

Green Mountain Care Board

2022 SVMC Budget Presentation

August 17, 2021

Tom Dee, SVMC President and CEO



2021 Noteworthy Accomplishments



Southwestern Vermont Medical Center (SVMC) is **one of only three hospitals in New England and 28 hospitals worldwide** to have achieved **five consecutive designations as a Magnet® Center for Nursing Excellence**. SVMC is a past recipient of the coveted **Magnet Prize™**, an award for extraordinary innovation in nursing that is given to **only one hospital in the world** each year.



The American Hospital Association™ named SVMC the 2020 recipient of the **Rural Hospital Leadership Award**. **Only one leadership group or hospital in the nation** is recognized each year by the AHA for guiding their hospital and community through transformational change on the road to healthcare reform.



SVMC ranked **fourth out of 3,282 hospitals nationwide** for **value of care**, according to the Lown Institute Hospitals Index. The hospital also **earned an A+ overall, highest among Vermont's 10 hospitals**.



SVMC **received an "A" score for their Hospital Safety Grade** from The Leapfrog Group—the nation's only rating focused entirely on patient safety.



SVMC's Renal Dialysis team received the highest possible ratings from the Centers for Medicare and Medicaid Services (CMS), including both an annual licensure survey with **no deficiencies and five stars for quality and patient engagement**.

SVMC and both its skilled nursing facilities, CLR and CNR, **earned perfect scores on a CMS evaluation** to determine the ability to prevent transmission of COVID-19 and other infections.



SVMC was named one of *Vermont Business Magazine's* **"Best Places to Work in Vermont"** in 2021 for the **seventh straight year**.



Create Affiliation & Partnerships

- Complete system combination with D-H
- Pursue partnerships with other healthcare organizations to meet community need & strengthen operations



Advance Clinical Services

- Enhance primary care
- Expand specialty care services
- Launch behavioral health & substance abuse services
- Develop joint venture long-term care services



Accelerate Operations Management

- Strengthen ties to D-HH practice management services
- Strengthen long-term care
- Improve hospital-based operations
- Seek economies of scale with partners



Improve Infrastructure

- Modernize Emergency Dept.
- Expand Cancer Center
- Create workforce pipelines for physicians & staff
- Leverage telemedicine
- Install integrated IT platform with affiliate



Primary Prevention & Community Development

- Expand Primary Prevention efforts with community partners
- Continue investments to revitalize economy & community



Evolve Toward Population Health & Value-Based Care

- Meet needs of the community with locally delivered, high quality care
- Expand participation in OneCare VT
- Deepen collaboration with community partners

Presentation to

Green Mountain Care Board

2022 SVMC Budget *COVID-19 Response*

August 17, 2021

Trey Dobson, MD, CMO



5 Priorities for Operations

- Staff and patient safety
- Communication and transparency
- Access to COVID-19 testing and vaccine
- Data analytics to improve outcomes
- Regional resource for the community



5 Challenges for Operations

- Staff safety → PPE, culture
- Workforce anxiety → Listen, understand, respond
- Rapidly evolving guidelines and regulations → Simplify, communicate
- Increasing complexity → Standardization
- Community concerns → Engagement



Critical Supplies Inventory </

Storeroom PPF Medications

SVHC PPE Projection 1/7/2021

	January							Total Days Available	Burn rate per day estimate																					
	Weekdays	Weekdays	Weekdays	Weekdays	Weekdays	Weekdays	Weekdays																							
Procedure Masks	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	41	386 mask
Surgical Mask, fluid resistant																													31	43 mask
N95 Disposable																													226	12 mask
Cone regular																													46	9 mask
Cone small (high use)																													0	5 mask
Duckbill regular																													600	0 mask
Duckbill small																														
Gloves:																														
small																													24	1265 glv
medium																													14	2065 glv
large																													33	2657 glv
x-large																													60	1071 glv
Gowns: surge large																													226	3 gwns
Wipes																														
peroxide																													27	23 pack
70% Alcohol																													296	2 wipes
Cavi wipes																													0	2 packs

