

**VERMONT COMMUNITY HOSPITALS**

**UNIFORM REPORTING MANUAL**

**FOR BUDGET SUBMISSIONS**

*Prepared By:*

*The Green Mountain Care Board*  
*89 Main Street*  
*Montpelier, VT 05620*  
*(802)828-2177*

*June 2019*

## Table of Contents

INTRODUCTION .....	4
Chart of Accounts for hospital budget submission .....	4
I-VIII Sections are in the order of entering your budget for the most efficient results.....	4
IX-XIV Sections are financial and include other budget reports built into the Adaptive Insight tool..	4
I.    HOSPITAL AND PHYSICIAN REVENUE sheet (Revenues and Utilization).....	4
II.   PAYER REVENUE (Gross Revenue and deductions by Payer).....	6
III.  OTHER REVENUE.....	9
IV.   EXPENSES.....	10
V.    STAFF/FTE .....	12
VI.   CAPITAL SUMMARY, NON-CON and CON CAPITAL.....	12
VII.  RATE .....	13
VIII. BALANCE SHEET .....	13
IX.   INCOME STATEMENT .....	16
X.    CASH FLOW.....	17
XI.   COST SHIFT .....	17
XII.  STAFF.....	17
XIII. STATISTIC METRICS .....	18
XIV.  UTILIZATION .....	19
XV.   SERVICE AREAS AND DEPARTMENTS .....	19
XVI.  ACCOUNTING PRINCIPLES AND CONCEPTS.....	27

**The following tables of contents are placed here so that you can see what information is available in our other manuals.**

**USER GUIDE**

Table of Contents

Introduction ..... 2  
 UNIFORM REPORTING MANUAL and BUDGET GUIDANCE & REPORTING REQUIREMENTS ..... 2  
 System Installation Instructions ..... 6  
 1. System Overview and Training ..... 7  
 Note: If you are not a new user and want to go straight to the input instructions for this budget submission, go to "Section 2: Entering the Budget" (page 23) and to the checklist (page 25). Otherwise, begin with page 4 and read through page 23 to get an overview of the Adaptive Insight system that will collect and present your budget information. .... 7  
 Login Information ..... 7  
 System Description – Sheets, Workflow and Model ..... 8  
     The Top Toolbar ..... 8  
     The Navicon ..... 9  
 Versions, Levels and Sheets ..... 10  
     1. Versions ..... 10  
     2. Levels ..... 11  
     3. Sheet Structure ..... 11  
         a. Standard Sheets ..... 14  
         b. Modeled Sheets ..... 18  
         c. Cube Sheets ..... 20  
         Using Formulas to Input ..... 21  
     2. Entering the FY18 Budget ..... 24  
 (step by step instructions) ..... 24  
 Hospital Budget Checklist ..... 26  
     1) Revenue and Utilization Steps ..... 26  
         Hospital and Physician Revenue (Input) Sheet ..... 27  
             a. Input.....Hospital/Physician Revenue Information ..... 31  
             b. Input.....Inpatient/Utilization information ..... 31  
             c. Input.....Outpatient Statistic/Utilization information ..... 31  
             1) Payer Revenue (Input) Sheet ..... 32  
             2) Other Revenue (Input) Sheet ..... 33  
         2) Expenses (Input) Sheet ..... 34  
         3) Staff/FTE (Input) Sheet ..... 34  
         4) Capital ..... 36  
             Non-CON and CON Capital Detail ..... 36  
             a. Non CON Detail (Input) Sheet ..... 37  
             b. CON Capital Detail (Input) Sheet ..... 37  
             c. Capital Summary (Partial Input) Sheet ..... 37  
         5) Rate (Input) Sheet ..... 38  
     6) Outputs generated from your Input (please review) ..... 39  
         Income Statement Sheet ..... 39  
         Balance Sheet (Input Sheet) ..... 40  
         Cash Flow Sheet ..... 41  
         Cost Shift Sheet ..... 41  
         Statistic Metrics Sheet ..... 42  
         Utilization Sheet ..... 43  
 Viewing Edits and Reports for input validation ..... 44  
     1) Upload your Narrative, Oath, Rate schedule (B18 Rate H##.xls), Community Health Needs Assessment Report, and Schedule H of 990 ..... 48  
     2) Submit your Budget ..... 49  
 RATIOS, STATISTICS AND INDICATORS ..... 50  
 GLOSSARY ..... 56  
 Data Dictionary can be found in the Adaptive Insights Hospital Budget Instructions ..... 59  
 The following "FAQ" section is an excerpt taken from 2016 Optum Almanac of Hospital Financial and Operating Indicators. 59  
 FAQs About Data ..... 59

**BUDGET GUIDANCE AND REPORTING REQUIREMENTS**

**TABLE OF CONTENTS**

Reporting Timeline ..... 2  
Reporting Requirements  
     • New Accounts and Definitions ..... 3  
     • Presentation Instructions ..... 3  
     • Narrative Instructions ..... 4  
     • User Access to Adaptive Insights ..... 8  
     • Budget Schedules and Input Instructions ..... 8  
Budget Guidelines  
     • Net Patient Revenue ..... 9  
     • Community Health Needs Assessment ..... 9  
     • Budget Performance (Enforcement) ..... 10  
     • Provider Transfer and Acquisition ..... 12  
Appendices  
 Appendix I: Changes to Approved Budget ..... 18  
 Appendix II: Verification Under Oath Form ..... 19  
 Appendix III: Exemption from Public Hospital Budget Hearing ..... 21  
 Appendix IV: All-Payer Model Quality Measures: Regional Performance Results ..... 22  
 Appendix V: Health Reform Investments ..... 25  
 Appendix VI: Budget-to-Budget Increases ..... 26  
 Appendix VII: Questions from the Office of the Health Care Advocate ..... 28

## INTRODUCTION

**The Green Mountain Care Board**, is empowered under 18 V.S.A., § 9456 Chapter 221, subchapter 7, to review and establish hospital budgets. In accordance with this, the Green Mountain Care Board has adopted the "Uniform Reporting Manual". The manual will provide uniform accounts and definitions to assure that the budgets under review by the Green Mountain Care Board are consistent. These documents reflect input from the Green Mountain Care Board and all the Vermont acute care hospitals, along with other organizations and individuals. Certain sections of this manual are still under review. Your comments are welcome as we continually work to make this a more useful foundational document.

## Chart of Accounts for hospital budget submission

The following describes the information and accounts contained in the budget input sheets. Descriptions of these accounts generally follow the Medicare cost report; though some accounts are unique to Vermont's budget review process. New and updated definitions will be adopted as necessary to meet the reporting requirements established by the GMCB.

The following has been aligned with the structure of the Adaptive Insight budget software.

**I-VIII Sections are in the order of entering your budget for the most efficient results.**

**IX-XIV Sections are financial and include other budget reports built into the Adaptive Insight tool.**

### **I. HOSPITAL AND PHYSICIAN REVENUE sheet (Revenues and Utilization)**

The Hospital and Physician Revenue Sheet includes units of service and Gross Patient Revenues and Fixed Prospective Payments, Reserves and Other Payments for each Department in each Service Area.

**Service Areas....**

**Departments....**

**Units of service**

**Gross Patient Revenue and Fixed Prospective Payments, Adjustments,  
Reserves and Other Reform Revenues**

In addition to this sheet, the Service Area and Department definitions also apply to the Expense sheet and the FTE Staff sheet.

*See Appendix for definitions of service areas and associated departments.*

**SERVICE AREAS**

The **Service Areas** for which revenues, FTE's, utilization and expenses will be recorded include:

<b>Inpatient Routine Services</b>	<b>Inpatient Ancillary Services</b>
<b>Outpatient Routine Services</b>	<b>Outpatient General Services</b>
<b>Outpatient Ancillary Services</b>	<b>Physician Office Practice Services</b>
<b>SNF ECF Ancillary Services</b>	<b>Swing Bed Ancillary Services</b>
<b>Chronic/Rehab Ancillary Services</b>	<b>General Services</b>
<b>Other Services</b>	<b>Ancillary Services</b>

See definitions for service areas in Section *XV*.

