



Gifford Medical Center

44 South Main Street, P.O. Box 2000 • Randolph, Vermont 05060
802-728-7000 • fax 802-728-4245
www.giffordhealthcare.org

January 31, 2019

Ms. Pat Jones
Green Mountain Care Board
144 State St.
Montpelier, VT 05620

Dear Ms. Jones,

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.

Gifford experienced financial challenges in 2018 and ended the year with a \$5.4 million loss on operations. The losses have been driven in large part by lower than expected surgical and inpatient volumes, and expected dips in volume during our electronic health record implementation.

Net Patient Revenue	Amount	% over/under
FY 18 Approved Budget	\$ 59,514,010.00	
Utilization	\$ (8,260,422.00)	-13.9%
Reimbursement/Payer Mix	\$ (2,901,396.00)	-4.9%
Bad Debt/Free Care	\$ 491,979.00	0.8%
DSH	\$ -	0.0%
FY 18 Actual Results	\$ 48,844,171.00	-17.9%

Provider vacancies in the last few years have resulted in a reduction in the volume of services Gifford was able to provide. Gifford saw a significant transition in orthopedics and surgical services, negatively affecting our surgical volume. In fiscal year 2018 our orthopedics team was re-established with two new surgeons. In general surgery, we also added two new surgeons that started in mid-August. Finally, primary care is back to full staff with the addition of a provider in September and November. A new nurse practitioner and physician's assistant both started in October.

- Inpatient, Outpatient and Clinical service areas fell short in reaching budgeted 2018 expectations.
 - Inpatient days of care – down by 19%
 - Operating Room procedures – down by 30%
 - Emergency Room visits – down by 5%
 - Physician Visits – down by 17%
- Overall contractual came in 1.8% higher than budgeted expectations due to payer mix.
- Gifford experienced a shift from Medicaid to Medicare due to the aging Medicaid population.

- 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.

Other Operating Revenue	Amount	% over/under
FY 18 Approved Budget	\$ 909,288.00	
340B Revenue	\$ 129,861.00	14.3%
Misc. Revenue	\$ 68,796.00	7.6%
FY 18 Actual Results	\$ 1,107,945.00	21.8%

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 was up because we do not budget for expenses and revenue from grants, rentals, and the like.

Expenses	Amount	% over/under
FY 18 Approved Budget	\$ 59,053,344.00	
Salaries & Contracts	\$ (446,708.00)	-0.8%
Fringe Benefits	\$ (169,553.00)	-0.3%
Health Care Provider Tax	\$ (33,382.00)	-0.1%
Depreciation Amortization	\$ (357,820.00)	-0.6%
Interest	\$ (43,282.00)	-0.1%
Other Operating Expense	\$ (2,681,037.00)	-4.5%
FY 18 Actual Results	\$ 55,321,562.00	-6.3%

Gifford's 2018 expenses came in below the budgeted expectations.

- Gifford implemented a series of cost-savings measures resulting in significant reductions to variable expenses. Gifford continually manages its expenses to its volumes.
 - Salaries - 7% reduction due to use of low census, attrition, productivity expectations.
 - Advertising - Due to cost initiatives expense decreased by 61%.
 - ✓ Rework paper reports to be electronic versions only
 - ✓ Reduced print ads
 - ✓ Held on new intranet site
 - Depreciation - Moved to cloud based application which is decreasing expenses by 9%
 - Purchased Services over budget.

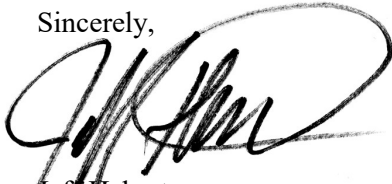
- ✓ Utilized locum providers - \$859,000
- ✓ Utilized travelers/contract staff - \$755,00
- ✓ Moving to cloud based applications

Non-Operating Revenue	Amount	% over/under
FY 18 Approved Budget	\$ 850,000.00	
Non-Operating Revenue	\$ 1,305,792.00	153.6%
FY 18 Actual Results	\$ 2,155,792.00	153.6%

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

Please call with any questions or concerns.

Sincerely,



Jeff Hebert
CFO