

# Porter Medical Center

Fiscal Year 2018 Budget Analysis

Report Date: 8/9/2017

**Porter Medical Center**  
**Fiscal Year 2018 Budget Analysis**  
**QUESTIONS**

1. INCOME STATEMENT - The hospital is \$2.6 million over the 2017 budget levels. This is within the 3% target and the 0.4% increase for health care investments. Much of this variance is described as utilization and enhanced services. Discuss these new programs and enhanced services. Describe the need and how will this improve patient care?
2. RATE - PMC has an overall rate/price request of 0.0%, but a Commercial rate request (ask) of 3.0%. Porter's states this is because there is a disconnect between overall price/rate increase and net revenue change as only a small percentage of reimbursement affected by price changes. Discuss this strategy and explain the commercial ask. Was pricing for services a consideration in establishing this level? Also, discuss the negative Medicare NPR that is shown as a reduction in the rate request.
3. DASHBOARD - Bad debt and free care combined as a percent of gross revenues are high compared to their Critical Access Hospital peers. Discuss the assumptions for budgeting higher (unfavorable) bad debt and free care. Explain affect of 501r on free care.
4. NPR Payer - Medicaid shows unfavorable reimbursement from 2017 to 2018 budget. Describe the reimbursement assumptions the hospital has made.
5. INCOME STATEMENT - Retail pharmacy (340B) of \$2.6 million is recorded in non operating revenue instead of operating revenue like other hospitals - discuss why the hospital records it in this manner. Describe this program and the risks involved operating the program.
6. UTIL&STAFF - The hospital explains significant changes in their nursing program that is designed to reduce temporary staff and save money. Discuss this change. Reconcile the submitted FTE changes with the information described in the narrative.
7. NARR - The hospital narrative explains that they recently recruited a otorhinolaryngologist which took over two years to recruit. Is this normal for this type of physician? Is the hospital paying a premium for recruiting a specialist of this type? What is the compelling information that supports this recruitment?
8. DASHBOARD - The hospital dashboard shows high cost per adjusted admission relative to your Critical Access Hospital peers. Discuss this measure and reasons the hospital may be higher than your peers.
9. INCOME STATEMENT - Are the 2017 projections still valid? If not, please describe material changes?
10. 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.
11. 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.
12. 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** **Porter Medical Center**

