

Gifford Medical Center

Fiscal Year 2020 Budget Analysis

Report Date: 8/1/2019

QUESTIONS

QUESTIONS:

1. Have the hospital's projections for FY2019 changed?
2. What is the total ACO reserve on the balance sheet for Projected FY19 and Budget FY20? If you have a pending settlement, please report the estimated amount of the settlement and which fiscal year it will effect. Are Other Reform Payments recorded in deduction from NPR, if not, where are they recorded?
3. GMC's FY19 Budget Order states the "Hospital shall consult with Vermont Information Technology Leaders (VITL) to facilitate patients' ability to electronically consent to adding their clinical data to the Vermont Health Information Exchange (VHIE)." What kind of headway has GMC made to facilitate this?
4. What is the value of 1 day of Days Cash on Hand?
5. What is the value of 1% of GMC's change in charge request? If there is a variance between GMC's calculation and the calculation provided by GMCB staff above, please include the steps to your calculation.
6. Are Medicaid and Medicare reimbursement assumptions still valid including Disproportionate Share Payments?
7. What is budgeted between current liabilities and long term liabilities for FY20?
8. What is the Medicaid accounting adjustment mentioned in your bridges document?

BOARD MEMBER QUESTIONS:

9. For FY19 projections what departments are expenses exceeding revenues?
10. Please suggest a statistic the GMCB can monitor to better understand the trends in the total number of staffed beds in the hospital versus the number of beds available for use, and how full or empty those beds are from month to month?
11. What is the impact of the now known Medicaid reimbursement increases? Any update on inpatient Medicaid reimbursement changes?
12. If you assumed Medicare increases, what is the value and what would a reduction in commercial be to maintain your NPR?
13. What are the key drivers of the increase in non-operating revenue in the 2019 projection from budget?

Fiscal Year 2020 Budget Analysis **Gifford Medical Center**

INCOME STATEMENT						2018B - 2018A	2019B - 2019P	2018A - 2019P	2019B - 2020B	2019P - 2020B
	FY2018B	FY2018A	FY2019B	FY2019P	FY2020B	% Chg	% Chg	% Chg	% Chg	% Chg
Revenues										
Gross Patient Care Revenue	125,207,806	107,638,514	121,288,780	111,482,660	113,821,436	-14.0%	-8.1%	3.6%	-6.2%	2.1%
Disproportionate Share Payments	645,999	645,999	554,798	554,796	540,121	0.0%	0.0%	-14.1%	-2.6%	-2.6%
Bad Debt	(3,316,988)	(2,317,389)	(2,915,932)	(2,278,607)	(2,577,315)	-30.1%	-21.9%	-1.7%	-11.6%	13.1%
Free Care	(558,851)	(522,609)	(480,167)	(438,447)	(448,767)	-6.5%	-8.7%	-16.1%	-6.5%	2.4%
Deductions from Revenue	(62,463,956)	(56,600,344)	(62,552,825)	(60,084,120)	(61,754,971)	-9.4%	-3.9%	6.2%	-1.3%	2.8%
Graduate Medical Education	0	0	0	0	0	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Net Patient Care Revenue	59,514,010	48,844,171	55,894,654	49,236,282	49,580,504	-17.9%	-11.9%	0.8%	-11.3%	0.7%
Fixed Prospective Payments	0	0	0	2,014,518	2,802,480	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	39.1%
Reserves	0	0	0	0	0	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Other Reform Payments	0	0	0	0	0	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Fixed Prospective Payments and Reserves	0	0	0	2,014,518	2,802,480	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	39.1%
Net Patient Care Revenue & Fixed Payments & Reserves	59,514,010	48,844,171	55,894,654	51,250,800	52,382,984	-17.9%	-8.3%	4.9%	-6.3%	2.2%
Other Operating Revenue	909,288	1,107,945	866,476	983,601	820,818	21.8%	13.5%	-11.2%	-5.3%	-16.5%
Total Operating Revenue	60,423,298	49,952,116	56,761,130	52,234,401	53,203,802	-17.3%	-8.0%	4.6%	-6.3%	1.9%
Expenses										
Salaries Non MD	18,765,491	17,309,504	17,824,017	17,223,114	17,124,440	-7.8%	-3.4%	-0.5%	-3.9%	-0.6%
Fringe Benefits Non MD	5,172,627	5,722,649	5,444,194	5,232,071	5,233,604	10.6%	-3.9%	-8.6%	-3.9%	0.0%
Physician Fees, Salaries, Contracts	7,455,319	8,464,598	7,737,667	7,843,505	8,261,384	13.5%	1.4%	-7.3%	6.8%	5.3%
Fringe Benefits MD	2,155,729	1,436,154	1,601,433	1,436,129	1,442,488	-33.4%	-10.3%	0.0%	-9.9%	0.4%
Health Care Provider Tax	3,186,753	3,153,371	3,186,753	2,972,062	2,872,296	-1.0%	-6.7%	-5.7%	-9.9%	-3.4%
Depreciation & Amortization	3,091,633	2,733,813	2,816,700	2,669,319	2,622,778	-11.6%	-5.2%	-2.4%	-6.9%	-1.7%
Interest - Long Term & Short Term	794,710	751,428	777,455	800,768	738,547	-5.4%	3.0%	6.6%	-5.0%	-7.8%
Other Operating Expense	18,431,082	15,750,045	15,957,897	14,494,464	13,367,499	-14.5%	-9.2%	-8.0%	-16.2%	-7.8%
Total Operating Expense	59,053,344	55,321,562	55,346,116	52,671,432	51,663,036	-6.3%	-4.8%	-4.8%	-6.7%	-1.9%
Net Operating Income (Loss)	1,369,954	(5,369,446)	1,415,014	(437,031)	1,540,766	-491.9%	-130.9%	-91.9%	8.9%	-452.6%
Non-Operating Revenue	850,000	2,155,792	849,996	2,472,696	849,458	153.6%	190.9%	14.7%	-0.1%	-65.6%
Excess (Deficit) of Rev Over Exp	2,219,954	(3,213,655)	2,265,010	2,035,665	2,390,224	-244.8%	-10.1%	-163.3%	5.5%	17.4%

