Springfield Hospital
Where People Come First

FY22 Actual to Budget Results

Utilization:

Springfield Hospital experienced lower overall volumes for inpatient acute services compared to budget as well as the prior year. The Average Daily Census (ADC) for FY22 was 7.9, vs a budget of 10.9 and prior year of 8.9, with both a decrease in admissions and patient days, however a slightly longer length of stay (4.4 vs. 3.7 in the prior year). The longer length of stay is attributable to discharge challenges. Alternatively, there has been an increase in Swing patients compared to FY21 (ADC of 1.7 vs. 0.9, respectively). It also appears there has been a shift from the prior year from inpatient to an increase in Observation patients (treated as an outpatient). Observation volume was basically on budget.

Inpatient Psychiatric services at the Windham Center, a 10-bed distinct part unit, experienced an ADC of 7.3 for the year vs. a budget of 8.1 and 4.2 for FY21, respectively. In FY21, the Windham Center was restricted to COVID related admissions only for the first half of the year, as part of a state initiative. In the current fiscal year, admissions were unrestricted. While the unit was busier (both admissions and patient days) than the prior year, the census came in lower than anticipated due to multiple factors including some rooms being offline during parts of the year for facility related issues, as well as staffing, admission and transportation challenges.

As a result of the lower inpatient census volumes, inpatient ancillary services also experienced decreases. Inpatient surgical cases were also down.

Emergency Department (ED) visits were basically on budget at 36 patients a day (13,197 annually), which was an increase from FY21 where average visits were 32 per day. ED visits have seen an overall decrease from the pre-COVID period, when average visits were 39 per day (over 14,000 per year). Operating Room (OR) cases were up 2% with over 850 cases, however was a 2% decrease from the prior year due to less cases for ENT (down 12 cases) and Orthopedics (down 12 cases) and Gynecology (down 37 cases) tied to provider changes. Volume for the following service areas were up both from budget and the prior year including Xray, MRI, Echocardiology, and Cat Scan. Volume decreases from budget and the prior year include the Clinic visits (for infusion and chemotherapy) due to a loss of a contracted Oncology provider during the year, Mammography, Ultrasound, EKG, Respiratory, and Lab. Lab visits are likely down due to inpatient volume but also due to a surge in COVID testing in FY21 that was not as prevalent in the current year as home testing became widely available.

For professional service visits, overall visits were down from budget 3% (17,323 vs. 17,943), with decreases in most areas, however visits were 1% higher than the prior year. General Surgery visits were down as a result of being down to one general surgeon, Hospitalist visits were lower as they are tied to the decreased inpatient acute volume. Gynecology lost two part time providers at the beginning of the year, and were able to successfully hire a full-time provider in September. Urology services, while under budget for FY22, visits increased 7% (approx. 2500 visits for FY22), as additional hours were added to the practice for the two contracted part time Urology MD's that complement a full-time midlevel provider. Podiatry was a new service offered in FY22 with 1,187 visits for the year, with expanded hours as the year progressed in order to meet the demand and grow the practice.

Gross Patient Revenue:

As a result of the volumes described above, Gross Patient Revenue (GPR) came in 2.5% (or $2.9M) under budget but was an increase of 12% over the prior year. The GPR shortfall was largely inpatient driven (11% down or $2.5M) as a result of the lower inpatient volumes previously described, while Outpatient GPR exceeded budget (1.4%or $1.1M), and Professional Revenue missed targets by 12% (or $1.5M). Outpatient revenue excluding Professional Revenue comprised 73% of services provided in FY22. The GPR increase from prior year is a mix of the 8.3% charge increase and utilization increases (inpatient psych, some Diagnostic Imaging modalities, ED, Physical Therapy and for Specialty professional services, Urology and Podiatry). In FY21, GPR related to inpatient psych services was much lower due to the restriction for COVID patients in the first 6 months of the year, but was offset in that year by state grant funding categorized under Other Operating Revenue.

Net Patient Revenue:

The overall NPR performance missed budget by 3% and was largely the result of the unfavorable GPR variance. Overall deductions from revenue decreased 2.1% when compared to budget. Component changes **in comparison to budget** are as follows:

- Bad Debt - Increased 1.9%, but has **decreased** as a % of GPR from FY21
- Charity – Decreased 3.6%, but has i**ncreased** as a % of GPR from FY21
- DSH – Increased by 80% as a result of an additional one-time DSH payment received in September
- Contractual Adjustments – Decreased by 1.2%

We continue to evaluate our Financial Assistance Policy to ensure that we are providing access to affordable care.

The table below provides a breakdown on the budget to actual NPR FY22 changes.

NPR/FPP	Total
FY 22 Approved Budget	$ 54,689,912
Utilization	$ (1,446,396)
Reimbursement/Payer Mix	$ (800,639)
Bad Debt/Free Care	$ (35,882)
Physician Acq/Trans	
Changes in Accounting	
Changes in DSH	$ 659,807
Other (please label)	
Other (please label)	
FY 22 Actual Results	$ 53,066,802

Other Operating Revenue:

A $5.9M favorable increase was experienced predominantly due to federal (Provider Relief, ARPA, and USDA) and state funding. Besides grant funding, other revenue sources include: the Adult Day Care program, Master Service Services Agreement (MSSA) with the local FQHC primary care network, North Star Health (formerly known as Springfield Medical Care Systems), Cafeteria Revenue, and other miscellaneous revenue. Adult day care services operated at approximately half capacity primarily due to remaining state COVID restrictions during FY22 that have more recently been lifted, however state funding helped support the fixed costs of the program. For MSSA revenue, this represents departments where staff are shared between the hospital and North Star Health, primarily administrative but also some clinical areas. The MSSA revenue offset the salaries and wage expense which represents the full cost of the shared staff.

