

SOUTHWESTERN VERMONT MEDICAL CENTER
Financial Summary
Fiscal Year ended September 30, 2023

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

Fiscal Year 2023 was a challenging year with the continuation of rising labor and supply costs seen in Fiscal Year 2022. In addition, increased insurance denials and a large shift in payer mix to less commercial insurance volume resulted in net patient service revenue being significantly under budget. Over the last year SVMC has developed and implemented a financial recovery plan, focused on reducing expenses and expanding access to healthcare services to the communities served. Positive results are being seen over the first quarter of Fiscal Year 2024 and additional work continues to achieve positive operating results needed for SVMC to continue to provide high quality care.

In Fiscal Year 2023 the loss from operations was \$7,411,707 or a (4.0%) negative operating margin. Below, is the comparative summary of FY 2023 financial results vs. FY 2023 Budget.

Summary Financial Results

	<u>FY 2022 Actual</u>	<u>FY 2023 Budget</u>	<u>FY 2023 Actual</u>
Net patient service revenues	\$154,884,054	\$151,642,851	\$155,588,662
Fixed prospective payments	31,845,094	37,229,358	29,113,085
<i>Total net patient service revenues</i>	<u>186,729,148</u>	<u>188,872,209</u>	<u>184,701,747</u>
Other operating revenues	8,708,465	8,149,547	12,035,405
<i>Total operating revenues</i>	<u>195,437,613</u>	<u>197,021,666</u>	<u>196,737,152</u>
<i>Operating expenses</i>	<u>195,777,046</u>	<u>196,117,138</u>	<u>204,148,858</u>
<i>Operating gain or (loss)</i>	(339,433)	904,528	(7,411,707)
Non-operating activities-net	8,005,419	679,981	6,001,964
<i>Excess revenues over expenses</i>	<u>\$7,665,986</u>	<u>\$1,584,509</u>	<u>\$(1,409,743)</u>
<i>Operating margin</i>	<u>(0.2)%</u>	<u>0.5%</u>	<u>(4.0)%</u>

SVMC's net patient revenue for FY 2023 was \$4,170,462 below budget or (2.2%) due to a payer mix shift to increased governmental payers and lower commercial insurance volumes.

SVMC's operating expenses for FY 2023 exceeded budget by \$8,031,720 or (4.1%). A detailed explanation of significant expense variances is below.

Operating Revenues

Volume

In FY 2023, NPSR of \$184,701,747 was \$4,170,462 lower than budget or (2.2%). Inpatient adult admission volumes were (12.19%) lower than budget while adult patient days 4.2% higher than budget. This is primarily due to the increase of COVID cases which drove higher lengths of stay. The length of stay averaged 4.2 days compared to budgeted length of stay of 3.6 days. This required more labor resources.

Emergency room volumes were 1.8% higher than budget for the year. Outpatient imaging volumes including CT Scan, MRI and Ultrasound were all significantly over budget for the year.

Payer Mix

Combined, Medicare and Medicaid gross revenue was more than \$8.1 million over budget or 2.6%. Commercial volume was below budget by \$3.8 million. This payer mix resulted in less net patient revenue.

Bad Debt and Charity Care volumes were lower than budget in FY 2023 by \$1.9 million. However, claims denials from insurance carriers increased significantly during the year to offset the lower bad debt volumes.

Other Operating Revenue

Other operating revenues were over budget by approximately \$3.9 million. The 340B Contract Pharmacy program revenue was approximately \$2.0 million over budget for the year. Grant revenue was \$1.2 million over budget for the fiscal year. SVMC also received \$900,000 donation from the SVHC Foundation to help offset the costs of staffing the reception desks during the pandemic.

Operating Expenses

Bridges - FY 2023 Approved Budget to FY 2023 Actual Results

Expenses	Amount	% over/under
FY 23 Approved Budget	\$ 196,117,138	
Salaries	(606,620)	-0.31%
Fringe Benefits	935,967	0.48%
Physician Contracts	2,320,531	1.18%
Contract Staffing	1,538,802	0.78%
Supplies	805,473	0.41%
Drugs	(453,695)	-0.23%
Depreciation	(373,532)	-0.19%
Interest	918,791	0.47%
Health Care Provider Tax	67,053	0.03%
Other (Purchased Svcs)	2,332,956	1.19%
Other 340B FEES	545,994	0.28%
Cost Savings		
FY 23 Actual Results	\$ 204,148,858	4.1%

SVMC's operating expenses for FY 2023 exceeded budget by \$8,031,720 or (4.1%). Contracted physicians, contract staffing, employee benefits, supplies, interest expense and purchased services all contributed to the variance, please see the additional information below.

- Physician costs were \$2.3 million over budget in FY 2023. The 7.6% increase in Physician costs over two years is approximately 3.7% on an annual basis. The increase represents adjustments to compensation to attract and retain high quality provider staff to allow SVMC to increase patient access and improve throughput in the Medical Group.
- Contract staffing costs exceeded budget by \$1.5 million in FY 2023 primarily driven by contract nurse staffing during peak COVID volumes in the beginning of the fiscal year. While the use of contract labor continues for technical staff, contract nurse staffing was totally eliminated by the end of FY 2023.
- Fringe Benefit expenses were over budget by \$935,967 due primarily to higher than anticipated claims experience in our employee health insurance program.
- Supplies costs were over budget by \$805,473 for the year related to supplies related to COVID-19 testing and Operating Room supplies due to high volumes and inflationary pressure.

- Interest expense was \$918,719 over budget in FY 2023 due to increased borrowing from the line of credit with the bank as a result of the operating deficit. Additionally, the interest rate on the line of credit increased over the year as a result of national economic pressure.
- Dispensing fees for the 340B Contract Pharmacy were \$545,944 over budget in FY 2023 due to additional volume in the program that resulted in additional revenue. The revenue offset the higher costs.
- Other operating expense variances of \$2,322,956 include many areas where costs exceeded budget in FY 2023 due to the high rate of inflation. These areas included; utility costs, COVID-19 related expenses, laboratory referral testing expenses, repairs and service contact expenses. In addition, SVMC incurred expenses related to the financial recovery plan to set up future success. These expenses were not included in the FY 2023 Budget. Some of the results of this work was not recognized in FY 2023 but will prove to be beneficial in FY 2024 and beyond. Other cost increases include tuition expenses for staff enrolled in the Nursing Pipeline program designed to support current staff perusing nursing degrees to keep contract nursing out of the hospital.

Non-operating Revenue/Expense

Non-operating revenue of over \$6 million exceeded budget by \$5.3 in Fiscal Year 2023 SVMC. The majority of the positive budget variance or \$5 million was due to transfers from the SVHC Foundation fundraising primarily for the Emergency Department construction project. In addition, income from investments exceeded budget by \$310,974 in FY 2023.

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 Robert Laba, CFO at 802-447-5011 or Robert.Laba@svhealthcare.org and James Roy, Controller at 802-447-5040 or james.roy@svhealthcare.org.