Benchmarks-Hospital										
Operating Margin%	2.3%	-10.7%	2.5%	-0.8%	2.9%					
Total Margin %	3.6%	-6.2%	3.9%	3.7%	4.4%					
EBIDA %	8.7%	-3.8%	8.8%	5.8%	9.2%					
Cost per Adjusted Admission	11,387	10,776	10,762	10,048	9,707					

OBSERVATIONS: GMC's submitted decrease in NPR/FPP of \$3.5 million is -6.3% over the FY19 budget but the budget is an increase of \$1.1 million or 2.2% over FY19 projection. The hospital expects volumes to rebound due to increased productivity in their clinics due to the new EMR, and investments in their surgical services and additions to their primary care. Their FY20 expenses are budgeted to decrease from their FY19 budget by \$3.6 million, -6.7% and decrease \$1 million, -1.9% from their projection. Their salary expenses and benefits reflect the decrease of 10 FTEs from their FY19 budget. The hospital is reporting \$1 million in cost savings. The hospital's ACO risk is budgeted as a contractual allowance in NPR. The hospital shows a \$2.1 million accounting adjustment in Medicaid but there is not an explanation.

Fiscal Year 2020 Budget Analysis **Gifford Medical Center**

CHANGE IN CHARGE AND NET PATIENT REVENUE INCREASE

Change in charge is the average change in price for services provided.

	FY2017	FY2018	FY2019	FY2020
Weighted Average Approved Rate (all hospitals)	1.8%	2.0%	2.9%	
Weighted Average Submitted Rate (all hospitals)	2.2%	2.3%	3.9%	3.2%
Approved % Change in Charge	3.9%	4.0%	4.0%	0.0%
Commercial Approved % Change in Charge	0.0%	0.0%	4.0%	0.0%
Submitted % Change in Charge	3.9%	4.0%	4.0%	5.0%
Commercial Submitted % Change in Charge	0.0%	0.0%	4.0%	5.0%

Hospital Inpatient Gross Revenue	0.00
Hospital Outpatient Gross Revenue	0.00
Physician Outpatient Gross Revenue	0.00
Chronic/SNF Gross Revenue	0.00
Swing Gross Revenue	0.00

Net Patient Revenue Change Due to Rate Request	
Commercial	1,346,261
Medicaid	
Medicare	942,541
Disproportionate Share	
Total Change Due to Rate Request	2,288,802
Value of 1% Rate - Calculated by GMCB	457,760
Value of 1% Rate - Calculated by hospital	
Variance	

OBSERVATIONS: The change in charge as it relates to NPR is 3.9%, of which Commercial is 3.9% and Medicare 4.8% with no change in Medicaid.

