



# Gifford Medical Center

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To: Kevin Mullin, Chair, Green Mountain Care Board

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

Date: July 1, 2022

Subject: Gifford Medical Center Budget Narrative, Fiscal Year 2023

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## A. Executive Summary

Gifford Medical Center's (GMC) Board of Trustees is the governing body for the organization, and in that role, is responsible for the organization's strategic planning duties, which include assurance of the organization's sustainability. GMC, along with its parent organization Gifford Health Care, recently completed its current strategic plan covering the three-year period of 2022 – 2024. The plan prioritized our Gifford people and culture (workforce), our continued commitment to population health, investments in the infrastructure necessary to ensure sustainability, and sustainability through good governance.

The Board of Trustees provides oversight of GMC's financial operations, quality programs and outcomes, and services through its committee structure. It also maintains a regular Board education program, including updates on strategic issues and progress on our strategic planning goals. Through its Community Outreach program, GMC held a community listening tour in the spring of 2022 – a program we intend to conduct annually. Senior leaders and board members held open meetings in four communities we serve to receive feedback on our current Community Health Needs Assessment (CHNA) and any other topics attendees chose to raise. This information will influence our on-going strategic planning, future CHNA processes, and allow GMC to work more effectively with our community partners.

GMC will continue to work with our state government branches, the GMCB, and other health care providers to ensure the stability and sustainability of Vermont's health care system.

Our FY 2023 budget contains realistic assumptions for volume and a price increase proposal which is consistent with our requests over the past few years. Contained in these assumptions are a few key operational and strategic priorities that we will focus on during FY 2023. These priorities include the following:

- In the summer of FY 2023, Gifford is scheduled to implement a new EMR. Currently, Gifford Health Care operates four EMR solutions with multiple third-party integrations. Our new EMR will consolidate three out of the four solutions, allowing one medical record across our continuum of care.
- In July of 2021, GMC made the operational decision to transition its employed professional anesthesia services to a contracted purchased service model.
- In an effort to stabilize and address our workforce challenges, Gifford partnered with a third-party compensation consultant to address a critical need in the organization. We engaged organizationally in a comprehensive compensation survey and market analysis with the goal of not only retaining, but also competitively recruiting qualified talent. The engagement also included assistance with compensation design, philosophy development, compensation structure evaluation, job title alignment with industry standard, compression analysis, and impact assessment.
- Lastly, in order to effectively manage and monitor staffing and FTE activity within the organization, we have implemented a staffing control mechanism. Position control tracks all increases and decreases to FTEs, all open positions, and any additions or eliminations of positions. It also provides a real time outlook, by department, of our exact staffing situation. This is a very effective tool in managing FTE changes and allows the insight needed to react quickly to clinical, operational, or regulatory needs.

GMC is proposing a conscientious budget for FY 2023 that helps to ensure we meet the healthcare needs of our community and supports our strategic plan.

## **B. Year-Over-Year Changes**

### **i. Net Patient Revenue/Fixed Prospective Payment Overview**

#### **a. FY 2023 Budget vs. FY 2022 Budget:**

Gifford Medical Center is requesting a 3.65% increase in Net Patient Revenue as it compares to the FY 2022 approved budget. This increase is mostly comprised of revenues generated by outpatient services. Additionally, a change in accounting methodology for contractual classifications is a contributing factor to the change in net revenue from a budget to budget stand point (please refer to the adjustment section of this narrative for further information).

#### **FY 2023 Budget vs. FY 2022 Projection:**

The FY 2023 budget as it compares to the FY 2022 projection is reflecting an increase and shift from outpatient revenue to inpatient due to current provider vacancies that have a considerable impact on inpatient revenue.

- i. Medicare revenues are budgeted in accordance with our Critical Access Cost-based reimbursement and settlement process. GMC's estimates for the FY 2023 Budget have taken into account an increase in outpatient activity and have adjusted net revenue assumptions accordingly. Additionally, there was a shift in mix for the FY 2023 Budget from Commercial payers to Medicare. Moreover, the contractual classification change is also a contributing factor to the change in NPR for Medicare.

