GUNNISON VALLEY HEALTH

BUDGET 2017
ASSUMPTIONS

BUDGET PROCESS:

The Gunnison Valley Hospital 2017 operational and Capital budgets were developed with the assistance of each manager who was directly involved in formulating their respective 2017 data.

Operational Budget:

The first pass included the department managers who were involved in developing and justifying expenses in each category of their budget. The Chief Financial Officer and accounting met individually with each department manager to review their respective data. Calendar year 2016 actual expenses were utilized as a baseline comparison in an attempt to calculate any possible increases and/or decreases in any particular expense category. The managers were asked to bring backup documentation and/or justification for additional expenses not currently experienced. The second pass was made including the department managers along with their respective senior manager. All requests from the first pass were reviewed for appropriateness and reasonableness.

Capital Budget:

Gunnison Valley Hospital developed a two (2) year capital budget plan. Department managers along with senior management reviewed all aspects of the capital needs for the entire system. Department managers completed Capital Equipment Request (CER Forms), which include a cost benefit analysis for each piece of equipment. They also met with their respective vendors and were assisted by Materials Management to acquire best pricing through the GPO. The senior managers met with their respective department managers to develop an action plan to see what capital was needed during calendar year 2017 and potentially during calendar year 2018.

The medical staff was also afforded the opportunity to make capital equipment requests. Managers were encouraged to meet with the physicians to seek their respective input throughout the capital budget. This process allowed for a more comprehensive approach to the capital budget. Priority levels were assigned with an estimated month in which the equipment is scheduled to be ordered. Every manager inputted their respective data along with backup into the new Insight budget system. After several passes with the executive team the final capital budget for 2017 is $4,202,716. Also, a potential capital budget for 2018 was approved in the amount of $1,906,644.

Please refer to the table below to see breakdown of dollars.

2017 Capital Budget	*Dollars*	
Senior Care Center	$	25,637
Gunnison Valley Hospital	$	4,177,079
Total for System	$	4,202,716
Contingencies		
Contingency Capital (SCC)	$	20,000
Contingency Capital (GVH)	$	350,000
Total Contingencies for System	$	370,000

Note: Some pieces of equipment were passed on to the Foundation in an effort to acquire grants and /or funds via fund raisers.

VOLUMES:

Volumes are estimated and calculated on historical data from the past three prior years and projections for the current year. Market data and industry trends were also used in making volumes estimates.

Several items were adjusted for the 2017 budget:

Admissions/Patient days – Management felt that a slight increase of 3% in admissions was warranted in the 2017 budget for increase in levels of acuity, increased complexity of orthopedic cases, the Joint Program and the addition of Dr. Butterfield's specialty. Assuming the average length of stay continues to stay static; the increase in patient days would be approximately 39 days.

Swing Bed – In 2017, our goal is to increase Swing bed admissions by 12. This will be accomplished by increasing staff education on how to maximize Swing bed, expanded outreach to referring hospitals and increased education to community members about their swing bed benefit. We also believe that better coordination between the Senior Care Center and the Hospital will result in more patients receiving their skilled care in the Swing bed program vs. skilled care at the SCC.

Lab Exams – Laboratory volumes were increased by 3% consistent with the additional admissions, surgeries, and increase in levels of acuity.

Radiology Exams – GVH upgraded the CT to a 64 slice in 2016. This will help improve diagnostics and possibly decrease outflow of procedures to Montrose and /or Grand Junction, therefore an increase of 3% was deemed reasonable for the 2017 budget. X-Ray and MRI have consistently increased their volumes over the last few years from 3-10%. Management felt a 3 % increase was a conservative approach for 2017.

Therapy – Crested Butte Physical Therapy has consistently increased volumes over the last 3 years. We have budgeted funds to renovate the Ore Bucket building and increased FTEs by .5 to

expand Sports PT in Crested Butte. An increase of 5% was budgeted for 2017. Management also felt a 2% increase in Physical Therapy was warranted for the expansion of sports physical therapy in Gunnison.

Surgeries –An increase of approximately 3.5% for inpatient and outpatient surgeries was warranted with the Joint Program and addition of Dr. Butterfield's specialty in Breast reconstructive surgeries. Scopes were kept flat for 2017. Also, an increase of 75 cases has been budgeted for the 2nd OR being open on Mondays and Fridays 7:30 – 12:00.

GVHFMC – The Volumes were increased to be in compliance with the Rural Health Clinic Requirements in anticipation GVHFM will receive RHC designation in 2017. A new scheduling model has been put into place with set MD and PA hours increasing availability. This allows for additional same day acute visits.

GVHMC – The Mountain Clinic is planning on keeping the same schedule for 2017 therefore the volumes were kept flat.

REVENUES:

In 2015, GVH engaged a third party entity to help identify possible areas where changes needed to occur with charges. The company involved was called PARA Healthcare Financial Services (PARA). GVH implemented a 3% increase across the board on November 16, 2015 which resulted in an estimated net revenue increase of $997K.

For 2016 and 2017, GVH is still working with PARA on pricing increase strategy. There is a 5% annual cap on overall price increases in accordance with GVH's payer contracts. Also, PARA has identified pharmacy as an area where GVH is lagging behind its competitors in pricing. As such, the following two pricing increase strategies will be followed by GVH for fiscal years 2016 and 2017:

- On December 1, 2016, all room rates will be increased by 3%, all pharmacy charges will be increased by 5% and all other charges will be increased by 3% or at an applicable rate which will keep our overall charge increase for GVH at the annual 5% cap or below.
- On February 1, 2017, room rates will not be increased in order to stay in line with our competitors, all pharmacy charges will be increased by 5% and all other charges will be increased by 2% or at an applicable rate which will keep our overall charge increase for GVH at the annual 5% cap or below.

Once these pricing increases are implemented, GVH will still remain well within its market with regards to pricing.

