



Gifford Medical Center

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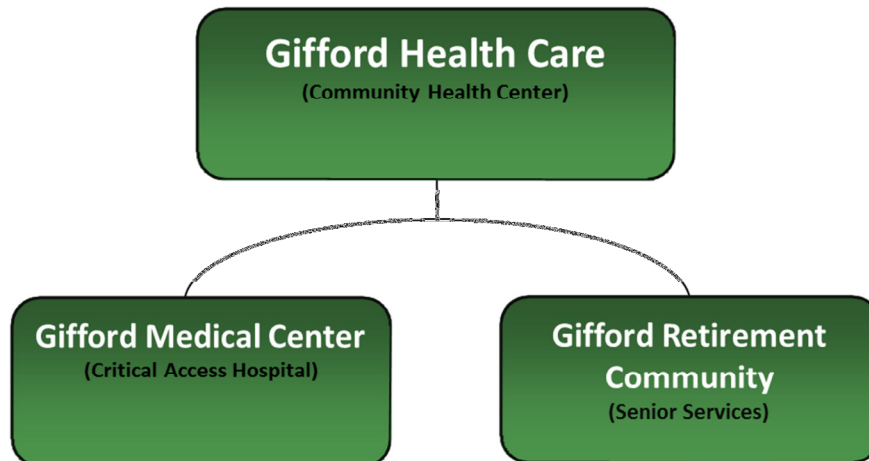
Green Mountain Care Board
89 Main Street
Montpelier, VT 05620 -3101

Dear Mr. Pallito,

This letter serves to provide you with answers to the questions from the GMCB in regards to Gifford Medical Center's 2018 budget submission.

1. Gifford recently changed its corporate structure. Describe what the FQHC and nursing home relationships are with the hospital?

Response:



Gifford Health Care:

In budget year 2015 we created Gifford Health Care (GHC), the “parent” corporation for Gifford Medical Center and Gifford Retirement Community. GHC is focused on primary care services, which include family medicine, internal medicine, pediatrics, ob-gyn, midwifery, mental health and dentistry.

Gifford Retirement Community:

On June 10, 2015 Gifford officially celebrated the opening of the new Menig Nursing Home, an anchor facility for a new senior living campus on 30-acres in Randolph Center, Vermont. The new Morgan Orchards Senior Living Community has been designed to provide much-needed local living options for area seniors.

www.giffordmed.org

- INCOME STATEMENT -The hospital is \$1.7 million over the 2017 budget levels. This is a 3.0% increase. This includes no new health care reform investments. The hospital is budgeting this increase to cover higher expenses and to improve their operating surplus. Discuss the reasons for the increase in the operating surplus from 1.9% to 2.2%.

Response:

GMC has identified key areas to realize efficiencies with less staffing. One example is our podiatry services in which we have budgeted one less podiatrist and support staff; the remaining staff will be able to see the same volumes.

- There is a \$569,000 reduction in other operating revenue. Explain the changes that are occurring.

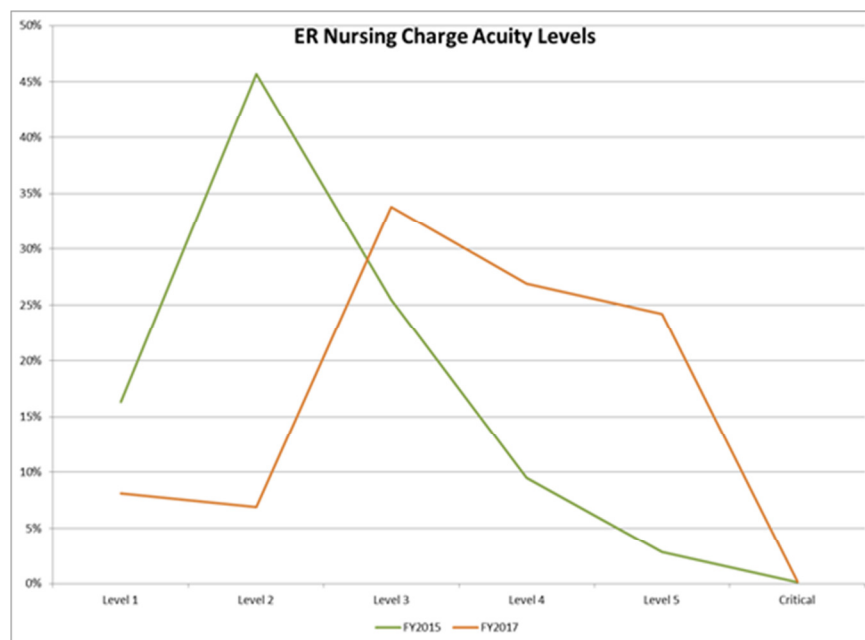
Response:

