

# Northeastern VT Regional Hospital

Fiscal Year 2018 Budget Analysis

Report Date: 8/7/2017

**Northeastern VT Regional Hospital**

**Fiscal Year 2018 Budget Analysis**

**QUESTIONS**

1. INCOME STATEMENT - The hospital is \$5.6 million over the 2017 budget levels. Much of this variance is described as utilization and higher Medicare reimbursement. The hospital needs to provide more detailed utilization information that explains this increase - for example, what internal information do you have that describes this increase? What are the consequences if this increase is not approved? Discuss the hospital's options to address this overage.
2. UTIL&STAFF - Adjusted admissions show a slight decrease, suggesting little change in utilization. As a result, as costs and staff increase, cost per adjusted admissions and productivity measures are changing unfavorably. Discuss whether this is related to the hiring of the 25 mid-levels FTEs. Discuss the inflation assumptions in the budget.
3. UTIL&STAFF and NARR- A 3rd orthopedic surgeon was added and a urologist was added in the 2018 budget. The narrative notes that the orthopedic business continues to grow and that the urologist was "busy". Was the urologist a physician transfer? Why was a 3rd orthopedic surgeon added? Is the growth noted in the narrative sustainable - what information supports this?
4. DASHBOARD - The hospital budget shows a significant cost per adjusted admission increase of 12%. Why is cost per unit so high? What options are available to reduce costs to lower the per unit cost?
5. RATE&NPR - NVRH has a rate/price request of 4.25%. This is higher than the 3.2% rate level the Board requested because of NVRH's 2016 actual performance. NVRH has requested the 1.05% higher level because they expect a reduction in disproportionate share revenues (\$465,000) from DVHA for 2018. What other options were considered instead of raising your rates?
6. NPR PAYER - Medicare shows more favorable reimbursement and higher utilization. The narrative describes some of this as "Medicare share of cost increases for Critical Access Hospital". Explain and discuss the assumptions you are making for both of these changes?
7. NPR PAYER - Commercial shows less favorable reimbursement from 2017 to 2018 budget. Describe the significant reimbursement assumptions the hospital has made for the Commercial revenue estimates.
8. NPR PAYER - Medicaid shows little change in reimbursement and utilization. Describe your assumptions.
9. INCOME STATEMENT - The hospital has not budgeted any revenue for 2017 and 2018 for non-operating revenues. Is this reasonable given the increase in the markets the last two years? If revenues were earned, describe how this might impact your submitted rate increase?
10. CAPITAL - The hospital describes planned increases in information systems for medical records. Are these replacements of existing systems or new technology?

