



Choosing Health

# NORTHEASTERN VERMONT REGIONAL HOSPITAL

January 31, 2022

Mr. Patrick Rooney  
Director of Health System Finances  
Green Mountain Care Board  
144 State St.  
Montpelier, VT 05620

Dear Patrick:

Northeastern Vermont Regional Hospital has completed the FY 2021 Actual files, including the “Bridges” worksheet, and uploaded them into Adaptive. The following narrative describes factors contributing to the revenue and expense variances that occurred during fiscal 2021.

## **NET PATIENT REVENUE:**

### Northeastern Vermont Regional Hospital Bridges - FY 2021 Approved Budget to FY 2021 Actual Results

NPR/FPP	Total	% over/under
FY 21 Approved Budget	\$ 90,525,300	
Utilization	(868,788)	-1.0%
Reimbursement/Payer Mix	(852,400)	-0.9%
Bad Debt/Free Care	1,763,482	1.9%
Physician Acq/Trans	-	
Changes in Accounting	-	
Changes in DSH	-	
COVID Testing	1,025,000	1.1%
Change FPP	(184,647)	-0.2%
FY 21 Actual Results	\$ 91,407,947	1.0%

Development of the fiscal 2021 budget assumed volume would return to COVID-19 pandemic levels. That assumption was fairly accurate. One notable exception - Emergency Room volume was 20% lower than budget. This was due in part to ongoing concerns of some community members to visit hospital emergency rooms due to COVID and other illnesses. Another factor that contributed to lower ED

volume was our efforts to reduce avoidable visits. These efforts included partnering with Northern Counties Health Care to open two Express Care centers in the community. Operating room volume was also lower than budget. However, that was caused by the unexpected resignation of one general surgeon shortly after the fiscal year began. Our recruitment efforts have not yet been successful. These factors created most of the \$868,800 negative variance to budget due to utilization changes.

NVRH experienced a fairly significant shift in payer mix, from Commercial to Medicare, during the year. This is due in part to our aging population and, in part, to correctly classifying Medicare replacement insurance as Medicare revenue rather than Commercial revenue. The payer mix shift reduced NPR by approximately \$852,400.

NVRH modified the Patient Assistance eligibility criteria back in fiscal 2019. The changes made it easier for patients to qualify and provided a deeper discount for those meeting the new criteria. Our assumption was these changes would increase Charity Care write offs. We also assumed COVID would create an economic downturn that would increase Charity Care write offs. The monthly Allowances for Charity Care write off estimate were made based on those assumptions. However, by the end of fiscal 2021 it was apparent neither factor would significantly increase Charity Care write offs. A cumulative adjustment reducing the Allowance for Charity Care was made. That adjustment created a positive change to NPR. Conversely, calculating appropriate level of Bad Debts based on new revenue recognition guidelines resulted in increasing this uncompensated care deduction. The combined impact of the Charity Care and Bad Debt adjustments was a \$1,763,500 improvement to NPR

When the fiscal 2021 budget was developed it was uncertain whether or not NVRH would bill for COVID testing. The final assumption was there would be no NPR or operating expenses related to COVID testing. That turned out to be incorrect. NVRH did bill for COVID testing. The result was an unbudgeted NPR increase of \$1, 025,000.

Medicaid FPP was off slightly from budget, resulting in an NPR decrease of approximately \$184,600.

The resulting NPR of \$91,407,900 was approximately 1% higher than the fiscal 2021 approved NPR, which was \$90,525,300.

### **OTHER OPERATING REVENUE**

Other Operating Revenue was higher than budget by \$4,800,000. During fiscal 2021 final guidelines on how federal Provider Relief Funds could be used to cover lost revenue resulted in a positive change for NVRH. As a result of this change, NVRH was able to retain \$5,000,000 more of the PRF funds than we expected when the fiscal 2021 budget was prepared.

### **NON-OPERATING REVENUE**

Non-Operating Revenue was higher than budget by \$4,586,500. The majority of the favorable variance was due to realized and unrealized gains on invested funds. Due to uncertainty and volatility in the financial markets, NVRH does not budget realized and unrealized gains.

