



Springfield Hospital

Where People Come First

Green Mountain Care Board FY22 Budget Presentation

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SPRINGFIELD HOSPITAL OVERVIEW

Springfield Hospital (SPH) is a Critical Access Hospital :

- Inpatient: 25 Acute/Swing & 10 Psychiatric Beds
- Outpatient and Professional Services (Surgery, ENT, Gynecology, Orthopedics, Urology, and Psychiatry)

FYTD 06-30-21

- **Average Daily Census:** 9.7 Acute & 2.93 Psychiatric (SPH assisted statewide COVID efforts limiting psychiatric patients to COVID-only)
- **ED Visits:** **8,372** (30.66 per day)
- **Surgery Volume:** **658** (Inpatient and Outpatient)
- **Critical COVID Community Health Efforts:** (ED, Med/Surg, Psychiatric COVID beds and **16,124 YTD** doses of vaccine)
- **413 employees** - and a major economic factor for Springfield and surrounding communities

OVERVIEW (CONTINUED)

- **Chapter 11 Reorganization** - SPH and (parent) Springfield Medical Care Systems filed June of 2019.
- **Emerged from Chapter 11 in December 2020** - The organizations successfully split operations into two separate corporations.
- **Shared Services Agreement** - The organizations continue to share overhead costs.
- **Chapter 11 Process** – Case closed July 7th, incurred trustee and legal fee up to that date

OVERVIEW (CONTINUED)

- **Anticipated Recovery FY21** - SPH anticipated FY21 recovery to pre-COVID19 levels. The recovery continues to be slower than expected.

