

## Grace Cottage Hospital FY 2018 Budget Narrative

1. Executive Summary: Provide an executive summary of the changes in the hospital budget. Include any information the GMCB should know about programmatic, staffing, and operational changes.

*Grace Cottage has not included any significant changes in our budget between FY2017 and FY2018. Our FY2018 revenue projections are built primarily on levels experienced thus far in FY2017, with a small increase in volume, based on current trends, budgeted in both the Provider Practice and the Hospital Outpatient areas.*

*We do not foresee any significant programmatic, staffing, or operational changes in the coming year.*

*Grace Cottage's biggest challenge, and the barrier to achieving a positive bottom line, continues to be the significant subsidy Grace Cottage makes to the State of Vermont in the form of less than adequate reimbursement from Medicaid and payment of a very large Medicaid tax, with no Disproportionate Share payments to help offset it. It should be noted that as a result of not meeting the obstetrical requirement, Grace Cottage is the only Vermont hospital that submits a budget to the GMCB and does not receive any Disproportionate Share Payments.*

*As indicated on the most recent 990 Schedule H, required to be submitted with our budget, Grace Cottage contributes over \$2.2 million dollars to the State of Vermont Medicaid program. The FY2015 schedule H submitted shows a total Net Community Benefit Expense of \$2,225,071 on the Medicaid line. This is comprised of Vermont Medicaid paying \$1,688,866 less than the actual cost of providing care (not less than gross charges, but less than actual cost) to the Vermont Medicaid patients treated at Grace Cottage, as well as the \$536,205 Grace Cottage paid in Health Care Provider Tax.*

2. Describe how your hospital is preparing for and investing in value-based payment and delivery reform and implementation of the All-Payer Model. Include information about contract status, data analysis and transition exercises.

*Grace Cottage's Board and Management continue to work to understand what the All-Payer Model will mean for Grace Cottage, the delivery of primary care in our catchment area, and how it will affect our ability to continue to serve our critical role in meeting the healthcare needs of our community.*

3. Describe your hospital's initiatives addressing your population health goals as identified in the Community Health Needs Assessment.

- **Aging**

- *We have developed and implemented a geriatric assessment program, with a cross-functional team including primary care providers, pharmacy, mental health, dietary, occupational therapy, and physical therapy. Patients are referred from primary care to our “Falls Prevention Clinic” on an individual, outpatient basis.*
- *We have various community wellness programs addressing strength, flexibility, and falls prevention for elders. These are group sessions facilitated by trained staff. Examples include: Tai Chi for falls prevention, Strong Bones.*
- *We have implemented support groups in collaboration with SASH (Support and Services at Home) that address elder issues: examples include Living Alone Support Group, Men’s Coffee Club.*
- *We have also begun an annual educational conference: Healthy Aging Conference, in collaboration with the Windham Foundation and the Grafton Inn. This conference is a 2-day event, offering lectures on various topics, as well as wellness opportunities for attendees (yoga, massage, Zero Balancing sessions).*

- **Breast Cancer**

- *We are conducting outreach to patients aged 50 to 74 who do not have a mammogram documented in their medical record within the past two years. Grace Cottage will refer for mammogram screenings as appropriate.*

- **Colorectal Cancer**

- *A non-invasive colon cancer screening test (Cologuard) is now being offered to patients who are 50 years or older. This test is based on the latest advances in stool DNA sciences. This testing is done in the privacy of the patient’s home and may appeal to people who want to be screened for colon cancer, but do not want or refuse to have a colonoscopy. If the test detects signs of cancer or precancerous polyps than the patient is referred for a colonoscopy.*
- *Grace Cottage conducts ongoing outreach to patients who are aged 50-55 who have not had an initial screening colonoscopy. Educational materials are also provided to patients regarding the importance of colorectal screenings and the prevention and early detection of colon cancer.*

- **Diabetes**

- *We are currently doing outreach to patients with an A1C greater than 9 and/or have not been seen for primary care follow up in 6 months.*

- **Heart Health – High Blood Pressure/Heart Disease**

- *Grace Cottage continues to complete outreach to patients who have not seen their primary care provider in a year.*
- *We have initiated the use of wireless ZIO patches, which are used to diagnosis heart arrhythmias. Comprehensive data collection helps ensure detection of infrequent or asymptomatic arrhythmias. The patch is discreet and easy to wear, which patients find beneficial.*