Fee-For-Service Medicaid revenues do not reflect a change in rate for the FY 2023 budget. Additionally, Medicaid FPP has been budgeted in accordance with estimated attribution and associated trends in attrition. GMC does anticipate a decline in disproportionate share receipts in FY 2023. Additionally, Medicaid was also impacted by the contractual classification change.

Fee-for-service commercial revenue assumptions are reflective of a 3.65% rate increase. Additionally, Commercial is experiencing an overall reduction in utilization as well as shift in mix to Medicare. Furthermore, Commercial was slightly impacted by the contractual classification change.

- ii. For our FY 2023 budget submission, we incorporated a change in Medicaid reimbursement to reflect the reduction to the Clinical Diagnostic Laboratory fee schedule that was effective April 1, 2022 (as stipulated in GCR 22-013). This reimbursement policy change is now paying at 98% of the Medicare fee schedule versus 100%.

Please reference the adjustments section of this narrative for an explanation of the contractual classification accounting adjustment that has an impact on our NPR.

A settlement for participation in the OCV Medicaid program was not incorporated into the FY 2023 Budget.

## **ii. Utilization**

- a. The FY 2023 budget as it compares to the FY 2022 budget and projection reflects notable variances in medical surgical, operating room, imaging, respiratory, and anesthesiology (please refer to the adjustment section of this narrative for further information regarding the change in practice for Anesthesia).
- b. Please reference the table below for the occupancy rate and average daily census per licensed and staffed beds:

Gifford Medical Center			
Licensed Beds =		52	
	ADC	Occupancy Rate	
FY 2021 Actual	12.48	24%	
FY 2022 YTD Actual	10.27	20%	
FY 2022 Budget	13.22	25%	
FY 2023 Budget	11.29	22%	
Staffed Beds =		25	
	ADC	Occupancy Rate	National CAH Benchmark*
FY 2021 Actual	12.48	50%	33%
FY 2022 YTD Actual	10.27	41%	33%
FY 2022 Budget	13.22	53%	33%
FY 2023 Budget	11.29	45%	33%
*According to BRG			

The FY 2022 year-to-date actual average daily census is reflective of provider vacancies in General Surgery and Orthopedics. The FY 2023 Budget is reflective of those vacancies being filled (both General Surgery positions have been recently filled) and also incorporates the impact of our EMR implementation.

- c. The information below outlines the changes notated in Appendix 3:
- The increase in imaging volume is related to the current year-to-date trend, which is reflective of a significant increase in outpatient CT volume and increased outpatient volumes for MRI and diagnostic imaging.
  - The reduction in operating room revenue is primarily driven by reduced volumes related to our planned EMR implementation in FY 2023.
  - The decrease in Respiratory volume is related to a change in charging methodology.
  - Please refer to the adjustment section of this narrative for further information regarding the change in practice for Anesthesia resulting in the decrease in Anesthesiologist revenue.
  - The reduction in Medical Surgical volume is related to a shift in status between inpatient and SCU stays (a decrease of \$550K). In FY 2022, GMC discontinued the designation of SCU for its higher acuity stays and integrated the care for those patients into our Medical Surgical unit. The FY 2023 Budget incorporates and reflects this change.
  - The decline in Medical Surgical supplies is commensurate with the reduction in operating room volume in addition to changes in classification between chargeable and non-chargeable supplies.

**iii. Charge Request**

- a. Gifford’s FY 2023 budget proposes a 3.0% increase in inpatient, 3.28% increase in outpatient, and 15.0% increase in professional fees. Subsequently, Gifford is proposing a commercial rate increase of 3.65% in aggregate.

