

**SOUTHWESTERN VERMONT MEDICAL CENTER**  
**Financial Summary**  
**Fiscal Year ended September 30, 2021**

**Southwestern Vermont Medical Center (hereafter “SVMC” or “Medical Center” or “Hospital”)**

The gain from operations was \$8,527,733 or a 4.5% operating margin. Below is the comparative summary FY 2021 financial results vs. FY 2021 budget.

**Summary Financial Results**

	<b><u>FY 2020 Actual</u></b>	<b><u>FY 2021 Budget</u></b>	<b><u>FY 2021 Actual</u></b>
Net patient service revenues	\$127,017,217	\$130,039,128	\$145,319,528
Fixed prospective payments	27,050,586	37,050,000	31,018,104
<i>Total net patient service revenues</i>	<i>154,067,803</i>	<i>167,089,128</i>	<i>176,337,632</i>
Other COVID-19 relief funds	7,982,330		
Provider Relief Funds—HHS	5,052,387		4,507,693
Other operating revenues	5,868,239	7,505,174	8,776,350
<i>Total operating revenues</i>	<i>172,970,759</i>	<i>174,594,302</i>	<i>189,621,675</i>
<i>Operating expenses</i>	<i>168,204,278</i>	<i>174,402,372</i>	<i>181,093,942</i>
<i>Operating gain</i>	<i>4,766,481</i>	<i>191,930</i>	<i>8,527,733</i>
Non-operating activities-net	3,322,690	450,000	1,767,173
<b><i>Excess revenues over expenses</i></b>	<b><u><i>\$8,089,171</i></u></b>	<b><u><i>\$641,930</i></u></b>	<b><u><i>\$10,294,906</i></u></b>
<b><i>Operating margin</i></b>	<b><u><i>2.76%</i></u></b>	<b><u><i>0.1%</i></u></b>	<b><u><i>4.5%</i></u></b>

Eliminating the net revenue and expense items that are related to the prior fiscal year the operating results would be reduced to approximately \$4.5 million with an operating margin of approximately 2.5%. The following narrative will touch on those items in the explanations.

Fiscal year 2021 operating results included over \$4.5 million of recognition of COVID relief funding which the Medical Center received. Also, included in Net Patient Service Revenues is over \$3 million of COVID related reimbursements for the care of patients with COVID, COVID-19 pharmaceuticals for treatment and COVID-19 testing, as well as others.

When preparing the Fiscal Year 2021 Budget it was not clear to what extent volume would rebound from the pandemic or would it? It was also unclear that the impact of COVID-19 would be as significant as it continues to be. Management in looking retrospectively at the FY 2021 budget was conservatively prepared. Included in total operating revenues there is over \$8.5 million of additional revenue directly related to the COVID-19 Pandemic including the recognition of the Provider Relief Funds received in FY 2020.

Below are highlights of the positive total operating revenues variance:

- Positive patient volumes, mainly outpatient;
- Over \$3 million unbudgeted COVID-19 reimbursements due to patient volumes, treatment and testing;
- \$4.5 million of Provider Relief Funds recognition from FY 2020;
- Nearly \$1 million of COVID-19 Vaccine administration revenues;
- OneCare shared savings of over \$1.5 million related to FY 2020.

Operating expenses were nearly \$6.7 million over budget with most of the overages directly related to the Pandemic. Salaries and wages were over plan by over \$4.5 million primarily related to the Pandemic, patient volumes and explained in more detail below. The other category with a significant year to date variance was the supply expense. The variance had two major contributing areas

- Surgical services supplies was over budget mainly due to an 18% surgical volume variance.
- Microbiology laboratory supplies were over plan due to COVID-19 testing.

### **Operating Revenues**

In FY 2021, NPSR of \$176,337,632 was \$9,248,504 higher than budget or 5.5%. As described above the year has been one where no one could have predicted. Volumes improved significantly in surgical services, endoscopy and imaging in part due to services being put off during FY 2020 due to the pandemic.

Emergency room volumes were lower than plan for the beginning of the year and picked up significantly over the last few months of the fiscal year.

COVID-19 related reimbursements for inpatient, treatment of COVID-19 drugs and COVID-19 testing volumes were significantly higher than plan. The budget assumed much lower testing volumes. SVMC has performed over 100,000 COVID-19 tests, to date, and continues.

Bad Debt and Charity Care volumes were lower than plan in FY 2021 by over \$1 million.

SVMC benefited in fiscal year 2021 from One Care shared savings from FY 2020 in the amount of approximately \$1.5 million. These results were not known until late in fiscal year 2021. Actually the amounts were not confirmed until after September 30, 2021.

### **Other Operating Revenue**

Provider Relief Funds of \$4,507,693 were recorded in FY 2021. These funds were received in FY 2020 and recorded according to HHS's guidelines. These funds represent the costs incurred for COVID-19 related expenses including, facility modifications necessary due to pandemic related issues for treating patients with respiratory issues, capital purchases, supplies and other.

In addition, nearly \$1 million of unplanned revenue, in other operating revenues, was recorded for COVID vaccine administration. This revenue covered the cost of SVMC COVID-19 Vaccine Clinic that administered approximately 30,000 vaccines to the community. This revenue represents the costs incurred to administer the vaccines via a contract with the State.

### **Operating Expenses**

Operating expenses of \$181,093,942 were \$6,691,570 were over budget. As mentioned above there were many unknowns when the budget was developed.

The pandemic created many challenges not anticipated when the budget was developed. As volume increased staffing became a primary concern and SVMC needed to develop plans to address those concerns. Nurses were being recruited by agencies to be "traveling nurses" with offers of making nearly three times their current annual salaries. Also, additional staff was needed to staff the Vaccine Clinic and COVID testing sites.

- Salaries and wages were over plan by over \$4.5 million. The recognition / staff retention bonus of over \$2 million is a significant component of the expense and salary variance. Also, contributing to the variance was the FTE variance of approximately 30. The unbudgeted COVID Resource Center, Vaccine Clinic and testing contributed to the FTE variance as well as the additional volumes.
- The other category there is significant variance in the supply expense. The variance had two major contributing areas:
  - Surgical services supplies was over budget mainly due to an 18% volume variance.
  - Microbiology laboratory supplies were over plan for testing supplies which were unbudgeted to process the PCR COVID-19 tests.

### **SVMC Balance Sheet changes**

There has been significant changes in SVMC's balance sheet when compared to FY 2020.

- Cash and cash equivalents have decreased mainly due to the Medicare advances and Blue Cross advances received early in the pandemic being repaid during FY 2021.
- Accounts receivables increased in absolute dollars mainly due to volumes as well as staffing shortages in the coding and billing departments. Days in receivables increased from 34.5 days in FY 2020 to 36.1 days at the end of FY 2021.
- Current liabilities increased nearly \$10 million due to several factors. The reclassification of the Medicare advance to current liabilities, which SVMC will need to continue to repay in FY 2022, reclassification of the defined benefit pension liability as well as increasing liabilities due to One Care Medicare advances, all contributed to the increase in current liabilities.

Further detail information is available upon request and management urges the GMCB and staff of the GMCB to communicate their additional needs. Additional information can be requested from Stephen D. Majetich, CFO at 802-447-5011 or [stephen.majetich@svhealthcare.org](mailto:stephen.majetich@svhealthcare.org) and James Roy, Controller at 802-447-5040 or [james.roy@svhealthcare.org](mailto:james.roy@svhealthcare.org).