CONTRACTUALS/DEDUCTIONS:

Contractual and/or deductions are based on GVH's current payor mix. It is anticipated that revenues will be distributed in the same pattern that has been experienced currently during calendar year 2017.

SALARIES:

Salaries include a 3.25% merit increase for employees in the 2017 budget, however actual increases may be less. The percent increase is based on the Colorado summary percentage increases in pay projected for 2017. Contract labor will continue being shown on a separate line in salary in 2017. Below is an explanation for FTEs that GVH is planning to add going forward:

1. ***Oncology - .4 FTE***
   Addition to Oncology for a Nurse Navigator. .2 FTE will be covered by Tough Enough to Wear Pink.

2. ***Crested Butte Physical Therapy – .5 FTE***
   Increase in Physical Therapist for the expansion of the Sports Program in Crested Butte.

3. ***Respiratory Therapist – 1.0 FTE***
   Therapist will expand services to 7 day a week coverage, an increase of 30 hours per week (2 hours per night and weekends). The additional coverage will increase volumes by 16.5% and increase Revenue by $251K.

4. **Finance – 0.6 FTE:**
   Staff Accountant I

5. **Utilization Review – 0.6 FTE:**
   Care Coordinator RN, this position will be reimbursed by AIM State Funding.

6. **GVHFM – 1.5 FTE:**
   1.5 FTE increase in Medical Assistants to match Providers, this includes the Medical Assistant Supervisor.

7. **Ambulance/EMS – 1.3 FTE:**
   EMS will be restructuring the staffing model to allow for increase in ground transports and reduce overall overtime. The restructuring will allow EMS to run 2 fully staffed Ambulances 24 hours per day. This will reduce OT by half approx. $30K, and allow for 24 additional transports per year, increasing revenue by approx. $84K.

8. **Admin – 1 FTE:**
   Chief Professional Officer - Support Services moving from part time as SCC Administrator to full time GVH employee.

9. **Surgery – 2 FTE:**
   Surgery will increase by 2 FTE for opening a second OR on Mondays and Fridays from 7:30-12:00. This additional surgery time is projected to increase volumes by 75 cases in 2017.

BENEFITS:

GVH offers a very comprehensive and affordable benefit package to our employees. During 2016 and as a part of the budget for 2017, GVH has made tremendous strides in reducing the cost of health insurance for our employees.

During 2016, enrollment has increased to 191 on a budget of $3,263,029 for the health plan, and our actual costs through July 2016 were running at a rate of approximately 12% below budget which will hopefully hold out for the remainder of the year.

For 2017, various women's services were added to the plan on a budget of $3,826,211 with an estimated enrollment of 206. Employee premiums have been held constant with the employee bearing 15% of the PPO Plan premium and 10% of the High Deductible Health Plan premium.

For 2017 Budget purposes Benefits were included at the current run rate which GVH was experiencing through September 2016.

See table below for a breakout of the employee and employer portions of the premiums and for the total annual budgets for 2016 and 2017.

	2016 Directors				2017 Directors			
Enrollment Options	**Current Funding**	**Employee Contribution**	**Employee %**	**GVH Contribution**	**Projected Funding**	**Employee Contribution**	**Employee %**	**GVH Contribution**
PPO Plan								
EE	847.10	127.07	15%	720.04	864.04	127.07	15%	736.97
E+1	1,804.36	270.65	15%	1,533.71	1,840.45	270.65	15%	1,569.80
Family	2,126.23	318.93	15%	1,807.30	2,168.75	318.93	15%	1,849.82
HDHP Plan								
EE	759.77	75.98	10%	683.79	759.77	75.98	10%	683.79
E+1	1,618.34	161.83	10%	1,456.51	1,618.34	161.83	10%	1,456.51
Family	1,907.02	190.70	10%	1,716.32	1,907.02	190.70	10%	1,716.32
	2016 FT Staff				**2017 FT Staff**			
PPO Plan								
EE	847.10	127.07	15%	720.04	864.04	127.07	15%	736.97
E+1	1,804.36	270.65	15%	1,533.71	1,840.45	270.65	15%	1,569.80
Family	2,126.23	318.93	15%	1,807.30	2,168.75	318.93	15%	1,849.82
HDHP Plan								
EE	759.77	75.98	10%	683.79	759.77	75.98	10%	683.79
E+1	1,618.34	161.83	10%	1,456.51	1,618.34	161.83	10%	1,456.51
Family	1,907.02	190.70	10%	1,716.32	1,907.02	190.70	10%	1,716.32
	2016 PT Staff				**2017 PT Staff**			
PPO Plan								
EE	847.10	338.84	40%	508.26	864.04	338.84	39%	525.20
E+1	1,804.36	1,172.83	65%	631.53	1,840.45	1,172.83	64%	667.62
Family	2,126.23	1,382.05	65%	744.18	2,168.75	1,382.05	64%	786.70
HDHP Plan								
EE	759.77	250.72	33%	509.05	759.77	250.72	33%	509.05
E+1	1,618.34	987.19	61%	631.15	1,618.34	987.19	61%	631.15
Family	1,907.02	1,163.28	61%	743.74	1,907.02	1,163.28	61%	743.74
Enrollment				**191**				**206**
Total Budget				**3,263,029**				**3,826,211**

PRO FEES:

ER Pro Fees were increased by $120,000, $40,000 for 3 months for new ER Group. $ 135,000 was added for Griggs Orthopedic under Orthopedic Pro Fees. CB Mountain Clinic Pro Fees are for Medical Director Services. $ 141,000 was added for OB/GYN call coverage contract. Oncology Pro Fees includes one provider for 2 days per month coverage. Anesthesia Pro Fees were increased by $180,000 to include a third Anesthetist.

EDUCATION:

GVH reinstated an education program and invested a significant dollar amount in the 2016 and again in the 2017 budget. The additional dollars will allow for the nursing staff OB training program and the Clinical Ladder education to name a couple. Additional education dollars were also contributed to the physician education pool.