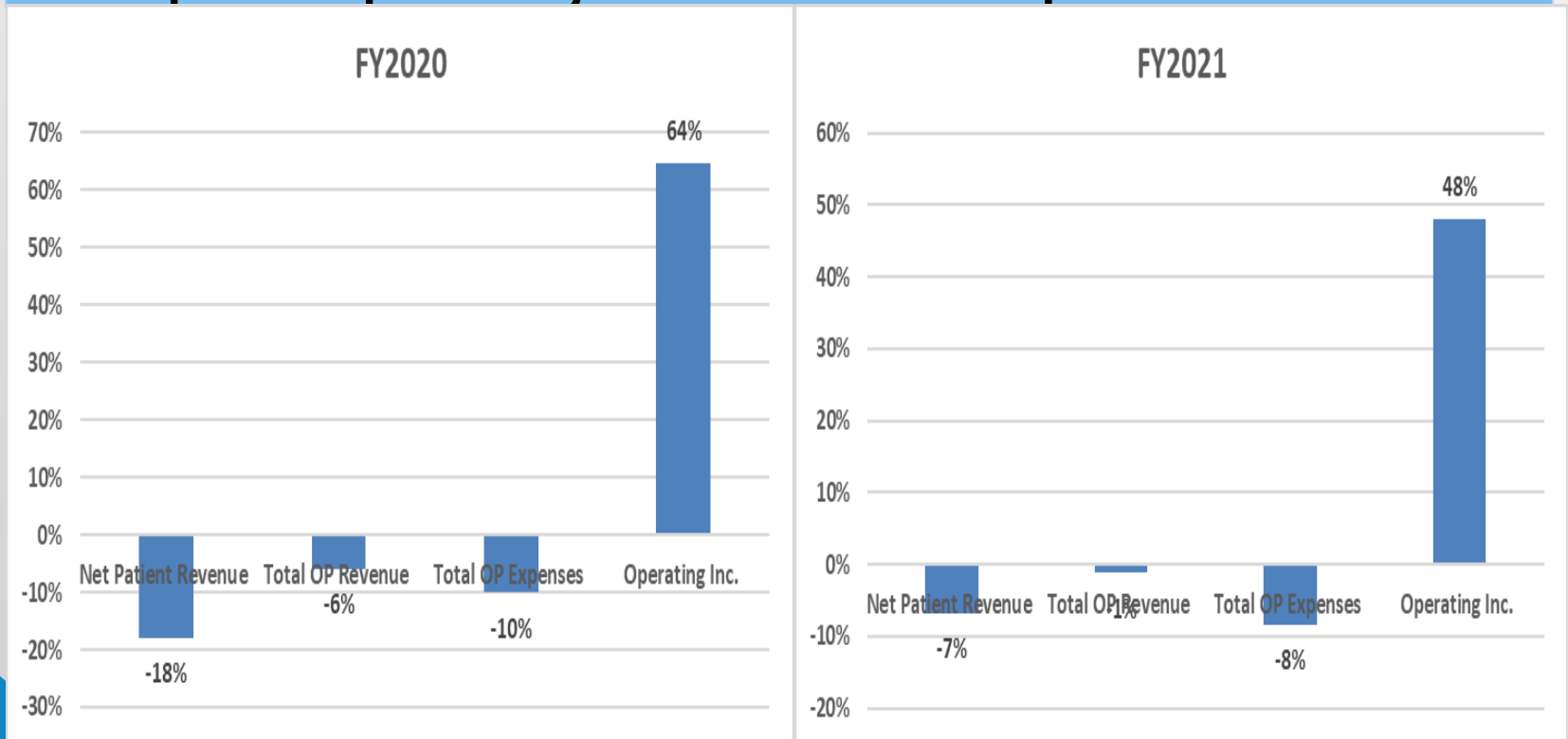
Compared to FY19

- **Volume dropped 20+% across the board**, due to COVID-19, including the 2020-2021 psych bed closure (to assist VT State COVID plan).
- ***Operating income saw 64% improvement in and further projected improvement of 48% in 2021** (in spite of negative impacts).
- ***NPR declined 18% and 7%** during 2020 and projected 2021, respectively, **expenses decreased 10% and 8%** over the periods.

*Illustrated on page 5

OVERVIEW (CONTINUED)

Even with declining operating revenue, SPH effectively managed expenses to improve operating income from the pre-COVID level



OVERVIEW (CONTINUED)

Continue to Benefit from Cost Savings Initiatives

- **Strategies implemented 2019-2021:**
 - Closure of under-utilized Childbirth Center:
 - Labor reductions in multiple departments
 - Employee Benefits (Insurance, 401K)
 - Emergency Department restructuring
 - Hospitalist program restructuring
 - Anesthesia restructuring
 - Management restructuring
- **Improvements in operational efficiency**

OVERVIEW (CONTINUED)

“THE PERFECT STORM” — COVID-19 & CHAPTER 11

Declining Cash

- COVID-19:
 - Cash receipts decreased due to lower volumes during COVID-19 and FY21 (anticipated to continue at lower than Pre-COVID levels in the FY22 budget).
- Chapter 11 Reorganization:
 - Simultaneous to the COVID impact, SPH disbursed **\$4.8m+** in Chapter 11 related costs since FY19 Quarter 4 through FY21 to-date.
 - **Future debt payments incurred as a result of Chapter 11** (\$738,000 anticipated for FY22)
- **Payroll Payment Protection (PPP)** – SPH was approved for Round 1. Funds withheld due to Chapter 11. Appeal filed and **SPH has received no funding to date.**

OVERVIEW (CONTINUED)

Days Cash on Hand

- 24 days cash July 31, 2021
- 21 days projected September 30, 2021
- Projected cash includes \$2M from a FY20 Cost Report settlement

VISION

- Long term vision/strategy to stabilize & sustain operations
- SH remains open to pursuing partners to improve efficiency
- SH envisions a sustainable future either as an independent hospital or as a system partner
- COVID slowed partnership plans as SPH prioritized community care
- Priority over the past 12 months has been care of the community and exiting Chapter 11

BUDGET REQUEST

- **Charge Increase of 8.3% and NPR increase of 7.8% for FY2022**
- This increase is needed:
 - to continue the SPH's recovery
 - to ensure operations remain sustainable in 2022
 - to continue to ensure access to essential community hospital services.
- **Without the approval of our request, SPH will continue to face financial challenges in the coming year and beyond.**

BUDGET ASSUMPTIONS

UTILIZATION

	FY2019 Actual	FY2020 Actual	FY2021 Projected	FY2021 Budget	2022 Budget
Acute Admission	1,111	875	884	980	794
Acute Patient Days (incl SWB)	4,178	4,520	3,669	4,611	3,828
Swing Admissions ^a	19	8	28	44	81
Swing Days	114	250	251	393	730
Psych Admissions	333	190	107	342	360
Psych Patient Days	2,622	1,664	831	2,668	2,920
ED Visits	14,254	12,234	10,988	13,121	11,500
Surgical Cases ^b	1,115	793	888	861	916

