

# Gifford Medical Center

## Fiscal Year 2017 Budget Analysis

Report Date: 8/5/2016

**Gifford Medical Center**

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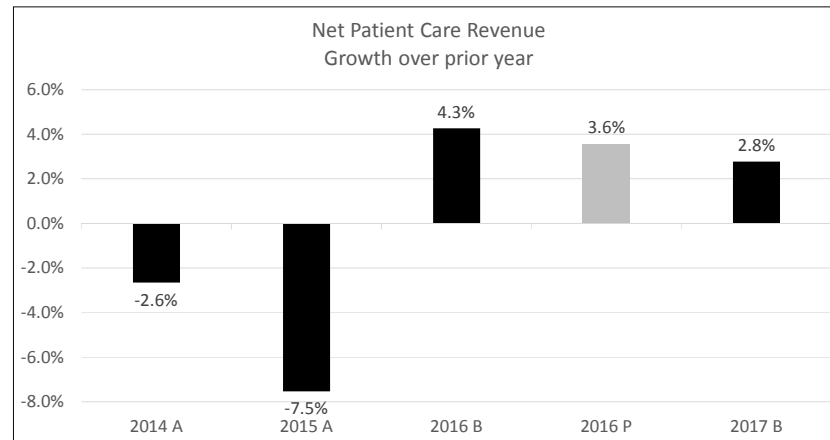
**SUMMARY OF BUDGET**

	2015 A	2016 B	2017 B	B16-B17 Change \$	B16-B17 Change %	B16-B17 Change \$ All Hospitals	B16-B17 Change % All Hospitals
Gross Patient Care Revenue	\$ 110,199,633	\$ 114,775,075	\$ 121,780,035	\$ 7,004,960	6.1%	\$ 134,233,796	2.7%
<b>Net Patient Care Revenue</b>	<b>\$ 53,896,728</b>	<b>\$ 56,201,733</b>	<b>\$ 57,762,429</b>	<b>1,560,696</b>	<b>2.8%</b>	<b>114,474,070</b>	<b>5.0%</b>
Other Operating Revenue	\$ 3,036,891	\$ 1,143,988	\$ 1,478,242	334,254	29.2%	6,477,684	4.7%
<b>Total Operating Revenue</b>	<b>\$ 56,933,619</b>	<b>\$ 57,345,721</b>	<b>\$ 59,240,671</b>	<b>\$ 1,894,950</b>	<b>3.3%</b>	<b>\$ 120,951,754</b>	<b>4.9%</b>
<b>Operating Expense</b>	<b>\$ 55,368,184</b>	<b>\$ 55,683,978</b>	<b>\$ 58,086,178</b>	<b>\$ 2,402,200</b>	<b>4.3%</b>	<b>\$ 119,502,747</b>	<b>5.0%</b>
<b>Net Operating Income</b>	<b>\$ 1,565,435</b>	<b>\$ 1,661,743</b>	<b>\$ 1,154,493</b>	<b>\$ (507,250)</b>	<b>-30.5%</b>	<b>\$ 1,449,007</b>	<b>2.1%</b>
<b>Non Operating Revenue</b>	<b>\$ 3,192,123</b>	<b>\$ 850,000</b>	<b>\$ 850,000</b>	<b>\$ -</b>	<b>0.0%</b>	<b>\$ 4,835,590</b>	<b>15.7%</b>
<b>Excess (Deficit) of Rev over Exp</b>	<b>\$ 4,757,558</b>	<b>\$ 2,511,743</b>	<b>\$ 2,004,493</b>	<b>\$ (507,250)</b>	<b>-20.2%</b>	<b>\$ 6,284,597</b>	<b>6.3%</b>
Operating Margin %	2.7%	2.9%	1.9%				
Total Margin %	7.9%	4.3%	3.3%				

The hospital has prepared a budget with a 2.8% increase in net patient revenues (NPR). The NPR increase includes increases in rates, utilization, and changes in bad debt and free care. That increase and the increase in other operating revenues will provide them with a 1.9% operating margin (surplus) and a total margin of 3.3%.