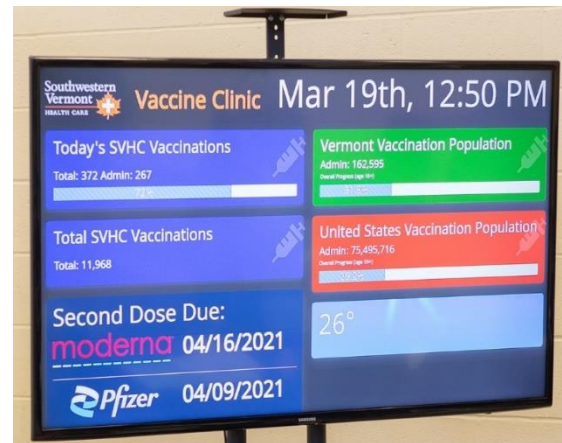
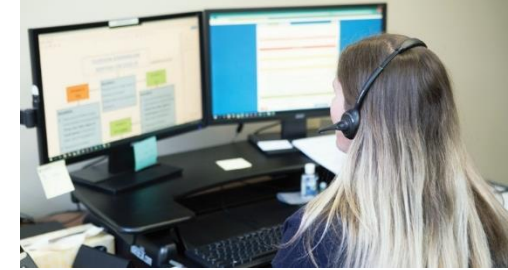
Non-Disposable Items available for deployment

Face Shields	6,843	Below 20 days available
Goggles	474	non-standard replacement stock item



Initiatives

- Incident Command (> 450 days)
- COVID-19 Hotline (average 96 calls per day)
- Respiratory Evaluation Center (REC)
- Drive through testing
- Vaccine clinic



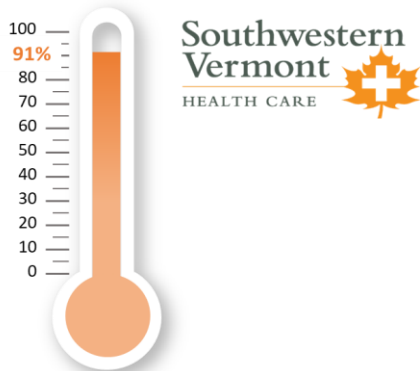
COVID-19 Drive Through Testing

- Open 6 days per week
- Hours 9a-3p
- In house PCR
- Result in less than 6 hours
- Results texted to patient



COVID-19 Vaccination Clinic

- Gymnasium on campus of Southern Vermont College
- High capacity (500+ people per day)
- Operated February through June, Monday through Friday
- Saturday educator clinics (1,450 vaccinated)
- 91% of SVMC healthcare workers vaccinated (99% of physicians and associate providers)



Regional Resource Need

- Navigate the evolving regulations, recommendations, and guidelines
- Explain specifics of testing and quarantine
- Provide direction for unusual circumstances
- Presentations to staff
- Assist with decision making





Regional Resource Need

- Bennington College
- Stratton Mountain School
- Maple Street
- Mack Molding
- Williams College
- The Bennington Museum
- Emma Willard School
- Williamstown Theater Festival
- The Clark
- Orvis
- Vermont Tech
- Pine Cobble School
- West Mountain Animal Hospital
- The Village School
- Dental practices
- Equipe Sports
- Nolato GW, Inc.

Physician and Advanced Practice Providers Recruiting

Practice	Positions	Practice	Positions
Anesthesia	2 full time physicians	Internal Medicine	2 part time physicians
Dentistry	Recruiting	Neurology	Recruiting
Dermatology	Recruiting	OBGYN	Recruiting
Emergency Medicine	2 physicians	Oncology	Recruiting
ExpressCare	3 adv. practice providers	Pathology	2 physicians
Family Medicine	3 full time physicians	Pulmonology	1 physician (2022)
Gastroenterology	Recruiting	Radiology	1 physician
General Surgery	Recruiting	Internal Medicine	2 part time physicians

Black = recruited in FY 2021

Red = In process recruiting and not included in the budget

Presentation to

Green Mountain Care Board

2022 SVMC Budget

Summary of SVMC's Financial Performance,

August 17, 2021

Stephen D. Majetich, CFO

**Southwestern
Vermont**

HEALTH CARE



Comparative Summary Statement of Operations

	<i><u>FY 2019 Actual</u></i>	<i><u>FY 2021 Projected</u></i>	<i><u>FY 2021 Budget</u></i>	<i><u>FY 2022 Budget</u></i>
Net patient service revenues	\$163,952,570	\$169,481,663	\$167,089,128	\$177,594,439
Covid-19 Funding--PRF		2,847,219		
Other operating revenues	<u>7,408,575</u>	<u>8,066,128</u>	<u>7,505,174</u>	<u>6,797,439</u>
<i>Total operating revenues</i>	<i>171,361,145</i>	<i>180,395,010</i>	<i>174,594,302</i>	<i>184,388,767</i>
<i>Operating expenses</i>	<u>165,778,101</u>	<u>175,407,639</u>	<u>174,402,372</u>	<u>180,760,242</u>
<i>Operating gain</i>	<i>5,583,044</i>	<i>4,987,371</i>	<i>191,930</i>	<i>3,628,525</i>
Non-operating activities	<u>413,312</u>	<u>1,362,242</u>	<u>450,000</u>	<u>(49,235,000)</u>
<i>Excess revenues over expenses</i>	<u><u>\$5,996,356</u></u>	<u><u>\$6,349,613</u></u>	<u><u>\$641,930</u></u>	<u><u>(\$45,606,475)</u></u>

Summary of NPSR Request

SVMC submitted an Operating Budget for FY 2022 with Net Patient Service Revenues of \$177,594,439 inclusive of Fee for Service and Fixed Payments revenues.

