



Gifford Medical Center

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July 4, 2017

Green Mountain Care Board
89 Main Street
Montpelier, VT 05620 -3101

Dear Mr. Pallito,

This letter serves to provide you with a narrative summary of Gifford Medical Center's FY2018 budget. We have also provided the oath, CHNA, Schedule H documents and completed the online budget spreadsheets. Gifford Medical Center utilizes a Five Year Planning Tool which provides a Profit and Loss Statement, Balance Sheet, Statistics, etc. We use this tool to help complete the budget forms. The projections for our budget are based on historical data, current experience, changes in service delivery, and ongoing operational improvements. This budget was submitted to and approved by the Gifford Medical Center Board of Trustees.

Revenue Assumptions

Utilization is driven by physicians, available services and available staff. Stable staffing, improvements of existing technology and services, and consistent management is allowing us to appropriately meet the needs of the community.

Inpatient services saw a decrease from what was budgeted for FY 2017. Gifford is expecting current volumes to remain stable into FY 2018.

On the Outpatient lines of business, Gifford is expecting overall 2018 budgeted volumes to be below that of the 2017 budgeted volumes. The area in which increases are expected is Lab, Physical Therapy, and Radiology. All other areas are budgeted at or below 2017 budgeted expectations. The clinical areas are showing a slight decline in visits due to the transition to a new EMR system.

Our rate increase is a calculation resulting from our annual budget process and budget expectations. Volumes are determined at a detailed level. Staff calculates the expenses associated with the volume change relative to inflation, staffing, etc. Our reimbursement levels are analyzed based on history. An appropriate margin on operations and non-operating revenue levels are determined. The rate increase then becomes an exercise of projecting this year's prices plus a percent increase using next year's volume, expenses, and reimbursement levels to end up at the intended operations margin. We are implementing a 4.0% rate increase.

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Deductions from Revenue

Affordable Care as a percentage is being budgeted at .4% of GPR. Gifford Affordable Care is an application-driven process based on income, family size and extenuating circumstances. We endeavor to be “payer of last resort” relative to settlements, accidents, and other such matters.

In total Contractual Allowances are budgeted at Fiscal Year 2017 levels. Gifford is expecting a shift in payer from Medicaid to Medicare due to the aging Medicaid population. This is reflected in the Rate Schedule provided. Gifford does not expect a change in reimbursement from Medicaid.

Bad Debt as a percentage will come in at 2.5% versus 2.4% for budget FY 2017. Gifford assists patients to be sure they receive the financial assistance they need, including setting up affordable payment plans.

Net Patient Revenue

Gifford is within the agency’s expectations relative to Net Revenue growth.

Other Operating Revenue

Annually, we eliminate all income that is not contracted and locked down. We remove all expenses and revenue from grants, “Rental” employees, and the like. We do not expect that there will be any marked change in the rental space arrangements that we have beyond inflationary. Cafeteria and Daycare revenue will increase on an inflationary basis.

Operating Expense

Gifford’s Total Operating Expense shows a 1.7% increase over 2017 budgeted. For FY 2018 Gifford has a budget increase in wages of 3.0% for both merit and market. Given that some of these monies will be directed towards market adjustments, staff will be receiving less than this (3.0%) as a salary adjustment. FTE’s are decreasing in total by 8.8, most of which are coming from the General Services area. Health benefits are increasing slightly at 2.0% while all other areas will remain flat. Workers Compensation will decrease by 3.5% due to a change in vendors. Pharmacy is expecting an increase due to the changing prices of pharmaceuticals. With the expected increase in Lab tests, there is a budgeted increase in send out for specimen reads.

Non-Operating Revenue

We are expecting \$850,000 from development efforts and moderate gains in the stock market for our investments.



Gifford continues to try to maintain its financial ratios at the small hospital; BBB levels. This will continue to positively affect, to some degree, our interest costs to build a reasonable level of funded depreciation, and to provide a solid base for an uncertain future. Please contact me with any questions or concerns.

Thank you.

Sincerely,

Jeff Hebert
Vice President of Finance
Gifford Medical Center
(802) 728-2356

cc: Daniel Bennett, CEO

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