



## FY2019 GMCB Hospital Budget Narrative Questions

1. Executive Summary. Summarize the changes in the hospital budget submission. Include any information the GMCB should know about programmatic, staffing, and operational changes.

Grace Cottage has not included any significant changes in our budget between FY2018 and FY2019. Our FY2019 revenue projections are built primarily on levels experienced thus far in FY2018, with a small increase in volume, based on current trends, budgeted in both the Provider Practice and the Hospital Outpatient areas.

We do not foresee any significant programmatic, staffing, or operational changes in the coming year.

2. Payment and Delivery Reform. Describe how the hospital is preparing for and investing in value-based payment and delivery reform and implementation of the All-Payer Model for FY 2019 and over the next five years. Include answers to the following questions:
  - A. Has the hospital signed a contract with OneCare Vermont? If yes, for which payers? If not, explain (and skip B. through E., below.) Grace Cottage has not yet signed a contract with OneCare Vermont. We did however, in April 2018, submit a Non-Binding Intent to potentially participate in OneCare's 2019 Risk-Based Programs. We are awaiting the promised modeling analysis from OneCare Vermont to assist us in making the final decision as to whether or not we are able to financially absorb the potential risk of participation.
  - B. What is the amount of FPP the hospital expects to receive in FY 2019 based on estimated attributed lives?
  - C. What is the maximum upside and downside risk the hospital has assumed?
  - D. How is the risk (up-and downside) accounted for in the financials?
    - i. How will the hospital manage financial risk while maintaining access to high quality care and appropriate levels of utilization?
    - ii. How will the hospital track and ensure that provider financial incentives do not have a negative impact on patient care?
  - E. What amount of Other Reform payments does the hospital expect to receive from OneCare Vermont by the end of calendar year 2018? (e.g., payments from OneCare's Value-Based Incentive Program based on quality performance)

3. Community Health Needs Assessment. Describe your hospital's initiatives addressing your population health goals as identified in the CHNA.

### Aging

We have developed and implemented a geriatric assessment program, with a cross-functional team including primary care providers, pharmacy, mental health, dietary, occupational therapy, and physical therapy. Patients are referred from primary care to our "Falls Prevention Clinic" on an individual, outpatient basis.

- We have various community wellness programs addressing strength, flexibility, and falls prevention for elders. These are group sessions facilitated by trained staff. Examples include: Tai Chi for falls prevention, Strong Bones, chair yoga

- We have implemented support groups in collaboration with SASH that address elder issues: examples include Living Alone Support Group, Men’s Coffee Club.

#### Breast Cancer

- We are conducting outreach to patients aged 50 to 74 who do not have a mammogram documented in their medical record within the past two years. Grace Cottage will refer for mammogram screenings as appropriate.

#### Colorectal Cancer

- A non-invasive colon cancer screening test (Cologuard) is now being offered to patients who are 50 years or older. This test is based on the latest advances in stool DNA sciences. This testing is done in the privacy of the patient’s home and may appeal to people who want to be screened for colon cancer, but do not want or refuse to have a colonoscopy. If the test detects signs of cancer or precancerous polyps than the patient is referred for a colonoscopy.
- Grace Cottage conducts ongoing outreach to patients who are aged 50-55 who have not had an initial screening colonoscopy. Educational materials are also provided to patients regarding the importance of colorectal screenings and the prevention and early detection of colon cancer.

#### Diabetes

- We are currently doing outreach to patients with an A1C greater than 9 and/or have not been seen for primary care follow up in 6 months.

#### Heart Health – High Blood Pressure/Heart Disease

- Grace Cottage continues to complete outreach to patients who have not seen their primary care provider in a year.
- Certain high risk hypertensive patients are being attended to by our Community Health Team with home visits and home blood pressure monitoring.
- We have initiated the use of wireless ZIO patches, which is used to diagnosis heart arrhythmias. Comprehensive data collection helps ensure detection of infrequent or asymptomatic arrhythmias. The patch is discreet and easy to wear which patients find beneficial.

