Gifford Medical Center

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To: Green Mountain Care Board

From: Daniel Bennett, Chief Executive Officer
William King, Interim Chief Financial Officer

Date: August 14, 2024

Subject: HSF Questions / Hospital Budget Hearing Follow-Up Questions - Gifford

GMC responses in BLUE

1) We commend you for decreasing your reliance on travelling staff. What lessons would you have to share with other hospitals? In what service areas do you still rely most on travelers, and do you foresee this decreasing in the future?

   We have had success working with our community partners to train and hire LNA and MA staffing. We have also worked diligently to convert contracted labor to permanent staff by promoting our culture. We continue to have difficulties recruiting in OR nursing and Lab/Rad techs. To assist with this shortfall, we have started working with international recruiting. We did not budget for a decrease; however, we have budgeted a vacancy factor for open positions to offset the contract labor budget. We discussed numerous programs to develop and support RNs as outlined in our 8/12 presentation.

2) Can you provide more detail on your needed capital repairs and improvements?

   As noted in the Narrative portion of our budget submission and our presentation materials, GMC has a Capital Budget for FY25 of ~$3.4 million dollars. Some of the larger dollar items are listed below.

Description		Amount
Anesthesia Machines	$	500,000
Roof top unit		750,000
Main Roof		200,000
X-Ray Machine		176,000
C-Arm		182,000
Lab Analyzers		320,000
Perinatal Monitoring System		200,000
30 other items between $5,000-$150,000		1,132,107
FY 2025 Capital Budget	**$**	**3,460,107**

3) Is your new EHR fully up and running? If not, please provide a timeline for any necessary repairs/updates.

Yes, Meditech is fully up and running. We are in the Optimization Phase, which is a continuous process

4) Have you made appropriate adjustments to this year's budget that take into account your recent difficulties in replacing contracted labor?

Yes, the FY2025 budget has been adjusted to take this into account.

5) Do you have reason to believe your case mix would change from previous years?

No, we do not think that the CMI will change significantly.

6) It seems like the largest increase in your capital expenditures in "Fixed Equipment" and "Major Moveable". Can you specify these investments? Since this is a core justification of your budget request, please detail how you would use a higher NPR to reinvest in your hospital.

Please see table below

Cat.	Description		Amount
MM	Anesthesia Machines	$	500,000
Fixed	Roof top unit		750,000
Bldg	Main Roof		200,000
MM	X-Ray Machine		176,000
MM	C-Arm		182,000
MM	Lab Analyzers		320,000
Fixed/MM	Perinatal Monitoring System		200,000
Various	30 other items between $5,000-$150,000		1,132,107
	FY 2025 Capital Budget	**$**	**3,460,107**

7) You write that you expect administrative costs to decrease in the future (as measured by Worksheet A in your filed cost reports). How do you expect them to decrease and by how much?

Due to some of the cost associated with building the new EMR system will not be on-going now that it is up and running. These costs are estimated to be ~$500k

8) How long is your waitlist for counseling services? What are the main barriers to reducing these wait times?

For counseling we currently have 68 adults on our waitlist which will take 9-12 months to work through (barring any additional referrals). We also have 10 pediatric patients on the waitlist. This will increase next month as school starts and is a moving target. The 10 pediatric Patients could be seen by the end of the year.

For psychiatry/medication management, we are scheduling to the end of October right now. With our increased use of Array, we are scheduling these patients and have no actual waitlist.

Due to the closing of UVM's Family Psychiatry Office in Berlin, we have been receiving more referrals from the Central Vermont area. We also receive referrals for psychiatry from Dartmouth.

9) Your projected operating expenses for FY24 is 8.1% higher than budgeted. It seems like most of this unforeseen expense came from physician salaries (~$3.8 million), travelers (~$2.2 million), and miscellaneous purchased services (~$1.0 million). Can you clarify why these expenses were unforeseen? Have you made appropriate adjustments to your predicted expenses for FY25?

a. Physician Salaries & Fees
    i. Physician Salaries – The change-over BY24 is related to a reclassification of Salaries from Non-MD to MD related to APP's. This change was necessary due to an accounting system change that groups both providers wages and Benefits in a single expense category.
    ii. Contracted Physicians were budgeted to decrease in FY24, but were not fully replaced with internal staffing/purchased services until part-way through FY24
b. Travelers
    i. This increase over BY24 is related to contract labor for the following areas:
        1. Patient Financial Services - $1.2M
        2. Medical Records - $247k
        3. CFO - $199k
        4. Director of Revenue Cycle - $202k
c. Misc. Purchased Services
    i. The decrease here over BY24 is related to more direct coding of expenses to GMC, as this line is entirely made up of the Management Contracts for Gifford Medical Center, allocated from the Shared Services

division.

10) In Table 7 in the workbook, we asked for the percentile of national benchmarks. We would expect this value to range from 0-100th. Seeing as you have percentiles over 100%, please provide the supporting calculations for these values.

    a. This has been resolved with our most recent RVU worksheet upload. We utilized the RVU metrics for 2021, but RVU benchmarks changed significantly between 2021 (Metric utilized) and 2023 (RVU values utilized for chart).