PURCHASED SERVICES:

Purchased services show an increase over prior year due to anticipated cost increases. The increases are attributable to the following.

CONTRACTS:

CT GE Lease Payment	$ 129,000
Total	**$ 129,000**

OUTSIDE SERVICES:

Studer Training	$ 35,000
MIS Support Fees	$ 38,800
Total	**$ 73,800**

RENT/LEASE:

Admin – Lease Purchase 5 Condo Units	$ 42,000
Care Fusion – Pyxis System	$ 63,400
Total	**$ 105,400**

SUPPLIES:

It was decided to have a 4% overall increase in supplies with 3.8% in Pharmacy.

These projections represent industry inflationary performance. Actual pricing through several Group Purchasing Organizations (GPO) contracts and programs are expected to impact the upcoming contract bids. Most contracted products should reflect lower inflationary impact than the general industry projections.

The percentages express the best estimate possible from all input elements. The actual inflationary increases will be subject to social, economic and political pressures, which are impossible to accurately predict.

Large GPOs collaborate with acute and non-acute care providers to create and deliver unique solutions through performance improvement resources, guidance and ongoing support.

With better product standardization and utilization, new financial tools beyond contracting and alliances that help lower costs, raise revenue and champion quality will be implemented.

INSURANCE:

Insurance is based on current actual expenses. Insurance shows a slight increase for GVH compared to prior year, which is primarily attributed to an allocation process change within the health system.

DEPRECIATION:

The depreciation expenses are calculated based on current fixed assets, less fixed assets that will become fully depreciated during 2016, plus the additional capital assets that have been approved for the 2017 budget. Depending on when the new assets are anticipated for purchase dictates the amount of dollars that are assigned to a particular asset.

Each new asset has been assigned a priority (number 1 to 4). The American Hospital Association (AHA) depreciation schedule is utilized to calculate the number of years needed to capitalize each item. *(Refer to the capital list)*

INTEREST EXPENSE:

Interest expense is based on amortization schedules for the two bond issues and the Radiology leases.

OTHER:

HR – Recruitment Costs $ 95,000
Community Outreach (Sponsorships, Advertising) $ 30,000
Bank Service Fees $ 20,000
Collection Fees $ 34,000

SPECIAL PROJECTS

GVH is working on several projects that may influence revenues and expenses in the future. Dollars have been included in the 2017 budget; the projects include but are not limited to the following:

Senior Care Center:

The Hospital Board of Trustees has given GVH the go ahead to pursue the potential construction of a new Senior Care Center. If after proper due diligence, the Board deems it appropriate to approve this project, GVH would incur architectural and construction fees for the new Senior Care Center during 2017. Drawings would be completed by March and construction would begin in April. The estimated cost of the total project is $21.6 million, of which approximately $20.5 million would be disbursed during 2017. There are two funding sources for the project; equity contributions between $3-6 million from the Hospital, Senior Care Center and Foundation and secured debt, the source of which has not yet been determined. The projected completion date of the project would be during May of 2018.

Nursing home administrator:

SCC budgeted for a full time nursing home administrator to take responsibility for the transition and continue on with management of the new senior care center**.** A 49 bed nursing home requires a full-time nursing home administrator.

GVH Staff Housing:

Gunnison Valley health currently owns two townhomes that are used for recruitment and offered to staff for transitional housing. Housing in Gunnison is a major barrier in recruiting new employees. We have budgeted to acquire two additional townhomes at $130,000 each, plus $10,000 each for renovations, included in the 2017 Capital Budget. Also included in the operating budget is the option to lease purchase additional housing, 5 units at $700 per month for a total of $42,000 per year.

Land Acquisition:

The 2017 Capital Budget includes the option to acquire 1 to 2 acres of land for outpatient services in the approximate amount of $1,650,000.

Women's Center:

GVH has budgeted $15,000 in the operating budget for Architecture fees to evaluate options for a women's facility.

3-D Tomosynthesis:

GVH is working with Tough Enough to Wear Pink to purchase a 3-D mammography machine in order to provide 3-D mammography screenings to patients.

Surgical Practice Facelift:

As we develop plastic surgery along with general surgery and specialty reconstructive surgical procedures, we plan to do minor improvements to enhance the first impression of the surgical office space on the Gunnison hospital campus. The amount included in the 2017 Capital Budget is approximately $40,000.

Oncology Navigator:

GVH will work with Tough Enough to Wear Pink to fund an oncology navigator. We expect to pay approximately 2/3 of the cost for this position which was budgeted as a .4 FTE.

Swing Bed Room 11:

GVH plans to upgrade this space as a primary area for supportive swing bed services.

Crested Butte Sports Therapy:

GVH has budgeted $6,000 in the operating budget to renovate the ore bucket as an option to expand sports physical therapy.

Consumers seek value from the health care they receive. Being aware of the many factors most traditionally cited as contributors to price variation may help you better understand which of them might affect the cost of care at a given hospital. Below are factors that influence price variation at health care facilities.

COST VARIATIONS

Why do prices vary between hospitals for the same procedure or service?

There are many variables that impact hospital prices. These include:

Patient severity:

Patients, who are sicker, have multiple medical conditions or chronic illness generally require additional services, resulting in higher hospital charges.

Payer mix:

Each hospital has a unique mix of payers. Government programs such as Medicare and Medicaid generally pay hospitals at rates less than the costs of providing care. Hospitals cannot remain financially viable if payments are consistently below costs. Hospitals provide services to all patients that access the emergency department regardless of their ability to pay. Some patients seek treatment at the hospital emergency department when they are unable to locate any other provider who accepts their insurance or if they lack insurance. Hospitals generally have charity care policies that provide assistance to patients in need that meet the requirements established by the hospital. However, hospitals that have a higher percentage of such patients ultimately must attempt to recover a greater percentage of their operational costs by shifting their unreimbursed costs to private insurers.