INCOME STATEMENT	FY2015A	FY2016A	FY2017B	FY2017P	FY2018B	2017B - 2018B		3YR CAGR
						\$ Chg	% Chg	(FY2015A-FY2018B)
<b>Revenues</b>								
<b>Gross Patient Care Revenue</b>	<b>141,734,183</b>	<b>155,530,473</b>	<b>160,650,501</b>	<b>166,466,364</b>	<b>167,256,350</b>	<b>6,605,849</b>	<b>4.1%</b>	
Disproportionate Share Payments	847,106	489,898	506,408	442,462	350,000	(156,408)	-30.9%	
Bad Debt	(3,256,656)	(2,626,449)	(2,460,638)	(3,854,816)	(3,136,779)	(676,141)	27.5%	
Free Care	(1,171,520)	(1,438,965)	(1,062,113)	(1,785,621)	(1,829,936)	(767,823)	72.3%	
Deductions from Revenue	(67,556,843)	(76,893,461)	(81,539,237)	(84,202,242)	(83,956,857)	(2,417,620)	3.0%	
Graduate Medical Education	0	0	0	0	0	0	#DIV/0!	
<b>Net Patient Care Revenue</b>	<b>70,596,270</b>	<b>75,061,496</b>	<b>76,094,921</b>	<b>77,066,147</b>	<b>78,682,778</b>	<b>2,587,857</b>	<b>3.4%</b>	<b>3.7%</b>
Other Operating Revenue	2,672,651	1,966,684	1,986,663	3,841,148	2,510,934	524,271	26.4%	
<b>Total Operating Revenue</b>	<b>73,268,921</b>	<b>77,028,180</b>	<b>78,081,584</b>	<b>80,907,295</b>	<b>81,193,712</b>	<b>3,112,128</b>	<b>4.0%</b>	
<b>Expenses</b>								
Salaries Non MD	25,255,889	23,709,508	25,674,202	24,689,968	27,629,889	1,955,687	7.6%	
Fringe Benefits Non MD	6,784,569	6,100,340	6,890,641	6,498,271	6,944,531	53,890	0.8%	
Physician Fees Salaries Contracts & Fringes	10,858,556	13,265,708	12,282,814	15,232,395	13,373,857	1,091,043	8.9%	
Health Care Provider Tax	4,046,886	4,214,165	4,180,236	4,375,920	4,720,371	540,135	12.9%	
Depreciation Amortization	3,174,882	2,871,627	3,288,613	2,738,468	3,163,598	(125,015)	-3.8%	
Interest - Long Term	296,891	386,132	370,255	364,986	336,971	(33,284)	-9.0%	
Other Operating Expense	24,599,826	25,029,795	24,640,143	25,169,770	24,893,661	253,518	1.0%	
<b>Total Operating Expense</b>	<b>75,017,499</b>	<b>75,577,275</b>	<b>77,326,904</b>	<b>79,069,778</b>	<b>81,062,878</b>	<b>3,735,974</b>	<b>4.8%</b>	<b>2.6%</b>
<b>Net Operating Income (Loss)</b>	<b>(1,748,578)</b>	<b>1,450,905</b>	<b>754,680</b>	<b>1,837,517</b>	<b>130,834</b>	<b>(623,846)</b>	<b>-82.7%</b>	
Non-Operating Revenue	3,610,111	3,270,135	3,047,274	3,510,014	2,935,182	(112,092)	-3.7%	
<b>Excess (Deficit) of Rev Over Exp</b>	<b>1,861,533</b>	<b>4,721,040</b>	<b>3,801,954</b>	<b>5,347,531</b>	<b>3,066,016</b>	<b>(735,938)</b>	<b>-19.4%</b>	
Operating Margin%	-2.4%	1.9%	1.0%	2.3%	0.2%			
Total Margin %	2.5%	6.1%	4.9%	6.6%	3.8%			
Cost per Adjusted Admission	11,791	12,172	12,420	12,755	12,844	424	3.4%	

The NPR increase of \$2.6 million is 3.4% over the 2017 budget. This is about \$315,000 over the 3% cap target - the amount over is explained as health care reform investments (described in the narrative). Much of the 3% NPR increase is due to a new Express Care program, Infusion services, and outpatient increases in cardiology, physical therapy, and imaging.

The overall rate/price request is filed at 0.0% but the Commercial rate request is 3.0%. The reason for this is explained as the fixed payment levels by the public payers. The hospital will be asked to address this at the hearing.

The hospital's expenses are increasing at 4.8%, primarily due to FTEs, utilization variable costs, and physicians. The cost per unit shows a 3.4% increase. The hospital will discuss this further as they are higher than the 75th percentile of their VT peers.

The operating surplus is low but is supported by a strong non operating revenue that is dependent on 340B funds. The hospital has budgeted a \$524,000 increase in other operating revenue for FY2018. The hospital will be asked to address these changes.

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

NET PAYER REVENUE CHANGE - PAYERS		FY2017B	FY2017P	FY2018B	2017B - 2018B \$ Chg	2017B - 2018B % Chg	Change due to Rate	Change due to Non-Rate Items
<b>All Payers</b>	<b>Gross Revenue</b>	\$160,650,502	\$166,466,364	\$167,256,350	\$6,605,848	4.1%		
	Contractual Allowances	(\$81,539,237)	(\$84,202,242)	(\$83,956,857)	(\$2,417,620)	3.0%		
	Bad Debt	(\$2,460,638)	(\$3,854,816)	(\$3,136,779)	(\$676,141)	27.5%		
	Free Care	(\$1,062,113)	(\$1,785,621)	(\$1,829,936)	(\$767,823)	72.3%		
	Graduate Medical Education Payments	\$0	\$0	\$0	\$0	#DIV/0!		
	Disproportionate Share Payments	\$506,408	\$442,462	\$350,000	(\$156,408)	-30.9%		
	<b>Net Payer Revenue</b>	<b>\$76,094,922</b>	<b>\$77,066,147</b>	<b>\$78,682,778</b>	<b>\$2,587,856</b>	<b>3.4%</b>	<b>\$242,676</b>	<b>\$2,345,177</b>

