee	FY2024	FY2025	Distribution of Additional FTE	Clinical/Non Clinical Budgeted Split
Clinical FTEs	333	383	116%	60%
Non Clinical FTEs	261	254	-16%	40%
Total	594	637		

Top Changes in staffing by Department

Combined Department	FY2024	FY2025	Change
Fiscal Services Non Clinical FTEs	101	72	-28
Physician Departments (Uncategorized) Clinical FTEs	66	81	14
Physician Departments (Uncategorized) Non Clinical FTEs	5	17	12
Medical/Surgical Non Clinical FTEs	22	10	-12
Housekeeping Non Clinical FTEs	16	26	10
Medical/Surgical Clinical FTEs	45	55	10
Laboratory Clinical FTEs	25	30	5
Critical Care Clinical FTEs	17	22	5
Nursing Education Non Clinical FTEs	6	11	4
Hospitalists Clinical FTEs	7	11	4
Radiology - Diagnostic Clinical FTEs	17	21	4
Rehabilitative Services Non Clinical FTEs	1	5	4
Emergency Room Clinical FTEs	45	48	3
Operating Room Clinical FTEs	34	37	3
Magnetic Resonance Image Clinical FTEs	2	4	2
Maintenance of Personnel Non Clinical FTEs	11	12	1
Nursing Administration Non Clinical FTEs	10	8	-1
Administration Non Clinical FTEs	14	16	1
Inhalation Therapy Clinical FTEs	10	11	1
Social Service Non Clinical FTEs		1	1
Population Health Model Non Clinical FTEs	3	2	-1

### Labor Expense in the narrative:

- Total FTEs are budgeted to increase by 21.5 compared to the FY2024 budget (displayed is proj to budget)
- NMC is working to hit MGMA median data by increasing provider resources in nearly every specialty
- This is focused on areas of clinical support:
  - (inpatient LNAs)
  - Supporting enhanced access in the outpatient physician practices & associated surgical demand
  - Recent additions/additional hours in cardiology, ENT, orthopedics, pulmonology, urology & ophthalmology

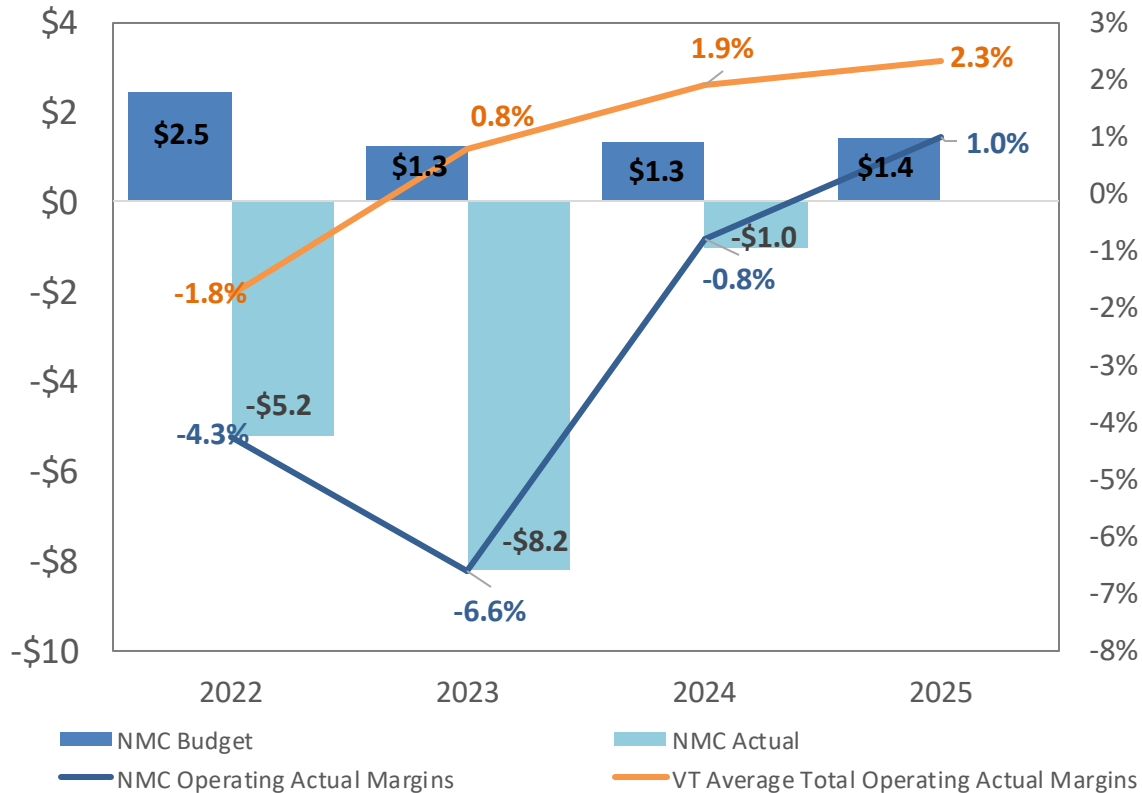
Top Changes in staffing account for 94.3% of FTE employee changes

# Operating Margin Growth

## Northwestern Medical Center



NMC Operating Margin (\$M)



	2022	2023	2024
<b>NMC Operating Revenue</b>	\$122,501,257	\$124,101,425	\$134,223,302
<b>NMC Operating Expense:</b>	\$127,717,820	\$132,328,875	\$135,270,258
<b>NMC Margin:</b>	-\$5,216,563	-\$8,227,450	-\$1,046,956
<b>NMC Operating Revenue: (Actual - Budget)</b>	\$885,431	-\$2,827,921	\$1,506,600
<b>NMC Operating Revenue: % Difference in Actual vs. Budget</b>	0.7%	-2.2%	1.1%
<b>NMC Operating Expense: (Actual - Budget)</b>	\$8,554,042	\$6,658,452	\$3,871,349
<b>NMC Operating Expense: % Difference in Actual vs. Budget</b>	7.2%	5.3%	2.9%
<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

*Northwestern Medical Center*



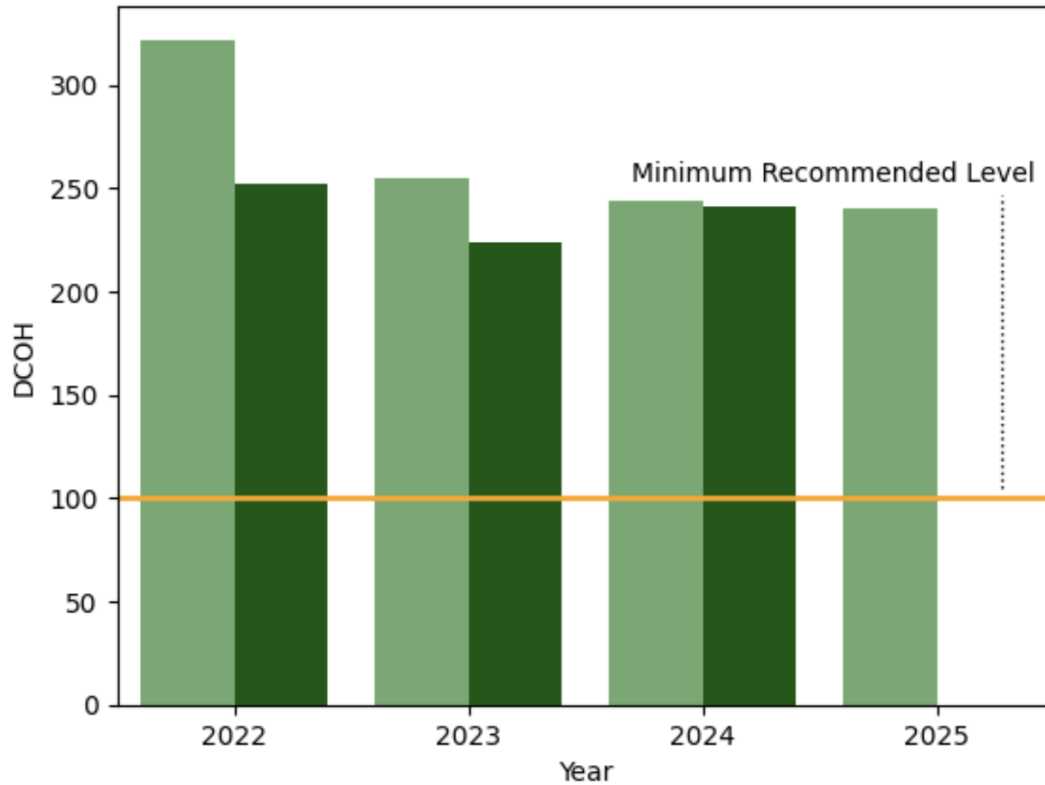
	FY22 Budget	FY22 Actuals	FY23 Budget	FY23 Actuals	FY24 Budget	FY24 Projected	FY25 Budget
Operating Margin	2.0%	-4.3%	1.0%	-6.6%	1.0%	-0.8%	1.0%
Total Margin	3.2%	-10.1%	2.2%	1.2%	2.8%	6.4%	2.6%
EBIDA	7.0%	1.4%	6.3%	-1.3%	6.3%	4.6%	6.6%

# Financial Health: Profitability

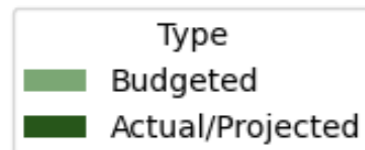
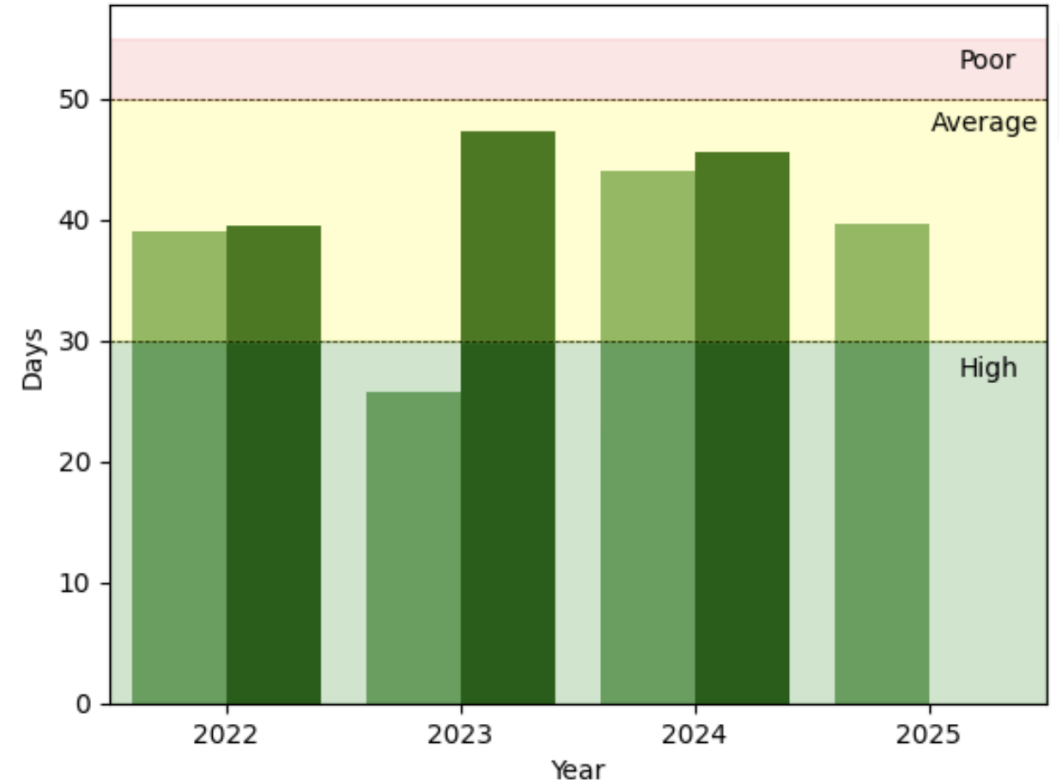
## Northwestern Medical Center



NMC Days Cash on Hand



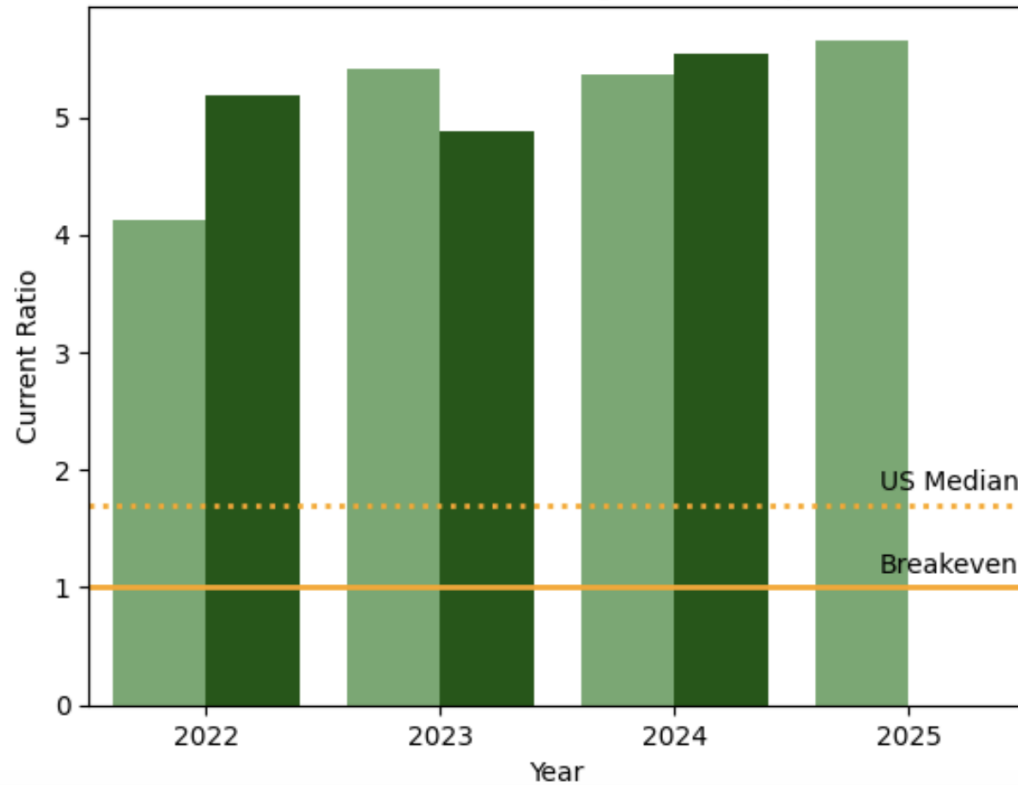
NMC Days in Patient Account Receivable



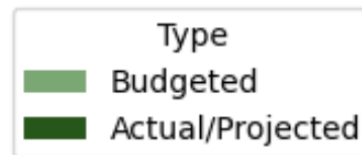
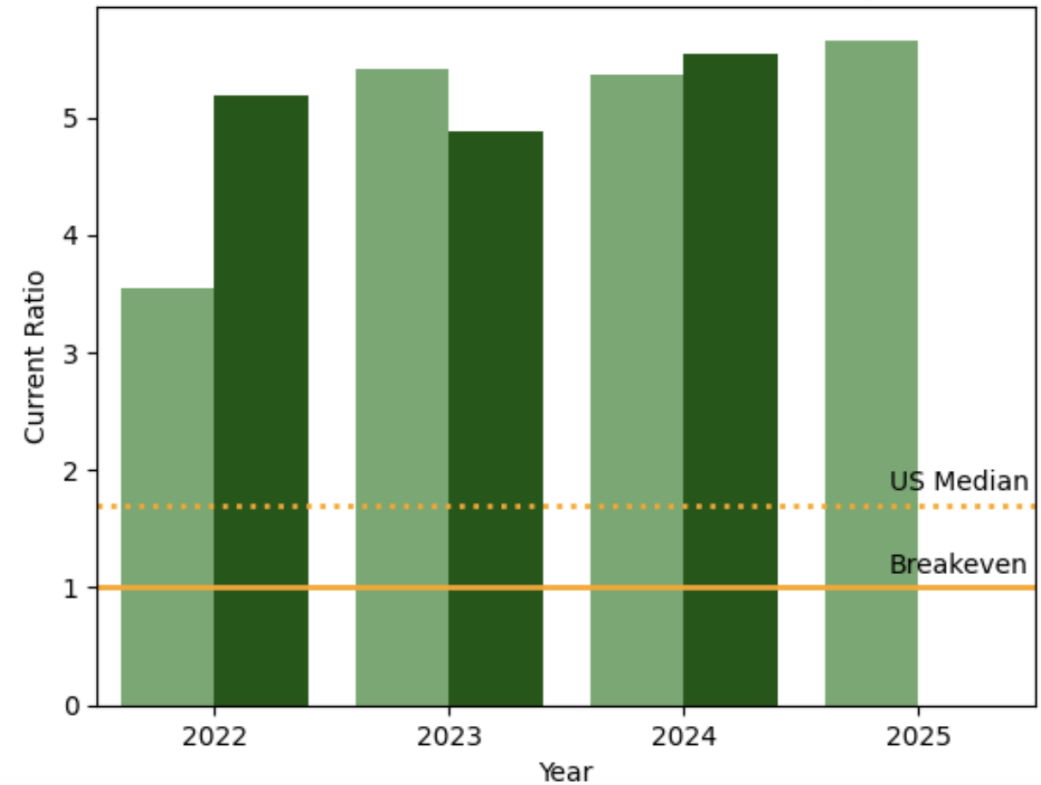
# Financial Health: Profitability

## Northwestern Medical Center

NMC Current Ratio (including funded depreciation)

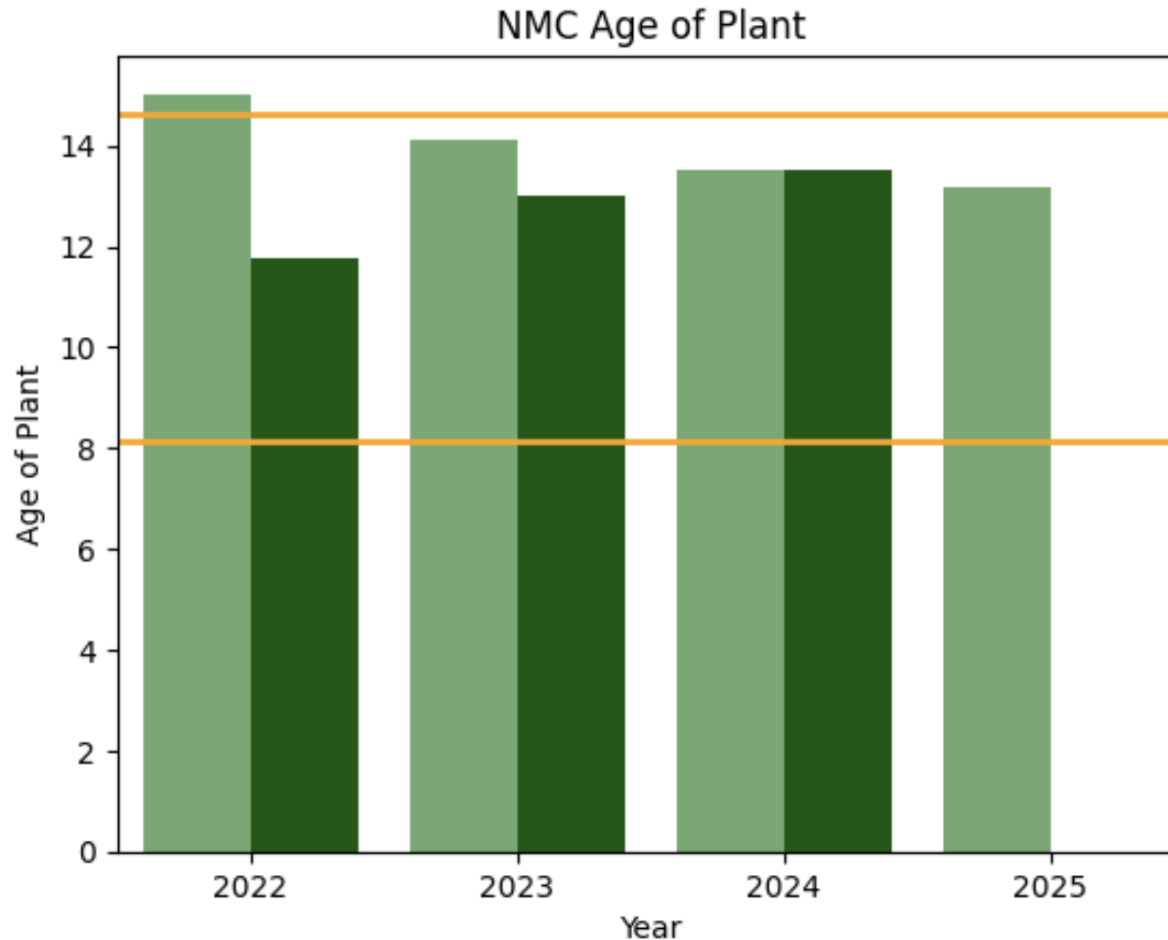


NMC Current Ratio (assets/liabilities only)



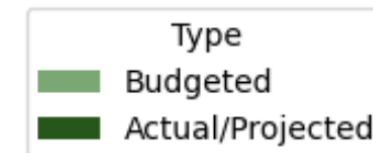
# Financial Health: Capital Spending

## Northwestern Medical Center



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

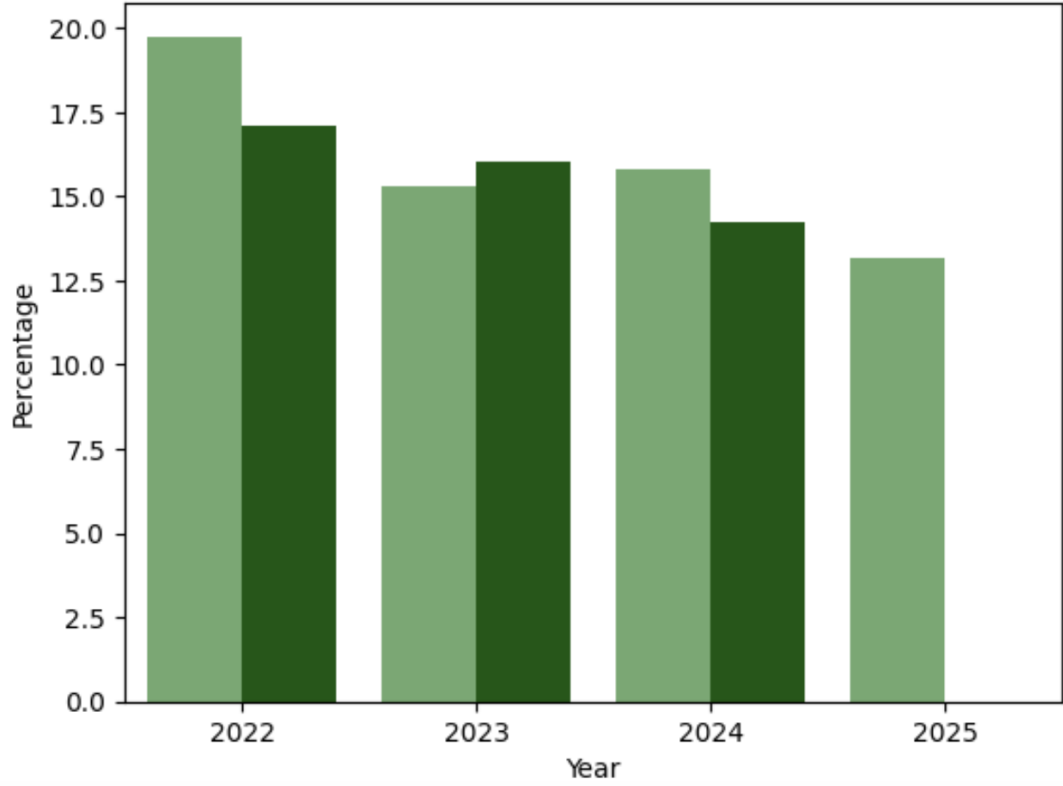
This line indicates the 25<sup>th</sup> percentile of average age of plant (8.13 years).



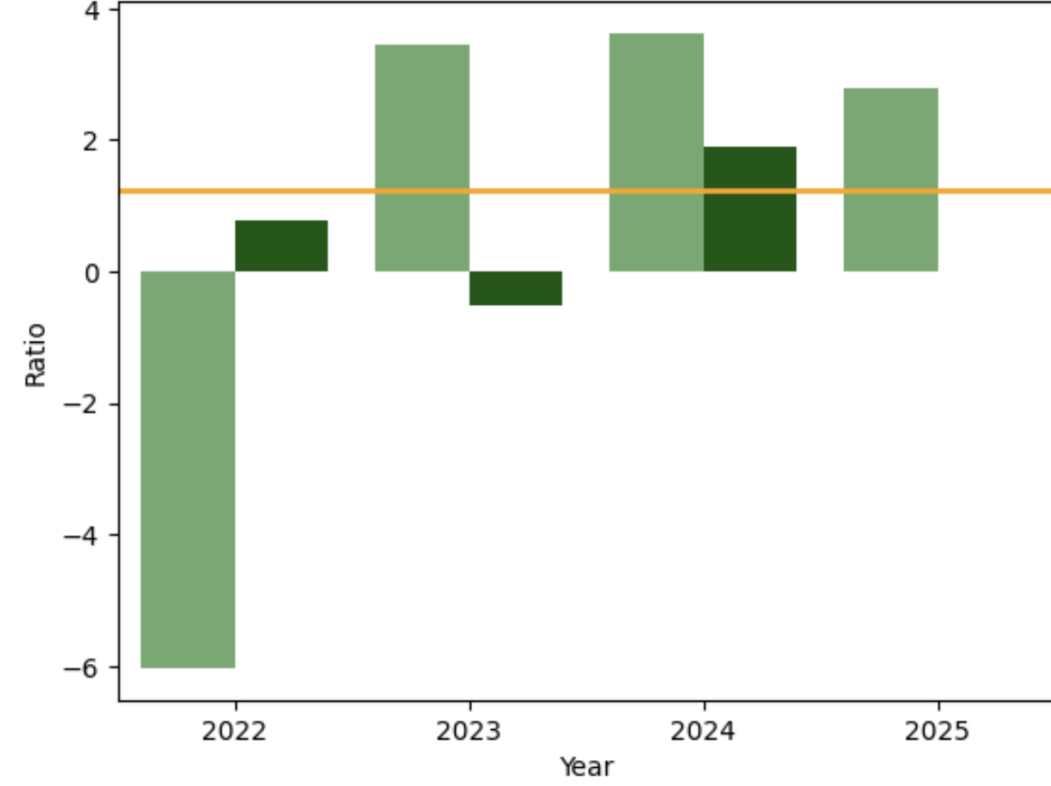
# Financial Health: Solvency

## Northwestern Medical Center

NMC Long Term Debt to Capitalization



NMC Debt Service Coverage Ratio



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

Type

- Budgeted
- Actual/Projected

# Summary of Financial Health

## *Northwestern Medical Center*



- Continued improvement in margins
- DCOH is high
- Days in Patient Account Receivable has average performance
- Current Ratio is well above the US median
- Age of Plant is approaching the 75th percentile
- Long Term Debt to Capitalization is good
- Want to see Debt Service Coverage Ratio stabilize above the standard minimum ratio of 1.25 or 1.4

# Commercial Price (RAND 5.0)

*Northwestern Medical Center*



Core Service Line	Relative Price	Relative Price Decile	Standardized Price	Standardized Price Decile
Outpatient	244%	5	\$307.97	5
Inpatient	133%	1	\$16,572	2
Inpatient & Outpatient	209%	3		
Professional (Inpatient & Outpatient)	160%	1		
Inpatient Facility	135%	4	\$14,772	2
Outpatient Facility	278%	5	\$242.50	1

# Reasonable Assumptions: Public Payer Prices

*Northwestern Medical Center*



- What did they assume for Medicare/Medicaid price/reimbursement increase?
  - From the narrative: "Initial guidance for Medicare rates indicates a maximum market basket increase of 2.26% subject to penalty reductions. The budget assumes that NMC will realize a 1.7% increase."
  - From the narrative: "Medicaid market basket increase is expected to be 0%."
  - From the workbook: 0% for Medicaid, 0% for Medicare.



# Reasonable Assumptions: Volume

## Northwestern Medical Center



	FY24P Payer Mix
Medicaid	9.1%
Medicare - Traditional	28.8%
Medicare - Advantage	
Commercial	61.0%
Uncategorized	1.1%
Total	100%

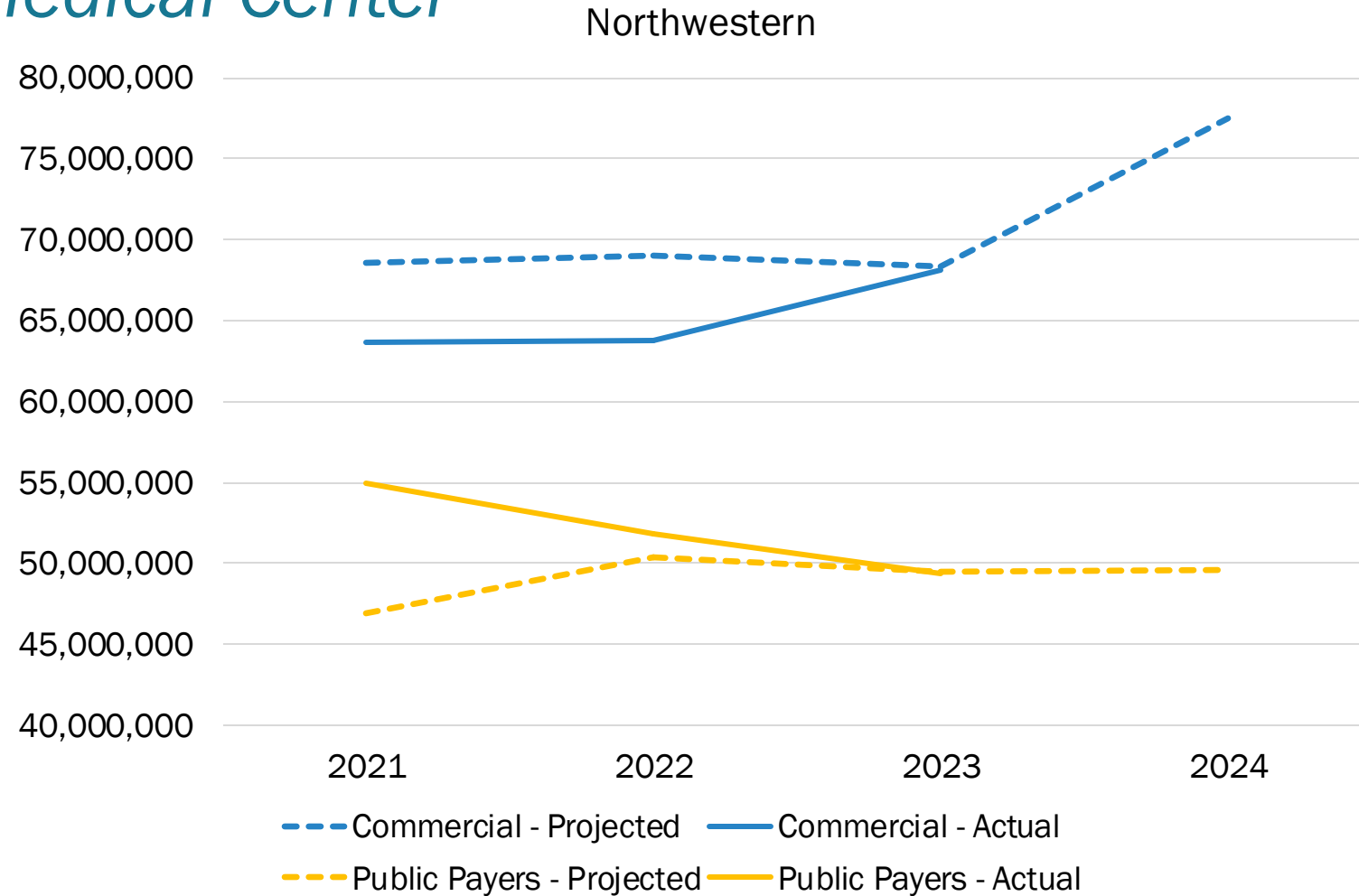
Source: Adaptive Payer Revenue Trends

	Changes to Volume <i>*not payer mix</i>
Medicaid	8.5%
Medicare - Traditional	3.3%
Medicare - Advantage	7.6%
Commercial	13.8%
FPP	0.2%
<b>Attributable NPR Increase</b>	<b>9.0%</b>

Source: GMCB Healthcare Finance Team Rate Decomposition Data

**NMC requested an NPR increase of 6.8%. According to their workbook, 9.0% of this will come from increased volume.**

# Reasonable Assumptions: Projected vs. Actual NPR *Northwestern Medical Center*

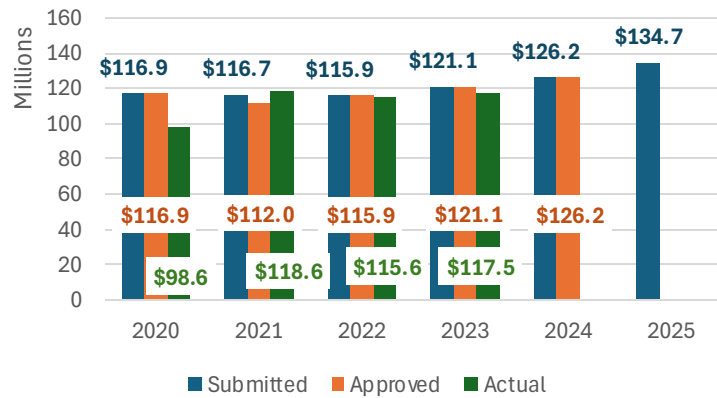


# Reasonable Assumptions: Budget History

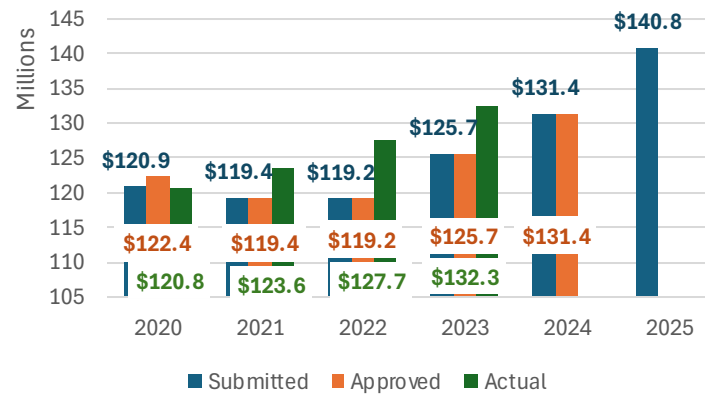
## Northwestern Medical Center



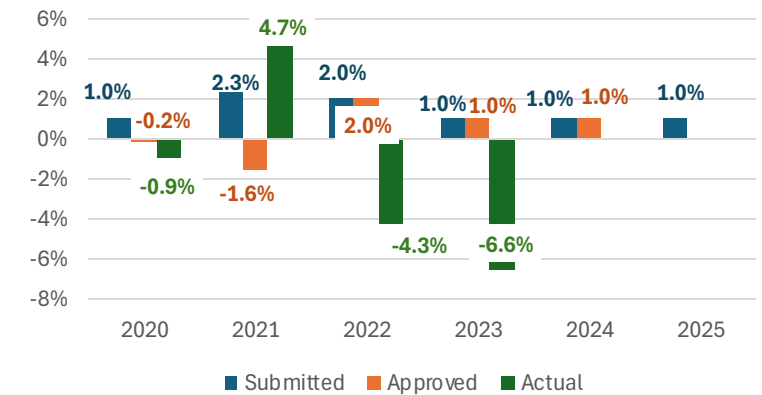
Northwestern Medical Center NPR & FPP (\$M)



Northwestern Medical Center Operating Expense (\$M)



Northwestern Medical Center Operating Margin %



# Efficiency: Summary

## *Northwestern Medical Center*



- Clinical Productivity- Cited Premier benchmarking in narrative and reported higher productivity (37/57 departments at their target) (Narrative, page 5). Provided RVU data from Coker shows 80.1% of reported Clinical FTEs below the 50th percentile.
- Cost-Increased to higher than all comparator groups for the average inpatient cost per Medicare discharge from 2018-2022. Medicare payment to cost ratio is 72%.
- Revenue- NPR per discharge is higher than VT median; compound annual growth rate is 3.61% from 2018-22.
- Admin to clinical salary ratio- Higher than that of the comparator groups for all years except 2020. 2022: 26.5%
- Direct Patient Care FTEs- Lower than comparator groups

Hospital justifications:

Highly productive

Low cost

Need to address long wait times in outpatient specialties

# Expanding Access



Visit lag data for February through March 2024

*Specialty Practices*

Specialty	Within Category					Appointments
	Within 2 Weeks	Within 1 Month	Within 3 Month	Within 6 Month	Greater Than 6 Months	
General Surgery	25%	16%	18%	12%	28%	528
Cardiology	19%	5%	14%	31%	31%	798
Endocrinology	11%	9%	27%	38%	14%	592
ENT	9%	9%	34%	35%	13%	1654
Obstetrics	28%	33%	31%	2%	7%	1488
Orthopedics	33%	21%	39%	4%	3%	3164
Pulmonology	30%	5%	16%	18%	32%	818
Urology	25%	17%	32%	10%	16%	477
Ophthalmology	17%	8%	16%	22%	37%	1020

**FY24 → FY25 Budget Increase in Access:  
(Source: Hospital Narrative, Page 4 – 5)**

- Cardiology – 30%
- ENT – 21%
- Orthopedics – 37%
- Pulmonology – 56%
- Urology – 42%
- Ophthalmology – 16%

# Suggested Motion Language

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

Move to approve NMC'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 6.8%) 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 6.4%), 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.

# Compliance: Complete & Timely

*Brattleboro Memorial Hospital*



BMH's submission was *moderately late*.

They submitted their initial items on-time but had to resubmit some of their Adaptive sheets in August.

# Budget Request vs. FY25 Benchmarks

## Brattleboro Memorial Hospital



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

NPR Request %	NPR Request \$	% of System > Guidance
2.5%	114 M	-1%

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

Comm Rate Request %	Comm Rate Request \$	% of System > Guidance
4.7%	4.6 M	3%

### Section I - Operating Margin > 0%

Op Margin %	Op Margin \$	% of System
0.5%	500 K	1%



# Summary of Hospital Justifications

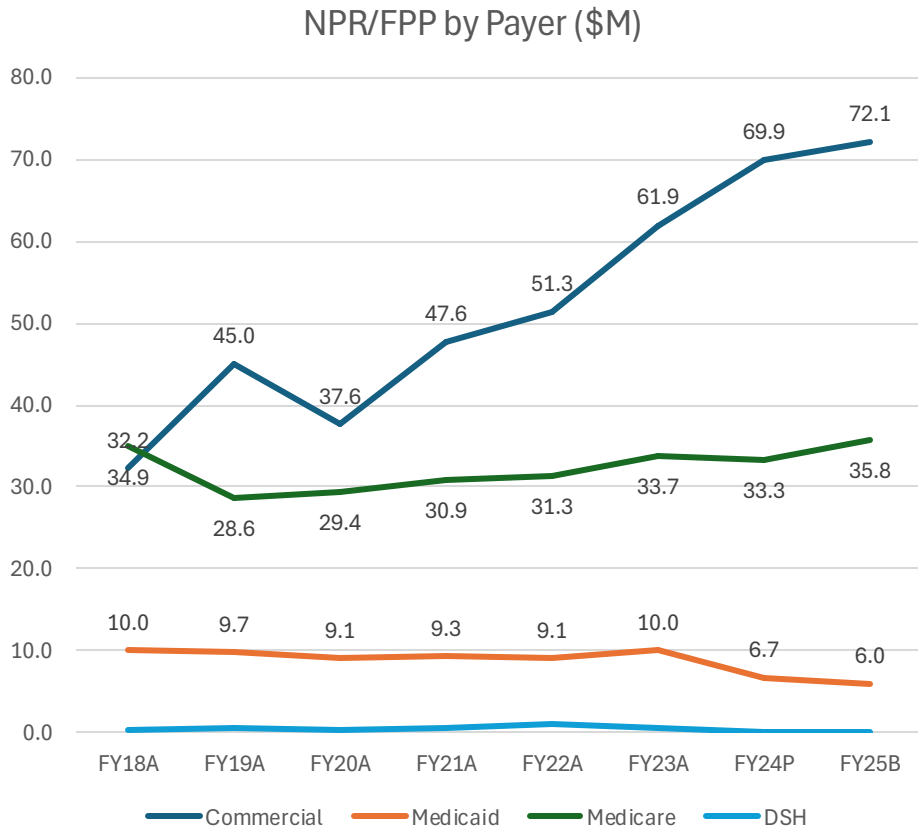
## *Brattleboro Memorial Hospital*



- They are contending with stagnant or decreased rates from public payers: BMH argues that their low public rates necessitates a higher commercial rate. They note that Medicaid has not increased their rates this year and argue that Medicare/MA has effectively reduced their rate given their proximity to out-of-state patients.

# Revenue Trends: NPR Growth by Payer

## Brattleboro Memorial Hospital



		FY18 Δ	FY19 Δ	FY20 Δ	FY21 Δ	FY22 Δ	FY23 Δ
<b>Commercial</b>	Budget	42.03	41.23	48.22	43.30	44.35	61.94
	Actual	32.20	45.04	37.59	47.65	51.34	61.90
	Budget-to-PY Budget Growth	-	-1.9%	17.0%	-10.2%	2.4%	39.6%
	Actual-to-PY Actual Growth	-	39.9%	-16.5%	26.8%	7.7%	20.6%
	Budget-to-PY Actual Growth	-	28.1%	7.1%	15.2%	-6.9%	20.6%
<b>Medicaid</b>	Budget	9.86	10.71	9.45	11.27	13.07	9.83
	Actual	9.98	9.74	9.06	9.31	9.05	9.99
	Budget-to-PY Budget Growth	-	8.6%	-11.8%	19.3%	16.0%	-24.8%
	Actual-to-PY Actual Growth	-	-2.5%	-7.0%	2.7%	-2.7%	10.3%
	Budget-to-PY Actual Growth	-	7.2%	-3.0%	24.4%	40.4%	8.6%
<b>Medicare</b>	Budget	26.47	31.41	29.95	37.71	35.14	33.10
	Actual	34.88	28.63	29.41	30.90	31.33	33.74
	Budget-to-PY Budget Growth	-	18.6%	-4.6%	25.9%	-6.8%	-5.8%
	Actual-to-PY Actual Growth	-	-17.9%	2.7%	5.1%	1.4%	7.7%
	Budget-to-PY Actual Growth	-	-10.0%	4.6%	28.2%	13.7%	5.7%
<b>DSH</b>	Budget	0.52	0.60	0.53	0.53	0.53	0.62
	Actual	0.54	0.59	0.53	0.63	1.01	0.58
	Budget-to-PY Budget Growth	-	16.8%	-12.1%	0.0%	0.0%	16.3%
	Actual-to-PY Actual Growth	-	8.6%	-9.1%	18.7%	59.6%	-42.2%
	Budget-to-PY Actual Growth	-	12.0%	-9.3%	-0.2%	-16.0%	-38.8%
<b>Total</b>	Budget	78.88	83.95	88.15	92.80	93.09	105.48
	Actual	77.60	83.99	76.59	88.49	92.73	106.21
	Budget-to-PY Budget Growth	-	6.4%	5.0%	5.3%	0.3%	13.3%
	Actual-to-PY Actual Growth	-	8.2%	-8.8%	15.5%	4.8%	14.5%
	Budget-to-PY Actual Growth	-	8.2%	4.9%	21.2%	5.2%	13.8%

# Revenue Trends: Actuals vs. Budgeted NPR

## Brattleboro Memorial Hospital

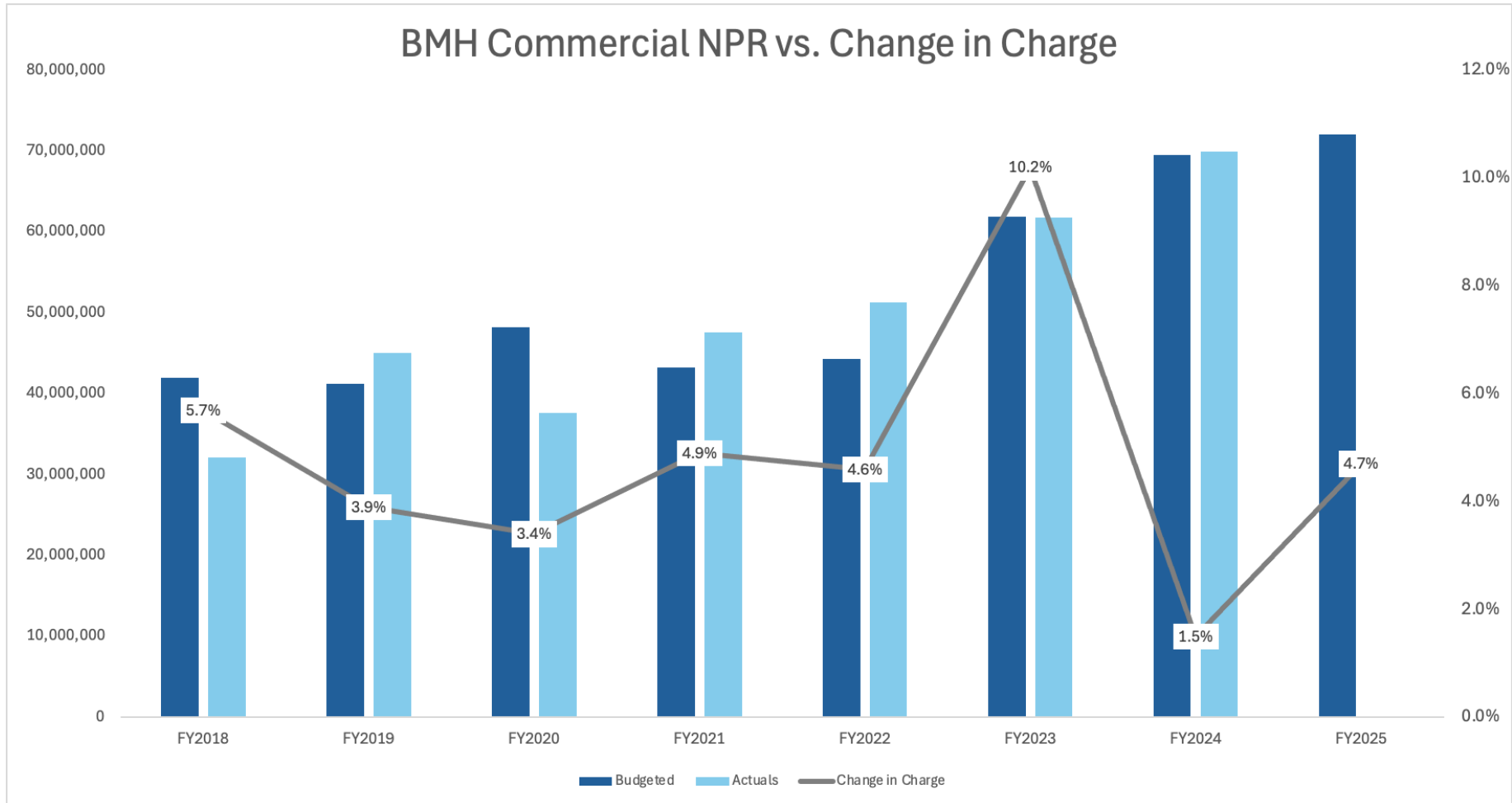


	FY18 Δ		FY19 Δ		FY20 Δ		FY21 Δ		FY22 Δ		FY23 Δ	
<b>Commercial</b>	(9.83)	-23.4%	3.81	9.2%	(10.63)	-22.0%	4.35	10.0%	6.99	15.8%	(0.04)	-0.1%
<b>Medicaid</b>	0.12	1.2%	(0.97)	-9.1%	(0.39)	-4.1%	(1.96)	-17.4%	(4.02)	-30.7%	0.16	1.6%
<b>Medicare</b>	8.41	31.8%	(2.78)	-8.8%	(0.54)	-1.8%	(6.80)	-18.0%	(3.81)	-10.8%	0.64	1.9%
<b>DSH</b>	0.02	4.2%	(0.02)	-3.1%	0.00	0.2%	0.10	19.0%	0.48	90.0%	(0.03)	-5.6%
	(1.28)	-1.62%	0.05	0.06%	(11.55)	-13.10%	(4.31)	-4.65%	(0.36)	-0.39%	0.72	0.69%

