Fiscal Year 2020 Budget Analysis Questions

1) Have the hospital's projections for FY2019 changed?

   Grace Cottage remains on track to meet the FY2019 projections included with the FY2020 budget submission.

2) GCH's FY19 Budget Order states the "Hospital shall consult with Vermont Information Technology Leaders (VITL) to facilitate patients' ability to electronically consent to adding their clinical data to the Vermont Health Information Exchange (VHIE)." What kind of headway has GCH made to facilitate this?

   Grace Cottage's IT department started the conversation with both Cerner (our EHR provider) and VITL last year after the budget order was finalized. It was determined at that time that the functionality was not yet available in the community works domain (the software version of Cerner that Grace Cottage, as well as Brattleboro Memorial (BMH) and Mt. Ascutney have). Working with BMH and Mt. Ascutney we leaned on Cerner and they have stated that a code enhancement was being built to be implemented at the next full version upgrade. This is scheduled for September of this year. Given the challenges the Cerner interface team has exhibited in the last year, we are cautious in believing this will be ready immediately after we install the new version, but we would at least be able to reopen the conversation then.

3) What is the value of 1 day of Days Cash on Hand?

   $58,800.

4) What is the value of 1% of GCH's change in charge request? If there is a variance between GCH's calculation and the calculation provided by GMCB staff above, please include the steps to your calculation.

   Grace Cottage agrees with the GMCB calculation of $112,730.

5) Are Medicaid and Medicare reimbursement assumptions still valid?

   Yes, we have no reason to believe they are not.

6) In Appendix VI-Bridges, Table 2, Grace Cottage listed funds under "Other (please label)". Please describe what these funds are.

   The $84,059 listed as “Other (please label)” encompasses the increase in the $22m total Operating Expenses that were not identified separately on other lines in the schedule (Salaries, Fringe, Depreciation, Interest, and Health Care Provider Tax).

   Those expenses lumped together in Other include: Agency Staffing, Consulting Services, Supplies/Expense, Utilities, Minor Equipment, Software Fees, Insurance, Repairs, Travel, and Recruiting.

7) Balance Sheet: Is the cause of Days Payable spiking in excess of 98 days in the FY19 Projections due to the projected financial shortfall and matters of cash flow? If not, please explain. Conversely, why do you believe it will recede to 81 days for FY20?

   The projected increase in Days payable for FY19 is a result of cash flow due to timing of reimbursements from Medicare.

   Interim reimbursement rates from Medicare for both the Hospital (a Critical Access Hospital) and the Physician Clinic (a Rural Health Clinic) are based on volume and expenses from the previous fiscal year. The submission of the Medicare Cost Report to reconcile FY19 volume and expenses to the rates received throughout the year does not occur until February 2020, and then any amounts that are owed to us are not received from Medicare until April/May 2020. Once those funds are received, Days Payable will decrease.

   For FY20, presuming budgeted volume and expenses are on track, more of the money due to us will be coming in throughout the year, rather than waiting for the cost report reconciliation, thus resulting in the decrease in days as of FY20.

8) According to budget guidance (page 9), FY20 requests should be based on previous performance and projections. Specifically, hospitals with FY19 projections at least 2.0% below budgeted NPR/FPP are expected to submit FY20 requests no more than 5% greater than projections. GCH's FY19B - FY19P % change in NPR/FPP exceeds the -2.0% parameter (-3.3%) and triggers the 5.0% cap. GCH's 2019P - FY20B % change in NPR/FPP of 12.3% exceeds 5.0% cap. Please justify the large increase in NPR/FPP compared to FY19 projections.

   FY19 Budget was based on having a certain number of providers in our physician practice seeing patients as of the start of the fiscal year. It took longer than anticipated to achieve full staffing and for those providers to build up full patient panels. As the majority of the Outpatient Care Revenue at our facility is directly correlated to the number of Primary Care encounters, this accounted for much of the short-fall between FY19 Budget and FY19 Projections for Outpatient Care Revenue.

   We achieved full staffing during FY19, and due to continued demand for Primary Care services, have hired additional primary care providers that will be starting by the start of FY20. The FY20 budget was built upon the monthly volumes experienced in the past few

months, adjusted for the number of providers we will have during FY20 – as we have no reason to believe that level of primary care requirements will not continue.

Likewise, with Inpatient Care and Swing Bed Care revenues, the FY20 budget was based on current trending of patient days in recent months, and the presumption is that the need for those skilled bed days will continue.

Grace Cottage has not budgeted for any new services in FY20, simply budgeting to continue to meet the needs of the patients in our community by being here to provide the care they need when they need it.

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.

9) Please explain the large increase in Operating Margin and Total Margin compared to FY19 projections.

As discussed above in #8, the FY20 budget is based on expected patient volumes and the resulting NPR that will result. Many of Grace Cottage's operating costs are fixed costs, and do not change based on volume, consequently any increase in NPR results in a lower increase in operating costs, and a positive change to both Operating Margin and Total Margin.

10) For FY19 projections what departments are expenses exceeding revenues?

In order to answer this question, we would need the ability to allocate NPR to specific departments, something that just isn't possible. While we do allocate GPR by department, insurance companies do not process contractual allowances on individual claims by department, and even if they did, our EHR does not have the ability to post them by department. Neither free care or bad debt is able to be posted by department either.

11) Please suggest a statistic the GMCB can monitor to better understand the trends in the total number of staffed beds in the hospital versus the number of beds available for use, and how full or empty those beds are from month to month?

Grace Cottage has a total of 19 beds, however we generally staff for 15 beds – adding additional staff as necessary should the daily census go above that, or decreasing staff when appropriate if the census falls significantly below that.

Since most of our patient days are Swing Bed days, rather than Acute days, our average daily census from day to day is a little less volatile than some facilities – however still very difficult to predict. Average Daily Census (ADC) is reported to GMCB on the monthly report submissions, and is an indication of how many full beds we have on a month-to-month basis.

12) The large variance in FY19 forecast is ER visits, what are your assumptions.

Grace Cottage's ER visits are projected to be approximately 10% under budget (Proj 2,781 vs Bud 3,080).

While we have no concrete explanations, it could be due to several things: Our Community Health Team doing an exceptional job of keeping chronic patients out of the ER, expanded access to Primary Care keeping patients out of the ER, and/or Availability of Urgent Care Centers in the area. Any one of, or a combination of, could easily account for a 10% variance.