<b>Commercial</b>	<b>Gross Revenue</b>	\$69,173,639	\$73,369,812	\$72,423,249	\$3,249,610	4.7%		
	Contractual Allowances	(\$24,358,280)	(\$26,571,864)	(\$25,458,681)	(\$1,100,401)	4.5%		
	Bad Debt	(\$2,460,638)	(\$3,854,816)	(\$3,136,779)	(\$676,141)	27.5%		
	Free Care	(\$1,062,113)	(\$1,785,621)	(\$1,829,936)	(\$767,823)	72.3%		
	Graduate Medical Education Payments	\$0	\$0	\$0	\$0	#DIV/0!		
	<b>Net Payer Revenue</b>	<b>\$41,292,608</b>	<b>\$41,157,511</b>	<b>\$41,997,853</b>	<b>\$705,245</b>	<b>1.7%</b>	<b>\$742,676</b>	<b>(\$37,431)</b>

<b>Medicaid</b>	<b>Gross Revenue</b>	\$27,865,102	\$26,579,474	\$26,572,404	(\$1,292,698)	-4.6%		
	Contractual Allowances	(\$19,970,352)	(\$19,578,342)	(\$19,240,635)	\$729,717	-3.7%		
	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>\$7,894,750</b>	<b>\$7,001,132</b>	<b>\$7,331,769</b>	<b>(\$562,981)</b>	<b>-7.1%</b>	<b>\$0</b>	<b>(\$562,981)</b>

<b>Medicare</b>	<b>Gross Revenue</b>	\$63,611,761	\$66,517,078	\$68,260,697	\$4,648,936	7.3%		
	Contractual Allowances	(\$37,210,605)	(\$38,052,036)	(\$39,257,541)	(\$2,046,936)	5.5%		
	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>\$26,401,156</b>	<b>\$28,465,042</b>	<b>\$29,003,156</b>	<b>\$2,602,000</b>	<b>9.9%</b>	<b>(\$500,000)</b>	<b>\$3,101,997</b>

<b>Disproportionate Share Payments</b>	\$506,408	\$442,462	\$350,000	(\$156,408)	-30.9%		
<b>Net Payer Revenue</b>	<b>\$506,408</b>	<b>\$442,462</b>	<b>\$350,000</b>	<b>(\$156,408)</b>	<b>-30.9%</b>	<b>\$0</b>	<b>(\$156,408)</b>

<b>Net to Gross Commercial (no dsh)</b>	<b>59.7%</b>	<b>56.1%</b>	<b>58.0%</b>				
<b>Net to Gross Medicaid (no dsh)</b>	<b>28.3%</b>	<b>26.3%</b>	<b>27.6%</b>				
<b>Net to Gross Medicare (no dsh)</b>	<b>41.5%</b>	<b>42.8%</b>	<b>42.5%</b>				
<b>Net to Gross System (no dsh)</b>	<b>47.1%</b>	<b>46.0%</b>	<b>46.8%</b>				

The NPR increase is primarily due to an increase in commercial rates of 3% and increased utilization in Medicare. Medicare shows more favorable reimbursement than was budgeted in 2017 seeing a shift in utilization. Medicaid shows a reduction in reimbursement that needs clarification. 501r regulation change from recent trends will be explained.

Disproportionate share shows a reduction of \$156,400.

## Porter 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>Porter Medical Center Approved Rate</b>	6.00%	5.00%	5.30%	3.70%	
<b>Porter Medical Center Submitted Rate</b>	6.00%	5.00%	5.30%	3.70%	3.00%
Hospital Inpatient Gross Revenue					0.0%
Hospital Outpatient Gross Revenue					0.0%
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	\$ 742,676
	Medicaid	\$ -
	Medicare	\$ (500,000)
	Disproportionate Share	\$ -
	<b>Total Change Due to Rate Request</b>	<b>\$ 242,676</b>

<b>Value of 1% Rate</b>	<b>\$ 247,559</b>
-------------------------	-------------------

Porter has a 0% overall increase but a Commercial rate/price request of 3.0%. The 3.0% will result in increased NPR of \$742,676.