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

# Commercial Revenue Trends

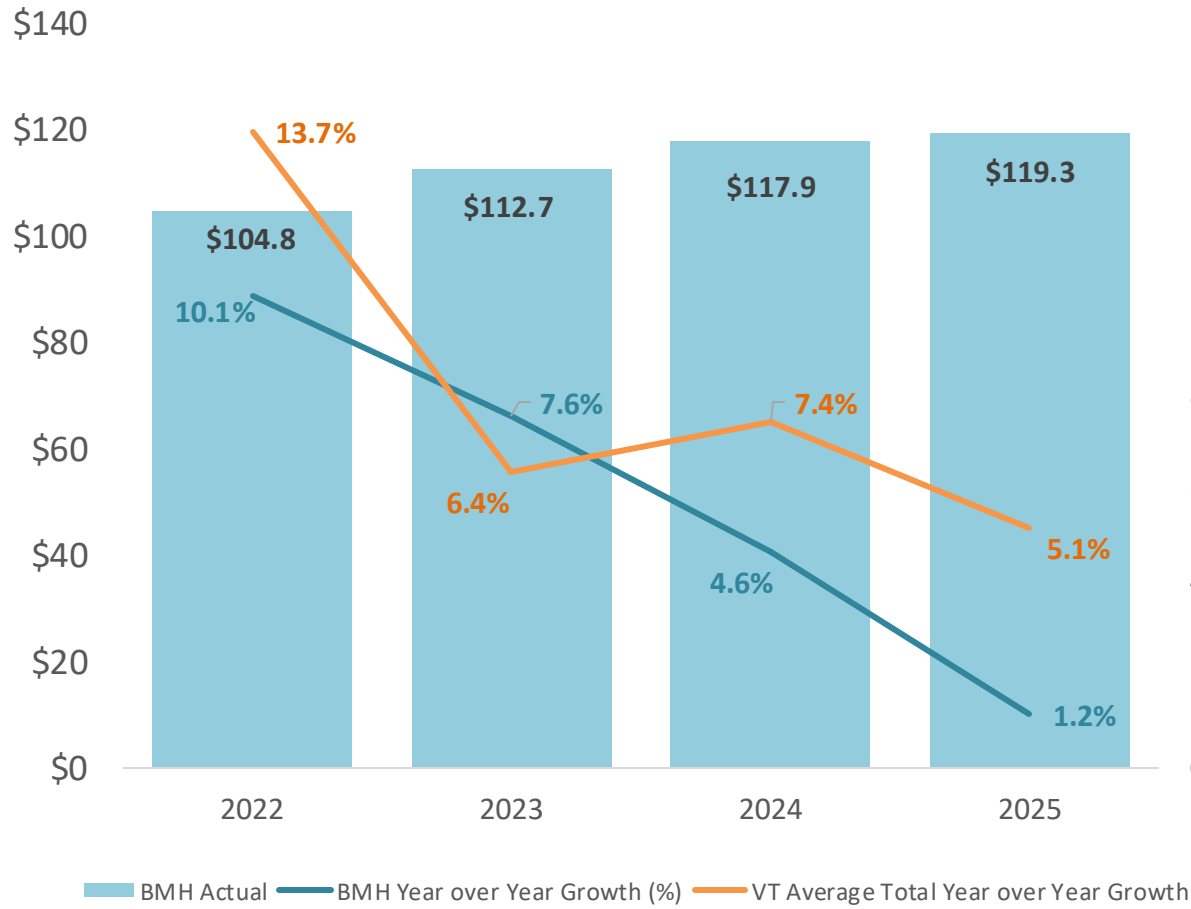
## Brattleboro Memorial Hospital



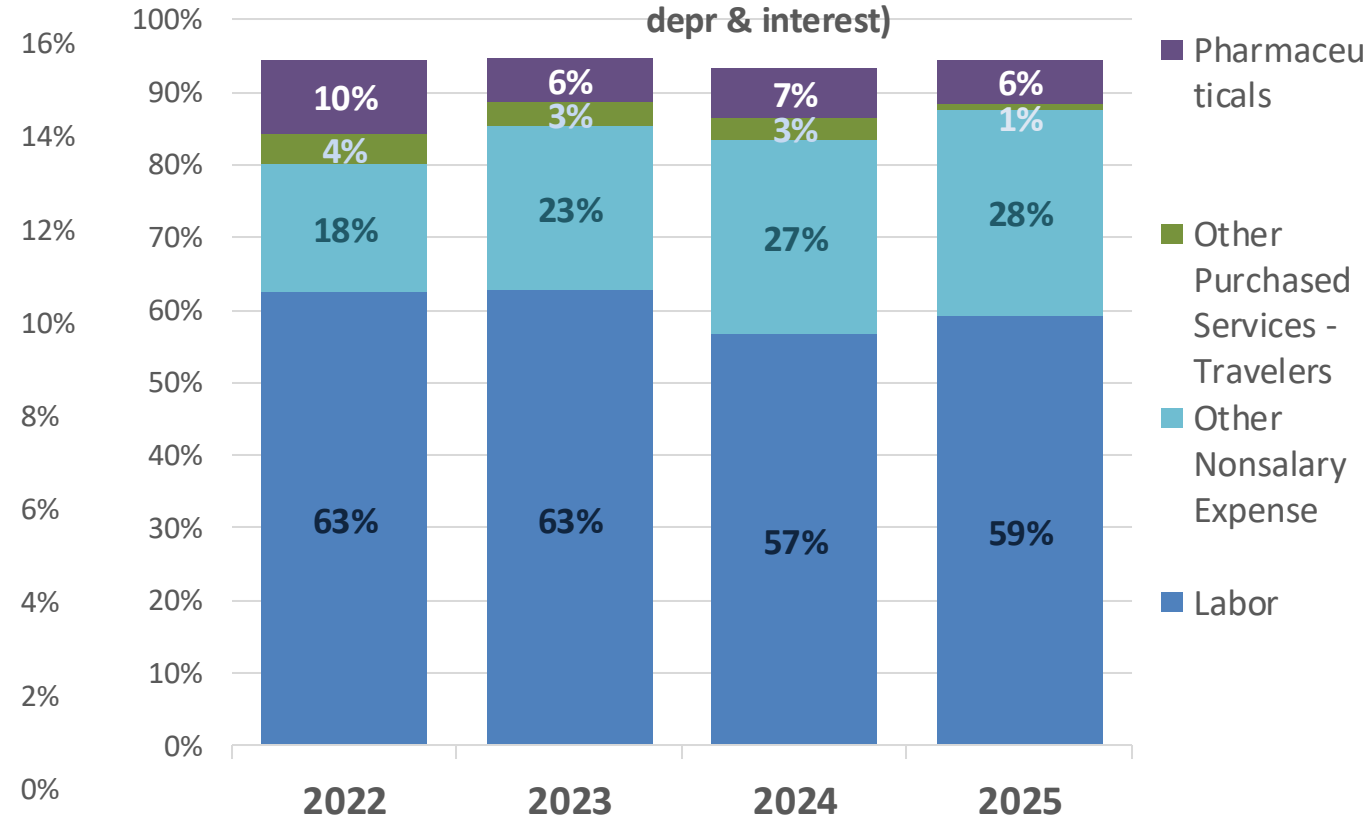
# Expense Trends

## Brattleboro Memorial Hospital

BMH Operating Expense (\$M)



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



	2022	2023	2024	2025
BMH - Labor YoY Growth	4.4%	7.8%	-5.4%	5.9%
BMH - Labor (Actual - Budget)	\$599,292	\$504,153	-\$732,568	
BMH - Labor (Actual - Budget)/Budget	1.0%	0.7%	-1.1%	
BMH - Other Nonsalary Expense YoY Growth	-11.5%	40.1%	23.3%	6.7%
BMH - Other Nonsalary Expense (Actual - Budget)	-\$1,028,979	\$5,624,553	-\$228,800	
BMH - Other Nonsalary Expense (Actual - Budget)/Budget	-5.5%	29.5%	-0.7%	

# Expense Trends: Labor

## Brattleboro Memorial Hospital



### Total FTEs employees

Employee	FY2024	FY2025	Distribution of Additional FTE	Clinical/Non Clinical Budgeted Split
Clinical FTEs	351	377	90%	63%
Non Clinical FTEs	215	218	10%	37%
<b>Total</b>	<b>566</b>	<b>595</b>		

### Labor Expense in the narrative:

- FTE Growth related to cardiology & podiatry
- Contract labor budgeted to remain flat – focus on shifting to FTE labor

### Top Changes in Staffing by Department

Department	FY2024	FY2025	Change
Emergency Room Clinical FTEs	34	36	2
Laboratory Clinical FTEs	27	28	1
Magnetic Resonance Image Clinical FTEs	3	4	1
Radiology - Diagnostic Non Clinical FTEs	4	5	1
Fiscal Services Non Clinical FTEs	46	45	-1
Pharmacy Clinical FTEs		8	8
Other Services Clinical FTEs		12	12
Other Services Non Clinical FTEs		1	1
Clinics - Outpatient Clinical FTEs	105	107	2
Clinics - Outpatient Non Clinical FTEs	45	47	2

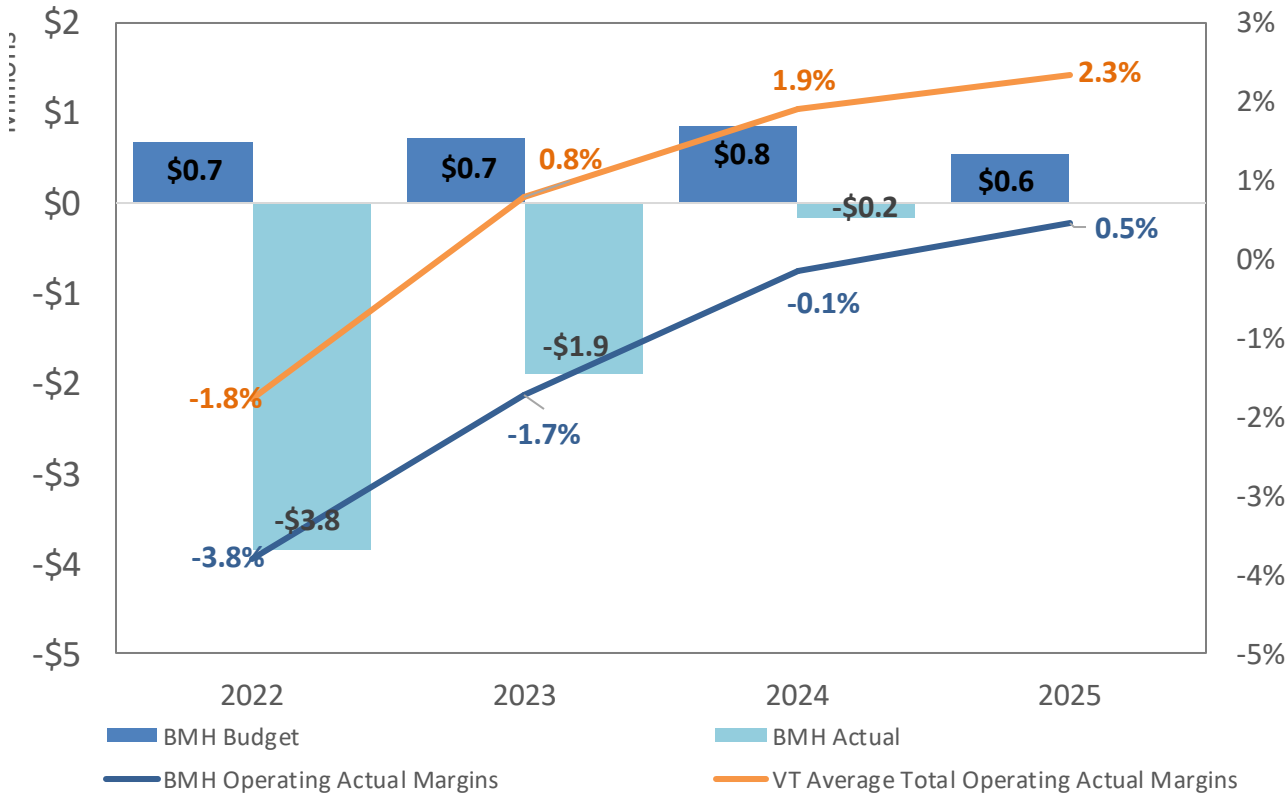
Top Changes in staffing account for 100.0% of FTE employee changes

# Operating Margin Growth

## Brattleboro Memorial Hospital



BMH Operating Margin (\$M)



	2022	2023	2024
<b>BMH Operating Revenue</b>	\$100,930,930	\$110,801,802	\$117,763,464
<b>BMH Operating Expense:</b>	\$104,777,540	\$112,706,339	\$117,935,458
<b>BMH Margin:</b>	-\$3,846,610	-\$1,904,537	-\$171,994
<b>BMH Operating Revenue: (Actual - Budget)</b>	\$3,401,116	\$1,594,413	\$2,777,221
<b>BMH Operating Revenue: % Difference in Actual vs. Budget</b>	3.5%	1.5%	2.4%
<b>BMH Operating Expense: (Actual - Budget)</b>	\$7,917,054	\$4,225,950	\$3,794,318
<b>BMH Operating Expense: % Difference in Actual vs. Budget</b>	8.2%	3.9%	3.3%
<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

# Financial Health: Profitability

*Brattleboro Memorial Hospital*



	FY22 Budget	FY22 Actuals	FY23 Budget	FY23 Actuals	FY24 Budget	FY24 Projected	FY25 Budget
Operating Margin	0.7%	-3.8%	0.7%	-1.7%	0.7%	-0.1%	0.5%
Total Margin	1.2%	-8.0%	0.7%	1.7%	0.7%	-0.1%	0.5%
EBIDA	6.0%	0.2%	4.8%	2.2%	4.5%	3.6%	4.2%

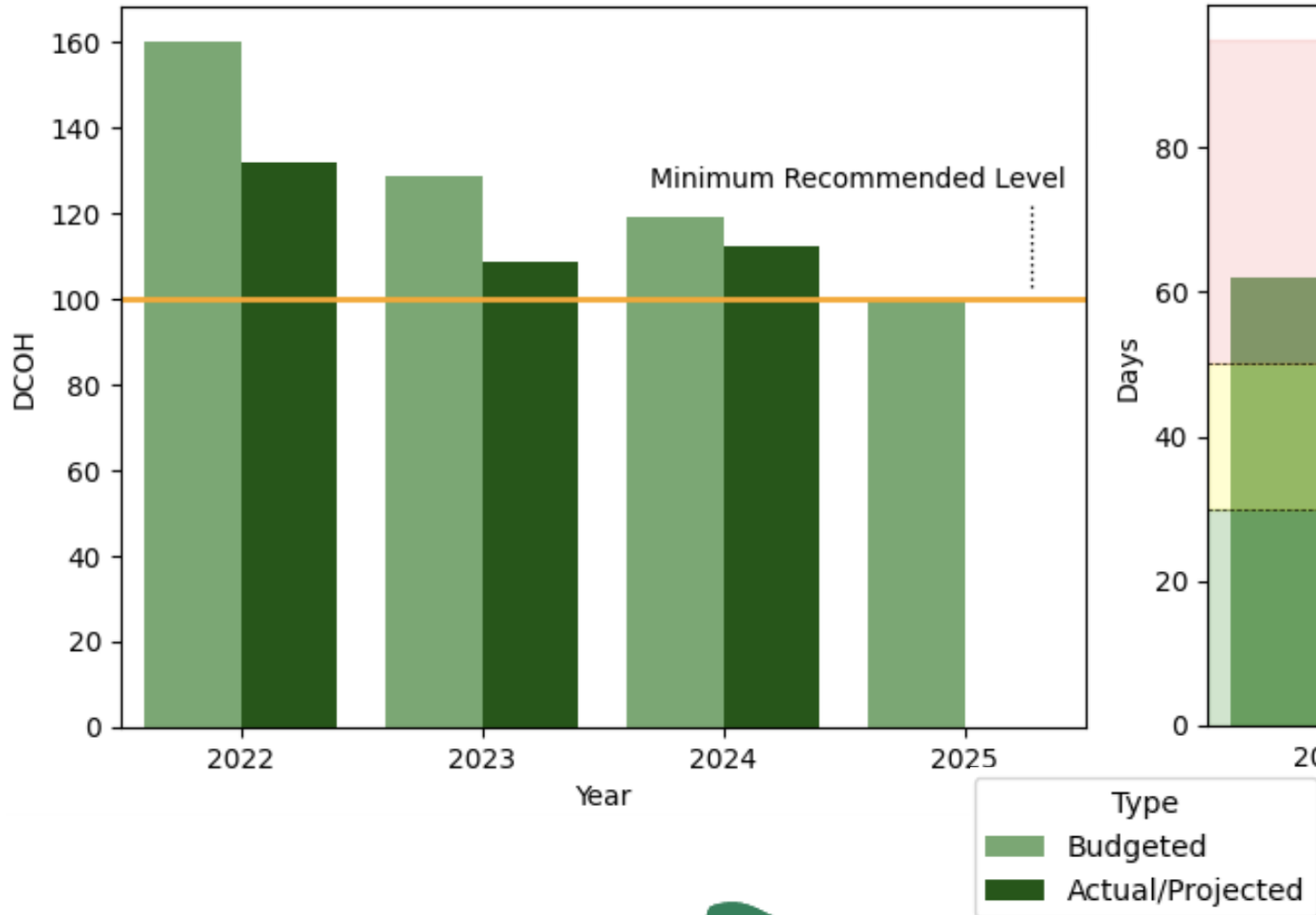


# Financial Health: Profitability

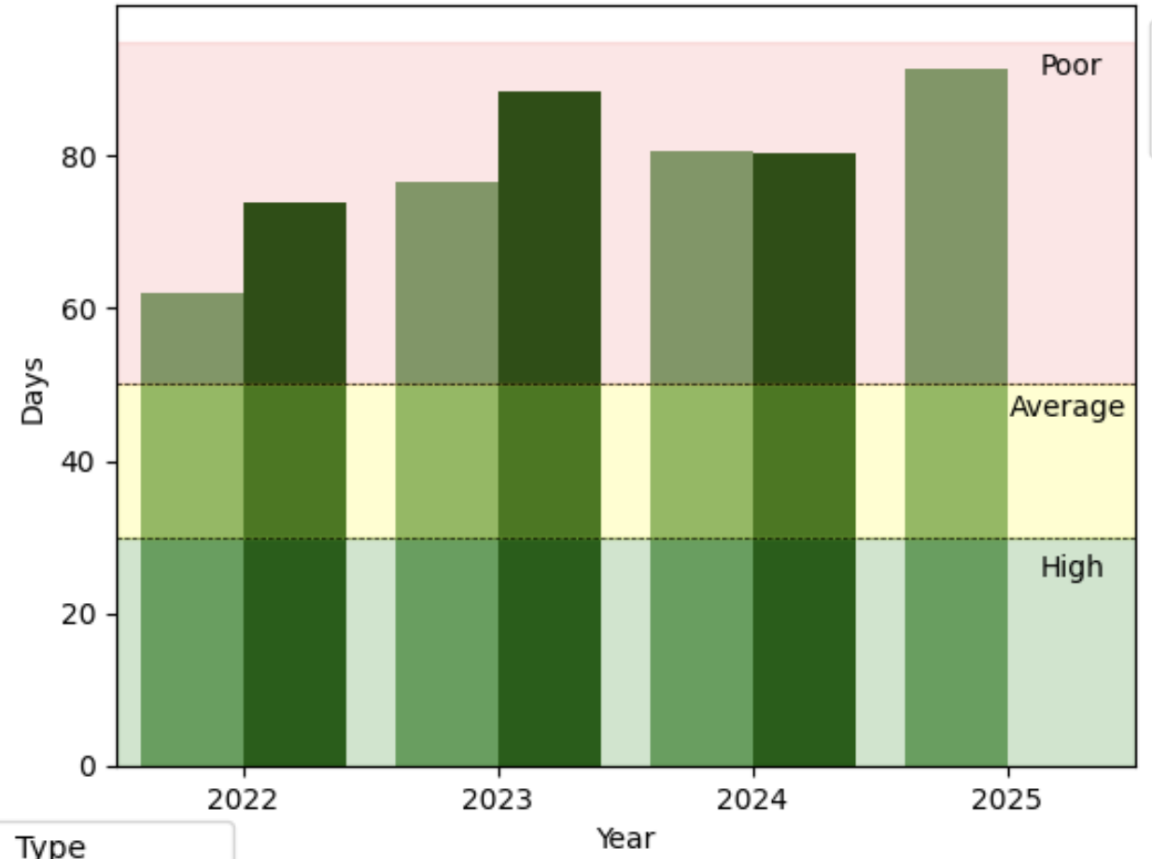
## Brattleboro Memorial Hospital



BMH Days Cash on Hand



BMH Days in Patient Account Receivable

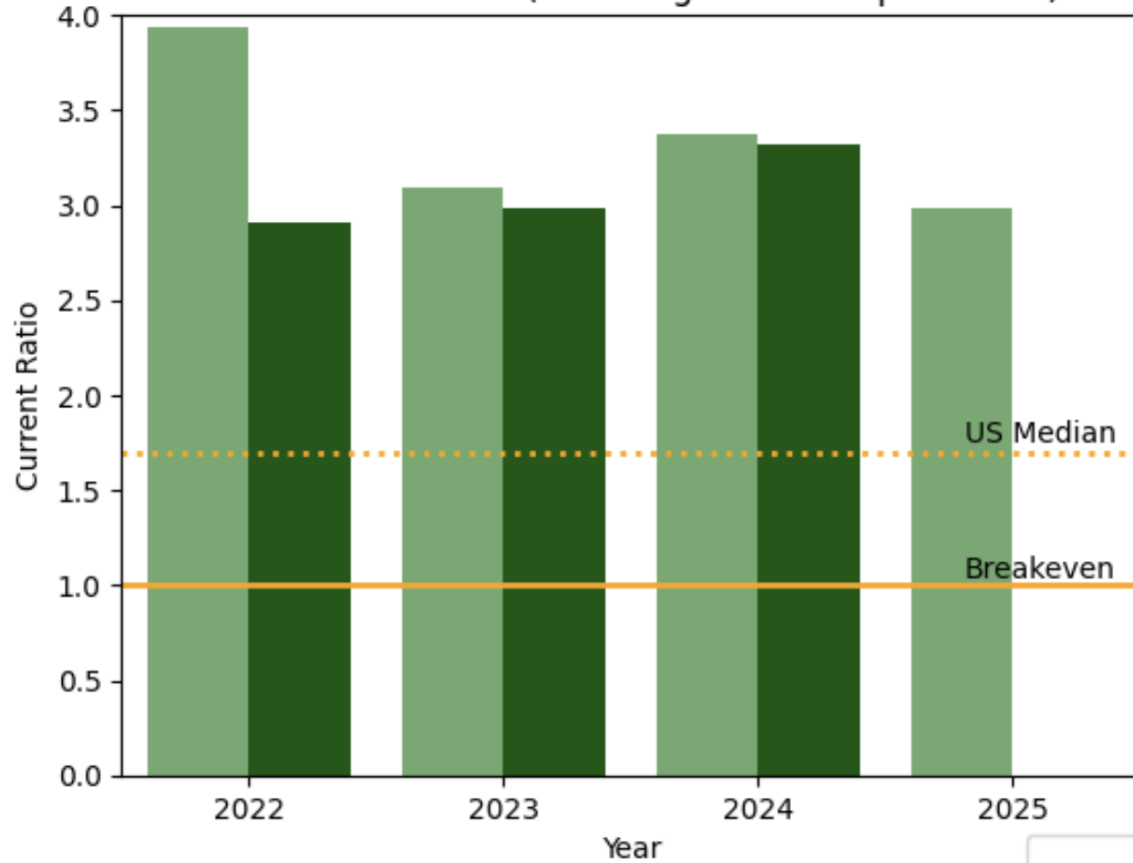


# Financial Health: Profitability

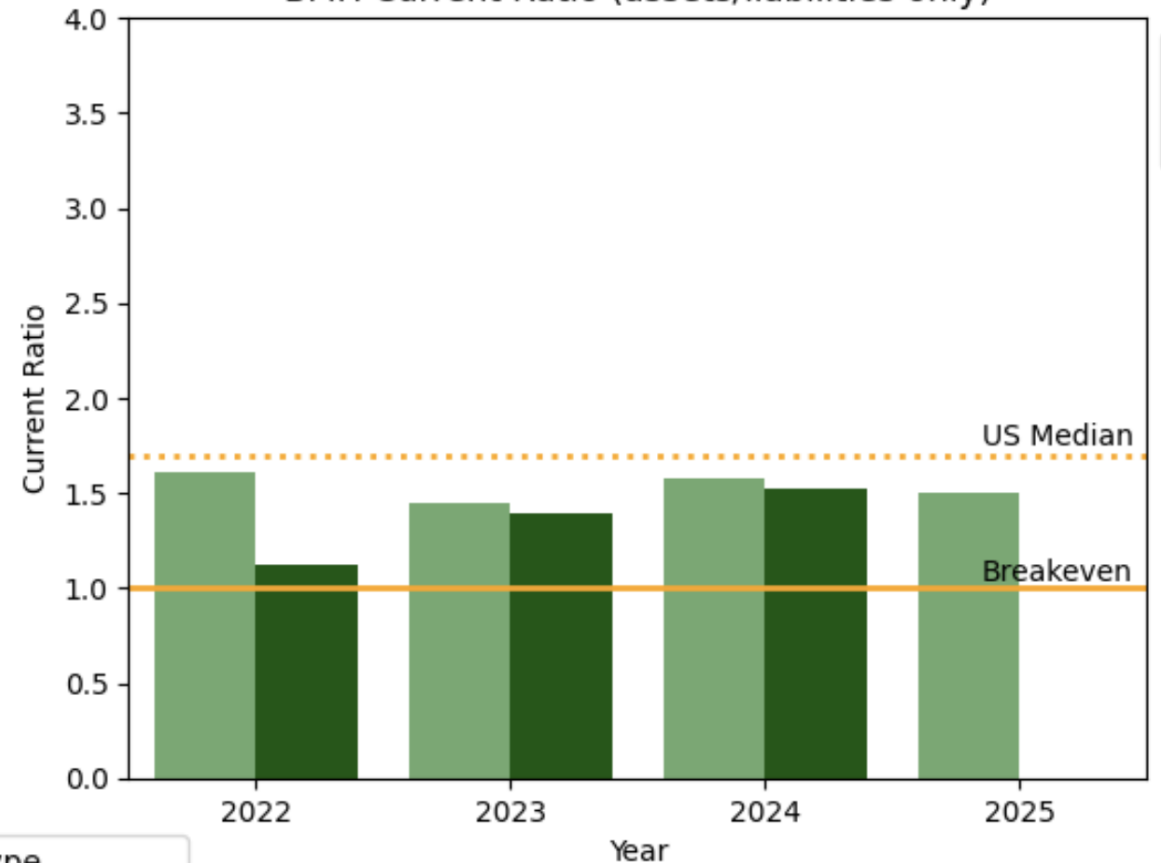
## Brattleboro Memorial Hospital



BMH Current Ratio (including funded depreciation)



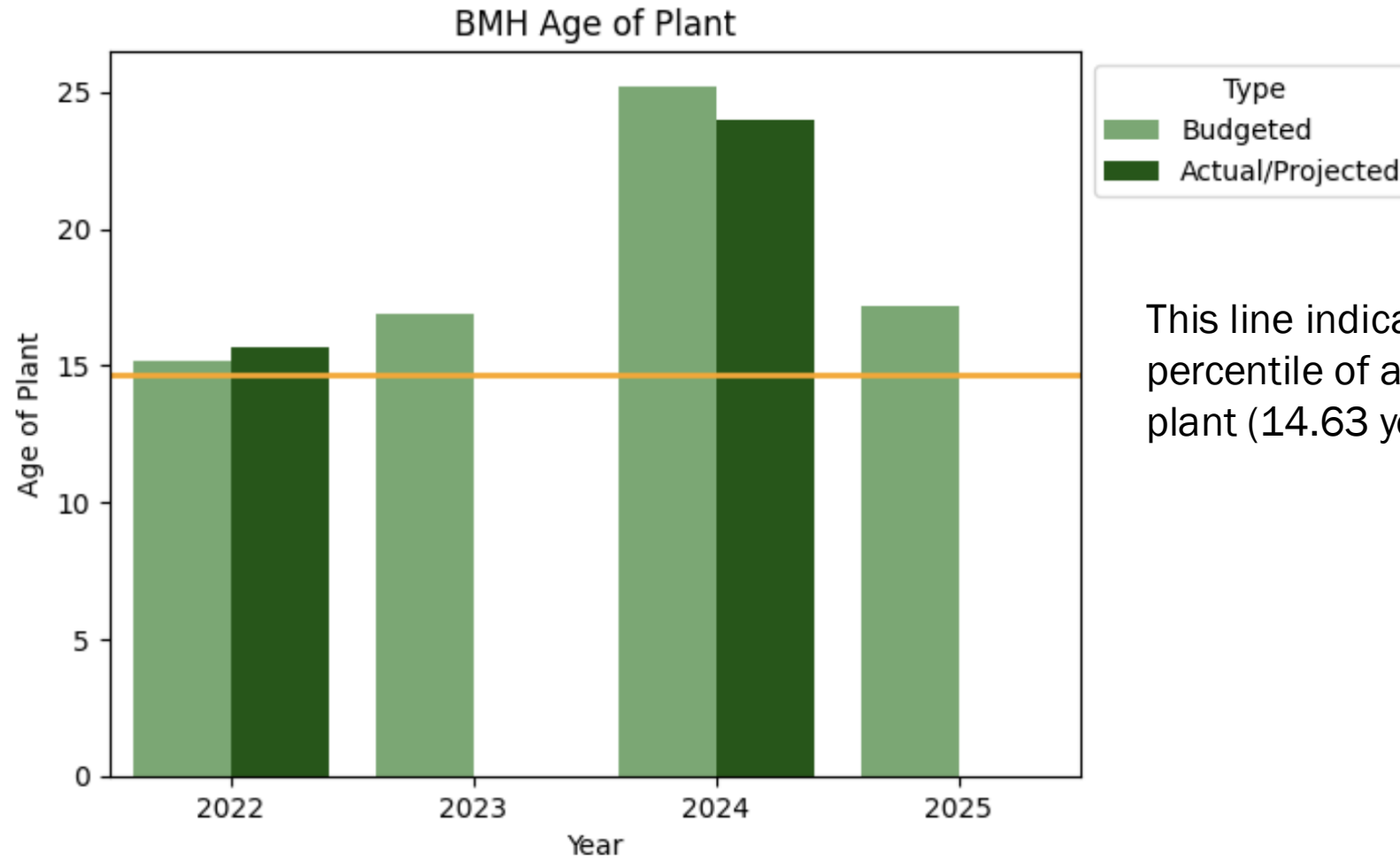
BMH Current Ratio (assets/liabilities only)



Type  
Budgeted  
Actual/Projected

# Financial Health: Capital Spending

## Brattleboro Memorial Hospital

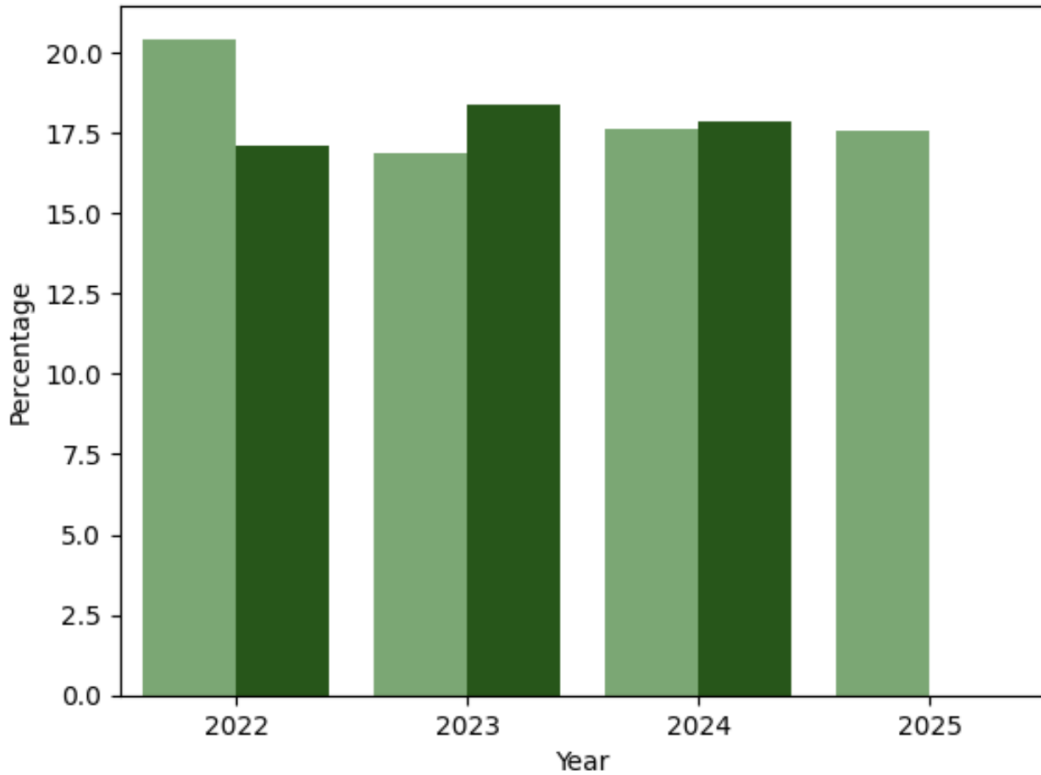


This line indicates the 75<sup>th</sup> percentile of average age of plant (14.63 years).

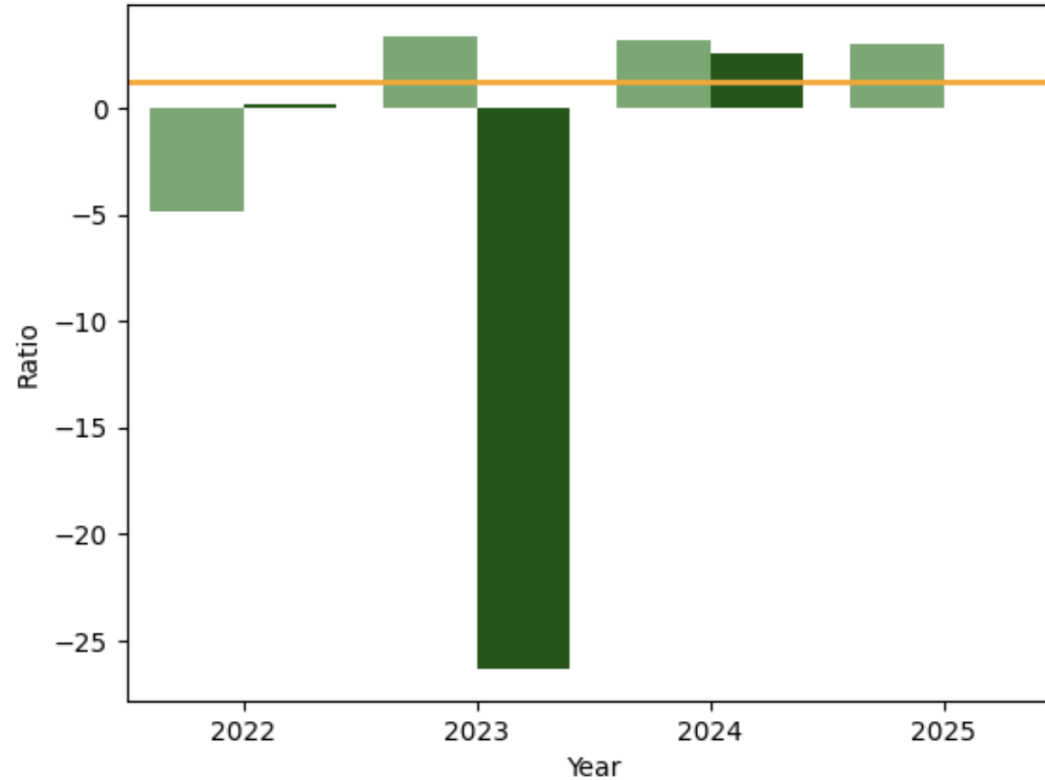
# Financial Health: Solvency

## Brattleboro Memorial Hospital

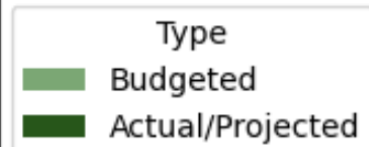
BMH Long Term Debt to Capitalization



BMH Debt Service Coverage Ratio



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



# Summary of Financial Health

## *Brattleboro Memorial Hospital*



- Margins are slowly improving, would like to see continued growth
- DCOH has decreased to around 100, would not want to see this continue to drop
- Days in Patient Account Receivable has poor performance, this is an area to work on and improve
- Current Ratio is solid and they have unrestricted funded depreciation
- Funded depreciation is good due to their high Age of Plant
- Long Term Debt to Capitalization is stable and relatively low
- Would like to see the Debt Service Coverage Ratio stabilize above the standard minimum ratio for lenders (1.25)

# Commercial Price (RAND 5.0)

*Brattleboro Memorial Hospital*



Core Service Line	Relative Price	Relative Price Decile	Standardized Price	Standardized Price Decile
Outpatient	344%	9	\$456.48	8
Inpatient	181%	2	\$19,264	3
Inpatient & Outpatient	287%	8		
Professional (Inpatient & Outpatient)	190%	4		
Inpatient Facility	189%	7	\$17,761	3
Outpatient Facility	416%	9	\$366.29	6

# Reasonable Assumptions: Public Payer Prices

*Brattleboro Memorial Hospital*



- What did they assume for Medicare/Medicaid price/reimbursement increase?
  - From the narrative: "We adhered to the Medicare IPPS rate of 2.26% for traditional Medicare . . ."
  - From the narrative: ". . . receiving notice from Medicaid on June 5, 2024 that it will not be offering a rate increase this year."
  - From the workbook: 0% for Medicaid, 2.3% for Medicare (rounded)

# Reasonable Assumptions: Volume

## Brattleboro Memorial Hospital



	FY24P Payer Mix
Medicaid	6.1%
Medicare - Traditional	30.3%
Medicare - Advantage	
Commercial	63.6%
Uncategorized	0%
Total	100%

Source: Adaptive Payer Revenue Trends

	Changes to Volume <i>*not payer mix</i>
Medicaid	4.5%
Medicare - Traditional	4.5%
Medicare - Advantage	4.5%
Commercial	4.5%
FPP	-21.5%
<b>Attributable NPR Increase</b>	<b>3.3%</b>

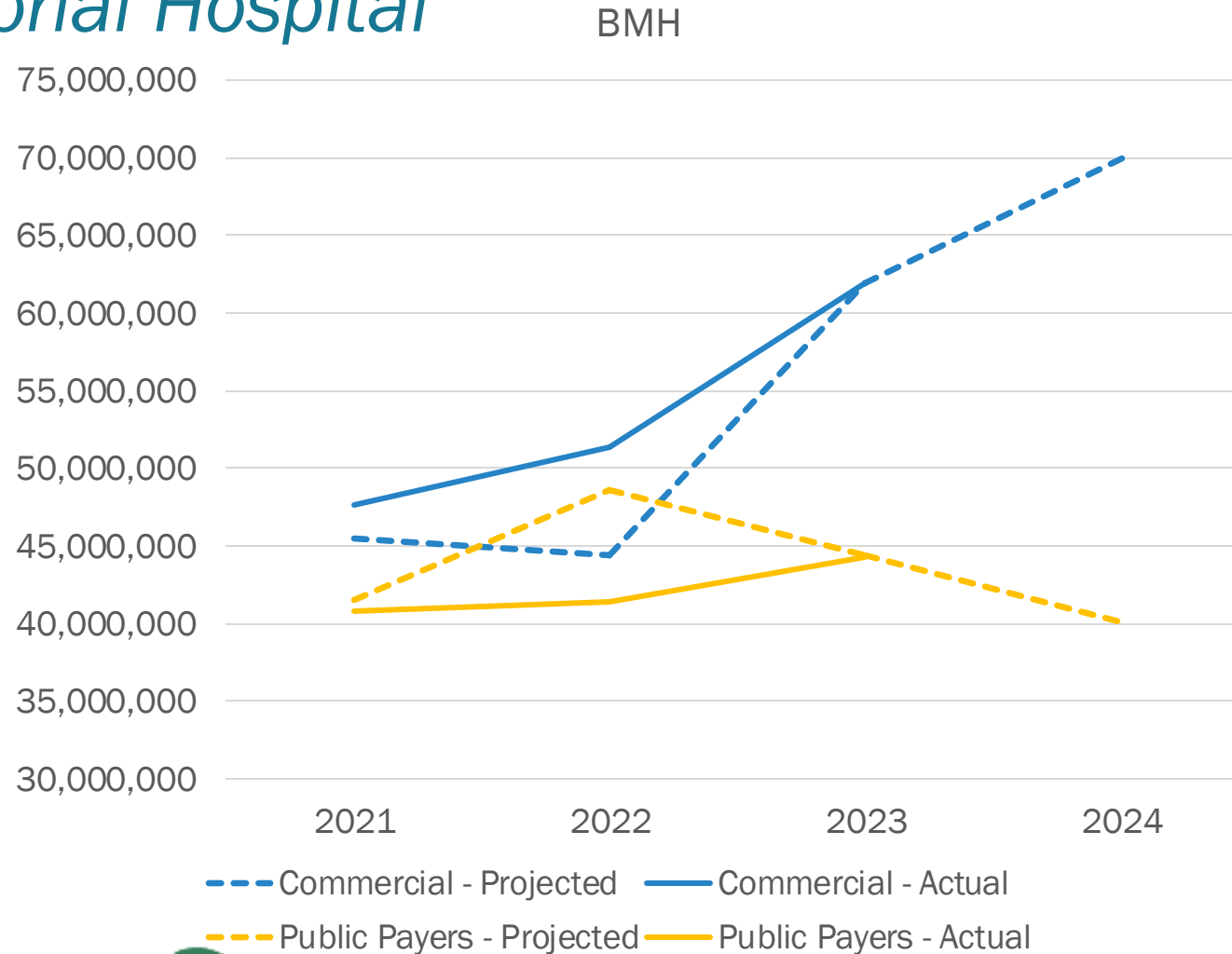
Source: GMCB Healthcare Finance Team Rate Decomposition Data

**BMH requested an NPR increase of 2.5%. According to their workbook, 3.3% of this will come from increased volume.**



# Reasonable Assumptions: Projected vs. Actual NPR

## Brattleboro Memorial Hospital

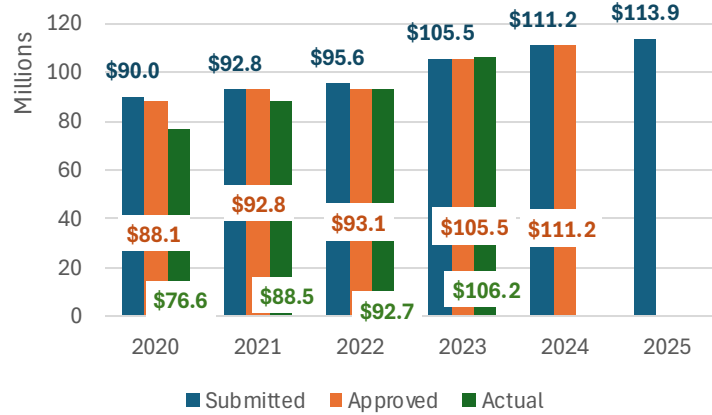


# Reasonable Assumptions: Budget History

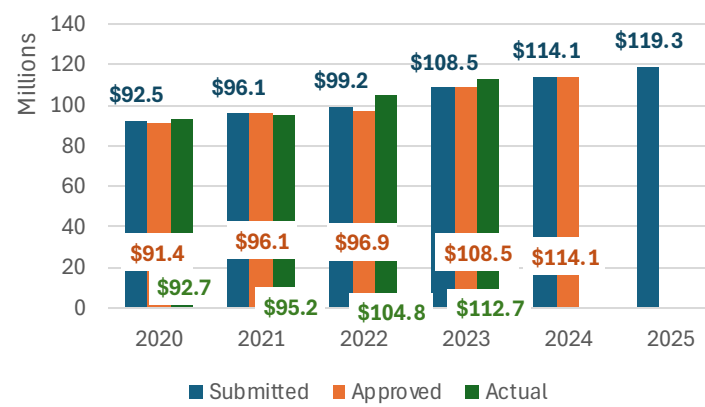
## Brattleboro Memorial Hospital



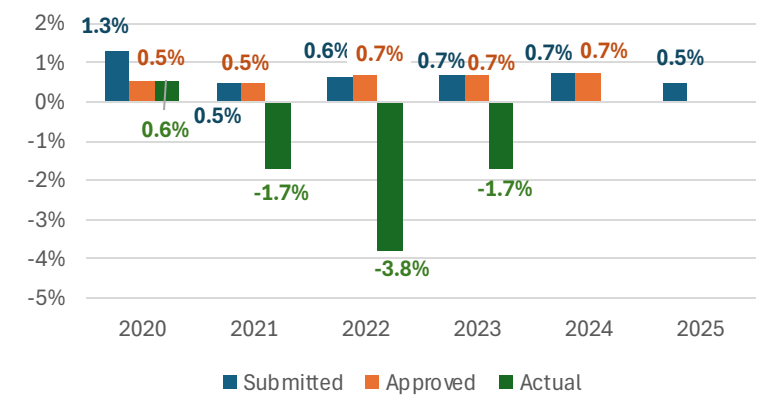
Brattleboro Memorial Hospital NPR & FPP (\$M)



Brattleboro Memorial Hospital Operating Expense (\$M)



Brattleboro Memorial Hospital Operating Margin %



# Efficiency: Summary

## *Brattleboro Memorial Hospital*



- Clinical Productivity- reported above and below 25<sup>th</sup> percentile; approximately 1/3<sup>rd</sup> of FTEs are below the 25<sup>th</sup> percentile.
- Cost- Lower than VT comparator groups for the average inpatient cost per Medicare discharge from 2019-2022. Above peer group cost from 2018-2022. Hospital-only cost per patient is 155% higher than peer group.
- Revenue- NPR per discharge is higher than VT median; compound annual growth rate is 9.2% from 2018-22 compared to national comparator median of 6%.
- Admin to clinical salary ratio- varied year over year, and at different times has been higher and lower than the ratios of the comparison groups. 19.6% in 2022 (lower than comparators)
- Direct Patient Care FTEs- higher than all comparator groups
- Inpatient Occupancy- below comparator groups

### Hospital justifications:

Need higher commercial rates because public payer rates have been stagnant

# Suggested Motion Language

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

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

1. With FY25 NPR approved at a growth rate of not more than 2.5% 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 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

## Northeastern Vermont Regional Hospital



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

NPR Request %	NPR Request \$	% of System > Guidance
3.9%	125 M	0%

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

Comm Rate Request %	Comm Rate Request \$	% of System > Guidance
4.5%	2.5 M	1%

### Section I - Operating Margin > 0%

Op Margin %	Op Margin \$	% of System
0.7%	912 K	1%

# Summary of Hospital Justifications

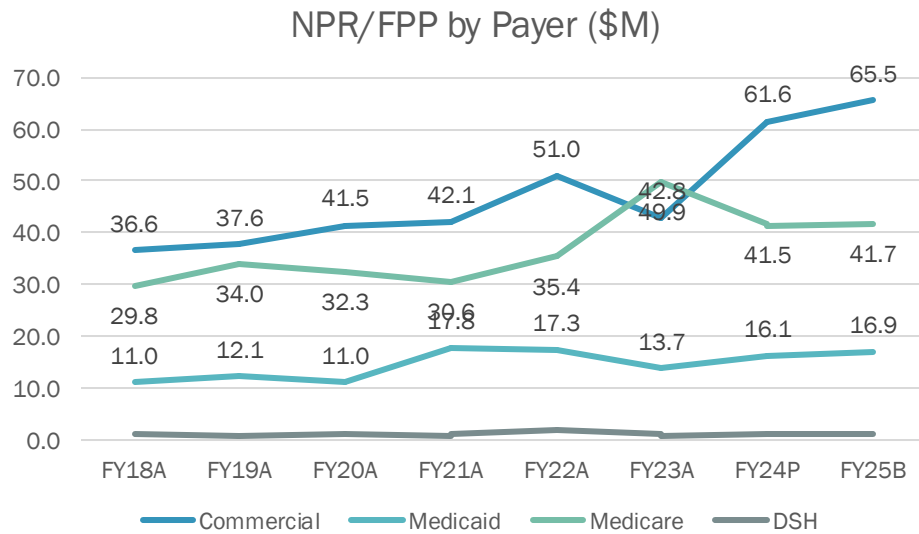
## *Northeastern Vermont Regional Hospital*



- They need to invest in their facilities: NVRH asserts that they need to invest **\$29** in their facilities. They've divided the investment between FY24 and FY25. (Narrative, page 9)
- They need to increase access to pain management: They've hired more staff to expand access to their pain-management clinic, which has increased projected volumes and NPR. Without the changes pain management clinic, their NPR would only be 3.28%. (Narrative, page 4).
- They've made considerable efforts to control expenses: NVRH argues that they have taken robust efforts to combat expense growth. They detail these efforts on page 5 of their narrative.

