



GraceCottage

FAMILY HEALTH & HOSPITAL



Introduction

Douglas DiVello, CEO
Stephen Brown, CFO

What is Grace Cottage?



- ❖ A 19-bed Critical Access Hospital – Acute & Swing Patients
 - ❖ Emergency Department
 - ❖ Diagnostic Imaging: CT, Bone Density, Ultrasound, X-ray
 - ❖ Laboratory
 - ❖ Outpatient Rehab: OT, PT

- ❖ A Rural Health Clinic
 - ❖ Primary Care MD (6)
 - ❖ Pediatrician (1)
 - ❖ Advanced Practice Providers (4)
 - ❖ Psychiatric Nurse Practitioner (1)
 - ❖ Licensed Social Worker (1)

- ❖ Community Health Team
 - ❖ RN Care Coordinator (1)
 - ❖ RN Outreach Coordinator (1)
 - ❖ RN Diabetes Educator (1)
 - ❖ Behavioral Health Specialist (1)
 - ❖ Health Coach (1)
 - ❖ Patient Resource Advocate (1)

- ❖ On-campus retail pharmacy, Messenger Valley Pharmacy

Grace Cottage Culture

- Awarded Best Hospital in Windham County
- Awarded Best Emergency Department in Windham County
- Second year awarded Best Place to Work in Windham County
- Second year awarded Best Physical Therapy in Windham County
- Dr. Elizabeth Linder awarded Best Pediatrician in Windham County

Net Patient Revenue

- Grace Cottage is 0.8% of the total Net Patient Revenue (NPR) in Vermont's Hospital System.
- Because Grace Cottage's total NPR is such a small number in comparison, a larger than average percentage increase in NPR is a relatively small number in the overall Vermont System wide NPR total.

Hospital Issues

❖ Opportunities

- ❖ Continue expanding access to Primary Care.
- ❖ Expanding access to Rehab services.
- ❖ Reduce the cost of care to the local community.

❖ Issues

- ❖ Demonstrated our CHT brings incredible value to our community, the ability to continue funding it is challenging going forward.
- ❖ Primary Care recruitment and retention.
- ❖ Nursing Staff recruitment and retention.

Risk

Medicaid Reimbursement/ Provider Tax

Gross Medicaid Charges (per FY18 Actuals)	\$3,953,187	
Cost to provide those services (68.13%)		\$2,693,361
Actual Medicaid reimbursement (34.6% of charges, 50.7% of cost)		\$1,365,871
Shortfall of reimbursement vs actual cost to provide services		\$1,327,490
Medicaid Provider Tax paid		\$620,394
Disproportionate Share Payments received*		\$0
Net Grace Cottage subsidy to State of Vermont - FY2018		\$1,947,884

* Grace Cottage is not eligible for DSH payments due to the federal obstetrical requirement

Financial Health

	2016A	2017A	2018A	2019B	2019P	2020B		
Days Cash on Hand	78.2	85.8	92.0	92.5	94.1	91.1	↑	
Days Payable	85.1	90.0	90.6	83.8	98.1	81.2	↓	
Days Receivable	48.5	42.2	41.4	40.6	39.0	37.3	↓	
Operating Margin %	-8.0%	-6.9%	-2.9%	0.7%	-6.1%	-1.2%	↑	
Total Margin %	-2.1%	1.3%	3.7%	4.2%	-1.1%	2.1%	↑	
Debt Service Coverage Ratio	(1.2)	(1.1)	0.3	0.5	(0.8)	1.2	↑	
	↑	Increasing values are favorable						
	↓	Decreasing values are favorable						