**DEPARTMENTS**

**Departments are listed in Section *XV*. Units of service and gross patient revenue should be recorded for each active Department within each service area.**

**UNITS OF MEASURE**

**Units of measure** otherwise known as **Utilization** are to be recorded for each department unless a specific exception is noted. Available units include:

**Inpatient Routine Services**

<b>Admissions</b>	to accept into a facility as an inpatient
<b>Days</b>	a day during which a person is confined to a hospital bed overnight
<b>Beds</b>	the equipment and services needed to care for one hospitalized patient

**Outpatient Routine, Ancillary and Physician Office Practice Services**

<b>Acquired</b>	Kidneys
<b>Charges</b>	IV Therapy
<b>Contacts</b>	Home Health
<b>Exams</b>	MRI and Ultrasound
<b>Prescriptions Filled</b>	Drugs Sold
<b>Tests</b>	Laboratory
<b>Units Issued</b>	Blood Bank and Pharmacy

<b>Occurrences of Service</b>	Ambulance, Nursing Outpatient, Nutrient Consulting, Occupational Health, Speech Therapy
<b>Cases</b>	an instance of disease or injury
<b>Counts</b>	to indicate or name by units or groups to find the total number
<b>Procedures</b>	a series of steps followed in a regular definite order
<b>Treatments</b>	the action or manner of treating a patient medically or surgically
<b>Visits</b>	patient encounters (evaluation, management, treatment, etc.) in an office performed by a physician
<b>Provider Work RVU</b>	Work component of CMS Relative Value Unit (Total RVU = Work RVU + Malpractice RVU + Practice Expense RVU) billed by providers (physicians and advanced practice providers)

**GROSS PATIENT REVENUES**

Any patient related service billed to any payer is to be recorded for each department unless a specific exception is noted. The amount should include the full invoiced amount billed.

**FIXED PROSPECTIVE PAYMENTS (FPP)**

Fixed payments from an Accountable Care Organization (ACO) that cover the cost of medical care provided to lives attributed to the ACO, net of participation deductions and value-based incentive deductions.

**RESERVES (RISK PORTION)**

Reserves or adjustments to reserves recorded to financial statements related to participation in two-sided risk programs with the ACO.

**OTHER REFORM PAYMENTS**

**II. PAYER REVENUE (Gross Revenue and deductions by Payer)**

Revenues are to be recorded at the full invoiced amount billed to any payer or patient at the HOSPITAL and PHYSICIAN level.

**PAYERS**

- **Commercial-** Any type of health benefit not obtained from Medicare or Medicaid. The insurance may be employer-sponsored or privately purchased. Commercial health insurance may be provided on a fee-for-service basis or through a managed care plan.
  - Commercial-BCBSVT, TVHP, CIGNA, MVP
  - Commercial-FPP-ACO payments, adjustments and reserves
  - Self Pay- a person who pays out of pocket for health-related services in the absence of insurance to cover the medical or surgical procedure performed.
  - Workers Comp - when employers pay medical expenses of a person injured on the job.

- Other- **all other commercial payers**
- **Medicaid-** Vermont administered program under Title Nineteen of the Social Security Act.
  - In State- include Vermont revenues
  - In State-FPP- ACO payments, adjustments and reserves
  - Out of State- all other Medicaid revenues not from Vermont.
- **Medicare-** Federal administered program under Title Eighteen of the Social Security Act.
  - Medicare-FPP- ACO payments, adjustments and reserves

**Each Payer’s Revenue is reported in the following accounts**

**GROSS REVENUE** (see **service areas and department definitions** in Section XV)

- **Hospital**
  - Inpatient:
  - Swing
  - Outpatient
  - Chronic/Rehab/SNF
- **Physicians**
  - Outpatient

**DEDUCTIONS FROM REVENUE OR ADJUSTMENTS** (record for Hospital and Physician)

● **Free Care**

This account should “consist of services for which hospitals neither received, nor expected to receive, payment because they had determined the patient’s inability to pay.” American Hospital Association, Uncompensated Hospital Care Cost Fact Sheet (Jan 2015), *available at* <http://www.aha.org/content/15/uncompensatedcarefactsheet.pdf>.

● **Bad Debt**

This account should be charged with the difference between the amount, based on the Hospital's full established rates, of bills for hospital services to patients and the amount not received from these patients. (The assumption is they can pay.)

The estimated amount of bad debts can be based on an experience percentage applied to the balances of accounts receivable or the amount of charges made to patients' accounts during the period, or it can be based on a detailed aging and analysis of patients' accounts.

● **Contractual Allowances**

These accounts must be charged with the differential (if any) between the amount, based on the Hospital's full established rates, of contractual charges to patients for services rendered during the period covered by the contract, and the amounts received and due from third-party payers in payment of such charges, including adjustments made at year end based on cost reports submitted by the Hospital.

● **Discounts**

Adjustments in charges for non-health care services rendered, in the form of employee discounts from the Hospital's full established rates, should be charged to this account and credited to the appropriate account. Health care benefit plans should be recorded under Fringe Benefits, as an expense. Also, adjustments in charges for services rendered, in the form of courtesy allowances from the Hospital's full established rates, should be charged to this account and credited to the appropriate account.

## **DISPROPORTIONATE SHARE PAYMENTS**

This account is used to record the revenues received from DVHA for uncompensated care services.

“Federal law requires that state Medicaid programs make Disproportionate Share Hospital (DSH) payments to qualifying hospitals that serve a large number of Medicaid and uninsured individuals.”

## **GRADUATE MEDICAL EDUCATION PAYMENTS (record for Hospital and Physician)**

This account is used to record the revenues received from DVHA for teaching hospital services.

## **FIXED PROSPECTIVE PAYMENT & RESERVES (see definitions in Section I)**

Fixed Prospective Payments

- **Hospital**
  - Inpatient:
  - Outpatient
- **Physicians**
  - Physicians

Fixed Payments Adjustments & Reconciliations

Reserves – Risk Portion

- **Hospital**
  - Inpatient:
  - Outpatient
- **Physicians**

Physician

Reserves Risk Adjustments & Reconciliations

Other Reform Payments

- **Hospital**
- **Physicians**



### III. OTHER REVENUE

#### OTHER OPERATING REVENUE

##### Grant Income

**Cafeteria & Parking:** This account is used to record revenues earned in the Hospital cafeteria for meals served to employees and others. Also, money received from visitors, employees and others in payment for parking privileges should be recorded in this account.

**Physicians' Offices and Other Rentals:** This account should be used to record revenue received from physicians and others for office space.

##### Employee Sales:

Pharmacy

Medical/Surgical Supplies,

##### Sale of Services to Other Organizations-

**Meaningful Use:** This account should be credited for grants/revenues received from Medicare and Medicaid for using certified electronic health records (EHRs) to improve patient care.

**340B Retail Pharmacy Programs:** This account should be credited with revenues received from the Medicaid Drug Rebate Program. This program limits the price manufacturers may charge certain covered entities for covered outpatient drugs.

**Other:** This should only be used for revenues not defined above. If the amount is material, the GMCB will provide additional accounts upon request. Transfers from Restricted Funds for Operating Expenses, Laundry and/or Linen Services, Telephone, Television and Radio Rentals, Medical Record and Abstract Fees, and Vending Machine Commissions are examples.

**Institutional Reference Laboratory Revenue-**a reference and consultative service not direct patient billable revenue in nature

##### Miscellaneous/Contract Income

##### Premium Revenue and Payer Incentives

##### Specialty Pharmacy

##### Outpatient Pharmacy Revenue

##### Institutional Services Revenue

##### Reimbursed Expenses

#### NON-OPERATING REVENUE

##### General Contributions

This includes fund raising activities and donations provided by the community and others to support the hospital and its services.

