

Northwestern Medical Center, Inc.
GMCB FY23 Budget Submission Follow Up Questions

- 1) FEMA recently extended the time period for eligible COVID-related expenses in its public assistance program. Do you anticipate pursuing any of this funding? If so, what is the approximate timing and estimated amount of any potential funding?

NMC utilized FEMA funding in FY20, at the height of incurring COVID-related expenses. NMC does not anticipate pursuing any FEMA funding in FY22 or FY23.

- 2) Describe the methods used to estimate the effect of inflation on your expenses. Include how the calculations are applied to expense categories (e.g. wage and salary, pharmaceuticals).

The methods used to calculate inflation fall into two broad categories. The first applies to all non-wage expenses. We rely on third-party research provided to us through our contracted management firm, QHR. This information includes inflation history and projections broken down by category, including general supplies, surgical implants, cost of blood, cost of drugs, cost of raw food, etc. A projection range is provided for each category, and we select a midpoint for use in budgeting. This change is then applied to the baseline cost per statistic for each relevant expense account and department.

The methodology used to calculate inflation in wages is discussed in detail in our submitted budget narrative, beginning on page 12. The calculation is based on the average hourly rate paid for all non-MD hours, which includes the use of travelers.

- 3) How does your organization evaluate the affordability of services for patients?

Affordability of services for patients is an important issue. NMC believes that it is our responsibility to evaluate affordability in the following ways:

- Asking for the lowest rate increase possible each year.***
- Ensuring that gross charges for services are in line with other hospitals and are as low as possible.***
- Strategically implementing approved rate increases to ensure that preventive services that may be paid out-of-pocket are kept at affordable levels – NMC has not implemented an increase in the gross charge of a physician office visit in at least 10 years.***
- Being good stewards of expenses, NMC's expense growth has been modest in recent years, with an average annual expense growth rate of 1.2% from FY2019 through budgeted FY2023.***
- Having generous charity care policies and procedures.***
- Ensuring that high quality services are available at our community hospital because the financial burden on both patients and payers is lower in community hospitals than in tertiary and academic medical centers.***

- 4) Do you anticipate any changes to your budgeted fixed prospective payments for FY23?

NMC has prepared the FY23 budget assuming no changes.