Insurers:

Insurance companies negotiate discounts with hospitals on behalf of the patients they represent. Each insurance company negotiates different rates with hospitals. Even for identical medical procedures, hospitals get paid different amounts by insurers.

New technology:

Hospitals with new technology may have higher charges than those with older equipment. The replacement cost for new equipment is typically higher than the original cost of the old equipment.

Labor costs:

Salary and benefit costs vary by community and are generally higher in urban areas. Shortages of nurses and other professional staff may increase hospital costs.

Range and complexity of services provided:

Hospitals differ in the range of services provided. Some provide a full range required for diagnosis and treatment, including very specialized services. Other hospitals may stabilize patients and then transfer them to another facility for specialized care. Hospitals provide services to ensure access to health care in their community even when they lose money on those services. Such losses force hospitals to shift costs to private insurers. Services vary by community, but some examples include burn centers, trauma care, obstetrics, high-risk nurseries, poison control centers, medical education, services for the poor, organ transplants and other programs.

Why is there a difference between what hospitals charge and the payments they receive?

Federal regulations require a hospital to charge all its patients the same amount (with limited exceptions) for the same service. **The amount collected by the hospital is almost always less than the amount billed for because:**

- Government programs, such as Medicare and Medicaid, typically pay hospitals much less than the billed charge. These payments are determined by government agencies and hospitals do not have any ability to negotiate these rates.
- Hospitals typically have policies that allow low-income persons to receive reduced-charge or free care.

Why do payments vary between hospitals for the same procedure or service?

While the APCD ***does not*** include Medicare data, it is helpful to understand that even government payers often pay different amounts for the same service. Medicare payments to hospitals vary depending on the Medicare payment policy based on the unique characteristics of the hospital.

Wage index:

For both inpatient and outpatient, the national payment amount is adjusted by an area wage index to reflect regional variation in hospital salary and benefit rates. Generally hospitals located in urban areas tend to have a higher wage index.

Graduate medical education:

Hospitals that have residency programs to train individuals after completion of medical school receive additional payments from Medicare. These payments provide a partial offset to the hospital costs for training these future physicians (salaries and benefits for residents, faculty teaching stipends, administrative cost to operate the residency programs). Hospital residents provide services to *all* patients, not just Medicare patients. These payments are crucial for ensuring that patients in the future have an adequate supply of physicians to meet their medical needs.

Indirect medical education:

Medicare provides payments to teaching hospitals to reimburse the additional indirect costs of patient care associated with operating an approved teaching program. These costs include tests utilized to diagnose and treat patients.

Disproportionate share payments:

Hospitals that treat a large number of low-income patients receive additional Medicare and Medicaid payments to offset some of the losses incurred in treating these patients. Low-income patients tend to be sicker and more costly to treat than other patients with the same diagnosis. Higher costs also result from the need for additional staffing and services, such as translators and social workers, to care for low-income patients.

Critical access hospitals (CAHs):

Hospitals with fewer than 25 beds may be classified as critical access by Medicare. These hospitals are reimbursed at 101 percent of cost allowable by Medicare, which is lower than the full cost of providing care. This Medicare payment method recognizes the unique challenges CAH facilities face in providing health care services in rural areas. This special designation helps ensure access to health care for all patients in rural areas.

NOTE: Hospitals have an important role to play in efforts to reduce inappropriate variation; however, hospitals cannot address it alone. Solutions will require meaningful

partnerships with physicians and other providers, policymakers, payers and community stakeholders.

UNCOMPENSATED CARE

Colorado hospitals have a long tradition of providing medical care to patients regardless of their ability to pay. A combination of community benefit policies, charity care, bad debt and underfunded care result from Medicare, Medicaid and other government program payment shortfalls.

While Colorado hospitals are committed to absorbing as many costs as possible for patients unable to pay for health care services they receive, it's important for patients, policy makers and other constituencies to understand the impact of uncompensated and under-compensated health care across our state.

Uncompensated Care:
This represents the total cost of hospital care provided for which no payment was received from the patient or an insurer. Uncompensated care is the sum of bad debt and charity care at cost, both described in more detail below.

Charity Care:
Charity Care is the dollar value of free care provided by hospitals to patients who are unable to pay their medical bills. It represents expenses for which hospitals never expected to be reimbursed. A patient's ability to pay is determined by a hospital's charity care or financial assistance policy, which typically considers factors such as individual and family income, assets, employment status or availability of alternate funding sources. Charity care determinations are typically made prior to admission; however, it may also be granted later to allow for emergencies or a lack of information about the patient's financial status at the time of admission.

Bad Debt:
Bad Debt is incurred when a hospital cannot obtain reimbursement for care provided because a patient is either unable or unwilling to pay their bills. Unlike charity care, bad debt involves situations where the patient did not request or qualify for financial assistance. For uninsured patients, the amount of bad debt can include all or any portion of the unpaid bill. For insured patients, the unpaid portions of the bill that are the patient's responsibility—such as co-pays and deductibles—are counted as bad debt.

Undercompensated care:
(Or underfunded care) is associated with governmental programs such as Medicare and Medicaid. These programs have historically paid well below the cost of providing care.

Consequences of uncompensated and undercompensated care

The costs generated by uncompensated and undercompensated care must be paid by someone. The costs must either be absorbed by hospitals—which ultimately results in a decrease in health care services and access to care—or shifted to private insurers. This practice is referred to as "cost shifting," and it is one of the driving forces of escalating health care costs.
The cost shift affects **ALL** Coloradans, not just those without insurance coverage. When hospitals raise their rates to cover unpaid costs, private insurers inevitably follow suit and pass the cost on to employers in the form of higher insurance premiums. Businesses must then decide whether to reduce employee benefits or ask employees to pay a greater share of insurance premiums.

