August 26, 2016

Ms. Kaili Kuiper
Staff Attorney
Vermont Legal Aid, Inc.
Office of the Health Care Advocate
PO Box 1367
Burlington, VT 05402

Dear Ms. Kuiper:

Per your letter dated August 11, 2016, Grace Cottage Hospital offers the following responses.

General

1. *If you included a rebasing in your proposed budget, why do you believe the Green Mountain Care Board should agree to rebase your budget? How do you plan to contain your growth going forward? N/A

2. What is your expected All-Payer and/or Medicare case mix index for FY17? Expected to be in line with the FY 16 numbers reported under 2b below.

    a. Please also provide your case mix index for FY14 (actual), FY15 (actual) and FY16 (budget and projected) along with any drivers (e.g. demographic shifts, product line additions, payer mix changes, etc.) that explain increases or decreases over time.

	All-Payer	Medicare
• FY14 actual	0.8830	0.8832
• FY15 actual	0.8763	0.8827
• FY16 (Oct-Jul)	0.9299	0.9514

    b. Please explain the basis for anticipated changes to your case mix index going forward from FY16, if any. Grace Cottage does not anticipate any changes to our case mix.

3. Please explain the basis of any anticipated changes in your payer mix for FY17. What are the changes you expect to see going forward? There are no anticipated changes in our payer

mix for FY17 from what is occurring currently. The FY17 budget was based on FY16 year-to-date.

4. As a nonprofit with a duty to benefit your community, please explain any policies your hospital has, if any, to put a reasonable cap on executive pay and on the percentage of your overall budget that is made up of administrative costs. Grace Cottage does not have any policies/official caps in place, however does continually monitor to assure our salaries are not out of line. The CEO of Grace Cottage has been, and continues to be, by far the lowest paid CEO in the State of Vermont. The salaries of all other employees, including Senior Management, are reviewed for reasonableness annually and compared with the results of a Wage and Management Personnel Salary survey conducted jointly by the Vermont Association of Hospitals and Health Systems and the New Hampshire Hospital Association.

5. If you have varied your commercial rate increases by program or service, how do you determine these increases? Are they based on projected cost increases by program or service or based on something else? We have not varied our commercial rate increases by program or service.

6. What is your margin target, and how was it determined? Our goal is to have an Operating Margin of 3%, however as you will see from our FY 17 Budget submission, we are far from that target with the -1.0% submitted.

    a. Is this a long-range target for your hospital? Yes, it is a long-range target for the hospital to get to a 3% operating margin.

7. Please describe how your budget process would differ if a 3- or 5- year net patient revenue cap were used rather than a yearly cap. Our budget process would likely not vary greatly from the current process. Predictability of both volume and patient mix is an impossibility for even the coming year, much less five years out. It would still need to be done on a year-to-year basis keeping the overall group target in mind.

8. What is your budgeted amount for Medicaid underpayment for FY17? Using the reimbursement percentages and cost-to-charge ratio calculations from our budget presentation, the FY17 total Medicaid underpayment for FY 17 will be $2,889,278. This amount includes a reimbursement underpayment of $2,270,701 less than cost to provide services, and the Medicaid Provider Tax of $618,577.

9. What is the extent of your Choosing Wisely initiative(s), if any? The Choosing Wisely publications pertinent to our practices have been reviewed and dispersed educationally as state-of-the-art standards of care and are available on our in-house intranet website.

    a. Please describe the initiative(s) and how you have chosen which departments participate. See above. Pediatrics, Infectious Disease, Imaging are the main ones at this time.

b. Which of these initiatives, if any, have led to identifiable cost savings and/or quality improvement? Not measured in these ways. Our numbers are too small to measure in any significant way.

Community Benefit

10. Please explain how the federal regulations on nonprofit hospital financial assistance policies and billing practices that go into effect on October 1, 2016 affect your budget proposal for FY17 as compared to FY16. Our FY 17 budget proposal was based on current charity care levels. While we recognize there may be additional write-off amounts based on using the Amount Generally Billed (AGB) rather than Gross Charges, we also are being more proactive referring patients with no coverage, or less than ideal coverage, to our in-house Patient Resource Advocate.

    a. Include how you anticipate the regulations affecting your bad debt and charity care. We do not expect the regulations to have a significant impact on our bad debt and charity care. While the requirement to base sliding scale reductions on the Amount Generally Billed (AGB) rather than gross charges will allow for a slightly greater discount for a small number of individuals, it will be primarily only those patients that have no insurance, of which we have very few, and many of those are already receiving a 100% reduced fee. There may be some reclassification from bad debt to charity care due to the required look-back period, however it will not change the bottom line.

    b. Which charges did you base your financial assistance discounts upon in FY16? Gross charges.