Fiscal Year 2020 Budget Analysis

Grace Cottage Hospital

INCOME STATEMENT	FY2018B	FY2018A	FY2019B	FY2019P	FY2020B
Revenues					
Gross Patient Care Revenue	27,607,149	28,394,054	29,980,632	29,177,157	32,566,535
Disproportionate Share Payments	0	0	0	0	0
Bad Debt	(748,260)	(548,943)	(516,506)	(378,350)	(415,746)
Free Care	(101,466)	(158,312)	(181,583)	(202,150)	(222,586)
Deductions from Revenue	(8,108,349)	(9,493,062)	(9,989,962)	(9,931,364)	(10,961,534)
Graduate Medical Education	0	0	0	0	0
Net Patient Care Revenue	18,649,074	18,193,737	19,292,581	18,665,293	20,966,669
Fixed Prospective Payments	0	0	0	0	0
Reserves	0	0	0	0	0
Other Reform Payments	0	0	0	0	0
Fixed Prospective Payments and Reserves	0	0	0	0	0
Net Patient Care Revenue & Fixed Payments & Reserves	18,649,074	18,193,737	19,292,581	18,665,293	20,966,669
Other Operating Revenue	1,247,133	1,197,732	1,188,862	820,517	935,160
Total Operating Revenue	19,896,207	19,391,469	20,481,443	19,485,810	21,901,829
Expenses					
Salaries Non MD	9,377,560	9,395,238	9,605,266	9,730,361	10,865,284
Fringe Benefits Non MD	3,084,330	2,880,909	3,091,037	3,174,666	3,766,058
Physician Fees, Salaries, Contracts	2,145,185	2,095,450	2,056,963	2,119,741	1,779,047
Fringe Benefits MD	477,745	363,700	387,960	410,773	394,523
Health Care Provider Tax	659,052	620,394	640,758	645,933	693,363
Depreciation & Amortization	644,540	580,783	675,299	675,300	704,859
Interest - Long Term & Short Term	125,817	135,590	124,063	140,996	131,338
Other Operating Expense	3,972,003	3,875,935	3,748,280	3,783,204	3,832,339
Total Operating Expense	20,486,232	19,947,999	20,329,626	20,680,974	22,166,811
Net Operating Income (Loss)	(590,025)	(556,530)	151,817	(1,195,164)	(264,982)
Non-Operating Revenue	737,258	1,317,800	742,707	975,413	742,624
Excess (Deficit) of Rev Over Exp	147,233	761,270	894,524	(219,751)	477,642

Fiscal Year 2020 Budget Analysis		Grace Cottage Hospital			
BALANCE SHEET	FY2018A	FY2019B	FY2019P	FY2020B	
Cash & Investments	291,005	277,212	315,000	414,081	
Risk Reserve for Fixed Reform Payments	0	0	0	0	
Other Current Assets	4,048,662	3,921,007	4,192,687	4,439,330	
Current Assets	4,339,667	4,198,219	4,507,687	4,853,411	
Board Designated Assets	4,667,648	4,775,297	4,915,005	5,007,865	
Net, Property, Plant And Equipment	3,364,425	3,916,476	3,105,528	3,464,274	
Other Long-Term Assets	0	0	0	0	
Assets	12,371,740	12,889,992	12,528,220	13,325,550	
Current Liabilities	4,804,942	4,514,281	5,377,619	4,776,677	
Long Term Liabilities	1,028,366	716,045	831,920	1,752,550	
Other Noncurrent Liabilities	0	0	0	0	
Fund Balance	6,538,432	7,659,666	6,318,681	6,796,323	
Liabilities and Equities	12,371,740	12,889,992	12,528,220	13,325,550	
Benchmarks-Hospital					
Days Cash on Hand	92.04	92.50	94.13	91.07	
Days Receivable	41.36	40.56	39.03	37.30	
Long Term Debt to Capitalization	14%	9%	13%	25%	
Days Payable	90.56	83.83	98.11	81.24	
Debt Service Coverage Ratio	0.3	0.5	(0.8)	1.2	
Benchmarks-Vermont System Averages					
Days Cash on Hand	176	172	167	166	
Days Receivable	43	44	47	46	
Long Term Debt to Capitalization	27%	25%	26%	24%	
Days Payable	63	54	54	55	
Debt Service Coverage Ratio	2.4	3.6	3.0	3.5	

Expense Drivers and Cost Containment

❖ Salaries

- ❖ Salaries are by far Grace Cottage's largest expense driver – approximately 57% of total expense.
- ❖ We continually work to assure we are able to adequately provide the quality patient care experience we've come to be known for with the least number of FTEs possible.