11) Please review the rate decomposition details you submitted as well as the "summary" tab and explain the following (where available, show supporting calculations):
    a. How did you arrive at the assumed rates of growth for price, volume, and payer mix shifts by payer?
        i. We utilized our current Payor Mix and Contractual Allowance amounts to calculate our GPSR and NPSR. Previous versions of the Rate Decomp included a skewed NPSR caused by some identified registration errors. These have been revised.
    b. For non-zero values in the "other" column, how did you derive these estimates?
        i. The other changes are related to payer reimbursement shifts related to the Medicare Cost Report and Interim Rate adjustments, as well as changes related to collections and denials improvements.

12) Do you think Medicaid is underfunding the cost of delivering care to your Medicaid patients? If so, please quantify this amount based on 2023 actuals. Please explain your calculation.

    a. Yes, Medicaid is underfunding the cost of care for the Medicaid population. Fiscal Year 2023's Medicaid shortfall was $3.2m on $20.1m in Gross Revenue per our 2023 990 return. We complete this calculation annually on our 990 Tax Return using Cost Report data (Schedule H).

13) Do you think Medicare is underfunding the cost of delivering care to your Medicare patients? If so, please quantify this amount based on 2023 actuals. Please explain your calculation.

    a. As a CAH, Gifford is reimbursed for Medicare Patients at 101% of allowable costs for patient care. Due to sequestration, the actual reimbursement for expenses is closer to 99%. Due to this reduction, Medicare is underfunding Patient care by an estimated 1%.

14) In the attached spreadsheet, please review the measures of financial health that we have calculated for your hospital. We have included the measure definitions. Confirm that these calculated values reflect your understanding. If your financial measures differ from our calculations, please review our formulas, provide your calculation, and explain why you believe your calculation is a better measure for your organization.

All items on the spreadsheet appear to be correct. No changes proposed.

15) Related to your nursing home, please provide the following (2023 actuals, 2024 projected, and 2025 budgeted):
    a. Avg Cost per day
    b. Avg Reimbursement per day, by payer
    c. Avg Occupancy Rate
    d. Operating margin
    e. Hospital subsidy to nursing home (if any)
        i. GMC does not provide a subsidy to Meng Nursing for operations, but does cover negative cash flows.

a – d Please see table below.

	2023 Actual	2024 Projected	2025 Budget
Average Cost per day	$ 604.66	$ 593.38	$ 567.49
Average Reimbursement	$ 369.23	$ 420.48	$ 390.01
Average Occupancy	28.88	28.88	28.88
Operating margin	-62.3%	-41.0%	-45.5%

Note: The nursing home’s rate is set through a cost report process which is separate from the GMCB.

Hospital Budget Hearing Follow-Up Questions - Gifford

1. Can you please isolate the effects of price, utilization, and EMR on the 8.2% NPR request? Can you please isolate the effects on the difference between FY24 projected NPR and your FY25 budgeted NPR?

    a. Budget to Budget

Description		Amount
6.8% Requested Rate Increase	$	2,272,744
B2B Reduction Utilization		(3,523,564)
Payer Mix		3,093,502
Decrease of Fixed Prospective Payments		(1,267,120)
Increase of Free & Discounted Care		(816,822)
Reduction of Denials		3,117,686
Reduction of Bad Debt Expense		258,887
Other Rev Cycle Improvements		2,137,975
Net Improvement of NPSR	**$**	**5,273,288**

    b. Projected to Budget

Description		Amount
Projected FY2024	$	61,199,223
Change due to price alone		2,339,950
Increase of Free & Discounted Care		(977,600)
Reduction of Bad Debt		1,204,522
Increase due to Utilization		5,575,953
FY2025 Budget	$	69,342,048

2. Can you help explain why your outpatient prices are so high compared to other VT hospitals? How do you reconcile your explanation with your request for a 6.8% rate increase across inpatient, outpatient, and professional services?

    a. When we implemented the EMR, we took the opportunity to review and update our chargemaster. This has not been done in many years. We currently utilizing benchmarks (regional and rural) to set our prices. We would be interested in seeing how we compare with today's rates versus what the 2020-2023 data showed in the Rand report.

3. What has been the impact of your network's combined losses on the DCOH of the other network entities [the Gifford FQHC and the Gifford Retirement Community] for the past two years?
    a. Please see table

DCOH Calculation	2022	2023
GMC	203.5	146.4
Other affiliates	-65.1	-45.3
GHC, Inc Consolidated	**138.4**	**101.1**

4. If the other 2 entities in your network were breaking even, what rate would GMC request for this year?

    a. GMC would still request 6.8%, due to a significant erosion of days cash on hand. This erosion has been caused by many factors, most notably our ongoing EMR Implementation/Optimization and multiple years of operating negative margins. This has caused deferrals in our Capital Budget. An increase in the other corporations would allow for Gifford to spend more resources to reduce our age of plant. We will continue to work on initiatives to improve operating margins at our other entities.

5. Can you please help us understand the recent changes to your chargemaster? You've said that you've reduced some rates, increased others -- but what has been the net impact? How does your answer address concerns about your outpatient prices?

    a. Gifford has not had a chargemaster review in many years. Prices had been inflated year over year without tying to any benchmark or reimbursement. During the EMR build, we took the opportunity to do a thorough review of our chargemaster and, utilizing several benchmarking sources, repriced all items.

       In the hospital, there are more than 4000 items in the chargemaster and each item was compared to several benchmarks and adjusted. Some increased, some decreased based on this analysis and we made further adjustments in the first couple of months after go-live when we analyzed large contractual adjustments.

       Our plan is to go through the same exercise routinely so we don't just inflate chargemasters year over year. Since we just went through this, FY 2025 we are applying the increase equally across IP/OP/Pro.