FY23 Hospital Budget Narrative

A. EXECUTIVE SUMMARY

Provide a summary of the hospital's FY23 budget submission, including any information the GMCB should know about programmatic changes, such as staffing, specific service lines, operational changes, any further impacts of COVID-19, and engagement in sustainability planning at the hospital. Specifically pertaining to sustainability planning, please describe how the hospital is preparing to engage in sustainability planning with the Green Mountain Care Board.

Grace Cottage's FY23 budget submission was developed using an overall charge rate request of 5.0% and current volume levels across all service areas.

Despite COVID-19 continuing to have an impact on daily operations throughout FY22, Grace Cottage has exceeded both budgeted Gross Patient Revenue (GPR) and Net Patient Revenue (NPR). Patient volumes have been higher than expected throughout the facility.

Staffing has had some impact on current operations and in some instances has limited our capacity as well. We are currently searching for additional Physical Therapy staff needed to meet the demand, as well as have experienced times of needing to limit Inpatient Swing Bed admissions due to staffing ratios.

Grace Cottage has worked tirelessly to improve our financial position, and this past year has seen further positive improvement in that goal. Grace Cottage is willing to consider any suggestions and feedback from the Green Mountain Care Board as it pertains to Grace Cottage's sustainability.

B. YEAR-OVER-YEAR CHANGES

Explain each component of the budgeted FY23 based on the prompts below, please explain the hospital's budget-to-budget growth (or decline), budget-to-projection growth (or decline), including any ongoing COVID-19 assumptions.

i. NPR/FPP: Overview
   a. Referencing the data submitted in Appendix 1 of **Part B** below, explain each component of the budgeted FY23 NPR/FPP change over the approved FY22 budget, referencing relevant FY23 budget-to-projection variances.

i. Discuss changes in NPR/FPP expected from Medicare, Medicaid, and Commercial; and other reimbursements from government payers. No significant changes are expected from any payer. The percentage of business that is Medicaid however increased from one year to the next by 3 percent of revenue, decreasing Commercial by that amount. Though seems a small amount overall, the issue is that NPR for Medicaid is only 28% of charges vs Commercial being 66% of charges.

ii. Also include any significant changes to revenue assumptions from FY22 (e.g., Centers for Medicare and Medicaid Services (CMS) and Department of Vermont Health Access (DVHA) reimbursement policies, reimbursement adjustments, settlement adjustments, reclassifications, other accounting adjustments, rate changes, utilization, and/or changes in services).

1. Include an analysis, as required under 18 V.S.A. § 9456(b)(9), that reflects a reduction in net revenue needs from non-Medicaid payers equal to any anticipated increase in Medicaid, Medicare, or another public health care program reimbursements, and to any reduction in bad debt or charity care due to an increase in the number of insured individuals.

No significant changes to revenue assumptions are included.

ii. NPR/FPP: Utilization

a. Describe any significant variances from the FY22 budget and projection (including changes in reimbursements and utilization). Please provide your occupancy rate per licensed and staffed bed, occupancy rate, and average daily census for FY23 versus FY22 and FY21. Utilization is above budget for all areas in FY22, and the budget for FY23 was based on those current volumes continuing.

	FY21 Actual	FY22 Bud	FY22 Proj	FY23 Bud
Licensed/Staffed Beds	19	19	19	19
Patient Days:				
Acute	264	285	393	393
Swing	3,233	3,320	3,289	3,289
Observation	93	81	130	130
Total	3,590	3,686	3,812	3,812
Occupancy Rate	52%	53%	55%	55%
Average Daily Census	9.8	10.1	10.4	10.4

b. Referencing the data submitted in Appendix 3 of **Part B** below, explain changes in your utilization assumptions to support your NPR/FPP variances. No changes in utilization are expected, or budgeted. FY2023 budget based on current volumes in all areas (which as just discussed, are above budget in all areas), with the exception of Physician Practice, where additional encounters are budgeted for new providers.

iii. Charge Request

a. Referencing the data submitted in Appendix 2 of **Part B** below, explain the hospital's overall charge request on the charge master in Table 1. An increase in the Charge Master of 5% was requested for all service lines.