# Revenue Trends: NPR Growth by Payer

## Northeastern Vermont Regional Hospital



		FY18 Δ	FY19 Δ	FY20 Δ	FY21 Δ	FY22 Δ	FY23 Δ
<b>Commercial</b>	Budget	36.79	36.87	38.69	39.52	45.22	47.59
	Actual	36.57	37.64	41.46	42.11	51.05	42.84
	<i>Budget-to-PY Budget Growth</i>	-	0.2%	4.9%	2.1%	14.4%	5.2%
	<i>Actual-to-PY Actual Growth</i>	-	2.9%	10.1%	1.6%	21.2%	-16.1%
<b>Medicaid</b>	Budget	10.41	11.99	12.03	14.62	15.89	16.57
	Actual	11.00	12.12	11.02	17.82	17.27	13.68
	<i>Budget-to-PY Budget Growth</i>	-	15.2%	0.3%	21.5%	8.7%	4.3%
	<i>Actual-to-PY Actual Growth</i>	-	10.2%	-9.1%	61.8%	-3.1%	-20.8%
<b>Medicare</b>	Budget	28.81	31.76	35.55	35.47	35.34	44.97
	Actual	29.80	33.96	32.33	30.56	35.38	49.87
	<i>Budget-to-PY Budget Growth</i>	-	10.2%	11.9%	-0.2%	-0.4%	27.3%
	<i>Actual-to-PY Actual Growth</i>	-	14.0%	-4.8%	-5.5%	15.8%	41.0%
<b>DSH</b>	Budget	1.08	0.95	0.99	0.92	0.93	0.93
	Actual	1.08	0.96	0.97	0.92	1.96	0.96
	<i>Budget-to-PY Budget Growth</i>	-	-11.4%	3.6%	-6.9%	0.7%	0.0%
	<i>Actual-to-PY Actual Growth</i>	-	-10.8%	1.4%	-5.4%	113.6%	-51.3%
<b>Total</b>	Budget	77.08	81.57	87.25	90.53	97.37	110.06
	Actual	78.45	84.68	85.78	91.41	105.67	107.35
	<i>Budget-to-PY Budget Growth</i>	-	5.8%	7.0%	3.7%	7.6%	13.0%
	<i>Actual-to-PY Actual Growth</i>	-	8.0%	1.3%	6.6%	15.6%	1.6%
			4.0%	3.0%	5.5%	6.5%	4.2%

# Revenue Trends: Actual vs. Budgeted NPR

## Northeastern Vermont Regional Hospital



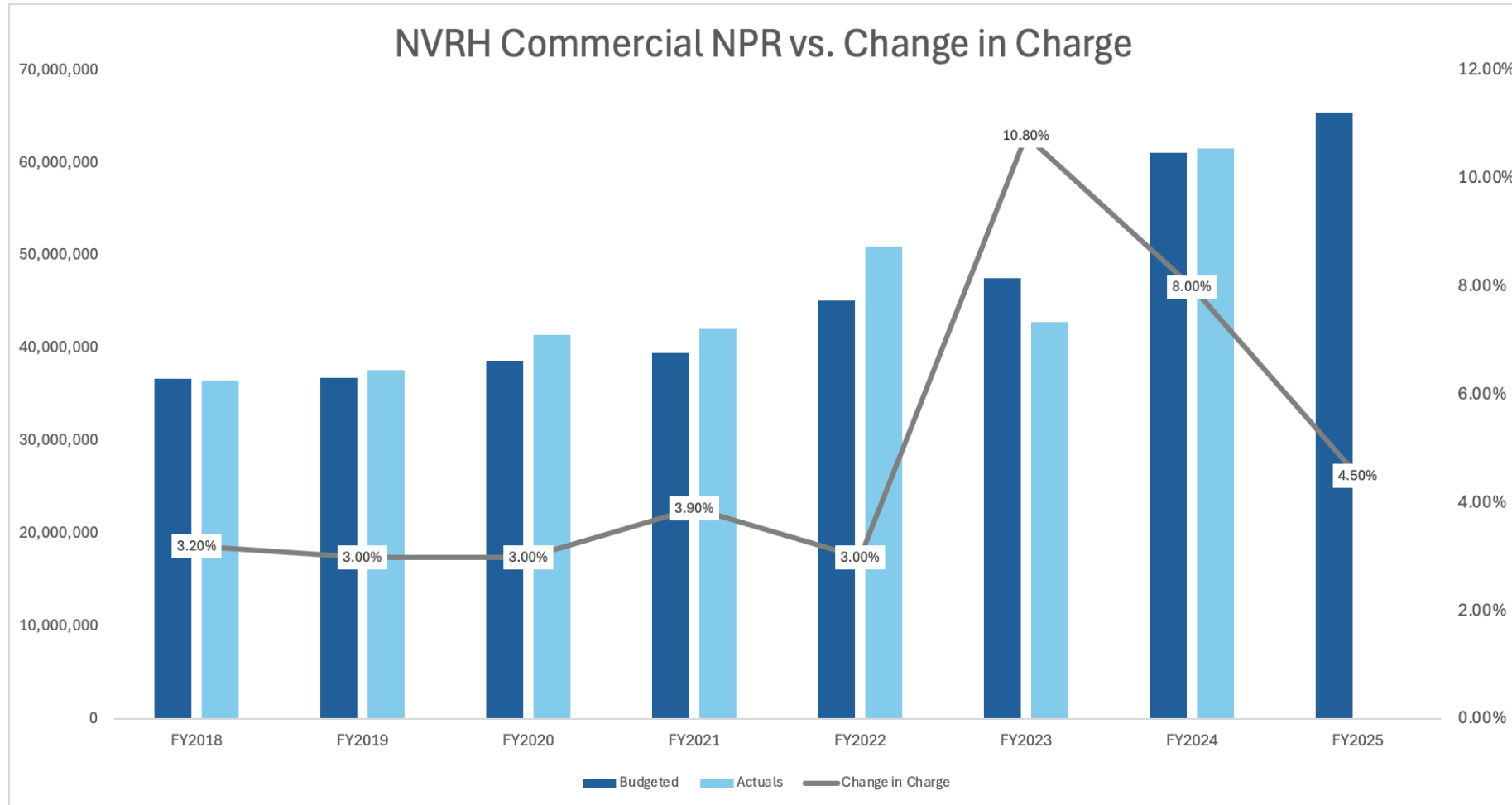
	FY18 Δ		FY19 Δ		FY20 Δ		FY21 Δ		FY22 Δ		FY23 Δ	
<b>Commercial</b>	(0.22)	-0.6%	0.77	2.1%	2.78	7.2%	2.59	6.6%	5.83	12.9%	(4.75)	-10.0%
<b>Medicaid</b>	0.59	5.7%	0.13	1.1%	(1.01)	-8.4%	3.20	21.9%	1.39	8.7%	(2.89)	-17.4%
<b>Medicare</b>	0.99	3.4%	2.21	7.0%	(3.23)	-9.1%	(4.91)	-13.8%	0.04	0.1%	4.90	10.9%
<b>DSH</b>	-	0.0%	0.01	0.6%	(0.02)	-1.5%	0.00	0.0%	1.04	112.1%	0.03	3.3%
	1.37	1.77%	3.12	3.82%	(1.48)	-1.69%	0.88	0.98%	8.30	8.52%	(2.71)	-2.46%

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



# Commercial Revenue Trends

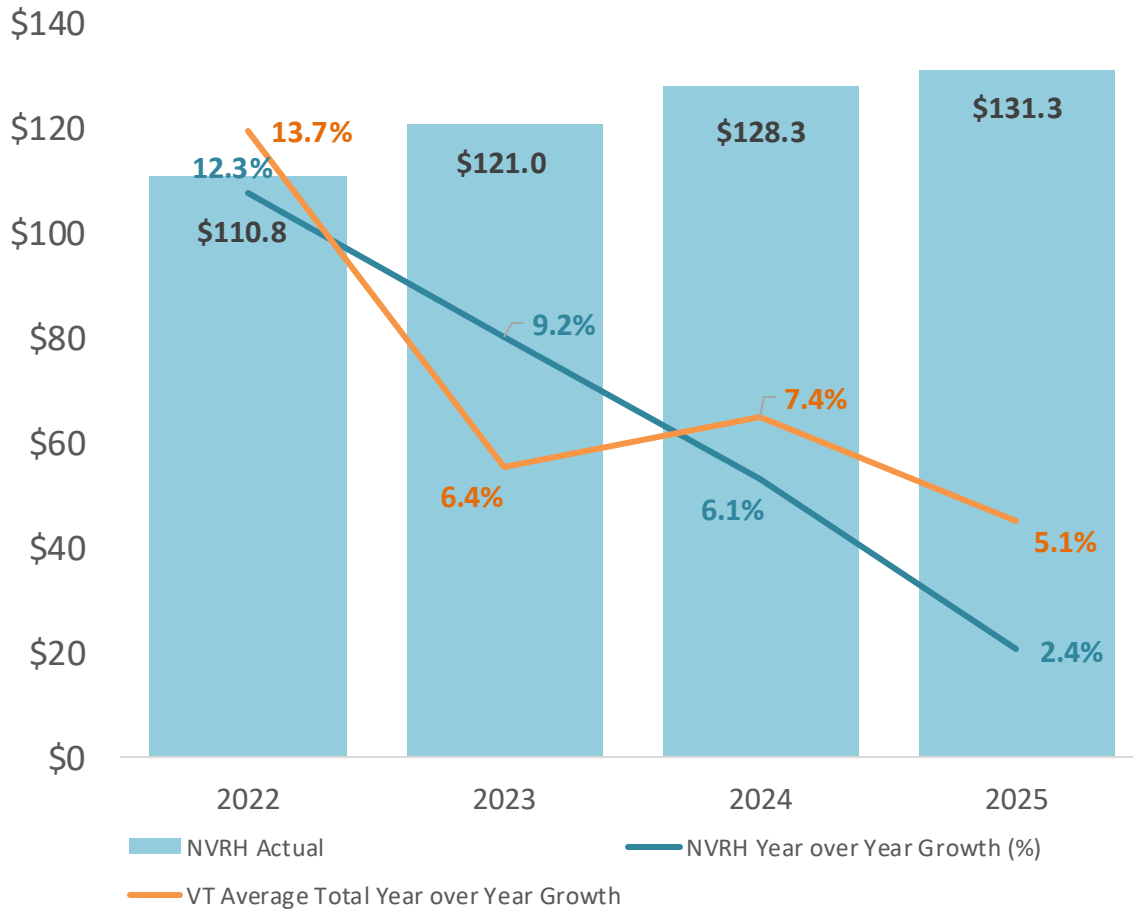
## Northeastern Vermont Regional Hospital



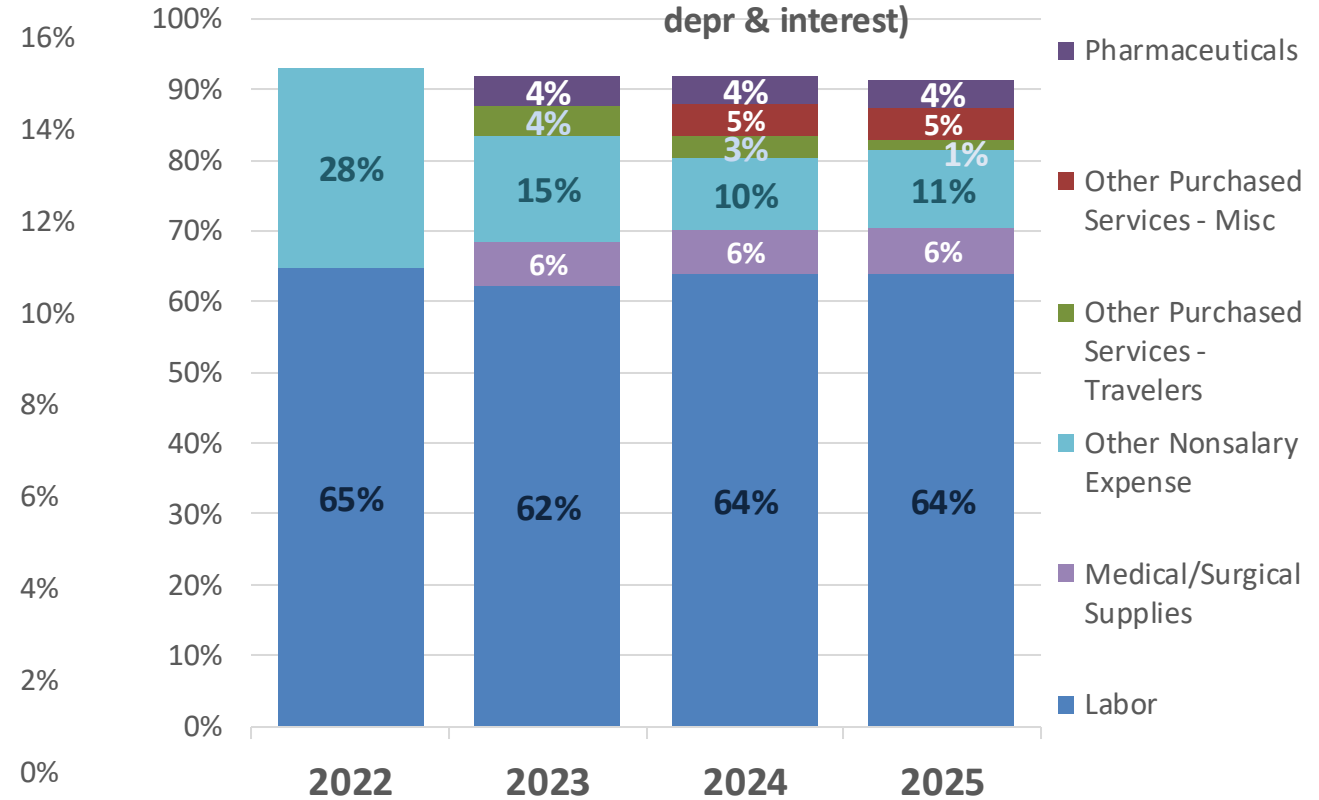
# Expense Trends

## Northeast Vermont Regional Hospital

NVRH Operating Expense (\$M)



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



	2022	2023	2024	2025
NVRH - Labor YoY Growth	8.5%	4.6%	8.8%	3.5%
NVRH - Labor (Actual - Budget)	\$5,295,504	\$1,276,027	\$1,607,229	
NVRH - Labor (Actual - Budget)/Budget	8.3%	1.8%	2.1%	

# Expense Trends: Labor

## Northeastern Vermont Regional Hospital



### Total FTEs employees

Employee	FY2024	FY2025	Distribution of Clinical/Non Clinical	
			Additional FTE	Budgeted Split
Clinical FTEs	366	388	53%	69%
Non Clinical FTEs	156	175	47%	31%
<b>Total</b>	<b>522</b>	<b>563</b>		

### Labor Expense in the narrative:

- The FY25 budget assumes there will be fewer open positions for nurses, other clinical staff, and non-clinical personnel as a result of efforts to recruit, retain and grow workforce
- A corresponding assumption is a decrease in travelers and locum tenens to cover critical vacant positions

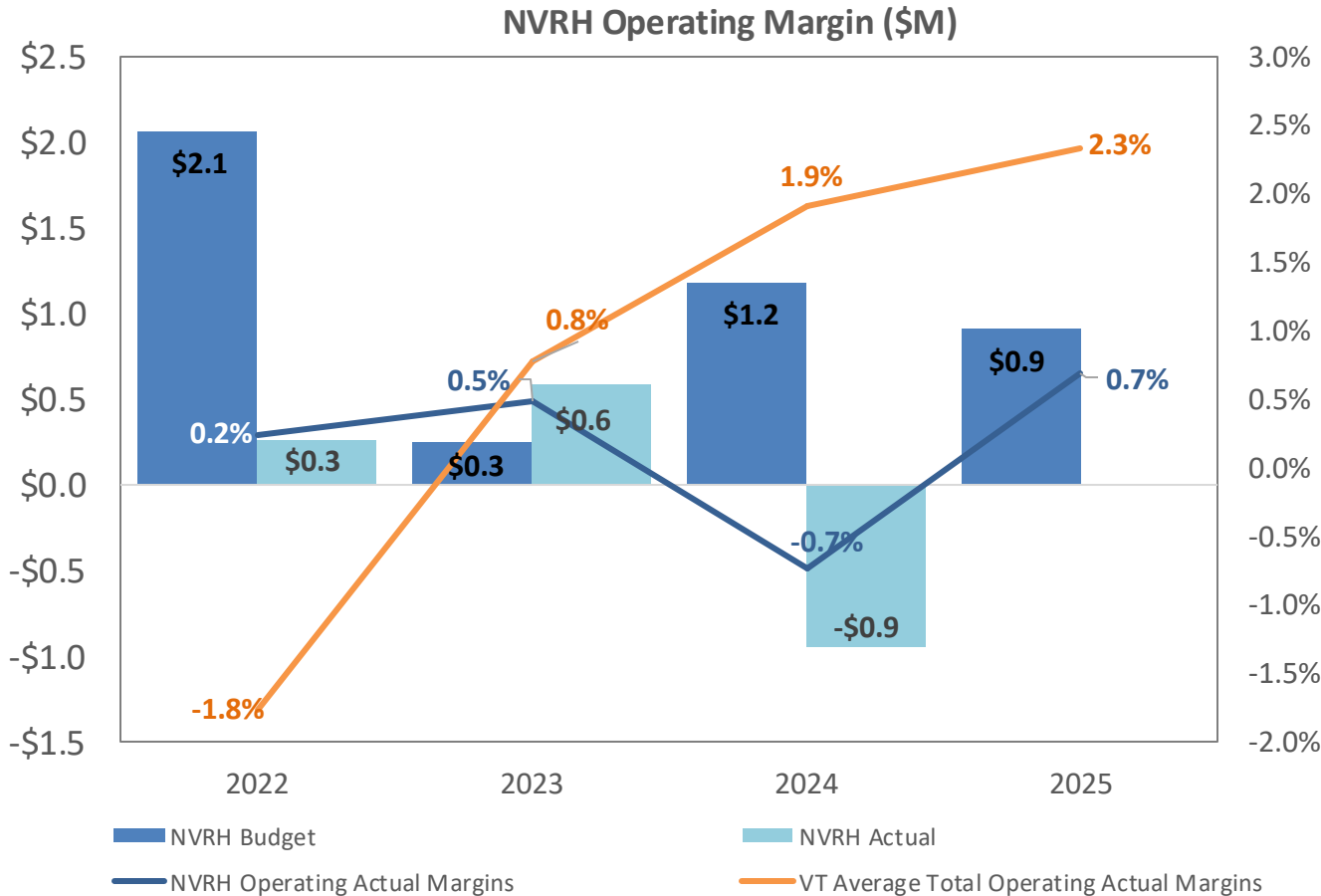
### Top Changes in staffing by Department

Combined Department	FY2024	FY2025	Change
Emergency Room Clinical FTEs	41	50	9
General Services (Uncategorized) Non Clinical FTEs	0	7	7
Administration Non Clinical FTEs	60	66	7
Laboratory Clinical FTEs	22	26	4
Other Ancillary Services Non Clinical FTEs	5	9	4
Physician Office Practice Services (Uncategorized) Clinical FTEs	132	135	3
Surgical Day Care Clinical FTEs	12	15	3
Nursing Administration Clinical FTEs	9	7	-2
Radiology - Diagnostic Clinical FTEs	20	21	1
Social Service Non Clinical FTEs	5	6	1
Medical/Surgical Clinical FTEs	34	33	-1
Nutrient Consulting Clinical FTEs	1	2	1
Inhalation Therapy Clinical FTEs	6	7	1
Dietary Non Clinical FTEs	14	13	-1
EKG Clinical FTEs	1	1	1
Operating Room Clinical FTEs	12	13	1
Central Services & Supplies Non Clinical FTEs	7	8	1
Cardiac Rehab Clinical FTEs	3	2	-1
Nursing Education Clinical FTEs	4	4	1
Housekeeping Non Clinical FTEs	21	22	0

Top Changes in staffing account for 93.7% of FTE employee changes

# Operating Margin Growth

## Northeastern Vermont Regional Hospital



	2022	2023	2024
<b>NVRH Operating Revenue</b>	\$111,054,474	\$121,542,362	\$127,353,530
<b>NVRH Operating Expense:</b>	\$110,795,992	\$120,953,743	\$128,298,007
<b>NVRH Margin:</b>	\$258,482	\$588,619	-\$944,477
<b>NVRH Operating Revenue:</b>			
<b>(Actual - Budget)</b>	\$9,220,586	\$7,119,362	\$1,319,852
<b>NVRH Operating Revenue:</b>			
<b>% Difference in Actual vs. Budget</b>	9.1%	6.2%	1.0%
<b>NVRH Operating Expense:</b>			
<b>(Actual - Budget)</b>	\$11,027,142	\$6,780,743	\$3,450,373
<b>NVRH Operating Expense: %</b>			
<b>Difference in Actual vs. Budget</b>	11.1%	5.9%	2.8%
<b>VT Operating Revenue:</b>			
<b>% Difference in</b>			
<b>Actual vs. Budget</b>	5.7%	3.1%	3.0%
<b>VT Operating Expenses:</b>			
<b>% Difference in</b>			
<b>Actual vs. Budget</b>	10.4%	4.3%	3.3%

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

# Financial Health: Profitability

## Northeastern Vermont Regional Hospital



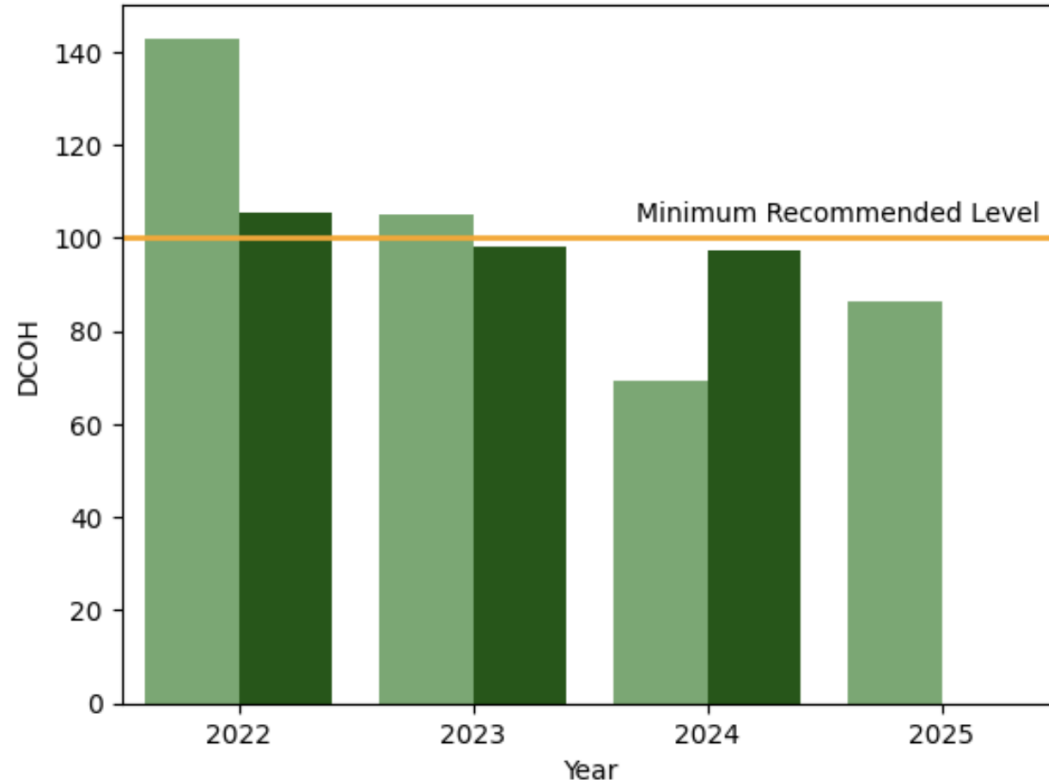
	FY22 Budget	FY22 Actuals	FY23 Budget	FY23 Actuals	FY24 Budget	FY24 Projected	FY25 Budget
Operating Margin	2.0%	0.2%	0.2%	0.5%	0.9%	-0.7%	0.7%
Total Margin	2.0%	-3.2%	0.4%	1.4%	1.0%	1.5%	0.6%
EBIDA	6.0%	3.9%	4.0%	4.5%	5.2%	3.4%	3.9%

# Financial Health: Profitability

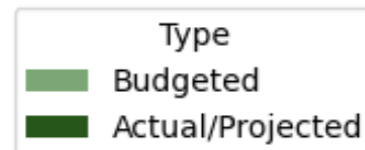
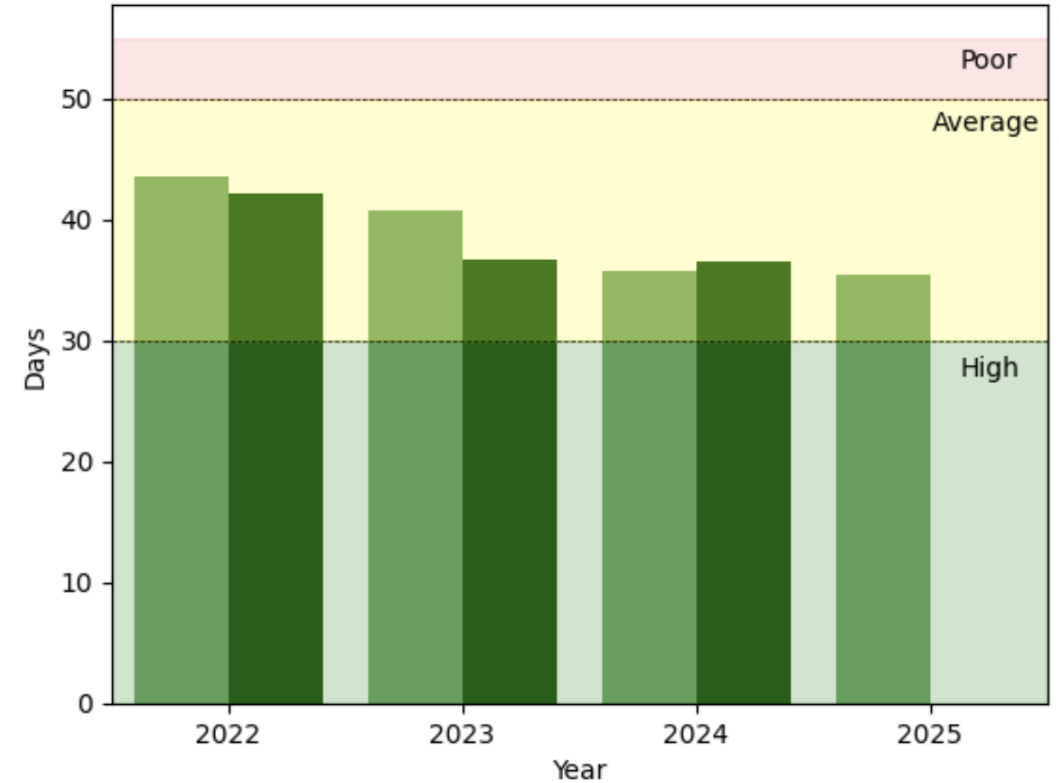
## Northeastern Vermont Regional Hospital



NVRH Days Cash on Hand

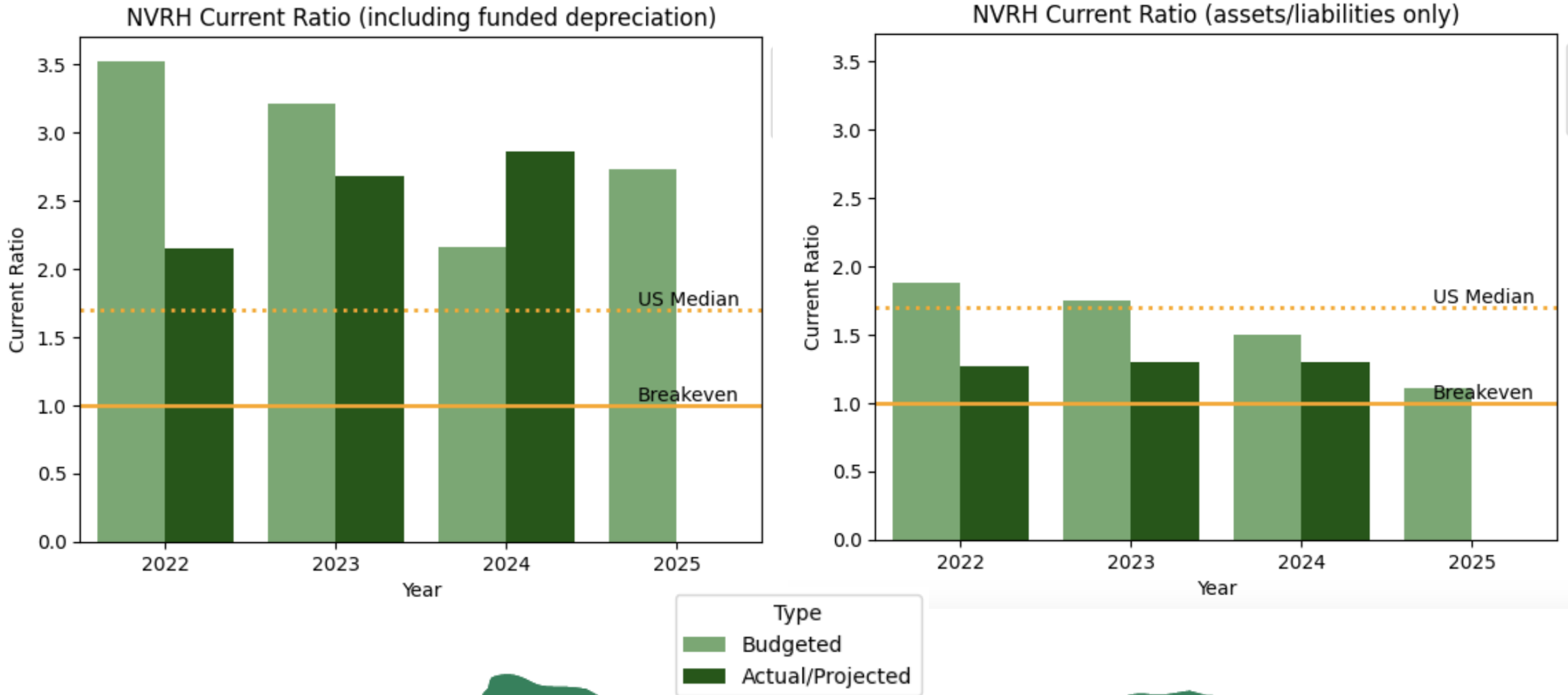


NVRH Days in Patient Account Receivable



# Financial Health: Profitability

## Northeastern Vermont Regional Hospital

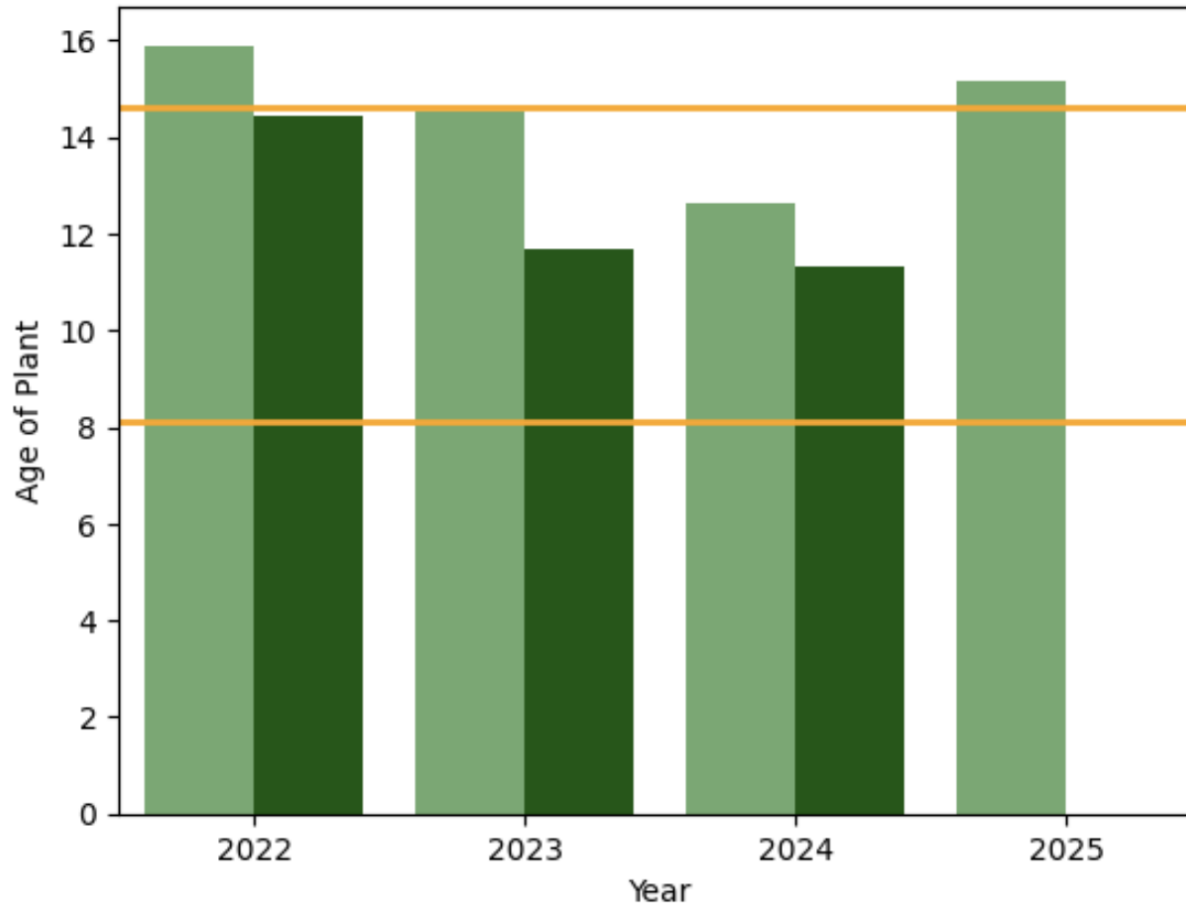


# Financial Health: Capital Spending

## Northeastern Vermont Regional Hospital

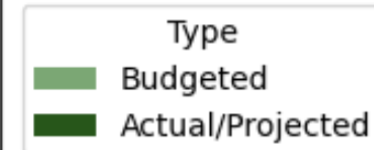


NVRH Age of Plant



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).

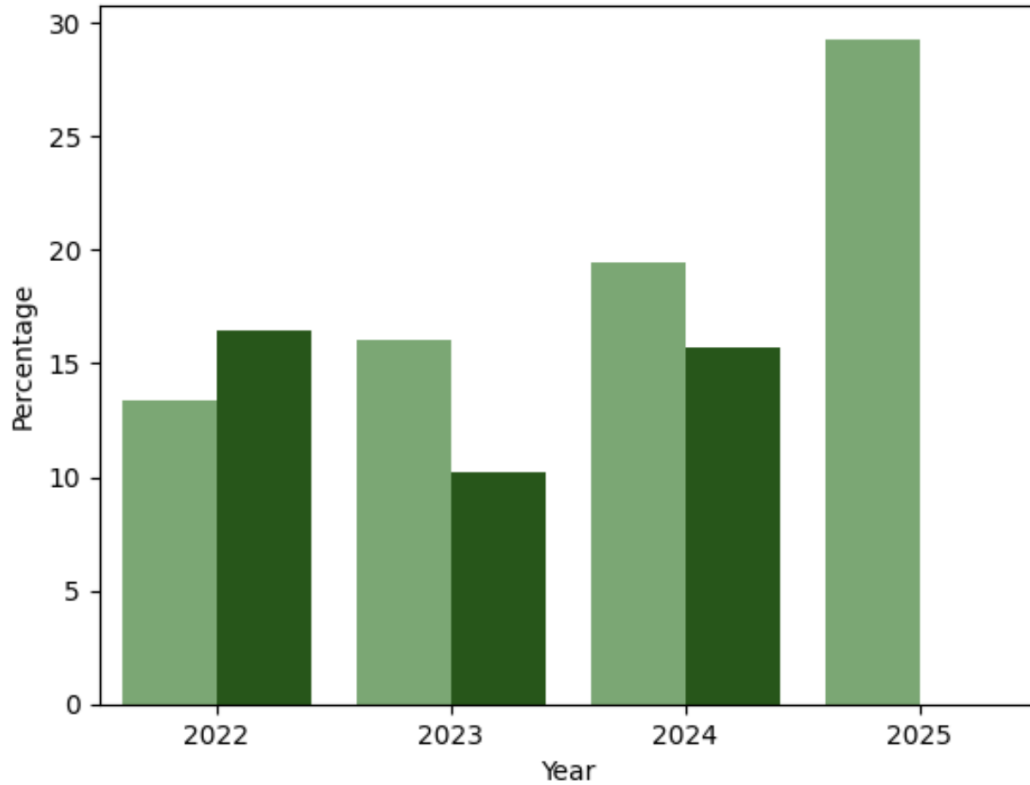




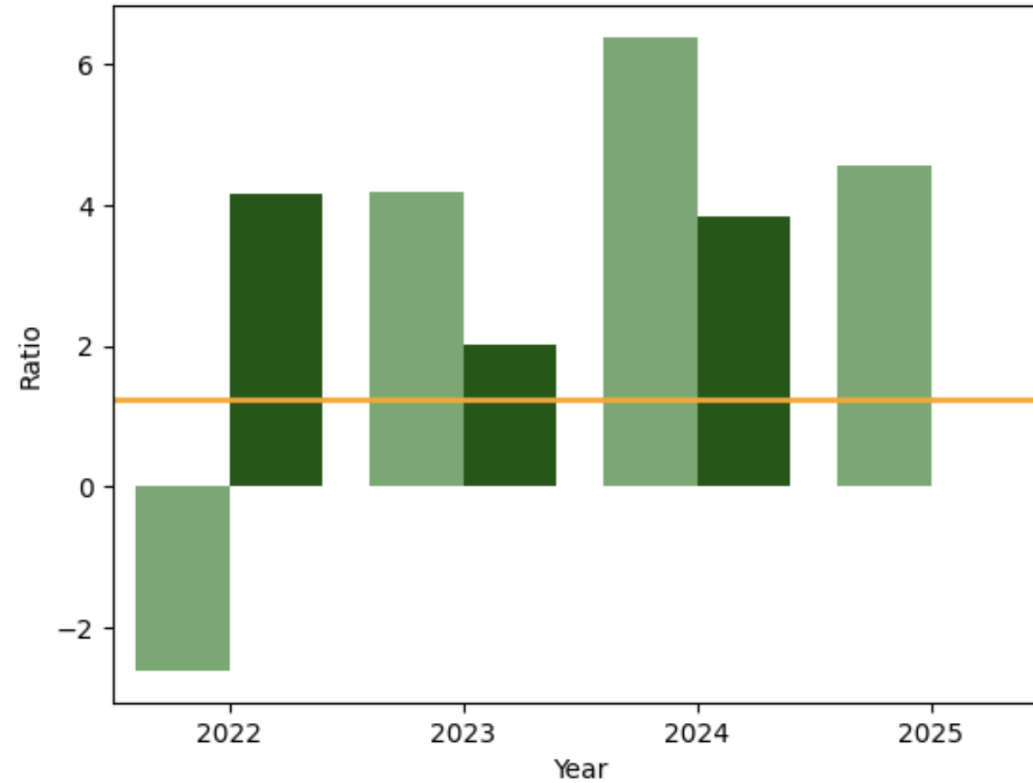
# Financial Health: Solvency

## Northeastern Vermont Regional Hospital

NVRH Long Term Debt to Capitalization



NVRH Debt Service Coverage Ratio



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

Type  
Budgeted  
Actual/Projected

# Summary of Financial Health

## *Northeastern Vermont Regional Hospital*



- Margins seem stable overall, would like to see continued improvement
- DCOH has dropped below 100
- Days in Patient Account Receivable has average performance and is trending towards high performing
- Current Ratio is solid and they have unrestricted funded depreciation
- Age of Plant is between 25th and 75th percentile
- Slight uptick in Long Term Debt to Capitalization for FY25 budget
- Debt Service Coverage Ratio is consistently above standard minimum ratio for lenders

# Commercial Price (RAND 5.0)

## Northeastern Vermont Regional Hospital



Core Service Line	Relative Price	Relative Price Decile	Standardized Price	Standardized Price Decile
Outpatient	207%	2	\$522.44	8
Inpatient	128%	1	\$25,134	7
Inpatient & Outpatient	187%	2		
Professional (Inpatient & Outpatient)	196%	6		
Inpatient Facility	129%	2	\$23,734	7
Outpatient Facility	207%	3	\$430.36	7

# Reasonable Assumptions: Public Payer Prices

## *Northeastern Vermont Regional Hospital*



- What did they assume for Medicare/Medicaid price/reimbursement increase?
  - From the narrative: "As a CAH, NVRH receives cost-based reimbursement for inpatient and outpatient services. Rates will increase based on cost increases for those services."
  - From the narrative: "The budget assumes zero Medicaid rate increases for all services."
  - From the workbook: 0% for Medicaid, 0.7% for Medicare.

# Reasonable Assumptions: Volume

## Northeastern Vermont Regional Hospital



	FY24P Payer Mix
Medicaid	13.4%
Medicare - Traditional	34.5%
Medicare - Advantage	
Commercial	51.2%
Uncategorized	0.8%
Total	100%

Source: Adaptive Payer Revenue Trends

	Changes to Volume <i>*not payer mix</i>
Medicaid	2.5%
Medicare - Traditional	2.5%
Medicare - Advantage	2.5%
Commercial	2.4%
FPP	0%
<b>Attributable NPR Increase</b>	<b>2.3%</b>

Source: GMCB Healthcare Finance Team Rate Decomposition Data

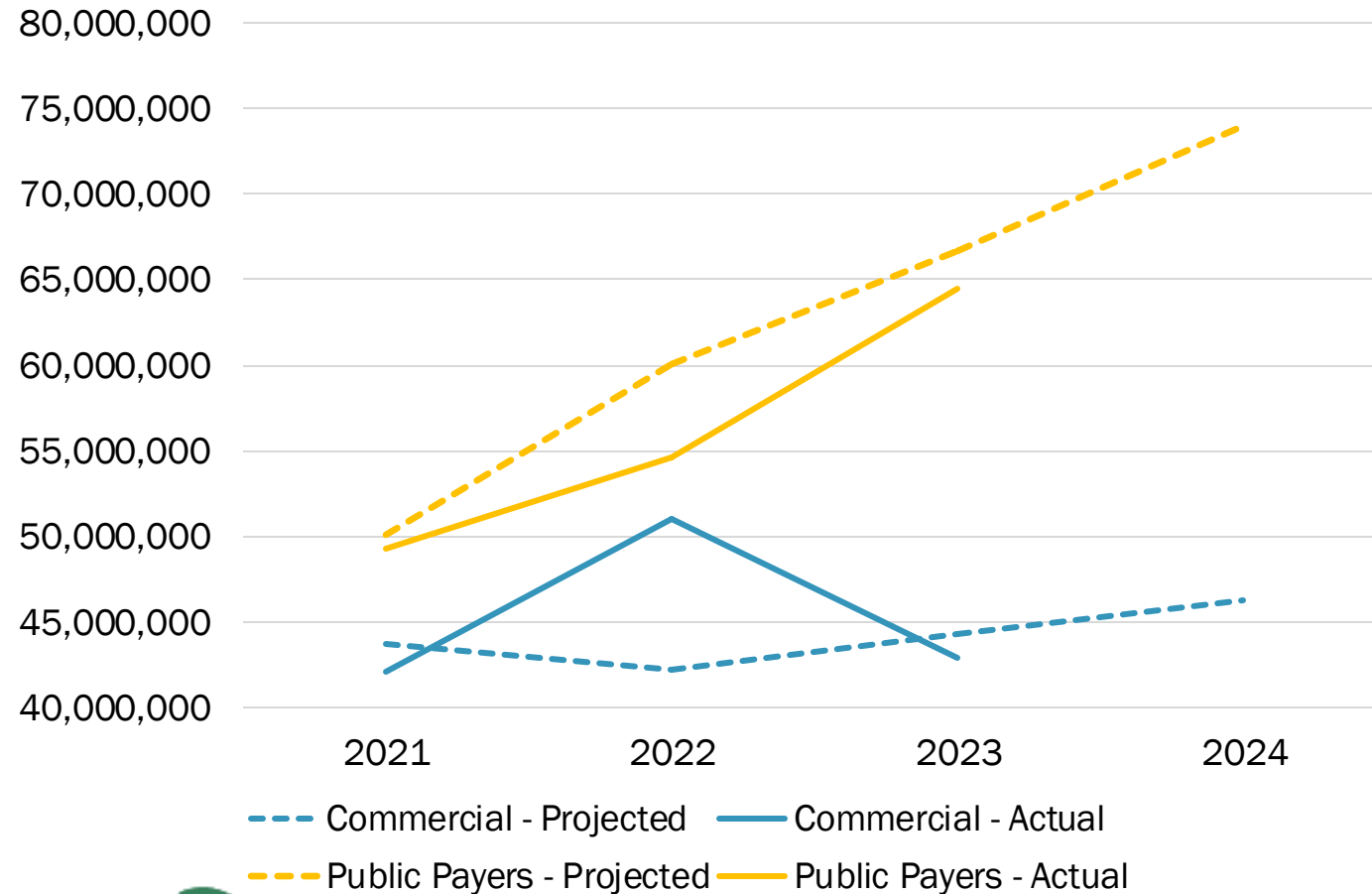
**NVRH requested an NPR increase of 3.9%. According to their workbook, 2.3% of this will come from increased volume.**

# Reasonable Assumptions: Projected vs. Actual NPR

## Northeastern Vermont Regional Hospital



Northeastern

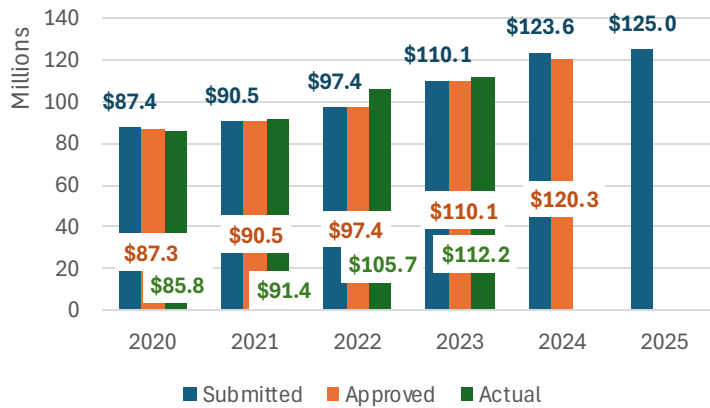


# Reasonable Assumptions: Budget History

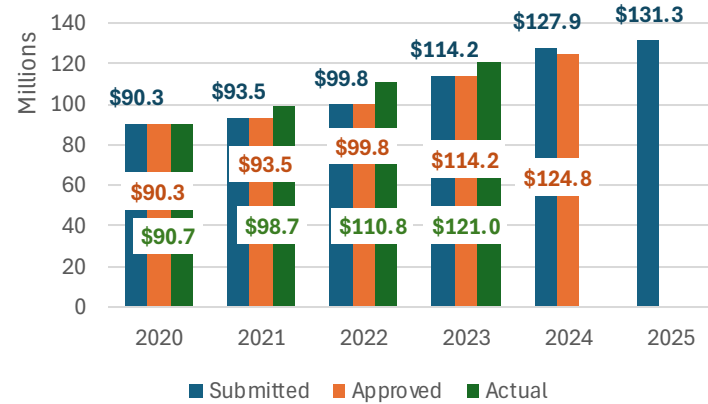
## Northeastern Vermont Regional Hospital



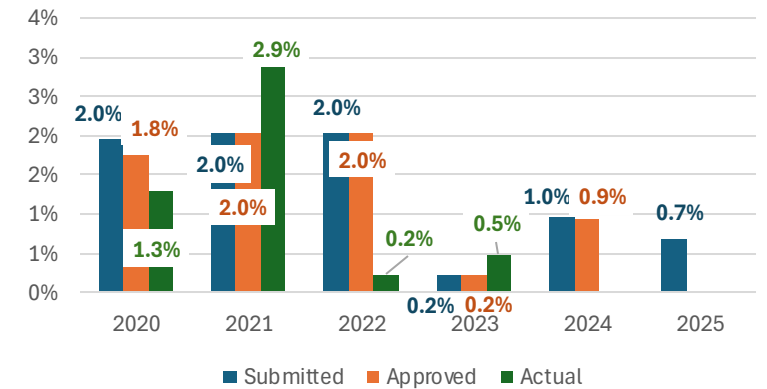
Northeastern VT Regional Hospital NPR & FPP (\$M)



Northeastern VT Regional Hospital Operating Expense (\$M)



Northeastern VT Regional Hospital Operating Margin %



# Efficiency: Summary

## *Northeastern Vermont Regional Hospital*



- Clinical Productivity- 32.6% Clinical FTEs below the 25th percentile. 82.6% Clinical FTEs below the 50th percentile. (Pain management clinic at the 39<sup>th</sup> percentile.)
- Cost- Higher than VT comparator groups for the average inpatient cost per Medicare discharge from 2018-2021, but in 2022 it's comparable. Costs are consistently lower than peer group.
- Revenue- Compound annual growth rate of NPR per adjusted discharge from 2018-2022 is 6.65%, compared to the CAH State Total of 4.35% and the CAH National Median of 5.66%.
- Admin to clinical salary ratio- notably lower than other VT CAHs and VT Median
- Inpatient occupancy- Higher rates than comparators

### Hospital justifications:

Need to invest in their facilities.

Need to increase access to pain management services

Have made considerable efforts to control expenses



# Enforcement

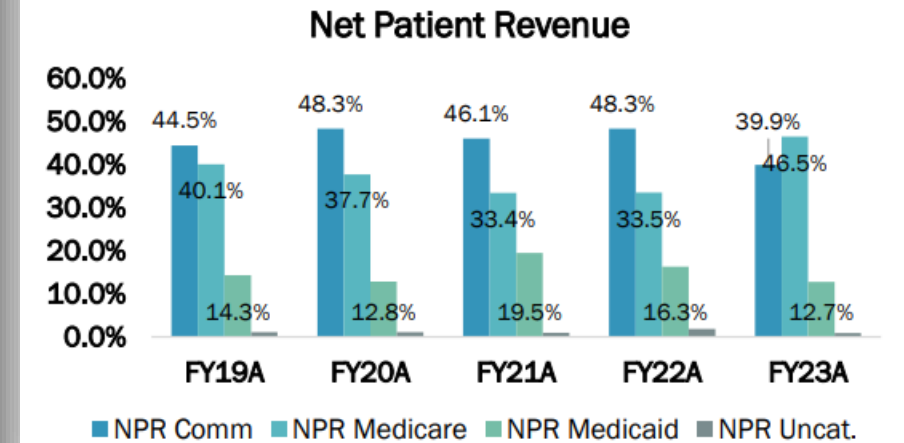
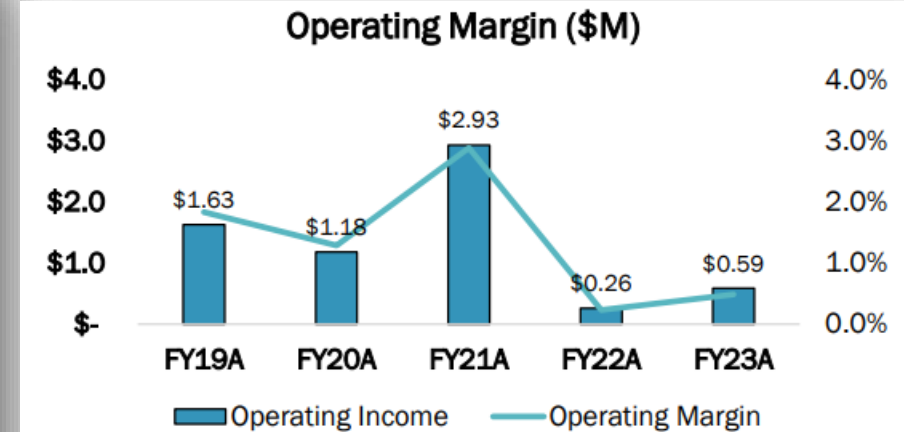
## Northeastern Vermont Regional Hospital



Northeastern Vermont Regional Hospital	FY2022 Actuals	FY2023 Budget	FY2023 Actuals	Budget to Actuals	Actuals to Actuals
Gross Patient Care Revenue	215,423,563	238,142,300	249,483,156	4.8%	15.8%
Net Revenue Deductions	(119,284,377)	(136,864,827)	(148,068,450)	8.2%	24.1%
Net Patient Revenue (NPR)	96,139,186	101,277,473	101,414,706	0.1%	5.5%
Fixed Prosp. Payments (FPP)	9,529,370	8,780,527	10,749,243	22.4%	12.8%
NPR + FPP	105,668,556	110,058,000	112,163,949	1.9%	6.1%
Other Operating Revenue	5,385,918	4,365,000	9,378,436	114.9%	74.1%
<b>Total Operating Revenue</b>	<b>111,054,474</b>	<b>114,423,000</b>	<b>121,542,385</b>	<b>6.2%</b>	<b>9.4%</b>

Northeastern Vermont Regional Hospital	FY2022 Actuals	FY2023 Budget	FY2023 Actuals	Budget to Actuals	Actuals to Actuals
Fees, Salaries & Benefits	69,095,104	71,026,300	72,302,327	1.8%	4.6%
Other Operating Expense	31,971,287	32,821,600	37,431,942	14.0%	17.1%
Health Care Provider Tax	5,615,220	6,054,000	6,377,973	5.4%	13.6%
Depreciation Amortization	3,890,401	4,084,400	4,426,207	8.4%	13.8%
Interest	223,980	186,700	415,294	122.4%	85.4%
<b>Total Operating Expense</b>	<b>110,795,992</b>	<b>114,173,000</b>	<b>120,953,743</b>	<b>5.9%</b>	<b>9.2%</b>

Operating Income	258,482	250,000	588,642		
Operating Margin	0.23%	0.22%	0.48%		
Non-Operating Revenue	(3,737,355)	250,000	1,111,305		
Total Income	(3,478,873)	500,000	1,699,947		
Total Margin	-3.24%	0.44%	1.39%		



# Enforcement

## *Northeastern Vermont Regional Hospital*



**Recommendation:** No Enforcement (0% of NPR over budget).

### Rationale

- Financial health could not reasonably sustain a downward adjustment to commercial rate.

