

Grace Cottage Hospital FY 2020 Actual Narrative

Prior to COVID-19 reeking havoc on the world, Grace Cottage was on track to have a stellar fiscal year.

At the end of the first five months, Gross Patient Care Revenue (GPCR) was over budget by \$532k (4.1%) – however we ended the year at 3.3% under budget.

While Net Patient Revenue (NPR) was \$567k (6.8%) under budget at the end of the first five months, much of that shortfall was a result of timing of cost reimbursement settlements. We were getting paid interim reimbursement rates from Medicare (which accounts for approximately 60% of our NPR) for all services based on cost levels from FY2018. Once those rates were adjusted based on the FY2019 cost report submission, and eventually to the FY2020 cost report settlement, that shortfall would decrease to closer to budget.

Bridges - FY 2020 Approved Budget to FY 2020 Actual Results

NPR/FPP	Total	% over/under
FY 20 Approved Budget	\$ 19,967,821	
Utilization	(1,020,162)	-5.1%
Reimbursement/Payer Mix	(1,536,263)	-7.7%
Bad Debt/Free Care	(327,374)	-1.6%
Physician Acq/Trans		
Changes in Accounting		
Changes in DSH		
Other (please label)		
Other (please label)	0	
FY 20 Actual Results	\$ 17,084,022	

All of Grace Cottage's NPR revenue shortfall was a result of COVID-19.

- GPCR was down 3% from budget as a result of the two-month lockdown from mid-March to mid-May, and subsequently as a result of patients being wary of visiting a healthcare facility unless absolutely necessary.
- NPR was down due in part to the shortfall in GPCR, but also as a result of the Reimbursement/Payer mix resulting from the types of patients we did have.

- Outpatient Revenue was 3% over budget, unfortunately that is the service line we have the largest contractual allowances on -- collecting the smallest percentage of actual NPR from GPCR.
- Overall Medicaid GPCR was over budget by 7%, yet that is the payer that we collect the least amount of actual collections from GPCR – roughly 34% of billed charges.

On a positive note however, at the end of the first five months, Operating Expense was under budget by \$506k (5.5%) – as well as ended the fiscal year at 1% under budget – despite the unexpected added costs of dealing with COVID-19.

Bridges - FY 2020 Approved Budget to FY 2020 Actual Results

Expenses	Amount	% over/under
FY 20 Approved Budget	\$ 22,166,811	
Salaries	221,237	1.0%
Fringe Benefits	(360,322)	-1.6%
Physician Contracts	(51,369)	-0.2%
Contract Staffing	160,072	0.7%
Supplies	(65,087)	-0.3%
Drugs	382	0.0%
Facilities	(22,368)	-0.1%
IT Related	(6,049)	0.0%
Health Reform Programs		
Depreciation	(64,137)	-0.3%
Interest	(4,132)	0.0%
Health Care Provider Tax	(29,314)	-0.1%
Other (please label)		
Other (please label)		
Cost Savings		
FY 20 Actual Results	\$ 21,945,724	

Grace Cottage’s overall percentage change in charges was done according to the GMCB-approved budget for FY2020.

Other Operating Revenue variance is primarily recognition of the COVID-19 related HHS stimulus funds and other grant revenue received. As of 09/30/2020, any COVID-19 related funding received that has not been recognized as revenue, or is due to be repaid as loan funds, is listed on the balance sheet as a liability.

And it must be mentioned that we continue to be fortunate to have a wonderfully supportive community, and Non-Operating Revenue, primarily contributions, exceeded

our budgeted expectations again this year by \$501k – even more than the previous year.