b. Explain how the request impacts gross revenue, NPR and FPP by payer and what assumptions were used in quantifying the requested increase/decrease for each in Tables 2-3. Describe how the charge request affects the areas of service (specifically, inpatient, outpatient, professional services, etc.) in gross revenues, NPR and FPP by payer. Explain the underlying assumptions and methodology used to make that allocation. The charge request affects all service lines and is the minimum necessary to offset inflationary increases in operating expenses and shortfalls in reimbursement.

c. Please indicate the dollar value of 1% NPR/FPP FY23 in Table 3 of Appendix 2 of **Part B** below, overall change in charge. The dollar value of each 1% increase in charge results in approximately $234,958.

d. Please provide the following updates from the hospital's GMCB <u>approved</u> change-in-charge for FY22:

i. Did the hospital receive the full amount of its approved FY22 rate increase from the commercial payers? While the approved FY22 rate increase was 5%, that 5% was only recognized on a very small percentage of the commercial payer charges that are reimbursed on a percentage-of-charge basis. The majority of commercial payer services are reimbursed based on a fee schedule that is generally updated on an annual basis. Those updates vary widely among payers as well as service lines, however in almost no instances (if any) were any of those increase close to the 5%.

ii. Did the hospital increase its charges to the full approved amount for FY22, if not, why not and by how much did the hospital increase those rates? Yes.

iii. How did the resulting increase impact areas of service (specifically, inpatient, outpatient, professional services, etc.). The increase affected all areas.

iv. Adjustments (physician transfers and accounting adjustments)

a. Account for operational or financial changes, including provider transfers and/or accounting changes. Grace Cottage has no adjustments to report.

v.Other Operating and Non-Operating Revenue

a. Explain the budgeted FY23 other operating revenue and non-operating revenue changes over the approved FY22 budget, as well as relevant FY22 budget-to-projection variances. There are no changes of significance in budget-to-budget or budget-to-projection for either other operating or non-operating revenues.

c. Please denote the COVID-19 advances, relief funds, and other grants received in Appendix 6 of **Part B** below, and the respective treatment of each funding source as of September 30, 2021, projected as of September 30, 2022, and budgeted as of September 30, 2023.Please discuss to the best of the hospital's knowledge, any potential funds that could be received by the hospital (with an estimated timeframe) related to COVID-19 advances, relief funds, and other grants. As of September 30, 2021 the only funds left on Grace Cottage's books were liabilities ($1.9m in CARES Act Funding that was unexpended and needed to be returned, as well as $4m in Medicare Advance funds). During FY22 all of the CARES Act funds were returned, and all but $368k of the Medicare Advance funds have been repaid. The remainder of the Medicare Advance funds will be repaid early in FY23. To the best of Grace Cottage's knowledge there are no potential funds that could be received.

d. Explain the relative stability of significant sources of other operating revenue and non-operating revenue and discuss strategies to address revenue streams the hospital considers unpredictable or unstable. Grace Cottage's routine other operating and non-operating revenues are relatively stable, and are quite consistent from year-to-year. We have no reason to believe that will not continue in FY23.

vi. Operating Expenses

a. Explain changes in budgeted FY23 operating expenses over the approved FY22 budget. Most changes in budgeted over approved operating expenses are related to inflation (particularly significant increases in most consumable supplies) and current market for healthcare personnel. The current climate has necessitated market adjustments in many salaries throughout the organization, particularly in Nursing in order to retain and recruit staff, with the goal of reducing Travelers to zero, or at least a much smaller number than has been experienced recently.

b. Describe any significant variances between your FY23 budget and FY22 projections (e.g., variances in costs of labor, supplies, utilization, capital projects) and how those variances affected the hospital's FY23 budget. As just described in the previous response, the significant variances are a result of Inflation, significant increase in cost of Travelers (as well as number of Travelers needed). These all affected the numbers budgeted for FY23 as well.