##### Transfers from Related Organizations

This includes all transfers the hospital receives from related organizations.

**Income from investments** this includes the revenues earned from the various hospital investments, as interest/dividends earned.

**Gain (or loss) from Sale of investments** Revenues from the sale of investments. This should not include any unrealized gains.

**Unrealized Gains**

This should include only the revenues earned from the various hospital investments because of the change in market value of unsold investments during the current year.

**Income (Loss) from rentals**

This includes the income realized from rentals of the organization that is not directly related to patient care services.

**Income from Funded Depreciation**

This includes transfers the hospital receives from their funded depreciation asset account.

**Income from Other Board Designated Funds**

For transfers, this account would include the amount of money transferred from Restricted Funds to the Unrestricted Fund to match expenses incurred by the Unrestricted Fund in the current period for Restricted Fund activities.

**All Other**

This should only be used for immaterial sources or unique sources not presently defined.

**IV. EXPENSES**

Expenses sheet should show expenses recorded for each department. A matching of revenues and expenses should be achieved within each department.

A description of departments is in Section **XV**.

**OPERATING EXPENSES:**

**SALARY EXPENSES:**

**Salaries** -All compensation earned for services performed by an employee for the hospital. Also, the fair market value of services donated to the hospital by persons performing in an employee relationship.

Salaries include amounts accrued for vacation, holidays, sick time, on-call time, and overtime. Salaries do not include items such as the employer's share of F.I.C.A., health insurance, service awards, etc.; these items are reported as fringe benefits. Reimbursement of independent contractors, such as private duty nurses, or physicians should not be reported here.

**Sub-accounts for hospital use: (see definitions in FTE section)**

**Non-MD:**

**All Other Staff**

**Mid-level providers**

**Residents & Fellows**

**Travelers (Physician Fees & Contracts-INCOME STATEMENT)**

**Misc.**

**Physician**

**Travelers-MD (Physician Fees & Contracts-INCOME STATEMENT)**

**Fringe Benefits** - All fringe benefit costs provided to employees as a condition of their employment should be recorded here. This includes, but is not limited to, FICA, health care benefit plan costs, pension plan costs, deferred compensation plan costs, life insurance, dependent (child and elder), and dental plan costs. Fringe is provided for both Physician and non-MD staff and should be allocated or directly reported to each.

**Sub-accounts for hospital use:**

**Non-MD Staff**

**Physician**

**NONSALARY EXPENSES:**

**Depreciation** – a reduction in the value of an asset with the passage of time, due to wear and tear. Straight line depreciation method should be used and recorded for each account.

**Building & Fixed**

**Major Movable**

**Amortization** – The paying off debt with a fixed repayment schedule in regular installments over a period of time. Straight line amortization method should be used.

**Interest:**

Short Term Borrowings – as defined by your auditor.

Long Term Borrowings - as defined by your auditor.

**Health Care Provider Tax-(Medicaid)** the expense paid to the State of Vermont as assessed under statute. The full cost for a given year should be reported.

**Purchased Services/Consulting** - Contracted Services are defined as the cost of services purchased from other organizations under contract. Contracted services would only include those services typically performed by a hospital, such as data processing services, laundry and linen services, and physical therapy services. Travelers?

**Other Operating Expense**

**Non-Salary Marketing Expense** – the expense would include all non-salary costs that are used to advertise or market your hospital and its services. This would include all types of media.

**Medical/Surgical Supplies**

**Other Supplies Expense**

**Insurance-** The cost of a contract to reimburse for property or business loss caused by events over which the insured entity has little or no control.

**Other Expense** –

**Pharmaceuticals** - relating to medicinal drugs, or their preparation, use or sale.

**Lease and Rental Expense** - Payment for the use of land, buildings, equipment, or other personal property.

**Utilities-** Expenditures for fuel, light, water, communications, disposal, and similar products or services.

**Equipment/Software/Other Maintenance**

**Bad Debt-Non-Patient** (currently used by UVMMC for donations and institutional services revenue)

## V. STAFF/FTE

The Staff/FTE (Full Time Equivalent) sheet should show all FTEs for each Hospital by department. Corresponding salary expenses should be recorded for each department’s FTEs in the Expense Sheet. A description of departments is outlined in Section **XV**.

**(Definitions for the following FTE classes are under review)**

**All Other FTEs** (FTE not listed below)

**Direct Service Nurses (discontinue future use)**

**Mid-Level Providers/Practitioner**-professionals that include physician assistants, nurse midwives, nurse anesthetists and nurse practitioners

**Residents & Fellows**- Resident physicians who work full or part time in a hospital to continue training after internship. Fellow physicians enter a medical specialty training programs after residency

**Physicians**- an authorized practitioner of medicine, as one graduated from a college of medicine or osteopathy and licensed by the appropriate board

**Travelers & Travelers MD**–RNs, LPNs or Licensed Medical Techs hired on for temporary assignments to cover vacancies and maintain staffing levels as set by union contracts. They are tracked through the time and attendance systems (**Locum Tenens/Per Diem are hired staff from temp agencies or consulting/ purchased services**)

## VI. CAPITAL SUMMARY, NON-CON and CON CAPITAL DETAIL

**Certificate of Need (CON)**-An approach to controlling costs by inhibiting the development of unnecessary (particularly duplicative) facilities and services. The focus is on controlling entry of new facilities and expansion of existing facilities and services.

**NON-CON DETAIL** The required data inputted into these sheets is for capital spending on projects that are over \$500k, by Project but are **not** classified as a CON. Provide the description, Asset category and Purchase category. **NEW**- purchases intended to support or provide new capabilities or services, **REPLACEMENT**- items that are purchased to replace worn out items or **UPGRADE**-items that replace and/or significantly enhance the services previously rendered by the “old” capital.

**CON DETAIL** The required data inputted into these sheets is for capital spending on unapproved Certificate of Needs, by Project. Provide the description, Asset category and Purchase category. **NEW**- purchases intended to support or provide new capabilities or services, **REPLACEMENT**- items that are purchased to replace worn out items or **UPGRADE**-items that replace and/or significantly enhance the services previously rendered by the “old” capital.

**CAPITAL SUMMARY** The only data entries needed on this sheet are the accounts under the **Non-Certificate of Need Capital Purchases (Less than \$500k)** in aggregate by account. This is populated at the top of the Capital Summary page. All other capital detail provided on other pages is automatically linked here and totals at the bottom for your total capital budget. **Available accounts** below are defined in the balance sheet section:

<b>Buildings &amp; Building Improvements</b>	<b>Construction in Progress</b>
<b>Fixed Equipment</b>	<b>Land &amp; Land Improvements</b>
<b>Major Movable Equipment</b>	<b>Other</b>

## VII. RATE

The Rate sheet requires the input of the annual rate increase requested by the hospital to be entered in the fields labeled “**Submitted Rate**” and “**Submitted Commercial Ask Rate**”.

## VIII. BALANCE SHEET

### **CURRENT ASSETS**

**Cash & Investments: Cash**-These accounts represent the amount of cash on deposit in banks and immediately available for use in financing Unrestricted Fund activities, amounts on hand for minor disbursements, and amounts invested in savings accounts and certificates of deposit. **Investments**-These accounts represent temporary investments of excess operating cash which are anticipated to be needed in the on-going operations over the next twelve months.

**Patient Accounts Receivable, Gross:** This account must reflect the gross amounts due from hospital patients and third-party payers.

**Allowance for Uncollectible Accounts:** Allowance for Uncollectible Accounts – Medicare, Medicaid, Commercial Insurance, and Other. These are valuation (or contra-asset) accounts whose credit balances represent the estimated amount of uncollectible receivables from patients and third-party payers. For a description of the deductions from revenue accounts, see the Deductions from Revenue description included in Section II of this manual.