Fiscal Year 2020 Budget Analysis						Gifford Medical Center				
UTILIZATION & STAFFING	FY2018B	FY2018A	FY2019B	FY2019P	FY2020B	2018B-2018A	2018A-2019P	2019B-2019P	2019B-2020B	2019P-2020B
UTILIZATION										
Adjusted Admissions	5,131	5,134	5,143	5,242	5,322	0.1%	2.1%	1.9%	3.5%	1.5%
Acute Admissions	1,188	1,175	1,172	1,174	1,186	-1.1%	-0.1%	0.2%	1.2%	1.0%
Acute Average Length Of Stay	3.3	3.3	3.5	3.1	3.1	-0.9%	-5.8%	-11.2%	-12.0%	-0.9%
All Operating Room Procedure Tests	2,171	2,141	1,865	1,942	1,240	-1.4%	-9.3%	4.1%	-33.5%	-36.1%
Emergency Room Visits	143,650	142,118	153,500	132,626	133,500	-1.1%	-6.7%	-13.6%	-13.0%	0.7%
CT Scan, Radiology - Diagnostic Exams	6,991	6,958	6,866	6,344	6,500	-0.5%	-8.8%	-7.6%	-5.3%	2.5%
Provider Work RVU	26,174	26,152	28,405	22,290	22,405	-0.1%	-14.8%	-21.5%	-21.1%	0.5%
Physician Office Visits	1,150	1,124	1,271	1,044	1,048	-2.3%	-7.1%	-17.9%	-17.5%	0.4%
Clinic Visits	0	0	0	0	0	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Physician Office Visits	29,755	29,265	30,570	25,770	27,580	-1.6%	-11.9%	-15.7%	-9.8%	7.0%
Clinic Visits	0	0	0	0	0	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
STAFFING										
Non-MD FTEs	299	300	289	280	280	0.1	(19.1)	(8.4)	(9.0)	(0.6)
Travelers, Travelers MD	0	0	0	0	0	0.0	0.0	0.0	0.0	0.0
Residents & Fellows	0	0	0	0	0	0.0	0.0	0.0	0.0	0.0
MLPs	0	0	0	0	0	0.0	0.0	0.0	0.0	0.0
Physician FTEs	23	23	24	24	22	(0.0)	0.6	0.0	(1.3)	(1.3)
Total FTEs	323	323	313	304	302	0.0	(18.5)	(8.4)	(10.2)	(1.9)
Benchmark-Gifford Medical Center										
Salary per FTE - Non-MD	58,214	57,793	61,713	61,417	61,189	-0.7%	6.3%	-0.5%	-0.8%	-0.4%
Salary & Benefits per FTE - Non-MD	77,173	76,899	80,563	80,074	79,890	-0.4%	4.1%	-0.6%	-0.8%	-0.2%
FTEs Per Adjusted Occupied Bed	6	6	6	6	6	1.0%	-2.7%	7.3%	6.4%	-0.8%
FTEs per 100 Adj Discharges	6	6	6	5	5	0.0%	-8.3%	-4.7%	-6.4%	-1.7%
Benchmarks-Vermont System Averages										
Salary per FTE - Non-MD	66,011	66,067	67,435	68,152	70,075	0.1%	3.2%	1.1%	3.9%	2.8%
Salary & Benefits per FTE - Non-MD	84,936	84,930	86,796	87,678	89,716	0.0%	3.2%	1.0%	3.4%	2.3%
FTEs Per Adjusted Occupied Bed	6	6	6	6	6	-0.1%	0.5%	-3.5%	1.5%	5.1%
FTEs per 100 Adj Discharges	7	7	8	8	8	-0.2%	2.9%	-1.1%	2.3%	3.4%

OBSERVATIONS: Utilization as measured by adjusted admissions has continued to increase as well as acute admissions but other utilization has declined from FY18 to FY19 and increased slightly for FY20. Operating room procedures are budgeted to decrease from FY19 projection to FY20 budget but the narrative states they hope to rebound in their surgical services. The decreases in staff are due to bringing departments in line with volume expectations. The hospital's FTEs per adjusted occupied bed is the same as the system wide average but FTEs per 100 discharges is less than the average.