The provider fee's effect on uncompensated and undercompensated care

The **Colorado hospital provider fee** helps reduce Medicaid uncompensated and undercompensated care by. The provider fee is an assessment on hospitals by the State of Colorado.

The resulting revenue is used to draw a dollar-for-dollar federal match that is used to cover the uninsured by expanding eligibility for Medicaid and Child Health Plan Plus (CHP+) and increase Medicaid reimbursements, without placing any burden on Colorado taxpayers. Unfortunately, these improvements have been more than offset by reductions in Medicare payments.

COLORADO HOSPITAL PROVIDER FEE

The Colorado hospital provider fee has improved access to health care for tens of thousands of Colorado's most vulnerable citizens without drawing any money from Colorado's General Fund.

How does it work?

The provider fee is assessed on hospitals by the State of Colorado. The resulting revenue is then used to draw a dollar-for-dollar federal match that is used to cover the uninsured by expanding eligibility for Medicaid and CHP+. The provider fee also increases the amount that providers are reimbursed for treating patients enrolled in Medicaid or the Colorado Indigent Care Program (CICP).

Who benefits?

The provider fee is a win-win-win because it provides medically underserved Coloradans with access to high-quality health care; reduces the amount of **uncompensated care for hospitals;** and does not draw upon state funds.

- **Uninsured Coloradans:**

Uninsured Coloradans will be able to access critically important preventive, primary and acute care services through Medicaid and CHP+ expansions.

- **Hospitals:**

The provider fee increases hospital reimbursement rates and reduces the amount of uncompensated care by providing coverage for more previously uninsured patients. Medicaid payments to hospitals still fall short of the cost of providing them; however, the increased reimbursements have been instrumental in decreasing operational losses for hospitals.

- **All Coloradans:**

Hospitals are forced to make up for shortfalls created by low reimbursement rates and treating uninsured patients by requiring higher payments from commercially insured patients, which in turn forces consumers to pay higher health insurance premiums. The provider fee helps reduce this "cost shift."

- **The Colorado state budget:**

The provider fee does not use any of the state's tax revenue in its General Fund. While Medicaid enrollment has increased in Colorado over the past few years, this is due to a challenging economy and not a change in Medicaid eligibility.

Below are seven major trends, facts and questions facing Colorado hospitals and health systems over the next three to five years. The seven sections are as follows:

- Integrated Care is the New Normal.
- New Competitors are Narrowing Service Line Margins.
- It's All About Maintaining Loyalty.
- Technology Promises New Solutions … at a Price.
- Regional Capacity is the Next Frontier.
- Risk is here to Stay. Get in the Game.
- Are Hospitals in the Hot Seat?

Gunnison Valley Hospital
BUDGET 2017
Key Statistics

Description	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 YTD Sep	2016 Proj Aug (1)	2017 Budget	Var	% Var
Inpatient Days	1,475	1,333	1,203	1,431	1,393	978	1,364	1,403	39	2.9%
Average Daily Census	4.0	3.65	3.30	3.92	3.82	4.01	3.74	3.84	0	2.8%
Admissions	703	525	488	575	556	386	628	643	15	2.4%
Avg. Length of Stay	2.10	2.54	2.47	2.49	2.51	3	2.17	2.18	0	0.6%
Percent Occupancy	16.8%	15.2%	13.7%	16.3%	15.9%	16.7%	15.6%	16.0%	0	2.7%
Births	153	129	112	131	129	86	134	134	0	0.0%
Swing Bed Days	251	346	535	560	439	340	438	544	106	24.2%
Observation Patients	631	458	361	450	476	378	524	524	0	0.0%
Lab Exams	63,220	60,537	59,955	66,869	69,199	54,021	76,194	78,479	2,285	3.0%
EMS Patients	681	715	689	723	622	566	767	791	24	3.1%
ER Visits	5,335	5,245	5,318	6,121	6,544	4,670	6,804	6,804	0	0.0%
Oncology Visits	658	563	627	750	664	664	766	788	22	2.9%
Respiratory Therapy Exams	3,071	3,936	2,428	2,853	3,157	3,481	3,641	4,240	599	16.5%
Cardiology Exams	1,512	1,013	1,199	1,316	1,388	898	1,661	1,693	32	1.9%
X-Ray Exams	5,276	5,147	5,342	5,211	5,777	4,562	6,296	6,484	188	3.0%
Ultrasound Exams	1,295	1,284	1,200	1,360	1,553	1,011	1,475	1,475	0	0.0%
Mammo Exams	1,617	2,392	2,422	2,159	2,217	1,362	2,192	2,192	0	0.0%
CT Scan Exams	1,740	1,611	1,589	1,858	2,057	1,748	2,386	2,457	71	3.0%
MRI Exams	932	927	947	1,221	1,311	1,003	1,472	1,515	43	2.9%
Physical Therapy Patients	6,823	6,395	5,920	6,039	5,751	4,002	5,620	5,751	131	2.3%
Physical Therapy Modalities	22,636	20,654	18,256	17,579	16,810	11,984	16,757	17,235	478	2.9%
CB Clinic Patients	2,134	1,326	1,171	1,350	1,795	1,507	2,057	2,160	103	5.0%
CB Clinic Modalities	7,104	4,961	4,589	4,735	6,535	5,508	7,739	8,126	387	5.0%
Occup Therapy Patients	1,930	1,204	1,421	1,440	1,364	920	1,424	1,424	0	0.0%
Occup Therapy Modalities	4,685	3,288	3,686	3,635	3,431	2,147	3,396	3,396	0	0.0%
Speech Therapy Patients					298	552	694	661	-33	-4.8%
Speech Therapy Modalities					554	748	1,014	966	-48	-4.7%
Surgery - Inpatient	279	247	168	181	169	130	200	207	7	3.5%
Surgery - Outpatient	408	447	697	810	767	626	900	1,008	108	12.0%
Scopes	265	300	296	348	380	343	448	448	0	0.0%
Total Surgeries	952	994	1,161	1,339	1,316	1,099	1,548	1,663	115.0	7.4%
GVHFM Visits	-	-	4,019	8,163	8,361	7,748	7,480	10,260	2,780	37.2%
GVHMC Visits					1,914	1,739	2,026	2,026	0	0.0%

