Gifford Medical Center

FY 2023 Operating & Capital Budget

Green Mountain Care Board Hearing

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Gifford Medical Center Overview

Current State

- Widespread Workforce Challenges
  - Increased use of travelers
  - Wage Inflation
  - Vacancies
- Inability to provide patients access to appropriate levels of care.
  - Tertiary & Long Term Care
  - Extended wait times for patients in the ED seeking mental health treatment.
- Our system and workforce is stressed.

Concerns & Risks

- Financial Sustainability
- Unprecedented Workforce Challenges
- EMR Implementation
- Provider Recruitment
- Age of Plant
- Inflation
- Supply Chain Disruptions

Opportunities

Population Health Initiatives

- Home visits, addressing food insecurity, investments in behavioral health services, expanding care coordination.

Future Efficiencies/EMR

- Consolidation into one EMR platform, with one medical record, improved data management and analytics.

Strategic Planning Process

- Prioritizing workforce, ensuring our commitment to population health, make appropriate investments in infrastructure.

Strategic Plan 2022 - 2024

Strategic Framework

The four priorities identified were selected by Gifford's volunteer Board and leadership team as long-term focus areas with clear impacts on Gifford's success. The objectives and tactics within each priority may adjust periodically to accommodate the ongoing progress and needs of the organization.

People & Culture

Goal: Enhance Gifford's supportive culture to encourage stability and growth.

Objectives
1. Successfully retain and recruit clinicians and staff
2. Educate, develop and support the Gifford team
3. Strengthen and reinforce Gifford's collaborative culture

Population Health

Goal: Engage, educate and support our community to improve the health of the population.

Objectives
1. Invest in care coordination
2. Address community health needs
3. Ensure access to care and resources
4. Increase awareness of Gifford services

Infrastructure

Goal: Invest in systems and facilities to ensure organizational growth and sustainability.

Objectives
1. Develop and maintain a Master Technology Plan that reflects the evolving health care environment
2. Maintain a Master Facility Plan that reflects the evolving health care environment
3. Develop analytical capabilities to aid clinical and operational decision-making

Governance

Goal: Fulfill Gifford's mission and ensure sustainability through good governance.

Objectives
1. Fulfill the Board's fiduciary duties of care, loyalty and compliance
2. Be forward thinking, visionary and representative of the communities Gifford serves
3. Work to continuously improve Board capabilities and performance

Responsible Governance

- The Board of Trustees provides oversight of GMC's financial operations, quality programs and outcomes, and services through its committee structure.
- 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.
- The GMC Board of Trustees is engaged in fulfilling its responsibility to the communities it represents to ensure access to essential, high-quality health care services and GMC's sustainability.