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**QUESTIONS**

11. INCOME STATEMENT - Are the 2017 projections still valid? If not, please describe material changes?
12. Refer to the Act 53 price and quality data schedule that is included in the staff analysis and be prepared to address questions the Board may have concerning that information.
13. 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.
14. 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						Northeastern VT Regional Hospital		
INCOME STATEMENT	FY2015A	FY2016A	FY2017B	FY2017P	FY2018B	2017B - 2018B	2017B - 2018B	3YR CAGR
						\$ Chg	% Chg	(FY2015A-FY2018B)
<b>Revenues</b>								
<b>Gross Patient Care Revenue</b>	<b>131,890,992</b>	<b>146,066,754</b>	<b>152,171,500</b>	<b>159,464,400</b>	<b>168,687,800</b>	<b>16,516,300</b>	<b>10.9%</b>	
Disproportionate Share Payments	1,636,300	1,528,180	1,730,400	1,614,400	1,265,400	(465,000)	-26.9%	
Bad Debt	(3,154,200)	(3,443,155)	(2,977,400)	(3,400,000)	(3,550,000)	(572,600)	19.2%	
Free Care	(2,214,500)	(2,675,006)	(3,045,300)	(2,700,000)	(2,808,800)	236,500	-7.8%	
Deductions from Revenue	(62,609,998)	(69,890,222)	(76,539,800)	(78,982,700)	(84,209,200)	(7,669,400)	10.0%	
Graduate Medical Education	0	0	0	0	0	0	#DIV/0!	
<b>Net Patient Care Revenue</b>	<b>65,548,594</b>	<b>71,586,551</b>	<b>71,339,400</b>	<b>75,996,100</b>	<b>79,385,200</b>	<b>8,045,800</b>	<b>11.3%</b>	<b>6.6%</b>
Other Operating Revenue	1,292,542	1,727,715	1,585,100	1,558,000	1,550,000	(35,100)	-2.2%	
<b>Total Operating Revenue</b>	<b>66,841,136</b>	<b>73,314,266</b>	<b>72,924,500</b>	<b>77,554,100</b>	<b>80,935,200</b>	<b>8,010,700</b>	<b>11.0%</b>	
<b>Expenses</b>								
Salaries Non MD	22,292,961	24,242,683	24,290,000	26,396,876	27,839,163	3,549,163	14.6%	
Fringe Benefits Non MD	8,356,620	8,331,196	7,813,400	8,112,140	8,661,470	848,070	10.9%	
Physician Fees Salaries Contracts & Fringes	7,667,286	10,443,546	10,844,000	11,016,120	12,117,700	1,273,700	11.7%	
Health Care Provider Tax	3,610,431	3,955,536	4,100,000	4,410,300	4,582,000	482,000	11.8%	
Depreciation Amortization	2,507,662	2,682,249	2,606,000	2,584,400	3,219,000	613,000	23.5%	
Interest - Long Term	390,431	327,021	378,000	245,784	386,000	8,000	2.1%	
Other Operating Expense	20,548,000	21,844,095	21,478,100	23,207,580	22,679,867	1,201,767	5.6%	
<b>Total Operating Expense</b>	<b>65,373,391</b>	<b>71,826,326</b>	<b>71,509,500</b>	<b>75,973,200</b>	<b>79,485,200</b>	<b>7,975,700</b>	<b>11.2%</b>	<b>6.7%</b>
<b>Net Operating Income (Loss)</b>	<b>1,467,745</b>	<b>1,487,940</b>	<b>1,415,000</b>	<b>1,580,900</b>	<b>1,450,000</b>	<b>35,000</b>	<b>2.5%</b>	
Non-Operating Revenue	(1,099,487)	906,415	0	0	0	0	#DIV/0!	
<b>Excess (Deficit) of Rev Over Exp</b>	<b>368,258</b>	<b>2,394,355</b>	<b>1,415,000</b>	<b>1,580,900</b>	<b>1,450,000</b>	<b>35,000</b>	<b>2.5%</b>	
Operating Margin%	2.2%	2.0%	1.9%	2.0%	1.8%			
Total Margin %	0.6%	3.3%	1.9%	2.0%	1.8%			
Cost per Adjusted Admission	12,263	10,947	10,903	11,794	12,217	1,314	12.1%	

The NPR increase of \$8.045 million is 11.3% over the 2017 budget. This is about \$5.9 million over the 3% cap target. Much of the increase is due to higher utilization in orthopedics and urology. These increases are related to newly recruited physicians. The narrative explains that much of the increase is recapture of market share from New Hampshire that began in 2016 and has continued into 2017-18.

Despite the large utilization increase, the rate/price request is filed at 4.25%. The hospital's expenses are increasing at 11.2%, primarily due to FTEs, utilization variable costs, and physicians. The cost per unit shows a 12% increase as well. The hospital should discuss this further.

The operating surplus is reasonable. The hospital has not budgeted any non-operating revenue since it does not try to anticipate any investment earnings.

