

# Northwestern Medical Center

Fiscal Year 2018 Budget Analysis

Report Date: 8/10/2017

**Northwestern Medical Center**  
**Fiscal Year 2018 Budget Analysis**

**QUESTIONS**

1. Income Statement - The hospital NPR is increasing 3.8% which includes 0.4% for health care investments. The amount over the 3% and 0.4% targets is \$375,000. Explain the increase.
2. Rate – The submitted 2018 budget rate of 6.0% is higher than the weighted average submitted rate of all hospitals of 2.38%. What is the rationale and the strategic decisions to support the rate at 6%? Does the hospital consider pricing in setting the hospital rates?
3. NPR-PAYER Our review suggest that Commercial has a decrease in reimbursement and an increase in utilization. Medicaid shows a decrease in reimbursement and decrease in utilization. Medicare shows about the same reimbursement and an increase in utilization. - Discuss the assumptions you are making for each of these payers, for both reimbursement and utilization. Provide the specific services for the utilization increases and the patients served - how are services changing and when will growth slow?
4. Income Statement - Bad Debt as a % of gross revenue is increasing unfavorably from 1.6% to 2.7%.The difference in Bad Debt between the 2017 Budget and the 2018 Budget is an unfavorable change of \$2.5 million. What explains the large increase seen in 2017 and why is it expected to continue?
5. The hospital made a significant amount of investment earnings in 2017, as earnings weren't budgeted for that year. What is the hospital policy regarding budgeting for investment earnings. Discuss your strategy.
6. Utilization & Staff - Physician office visits are going up 40.4% and Physician Salaries and contracts are increasing \$1.2 million (7.5%). Physicians are increasing by 2 and travelers by 1. Are they the reason for this increase? Discuss these increases and their effect on the utilization and costs?
7. Utilization & Staff - Non-MD FTE's are decreasing by 19, after an increase of 85 last year. Explain the changes in the Non-MD FTE's over the last few years. How does the hospital determine the right level of FTEs?
8. The hospital notes the higher costs in it's self-insured plan and the increase in high cost claim cases. Is this budgeted to continue into 2018? If so, why?
9. Balance Sheet – Cash on Hand is starting to decline, but remains higher than Vermont peers. Describe how the hospital is using cash to fund capital. What are the strategic discussions when determining the cash support of capital?

QUESTIONS

10. Income Statement - Are the 2017 projections still valid? If not, please describe material changes?
11. Refer to the Act 53 price and quality data schedules that were included in the presentation of FY 2018 Hospital Budget Submissions-Preliminary Review on July 27, 2017 and be prepared to address questions the Board may have concerning that information.
12. In the March 31 GMCB hospital guidance, the Board allowed up to 0.4% for **new** health care reform. The Board directed each hospital to provide a detailed description of each new health care reform activity, investment or initiative included within the designated 0.4%, provide any available data or evidence-based support for the activity's effectiveness or value, and identify the benchmark or measure by which the hospital can determine that the activity reduces costs, improves health, and/or increases Vermonters' access to health care. With this in mind, please describe how you are investing for new health care reform activities in the four approved areas
  - Support for Accountable Care Organization (ACO) infrastructure or ACO programs;
  - Support of community infrastructure related to ACO programs;
  - Building capacity for, or implementation of, population health improvement activities identified in the Community Health Needs Assessment, with a preference for those activities connected with the population health measures outlined in the All-payer Model Agreement;
  - Support for programs designed to achieve the population health measures outlined in the All-payer Model Agreement.
13. Please identify which ACO(s) you will have a contractual relationship with in 2018. If your hospital plans (or already is) in a risk-bearing contract with OneCare, please explain the effect of the risk on your financial statements. Please explain specific strategies your hospital is developing to move toward population-based payment reform. Finally, what tools does your hospital employ to ensure appropriate, cost effective, quality care when working with providers outside the CHAC or OneCare network?