The reduction is primarily being caused by our 340b revenue streams. During our last audit it was noted that GMC only receives 10% of the overall \$1.2 million of 340b incentives. However, our 2017 budget was 32% of the \$1.2 million to GMC. All other revenue streams are coming in at prior year expectations.

- UTIL&STAFF -Adjusted admissions show a 1.8% decrease in utilization. However, certain ancillary services show significant increases. Explain the changes in utilization.

Response:

While adjusted admissions show a 1.8% decrease in utilization for the FY 2018 budget, Gifford has implemented software upgrades that have resulted in more accurate patient claims coding. As part of the EMR enhancements, Gifford transitioned from paper to the MedHost system in the ED. This software guides staff thru a series of questions to ensure appropriate documentation. The implementation of MedHost has enabled Gifford to code to the appropriate level of care. Other outpatient areas that have seen increases are Rehabilitation due to expanded hours, medical surgical supplies, and our laboratory due to acuity.



5. RATE&NPR -Gifford has a rate/price request of 4.0%. Discuss the strategy and the rationale for establishing this level of rate increase

Response:

Gifford's strategy in calculating the rate increase is to understand the expected volumes, necessary services, and patient needs for the area, as well as what it costs to provide these services. As an organization, Gifford has historically targeted an operating margin between 2.0% – 3.0%. This represents the median margin for hospitals with a BBB to A rating.

Gifford utilizes these rates as a basis for discussion with our commercial payers. The rates are used to provide both parties with validity and a sense of fairness, given the oversight from both the Hospital Board and Green Mountain Care Board.

6. NPR-PAYER –Medicaid shows unfavorable reimbursement and lower utilization. Discuss the assumptions you are making for each of these payers, for both reimbursement and utilization.

Response:

We have seen a Medicaid payer mix reduction of 1.3% from budget year 2017 to 2018 which is causing the majority of the unfavorable reimbursement. We are not budgeting any additional reimbursement due to the rate increase for Medicaid.

7. NPR-PAYER -Medicare shows favorable reimbursement and utilization from 2017 to 2018 budget. Discuss these changes.

Response:

As our population has aged we have seen our Medicare payer mix increase by 1.4% from budget year 2017 to 2018. Medicare is not “sensitive” to our rate increase, but instead is reimbursed on allowable costs which are increasing by 3-4% from budget year 2017 to 2018.

8. NPR-PAYER -Commercial shows unfavorable utilization from 2017 to 2018 budget. Discuss these changes.

Response:

There was a slight shift in payer mix; however the majority of the unfavorable utilization is being caused by a contract change with one of our major commercial payers.

9. DASHBOARD -Explain the increase in overhead expenses increasing from 27.7% to 29.9%.

Response:

The majority of the increase is due to Gifford investing in EMR based software enhancements. This software is cloud based and does not reside on Gifford's server; therefore Gifford incurs monthly expense versus depreciation expenses. As mentioned above in question 4, Gifford recently implemented the MedHost software in the ED, and in FY 2018 Gifford will be transitioning to a new clinical EMR called ECW. Also, to improve access to offsite clinics, Gifford will be increasing its bandwidth and adding redundant connection to those sites. Finally due to safety concerns; Gifford has signed a contract with a private security company for evening and weekend coverage. We feel this is necessary for the protection of both patients and staff.

