



## Gifford Medical Center

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August 7, 2019

Vermont Legal Aid, Inc.  
Office of the Health Care Advocate  
264 North Winooski Ave.  
Burlington, Vermont 05401

RE: HCA Follow-Up Questions FY2020 Hospital Budget Review

Dear Ms. Shaw, Ms. Kuiper, and Mr. Schultheis,

Please find below answers to your follow-up questions.

1. Please provide your budgeted changes in utilization by payer and service category (e.g. inpatient, outpatient, professional).

**Response:** *Given the administrative work required to break out this information as requested, we are not able to produce this information within the allotted timeline in more detail than what we previously produced in Appendix VI, Table I.*

2. Commercial Charge/Rate Change and Net Patient Revenue
  - a. Please explain in detail how you plan to implement your commercial charge or rate change, if applicable.

**Response:** *Please see answer in Appendix VIII.*

- b. What is your anticipated commercial charge/rate change for each service area (e.g. inpatient, outpatient, professional)?

**Response:** *Please see answer in Appendix VIII.*

- c. What commercial utilization assumptions for each service area were used to determine how the commercial charge/rate change translates to the commercial net patient revenue change included in your budget?

**Response:** *As presented in Appendix VI, our rate change applies to all service categories.*

- i. Do these utilization assumptions align with those in the Green Mountain Care Board's 2020 Vermont Health Connect rate filings? If no, please explain the differences.

**Response:** *GMC's FY 2020 budget meets GMCB budget guidance. We prepare our budget with the intent to meet the needs of our communities, while providing high quality services at the lowest possible cost. Gifford utilizes the rate change as a basis for discussion with commercial payers. The rates are used to provide both parties with validity and a sense of fairness, given the oversight from both the GMC Board of Trustees and the Green Mountain Care Board.*

[www.giffordhealthcare.org](http://www.giffordhealthcare.org)

Bethel Health Center • Chelsea Health Center • Gifford Health Center at Berlin • Kingwood Health Center  
Levesque Medical Offices • Rochester Health Center • Sharon Health Center • Twin River Health Center • Advance Physical Therapy

3. Pharmacy Costs

- a. Please provide your budgeted medical pharmacy trend for commercial payers, separated by unit cost and utilization.

**Response:** *We assumed a 3% average inflation in our FY 2020 budget as compared to our FY 2019 projected actual.*

- b. Please separate any change in unit cost by expense (cost of obtaining the drug) and profit margin.

**Response:** *GMC utilizes a pricing methodology based on a percentage of cost. The percentage varies based on the cost of the drug.*

- c. How does the hospital determine its profit margin for each drug (e.g. flat fee, percent of cost)?

**Response:** *GMC utilizes a pricing methodology based on a percentage of cost. The percentage varies based on the cost of the drug.*

4. How would you approach splitting your expenses into medical, administrative, and other categories?

**Response:** *GMC accomplishes this through its annual Medicare Cost Report filing. Gifford shares resources (i.e. Finance, IT, HR, Quality, Environmental and Food Services, etc.) across all three of our affiliated organizations, thereby reducing the administrative and overhead burdens on each.*