Fiscal Year 2018 Budget Analysis		Northwestern Medical Center						3YR CAGR	
INCOME STATEMENT	FY2015A	FY2016A	FY2017B	FY2017P	FY2018B	2017B - 2018B \$ Chg	2017B - 2018B % Chg	(FY2015A- FY2018B)	
<b>Revenues</b>									
<b>Gross Patient Care Revenue</b>	<b>189,773,212</b>	<b>183,899,105</b>	<b>189,175,618</b>	<b>184,806,707</b>	<b>204,740,526</b>	<b>15,564,908</b>	<b>8.2%</b>		
Disproportionate Share Payments	1,274,456	1,565,986	1,866,885	1,866,885	1,391,152	(475,733)	-25.5%		
Bad Debt	(4,119,971)	(3,031,340)	(3,020,833)	(5,359,395)	(5,549,735)	(2,528,902)	83.7%		
Free Care	(1,270,121)	(1,292,667)	(1,355,047)	(868,592)	(1,353,025)	2,022	-0.1%		
Deductions from Revenue	(87,858,813)	(81,245,324)	(84,730,687)	(79,738,750)	(93,452,161)	(8,721,474)	10.3%		
Graduate Medical Education	0	0	0	0	0	0	#DIV/0!		
<b>Net Patient Care Revenue</b>	<b>97,798,763</b>	<b>99,895,760</b>	<b>101,935,936</b>	<b>100,706,855</b>	<b>105,776,757</b>	<b>3,840,821</b>	<b>3.8%</b>	<b>2.6%</b>	
Other Operating Revenue	5,765,170	6,079,088	5,867,838	5,245,999	5,841,987	(25,851)	-0.4%		
<b>Total Operating Revenue</b>	<b>103,563,933</b>	<b>105,974,848</b>	<b>107,803,774</b>	<b>105,952,854</b>	<b>111,618,744</b>	<b>3,814,970</b>	<b>3.5%</b>		
<b>Expenses</b>									
Salaries Non MD	32,085,846	38,214,236	38,361,486	39,425,459	38,326,212	(35,274)	-0.1%		
Fringe Benefits Non MD	8,990,276	9,690,855	9,778,124	10,169,249	10,595,073	816,949	8.4%		
Physician Fees Salaries Contracts & Fringes	13,422,608	13,195,362	16,016,015	17,247,685	17,220,816	1,204,801	7.5%		
Health Care Provider Tax	5,626,996	5,882,637	5,784,039	5,988,459	6,116,156	332,117	5.7%		
Depreciation Amortization	4,370,670	4,608,288	4,683,554	4,900,000	6,030,059	1,346,505	28.7%		
Interest - Long Term	508,602	510,720	500,085	600,000	1,157,186	657,101	131.4%		
Other Operating Expense	28,494,520	30,217,608	29,341,097	28,195,048	29,854,282	513,185	1.7%		
<b>Total Operating Expense</b>	<b>93,499,518</b>	<b>102,319,706</b>	<b>104,464,400</b>	<b>106,525,900</b>	<b>109,299,784</b>	<b>4,835,384</b>	<b>4.6%</b>	<b>5.3%</b>	
<b>Net Operating Income (Loss)</b>	<b>10,064,415</b>	<b>3,655,142</b>	<b>3,339,374</b>	<b>(573,046)</b>	<b>2,318,960</b>	<b>(1,020,414)</b>	<b>-30.6%</b>		
Non-Operating Revenue	(1,865,700)	3,076,611	399,520	5,875,727	377,188	(22,332)	-5.6%		
<b>Excess (Deficit) of Rev Over Exp</b>	<b>8,198,715</b>	<b>6,731,753</b>	<b>3,738,894</b>	<b>5,302,681</b>	<b>2,696,148</b>	<b>(1,042,746)</b>	<b>-27.9%</b>		
Operating Margin%	9.7%	3.4%	3.1%	-0.5%	2.1%				
Total Margin %	8.1%	6.2%	3.5%	4.7%	2.4%				
Cost per Adjusted Admission	8,822	8,739	8,911	8,798	8,843	(67)	-0.8%		

The NPR increase of \$3.8 million is 3.8% over the 2017 budget. This is about \$.8 million over the 3.4% cap target. The hospital's expenses are increasing at 4.6%, due to FTE's compensation, utilization variable costs, depreciation, amortization, interest and physicians. The cost per unit shows a 0.8% decrease.

