



# FY2022 Budget

# Introduction

Douglas DiVello, CEO

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# Overview



## Hospital

- 19 bed Critical Access Acute & Swing, ED, DI, Lab, IP & OP Rehabilitation.

## Rural Health Clinic

- Primary Care MD & APP, Pediatrics NP, Psychiatric NP, LCSW & Community Health Team.

## On-Campus Retail Pharmacy

- Messenger Valley Pharmacy

# Overview

# 2021 Best of Awards



# Hospital Mission

To serve the health care needs of our community; to promote wellness, relieve suffering, and restore health.

# Hospital Vision



We will provide personalized, competent and accessible primary care, rehabilitation, wellness, prevention, inpatient care, and emergency services.

We will focus on preventive care that serves to preserve and prolong the well-being of our community.

We will collaborate with other agencies that share our goal of optimum wellness for our community to enable us to meet the needs of the entire person.

Our community will embrace Grace Cottage as a welcoming resource for health and wellness, and the diversity and culture of our region will be reflected in all we do.

# Net Patient Revenue & Summary of Budget Request

- ❑ FY22 Net Patient Revenue budget is based on current volumes with two slight decreases:
  - Outpatient Lab: No COVID-19 testing as done in FY21 projection.
  - Provider Practice: Decreased total visits due to 0.54 FTE reduction from FY21 projection.
- ❑ NPR Growth required to cover increased operating expenses due to supply/demand issues.
- ❑ Shift in Payers from commercial to Medicaid & Self-Pay consistent with FY21 projection.