- b. The methodology used to allocate the gross patient revenue by payer is based on actual activity, year-to-date through March, to develop a baseline, which is then compared to historical trend, identifying and understanding drivers and relevant changes in rate, mix, and volume to determine if the year-to-date experience contains any anomalies that may need to be taken into consideration. Net revenue assumptions were based on a historical lookback for adjudicated claim activity and changes to contractual classifications (please refer to the adjustment section of this narrative for further information).
  - A majority of Medicare reimbursement is not affected by increases in charges and more so based on our cost-based reimbursement and settlement methodology.
  - A change in charge also does not have an impact on Medicaid reimbursement as Medicaid is reimbursed based on fee schedules, DRGs, and APCs. The portion of revenue that falls under fixed payments is not impacted by changes in charge.
  - Commercial reimbursement is impacted by charge increases; however, it is not matched by commercial payers on a dollar for dollar basis and instead depends on the contractual arrangement with each of our commercial payers.
- c. The FY 2023 budgeted value of a 1% change in rate is \$321,915.
- d. Below provides the requested information relative to GMCs approved change in charge for FY 2022.
  - i. GMC chose not to receive the full amount of its approved rate increase from the Commercial payers.
  - ii. GMC chose not to increase its charges to the fully approved amount for FY 2022 due to two challenges within our organization: 1). the necessity for a complete rebuild of our charge master, which encompasses revenue code, location of service changes, etc. and 2). the need for a thorough price analysis of our charges.
  - iii. In consideration of the above, the increase did not have an impact on our varying areas of service.

#### **iv. Adjustments**

- a. The FY 2023 budget includes four accounting adjustments:
  - 1. In mid-July of 2021, GMC made the operational decision to transition its employed professional anesthesia services to a contracted purchased service model. This resulted in the reduction of all associated professional gross and net revenue. Additionally, professional salaries shifted from a provider salary classification to a contracted salary arrangement.
  - 2. At the beginning of FY 2022, GMC adopted a management contract methodology. Management Contracts distinctly allow for the identification of administrative and overhead expenses for individual divisions under a parent corporation. Historically, for GMC, these expenses have been imbedded in its individual expense lines, inclusive of salaries. For the FY

2023 budget, we have identified these management contract expenses in the "Other Services" line.

3. Historically, our Day Care expenses and other revenue has been included in the reporting of Gifford Medical Center. In the middle of FY 2022 we made the organizational decision to create individual divisions in order to distinctly identify the financial performance for each entity. Therefore, we have removed the associated expenses and other revenues for our Day Care.
4. At the end of FY 2021, a thorough assessment was conducted of our current revenue cycle processes to identify areas of improvement; one of those specific areas was the classification of our contractual adjustments between payers. Several factors contributed to the need for correction: payer classes were not designated to the correct patient location, adjustments were not classified based on how payers reimburse, distinct breakouts for Workers Comp and Medicare Advantage did not exist, our general ledger structure did not support the needed distinction by payer and patient location, all adjustment codes were hitting one corporation instead of designated to the appropriate corporation to name a few. Therefore, we found it crucial to make the necessary changes to correct the contractual structure.

**v. Other Operating & Non-Operating Revenue**

a. FY 2023 Budget vs. FY 2022 Budget:

The FY 2023 Other Operating Revenue budget assumes a decrease as it compares to the FY 2022 Budget, which is the result of the aforementioned change in accounting methodology pertaining to the Day Care's other revenue. Additionally, other operating revenue is reducing due to the arrangement the hospital has with its FQHC in which the hospital is reimbursed by the FQHC for COVID testing. Budget-to-budget non-operating revenue assumptions incorporate a customary annual draw down from our investment pool, which is historically \$1.1 - \$1.3M.

FY 2023 Budget vs. FY 2022 Projection:

The FY 2023 Other Operating Revenue budget assumes a decrease as it compares to the FY 2022 Projection, which is primarily driven by a reduction in anticipated grant income specific to stimulus funding and a SHIP grant that was able to be utilized in FY 2022. FY 2023 Budget as it compares to FY 2022 Projected non-operating revenue assumes a significant decrease in investment income as market activity has been volatile and unfavorable. This decline is having a significant impact on our debt service ratio, which has decreased by 42% from the beginning of the fiscal year.