Bad debt is increasing 83.7% over the 2017 budget. The bad debt % of net revenue is increasing from 1.6% to 2.7%. The hospital should explain this change.

About 340B Pharmacy revenues of \$527,000 are budgeted in other operating revenue and will be discussed.

The operating surplus is reasonable. Non-operating revenue is budgeted at the same level as 2017B. 2017 Projected saw a large increase in investment earnings, but the hospital is not relying on that level of investment in 2018.

Fiscal Year 2018 Budget Analysis									Northwestern Medical Center		
NET PAYER REVENUE CHANGE - PAYERS				2017B - 2018B	\$	2017B - 2018B					
	FY2017B	FY2017P	FY2018B	Chg		% Chg	Change due to Rate	Change due to Non-Rate Items			
<b>All Payers</b>	<b>Inpatient Care Revenue, Outpatient Care Revenue</b>	<b>\$189,175,618</b>	<b>\$184,806,707</b>	<b>\$204,740,526</b>	<b>\$15,564,908</b>	<b>8.2%</b>					
	Allowances, Discounts, Allowances, Discounts	(\$84,730,687)	(\$79,738,750)	(\$93,452,161)	(\$8,721,474)	10.3%					
	Bad Debt, Bad Debt	(\$3,020,833)	(\$5,359,395)	(\$5,549,735)	(\$2,528,902)	83.7%					
	Free Care, Free Care	(\$1,355,047)	(\$868,592)	(\$1,353,025)	\$2,022	-0.1%					
	Graduate Medical Education Payments	\$0	\$0	\$0	\$0	#DIV/0!					
	Disproportionate Share Payments	\$1,866,885	\$1,866,885	\$1,391,152	(\$475,733)	-25.5%					
	<b>Net Payer Revenue</b>	<b>\$101,935,936</b>	<b>\$100,706,855</b>	<b>\$105,776,757</b>	<b>\$3,840,821</b>	<b>3.8%</b>	<b>\$3,030,267</b>	<b>\$810,555</b>			
<b>Commercial</b>	<b>Gross Revenue</b>	<b>\$77,241,243</b>	<b>\$75,195,358</b>	<b>\$84,568,116</b>	<b>\$7,326,873</b>	<b>9.5%</b>					
	Contractual Allowances	(\$22,591,749)	(\$23,132,145)	(\$26,048,506)	(\$3,456,757)	15.3%					
	Bad Debt	(\$3,020,833)	(\$5,359,395)	(\$5,549,735)	(\$2,528,902)	83.7%					
	Free Care	(\$1,355,047)	(\$868,592)	(\$1,353,025)	\$2,022	-0.1%					
	Graduate Medical Education Payments	\$0	\$0	\$0	\$0	#DIV/0!					
	<b>Net Payer Revenue</b>	<b>\$50,273,614</b>	<b>\$45,835,226</b>	<b>\$51,616,850</b>	<b>\$1,343,236</b>	<b>2.7%</b>	<b>\$3,030,267</b>	<b>(\$1,687,030)</b>			
<b>Medicaid</b>	<b>Gross Revenue</b>	<b>\$46,121,256</b>	<b>\$43,569,698</b>	<b>\$45,681,003</b>	<b>(\$440,253)</b>	<b>-1.0%</b>					
	Contractual Allowances	(\$28,265,642)	(\$26,089,628)	(\$28,982,147)	(\$716,505)	2.5%					
	Bad Debt	\$0	\$0	\$0	\$0	#DIV/0!					
	Free Care	\$0	\$0	\$0	\$0	#DIV/0!					
	Graduate Medical Education Payments	\$0	\$0	\$0	\$0	#DIV/0!					
	<b>Net Payer Revenue</b>	<b>\$17,855,614</b>	<b>\$17,480,070</b>	<b>\$16,698,856</b>	<b>(\$1,156,758)</b>	<b>-6.5%</b>	<b>\$0</b>	<b>(\$1,156,758)</b>			
<b>Medicare</b>	<b>Gross Revenue</b>	<b>\$65,813,119</b>	<b>\$66,041,651</b>	<b>\$74,491,407</b>	<b>\$8,678,288</b>	<b>13.2%</b>					
	Contractual Allowances	(\$33,873,296)	(\$30,516,977)	(\$38,421,508)	(\$4,548,212)	13.4%					
	Bad Debt	\$0	\$0	\$0	\$0	#DIV/0!					
	Free Care	\$0	\$0	\$0	\$0	#DIV/0!					
	Graduate Medical Education Payments	\$0	\$0	\$0	\$0	#DIV/0!					
	<b>Net Payer Revenue</b>	<b>\$31,939,823</b>	<b>\$35,524,674</b>	<b>\$36,069,899</b>	<b>\$4,130,076</b>	<b>12.9%</b>	<b>\$0</b>	<b>\$4,130,076</b>			
<b>Disproportionate Share Payments</b>		<b>\$1,866,885</b>	<b>\$1,866,885</b>	<b>\$1,391,152</b>	<b>(\$475,733)</b>	<b>-25.5%</b>					
	<b>Net Payer Revenue</b>	<b>\$1,866,885</b>	<b>\$1,866,885</b>	<b>\$1,391,152</b>	<b>(\$475,733)</b>	<b>-25.5%</b>	<b>\$0</b>	<b>(\$475,733)</b>			
	<b>Net to Gross Commercial (no dsh)</b>	<b>65.1%</b>	<b>61.0%</b>	<b>61.0%</b>							
	<b>Net to Gross Medicaid (no dsh)</b>	<b>38.7%</b>	<b>40.1%</b>	<b>36.6%</b>							
	<b>Net to Gross Medicare (no dsh)</b>	<b>48.5%</b>	<b>53.8%</b>	<b>48.4%</b>							
	<b>Net to Gross All (no dsh)</b>	<b>52.9%</b>	<b>53.5%</b>	<b>51.0%</b>							