Grace Cottage Hospital													
Fiscal Year 2022 Submitted Budget													
INCOME STATEMENT	2019 A	2020 A	2021 B	2021 PROJ	Impact of COVID-19 vaccination clinics and testing	Adjusted 2021 PROJ	2022 B	Impact of COVID-19 vaccination clinics and testing	Adjusted 2022 B	2021 B - 2021 P adjusted	2021 B - 2022 B	2021 B - 2022 B adjusted	2021 P - 2022 B adjusted
<b>Revenues</b>													
<b>Gross Patient Care Revenue</b>	\$29,704,502	\$29,994,908	\$33,460,947	\$33,187,843	\$266,858	\$32,920,985	\$34,389,561		\$34,389,561	-1.6%	2.8%	2.8%	4.5%
Disproportionate Share Payments	\$0	\$0	\$0	\$0		\$0	\$0		\$0				
Graduate Medical Education (UVMC only)	\$0	\$0	\$0	\$0		\$0	\$0		\$0				
Bad Debt	-\$565,755	-\$644,102	-\$746,784	-\$630,395		-\$630,395	-\$650,664		-\$650,664	-15.6%	-12.9%	-12.9%	3.2%
Free Care	-\$220,184	-\$291,194	-\$283,775	-\$310,775		-\$310,775	-\$318,693		-\$318,693	9.5%	12.3%	12.3%	2.5%
Deductions from Revenue	-\$10,183,861	-\$9,634,511	-\$11,763,693	-\$10,915,782		-\$10,915,782	-\$11,066,674		-\$11,066,674	-7.2%	-5.9%	-5.9%	1.4%
<b>Net Patient Care Revenue</b>	\$18,734,702	\$19,425,101	\$20,666,695	\$21,330,891	\$266,858	\$21,064,033	\$22,353,530		\$22,353,530	1.9%	8.2%	8.2%	6.1%
Fixed Prospective Payments	\$0	\$0	\$0	\$0		\$0	\$0		\$0				
Reserves	\$0	\$0	\$0	\$0		\$0	\$0		\$0				
Other Reform Payments	\$0	\$0	\$0	\$0		\$0	\$0		\$0				
<b>Fixed Prospective Payments and Reserves</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0				
<b>Net Patient Care Rev &amp; Fixed Payts &amp; Res</b>	\$18,734,702	\$19,425,101	\$20,666,695	\$21,330,891	\$266,858	\$21,064,033	\$22,353,530		\$22,353,530	1.9%	8.2%	8.2%	6.1%
340B Retail Pharmacy Programs	\$675,150	\$715,973	\$671,960	\$1,044,018		\$1,044,018	\$1,121,422		\$1,121,422	55.4%	66.9%	66.9%	\$0
COVID-19 Stimulus and Other Grant Funding	\$0	\$2,196,059	\$0	\$4,118,320		\$4,118,320	\$0		\$0				-\$1
Specialty Pharmacy	\$0	\$0	\$0	\$0		\$0	\$0		\$0				
Outpatient Pharmacy Revenue	-\$321,697	-\$480,545	\$0	-\$129,297		-\$129,297	-\$178,084		-\$178,084				\$0
Cafeteria & Parking	\$75,551	\$73,970	\$76,511	\$77,182		\$77,182	\$77,182		\$77,182	0.9%	0.9%	0.9%	\$0
Grant Income	\$36,770	\$19,235	\$882,396	\$1,250		\$1,250	\$0		\$0	-99.9%	-100.0%	-100.0%	-\$1
Reference Lab Revenue	\$0	\$0	\$0	\$0		\$0	\$0		\$0				