Changes related to lower bad debt and free care are primarily related to reporting adjustments. These reporting adjustments occurred when the hospital re-organized their nursing home, FQHC, and hospital business.

**Page 3 and 4 explain the hospital NPR increase by operations (utilization, rates, etc) and the change for each payer.**



Note: The 2016 Projected increase is measured from Actual 2015.

**Gifford Medical Center**

**RATE AND NET PATIENT REVENUE INCREASE**

**Rate is the average change in price for services provided.**

	2013 Approved	2014 Approved	2015 Approved	2016 Approved	2017 Submitted
Weighted Average rate for all hospitals	7.9%	5.2%	6.8%	4.4%	2.2%
Gifford Medical Center Rate Request	6.1%	7.6%	5.6%	5.8%	3.9%
Hospital Inpatient					3.8%
Hospital Outpatient					3.8%
Outpatient Physician					4.5%
Chronic/SNF					0.0%
Swing					3.8%
Other					0.0%

The 3.9% rate increase is realized by 3.8% increases budgeted for inpatient, outpatient, and swing bed and a 4.5% increase for physician services.

The rate increase will generate \$1.2 million of the \$1.56 million NPR increase. The balance will be earned by higher utilization. The bad debt and free care change is largely a reporting adjustment related to their re-organization in the FY 2016 budget. The reduction in Medicaid is based upon changes in reimbursement for 2017 earned from DVHA.

Net Patient Revenue change	2016 Approved	2017 Submitted	B16-B17 Change	B16-B17 Change
<b>NPR changes due to:</b>	\$ 56,201,733	\$ 57,762,428	\$ 1,560,695	2.8%
Commercial Ask Negotiations			\$ -	
Rate request			\$ 1,232,037	<b>3.9% Rate to be requested from commercial insurers</b>
Utilization			\$ 888,381	<b>Increase in inpatient admissions, length of stay</b>
Other major program change			\$ -	
Physician Acquisition or reduction			\$ -	
Free care			\$ 679,052	<b>Overstated in 2016 budget (hospital will explain)</b>
Bad debt			\$ 380,947	<b>Same as free care</b>
Dispro share change			\$ (122,821)	<b>Amount determined by DVHA</b>
Other NPR changes			\$ (251,270)	<b>Medicaid reimbursement reduction</b>
Contractual allowance reporting adjustments			\$ (1,245,631)	<b>Allowances understated in 2016 budget (see bad debt/free care)</b>
<b>Total NPR changes</b>			\$ 1,560,695	