c. Referencing the information and data submitted in Appendices 1 and 4 of **Part B** below and relevant portions of the FY23 budget submission, please discuss the categories of inflation and their relevance to the hospital's budget and operations. Medical Supplies reflected inflationary increases of approximately 13%, while Non-Medical Supplies reflected inflationary increases of approximately 21%. Salaries and Benefits saw inflationary increases of at least 5%.

d. Describe any cost saving initiatives proposed in FY23 and their impact on the budget. While cost saving is always at the forefront of Grace Cottage's daily operating strategies, there were no specific cost saving initiatives proposed in the FY23 budget.

e. Describe the impact operating expenses have on requested NPR/FPP. The inflationary increases discussed are driving the need for the 5% Charge Master request.

vii. Operating Margin and Total Margin

a. Discuss the hospital's assumptions in establishing its FY23 operating and total margins. Explain how the hospital's FY23 margins affect its overall strategic plan. If the hospital relied on third party benchmarks or targets, please identify those benchmarks and sources (e.g., lending institutions, credit rating agencies, industry standards, parent company/affiliate policy). Please also discuss any relevant FY22 budget-to-projection variances. Grace Cottage's FY23 budget reflects an overall Operating Loss, as it did in FY22, though a slightly smaller one. However, for FY23 the overall bottom line reflects a small Excess of $206k vs FY22 which reflected a small Deficit of $234k. FY22 budget-to-projection variance is favorable in that the overall Operating Loss is less than budgeted, and the overall bottom line is a slight Excess of $75k rather than the budgeted Deficit of $234k.

b. Does the hospital's budget request include support or a need to support any other entities outside of the physical hospital? An example includes a higher operating margin to transfer surplus to a subsidiary. If so, please provide the name of the subsidiary, the budgeted amount of the subsidy that will be required as part of the hospital's budget request and the financial impact of that subsidy on the subsidiary. No, Grace Cottage does not support any other entities.

C. EQUITY

i. What is your hospital doing to recognize and correct inequities in your community, and prepare for the development of health equity measures?
RAND defines a health equity measurement approach as "an approach to illustrating or summarizing the extent to which the quality of health care provided by an organization contributes to reducing disparities in health and health care at the population level for those patients with greater social risk factor burden by improving the care and health of those patients." Grace Cottage has a very active Equity Committee which includes two community members who are not employed by Grace Cottage. These two members actively engage and advocate for the local LGBTQ+ community. For this historically marginalized group, they provide excellent representation to our hospital and have been effective at identifying ways to reduce disparities in health care for the LGBTQ+ community. At this time, we have no formal process to measure ways in which our organization is contributing to the reduction of health and health care disparities in our community.

D. WAIT TIMES

The Board staff and up to two Board members will establish a working group to include hospitals, Vermont Association of Hospitals and Health Systems, the Vermont Department of Financial Regulation, the Office of the Health Care Advocate, and other interested parties to determine by May 2, 2022, appropriate wait time metrics that hospitals shall submit as part of the FY23 budget process. If the workgroup is unable to determine appropriate metrics, the hospitals shall report the following for each hospital owned practice (for each primary care and specialty care), as well as, the top five most frequent imaging procedures. Specifically, please report for each practice and imaging procedure:

i. Referral lag, the percentage of appointments scheduled within 3 business days of referral (percentage of all referrals where the clinic or hospital has completed scheduling an appointment within 3 business days of receiving the referral, regardless of the date on which the appointment will take place), Grace Cottage Family Health (GCFH) is a Primary Care practice with Behavioral Health embedded within the practice. All patients are scheduled at the time they request an appointment.

ii. Visit lag, the percentage of new patient appointments scheduled for the patient to be seen within 2 weeks, 1 month, 3 months, and 6 months of their scheduling date. (The scheduling date is the date the hospital or practice schedules the appointment, not the date the referral was received or the date the patient will be seen.)
Appointments booked the first 2 full weeks in June
11% < 2 weeks
42% < 1 month
73% < 3 months
89% < 6 months

Current State

- How do you currently measure and benchmark wait times? A 3rd next business days available appointment report.
- What efforts is your organization making to improve wait times, particularly in areas where your organization records wait times longer than available benchmarks?
1. Same day available appointments and follow-up appointment designated slots in providers schedules.
2. A designated Same Day Clinic for patients with respiratory symptoms.
3. Triage nurse utilization to determine office visit need and wait time
4. Provider recruitment
- What EHR system(s) does your organization use and how does that impact your ability to measure wait times? Cerner is the EHR system in which there is the capability to measure wait times.

