

**Springfield Hospital
FY23 Actual to Budget Results**

(Note: Comparisons include actual to budget FY23 and prior year actual)

Utilization:

Inpatient acute (medical/surgical) and swing admissions experienced a year-over-year decrease compared to FY22 actual, as well as compared to the FY23 budget. Psychiatric admissions saw an increase compared to the prior year (PY) and budget. Observation admissions were slightly ahead of budget but less than FY22. Inpatient acute Average Daily Census (ADC) was 6.8 vs. 7.9 in the prior year, and Swing and Observation patients (outpatient) also saw a slight decline from the prior year but coming in just above budget with each having an ADC of 1.5. Psychiatric ADC was flat versus FY22 at just over 7 patients a day, coming in short of the 8.5 ADC budgeted. **(See Table 1: Admissions)**

Table 1: Admissions

Statistics				
	Actual FY23	Budget FY23	% Var.	Prior Year Actual FY22
Admissions				
<i>Medical/Surgical</i>	584	768	-24%	652
<i>Swing</i>	42	69	-39%	63
<i>Psychiatric</i>	320	301	6%	307
Total Hospital Inpatient	946	1,138	-17%	1,022
<i>Observation</i>	347	342	1%	379

Emergency Department visits saw a 2% increase with 13,191 visits for the year (approx. 36 patients per day) but remained consistent with the prior year volume and well below pre-pandemic levels. Operating Room cases increased 38 cases from FY22 at 892 cases for the year but fell behind budget expectations. Pain Management, a new service in FY23 had 156 cases during the year but fell short of budget expectations. Specialty Clinic volume, which includes services for infusion, chemotherapy and cardiology, was below the PY and budget. The chemotherapy and cardiology services were contracted through another hospital and incurred the loss of physician availability. Diagnostic Imaging had a strong year overall, with most modalities growing over the PY (Xray, CT, MRI, Mammography, Ultrasound). All but two exceeded budget. EKG utilization was 4% up from budget and saw growth from the prior year. Physical Therapy and Adult Day Services had increased volume levels from FY22 but missed budget. Adult Day volume toward the last half of the year was much stronger and continues to grow after having limited capacity after the pandemic. Respiratory procedures were down both from budget and FY22. We are seeing good growth in outpatient specialty practice visits which exceeded budget and prior year by 17% (approximately 2,200 visits). We experienced growth in Orthopedics, ENT, Urology, Gynecology, Podiatry and Pain Management, which was a new program this year. General Surgery visits were up 11% over the prior year but fell 25% behind budget overall due to not recruiting a second surgeon until FY24. Provider changes included adding two full time employed Gynecology providers (September 2022 and March 2023), increasing Podiatry to full time in March 2023, and adding additional days per month (up to 8 days) for Urology services.

Financial Operating Results:

Gross Patient Service Revenue (GPR):

GPR increased \$9.2M or 7.9% over the PY with inpatient down and outpatient up. GPR came in \$6.5M or 4.9% below the FY23 budget, due to the decline in inpatient utilization. Outpatient GPR outpaced budget.

Net Patient Revenue (NPR):

Growth was 4.4% over the PY actual and includes more than a 50% reduction in Disproportionate Share (DSH) payments (\$736K compared to nearly \$1.5M in FY22). NPR came in short from the FY23 budget by \$3.4M or 5.7%, predominately resulting from the decreased inpatient utilization. Bad Debt decreased year over year with 2.6% of GPR in FY23 and 3.1% in FY22, but the combination of Bad Debt and Free Care compared to budget had minimal variance. DSH came in close to budget as well. (See Table 2: FY23 Net Patient Revenue – Bridge).

Table 2: FY23 Net Patient Revenue - Bridge

NPR/FPP	Total	% over/under
FY23 Approved Budget	58,778,621	
Utilization	(3,039,692)	-5.2%
Reimbursement/Payer Mix*	(327,803)	-0.6%
Bad Debt/Free Care	10,289	0.0%
Changes in DSH	(13,627)	0.0%
FY23 Actual Results	55,407,788	
Total NPR Change	(3,370,833)	-5.7%

Other Operating Revenue experienced a decrease from the PY primarily driven by less grant revenue recognized as provider relief/COVID-19 related funding phases out. In FY23, we received \$3M less grant revenue at \$2.6M compared to FY22 of \$6.3M PY. However, Other Operating Revenue exceeded budget for FY23 by \$1.25M or 44.1%, due to a \$2.3M FEMA grant that was not budgeted. Adult Day services has slowly been rebuilding volume since the pandemic when it started operating at half capacity. State COVID grant recovery funding helped subsidize the program during the recovery period, but this funding came to an end this year. The hospital's Master Service Services Agreement (MSSA) with the local FQHC primary care network, (North Star Health - formerly known as Springfield Medical Care Systems and the former parent company of Springfield Hospital), has continued to decrease as the relationship has evolved. The hospital and FQHC now operate independently since exiting Chapter 11, with more staff being removed from the agreement over time. The MSSA has been in place since August 2020 for shared staff between the hospital and North Star Health, primarily administrative but some clinical areas as well. The MSSA revenue offset the salaries expense. MSSA revenue, at \$758K for the fiscal year, came in about \$148K lower than anticipated in FY23 and will continue to decline as shared services separate.