No upside or downside risk related to the OneCareVT model.

Increase of \$10,505,311 compared to the FY 2021 budget or 6.3%, before COVID adjustment.

Comparing FY 2022 budget to the FY 2019 actual, the last non pandemic fiscal year the increase is \$13,641,869 or 2.77% per year.

Summary of NPSR Request

Below are the components of the change compared to FY 2021's Budget:

	<i>Amounts</i>
<i>FY 2021 budgeted NPSR</i>	<i>\$167,089,128</i>
<i>Revenue Rate/Price</i> <i>(what SVMC gets paid)</i>	<i>5,130,322</i>
<i>Volume and Services</i>	<i>5,374,989</i>
<i>FY 2022 budgeted NPSR</i>	<i>\$177,594,439</i>

Summary of NPSR Request

Rate/Price (what SVMC gets paid)

	Amounts <i>(rounded)</i>	Percentage <i>of FY 2021</i> NPSR
Charge increase of 4.8% – realization from commercial payers	\$4,033,000	2.4%
Medicare increase – 1% from Fee for Service and Fixed Payment Model	576,000	0.3%
Payer Mix shift to Commercial budgeted	880,000	0.5%
Medicaid increase assumption and DSH	41,000	----
Net increase in Bad Debt and Charity Care	(400,000)	(0.2%)
Change in Rate/Price	\$5,130,000	3.07%

Summary of NPSR Request

Commercial Rate/Price (what SVMC gets paid) (***budget to budget***)

	Amounts <i>(rounded)</i>
Charge increase of 4.8% – realization from commercial payers	\$4,033,000

Gross charge increase is 4.8%, approximately 64% of the Hospital charges.

NO across the board increase on physician practice charges, rehabilitation services and selected others.

Drugs and Medical Surgical Supplies NO across the board increase on charges;

The \$4 million increase represents 2.4% of the Total FY 2021 budgeted NPSR.

Summary of NPSR Request

Other Rate/Price (what SVMC gets paid) (*budget to budget*)

	Amounts <i>(rounded)</i>
Medicare increase	\$576,000
Payer Mix shift to Commercial	880,000
Medicaid and DSH changes	41,000
Net increase in Bad Debt and Charity Care	(400,000)
Total	\$1,097,000

Bad Debt and Charity combined:

- *FY 2021 budget was \$9,250,000 or 5.5% of NPSR;*
- *FY 2022 budget is \$9,900,000 or 5.4% of NPSR.*

Summary of NPSR Request

Volume and Services (***budget to budget***)

	Amounts
<i>Inpatient volumes</i>	<i>\$(2,055,000)</i>
<i>Emergency room</i>	<i>(1,066,000)</i>
<i>Outpatient surgical services</i>	<i>3,299,000</i>
<i>Endoscopy</i>	<i>1,140,000</i>
<i>Medical Group volumes</i>	<i>1,608,000</i>
<i>COVID-19 related volumes</i>	<i>905,000</i>
<i>All other services</i>	<i>1,544,989</i>
<i>Change in Volumes and Services</i>	<i>\$5,374,989</i>

Fixed Prospective Revenues

Total NPSR breakout

Fee for service NPSR	\$135,594,439
Fixed prospective payment NPSR	<u>42,000,000</u>
Total NPSR	<u><u>177,594,439</u></u>

Fixed Prospective Revenue

Medicare	\$27,000,000
Medicaid	9,800,000
Blue Cross	<u>5,200,000</u>
Total	<u><u>\$42,000,000</u></u>

SVMC reserves the right to withdraw from the respective payer plan if the negotiated risk corridors are not acceptable to SVMC's Leadership.

