

# HROC Presentation on Hospital Budgets

Vermont Association of  
Hospitals and Health Systems

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# Agenda

- ▶ Overview of Hospital Income Statement
  - ▶ Gross Revenue, Net Revenue, Total Operating Expenses, Excess or Loss
- ▶ FY 2015 Hospital Specific Net Revenue Variance
- ▶ FY 2015 Hospital Specific Inco
- ▶ Questions

# Overview of Hospital Income Statement:

## Step 1: Calculate Net Patient Revenue

Gross Patient Revenues (what providers charge for services regardless of payer)

- Subtract - Bad Debt (unpaid patient bills)
- Free Care (provided under charitable care policy)
- Deductions from Revenue (what payers DON'T allow from charges)
- + Disproportionate Share (DSH) Payments (for uncompensated care AND Medicaid)
- + Graduate Medical Education Payments (academic medical centers only)

Equals: Net Patient Revenue (What hospitals are paid for patient care services)

**Net Patient revenue is not “Surplus” it is not “Net” of patient care expenses**

# Overview of Hospital Income Statement (Continued):

## Step 2: Calculate Net Operating and Total Operating Income or loss

Net patient revenue (what hospitals are paid for patient care services)

+ Other Operating Revenue (cafeteria, parking etc.)

= Total Operating Revenue

- Total Operating Expense (Nurses, pharmaceuticals, medical supplies etc.)

= Net Operating Income or loss (Margin from operations)

+ Non-Operating Revenue (Interest on investments)

= Total Operating Excess or Loss (Total Margin)

# Vermont Hospital Specific FY 2015 Net Revenue Variance

Estimated Surplus on Dollars Associated with Net Revenue Excess over the .5% Variance Threshold				
	2015 Net Revenue			.5% Revenue
	Budget	Actual	Variance	Variance
Brattleboro Memorial	\$ 71,284,572	\$ 75,742,920	\$ 4,458,348	\$ 356,423
Central Vermont Medical Center	\$ 166,221,844	\$ 173,990,659	\$ 7,768,815	\$ 831,109
Copley	\$ 59,600,484	\$ 63,464,436	\$ 3,863,952	\$ 298,002
Gifford	\$ 57,753,248	\$ 53,896,728	\$ (3,856,520)	\$ (288,766)
Grace Cottage	\$ 17,980,282	\$ 16,038,766	\$ (1,941,516)	\$ (89,901)
Mt. Ascutney	\$ 48,508,891	\$ 45,514,515	\$ (2,994,376)	\$ (242,544)
North Country Hospital	\$ 73,586,146	\$ 73,297,094	\$ (289,052)	\$ (367,931)
Northeastern Vermont	\$ 65,324,117	\$ 65,548,594	\$ 224,477	\$ 326,621
Northwestern Medical Center	\$ 90,795,885	\$ 97,798,763	\$ 7,002,878	\$ 453,979
Porter	\$ 72,696,910	\$ 70,596,270	\$ (2,100,640)	\$ (363,485)
Rutland Regional	\$ 224,138,940	\$ 228,328,637	\$ 4,189,697	\$ 1,120,695
Southwestern	\$ 139,041,542	\$ 142,769,168	\$ 3,727,626	\$ 695,208
Springfield	\$ 54,360,014	\$ 55,926,090	\$ 1,566,076	\$ 271,800
UVMHC	\$ 1,087,767,762	\$ 1,115,357,666	\$ 27,589,904	\$ 5,438,839
<b>Total</b>	<b>\$ 2,229,060,637</b>	<b>\$ 2,278,270,306</b>	<b>\$ 49,209,669</b>	<b>\$ 8,440,048</b>

# Vermont Hospital Specific FY 2015 Income Statement Results

## Vermont Hospital - FY 2015 Income Statement

	A	B	C	D	E = D - C	F	G = F - E	H = E / C
	Gross	Net	Total Operating Revenue	Total Operating Expense	Net Operating Income	Non Operating Revenue	Margin/(Loss)	Operating Margin
Brattleboro Memorial	\$153,068,995	\$75,742,920	\$78,669,021	\$76,473,143	\$2,195,878	\$1,020,455	\$3,216,333	2.79%
Central Vermont Medical Center	\$332,365,981	\$173,990,659	\$186,201,600	\$180,875,428	\$5,326,172	\$1,206,103	\$6,532,275	2.86%
Copley	\$109,268,829	\$63,464,436	\$64,873,517	\$60,870,560	\$4,002,957	\$649,315	\$4,652,272	6.17%
Gifford	\$110,199,633	\$53,896,728	\$56,933,619	\$55,368,184	\$1,565,435	\$3,192,123	\$4,757,558	2.75%
Grace Cottage	\$22,650,537	\$16,038,766	\$16,958,824	\$18,614,414	(\$1,655,590)	\$943,756	(\$711,834)	-9.76%
Mt. Ascutney	\$83,434,613	\$45,514,515	\$47,924,232	\$49,097,805	(\$1,173,573)	(\$303,003)	(\$1,476,576)	-2.45%
North Country Hospital	\$166,223,234	\$73,297,094	\$80,478,650	\$77,634,509	\$2,844,141	(\$1,384,871)	\$1,459,270	3.53%
Northeastern Vermont	\$131,890,992	\$65,548,594	\$66,841,136	\$65,373,391	\$1,467,745	(\$1,099,487)	\$368,258	2.20%
Northwestern Medical Center	\$189,773,212	\$97,798,763	\$103,563,933	\$93,499,518	\$10,064,415	(\$1,865,700)	\$8,198,715	9.72%
Porter	\$141,734,183	\$70,596,270	\$73,268,921	\$75,017,499	(\$1,748,578)	\$3,610,111	\$1,861,533	-2.39%
Rutland Regional	\$493,394,512	\$228,328,637	\$237,604,575	\$233,196,542	\$4,408,033	(\$492,377)	\$3,915,656	1.86%
Southwestern	\$295,170,198	\$142,769,168	\$145,512,579	\$140,305,386	\$5,207,193	(\$5,187)	\$5,202,006	3.58%
Springfield	\$119,561,775	\$55,926,090	\$57,893,638	\$55,629,486	\$2,264,152	(\$2,699,949)	(\$435,797)	3.91%
UVMMC	\$2,475,195,109	\$1,115,357,666	\$1,202,927,157	\$1,127,327,647	\$75,599,510	(\$23,681,502)	\$51,918,007	6.28%
	\$4,823,931,803	\$2,278,270,306	\$2,419,651,402	\$2,309,283,512	\$110,367,890	(\$20,910,214)	\$89,457,676	4.56%

# Questions: How did Excess Revenue Happen?

- ▶ Key to recognize that there is a different answer for each organization

## Drivers of Variance:

- ▶ Bad Debt and Free Care
  - First year estimating payer shifts on exchange;
  - More “take-up” in Medicaid enrollment than initial estimated, system wide favorable variance of \$46.5 million.
- ▶ Increased patient service volume
  - ▶ Increased volume comes with operating cost that range from 50% to 80% of the net revenue.
- ▶ Medicare Hospital Specific Designation
  - ▶ Medicare Dependent Hospital

All Payer model will help to eliminated revenue variation; more attribution equals greater predictability

## Questions: Where did Excess Revenue Go?

- ▶ Investment in population health
- ▶ Reductions to hospital gross charges
  - ▶ FY 2016 Mid year reduction
  - ▶ FY 2017 Actual 1.8% increase lowest ever fee increase

# Questions?