The NPR increase is primarily due to increased Commercial and Medicare offset by reductions in Medicaid. Commercial shows a decrease in reimbursement and an increase in utilization. Medicaid shows a decrease in reimbursement and decrease in utilization. Medicare shows about the same reimbursement and an increase in utilization.

The hospital notes that the difference between the APM and the NPR for FY2018 is immaterial but the risk factors should be taken into consideration moving forward.

Disproportionate share does show a reduction of \$475,733.

## Northwestern Medical Center

### RATE AND NET PATIENT REVENUE INCREASE

Rate is the average change in price for services provided.

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
<b>Weighted Average Approved Rate (all hospitals)</b>	5.16%	6.82%	4.37%	1.75%	
<b>Weighted Average Submitted Rate (all hospitals)</b>	5.45%	6.82%	4.40%	2.17%	2.38%
<b>Northwestern Medical Center Approved Rate</b>	3.90%	6.40%	-8.00%	0.00%	
<b>Northwestern Medical Center Submitted Rate</b>	4.64%	6.40%	-8.00%	2.90%	6.00%
Hospital Inpatient Gross Revenue					7.9%
Hospital Outpatient Gross Revenue					7.9%
Physician Outpatient Gross Revenue					0.0%
Chronic/SNF Gross Revenue					0.0%
Swing Gross Revenue					0.0%

<b>Net Patient Revenue Change Due to Rate Request</b>		
	Commercial	\$ 3,030,267
	Medicaid	\$ -
	Medicare	\$ -
	Disproportionate Share	\$ -
	<b>Total Change Due to Rate Request</b>	<b>\$ 3,030,267</b>

<b>Value of 1% Rate</b>	<b>\$ 505,045</b>
-------------------------	-------------------

NMC has a rate/price request of 6.0%. This is higher than the -1.1% rate level the Board requested due to the Board's review of NMC's 2016 actual performance.

