

Northwestern Medical Center, Inc.

Additional Response to GMCB 2018 Budget Issues to Consider

Thank you for the additional opportunity to address your concerns regarding our 2018 budget submission. Attached is the information that outlines the incremental impact of various scenarios on our budget. We have highlighted what we believe would be a fair resolution to our budget reconciliation. Here are some key points to consider as you make a final recommendation to the full board:

- We strongly believe that the combination of our (8%) rate reduction in 2016's budget, our 0% rate increase in our 2017 budget and the current status of our 2017 net patient revenue which is running (\$1.2) Million behind budget should satisfy the need for a (1.1%) rate reduction in 2018. These items have in essence resulted in an over correction of the historical situation.
- We have complied with the Net Patient Revenue Cap as stated in the guidance with an adjusted increase of 3.29%.
- Operating expense increases when adjusted for the growth in depreciation and interest associated with our major construction project are at 2.7% which we feel is very reasonable and includes efficiency savings targets that we have discussed in previous communication.
- We are fully committed to risk based contracts and are at risk for approximately \$2.8 Million in 2018.
- We are committed to our community programs with over \$2 Million dedicated to those programs and leading the way for RiseVT to be expanded statewide.
- The rate growth of the 7 hospitals you have already approved is roughly 4.9%. We feel this is appropriate for us given the circumstances outlined above.

We understand the challenge and difficulty of the budget reconciliation process and hope that you apply a level of consistency as you make your final recommendations. Please feel free to reach out with any questions you might have.