Recap of 2022 NPSR Request

- *SVMC's FY 2021 requested budget is an increase of \$10,505,311 or 6.28%, remove the COVID 19 related revenues the increase is 5.7%, budget to budget.*
 - *The rate increases are approximately 3%*
 - *The volume increases are approximately 2.7%*
- *Three year NPSR annual increase is approximately 2.8%,*
- *Charge master increase approximately 4.8%,*
- *Volumes over FY 2021 budgeted levels. FY 2021's assumptions were made a couple of months into the pandemic. FY 2022 volumes still subject to behavior changes due to the pandemic*

Presentation to

Green Mountain Care Board

2022 SVMC Budget
Income Statement, Balance Sheet,
and Cash Flows

August 17, 2021

Stephen D. Majetich, CFO



Comparative Summary Statement of Operations

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<i>Excess revenues over expenses</i>	<i>\$5,996,356</i>	<i>\$6,349,613</i>	<i>\$641,930</i>	<i>(\$45,606,475)</i>

High level Statement of Cash Flows

	<u>FY 2022 Budget</u>	<u>FY 2021 Budget</u>	<u>FY 2021 Projected</u>
<i>Operating gain</i>	\$3,628,525	\$191,930	\$4,987,371
<u><i>Non-cash activities and others</i></u>			
Non-operating gains	465,000	450,000	1,362,242
Depreciation expense	5,902,441	6,350,000	6,086,524
Deferred Provider relief funds			(4,607,646)
Pension credit in operations		(600,000)	
<i>Subtotal</i>	<u>9,995,966</u>	<u>6,391,930</u>	<u>7,828,491</u>
<i>Other operating activities</i>	(993,059)	(1,370,381)	(1,448,797)
<i>Cash provided by operations and non-cash activities</i>	<u>9,002,907</u>	<u>5,021,549</u>	<u>6,379,694</u>
<u><i>Investing and financing activities</i></u>			
Capital purchases	(6,000,000)	(5,750,000)	(5,985,250)
FY 22 ED project spend	(6,400,000)		
Transfer from Foundation	7,741,500		
Pension plan funding		(3,000,000)	(6,000,000)
Repayment of advances	(7,200,000)	(8,500,000)	(2,800,000)
Increase in line of credit		10,000,000	
Long term debt payments	(250,000)	(464,086)	(321,214)
<i>Cash used for investing and financing activities</i>	<u>(12,108,500)</u>	<u>(7,714,086)</u>	<u>(15,106,464)</u>
<i>Net increase (decrease) in cash and equivalents</i>	<u>(\$3,105,593)</u>	<u>(\$2,692,537)</u>	<u>(\$8,726,770)</u>

Southwestern Vermont Medical Center
Operating Indicators and Significant Financial Ratios
FY 2022 Budget

<u>Profitability Indicators</u>	<u>FY 2018 Actual</u>	<u>FY 2019 Actual</u>	<u>FY 2020 Actual</u>	<u>FY 2021 Projected</u>	<u>FY 2022 Budget</u>
<i>Income from operations</i>	\$7,613,745	\$5,583,044	\$4,766,481	\$4,987,371	\$3,628,525
<i>Operating margin</i>	4.60%	3.26%	2.80%	2.80%	2.00%
<i>Total margin</i>	5.80%	3.49%	4.60%	3.50%	-33.70%

- Profitability indicators have been consistent through FY 2019 when SVMC saw volumes decline and payer mix shift more to Medicare. Key factors to consider when examining profitability indicators for SVMC:
 - Income from operations in the FY 2022 below the SVMC consistent run rate prior to Pandemic. FY 2020 and FY 2021 have Federal and State Provider Relief Funds recorded assisting in the Hospital's profitability.
 - Operating expenses, per indicators, SVMC is lower when compared to other Vermont PPS Hospitals;
 - Salaries benefits and contracted labor lower;
 - Depreciation expense significantly lower than benchmarks, due to aging plant;
 - Interest expense is below benchmarks due to low debt and aging plant. Long-term debt to capitalization is extremely low.
 - FY 2020 and FY 2021 no Medicare downside risk due to pandemic. FY 2022 no downside risk or upside opportunity budgeted;
 - Total margin in FY 2022 is significantly negative due to the required Defined Benefit Pension Plan Termination accounting transaction, a non cash transaction.

Southwestern Vermont Medical Center
Operating Indicators and Significant Financial Ratios
FY 2022 Budget

<u><i>liquidity Indicators</i></u>	<u><i>FY 2018 Actual</i></u>	<u><i>FY 2019 Actual</i></u>	<u><i>FY 2020 Actual</i></u>	<u><i>FY 2021 Projected</i></u>	<u><i>FY 2022 Budget</i></u>
<i>Days Cash on Hand--SVMC</i>	38.02	40.70	69.90	50.70	42.90
<i>Days Cash on Hand--SVHC (Parent)</i>	163.00	166.00	218.00	249.00	233.00
<i>Net Days in Patient Accounts Rec.</i>	34.21	35.60	34.50	33.10	34.10
<i>Net Days in Accounts Payable</i>	54.36	55.70	82.60	78.60	64.70

- Days cash on hand (System) has increased in FY 2021 due to investment returns, successful fund raising to support the Modernization Project, gain on the sale of assets and the purchase of assets. In FY 2022 cash will go down due to the equity contribution for the Modernization project and repayments of Medicare advances. Modest investment returns are budgeted in FY 2022
- Days in Accounts Receivable continues below VT State Average;
- Days in Accounts Payable close to VT State System Average.