11. *For all community benefits that you listed on your Form 990 Schedule H, what is the dollar amount you are budgeting for each benefit by year (FY14 Actual, FY15 Actual, FY16 Budget, FY16 Projection, and FY17 Budget)? Grace Cottage's amounts for community benefit listed on our Schedule H are relatively consistent from year-to-year.

12. *What is your current level of community benefit as a percentage of revenues? The amount reported on our FY 15 Schedule H was $2,498,369. This was 11.10% of total expenses.

    a. *What percentage level are you willing to commit to on an ongoing basis? Grace Cottage is very committed to our community, and does not foresee committing anything less than what we are currently doing on an ongoing basis.

    b. *Please provide a detailed breakdown of the programs and other components you include in your community benefit calculation.
        - Unreimbursed Medicaid $2,225,071
        - Charity Care 161,558

- Housing for local ambulance service 52,325
- Organizing/support local Amer Red Cross blood drive 946
- Support of AHEC 6,000
- Community Wellness Programs 46,812
- Annual Wellness Health Festival 4,192
- Community Wellness Calendar publication 1,465

13. How does the money you plan to spend on community benefit align with the top five issues identified in your most recent Community Health Needs Assessment (CHNA)? If your assessment of your top five issues has changed since your last Community Health Needs Assessment, please explain the change as part of your answer. All of the amounts spent on community benefit align with our top five issues – whether it be prevention, treatment, or dealing with the issues.

    a. Are there needs identified in your CHNA that you would like to address, but feel that additional cooperation by outside entities is required for an effective solution? We are actively working in one way or another on all of the needs identified as High, Medium, or Low Priority. In many instances we are working with many outside entities.

Health Information Technology

14. Do you anticipate needing to replace your electronic health records system in the next five years? No, we do not anticipate a need. We went live with a facility-wide system (Cerner) on June 4, 2012 and have no plans to replace it in the foreseeable future.

15. Do you use any of the services offered by VITL (Vermont Information Technology Leaders)?

    a. If so, which services? Grace Cottage currently has access to the VITL Access platform, as well as HL7 interfaces from our EHR to the VHIE for the transmission of CCD, Lab, Rad, ADT, and Immunization data.

    b. To what extent are VITL's services integrated into the hospital's care delivery? VITL services are minimally integrated into our care delivery. Grace Cottage has completed work with both Springfield Hospital and HCRS for the EHR-to-EHR delivery of results from our lab facility. Grace Cottage personnel have the ability to obtain information on our patients through VITL Access when those patients are treated elsewhere.

    c. Has the hospital experienced any cost savings or quality improvement from VITL's services? No cost savings at this time. No quality improvement able to be determined at this time.

d. Do VITL's services compliment your other health information technology initiatives? If so, how? VITL Access compliments our HIT initiatives by providing us a method to quickly find information regarding patients who present in our Emergency Department or Grace Cottage patients seen elsewhere, as well as to make patient data available to other healthcare providers via VITL Access. VITL also provides us a platform to share limited data with the Vermont Immunization Registry.

Substance Abuse and Mental Health

16. *What percent of your employed primary care providers are participating in the Hub and Spoke program? One employed primary care provider is participating in the Hub and Spoke program.

    a. *What is the average number of substance abuse patients that those providers treat? 50-55

    b. *How many additional providers would be required to fully meet your community's needs in a reasonable amount of time? Please take into consideration any waitlists for treatment. It is estimated that one additional provider would be needed.

    c. *If your hospital is involved in any medication assisted treatment programs, do you have any information on your costs for these programs versus savings to your hospital? We are not currently involved in any such programs.

17. *Please explain to what extent mental health patients presenting at your Emergency Department impacts your budget? Our ED mental health patients are treated like any other ED patient. But, if they require 24/7 sitter/watch observation, we have to pay an extra employee to attend the patient. This could last for days until a final disposition is made.

    a. *Please explain how mental health patients are handled when they present to your Emergency Department or other triage location, including a description of any holding or isolation areas that you use, and how often you expect to use this type of area in FY17. Our ED mental health patients are treated like any other ED patient. If for their or our safety sake, they need a safer room, we will either dedicate a private room for this need or use our soon to be completed Safe Room in the ED. This would only be used, at most, a few to several times a year we have such a patient.

    b. *How do you train your security staff, contracted or in-house, on handling situations involving people experiencing mental health crisis? If some security staff members have been trained but not all, please explain which ones and why. Our contracted

security staff can only watch and act as sitters for such patients. They are not allowed to touch the patient. Our in-house security staff are trained in non-violent crisis intervention and will only intervene if the patient exhibits imminent safety threats to self or others or exhibits active violence that threatens his/her or other's welfare.

Sincerely,

s/ Roger Allbee

Roger Allbee
Chief Executive Officer