The 6.0% will result in increased NPR of \$3.0 million. Some of the rate request is built to offset the increase in bad debt and the decrease in DSH.

For NMC, every 1% increase in rate is worth about \$505,045 in net patient revenue.

**Fiscal Year 2018 Budget A** **Northwestern Medical Center**

**BUDGET TO BUDGET VARIANCES EXPLAINED**

<b>Income Statement</b>	<b>FY2018B</b>	<b>2017B - 2018B \$ Chg</b>	<b>2017B - 2018B % Chg</b>	<b>Rate</b>	<b>Rate Effect of Act 16 Decis</b>	<b>Utilization</b>	<b>Reimb/ Payer Mix</b>	<b>Bad Debt/Free Care Changes</b>	<b>Physician Trans/Acq</b>	<b>DSH Changes</b>	<b>Health Reform Investments</b>	<b>Other</b>	<b>Explained Variance Total</b>
<b>Revenues</b>													
<b>Gross Patient Care Revenue</b>	<b>204,740,526</b>	<b>15,564,908</b>	<b>8.2%</b>										
Disproportionate Share Payments	1,391,152	(475,733)											
Bad Debt	(5,549,735)	(2,528,902)											
Free Care	(1,353,025)	2,022											
Deductions from Revenue	(93,452,161)	(8,721,474)											
Graduate Medical Education	0	0											
<b>Net Patient Care Revenue - A</b>	<b>105,776,757</b>	<b>3,840,821</b>	<b>3.8%</b>	<b>3,030,267</b>		<b>2,608,453</b>	<b>393,619</b>	<b>(2,526,881)</b>	<b>375,000</b>	<b>(475,733)</b>	<b>407,744</b>	<b>28,352</b>	<b>3,840,821</b>
Other Operating Revenue	5,841,987	(25,851)											
<b>Total Operating Revenue</b>	<b>111,618,744</b>	<b>3,814,970</b>											
<b>Operating Expense</b>													
Salaries Non MD	38,326,212	(35,274)											
Fringe Benefits Non MD	10,595,073	816,949											
Fringe Benefits MD	1,351,541	(280,197)											
Physician Fees Salaries													
Contracts & Fringes	15,869,275	1,484,998											
Health Care Provider Tax	6,116,156	332,117											
Depreciation Amortization	6,030,059	1,346,505											
Interest - Long Term	1,157,186	657,101											
Other Operating Expense	29,854,282	513,185											
<b>Operating Expense</b>	<b>109,299,784</b>	<b>4,835,384</b>	<b>4.6%</b>										<b>-</b>
<b>Net Operating Income (Loss)</b>	<b>2,318,960</b>	<b>(1,020,414)</b>	<b>-30.6%</b>										
Non-Operating Revenue	377,188	(22,332)											
Over Expense	2,696,148	(1,042,746)											

Utilization increases explain a large portion of the need for higher NPR. Additional costs include the provider tax increase, physician increases, and the higher depreciation and interest costs. Expenses are increasing faster than NPR growth, the rationale for the higher inflation assumption and other factors should be discussed.

Unfavorable changes related to disproportionate share and bad debt total about (\$3 million) and offset utilization and rate NPR increases.

The \$408,000 above in Health Care Reform is described in the narrative.