# Suggested Motion Language

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

Move to approve NVRH'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 3.9%) 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 4.5%), 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

## Springfield Hospital



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

NPR Request %	NPR Request \$	% of System > Guidance
13.0%	69 M	4%

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

Comm Rate Request %	Comm Rate Request \$	% of System > Guidance
2.2%	583 K	-1%

### Section I - Operating Margin > 0%

Op Margin %	Op Margin \$	% of System
1.4%	1.0 M	1%

# Summary of Hospital Justifications

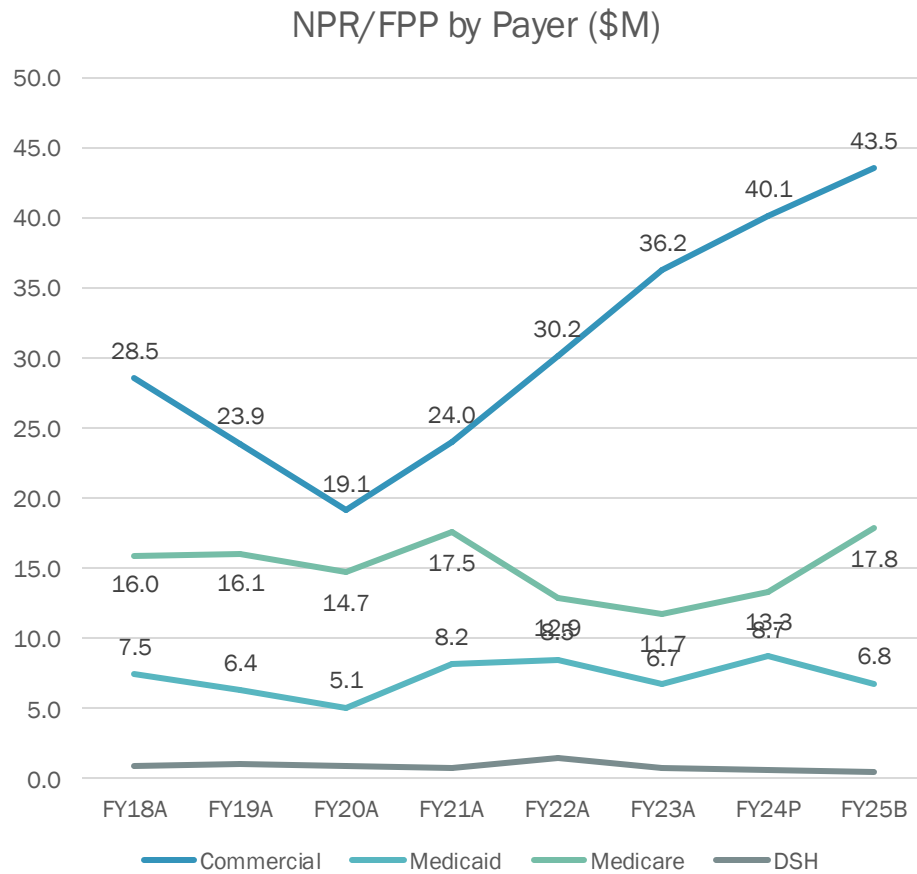
## *Springfield Hospital*



- They need to recapture patients and increase access to certain services: In their narrative, they argue that only 2.4% of the NPR increase is due to price – the rest would be due to utilization. They argue that they need to recapture patients that are leaving their service area and to expand access to primary and specialty care.

# Revenue Trends: NPR Growth by Payer

## Springfield Hospital



		FY18 Δ	FY19 Δ	FY20 Δ	FY21 Δ	FY22 Δ	FY23 Δ
<b>Commercial</b>	Budget	25.49	25.69	21.95	26.29	27.32	24.15
	Actual	28.54	23.93	19.11	24.03	30.17	36.24
	<i>Budget-to-PY Budget Growth</i>	-	0.8%	-14.6%	19.7%	3.9%	-11.6%
	<i>Actual-to-PY Actual Growth</i>	-	-16.2%	-20.1%	25.7%	25.6%	20.1%
	<i>Budget-to-PY Actual Growth</i>	-	-10.0%	-8.3%	37.5%	13.7%	-19.9%
<b>Medicaid</b>	Budget	11.70	11.37	8.80	6.39	6.66	2.93
	Actual	7.50	6.37	5.09	8.21	8.51	6.68
	<i>Budget-to-PY Budget Growth</i>	-	-2.8%	-22.6%	-27.4%	4.2%	-56.1%
	<i>Actual-to-PY Actual Growth</i>	-	-15.0%	-20.1%	61.2%	3.7%	-21.5%
	<i>Budget-to-PY Actual Growth</i>	-	51.5%	38.1%	25.4%	-18.9%	-65.6%
<b>Medicare</b>	Budget	21.31	22.37	17.23	16.92	19.89	28.52
	Actual	16.01	16.07	14.70	17.55	12.90	11.74
	<i>Budget-to-PY Budget Growth</i>	-	5.0%	-23.0%	-1.8%	17.6%	43.4%
	<i>Actual-to-PY Actual Growth</i>	-	0.4%	-8.5%	19.4%	-26.5%	-9.0%
	<i>Budget-to-PY Actual Growth</i>	-	39.7%	7.2%	15.1%	13.4%	121.0%
<b>DSH</b>	Budget	0.88	1.06	0.90	1.01	0.82	0.75
	Actual	0.93	1.02	0.88	0.81	1.48	0.74
	<i>Budget-to-PY Budget Growth</i>	-	20.1%	-15.0%	12.1%	-18.3%	-9.0%
	<i>Actual-to-PY Actual Growth</i>	-	10.2%	-13.3%	-8.5%	83.5%	-50.4%
	<i>Budget-to-PY Actual Growth</i>	-	14.5%	-11.7%	14.2%	1.9%	-49.5%
<b>Total</b>	Budget	59.38	60.49	48.89	50.60	54.69	56.34
	Actual	52.98	47.39	39.79	50.59	53.07	55.41
	<i>Budget-to-PY Budget Growth</i>	-	1.9%	-19.2%	3.5%	8.1%	3.0%
	<i>Actual-to-PY Actual Growth</i>	-	-10.5%	-16.0%	27.1%	4.9%	4.4%
	<i>Budget-to-PY Actual Growth</i>	-	14.2%	3.2%	27.2%	8.1%	6.2%

# Revenue Trends: Actual vs. Budgeted NPR

## Springfield Hospital

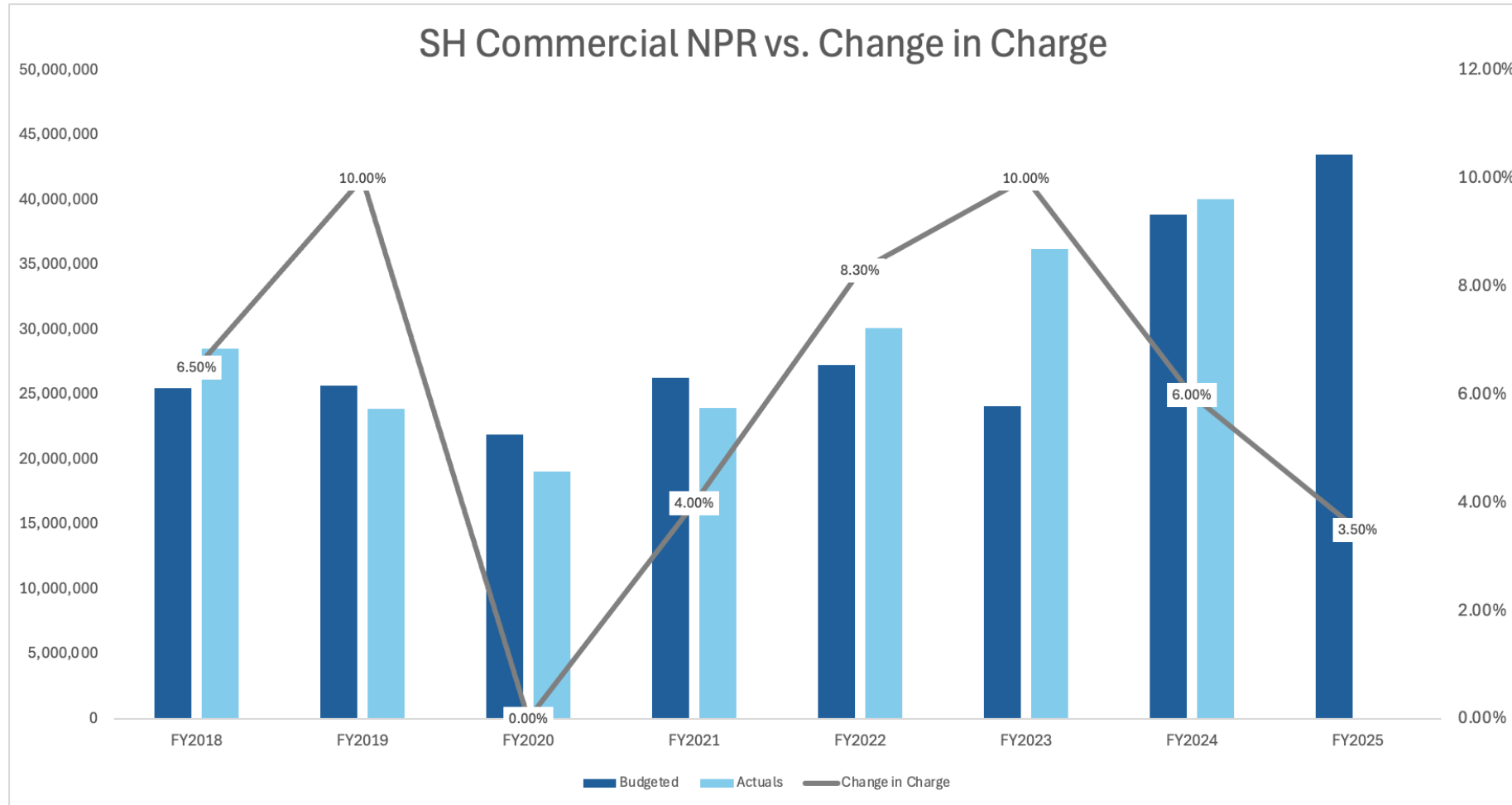


	FY18 Δ		FY19 Δ		FY20 Δ		FY21 Δ		FY22 Δ		FY23 Δ	
<b>Commercial</b>	3.05	12.0%	(1.76)	-6.9%	(2.84)	-12.9%	(2.26)	-8.6%	2.85	10.4%	12.09	50.1%
<b>Medicaid</b>	(4.20)	-35.9%	(4.99)	-43.9%	(3.71)	-42.1%	1.82	28.5%	1.85	27.9%	3.76	128.5%
<b>Medicare</b>	(5.30)	-24.9%	(6.30)	-28.2%	(2.53)	-14.7%	0.63	3.7%	(6.99)	-35.1%	(16.77)	-58.8%
<b>DSH</b>	0.04	5.0%	(0.04)	-3.7%	(0.02)	-1.9%	(0.20)	-19.9%	0.66	80.1%	(0.01)	-1.8%
	(6.40)	-10.77%	(13.09)	-21.65%	(9.10)	-18.61%	(0.01)	-0.02%	(1.62)	-2.97%	(0.94)	-1.66%

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

# Commercial Revenue Trends

## Springfield Hospital

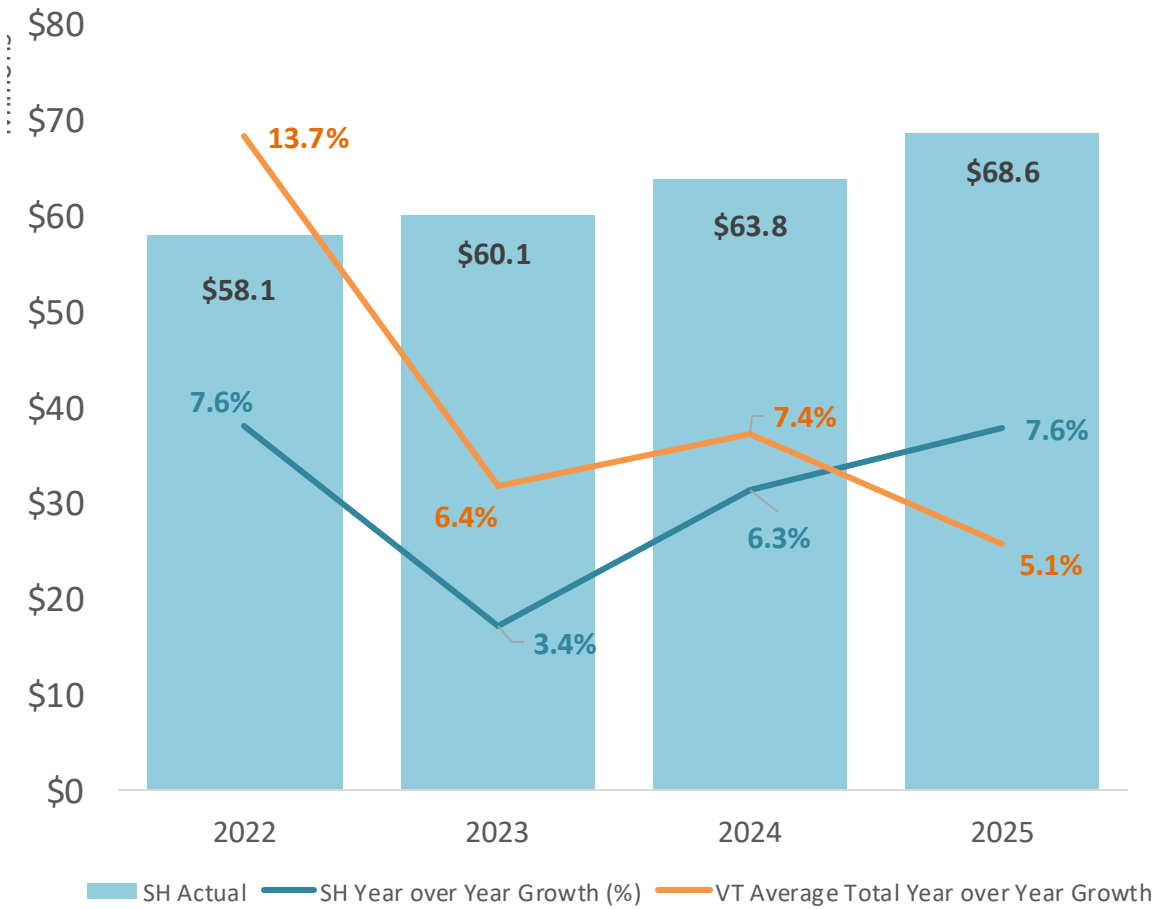




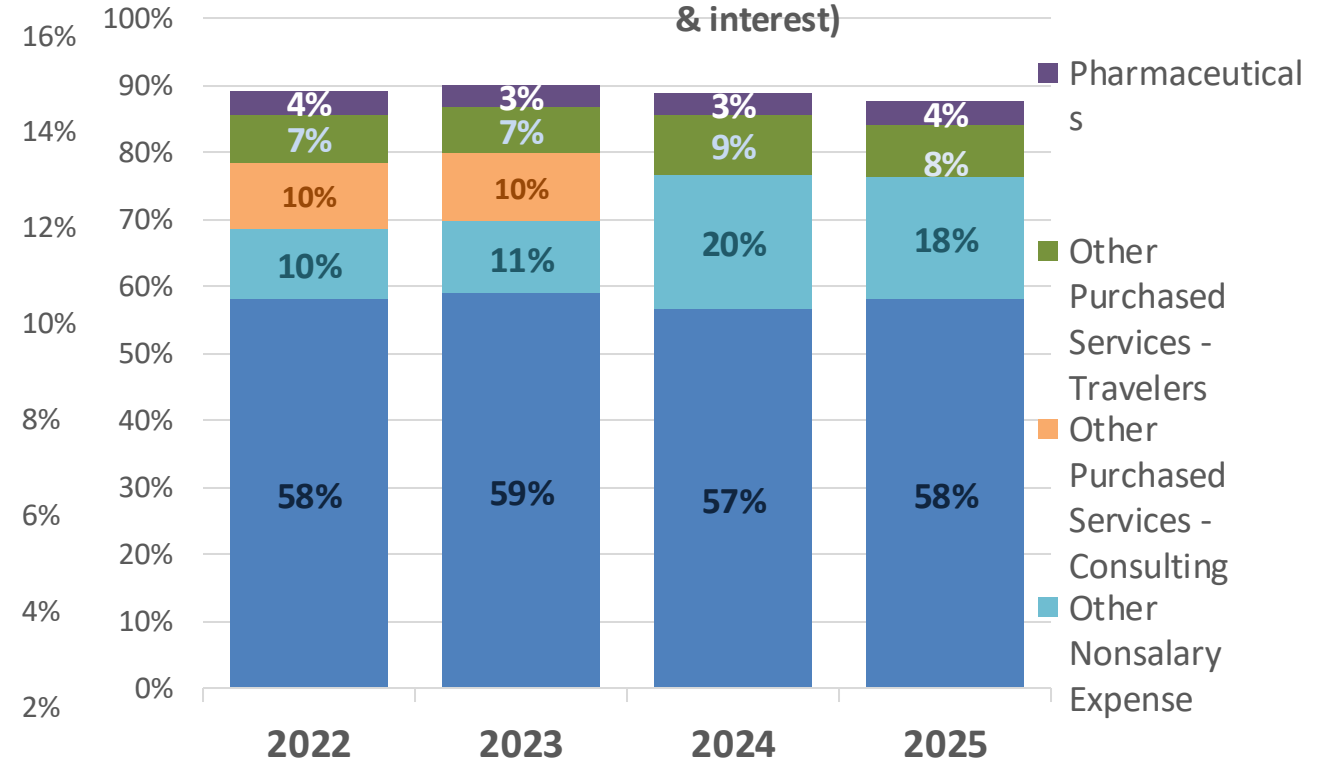
# Expense Trends

## Springfield Hospital

SH Operating Expense (\$M)



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



	2022	2023	2024	2025
SH - Labor YoY Growth	5.0%	5.3%	2.0%	10.3%
SH - Labor (Actual - Budget)	\$3,392,949	\$3,824,084	\$3,331,904	
SH - Labor (Actual - Budget)/Budget	11.5%	12.4%	10.4%	
SH - Other Purchased Services -Travelers YoY Growth	111.0%	-0.8%	39.1%	-7.3%
SH - Other Purchased Services -Travelers (Actual - Budget)	\$4,042,543	\$4,010,421	\$2,411,940	
SH - Other Purchased Services -Travelers (Actual - Budget)/Budget	0.0%	0.0%	76.1%	

# Expense Trends: Labor

## Springfield Hospital



### Total FTEs employees

Employee	Total FTEs employees		Distribution of Clinical/Non Clinical Budgeted Split	
	FY2024	FY2025	Additional FTE	Budgeted Split
Clinical FTEs	146	191	78%	58%
Non Clinical FTEs	128	140	22%	42%
Total	274	332		

### Labor Expense in the narrative:

- Medical team staff has developed over the past 24 months – now well positioned to move forward with recapture strategy & rebuilding staffing models since the 2019 reduction in force
- Continue to search for collaborative options to bring cardiology back to SH – also recruiting for a cardiac NP, one additional day for Gynecology, and inpatient psychiatric staffing

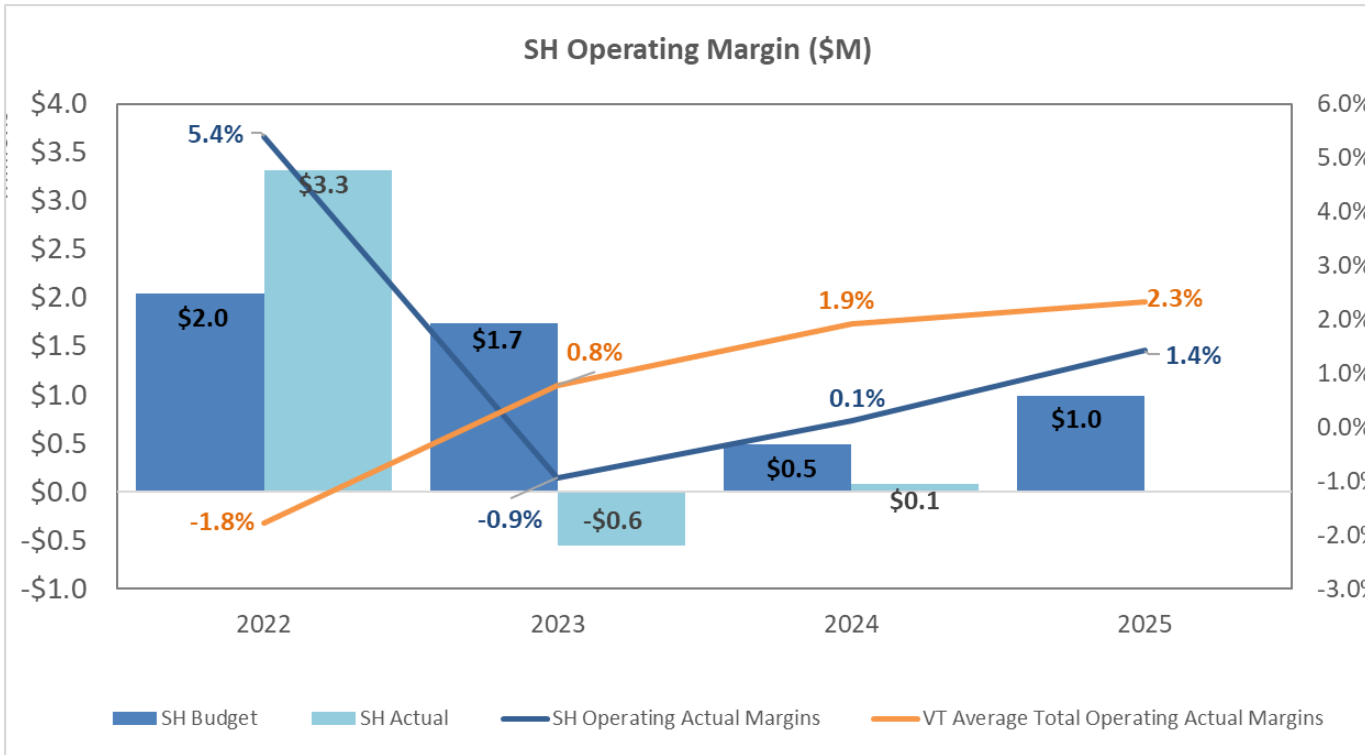
### Top Changes in staffing by Department

Combined Department	FY2024	FY2025	Change
Emergency Room Clinical FTEs	41	50	9
General Services (Uncategorized) Non Clinical FTEs	0	7	7
Administration Non Clinical FTEs	60	66	7
Laboratory Clinical FTEs	22	26	4
Other Ancillary Services Non Clinical FTEs	5	9	4
Physician Office Practice Services (Uncategorized) Clinical FTEs	132	135	3
Surgical Day Care Clinical FTEs	12	15	3
Nursing Administration Clinical FTEs	9	7	-2
Radiology - Diagnostic Clinical FTEs	20	21	1
Social Service Non Clinical FTEs	5	6	1
Medical/Surgical Clinical FTEs	34	33	-1
Nutrient Consulting Clinical FTEs	1	2	1
Inhalation Therapy Clinical FTEs	6	7	1
Dietary Non Clinical FTEs	14	13	-1
EKG Clinical FTEs	1	1	1
Operating Room Clinical FTEs	12	13	1
Central Services & Supplies Non Clinical FTEs	7	8	1
Cardiac Rehab Clinical FTEs	3	2	-1
Nursing Education Clinical FTEs	4	4	1
Housekeeping Non Clinical FTEs	21	22	0

Top Changes in staffing account for 85.2% of FTE employee changes

# Operating Margin Growth

## Springfield Hospital



	2022	2023	2024
SH Operating Revenue	\$61,383,188	\$59,508,168	\$63,902,963
SH Operating Expense:	\$58,073,534	\$60,065,251	\$63,826,600
SH Margin:	\$3,309,654	-\$557,083	\$76,363
SH Operating Revenue: (Actual - Budget)	\$4,299,278	-\$2,116,471	\$2,143,544
SH Operating Revenue: % Difference in Actual vs. Budget	7.5%	-3.4%	3.5%
SH Operating Expense: (Actual - Budget)	\$3,029,605	\$178,023	\$2,550,849
SH Operating Expense: % Difference in Actual vs. Budget	5.5%	0.3%	4.2%
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 been updated – see appendix

# Financial Health: Profitability

*Springfield Hospital*



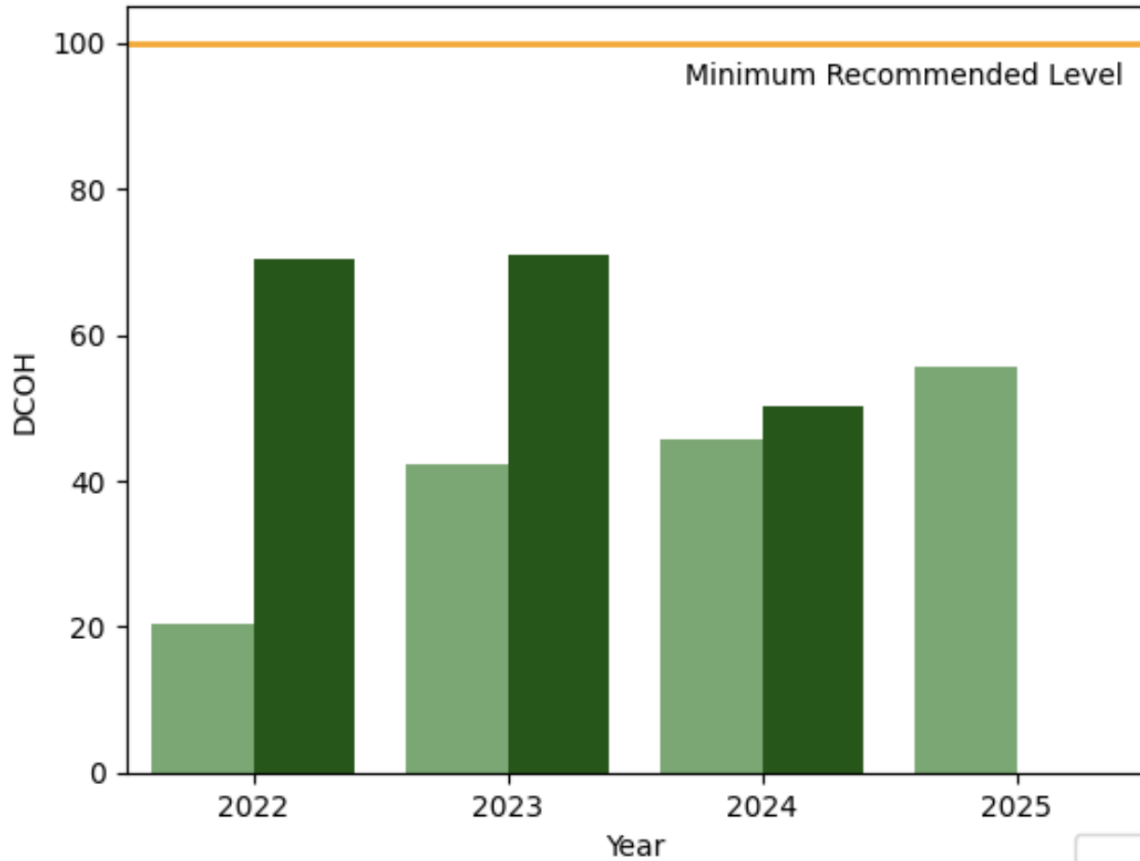
	FY22 Budget	FY22 Actuals	FY23 Budget	FY23 Actuals	FY24 Budget	FY24 Projected	FY25 Budget
Operating Margin	3.6%	5.4%	2.8%	-0.9%	0.8%	0.1%	1.4%
Total Margin	2.4%	8.2%	2.8%	-0.7%	0.8%	0.7%	1.3%
EBIDA	5.9%	7.9%	5.1%	1.2%	3.1%	2.3%	3.8%

# Financial Health: Profitability

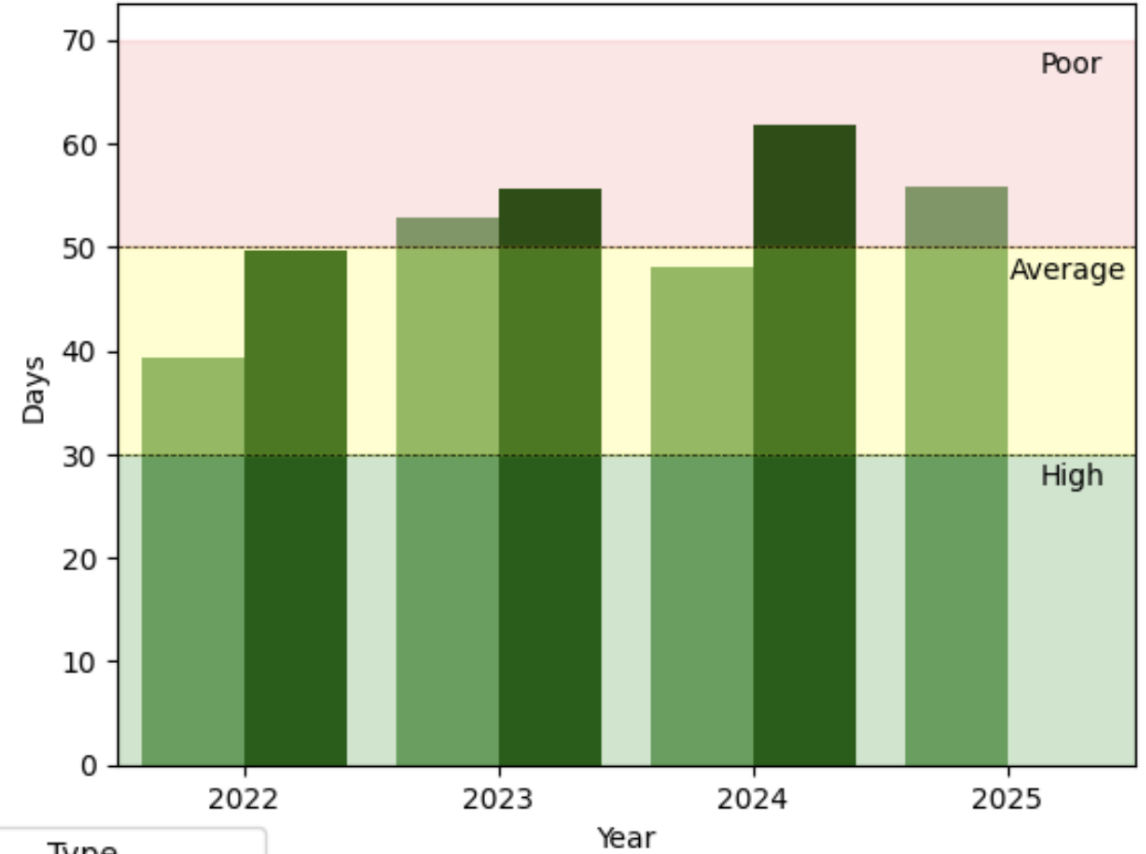
## Springfield Hospital



### SH Days Cash on Hand



### SH Days in Patient Account Receivable



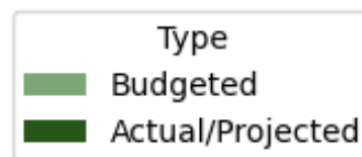
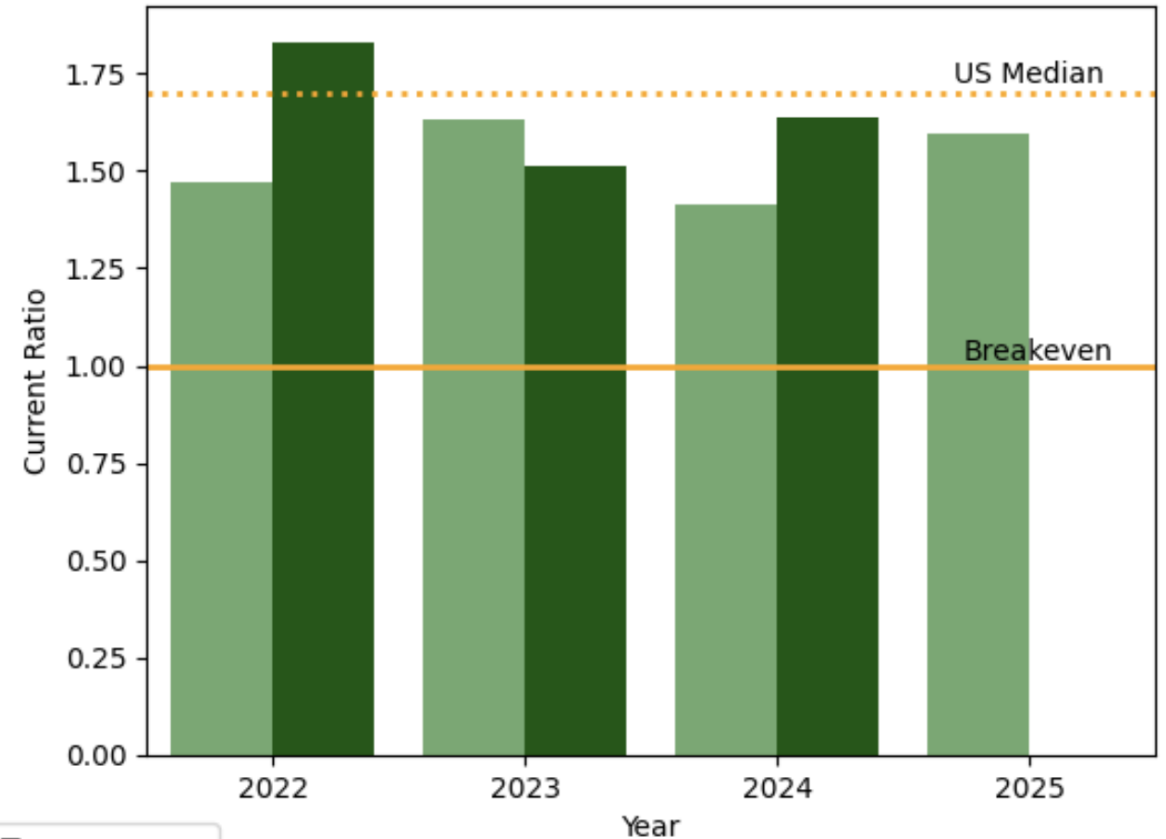
Type  
Budgeted  
Actual/Projected

# Financial Health: Profitability

## Springfield Hospital

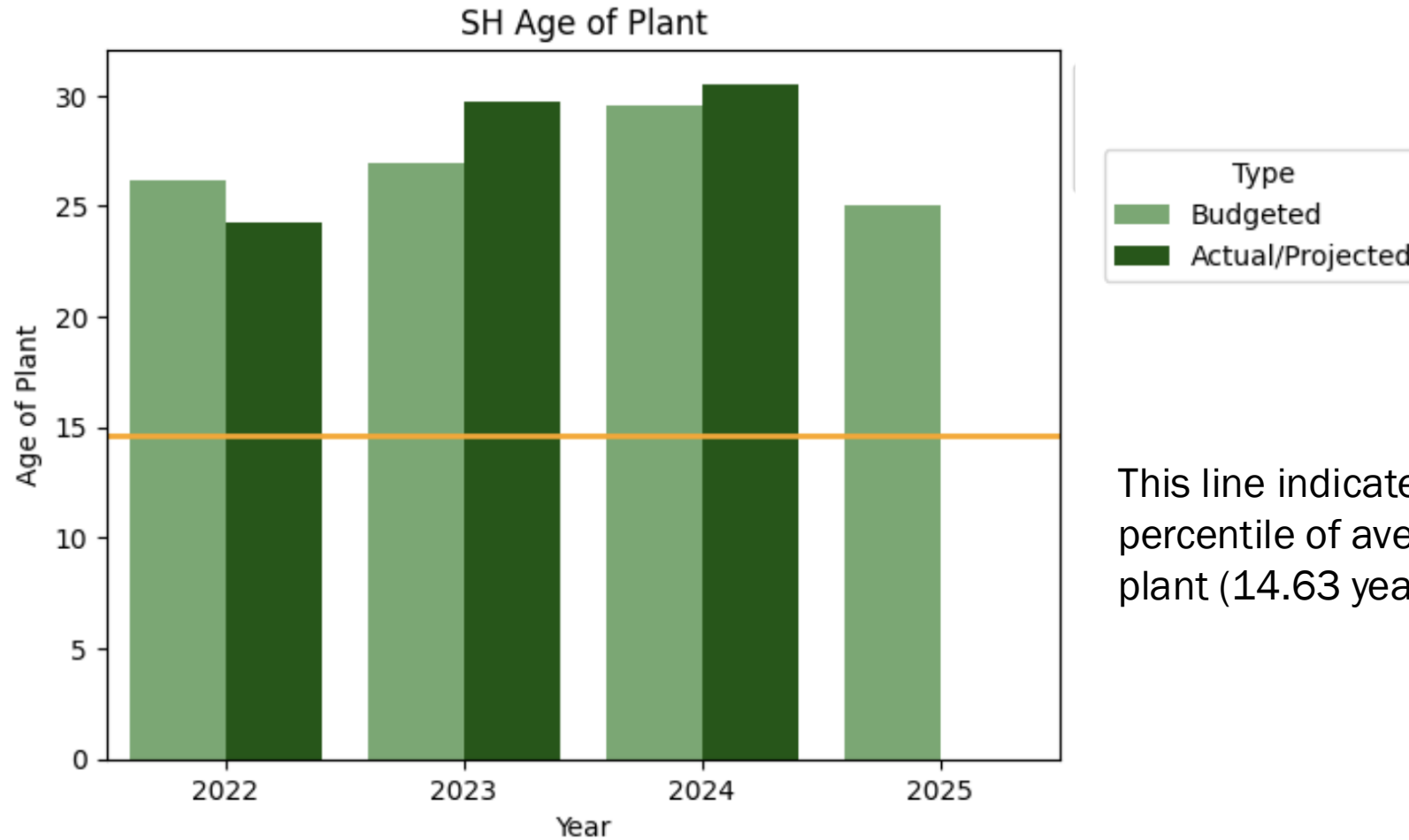
Springfield Hospital does not have any unrestricted funded depreciation, so the current ratio does not change between the two graphs.

SH Current Ratio (assets/liabilities only)



# Financial Health: Capital Spending

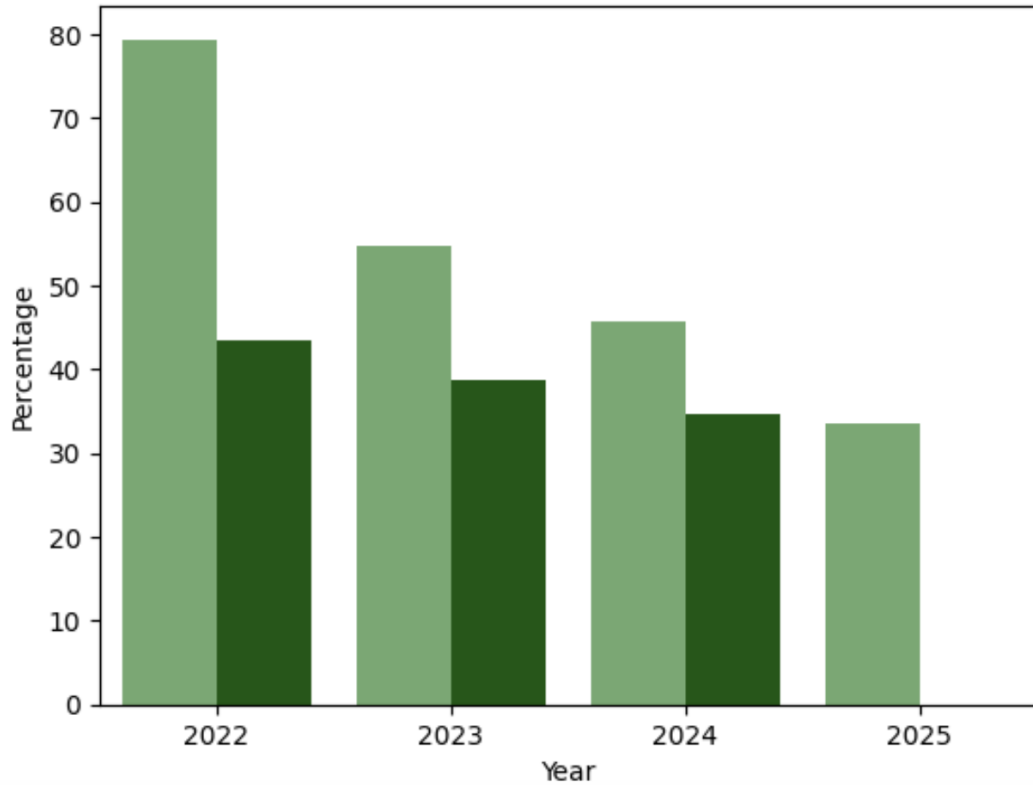
## Springfield Hospital



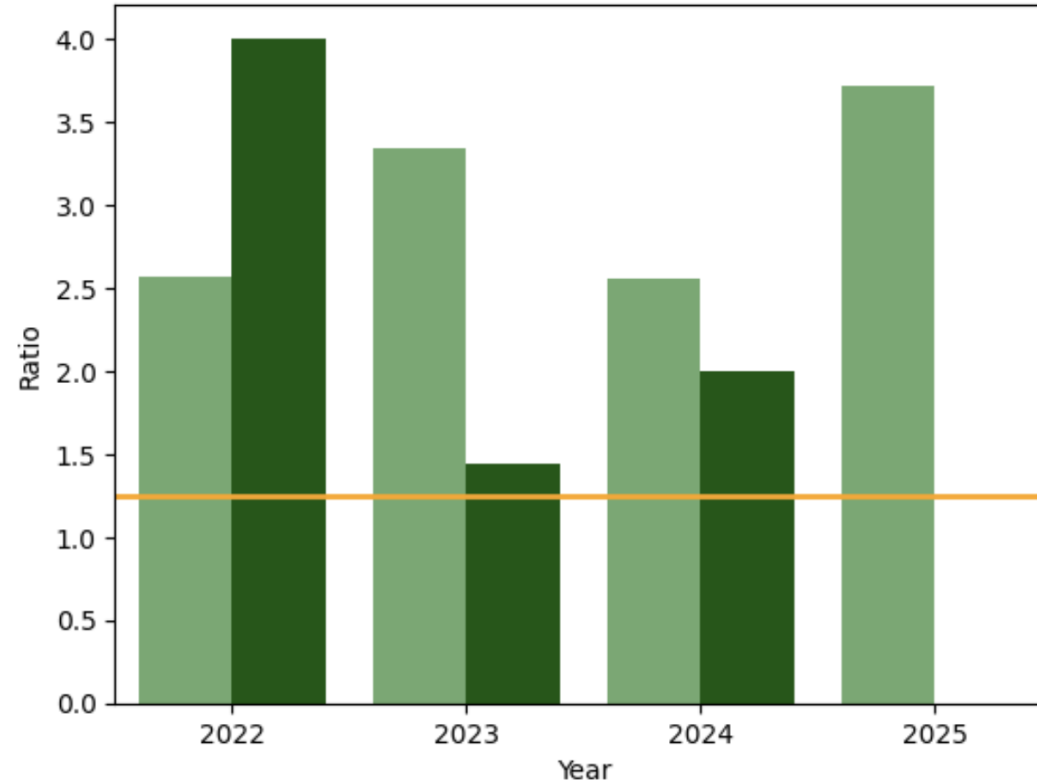
# Financial Health: Solvency

## Springfield Hospital

SH Long Term Debt to Capitalization



SH Debt Service Coverage Ratio



Type  
Budgeted  
Actual/Projected

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



# Summary of Financial Health

## *Springfield Hospital*



- Margins are positive and increasing
- DCOH is low (well below 100)
- Days in Patient Account Receivable has poor performance
- Current ratio is good but no unrestricted funded depreciation
- Age of Plant is high (well above 75th percentile) but perhaps overstated
- Long Term Debt to Capitalization is decreasing but still on the higher end of Vermont hospitals
- Debt Service Coverage Ratio

# Commercial Price (RAND 5.0)

*Springfield Hospital*



Core Service Line	Relative Price	Relative Price Decile	Standardized Price	Standardized Price Decile
Outpatient	180%	2	\$374.38	6
Inpatient	111%	1	\$14,290	1
Inpatient & Outpatient	158%	1		
Professional (Inpatient & Outpatient)	191%	5		
Inpatient Facility	109%	1	\$13,256	1
Outpatient Facility	175%	2	\$295.02	2

# Reasonable Assumptions: Public Payer Prices

## *Springfield Hospital*



- What did they assume for Medicare/Medicaid price/reimbursement increase?
  - From the narrative: "Medicare is budgeted at allowable cost based on FY24 rates effective April 2024, using the Critical Access Hospital reimbursement methodology where a reconciliation is performed annually for the fiscal year."
  - From the narrative: "We assumed no rate changes for Medicaid or Medicaid ACO."
  - From the workbook: 1% for Medicaid, 1.9% for Medicare.

# Reasonable Assumptions: Volume

## Springfield Hospital



	FY24P Payer Mix
Medicaid	13.9%
Medicare - Traditional	21.2%
Medicare - Advantage	
Commercial	64%
Uncategorized	0.9%
Total	100%

Source: Adaptive Payer Revenue Trends

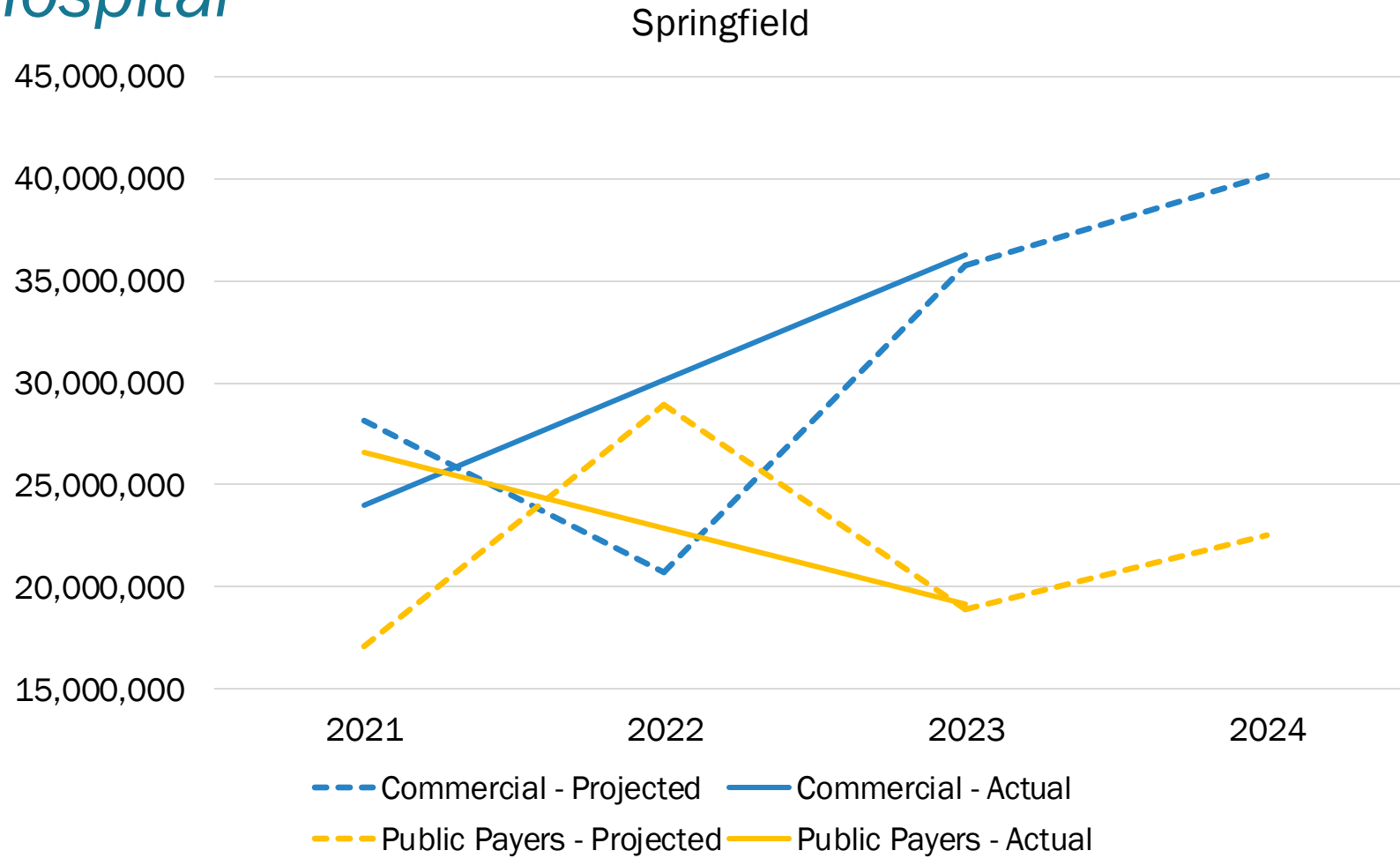
	Changes to Volume <i>*not payer mix</i>
Medicaid	12.2%
Medicare - Traditional	8.0%
Medicare - Advantage	13.4%
Commercial	13.9%
FPP	12.2%
<b>Attributable NPR Increase</b>	<b>12.3%</b>

Source: GMCB Healthcare Finance Team Rate Decomposition Data

Springfield requested an NPR increase of 13%. According to their workbook, 12.3% of this will come from increased volume.

