



Fiscal Year 2020 Budget Hearing Follow-Up Questions

- 1) Please examine your NPR/FPP estimates in light of recent downward trends in FY19 operating performance.

While Grace Cottage's revised FY19 NPR Projection (based on the 9-month June submission), as discussed at the Budget Hearing, is projected to be slightly under budget by \$298k (or 2%), it is \$800k (or 4%) over FY18 Actual. Also discussed is that this shortfall was a result of not being at full Provider staffing until January, as opposed to the start of the fiscal year in October as originally planned.

Grace Cottage's FY20 estimates are based on sound business decisions around the continued strategy to be the model for Primary Care in our service area. While there has been recent volatility in projected utilization/revenues for the Primary Care Practice as a result of Provider turnover and the necessary time it takes to recruit replacements, since achieving our FY19 budgeted Provider FTEs in January, Provider revenue, and directly related Outpatient revenue have continued to be at expected levels.

Our Providers have now developed full panels, and we continue to get calls on a daily basis from new patients looking for a Primary Care Provider. Based on this, we have hired two additional Providers, a Nurse Practitioner and a Physician Assistant, both of whom will be starting this month. A budget is based on forecasts and assumptions, and we believe the patient volume will support these additional providers.

We of course continually monitor our level of FTEs, and should the volume of patients necessary to fill those provider panels not materialize, we will reassess the number of FTEs needed and adjust as necessary.

Grace Cottage feels it has made reasonable estimates of the level of revenue it expects to see – as best one can predict the number of patients that will walk through the door between now and over a year in the future.

- 2) Please further justify FY20 budgeted increases in utilization.

As above, utilization is based on the forecasted need of the patients seeking care at our facility. Provider encounter volumes were based individually on current volumes for existing Providers, and volumes budgeted for new Providers were based on volumes of similar type existing Providers. We are not budgeting for any significant increases in individual productivity or unachievable provider productivity.

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- 3) Please provide more details on wait times and unmet need for primary care to support assumptions about volume increase between 2019P and 2020 budget.

As discussed above, we continue to get daily calls from new patients looking to join our practice and are at the saturation point for our current providers. To continue to meet demand, it was necessary to hire additional providers, and budget revenue/volume accordingly.

- 4) Updated bridge table for FY19 projection and FY20 budget.

See enclosed Excel sheet B20 H38_GCH_FY20_Bridges_FY19Proj_to_FY20Bud.

- 5) Do you agree with DVHA's assessment (attached) of the financial impact of increased Medicaid reimbursement will have on your NPR? If not, why and what is your estimate? What impact does the Medicaid reimbursement increase have on your requested NPR and change in charge and commercial price increases?

Grace Cottage has no reason to believe DVHA's assessment is not accurate. The \$12,153 increase will be a positive addition to our bottom line, however is not significant enough to have any impact on our requested NPR and change in charge and commercial price increases.

- 6) Please confirm whether the CMS wage index final rule has an impact on your hospital? If so, please quantify.

As a Critical Access Hospital (CAH), the CMS wage index does not apply to us.

- 7) To give us a sense of relative pricing, please answer the following: if Medicare reimburses \$100 for a particular service, what would your commercial payers and Medicaid reimburse on average for the same service? Or in other words, what is the ratio of commercial and Medicaid payment to Medicare payment for the same service?

While reimbursement by Payer is very different depending upon the particular service being paid (Acute, Swing, Outpatient, Physician Practice, etc.), averaging all of the various service lines that comprise our budget submission, if Medicare reimburses \$100, Commercial Payers reimburse \$92 and Medicaid reimburses \$52.