Recent Listening Tours

Community Feedback

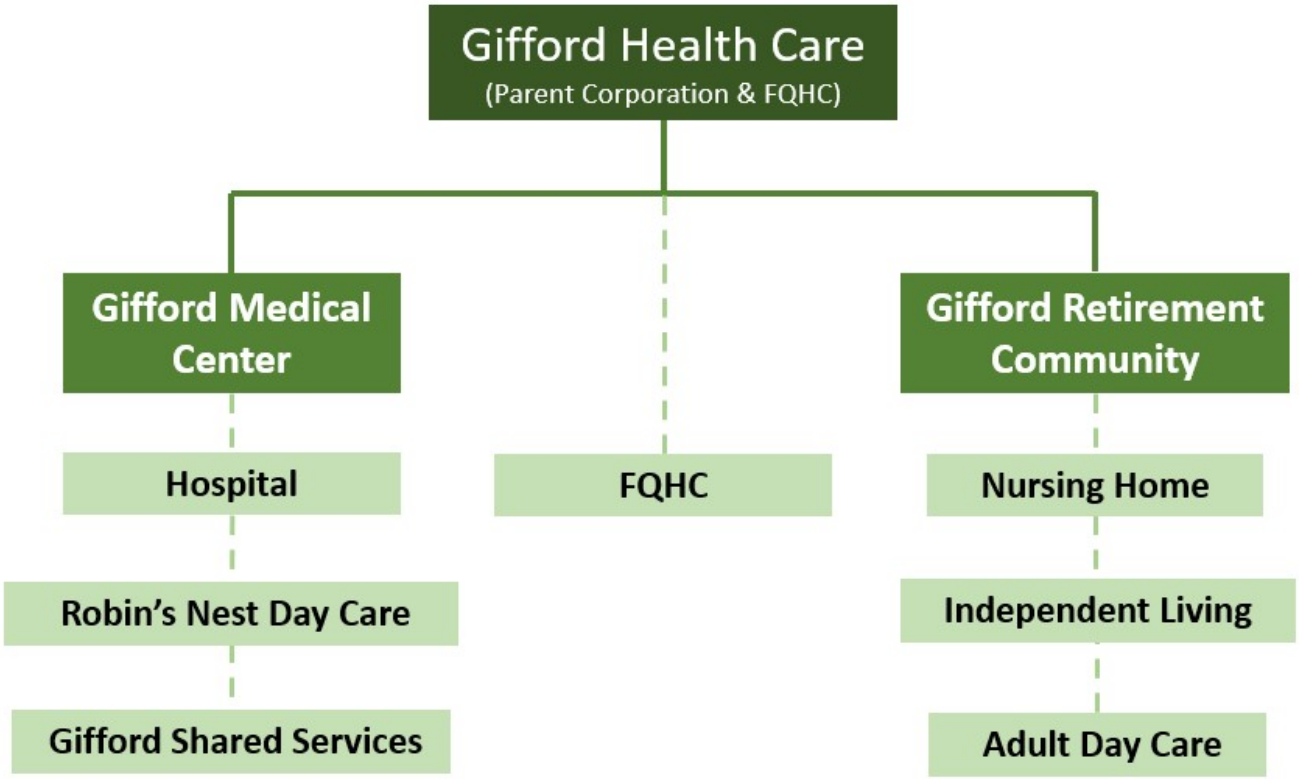
- Recently conducted Community Listening Tours in our health service area.
- Listening Tour general themes:
  - Access to care – behavioral health, addiction medicine, dental care, specialty care.
  - Transportation to Access Care
  - Medication

    Affordability
  - Food Insecurity

Organizational Structure

Gifford Health Care & Subsidiaries

- Gifford Medical Center's financial performance is the primary revenue source for the entire organization.



CAH Service Lines

Gifford Medical Center

- Inpatient Medical Surgical Care
- All Ambulatory Specialty Care Services (5 Practice Locations):

Orthopedics	Podiatry	Urology
Neuro Surgery	Chiropractic	General Surgery
Urogynecology	Cardiology	Oncology

- Ancillary Services
- Emergency Services
- Surgical Services
- Birthing Center Services
- Rehab Services

FQHC Service Lines

Gifford Health Care

- All Primary Care Services
- Behavioral Health Services
- Pediatric Services
- Obstetrics & Gynecology Services
- Care Coordination
- Blueprint & CHT
- School Based Health

- Diabetes Management & Education
- Addiction Medicine, Dental Care, Nutrition Counseling

Gifford Medical Center's Margin

FY 2023 Budgeted Margin

- We recognize the margin for GMC is quite favorable; however when evaluating the operating margin for the hospital, it is important to recognize that the hospital does subsidize the losses incurred by the other divisions under the Gifford Health Care umbrella.

- When comparing the current year's budgeted margin to prior years, it is important to note the many accounting adjustments implemented in the FY 2022 budget and in the FY 2023 budget, which have a significant impact on the margin result.

Net Patient Revenue/FPP

- Net Revenue + Fixed Prospective Payments, budget-to-budget, yields a 7.0% increase:

Gifford Medical Center	
Net Patient Service Revenue	
FY 2022 Submitted Budget	54,224,079
FY 2023 Proposed Budget	58,010,648
Budget-to-Budget Δ	***7.0%***

- The increase in NPSR is a product of volume increases in various outpatient service lines.
- Net revenue also incorporates an estimated cost report receivable of $500K.
- Fixed Prospective Payments include Medicaid and MVP participation and a total attribution of ≈ 3,200 lives. ($3.3M).