Total Operating Revenue was down from FY22 by \$1.9M or 3.1%, again with GPR and NPR, but also including a significant decline in grant revenue. Compared to FY23 budget expectations, total revenue was \$2.1M or 3.4% under.

Operating Expenses: (See Table 3: FY23 Operating Expenses – Bridge)

- Total operating expenses were \$562K or 0.9% up from budget with contract staffing and drug costs comprising most of the variance. Compared to FY22 results, operating expenses increased \$2.2M or 3.8%.
- **Contracted staffing** includes traveler agency costs as well as senior leader and management staffing costs. In total, contracted staffing was \$1.5M over budget, or 52%, with traveler agency costs comprising \$1.2M and the remaining \$300K variance for management staffing. Agency staff includes a mix of national and international staffing for Inpatient, Emergency, and OR, as well as technologists needed for Laboratory, Diagnostic Imaging and Respiratory services. Traveler agency costs remained flat over the PY and were anticipated to decrease in FY23. During the year, the Hospital experienced a 30 FTE shortfall from the employed staff budget due to the continued workforce challenges.
- **Drug** costs were budgeted to decline in FY23 compared to FY22 because of known chemotherapy volume decreases. Despite this, we only saw a 1.1% decrease and cost was up \$508K, or 35%, from budget, mainly due to supply issues that resulted in purchasing alternative drug brands for more expensive specialty infusion drugs.
- **Salaries** were \$752K or 3.7% less than budgeted for employed non-provider staff and offset the contract staffing unfavorable variance mentioned above. A cost-of-living adjustment (COLA) of 2% was given to all non-provider staff during the year. We also made some market adjustment increases and nursing increases because of the collective bargaining agreement that began at the beginning of the fiscal year. We continue to face headwinds of a tough labor market and struggle to keep up with competitive wages in many areas.
- **Fringe Benefits** exceeded budget by \$157K or 3.3%, primarily driven by higher health and prescription claim experience and fees related to the hospital's self-insured health insurance program.
- **Physician Contracts** were up \$157K or 1.5% due to utilizing locums for inpatient psychiatric providers and General Surgery (a second surgeon was not recruited until FY24), the Podiatrist becoming full-time halfway through the year, which was budgeted as part time, and higher than anticipated provider costs for the new pain management program.
- **Facilities** costs were \$164K or 8.9% more than anticipated due to maintenance and repairs on the hospital's aging infrastructure and housing (rent) for contracted staff.
- **IT Related costs** were up \$229K or 27.2% due to minor IT equipment replacements, EMR-related costs for multiple systems, cybersecurity, software, etc.
- **Health Reform Programs costs** were up significantly, \$69K vs. 63.7%. The budget anticipated a minimal increase from FY22, but actual fees were much higher. The fees represent costs for participating in the OneCare Vermont ACO program for Medicaid and Blue Cross. The hospital does not participate for Medicare.
- **Depreciation** was less than budget by \$111K or 8.8% and down from PY as older capital that has reached full depreciation was not replaced with new capital at the same rate. Depreciation is expected to increase in FY24 as several capital projects were in process during FY23 that will not be completed until FY24. There are still many capital investments needed to replace aging buildings and equipment.
- **Health Provider Tax** experienced a favorable variance of \$569K, or 16% versus budget, partially due to a \$219K reduction for a prior year provider tax reconciliation correction. Provider tax expense was nearly \$3M for the year.
- **"Other"** includes all other categories and exceeded budget by \$170K or 2.1%. Variances include higher than anticipated costs for EMS transport costs, PICC (peripherally inserted central catheter) line services, operating room minor equipment, revenue cycle contracts, and general liability insurance. Many favorable variances from budget were realized including a reduction in Radiology PACS system costs, reference labs, telephone, etc.
- **COVID Related Expenses** came in much less than anticipated with a significant reduction of reference lab processing compared to prior years and decreased supplies.

Table 3: FY23 Operating Expenses - Bridge

Expenses	Amount	% over/under
FY 23 Approved Budget	\$ 59,502,856	
Salaries	(752,056)	-3.7%
Fringe Benefits	157,685	3.3%
Physician Contracts	152,497	1.5%
Contract Staffing	1,536,897	52.2%
Supplies	(297,203)	-9.2%
Drugs	508,677	34.7%
Facilities	164,168	8.9%
IT Related	229,047	27.2%
Health Reform Programs	68,798	63.7%
Depreciation	(110,771)	-8.8%
Interest	1,933	1.4%
Health Care Provider Tax	(569,112)	-16.1%
Other	170,150	2.1%
Other - COVID	(698,317)	-77.2%
FY 23 Actual Results	\$ 60,065,251	0.9%
Total Expense Change	\$ 562,395	

Operating Margin and (Decrease)/Increase in Unrestricted Net Assets:

Springfield Hospital's FY23 operating margin is a loss of \$556K, compared to a FY23 budget gain of \$2.1M and a \$3.5M operating gain in FY22. The major difference in operations from FY22 is reduced grant income. In summary, overall revenue was down and expenses were up from budget expectations.

There was a \$409K Decrease in Unrestricted Net Assets vs. a budget of \$1.7M. The difference primarily results from the operating loss. However, it also includes a net increase from non-operating income and expenses related to the hospital's frozen defined benefit plan which netted a gain from favorable investment activity and actuarial gains offset with the required plan contributions, benefit payments to participants, and other expenses and fees necessary to operate the plan.