**Fiscal Year 2018 Budget Analysis** **Northeastern VT Regional Hospital**

NET PAYER REVENUE CHANGE - PAYERS				2017B - 2018B	\$	2017B - 2018B		Change due to Non-
	FY2017B	FY2017P	FY2018B	Chg		% Chg	Change due to Rate	Rate Items
<b>All Payers</b>	<b>Gross Revenue</b>	\$152,171,500	\$159,464,400	\$168,687,800	\$16,516,300	10.9%		
	Contractual Allowances	(\$76,539,800)	(\$78,982,700)	(\$84,209,200)	(\$7,669,400)	10.0%		
	Bad Debt	(\$2,977,400)	(\$3,400,000)	(\$3,550,000)	(\$572,600)	19.2%		
	Free Care	(\$3,045,300)	(\$2,700,000)	(\$2,808,800)	\$236,500	-7.8%		
	Graduate Medical Education Payments	\$0	\$0	\$0	\$0	#DIV/0!		
	Disproportionate Share Payments	\$1,730,400	\$1,614,400	\$1,265,400	(\$465,000)	-26.9%		
	<b>Net Payer Revenue</b>	<b>\$71,339,400</b>	<b>\$75,996,100</b>	<b>\$79,385,200</b>	<b>\$8,045,800</b>	<b>11.3%</b>	<b>\$1,605,700</b>	<b>\$6,440,100</b>
<b>Commercial</b>	<b>Gross Revenue</b>	\$54,616,400	\$58,628,800	\$61,988,800	\$7,372,400	13.5%		
	Contractual Allowances	(\$12,574,700)	(\$16,705,900)	(\$17,642,500)	(\$5,067,800)	40.3%		
	Bad Debt	(\$2,977,400)	(\$3,400,000)	(\$3,550,000)	(\$572,600)	19.2%		
	Free Care	(\$3,045,300)	(\$2,700,000)	(\$2,808,800)	\$236,500	-7.8%		
	Graduate Medical Education Payments	\$0	\$0	\$0	\$0	#DIV/0!		
	<b>Net Payer Revenue</b>	<b>\$36,019,000</b>	<b>\$35,822,900</b>	<b>\$37,987,500</b>	<b>\$1,968,500</b>	<b>5.5%</b>	<b>\$1,605,700</b>	<b>\$362,800</b>
<b>Medicaid</b>	<b>Gross Revenue</b>	\$35,391,400	\$33,531,800	\$35,419,200	\$27,800	0.1%		
	Contractual Allowances	(\$25,102,200)	(\$23,173,100)	(\$24,724,800)	\$377,400	-1.5%		
	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>\$10,289,200</b>	<b>\$10,358,700</b>	<b>\$10,694,400</b>	<b>\$405,200</b>	<b>3.9%</b>	<b>\$0</b>	<b>\$405,200</b>
<b>Medicare</b>	<b>Gross Revenue</b>	\$62,163,700	\$67,303,800	\$71,279,800	\$9,116,100	14.7%		
	Contractual Allowances	(\$38,862,900)	(\$39,103,700)	(\$41,841,900)	(\$2,979,000)	7.7%		
	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>\$23,300,800</b>	<b>\$28,200,100</b>	<b>\$29,437,900</b>	<b>\$6,137,100</b>	<b>26.3%</b>	<b>\$0</b>	<b>\$6,137,100</b>
<b>Disproportionate Share Payments</b>		\$1,730,400	\$1,614,400	\$1,265,400	(\$465,000)	-26.9%		
	<b>Net Payer Revenue</b>	<b>\$1,730,400</b>	<b>\$1,614,400</b>	<b>\$1,265,400</b>	<b>(\$465,000)</b>	<b>-26.9%</b>	<b>\$0</b>	<b>(\$465,000)</b>
	<b>Net to Gross Commercial (no dsh)</b>	<b>65.9%</b>	<b>61.1%</b>	<b>61.3%</b>				
	<b>Net to Gross Medicaid (no dsh)</b>	<b>29.1%</b>	<b>30.9%</b>	<b>30.2%</b>				
	<b>Net to Gross Medicare (no dsh)</b>	<b>37.5%</b>	<b>41.9%</b>	<b>41.3%</b>				
	<b>Net to Gross all payers (no dsh)</b>	<b>45.7%</b>	<b>46.6%</b>	<b>46.3%</b>				

The NPR increase is primarily due to increased commercial and Medicare. The increase in utilization is in both Medicare and commercial payers. Medicare shows more favorable reimbursement than was budgeted in 2017. Commercial shows much less favorable reimbursement. The hospital needs to explain how these revenue estimates were determined.

