



Gifford Medical Center

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To: Patrick Rooney, Director of Health Systems Finance, Green Mountain Care Board

From: Daniel Bennett, Chief Executive Officer
Jennifer Bertrand, Chief Financial Officer

Date: July 23, 2021

Subject: Gifford Medical Center Response to Staff Analysis Questions, Fiscal Year 2022

1. Is your projection still valid? If not please explain.

Gifford Medical Center's submitted projection for FY 2021 has not materially changed for Total Operating Expenses. GMC did compile a revised projection that included actual year-to-date thru June, combined with the remaining forecasted expenses for July thru September, inclusive of known or anticipated changes to ascertain whether the revision would yield any large variances as compared to the originally submitted projection. A comparative analysis determined that no material changes in expenses have been identified.

A revised net revenue projection for FY 2021, again utilizing actual year-to-date revenue data thru June combined with the remaining forecasted revenue for July thru September, currently reflects an increase in net revenue of 3.1% as it compares to the originally submitted projection (Submitted Projection = \$54,149,597, Revised Projection = \$55,891,512). This change from the original FY 2021 projection is attributed to three factors:

- GMC's interim rate and retroactive lump sum adjustment for Medicare yielded a favorable increase, which became effective May 15, 2021. We have anticipated a favorable change in the FY 2022 budget assumptions for Medicare revenue; however, did not anticipate the change in the originally submitted projection. The updated projection now incorporates this change.
- We have continued to conservatively evaluate the CY 2020 Medicaid and MVP ACO settlement. As of the most recent settlement statement, which includes a reasonable tolerance of claim runout, GMC's CY 2020 performance results are yielding a higher than anticipated favorable outcome, which has been incorporated into the updated projection.
- Outpatient utilization has experienced higher than anticipated results over the last three months, particularly in the areas of rehab services, imaging, laboratory,

surgical, pharmaceutical, and emergency room volume, which we have incorporated those trends into the updated forecast.

Projected operating margin assumptions have changed as a result of the aforementioned revenue changes and is current yielding a margin result of 4.3%.

2. What portion of your FY22 operating margin is scheduled/planned to be allocated to those entities needing support from outside of the hospital's budget?

It is our goal and obligation to deliver services as a safety net provider to the medically underserved, to maintain vital services in our community that appropriately serve our patients and residents, and further our participation in value-based care and ensure we meet population health initiatives. Gifford's FY 2022 budgeted margin permits the continued financial support of these goals.

When evaluating Gifford Medical Center's operating margin as a distinct entity, it is important to consider it is the primary revenue source for the entire organization and therefore subsidizes the losses incurred by any entity under the parent corporation of Gifford Health Care. This is particularly the case when accounting for the support the hospital provides to Gifford Retirement Community and Menig Nursing Home (FY 2022 budgeted deficit of \$1.7M) and the Gifford Health Care FQHC (FY 2022 budgeted deficit of \$1.2M) as the hospital's margin is considerably diminished. The budgeted FY 2022 consolidated operating margin for Gifford Health Care is 0.6%.