Southwestern Vermont Medical Center
Operating Indicators and Significant Financial Ratios
FY 2022 Budget

<u>Capital Structure</u>	<u>FY 2018 Actual</u>	<u>FY 2019 Actual</u>	<u>FY 2020 Actual</u>	<u>FY 2021 Projection</u>	<u>FY 2022 Budget</u>
<i>Debt Service Coverage Ratio</i>	15.07%	13.40%	11.80%	12.50%	9.30%
<i>Long Term Debt to Capitalization</i>	20.00%	21.00%	34.00%	18.00%	14.00%
<i>Average Age of Plant</i>	17.4	18.3	19.4	20.4	22.1

- Debt Service Coverage Ratio is 9.3% where the VT State Average for PPS hospitals is 3.32. (higher is better)
- Long Term Debt to Capitalization ratio is favorable to the VT State Average.
- Average age of plant is unfavorable SVMC approximately 22 years, VT State Median of approximately 15.6 years (lower is better).

SVMC Operating Budget Summary – Operating Expenses

- ***Operating Expenses – Total \$180,760,242. This is an overall increase to:***
 - *FY 2021 Budget \$6,357,870 or 3.65%*
- ***Operating Expenses Increases***
 - *People costs are over \$105.7 million or nearly 60% of the total costs. (amounts rounded)*

• <i>Salaries and Wages</i>	<i>\$54,206,235</i>
• <i>Benefit related costs</i>	<i>16,938,498</i>
• <i>Providers – DH PSA</i>	<i><u>34,641,852</u></i>
<i>Totals</i>	<i><u>\$ 105,786,588</u></i>

Labor related Costs

Points of Interest

- ***Salaries and Wages***
 - ***3% base salary increase in FY 2022;***
 - ***FTE's greater than FY 2021 budget by 17 FTE's:***
 - ***Blueprint FTE's added to budget;***
 - ***Increased FTE's in clinical area's due to staffing concerns;***
 - ***NO contract labor budgeted;***
 - ***Increase to projection of 1.9%, three year (2019 –2022) average is approximately 2.9%***

Labor related Costs

Points of Interest

- ***Employee Benefits – to increase 7.4%.***
 - ***Health Insurance claims are projected to increase 7%***
 - ***Benefit increase cost sharing with employee's***
 - ***Worker Compensation to increase due to claim experience and FTE increase***
 - ***Regulatory benefits to increase due to increases in rate and number of employees***
- ***DH PSA increasing 5.8%. Successful year in recruiting MD's and associate providers.***

SVMC Operating Budget Summary – Operating Expenses

- ***Operating Expenses – Total \$180,760,242. This is an overall increase to FY 2021 Budget \$6,357,870 or 3.65%***
- ***Operating Expenses Increases***
 - ***Supplies– volume based with 2% inflation factor and increased volumes;***
 - ***Drug Costs – to decrease 2.3% due to lower volumes in high cost services.***
 - ***Inflationary increase 5%, this may create risk in the budget.***
 - ***Provider Tax – 6% of revenues no flexibility;***
 - ***Depreciation and Interest—interest expense increasing due to plan of interim use of Line of Credit, possibly to repay Medicare Advances.***

