



Gifford Medical Center

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January 31, 2018

Mr. Anthony Pallito
Green Mountain Care Board
89 Main Street, Third Floor, City Center
Montpelier, VT 05620

Dear Mr. Pallito,

This narrative is intended to provide information about key variances and is not intended to address every detailed variance. As always, we are available to answer additional questions.

During fiscal year 2017 Gifford faced some obstacles which hindered the ability to both meet the projected budget as well as create a return for the organization.

NPV

NPR	Amount	% over/under
FY 17 Approved Budget	\$ 57,762,429.00	
Utilization	\$ (178,856.00)	-6.10%
Reimbursement/Payer Mix	\$ (3,521,531.62)	-0.31%
Bad Debt/Free Care	\$ 239,288.62	0.41%
DSH	\$ 6,042.00	0.10%
FY 17 Actual Results	\$ 54,307,372.00	-5.90%

- IP/OP/Clinical and Swing areas fell short in reaching budgeted 2017 expectations.
 - IP, OR and ER volumes struggled. The reduction in volumes affected the ancillary departments as well.
 - Both Gross and Net revenues followed suit with fluctuations in revenue.
 - Bad Debt/Free Care came in below expectations. Gifford strives to work with patients to understand their financial restrictions and get patients set up on payment plans if necessary.
- In comparing the 2017 NPR actual to budget 2017 Gifford fell short.



Other Revenue:

Other Operating Revenue	Amount	% over/under
FY 17 Approved Budget	\$ 1,478,242.00	
340B Revenue	\$ 75,308.16	5.1%
Misc. Revenue	\$ (37,075.47)	-2.5%
FY 17 Actual Results	\$ 1,516,475.00	2.6%

- Gifford was able to offset some of the net revenue issues with other operating revenue.
 - The 340B program came in above budgeted expectations.
 - Misc. Revenue fell short of expectations by 2.5%.

Expenses

Expenses	Amount	% over/under
FY 17 Approved Budget	\$ 58,086,178.00	
Salaries & Contracts	\$ 537,785.00	0.9%
Fringe Benefits	\$ (1,508,836.00)	-2.6%
Health Care Provider Tax	\$ (21,765.00)	0.0%
Depreciation Amortization	\$ (286,128.00)	-0.5%
Interest	\$ (42,447.00)	-0.1%
Other Operating Expense	\$ (66,647.00)	-0.1%
FY 17 Actual Results	\$ 56,698,140.00	-2.4%

- Gifford's 2017 expenses came in below the 2017 budgeted expectations.
 - Overall Salaries for the organization came in below budgeted expectations by \$895,000.
 - Physician contracts were over expectations; vacancies in key provider positions were filled utilizing contracted services which brought us over 2017 expectations.
 - Fringe Benefits came in below budgeted expectations due to lower salaries and wages; as well Gifford's self-insured program was not utilized to expectations.
 - For the fiscal year Gifford was below budgeted expectations by \$673,000 in regards to capital purchases. Depreciation and Amortization were below expectations as the majority of the budgeted capital was placed into service closer to the fiscal year end than anticipated.



Non-Operating Revenue:

- Non-Operating Revenue was above expectations due to investment returns being higher than anticipated.

Balance Sheet:

- Cash and investments are below both 2016 actual and 2017 projections.
- Net AR is slightly higher than 2016 but lower than 2017 projections.
- Funded Depreciation, Endowment and Board Designated Funds are above 2017 projections.

In preparation of the budget Gifford utilizes a template containing historical data; all areas are reviewed for appropriateness. Any adjustments that were made to 2017 prior to the 2018 budget submission would have been accounted for in the 2018 budget. This would include increase/decrease in volumes, FTE's and Non-Salary expenses.

Please call with any questions or concerns.

Sincerely,

Jeff Hebert
CFO

cc: GMCB; FY2017 Actual Results File