10. BALANCE SHEET –What are the reasons that explain the reduction in day’s cash on hand from 175 to 152 days?

Response:

Gifford actively monitors day’s cash on hand and debt service coverage ratios on a quarterly basis to ensure we are meeting our bond obligations. Gifford has been utilizing operating funds in regards to its purchases whether it is an operating or capital purchase. We feel this is beneficial to the organization and the community as we avoid the additional financing costs associated with these purchases. Along with funding capital purchases, enhancing security and investing in cloud based technology, Gifford’s out of pocket expenses have increased. These combined issues have affected Gifford’s day’s cash on hand.

11. CAPITAL -Describe the major projects included in the \$5.4 million capital budget.

Response:

Renovation Former Birthing Units: \$1,500,000

- **Scope:** Renovate the former birthing center. Potential departments under evaluation include the OB/GYN Clinic and Family Practice/Pediatrics.

Electrical Load Distribution: \$350,000

- **Scope:** New electrical high voltage gear replacement, potentially combining our 208 & 480 Volt primary services. Currently maxed out on our 480V service with 600AMPS.

Surgical Monitor and Power Tools: \$297,000

- **Scope:** A central operating system that powers instrument drivers, batteries, attachments, holders, and kits.

Clinic Renovation: \$297,000

- **Scope:** Planned clinical infrastructure renovations.

Underground Fuel Tank Replacement: \$200,000

- **Scope:** Two 6,000 gallon underground fuel storage tanks are expiring in 2019. By state regulations, these tanks need to be replaced.

Hematology Analyzer: \$141,500

- **Scope:** Replacement of unit that will be at end of life

Evident MU3: \$111,000

- **Scope:** The MU3 purchase includes the creation of 3 new interfaces, upgrading client application software and upgrading server application software to Evident’s 2015 Certified Edition to allow us to attest for Meaningful Use 3.

Fire Protection and Cooling System: \$100,000

- **Scope:** Move the current server cooling and fire protection to switch closet. Improve and upgrade components as needed to provide adequate overheating protection and fire suppression.

Dept	Capital	Amount	Dept	Capital	Amount
Surgery	OR Bed Replacement	\$ 93,928	Plants Ops	Water System Purification System	\$ 35,000
Laboratory	Molecular Diagnostic System	\$ 90,826	Laboratory	Point-of-Care Mgmt Software	\$ 32,000
Plants Ops	Security Upgrades - Badge Access	\$ 77,000	Plants Ops	Administration Roof	\$ 27,750
Plants Ops	Roof Top Units	\$ 75,000	Surgery	Ultrasonic Cleaner	\$ 24,000
Plants Ops	Entrance Canopy Replacement	\$ 75,000	Diag Image	PACS Software	\$ 22,500
Plants Ops	Wireless Temperature Monitoring	\$ 65,000	Plants Ops	Tractor/Sweeper	\$ 22,462
Plants Ops	Truck/Salter/Plow	\$ 60,000	Plants Ops	Boiler Room Pump	\$ 20,948
IT	Network Access control	\$ 60,000	Obstetrical	Electronic Fetal Monitor	\$ 18,234
Plants Ops	Conference Center Renovations	\$ 55,000	Obstetrical	Birthing Bed	\$ 16,271
IT	eClinicalWorks Phase II	\$ 50,000	Surgery	Colonoscope	\$ 16,000
EKG	Monitoring System	\$ 47,225	Plants Ops	In-Celing Lighting	\$ 15,931
Plants Ops	Interior/Exterior Camera	\$ 45,000	Surgery	Stretcher	\$ 15,400
Laboratory	Blood Culture Analyzer	\$ 44,100	ED	Stretcher	\$ 15,260
Plants Ops	Ceiling Lifts	\$ 43,000	Laboratory	Blood Bank Module	\$ 12,229
IT	Mobile device management	\$ 40,000	IT	Redundant Internet Connection	\$ 12,000
Plants Ops	Window Replacement	\$ 37,000	Other	*Other Building	\$ 825,277
Plants Ops	Clinic Generators Furnish & Install	\$ 35,000	Other	**Other Major Movable	\$ 366,154
Plants Ops	Refrigeration Replacement	\$ 35,000			

*Other Building – Includes projects under \$10k as well as site work and contingency projects.