Fiscal Year 2020 Budget Analysis		Gifford Medical Center						
BALANCE SHEET	FY2018A	FY2019B	FY2019P	FY2020B	2018A-2019P	2019B-2019P	2019P-2020B	2018A-2020B
Cash & Investments	2,988,183	2,706,318	5,349,153	3,593,292	79.0%	97.7%	-32.8%	20.3%
Risk Reserve for Fixed Reform Payments	0	0	0	0	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Other Current Assets	9,927,970	9,866,348	8,400,808	8,978,706	-15.4%	-14.9%	6.9%	-9.6%
Current Assets	12,916,153	12,572,666	13,749,961	12,571,998	6.5%	9.4%	-8.6%	-2.7%
Board Designated Assets	29,274,324	24,217,233	25,953,328	28,835,674	-11.3%	7.2%	11.1%	-1.5%
Net, Property, Plant And Equipment	37,146,674	39,066,281	35,822,804	36,042,222	-3.6%	-8.3%	0.6%	-3.0%
Other Long-Term Assets	7,651,661	7,786,926	7,045,355	7,044,634	-7.9%	-9.5%	0.0%	-7.9%
Assets	86,988,812	83,643,106	82,571,448	84,494,528	-5.1%	-1.3%	2.3%	-2.9%
Current Liabilities	7,905,740	7,610,450	6,027,562	8,601,708	-23.8%	-20.8%	42.7%	8.8%
Long Term Liabilities	18,476,603	17,677,568	17,976,499	16,815,255	-2.7%	1.7%	-6.5%	-9.0%
Other Noncurrent Liabilities	465,387	108,772	77,161	168,696	-83.4%	-29.1%	118.6%	-63.8%
Fund Balance	60,141,082	58,246,316	58,490,225	58,908,869	-2.7%	0.4%	0.7%	-2.0%
Liabilities and Equities	86,988,812	83,643,106	82,571,448	84,494,528	-5.1%	-1.3%	2.3%	-2.9%
Benchmarks-Hospital					Change in Points			
Days Cash on Hand	223.93	187.08	228.50	241.36	4.57	41.42	12.87	17.44
Days Receivable	33.25	48.60	33.41	41.25	0.16	(15.19)	7.84	8.00
Long Term Debt to Capitalization	24%	23%	24%	22%	0%	0%	-1%	-1%
Days Payable	54.87	52.88	44.00	64.02	(10.87)	(8.88)	20.02	9.15
Debt Service Coverage Ratio	(1.3)	3.3	2.1	2.7	3.4	(1.2)	0.7	4.1
Benchmarks-Vermont System Averages					Change in Points			
Days Cash on Hand	176	172	167	166	(9)	(5)	(1)	(10)
Days Receivable	43	44	47	46	4	3	(0)	4
Long Term Debt to Capitalization	27%	25%	26%	24%	-1%	1%	-2%	-3%
Days Payable	63	54	54	55	(9)	(0)	1	(9)
Debt Service Coverage Ratio	2.4	3.6	3.0	3.5	0.6	(0.7)	0.6	1.1
OBSERVATIONS: Days cash on hand is higher than the system wide average. Day receivables is lower then the system (favorable) but days payable is budgeted to be higher by 9 days they had been lower than the system average in past years.								

CAPITAL BUDGET	FY2018A	FY2019B	FY2019P	FY2020B	2021 Plan	2022 Plan	2023 Plan
Non-Certificate of Need Capital Plans Total	1,523,705	5,449,205	2,449,327	4,409,328	5,220,635	3,606,992	5,009,840
Certificate of Need Capital Plans	0	0	0	0	0	0	0
Total Capital Purchases	1,523,705	5,449,205	2,449,327	4,409,328	5,220,635	3,606,992	5,009,840

Gifford Medical Center							
Age of Plant	17.4	18.3	19.3	21.3	0.0	0.0	0.0
Capital Expenditures to Depreciation	56%	193%	92%	168%	0%	0%	0%
Capital Cost % of Total Expense	6.3%	6.5%	6.6%	6.5%	0.0%	0.0%	0.0%

Benchmarks-Vermont System Averages							
Age of Plant	13.1	13.5	13.4	12.8	0.0	0.0	0.0
Capital Expenditures to Depreciation	79%	111%	105%	77%	0%	0%	0%
Capital Cost % of Total Expense	4.8%	5.0%	4.8%	5.3%	0.0%	0.0%	0.0%

OBSERVATIONS: The hospital is not budgeting for CONs. The age of plant is very high compared to the system average.