❖ Benefits

- ❖ Benefits are the second largest expense driver – approximately 19% of total expense.
- ❖ Benefits are reviewed regularly to assure we are providing competitive benefits adequate to recruit/retain staff at the most cost efficient means possible.



Expense Drivers and Cost Containment

❖ Agency Staff

- ❖ Is the one large expense that has the potential to vary greatly from year-to-year.

- ❖ Nursing: Fortunate this year to have average of less than 0.50 FTE throughout the year.

- ❖ Lab: One 3 month contract of 1.0 FTE.

- ❖ Diagnostic Imaging: 1.0 FTE for most of the year.

- ❖ Grace Cottage has worked hard to recruit and retain staff to fill positions that have been being filled by Agency Staff over the past few years.

FY2019 Budget vs Projection

Grace Cottage Hospital

INCOME STATEMENT	2015 A	2016 A	2017 A	2018 A	2019 Proj		2020 B	
					2019 B	2019 Proj Submitted with FY20 Budget		2019 Proj Submitted with Jun 19 YTD
Revenues								
Inpatient	\$ 1,188,545	\$ 1,274,608	\$ 1,325,233	\$ 1,503,241	\$ 1,531,065	\$ 1,403,975	\$ 1,428,728	\$ 1,470,529
Outpatient	\$ 11,867,060	\$ 13,804,539	\$ 13,763,229	\$ 14,820,827	\$ 16,017,651	\$ 15,484,619	\$ 15,773,821	\$ 17,165,175
Physician	\$ 3,743,036	\$ 4,176,707	\$ 4,409,896	\$ 4,424,239	\$ 4,607,859	\$ 4,556,846	\$ 4,621,754	\$ 5,492,327
Swing Beds	\$ 5,851,896	\$ 6,577,485	\$ 6,615,497	\$ 7,645,747	\$ 7,824,057	\$ 7,731,717	\$ 7,842,443	\$ 8,438,504
Gross Patient Care Revenue	\$ 22,650,537	\$ 25,833,339	\$ 26,113,855	\$ 28,394,054	\$ 29,980,632	\$ 29,177,157	\$ 29,666,746	\$ 32,566,535
Disproportionate Share Payments	\$ -	\$ -	\$ -	\$ -	\$ -			
Bad Debt	\$ (525,606)	\$ (406,558)	\$ (842,397)	\$ (548,943)	\$ (516,506)	\$ (378,350)	\$ (455,270)	\$ (415,746)
Free Care	\$ (196,472)	\$ (126,612)	\$ (110,259)	\$ (158,312)	\$ (181,583)	\$ (202,150)	\$ (252,936)	\$ (222,586)
Deductions from Revenue	\$ (5,889,693)	\$ (8,058,460)	\$ (7,899,991)	\$ (9,493,062)	\$ (9,989,962)	\$ (9,931,364)	\$ (9,964,603)	\$ (10,961,534)
Net Patient Care Revenue	\$ 16,038,766	\$ 17,241,709	\$ 17,261,208	\$ 18,193,737	\$ 19,292,581	\$ 18,665,293	\$ 18,993,937	\$ 20,966,669
Other Operating Revenue	\$ 920,058	\$ 871,069	\$ 1,073,643	\$ 1,197,732	\$ 1,188,862	\$ 820,517	\$ 838,097	\$ 935,160
Total Operating Revenue	\$ 16,958,824	\$ 18,112,778	\$ 18,334,851	\$ 19,391,469	\$ 20,481,443	\$ 19,485,810	\$ 19,832,034	\$ 21,901,829
Operating Expense								
SALARIES NON MD	\$ 7,907,721	\$ 8,455,100	\$ 8,838,636	\$ 9,395,238	\$ 9,605,266	\$ 9,730,361	\$ 9,752,232	\$ 10,865,284