#### Mental Health

- Grace Cottage has added a Licensed Independent Clinical Social Worker (LICSW) to the clinic staff. As a mental health provider she collaborates with our staff Psychiatric Mental Health Nurse Practitioner, and the Community Health Team Behavioral Health Specialist to provide the necessary mental health care and services to our patients. By adding the LICSW we are now able to provide counseling to patients 7 years and older.
- Mental Illness and substance abuse can be associated. Grace Cottage participates in the HUB and Spoke program in collaboration with the Brattleboro Retreat. A Registered Nurse and Social Worker from the HUB and Spoke program provides services to patients who are in the program for substance abuse treatment. Grace Cottage will be adding an additional provider to provide treatment when her training is completed.
- We are continuing to provide ongoing support groups, individual counseling, screenings and outreach.
- Another area of focus that addresses population health is the RISE VT initiative. We are hopeful to develop a collaborative effort with BMH in order to better focus on creating a regional wide healthier community.

4. Quality Measure Results. Review Appendix IV, and provide a response to health service area, county or regional performance results for each of the All-Payer Model quality measures. Discuss outcomes, goals, and plans for improvement. In 2016 outreach was completed for adolescent patients needing a well child

visit. The outreach was done via First Class mail. Human Papilloma Virus immunization outreach was conducted in collaboration with the Vermont Department of Health.

Outreach was completed for diabetic patients with an A1c > 9 (poorly controlled) via a phone call from a registered nurse. If appropriate, diabetic patients are also referred to the Community Health Team Diabetes Educator.

Outreach was completed for patients with high blood pressure via a phone call from a registered nurse. In 2017 the Community Health Team and primary care providers have initiated a program in which patients can take home a portable blood pressure device to monitor their blood pressure.

All of these outreaches are being conducted on an ongoing basis. In 2017 Grace Cottage Family Health is utilizing the patient portal to send outreach messages as well as First Class mailings and phone calls.

5. Mental Health. Provide the following information:

- A. The number of mental health beds; **zero, we do not admit mental health patients.**
- B. The number of patients who waited in the emergency department for an available mental health bed at this hospital or at another facility; **33 patients between Jan 1, 2017 & March 31, 2018.**
- C. The range and average time patients spend in the emergency department awaiting an appropriate mental health placement; **range 2 hours 28 minutes to 42 hours 29 minutes; average 14 hours 17 minutes.**
- D. Average cost per day for patients awaiting transfer; **\$ 3586.15**
- E. List and describe each initiative, program or practice the hospital has implemented, or plans to implement, that focuses on ensuring that Vermonters have access to high quality, timely, and appropriate mental health treatment. **We offer several providers and programs all accepting new patients and these are embedded in our family medicine clinic:**
  - **A psychiatric APRN (PMHNP-BC) who works with patients of age  $\geq$  10 and limited family sessions.**
  - **A Licensed Independent Clinical Social Worker who works with children, adults, couples and families;**
  - **A Licensed Mental Health Counselor/Psychotherapist who works with children, adults and families;**
  - **A SPOKE program linked to the Brattleboro Retreat HUB system for MAT for opioid addiction, 3 days a week with 2 addiction specialists and 2 clinic providers.**

6. Patient Access. Provide wait times, by medical practice area, for the “third next available appointment”, as defined by the Institute for Healthcare Improvement. For hospitals that do not use this measure, describe wait times and how they are currently measured. **The five-day average for September 20, 2017 through October 18, 2017 (looking at each Wednesday) is 16.2 for the third next available 20-minute appointment and 24.27 for the third next available 40-minute appointment.**

7. Substance use disorder treatment programs. Describe the hospital’s substance use disorder (SUD) treatment programs, and provide the following information:

- A. A description of the hospital’s full range of SUD treatment programs; **We offer a SPOKE program through the Brattleboro Retreat HUB system 3 days a week with 2 addiction specialists and 1 current provider and 1 in training.**
- B. The number of patients currently enrolled in medication-assisted treatment (MAT) programs and other SUD programs. **Currently there are 72 patients enrolled.**

C. The number of MAT providers and other SUD providers employed by the hospital. **One current provider and one in training.**

8. Health Reform Investments. **Grace Cottage did not submit any activities under the GMCB's extended NPR cap for FYs 2016-2018.**

Part I: Provide updates on all health reform activities submitted under the GMCB's extended NPR cap for FYs 2016 - 2018 including:

- A. The amount of the investment;
- B. The goals of the program;
- C. Metrics and other evidence demonstrating the program's ability to meet these goals, highlighting metrics and other evidence that demonstrate alignment with the goals of the All-Payer Model;
- D. Any other program outcomes, positive or negative;
- E. Whether the program is ongoing or of limited duration, and why;
- F. For any program that has been discontinued, describe how ending the program has or will be accounted for in past, current or future budgets.

