



# Rutland Regional Medical Center

160 Allen Street, Rutland, VT 05701 | 802.775.7111 | www.RRMC.org

Julia Shaw, Health Care Policy Analyst  
Vermont Legal Aid, Inc.  
Office of the Health Care Advocate  
264 North Winooski Avenue  
Burlington, VT 05401

August 9, 2019

Dear Ms. Shaw:

In responses to your July 26th correspondence, below please find responses to your observations of our Fiscal 2020 Hospital Budget.

If you have additional questions or would like to discuss the content in further detail, please let me know.

Judi K. Fox  
CFO  
Attachments

Cc: Claudio Fort

- **Please provide your budgeted changes in utilization by payer and service category (e.g., inpatient, outpatient, professional).**

This answer can be found in Appendix VI, Table 1.

- **Commercial Charge/Rate Change and Net Patient Revenue:**

- a) **Please explain in detail how you plan to implement your commercial charge rate change, if applicable**

This answer can be found in Appendix VIII.

- b) **What is your anticipated commercial charge/rate change for each service area (e.g., inpatient, outpatient, professional).**

This answer can be found in Appendix VIII.

- c) **What commercial utilization assumptions for each service area were used to determine how the commercial charge/rate change translates to the commercial net patient revenue change included in your budget?**

This answer can be found in Appendix VI.

- i. **Do these utilization assumptions align with those in the Green Mountain Care Board's 2020 Vermont Health Connect rate filings? If no, please explain the differences.**

RRMC provided the Green Mountain Care Board with their Fiscal 2020 Budget in June as required. We've outlined our utilization assumptions independent of Blue Cross and MVP rate filings. We are unsure if the GMCB has provided individual hospitals utilization information to MVP & Blue Cross.

- **Pharmacy Costs:**

- a) **Please provide your budgeted medical pharmacy trend for commercial payers, separated by unit cost and utilization.**

Pharmacy trends overall are difficult to categorize between inflationary cost and utilization due to a number of factors.

- the continual introduction of new pharmaceuticals to market
- increased utilization of existing products
- differences in dispensing dosage which impacts unit cost and utilization

On average we have assumed a 6% inflation and utilization increase in our pharmaceutical spend.

**b) Please separate any change in unit cost by expense (cost of obtaining the drug) and profit margin.**

We base our pharmacy charges on average wholesale price. We have not made any changes to our charge tiering structure that we use to determine patient charge amount. New medications are routinely added to the formulary based on the average wholesale price and existing medications are repriced annually.

We are unable to calculate pharmaceutical profit margin by drug, as many drugs are bundled into services and not separately reimbursable by state and federal payers.

Refer to response to Question 3c.

**c) How does the hospital determine its profit margin for each drug (e.g., flat fee, percent of cost)?**

RRMC is not able to provide profitability based on a single service or service line. Based on healthcare industry claim submission, payment systems and associated standard governmental and commercial payer processing, payment is not made at the line item service level. See the sample industry standard payment voucher.

The Medicare payment to RRM C for hospital services is received with the information below.

TOTAL CHGS	DRG NUM	COVD CHGS	COINSURANCE	CONTRACT ADJ
OTHER PAY	DRG AMOUNT	NCOVD CHGS	COPAYMENT	REIMB RATE
COST OUTLIER	DRG OPR AMT	DENIED CHGS	DEDUCTIBLE	HCPCS AMOUNT
MSP PAYMENT	DRG CAP AMT	MISC ADJ	PAT OTHER RESP	PAYMENT AMT
31,143.03	470	31,143.03	0.00	13,465.69
0.00	18,010.76	0.00	0.00	0.00
0.00	9,434.64	0.00	1,340.00	0.00
0.00	767.61	0.00	0.00	16,337.34

The Medicare Payment to RRM C for the Physician Surgical Fee is received with the information below.

TOTAL CHGS	DRG NUM	COVD CHGS	COINSURANCE	CONTRACT ADJ
OTHER PAY	DRG AMOUNT	NCOVD CHGS	COPAYMENT	REIMB RATE
COST OUTLIER	DRG OPR AMT	DENIED CHGS	DEDUCTIBLE	HCPCS AMOUNT
MSP PAYMENT	DRG CAP AMT	MISC ADJ	PAT OTHER RESP	PAYMENT AMT
5,420.00		0.00	243.21	4,080.24
0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	143.17	0.00
0.00	0.00	0.00	0.00	953.38

The Medicare Payment to RRM C for the Assistant Surgeon Fee is received with the information below

TOTAL CHGS	DRG NUM	COVD CHGS	COINSURANCE	CONTRACT ADJ
OTHER PAY	DRG AMOUNT	NCOVD CHGS	COPAYMENT	REIMB RATE
COST OUTLIER	DRG OPR AMT	DENIED CHGS	DEDUCTIBLE	HCPCS AMOUNT
MSP PAYMENT	DRG CAP AMT	MISC ADJ	PAT OTHER RESP	PAYMENT AMT
1,369.00		0.00	36.54	1,189.20
0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	143.26

- How would you approach splitting your expenses into medical, administrative, and other categories?

Medical – All revenue producing departments

Administrative – All support departments including Administrative and General

Other – CHCRR Subsidy, Medicaid DPS Tax Assessment, Depreciation Expense, Interest and Bond expense