# Reasonable Assumptions: Projected vs. Actual NPR

## Springfield Hospital

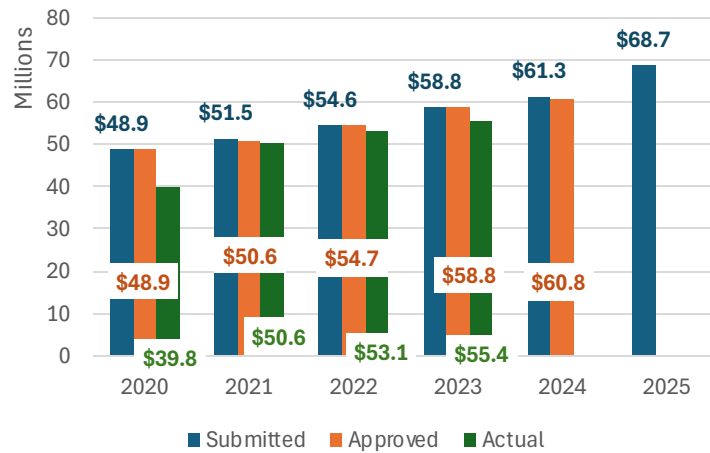


# Reasonable Assumptions: Budget History

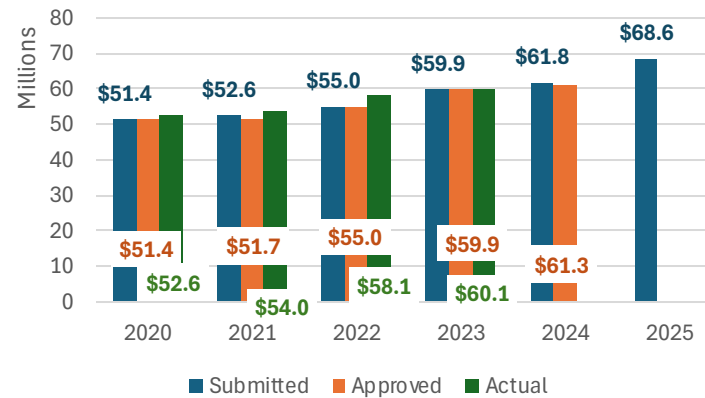
## Springfield Hospital



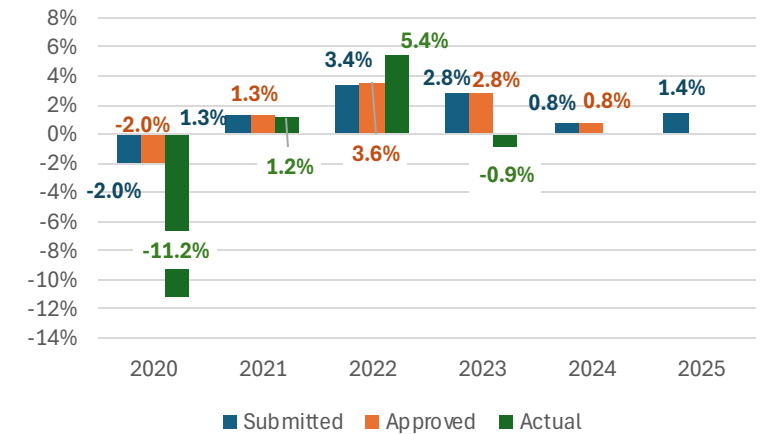
Springfield Hospital NPR & FPP (\$M)



Springfield Hospital Operating Expense (\$M)



Springfield Hospital Operating Margin %



# Reasonable Assumptions: Volume

## Springfield Hospital



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

Inpatient Hospital Market Share for Springfield HSA for All Services

Hosp	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Springfield	78.7%	78.8%	70.2%	66.1%	65.0%
Rutland	8.2%	8.5%	11.1%	10.8%	12.1%
Mt. Ascutney	5.4%	5.7%	7.3%	9.0%	9.3%
Brattleboro	4.4%	4.2%	6.8%	8.8%	8.7%
Grace Cottage	1.5%	1.3%	1.7%	2.2%	1.7%
Southwestern	1.0%	1.0%	1.8%	1.4%	1.6%
UVMCC	0.7%	0.6%	1.0%	1.9%	1.6%

Outpatient Hospital Market Share for Springfield HSA for All Services

Hosp	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Springfield	81.7%	81.0%	78.4%	74.5%	69.5%
Rutland	5.2%	5.3%	6.4%	7.9%	9.0%
Mt. Ascutney	5.0%	5.8%	6.6%	7.9%	10.3%
Brattleboro	3.8%	3.6%	4.0%	4.3%	4.9%
Grace Cottage	2.8%	3.0%	2.9%	3.9%	3.9%
Southwestern	1.0%	0.9%	1.1%	1.0%	1.5%
UVMCC	0.5%	0.4%	0.5%	0.5%	0.8%

Source: Hospital Market Share Report (VAHHS NSO)

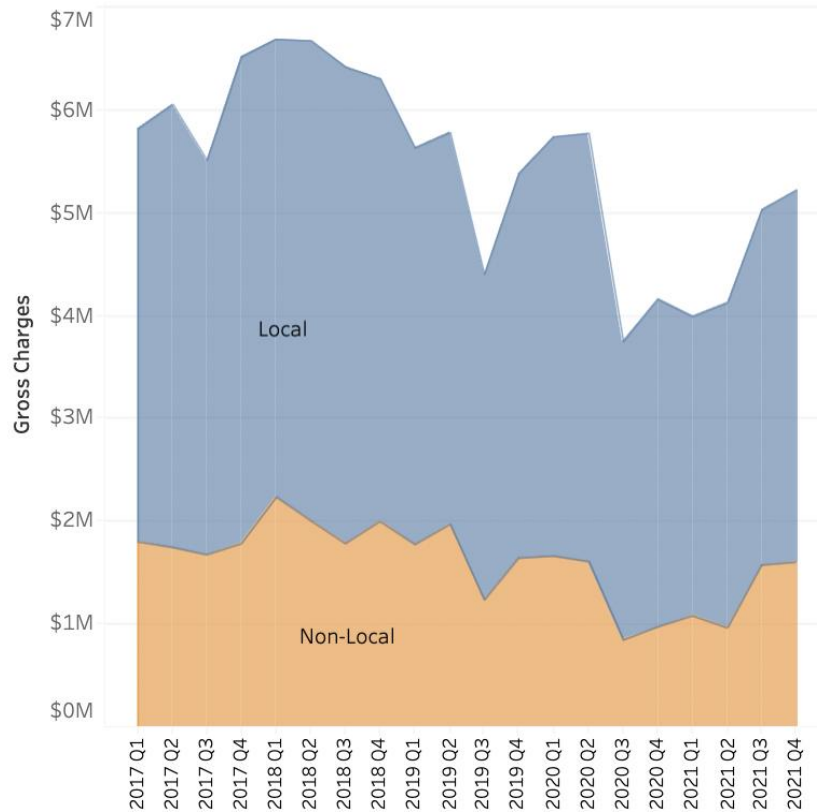
# Reasonable Assumptions: Volume

Springfield Hospital

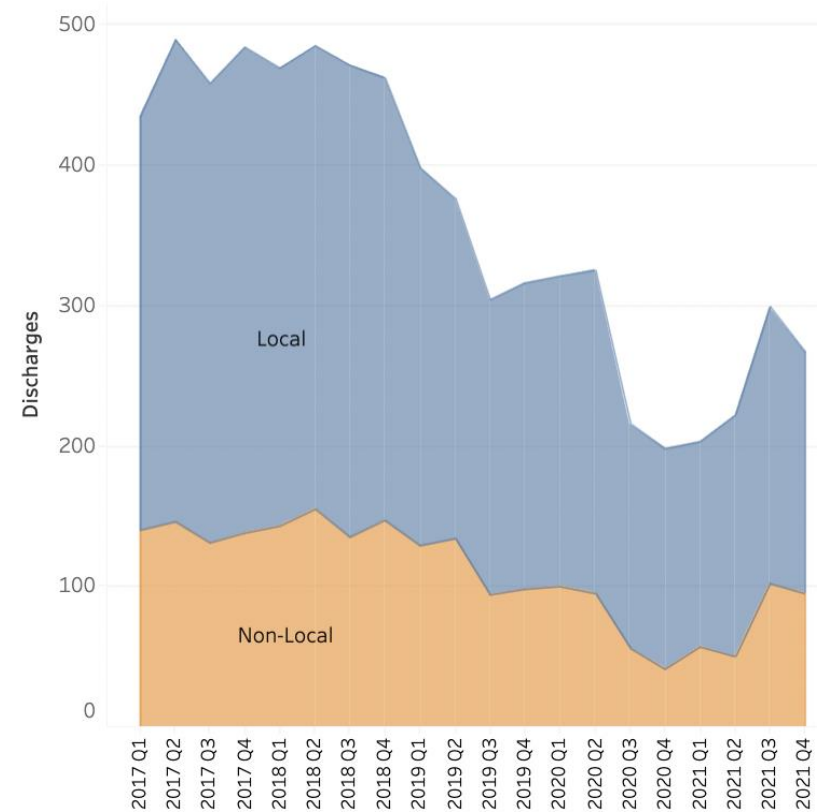


## Hospital inflows: from where do Springfield patients originate?

Inpatient Charges for All Services



Inpatient Discharges for All Services



\*Local patients = those residing within the hospital's HSA. Source: Hospital Market Share Report (VAHHS NSO)



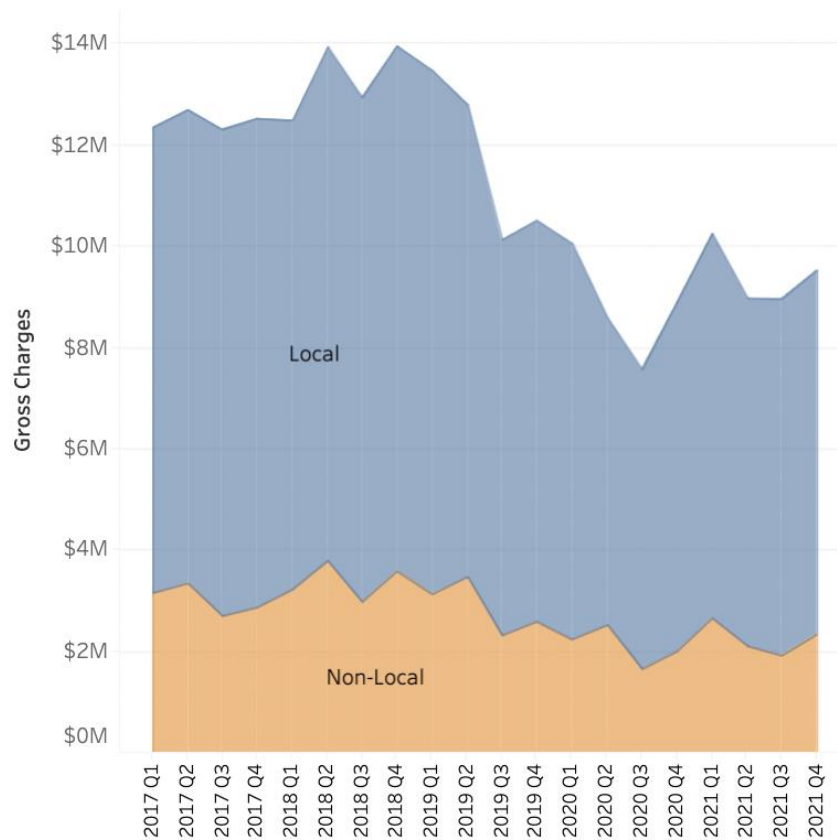
# Reasonable Assumptions: Volume

## Springfield Hospital

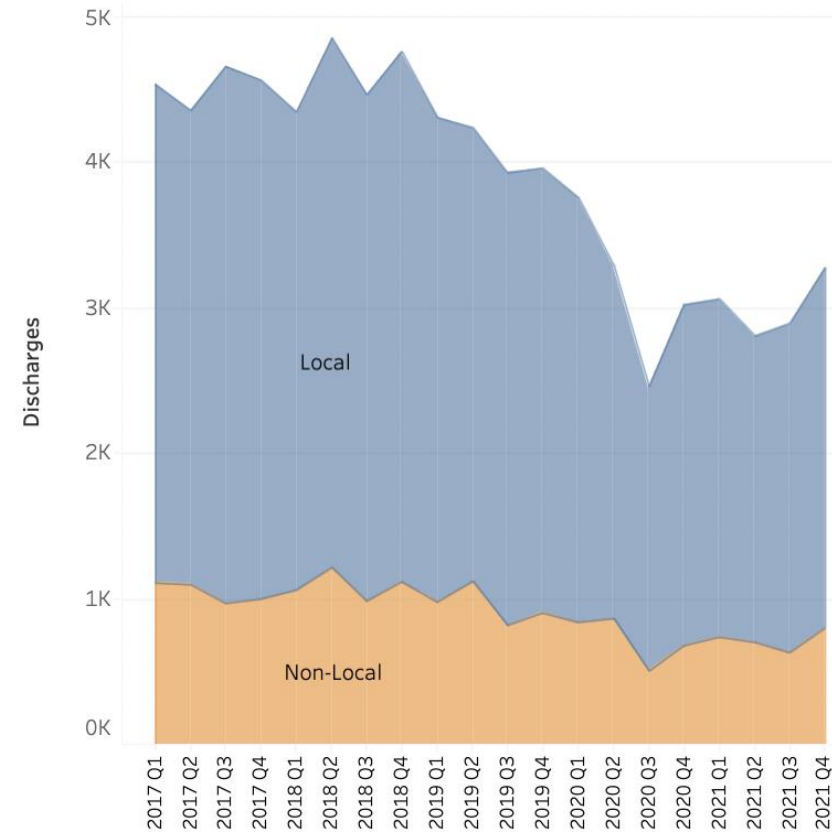


### Hospital inflows: from where do Springfield patients originate?

Outpatient Charges for All Services



Outpatient Discharges for All Services



\*Local patients = those residing within the hospital's HSA. Source: Hospital Market Share Report (VAHHS NSO)

# Efficiency: Summary

## *Springfield Hospital*



- Clinical Productivity- No data required.
- Cost – Lower than 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 2.6%, compared to the CAH State Total of 4.35% and the CAH National Median of 5.66%.
- Admin to clinical salary ratio- varied year over year, and at different times has been higher and lower than the ratios of the comparators; 2022 is nearly the same as VT median at 21.1% and above VT CAH Median.

### Hospital justifications:

Need to recapture patients and increase access to primary and specialty care services.

# Suggested Motion Language

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

Move to approve Springfield Hospital'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 13%) and a commensurate reduction in operating expenses;
2. With FY25 commercial change in charge and 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.

# Compliance: Complete & Timely

*University of Vermont Medical Center*



We considered UVMMC's budget to be *moderately late*.

On July 22, UVMMC notified us that they needed a higher rate due to higher-than-expected costs associated with bargaining. They began resubmitting their budget documents in early August.

# Budget Request vs. FY25 Benchmarks

*University of Vermont Medical Center*



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

NPR Request %	NPR Request \$	% of System > Guidance
9.3%	2.004 B	66%

## Section I - Commercial Rate Growth < 3.4%

Comm Rate Request %	Comm Rate Request \$	% of System > Guidance
6.8%	62.0 M	75%

## Section I - Operating Margin > 0%

Op Margin %	Op Margin \$	% of System
2.9%	69 M	69%

# Justification for Budget Request

## *University of Vermont Medical Center*



- Expand access: They claim that NPR will help them continue to address the board's access concerns. They list several ways they are expanding access (increased radiology capacity, E-consults for specialty care, 'referbacks' program for primary care, efforts to address certain backlogs, etc.).
- High pharma revenues: They write that pharma NPR is expected to increase about \$25.5 million, which composes about 32% of the total NPR increase (pre-rate change)
- Cost shift: UVMCC claims that their cost-shift is real and has put more pressure on their commercial rates. They provide a chart and reference to studies that they believe substantiates their argument. They also argue that Medicare has been slow to keep pace with inflation, which has only exacerbated the cost shift. (Narrative, page 12-13).
- They've managed their expenses well:
  - Clinical efficiency: UVMCC argue that they have reached a high level of clinical efficiency. In their narrative, they post graphs from AAMC-COTH and NASHP which suggest they post 'low expenses per adjusted day' compared to other Academic Medical Centers.
  - Admin-to-clinical ratio: In their narrative, UVMCC share data from Syntellis benchmarking services which they claim proves the hospital has a low admin-to-clinical ratio.
  - Cost-reduction plan: UVMCC believes they have adequately adhered to board requests through their cost-reduction plan (published in January 2024).

# Summary of Hospital Justifications

## *University of Vermont Medical Center*

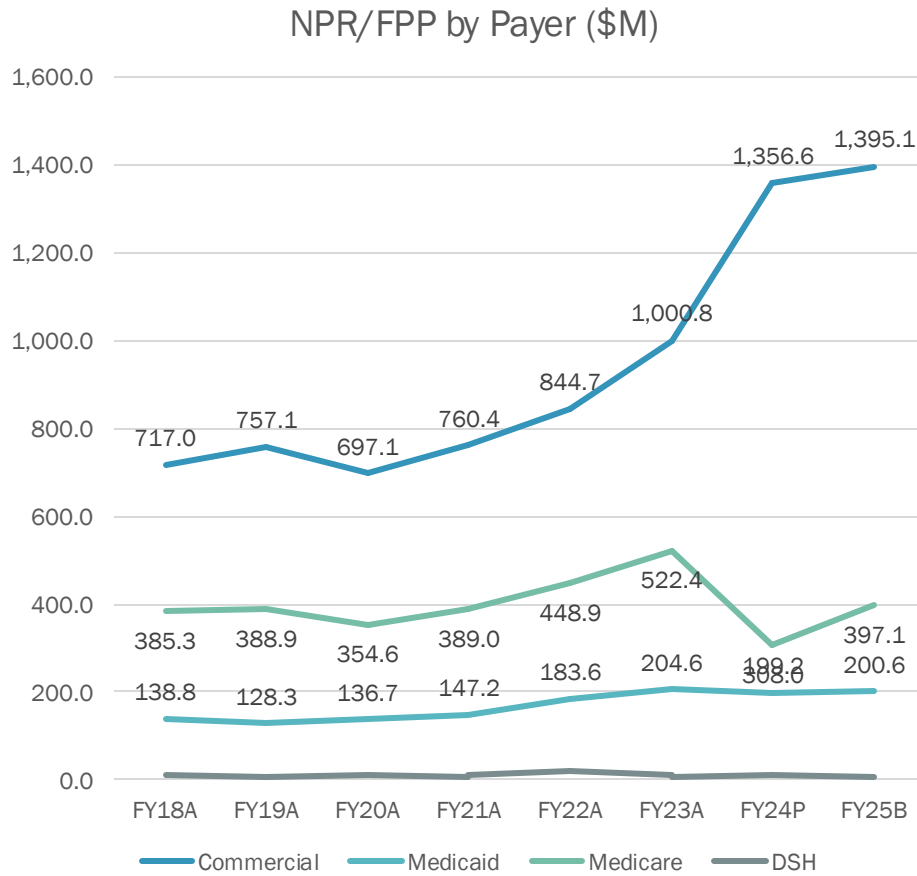


### UVMHC disagrees with the board's regulatory approach

- RAND commercial prices: In their narrative, they contest the assertions made by RAND that UVMHC is a high-price hospital. They provide an appendix (appendix G) with more detailed analysis.
- Theory around market-power: They contest the notion that UVMHCN is abusing their market power to raise costs. They argue that “that dynamic is not happening in Vermont...because of the Board’s insurance rate setting authority.” (page 12).
  - From [Fitch Ratings](#): *“The 'A' rating and the Stable Outlook are further supported by UVMHCN's leading market presence, with very limited competition, as the provider of high-end acute care services to a large geographic area encompassing all of Vermont and nearby New York State areas, as well as a good payor mix.”*
- Proposes an alternate methodology: preference to measure NPR growth as “per capita per covered life.” In this regard, they cite their total UVMHCN NPR increase as 3.7%.

# Revenue Trends: NPR Growth by Payer

## University of Vermont Medical Center



		FY18 Δ	FY19 Δ	FY20 Δ	FY21 Δ	FY22 Δ	FY23 Δ
<b>Commercial</b>	Budget	724.59	749.33	804.25	860.55	895.73	1019.14
	Actual	716.96	757.08	697.14	760.37	844.67	1000.78
	<i>Budget-to-PY Budget Growth</i>	-	3.4%	7.3%	7.0%	4.1%	13.8%
	<i>Actual-to-PY Actual Growth</i>	-	5.6%	-7.9%	9.1%	11.1%	18.5%
	<i>Budget-to-PY Actual Growth</i>		4.5%	6.2%	23.4%	17.8%	20.7%
<b>Medicaid</b>	Budget	130.62	137.06	134.33	130.11	163.27	170.54
	Actual	138.79	128.27	136.74	147.16	183.65	204.62
	<i>Budget-to-PY Budget Growth</i>	-	4.9%	-2.0%	-3.1%	25.5%	4.5%
	<i>Actual-to-PY Actual Growth</i>	-	-7.6%	6.6%	7.6%	24.8%	11.4%
	<i>Budget-to-PY Actual Growth</i>		-1.2%	4.7%	-4.8%	10.9%	-7.1%
<b>Medicare</b>	Budget	340.72	376.48	398.19	413.78	438.29	446.03
	Actual	385.27	388.90	354.59	388.95	448.90	522.42
	<i>Budget-to-PY Budget Growth</i>	-	10.5%	5.8%	3.9%	5.9%	1.8%
	<i>Actual-to-PY Actual Growth</i>	-	0.9%	-8.8%	9.7%	15.4%	16.4%
	<i>Budget-to-PY Actual Growth</i>		-2.3%	2.4%	16.7%	12.7%	-0.6%
<b>DSH</b>	Budget	13.72	10.59	11.35	11.21	11.21	23.02
	Actual	13.02	10.98	11.26	11.23	20.25	11.19
	<i>Budget-to-PY Budget Growth</i>	-	-22.8%	7.2%	-1.2%	0.0%	105.3%
	<i>Actual-to-PY Actual Growth</i>	-	-15.6%	2.5%	-0.3%	80.3%	-44.7%
	<i>Budget-to-PY Actual Growth</i>		-18.6%	3.3%	-0.4%	-0.2%	13.7%
<b>Total</b>	Budget	1209.65	1273.46	1348.13	1415.66	1508.51	1658.73
	Actual	1254.04	1285.23	1199.73	1307.72	1497.46	1739.02
	<i>Budget-to-PY Budget Growth</i>	-	5.3%	5.9%	5.0%	6.6%	10.0%
	<i>Actual-to-PY Actual Growth</i>	-	2.5%	-6.7%	9.0%	14.5%	16.1%
	<i>Budget-to-PY Actual Growth</i>		1.5%	4.9%	18.0%	15.4%	10.8%



# Revenue Trends: Actual vs. Budgeted NPR

## University of Vermont Medical Center

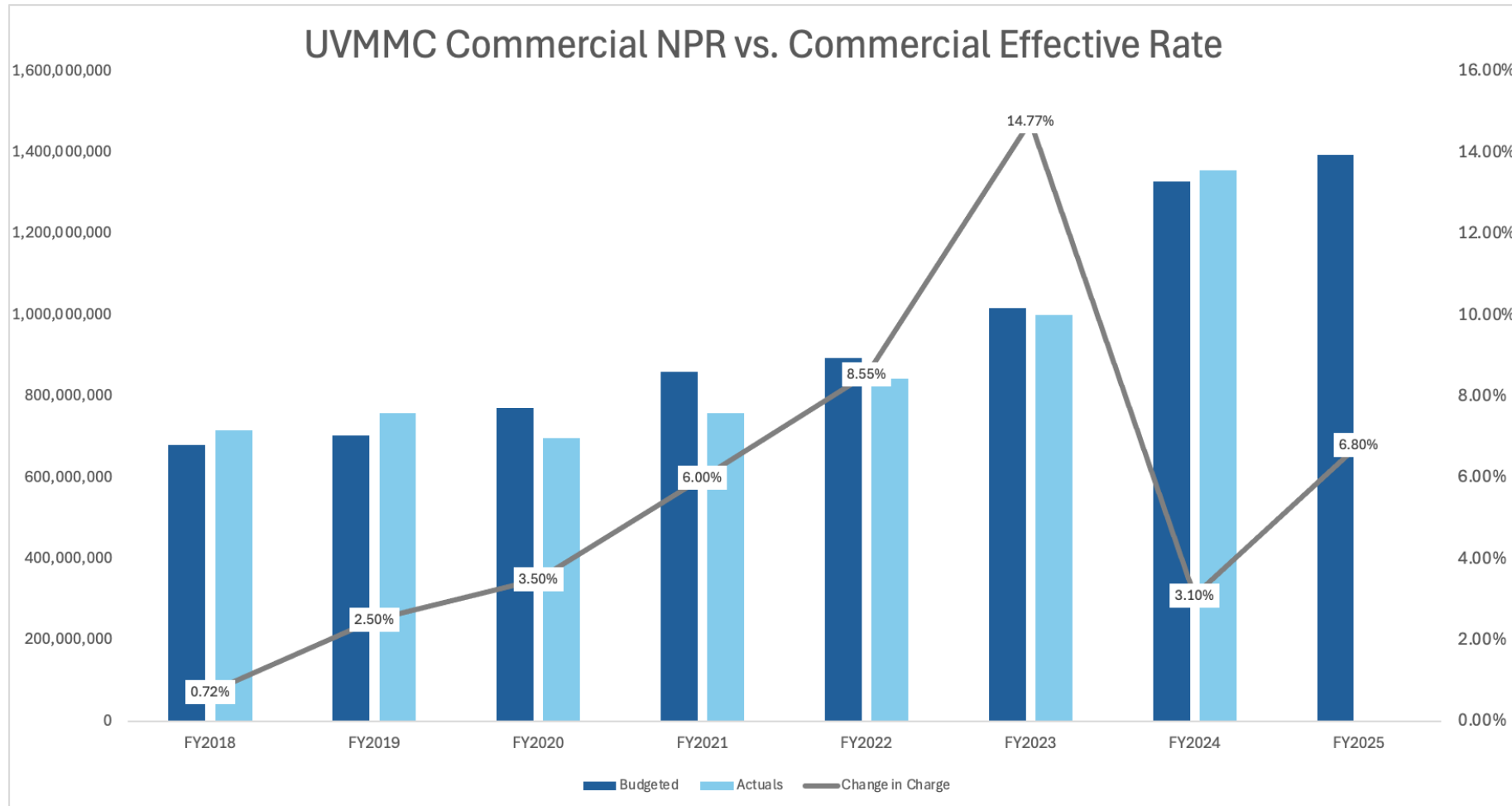


	FY18 Δ		FY19 Δ		FY20 Δ		FY21 Δ		FY22 Δ		FY23 Δ	
<b>Commercial</b>	(7.63)	-1.1%	7.75	1.0%	(107.11)	-13.3%	(100.18)	-11.6%	(51.06)	-5.7%	(18.36)	-1.8%
<b>Medicaid</b>	8.17	6.3%	(8.79)	-6.4%	2.41	1.8%	17.05	13.1%	20.38	12.5%	34.08	20.0%
<b>Medicare</b>	44.55	13.1%	12.41	3.3%	(43.61)	-11.0%	(24.83)	-6.0%	10.61	2.4%	76.40	17.1%
<b>DSH</b>	(0.71)	-5.2%	0.39	3.7%	(0.09)	-0.8%	0.02	0.2%	9.03	80.5%	(11.83)	-51.4%
	44.38	3.67%	11.77	0.92%	(148.40)	-11.01%	(107.94)	-7.62%	(11.04)	-0.73%	80.29	4.84%

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

# Commercial Revenue Trends

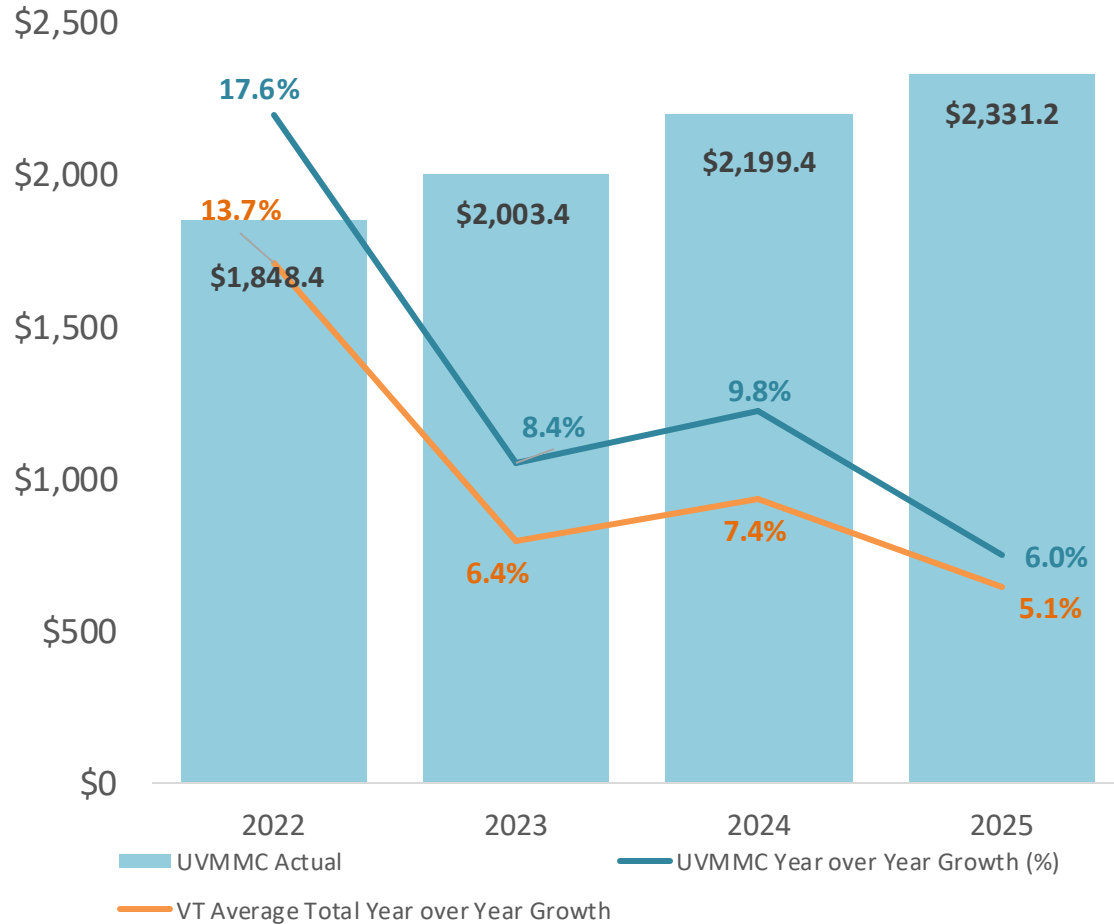
## University of Vermont Medical Center



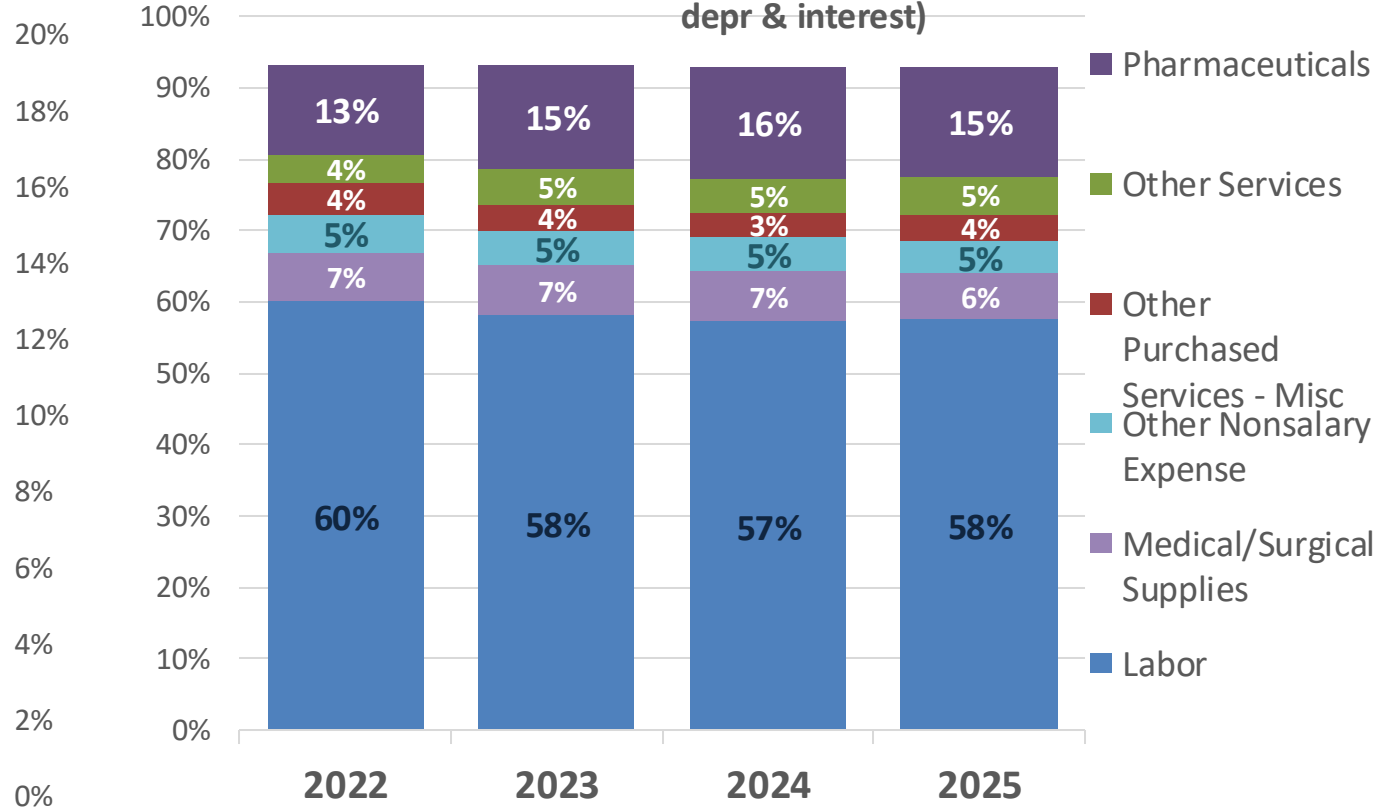
# Expense Trends

## University of Vermont Medical Center

UVMCMC Operating Expense (\$M)



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



	2022	2023	2024	2025
UVMCMC - Labor YoY Growth	16.4%	5.2%	8.6%	6.6%
UVMCMC - Labor (Actual - Budget)	\$109,998,695	\$15,483,226	\$22,752,877	
UVMCMC - Labor (Actual - Budget)/Budget	11.6%	1.4%	1.9%	
UVMCMC - Pharmaceuticals YoY Growth	33.2%	26.5%	17.8%	4.1%
UVMCMC - Pharmaceuticals (Actual - Budget)	\$50,779,051	\$29,930,740	\$39,626,492	
UVMCMC - Pharmaceuticals (Actual - Budget)/Budget	29.6%	11.9%	13.6%	

# Expense Trends: Labor

## University of Vermont Medical Center



### Top Changes in staffing by Department

Total FTEs employees				
Employee	FY2024	FY2025	Distribution of Clinical/Non Clinical	
			Additional FTE	Budgeted Split
Clinical FTEs	5426	5579	57%	66%
Non Clinical FTEs	2751	2867	43%	34%
<b>Total</b>	<b>8177</b>	<b>8446</b>		

### Labor Expense in the narrative/follow up questions:

- The additional non-clinical FTE are related to: IT, Patient financial services, customer service, corporate accounting, revenue finance & reimbursement departments with a reduction to budgeted vacancies within finance.
- Administrative department adds are related to pharmacy, credentialing & enrollment, network nursing, early hearing detection and several UVMHN adds across departments.
- 14 medical students of the graduating class matched within the UVM health network, as well as many nursing students
- As of July, 1<sup>st</sup> 2024 UVM has 35 primary care providers open and accepting new patients across the UVMHC adult primary care sites (from accepting no patients in December 2023)
- The proportion of total labor expense growth that is related to all new positions is 30.55% and includes a total of 26.53 additional physicians.

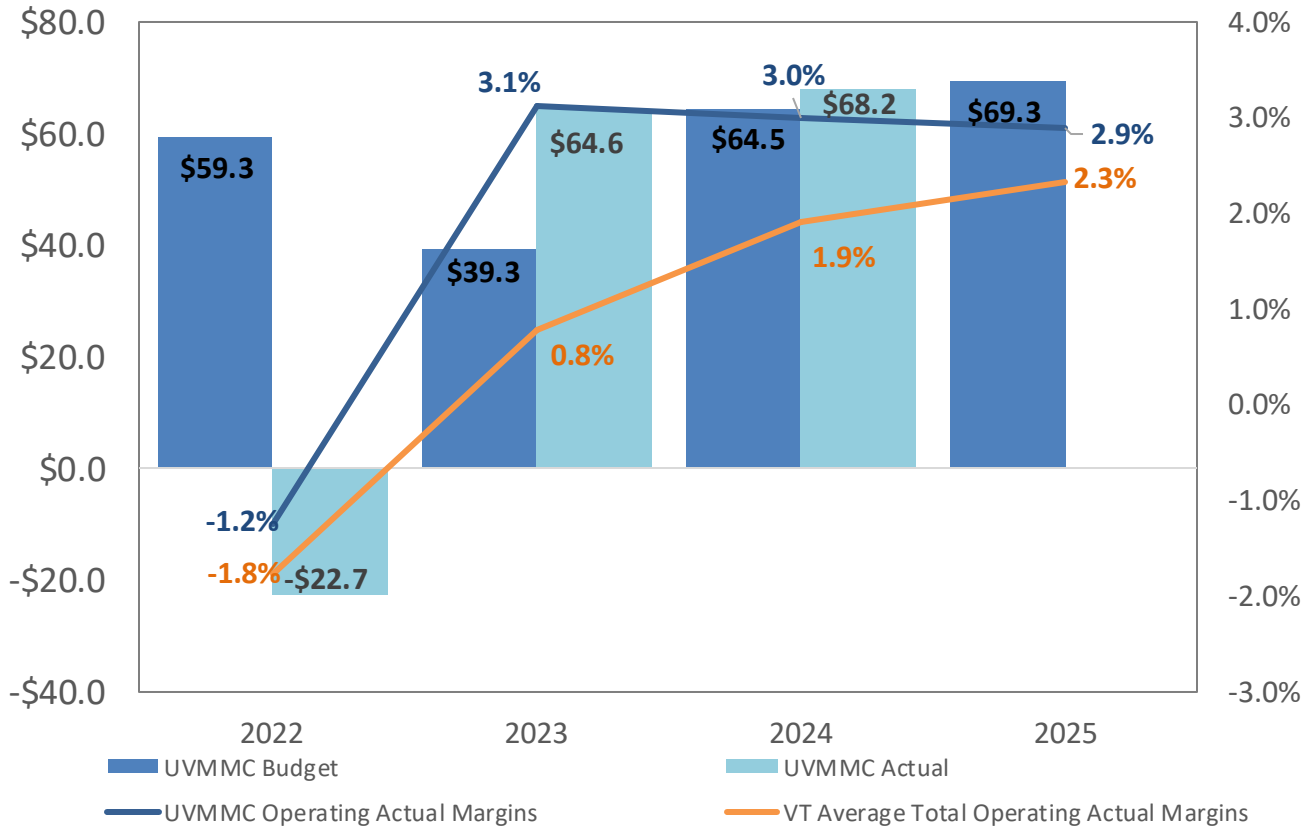
Combined Department	FY2024	FY2025	Change
Administration Non Clinical FTEs	434	482	47
Medical/Surgical Clinical FTEs	708	744	36
Medical Group Administration Clinical FTEs	88	122	33
Medical Group Administration Non Clinical FTEs	131	160	29
Pharmacy Clinical FTEs	125	147	22
Fiscal Services Non Clinical FTEs	551	567	16
Medicine Clinical FTEs	469	485	15
Medical Care Evaluation Clinical FTEs	38	50	13
Anesthesia Clinical FTEs	116	106	-10
Interns & Residents Clinical FTEs	356	365	9
Central Services & Supplies Clinical FTEs	54	62	8
Social Service Clinical FTEs	66	58	-8
Rehabilitative Services Clinical FTEs	99	106	7
Radiology - Diagnostic Non Clinical FTEs	69	76	6
Dietary Non Clinical FTEs	136	142	6
Cancer Services Clinical FTEs	27	21	-6
Cardiac Catheterization Clinical FTEs	71	77	6
Operation of Plant & Maintenance Non Clinical FTEs	142	148	6
Social Service Non Clinical FTEs	17	11	-6
Family Medicine Clinical FTEs	144	150	5
Neonatal ICU Clinical FTEs	62	57	-5
Laboratory Clinical FTEs	256	261	5
Medical Care Evaluation Non Clinical FTEs	46	51	5
Medicine Non Clinical FTEs	112	117	5
Critical Care Clinical FTEs	180	176	-4
Surgery Clinical FTEs	275	280	4

# Operating Margin Growth

## University of Vermont Medical Center



UVMCC Operating Margin (\$M)



	2022	2023	2024
UVMCC Operating Revenue	\$1,825,629,645	\$2,067,962,231	\$2,267,584,149
UVMCC Operating Expense:	\$1,848,355,820	\$2,003,412,010	\$2,199,398,007
UVMCC Margin:	-\$22,726,174	\$64,550,221	\$68,186,142
UVMCC Operating Revenue:			
(Actual - Budget)	\$103,540,109	\$107,047,250	\$88,747,089
UVMCC Operating Revenue:			
% Difference in Actual vs. Budget	6.0%	5.5%	4.1%
UVMCC Operating Expense:			
(Actual - Budget)	\$185,604,141	\$81,798,636	\$85,103,164
UVMCC Operating Expense: % Difference in Actual vs. Budget	11.2%	4.3%	4.0%
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

# Financial Health: Profitability

*University of Vermont Medical Center*



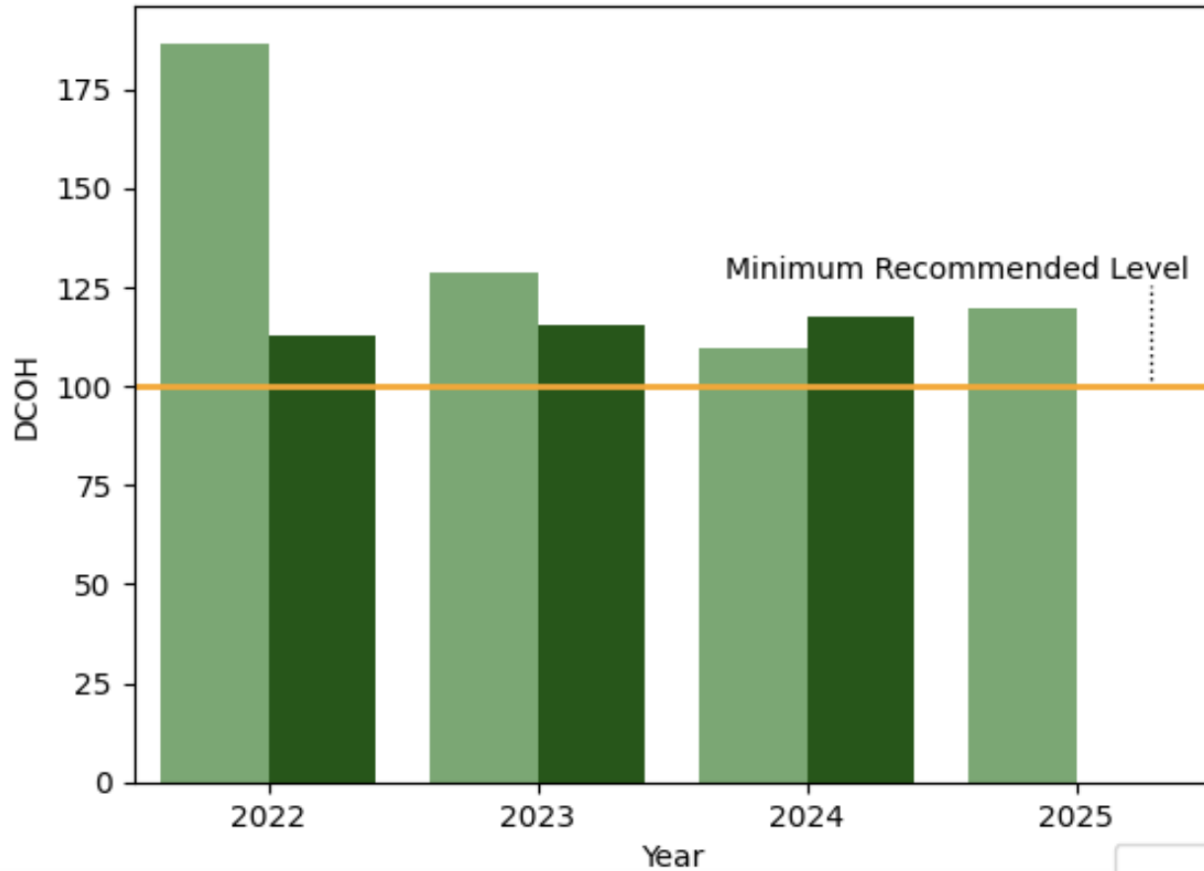
	FY22 Budget	FY22 Actuals	FY23 Budget	FY23 Actuals	FY24 Budget	FY24 Projected	FY25 Budget
Operating Margin	3.4%	-1.2%	2.0%	3.1%	3.0%	3.0%	2.9%
Total Margin	4.6%	-10.6%	2.8%	5.6%	3.7%	5.2%	3.7%
EBIDA	8.0%	3.4%	6.2%	7.3%	6.9%	6.8%	6.5%

# Financial Health: Profitability

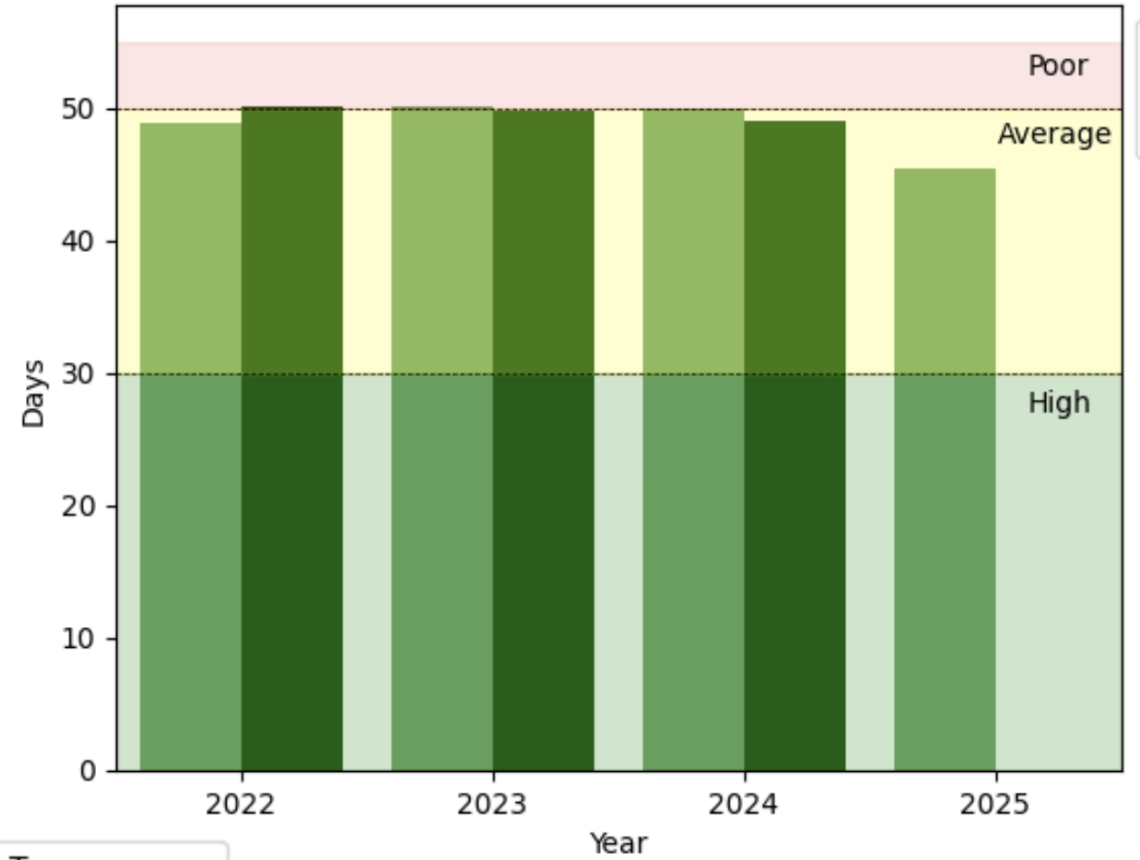
University of Vermont Medical Center



UVM Days Cash on Hand



UVM Days in Patient Account Receivable



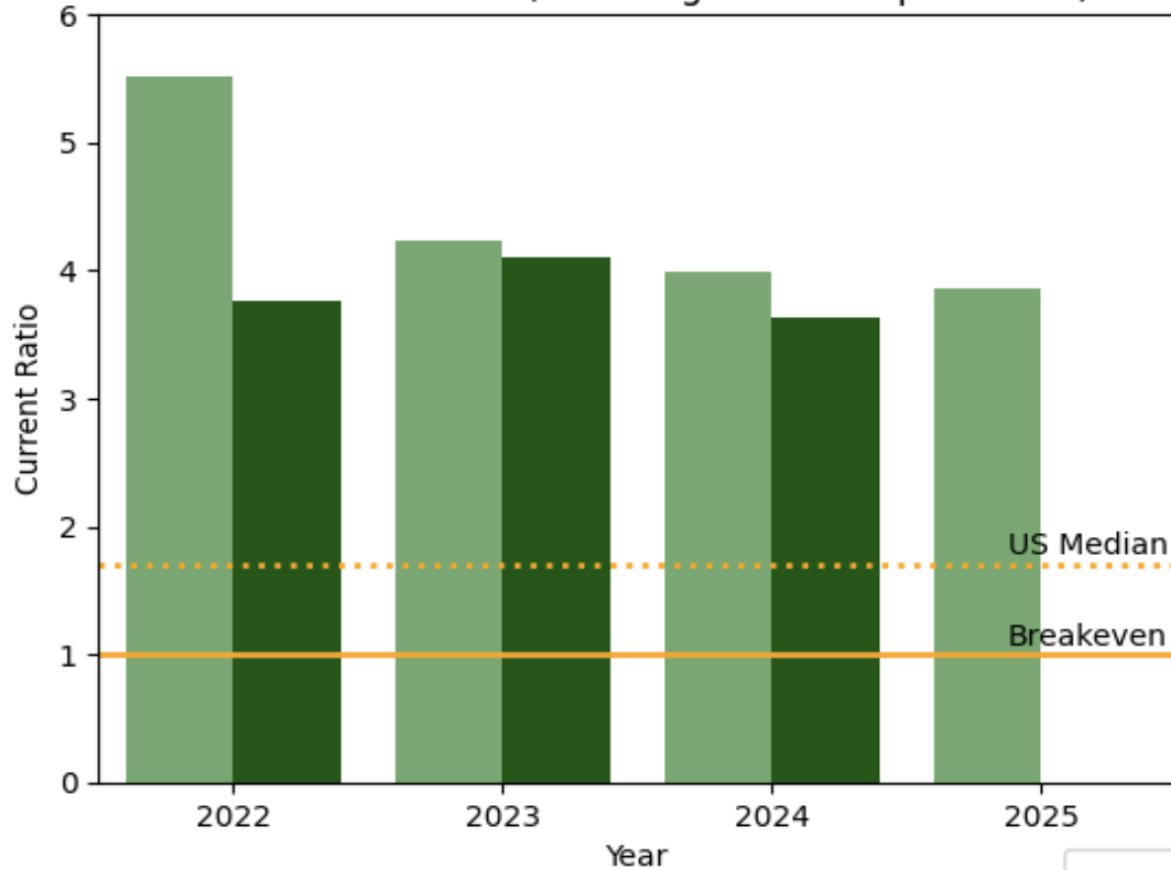
Type  
■ Budgeted  
■ Actual/Projected

# Financial Health: Profitability

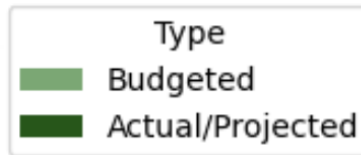
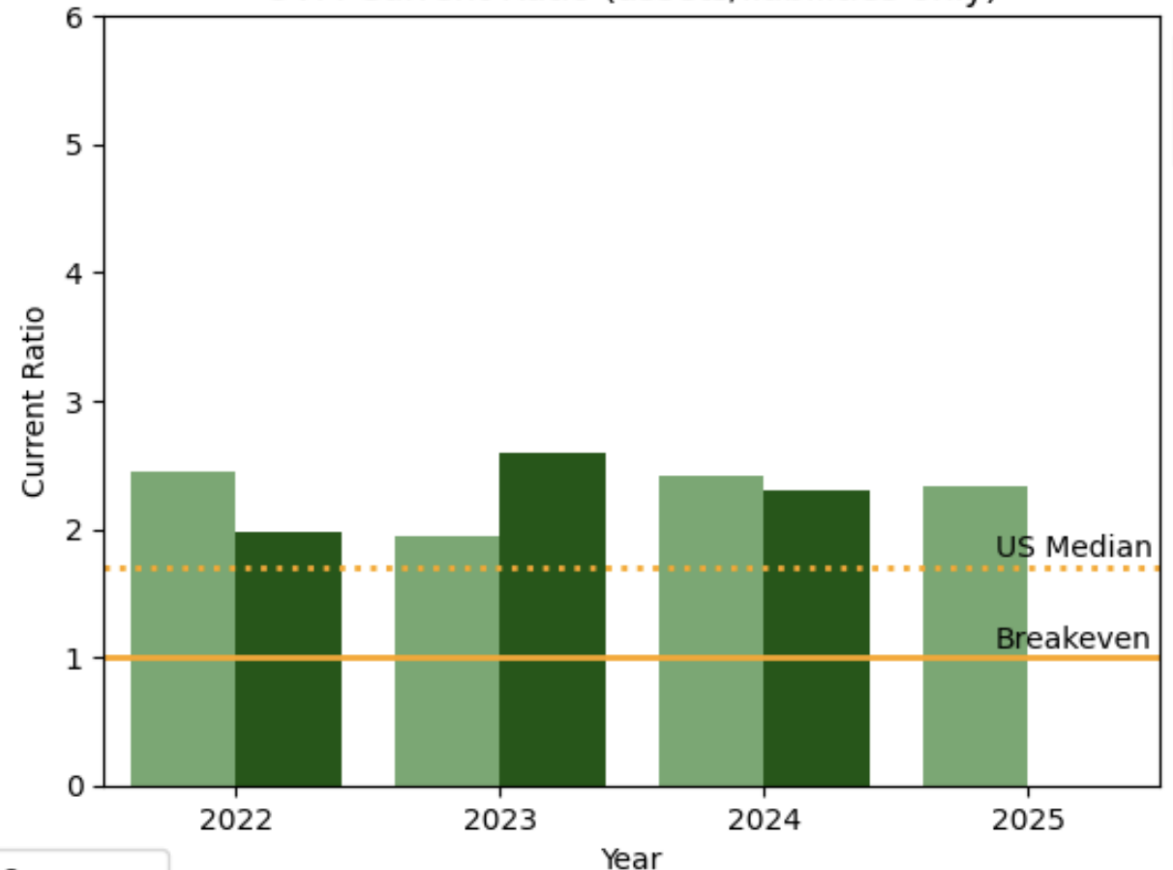
University of Vermont Medical Center