Meaningful Use	\$0	\$0	\$0	\$0		\$0	\$0		\$0				
Other	\$241,070	\$248,876	\$91,169	\$255,363		\$255,363	\$254,811		\$254,811	180.1%	179.5%	179.5%	\$0
<b>Other Operating Revenue</b>	\$706,844	\$2,773,568	\$1,722,036	\$5,366,836	\$0	\$5,366,836	\$1,275,331		\$1,275,331	211.7%	-25.9%	-25.9%	-76.2%
<b>Total Operating Revenue</b>	\$19,441,546	\$22,198,669	\$22,388,731	\$26,697,727	\$266,858	\$26,430,869	\$23,628,861		\$23,628,861	18.1%	5.5%	5.5%	-10.6%
<b>Operating Expenses</b>													
Salaries Non MD, Fringe Benefits Non MD,													
Physician Fees & Salaries, Fringe Benefits MD	\$15,441,889	\$16,623,998	\$17,027,200	\$17,533,693		\$17,533,693	\$18,376,136		\$18,376,136	3.0%	7.9%	7.9%	4.8%
Health Care Provider Tax	\$631,409	\$664,049	\$635,355	\$624,168		\$624,168	\$733,091		\$733,091	-1.8%	15.4%	15.4%	17.5%
Depreciation Amortization	\$612,182	\$646,582	\$794,296	\$786,476		\$786,476	\$895,131		\$895,131	-1.0%	12.7%	12.7%	13.8%
Interest - Short Term, Interest - Long Term	\$155,800	\$127,206	\$77,508	\$103,039		\$103,039	\$113,559		\$113,559	32.9%	46.5%	46.5%	10.2%
ACO Dues	\$0	\$0	\$0	\$0		\$0	\$0		\$0				
Med/Surg Drugs & Supplies	\$0	\$0	\$0	\$0		\$0	\$0		\$0				
Pharmaceuticals	\$0	\$0	\$0	\$0		\$0	\$0		\$0				
Other Purchased Services - Consulting	\$0	\$0	\$0	\$0		\$0	\$0		\$0				
Other Purchased Services -Travelers	\$0	\$0	\$0	\$0		\$0	\$0		\$0				
Other Operating Expenses	\$3,902,064	\$3,899,289	\$3,854,300	\$4,361,887	\$165,429	\$4,196,458	\$4,400,968		\$4,400,968	8.9%	14.2%	14.2%	4.9%
<b>Total Operating Expenses</b>	\$20,743,344	\$21,961,124	\$22,388,659	\$23,409,263	\$165,429	\$23,243,834	\$24,518,885		\$24,518,885	3.8%	9.5%	9.5%	5.5%
<b>Net Operating Income</b>	-\$1,301,798	\$237,545	\$72	\$3,288,464	\$101,429	\$3,187,035	-\$890,024		-\$890,024	4426337%	-1236244%	-1236244%	-128%
<b>Non Operating Revenue</b>	\$1,232,480	\$1,215,070	\$899,728	\$926,192		\$926,192	\$937,423		\$937,423	2.9%	4.2%	4.2%	1.2%
<b>Excess (Deficit) of Rev over Exp</b>	-\$69,318	\$1,452,615	\$899,800	\$4,214,656	\$101,429	\$4,113,227	\$47,399		\$47,399	357.1%	-94.7%	-94.7%	-98.8%
<b>Income Statement Metrics</b>													
Operating Margin %	-6.7%	1.1%	0.0%	12.3%	38.0%	12.1%	-3.8%		-3.8%				
Total Margin %	-0.3%	6.2%	3.9%	15.3%	38.0%	15.0%	0.2%		0.2%				

