



Fiscal Year 2019 Budget Analysis Questions

- 1) Have the hospital's projections for FY2018 changed?

No, Grace Cottage remains on track to meet the FY2018 projections as submitted.

- 2) Please describe the rationale for FY2019 Budget expectations, in light of FY2017 Actuals and FY2018 Projections.

While FY2017 Actuals fell short of budget, FY2018 projections are on track to meet FY2018 budget. Therefore, the FY2019 budget is based largely on the current volume of patients experienced thus far in FY2018. The budgeted increases in volume for FY2019 (over FY2018) in both outpatient and provider practice are based on how volume is currently trending and expectations of the number of provider FTEs in FY2019.

- 3) It appears that one physician FTE has been eliminated; if so, what was the position, why was it eliminated, and have any services been affected as a result?

One of our full-time physicians working in our Rural Health Clinic made the decision to go into practice for himself. The FTE was not eliminated however, it was replaced with an Advanced Practice Provider. No services were affected.

- 4) It appears that the trend in Acute Admissions is expected to continue. Please explain the factors contributing to that increase.

As discussed above in question #2, the FY2019 budget is based largely on the current volume of patients. Since we have no reason to believe there should be any major fluctuation from the patients we are currently seeing come into our facility, Acute Admissions was budgeted to continue at the current level.

There are now specific factors we are aware of that have contributed to the increase, which from a percentage standpoint looks larger than it really is. While FY2018 Projections and FY2019 Budget are up from the FY2018 Budget, the actual number is only 12 more than FY2017 Actuals – or one admission per month.

- 5) Please explain the hospital's strategy for increasing Days Cash on Hand.

Grace Cottage Family Health & Hospital Fiscal Year 2019 Budget Analysis

Quite frankly, the primary focus is working toward achieving a positive operating margin, on an on-going basis. While Grace Cottage continues to work diligently to decrease, or at least maintain, operating expenditures, the key is keeping NPR adequate with ever-decreasing reimbursements to cover the minimum overhead required to provide top-quality patient care to those we serve.

- 6) Please describe how the hospital plans to address Age of Plant.

This statistic is misleading for a small facility like Grace Cottage as it encompasses all Fixed Assets – both Buildings and Equipment.

Looking at them individually, the Age of Plant Building is actually quite good at 16.7, which based on the Budget 2018 statistics in Report 7, is essentially at the Median for Critical Access Hospitals.

What skews our number is how the large cost of the Electronic Health Record (EHR) affects our Age of Plant Equipment. The cost of our EHR is 32% of our total Equipment Assets, and as it is already fully depreciated (most of it after only 3 years), it skews this number considerably.

- 7) Asthma Medication Management is one of the measures in Vermont's All-Payer ACO Model Agreement. The Brattleboro health service area appears to have rates of Asthma Medication Management that are lower than state and national averages. Are there any specific efforts to improve care for people with asthma and chronic obstructive pulmonary disease at the hospital and its primary care practices? If so, please describe.

- Our family doctors and pediatricians provide up-to-date, standard of care medicine for asthmatics and COPD patients.
- Asthma Action Plans are initiated if the patient has repeated acute exacerbations.
- COPD care plans have been developed and are utilized as necessary.

- 8) If not addressed in the narrative, please explain any factors contributing to changes in bad debt and free care, including policy changes if any.

There have been no policy changes. Our presumption is that the increase in Free Care is attributable to ongoing efforts to encourage people to complete Reduced Fee Applications; in many cases this results in amounts that would otherwise have been written off to Bad Debt to be classified as Free Care.

Additionally, the further decrease in Bad Debt is likely attributed to continued collection call efforts early on before accounts age, and working with patients to set up payment plans.

- 9) Please provide more specificity about what is included in Other Operating Expense for FY2017 Actuals, FY2018 Budget and Projections, and FY2019 Budget, and explain the variation from year to year.

The largest specific items Grace Cottage reports in Other Operating Expense are (percentages reported are based on FY2017 Actuals):

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Grace Cottage has worked tirelessly to keep a tight line on expenditures, and this line is a perfect illustration of that. Total Other Operating Expense has decreased in each of the four categories mentioned, FY2017 Actuals, FY2018 Budget and Projections, and FY2019 Budget – a total of \$418k, or approximately 10%, from FY2017 Actuals to FY2019 Budget. Efforts to reduce reliance on Agency Staff accounts for essentially all of the decrease, from a high of \$570k in FY2017 to \$131k budgeted for FY2019.