^a Initiative to pursue admissions from other facilities

^b Initiative to add surgeon later in the year

INCOME STATEMENT

	FY21			
	FY20 ACTUAL	PROJECTED	FY21 BUDGET	FY22 BUDGET
OPERATING REVENUE				
Net Patient Service Revenue	\$ 39,790,104	\$ 45,212,645	\$ 50,600,314	\$ 54,568,589
Other Operating Revenue	7,491,047	4,420,070	1,761,472	2,394,000
TOTAL OPERATING REVENUE	47,281,151	49,632,715	52,361,786	56,962,589
OPERATING EXPENSES				
Salaries & Wages	16,309,559	17,490,003	18,036,921	19,168,229
Employee Benefits & Payroll Taxes	4,683,000	4,921,597	4,982,319	5,433,601
Medical Supplies	1,644,755	2,568,927	1,685,490	1,977,918
Drugs	1,341,900	791,619	1,391,915	1,483,409
Management & Contract Services	5,276,618	6,533,200	4,498,388	6,436,302
Other Purchased Services	3,085,452	3,099,409	3,047,972	3,182,730
Physician Fees	6,705,763	5,160,650	5,891,283	4,946,498
Travelers	656,846	1,648,270	351,106	1,272,295
Depreciation	1,625,098	1,504,679	1,863,793	1,225,000
Interest	408,785	203,062	159,204	120,000
Insurance	741,887	755,091	639,051	731,000
Provider Tax	3,508,015	2,775,804	3,074,817	2,832,000
Other Expenses	6,607,741	6,143,380	6,045,858	6,234,948
TOTAL OPERATING EXPENSES	52,595,418	53,595,692	51,668,117	55,043,929
OPERATING INCOME (LOSS)	(5,314,268)	(3,962,978)	693,669	1,918,660
NON-OPERATING REVENUE (NET)*				
UNRECOGNIZED PENSION EXPENSE	(757,412)	-	(508,935)	(750,000)
INCR. (DECR.) IN UNRESTRICTED NET ASSETS	\$ (5,495,180)	\$ 14,290,739	\$ 184,734	\$ 1,229,185
Operating Margin	-11.2%	-8.0%	1.3%	3.4%

*FY20 Non Operating Revenue Includes Chapter 11 Gain

INCOME STATEMENT

NPR REVENUE ASSUMPTIONS



Comparisons to FY21 NPR Budget

Total NPR Increase of 7.8%

FY22 Budget: \$54.4m Requested

FY21 Budget: \$50.6m Approved

Components

- Utilization  \$4.7m
- Rate Effect  \$6.1m
- Bad Debt & Charity Care*  \$2.7m

Payer NPR changes**

- Medicare 15.0%
- Medicaid -10.3%
- Commercial 9.6%
- Self-Pay/Other -31.0%
- DSH -18.3%

*FY21 anticipated higher bad debts & charity care due to COVID, FY22 is more in line with FY21 actual

** Medicare/Medicaid does not participate in rate increases

BALANCE SHEET

SPH must continue to improve financial performance since exiting Chapter 11 in FY21

	Audited 2020	Projected 2021	Budget 2022
ASSETS			
Current Assets			
Cash & Investments	\$6,299,641	\$2,850,000	\$3,000,000
Patient Accounts Receivable, Net	5,032,928	7,063,739	5,843,000
Due from Third Parties	1,581,071	219,000	-
Other Current Assets	3,433,639	3,113,000	2,900,000
Total Current Assets	16,347,279	13,245,739	11,743,000
Total Board Designated funds	359,297	-	-
Total Property, Plant and Equipment, net	10,954,632	10,898,000	11,073,000
Other Long-Term Assets	328,219	-	-
Total Assets	\$27,989,427	\$24,143,739	\$22,816,000
LIABILITIES AND FUND BALANCE			
Current Liabilities			
Accounts Payable	\$15,453,657	\$2,900,000	\$2,300,000
Salaries, Wages and Payroll Taxes Payable	2,223,614	2,512,000	2,400,000
Total Estimated Third Party Settlement	-	-	-
Other Current Liabilities	10,597,066	2,437,000	2,200,000
Current Portion of Long-Term Debt	6,506,463	1,510,000	1,200,000
Total Current Liabilities	34,780,800	9,359,000	8,100,000
Long-Term Debt			
Capital Lease Obligations	530,568	450,000	352,000
Other Long-Term Debt	5,163,029	12,620,000	11,420,000
Total Long-Term Debt	5,693,597	13,070,000	11,772,000
Total Liabilities	40,474,397	22,429,000	19,872,000
Fund Balance	(12,484,970)	1,714,739	2,944,000
Total Liabilities and Fund Balance	\$27,989,427	\$24,143,739	\$22,816,000