Porter's narrative states there is a disconnect between overall price/rate increase and net revenue change since there is a small percentage of reimbursement affected by price changes. They will explain this at the hearing.

Medicare's negative NPR due to rate will need to be explained.

For Porter, every 1% increase in rate is worth about \$247,559 in net patient revenue.

Fiscal Year 2018 Budget Analysis			Porter Medical Center											
BUDGET TO BUDGET VARIANCES EXPLAINED														
Income Statement	FY2017B	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 Investments	Other	Explained Variance Total
<b>Revenues</b>														
<b>Gross Patient Care Revenue</b>	<b>160,650,501</b>	<b>167,256,350</b>	<b>6,605,849</b>	<b>4.1%</b>										
Disproportionate Share Payments	506,408	350,000	(156,408)											
Bad Debt	(2,460,638)	(3,136,779)	(676,141)											
Free Care	(1,062,113)	(1,829,936)	(767,823)											
Deductions from Revenue	(81,539,237)	(83,956,857)	(2,417,620)											
Graduate Medical Education	0	0	0											
<b>Net Patient Care Revenue - A</b>	<b>76,094,921</b>	<b>78,682,778</b>	<b>2,587,857</b>	<b>3.4%</b>	<b>242,676</b>		<b>3,630,548</b>		<b>(1,443,963)</b>		<b>(156,408)</b>	<b>315,000</b>		<b>2,587,853</b>
Other Operating Revenue	1,986,663	2,510,934	524,271											
<b>Total Operating Revenue</b>	<b>78,081,584</b>	<b>81,193,712</b>	<b>3,112,128</b>											
Salaries Non MD	25,674,202	27,629,889	1,955,687											
Fringe Benefits Non MD	6,890,641	6,944,531	53,890											
Fringe Benefits MD	2,509,842	2,647,134	137,292											
Contracts & Fringes	9,772,972	10,726,723	953,751											
Health Care Provider Tax	4,180,236	4,720,371	540,135											
Depreciation Amortization	3,288,613	3,163,598	(125,015)											
Interest - Long Term	370,255	336,971	(33,284)											
Other Operating Expense	24,640,143	24,893,661	253,518											
<b>Operating Expense</b>	<b>77,326,904</b>	<b>81,062,878</b>	<b>3,735,974</b>	<b>4.8%</b>										
<b>Net Operating Income (Loss)</b>	<b>754,680</b>	<b>130,834</b>	<b>(623,846)</b>	<b>-82.7%</b>										
Non-Operating Revenue	3,047,274	2,935,182	(112,092)											
Over Expense	3,801,954	3,066,016	(735,938)											

Utilization increases explain a large portion of the need for higher NPR. Variable utilization costs, increased FTE's and mid-level FTEs, are all costs related to patient utilization increases as 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.

Unfavorable changes related to disproportionate share and bad debt and free care are offsetting some of the NPR increase. The bad debt and free care assumptions should be explained.

The \$315,000 in Health Reform Investments is described in the narrative.

