

Hospital Financial Assessment

GREEN MOUNTAIN CARE BOARD
HOSPITAL BUDGET REVIEW

Financial Monitoring

Standard assessment at:

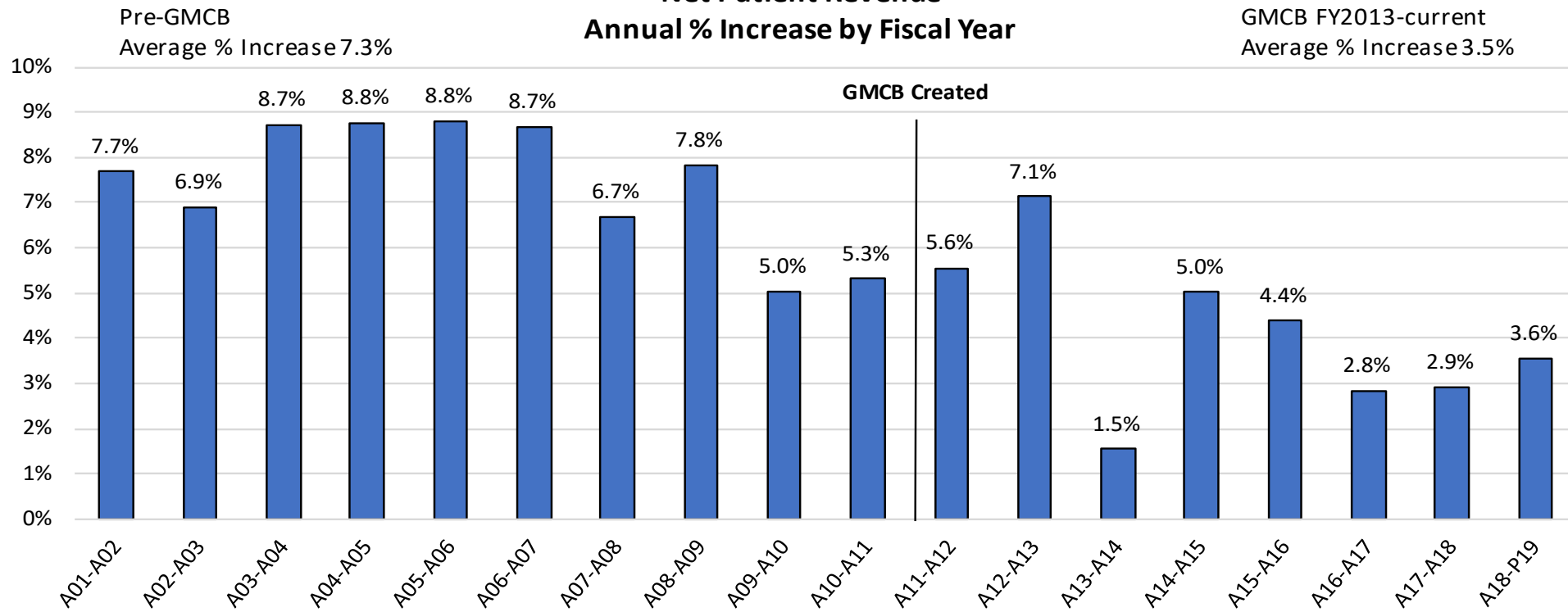
- Budget submission
- Year-end Enforcement
- Monthly year-to-date
- Certificate of Need (CON) review

Enhanced FY20 monitoring and sustainability planning for*:

- Brattleboro Memorial Hospital
- Copley Hospital
- Central Vermont Medical Center
- Gifford Medical Center
- Grace Cottage Hospital
- North Country Hospital
- Northwestern Medical Center
- Springfield Hospital

*During FY20 budget approval, these hospitals were identified as a financial health concern

All Vermont Community Hospitals Net Patient Revenue Annual % Increase by Fiscal Year



Notes:

A = Actual

P = Projection

GMCB assumed responsibility for reviewing and approving hospital budgets in FY2013

This graph includes Vermont's 14 community hospitals; it excludes the Vermont Psychiatric Care Hospital, Brattleboro Retreat, and the VA (U.S. Department of Veterans Affairs) Medical Center in White River Junction. Net Patient Revenue (NPR) is monies hospitals will receive for services after accounting for contractual allowances, commercial discounts, bad debt and free care.