## **OPERATING EXPENSES**

### Northeastern Vermont Regional Hospital Bridges - FY 2021 Approved Budget to FY 2021 Actual Results

Expenses	Amount	% over/under
FY 21 Approved Budget	\$ 93,488,000	
Salaries	1,190,600	1.3%
Fringe Benefits	(1,006,400)	-1.1%
Physician Contracts	56,900	0.1%
Contract Staffing	1,099,500	1.2%
Supplies (implants)	363,500	0.4%
Drugs	849,200	0.9%
Facilities		
IT Related		
Health Reform Programs		
Depreciation	279,400	0.3%
Interest	55,100	0.1%
Health Care Provider Tax	449,900	0.5%
COVID TESTING and Other COVID Related	1,425,273	1.5%
Recruitment	412,300	0.4%
Cost Savings		
FY 21 Actual Results	\$ 98,663,273	5.5%

During fiscal year 2021 expenses exceeded budget by \$5,175,300, or 5.5%. Following is a description of the major factors contributing to this variance.

#### **Salaries exceeded budget by \$1,190,600**

- Annual salary increases were given 3 months earlier than budget to boost recruitment and retention efforts. Additional increases were provided selectively to remain competitive as we continued our recruitment and retention efforts
- Increased need for Clinical Patient Service Observers in ED and Medical Surgical until. The CPSO's support mental health patients awaiting transfer to an appropriate facility
- Expansion of Pulmonology, Physical Therapy and ENT services
- Additional FTEs to support data gathering and analytics
- Additional FTES to support higher acuity of inpatients
- Actual increase in time off benefit recorded as salary but budgeted as fringe benefit

### **Fringe benefits were lower than budget by \$1,006,400**

- Actual increase in time off benefit recorded as salary but budgeted as fringe benefit
- Anticipated increase in post-COVID health insurance claims did not materialize

### **Physician Contracts**

No material variance from budget

### **Contract Staffing**

The need for contract staffing throughout the year created an unfavorable variance to budget of \$1,099,500, which equates to a 67% variance for this line item.

### **Supplies**

Supplies exceed budget by \$363,500. This variance was due to a higher number of major orthopedic surgical cases than anticipated.

### **Drugs**

Increased utilization and higher drug costs created a \$849,200 negative variance. A significant portion of this increase involved one drug

### **Depreciation**

NVRH reduced capital purchases during the early stages of the pandemic to preserve cash during that period of uncertainty. During fiscal 2021 capital spending returned to normal levels and purchases postponed in 2020 were made in fiscal 2021.

### **Interest**

Interest expense exceeded budget by \$55,100. No new debt was incurred. This was just budget miss.

### **Health Care Provider Tax**

The Tax exceeded budget by \$449,900. The projection of fiscal 2020 NPR was made during the pandemic. The actual fiscal 2020 NPR was significantly higher than that projection. Fiscal year 2020 NPR is the basis for the fiscal 2021 Tax calculation. The true-up occurred during fiscal 2021 and created the unfavorable variance.

### **COVID Testing and Other COVID Related Expenses**

When the fiscal 2021 budget was developed it was uncertain whether or not NVRH would be charged for COVID testing lab expenses. The final assumption was there would be no NPR or operating expenses related to COVID testing. That assumption turned out to be incorrect. This created most of the COVID related variance as NVRH was billed for COVID tests sent to outside laboratories. Other COVID-related factors include higher cost and increased utilization of PPE and expenditures made that were eligible for reimbursement from PRF grants received.

### **Recruitment**

NVRH successfully recruited several physicians and advanced practice providers during the year, which created an unfavorable variance of \$412,300.

### **OPERATING MARGIN**

NVRH's Operating Margin for fiscal year 2021 was \$2,927,072, or 2.9% of Total Operating Revenue.

### **REPORTING OF COVID PRF FUNDS**

NVRH reported COVID-Provider Relief Funds as Other Operating Revenues. Our auditors agreed with this method of reporting the PRF funds.