**Due from Third-Parties:** These accounts represent the anticipated amounts due from Medicare, Medicaid or Commercial Insurance type programs that are not included in patient accounts receivable and generally represent settlements for previous year's services.

**Other Current Assets:** This account includes:

- Other Accounts and Notes Receivable
- Inventories
- Prepaid Expenses
- Due from Subsidiary/Affiliate

### **BOARD DESIGNATED ASSETS**

This account represents long term investments, money put aside that is not anticipated to be used within the next twelve-month period. **Such investments that are not already pre-defined in this account should be itemized as "other".**

**Funded Depreciation:** This includes monies or marketable securities set aside for purposes of replacing or aiding in replacing depreciating fixed assets.

- Restricted Funded Depreciation
- Unrestricted Funded Depreciation

**Escrowed Bond Funds:** This includes monies or marketable securities held in escrow under the terms of bond indenture agreements.

**Other Board Designated Assets:** This includes monies or marketable securities set aside by the governing board for special uses.

- Restricted Other Board Designated Assets

## **LONG TERM ASSETS**

### ***PROPERTY, PLANT AND EQUIPMENT***

#### **Land, Buildings & Improvements:**

**Land:** The balance of this account reflects the cost of land used in hospital operations. Included here is the cost of off-site sewer and water lines, public utility charges for servicing the land, governmental assessments for street paving and sewers, the cost of permanent roadways and grading of a non-depreciable nature, the cost of curbs and of sidewalks whose replacement is not the responsibility of the Hospital, as well as other land expenditures of a non-depreciable nature. Unlike buildings and equipment, land does not deteriorate with use or with the passage of time; therefore, no depreciation is accumulated.

**Land Improvements:** All land expenditures of a depreciable nature used in hospital operations are charged to this account. This would include the cost of on-site sewer and water lines; paving of roadways, parking lots, curbs, and sidewalks (if replacement is the responsibility of the Hospital); as well as the cost of shrubbery, fences, and walls.

**Buildings:** The cost of all buildings and subsequent additions used in hospital operations must be reported in this account. Included are all architectural, consulting, and legal fees related to the acquisition or construction of buildings. Interest paid during construction is included in this account as it is a cost of the building.

**Building Improvements:** The cost of all building improvements used in hospital operations shall be charged to this account. Building improvements are typically substitutions of better assets and they should be capitalized if the expenditure increases the future service potential of the asset.

**Fixed Equipment:** The cost of all fixed equipment used in hospital operations must be reported in this account. Fixed equipment has the following general characteristics:

1. Affixed to the building, not subject to transfer or removal.
2. A life of three or more years, but less than that of the building to which it is affixed.
3. Used in hospital operations.

Fixed equipment includes such items as boilers, generators, elevators, engines, pumps, and refrigeration machinery, including the plumbing, wiring, etc. necessary for equipment operations.

#### **Major Movable Equipment**

Equipment to be charged to this account has the following general characteristics:

1. Ability to be moved, as distinguished from fixed equipment.
2. A fixed location in the building.
3. A unit cost large enough to justify the expense incident to control.
4. Sufficient individuality and size to make control feasible by means of identification tags.
5. A minimum life of, usually, three years or more.
6. Used in hospital operations.

Major movable equipment includes such items as computers and IT devices, automobiles and trucks, desks, beds, chairs, sterilizers, operating tables, oxygen tents, and x-ray apparatus.

#### **Construction in Progress**

Cost of construction that will be in progress for more than one month and will be used for hospital operations should be charged to this account. Upon completion of the construction project, this account should be credited and the appropriate asset account(s) debited.

### **Accumulated Depreciation**

The contra asset accounts which are credited when **Depreciation** Expense is recorded each accounting period. The amount of **accumulated depreciation** is used to determine a plant asset's book value (or carrying value). The balances in each of these accounts reflect the depreciation accumulated in hospital operations.

**Land, Buildings & Improvements**

**Equipment-Fixed**

**Equipment-Major Moveable**

### **OTHER LONG-TERM ASSETS**

This account includes the cost (or fair market value at date of donation) of property, plant and equipment not used in hospital operations and accumulated depreciation. Other intangible assets not included elsewhere are also contained in this account.

### **CURRENT LIABILITIES:**

**Accounts Payable:** The balance of these accounts must reflect the amounts due creditors for supplies and services purchased.

**Salaries, Wages and Payroll Taxes Payable:** This account includes the amounts payable for salaries and wages. This account also includes the accounts payable for payroll taxes withheld from salaries and wages, payroll taxes to be paid by the hospital, and other payroll deductions such as insurance premiums.

**Estimated Third-Party Payer Settlements:** These accounts represent the anticipated amounts owed to Medicare, Medicaid, or Commercial Insurance type programs and generally represent settlements for previous year's services. Liabilities to patients arising from overpayments should be recorded in Patient Accounts Receivable.

**Current Portion of Long-Term Debt:** The portion of long-term debt payable within the next year.

**Other Current Liabilities would include:**

Accrued Expenses

Fees Payable

Interest Payable

Medical Specialists

Rent Payable

Current Financing

Property Taxes Payable

Deferred Income

Notes and Loans Payable

Due to Other Funds

Due to Subsidiary/Affiliate

### **LONG TERM LIABILITIES**

#### **LONG-TERM DEBT**

##### **Bonds & Mortgages Payable**

An obligation in writing, binding one or more parties as surety for another

##### **Capital Lease Obligations**

A lease which meets one of the following four criteria:

(a) The present value of the minimum lease payments is 90 percent or more of the fair value of the property to the lessor.

- (b) The lease term is 75 percent or more of the leased property's estimated economic life.
- (c) The lease contains a bargain (less than fair value) purchased option.
- (d) Ownership is transferred to the lessee by the end of the lease terms. (See FASB Statement #13 for further details.)

**Other Long-Term Debt**

These accounts reflect those liabilities that have maturity dates extending more than one year beyond the current year end. For reporting purposes, the portion of these liabilities payable within one year must be reclassified and reflected as Current Portion of Long-Term Debt.

**OTHER NON-CURRENT LIABILITIES** these would include

**Construction Costs Payable, Retainage Payable, Deferred Compensation,  
Other Non-Current Liabilities**

**FUND BALANCE**

The **Fund Balance** is the excess of assets over liabilities (net equity). An excess of liabilities over assets is known as a deficit in fund balance.

**(also called Net Assets-Total assets minus total liabilities (classified as unrestricted, temporary and permanently restricted net assets))**

**IX. INCOME STATEMENT**

The income statement accounts are automatically linked by formulas from the Payer revenue, Hospital and Physician revenue, and Expense accounts.

**Gross Patient Care Revenue**

- Inpatient
- Outpatient
- Physician
- Chronic Rehab
- SNF/ECF
- Swing Beds

**Net Revenue Deductions**

- Disproportionate Share Payments
- Bad Debt and Free Care
- Deductions from Revenue
- Graduate Medical Education

**Net Patient Care Revenue (subtotal)**

**Fixed Prospective Payments and Reserves**

**Fixed Prospective Payments**

- Fixed Prospective Payments-Hospital
- Fixed Prospective Payments-Physician

**Reserves**

- Reserves-Hospital
- Reserves-Physician

**Other Reform Payments**

- Other Reform Payments-Hospital
- Other Reform Payments-Physician

**Fixed Prospective Payments and Reserves (subtotal)**

**Net Patient Care Revenue & Fixed Payments & Reserves**

**Other Operating Revenue (see Other Revenue for the breakdown)**



**Total Operating Revenue** (subtotal)

**Operating Expense**

Salaries Non-MD

Fringe Benefits Non-MD

Fringe Benefits MD

Physician Fees Salaries Contracts & Fringes

Health Care Provider Tax

Depreciation Amortization

Interest-Short and Long Term

Other Operating Expense (see Expense sheet for the breakdown)

**Total Operating Expenses** (subtotal)

**Net Operating Income (Loss) or (Net Operating Margin/Surplus)** (subtotal)

**Non-Operating Revenue** (see Other Revenue for the breakdown)

**Excess (Deficit) of Revenues Over Expenses or (Total Surplus/Margin)** (Total)

## X. CASH FLOW

The cash flow statement reports the *cash* generated and used during a specific time period.