Value-Based Care Participation

Medicaid & MVP

- Future consideration of participation in MCR & BCBS with the implementation and stabilization of the new EMR.
- Investments in healthcare reform:
  - Behavioral Health – increased investment in mental health providers.
  - CHT & Care Coordination – made investments in excess of grant funding in order to support population health initiatives.
  - Diabetes Management – increased staffing to address this chronic health care need in our community.
- The cost centers associated with our investments in health reform do not exist in the hospitals budget.

FY 2023 Proposed Commercial Rate

Rate Substantiation

- Incorporates a 3.65% aggregate commercial rate increase.
  - Inpatient – 3.0%
  - Outpatient – 3.28%
  - Professional – 15.0%
- The marginal rate increase allows us to cover the commercial portion of inflation for the hospital.

Inflationary Impact:	$	%
Wages	388,465	2.0%
Pharmaceuticals	157,015	7.0%
Med/Surg Supplies	119,280	4.0%
Non-Medical Supplies	87,634	5.0%
Fuel Oil	165,779	47.0%
Other	12,692	5.0%
Total Inflation	**930,865**	**1.8%**

Commercial Mix	34%
Commercial Portion of Inflation	316,494
Payer Policy Changes	70,000
Cost Shift MCR	125,765
Cost Shift MCD	167,556
Total Comm Rate Substantiation	**679,815**
FY 2023 Incorporated Rate Increase	**678,887**

Adjustments

FY 2023 Budget Includes 4 Accounting Adjustments

- Professional Anesthesia Services – transitioned to a purchased service model.
- Management Contract Methodology – distinct identification of administrative and overhead expenses.
- Day Care Expenses – no longer being reported under the hospital's budget.
- Classification of Contractual Adjustments – made necessary corrections to appropriately account for the recognition.

Other Operating & Non-Operating

Other Operating Revenue

- The majority of our 340B funding is recognized under the FQHC, therefore the hospitals funding is minimal.

- The primary reason for the reduction in other revenue from a budget-to-budget perspective is the removal of the Day Care revenue.

Non-Operating Revenue

- Non-operating revenue does incorporate an optimistic assumption for realized gain activity from our investment pool; however, the inherent volatility of the market can easily eliminate the recognition of such funding.

Operating Expenses

FY 2023 Budgeted Expenses

- Although our budget is reflecting an overall decrease in expense, which is primarily related to the appropriate treatment of management contracts and the removal of our Day Care expenses, we are budgeting unfavorable impacts in particular expense categories:
    - Parallel EMR Expense
    - Unprecedented Workforce Challenges
        - Increased Labor Expenses
        - Staffing Vacancies
        - $15 Minimum Wage

Capital Investment Plans

FY 2023 Budgeted Capital

- Due to the EMR implementation planned for FY 2023 and the consolidated operating margin performance, we are limiting our capital spending to 100% of depreciation.
- This is not a sustainable strategy in order to address our age of plant (> 16 Years).
- We have deferred in excess of $6M in capital investments since the onset of COVID-19.
  - Facility Improvements – Emergency Room Renovation, Roof Replacement, Patient Access Remodel, Practice Renovations, & Portico Renovation
  - Large Equipment Purchases – MRI, X Ray, C Arm, Anesthesia Machines, Echo Cardiography Machine

Supplemental Data Monitoring

Market Share Report

- We do not incorporate the information from the market share report as it does not account for the many factors that must be considered when evaluating net revenue.

Reimbursement Analysis

- In the absence of the detailed supporting information for the summary data that was provided, we are unable to provide an opinion on any errors or further inconsistencies in the data set.

Demographic Report

- When budgeting, we analyze our current experience versus historical trends, any changes in the demographic make up of our HSA would be inherently incorporated into this process.

Health Equity

- GMC and its affiliated organizations are committed to continuing our work to reduce health and health care disparities.
- We utilize our CHNA 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 have implemented an “inclusivity” group to ensure our organization is welcoming and safe for all community members.
- Initiatives include gender pronoun training, inclusive bathroom signage, preferred name training, de-escalation training, and including information in publicly accessible clinician biographies identifying clinicians who provide gender affirming care.