Medicaid shows little increase in reimbursement or patient utilization from 2017 budget.

Bad debt and free care show a slight favorable change over 2017.

Disproportionate share does show a reduction of \$465,000 and the hospital says about 1.05% of their 4.25% rate increase is to offset this loss of revenue. The narrative also says that based on new information from DVHA, the disproportionate share change may be greater.

## Northeastern VT Regional Hospital

### 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>Northeastern VT Regional Hospital Approved Rate</b>	5.60%	5.00%	5.20%	3.75%	
<b>Northeastern VT Regional Hospital Submitted Rate</b>	5.80%	5.00%	5.20%	3.75%	4.25%
Hospital Inpatient Gross Revenue					4.8%
Hospital Outpatient Gross Revenue					4.8%
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	\$ 1,605,700
	Medicaid	\$ -
	Medicare	\$ -
	Disproportionate Share	\$ 0
	<b>Total Change Due to Rate Request</b>	<b>\$ 1,605,700</b>

<b>Value of 1% Rate</b>	<b>\$ 377,812</b>
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NVRH has a rate/price request of 4.25%. This is higher than the 3.2% rate level the Board requested because of NVRH's 2016 actual performance that exceeded budget. NVRH has requested the 1.05% higher level because they expect a reduction in disproportionate share revenues from DVHA for 2018.

The 4.25% will result in increased NPR of about \$1.6 million, all expected to be earned in Commercial. Besides the rate request built in to offset the disproportionate share decrease, the rate is also higher to pay for increased provider tax of \$482,000.

Our calculations find that every 1% increase in rate is worth about \$377,812 in net patient revenue.

Fiscal Year 2018 Budget Analy		Northeastern VT Regional Hospital											
BUDGET TO BUDGET VARIANCES EXPLAINED													
Income Statement	FY2018B	2017B - 2018B \$ Chg	2017B - 2018B % Chg	Rate	Rate Effect of Act 16 Decis	Utilization	Reimb/ Payer Mix	Bad Debt/Free Care Changes	Physician Trans/Acq	DSH Changes	Health Reform	Other	Explained Variance Total
<b>Revenues</b>													
<b>Gross Patient Care Revenue</b>	<b>168,687,800</b>	<b>16,516,300</b>	<b>10.9%</b>										
Disproportionate Share	1,265,400	(465,000)											
Bad Debt	(3,550,000)	(572,600)											
Free Care	(2,808,800)	236,500											
Deductions from Revenue	(84,209,200)	(7,669,400)											
<b>Net Patient Care Revenue</b>	<b>79,385,200</b>	<b>8,045,800</b>	<b>11.3%</b>	<b>1,605,700</b>	<b>(220,000)</b>	<b>4,569,500</b>	<b>-</b>	<b>(336,100)</b>	<b>(465,000)</b>	<b>180,000</b>	<b>2,711,700</b>	<b>8,045,800</b>	
Other Operating Revenue	1,550,000	(35,100)											
<b>Total Operating Revenue</b>	<b>80,935,200</b>	<b>8,010,700</b>											
<b>Expenses</b>													
Salaries Non MD	27,839,163	3,549,163											
Fringe Benefits Non MD	8,661,470	848,070											
Fringe Benefits MD	2,574,830	237,630											
Physician Fees Salaries	9,542,870	1,036,070											
Health Care Provider Tax	4,582,000	482,000											
Depreciation Amortization	3,219,000	613,000											
Interest - Short Term	0	0											
Interest - Long Term	386,000	8,000											
Other Operating Expense	22,679,867	1,201,767											
<b>Operating Expense</b>	<b>79,485,200</b>	<b>7,975,700</b>	<b>11.2%</b>										
<b>Net Operating Income (Loss)</b>	<b>1,450,000</b>	<b>35,000</b>	<b>2.5%</b>										
Non-Operating Revenue	0	0											
Excess (Deficit) of Rev Over	1,450,000	35,000											