- **Mental Health**

- *Grace Cottage has added a Licensed Independent Clinical Social Worker (LICSW) to the clinic staff. As a mental health provider she collaborates with our staff Psychiatric Mental Health Nurse Practitioner, and the Community Health Team Behavioral Health Specialist to provide the necessary mental health care and services to our patients. By adding the LICSW we are now able to provide counseling to patients 7 years and older.*
  - *Mental illness and substance abuse can be associated. Grace Cottage participates in the HUB and Spoke program in collaboration with the Brattleboro Retreat. A Registered Nurse and a Social Worker from the HUB and Spoke program provide services to patients who are in the program for substance abuse treatment. Grace Cottage will be adding an additional provider when her training is completed.*
  - *We are continuing to provide ongoing support groups, individual counseling, screenings and outreach.*
- *Another area of focus that addresses population health is the Healthy Valley 2040 initiative. This is a community based, service area wide collaboration with various business agencies, schools, churches, VT Department of Health, etc. focusing on creating a healthier community across the West River Valley.*
  - *We are collaborating with Dartmouth Institute and Rethink Health on the creation of a region wide, multi-agency data warehouse that targets specific issues (examples: fall prevention, substance abuse, mental health, and healthy eating/active living) in order to focus efforts on goal directed program initiatives that allow for the collection of data related to outcomes.*

4. Describe how your hospital is addressing the statewide mental health and substance abuse needs and care shortages.

*In the current fiscal year, Grace Cottage was able to hire a Licensed Independent Clinical Social Worker (a position that was included in the FY2017 budget) to complement the work of our existing Psychiatric Mental Health Nurse Practitioner. We also have a licensed Behavioral Health Specialist on our Community Health*

*Team who provides short-term, goal-oriented counseling services to the community free of charge.*

*All three of these providers are embedded within the Primary Care practice, and work closely with our primary care providers, emergency department providers, and Hospitalists to provide immediate short-term intervention as needed and help to coordinate transfer and/or future care with other mental health providers/agencies.*

*We have one primary care provider participating in the Hub and Spoke program, and have an additional provider currently going through certification training to participate as well.*

*In the emergency department, we renovated an existing space to create a “safe room” for those patients requiring such an environment.*

5. Health Reform Investments: Provide a description of any new health reform activities, investments or initiatives (activity that was not in prior years’ budgets) and their corresponding spending estimates for FY2018.

*Grace Cottage did not budget any new health reform investments in the FY2018 budget. We continue to focus our efforts on Primary Care and on our certification as a Patient Centered Medical Home (PCMH). Originally certified as a PCMH in 2013, we have achieved recertification in 2017, at Level 3, the highest level of certification.*

*Our original Community Health Team (CHT) through the Blueprint for Health Grant for our service area, which consisted of 1.90 FTEs (including RN Care Coordinator, Health Coach, Behavioral Health Specialist, and Diabetes Educator), was expanded significantly in FY2016. This was accomplished via a 4-year grant from The Fanny Holt Ames & Edna Louise Holt Fund which allowed us to more than double the size of our CHT by adding an additional 2.60 FTEs, expanding the availability of all four of the positions mentioned above. This Holt Fund grant, one of two grants, was provided to Grace Cottage so that it could demonstrate a model for the future of healthcare. The second 4-year grant provides funds for the recruiting, training, and retention of providers.*

6. Overall net patient revenue (NPR) budget-to-budget increase. Provide the budgeted NPR increase over the FY 2017 approved budget. Explain in detail why the increase is required, and the assumptions used in determining the needed increase (e.g. changes in law, utilization, staffing, programs).

*The FY2018 budget as submitted shows a 2.9% NPR budget-to-budget decrease, rather than an increase. This decrease is primarily a result of Outpatient and Provider Practice volumes being less than anticipated in FY2017.*

- a. Describe any significant changes to your FY 2017 budget and how they affect the FY18 proposed budget. Significant changes include, but are not limited to,

changes in anticipated reimbursements, physician acquisitions and certificates of need.

*The biggest change, as indicated above, is the lower-than-anticipated levels realized in both Outpatient and Provider Practice volumes.*

- b. Describe any cost saving initiatives proposed in FY 2018 and their effect on the budget.

*The FY2018 budget reflects a significant decrease in “traveler” expense. Throughout FY2017 we have relied on agency/traveler staff to cover several positions in the Nursing department, as well as in the Diagnostic Imaging department. At the moment, we expect to be fully staffed by the end of FY2017, and if all goes well, will not need any agency/traveler staff in FY2018.*

- c. Explain the reasons for the increase or decrease in NPR expected from each payer source.