**Gifford Medical Center**

NET PAYER REVENUE CHANGE		FY2016	Projection FY2016	FY2017	B16-B17 \$Change	B16-B17 % change	NPR From Rate	NPR From All Other
<b>All Payers</b>	<b>Gross Revenue</b>	\$114,775,075	\$115,690,980	\$121,780,035	\$7,004,960	6.1%		
	Allowances	(\$54,729,477)	(\$57,807,018)	(\$61,110,917)	(\$6,381,440)	-11.7%		
	Bad Debt	(\$3,533,898)	(\$2,583,424)	(\$3,152,951)	\$380,947	-10.8%		
	Free Care	(\$1,285,389)	(\$457,596)	(\$606,337)	\$679,052	-52.8%		
	Disproportionate Share Payments	\$975,422	\$982,680	\$852,599	(\$122,823)	-12.6%		
	Graduate Medical Education Payments	\$0	\$0	\$0	\$0	0.0%		
	<b>Net Payer Revenue</b>	<b>\$56,201,733</b>	<b>\$55,825,622</b>	<b>\$57,762,429</b>	<b>\$1,560,696</b>	<b>2.8%</b>	<b>\$1,232,037</b>	<b>\$328,659</b>
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<b>Commercial</b>	<b>Gross Revenue</b>	\$49,586,008	\$45,934,183	\$48,427,313	(\$1,158,695)	-2.3%		
	Allowances	(\$14,035,605)	(\$11,728,386)	(\$12,430,471)	\$1,605,134	-11.4%		
	Bad Debt	\$0	\$0	\$0	\$0	0.0%		
	Free Care	\$0	\$0	\$0	\$0	0.0%		
	Disproportionate Share Payments	\$0	\$0	\$0	\$0	0.0%		
	Graduate Medical Education Payments	\$0	\$0	\$0	\$0	0.0%		
	<b>Net Payer Revenue</b>	<b>\$35,550,403</b>	<b>\$34,205,798</b>	<b>\$35,996,842</b>	<b>\$446,439</b>	<b>1.3%</b>	<b>\$865,681</b>	<b>-\$419,242</b>
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<b>Medicaid</b>	<b>Gross Revenue</b>	\$21,653,551	\$21,970,797	\$23,156,753	\$1,503,202	6.9%		
	Allowances	(\$16,242,925)	(\$16,787,076)	(\$17,759,948)	(\$1,517,023)	9.3%		
	Bad Debt	\$0	\$0	\$0	\$0	0.0%		
	Free Care	\$0	\$0	\$0	\$0	0.0%		
	Disproportionate Share Payments	\$975,422	\$982,680	\$852,599	(\$122,823)	-12.6%		
	Graduate Medical Education Payments	\$0	\$0	\$0	\$0	0.0%		
	<b>Net Payer Revenue</b>	<b>\$6,386,048</b>	<b>\$6,166,401</b>	<b>\$6,249,404</b>	<b>(\$136,644)</b>	<b>-2.1%</b>	<b>\$0</b>	<b>-\$136,644</b>
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<b>Medicare</b>	<b>Gross Revenue</b>	\$43,535,516	\$47,785,999	\$50,195,969	\$6,660,453	15.3%		
	Allowances	(\$24,450,947)	(\$29,291,556)	(\$30,920,498)	(\$6,469,551)	26.5%		
	Bad Debt	\$0	\$0	\$0	\$0	0.0%		
	Free Care	\$0	\$0	\$0	\$0	0.0%		
	Disproportionate Share Payments	\$0	\$0	\$0	\$0	0.0%		
	Graduate Medical Education Payments	\$0	\$0	\$0	\$0	0.0%		
	<b>Net Payer Revenue</b>	<b>\$19,084,569</b>	<b>\$18,494,443</b>	<b>\$19,275,471</b>	<b>\$190,902</b>	<b>1.0%</b>	<b>\$366,354</b>	<b>-\$175,452</b>
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<b>Bad Debt/Free Care</b>	<b>Gross Revenue</b>	\$0	\$0	\$0	\$0	0.0%		
	Allowances	\$0	\$0	\$0	\$0	0.0%		
	Bad Debt	(\$3,533,898)	(\$2,583,424)	(\$3,152,951)	\$380,947	-10.8%		
	Free Care	(\$1,285,389)	(\$457,596)	(\$606,337)	\$679,052	-52.8%		
	Disproportionate Share Payments	\$0	\$0	\$0	\$0	0.0%		
	Graduate Medical Education Payments	\$0	\$0	\$0	\$0	0.0%		
	<b>Net Payer Revenue</b>	<b>(\$4,819,287)</b>	<b>(\$3,041,020)</b>	<b>(\$3,759,288)</b>	<b>\$1,059,999</b>	<b>-22.0%</b>	<b>\$0</b>	<b>\$1,059,999</b>

This schedule shows the NPR increase by each major payer, including those receiving care as bad debt or free care. The schedule identifies the NPR increase related to rates separate from all other increases.

The Commercial revenues reflect the planned rate increase dollars for this year ('17). The decrease is related to a reporting error in the 2016 budget that understated contractual allowances..