Processes

- Please overview your clinic scheduling process, including centralized scheduling if applicable.
GCFH has a centralized scheduling department that consists of 5 full time schedulers, of which one is a scheduling supervisor, in addition a triage nurse is embedded in the department. Most appointments are scheduled through centralized scheduling when a patient

calls the main number. There are designated appointment types that are utilized for certain appointments. If a scheduler has a question about the appointment needs of a patient, a triage nurse can determine if a patient needs to be seen the same day, if they can wait for an appointment, or if they need to be referred to the nearest Emergency Department. The triage nurse also may consult with a provider if needed to make a determination. Providers' schedules have same day appointments and follow-up appointments built into their schedules. Nursing visits and COVID-19 testing appointments are also included in the daily workflow of schedulers. GCFH offers same day appointment availability for patients with COVID type symptoms. If there are no available appointments and a patient needs an appointment, the triage nurse or provider will determine if the patient needs to be fit into the schedule on the same day.

There are four registrars incorporated in the clinic that make needed follow-up and walk-in office visits and nursing visit appointments.

- Please describe how referrals enter your system, and how staff triage, schedule and prevent the loss of those referrals. GCFH is a primary care practice that has Behavioral Health (BH) within the practice. Orders are generated by a provider in the electronic health record system for a BH referral. The BH team triages patients and schedules appropriate appointments. Our EHR system has a tracking feature.

Recommendations

- What metrics (qualitative *and* quantitative) would you suggest using to track and report wait times? The 3rd next business day available appointment report.

- In your opinion, how should state regulators best account for and measure the intricacies (e.g., acuity, uniform reporting) of wait times? Opinions in this regard are best left to organizations that provide complex specialty services, where access and wait times are more likely to be excessive.

Data

- Please submit a sample of recent anonymized patient feedback concerning wait times, if available.

Peer Group: National sites						
Consumer Assessment of Healthcare Providers & Systems (CAHPS) Section/Domain Level N-13621						
Domains	Questions	Current n	Previous Period (Q4 2021)	Current Period (Q1 2022)	Change	Percentile Rank
Access to Care 3 months	Right away appt as soon as needed	58	86.67%	93.10%	6.44%	50
	Routine appt/chk-up soon as needed	99	91.67%	96.67%	5.30%	57

- Please submit, if available, any aggregate reports based on patient satisfaction surveys regarding wait times produced by the hospital/health system.

E. RISKS AND OPPORTUNITIES

i. Please discuss the hospital's risks and opportunities in FY23. Recognizing the risks and opportunities in the current environment, please explain how the FY23 budget proposal supports strategies for addressing these issues. Grace Cottage continues to see consistent growth in volume in the Rural Health Clinic, which necessitates the need for adding primary care providers to our staff. The current buildings that house our clinic operations are antiquated, inefficient, and are completely utilized. This is preventing our ability to expand access to patients needing primary care, therefore we have begun the process of designing a new building to be constructed on our campus to create space for additional providers, and to design workflow that increases efficiency and lowers operating costs.

The greatest risk to Grace Cottage continues to be the disparity between the cost to care for Medicaid patients, and the amount of reimbursement we receive for providing this care. We support expansion of access to care for all Vermonters, and the vast majority of care provided by Grace Cottage and our providers is primary care. However, it is impossible to continue expansion of the Medicaid program in our service area for patients needing primary care, when we are not reimbursed our cost for providing this care.