CASH FLOW TRENDING

	(\$000'S)						
	FY19 Actual	FY20 Actual	Projected 21	FY22 No Increase	FY22 3.5% NPR Incr	FY22 7.8% NPR Incr	
Gross Patient Revenue	\$ 110,213	\$ 92,450	\$ 99,845	\$ 107,358	\$ 114,566	\$ 119,167	
Deductions	61,700	53,340	54,633	58,893	62,194	64,600	
Net Patient Revenue	48,513	39,110	45,213	48,465	52,371	54,567	
Total Operating Revenue	50,241	47,281	49,633	50,859	54,765	56,961	
Total Expenses	58,480	52,595	53,596	55,044	55,044	55,043	
Operating Margin	(8,239)	(5,314)	(3,963)	(4,185)	(279)	1,918	
Operating Margin %	-16.4%	-11.2%	-8.0%	-8.2%	-0.5%	3.4%	
Total Margin	(16,485)	(5,495)	14,291	(4,874)	(968)	1,087	
EBITDA	(6,112)	(3,280)	(2,255)	(2,840)	1,066	3,263	
Debt Payments	(3,288)	(818)	1,656	(1,113)	(1,113)	(1,113)	
Pension Expenses Funding	-	-	-	(750)	(750)	(750)	
Capital Purchases	(248)	(714)	(617)	(1,400)	(1,400)	(1,400)	
Cash Flow	\$ (9,648)	\$ (4,813)	\$ (1,216)	\$ (6,103)	\$ (2,197)	\$ -	

This is a high level statement of cash flows.

CHARGE REQUEST

Net Patient Revenue

- FY19: Approved for a **4% increase** 
- FY20: Requested a **19% decrease** 
- FY21: Received a **3.5% increase** 
- FY22: Requesting **7.8% increase** 
 - Rate request will prevent the exhaustion of cash instead of increasing cash
 - Allows SPH to fund high priority capital needs
 - Estimated cash funding for Defined Benefit Plan of \$750,000 for FY22

CHARGE REQUEST (CONTINUED)

SPH's NPR rate request of 7.8% or \$54,568,589, a 18.6% decrease or \$12,493,411 if SPH had a 3.5% annual increase since FY19.

If 3.5% NPR increase per year

FY19 Approved	FY20	FY21	FY22
60,486,000	62,603,000	64,794,000	67,062,000

Comparison of NPR request

FY22 Request	\$ 54,568,589
FY22 (if 3.5% increase since FY19)	\$ 67,062,000
Overall NPR <u>decrease</u> of FY22 request vs. FY19-FY22 if 3.5% annual increase:	\$ (12,493,411)

CHARGE REQUEST (CONTINUED)

7.8% NPR Request critical to sustain operations

	(\$000's)		
	FY22 No Increase	FY22 3.5% NPR Incr	FY22 7.8% NPR Incr
Gross Patient Revenue	\$ 107,358	\$ 114,566	\$ 119,167
Deductions	58,893	62,194	64,600
Net Patient Revenue	48,465	52,371	54,567
Total Operating Revenue	50,859	54,765	56,961
Total Expenses	55,044	55,044	55,043
Operating Margin	(4,185)	(279)	1,918
Operating Margin %	-8.2%	-0.5%	3.4%
Total Margin	(4,874)	(968)	1,087
EBITDA	(2,840)	1,066	3,263
Debt Payments	(1,113)	(1,113)	(1,113)
Pension Expenses Funding	(750)	(750)	(750)
Capital Purchases	(1,400)	(1,400)	(1,400)
Cash Flow	\$ (6,103)	\$ (2,197)	\$ -

OTHER OPERATING REVENUE & NON OPERATING REVENUE

OTHER OPERATING REVENUE

FY22 Budget – Major Items

- Adult Day Program \$1,200,000
- Revenue for FQHC Shared Serv. Agreement \$ 840,000
- COVID grant funding \$ 200,000

FY21 Revenue not budgeted in FY22

- State Covid-19 funding for Inpatient Psych Unit, Adult Day Service and Vaccine Clinics.