- b. Please refer to Appendix 6 for the requested information.
- c. At the time of our FY 2023 Budget submission, GMC does not anticipate any further COVID-19 funding or advances.
- d. Although the majority of 340B funding is recognized under Gifford Health Care, our FQHC and parent corporation, any unfavorable impacts to 340B funding will

circuitously impact the hospital as GMC is the primary guarantor of any losses incurred by the other corporations under the GHC umbrella. Therefore, the unpredictable reductions in 340B funding poses uncertainty for the hospital in that more of its margin gain would need to support the operating deficits of the other two corporations and their respective divisions.

Another area of unpredictability is the of uncertainty of market returns, which would have an impact on GMCs total margin.

## vi. Operating Expenses

### a. FY 2023 Budget vs. FY 2022 Budget:

The FY 2023 budget as it compares to the FY 2022 budget equates to a decrease of \$407K. Noteworthy variances exist within management contracts, salaries, benefits, pharmaceuticals, and our new EMR expense.

- Other Services Expense (Management Contracts) – Gifford Medical Center, inclusive of both of its affiliated corporations, has recently engaged in an effort to provide a more consistent and appropriate expense recognition process. As part of that initiative, Gifford has created management contracts in order to achieve appropriate accounting principles. Therefore, a significant portion of salaries expense has been transferred to the parent division (“Gifford Shared Services”, or “GSS”) and these costs are then allocated back to the appropriate corporation and division under the category of “Management Contracts”.
- While GMC’s Non MD salary expense reflects a 25% decrease vs. the FY 2022 budget, the combination of Management Contract salaries and Salaries expense reflects a decrease of 8%, budget-to-budget.
- Salary Expense – the overall decrease in salary expense, taking into account the above reconciliation, equates to \$1.5M. The decrease in non-MD salary expense is related to a shift in management contract salaries between corporations and divisions. Additionally, a portion is also associated with the removal of the Day Care salaries.
- Benefits – the decrease in expense is primarily related to the aforementioned change in management contract methodology.
- Other Non-Salary Expense – the decrease in expense is primarily related to the change in accounting methodology referenced in B.iv.1.
- Pharmaceutical Expense – the decrease in expense is related to drug transfers between corporations and divisions that are now budgeted appropriately within their individual, divisional drug expense lines.
- New EMR Expense – in FY 2023, we will incur the expense of operating two EMR solutions. Although we do not go live until July with the new EMR, the vendor requires that the monthly fees begin when the project kickoff occurs, which will be in October of FY 2023.

Therefore, we will experience a full year of paying for parallel EMR solutions.

b. *FY 2023 Budget versus FY 2022 Projection:*

The FY 2023 Budget as it compares to the FY 2022 Projection equates to a decrease of \$3.0M. Noteworthy variances exist within travelers, locums, purchased services, and new EMR expense.

- Traveler Expense – the overall anticipated decrease in traveler expense as the projection compares to the FY 2023 budget is related to open positions being filled due to the significant RN wage increases that were recently implemented as well as anticipating the hiring of new grads in the next few months.
  - Locum Expense – the decrease in expense is related to the recent employment of two General Surgeons in which locum coverage had previously been utilized throughout the first six months of FY 2022 as well as the anticipated hire of an Orthopedist in FY 2023.
  - Purchased Services – the reduction is primarily related to the anticipated decrease in third party lab processing expense in addition to moderate decreases to varying expense lines.
  - New EMR Expense – in FY 2023, we will incur the expense of operating two EMR solutions. Although we do not go live until July with the new EMR, the vendor requires that the monthly fees begin when the project kickoff occurs, which will be in October of FY 2023. Therefore, we will experience a full year of paying for parallel EMR solutions.
- c. Inflationary assumptions incorporated into the FY 2023 budget include an increase in salaries of 2%, a pharmaceutical increase of 7%, supply increases of 4%, an increase of 47% for fuel oil, and other expenses increases of 5%.
- d. Gifford's ongoing commitment to reduce costs has enabled us to recognize expense savings and incorporate cost avoidance strategies without compromising our commitment to delivering high quality care to the patients we serve.
- Staffing Control Mechanism – As stated previously, we have operationalized a staffing control mechanism to manage salary expenses and FTE growth.
  - Service Contract Assessment – we have continued to evaluate our service contract arrangements and have been able to incorporate anticipated savings into the FY 2023 Budget.
- e. The reduction in expenses incorporated into the FY 2023 Budget has allowed us to achieve an operating margin to continue to serve the needs of our community while remaining compliant with GMCB guidelines for NPR/FPP.