ii. Please describe the impact of COVID-19 on access to care/wait times at your organization, including the use of telehealth and telemedicine, COVID-19 related safety protocols, and other relevant factors. Grace Cottage has done an excellent job of providing access to care for our patients during the work months of the pandemic. A COVID-19 PCR drive-thru testing station was constructed on the back of the Heins Building, at the southern end of the campus, which is staffed and operated when needed. We created and staffed separate clinic space for patients presenting with respiratory symptoms, and this allowed us to care for potential COVID patients in a safe manner in negative pressure environment. Grace Cottage also created negative pressure space on our inpatient floor for the same safety precautions. Grace Cottage effectively implemented telemedicine techniques which allowed our providers to interact with patients via phone, rather than face-to-face. The entire team of care givers and support staff at Grace Cottage followed all appropriate safety measures and clinical protocols to ensure that all patients were able to access our provider teams in the Rural Health Clinic, Emergency Department and Inpatient Unit during the entire duration of the pandemic. At no time did we see extraordinary wait times for care, nor were we ever overwhelmed by the need to care for patients presenting with the COVID virus.

iii. Please discuss any lessons learned from evolution of the COVID-19 pandemic thus far, and any positive changes the hospital has adopted or plans to adopt for the future. Grace Cottage has made permanent changes to the way we run the hospital that will continue to be in effect permanently. All of the negative pressure equipment used during the pandemic is

permanently installed and will remain, thus allowing us to create a negative pressure exam room in our ED, three negative pressure treatment rooms on our inpatient unit, and a negative pressure respiratory treatment area in our rural health clinic to segregate patients exhibiting symptom that could suggest viral infection. We have implemented permanent infection control processes and practices that will continue to be utilized after the pandemic is considered over, such as the screening of staff and all non-staff entering the hospital – and mask guidelines continue to be in effect at Grace Cottage. In addition, we have expanded the scope of our Employee Health and Wellness service, which allows us the ability to closely evaluate and monitor all staff who test positive for COVID and ensure that they quarantine and recover before returning to their duties (as required by CDC guidelines).

iv. Please discuss the workforce challenges of the hospital as it relates to the following:

a. Vacancy rate by Primary Care MD, Specialty MD, RN, Nursing Support and All Other. Primary Care MD 0%; Specialty MD N/A; RN 22%; Nursing Support 7%; all other 2%.

b. Provide your average turnover rates by Primary Care MD, Specialty MD, RN, Nursing Support and All Other for FY2018-FY2021.

	FY19	FY20	FY21
Primary Care MD:	0.0%	14.3%	15.4%
Specialty MD:	N/A	N/A	N/A
RN:	7.9%	10.5%	15.8%
Nursing Support:	12.5%	16.7%	16.7%
All other:	16.1%	9.1%	10.5%

c. Report on initiatives and funding sources to reduce workforce pressures through recruitment and retainment.

Initiatives for recruitment are:

- Increasing sign on bonuses
- Instituting a referral bonus for all budgeted positions
- Increasing benefits

Initiatives for retainment are:

- Reviewing our compensation and benefits and aligning with the market resulting in market increases for a majority of our staff.
- Initiating a Wellness program at work to address employees' physical and mental health, stress management, while promoting inclusion and belonging.
- Created a new onboarding program for more successful outcomes
- Enhancing our employee engagement initiatives

d. Please comment on and quantify the impact of nursing and MD travelers on your budget request. Grace Cottage did not have any MD travelers, however the

impact of travelers in nursing, diagnostic imaging, and physical therapy resulted in our FY22 projection being $1.17m more than budgeted for FY22. However, due to market salary adjustments and aggressive recruiting efforts, our FY23 budget for travelers is less than 10% above the FY22 budget.

e. e. Provide salaries per FTE, FTEs per adjusted occupied bed, and salaries expense to NPR

	Bud22	Proj22	Bud23
Salaries Per FTE	80,473	81,976	85,940
FTEs Per Adjusted Occupied Bed	8.30	6.32	6.68
Salaries as % of NPR	55%	52%	54%

F. VALUE-BASED CARE PARTICIPATION

i. Referencing the data submitted in Appendix 5, if there are any value-based care programs that the hospital is **not** participating in for CY 2023, **please explain why and describe any barriers that exist.** What changes, if any, to each of these programs would need to be made in order to facilitate your participation? Grace Cottage is not currently participating in the ACO. Serious consideration in joining the ACO for Medicaid only in FY23, however ultimately decided the costs of participating would outweigh potential financial benefit.

