

## Grace Cottage Hospital FY 2017 Actual Narrative

Grace Cottage fell short of achieving our FY17 Net Patient Care Revenue (NPR) target by 11.7%. While Inpatient/Swing utilization/gross revenue were just slightly over budget, both Outpatient and Physician utilization/revenue were significantly under budget.

Both the Outpatient and the Physician utilization/revenue budgets were built upon Provider patient encounters that fell short during the first part of the fiscal year. Both saw upward trends toward the end of the fiscal year, and have continued during the first part of FY2018.

Higher than expected levels of Bad Debt and Contractual Allowances led to the NPR shortfall being higher than the Gross Patient Care Revenue shortfall at 8.1% under budget.

As a result of continued tight fiscal oversight, Operating Expenditures were held in line, and ended the year substantially under budget as well at 4.8% under budget.

These FY17 actual results were in line with what was submitted with the FY18 budget as a projection for FY17. Additionally, the assumptions made in creating the FY18 budget (based on trends in the first part of FY17) appear to be holding true for the early part of FY18.

As discussed last year, as well as in both the FY2018 budget submission narrative and at the FY2018 budget hearings, Grace Cottage's biggest challenge, and the primary barrier to achieving a positive bottom line, continues to be the significant subsidy Grace Cottage makes to the State of Vermont in the form of less than adequate reimbursement from Medicaid and payment of a very large Medicaid tax, with no Disproportionate Share payments to help offset it. It should be noted that as a result of not meeting the obstetrical requirement, Grace Cottage is the only one of the Vermont hospitals that submit budgets to the GMCB that does not receive any Disproportionate Share Payments.

As indicated on the most recent 990 Schedule H (revised from the FY15 version submitted with our FY18 budget), Grace Cottage contributes over \$2.3 million dollars to the State of Vermont Medicaid program. The FY2016 schedule H shows a total Net Community Benefit Expense of \$2,310,663 on the Medicaid line. This is comprised of Vermont Medicaid paying \$1,689,172 less than the actual cost of providing care (not less than gross charges, but less than actual cost) to the Vermont Medicaid patients treated at Grace Cottage, as well as the \$621,491 Grace Cottage paid in Health Care Provider Tax, for which it receives no benefit.

There were no specific returns recognized in FY2017 as a result of investments in health care reform.

Grace Cottage has been a member of the CHAC ACO due to its focus on Primary Care. As CHAC is no longer an option, Grace Cottage will in the coming months be assessing if participation in OneCare would be an appropriate course of action.