Hospital Financial Assessment

The GMCB assesses hospital operating performance on an individual entity level and as a system

Financial Documents

- Income Statement
- Balance Sheet
- Payer Mix
- Utilization and Staffing

Financial Health Metrics

- Operating Margin
- Total Margin
- Days Cash on Hand
- Days Payable and Receivable
- Debt Service Coverage Ratio

Hospital Financial Health: Operating Margin

Total Operating Expenses

- Salaries and Benefits
- Provider Tax
- Depreciation & Amortization
- Utilities
- Other

- In FY19, 50% of hospitals are projecting operating losses.
- Due to financial health concerns, the Green Mountain Care Board has ordered enhanced monitoring for 8 hospitals in FY20.

Total Operating Revenue - Total Operating Expenses = Operating Margin

NPR + Other Operating Revenue

Indicates if hospital is able to cover operating expenses

Net Patient Revenue (NPR) and Fixed Prospective Payments (FPP)

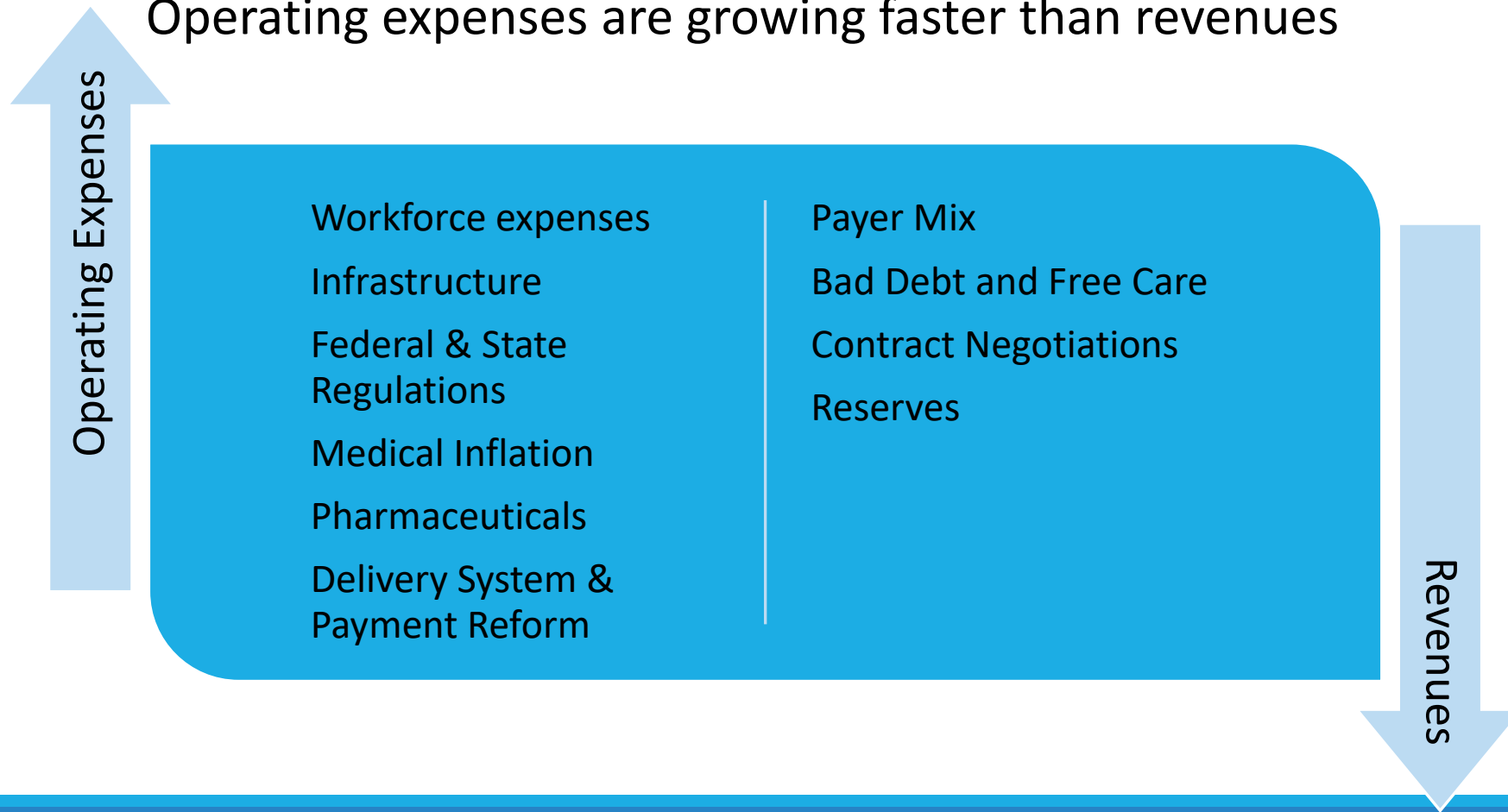
- Gross Revenues (+)
- Disproportionate Share Payments (+)
- Bad Debt and Free Care (-)
- Contract Negotiations (-)
- FPP Reserves (-)