- i. Medicare Revenue assumptions: Medicare estimates should include assumptions based on the program’s *current proposed CMS* reimbursement policy. Hospitals should also identify and describe 1) any significant changes to prior year Medicare reimbursement adjustments (e.g. settlement adjustments, reclassifications) and their effect on revenues; 2) any major changes that occurred during FY 2017 that were not included in the FY 2017 budget, and 3) any anticipated revenues related to meaningful use and 340B funds in FY 2018.

*Medicare reimbursement is budgeted, as both a Critical Access Hospital and a Rural Health Clinic, based on cost-based reimbursement. Inflationary increases in expenditures results in a corresponding increase in reimbursement for those services provided to Medicare patients.*

*There were no major changes that occurred during FY2017 that were not included in the FY2017 budget.*

*Anticipated revenues for both meaningful use and 340b are projected to be consistent in FY2018 with what was budgeted for and realized in FY2017.*

- ii. Revenue assumptions: Medicaid. Hospitals should budget for net patient revenues expected from rate changes, utilization and/or changes in services.

*Medicaid reimbursement is budgeted at the current level.*

- iii. Revenue assumptions: Commercial/self-pay/other. Commercial insurance revenue estimates should include the latest assumptions

available to the hospital and any other factors that may explain the change in net patient revenues.

*Commercial and Self-Pay reimbursement is budgeted at the current level.*

7. Overall expenditure budget-to-budget increase. Provide the budgeted net expenditure increase over the FY 2017 approved budget. Explain material increases in labor and physician costs (FTE, wages, and fringe increases), supplies, utilization, and capital costs. Explain assumptions about inflation and major program increases.

*The overall expenditure budget-to-budget is actually a one-half percentage point decrease. Much of this decrease revolves around our anticipated ability to decrease reliance on agency/traveler staff, as mentioned above.*

8. Rate Request. Each hospital is required to provide its budgeted overall rate/price increase. The hospital will explain how the rate was derived and what assumptions were used in determining the increase.

The overall rate/price increase will be reported through the rate schedule to be provided by the GMCB in April. Included will be the rate/price for each major line of business, and the gross and net revenues expected from each payer as a result of the rate/price increase.

For each payer, if the net patient revenue budget-to-budget increase is different than the overall rate/price change, provide a narrative explaining the difference and the supporting rationale. For example, if the requested commercial "payer ask" differs from the rate/price change, an explanation for the difference should be provided.

*Grace Cottage is again this year requesting an across-the-board rate increase of 5.25% for Hospital charges and a 4.0% increase for Physician Practice charges – for an overall weighted rate increase of 5.0%.*

*Due to our varying reimbursement methods this adds very little net patient revenue to the bottom line. Medicare reimburses us at 99% (or less) of cost for our hospital services and at 98% (or less) of cost for most physician services. Medicaid continues to reimburse at far less than cost for both hospital and physician services. Commercial payers pay at either a fee schedule or a percentage of charges.*

9. For those hospitals that received a letter regarding their FY 2016 budget-to-actual overages results, specifically address the issues and requirements outlined in the letter.

*Grace Cottage's FY2016 budget-to-actual performance was within the GMCB guidelines, therefore we did not receive a letter requiring that any specific issues be addressed.*

10. Capital budget investments. Describe the major investments that have been budgeted for FY 2018 and their effect on the FY 2018 operating budget.

- a. Provide a brief comment on anticipated major investments for FY 2019-FY 2021.
- b. Provide the estimated NPR and expense effect for any proposed Certificate of Need (CON) that may be approved during FY 2018.

*The one major investment included in our FY2018 budget is \$250,000 for a Population Health module for our existing Electronic Health Record system, Cerner. This module will allow for better patient management requirements of both our ACO program (CHAC) and our certification as a Patient Centered Medical Home. The module will allow for the creation and management of patient registries based on diagnosis and other criteria.*

*Although we do not have any CONs planned, we do have two significant projects included in our long-term plans.*

- *FY2020: A major upgrade to our existing Physician Practice space. The existing space consists of two buildings, originally built as single-family residences, that eventually became the original Grace Cottage Hospital and Stratton House Nursing Home. The house that was the original hospital was built in 1844 and the other house is of similar vintage. While our practitioners do the best they can in the space that they have, the space is far from ideal to function as a physician practice, not to mention very energy inefficient, and the buildings are showing their age.*
- *In FY2021: Upgrade/renovation of our existing Emergency Department for increase patient privacy, improved workflow, and patient safety.*

11. Technical concerns. Provide any technical concerns or reporting issues the GMCB should examine for possible changes in the future.

*We do not have any technical concerns or reporting issues to report.*