(1) 2016 actual through August plus last 4 months of 2015 actual

Budget Income Statement
GUNNISON VALLEY HEALTH

GUNNISON VALLEY HEALTH	Actual 2015	Projected June 2016	Budget 2017	Var (Bud 2017 - Proj Jun 16)	Var%
Gross Revenue from Patient Services	57,531,963	65,909,478	69,008,437	3,098,959	4.70 %
Contractual Allowances	20,558,622	24,346,046	25,020,677	-674,631	-2.77 %
Net Patient Revenue	36,973,341	41,563,432	43,987,760	2,424,328	5.83 %
Other Operating Revenue	692,416	589,750	519,592	-70,158	-11.90 %
Net Service Revenue	37,665,757	42,153,182	44,507,352	2,354,170	5.58 %
Salaries, Wages & Benefits	17,585,218	19,665,774	22,408,513	-2,742,739	-13.95 %
Physician Fees	2,722,948	2,346,897	3,415,210	-1,068,313	-45.52 %
Travel and Education	210,112	221,214	374,968	-153,754	-69.50 %
Purchase Services	3,373,988	3,719,072	4,093,755	-374,683	-10.07 %
Supplies	4,035,825	4,624,596	5,538,294	-913,698	-19.76 %
Rent/Lease	76,895	76,732	78,525	-1,793	-2.34 %
Insurance	392,278	459,155	454,637	4,518	0.98 %
Depreciation/Amortization	1,842,621	1,825,459	1,884,908	-59,449	-3.26 %
Interest	389,914	378,149	378,149	0	0.00 %
Other	1,659,929	1,684,311	1,646,909	37,402	2.22 %
Total Operating Expense	32,289,728	35,001,359	40,273,868	-5,272,509	-15.06 %
Operating Revenue and Expenses	5,376,029	7,151,823	4,233,484	-2,918,339	-40.81 %
Investment Income	106,749	259,620	211,937	-47,683	-18.37 %
Donations	203,716	199,685	10,477	-189,208	-94.75 %
Other Non Operating Revenue	20,903	34,456	0	-34,456	-100.00 %
Property Tax Revenue	635,169	717,096	717,750	654	0.09 %
Total Non Operating	966,537	1,210,857	940,164	-270,693	-22.36 %
Net Income	6,342,566	8,362,680	5,173,648	-3,189,032	-38.13 %
Total Margin	16.84%	19.84%	11.62%		-8.21%
EBIDA %	48.76%	53.73%	33.19%		-20.54%

Budget Income Statement
GUNNISON VALLEY HOSPITAL

GUNNISON VALLEY HOSPITAL	Actual 2015	Projected June 2016	Budget 2017	Var (Bud 2017 - Proj Jun 16)	Var%
Gross Revenue from Patient Services	53,216,774	61,293,035	64,116,175	2,823,139	4.61 %
Contractual Allowances	20,753,063	24,470,851	25,120,016	-649,164	-2.65 %
Net Patient Revenue	32,463,711	36,822,184	38,996,159	2,173,974	5.90 %
Other Operating Revenue	359,956	361,787	425,561	63,773	17.63 %
Net Operating Revenue	32,823,667	37,183,971	39,421,720	2,237,748	6.02 %
Salaries, Wages & Benefits	13,916,478	16,002,033	18,389,230	-2,387,196	-14.92 %
Physician Fees	2,722,948	2,346,897	3,415,210	-1,068,312	-45.52 %
Travel and Education	157,079	187,802	324,068	-136,265	-72.56 %
Purchase Services	2,867,013	3,253,672	3,605,557	-351,884	-10.82 %
Supplies	3,664,479	4,286,291	5,114,326	-828,034	-19.32 %
Insurance	278,893	352,991	371,128	-18,136	-5.14 %
Depreciation/Amortization	1,680,776	1,670,237	1,724,950	-54,712	-3.28 %
Interest	366,418	355,889	355,889	0	0.00 %
Other	1,328,310	1,374,019	1,562,041	-188,021	-13.68 %
Total Operating Expense	26,982,394	29,829,831	34,862,399	-5,032,567	-16.87 %
Operating Revenue and Expense	5,841,273	7,354,140	4,559,321	-2,794,820	-38.00 %
Investment Income	100,515	247,982	193,000	-54,983	-22.17 %
Donations	144,167	140,361	10,477	-129,885	-92.54 %
Other Non Operating Revenue	20,903	34,456	0	-34,457	-100.00 %
Total Non Operating	265,585	422,799	203,477	-219,323	-51.87 %
Net Income	6,106,858	7,776,939	4,762,798	-3,014,142	-38.76 %
Total Margin	18.61%	20.91%	12.08%		-8.83%
EBIDA %	24.84%	26.36%	17.36%		-9.00%