Fiscal Year 2018 Budget Analysis	Northwestern Medical Center					Vermont Peers			2017 Almanac of Hospital Financial and Operating Indicators (Optum) FY2015				
	FY2015A	FY2016A	FY2017B	FY2017P	FY2018B	FY2018B Vermont 25th	FY2018B Vermont 50th	FY2018B Vermont 75th	Northeast Region	Northeast CAH	25-99 beds	100-199 beds	Teaching Hospitals
<b>DASHBOARD</b>													
Net Patient Care Revenue	97,798,763	99,895,760	101,935,936	100,706,855	105,776,757								
Budget to Budget NPR Growth Rate					3.8%	1.8%	3.5%	4.5%					
Three Year NPR CAGR (FY14A - FY17B)					3.8%	2.2%	3.5%	4.1%					
Operating Expense	93,499,518	102,319,706	104,464,400	106,525,900	109,299,784								
Budget to Budget Oper Exp Growth Rate					5%	1.8%	4.2%	4.6%					
Three Year OE CAGR (FY14A - FY17B)					5.9%	3.0%	3.8%	5.2%					
<b>Revenue</b>													
Operating Margin %	9.7%	3.4%	3.1%	-0.5%	2.1%	0.7%	1.7%	2.2%	1.4%		1.4%	3.9%	3.3%
Total Margin %	8.1%	6.2%	3.5%	4.7%	2.4%	1.8%	2.8%	3.7%	1.7%	-0.6%	1.7%	6.2%	4.2%
Bad Debt %	2.2%	1.6%	1.6%	2.9%	2.7%	1.0%	1.6%	2.5%	1.6%	5.0%	1.6%	6.2%	3.7%
Free Care %	0.7%	0.7%	0.7%	0.5%	0.7%	0.6%	0.8%	1.1%	0.4%		0.4%		
<b>Cost</b>													
Cost per Adjusted Admission	8,822	8,739	8,911	8,798	8,843	8,988	10,994	12,687	5,272		5,272	7,604	7,822
Overhead Expense w/ fringe, as a % of Total Operating Exp	26.3%	25.9%	25.3%	25.3%	24.0%	22.2%	26.8%	32.0%					
<b>Productivity &amp; Utilization</b>													
Acute Admissions	2,468	2,581	2,630	2,578	2,603	1,363	1,764	3,199					
Adjusted Admissions	10,599	11,708	11,724	12,108	12,359	6,360	8,282	15,598					
FTEs Per Adjusted Occupied Bed	6.0	6.3	6.4	6.5	5.8	5.4	5.9	6.7	2.9		2.9	3.2	3.2
FTEs per 100 Adj Discharges	5.1	5.1	5.4	5.2	5.0	5.0	5.9	6.9	2.5		2.5		
<b>Cash</b>													
Days Cash on Hand	374.5	351.0	283.1	305.6	264.3	90.4	136.6	192.3	24.2	114.9	24.2		116.3
<b>Capital</b>													
Age of Plant	9.9	10.6	11.1	10.7	9.7	12.1	12.7	14.5	2.4	12.4	2.4	12.4	11.2
Long Term Debt to Capitalization	13.6%	22.3%	22.1%	21.8%	20.7%	20%	24%	29%	5.5%	22.8%	5.5%		35.3%
Capital Expenditures to Depreciation	147.0%	203.0%	213.2%	147.8%	169.9%	104%	123%	160%	41%		41%		
<b>Rates Approved</b>													
Approved Rate per Latest Order	6.4%	-8.0%	0.0%	0.0%	0.0%								
CAGR = Compounded Annual Growth Rate													



**UTILIZATION & STAFFING**      FY2015A   FY2016A   FY2017B   FY2017P   FY2018B   2017B-2018B

**UTILIZATION**

Adjusted Admissions	10,599	11,708	11,724	12,108	12,359	5.4%
Acute Admissions	2,468	2,581	2,630	2,578	2,603	-1.0%
Acute Average Length Of Stay	3.1	2.9	3.1	2.9	3.1	0.0%
All Operating Room Procedure	3,112	3,061	2,836	2,806	2,993	5.5%
Tests	346,240	361,312	382,711	378,203	315,444	-17.6%
Emergency Room Visits	25,937	27,245	27,358	26,291	26,903	-1.7%
Cat Scan, Radiology - Diagnostic	32,945	38,699	39,128	37,968	38,062	-2.7%
Exams	2,655	2,571	2,631	2,567	2,572	-2.2%
Physician Office Visits	71,570	93,823	87,329	105,590	122,582	40.4%