The hospital will NOT receive any new funds because of their rate increase. They expect to see lower reimbursement for certain IP /OP services.

As a critical care hospital, Medicare will increase some as a function of costs. Utilization is also increasing, but at a lower reimbursed rate compared to 2016.

The hospital will explain the change in NPR for each payer as part of its budget presentation, including bad debt/free care changes. Most of the bad debt free care changes are related to incorrect reporting in the FY 2016 budget.

Page 3 describes the 2017 NPR increase by major operational changes (rates, utilization, etc).

- 1) Provide an update on the status of Gifford's hospital - FQHC organizational change – what have you learned and what is working? What needs improvement? Also, provide an update on the nursing home project and how it effects the hospital's balance sheet.
- 2) The hospital's net patient revenues (NPR) are increasing 2.8% over 2016 budget. This meets the GMCB's target. Explain your NPR changes at the budget hearing using the payer schedule provided in the staff's analysis. The GMCB is interested in understanding the changes occurring from budget to budget by payer.
- 3) The hospital is requesting a 3.9% overall rate increase that will be applied to hospital services at 3.8% and physician services at 4.5%. Is this the rate that is negotiated with commercial payers? Describe the strategy and basis for this increase.
- 4) The hospital has stated that the lower bad debt and free care are primarily related to incorrect budget reporting when estimating the 2016 budget. The 2016 budget included the re-organization related to the FQHC. Briefly describe the reporting problem.
- 5) Are the types (DRGs) of acute admissions the hospital is experiencing changing over the last few years? What prompted the budgeted decline in 2016 and why did it not occur? Describe the utilization increases in inpatient admissions that the hospital has seen and explain how the Critical Access Hospital status effects the usage of swing beds. Why do you believe the new inpatient utilization is sustainable?
  - a) What are the major decreases you are seeing in OR procedures?
  - b) Why the large increase in length of stay in 2017 (almost a day)?
- 6) The hospital has budgeted a \$850,00 loss in investment income in 2017. Why would you budget a loss?
- 7) Are the FY 16 projections for net revenues, expenditures, and surplus as reported still valid? If not, describe any material changes.
- 8) Discuss the hospital's plans to spend \$9.3 million in capital in FY 2018.
- 9) Your narrative notes that you try to compare your financial ratios against triple B rated benchmarks. Provide a brief schedule of the types of benchmarks you are using.
- 10) Describe the hospital's efforts with local mental health and other providers to strengthen community health services. Describe any successes and identify limitations of those efforts.