Other Operating Revenue

- Grant Income
- Cafeteria and Parking
- 340B Rx Program

Financial Sustainability: Problem Statement

Operating expenses are growing faster than revenues



Resources

INCOME STATEMENT							2018B - 2018P	2018B - 2019B	2018P - 2019B
	FY2015A	FY2016A	FY2017A	FY2018B	FY2018P	FY2019B	% Chg	% Chg	% Chg
Revenues									
Gross Patient Care Revenue	4,823,931,803	5,022,142,447	5,160,851,780	5,273,053,856	5,332,313,907	5,549,776,426	1.1%	5.2%	4.1%
Disproportionate Share Payments	37,420,325	37,106,878	35,024,053	27,448,780	26,635,697	22,389,506	-3.0%	-18.4%	-15.9%
Bad Debt	(63,368,233)	(63,720,674)	(71,910,071)	(65,692,426)	(81,098,722)	(79,193,456)	23.5%	20.6%	-2.3%
Free Care	(35,384,897)	(34,941,876)	(43,032,447)	(41,747,615)	(44,761,094)	(44,394,796)	7.2%	6.3%	-0.8%
Deductions from Revenue	(2,514,328,693)	(2,612,379,958)	(2,692,587,393)	(2,976,885,595)	(2,920,556,754)	(3,208,106,591)	-1.9%	7.8%	9.8%
Graduate Medical Education	30,000,000	30,000,000	29,445,510	30,000,000	30,000,000	30,000,000	0.0%	0.0%	0.0%
Net Patient Care Revenue	2,278,270,306	2,378,206,818	2,417,791,431	2,246,177,000	2,342,533,033	2,270,471,089	4.3%	1.1%	-3.1%
Fixed Prospective Payments & Reserves	0	0	28,024,087	246,144,412	187,567,374	340,655,090	-23.8%	38.4%	81.6%
Net Patient Care Revenue & Fixed Payments & Reserves	2,278,270,306	2,378,206,818	2,445,815,519	2,492,321,412	2,530,100,407	2,611,126,179	1.5%	4.8%	3.2%
Other Operating Revenue	141,381,096	141,073,877	161,153,884	164,857,522	173,841,257	172,828,490	5.4%	4.8%	-0.6%
Total Operating Revenue	2,419,651,402	2,519,280,695	2,606,969,403	2,657,178,935	2,703,941,664	2,783,954,669	1.8%	4.8%	3.0%
Expenses									
Salaries Non MD	766,891,215	808,126,826	857,737,423	880,523,527	890,025,697	916,200,429	1.1%	4.1%	2.9%
Fringe Benefits Non MD	241,203,540	238,549,900	259,445,903	252,987,866	256,572,768	263,458,095	1.4%	4.1%	2.7%
Fringe Benefits MD	40,707,472	41,667,932	44,401,595	44,443,573	48,977,208	50,249,930	10.2%	13.1%	2.6%
Physician Fees, Salaries, Contracts	307,353,637	326,192,560	344,245,360	344,310,311	359,330,926	363,213,199	4.4%	5.5%	1.1%
Health Care Provider Tax	125,938,663	132,599,065	137,996,182	142,457,957	141,628,851	148,461,369	-0.6%	4.2%	4.8%
Depreciation & Amortization	103,262,700	106,630,509	106,016,908	112,708,412	108,569,619	113,956,898	-3.7%	1.1%	5.0%
Interest - Long Term & Short Term	22,064,120	20,061,216	20,380,005	24,352,433	20,592,473	23,436,041	-15.4%	-3.8%	13.8%
Other Operating Expense	701,862,165	745,977,486	766,991,821	786,414,799	816,155,639	837,436,312	3.8%	6.5%	2.6%
Total Operating Expense	2,309,283,512	2,419,805,495	2,537,215,198	2,588,198,877	2,641,853,182	2,716,412,272	2.1%	5.0%	2.8%
Net Operating Income (Loss)	110,367,890	99,475,201	69,754,205	68,980,057	62,088,483	67,542,397	-10.0%	-2.1%	8.8%
Non-Operating Revenue	(20,910,214)	41,449,741	87,668,469	40,311,040	47,001,176	51,270,873	16.6%	27.2%	9.1%
Excess (Deficit) of Rev Over Exp	89,457,676	140,924,941	157,422,674	109,291,098	109,089,659	118,813,270	-0.2%	8.7%	8.9%
Benchmarks-Hospital									
Operating Margin%	4.6%	3.9%	2.7%	2.6%	2.3%	2.4%			
Total Margin %	3.7%	5.5%	5.8%	4.1%	4.0%	4.2%			