The hospital NPR exceeds the 3.4% target by \$2.1 million. Health care reform spending is \$180,000 and is within the 0.4% reform target - the narrative explains the reform increases.

Utilization increases experienced in 2016 explain a large portion of the need for higher NPR. Variable utilization costs, increased mid-level FTEs, and physicians are all costs related to patient utilization increases and are described in the narrative. However, the higher unit cost increase and unfavorable productivity measures suggest that costs are increasing for other than variable costs related to utilization. Some of this higher per unit cost is explained by the provider tax increase and the higher depreciation. Both the inflation assumption and the need for all the FTEs should be discussed.

Changes related to disproportionate share and bad debt and free care are relatively minor (\$801,000) to the \$8 million NPR increase.

The \$2.7 million in "other" is described on their RATE schedule as "Medicare Share of Cost Increases as Critical Access Hospital". The hospital should provide better explanation of what this increase is and what it is paying for.

Fiscal Year 2018 Budget Analysis	Northeastern VT Regional Hospital					Vermont Peers			2017 Almanac of Hospital Financial and Operating Indicators (Optum) FY2015				
	FY2015A	FY2016A	FY2017B	FY2017P	FY2018B	Vermont 25th Percentile	FY2018B Vermont 50th Percentile	Vermont 75th Percentile	NE Region	NE CAH	25-99 beds	100-199 beds	Teaching Hosps
<b>DASHBOARD</b>													
<b>Net Patient Care Revenue</b>	65,548,594	71,586,551	71,339,400	75,996,100	79,385,200								
<b>Budget to Budget NPR Growth Rate</b>					11.3%	1.8%	3.5%	4.5%					
Three Year NPR CAGR (FY14A - FY17B)					7.0%	2.2%	3.5%	4.1%					
<b>Operating Expense</b>	65,373,391	71,826,326	71,509,500	75,973,200	79,485,200								
<b>Budget to Budget Oper Exp Growth Rate</b>					11.2%	1.8%	4.2%	4.6%					
Three Year OE CAGR (FY14A - FY17B)					6.2%	3.0%	3.8%	5.2%					
<b>Revenue</b>													
Operating Margin %	2.2%	2.0%	1.9%	2.0%	1.8%	0.7%	1.7%	2.2%	1.4%		1.4%	3.9%	3.3%
Total Margin %	0.6%	3.2%	1.9%	2.0%	1.8%	1.8%	2.8%	3.7%	1.7%	-0.6%	1.7%	6.2%	4.2%
Bad Debt %	2.4%	2.4%	2.0%	2.1%	2.1%	1.0%	1.6%	2.5%	1.6%	5.0%	1.6%	6.2%	3.7%
Free Care %	1.7%	1.8%	2.0%	1.7%	1.7%	0.6%	0.8%	1.1%	0.4%		0.4%		
<b>Cost</b>													
Cost per Adjusted Admission	12,263	10,947	10,903	11,794	12,217	8,988	10,994	12,687	5,272		5,272	7,604	7,822
Overhead Expense w/ fringe, as a % of Total Operating Exp	22.3%	21.0%	21.6%	21.2%	21.4%	22.2%	26.8%	32.0%					
<b>Productivity &amp; Utilization</b>													
Acute Admissions	1,233	1,367	1,329	1,315	1,340	1,363	1,764	3,199					
Adjusted Admissions	5,331	6,561	6,559	6,442	6,506	6,360	8,282	15,598					
FTEs Per Adjusted Occupied Bed	8.1	7.1	7.2	7.4	7.5	5.4	5.9	6.7	2.9		2.9	3.2	3.2
FTEs per 100 Adj Discharges	7.4	6.1	6.3	6.5	6.6	5.0	5.9	6.9	2.5		2.5		
<b>Cash</b>													
Days Cash on Hand	131	123	128	118	115	90	137	192	24.2	114.9	24.2		116.3
<b>Capital</b>													
Age of Plant	13.2	13.1	14.8	14.6	12.8	12.1	12.7	14.5	2.4	12.4	2.4	12.4	11.2
Long Term Debt to Capitalization	27.0%	23.8%	22.6%	23.1%	29.0%	20%	24%	29%	5.5%	22.8%	5.5%		35.3%
Capital Expenditures to Depreciation	63%	120%	105%	105%	193%	104%	123%	160%	41%		41%		
<b>Rates Approved</b>													
Approved Rate per Latest Order	5.0%	5.2%	3.8%	3.8%									
CAGR = Compounded Annual Growth Rate													