NON-OPERATING REVENUE

- FY21 Actual includes Gain from Chapter 11 after exiting on Dec 31, 2021 for release of debt, no budget in FY22.
- Pension Plan estimate of \$750,000

OPERATING EXPENSES

(\$ in thousands)

	2019 Actual	2020 Actual	2021 Projected	2021 Budget	2022 Budget
Salaries	\$18,037	\$16,309	\$17,490	\$18,037	\$19,168
Employee Benefits	\$7,637	\$4,683	\$4,921	\$4,982	\$5,433
Physician Fees	\$7,553	\$6,705	\$5,160	\$5,891	\$4,946
Medical Supplies & Drugs	\$3,506	\$2,986	\$3,360	\$3,077	\$3,461
Management & Contracts	\$5,256	\$5,277	\$6,533	\$4,498	\$6,436
Provider Tax	\$2,831	\$3,508	\$2,775	\$3,074	\$2,832
Other Expenses	\$10,780	\$10,350	\$10,891	\$10,243	\$10,691
Depreciation, Insurance & Interest	\$2,876	\$2,775	\$2,462	\$1,864	\$2,076
Total	\$58,479	\$52,595	\$53,595	\$51,668	\$55,043

OPERATING EXPENSES

FY22 Budget Comparisons

- Total Operating Budget in FY21: **\$55,043,929**
- FY21 Approved Budget **Increase of \$3.3M**
 - Increases due to:
 - Staffing expense (all staff including Specialty providers, travelers, COLA, and benefit costs)
 - Hospitalists program costs
 - Technology costs
 - COVID-19 costs
- Pre-COVID (FY19) **Decrease of \$3.4M**

OPERATING EXPENSES (CONTINUED)

Labor Costs* plus employee benefits comprise 62% of Total Operating Expense budget

- Budget includes:
 - COLA increase of 2% subject to market conditions, see below for prior years
 - FY19: 3% on anniversary, ceased early in FY due to financial situation
 - FY20: none
 - Fy21: 2%
 - Reinstating 401k match to employees to attract and retain employees to help manage workforce challenges

OPERATING & TOTAL MARGIN

(\$ in thousands)

SPH is budgeting for a 3.4% operating margin for FY22

	FY2019	FY2020	FY2021 Projected	Budget 2021	Budget 2022
Operating Inc.	\$(8,239)	\$(5,314)	\$(3,962)	\$694	\$1,918
Total Margin	\$(16,485)	\$(5,495)	\$14,291*	\$185	\$1,229

*includes Chapter 11 gain

RISKS AND OPPORTUNITIES

Risks

- Declining cash reserves
- Unknown COVID-19 impacts
- Workforce volatility
- Utilization
- Federal & State healthcare reform initiatives
- Healthcare delivery competition
- Inflation

Opportunities

- Swing bed utilization
- Inpatient psychiatric program
- Adult Day service
- General surgery
- Emergency medicine
- Pain management program
- Community Health Needs Assessment
- New strategic plan
- Re-engaging in affiliation discussions
- Revenue cycle improvement

VALUE-BASED CARE PARTICIPATION

- SPH fully participated in OneCare in 2018 and 2019.
- SPH participated in the Medicaid and Blue Cross ACO in 2020 and 2021
- Continue Medicaid and Blue Cross ACO in 2022

CAPITAL INVESTMENT PLAN

Capital Budget of \$1.4M in FY22

- Lab & imaging equipment replacement
- Operating Room equipment
- HVAC equipment

Due to the pandemic and Chapter 11, SPH has not been able to fund much needed capital equipment the last couple of years.

IMPACT OF COVID-19

- Reduced volume across the board
- Decrease in cash flow
- Clinical workforce stress
- Workforce shortage & increased travelers cost
- Supply chain challenges
- Increased costs & volatility

CONCLUDING COMMENTS

FY 2022 Charge Increase of 8.3% and NPR rate increase request of 7.8% is necessary to:

- Continue hospital recovery
- Ensure sustainable operations
- Continue essential community hospital services
- Economic stability for the region
- Help fund high priority capital needs
- Fund the frozen defined benefit plan

Without the approval of our request, SPH will face significant financial challenges in the coming year.

CONCLUDING COMMENTS (CONTINUED)

- **The sustainability and success of Springfield Hospital is essential to the health and welfare of the Greater Springfield community.**
- **To achieve this success, we respectfully request approval of our FY22 budget**

Questions and/or Comments:

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Recommended Action:

Request to approve FY2022 SPH budget on first reading.