Gifford Medical Center							Vt Median	Northeast CAH	Other Non-Profit	100 - 199 Beds	All Teaching
KEY INDICATORS	2013 A	2014 A	2015 A	2016 B	2016 P	2017 B	2017 B	U.S. Benchmarks FY2014			
<b>Net Patient Revenue Change Approved and Submitted Rates</b>		-2.6%	-7.5%	4.3%		2.8%					
	6.1%	7.6%	5.6%	5.8%		3.9%					
<b>Utilization</b>											
Total Average Daily Census	48	50	49	19	23	22	23.2	-	80	72	192
Adjusted Admissions	6,232	5,641	5,331	4,960	5,405	5,283	8,261	-	-	-	-
<b>Capital</b>											
Age of Plant	9.8	10.3	11.4	11.8	13.0	12.6	12.0	11.3	11.3	11.2	11.2
Long Term Debt to Capitalization	30.2%	26.9%	28.3%	25.3%	25.9%	32.3%	26.9%	27.1%	31.2%	23.5%	30.6%
Debt Service Coverage Ratio	4.0	4.4	3.8	4.3	4.8	2.9	4.2	4.4	2.8	3.0	5.0
<b>Revenue</b>											
Bad Debt %	2.4%	2.9%	2.0%	3.1%	2.2%	2.6%	1.6%	5.6%	5.5%	6.7%	4.1%
Free Care %	0.5%	0.5%	0.3%	1.1%	0.4%	0.5%	0.7%	-	-	-	-
Operating Margin %	2.7%	3.5%	2.7%	2.9%	5.4%	1.9%	1.9%	-2.4%	0.7%	2.8%	3.0%
Total Margin %	4.2%	6.5%	7.9%	4.3%	11.7%	3.3%	3.2%	3.2%	3.7%	5.7%	5.6%
<b>Productivity &amp; Staffing</b>											
Overhead Expense w/ fringe, as a % of Total Expenses	23.2%	24.4%	25.3%	27.7%	25.2%	27.7%	26.1%	-	-	-	-
<b>Cost &amp; Revenue Unit of Measure</b>											
Cost per Adjusted Admission	9,937	10,586	10,386	11,226	10,070	10,994	10,264	-	7,557	7,453	7,645
<b>Liquidity</b>											
Current Ratio	3.5	4.0	4.0	3.5	4.4	2.8	2.9	1.4	2.3	1.7	1.8
Days Cash on Hand	186	201	188	226	199	175	129	99	74	75	110
<b>Payer</b>											
Medicare Gross as % of Tot Gross Rev	34%	39%	40%	38%	41%	41%	41%	-	-	-	-
Medicaid Gross as % of Tot Gross Rev	21%	20%	21%	19%	19%	19%	19%	-	-	-	-
Comm/self Gross as % of Tot Gross Rev	45%	42%	39%	43%	40%	40%	36%	-	-	-	-
Medicare % of Net Rev (incl DSH)	31%	36%	34%	35%	34%	34%	35%	-	-	-	-
Medicaid % of Net Rev (incl DSH)	15%	15%	15%	10%	9%	9%	12%	-	-	-	-
Comm/self % of Net Rev (incl DSH)	55%	50%	51%	56%	57%	57%	50%	-	-	-	-