The cash flow accounts are automatically linked by formulas to the Balance Sheet and Income Statement.

**Cash from Operations**

Excess Revenue Over Expense

Depreciation/Amortization

Patient A/R

Other Changes

**Cash from Investing Activity**

Capital Spending

Change in Accumulated Depreciation less Depreciation

Change in Capital Assets

(Increase)/Decrease

Funded Depreciation

Other Long-Term Assets and Escrowed Bonds and Other

**Financing Activity**

Debt

Bonds and Mortgages

Capital Lease and Other Long-Term Debt

**Other Changes**

Change in Fund Balance less Net Income

**Beginning Cash**

**Net Increase/Decrease in Cash**

**Ending Cash**

## XI. COST SHIFT

This sheet is a calculation of input provided from other sheets. The cost shift sheet accounts are linked by formulas. This analysis is used to measure the cost shift for the year in which data is being inputted.

## XII. STAFF

The staff sheet accounts are linked by formulas to the Staff/FTE sheet and the Expenses sheet.

This sheet divides Non-MD wages by Non-MD FTEs for the Wage per Non-MD FTE.

### **XIII. STATISTIC METRICS**

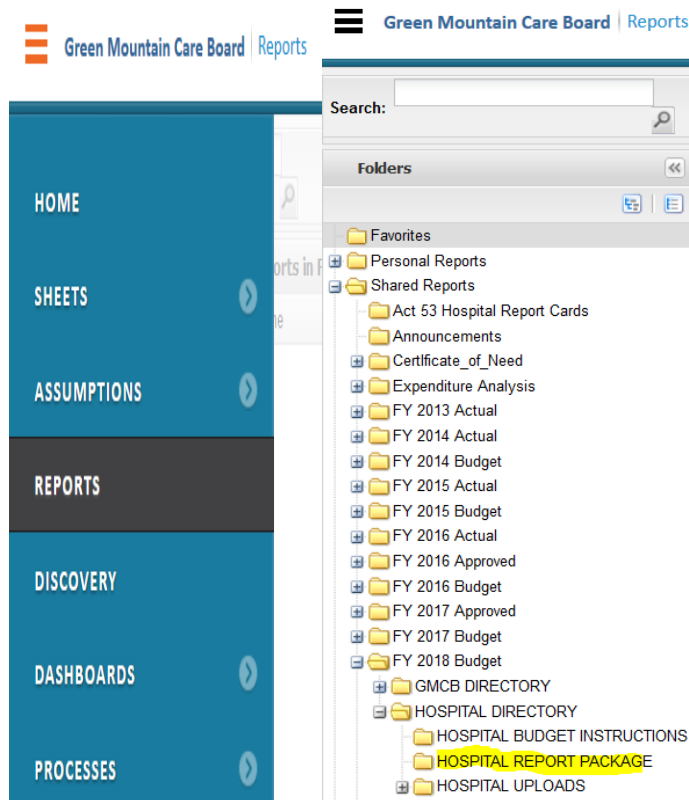
The statistic metrics sheet has the metrics and calculations for Utilization, Capital, Revenue, Payer, Productivity, Cost, Cash and Units. Included in this sheet are Hospital Benchmark Metrics. The formulas for each of these statistics are described in the GMCB-User Guide within the section labeled Ratios, Statistics and Indicators

## XIV. UTILIZATION

The Utilization sheet summarizes utilization statistics and metrics for Inpatient, Outpatient, Ancillary and other Adjusted statistics. This is a sheet with linked formulas from the Hospital and Physician Revenue sheet. See the glossary of the User Guide for a list of the statistics.

### *Note: Adaptive Directory*

You will find additional output reports that use the above information for your individual hospital and hospital system reports in the Adaptive Reports directory found in each reporting cycle under Hospital Directory - Hospital Report Package, see the below example:



## XV. SERVICE AREAS AND DEPARTMENTS

The following defined **departments** will require **revenue, expenses, FTEs and utilization** information to be reported in the budget input sheets. Revenues are recorded for all Departments except General Service departments. Some departments are reporting under multiple service areas depending on the hospital, for example physician departments have multiple service areas.

### INPATIENT ROUTINE SERVICE DEPARTMENTS

All the inpatient routine service units provide nursing care to patients based on physicians' orders and approved nursing care plans. Additional activities may include, but are not limited to, the following:

Serving and feeding of patients; collecting sputum, urine, and fecal samples; monitoring of vital life signs; operating of specialized equipment related to this function; preparing of equipment and assisting of physicians during patient examination and treatment; changing of dressings and cleansing of wounds and incisions; observing and recording emotional stability of patients; assisting in bathing patients and helping into and out of bed; observing patients for reaction to drugs; administering specified medication; answering of patients' call signals; and keeping patients' rooms (personal effects) in order.

**Acute Care Services – This department is a summary of the sub-departments that follow.**

**Critical Care (Intensive, Coronary Care, Burn Units)-** this unit is staffed by specially trained nursing personnel and contains monitoring and specialized support equipment for patients who require intensified, comprehensive observation and care.

**Medical/Surgical** - providing daily bedside nursing care

**Neonatal Intensive Care-** provision of care to newborn infants that is of a more intensive nature than care provided to newborn acute patients. Care is provided based on physicians' orders, approved nursing personnel, and contains specialized support equipment for treatment of those newborn infants who require intensified, comprehensive observation and care because of shock, trauma, or life-threatening conditions.

**OB/GYN** - providing daily bedside nursing care which focuses on women's health.

**Pediatric** - providing daily bedside nursing care to pediatric patients.

**Psychiatry-** providing daily bedside nursing care, staffed with nursing personnel specially trained to care for the mentally ill.

**Other Acute Care-** provide acute care to patients based on physicians' orders and approved nursing care plans. Included are those units not required to be included in other specific Acute Care departments such as detoxification care (chemical dependency).

**Chronic and Rehabilitation-** Chronic Care Unit is devoted to the care and treatment of patients whose condition requires frequent physician visits in addition to skilled nursing and regular intervention by other therapists and technicians. The illness is expected to continue for an extended period. Rehabilitation Unit is devoted to the provision of comprehensive services to patients with primarily physical handicaps. Although coordinated to minimize the patients' mental, social, and vocational disadvantages, the course of treatment is limited to the period in which the patient continues to make progress toward his treatment goal.

**Nursery** - Feeding infants; collecting sputum, urine, and fecal samples; monitoring of vital life signs; operating of specialized equipment related to this function; preparing of equipment and assisting of physicians during infant examination and treatment; changing of dressings and cleansing of wounds and incisions; bathing infants; observing infants for reaction to drugs; administering specified medication.

**Skilled Nursing Facility/Extended Care Facility (SNF/ECF)** - care in which the patients require convalescent and/or restorative services at a level less intensive than the Medical, Surgical, and Pediatric acute care requirements.

**Swing Bed- Medicare** agreement where a patient is required to receive acute care as a hospital inpatient for a medically necessary stay of at least 3 consecutive calendar days.

**Physician Departments (uncategorized)...**also under Physician departments

**Physician Office Practice Services**

**See departments under Physician Office Practice service area**

**OUTPATIENT ROUTINE SERVICE DEPARTMENTS**

**Acute Care Services –**

- Critical Care**
- Medical/Surgical**
- OB/GYN**
- Pediatric**

**Clinics-Outpatient-**

**Home Health Services** - provision of nursing care to patients at their place of residence. Activities of each of the following functions may be performed for patients outside the Hospital: nursing care, intravenous therapy, inhalation therapy, electro cardiology, physical therapy, speech, occupational and recreational therapy, social service, dietary, and housekeeping. Any of these ancillary services which are counted as a home health statistic should not be counted as an outpatient statistic in those departments.

