



## Gifford Medical Center

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March 4, 2019

Kevin Mullin, Chairman  
Green Mountain Care Board of Vermont  
144 State Street  
Montpelier, VT 05602

Dear Chairman Mullin,

I am writing in response to the Green Mountain Care Board's (GMCB) request for additional information regarding Gifford Medical Center's (GMC) fiscal year (FY) 2019 budget modification request. Please see our response to the four items contained in Lori Perry's e-mail on February 27, 2019.

1. As noted in the February 14, 2019 letter, total expenses at GMC over the first quarter of FY 2019 were \$1.2 million lower than over the same period in FY 2018. We have updated and attached our Cost Savings Initiatives (Attachment 1) spreadsheet – noting savings that we are able to quantify (nearly \$1.1 million). Please note that we are unable to quantify all of the initiatives.

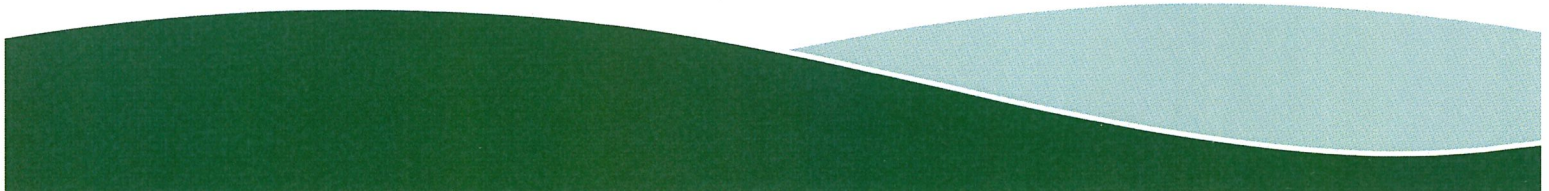
In addition, our employees and leaders have identified additional savings during FY 2019 of approximately \$551,352. The savings are grouped in the following categories.

- Vendor Contracts: \$254,839
- Personnel: \$283,570
- Other Expenses: \$12,943 (net of \$89,000 in cost increases)

Gifford has also worked diligently to incorporate “low census” staffing, which matches our scheduled staffing to our expected patient volumes, where possible. We estimate that this practice has saved 6.80 FTEs in staffing time during FY 2019. These amounts are not included in the list above.

Finally, Gifford maintains a workgroup of leaders from across our organization that meets weekly to develop, implement, and track cost reduction initiatives. This group seeks input from all employees and regularly communicates updates with our colleagues. This workgroup is the vehicle through which we will continue to implement future cost savings.

2. Through the first four months of FY 2019 GMC has made support payments to its two related entities (Gifford Health Care and Gifford Retirement Community) as follows.
  - Gifford Health Care: \$228,571
  - Gifford Retirement Community: \$666,667



3. Our proposed gross charge increase will be applied to all payers. We anticipate the proposed charge increase to impact our net patient revenue (NPR) by \$286,139 in FY 2019. We have made the following assumptions on the proposed charge increase impact on NPR.
  - Commercial insurance (impact = \$209,342)
    - Assumed NPR increase for all % of charge payers
    - Did not assume NPR increase for fee schedule payers
  - Medicare (impact = \$96,898)
    - Assumed NPR increase because 4% is below inflationary expense increase
  - Medicaid (impact = \$0)
    - Did not assume NPR increase
  - Bad Debt/Free Care (impact = -\$20,101)
  
4. We have attached an updated P & L for GMC (Attachment 2). We anticipate that our proposed charge increase and the resulting NPR increase would improve our projected Net Operating Income from \$222,670 (0.4% operating margin) to \$508,809 (0.9% operating margin). We do not anticipate additional changes that would alter the net impact to our Net Operating Income.

Please contact me or Jeff Hebert with any further questions or clarifications. Thank you for considering our request.

Respectfully,



Daniel A. Bennett  
President and CEO