**Gifford Medical Center**

<b>PROFIT &amp; LOSS STATEMENT</b>	<b>2014 A</b>	<b>2015 A</b>	<b>2016 B</b>	<b>2016 P</b>	<b>2017 B</b>	<b>B16-B17 Change</b>	<b>B16-B17 Change %</b>
<b>Revenues</b>							
<b>Gross Patient Care Revenue</b>	\$ 113,520,199	\$ 110,199,633	\$ 114,775,075	\$ 115,690,980	\$ 121,780,035	\$ 7,004,960	6.1%
Disproportionate Share Payments	806,560	842,693	975,422	982,680	852,599	(122,823)	-12.6%
Bad Debt	(3,265,073)	(2,213,420)	(3,533,898)	(2,583,424)	(3,152,951)	380,947	-10.8%
Free Care	(608,399)	(360,486)	(1,285,389)	(457,596)	(606,337)	679,052	-52.8%
Graduate Medical Education	-	-	-	-	-	-	
Deductions from Revenue	(52,171,195)	(54,571,693)	(54,729,477)	(57,807,018)	(61,110,917)	(6,381,440)	11.7%
<b>Net Patient Care Revenue</b>	<b>\$ 58,282,092</b>	<b>\$ 53,896,728</b>	<b>\$ 56,201,733</b>	<b>\$ 55,825,622</b>	<b>\$ 57,762,429</b>	<b>\$ 1,560,696</b>	<b>2.8%</b>
<b>Year over Year Change</b>	<b>-2.6%</b>	<b>-7.5%</b>	<b>4.3%</b>	<b>3.6%</b>	<b>2.8%</b>		
<b>Other Operating Revenue</b>	<b>\$ 3,612,833</b>	<b>\$ 3,036,891</b>	<b>\$ 1,143,988</b>	<b>\$ 1,705,336</b>	<b>\$ 1,478,242</b>	<b>\$ 334,254</b>	<b>29.2%</b>
<b>Total Operating Revenue</b>	<b>\$ 61,894,925</b>	<b>\$ 56,933,619</b>	<b>\$ 57,345,721</b>	<b>\$ 57,530,958</b>	<b>\$ 59,240,671</b>	<b>\$ 1,894,950</b>	<b>3.3%</b>
<b>Operating Expense</b>							
Salaries Non MD	20,792,342	19,179,972	19,000,150	18,336,754	18,553,835	(446,315)	-2.3%
Fringe Benefits Non MD	5,420,864	6,146,224	5,937,626	5,162,036	5,998,977	61,351	1.0%
Fringe Benefits MD	2,537,152	1,469,416	1,766,401	1,664,588	1,934,474	168,073	9.5%
Physician Fees Salaries Contracts & Fringes	8,960,862	7,152,467	7,563,941	7,658,486	7,623,967	60,026	0.8%
Health Care Provider Tax	3,233,280	3,089,203	2,902,782	2,902,776	3,186,753	283,971	9.8%
Depreciation Amortization	3,366,279	3,307,912	3,250,354	3,099,894	3,406,290	155,936	4.8%
Interest - Short Term	-	-	-	-	-	-	
Interest - Long Term	966,396	873,919	660,308	819,076	810,228	149,920	22.7%
Other Operating Expense	14,432,545	14,149,071	14,602,416	14,784,984	16,571,654	1,969,238	13.5%
<b>Total Operating Expense</b>	<b>\$ 59,709,720</b>	<b>\$ 55,368,184</b>	<b>\$ 55,683,978</b>	<b>\$ 54,428,594</b>	<b>\$ 58,086,178</b>	<b>\$ 2,402,200</b>	<b>4.3%</b>
<b>Year over Year Change</b>	<b>-3.6%</b>	<b>-7.3%</b>	<b>0.6%</b>	<b>-</b>	<b>4.3%</b>		
<b>Net Operating Income (Loss)</b>	<b>\$ 2,185,205</b>	<b>\$ 1,565,435</b>	<b>\$ 1,661,743</b>	<b>\$ 3,102,364</b>	<b>\$ 1,154,493</b>	<b>\$ (507,250)</b>	<b>-30.5%</b>
<b>Non-Operating Revenue</b>	<b>\$ 1,986,289</b>	<b>\$ 3,192,123</b>	<b>\$ 850,000</b>	<b>\$ 4,086,040</b>	<b>\$ 850,000</b>	<b>\$ -</b>	<b>0.0%</b>
<b>Excess (Deficit) Of Revenue Over Expense</b>	<b>\$ 4,171,494</b>	<b>\$ 4,757,558</b>	<b>\$ 2,511,743</b>	<b>\$ 7,188,404</b>	<b>\$ 2,004,493</b>	<b>\$ (507,250)</b>	<b>-20.2%</b>

Bad debt and free care are NOT RELATED to lower costs and/or cases. They are due to an overstatement in the 2016 budget. This was offset by understated contractual allowances (included in deductions from revenue).

The hospital explains that the large increases being seen in other operating expenses are related to certain medical supplies and contractual "travelers".

Non operating revenues includes a budgeted loss for investment earnings. The hospital will explain.