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# Balance Sheet

Grace Cottage Hospital									
Fiscal Year 2022 Submitted Budget									
BALANCE SHEET	2019 A	2020 A	2021 B	2021 Projection	2022 B	2021 B - 2021 P	2021 B - 2022 B	2021 P - 2022 B	
Cash & Investments	\$252,109	\$8,910,369	\$4,101,892	\$7,410,984	\$3,199,936	80.7%	-22.0%	-56.8%	
Net Patient Accounts Receivable	\$1,797,881	\$1,863,373	\$2,156,354	\$2,177,434	\$2,286,306	1.0%	6.0%	5.0%	
Due From Third Parties	\$17,000	\$2,220,348	\$0	\$388,151	\$407,559	#DIV/0!	#DIV/0!	5.0%	
Risk Reserve Receivable	\$0	\$0	\$0	\$0	\$0	#DIV/0!	#DIV/0!	#DIV/0!	
Other Current Assets	\$2,567,086	\$1,286,297	\$1,949,861	\$1,112,776	\$1,168,415	-42.9%	-40.1%	5.0%	
<b>Current Assets</b>	<b>\$4,634,076</b>	<b>\$14,280,387</b>	<b>\$8,208,107</b>	<b>\$11,089,345</b>	<b>\$7,062,216</b>	<b>35.1%</b>	<b>-14.0%</b>	<b>-36.3%</b>	
Board Designated Assets	\$4,910,926	\$5,212,327	\$5,597,383	\$6,240,672	\$6,491,438	11.5%	16.0%	4.0%	
Net, Property, Plant And Equipment	\$3,182,908	\$3,064,119	\$3,548,578	\$4,095,652	\$4,045,313	15.4%	14.0%	-1.2%	
Other Long-Term Assets	\$0	\$0	\$0	\$0	\$0	#DIV/0!	#DIV/0!	#DIV/0!	
<b>Assets</b>	<b>\$12,727,910</b>	<b>\$22,556,833</b>	<b>\$17,354,068</b>	<b>\$21,425,669</b>	<b>\$17,598,967</b>	<b>23.5%</b>	<b>1.4%</b>	<b>-17.9%</b>	
Accounts Payable	\$1,304,746	\$445,913	\$480,516	\$454,218	\$476,930	-5.5%	-0.7%	5.0%	
Current Liabilities COVID-19	\$0	\$2,749,841	\$3,436,648	\$1,753,657	\$471,340	-49.0%	-86.3%	-73.1%	
Salaries, Wages And Payroll Taxes Payable	\$1,135,387	\$856,185	\$1,247,849	\$944,118	\$1,010,206	-24.3%	-19.0%	7.0%	
Other Third Party Settlements	\$0	\$0	\$0	\$0	\$0	#DIV/0!	#DIV/0!	#DIV/0!	
ACO Risk Reserve	\$0	\$0	\$0	\$0	\$0	#DIV/0!	#DIV/0!	#DIV/0!	
Other Current Liabilities	\$2,968,607	\$1,020,977	\$2,719,743	\$1,291,852	\$1,156,153	-52.5%	-57.5%	-10.5%	
<b>Current Liabilities</b>	<b>\$5,408,740</b>	<b>\$5,072,916</b>	<b>\$7,884,756</b>	<b>\$4,443,845</b>	<b>\$3,114,629</b>	<b>-43.6%</b>	<b>-60.5%</b>	<b>-29.9%</b>	
Long Term Liabilities COVID-19	\$0	\$8,338,635	\$0	\$3,528,240	\$1,385,652	#DIV/0!	#DIV/0!	-60.7%	
Long Term Liabilities	\$830,044	\$1,287,239	\$1,204,407	\$1,380,885	\$978,588	14.7%	-18.7%	-29.1%	
Other Noncurrent Liabilities	\$0	\$0	\$0	\$0	\$0	#DIV/0!	#DIV/0!	#DIV/0!	
<b>Long Term Liabilities</b>	<b>\$830,044</b>	<b>\$9,625,874</b>	<b>\$1,204,407</b>	<b>\$4,909,125</b>	<b>\$2,364,240</b>	<b>307.6%</b>	<b>96.3%</b>	<b>-51.8%</b>	
<b>Total Liabilities</b>	<b>\$6,238,784</b>	<b>\$14,698,790</b>	<b>\$9,089,163</b>	<b>\$9,352,970</b>	<b>\$5,478,869</b>	<b>2.9%</b>	<b>-39.7%</b>	<b>-41.4%</b>	
Net Assets	\$6,558,444	\$6,405,428	\$7,365,105	\$7,858,043	\$12,072,699	6.7%	63.9%	53.6%	
YTD Change In Net Assets	-\$69,318	\$1,452,615	\$899,800	\$4,214,656	\$47,399	368.4%	-94.7%	-98.9%	
<b>Fund Balance</b>	<b>\$6,489,126</b>	<b>\$7,858,043</b>	<b>\$8,264,905</b>	<b>\$12,072,699</b>	<b>\$12,120,098</b>	<b>46.1%</b>	<b>46.6%</b>	<b>0.4%</b>	
<b>Liabilities and Equities</b>	<b>\$12,727,910</b>	<b>\$22,556,833</b>	<b>\$17,354,068</b>	<b>\$21,425,669</b>	<b>\$17,598,967</b>	<b>23.5%</b>	<b>1.4%</b>	<b>-17.9%</b>	
<b>Balance Sheet Metrics</b>							Change in Points		
Days Cash on Hand	92.5	240.8	163.0	219.3	149.7	56.4	-13.2	-69.6	
Debt Service Coverage Ratio to 1	(1.1)	1.9	1.4	6.2	0.2	4.8	-1.2	-6.0	
Long Term Debt to Capitalization	0.1	0.6	0.2	0.3	0.2	0.1	0.0	-0.1	
Days Payable	98.1	86.9	133.3	71.7	48.1	-61.6	-85.1	-23.6	
Days Receivable	35.0	35.0	38.1	37.3	37.3	-0.8	-0.8	0.1	

