



# Rutland Regional Medical Center

*Fiscal 2016*

*Net Patient Revenue Analysis*



**Rutland Regional Medical Center**

*An Affiliate of Rutland Regional Health Services*



## *Summary*

■ Net Revenue Over \$10.2 million

Two Big Pieces:

- Market Share \$5.6 million
- Bad Debt \$3.9 million

■ Reduced /Reducing pricing three times

- ① \$5.4 million – effective April 2016
- ② \$1.4 million – effective October 2016
- ③ \$1.1 million – Planned in May 2017

■ 2017 Budget right on target



## 2016 Actual Results

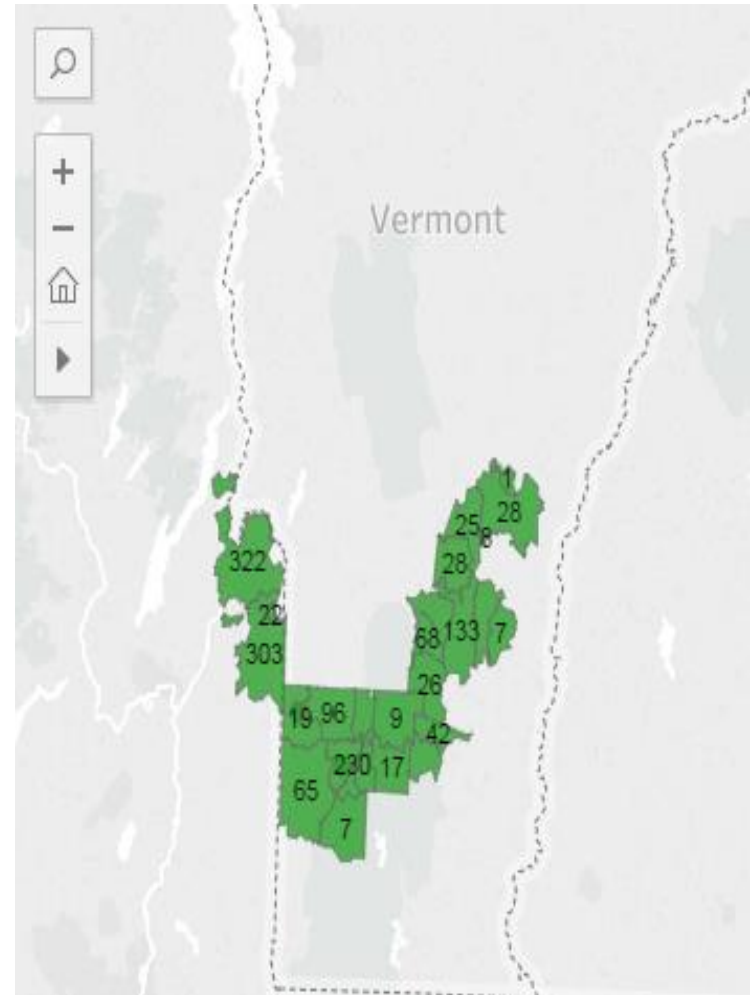
2016 Actual Results				
	Actual	Budget	Variance	
Net Patient Care Revenue	\$ 245,822,952	\$ 235,621,145	\$ 10,201,807	
Other Operating Revenue	\$ 8,598,283	\$ 9,938,846	\$ (1,340,563)	
Total Revenue	\$ 254,421,235	\$ 245,559,991	\$ 8,861,244	
Total Operating Expenses	\$ 243,642,860	\$ 239,451,311	\$ 4,191,549	
Net Operating Income	\$ 10,778,375	\$ 6,108,680	\$ 4,669,695	

2016 Actual Results by Category					
	Utilization	Changes in Bad Debt	DSH	Other	Total
Net Patient Care Revenue	\$ 5,855,010	\$ 3,942,389	\$ 404,408		\$ 10,201,807
Other Operating Revenue				\$ (1,350,563)	\$ (1,350,563)
Total Revenue					
Total Operating Expenses	\$ 3,658,750		\$ 532,799		\$ 4,191,549
Net Operating Income	\$ 2,196,260	\$ 3,942,389	\$ (128,391)	\$ (1,350,563)	\$ 4,659,695