**Gifford Medical Center**

<b>UTILIZATION &amp; STAFFING</b>	<b>2014 A</b>	<b>2015 A</b>	<b>2016 B</b>	<b>2016 P</b>	<b>2017 B</b>	<b>B16-B17 Change</b>
<b>UTILIZATION</b>						
Adjusted Admissions	5,641	5,331	4,960	5,405	5,283	6.5%
Acute Admissions	1,178	1,318	1,227	1,402	1,362	11.0%
Acute Average Length Of Stay	3.8	3.8	3.6	4.6	4.5	25.0%
Operating Room Procedure	3,719	3,424	2,821	3,150	2,284	-19.0%
Laboratory Tests	183,925	162,436	162,000	158,806	162,000	0.0%
Emergency Room Visits	7,205	7,780	7,250	7,782	7,500	3.4%
Cat Scan, Radiology - Diagnostic Procedures	22,953	21,692	21,645	28,887	22,847	5.6%
Magnetic Resonance Image Exams	1,363	1,327	1,280	1,423	1,348	5.3%
Physician Office Visits	74,930	24,065	39,370	36,476	37,475	-4.8%
Clinics Visits	0	0	0	0	0	0.0%
<b>STAFFING</b>						
Non-MD FTEs	398	363	322	298	306	-15
Travelers	0	0	0	0	0	0
Residents & Fellows	0	0	0	0	0	0
Mid Level Providers	0	0	0	0	0	0
Physician FTEs	32	19	26	25	25	-1
<b>Total MD and Non MD FTEs</b>	<b>430</b>	<b>382</b>	<b>347</b>	<b>323</b>	<b>331</b>	<b>-16</b>
Salary & Benefits per FTE - Non-MD	\$ 65,884	\$ 69,779	\$ 77,538	\$ 78,821	\$ 80,186	3.4%
FTEs Per Adjusted Occupied Bed	6.8	6.5	6.6	4.4	4.7	-28.5%
FTEs per 100 Adj Discharges	7.1	6.8	6.5	5.5	5.8	-10.6%
<b>Comparative Benchmarks</b>						
<b>Vermont System Averages</b>						
Salary & Benefits per FTE - Non-MD	\$ 78,162	\$ 80,704	\$ 82,457	\$ 83,286	\$ 83,856	1.7%
FTEs Per Adjusted Occupied Bed	5.5	5.7	5.8	5.8	6.1	4.5%
FTEs per 100 Adj Discharges	7.0	7.2	7.5	7.2	7.5	-0.2%
<b>U.S. Benchmarks</b>						
<b>FTEs Per Adjusted Occupied Bed</b>						
Northeast Critical Access Hospital	0.00	-	-	-	-	
Other Non-Profit	3.60	-	-	-	-	
100 - 199 Beds	3.45	-	-	-	-	
All Teaching	3.45	-	-	-	-	

The only areas showing significant change over budget are acute admissions and length of stay and operating room procedures/cases. The hospital will be asked to explain.

The reduction in FTEs is related to the allocation of costs across the Gifford Medical Center corporate company. Some FTE costs are now reflected at the nursing home and FQHC.

This benchmark does not exist for NE critical access hospitals.



## Gifford Medical Center

BALANCE SHEET	2014 A	2015 A	2016 B	2016 P	2017 B
Cash & Investments	\$ 7,378,810	\$ 3,840,325	\$ 8,992,913	\$ 5,689,094	\$ 6,583,458
Total Current Assets	\$ 15,093,022	\$ 12,182,645	\$ 19,739,176	\$ 14,498,060	\$ 17,879,590
Board Designated Assets	\$ 23,808,046	\$ 23,252,190	\$ 23,418,856	\$ 22,444,820	\$ 19,647,906
Net, Property, Plant And Equipment	\$ 31,896,051	\$ 38,075,279	\$ 41,276,645	\$ 40,268,634	\$ 41,613,056
Other Long-Term Assets	\$ 8,155,853	\$ 8,186,420	\$ 7,505,000	\$ 8,925,993	\$ 8,221,000
<b>Total Assets</b>	<b>\$ 78,952,972</b>	<b>\$ 81,696,534</b>	<b>\$ 91,939,677</b>	<b>\$ 86,137,507</b>	<b>\$ 87,361,552</b>
Current Liabilities	\$ 9,642,472	\$ 8,889,877	\$ 12,184,772	\$ 8,407,550	\$ 13,160,014
Long Term Liabilities	\$ 18,627,526	\$ 20,600,159	\$ 20,157,000	\$ 20,110,457	\$ 23,972,000
Other Noncurrent Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balance	\$ 50,682,974	\$ 52,206,498	\$ 59,597,906	\$ 57,619,499	\$ 50,229,539
<b>Total Liabilities and Equities</b>	<b>\$ 78,952,972</b>	<b>\$ 81,696,534</b>	<b>\$ 91,939,678</b>	<b>\$ 86,137,507</b>	<b>\$ 87,361,553</b>

The balance sheet shows a reduction in fund balance related to the hospital using Board Designated funds to pay for the nursing home capital project.

