



Gifford Medical Center

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February 14, 2019

Kevin Mullin, Chairman
Green Mountain Care Board of Vermont
144 State Street
Montpelier, VT 05602

Dear Chairman Mullin,

I am writing to request the Green Mountain Care Board (GMCB) to approve a fiscal year (FY) 2019 budget modification for Gifford Medical Center (GMC). My request is to approve an average charge increase of 1.25% for GMC effective March 14, 2019.

The request amount represents the difference between our original FY 2019 charge increase request and what the GMCB approved in its budget order. We estimate that this modification, if approved, would generate approximately \$300,000 in net patient revenue over the remainder of FY 2019 and approximately \$565,000 on an annualized basis.

Per the process outlined in the GMCB's "FY 2019 Hospital Budget Guidance and Reporting Requirements" we present the following information for your review.

- A. *Approval from the GMC Board of Trustees.* At its January 24, 2019 meeting, the GMC Board of Trustees voted to authorize Management to submit a FY 2019 budget modification in the amount of a 1.25% average charge increase to the GMCB.
- B. *Submit a letter of intent regarding a revised budget.* See below.

GMC requests the aforementioned FY 2019 budget modification in support of two goals – investment in our workforce, and improving our financial health.

Workforce

GMC and Gifford Health Care typically implement a modest annual pay increase program for its non-contracted employees. However, we were unable to institute this program in FY 2018 and our last pay increase program took place in spring 2017. This is despite a very tight labor market in Vermont and within the health care sector.

Gifford employees complete an annual employee engagement survey to aid our Management and Board in assessing work conditions and setting priorities. In our FY 2018 and 2019 surveys a majority of respondents indicated that their compensation was not in line with their market expectations. Their comments highlighted our lack of a pay increase program in FY 2018 as impacting their response to this question. Gifford clearly needs to invest in our workforce to avoid losing good employees.

During FY 2018 GMC spent \$755,000 on traveling/temporary staffing. We have been successful in hiring permanent employees for some of these positions and have reduced the amounts spent on temporary staff through the first quarter of FY 2019. We project that our expenditures on temporary staffing in FY 2019 will be less than half what we spent in FY 2018 – assuming we can retain our staff.

GMC must implement a substantive pay increase program in FY 2019 in order to maintain a highly qualified and dedicated workforce. This budget modification will support our efforts.

Financial Health

GMC has experienced poor operating margins in the past two fiscal years and we have discussed the factors driving that performance in our previous GMCB reporting and public hearings. GMC has focused aggressively on expense reduction activities in order to mitigate the impact of lower volumes in the past two fiscal years.

Expenses at GMC were nearly \$1.4 million lower in FY 2018 as compared to FY 2017. We achieved this overall expense reduction while incurring approximately \$1.6 million in temporary employee (\$755,000) and physician (\$859,000) expenses.

Over the first quarter of FY 2019 we have reduced our expenses by \$1.2 million compared to the same period in FY 2018. Despite our successes in reducing costs we require additional time to continue to improve our financial operations to healthy levels.

The GMCB's recent "CAH Financial Report to Governor Scott" (January 9, 2019) highlighted GMC's difficult financial performance the past two years, while also indicating other factors that support our request. While GMC maintains generally positive liquidity ratios, we rank low on "age of plant" and "long term debt to capitalization".

On page two of your report you state that "a hospital with a high average Age of Plant might require more Days Cash on Hand in order to finance needed capital improvements". This statement clearly applies to GMC. Not only is our plant older than the average Vermont hospital but our debt load is also heavier than the average among Vermont hospitals. This scenario dictates that GMC rely on its cash and invested assets to fund capital needs. Therefore, we cannot rely upon our cash reserves to continue funding our operations and require our requested budget adjustment to continue our financial improvement.

On behalf of Gifford, I ask the GMCB to approve our budget modification request to support investments in our employees and to ensure the success of our on-going financial improvement plans. Please contact me with any questions or requests for additional information.

Respectfully,



Daniel A. Bennett
President and CEO