Non-MD FTEs	544	548	633	625	613	-19
Travelers, Travelers MD	5	3	0	1	1	1
Residents & Fellows	0	22	0	0	0	0
MLPs	0	22	0	0	0	0
Physician FTEs	28	32	37	36	39	2.0
	577	626	670	663	654	-16

Salary per FTE Non-MD	\$ 58,984	\$ 64,534	\$ 60,639	\$ 63,039	\$ 62,488	3.0%
Salary & Benefits per FTE - Non-MD	\$ 75,510	\$ 80,900	\$ 76,096	\$ 79,300	\$ 79,762	4.8%
FTEs Per Adjusted Occupied Bed	6.0	6.3	6.4	6.5	5.8	-8.0%
FTEs per 100 Adj Discharges	5.1	5.1	5.4	5.2	5.0	-8.0%

<b>Comparative Benchmarks</b>						
<b>Vermont System Averages</b>						
Salary & Benefits per FTE - Non-MD	\$ 80,704	\$ 81,921	\$ 83,669	\$ 85,414	\$ 85,010	1.6%
FTEs Per Adjusted Occupied Bed	5.7	5.7	6.1	5.9	6.0	-1.4%
FTEs per 100 Adj Discharges	7.2	7.0	7.5	7.5	7.7	2.3%

Overall utilization as measured by adjusted admissions shows an increase over budget 2017 and are close to current year projections.

Mix of Utilization is increasing in some areas and decreasing in others. More discussion and understanding is needed about the patients and their utilization. This should be explained.

The productivity measures and cost per unit are moving favorably. The staff reductions for 2018B should be explained.

Salaries are budgeted higher than budget 2017, but close to projected 2017. Is this realistic?

The system Salary per FTE is \$66,001 and is 3.3% higher than 2017B.

**Fiscal Year 2018 Budget Analysis** **Northwestern Medical Center**

<b>BALANCE SHEET</b>	<b>FY2015A</b>	<b>FY2016A</b>	<b>FY2017B</b>	<b>FY2017P</b>	<b>FY2018B</b>
<b>Cash &amp; Investments</b>	\$ 65,660,931	\$ 67,086,851	\$ 57,433,113	\$ 57,986,515	\$ 55,340,244
<b>Other Current Assets</b>	14,146,603	14,858,929	13,300,000	18,653,543	17,500,000
<b>Current Assets</b>	79,807,534	81,945,780	70,733,113	76,640,058	72,840,244
<b>Board Designated Assets</b>	26,163,167	44,300,588	21,350,000	27,100,000	19,450,000
<b>Net, Property, Plant And Equipment</b>	33,213,573	37,488,236	67,609,861	57,742,793	71,320,115
<b>Other Long-Term Assets</b>	1,257,368	453,154	1,300,000	1,300,000	1,300,000
<b>Assets</b>	\$ 140,441,642	\$ 164,187,758	\$ 160,992,974	\$ 162,782,851	\$ 164,910,359
<b>Current Liabilities</b>	\$ 13,168,120	\$ 10,577,523	\$ 9,547,062	\$ 11,690,636	\$ 12,538,276
<b>Long Term Liabilities</b>	17,075,841	33,708,946	33,100,000	32,929,215	31,440,939
<b>Other Noncurrent Liabilities</b>	1,332,071	2,193,713	1,350,000	328,000	400,000
<b>Fund Balance</b>	108,865,610	117,707,576	116,995,912	117,835,000	120,531,144
<b>Liabilities and Equities</b>	\$ 140,441,642	\$ 164,187,758	\$ 160,992,974	\$ 162,782,851	\$ 164,910,359

**Northwestern Medical Center**

Days Cash on Hand	374.5	351.0	283.1	305.6	264.3
Long Term Debt to Capitalization	13.6%	22.3%	22.1%	21.8%	20.7%
Debt Service Coverage Ratio	11.7	6.5	7.1	3.0	3.6