Part II: Complete the Table at Appendix V. **N/A**

9. *Reconciliation*. Provide a reconciliation between FY 2018 approved budget and FY 2018 YTD, showing both positive and negative variances. Explain the variances. **FY 2018 Projections, based on FY 2018 YTD, are trending very close to the FY 2018 budget.**

- **NPR is showing a small variance of \$385k, or 2.1%, under budget.**
- **Other Operating Revenue is under budget by \$158k, or 12.7% under budget.**
- **Operating Expenses are under budget by \$1.1m, or 5.3%.**
- **With Operating Expenses being under budget by approximately double the amount that total Operating Revenue is under budget, our overall Net Operating Income is trending to a \$58k loss vs the budgeted Operating Loss of \$590k**
- **Non-Operating Revenue is over budget by \$308k.**

10. *Budget-to-budget growth*.

A. Net patient revenues:

- i. Provide the budgeted FY 2019 NPR increase over the approved FY 2018 budget. If the GMCB rebased the hospital's budget for the purpose of calculating FY 2019, provide the budgeted increase in NPR for FY 2019 measured from the hospital's rebased budget. **Grace Cottage's budgeted FY 2019 NPR increase is 3.5% over the approved FY2018 budget. While this is slightly above the 2.8% growth target, it is based solely on taking care of the expected demand, based on current projections, for our existing patient base. Grace Cottage has not budgeted any new service lines, changes in physician practices, or other program changes.**
- ii. Describe any significant changes made to the FY 2018 budget (including, but not limited to, changes in anticipated reimbursements, physician acquisitions and certificates of need) and how they affect the FY 2019 proposed budget. **There were no significant changes made to the FY2018 budget.**
- iii. Describe any cost saving initiatives proposed in FY 2019 and their effect on the budget. **There are no specific cost saving initiatives proposed in the FY2019 budget, aside from continued emphasis on reducing expenditures wherever possible. During FY 2018 we were able to successfully**

eliminate two higher paid FTE positions, as well as work aggressively to reduce the number of Traveler positions working in the Nursing Department.

iv. Explain changes in NPR/FPP expected for each payer source:

- a. Medicare revenue assumptions: Identify and describe 1) any significant changes to prior year Medicare reimbursement adjustments (e.g. settlement adjustments, reclassifications) and their effect on revenues; 2) any major changes that occurred during FY 2018 that were not included in the FY 2018 budget, and 3) any anticipated revenues related to meaningful use and 340B funds in FY 2019. *There were no significant changes to any of these revenue assumptions between FY 2018 and FY 2019.*
- b. Medicaid revenue assumptions: Budget for net patient revenues expected from rate changes, utilization and/or changes in services. *Medicaid revenue assumptions were based on current Medicaid patient volume, and assuming no increase in reimbursement.*
- c. Commercial/self-pay/other revenue assumptions: Commercial insurance revenue estimates should include the latest assumptions available to the hospital and any other factors that may explain the change in net patient revenues. *Commercial/self-pay revenues were also based on current patient population volume, with minimal inflationary increases.*

v. Complete Appendix VI, Tables 1A and 1B. If the hospital categorizes revenue differently than as indicated in the tables, provide such categories, including labels and amounts, in the "Other" rows. *See completed Excel file.*

B. Expenses:

- i. Provide the budgeted FY 2019 net expenditure increase over the approved FY 2018 net expenditure increase. *The budgeted FY 2019 net expenditures is actually a \$157k, or 0.8% decrease from the approved FY 2018 budget amount.*
- ii. Describe any significant changes made to the FY 2018 budget (including, but not limited to, changes in costs of labor, supplies, utilization, capital projects) and how they affect the FY 2019 proposed budget. Provide assumptions about inflation and major program increases. *As indicated under part A, there were no significant changes made to the FY 2018 budget.*
- iii. Describe any cost saving initiatives proposed in FY 2019 and their effect on the budget. *See response to 10.A.iii above.*
- iv. Complete Appendix VI, Table 2. If the hospital categorizes expenses differently than as indicated in the tables, provide such categories, including labels and amounts, in the "Other" rows. *See completed Excel file.*