Fiscal Year 2018 Budget Analysis	Porter Medical Center					Vermont Peers			2017 Almanac of Hospital Financial and Operating Indicators (Optum) FY2015					
	DASHBOARD	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
Net Patient Care Revenue	70,596,270	75,061,496	76,094,921	77,066,147	78,682,778									
Budget to Budget NPR Growth Rate					3.4%	1.8%	3.5%	4.5%						
Three Year NPR CAGR (FY14A - FY17B)					4.5%	2.2%	3.5%	4.1%						
Operating Expense	75,017,499	75,577,275	77,326,904	79,069,778	81,062,878									
Budget to Budget Oper Exp Growth Rate					5%	1.8%	4.2%	4.6%						
Three Year OE CAGR (FY14A - FY17B)					2.5%	3.0%	3.8%	5.2%						
<b>Revenue</b>														
Operating Margin %	-2.4%	1.9%	1.0%	2.3%	0.2%	0.7%	1.7%	2.2%	1.4%		1.4%	3.9%	3.3%	
Total Margin %	2.4%	5.9%	4.7%	6.3%	3.6%	1.8%	2.8%	3.7%	1.7%	-0.6%	1.7%	6.2%	4.2%	
Bad Debt %	2.3%	1.7%	1.5%	2.3%	1.9%	1.0%	1.6%	2.5%	1.6%	5.0%	1.6%	6.2%	3.7%	
Free Care %	0.8%	0.9%	0.7%	1.1%	1.1%	0.6%	0.8%	1.1%	0.4%		0.4%			
<b>Cost</b>														
Cost per Adjusted Admission	11,791	12,172	12,420	12,755	12,844	8,988	10,994	12,687	5,272		5,272	7,604	7,822	
Overhead Expense w/ fringe, as a % of Total Operating Exp	28.2%	29.8%	30.5%	28.6%	29.8%	22.2%	26.8%	32.0%						
<b>Productivity &amp; Utilization</b>														
Acute Admissions	1,536	1,454	1,543	1,446	1,529	1,363	1,764	3,199						
Adjusted Admissions	6,362	6,209	6,226	6,199	6,311	6,360	8,282	15,598						
FTEs Per Adjusted Occupied Bed	7.6	6.8	7.6	7.3	7.9	5.4	5.9	6.7	2.9		2.9	3.2	3.2	
FTEs per 100 Adj Discharges	6.7	6.3	6.7	6.6	7.0	5.0	5.9	6.9	2.5		2.5			
<b>Cash</b>														
Days Cash on Hand	85.8	101.5	84.8	105.2	82.2	90.4	136.6	192.3	24.2	114.9	24.2		116.3	
<b>Capital</b>														
Age of Plant	10.8	11.1	12.0	12.0	12.0	12.1	12.7	14.5	2.4	12.4	2.4	12.4	11.2	
Long Term Debt to Capitalization	33.9%	30.5%	30.2%	28.0%	27.7%	20%	24%	29%	5.5%	22.8%	5.5%		35.3%	
Capital Expenditures to Depreciation	95.1%	83.2%	121.6%	134.0%	140.0%	104%	123%	160%	41%		41%			
<b>Rates Approved</b>														
Approved Commercial Rate per Latest Order	0.0%	0.0%	5.3%	5.3%	0.0%									
CAGR = Compounded Annual Growth Rate														

<b>Fiscal Year 2018 Budget Analysis</b>	<b>Porter Medical Center</b>
---	------------------------------

<b>UTILIZATION &amp; STAFFING</b>	FY2015A	2016 B	FY2016A	FY2017B	FY2017P	FY2018B	<b>2017B-2018B</b>
-----------------------------------	---------	--------	---------	---------	---------	---------	--------------------

<b>UTILIZATION</b>							
--------------------	--	--	--	--	--	--	--

Adjusted Admissions	6,362	6,355	6,209	6,226	6,199	6,311	1.4%
Acute Admissions	1,536	1,613	1,454	1,543	1,446	1,529	-0.9%
Acute Average Length Of Stay	3.2	3.4	3.4	3.2	3.3	3.3	1.4%
All Operating Room Procedure Tests	3,686	4,066	3,862	4,395	4,310	4,248	-3.3%
Emergency Room Visits	209,023	183,612	195,860	195,719	189,978	184,774	-5.6%
Cat Scan, Radiology - Diagnostic Exams	15,374	14,672	15,018	15,196	13,862	14,902	-1.9%
Physician Office & Clinic Visits	30,155	29,912	30,672	32,087	31,034	31,257	-2.6%
	1,021	1,037	1,021	1,012	1,162	1,158	14.4%
	99,287	107,220	102,068	97,862	99,638	100,683	2.9%