**Comparative Benchmarks**

**Vermont System Averages**

Days Cash on Hand	178.53	183.26	165.81	186.20	166.60
Long Term Debt to Capitalization	27.6%	30.5%	29.6%	31.1%	29.5%
Debt Service Coverage Ratio	11.7	6.5	7.1	3.0	3.6

**U.S. Benchmarks**

**Northeast CAH**

Days Cash on Hand-Peers	114.90	0.00	0.00	0.00	0.00
Long Term Debt to Capitalization-Peers	22.8%	0.00	0.00	0.00	0.00
Debt Service Coverage Ratio-Peers	1.60	0.00	0.00	0.00	0.00

**100-199 Beds**

Days Cash on Hand-Peers		0.00	0.00	0.00	0.00
Long Term Debt to Capitalization-Peers		0.00	0.00	0.00	0.00
Debt Service Coverage Ratio-Peers	4.80	0.00	0.00	0.00	0.00

Overall cash on hand is steady and is the highest in the state.

Board designated assets have been declining in recent years. Long term debt is increasing as the hospital is financing some of their capital investments. The fund balance shows an increase over 2017 levels.

Numerous measures suggest this is a very good balance sheet.

CAPITAL BUDGET	2014A	FY2015A	FY2016A	FY2017B	FY2017P	FY2018B	2019 Plan	2020 Plan	2021 Plan
Non-Certificate of Need Capital Plans Total	\$ 5,134,958	\$ 6,423,576	\$ 9,353,229	\$ 9,987,013	\$ 7,244,543	\$ 10,245,952	\$ 1,169,500	\$ -	\$ -
Certificate of Need Capital Plans	\$ -	\$ -	\$ -	\$ 17,885,216	\$ 24,000,000	\$ 4,164,000	\$ -	\$ -	\$ -
<b>Total Capital Purchases</b>	<b>\$ 5,134,958</b>	<b>\$ 6,423,576</b>	<b>\$ 9,353,229</b>	<b>\$ 27,872,229</b>	<b>\$ 31,244,543</b>	<b>\$ 14,409,952</b>	<b>\$ 1,169,500</b>	<b>\$ -</b>	<b>\$ -</b>

**Northwestern Medical Center**

Age of Plant	9.5	9.9	10.6	11.1	10.7	9.7
Capital Expenditures to Depreciation	123.6%	147.0%	203.0%	213.2%	147.8%	169.9%
Capital Cost % of Total Expense	5.3%	5.2%	5.0%	5.0%	5.2%	6.6%

**Comparative Benchmarks**

**Vermont System Averages**

Age of Plant	10.2	11.4	11.8	12.3	12.4	12.9
Capital Expenditures to Depreciation	80.6%	97.1%	101.7%	128.2%	135.7%	115.3%
Capital Cost % of Total Expense	5.9%	5.4%	5.2%	5.3%	5.1%	5.3%

**U.S. Benchmarks**

**Northeast Critical Access Hospital**

Age of Plant-Peers	11.3	12.4	-	-	-	-
Capital Expenditures to Depreciation-Peers	-	-	-	-	-	-
Capital Cost % of Total Expense-Peers	5.8%	4.5%	-	-	-	-

**100-199 Beds**

Age of Plant-Peers	11.2	12.4	-	-	-	-
Capital Expenditures to Depreciation-Peers	-	-	-	-	-	-
Capital Cost % of Total Expense-Peers	6.0%	5.8%	-	-	-	-

The overall capital budget of \$10.2 million is comparable to that seen in recent years. The age of plant has been trending lower and is lower (favorable) than the Vermont median. Capital cost as % of the budget reflect unfavorable peer comparison values for 2018B but favorable in past years. The major investments for 2018 include Meditech Ambulatory Module EHR and ER renovation as described in the narrative. A CON is planned for the period 2017-2018 for Facility master plan.