FRINGE BENEFITS NON MD	\$ 2,326,337	\$ 2,644,288	\$ 2,558,790	\$ 2,880,909	\$ 3,091,037	\$ 3,174,666	\$ 3,125,988	\$ 3,766,058
FRINGE BENEFITS MD	\$ 345,204	\$ 427,177	\$ 427,267	\$ 363,700	\$ 387,960	\$ 410,773	\$ 415,704	\$ 394,523
SALARIES MD	\$ 2,040,342	\$ 2,276,960	\$ 2,235,272	\$ 2,095,450	\$ 2,056,963	\$ 2,119,741	\$ 2,213,615	\$ 1,779,047
HEALTH CARE PROVIDER TAX	\$ 536,205	\$ 621,491	\$ 648,299	\$ 620,394	\$ 640,758	\$ 645,933	\$ 633,581	\$ 693,363
DEPRECIATION AMORTIZATION	\$ 1,134,712	\$ 705,748	\$ 599,378	\$ 580,783	\$ 675,299	\$ 675,300	\$ 675,300	\$ 704,859
INTEREST	\$ 139,854	\$ 150,863	\$ 131,905	\$ 135,590	\$ 124,063	\$ 140,996	\$ 153,375	\$ 131,338
OTHER OPERATING EXPENSE	\$ 4,184,039	\$ 4,278,775	\$ 4,166,086	\$ 3,875,935	\$ 3,748,280	\$ 3,783,204	\$ 3,800,248	\$ 3,832,339
Total Operating Expenses	\$ 18,614,414	\$ 19,560,402	\$ 19,605,633	\$ 19,947,999	\$ 20,329,626	\$ 20,680,974	\$ 20,770,043	\$ 22,166,811
Net Operating Income	\$ (1,655,590)	\$ (1,447,624)	\$ (1,270,782)	\$ (556,530)	\$ 151,817	\$ (1,195,164)	\$ (938,009)	\$ (264,982)
Non Operating Revenue	\$ 943,756	\$ 1,052,582	\$ 1,533,287	\$ 1,317,800	\$ 742,707	\$ 975,413	\$ 1,086,356	\$ 742,624
Excess (Deficit) of Rev over Exp	\$ (711,834)	\$ (395,042)	\$ 262,505	\$ 761,270	\$ 894,524	\$ (219,751)	\$ 148,347	\$ 477,642
Income Statement Metrics								
Operating Margin %	-9.8%	-8.0%	-6.9%	-2.9%	0.7%	-6.1%	-4.7%	-1.2%
Total Margin %	-4.0%	-2.1%	1.3%	3.7%	4.2%	-1.1%	0.7%	2.1%

Capital Budget Plans

- ❖ Grace Cottage has no approved or planned CON projects.
- ❖ FY2020 Capital Plans include:
 - ❖ Replacement/Upgrade of
 - ❖ CT Unit
 - ❖ Nurse Call System
 - ❖ Patient Beds
 - ❖ Lab Analyzer
 - ❖ Hospital Security/Surveillance Equipment
 - ❖ IT Equipment

- ❖ Grace Cottage Family Health & Hospital is evaluating the decision to join the ACO.
- ❖ Grace Cottage is unique – even among the 8 Critical Access Hospitals (CAHs) in Vermont. The only facility that does not do surgery or elected procedures.
- ❖ Grace Cottage continues working to contain/decrease costs as we focus on doing what we do best: Provide top-quality Primary Care, Inpatient Acute and Skilled Care and Outpatient Rehab.

- ❖ Grace Cottage Family Health & Hospital has historically been in compliance with budget orders.
- ❖ Grace Cottage's budget submission is a reasonable budget based on our best predictions of patient volume throughout the facility, and the operating costs necessary to take care of those patients. Without the budget being approved as submitted, the ability to provide the quality care we're known for may be in jeopardy.