# Utilization: Inpatient Volume Trends – Secondary Market

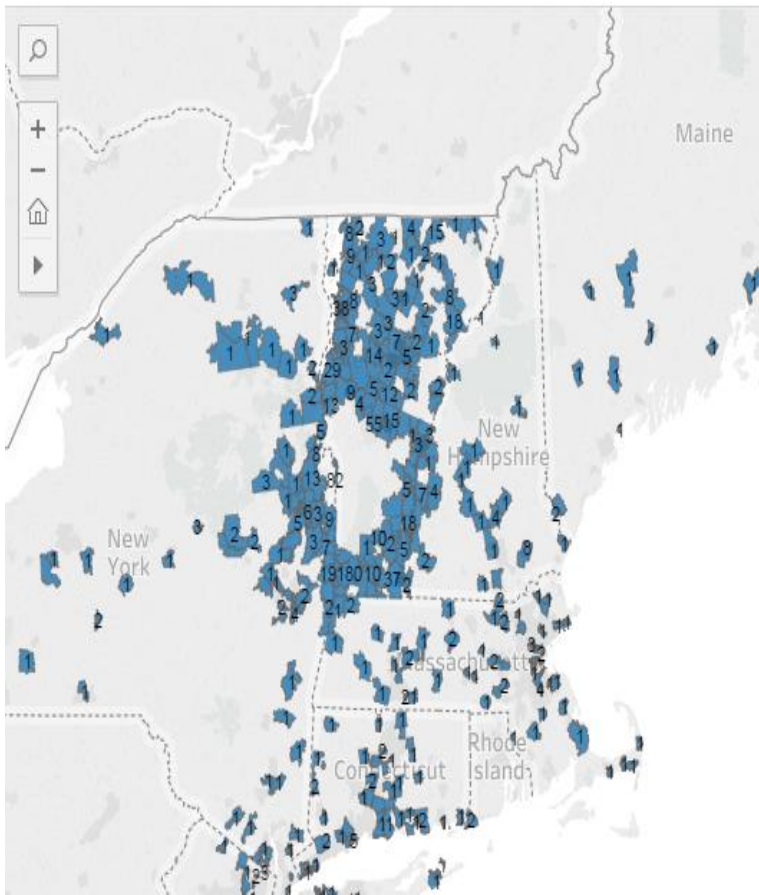
DRG Family	DRG Family Description	Avg Charge	Growth	
			Volume	Gross Revenue
469 - 470	MAJOR JOINT REPLACEMENT OR REATTACHMENT OF LOWER EXTREMITY	\$ 56,805	32	\$ 1,817,764
870 - 872	SEPTICEMIA OR SEVERE SEPSIS	\$ 69,661	12	\$ 835,928
483	MAJOR JOINT/LIMB REATTACHMENT PROCEDURE OF UPPER EXTREMITIES	\$ 58,008	5	\$ 290,040
242 - 244	PERMANENT CARDIAC PACEMAKER IMPLANT	\$ 49,691	5	\$ 248,456
668 - 670	TRANSURETHRAL PROCEDURES	\$ 31,683	6	\$ 190,099
391 - 392	ESOPHAGITIS, GASTROENT & MISC DIGEST DISORDERS	\$ 21,046	9	\$ 189,416
180 - 182	RESPIRATORY NEOPLASMS	\$ 33,739	4	\$ 134,957
602 - 603	CELLULITIS	\$ 23,543	5	\$ 117,715
291 - 293	HEART FAILURE & SHOCK	\$ 22,833	5	\$ 114,166
551 - 552	MEDICAL BACK PROBLEMS	\$ 22,564	5	\$ 112,819
100 - 101	SEIZURES	\$ 24,813	4	\$ 99,250
542 - 544	PATHOLOGICAL FRACTURES & MUSCULOSKELET & CONN TISS MALIG	\$ 31,117	3	\$ 93,350
867 - 869	OTHER INFECTIOUS & PARASITIC DISEASES DIAGNOSES	\$ 30,883	3	\$ 92,649
539 - 541	OSTEOMYELITIS	\$ 28,409	3	\$ 85,227
765 - 766	CESAREAN SECTION	\$ 24,174	3	\$ 72,521
562 - 563	FX, SPRN, STRN & DISL EXCEPT FEMUR, HIP, PELVIS & THIGH	\$ 23,978	3	\$ 71,933
341 - 343	APPENDECTOMY W/O COMPLICATED PRINCIPAL DIAG	\$ 22,136	3	\$ 66,408
314 - 316	OTHER CIRCULATORY SYSTEM DIAGNOSES	\$ 20,150	3	\$ 60,449
299 - 301	PERIPHERAL VASCULAR DISORDERS	\$ 18,287	3	\$ 54,860
202 - 203	BRONCHITIS & ASTHMA	\$ 12,914	3	\$ 38,742
				\$ 4,786,751
				Estimated Contractual Allowance \$ (2,384,044)
				<b>Estimated Net Patient Service Revenue \$ 2,402,706</b>