UVM Current Ratio (including funded depreciation)



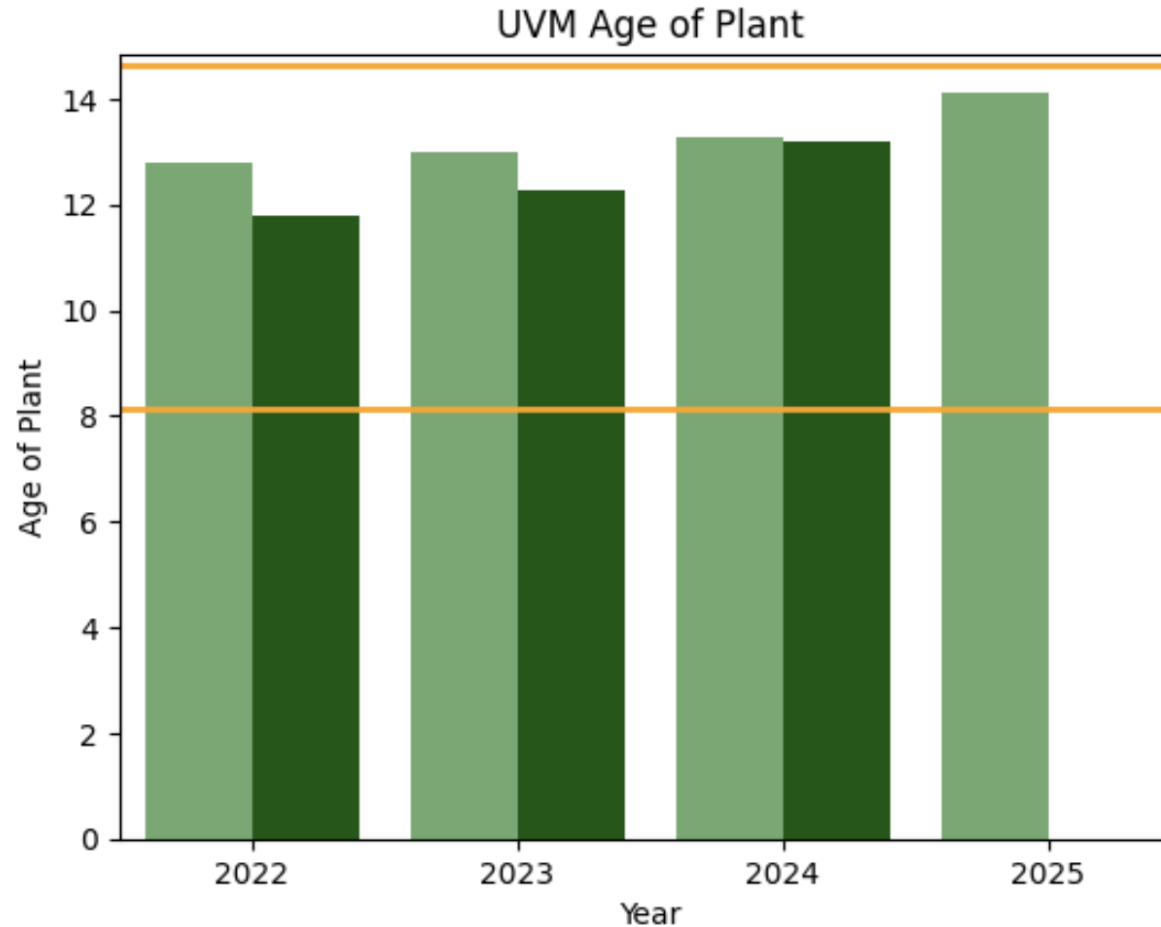
UVM Current Ratio (assets/liabilities only)





# Financial Health: Capital Spending

*University of Vermont Medical Center*



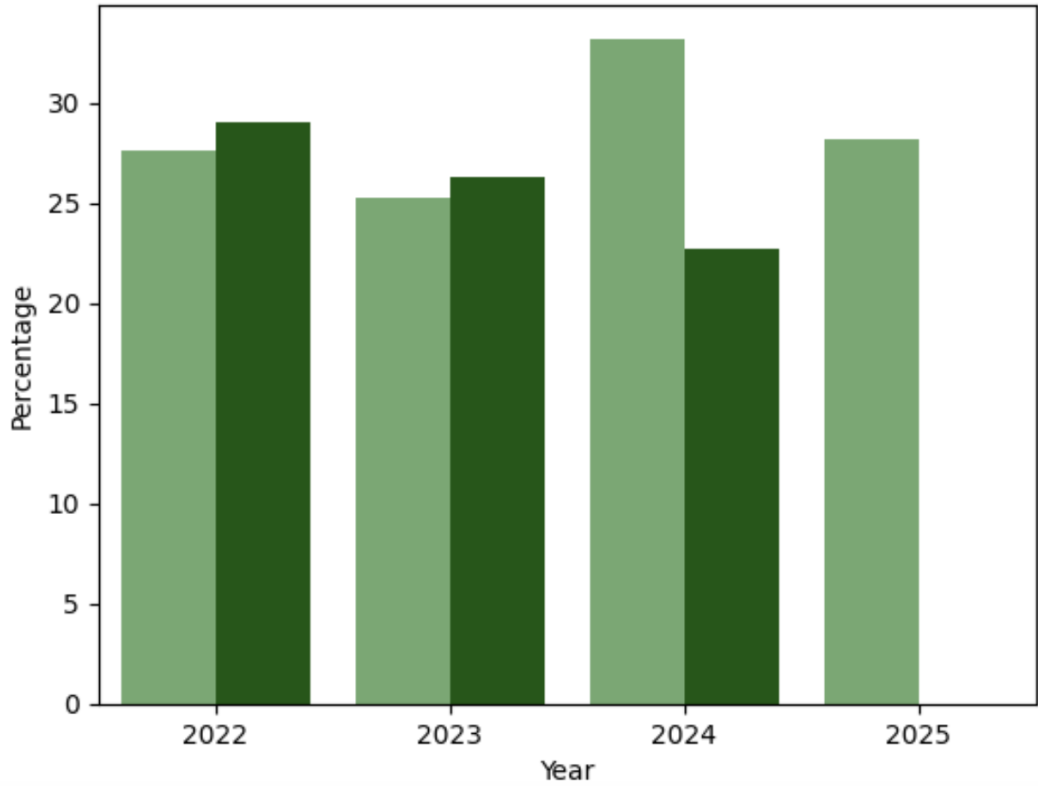
This line indicates the 75<sup>th</sup> percentile of average age of plant (14.63 years).

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

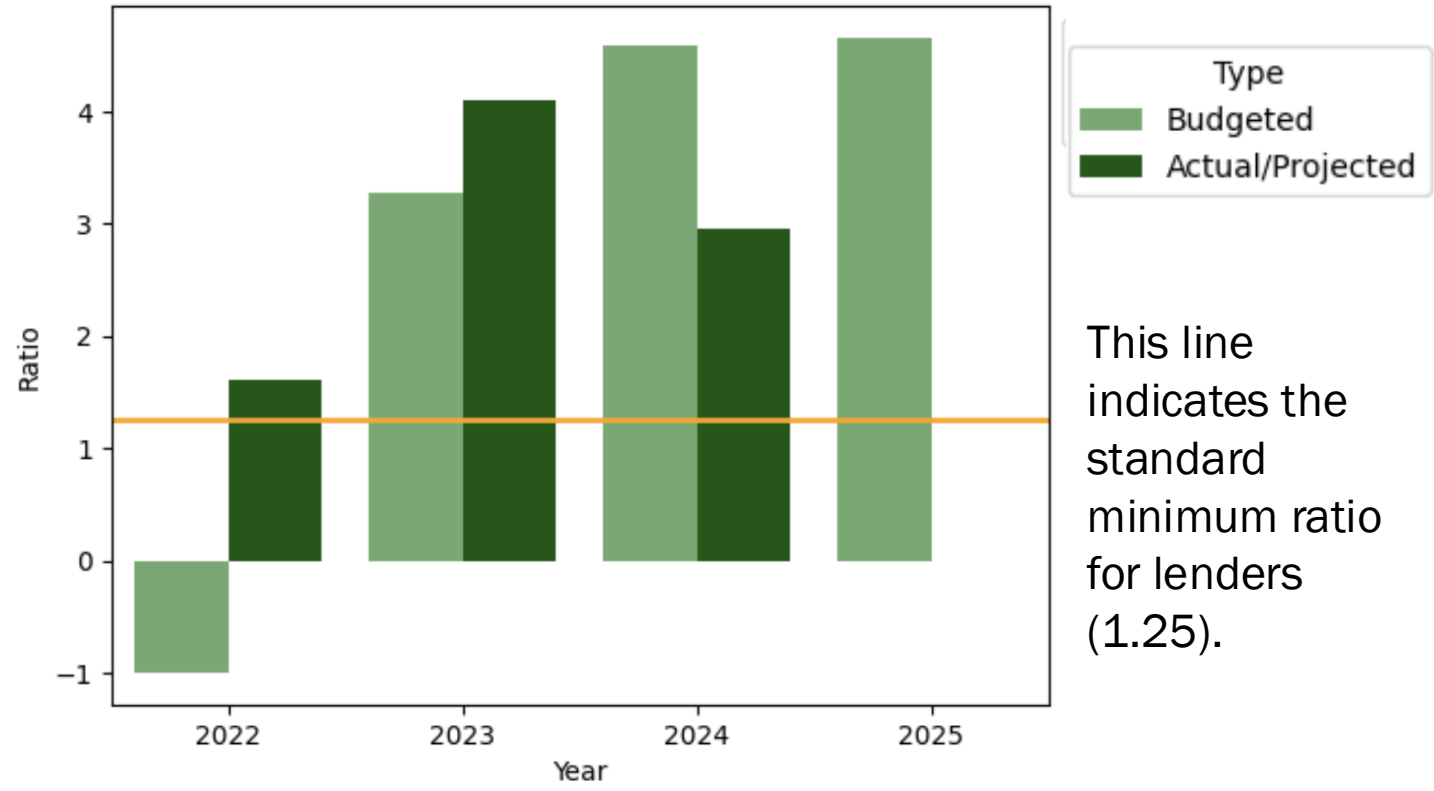
# Financial Health: Solvency

## University of Vermont Medical Center

UVM Long Term Debt to Capitalization



UVM Debt Service Coverage Ratio



# Summary of Financial Health

## *University of Vermont Medical Center*



- Margins have returned to pre-COVID goal margins
- DCOH is just over 100, but likely underestimated
- Days in Patient Account Receivable has average to poor performance, could be improved
- Current Ratio is solid with or without unrestricted funded depreciation
- Age of Plant is between 25th and 75th percentile, but increasing
- Long Term Debt to Capitalization and Debt Service Coverage Ratio are both reasonable and not points of concern
- Overall, it can be difficult to determine the financial health of UVM in some ways due to the cash inflows/outflows across network hospitals

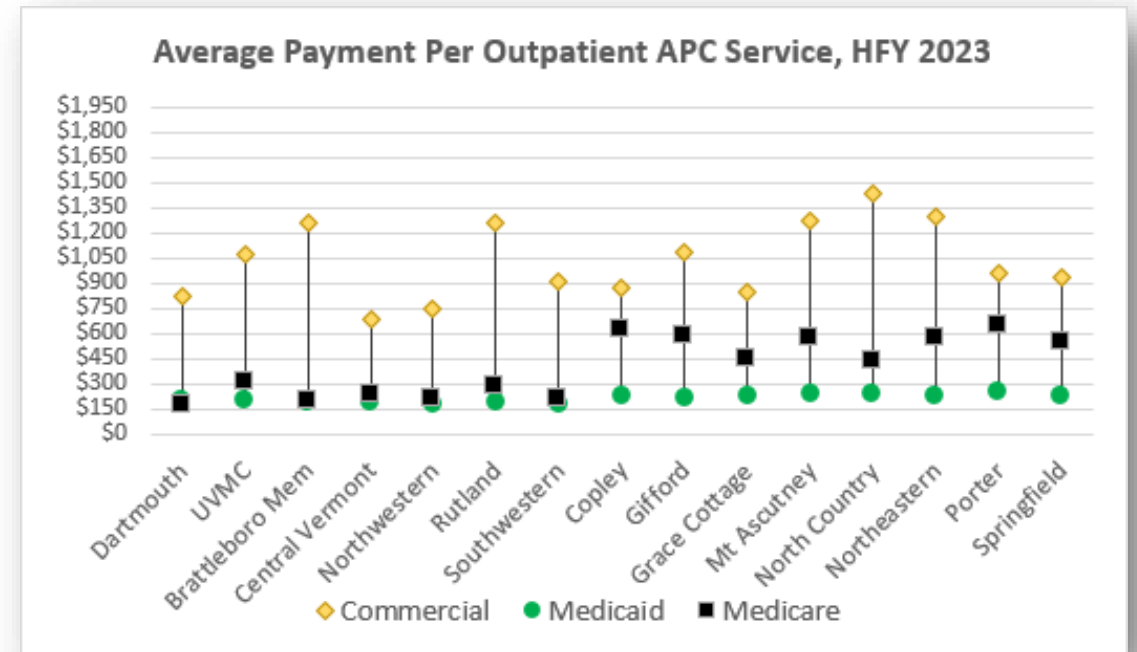
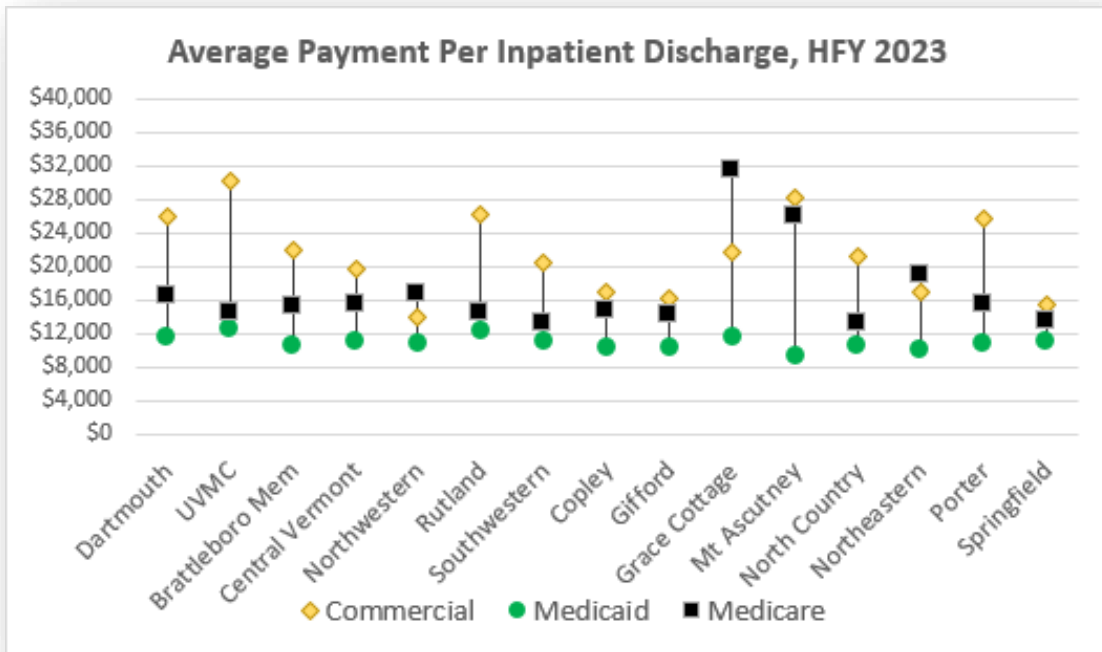
# Commercial Price (RAND 5.0)

*University of Vermont Medical Center*



Core Service Line	Relative Price	Relative Price Decile	Standardized Price	Standardized Price Decile
Outpatient	427%	10	\$556.73	10
Inpatient	243%	6	\$31,753	9
Inpatient & Outpatient	317%	9		
Professional (Inpatient & Outpatient)	257%	10		
Inpatient Facility	246%	10	\$28,811	9
Outpatient Facility	508%	10	\$434.89	8

# CMI adjusted Payment Variation for Inpatient Hospital Services by Payer



# Reasonable Assumptions: Public Payer Prices

*University of Vermont Medical Center*



- What did they assume for Medicare/Medicaid price/reimbursement increase?
  - Not a clear percent increase or answer to this in the narrative.
  - From the workbook: 6.6% for Medicaid, 2.1% for Medicare, 3.0% for Medicare Advantage, 4.3% for APM/FPP (Medicare & Medicaid Combined).

# Reasonable Assumptions: Volume

University of Vermont Medical Center



	FY24P Payer Mix
Medicaid	10.6%
Medicare - Traditional	16.4%
Medicare - Advantage	
Commercial	72.3%
Uncategorized	0.6%
Total	100%

Source: Adaptive Payer Revenue Trends

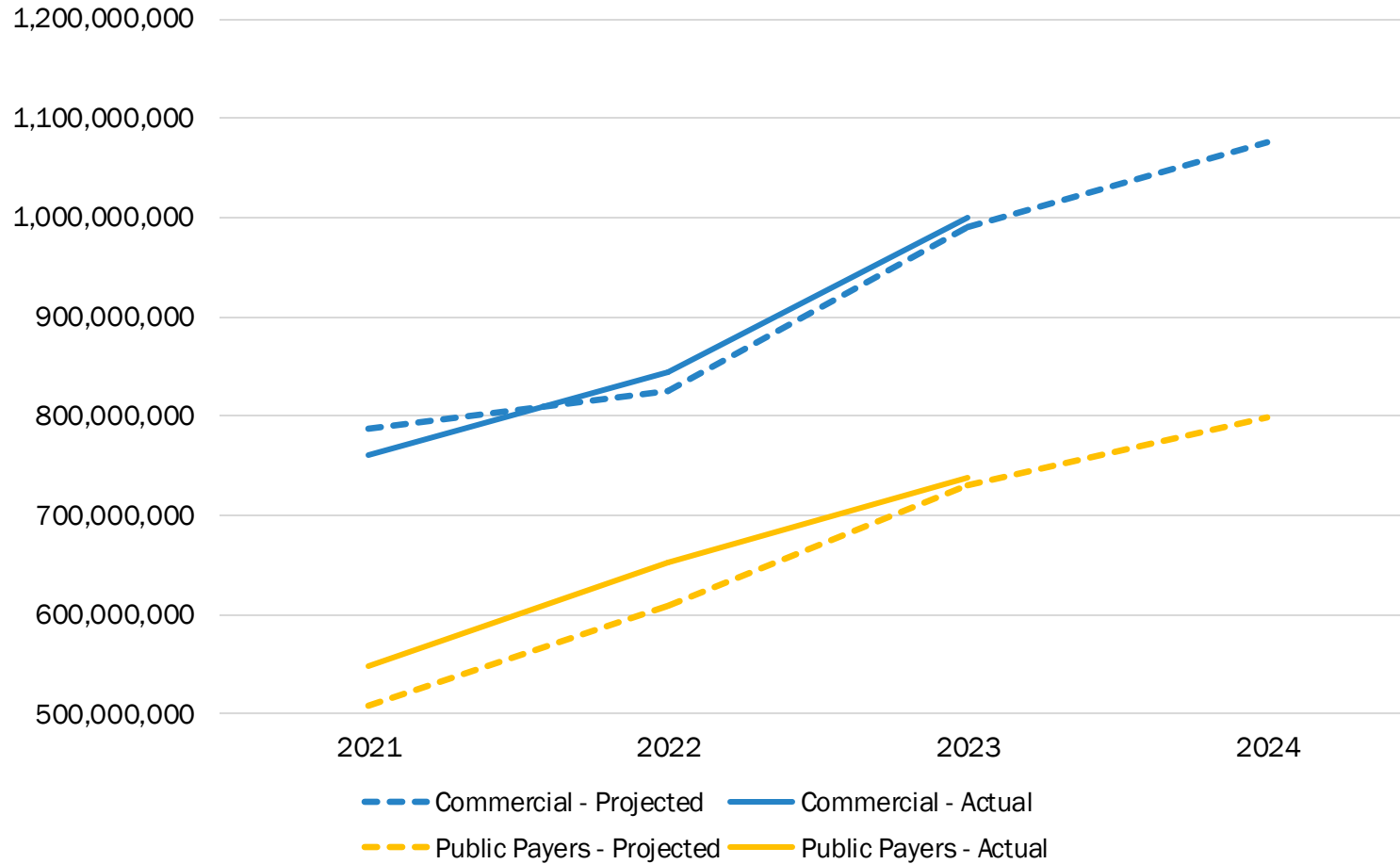
	Changes to Volume <i>*not payer mix</i>
Medicaid	2.0%
Medicare - Traditional	4.4%
Medicare - Advantage	5.6%
Commercial	5.7%
FPP	4.9%
<b>Attributable NPR Increase</b>	<b>5.1%</b>

Source: GMCB Healthcare Finance Team Rate Decomposition Data

**UVMHC requested an NPR increase of 9.3%. According to their workbook, 5.1% of this will come from increased volume.**

# Reasonable Assumptions: Projected vs. Actual NPR

*University of Vermont Medical Center*  
UVMCC



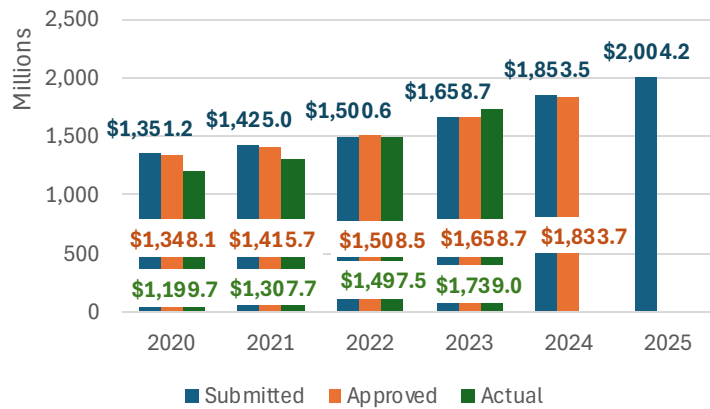


# Reasonable Assumptions: Budget History

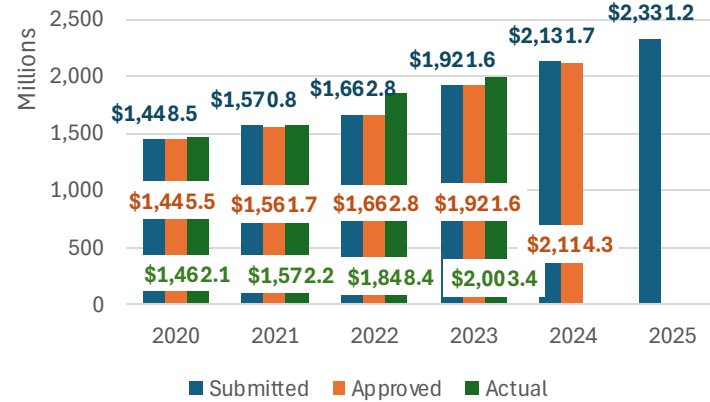
## University of Vermont Medical Center



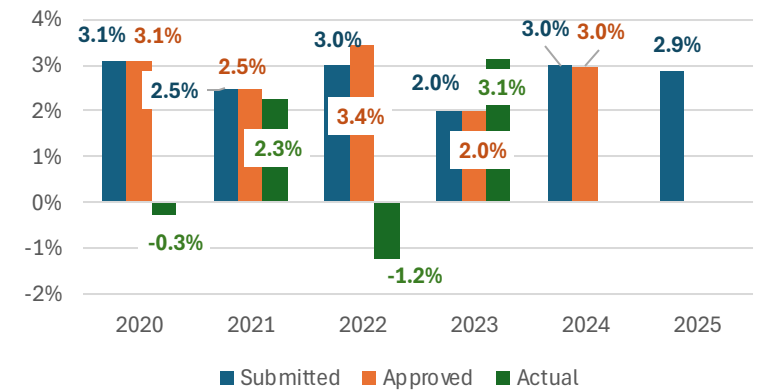
The University of Vermont Medical Center NPR & FPP (\$M)



The University of Vermont Medical Center Operating Expense (\$M)



The University of Vermont Medical Center Operating Margin %



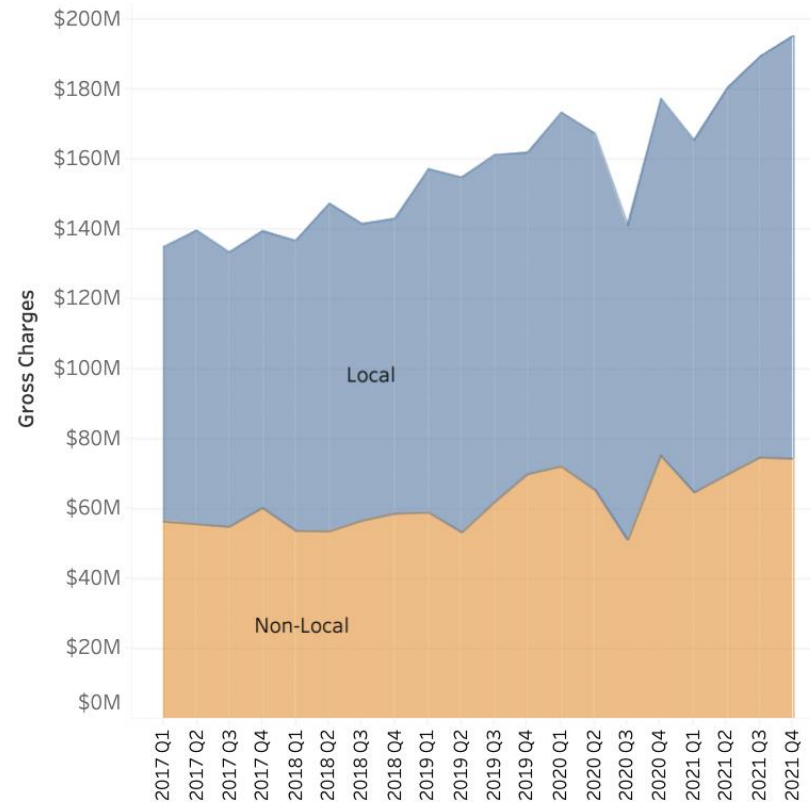
# Reasonable Assumptions: Volume

University of Vermont Medical Center

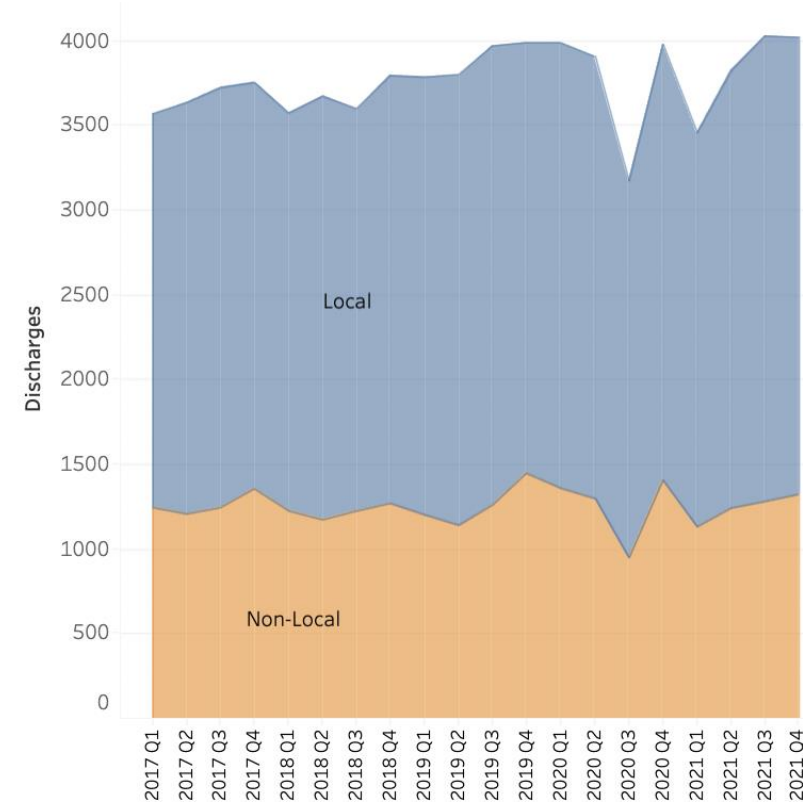


## Hospital inflows: from where do UVMC patients originate?

Inpatient Charges for All Services



Inpatient Discharges for All Services



\*Local patients = those residing within the hospital's HSA. Source: Hospital Market Share Report (VAHHS NSO)

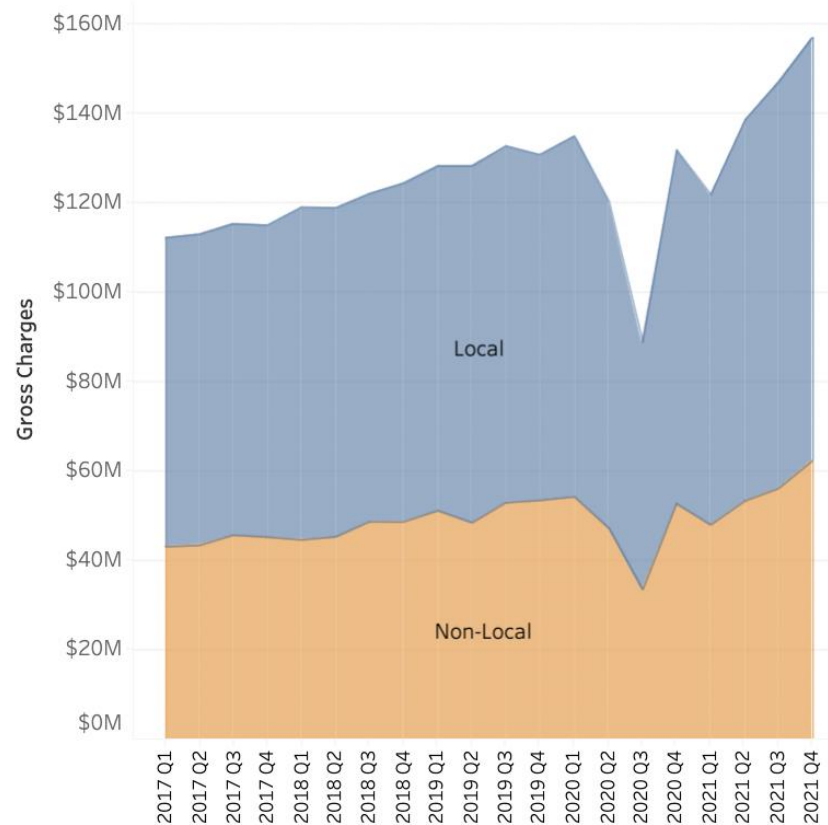
# Reasonable Assumptions: Volume

University of Vermont Medical Center

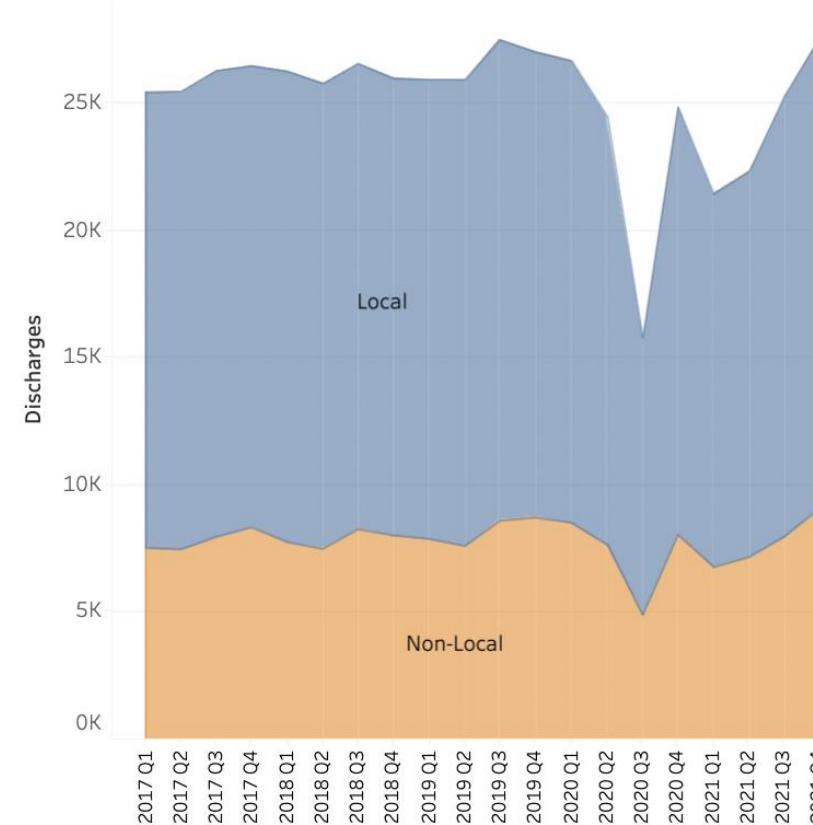


## Hospital inflows: from where do UVMC patients originate?

Outpatient Charges for All Services



Outpatient Discharges for All Services



\*Local patients = those residing within the hospital's HSA. Source: Hospital Market Share Report (VAHHS NSO)

# Efficiency: Summary

## University of Vermont Medical Center



- Clinical Productivity- 696.9 Clinical FTEs reported. 36.6% Clinical FTEs below the 25th percentile. 79.2% below the 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. Hospital-only cost per patient is 122% higher than peer group. Medicare Payment to Cost ratio is 72% while the peer median is 103%.
- Revenue- NPR per discharge is close to that of VT median. Compound annual growth rate of NPR per adjusted discharge from 2018-2022 is 5.58%, compared to the comparable state total of 5.26% and the peer National Median of 6%.
- Admin to clinical salary ratio- Notably higher than Vermont median; 31% in 2022.
- Direct Patient Care FTEs- Notably higher than comparator groups.

### Hospital justifications:

Need to expand access

High pharma revenue

Have suffered from cost shift

Have managed expenses well

Some disagreement with Board's approach/data

# Suggested Motion Language

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

Move to approve UVMMC'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 9.3%) 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.

# Enforcement

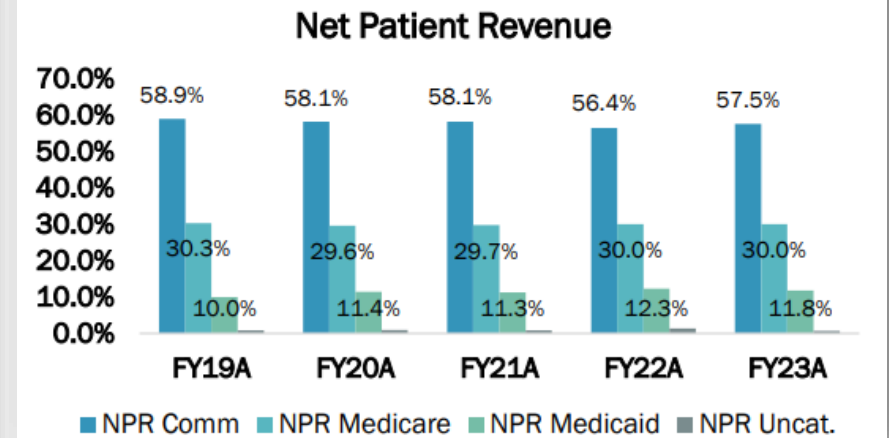
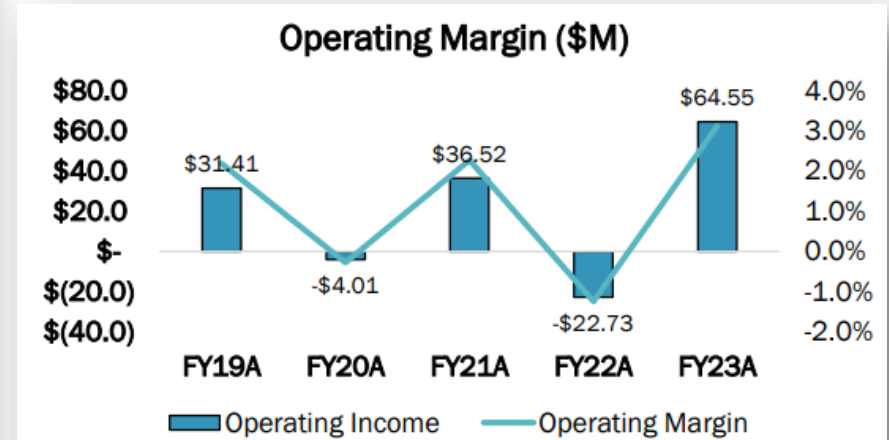
## University of Vermont Medical Center



University of Vermont Medical Center	FY2022 Actuals	FY2023 Budget	FY2023 Actuals	Budget to Actuals	Actuals to Actuals
Gross Patient Care Revenue	3,583,353,306	3,973,779,987	4,271,005,855	7.5%	19.2%
Net Revenue Deductions	(2,274,303,287)	(2,523,860,009)	(2,750,063,520)	9.0%	20.9%
Net Patient Revenue (NPR)	1,309,050,019	1,449,919,978	1,520,942,336	4.9%	16.2%
Fixed Prosp. Payments (FPP)	188,414,129	208,805,650	218,073,448	4.4%	15.7%
NPR + FPP	1,497,464,148	1,658,725,627	1,739,015,783	4.8%	16.1%
Other Operating Revenue	328,165,497	302,189,353	328,946,447	8.9%	0.2%
<b>Total Operating Revenue</b>	<b>1,825,629,645</b>	<b>1,960,914,981</b>	<b>2,067,962,231</b>	<b>5.5%</b>	<b>13.3%</b>

University of Vermont Medical Center	FY2022 Actuals	FY2023 Budget	FY2023 Actuals	Budget to Actuals	Actuals to Actuals
Fees, Salaries & Benefits	1,059,669,270	1,099,411,989	1,114,895,214	1.4%	5.2%
Other Operating Expense	618,889,279	643,589,944	715,492,805	11.2%	15.6%
Health Care Provider Tax	85,420,044	96,127,311	87,545,554	-8.9%	2.5%
Depreciation Amortization	68,233,037	66,201,582	69,411,741	4.8%	1.7%
Interest	16,144,190	16,282,548	16,066,696	-1.3%	-0.5%
<b>Total Operating Expense</b>	<b>1,848,355,820</b>	<b>1,921,613,374</b>	<b>2,003,412,010</b>	<b>4.3%</b>	<b>8.4%</b>

Operating Income	(22,726,174)	39,301,607	64,550,221
Operating Margin	-1.24%	2.00%	3.12%
Non-Operating Revenue	(154,168,560)	16,896,055	55,334,433
Total Income	(176,894,734)	56,197,661	119,884,653
Total Margin	-10.58%	2.84%	5.65%



# Enforcement



UVMHC	FY2022 Cost Inflation (above FY2022 Budget)	FY2023 Cost Inflation	Total Cost Inflation
<b>Cost Inflation</b>	<b>\$66,109,926</b>	<b>\$84,661,860</b>	<b>\$150,771,787</b>
<b>Less:</b>			
FY2022 Mid-Year Rate Increase	\$17,500,000	\$0	\$17,500,000
FY2023 - Medicare Rate Increase	\$0	\$6,367,829	\$6,367,829
FY2023 - Medicare ACO Rate Increase	\$0	\$8,500,000	\$8,500,000
FY2023 - Medicaid Rate Increase	\$0	\$150,172	\$150,172
FY2023 - Other Payer Changes	\$0	\$256,963	\$256,963
Impact on Bad Debt/Charity/Denials Calculation	\$0	(\$7,889,621)	(\$7,889,621)
<b>Sub-Total</b>	<b>\$17,500,000</b>	<b>\$7,385,343</b>	<b>\$24,885,343</b>
<b>Required Funding from Commercial Rate</b>	<b>\$48,609,926</b>	<b>\$77,276,517</b>	<b>\$125,886,444</b>
<u>Per 1 % Impact of Commercial Rate:</u>			
Calendar Year (12 months: Jan-Dec)	\$7,620,366		
Budget Year (9 months: Jan-Sept)		\$5,715,274	
<b>Commercial Rate Increase in FY2023 Budget</b>	<b>6.38%</b>	<b>13.52%</b>	<b>19.90%</b>

**Under-budgeting public payer revenue may over-estimate the commercial revenue needed to cover stated costs (and the commercial effective rate).**

# Enforcement

## University of Vermont Medical Center



Examples overbudgeting of operating expenses/ underbudgeting of operating revenues in FY2023...

- Graduate Medical Education Payments: **\$30.7M** (\$53.2M FY22 & FY23)
- Sole Community Hospital Status: **\$9.5M**
- Bad Debt/Free Care: **\$33.3M** (\$61.6M FY21 to FY23)
- Owed from related Third Parties: **\$87.4M**
- Provider Tax: **\$8.6M** (\$14.0M FY21 to FY23)
- 340B Revenues: **\$12.9M** (\$20.9M FY21 to FY23)
- Grant Income: **\$4.1M** (\$15.8M FY21 to FY23)
- COVID Stimulus & Other Grant Funding: **\$7.8M** (\$121M FY21 to FY23)
- “Other” operating revenue: **\$17.2M** (\$32.5M FY21 to FY23)
- ...

*Staff requested specific detail on FY2023 overbudgeting of expense and underbudgeting of revenues in follow-up to UVMHC’s hearing on August 28<sup>th</sup>. The hospital submitted responses on 9/6, and did not provide the requested detail.*



# Enforcement

## *University of Vermont Medical Center*



**Recommendation:** Full Enforcement (100% of NPR overage) implemented through a commercial-rate adjustment in FY25.

### Rationale

- Overage due to unanticipated volume as well as significant amount of overbudgeting of expense and underbudgeting of revenue.
- High-prices and low productivity.

# Suggested Motion Language

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

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

1. Move to deny UVMMC's application for retroactive adjustment of its FY23 budget; and
2. Move to enforce this deviation by reducing the FY25 commercial change in charge and negotiated rate growth cap from 3.4% over the FY24 approved commercial rate cap to 5.4% under (-5.4%) the FY24 approved commercial rate cap, with no commercial rate increase for any payer exceeding that amount.

# Budget Request vs. FY25 Benchmarks

## Central Vermont Medical Center



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

NPR Request %	NPR Request \$	% of System > Guidance
11.9%	308 M	14%

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

Comm Rate Request %	Comm Rate Request \$	% of System > Guidance
5.5%	6.5 M	6%

### Section I - Operating Margin > 0%

Op Margin %	Op Margin \$	% of System
0.0%	115 K	0%

# Summary of Hospital Justifications

## *Central Vermont Medical Center*



- They need to expand access: They claim that NPR will help them continue to address the board's access concerns. They list several ways they are expanding access (increased radiology capacity, EConsults for specialty care, 'referbacks' program for primary care, efforts to address certain backlogs, etc.).
- They have high pharma revenues: They write that pharma NPR is expected to increase about \$3 million, which composes about 13% of the total NPR increase (pre-rate change)
- They've managed their expenses well: In their narrative, they argue that their base expenses are reasonable and their administrative to clinical ratio is fair.
- Certain services are low-cost: They argue that CVMC is low-price for radiology and commercial services according to Clarify.