Fiscal Year 2020 Budget Analysis	Gifford Medical Center							Flex Monitoring Team 2017 CAH Medians		2019 Flex Monitoring Team FY2017	2019 Almanac of Hospital Indicators (Optum)
	FY2016A	FY2017A	FY2018B	FY2018A	FY2019B	FY2019P	FY2020B	Vermont--8 Hospitals	U.S.--1317 Hospitals	Northeast CAH	Teaching Hospitals
DASHBOARD											
Net Patient Care Rev & Fixed Payments & Reserves	54,787,886	54,307,372	59,514,010	48,844,171	55,894,654	51,250,800	52,382,984				
Budget to Budget % Change NPR & FPP					-6.1%		-6.3%				
Budget to Actual/Projection % Change NPR & FPP				-17.9%		-8.3%	2.2%				
Three Year NPR & FPP CAGR* (FY18A - FY20B)							3.6%				
Five Year NPR & FPP CAGR* (FY16A - FY20B)							-1.1%				
Operating Expense	54,812,282	56,698,140	59,053,344	55,321,562	55,346,116	52,671,432	51,663,036				
Budget to Budget % Change Oper Exp					-6.3%		-6.7%				
Budget to Actual/Projection % Change Oper Exp				-6.3%		-4.8%	-1.9%				
Three Year NPR & FPP CAGR* (FY18A - FY20B)							-3.4%				
Five Year NPR & FPP CAGR* (FY16A - FY20B)							-1.5%				
Profitability											
Operating Margin	2,209,679	(874,293)	1,369,954	(5,369,446)	1,415,014	(437,031)	1,540,766				
Three Year NPR & FPP CAGR* (FY18A - FY20B)							#NUM!				
Five Year NPR & FPP CAGR* (FY16A - FY20B)							-8.6%				
EBIDA Margin%	33.9%	5.4%	8.7%	-3.8%	8.8%	5.8%	9.2%				
Operating Margin %	3.9%	-1.6%	2.3%	-10.7%	2.5%	-0.8%	2.9%	-1.48%	0.93%	0.8%	0.8%
Total Margin	4,644,791	158,015	2,219,954	(3,213,655)	2,265,010	2,035,665	2,390,224				
Three Year NPR & FPP CAGR* (FY17A - FY20B)							#NUM!				
Five Year NPR & FPP CAGR* (FY16A - FY20B)							-15.3%				
Total Margin %	7.8%	0.3%	3.6%	-6.2%	3.9%	3.7%	4.4%	2.47%	1.79%	3.5%	4.5%
Return On Assets	5.5%	0.2%	2.6%	-3.7%	2.7%	2.5%	2.8%				
Costs											
Cost per Adjusted Admission	13,611	14,022	15,254	13,836	14,236	14,194	14,439				
Salary per FTE - Non-MD	56,812	57,384	62,864	57,793	61,713	61,417	61,189	77,782	57,928	65,605	66,657
Five Year Salary per FTE CAGR* (FY16A - FY20B)							1.9%				
Overhead Exp. as a % of Total Operating Exp.**	24.7%	26.7%	29.9%	26.7%	27.7%	26.3%	24.5%				
Liquidity											
Cash & Investments	4,862,410	3,312,949	5,455,037	2,988,183	2,706,318	5,349,153	3,593,292				
Days Cash on Hand	181	209	152	224	187	228	241	133	78	114	137
Current Ratio	3.70	4.52	5.72	5.38	4.88	6.53	7.38	1.57	2.54	0	2
Expense Per Day**	150,171	155,337	161,790	151,566	151,633	144,305	141,543			0	0
Days Receivable**	43	47	47	33	49	33	41	43	51	42	49
Days Payable**	41	54	89	55	53	44	64				
Capital											
Age of Plant**	13	14	14	17	18	19	21	13	11	15	11
Long Term Debt to Capitalization**	25.6%	23.6%	23.9%	23.5%	23.3%	23.5%	22.2%	30.6%	31.3%	31%	31%
Debt Service Coverage Ratio	4.56	2.17	2.13	(1.34)	3.30	2.05	2.73	8.01	3.74	6.6	2.6
Cash to Long Term Debt	1.28	1.60	1.34	1.75	1.52	1.74	1.93				
*CAGR = Compounded Annual Growth Rate											
**Denotes metric is favorable if lower											