Operating Expenses:

Expenses were up 5.5% from budget (See **"Expenses**" breakdown below).

- There was a 5.0% (or $957K) decrease in Salaries for employed non-provider staff that were offset by a 218% (or $2.8M) increase from budget for Contract Staffing. FTE's were 11% (or 32 FTE's) short of budget primarily due to continued difficulty filling vacant positions at the height of workforce challenges.
- Many of these vacancies required the hospital to continue to use traveler contract staffing in many key areas including Inpatient Care (both Med Surg and Psych Unit), Diagnostic Imaging, Respiratory, Lab, Occupational Therapy, Emergency Department, and Operating Room. These services were unanticipated in the budget at the higher levels experienced for both use and rates, where actual costs were $2.8M (over 200%) over budget and double prior year costs, as rates in some cases were double and sometimes triple average employed rates. For some positions, the hospital was able to take advantage of contracted staff from international agencies where rates were lower however staff was limited due to demand and visa requirements. High traveler costs and usage continues to be a challenge in the industry. We were able to reduce these costs towards the end of the year by implementing in-house nursing incentive programs offering extra hours bonuses and premium per diem programs which has resulted in decreased traveler usage. While these have been successful, staff that are in these programs are experiencing burnout, therefore, is a relative short-term solution.
- In FY22, 205 positions were vacant and 144 of those were filled. See **"Recruiting Summary**" table below showing open and filled positions by service area for FY22.

- Fringe Benefits were less than anticipated primarily due to less health insurance claim experience but also in part due to lower FICA payroll taxes resulting from the FTE shortfall. Pension expense was also less than expected due to a combination of defined pension plan costs and employer 401K contributions. Increases were experienced from the prior year resulting from Inflationary costs as well as on January 1, the hospital restarted employer matching contributions to employees participating in 401k plans after not being able to offer the match for a couple years.
- Physician Contracts were up 9% ($793K) largely due to a higher level of locum coverage for General Surgery that was unanticipated after being down to only one full time surgeon from the second quarter on.
- Supplies had a 2% (or $39K) decrease from budget primarily driven by volume.
- Drugs were higher than expected as a result of inflationary impacts as well as due to the use of substitution drugs if other drugs were not available, which was often more costly.
- Facilities expense was up 10% (or $150K) due to higher fuel and electricity costs also due to our aging plant which continues to require repairs and maintenance.
- IT related costs were up 17% (or $121K) due to the transition to an upgraded email software, as well as additional EMR costs, other IT contracts including those for security, and additional equipment, tablets, and software
- . Health Reform costs were up slightly than projected and represents costs for participating in the OneCare Vermont ACO program with the exception of Medicare.
- Depreciation expense is up 12% from projected ($143K), however is down from the prior year.
- Interest Expense was up 30% (or $37K), however is down from the prior year.
- Health Care provider tax saw a 19% increase (or $531K) from budget as a result of prior year (FY21) reconciliation amounts billed to the Hospital during FY22. Provider taxes are expensed in relation to the monthly billing.
- The “Other” expense category consists of many areas including legal, accounting and other fees, utilities, maintenance and repairs, rent, recruiting, minor equipment, etc. While the total of these expenses were 4% (or $391K) below budget targets, there were particular categories with unanticipated increases such as legal costs related to the collective bargaining agreements of the union organization and equipment leases. Areas to note that experienced favorable variances are non-medical supplies (primarily lab), equipment maintenance, and recruiting.

- COVID related expenses were 18% ($92K) higher than budgeted (PPE and testing costs (testing kits, reference lab processing for COVID tests)

Expenses	Amount	% over/under
FY 22 Approved Budget	$ 55,043,929	% over/under
Salaries	(956,735)	-5.0%
Fringe Benefits	(744,723)	-13.7%
Physician Contracts	793,127	8.6%
Contract Staffing	2,770,245	217.7%
Supplies	(38,599)	-2.2%
Drugs	511,970	34.5%
Facilities	149,722	10.2%
IT Related	121,105	17.5%
Health Reform Programs	10,596	11.6%
Depreciation	143,712	11.7%
Interest	36,536	30.4%
Health Care Provider Tax	531,263	18.8%
Other	(390,776)	-4.0%
Other - COVID	92,160	17.9%
Cost Savings		
FY 22 Actual Results	$ 58,073,534	5.5%

Operating Margin and Increase in Unrestricted Net Assets:

The audited Operating Margin was $3.5M for FY22. Internal reporting and on the financial statements entered into Adaptive, the operating margin is reported as $3.3M with mapping differences related to about $200K in expenses that the hospital treats as operating expenses internally but are classified as nonoperating for audit presentation purposes. The overall Increase in Unrestricted Net Assets result to the same when comparing audit results to internal records and were approximately $5.2M. There was a $1.7M gain related to the hospital's frozen defined benefit plan to recognize the change in funded status of the plan.

Recruiting Summary