**Observation Care-** a unit in a hospital that provides the second-highest level of care. Patients may be booked directly into the unit when they arrive at the hospital, or they may be transferred into the unit from the Intensive Care Unit (ICU) once they have been stabilized.

**Other Endo**

**Other Oncology, CCC and Occ Health**

**Other- Community Wellness**

**Other Outpatient Services**

**Population Health Model-(Expenses)**

**Surgical Day Care** - services are provided to outpatients by specifically trained nursing personnel who assist physicians in the performance of surgical and related procedures both during and immediately following surgery whether the patient is admitted to the Hospital or is treated and released. Visits made by surgical day care patients to departments such as Laboratory and X-ray are not included here, but are included in that department's standard unit of measure.

**OTHER SERVICES-** this account is provided for those activities not described above. (currently Gifford Medical Center uses this department for Misc. Salaries Expense)

**Physician Office Practice Services – DO NOT USE**

**OUTPATIENT GENERAL SERVICES DEPARTMENTS**

**(this service area is used by Mt. Ascutney and UVMHC for revenue and units)-**

<b>Administration</b>	<b>Anesthesiology</b>
<b>Cardiac Rehabilitation</b>	<b>Chemotherapy</b>
<b>Dietary</b>	<b>Drugs Sold</b>
<b>Emergency Room Physician</b>	<b>Inhalation Therapy</b>
<b>Laboratory</b>	<b>Operating Room</b>
<b>Pharmacy</b>	<b>Physical Therapy</b>
<b>Radiology –Diagnostic</b>	<b>Rehabilitative Services</b>

**PHYSICIAN OFFICE PRACTICE SERVICES-**

**Acute Care Services**

**Medical/Surgical  
Neonatal Intensive Care**

**Clinics**

**Hospitalists**

**Other – all other hospitals**

**Physicians Practices**

**Emergency Room Physician**

**Physician Departments:**

<b>Anesthesia</b>	<b>Cancer Services</b>
<b>Children’s</b>	<b>Family Medicine</b>
<b>Medical Group Administration</b>	<b>Medicine</b>
<b>MG Radiation Oncology</b>	<b>Neurology</b>
<b>Ortho Rehab</b>	<b>Other - Physician Departments</b>
<b>Pathology</b>	<b>PCIM</b>
<b>Professional Revenue Department (billing services for the Medical Groups)</b>	<b>Radiology</b>
<b>Surgery</b>	<b>Women’s</b>

**Clinics** - Clinics provide organized diagnostic, preventive, curative, rehabilitative, and educational services on a scheduled basis to ambulatory patients. Included as direct expenses are: salaries and wages (non-physician only), professional fees, supplies, purchased services, other direct expenses, and transfers. Clinics provide organized diagnostic, preventive, curative, rehabilitative, and educational services on a scheduled basis to ambulatory patients. Additional activities may include, but are not limited to, the following: Participating in community activities designed to promote health education; assisting in administration of physical examinations and diagnosing and treating ambulatory patients having illnesses which respond quickly to treatment; referring patients who require prolonged or specialized care to appropriate other services; assigning patients to doctors in accordance with clinic rules; assisting and guiding volunteers in their duties; making patients' appointments through required professional service functions.

**Family Medicine-**

**Hospitalist-** a physician who specializes in the practice of hospital medicine, which is a delivery of comprehensive medical care to hospitalized patients. Prompt and complete attention to all patient care, which includes collaboration, communication and coordination with all physicians and healthcare personnel.

**Medical Group Administration** direct expenses incurred by physicians in a practice setting that is supported by the hospital for administrative purposes, including subsidies or physician guarantees.

## ANCILLARY SERVICE DEPARTMENTS

### Departments for Inpatient, Outpatient, SNF/ECF, Chronic/Rehab, and Swing beds service areas

**Acupuncture & Pain Management** - The practice of inserting needles into the body to reduce pain or induce anesthesia.

**Ambulance Service**- ambulance and emergency helicopter services to the ill and injured who require immediate medical attention on an unscheduled basis.

**Ambulatory Care**- Medical care provided on an outpatient basis, including diagnosis, observation, treatment, and rehabilitation services.

**Anesthesiology** -Recording kind and amount of anesthetic administered; conducting physical examination of patients; observing patient's condition until all effects of the anesthesia have passed; obtaining laboratory findings before anesthetic is administered; administering treatment to patients having symptoms of post-anesthetic complication; accompanying patient to recovery room or intensive care units; prescribing pre- and post-anesthesia medication; establishing and carrying out safeguards for administration of anesthetics.

**Blood Bank** - A place where blood is collected from donors, typed, separated into components, stored, and prepared for transfusion to recipients.

**Cardiac Catheterization Laboratory** This lab tests patients using a thin, flexible tube called a catheter that is inserted into the heart through blood vessels. A cardiac catheterization can check blood flow in the coronary arteries. It also checks the function of different parts of the heart, such as the heart chambers, the heart valves, and the wall of the heart.

**Cardiac Rehabilitation**- a customized outpatient program of exercise and education. Cardiac rehabilitation is designed to help the patient recover from a heart attack, other forms of heart disease or surgery to treat heart disease.

**CAT scanner** - function provides computed axial tomographic scans or computerized tomography (CT) scans of the head and other parts of the body.

**Chemotherapy**- a type of cancer treatment that uses drugs to destroy cancer cells

**Certified Registered Nurse Anesthetist (CRNA)** - A licensed professional nurse who provides the same anesthesia services as an anesthesiologist (MD).

**Day Hospital** -a special facility, or an arrangement within a hospital setting, that enables the patient to come to the hospital for treatment during the day and return home or to another facility at night.

**Diabetic Education**- helps individuals with diabetes learn how to manage their disease and be as healthy as possible.

**Drugs Sold** - used for the accumulation of the invoice cost of all pharmaceutical and intravenous solutions sold directly to patients.

**Electrocardiography (EKG)** - is a test that checks for problems with the electrical activity of your heart. An EKG shows the heart's electrical activity as line tracings on paper. The spikes and dips in the tracings are called waves.

**Electroencephalography (EEG)** - a neurological test that uses an electronic monitoring device to measure and record electrical activity in the brain.

**Electromyography (EMG)** - a diagnostic procedure to assess the health of muscles and the nerve cells that control them. Motor neurons transmit electrical signals that cause muscles to contract. An EMG translates these signals into graphs, sounds or numerical values that a specialist interprets.

**Emergency Room** - provides emergency treatment to the ill and injured who require immediate medical or surgical care on an unscheduled basis. An emergency room visit is defined as medical attention given a

patient who visits the emergency room, whether the patient is admitted to the hospital or is treated and released, for which a charge is generated for the emergency room and/or the hospital based physician. Visits made by emergency patients to departments such as Laboratory and X-ray are not included here, but are included in that department's standard unit of measure.

### **Emergency Room Physician**

**Holter-A** portable heart monitor-a small electrocardiogram (EKG) device.

**Infusion therapy/Anticoagulation** Anticoagulant is an agent that is used to prevent the formation of blood clots. Anticoagulant drugs include intravenous (IV) infusions of heparin, which acts by inactivating thrombin and several other clotting factors that are required for a clot to form.

**Infectious diseases** - provides inpatient infectious disease consultations, patient care in the outpatient clinic as well as in the travel clinic.

**Inhalation Therapy** a treatment in which a substance is introduced into the respiratory tract with inspired air. Oxygen, water, and various drugs may be administered by techniques of inhalation therapy.

**Intravenous Therapy (IV)** reflects the cost of the infusion of I.V. fluids. This includes, but is not limited to, the cost of a special nurse team and the cost of solutions.