**vii. Operating Margin & Total Margin**



- a. As the foundation for establishing the FY 2023 budgeted operating margin for GMC, we utilized a financial sustainability model that aligns our budget with our strategic planning process and initiatives. The model allows for the effective balance necessary when correlating margin targets with appropriate and affordable investment in capital. We built our FY 2023 budget based on capping our capital spending to a level that is affordable based on the margin that our consolidated organization can produce. From a strategic planning standpoint, for this budget cycle, we did have to make some concessions based on the margin we were able to generate, especially in consideration of an EMR implementation year.

As it compares to the FY 2022 Projection, the FY 2023 budgeted operating margin assumes an increase of \$1.8M, which is primarily related to a reduction in expenses.

- b. When evaluating Gifford Medical Center's operating margin, it is important to consider it is the primary revenue source for the entire organization and therefore subsidizes the losses incurred by the other corporations under Gifford Health Care.

### **C. Equity**

- i. Gifford Medical Center conducts its community health needs assessments (CHNA) and reporting per IRS regulations for not-for-profit hospitals. Our Board of Trustees and leadership team utilize this information to inform the goals and objectives developed in our strategic planning process, including populations experiencing health disparities and/or with greater social risk factors.

We work collaboratively with our local Community Health Team (CHT) to address issues such as food security (multiple programs), transportation (rides to wellness), social service needs for patients in our OB/GYN and Midwifery program (women's health initiative), and health coaching to support lifestyle medicine for the populations we serve.

Our Health Connections program works closely with the CHT, our practices, and other services to identify and assist patients who lack health coverage and other unmet needs. We partner with local emergency medical services teams to provide "house call" visits at no charge to at-risk patients in their homes to assess risks and needs in consultation with their primary care providers and/or the CHT. We also partner with the state, CHY, and our Health Connection Counselor to provide financial assistance/counseling, interpretive services, and assistance to access care for migrant workers.

Our parent corporation, a Federally Qualified Health Center, Gifford Health Care, partners with local not-for-profit HealthHub to provide access to dental cleaning and screening.

Our leadership team has also implemented an “inclusivity” group to ensure our organization is welcoming and safe for all community members. This group’s workplan includes a number of initiatives it will pursue in the coming year, including inclusive bathroom signage, interpreting services, gender pronoun training, preferred name training, providing access to mental health first aid training, de-escalation training, and including information in publicly accessible clinician biographies identifying clinicians who provide gender affirming care.

GMC and its affiliated organizations are committed to continuing our work to reduce health and health care disparities.

#### **D. Wait Times**

Will be submitted as requested by August 5, 2022.

#### **E. Risks & Opportunities**

##### **i. Risks:**

Financial Sustainability – healthcare organizations continue to be at risk of sustaining solvency, especially in a post pandemic environment. With inflation pressure and rising costs, workforce challenges, needed infrastructure investments, and market investment volatility; it is increasingly more challenging to achieve margins that support the necessary investments needed to maintain financial stability.

Workforce Challenges – like most hospitals, Gifford continues to experience workforce pressures. Wage pressures continue to challenge our organization as competition in the market is propelling wages at an alarming rate. As mentioned previously, Gifford underwent a comprehensive compensation evaluation and implementation process and has invested significantly in necessary wage increases to keep pace with the market. In addition to the lack of candidates to fill existing positions throughout the organization and in all job classifications; employees face additional pressures from inflation, lack of available and affordable housing, and lack of child care options. Even though we continue to face these challenges we look for creative avenues to attract candidates and graduates to the organization. We have partnered with local institutions to develop programs for Nursing and Medical Assistant education and continue to work with other organizations to further available programs in our market.