Southwestern Vermont Medical Center

Balance Sheets

	<i>Balances as of</i>		
	<u>Sep. 30, 2020</u> <i>Audited</i>	<u>Sep. 30, 2021</u> <i>Projected</i>	<u>Sep. 30, 2022</u> <i>Budget</i>
<u>Assets</u>			
<i>Current Assets</i>			
Cash and cash equivalents	\$22,852,711	\$14,125,941	\$11,020,348
Patient accounts receivable, net	12,006,186	12,119,747	12,653,016
Other receivables	1,520,289	770,836	793,961
Inventories and supplies	3,216,327	3,500,000	3,605,000
Prepaid expenses and other current assets	1,517,632	1,575,000	1,622,250
<i>Total current assets</i>	<u>41,113,145</u>	<u>32,091,524</u>	<u>29,694,575</u>
<i>Total assets whose use is limited</i>	<u>8,177,009</u>	<u>9,383,237</u>	<u>9,549,237</u>
<i>Net property, plant and equipment</i>	<u>36,226,047</u>	<u>36,124,779</u>	<u>43,622,338</u>
<i>Other</i>	<u>11,422,562</u>	<u>11,102,119</u>	<u>11,971,381</u>
<i>Total assets</i>	<u><u>\$96,938,763</u></u>	<u><u>\$88,701,659</u></u>	<u><u>\$94,837,531</u></u>
<u>Liabilities and Net (Deficit) Assets</u>			
<i>Current liabilities</i>			
Current maturities of long-term debt	\$375,945	\$384,251	\$404,160
Accounts payable	7,172,147	6,523,475	6,719,179
Accrued salaries, wages and benefits	4,990,334	2,207,928	2,274,165
Earned benefit payable	2,015,012	2,075,462	2,137,726
Other current liabilities	9,607,920	10,346,467	10,656,861
Current portion of estimate 3rd party settlements	12,537,181	14,932,493	8,801,493
<i>Total current liabilities</i>	<u>36,698,539</u>	<u>36,470,076</u>	<u>30,993,585</u>
<i>Interest rate swap agreement</i>	1,783,741	1,263,377	1,263,377
<i>Long-term debt</i>	8,974,176	8,652,962	8,407,629
<i>Long-term portion Medicare Advance</i>	6,555,000		
<i>Other</i>	12,980,742	3,405,586	4,069,757
<i>Total liabilities</i>	<u>66,992,198</u>	<u>49,792,001</u>	<u>44,734,348</u>
<u>Net assets</u>			
Unrestricted	<u>29,946,565</u>	<u>38,909,658</u>	<u>50,103,183</u>
<i>Total liabilities and net assets</i>	<u><u>\$96,938,763</u></u>	<u><u>\$88,701,659</u></u>	<u><u>\$94,837,531</u></u>

Presentation to

Green Mountain Care Board

2022 SVMC Budget Service Line Adjustments,

August 17, 2021

Stephen D. Majetich, CFO



Service Line Adjustments

- **NO Service Line Adjustments, by definition in FY 2021**
- *Other points of interest:*
 - Difficult provider recruits filled and working:
 - Endocrinologist
 - Neurologist

Presentation to

Green Mountain Care Board

2022 SVMC Budget

“High Level” Risks and Opportunities

August 17, 2021

Stephen D. Majetich, CFO

Southwestern
Vermont

HEALTH CARE



Risks and Opportunities

<p style="text-align: center;"><i>Estimated Dollar (Risk)</i></p>	<p style="text-align: center;"><i>Description</i></p>	<p style="text-align: center;"><i>Estimated Dollar Opportunity</i></p>
<p style="color: red;"><i>FY 2022 IMPACT \$2.7 million (1/2 of year)</i></p> <p style="color: red;"><i>Thereafter at least \$5.5 million, annually</i></p>	<p><u>340b program eligibility</u></p> <ul style="list-style-type: none"> • SVMC is classified as a Sole Community Hospital and Rural Referral Center. • To qualify for 340b the DSH % must be 8%. (DSH % is mainly driven by number of Inpatient Medicaid days as a percent to Total Inpatient days, with other inputs) • SVMC's % <ul style="list-style-type: none"> • FY 2018 11.91% • FY 2019 9.20% • FY 2020 8.08% • Interim FY 2021 5.50% 	