Wait Times

- Below is the information pertaining to our lag results:

Referral Lag:

	Referral Lag	
	Within 3 Days	Over 3 Days
Primary Care	97%	3%
Specialty Care	98%	2%
Top 5 Imaging	N/A	N/A

Visit Lag:

	Visit Lag				
	Within 2 Weeks	Within 1 Month	Within 3 months	Within 6 Months	Over 6 Months
Primary Care	27%	31%	42%	0%	0%
Specialty Care	60%	27%	13%	0%	0%
Top 5 Imaging	32%	27%	41%	0%	0%

- We are evaluating optimization strategies specific to provider scheduling and are performing an assessment of the provider ratios for each of our practice locations in an effort to increase access to care.

Impacts of COVID-19

- 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 as this has proven beneficial.
- During the COVID-19 pandemic we have certainly learned valuable lessons to ensure our readiness for future crises:
  - The effectiveness of expanded telehealth services in improving access to care.
  - Implementing pandemic-related infection control protocols on a permanent basis.
  - The ability to expand utilization of technology for remote work, community and employee communication.

Closing Remarks

GMCs FY 2023 Budget

- The budget we are proposing is responsible and remains within Green Mountain Care Board's guidelines.

- Our budget incorporates the strategic planning initiatives set forth by our Board that is committed to providing high-quality health care to our community and a continued focus on our organization's financial sustainability.

Appendices

GMC Income Statement

	2021 Actual	2022 Budget	2022 Proj.	2023 Budget
Gross Patient Care Revenue	123,810,116	120,327,886	117,002,110	117,134,621
Net Revenue Deductions	(68,277,205)	(69,147,339)	(63,405,729)	(62,423,945)
Net Patient Care Revenue	55,532,911	51,180,547	53,596,381	54,710,676
Fixed Prospective Payments (incl Reserves&Other)	3,526,972	3,043,532	3,400,000	3,300,000
Total NPR & FPP (incl Reserves)	**59,059,883**	**54,224,079**	**56,996,381**	**58,010,676**
Other Operating Revenue	3,093,512	2,273,328	3,712,046	1,513,052
Total Operating Revenue	**62,153,395**	**56,497,407**	**60,708,427**	**59,523,728**
Operating Expense:				
Salaries Non Md	17,986,602	18,953,903	13,527,875	14,180,829
Fringe Benefits Non Md	5,502,836	5,210,768	4,587,790	3,636,151
Fringe Benefits Md	2,126,596	1,317,135	1,169,517	1,412,435
Physician Fees Salaries Contracts & Fringes	8,472,453	6,987,261	8,600,383	7,036,483
Provider Tax	2,765,868	3,040,919	3,468,785	3,237,794
Depreciation Amortization	3,426,031	3,689,187	3,439,550	3,811,815
Interest	403,091	365,988	303,708	441,487
Other Operating Expense	16,013,755	13,607,632	20,660,929	19,008,600
Total Operating Expense	**56,697,232**	**53,172,793**	**55,758,537**	**52,765,594**
Net Operating Income (Loss)	**5,456,163**	**3,324,614**	**4,949,890**	**6,758,134**
Non-Operating Revenue	5,554,199	950,000	(1,409,684)	1,215,000
Excess (Deficit) Of Revenue Over Expense	**11,010,362**	**4,274,614**	**3,540,206**	**7,973,134**
Operating Margin %	8.8%	5.9%	8.2%	11.4%
Total Margin %	17.7%	7.6%	5.8%	13.4%