Budget Income Statement
SENIOR CARE CENTER

Senior Care Center	Actual 2015	Projected June 2016	Budget 2017	Var (Bud 2017 - Proj Jun 16)	Var%
Gross Revenue from Patient Services	4,315,189	4,616,443	4,892,262	275,819	5.97 %
Contractual Allowances	-194,441	-124,805	-99,339	-25,466	-20.40 %
Net Operating Revenue	4,487,289	4,721,256	5,085,632	364,376	7.72 %
Other Operating Revenue	-22,341	-19,992	94,031	114,023	570.34 %
Net Operating Revenue	4,509,630	4,741,248	4,991,601	250,353	5.28 %
Salaries, Wages & Benefits	3,668,740	3,663,741	4,019,283	-355,542	-9.70 %
Travel and Education	52,474	32,853	50,900	-18,047	-54.93 %
Purchase Services	476,022	450,738	488,198	-37,460	-8.31 %
Supplies	370,491	336,797	423,968	-87,171	-25.88 %
Rent/Lease	76,895	76,732	78,525	-1,793	-2.34 %
Insurance	113,385	106,164	83,509	22,655	21.34 %
Depreciation/Amortization	161,845	155,222	159,958	-4,736	-3.05 %
Interest	23,496	22,260	22,260	0	0.00 %
Other	86,453	88,342	84,868	3,474	3.93 %
Total Operating Expense	5,029,801	4,932,849	5,411,469	-478,620	-9.70 %
Operating Revenue and Expenses	-520,171	-191,601	-419,868	-228,267	-145.63 %
Investment Income	6,234	11,638	18,937	7,299	62.72 %
Donations	59,549	59,324	0	-59,324	-100.00 %
Property Tax Revenue	635,169	717,096	717,750	654	0.09 %
Total Non Operating	700,952	788,058	736,687	-51,371	-6.52 %
Net Income	158,440	576,465	410,850	-165,615	-28.73 %
Total Margin	3.51%	12.16%	8.23%		-3.93%
EBIDA %	7.62%	15.90%	11.88%		-4.02%

Gunnison Valley Health

All | All Responsibilities | Approved Only | Orig. Fy Req. = CapBud17 | Account = 11551000

Department: 1001 MEDICAL SURGICAL

Description	Type	Budget Cost
Accutorr 7 Vital Signs Monitor Mindray - FOUNDATION	MISC	2,893
Stryker Cub Crib - FOUNDATION	MISC	8,045
Mindray Patient Monitoring System	MISC	178,555
Subtotal for Department: 1001 MEDICAL SURGICAL		**$189,492**

Department: 1017 RESPIRATORY THERAPY

Description	Type	Budget Cost
Stress Test Diagnostic System	MISC	16,900
High Flow Oxygen Delivery System - FOUNDATION	MISC	3,850
Subtotal for Department: 1017 RESPIRATORY THERAPY		**$20,750**

Department: 1021 OPERATING ROOM

Description	Type	Budget Cost
Temperature Monitoring System	MISC	22,160
Power	MISC	129,823
Shoulder Instruments	MISC	9,305
compartment monitor	MISC	5,000
Sterilizer	MISC	140,000
Ultrasonic cleaner	MISC	13,816
Arthroscopy Fluid tower	MISC	2,988
LEEP Instruments	MISC	4,000
Peak Plasma Blade - breast surgery	MISC	5,000
Subtotal for Department: 1021 OPERATING ROOM		**$332,092**

Department: 1022 RECOVERY ROOM

Description	Type	Budget Cost
Mindray Patient Monitoring System	MISC	113,794
TV`s pre-op room`s	MISC	2,055
IV and blanket warming cabinet - FOUNDATION	MISC	7,735
One Medical Passport	MISC	5,675
Subtotal for Department: 1022 RECOVERY ROOM		**$129,259**

Department: 1023 EMERGENCY ROOM

Description	Type	Budget Cost
Arctic Sun Patient Temperature Control Device - GRANT	MISC	62,494
Mindray Patient Monitoring System	MISC	268,649
Subtotal for Department: 1023 EMERGENCY ROOM		**$331,143**

Department: 1025 LABOR DELIVERY

Description	Type	Budget Cost
Mindray Central Monitoring - OB portion	MISC	33,190
Stryker Nara Bassinets - FOUNDATION	MISC	15,500

© 2001- 2016 Premier Inc. All Rights Reserved www.premierinc.com

Gunnison Valley Health

All | All Responsibilities | Approved Only | Orig. Fy Req. = CapBud17 | Account = 11551000

Department: 1025 LABOR DELIVERY

Description	Type	Budget Cost
Mini Telemetry System for EFM	MISC	5,961
Subtotal for Department: 1025 LABOR DELIVERY		**$54,651**

Department: 1026 ONCOLOGY

Description	Type	Budget Cost
Athena EHR	MISC	6,000
Subtotal for Department: 1026 ONCOLOGY		**$6,000**

Department: 1032 MATERIALS MANAGEMENT

Description	Type	Budget Cost
SCC SHELVING REDESIGN	MISC	3,455
FM SHELVING REDESIGN	MISC	2,806
DOCK LEVELER & INFRASTRUCTURE	MISC	25,000
Subtotal for Department: 1032 MATERIALS MANAGEMENT		**$31,261**

Department: 1041 LABORATORY

Description	Type	Budget Cost
Bactec FX 40	MISC	22,000
MOLECULAR/RSPIRATORY/GI/BLOOD CX	MISC	65,000
CENTRIFUGE FOR MAIN LAB	MISC	5,900
BLOOD BANK FREEZER	MISC	9,000
CLINICAL MICROSCOPE	MISC	13,000
Subtotal for Department: 1041 LABORATORY		**$114,900**

Department: 1044 RADIOLOGY

Description	Type	Budget Cost
DR detector	MISC	75,000
Subtotal for Department: 1044 RADIOLOGY		**$75,000**

Department: 1047 PHARMACY

Description	Type	Budget Cost
i pck ud medication packaging machine	MISC	28,404
340B Renovation and Self Contained Hood	MISC	50,000
Subtotal for Department: 1047 PHARMACY		**$78,404**

Department: 1048 ANESTHESIOLOGY

Description	Type	Budget Cost
syringe pump	MISC	4,009

© 2001- 2016 Premier Inc. All Rights Reserved www.premierinc.com

Gunnison Valley Health

All | All Responsibilities | Approved Only | Orig. Fy Req. = CapBud17 | Account = 11551000

