



## Gifford Medical Center

44 South Main Street, P.O. Box 2000 • Randolph, Vermont 05060  
802-728-7000 • fax 802-728-4245  
[www.giffordhealthcare.org](http://www.giffordhealthcare.org)

January 31, 2022

Mr. Patrick Rooney  
Green Mountain Care Board  
144 State Street  
Montpelier, VT 05602

Dear Mr. Rooney,

The following narrative summarizes Gifford Medical Center's actual financial performance for the fiscal year ended September 30, 2021. Additionally, enclosed you will find the audited financial statements for Gifford Health Care and its subsidiaries, which includes Gifford Medical Center.

### **Overview**

Fiscal year 2021 was yet another challenging year, workforce and competitive wage challenges have been one of the most significant operational and financial obstacles in FY 2021 and is continuing into FY 2022. With the accelerated pace of the market's increases in wages, it has been extremely difficult to react quickly and sufficiently to address this significantly impactful area of concern.

It has also been difficult to fill vacant positions, particularly in the area of nursing and ancillary services, which has required us to rely on temporary labor at extremely high premium rates.

In addition to our workforce and wage struggles, finding creative ways to address and navigate the unique needs of our employees during the pandemic such as time off requirements for school closures and child care, quarantine requirements, additional time off needed for wellness, etc. has added to the complexities that we face as a healthcare organization.

### **Net Patient Revenue & FPP**

Gifford Medical Center's Net Patient Revenue as compared to the approved FY 2021 budget was favorable by 13.4%. Outpatient statistical performance indicators were favorable as compared to budgeted expectations specifically in the areas of imaging, rehab services, pharmaceuticals, laboratory, and emergency room utilization. Aside from the favorable utilization impact, several other factors contributed to the net revenue variance:

- Payer Mix/Reimbursement – shifts in payer mix between commercial and government payers resulted in less than anticipated revenue.
- Bad Debt – bad debt is reflecting a favorable variance to budget as a result of the adoption of the accounting standard for Revenue from Contracts with Customers.
- Cost Report Settlement – our fiscal year 2020 cost report settlement yielded a favorable result of \$1.35M. Additionally, our interim rate resulted in a favorable increase of \$683K.

<b>NPR/FPP</b>	<b>Total</b>	<b>% over/under</b>
<b>FY 21 Approved Budget</b>	<b>\$ 52,083,152</b>	
Utilization	\$ 2,968,040	5.7%
Reimbursement/Payer Mix	\$ (511,482)	-1.0%
Bad Debt/Free Care	\$ 1,774,689	3.4%
Physician Acq/Trans	\$ -	0.0%
Changes in Accounting	\$ -	0.0%
Changes in DSH	\$ (15,704)	0.0%
FPP	\$ 326,972	0.6%
Cost Report Settlement	\$ 2,434,216	4.7%
<b>FY 21 Actual Results</b>	<b>\$ 59,059,883</b>	<b>13.4%</b>

### **Other Operating Revenue**

Other operating revenue experienced an increase over budgeted expectations. The increase in grant income is attributed to the Vermont Department of Health COVID Vaccination and Testing grant, which is partially offset by salary expenses that were used to facilitate these services. The favorable increase in “Other” is related to the change in accounting methodology for the depreciation allocation that occurs for each entity within Gifford Health Care. Therefore, the accounting adjustment required the recognition of rental income from the other two corporations. Please refer to the expense section for an explanation regarding the offsetting depreciation expense variance.

### **Operating Expenses**

Total operating expenses exceeded budgeted expectations by 7.8%. Noteworthy variances exceeding +/- 1.0% include the following:

- *Unfavorable Variances*
  - Salaries – unfavorable to budget by 2.2% as we began to address necessary wage increases that will continue and become more material in FY 2022.
  - Fringe Benefits – unfavorable to budget by 2.6%, which is a result of higher than anticipated claim activity and an increase in stop loss premium.
  - Contract Staffing – unfavorable to budget by 1.9%, primarily due to the reliance on temporary nursing and ancillary technician labor. Additionally, locum tenens were needed to sustain our general surgery program due to vacancies.
  - Pharmaceuticals – the significant increase in expense was related to the use of high cost drugs as a result of increased infusion service volume.
  - Depreciation – at the instruction of our auditing firm, there was a change in methodology for the depreciation allocation that occurs for each entity under Gifford Health Care. Gifford Medical Center holds the majority of the assets for all corporations on its balance sheet. Customarily, the calculated depreciation was simply expensed for each of the corps and recognized on each income statement as an expense. The accounting change required the depreciation to be fully expensed to the corporation who holds the assets and required a billback to the other corporations for a rental expense. This transaction nets to zero for GMC as there is offsetting revenue in other operating.

- *Favorable Variances*
  - Other Expenses & Purchased Services – favorable to budget by 1.9%, which was primarily attributed to change in accounting. Historically, a Community Grant expense has been recognized in Other Non-salary expenses. This expense has existed as a line item to recognize the subsidy provided to the two other corporations under Gifford Health Care: Gifford Health Care, Inc. (FQHC) and Gifford Retirement Community. The FY 2021 actual removes this as an expense and in the future will be treated as a transfer among affiliates. This however does not negate that a subsidy still exists to support the other two corporations, it simply appropriately recognizes the transaction in accordance with accounting principles.

<b>Expenses</b>	<b>Amount</b>	<b>% over/under</b>
FY 21 Approved Budget	\$ 52,584,178	
Salaries	\$ 1,179,565	2.2%
Fringe Benefits	\$ 1,385,310	2.6%
Physician Contracts	\$ 532,076	1.0%
Contract Staffing	\$ 486,610	0.9%
Supplies	\$ 307,185	0.6%
Drugs	\$ 772,763	1.5%
Facilities	\$ -	0.0%
IT Related	\$ -	0.0%
Health Reform Programs	\$ 77,890	0.1%
Depreciation	\$ 1,003,592	1.9%
Interest	\$ (330,077)	-0.6%
Health Care Provider Tax	\$ (301,568)	-0.6%
Other Expenses & Purchased Services	\$ (1,000,291)	-1.9%
Other (please label)	\$ -	0.0%
Cost Savings	\$ -	0.0%
FY 21 Actual Results	\$ 56,697,232	7.8%

### **Non-Operating Revenue**

Non-Operating Revenue exceeded budgeted expectations as a result of extremely favorable investment returns.

### **Audit Footnote Related to COVID-19 Relief Funding**

Gifford Medical Center has chosen to follow the conditional contribution model for the treatment of the HHS Provider Relief funds. In FY 2021, any amounts of federal funding received was recognized on the statement of operations. It was determined, by management, that GMC substantially met the conditions outlined in the most recent guidance issued by HHS.

As always, we are available to answer all questions and inquires at your convenience.

Sincerely,

*J. Bertrand*

Jennifer Bertrand  
Chief Financial Officer

CC: Mr. Kevin Mullin, Chair – Green Mountain Care Board  
Dan Bennet, CEO – Gifford Health Care