Assuming participation in one or more value-based care program(s) through OCV:

ii. Understanding that the pandemic has just started to recede, what changes in **each** of the hospital's cost centers that relate to value-based care initiatives (e.g. population health management, care coordination, chronic condition management, etc.) have been made as a result of participating in the ACO? Be specific in describing each cost center and how it has changed since joining the ACO. **Additionally, speak to how the fixed payments or other ACO payments from OCV are or are not advancing value-based care at your hospital.**

iii. A. As the pandemic recedes, what specific population health priorities are emerging for the hospital?

B. How will each of these priorities be conveyed to providers to in order to impact care delivery?

C. How will success be measured for each of these initiatives?

iv. As of CY2022, OCV is providing each HSA with quarterly quality reports. How are the results of these reports being communicated to providers in a way that will impact care delivery and quality outcomes?

v. A. Regarding the CY2020 settlement information for the hospital (Separate tables will be provided by GMCB), what are the planned investments of those dollars in furthering the hospital's health care reform goals? If no investments in health care reform were made with these dollars, how were they invested?

B. If the hospital experienced a net shared loss during this time period, how is the hospital using that information to inform change to the delivery system?

G. CAPITAL INVESTMENT CYCLE

i. In accordance with 18 V.S.A. § 9435(f), describe the investment cycle and how it relates to the hospital's overall strategic plan. Discuss how the hospital's capital investment cycle has continued to evolve as a result of COVID-19. Please mention certain items and the resulting status as a result of COVID-19 (i.e. cancelled, postponed, rescheduled, etc.) Grace Cottage's Capital Investment cycle was not significantly impacted by COVID-19 aside from adding a few relatively minor items in FY20 and FY22 resulting from needs arising due to COVID-19. Grace Cottage's FY23 budget includes replacement of our existing Digital Diagnostic Xray Room, as well as some minor equipment and building work. More importantly however, to continue and enhance the provision of Primary Care to our community, we have submitted a letter of intent to file a CON for a new Primary Care Building.

ii. If any of the hospital's anticipated capital investments are required improvements (e.g., regulatory or accreditation requirements), please identify and explain. N/A

H. SUPPLEMENTAL DATA MONITORING

i. Market Share Report. This will be a snapshot which will show the change in market share for "key service lines" over the past 5 fiscal years as reported by the state's hospital discharge database, VUHDDS. Market share will be defined as the percentage of service line charges from local residents (within a hospital's service area) versus non-local residents (outside a hospital's service area). Market share will be disaggregated by primary payer. See Patient Origin dashboard/"Patient Origin by Hospital" tab for an example.
   a. Does this report reflect material changes in your NPR actuals over this time period? No, because there aren't any charts with Grace Cottage data separated from Brattleboro's hospital service area.
   b. If not, how does the market share report distort or omit components of NPR?

ii. Reimbursement Analysis. This will outline patterns in the cost to deliver care for Vermont residents as reported to the state's all-payer claims database, VHCURES. Cost will be assigned at a claim level as specified in Medicare's cost reporting. Service lines will be reported by Medicare Diagnosis Related Group for inpatient services and by Ambulatory Payment Classifications for outpatient services. Note that only services with Medicare costs associated

with them will be included in the report. (See links 1 and 2 for details about the methodology.) All results will be summarized in hospital-specific comparison tables broken down by primary payer group (Medicare, Medicaid, commercial). In addition, the report will highlight providers with exceptionally low or high costs, reimbursements, and/or proportion of costs covered.

a. For any service lines in which your hospital is highlighted, comment on any observations about this service line and how it may be reimbursed differently from other service lines you provide.
b. Are there any errors in the data as shown? Cite your own data where possible.

iii. Demographic Report. This report will summarize demographic data from the 2020 Census. Particular attention will be paid to CDC/ATSDR Social Vulnerability Index measures that relate to age and socioeconomic disadvantage.

a. How does the current makeup of your service area affect your budget assumptions?
There are no assumptions made in Grace Cottage's FY 2023 budget.
b. Does the makeup of other service areas affect your budget assumptions? Explain.