Risks and Opportunities in the Revenue Budget

<p><i>Estimated Dollar (Risk)</i></p>	<p><i>Events in the Plan Revenues</i></p>	<p><i>Estimated Dollar Opportunity</i></p>																					
<p>\$1,200,000</p>	<p><u>Patient Volumes—Inpatient (approx. 20% of NPSR)</u></p> <ul style="list-style-type: none"> What will happen Post Pandemic? <table border="1"> <thead> <tr> <th></th> <th style="text-align: center;"><u>Adm</u></th> <th style="text-align: center;"><u>Days</u></th> </tr> </thead> <tbody> <tr> <td>FY 2017 - actual</td> <td style="text-align: center;">2,857</td> <td style="text-align: center;">10,442</td> </tr> <tr> <td>FY 2018 - actual</td> <td style="text-align: center;">2,919</td> <td style="text-align: center;">10,295</td> </tr> <tr> <td>FY 2019 - actual</td> <td style="text-align: center;">2,954</td> <td style="text-align: center;">10,534</td> </tr> <tr> <td>FY 2020 - actual</td> <td style="text-align: center;">2,501</td> <td style="text-align: center;">9,044</td> </tr> <tr> <td>FY 2021 – proj.</td> <td style="text-align: center;">2,479</td> <td style="text-align: center;">11,052</td> </tr> <tr> <td><i>FY 2022 - budget</i></td> <td style="text-align: center;"><i>2,700</i></td> <td style="text-align: center;"><i>10,236</i></td> </tr> </tbody> </table>		<u>Adm</u>	<u>Days</u>	FY 2017 - actual	2,857	10,442	FY 2018 - actual	2,919	10,295	FY 2019 - actual	2,954	10,534	FY 2020 - actual	2,501	9,044	FY 2021 – proj.	2,479	11,052	<i>FY 2022 - budget</i>	<i>2,700</i>	<i>10,236</i>	<p>\$1,200,000</p>
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<p>Based upon three year (pre pandemic) trend the risk in the budget could be \$700,000</p>	<p><u>Volume—Medical Group (professional fees approximately 16% of NPSR)</u></p> <p>Historically office visit volumes have not met budgeted levels for various reason mainly difficulty in recruiting and filling vacancies as planned. Here are the historical trends:</p> <table border="1" data-bbox="537 696 1340 1048"> <thead> <tr> <th></th> <th style="text-align: center;"><u>Providers FTE's (Office)</u></th> <th style="text-align: center;"><u>Actual</u></th> <th style="text-align: center;"><u>Budget</u></th> </tr> </thead> <tbody> <tr> <td>FY 2017</td> <td style="text-align: center;">60.77</td> <td style="text-align: center;">124,775</td> <td style="text-align: center;">137,343</td> </tr> <tr> <td>FY 2018</td> <td style="text-align: center;">59.80</td> <td style="text-align: center;">129,408</td> <td style="text-align: center;">147,708</td> </tr> <tr> <td>FY 2019</td> <td style="text-align: center;">60.44</td> <td style="text-align: center;">129,148</td> <td style="text-align: center;">142,400</td> </tr> <tr> <td>FY 2020 - pandemic</td> <td style="text-align: center;">62.24</td> <td style="text-align: center;">113,826</td> <td style="text-align: center;">147,815</td> </tr> <tr> <td>FY 2021 - pandemic</td> <td style="text-align: center;">66.49</td> <td style="text-align: center;">114,099</td> <td style="text-align: center;">129,173</td> </tr> <tr> <td>FY 2022</td> <td style="text-align: center;">68.72</td> <td></td> <td style="text-align: center;">130,714</td> </tr> </tbody> </table> <p><i>Management instituted this year a new compensation model focused on volumes and moving to volume and quality indicators. Providers are engaged, to date.</i></p>		<u>Providers FTE's (Office)</u>	<u>Actual</u>	<u>Budget</u>	FY 2017	60.77	124,775	137,343	FY 2018	59.80	129,408	147,708	FY 2019	60.44	129,148	142,400	FY 2020 - pandemic	62.24	113,826	147,815	FY 2021 - pandemic	66.49	114,099	129,173	FY 2022	68.72		130,714	<p>If submitted targets are achieved there is an opportunity of \$300,000 to \$600,000</p>
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	<p><u>Volume—Emergency Room (revenues, including ancillary services is approx. 13% of NPSR)</u></p> <p>What are ER visits going to do post pandemic? What is the impact of Modernization project on volumes?</p> <table border="1" data-bbox="494 725 1402 1110"> <thead> <tr> <th></th> <th style="text-align: center;"><u>Total</u></th> <th style="text-align: center;"><u>Admitted</u></th> <th style="text-align: center;"><u>Treated and Released</u></th> </tr> </thead> <tbody> <tr> <td>FY 2017</td> <td style="text-align: center;">23,231</td> <td style="text-align: center;">2,672</td> <td style="text-align: center;">20,559</td> </tr> <tr> <td>FY 2018</td> <td style="text-align: center;">23,517</td> <td style="text-align: center;">2,737</td> <td style="text-align: center;">20,780</td> </tr> <tr> <td>FY 2019</td> <td style="text-align: center;">24,239</td> <td style="text-align: center;">2,825</td> <td style="text-align: center;">21,414</td> </tr> <tr> <td>FY 2020</td> <td style="text-align: center;">20,894</td> <td style="text-align: center;">2,417</td> <td style="text-align: center;">18,477</td> </tr> <tr> <td>FY 2021 - projected</td> <td style="text-align: center;">19,426</td> <td style="text-align: center;">2,326</td> <td style="text-align: center;">17,100</td> </tr> <tr> <td>FY 2022 - budget</td> <td style="text-align: center;">20,763</td> <td style="text-align: center;">2,532</td> <td style="text-align: center;">18,231</td> </tr> </tbody> </table>		<u>Total</u>	<u>Admitted</u>	<u>Treated and Released</u>	FY 2017	23,231	2,672	20,559	FY 2018	23,517	2,737	20,780	FY 2019	24,239	2,825	21,414	FY 2020	20,894	2,417	18,477	FY 2021 - projected	19,426	2,326	17,100	FY 2022 - budget	20,763	2,532	18,231	<p><i>Opportunity could range from \$0 to \$2.7 million</i></p>
	<u>Total</u>	<u>Admitted</u>	<u>Treated and Released</u>																											
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Risks and Opportunities in the Revenue Budget