# Utilization:

## Inpatient Volume Trends: Other VT & Out of State



DRG Family	DRG Family Description	Avg Charge	Growth	
			Volume	Gross Revenue
469 - 470	MAJOR JOINT REPLACEMENT OR REATTACHMENT OF LOWER EXTREMITY	\$ 56,805	63	\$ 3,578,723
459 - 460	SPINAL FUSION EXCEPT CERVICAL	\$ 95,074	6	\$ 570,446
870 - 872	SEPTICEMIA OR SEVERE SEPSIS	\$ 69,661	7	\$ 487,625
064 - 066	INTRACRANIAL HEMORRHAGE OR CEREBRAL INFARCTION	\$ 34,949	6	\$ 209,695
207 - 208	RESPIRATORY SYSTEM DIAGNOSIS W VENTILATOR SUPPORT	\$ 82,323	2	\$ 164,646
881	DEPRESSIVE NEUROSES	\$ 20,383	8	\$ 163,064
463 - 465	WND DEBRID & SKN GRFT EXC HAND, FOR MUSCULO-CONN TISS DIS	\$ 68,975	2	\$ 137,949
438 - 440	DISORDERS OF PANCREAS EXCEPT MALIGNANCY	\$ 23,411	5	\$ 117,054
291 - 293	HEART FAILURE & SHOCK	\$ 22,833	5	\$ 114,166
510 - 512	SHOULDER, ELBOW OR FOREARM PROC, EXC MAJOR JOINT PROC	\$ 35,696	3	\$ 107,089
308 - 310	CARDIAC ARRHYTHMIA & CONDUCTION DISORDERS	\$ 21,256	4	\$ 85,023
492 - 494	LOWER EXTREM & HUMER PROC EXCEPT HIP, FOOT, FEMUR	\$ 38,506	2	\$ 77,011
643 - 645	ENDOCRINE DISORDERS	\$ 24,967	3	\$ 74,902
515 - 517	OTHER MUSCULOSKELET SYS & CONN TISS O.R. PROC	\$ 37,057	2	\$ 74,113
133 - 134	OTHER EAR, NOSE, MOUTH & THROAT O.R. PROCEDURES	\$ 36,352	2	\$ 72,703
922 - 923	OTHER INJURY, POISONING & TOXIC EFFECT DIAG	\$ 23,620	3	\$ 70,859
190 - 192	CHRONIC OBSTRUCTIVE PULMONARY DISEASE	\$ 18,697	3	\$ 56,090
082 - 087	TRAUMATIC STUPOR & COMA	\$ 21,214	2	\$ 42,428
314 - 316	OTHER CIRCULATORY SYSTEM DIAGNOSES	\$ 20,150	2	\$ 40,299
794	NEONATE W OTHER SIGNIFICANT PROBLEMS	\$ 5,892	6	\$ 35,354
				\$ 6,279,240
			Estimated Contractual Allowance	\$ (3,016,977)
			<b>Estimated Net Patient Service Revenue</b>	<b>\$ 3,262,264</b>