# Revenue Trends: Actual vs. Budgeted NPR

## Central Vermont Medical Center

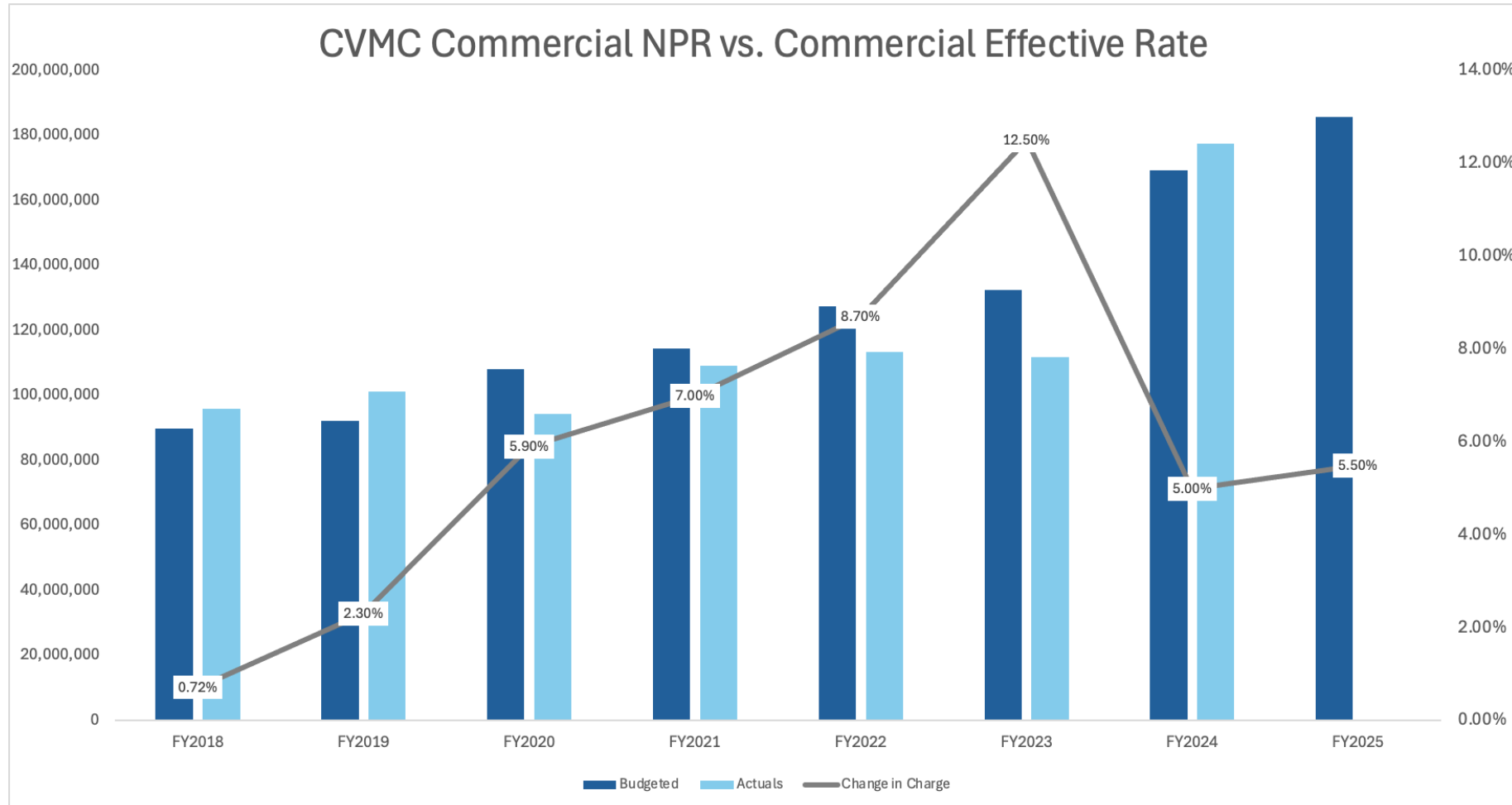


	FY18 Δ		FY19 Δ		FY20 Δ		FY21 Δ		FY22 Δ		FY23 Δ	
<b>Commercial</b>	(0.51)	-0.5%	(0.46)	-0.5%	(18.93)	-16.7%	(4.63)	-4.0%	(13.40)	-10.5%	(20.91)	-15.7%
<b>Medicaid</b>	(1.44)	-5.0%	(1.21)	-4.3%	(1.38)	-4.8%	(1.91)	-6.2%	(2.70)	-8.4%	4.83	18.4%
<b>Medicare</b>	(1.92)	-2.7%	(1.66)	-2.1%	(3.87)	-5.2%	(2.09)	-2.3%	3.62	4.0%	0.76	0.7%
<b>DSH</b>	-	0.0%	(0.05)	-3.5%	(0.05)	-3.5%	(0.11)	-9.0%	1.91	146.4%	(1.78)	-56.9%
	(3.87)	-1.95%	(3.38)	-1.60%	(24.22)	-11.11%	(8.74)	-3.70%	(10.57)	-4.21%	(17.11)	-6.35%

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

# Commercial Revenue Trends

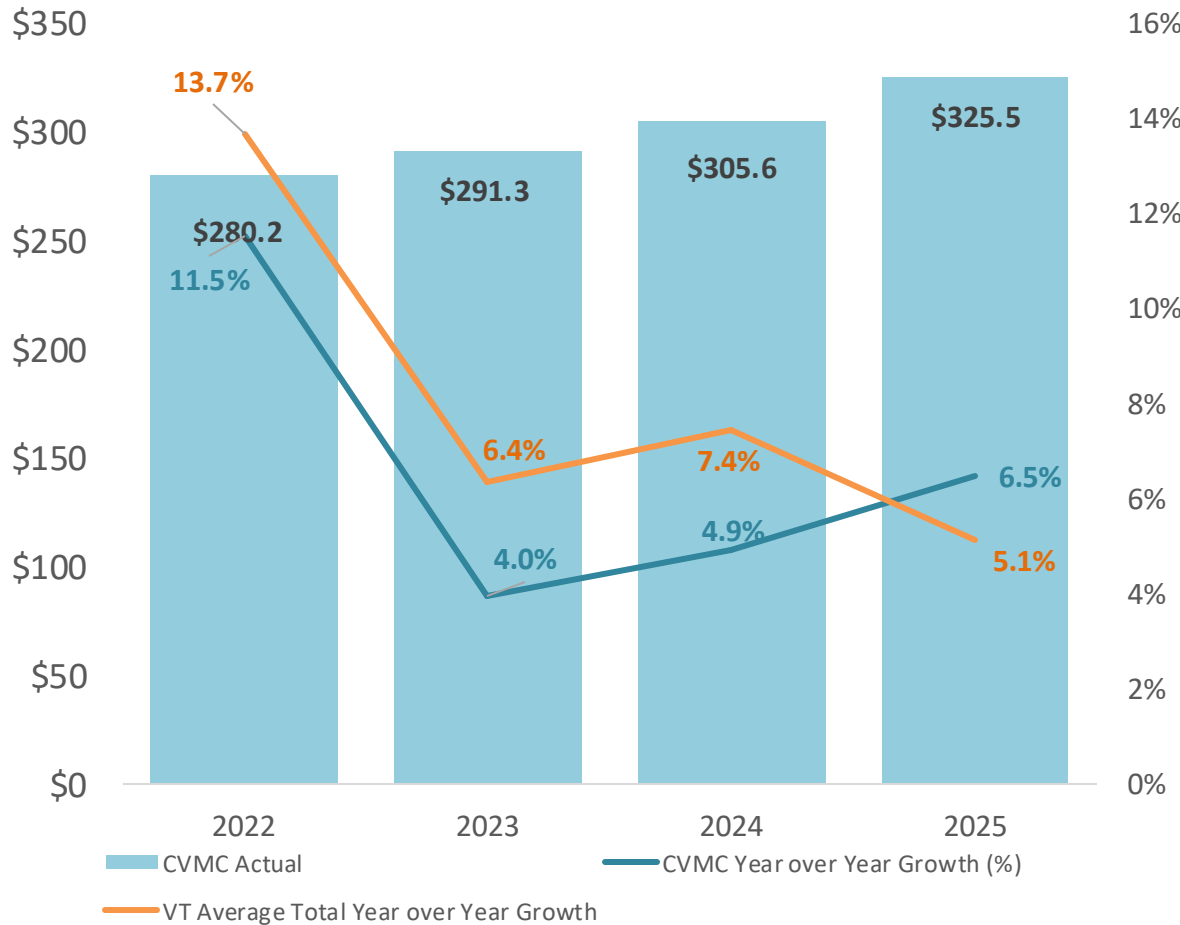
## Central Vermont Medical Center



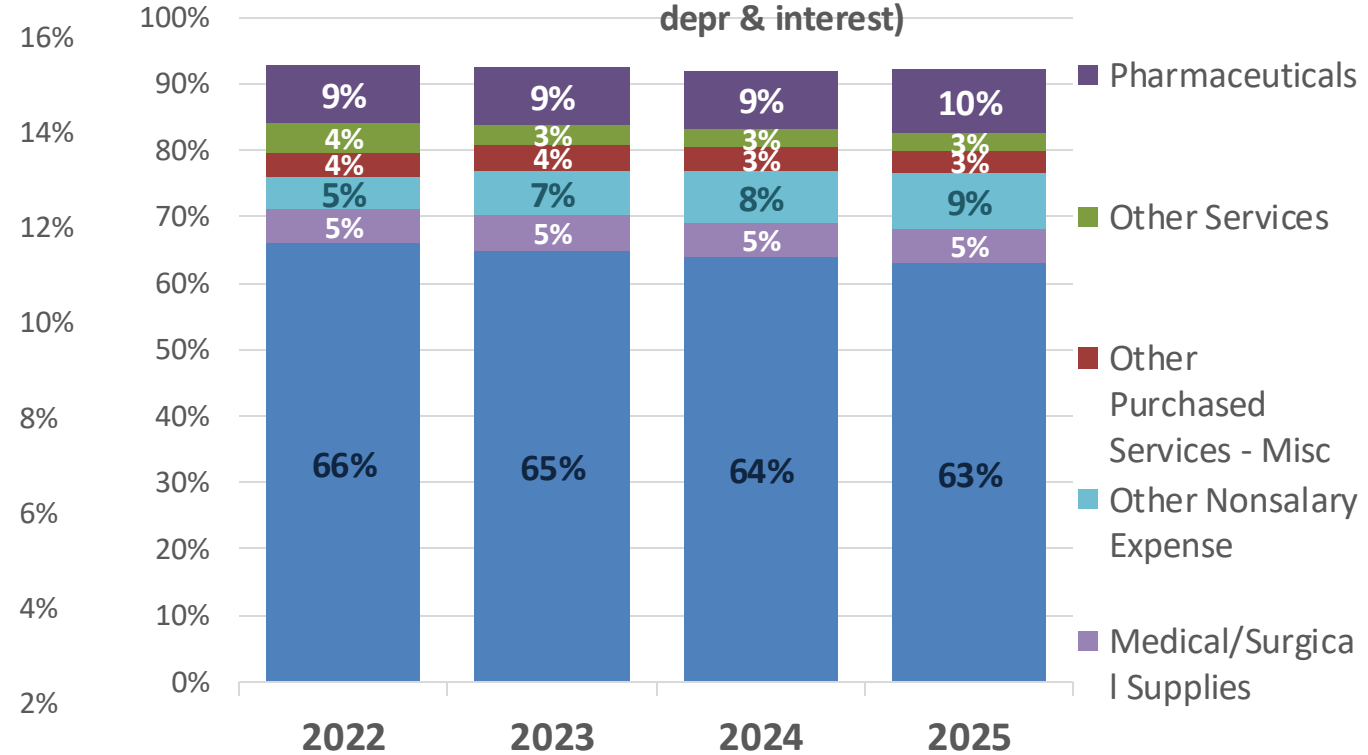
# Expense Trends

## Central Vermont Medical Center

CVMC Operating Expense (\$M)



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



	2022	2023	2024	2025
<b>CVMC - Labor YoY Growth</b>	13.3%	2.5%	3.8%	5.0%
<b>CVMC - Labor (Actual - Budget)</b>	\$17,237,936	\$8,341,491	\$6,745,117	
<b>CVMC - Labor (Actual - Budget)/Budget</b>	10.6%	4.7%	3.7%	
<b>CVMC - Pharmaceuticals YoY Growth</b>	8.6%	3.7%	7.6%	18.6%
<b>CVMC - Pharmaceuticals (Actual - Budget)</b>	-\$1,277,837	-\$1,033,396	\$956,701	
<b>CVMC - Pharmaceuticals (Actual - Budget)/Budget</b>	-5.1%	-4.0%	3.7%	

# Expense Trends: Labor

## Central Vermont Medical Center



**Total FTEs employees**

Employee	FY2024	FY2025	Distribution of	
			Additional Budgeted FTE	Clinical/Non Clinical Budgeted Split
Clinical FTEs	944	945	1%	65%
Non Clinical FTEs	478	507	99%	35%
<b>Total</b>	<b>1422</b>	<b>1452</b>		

**Top Changes in staffing by Department**

Department	FY2024	FY2025	Change
Medical/Surgical Clinical FTEs	86	98	12
Emergency Room Clinical FTEs	53	43	-10
Medical Group Administration Clinical FTEs	18	9	-9
Rehabilitative Services Clinical FTEs	18	12	-6
Physical Therapy Clinical FTEs	24	30	6
SNF/ECF Non Clinical FTEs	54	60	6
Operating Room Non Clinical FTEs	1	6	5
Administration Non Clinical FTEs	49	45	-5
Drugs Sold Non Clinical FTEs	2	6	4
Hospitalists Clinical FTEs	19	23	4
Surgical Day Care Clinical FTEs	15	19	4
Recovery Room Non Clinical FTEs	1	5	4
Medical/Surgical Non Clinical FTEs	13	17	4
Fiscal Services Non Clinical FTEs	81	78	-3
Critical Care Clinical FTEs	26	29	3
Operating Room Clinical FTEs	21	19	-3
Dietary Non Clinical FTEs	32	34	3
Drugs Sold Clinical FTEs	29	27	-3
Laboratory Clinical FTEs	37	39	3
Psychiatry Clinical FTEs	33	30	-2

### Labor Expenses in the narrative:

- Successfully negotiated a contract for first two collective bargaining units – RN’s & Tech professionals;
  - Immediate average 7% increase & further wage increases of an additional 13.5% over 3-year contract
  - Plan to increase staff FTE by 34 & decrease traveler FTE by 16

Top Changes in staffing account for 70.5% of FTE employee changes

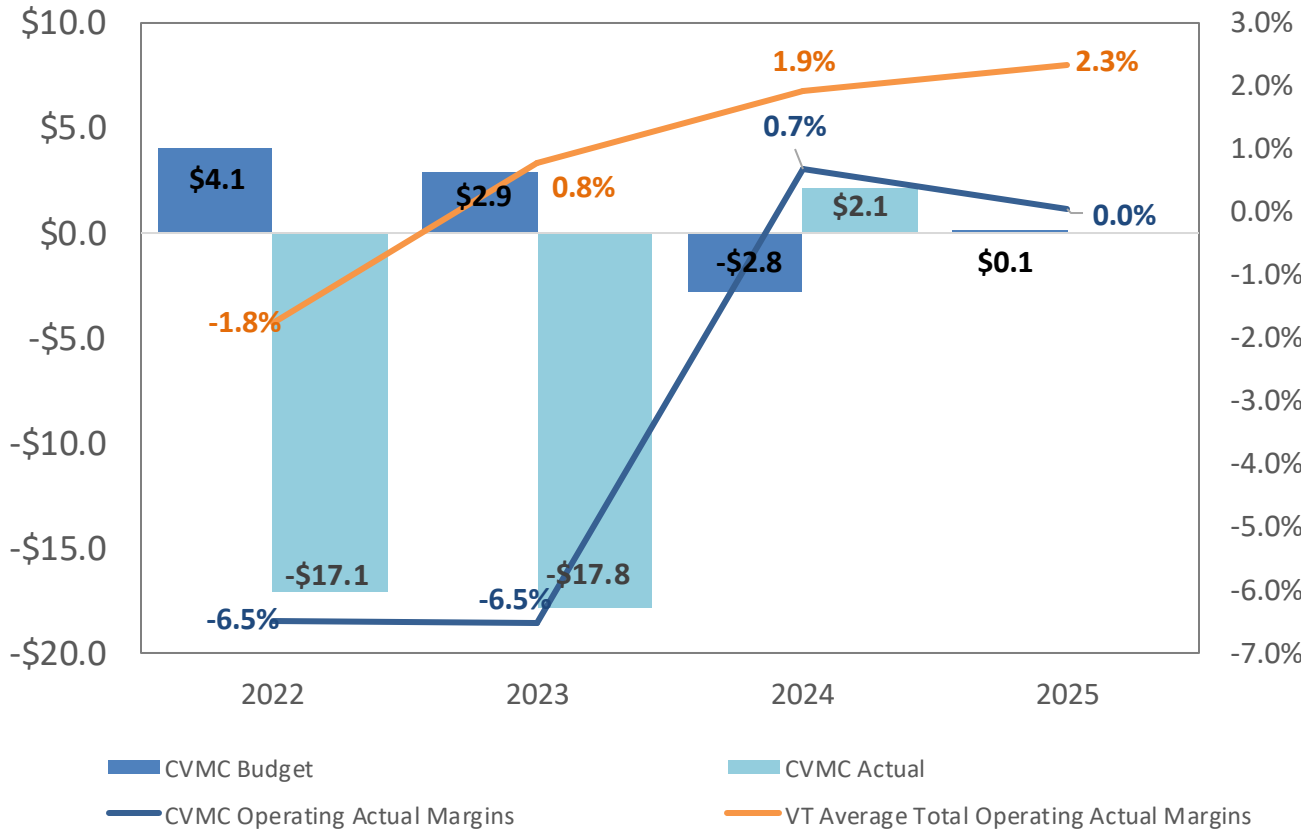


# Operating Margin Growth

## Central Vermont Medical Center



CVMC Operating Margin (\$M)



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

	2022	2023	2024
<b>CVMC Operating Revenue</b>	\$263,067,664	\$273,474,553	\$307,720,295
<b>CVMC Operating Expense:</b>	<u>\$280,204,325</u>	<u>\$291,318,581</u>	<u>\$305,635,372</u>
<b>CVMC Margin:</b>	<u>-\$17,136,661</u>	<u>-\$17,844,028</u>	<u>\$2,084,923</u>
<b>CVMC Operating Revenue:</b>			
<b>(Actual - Budget)</b>	-\$5,308,013	-\$14,361,696	\$16,510,286
<b>CVMC Operating Revenue:</b>			
<b>% Difference in Actual vs. Budget</b>	-2.0%	-5.0%	5.7%
<b>CVMC Operating Expense:</b>			
<b>(Actual - Budget)</b>	\$15,888,152	\$6,356,302	\$11,602,430
<b>CVMC Operating Expense: %</b>			
<b>Difference in Actual vs. Budget</b>	6.0%	2.2%	3.9%
<b>VT Operating Revenue:</b>			
<b>% Difference in</b>			
<b>Actual vs. Budget</b>	5.7%	3.1%	3.0%
<b>VT Operating Expenses:</b>			
<b>% Difference in</b>			
<b>Actual vs. Budget</b>	10.4%	4.3%	3.3%

# Financial Health: Profitability

*Central Vermont Medical Center*

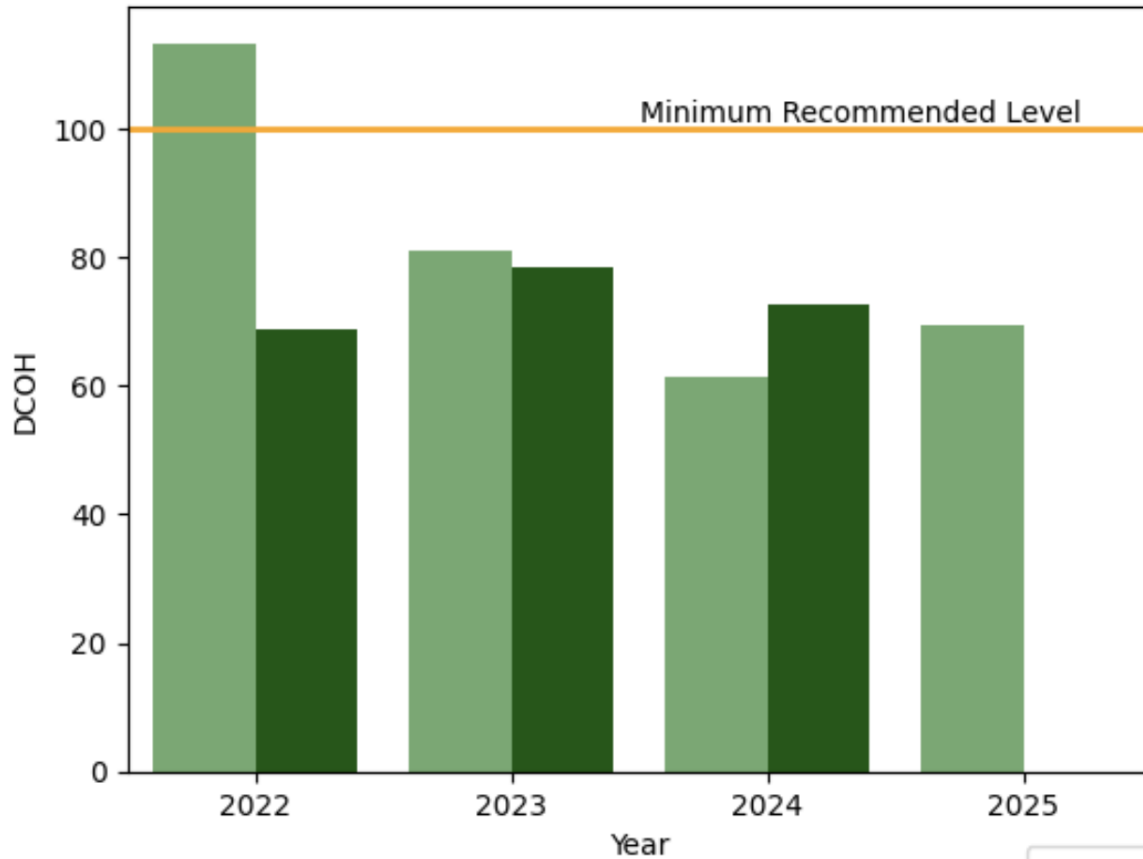


	FY22 Budget	FY22 Actuals	FY23 Budget	FY23 Actuals	FY24 Budget	FY24 Projected	FY25 Budget
Operating Margin	1.5%	-6.5%	1.0%	-6.5%	-1.0%	0.7%	0.0%
Total Margin	4.4%	-11.1%	2.8%	-8.3%	0.5%	2.9%	0.9%
EBIDA	5.0%	-3.5%	3.9%	-3.9%	1.5%	2.9%	2.2%

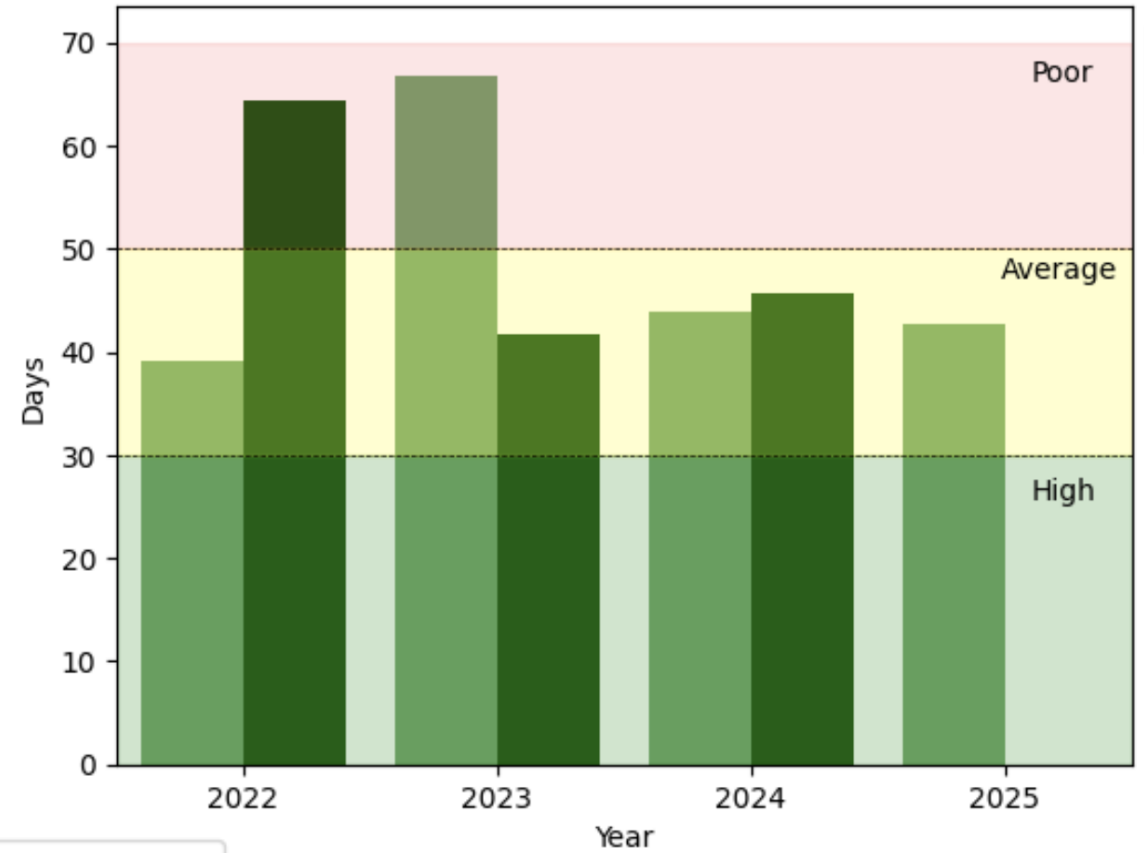
# Financial Health: Profitability

## Central Vermont Medical Center

CVMC Days Cash on Hand



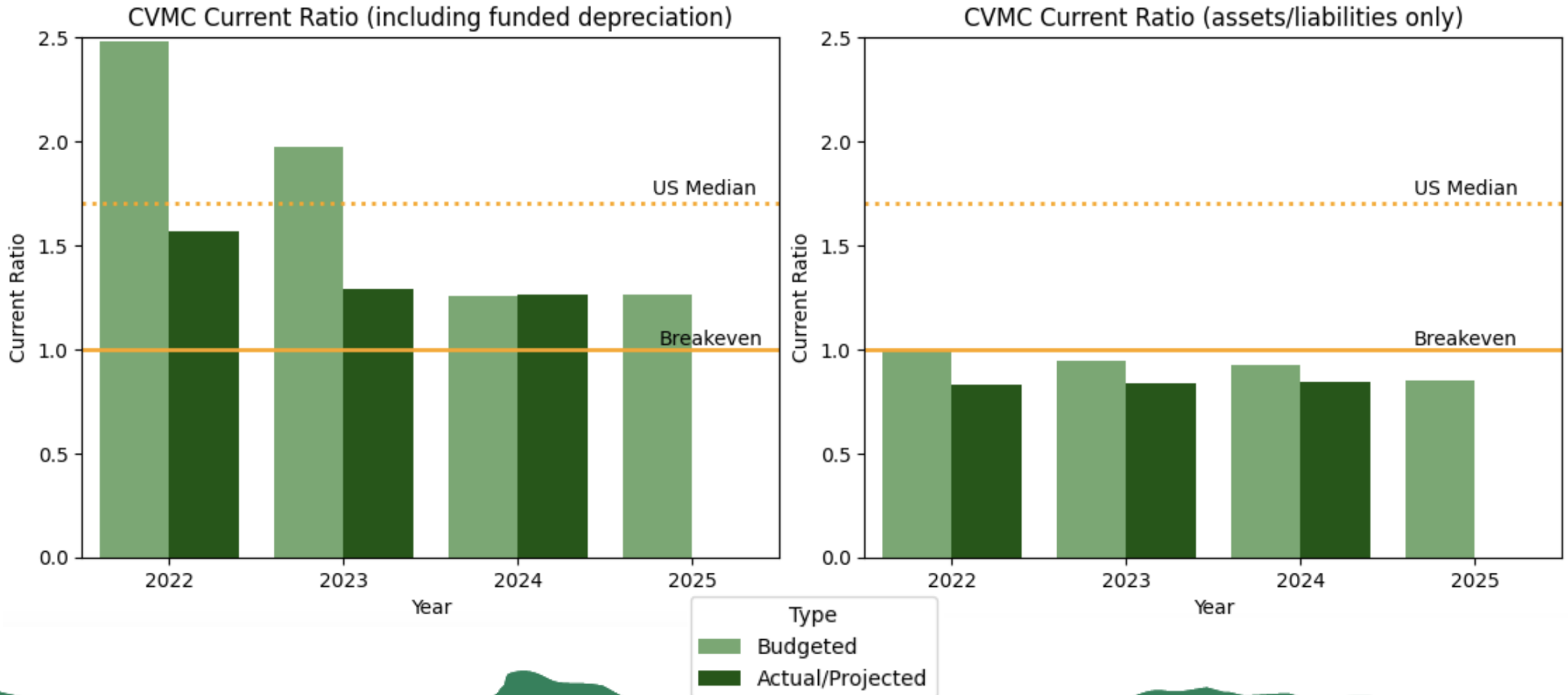
CVMC Days in Patient Account Receivable



Type  
Budgeted  
Actual/Projected

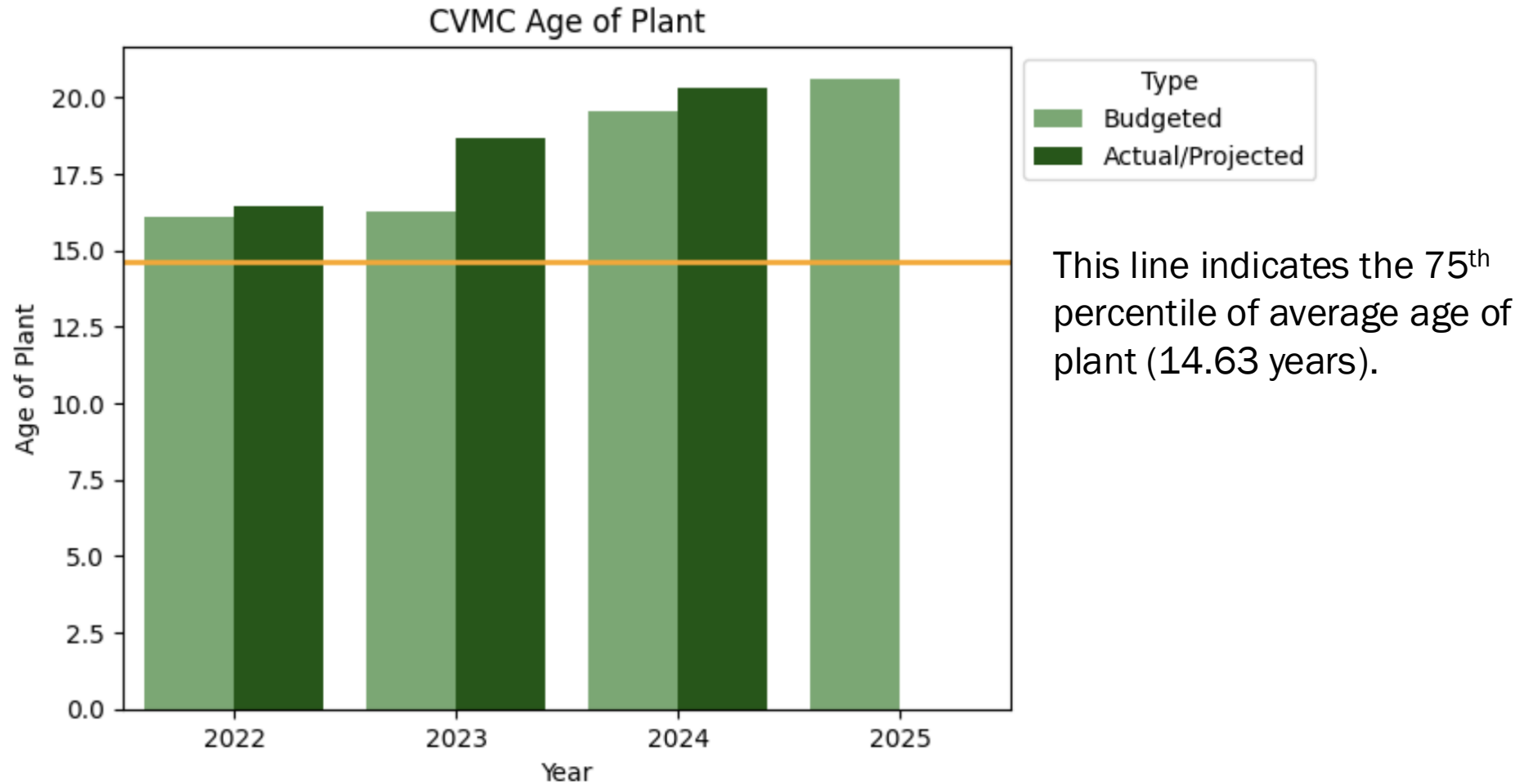
# Financial Health: Profitability

## Central Vermont Medical Center



# Financial Health: Capital Spending

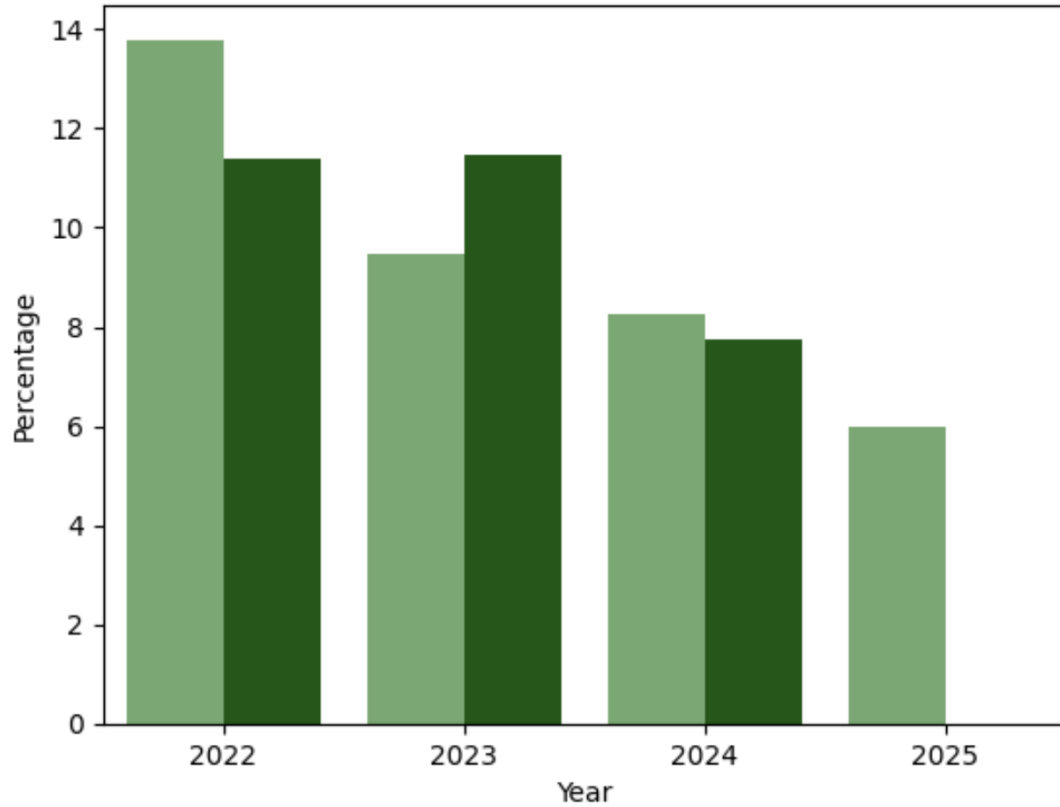
## Central Vermont Medical Center



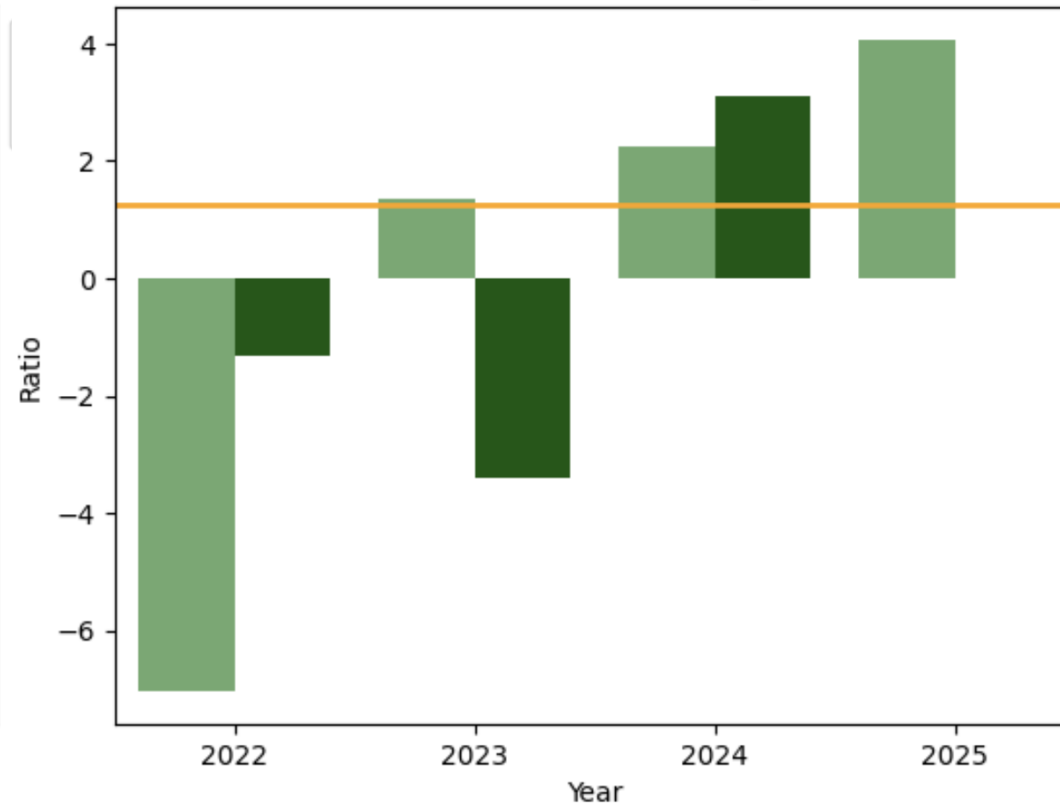
# Financial Health: Solvency

## Central Vermont Medical Center

CVMC Long Term Debt to Capitalization



CVMC Debt Service Coverage Ratio



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

Type  
■ Budgeted  
■ Actual/Projected

# Summary of Financial Health

## *Central Vermont Medical Center*



- Margins have recovered but budgeted lower for FY25 than FY24 projected
- DCOH is low, but hard to determine this metrics' accuracy due to the cash flow within the network
- Days in Patient Account Receivable has improved from poor performance in FY22 to average performance in FY23 and FY24
- Current Ratio is below 1 without unrestricted funded depreciation
- Age of Plant is well above the 75th percentile
- Long Term Debt to Capitalization is very low.
- Debt Service Coverage Ratio has improved from negative in FY22 and FY23 to well above the minimum required ratio.

# Commercial Price (RAND 5.0)

## Central Vermont Medical Center



Core Service Line	Relative Price	Relative Price Decile	Standardized Price	Standardized Price Decile
Outpatient	319%	8	\$419.26	7
Inpatient	156%	1	\$19,902	4
Inpatient & Outpatient	264%	7		
Professional (Inpatient & Outpatient)	211%	7		
Inpatient Facility	158%	6	\$18,210	4
Outpatient Facility	364%	9	\$326.43	4



# Reasonable Assumptions: Public Payer Prices

## *Central Vermont Medical Center*



- What did they assume for Medicare/Medicaid price/reimbursement increase?
  - Not a clear percent increase or answer to this in the narrative.
  - From the workbook: 0.4% for Medicaid, 0.4% for Medicare.

# Reasonable Assumptions: Volume

## Central Vermont Medical Center



	FY24P Payer Mix
Medicaid	12.3%
Medicare - Traditional	26.3%
Medicare - Advantage	
Commercial	60.9%
Uncategorized	0.4%
Total	100%

Source: Adaptive Payer Revenue Trends

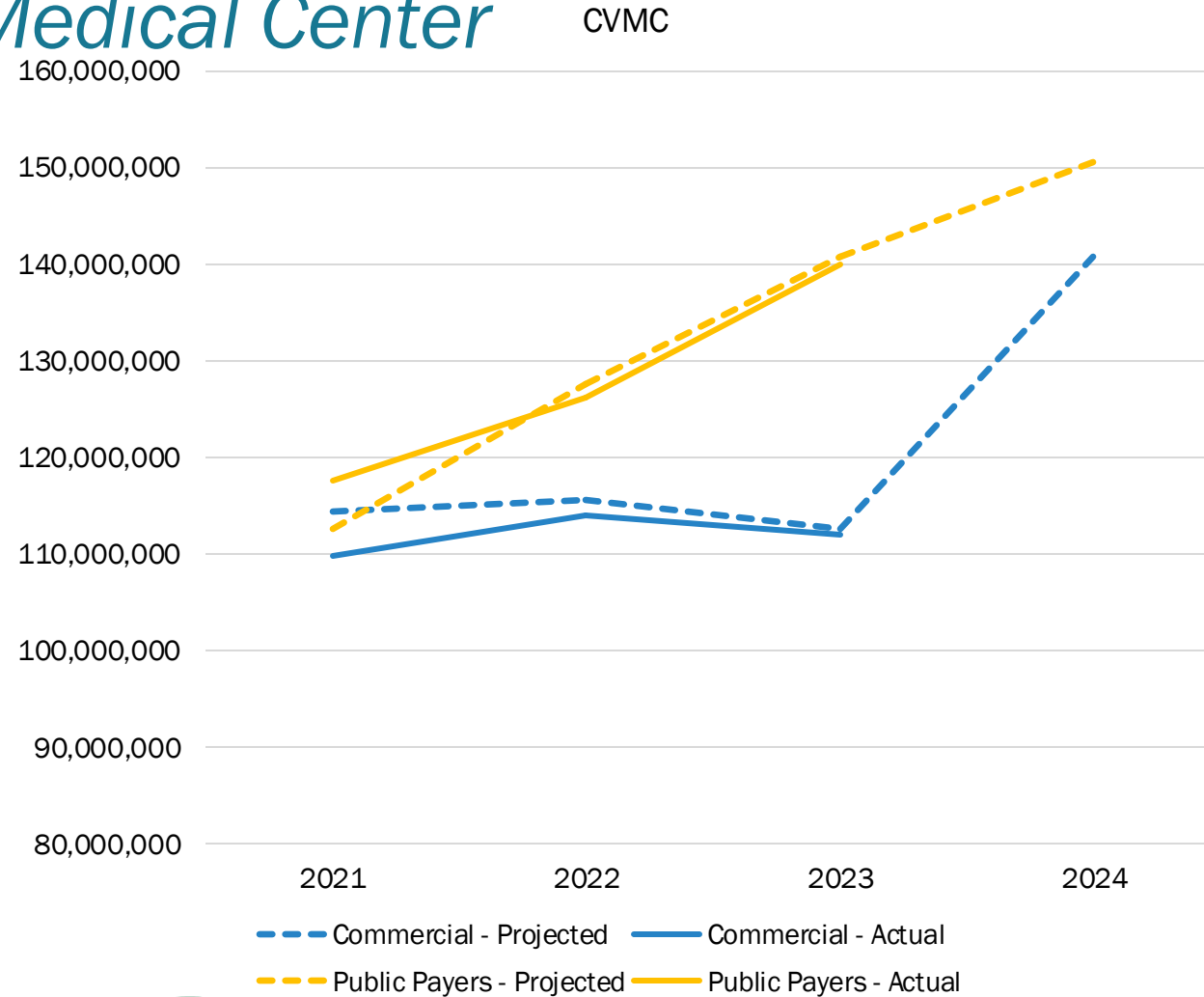
	Changes to Volume <i>*not payer mix</i>
Medicaid	2.1%
Medicare - Traditional	6.8%
Medicare - Advantage	9.9%
Commercial	9.6%
FPP	8.6%
<b>Attributable NPR Increase</b>	<b>8.5%</b>

Source: GMCB Healthcare Finance Team Rate Decomposition Data

**CVMC requested an NPR increase of 11.9%. According to their workbook, 8.5% of this will come from increased volume.**

# Reasonable Assumptions: Projected vs. Actual NPR

## Central Vermont Medical Center

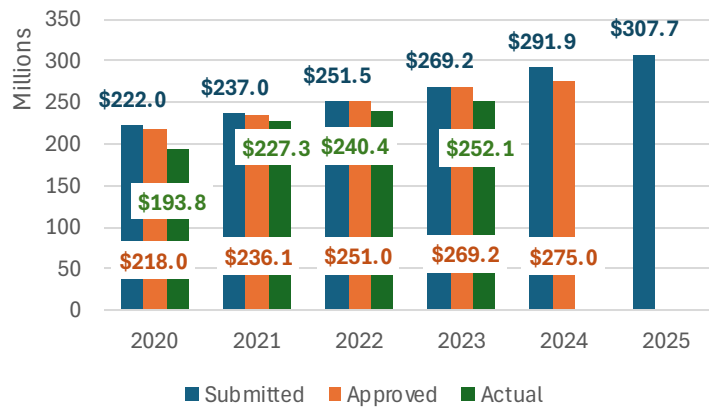


# Reasonable Assumptions: Budget History

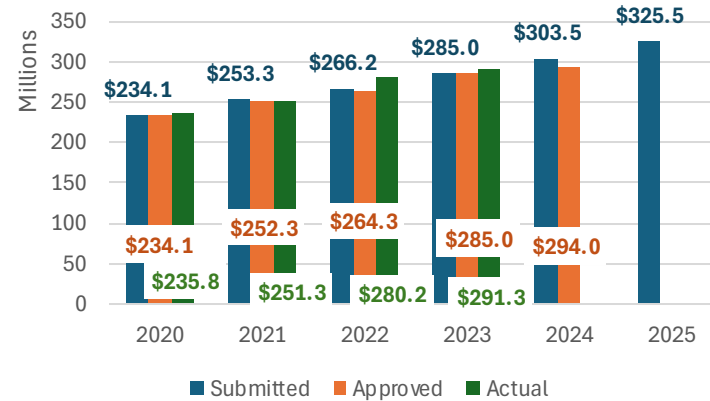
## Central Vermont Medical Center



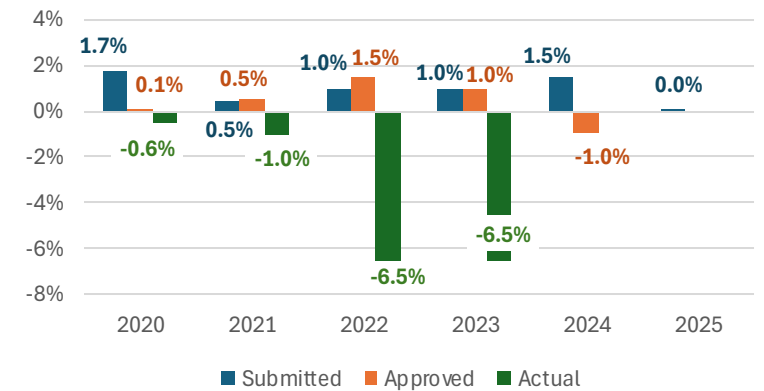
Central Vermont Medical Center NPR & FPP (\$M)



Central Vermont Medical Center Operating Expense (\$M)



Central Vermont Medical Center Operating Margin %



# Efficiency: Summary

## Central Vermont Medical Center



- Clinical Productivity- 105.6 Clinical FTEs reported. 40.7% below the 25th percentile. 60.3% below the 50th percentile.
- Cost – Slightly lower than all VT comparator groups and but higher than peer groups for the average inpatient cost per Medicare discharge in 2022. Hospital-only cost per patient is 126% higher than peer group. Medicare Payment to Cost ratio is 77% while the peer median is 89%.
- Revenue- NPR per discharge is will above peer group median. Compound annual growth rate of NPR per adjusted discharge from 2018-2022 is 11.42%, compared to the comparable VT Total of 5.26% and the comparable national median of 6%.
- Admin to clinical salary ratio- varied year over year, and at different times has been higher and lower than the ratios of the comparators; 2022 is nearly the same as VT median at 20.8% and below VT PPS Median.
- Direct Patient Care FTE- Generally lower than VT median until 2022 when it was higher. Consistently higher than peer groups.