Operating Margin % FY19 Budget Variances

	Operating Margin (%)						Budget-to-Actual NPR/FPP Variance
	Actuals FY17	Actuals FY18	Budget FY19	Projection FY19 ²	Budget FY20	5-Year Average	FY19 Year-to-date
Brattleboro Memorial Hospital	-3.1%	-2.4%	0.0%	1.1%	1.3%	-0.7%	-0.3%
Central Vermont Medical Center	-0.9%	-3.8%	1.4%	-1.8%	0.1%	-0.3%	-2.9%
Copley Hospital	-0.6%	-3.3%	0.3%	-1.8%	1.4%	-0.9%	-4.4%
Gifford Medical Center	-1.6%	-10.7%	2.5%	-0.8%	2.9%	-1.3%	-10.3%
Grace Cottage Hospital	-6.9%	-2.9%	0.7%	-6.1%	-1.2%	-5.0%	-5.5%
Mt. Ascutney Hospital & Health Ctr	2.7%	1.9%	0.0%	-0.7%	1.0%	1.0%	-5.1%
North Country Hospital	-2.3%	-2.3%	1.1%	1.6%	1.6%	-0.2%	-2.8%
Northeastern VT Regional Hospital	1.9%	1.7%	1.8%	1.8%	2.0%	1.9%	3.9%
Northwestern Medical Center	-1.2%	-3.4%	2.3%	-6.0%	-0.2%	-1.5%	-4.9%
Porter Medical Center	2.7%	1.8%	3.7%	4.5%	3.8%	2.8%	0.7%
Rutland Regional Medical Center	1.6%	0.5%	2.3%	1.5%	2.3%	2.0%	0.0%
Southwestern VT Medical Center	3.7%	4.6%	3.6%	3.3%	3.4%	3.7%	-0.6%
Springfield Hospital	-7.1%	-12.8%	2.1%	-12.8%	-2.0%	-6.9%	-18.7%
The University of Vermont Medical Center	5.2%	3.4%	2.8%	2.7%	3.1%	4.1%	1.0%
System Total	2.7%	1.1%	2.4%	1.1%	1.3%	2.3%	-0.9%

Glossary

- Operating Margin: measures the control of operating expenses relative to operating revenue,
- Total Margin: measures overall profitability; total revenues relative to total expenses,
- Days Cash on Hand: number of days that an organization can continue to pay its operating expenses, given the amount of cash available,
- Days Payable: measures the average time it takes an organization to pay its bills, in days
- Days Receivable: measures the number of days that it takes an organization to collect its receivables,
- Debt Service Coverage Ratio: measures cash flow available to pay debt obligations debt.

Resources

- [FY20 Budget Guidance](#)
- [Summary of FY20 approved and submitted budgets](#)
- [FY19 Q3 Operating Performance Report](#)
- [Report on Financial Health of Vermont's Critical Access Hospitals \(2019\)](#)