## ***Utilization NPR Overrun***

Total Overrun Utilization \$5.8 million

Utilization from Markets Outside Rutland

Secondary Market \$2.4 million

Other VT and Out of State \$3.2 million

Market Share increase primarily orthopedic volume



## ***Bad Debt: Net Patient Revenue***

Net Patient Revenue Overrun related to Bad Debt \$3.9 million

April 2017: Proposed Rate Reduction (Pharmaceuticals) \$1.1 million

One Time Change in Methodology \$900,000

Annualized April 2016 Rate Reduction \$2.6 million



## ***Continued Rate Reduction Impacts***

- Rate reduction effective on April 8, 2016
  - ❖ 2017 Actual Impact:
    - ❖ As of February: \$7.8 million gross revenue / \$2.2 million net revenue
    - ❖ Annualized: \$18.7 million gross revenue / \$5.4 million net revenue
  
- Rate reduction effective on October 1, 2016
  - ❖ 2017 Actual Impact:
    - ❖ As of February: \$2.4 million gross revenue / \$600,000 net revenue
    - ❖ Annualized: \$5.7 million gross revenue / \$1.4 million net revenue





## *Impact of 2016 Rate Reductions in 2017*

### Year To Date – February 2017

#### **2017 Actual Results**

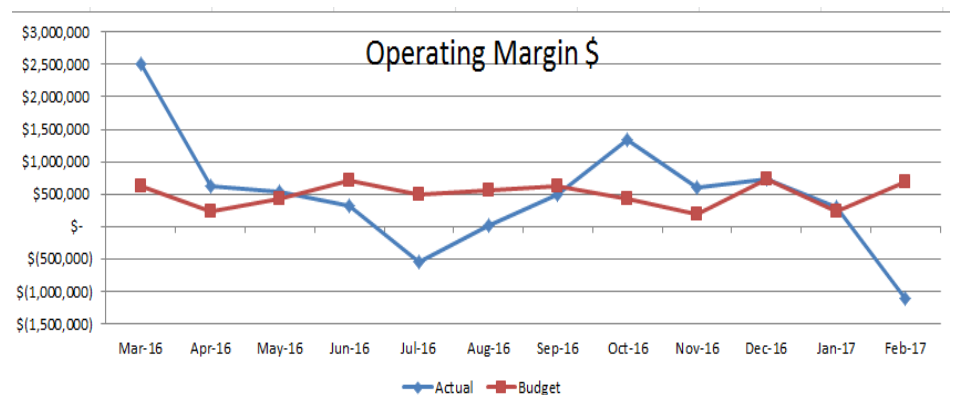
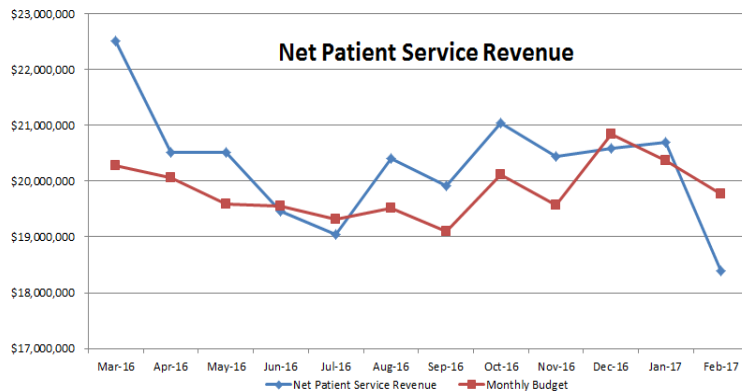
	Actual	Budget	Variance
Net Patient Care Revenue	\$ 101,152,660	\$ 100,666,458	\$ 486,202
Other Operating Revenue	\$ 4,304,948	\$ 4,284,861	\$ 20,087
Total Revenue	\$ 105,457,608	\$ 104,951,319	\$ 506,289
Total Operating Expenses	\$ 103,594,159	\$ 102,690,831	\$ 903,328
Net Operating Income	\$ 1,863,449	\$ 2,260,488	\$ (397,039)