11. *Bad Debt.*

- A. Provide the amount of bad debt carried by the hospital at the close of FY 2017 that was incurred prior to FY 2016. *As of 09/30/2017, the Bad Deb Allowance included approximately \$3k of account charges that were incurred prior to FY 2016 that were not in payment plans.*
- B. If the hospital contracts with a collection agency, provide the name of the agency. *Marcam Associates.*

C. In your opinion, explain whether the agency adheres to “patient friendly billing” guidelines. See <http://www.hfma.org/Content.aspx?id=1033> Yes, in our opinion, Marcam Associates does adhere to “patient friendly billing” guidelines.

**12. Rate Request.**

A. Provide the hospital’s budgeted overall rate/price increase or decrease. Explain how the rate was derived and what assumptions were used in determining the increase or decrease. Grace Cottage budgeted an overall rate/price increase of 3.20%. The rate was the bare minimum we felt would allow us to achieve a positive Operating Margin. The FY 2019 budget shows an Operating Margin of 0.7% vs. a budgeted Operating Loss of 3.0% in the FY 2018 budget submission.

B. For each payer, if the net patient revenue budget-to-budget increase or decrease is different than the overall rate/price change—for example, if the requested commercial “ask” differs from the rate/price change—explain why they differ. While the budgeted price increase is the same for all payers, the net patient revenue does vary widely both within payer and within type of service, that is Hospital vs. Physician Practice. As a Critical Access Hospital, Medicare reimburses us at 99% (or less) of cost for our hospital services and as a Rural Health Clinic at 98% (or less) of cost for most physician services. Medicaid continues to reimburse at far less than cost for both hospital and physician services. Commercial payers pay at either a fee schedule or a percentage of charges.

C. In April/May, the GMCB will provide a rate schedule for reporting the rate/price change for each major line of business and the gross and net revenues expected from each payer as a result of the rate/price change.

**13. FY 2017 overages.** For those hospitals that received a letter regarding their FY 2017 budget-to-actual overages results, specifically address the issues and requirements outlined in the letter. N/A - Grace Cottage did not receive a letter.

**14. Capital budget investments.** Describe the major investments, including projects subject to certificate of need review, that have been budgeted for FY 2019 and their effect on the FY 2019 operating budget. There are no projects subject to certificate of need review budgeted for FY 2019, nor are there any major capital investments budgeted for FY 2019, and therefore, no effect on the FY 2019 operating budget.

**15. Technical concerns.** Explain any technical concerns or reporting issues the GMCB should examine for possible changes in the future. We do not have any technical concerns or reporting issues to report.

**Salary Information**

Submit a full copy of the hospital’s Form 990 (for Actual 2017), including the most current version of Schedule H (filed in 2018) that has been submitted to the Internal Revenue Service as part of the hospital organization’s Form 990 reporting obligations under Section 501(c)(3) of the Internal Revenue Code. (Note that this information is required under the GMCB Guidelines for the Community Health Needs Assessment, attached. Provide a single copy of these documents.) See attached completed Excel file.

A. Complete the following table\*:

| Salary Range          | Total # of FTE Staff | Total Salaries | Other Compensation | Total Compensation |
|-----------------------|----------------------|----------------|--------------------|--------------------|
| \$0 - \$199,999       |                      |                |                    |                    |
| \$200,000 - \$299,999 |                      |                |                    |                    |
| \$300,000 - \$499,999 |                      |                |                    |                    |
| \$500,000 - \$999,999 |                      |                |                    |                    |
| \$1,000,000 +         |                      |                |                    |                    |

\*The information in this table should match Form 990 for CY2017.

B. Submit the hospital's policy or policies on executive, provider, and non-medical staff compensation. **The Hospital does not have any written policies on compensation.**

C. Identify: **The Hospital relies primarily on the annual survey conducted by VAHHS, in conjunction with Gallagher Consulting, which surveys Vermont, New Hampshire, and Maine. Our overall compensation level is at approximately 90% of the mid-point of those ranges.**

- i. Outside consultants relied on for benchmarking;
- ii. Peer groups to which the hospital benchmarks;
- iii. Compensation targets in terms of percentiles for each staff category; and
- iv. The hospital's actual compensation level, compared to target, for each employee group (*e.g.* executive, provider, non-medical staff)