**Fiscal Year 2018 Budget Analysis** **Northeastern VT Regional Hospital**

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

**UTILIZATION**

Adjusted Admissions	5,331	6,561	6,559	6,442	6,506	-0.8%
Acute Admissions	1,233	1,367	1,329	1,315	1,340	0.8%
Acute Average Length Of Stay	3.3	3.2	3.2	3.2	3.2	0.1%
All Operating Room Procedure	2,814	3,050	3,182	3,275	3,400	6.9%
Tests	170,550	180,250	183,510	172,199	171,509	-6.5%
Emergency Room Visits	14,051	14,358	14,330	14,000	14,300	-0.2%
Cat Scan, Radiology - Diagnostic	25,383	28,136	27,919	25,855	26,424	-5.4%
Exams	1,225	1,235	1,216	1,346	1,400	15.1%
Physician Office & Clinic Visits	66,909	71,707	73,981	71,942	75,580	2.2%

**STAFFING**

Non-MD FTEs	394	403	411	397	403	-8
Travelers, Travelers MD	0	0	0	0	0	0
Residents & Fellows	0	0	0	0	0	0
MLPs	0	0	4	23	29	25
Physician FTEs	25	30	31	31	33	2
<b>Total MD and Non MD FTEs</b>	<b>419</b>	<b>434</b>	<b>445</b>	<b>452</b>	<b>464</b>	<b>19</b>
Salary per FTE - Non-MD	\$ 56,595	\$ 60,103	\$ 58,572	\$ 62,775	\$ 64,472	10.1%
Salary & Benefits per FTE - Non-MD	\$ 77,811	\$ 80,758	\$ 77,414	\$ 82,067	\$ 84,531	9.2%
FTEs Per Adjusted Occupied Bed	8.1	7.1	7.2	7.4	7.5	4.8%
FTEs per 100 Adj Discharges	7.4	6.1	6.3	6.5	6.6	5.0%

**Comparative Benchmarks**

**Vermont System Averages**

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 little change over budget 2017 and current year projections. However, acute admissions, operating room procedures and physician visits are increasing, presumably related to orthopedic and urology services (see narrative). More discussion and understanding is needed about the patients and their utilization.

The productivity measures and cost per unit are moving unfavorably. This suggests that the staffing increases for mid-levels are not all related to utilization change alone. NVRH should explain.

Salary and fringe costs include inflation adjustments.

The system average for Salary per FTE is \$66,001.