Provider Recruitment – provider recruitment continues to be challenging and has required the use of locum physicians to fill vacancies as they arise, which result in additional expenses that are not covered by the revenue they generate. Call coverage also represents a significant challenge for providers, particularly in small groups and specialties.

Electronic Health Record – as mentioned previously, Gifford will be implementing a new, integrated electronic health record system. While we expect the outcome of this project

to result in clinical and operational efficiencies, the project will require significant organizational resources. Our focus, while implementing these tools will be to continue to provide excellent clinical care and efficient business practices.

Age of Plant – Gifford continues to make significant investments in our facilities and equipment, but will require sufficient future operating margins to ensure adequate funding for capital investments.

Inflation and Supply Chain Disruptions – we continue to experience various medical supply scarcities due to supply chain constraints. Additionally, as a result of this, the need for substituted goods has become more prevalent, which inherently those goods come at a higher cost. The cost associated with these items are amplified even more by the impact of current inflation.

*Opportunities:*

Strategic Planning Process – GMC, along with its parent organization Gifford Health Care, recently completed its current strategic plan covering the three-year period of 2022 – 2024. The plan prioritized our Gifford people and culture (workforce), our continued commitment to population health, and investments in the infrastructure necessary to ensure sustainability. This strategic plan will guide our future planning that focuses on the transition to value-based care.

Population Health Initiatives – Gifford Medical Center, along with its parent Gifford Health Care, is actively engaged in population health initiatives to address the needs of our health service area, which encompass the expansion of home visits for patients, initiatives to address food insecurity, and investments in behavioral health services. Gifford’s FQHC has received funding from HRSA to expand our population health infrastructure, including expanded care coordination services, and enhanced data management and analytical capabilities.

Future Efficiencies - New EMR – In the summer of FY 2023, Gifford is scheduled to implement a new EMR. Currently, Gifford Health Care operates four EMR solutions with multiple third-party integrations. Our new EMR will consolidate three out of the four solutions, allowing one medical record across our continuum of care. The new and improved system will also support our efforts to expand population health activities with improved data management and analytical capabilities.

- ii. Access to care and wait-times have been impacted by workforce availability, especially with staff requiring illness time for COVID. We continue to offer telemedicine services as an option for patients and providers, and this has proven beneficial particularly with improving no-show rates for behavioral health services. We continue to require heightened infection control protocols including masking, limitations on visitors, and physical distancing and we will continue to evaluate them on an on-going basis.
- iii. During the COVID-19 pandemic we have certainly learned valuable lessons to ensure our readiness for future crises; such as the effectiveness of expanded telehealth services in improving access to care, implementing pandemic-related infection control protocols on a permanent basis, and the ability to expand utilization of technology for remote work, community and employee communication. Most of all, we have learned, once again, that our team is talented, resilient, and cares for their community and one another.

iv. Workforce Challenges:

- a. The vacancy rate for Primary Care MDs = 22.9%; Specialty MDs = 23.1%; RNs = 26.7%; Nursing Support = 18.6%; and All Other = 16.3%.
- b. Below is the requested information:

	2018	2019	2020	2021
Primary Care MD	11.9%	11.8%	14.0%	14.5%
Specialty MD	16.7%	9.3%	30.8%	6.5%
RN	18.0%	6.9%	14.9%	7.0%
Nursing Support	20.0%	21.8%	15.3%	21.6%
All Other	15.6%	15.9%	19.6%	17.9%

- c. As mentioned previously, Gifford has made considerable investments in workforce initiatives and has spent \$1M in the FY 2022 fiscal year to address necessary wage increases to keep pace with the market. Additionally, GMC did receive a grant through SHIP that it is utilizing toward a retention initiative that provides staff with an additional 24 hours (prorated by FTE) for Wellness Time Off.
- d. Please reference B.vi.b for information regarding the impact of nursing and Locum expense on GMCs FY 2023 Budget.

