



Choosing Health

# NORTHEASTERN VERMONT REGIONAL HOSPITAL

February 8, 2023

Ms. Sarah Lindberg  
Director of Health System Finances  
Green Mountain Care Board  
144 State St.  
Montpelier, VT 05620

Dear Sarah:

Northeastern Vermont Regional Hospital has completed the FY 2022 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 2022.

## **NET PATIENT REVENUE:**

<b>Northeastern Vermont Regional Hospital, Inc.</b>		
<b>Bridges - FY 2022 Approved Budget to FY 2022 Actual Results</b>		
<b>NPR/FPP</b>	<b>Total</b>	<b>% over/under</b>
<b>FY 22 Approved Budget</b>	<b>\$ 97,368,788</b>	
Utilization	5,911,326	6.1%
Reimbursement/Payer Mix	1,047,510	1.1%
Bad Debt/Free Care	302,620	0.3%
Physician Acq/Trans	-	0.0%
Changes in Accounting	-	0.0%
Changes in DSH	1,038,312	1.1%
Other (please label)		0.0%
Other (please label)	0	0.0%
<b>FY 22 Actual Results</b>	<b>\$ 105,668,556</b>	

Development of the fiscal 2022 budget volume was based on the FY2021 levels in many areas. One notable exception – Operating Room volume was 5% lower than budget. This was due in part as a result of a resignation of a surgeon in FY2021 that remained vacant until July 2022. Areas that experienced higher volumes than budgeted were our inpatient services, diagnostic imaging, laboratory services, pharmacy, and emergency services.

NVRH experienced a slight favorable shift in payer mix during the year.

NVRH received a special payment from AHS for an additional \$975k in DSH revenue. This was above and beyond the normal DSH calculations.

**OTHER OPERATING REVENUE**

Other Operating Revenue higher than budget by \$1,600,000. This is a result of receiving additional Covid relief funding of \$2,200,000 and do to being under budget by \$579k from the loss of 340B revenues due to pharmaceutical manufacturing cuts to the program. 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.

**NON-OPERATING REVENUE**

Non-Operating Revenue was lower than budget by \$3.7 mil. 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**

<b>Northeastern Vermont Regional Hospital, Inc.</b>		
<b>Bridges - FY 2022 Approved Budget to FY 2022 Actual Results</b>		
<b>Expenses</b>	<b>Amount</b>	<b>% over/(under)</b>
FY 22 Approved Budget	<b>\$ 99,768,850</b>	
Salaries Non MD	<b>2,703,569</b>	2.7%
Fringe Benefits	<b>1,400,337</b>	1.4%
Phys Sal & Physician Contracts	<b>1,191,598</b>	1.2%
Non MDContract Staffing	<b>2,838,379</b>	2.8%
Supplies	<b>672,438</b>	0.7%
Drugs	<b>241,286</b>	0.2%
Facilities	<b>386,918</b>	0.4%
IT Related	<b>274,810</b>	0.3%
Health Reform Programs		0.0%
Depreciation	<b>381,901</b>	0.4%
Interest	<b>47,280</b>	0.0%
Health Care Provider Tax	<b>90,220</b>	0.1%
Other IMPLANTS	<b>326,155</b>	0.3%
Other - Various	<b>472,251</b>	0.5%
Cost Savings		
FY 22 Actual Results	<b>\$ 110,795,992</b>	

During fiscal year 2022 expenses exceeded budget by \$11,027,142, or 11.0%. Following is a description of the major factors contributing to this variance.

**Salaries exceeded budget by \$2,703,569**

- Salary increases were provided selectively to nursing staff to remain competitive as we continued our recruitment and retention efforts
- Adjustments for a \$15/hr. minimum wage with compression adjustments
- Wage adjustments for other clinical areas to stay competitive with market pressures
- Incremental incentives for employed nursing staff

**Fringe benefits were higher than budget by \$1,400,337**

- Actual increase in time off benefit as a result of increased salaries
- Additional FICA and 401k expense due to salary adjustments
- Unanticipated and sustained increase in health insurance claims

**Physician Contracts**

Surgical locum for the vacant surgery position

OB/GYN locum for an FMLA leave

**Contract Staffing**

The need for contract staffing throughout the year created an unfavorable variance to budget of \$2,838,379.

**Supplies**

Supplies exceed budget by \$672,438. This variance was due mainly to a higher number of major orthopedic surgical cases than anticipated.

**Drugs**

Increased utilization and higher drug costs created a \$241,286 negative variance.

**Depreciation**

Depreciation exceeded budget by \$381,901 due to capital purchases that were delayed from FY2021.

**Interest**

Interest expense exceeded budget by \$47,280. No new debt was incurred. This was just budget miss.

**Health Care Provider Tax**

The Tax exceeded budget by \$90,220 due to a higher NPR than originally budgeted.

**OPERATING MARGIN**

NVRH's Operating Margin for fiscal year 2022 was \$257k or 0.0% 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.