GMC Balance Sheet

	2021 Actual	2022 Budget	2022 Proj	2023 Budget
ASSETS:				
CURRENT ASSETS				
CASH & INVESTMENTS	16,040,026	5,443,289	11,593,838	14,059,015
PATIENT ACCOUNTS RECEIVABLE, GROSS	14,175,520	14,350,353	17,431,818	16,931,818
LESS: ALLOWANCE FOR UNCOLLECTIBLE ACCTS	(8,026,122)	(8,672,466)	(9,968,678)	(9,809,510)
DUE FROM THIRD PARTIES	18,355	904,441	118,355	118,355
ACO RISK RESERVE/SETTLEMENT RECEIVABLE	900,000	-	200,000	300,000
OTHER CURRENT ASSETS	2,968,188	3,168,081	3,043,369	3,130,436
TOTAL CURRENT ASSETS	26,075,967	15,193,698	22,418,702	24,730,114
BOARD DESIGNATED ASSETS				
FUNDED DEPRECIATION	18,007,756	19,923,779	15,089,389	15,303,062
OTHER	13,594,455	15,025,282	11,277,484	11,437,179
TOTAL BOARD DESIGNATED ASSETS	31,602,211	34,949,061	26,366,873	26,740,241
PROPERTY, PLANT, AND EQUIPMENT				
TOTAL PROPERTY, PLANT AND EQUIPMENT	91,707,049	97,574,893	94,029,374	97,934,062
LESS: ACCUMULATED DEPRECIATION	(56,215,846)	(61,027,803)	(57,957,507)	(61,772,179)
TOTAL PROPERTY, PLANT AND EQUIPMENT, NET	35,491,203	36,547,090	36,071,867	36,161,883
OTHER LONG-TERM ASSETS	7,709,325	7,905,175	7,032,397	7,078,952
TOTAL ASSETS	**100,878,705**	**94,595,024**	**91,889,839**	**94,711,190**
LIABILITIES AND NET ASSETS:				
CURRENT LIABILITIES				
ACCOUNTS PAYABLE	5,039,862	5,094,893	5,191,058	5,346,789
CURRENT LIABILITIES COVID-19	5,277,427	-	-	-
SALARIES, WAGES AND PAYROLL TAXES PAYABLE	2,668,885	2,486,595	2,748,952	2,831,420
OTHER THIRD PARTY SETTLEMENTS	1,711,983	643,136	2,814,677	2,802,617
ACO RISK RESERVES/SETTLEMENT PAYABLE	182,594	400,000	402,000	414,060
OTHER CURRENT LIABILITIES	78,634	55,935	782,162	782,162
CURRENT PORTION OF LONG-TERM DEBT	772,254	815,346	815,346	859,686
TOTAL CURRENT LIABILITIES	15,731,640	9,495,905	12,754,195	13,036,734
TOTAL LONG-TERM DEBT	16,048,621	15,704,283	15,381,161	14,554,466
OTHER NONCURRENT LIABILITIES	(5,264,872)	(3,193,949)	(14,330,114)	(17,975,399)
TOTAL LIABILITIES	26,515,389	22,006,239	13,805,242	9,615,801
FUND BALANCE	74,363,317	72,588,785	78,084,597	85,095,389
TOTAL LIABILITIES AND FUND BALANCE	**100,878,706**	**94,595,024**	**91,889,839**	**94,711,190**

GMC Cash Flow Statement

	2022 Proj	2023 Budget
Cash Flow		
Cash From Operations		
Excess Revenue Over Expense	3,540,206	7,973,134
Depreciation/Amortization	3,439,550	3,811,815
Patient A/R	(1,313,743)	340,832
Other Changes	(3,152,625)	195,472
ACO Risk, Reserves & Settlements	700,000	(100,000)
Total	**3,213,389**	**12,221,253**
Cash From Investing Activity		
Capital Spending		
Change in Accum Depr Less Depreciation	(1,697,890)	2,857
Change in Capital Assets	(2,322,325)	(3,904,688)
Total	(4,020,215)	(3,901,831)
Funded Depreciation	2,918,367	(213,673)
Other LT Assets & Escrowed Bonds & Other	(6,071,344)	(3,851,535)
Total	(3,152,976)	(4,065,208)
Total	**(7,173,191)**	**(7,967,039)**
Financing Activity		
Debt		
Bonds & Mortgages	(648,242)	(863,361)
Capital Lease & Other Long Term Debt	(19,218)	36,666
Long Term Debt-COVID-19	-	-
Total	**(667,460)**	**(826,695)**
Other Changes		
Change in Fund Balance Less Net Income	181,074	(962,343)
Total	**181,074**	**(962,343)**
Beginning Cash	**16,040,026**	**11,593,838**
Net Increase/(Decrease) in Cash	(4,446,189)	2,465,177
Ending Cash	**11,593,838**	**14,059,015**

Questions?