**Fiscal Year 2018 Budget Analysis** **Northeastern VT Regional Hospital**

<b>BALANCE SHEET</b>	<b>FY2015A</b>	<b>FY2016A</b>	<b>FY2017B</b>	<b>FY2017P</b>	<b>FY2018B</b>
<b>Cash &amp; Investments</b>	\$ 4,158,379	\$ 6,683,538	\$ 9,026,671	\$ 6,800,000	\$ 7,054,600
<b>Other Current Assets</b>	11,541,424	11,364,240	10,438,900	11,700,000	11,559,700
<b>Current Assets</b>	15,699,803	18,047,778	19,465,571	18,500,000	18,614,300
<b>Board Designated Assets</b>	18,557,194	16,639,051	15,176,800	17,000,000	17,000,000
<b>Net, Property, Plant And Equipment</b>	21,512,875	21,091,013	23,348,929	21,413,347	27,500,000
<b>Other Long-Term Assets</b>	5,070,773	7,754,531	4,338,000	7,900,000	7,913,000
<b>Assets</b>	\$ 60,840,645	\$ 63,532,373	\$ 62,329,300	\$ 64,813,347	\$ 71,027,300
<b>Current Liabilities</b>	\$ 11,717,548	\$ 12,931,702	\$ 12,292,900	\$ 12,670,147	\$ 12,765,000
<b>Long Term Liabilities</b>	13,239,879	12,039,615	11,326,400	12,062,300	16,867,300
<b>Other Noncurrent Liabilities</b>	-	-	-	-	-
<b>Fund Balance</b>	35,883,218	38,561,056	38,710,000	40,080,900	41,395,000
<b>Liabilities and Equities</b>	\$ 60,840,645	\$ 63,532,373	\$ 62,329,300	\$ 64,813,347	\$ 71,027,300

**Northeastern VT Regional Hospital**

Days Cash on Hand	131.3	123.1	128.2	118.4	115.1
Long Term Debt to Capitalization	27.0%	23.8%	22.6%	23.1%	29.0%
Debt Service Coverage Ratio	4.9	4.3	3.8	4.5	3.7

**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	4.9	4.3	3.8	4.5	3.7

**U.S. Benchmarks**

**Northeast CAH**

Days Cash on Hand	114.90	0.00	0.00	0.00	0.00
Long Term Debt to Capitalization	23%	0.00	0.00	0.00	0.00
Debt Service Coverage Ratio	1.60	0.00	0.00	0.00	0.00

Overall cash on hand is steady and is lower than the state median.

Compared to Vermont's Critical Access hospitals, NVRH is right at the median.

Board designated assets are comparable to recent years. Long term debt is increasing as the hospital expects to finance some of their capital investments. The fund balance shows an increase over 2017 levels. The balance sheet is in good condition.

CAPITAL BUDGET	FY2015A	FY2016A	FY2017B	FY2017P	FY2018B	2019 Plan	2020 Plan	2021 Plan
Non-Certificate of Need Capital Plans Total	\$ 1,571,740	\$ 3,206,993	\$ 2,725,805	\$ 2,725,805	\$ 6,200,600	\$ 2,296,900	\$ 1,699,750	\$ 1,360,800
Certificate of Need Capital Plans	\$ -	\$ -	\$ 2,100,000	\$ -	\$ 3,100,000	\$ -	\$ 4,000,000	\$ -
Total Capital Purchases	\$ 1,571,740	\$ 3,206,993	\$ 4,825,805	\$ 2,725,805	\$ 9,300,600	\$ 2,296,900	\$ 5,699,750	\$ 1,360,800

**Northeastern VT Regional Hospital**

Age of Plant	13.2	13.1	14.8	14.6	12.8
Capital Expenditures to Depreciation	62.7%	119.6%	104.6%	105.5%	192.6%
Capital Cost % of Total Expense	4.4%	4.2%	4.2%	3.7%	4.5%

**Comparative Benchmarks**

**Vermont System Averages**

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

**U.S. Benchmarks**

**Northeast Critical Access Hospital**

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

The overall capital budget of \$6.2 million is about double the spending in recent years. The age of plant has been trending higher and is higher (unfavorable) than the Vermont median. Capital cost as % of the budget reflect favorable peer comparison values.

The major investments for 2018 include information system and birthing center upgrades and are described in the narrative. A CON is planned for the period 2019-21 to upgrade and expand the ER.