**F. Value-Based Care Participation**

- i. Gifford continues to be an active participant in the value-based payment and delivery reform programs offered through OneCare Vermont. Gifford’s FY 2023 budget includes participation in Medicaid and MVP. Gifford is not participating in the Medicare or Blue Cross Blue Shield of Vermont programs at this time. One of the most substantial encumbrances to expanding our further participation in value-based care is the current state of our EMR. An EMR must have the ability to appropriately track, analyze, and report data that will enable us to create actionable strategies; our current EMR solution does not have the capability of doing this appropriately. We anticipate that our future participation plans will expand with the implementation of our new EMR, which is currently scheduled for the latter part of FY 2023.
- ii. Because of our unique structure (an FQHC owned CAH) most of our investments in healthcare reform and value-based care initiatives exist in our FQHC cost centers under Gifford Health Care. Specific cost centers for the FQHC that we have invested in are behavioral health – we have increased mental health providers to enhance our access to this critical need in our community, Community Health Team and Care Coordination – we have made investments in excess of the grant funding available in order to support population health initiatives, Diabetes Clinic – increased FTEs to support the program and strengthen our efforts to address this chronic healthcare need in our community, which is evident by the strengths outlined in the OCV quarterly HSA report.
- iii. As the pandemic recedes, Gifford is shifting its focus to again addressing our population health initiatives.
  - a. Based on the OneCare quarterly HSA report, Gifford has identified the top three opportunities for improvement: IP admission utilization and spend,

outpatient advanced imaging utilization and spend, and primary care spend. With this data we are currently prioritizing our efforts in the area of outpatient advanced imaging and we continue to focus on strengths, which are adolescent well care, diabetes and developmental screening. Additionally, Gifford is expanding a pilot paramedicine program with regional EMS services.

- b. Gifford creates integrated workgroups for each of its individual population health initiatives that are communicated broadly to providers and stakeholders. Providers are involved in the initiatives from planning to implementation.
- c. Success will be measured based on a percentage of increase or decrease depending on the metric and is monitored on a quarterly basis.
- iv. The quarterly HSA report that OCV provides, lists our specific providers and their performance as it compares to benchmarks. Gifford is sharing this report with those providers to strategize solutions and they are members of our integrated workgroup.
- v. CY 2020 settlement and planned investments:
  - a. Currently Gifford is using those funds to target specific chronic conditions for outreach and intervention through care coordination investments and efforts. These efforts focus primarily on diabetic care, behavioral health, and access to primary care. Access to care remains an important aspect of our strategy; we have partnered with our local schools, imbedding providers to address pediatric healthcare needs. Additionally, settlement funds are used toward less traditional healthcare resources such as investments in transportation and food programs.
  - b. Gifford did not experience shared losses for CY 2020.

## **G. Capital Investment Cycle**

- i. Gifford's capital investment cycle is based on several varying factors dependent on the type of investment: 1). Routine equipment replacement is based on current end of useful life schedules that are tracked and monitored by item. 2). Routine plant improvements are incorporated into the budget process based on an as needed basis as determined by Plant Operations 3). IT equipment replacement is based on a staggered 5-year replacement cycle. 4). Major plant improvements/additions and major equipment investments are based on strategic planning initiatives.

Moreover, annual capital expenditures are based on actual financial performance and periodic adjustments will be made to the capital allocation based on that performance. Additionally, once the annual capital budget has been determined, in an effort to sensibly distribute the impact capital expenditures have on cash flow, a quarterly allocation methodology is applied, taking into account critical item needs that must occur within the first quarter of the fiscal year.

The FY 2023 Capital Budget for GMC is \$3.9M, which is equivalent to our annual depreciation expense. GMC strives to maintain capital spending targets in the range of 120% - 140% of annual depreciation; however, due to the EMR implementation and

budgeted consolidated operating performance, we are limiting our capital spending to 100% of depreciation.

- ii. The current list of capital investments planned for FY 2023 are routine and critical replacement items. They are not improvements required by a regulatory or governing agency.

#### **H. Supplemental Data Monitoring**

Will be submitted as requested by August 5, 2022.