<b>STAFFING</b>							
-----------------	--	--	--	--	--	--	--

Non-MD FTEs	424	438	379	402	394	424	23
Travelers, Travelers MD	2	3	11	0	0	1	1
Residents & Fellows	0	0	0	0	0	0	0
MLPs	0	2	14	16	14	20	4
Physician FTEs	34	38	35	36	34	37	1
<b>Total MD and Non MD FTEs</b>	<b>460</b>	<b>481</b>	<b>439</b>	<b>453</b>	<b>442</b>	<b>482</b>	<b>29</b>
Salary per FTE - Non-MD	\$ 57,620	\$ 61,549	\$ 60,314	\$ 61,525	\$ 60,507	\$ 62,190	1.1%
Salary & Benefits per FTE - Non-MD	\$ 75,653	\$ 78,016	\$ 75,833	\$ 78,037	\$ 76,432	\$ 77,821	-0.3%
FTEs Per Adjusted Occupied Bed	7.6	7.4	6.8	7.6	7.3	7.9	3.6%
FTEs per 100 Adj Discharges	6.7	6.9	6.3	6.7	6.6	7.0	5.0%

<b>Comparative Benchmarks</b>							
-------------------------------	--	--	--	--	--	--	--

<b>Vermont System Averages</b>							
Salary & Benefits per FTE - Non-MD	\$ 80,704	\$ 82,457	\$ 81,921	\$ 83,669	\$ 85,414	\$ 85,010	1.6%
FTEs Per Adjusted Occupied Bed	5.7	5.8	5.7	6.1	5.9	6.0	-1.4%
FTEs per 100 Adj Discharges	7.2	7.5	7.0	7.5	7.5	7.7	2.3%

Overall utilization as measured by adjusted admissions shows slight change over budget 2017 and current year projections. However, acute admissions, operating room procedures and other services are decreasing. The increase in physician visits and exams are related to the new programs in Express Care and Infusion services.

The productivity measures and cost per unit are moving unfavorably. This suggests that the staffing increases for mid-levels and non MDs are not all related to utilization change alone. The staffing changes in their narrative suggests less FTEs for 2018 than shown in their submitted budget. Porter should explain.

Salaries for non- MD FTEs are budgeted to increase 1.1%. Both the inflation assumption and the need for all the FTEs should be discussed.

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



**Fiscal Year 2018 Budget Analysis**

**Porter Medical Center**

BALANCE SHEET	2013 A	2014A	FY2015A	FY2016A	FY2017B	FY2017P	FY2018B
<b>Cash &amp; Investments</b>	\$ 7,934,083	\$ 11,294,135	\$ 11,950,916	\$ 14,497,053	\$ 11,736,851	\$ 16,166,946	\$ 11,828,840
Other Current Assets	14,952,380	16,085,723	14,192,808	13,791,309	14,020,570	15,533,291	15,403,573
<b>Current Assets</b>	<b>22,886,463</b>	<b>27,379,858</b>	<b>26,143,724</b>	<b>28,288,362</b>	<b>25,757,421</b>	<b>31,700,237</b>	<b>27,232,413</b>
Board Designated Assets	3,798,204	4,122,619	4,941,998	5,718,274	5,470,135	5,841,659	5,720,011
Net, Property, Plant And Equipment	24,139,639	20,905,488	20,947,612	19,849,135	21,097,124	19,191,917	21,672,230
Other Long-Term Assets	4,228,196	3,778,203	3,682,969	3,336,075	3,803,628	3,375,348	3,363,544
<b>Assets</b>	<b>\$ 55,052,502</b>	<b>\$ 56,186,168</b>	<b>\$ 55,716,303</b>	<b>\$ 57,191,846</b>	<b>\$ 56,128,308</b>	<b>\$ 60,109,161</b>	<b>\$ 57,988,198</b>
<b>Current Liabilities</b>	<b>\$ 12,465,465</b>	<b>\$ 12,131,162</b>	<b>\$ 10,192,884</b>	<b>\$ 10,021,493</b>	<b>\$ 11,568,311</b>	<b>\$ 10,990,078</b>	<b>\$ 12,238,262</b>
Long Term Liabilities	14,435,104	13,586,633	13,016,798	12,025,825	11,466,138	11,638,938	10,867,147
Other Noncurrent Liabilities	3,773,637	4,578,000	6,010,209	6,943,114	6,299,403	6,919,017	6,422,318
<b>Fund Balance</b>	<b>24,378,296</b>	<b>25,890,373</b>	<b>26,496,412</b>	<b>28,201,414</b>	<b>26,794,456</b>	<b>30,561,128</b>	<b>28,460,471</b>
<b>Liabilities and Equities</b>	<b>\$ 55,052,502</b>	<b>\$ 56,186,168</b>	<b>\$ 55,716,303</b>	<b>\$ 57,191,846</b>	<b>\$ 56,128,308</b>	<b>\$ 60,109,161</b>	<b>\$ 57,988,198</b>