**Kidney Acquisition-** acquires stores and preserves all human kidneys for the eventual transplantation.

**Labor and Delivery Services-** services are provided by specially trained personnel to patients in labor and delivery, including prenatal care in labor, assistance in delivery, postnatal care in recovery, and minor gynecological procedures, if performed in the Delivery suite.

**Laboratory-** performs diagnostic and routine clinical laboratory tests on tissues and cultures necessary for the diagnosis and treatment of hospital patients - activities may include, but are not limited to: transporting specimens from nursing floors and operating rooms; drawing of blood samples; processing and issuing of whole blood and blood derivatives; caring for laboratory animals and equipment; maintaining quality control; mortuary operation; and autopsy.

**Magnetic Resonance Imaging (MRI)** - uses a powerful magnetic field, radio frequency pulses and a computer to produce detailed pictures of organs, soft tissues, bone and virtually all other internal body structures.

### **Maternity Observation**

**Medical/Surgical Supplies Sold** - used for the accumulation of the invoice cost of all medical and surgical supplies and equipment sold or rented directly to patients

### **Mental Health**

**MH – VHS**

**MH (uncategorized)**

**Nuclear Medicine** - involves the use of radioactive materials, called radiopharmaceuticals, to create images of organs, study body functions, analyze biological specimens and treat disease. Nuclear medicine technologists apply the art and skill of diagnostic imaging and therapeutics through the safe and effective use of radionuclides.

### **Nursing Outpatient**

### **Nutrient Consulting**

**Occupational Health/Therapy-** the teaching of manual skills and independence in self-care to stimulate mental and emotional activity on the part of patients.

**Operating Room-** physicians and specially trained nursing personnel who assist physicians in the performance of surgical and related procedures during and immediately following surgery. Services are



provided to inpatients and outpatients if the Hospital uses a common operating room for both inpatients and outpatients.

### **Other Telemetry**

#### **Other ancillary services**

**Physical Therapy** provides physical or corrective treatment of bodily or mental conditions using physical, chemical and other properties of heat, light, water, electricity, sound, massage, therapeutic exercise under the direction of a physician and/or registered physical therapist. The physical therapist provides evaluation, treatment planning, instruction and consultation.

**Positron Emission Tomography (PET)** - a nuclear medicine, functional imaging technique that produces a three-dimensional image of functional processes in the body.

**Psychological Testing**- tests and other assessment tools to measure and observe a client's behavior to arrive at a diagnosis and guide treatment.

**Pulmonary Function** - tests patients through measurement of inhaled and exhaled gases and analysis of blood, and evaluation of the patient's ability to exchange oxygen and other gases. This function is performed by specially trained personnel who initiate, monitor and evaluate patient performance, cooperation, and ability during testing procedures.

**Radiation/ Oncology**-the medical specialty concerned with the use of ionizing radiation in the treatment of disease.

**Radiology –Diagnostic**- The scientific discipline of medical imaging using ionizing radiation, radionuclides, nuclear magnetic resonance, and ultrasound.

**Radiology Therapeutic** -the use of radiation in the treatment of neoplasms.

**Recovery Room** - an area, normally attached to operating theater suites, designed to provide care for patients recovering from anesthesia, whether it be general anesthesia, regional anesthesia, or local anesthesia.

**Rehabilitative Services** direct expenses incurred in maintaining Occupational, Speech, and Recreational Therapy programs.

**Occupational Therapy** is the teaching of manual skills and independence in self-care to stimulate mental and emotional activity on the part of patients.

**Speech Therapy** includes the therapeutic treatment for disorders of production, reception, and perception of speech and language.

**Recreational Therapy** includes the employment of sports, dramatics, arts and other recreational programs to stimulate the patients' recovery rate.

**Renal Dialysis**- (Hemodialysis, Peritoneal, Patient Dialysis Training, Other Dialysis) - process of cleaning the blood using an artificial kidney machine or other method.

**Sleep Lab**- tests that record what happens to your body during sleep. Common sleep studies are Polysomnogram, Multiple sleep latency test (MSLT), and Maintenance of wakefulness test (MWT).

**Ultrasound**- specialized equipment to produce images using high frequency sound waves. Ultrasound examinations can help to diagnose a variety of conditions and to assess organ damage following illness.

### **Other Rad. Phys.**

#### **Other Services**

**Other Stress/Locum Tenens** - physicians fill in for other physicians on a temporary basis for a range of a few days to up to six months or more.

## GENERAL SERVICES DEPARTMENTS

(Revenues are not typically recorded for General Service)

**Administration** - The Hospital administration provides overall management and administration of the institution. Direct expenses and unassigned expenses are included here.

**Central Services and Supplies** - prepare and issues medical and surgical supplies and equipment to patients and other departments.

**Dietary** - preparing, delivering and collecting food trays for meals and nourishments to patients and to the cafeteria. This would include such sub-departments as kitchen, patient food service, and cafeteria.

**Fiscal Services** All costs related to the following functions are to be recorded here.

Fiscal Services Office	Account Payable	General Accounting
Plant and Equipment	Budget and Costs	Inventory Accounting
Payroll Accounting		

**Housekeeping**- maintaining general cleanliness and sanitation throughout the Hospital.

**Interns and Residents**- all expenses of a formally organized medical graduate education program that provides medical graduate clinical education to interns and residents. Additional activities include, but are not limited to: selecting qualified students; providing education in theory and practice conforming to approved standards; maintaining student personnel records; counseling students regarding professional, personal, and education problems; and assigning and supervising students.

**Laundry and Linen**- expenses involved in providing laundry and linen services for Hospital. The laundry and linen services store, issue, mend, wash, and process in-service linens. The services include work on uniforms, special linens, and disposable linen substitutes.

**Maintenance of Personnel (Human Resources)** - charged with finding, screening, recruiting and training job applicants, as well as payroll, administering employee-benefit programs and keeping up to date with state and federal tax laws.

**Medical Care Evaluation** - providing peer review, quality assurance, utilization review, professional standards review, and other medical care evaluation activities.

**Medical Library**- The medical library procures, stores, indexes, classifies, annotates, and abstracts books, catalogs, journals, and other related published materials, principally for medical staff use. It also reviews library records for completeness and compliance with established standards.

**Medical Records**- The medical records department provides maintenance of a records system for the use, transcription, retrieval, storage and disposal of all patient medical records, and the production of indexes, abstracts, and medical statistics for hospital management and medical staff use.

**Medical Staff Education**- expenses associated with members of the medical staff who are not assigned to specific professional service departments. The account can be further subdivided to differentiate among the expenses of the voluntary staff, the paid staff, and the medical graduate education staff and student body.

**Nursing Administration**- expenses associated with nursing administration and nursing in-service education. These direct expenses include: salaries and wages, professional fees, supplies, purchased services, outside training sessions, also the salaries of supervisors of two or more specific nurses' stations should be included in this account unless there are direct assignments to other accounts.

**Nursing Education-** expenses incurred in maintaining a nursing education administrative office, a Registered Nurse Program, and a Licensed Vocational (Practical) Nurse Program.

**Operation of Plant and Maintenance-** expenses involved in the maintenance, operation, and securing of the Hospital plant and equipment. Plant maintenance includes the maintenance and repair of buildings, boiler and power plant, parking facilities, and all equipment; painting; elevator maintenance; vehicle maintenance; and performance of minor renovation of buildings and equipment.

**Pharmacy** - procures, preserves, stores, compounds, prepares, packages, controls, assays, dispenses, and distributes medications (including I.V. additives) for inpatients and outpatients under the jurisdiction of a licensed pharmacist. Development and maintenance of formulary(s) established by the medical staff; consultation and advice to medical staff and nursing staff on drug therapy; adding drugs to I.V. solutions; determining incompatibility of drug combinations; stocking of floor drugs and dispensing machines.