**Other Major Movable – Includes projects under \$10k as well as IT computers/licenses etc

12. INCOME STATEMENT -Are the 2017 projections still valid? If not, please describe material changes?

Response:

Gifford's operating results have changed since our FY 2018 budget submission. That submission used our six month operating results (through March 2017) to project a 3.6% operating margin. Through nine months (June 2017) we have incurred an operating loss of 1%. The change in operating margin is due to:

1. Physician vacancies in orthopedics, general surgery, and OB/GYN which have resulted in a drop in surgical revenue.
2. A reduction in inpatient volume.
3. Additional costs of contracting with locum tenens physicians for orthopedics, and general surgery.
4. An increase over the past three months in our employee benefits costs.

Gifford has successfully filled our vacant OB/GYN position; we are partnering with another local hospital to contract for orthopedic coverage with an expected start date in October; and we expect to fill our vacant general surgery position this fall.

13. Refer to the Act 53 price and quality data schedules that were included in the presentation of FY 2018 Hospital Budget Submissions-Preliminary Review on July 27, 2017 and be prepared to address questions the Board may have concerning that information.

Response:

N/A

14. In the March 31 GMCB hospital guidance, the Board allowed up to 0.4% for new health care reform. The Board directed each hospital to provide a detailed description of each new health care reform activity, investment or initiative included within the designated 0.4%, provide any available data or evidence-based support for the activity's effectiveness or value, and identify the benchmark or measure by which the hospital can determine that the activity reduces costs, improves health, and/or increases Vermonters' access to health care. With this in mind, please describe how you are investing for new health care reform activities in the four approved areas:

- Support for Accountable Care Organization (ACO) infrastructure or ACO programs;
- Support of community infrastructure related to ACO programs;
- Building capacity for, or implementation of, population health improvement activities identified in the Community Health Needs Assessment, with a preference for those activities connected with the population health measures outlined in the All-payer Model Agreement;
- Support for programs designed to achieve the population health measures outlined in the All-payer Model Agreement.

Response:

In 2014 Gifford Health Care (GHC - a federally qualified health center) was created and became the parent organization for Gifford Medical Center. GHC was created, in part, to recognize the leading role of primary care in population health improvement and health care as a whole. We have implemented a team-based care approach designed to improve care coordination and patient access.

Both GHC and GMC are members of the CHAC ACO. We maintain a position on the CHAC board and participate in its efforts to implement a best practice approach to population health improvement. In our community we collaborate with our designated agency (also a CHAC member) on care coordination activities.

Through GHC, we offer mental health and substance use services that are integrated with our primary care practices. This includes Medication Assisted Treatment (MAT) in three sites. We also provide access to dental health through agreements with community partners.

Gifford continues to build its capacity to meet population health goals through establishment of team-based care; care coordination; implementation of an improved electronic health record with a population health module; and its focus on community outreach through the Blueprint program and Gifford's relationships with other community partners.

15. Please identify which ACO(s) you will have a contractual relationship with in 2018. If your hospital plans (or already is) in a risk-bearing contract with OneCare, please explain the effect of the risk on your financial statements. Please explain specific strategies your hospital is developing to move toward population-based payment reform. Finally, what tools does your hospital employ to ensure appropriate, cost effective, quality care when working with providers outside the CHAC or OneCare network?

Response:

Gifford is a member of Community Health Accountable Care (CHAC). Gifford continues to build its capacity to meet population health goals through establishment of team-based care; care coordination; implementation of an improved electronic health record with a population health module; and its focus patient and community outreach through the Blueprint program and Gifford's relationships with other community partners. The vast majority of providers with whom Gifford partners are members of either OneCare or CHAC. Most others are local private practitioners who are active members of Gifford's medical staff and participate in our division, quality, and other pertinent committees.

Sincerely,

Jeff Hebert
Vice President of Finance
Gifford Medical Center
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