Gifford Medical Center					
Net Increase/(Decrease) in Cash	\$ (291,925)	\$ (3,538,485)	\$ 5,152,589	\$ 1,848,769	\$ (2,409,455)
Days Cash on Hand	201.5	188.4	225.6	198.6	175.1
Long Term Debt to Capitalization	26.9%	28.3%	25.3%	25.9%	32.3%
Debt Service Coverage Ratio	4.4	3.8	4.3	4.8	2.9

For 2014, the hospital's debt position compares favorably with both the Vermont hospital median and NE critical access peers.

Comparative Benchmarks					
Vermont System Averages					
Net Increase/(Decrease) in Cash	\$ 54,485,429	\$ (13,749,624)	\$ (778,512)	\$ (3,061,249)	\$ (680,856)
Days Cash on Hand	176.3	178.5	179.6	174.8	165.5
Long Term Debt to Capitalization	29.7%	27.6%	31.3%	32.0%	29.5%
Debt Service Coverage Ratio	3.3	3.7	2.7	2.8	3.1
U.S. Benchmarks					
Northeast Critical Access Hospital					
Days Cash on Hand-Peers	99.30	-	-	-	-
Long Term Debt to Capitalization-Peers	27%	-	-	-	-
Debt Service Coverage Ratio-Peers	4.4	-	-	-	-

However, the days cash on hand is budgeted to decline and the debt measures are budgeted to be less favorable in 2017. This is due to the nursing home CON coming on line.

## Gifford Medical Center

Capital Budget	2014 A	2015 A	2016 B	2016 P	2017 B	2018 Plan	2019 Plan	2020 Plan
Non-Certificate of Need Capital Plans Total	\$ 4,171,425	\$ 1,981,569	\$ 3,050,882	\$ 2,594,208	\$ 4,168,177	\$ 9,299,890	\$ 5,666,190	\$ 3,059,500
Certificate of Need Capital Plans	\$ -	\$ 8,328,828	\$ 3,206,406	\$ 4,374,980	\$ -	\$ -	\$ -	\$ -
<b>Total Capital Purchases</b>	<b>\$ 4,171,425</b>	<b>\$ 10,310,397</b>	<b>\$ 6,257,288</b>	<b>\$ 6,969,188</b>	<b>\$ 4,168,177</b>	<b>\$ 9,299,890</b>	<b>\$ 5,666,190</b>	<b>\$ 3,059,500</b>

### Gifford Medical Center

Age of Plant	10.3	11.4	11.8	13.0	12.6
Capital Expenditures to Depreciation	123.9%	59.9%	93.9%	83.7%	122.4%
Capital Cost % of Total Expense	7.3%	7.6%	7.0%	7.2%	7.3%

### Comparative Benchmarks

#### Vermont System Averages

Age of Plant	10.2	11.4	11.9	11.9	12.3
Capital Expenditures to Depreciation	80.6%	97.1%	95.1%	96.0%	122.8%
Capital Cost % of Total Expense	5.9%	5.4%	5.8%	5.6%	5.3%

#### U.S. Benchmarks

##### Northeast Critical Access Hospital

Age of Plant-Peers	11.3	-	-	-	-	-	-	-
Capital Expenditures to Depreciation-Peers	0.0%	-	-	-	-	-	-	-
Capital Cost % of Total Expense-Peers	5.8%	-	-	-	-	-	-	-

The hospital's capital costs are high compared to Vermont peers. Age of plant tracks close to the median. Additional spending will reduce the age of plant but continues to pressure capital costs.

When compared nationally, the data shows a favorable AOP but less favorable capital cost as a % of expenses.

The hospital will explain the \$9.3 million project planned for 2018.