# Validation of the 2016 Rate Reduction

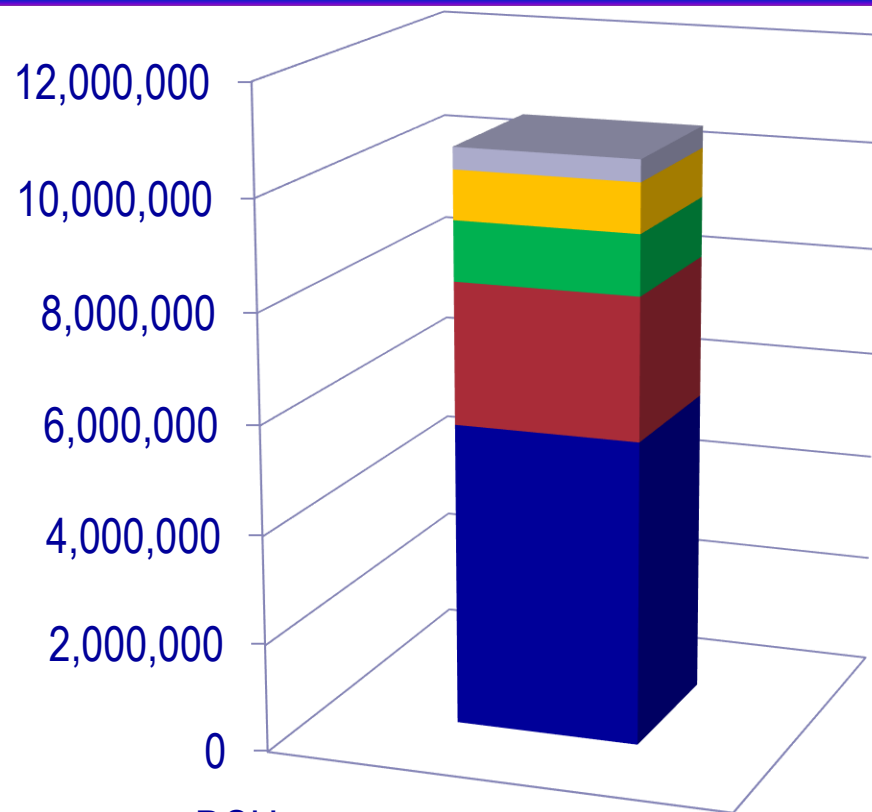
## ■ Rate Reduction Aligns 2107 Actual Performance with budget

- As of February 2017, actual results are:
  - ◆ Net Patient Service Revenue within \$500,000 of budget
  - ◆ Current operating margin slightly below budget 1.8%
- Further rate reductions would drive operating margin deficits





# Recap: 2016 Results by Category



■ DSH

■ One Time Accounting Change

■ 2017 Rate Reduction

■ 2016 Annualized Rate Reduction

■ Market Share

■ Utilization \$5.8 million

- Market Share Primary and Secondary Area

■ Bad Debt \$3.9 million

- \$1.1 million reduction in pharmaceuticals
- One-time adjustment in 2016 of \$900,000
- Annualized April 2016 Rate reduction would have decreased net revenue by another \$2.6 million

■ DSH \$400,000

- Offset by increase expenses of \$500,000



## ***Future Considerations***

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- Investment in Healthcare Reform
  - ACO Investments
  - Risk Contracts anticipated for 1/1/18



## ***HEALTH CARE REFORM - National***

- Repeal and Replace Fails in House
  - Could it re-emerge anytime soon?
  
- Push Affordable Care Act off the Cliff?
  - Further Destabilize Exchanges
    - No advertising for enrollment
    - IRS not enforcing individual mandate
    - Not fund cost sharing
    - Not make other regulatory changes
  
  - Limit Medicaid expansion by limiting benefits



## ***Possible Retribution For Health Providers***

- Medicare reimbursement cuts
- 340b cuts
- Medicaid DSH cuts
- No regulatory relief



## ***Proposed Plan for 2017/2018***

- Continue to trend market share patterns
  
- Post \$1.1 million reduction to targeted pharmaceuticals on May 1, 2017
  
- Keep the April 2016 and October 2016 rate reduction in place
  - Annual rate reduction impact:
    - ◆ \$24.1 million gross revenue / \$6.8 million net revenue
  
- Continue to be actively involved in State and Federal Reform
  - Continue Partnership with ACO to evaluate at risk contracts
  - Continue to actively participate in federal policy through American Hospitals Assoc.



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