

SPRINGFIELD HOSPITAL

August 9, 2018

Green Mountain Care Board

Dear Members,

This response is in regards to the questions submitted by your staff on July 30, 2018.

Question #1: Have projections changed?

Yes, current projections are showing a larger loss from operation than May projections. We are now projecting a loss from operations of \$2.5 million due to a combination of surgical and outpatient volume being less than originally projected and locum and employee health care cost continuing to run over budget.

Question #2: Explain change in physician wages and benefits

This was included in our original submission. We are planning on replacing two Anesthesia Physicians with CRNAs with a projected savings of \$200,000 in wages for each CRNA hired. Benefits will also decrease proportionately.

Question #3: Explain change in non-physician benefits

We are self-funded for health insurance and we had an extremely large claim in FY18 which we do not anticipate repeating in Bud19.

Question #4: Explain consequences of not meeting budget in FY19

If we significantly miss budget in FY19 we will have no choice but to look at programs that do not support themselves due to any combination of volume, payer mix and low reimbursement. First, we would look at stand alone projects (ie cardiac rehab, pulmonary rehab). If the miss is extremely large we would look at larger programs.

Question # 5: Explain PP&E variance from FY18 to 19

FY18 balance sheet had an error in PP&E. By looking at prior years and FY19 you can see the numbers are consistent and FY18 is the anomaly.

Question #6: Age of Plant Fy18 and 19

See answer to question #5

Question #7: Health reform update

We are fully participating in the state wide ACO One Care Vermont (OCV) with Medicare, Medicaid and BC. We have withdrawn from CHAC and are waiting on a final accounting from them.

Question #8: Bad debt – charity care changes, change in policy?

There has been no change in our charity care policy. We are anticipating that there will be a drop in ACA coverage due to the change in the law and more people will qualify for charity care and because there will be fewer people with large deductibles bad debt will decrease.

Question #9: Other operating expense breakdown

See attached table

Question #10: ACO expenses and revenue

We have booked no ACO revenue or expenses at this time. The FPP are recorded as a liability and relieved when we record the remittance advices from Medicare and Medicaid that we receive with no associated payments. At the ACO year end there will be a settlement for both the FPP and the global spend. The ACO waits until a particular month's claims have been fully adjudicated before analyzing YTD activity through that month. For example, January and February were reviewed in early June and showed that we were overpaid during that period. It also showed that we had significant savings on the global side. This is obviously too short a time frame to accrue anything. Our maximum risk and reward in either direction is \$1 million.

If there are any further questions, don't hesitate to contact me.

Scott Whitemore

Scott Whitemore CPA CFO

Springfield Hospital

802-885-7344