# Cash Flow Statement

Grace Cottage Hospital						
<b>Fiscal Year 2022 Submitted Budget</b>						
CASH FLOW STATEMENT	2019 A	2020 A	2021 B	2021 PROJ	2022 B	
Cash From Operations						
Excess Revenue over Expenses	\$ (69,318)	\$ 1,452,615	\$ 899,800	\$ 4,214,656	\$ 47,399	
Depreciation/Amortization	\$ 612,182	\$ 646,582	\$ 794,296	\$ 786,476	\$ 895,131	
Patient A/R	\$ 263,528	\$ (65,492)	\$ (66,864)	\$ (314,061)	\$ (108,872)	
Other Changes	\$ 6,965	\$ (1,258,383)	\$ (4,035,611)	\$ 1,376,647	\$ (1,404,263)	
<b>Sub-Total</b>	<b>\$ 813,357</b>	<b>\$ 775,322</b>	<b>\$ (2,408,379)</b>	<b>\$ 6,063,718</b>	<b>\$ (570,605)</b>	
Cash From Investing Activity						
Capital Spending	\$ (430,665)	\$ (527,793)	\$ (1,144,086)	\$ (1,818,009)	\$ (844,792)	
Other LT Assets/Bond Funds	\$ (243,278)	\$ (301,401)	\$ (259,729)	\$ (1,028,345)	\$ (250,766)	
<b>Sub-Total</b>	<b>\$ (673,943)</b>	<b>\$ (829,194)</b>	<b>\$ (1,403,815)</b>	<b>\$ (2,846,354)</b>	<b>\$ (1,095,558)</b>	
Financing Activity						
Long Term Debt/Bonds	\$ (198,322)	\$ 8,795,830	\$ (811,747)	\$ (4,716,749)	\$ (2,544,885)	
Other Changes						
Change Fund Balance Less Net Income	\$ 20,012	\$ (83,698)	\$ -	\$ -	\$ -	
<b>Beginning Cash</b>	<b>\$ 291,005</b>	<b>\$ 252,109</b>	<b>\$ 8,725,833</b>	<b>\$ 8,910,369</b>	<b>\$ 7,410,984</b>	
Net Increase/(Decrease) in Cash	\$ (38,896)	\$ 8,658,260	\$ (4,623,941)	\$ (1,499,385)	\$ (4,211,048)	
<b>Ending Cash</b>	<b>\$252,109</b>	<b>\$8,910,369</b>	<b>\$4,101,892</b>	<b>\$7,410,984</b>	<b>\$3,199,936</b>	

# Change-in-Charge Request

- ❑ Overall charge rate increase request of 5%.
- ❑ This 5.0% charge rate increases GPR from FY21 projection by 5.0%, however due to the two areas discussed above where FY22 utilization is budgeted at less than FY21 projection, the overall GPR change is 3.6% FY21 projection to FY22 budget, and 2.8% FY21 budget to FY22 budget.

# Adjustments

- Grace Cottage has no adjustments (provider transfers and/or accounting adjustments) to report.

# Other Operating and Non-Operating Revenue

## ❑ Other Operating Revenue

- PPP Loan of \$2.97m forgiven, therefore recognized as grant revenue in FY21.
- Additional CARES Act Funding we had received in FY20 was also recognized in FY21. Return of unused funds pending HHS decision to extend period for usage.
- 340 B Retail Pharmacy Program of \$1.0m in FY21 and \$1.1m in FY22.
- Retail Pharmacy loss of (\$130k) in FY21 and loss of (\$178k) in FY22.

## ❑ Non-Operating Revenue

- Continues to exceed budget annually due to community loyalty and support.

# Operating Expenses

- Expenses are up drastically due to:
  - Traveler Nurses & supplies.
  - Market adjustments to salaries to recruit and retain qualified staff.
  - New positions for Physical Therapy staff.
  - Support staff due to increased demand for reporting, data requirements, prior authorizations for referrals, and inpatients with more comorbidities.

# Operating Margin and Total Margin

- ❑ Conservative budget as it relates to expected NPR.
- ❑ Expense budget high due to inflated costs as a result of COVID-19.
- ❑ Positive total margin budgeted for FY22 based on continued generosity of our community.

# Risks and Opportunities

## Risks

- Additional COVID-19 outbreaks
- Staffing

## Opportunities

- Expand Access to Primary Care
  - Pediatric Care
  - Behavioral Health



# Value-Based Care Participation

- Grace Cottage is not currently participating in OneCare Vermont.
- Regularly scheduled meetings with OneCare Vermont discussing participation that minimizes our risk, with possibility of participating in Medicaid for FY23.

# Capital Budget Plans FY22

- ❑ Replacement/Upgrade Ultrasound
- ❑ Resurfacing of parking lots
- ❑ HVAC upgrades
- ❑ IT Projects
- ❑ Grace Cottage has no approved or planned CON projects.

# Impact of COVID-19 on Access

- ❑ Limit number of patients in Provider Practice due to safety
- ❑ Quarantine newly admitted inpatients
- ❑ Use of Telehealth and Telemedicine for patients' preference