**Porter Medical Center**

Days Cash on Hand	66.0	83.7	85.8	101.5	84.8	105.2	82.2
Long Term Debt to Capitalization	38.5%	35.3%	33.9%	30.5%	30.2%	28.0%	27.7%
Debt Service Coverage Ratio	2.9	2.3	1.8	4.1	4.0	4.4	3.2

**Comparative Benchmarks**

**Vermont System Averages**

Days Cash on Hand	161.23	176.33	178.53	183.26	165.81	186.20	166.60
Long Term Debt to Capitalization	32.8%	29.7%	27.6%	30.5%	29.6%	31.1%	29.5%
Debt Service Coverage Ratio	2.9	2.3	1.8	4.1	4.0	4.4	3.2

**U.S. Benchmarks**

**Northeast CAH**

Days Cash on Hand	94.30	99.30	114.90	0.00	0.00	0.00	0.00
Long Term Debt to Capitalization	28.8%	27.1%	22.8%	0.00	0.00	0.00	0.00
Debt Service Coverage Ratio	3.70	4.40	1.60	0.00	0.00	0.00	0.00

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

When cash is compared to Vermont's Critical Access hospitals, PMC is one of the lowest.

Board designated assets are improving in recent years. Long term debt is decreasing as expected. The fund balance is at recent levels.

**Note: Porter has found they need to resubmit their balance sheet, as some of the accounts were incorrect. Their days cash in hand will be approximately 100.6 rather than 82.2.**

CAPITAL BUDGET	2014A	FY2015A	FY2016A	FY2017B	FY2017P	FY2018B	2019 Plan	2020 Plan	2021 Plan
Non-Certificate of Need Capital Plans Total	\$ 1,551,918	\$ 3,019,293	\$ 2,388,030	\$ 4,000,000	\$ 3,669,104	\$ 4,428,704	\$ 5,400,000	\$ 6,480,000	\$ 7,000,000
Certificate of Need Capital Plans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,000,000
Total Capital Purchases	\$ 1,551,918	\$ 3,019,293	\$ 2,388,030	\$ 4,000,000	\$ 3,669,104	\$ 4,428,704	\$ 5,400,000	\$ 6,480,000	\$ 32,000,000

**Copley Hospital**

Age of Plant	6.7	10.8	11.1	12.0	12.0	12.0
Capital Expenditures to Depreciation	34.5%	95.1%	83.2%	121.6%	134.0%	140.0%
Capital Cost % of Total Expense	6.8%	4.6%	4.3%	4.7%	3.9%	4.3%

**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	11.3	12.4	-	-	-	-	-	-
Capital Expenditures to Depreciation	0.0%	-	-	-	-	-	-	-
Capital Cost % of Total Expense	5.8%	4.5%	-	-	-	-	-	-

The overall capital budget of \$4.4 million has remained steady in recent years. The age of plant has been trending higher but remains (favorable) compared to the Vermont median. Capital cost as % of the budget reflect favorable peer comparison values.

The major investments for 2018 include radiology/fluoroscopy unit and OR bed upgrades and plant and facility improvements as described in the narrative. CONs are planned for the periods 2019-2022 for a medical office building, CAT scan unit and mammography upgrade. A large CON investment for \$25 million is budgeted in 2021.