### Hospital justifications:

Need to expand access

High pharma revenue

Low cost for some services

Managed expenses well

# Suggested Motion Language

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

Move to approve CVMC'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 11.9%) 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 5.5%), 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

*Porter Medical Center*



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

NPR Request %	NPR Request \$	% of System > Guidance
4.2%	130 M	1%

## Section I - Commercial Rate Growth < 3.4%

Comm Rate Request %	Comm Rate Request \$	% of System > Guidance
2.5%	1.2 M	-1%

## Section I - Operating Margin > 0%

Op Margin %	Op Margin \$	% of System
4.7%	6.3 M	6%

# Summary of Hospital Justifications

## *Porter Medical Center*

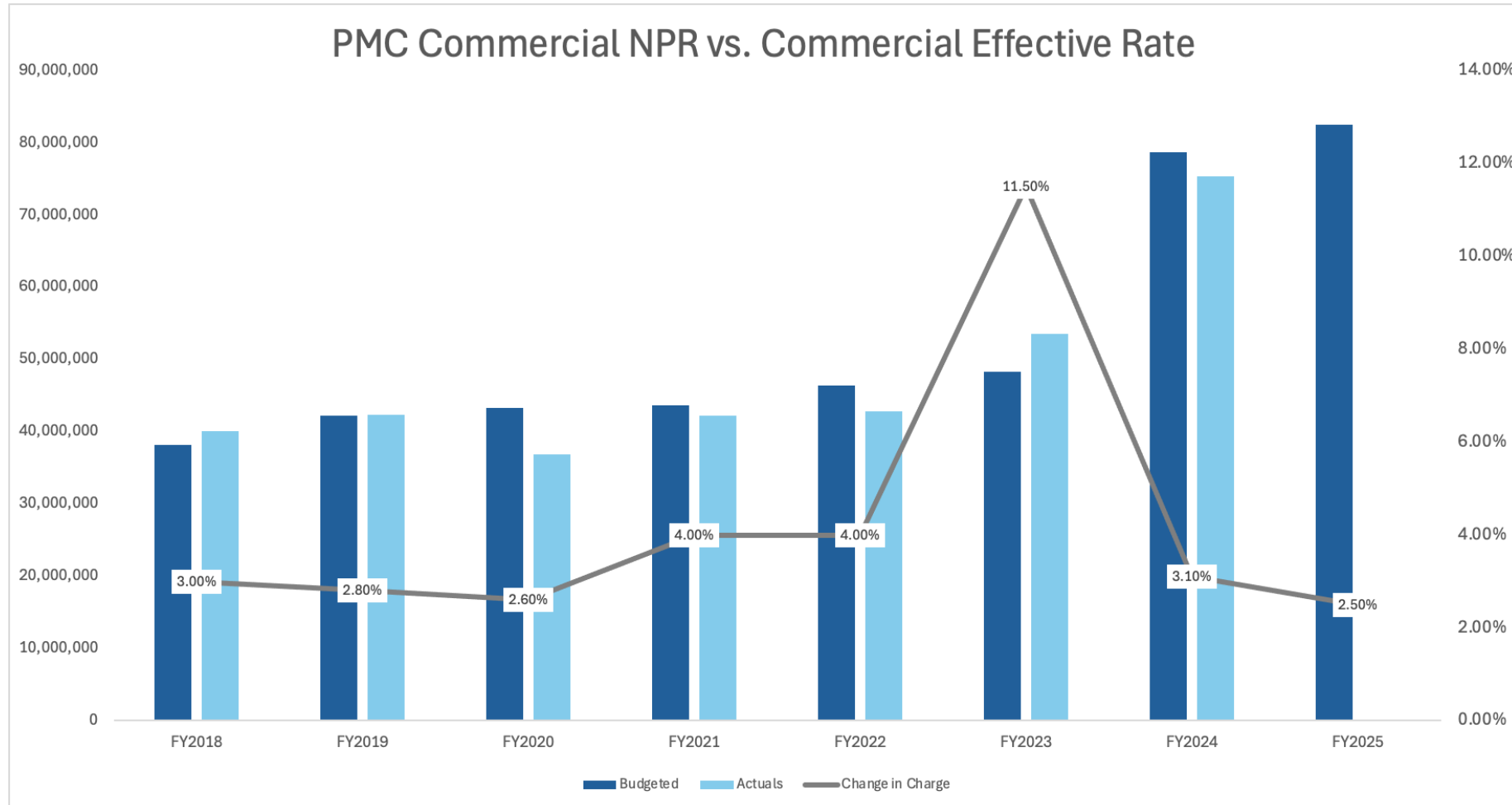


- They need to expand access to certain services: They claim that NPR will help them continue to address the board's access concerns. They list several ways they are expanding access (increased radiology capacity, Econsults for specialty care, 'referbacks' program for primary care, efforts to address certain backlogs, etc.).
- They have high pharma revenues: In their narrative, they write that pharma NPR is expected to increase about \$2.8 million, which composes well over 100% of the total NPR increase (pre-rate change)



# Commercial Revenue Trends

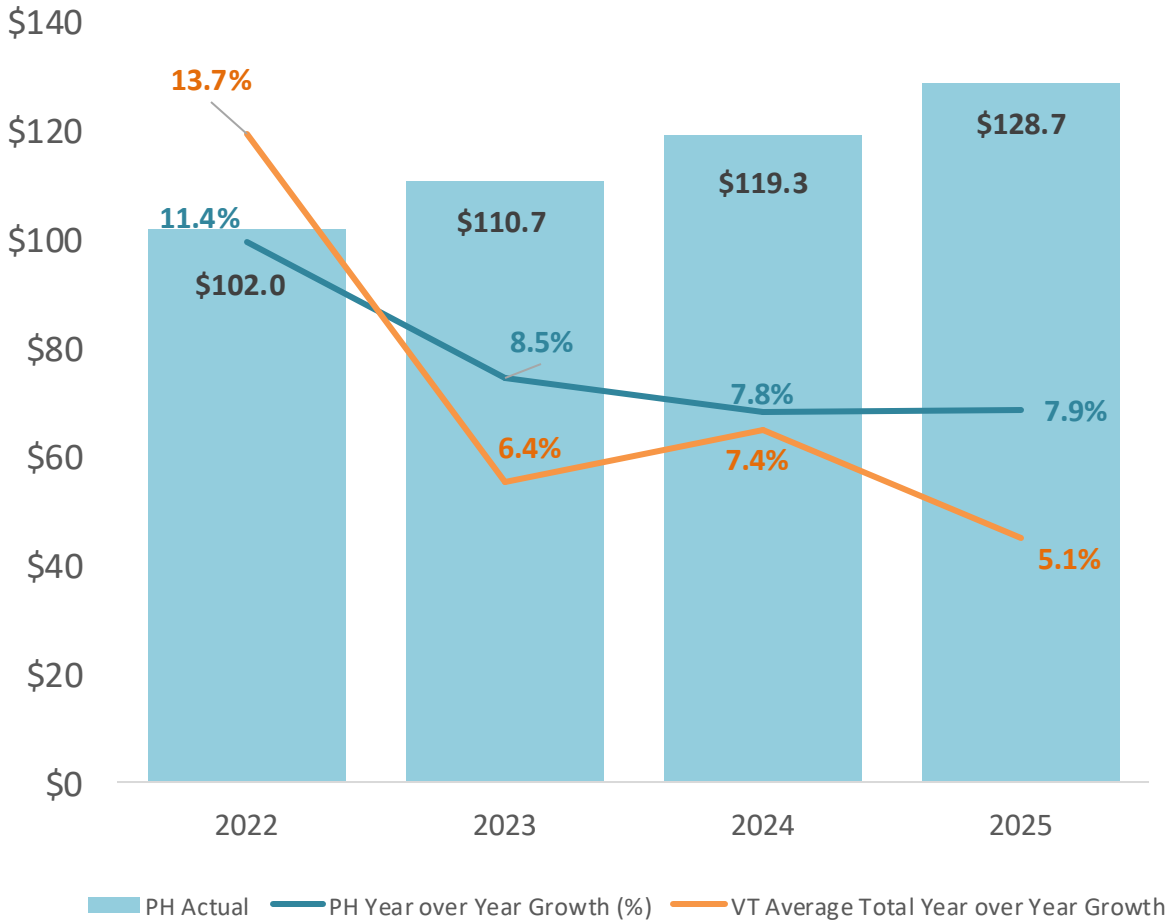
## Porter Hospital



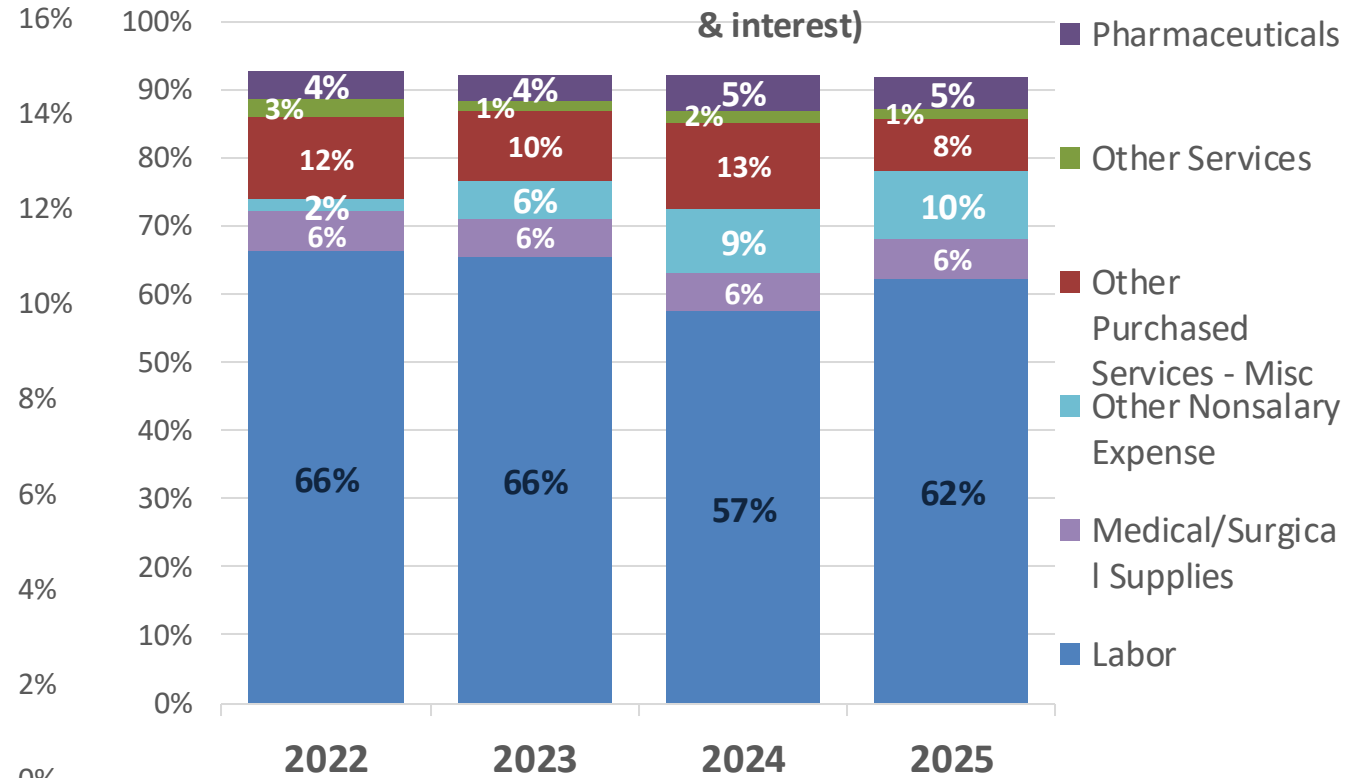
# Expense Trends

## Porter Hospital

PH Operating Expense (\$M)



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



	2022	2023	2024	2025
PH - Labor YoY Growth	15.9%	8.0%	-5.3%	17.4%
PH - Labor (Actual - Budget)	\$6,901,340	\$5,536,821	-\$5,782,904	
PH - Labor (Actual - Budget)/Budget	11.8%	8.5%	-7.9%	
PH - Pharmaceuticals YoY Growth	25.4%	9.8%	46.1%	-10.2%
PH - Pharmaceuticals (Actual - Budget)	\$798,839	\$791,384	\$1,783,404	
PH - Pharmaceuticals (Actual - Budget)/Budget	25.3%	22.3%	39.1%	

# Expense Trends: Labor

## Porter Hospital



### Total FTEs employees

Employee	Total FTEs employees		Distribution of	
	FY2024	FY2025	Additional Budgeted FTE	Clinical/Non Clinical Budgeted Split
Clinical FTEs	369	379	43%	66%
Non Clinical FTEs	182	195	57%	34%
Total	551	575		

### Top Changes in staffing by Department

Combined Department	FY2024	FY2025	Change
Housekeeping Non Clinical FTEs	20	27	7
Dietary Non Clinical FTEs	12	18	5
Fiscal Services Non Clinical FTEs	45	41	-4
Operation of Plant & Maintenance Non Clinical FTEs	13	16	4
Physician practices Clinical FTEs	121	125	4
Emergency Room Clinical FTEs	22	25	3
Medical Records Clinical FTEs	21	20	-2
Other - Comm Wellness Non Clinical FTEs	2	0	-2
Nursing Administration Non Clinical FTEs	7	8	1
Physical Therapy Clinical FTEs	6	8	1
Medical/Surgical Clinical FTEs	44	45	1
Nursing Education Non Clinical FTEs	3	4	1
Radiology Clinical FTEs	3	4	1
Laundry & Linen Non Clinical FTEs	4	5	1
Laboratory Clinical FTEs	20	21	1
Social Service Clinical FTEs	4	4	1
Medical Care Evaluation Non Clinical FTEs	4	5	1
Medical/Surgical Non Clinical FTEs	5	4	-1
Hospitalists Clinical FTEs	7	8	1
Physician practices Non Clinical FTEs	35	36	1

### Labor Expenses in the narrative:\*

- FY25 budget includes the replacement of the orthopedic surgeon
- Porter hospital's administrative costs have decreased by over \$750K due to shared leadership with Elizabethtown Community Hospital (President/CFO/CMO/Laboratory/Compliance/Quality)
- Porter has hired 17 of their target 18 IP nurses. They have also added 12 of the 11 target LNAs at Helen Porter and 8 additional trainees

Top Changes in staffing account for 88% of FTE employee changes

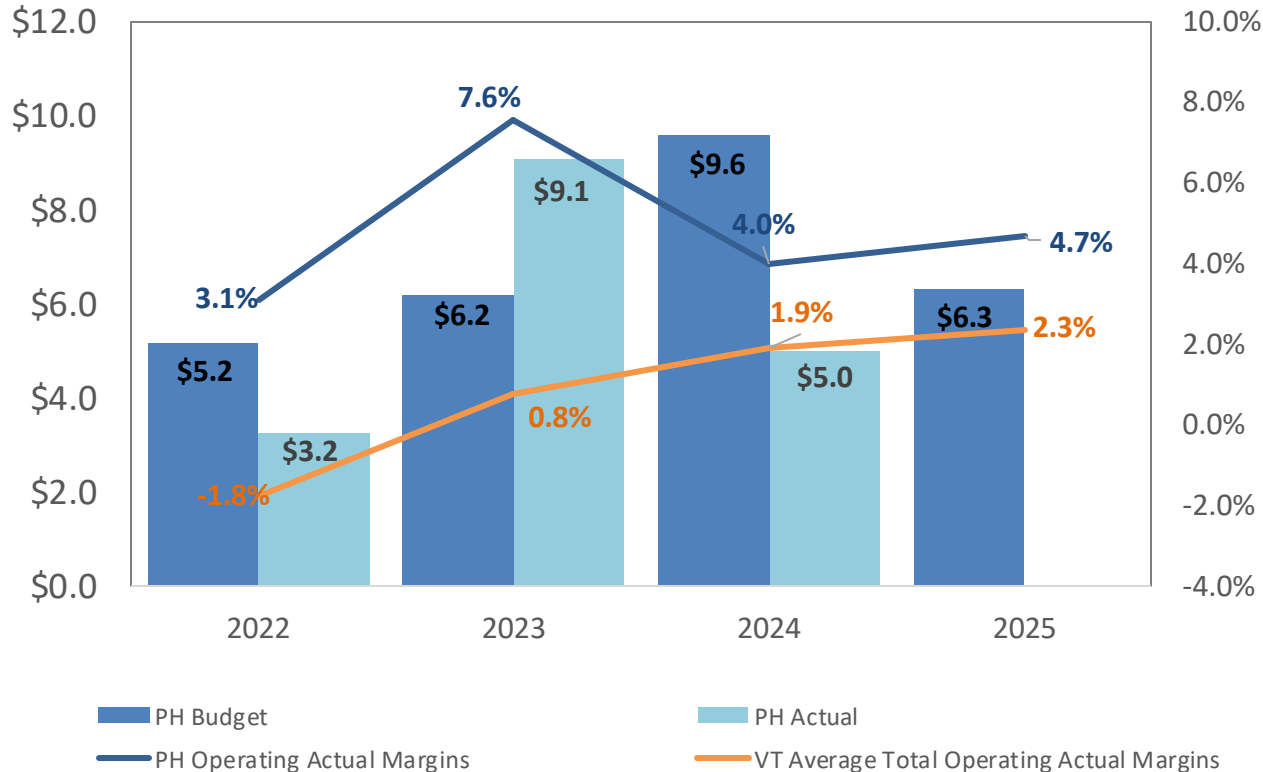
\*This slide has been updated - See updates slide in appendix

# Operating Margin Growth

## Porter Hospital



PH Operating Margin (\$M)



	2022	2023	2024
<b>PH Operating Revenue</b>	\$105,271,867	\$119,779,276	\$124,316,772
<b>PH Operating Expense:</b>	\$102,041,955	\$110,724,362	\$119,344,460
<b>PH Margin:</b>	\$3,229,913	\$9,054,914	\$4,972,312
<b>PH Operating Revenue: (Actual - Budget)</b>	\$4,895,016	\$10,867,521	-\$4,464,561
<b>PH Operating Revenue: % Difference in Actual vs. Budget</b>	4.9%	10.0%	-3.5%
<b>PH Operating Expense: (Actual - Budget)</b>	\$6,826,167	\$7,989,205	\$133,081
<b>PH Operating Expense: % Difference in Actual vs. Budget</b>	7.2%	7.8%	0.1%
<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

*Porter Medical Center*



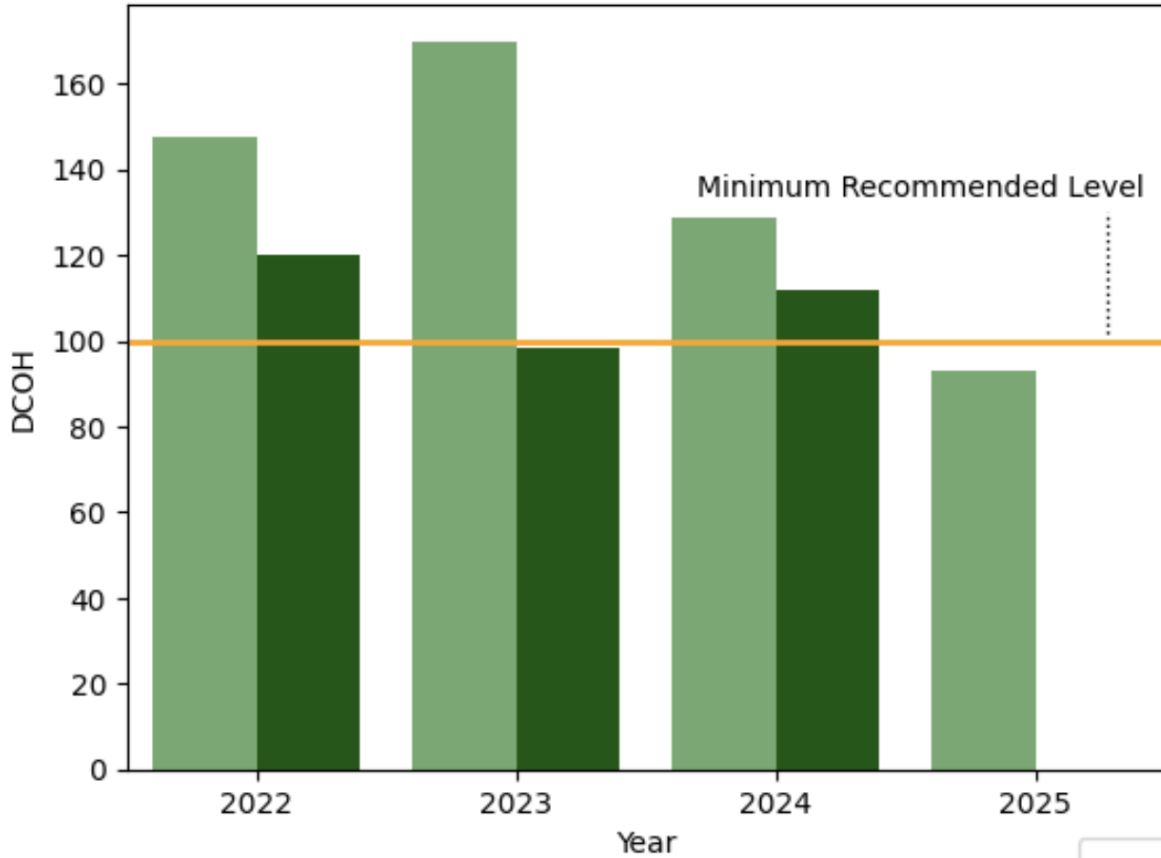
	FY22 Budget	FY22 Actuals	FY23 Budget	FY23 Actuals	FY24 Budget	FY24 Projected	FY25 Budget
Operating Margin	5.1%	3.1%	5.7%	7.6%	7.4%	4.0%	4.7%
Total Margin	5.9%	-1.6%	6.1%	11.4%	8.6%	4.7%	6.0%
EBIDA	9.0%	6.1%	8.2%	9.9%	9.6%	6.1%	6.6%

# Financial Health: Profitability

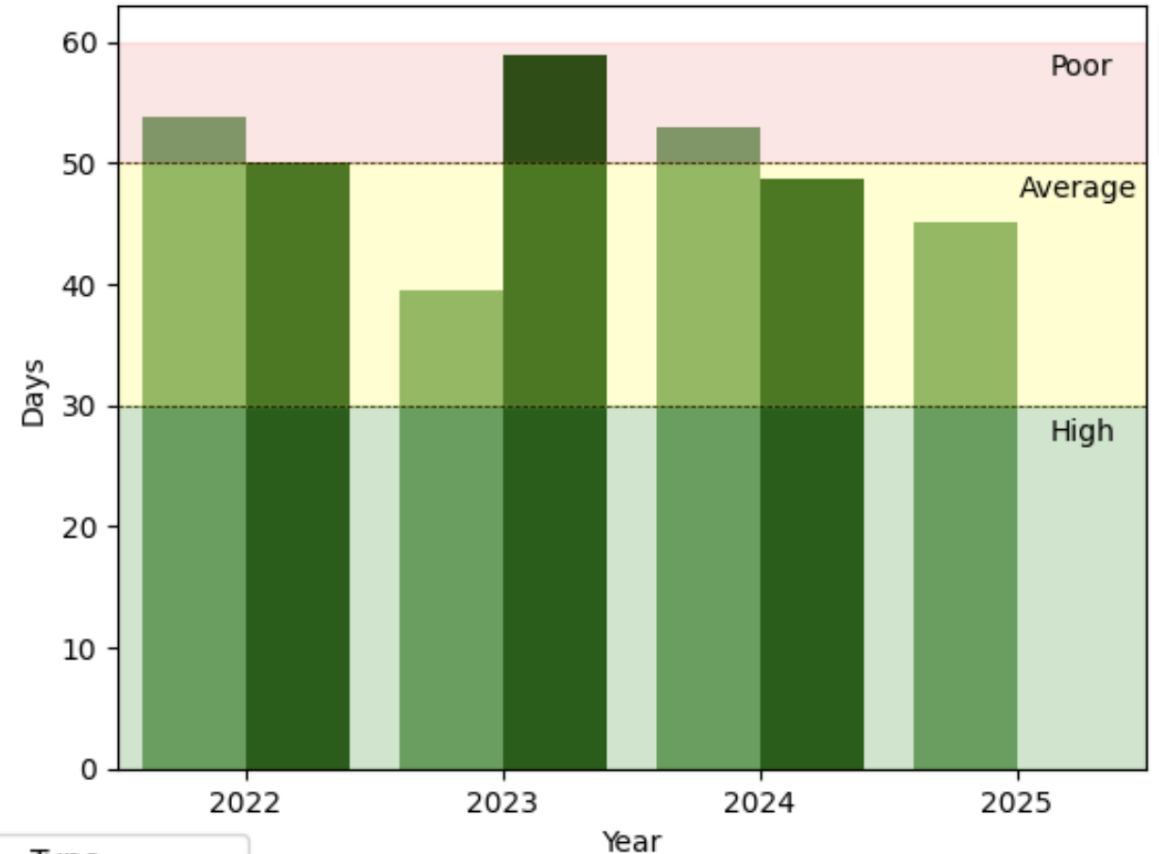
## Porter Medical Center



PMC Days Cash on Hand



PMC Days in Patient Account Receivable

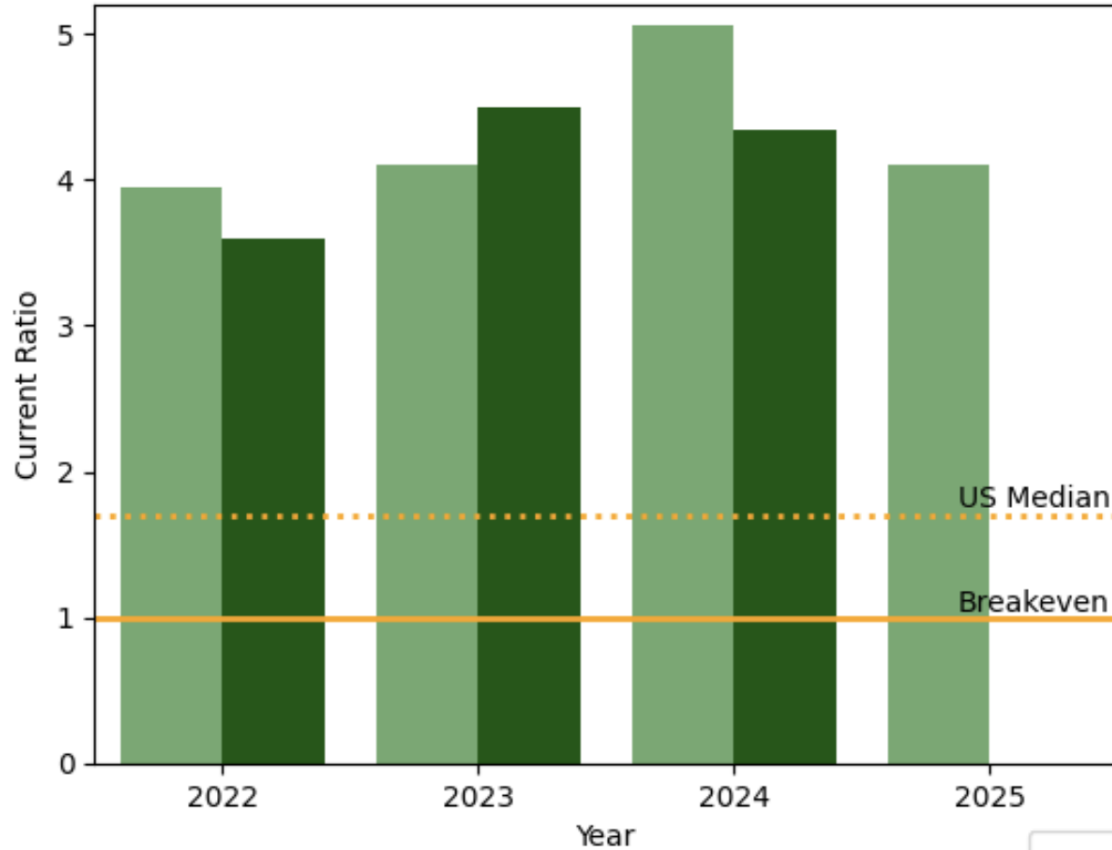


Type  
■ Budgeted  
■ Actual/Projected

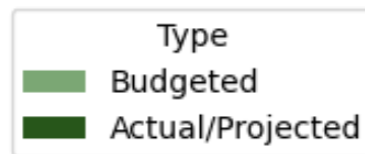
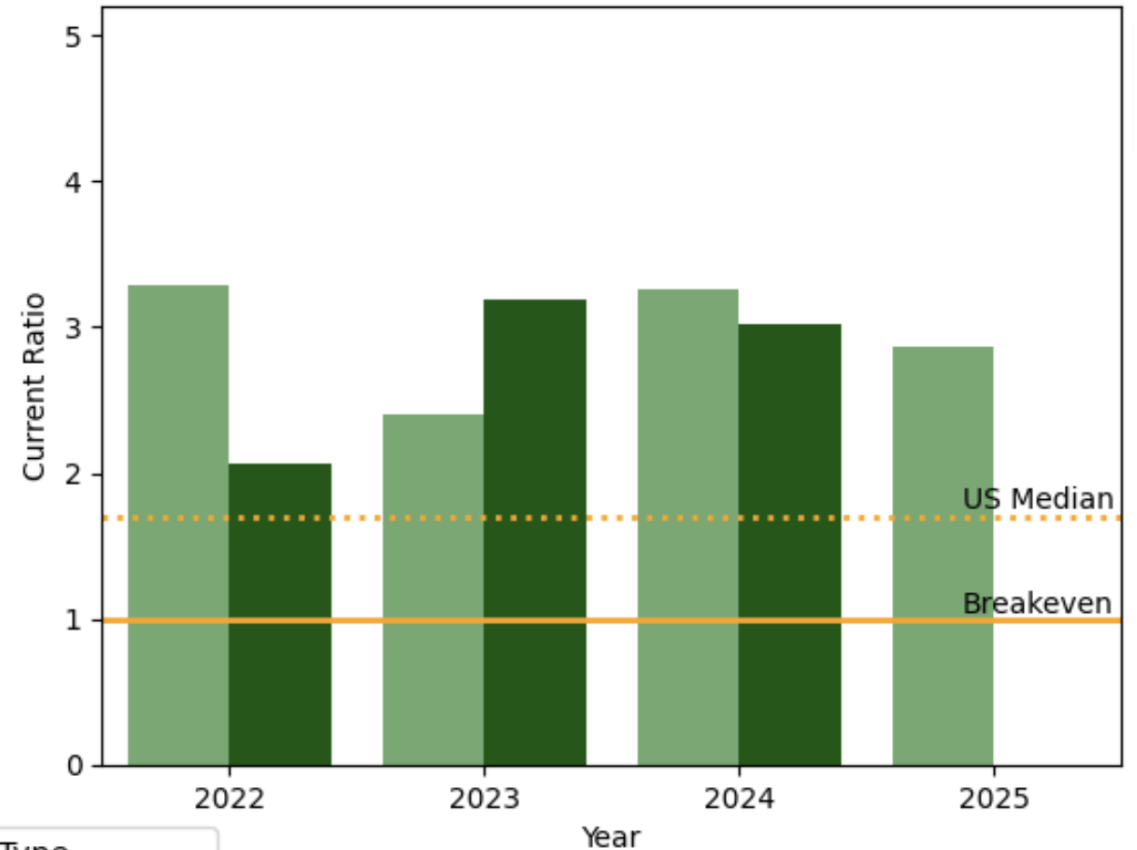
# Financial Health: Profitability

## Porter Medical Center

PMC Current Ratio (including funded depreciation)

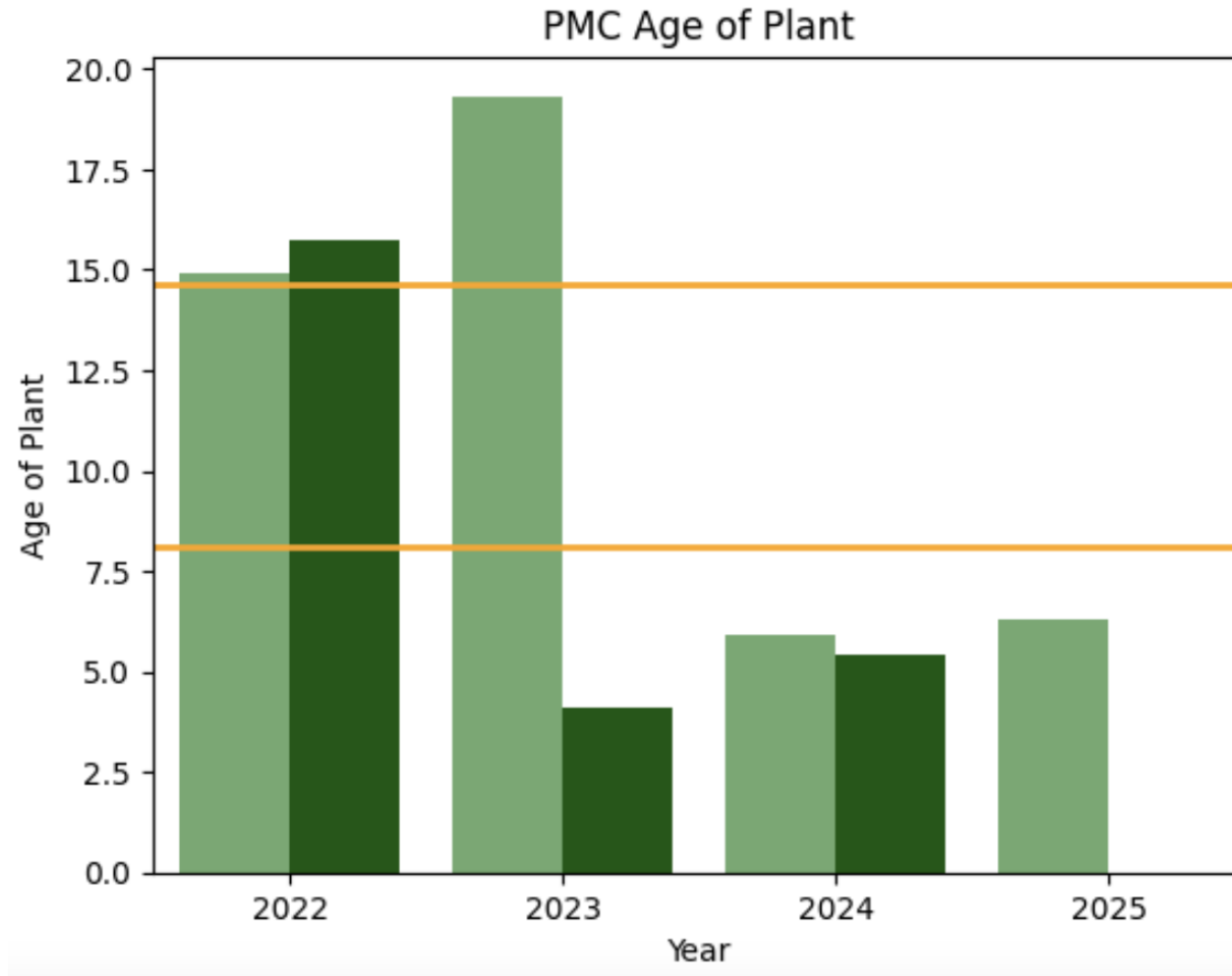


PMC Current Ratio (assets/liabilities only)



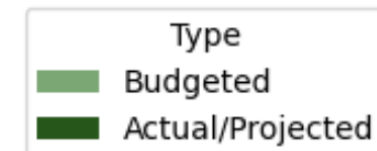
# Financial Health: Capital Spending

Porter Medical 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).

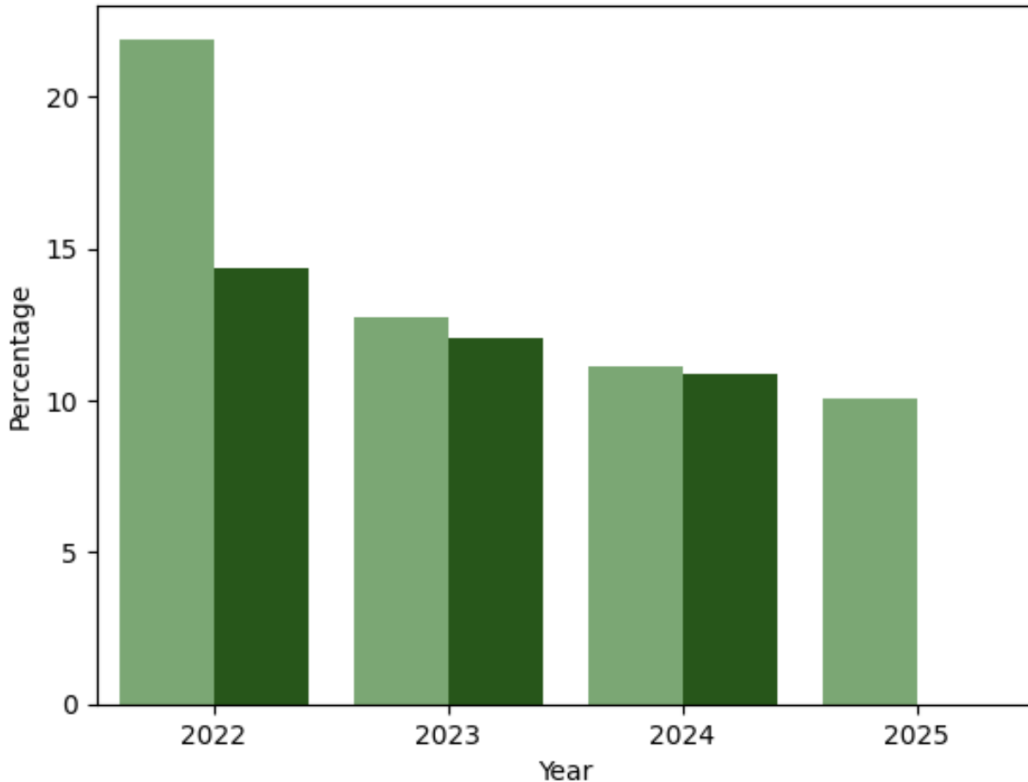




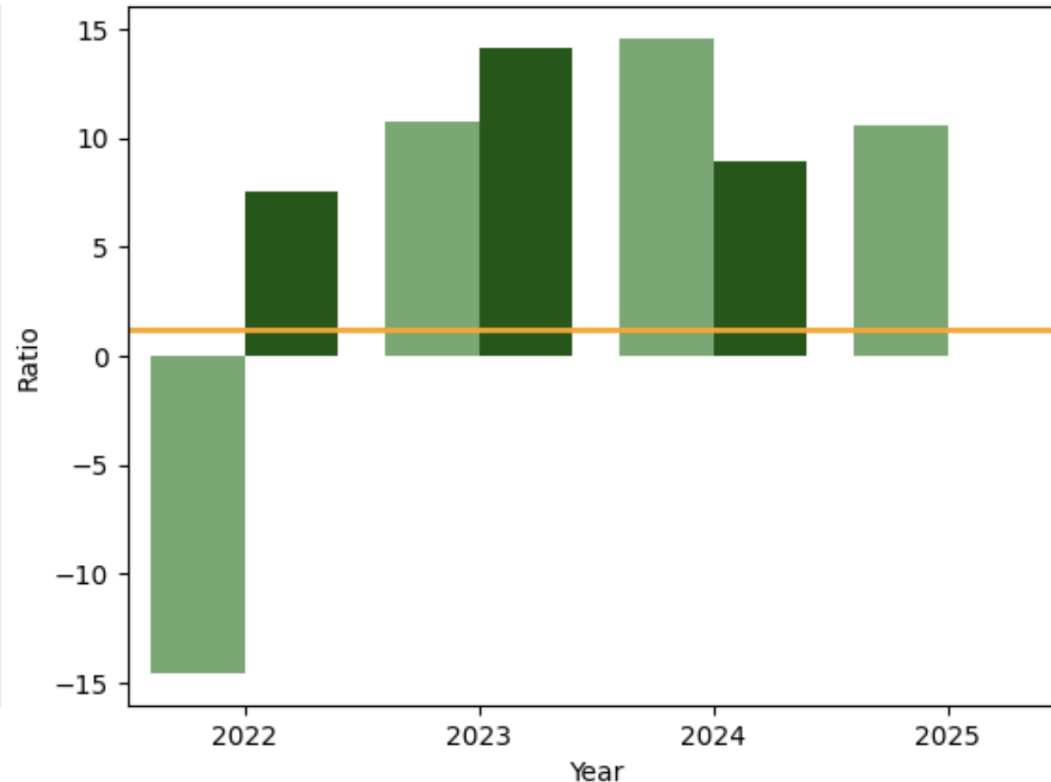
# Financial Health: Solvency

Porter Medical Center

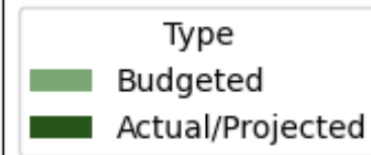
PMC Long Term Debt to Capitalization



PMC Debt Service Coverage Ratio



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



# Summary of Financial Health

## *Porter Medical Center*



- Margins are among the highest in the state
- DCOH is around or just above 100, but difficult to tell exactly due to cash flow within the network
- Days in Patient Account Receivable now has average performance, would like to see that continue to improve
- Current Ratio is solid with and without unrestricted funded depreciation
- Age of Plant has decreased from above 75th percentile in FY22 to below the 25th percentile in FY23 and FY24
- Long Term Debt to Capitalization and Debt Service Coverage Ratio are both good, no concerns for either metric

# Commercial Price (RAND 5.0)

*Porter Medical Center*



Core Service Line	Relative Price	Relative Price Decile	Standardized Price	Standardized Price Decile
Outpatient	178%	2	\$423.38	7
Inpatient	134%	1	\$21,403	4
Inpatient & Outpatient	167%	1		
Professional (Inpatient & Outpatient)	194%	6		
Inpatient Facility	137%	4	\$19,507	4
Outpatient Facility	171%	2	\$327.97	5

# Reasonable Assumptions: Public Payer Prices

*Porter Medical Center*



- What did they assume for Medicare/Medicaid price/reimbursement increase?
  - Not a clear percent increase or answer to this in the narrative.
  - From the workbook: 0% for Medicaid, 3.7% for Medicare.

# Reasonable Assumptions: Volume

## Porter Medical Center



	FY24P Payer Mix
Medicaid	9.05%
Medicare - Traditional	27.9%
Medicare - Advantage	
Commercial	62.8%
Uncategorized	0.3%
Total	100%

Source: Adaptive Payer Revenue Trends

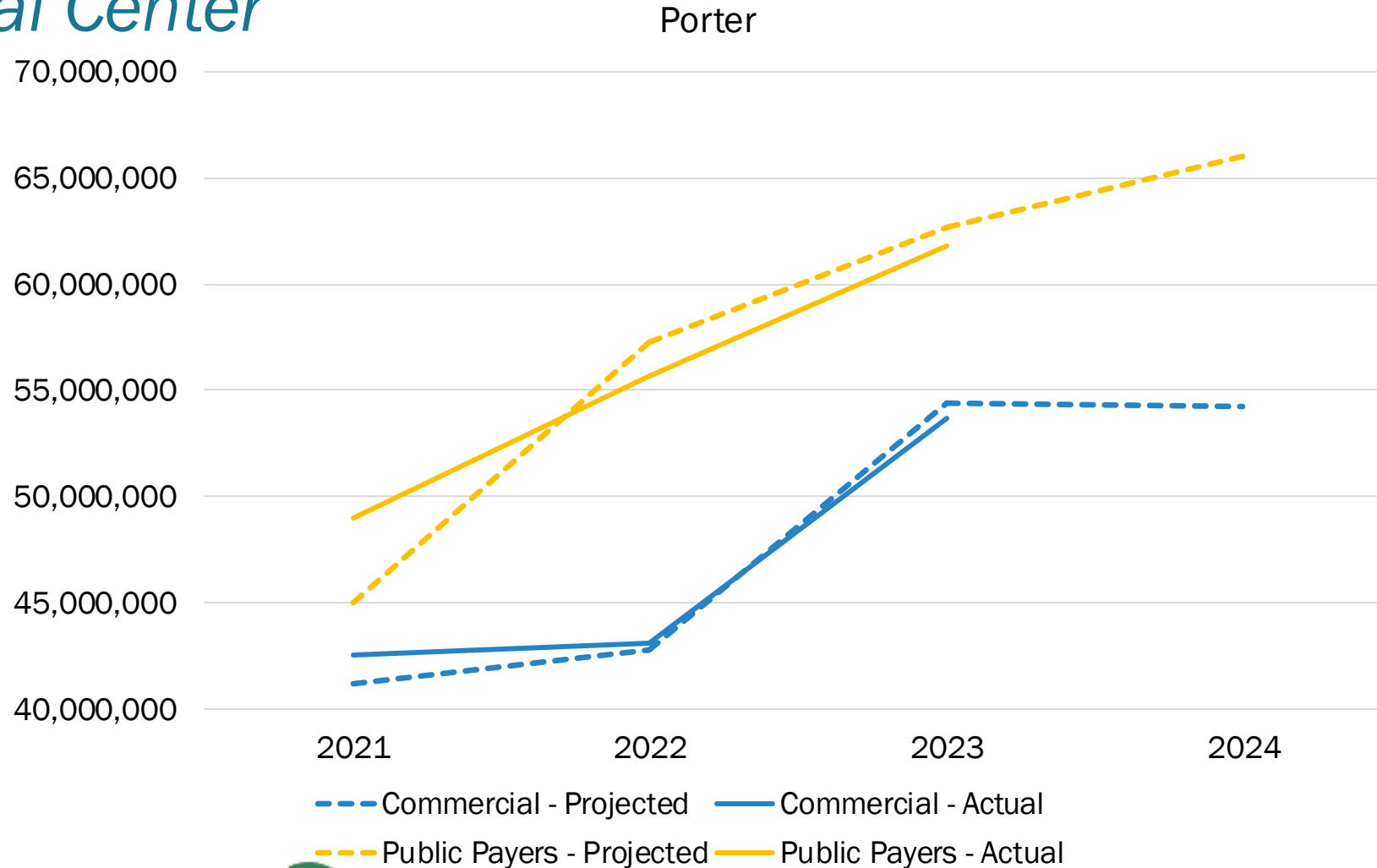
	Changes to Volume <i>*not payer mix</i>
Medicaid	1.4%
Medicare - Traditional	3.9%
Medicare - Advantage	6.1%
Commercial	5.9%
FPP	8.7%
<b>Attributable NPR Increase</b>	<b>6.2%</b>

Source: GMCB Healthcare Finance Team Rate Decomposition Data

Porter requested an NPR increase of 4.2%. According to their workbook, **6.2%** of this will come from increased volume.

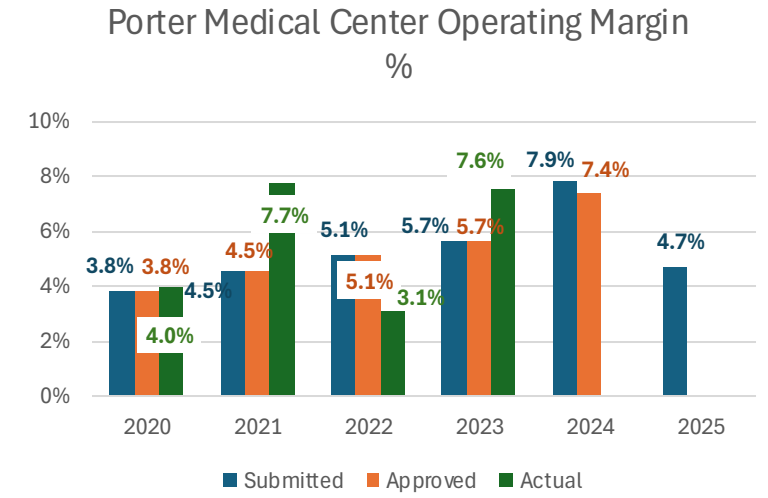
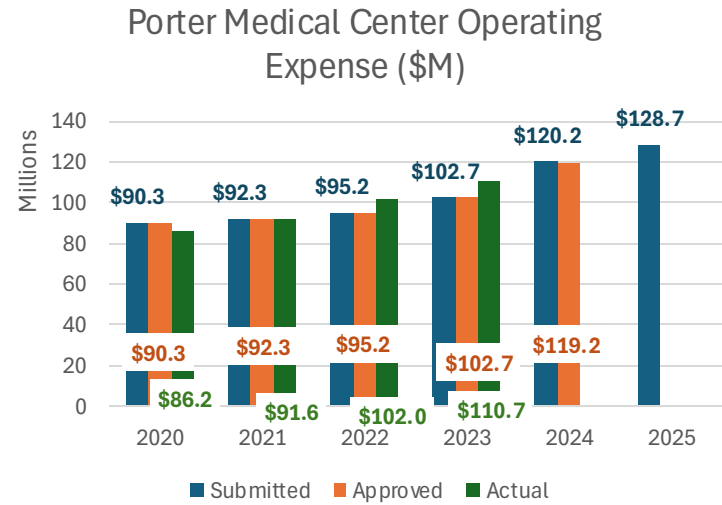
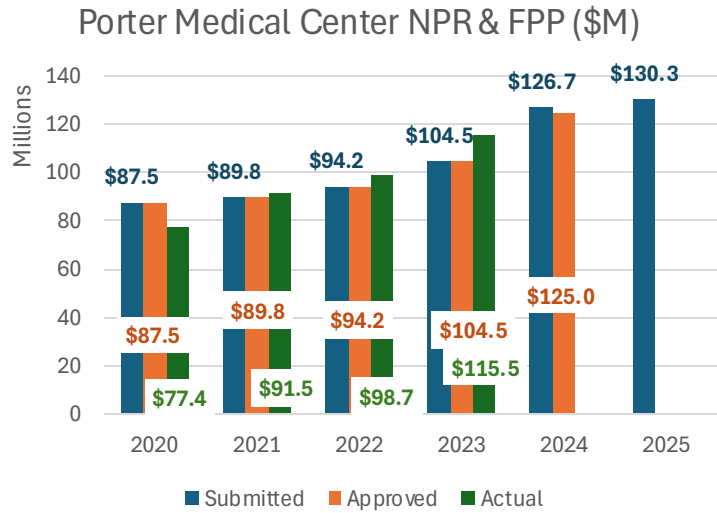
# Reasonable Assumptions: Projected vs. Actual NPR

## Porter Medical Center



# Reasonable Assumptions: Budget History

## Portland Medical Center



# Efficiency: Summary

## Porter Medical Center



- Clinical Productivity- 66.6 Clinical FTEs reported. 34.3% below the 25th percentile. 77.9% below the 50th percentile.
- Cost- Lower than VT comparator groups for the average inpatient cost per Medicare discharge from 2018-2021, but in 2022 it's comparable. Costs are consistently lower than peer group.
- Revenue- Compound annual growth rate of NPR per adjusted discharge from 2018-2022 is 3.27%, compared to the comparable VT Total of 4.35% and the comparable national median of 5.66%.
- Admin to clinical salary ratio- generally lower or comparable from year to year to comparator groups; much lower in 2022 at 13.6%

### Hospital justifications:

Need to expand access

High pharma revenue



# Suggested Motion Language

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

Move to approve Porter Medical Center'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 4.2%) and a commensurate reduction in operating expenses;
2. With FY25 commercial change in charge and negotiated rate growth capped at 2.5% 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.

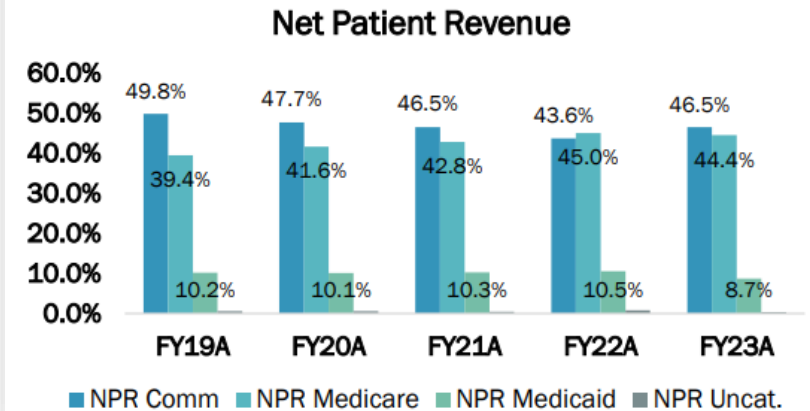
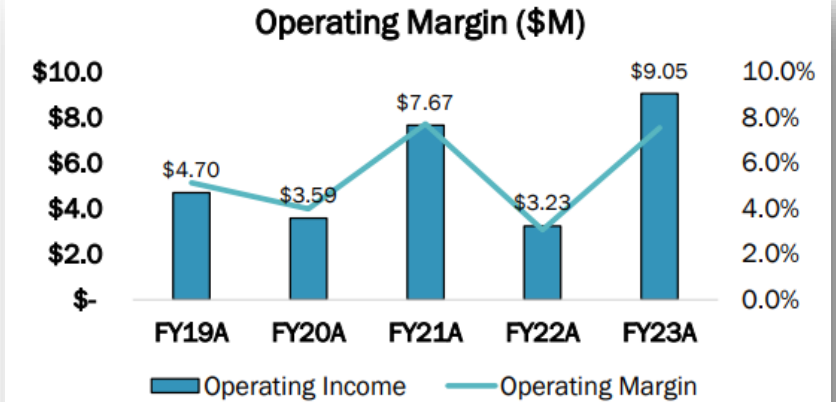
# Enforcement

## Porter Medical Center

Porter Medical Center	FY2022 Actuals	FY2023 Budget	FY2023 Actuals	Budget to Actuals	Actuals to Actuals
Gross Patient Care Revenue	194,009,155	197,618,118	214,404,008	8.5%	10.5%
Net Revenue Deductions	(116,107,491)	(111,220,752)	(120,962,465)	8.8%	4.2%
Net Patient Revenue (NPR)	77,901,664	86,397,366	93,441,544	8.2%	19.9%
Fixed Prosp. Payments (FPP)	20,810,103	18,066,702	22,022,831	21.9%	5.8%
NPR + FPP	98,711,768	104,464,068	115,464,374	10.5%	17.0%
Other Operating Revenue	6,560,100	4,447,688	4,314,902	-3.0%	-34.2%
<b>Total Operating Revenue</b>	<b>105,271,867</b>	<b>108,911,755</b>	<b>119,779,276</b>	<b>10.0%</b>	<b>13.8%</b>

Porter Medical Center	FY2022 Actuals	FY2023 Budget	FY2023 Actuals	Budget to Actuals	Actuals to Actuals
Fees, Salaries & Benefits	65,479,740	65,195,935	70,732,756	8.5%	8.0%
Other Operating Expense	27,772,771	28,881,839	31,260,182	8.2%	12.6%
Health Care Provider Tax	5,587,514	5,882,043	5,903,493	0.4%	5.7%
Depreciation Amortization	2,929,570	2,527,385	2,587,284	2.4%	-11.7%
Interest	272,359	247,955	240,647	-2.9%	-11.6%
<b>Total Operating Expense</b>	<b>102,041,955</b>	<b>102,735,157</b>	<b>110,724,362</b>	<b>7.8%</b>	<b>8.5%</b>

Operating Income	3,229,913	6,176,598	9,054,914		
Operating Margin	3.07%	5.67%	7.56%		
Non-Operating Revenue	(4,880,549)	547,646	5,143,777		
Total Income	(1,650,636)	6,724,244	14,198,690		
Total Margin	-1.64%	6.14%	11.37%		



# Enforcement

## *Porter Medical Center*



**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.

# Suggested Motion Language

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

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

1. Move to deny Porter Hospital's application for retroactive adjustment of its FY23 budget; and
2. Move to enforce this deviation by reducing the FY25 commercial change in charge and negotiated rate growth cap from 2.5% over the FY24 approved commercial rate cap to 8.9% under (-8.9%) the FY24 approved commercial rate cap, with no commercial rate increase for any payer exceeding that amount.

# Updates



- Slide 12 – Updated Revenue Trends: Actual vs. Budgeted NPR to reflect Northwestern Medical Center's Financials
- Slide 83 – Updated Springfield Hospital's Budgeted Operating Margin/Revenues for FY2023 to approved via FY23 budget orders
- Slide 155 – removed contract language from the Porter Hospital FTE slide – replaced with language on shared administrative salaries between Elizabethtown & OR replacement plans, as well as additional wording on nursing hiring