<p>Estimated Dollar (Risk)</p>	<p>Events in the Plan Revenues</p>	<p>Estimated Dollar Opportunity</p>
<p><i>EVERY 1% is at least \$600,000 and could be more depending on the services rendered</i></p> <p><i>Impact could be greater</i></p>	<p><u>Payment/Rate</u></p> <ul style="list-style-type: none"> • <i>Commercial Volumes patients/volumes decrease as a percent to total and shifts to Medicare:</i> <ul style="list-style-type: none"> • <i><u>DID not budget</u> a shift to Medicare. Approximately 1% shift to Medicare in volume equals nearly \$600,000.</i> • <i>Population getting older in the service area/impact of increased population.</i> • <i>Commercial charge increases</i> <ul style="list-style-type: none"> • <i>As commercial population declines then inflationary increases will be greater on a smaller population.</i> 	<p><i>If population trends reverse there is upside opportunity</i></p>

Risks and Opportunities in the Revenue Budget

<i>Estimated Dollar (Risk)</i>	<i>Events in the Plan Revenues</i>	<i>Estimated Dollar Opportunity</i>
<i>\$250,000 to \$500,000</i>	<p><u>Denials and Third Party Payer Audit</u></p> <p>Insurance companies are increasingly denying services and retroactively auditing claims.</p> <p>Management is changing internal processes were appropriate and appealing items. Management has hired outside resources to assist.</p>	

Risks and Opportunities in the Revenue Budget

<p><i>Estimated Dollar (Risk)</i></p>	<p><i>Events in the Plan Revenues</i></p>	<p><i>Estimated Dollar Opportunity</i></p>
	<p><u>Volumes since Budget completion</u></p> <ul style="list-style-type: none"> • <i>ER visits are up compared to what was expected,</i> • <i>Inpatient volumes down,</i> • <i>Express Care is up,</i> • <i>Cancer Center volumes down</i> • <i>Significant shift in payer mix</i> <ul style="list-style-type: none"> • <i>Medicare budget 51% of total charges</i> • <i>Month of July payer mix for Medicare was 55% of total charges</i> 	

Risks and Opportunities -- SVMC

(Risk)	Description	Opportunity
<p style="text-align: center;">TBD</p> <p style="text-align: center;">Management is evaluating</p>	<p style="text-align: center;"><u>Other Risks in the FY 2022 Budget</u></p> <ul style="list-style-type: none"> • COVID • <i>Regulatory rate increases</i> <ul style="list-style-type: none"> • <i>Medicare IPPS and OPSS have not been approved;</i> 	<p style="text-align: center;">Management is evaluating</p>
<p style="text-align: center;">TBD</p>	<ul style="list-style-type: none"> • <i>Retention of Providers and recruitment</i> 	<p style="text-align: center;">TBD</p>
<p style="text-align: center;">TBD</p>	<ul style="list-style-type: none"> • <i>Volumes assumptions and Payer Mix Assumptions</i> 	<p style="text-align: center;">TBD</p>
<p style="text-align: center;">TBD</p>	<ul style="list-style-type: none"> • <i>Political climate</i> 	<p style="text-align: center;">TBD</p>

Presentation to

Green Mountain Care Board

2022 SVMC Budget *Capital and CON's*

August 17, 2021

Stephen D. Majetich, CFO



FY 2022 Routine Capital Budget

<i>Total Spend in FY 2022</i>	<i>\$6,000,000</i>

FY 2022 Approved CON Capital Spend

<i>Total Spend in FY 2022</i>	<i>\$6,400,000</i>

- This is the expected spend in FY 2022 for the Modernization and Emergency Room Project, subject to change based upon timing**

CON applications

- Modernization and Emergency Room
 - Approved project cost \$25,802,000,
 - Awaiting Act 250 approval to start project
- Cancer Center
 - Estimated application submittal in late CY 2021
 - Proposed project cost estimate \$12,000,000, subject to change in design phase
- Future possible
 - Imaging services, CT Scan and MRI
 - Family Medicine Residency and Health Center

Presentation to

Green Mountain Care Board

2022 SVMC Budget

Discussion and Closing Remarks

August 17, 2021

Stephen D. Majetich, CFO

**Southwestern
Vermont**

HEALTH CARE