**Research** -direct expenses incurred in performing research in the Hospital. Administrative expenses related to specific research projects or groups of projects should be recorded in the expense center related to that project or group of projects.

**Social Services-** obtains, analyzes, and interprets social and economic information about patients that aids in diagnosis, treatment, and rehabilitation. This service includes counseling staff and patients in case units and group units and participating in development of community social and health education programs.

## **XVI. ACCOUNTING PRINCIPLES AND CONCEPTS**

### **PREFACE**

This Manual is intended to establish a foundation for uniform reporting by hospitals. Certain basic principles and concepts are identified throughout the Manual.

### **PRESCRIBED REPORTING PRINCIPLES**

The reporting principles and concepts described in this chapter reflect the current state of the art in hospital accounting. The reporting principles and concepts have been drawn from existing systems wherever possible. The options that are currently available under Generally Accepted Accounting Principles have in several instances been limited or restricted. These modifications have been made to allow for more detailed and precise accounting practices so that a uniform reporting system for hospitals could be established.

**NOTE:** Any reporting principles and concepts not specifically discussed in this manual should be reported according to the Generally Accepted Accounting Principles (GAAP) as interpreted in the options of the American Institute of Certified Public Accountants (AICPA) and in the statements by the Financial Accounting Standards Board (FASB).

### **BASIC CONCEPTS**

A fundamental reporting concept is that of the accounting entity of unit. For reporting purposes, the Hospital is presumed to be an entity capable of buying, selling and taking other economic actions which are to be accounted for separately from the personal affairs of those responsible for the Hospital's

administration. The Hospital itself is the primary unit for which the accounting records are maintained. However, most departments of the Hospital usually assume sufficient importance to require separate treatment as subordinate entities or units of accountability for planning and control process.

### **Continuity of Activity**

Another basic reporting concept is that of continuity of activity or the going concern. The assumption is that the Hospital will continue to function indefinitely. It then becomes necessary to divide the life of the Hospital into reporting periods to determine revenues earned and expenses incurred during each period and to measure the amounts of assets and obligations at the end of each period.

### **Reporting Period**

The basis reporting period is one year. For all Vermont acute care hospitals, the fiscal year shall be from October 1 to September 30.

### **Objective Evidence**

Information produced by the accounting process should be based, to the extent possible, upon objectively determined facts. Transactions should be supported by properly executed documents such as charge slips, purchase orders, suppliers' invoices, canceled checks, etc. Such documents serve as objective evidence of transactions and should be retained as a source of verification of the data in the accounting records.

Certain determinations that enter into the accounting records are based on estimates. The estimates should be based on experience modified by expected future considerations. Examples would include recognition of estimated provisions for depreciation and bad debts.

Books, papers, records, or other data relevant to matters of Hospital ownership, organization, and operation must be maintained. The data must be maintained in an ongoing record keeping system which allows the data to be readily verified by qualified auditors.

### **Conservatism**

Conservatism is a quality of judgment to be exercised in evaluating the uncertainties and risks present in the Hospital entity to assure that reasonable provisions are made for potential losses in the realization of recorded assets and in the settlement of actual and contingent liabilities. However, conservatism is not a justification for deliberate understatement.

### **Consistency**

Consistency refers to continued uniformity, during a period and from one period to another, in methods of accounting, mainly in valuation basis and methods of accrual, as reflected in the financial statements of an accounting entity, e.g., change from first in first out (F.I.F.O.) inventory method to the last in first out

(L.I.F.O.) method. Consistency is very important to the development and analysis of trends on a year-to-year basis and as a means of forecasting. However, consistency does not require continued adherence to an accounting method or procedure that is incorrect or no longer useful, nor does it preclude a justifiable and desirable change in accounting and reporting methods or procedures unless otherwise specified in this Manual.

## **Full Disclosure**

The concept of full disclosure requires that all significant data be clearly and completely reflected in accounting reports. If, for example, a hospital was to change its method of accounting for certain transactions, within the limitations of this Manual, and if the change had a material effect on the reported financial position or operating results, the nature of the change in method and its effect must be disclosed. No fact that would influence the decisions of management, the governing board, or other users of financial statements should be omitted from or concealed in accounting reports.

## **Materiality**

Materiality is an elusive concept with the dividing line between material and immaterial amounts or events subject to various interpretations. It is clear, however, that information about an amount or event is material if its exclusion would cause misleading or incorrect conclusions to be drawn.

## **Basis of Valuation**

Historical cost is the basis used in accounting for the valuation of all assets and in recording all expenses (except fair market value in the case of donations and imputed value in the case of non-paid workers). Historical cost, simply defined, is the amount of cash or cash equivalents given in exchange for properties or services at the time of acquisition. Cost ordinarily has been the basis for accounting for assets and expenses because it is a permanent and objective measurement that reflects the accountability of management for the utilization of Hospital funds.

Hospitals, however, frequently acquire property, equipment, services, and supplies by donation. The property, equipment, service, and/or supply is considered donated when acquired without the Hospital making any payment for it in the form of cash, property, or services. The property, equipment, service, and/or supply should be valued at the fair market value which is the price that the asset would cost by bona fide bargaining between well-informed buyers and sellers at the date of donation (regardless of date of receipt). Failure to give accounting recognition to donated properties and services results in an understatement of hospital assets, revenues, and expenses.

Many hospitals receive the services of members of an organization of non-paid workers that has arrangements with the Hospital for the performance of services. The services are in positions customarily held by full-time employees and are performed on a regularly scheduled basis. The fair value of donated services must be reported when there is the equivalent of an employer-employee relationship and an objective basis for valuing must be reported when there is the equivalent of such services. The value of services donated by organizations must be evidenced by a contractual relationship which provides the basis for valuation. The amounts reported are not to exceed those paid others for similar work.

The value of services of a type for which hospitals generally do not reimburse individuals' performances are not included as operating cost (e.g. donated services of individuals such as volunteers and trustees).

## REPORTING PRINCIPLES

### **Accrual Basis of Accounting**

To provide the necessary completeness, accuracy, and meaningfulness in reporting data, accrual basis of accounting is required. Accrual accounting is the recognizing and recording of the effects of transactions and other events on the assets and liabilities of the Hospital entity in the time periods to which they relate rather than only when cash is received or paid, for example, the annual writing off of one-third the cost of a three-year insurance policy to expense.

### **Matching Revenues and Expenses**

Determination of the net income of an accounting period requires measurements of revenue, revenue deductions, and expenses associated with the period. Hospital revenue must be recorded in the period in which it is earned, that is, in the time period during which the services are rendered to patients and a legal claim arises for the value of the services. Once the revenue determination is made, a measurement must be made of the amount of expense incurred in rendering the services on which the revenue determination was based. Unless there is such a matching of accomplishment (revenue) and effort (expense), the reported net income of a period may be meaningless.

The requirement that revenue deductions must also be properly matched against the gross revenue of the accounting period is sometimes overlooked. During the accounting period, patients' accounts receivable will be debited, and revenue accounts will be credited, at the Hospital's full, established rate, for all services rendered to patients. Some of these accounts receivable will remain unpaid at the end of the accounting period. Many of these accounts will be collected in cash from the patients or from third-party payers, but the remainder eventually will be written off as deductions from revenue.

It is important that these revenue deductions be given accounting recognition in the same period that the related revenues were recorded even though certain of these revenue deductions cannot be precisely determined.

Revenues and expenses are to be matched not only for the Hospital but for each department. Thus, the cost of the functions and activities included in each department description are to be included in that department. Revenue relative to such functions and activities must be included in the matching revenue account. For example, revenue for functions (activities) included in the Pharmacy are to be included in Pharmacy revenue.

## Timing Difference

Timing differences result when accounting policies and practices used in an organization's accounting records differ from those used for reporting operations to outside agencies from which payments are received. These timing differences must be reflected on the Hospital's accounting records in accordance with the AICPA Hospital Audit Guide.