Department: 1048 ANESTHESIOLOGY

Description	Type	Budget Cost
Glide Scope	MISC	13,865
Subtotal for Department: 1048 ANESTHESIOLOGY		**$17,874**

Department: 1049 PHYSICAL THERAPY

Description	Type	Budget Cost
recumbent bicycle	MISC	2,500
Subtotal for Department: 1049 PHYSICAL THERAPY		**$2,500**

Department: 1054 AMBULANCE/EMS

Description	Type	Budget Cost
Zoll Cardiac Monitor/Defibrillator - GRANT	MISC	19,638
Revel Ventilator - FOUNDATION/GRANT	MISC	16,998
Subtotal for Department: 1054 AMBULANCE/EMS		**$36,635**

Department: 1056 DIETARY

Description	Type	Budget Cost
Alto-sham 767-sk	MISC	5,492
Subtotal for Department: 1056 DIETARY		**$5,492**

Department: 1102 GVH MOUNTAIN CLINIC

Description	Type	Budget Cost
12 LEAD EKG MACHINE - GRANT	MISC	7,000
Emergency/Urgent Care Slit Lamp Package with Optional Tonometer	MISC	5,200
Subtotal for Department: 1102 GVH MOUNTAIN CLINIC		**$12,200**

Department: 1161 PLANT MAINTENANCE

Description	Type	Budget Cost
Badge Printer	MISC	3,236
HVAC for the Lab	MISC	30,000
Feight Elevator Doors & Control	MISC	24,000
New HVAC for Dietary Coolers	MISC	2,500
Ventilation for the Imaging Addition electrical room.	MISC	3,000
Awning over Rehab entrance and Handicap Ramp	MISC	40,000
ED & Med-Surg Security Enhancements	MISC	26,000
Additional Parking Lot Lights at east Parking Lot	MISC	13,000
Lighted Sign at Rehab Entrance	MISC	5,000
New Hot Water Equipment for Admin Building	MISC	20,000
Dietary Stairway	MISC	6,500
Replace Floor Tile in FMC	MISC	4,000

© 2001- 2016 Premier Inc. All Rights Reserved www.premierinc.com

Gunnison Valley Health

All | All Responsibilities | Approved Only | Orig. Fy Req. = CapBud17 | Account = 11551000

Department: 1161 PLANT MAINTENANCE

Description	Type	Budget Cost
Tile the Exam Rooms at FMC	MISC	7,090
Tile Hallway at FMC	MISC	7,090
Paint hallway and exam rooms in FMC	MISC	5,730
New flooring in the waiting area at FMC	MISC	7,090
3 TVs for pre-op rooms	MISC	2,000
Tile hallway near OR and Casey`s office	MISC	7,021
Subtotal for Department: 1161 PLANT MAINTENANCE		**$213,257**

Department: 1190 HOUSEKEEPING

Description	Type	Budget Cost
Tennant MV-B5-0010 Burnisher	MISC	7,030
Subtotal for Department: 1190 HOUSEKEEPING		**$7,030**

Department: 1231 MIS

Description	Type	Budget Cost
Backup Software	MISC	2,486
MDM/OTA	MISC	6,000
Exchange Upgrade Expansion	MISC	5,584
Physician Document interface with QHN	MISC	5,000
SSO/VIEW licenses	MISC	28,000
Broadband Agreement with County	MISC	43,649
Office licenses	MISC	70,000
Fusion Voice Upgrade	MISC	3,420
Server Hosts	MISC	20,000
Subtotal for Department: 1231 MIS		**$184,139**

Department: 1310 ADMINISTRATION

Description	Type	Budget Cost
Contingency Capital	MISC	350,000
Additional Land	MISC	1,650,000
Staff Housing	MISC	280,000
General Surg Reno Office/Exam Rm for Plastics	MISC	40,000
Subtotal for Department: 1310 ADMINISTRATION		**$2,320,000**

Department: 1315 COMMUNITY OUTREACH

Description	Type	Budget Cost
Systemwide Artwork Upgrade	MISC	15,000
Subtotal for Department: 1315 COMMUNITY OUTREACH		**$15,000**

Department: 3161 PLANT MAINTENANCE

Description	Type	Budget Cost
New badge software and printer	MISC	3,073

© 2001- 2016 Premier Inc. All Rights Reserved www.premierinc.com

Gunnison Valley Health

All | All Responsibilities | Approved Only | Orig. Fy Req. = CapBud17 | Account = 11551000

Department: 3161 PLANT MAINTENANCE

Description	Type	Budget Cost
Wireless Panic Button	MISC	2,564
Subtotal for Department: 3161 PLANT MAINTENANCE		**$5,637**

Department: 3310 ADMINISTRATION

Description	Type	Budget Cost
Contingency Capital	MISC	20,000
Subtotal for Department: 3310 ADMINISTRATION		**$20,000**

Grand Total: $4,202,716

© 2001- 2016 Premier Inc. All Rights Reserved www.premierinc.com

Gunnison Valley Health

All | All Responsibilities | Orig. Fy Req. = CapBud18 | Account = 11551000

Department: 1017 RESPIRATORY THERAPY

Description	Type	Anticipated Purchase Date	Budget Cost	Priority
EKG Monitor for Cardiac Rehab	MISC	09/01/18	4,700	3
Subtotal for Department: 1017 RESPIRATORY THERAPY			**$4,700**	

Department: 1021 OPERATING ROOM

Description	Type	Anticipated Purchase Date	Budget Cost	Priority
Instrument Washer	MISC	01/08/18	89,500	5
Beach chair shoulder positioner	MISC	01/01/18	7,318	8
Lumen camera	MISC	01/01/18	20,118	11
Tile hallway outside OR offices to OR stockroom	MISC	01/01/18	5,000	12
Stryker Video system upgrade	MISC	01/01/18	223,971	13
Subtotal for Department: 1021 OPERATING ROOM			**$345,907**	

Department: 1022 RECOVERY ROOM

Description	Type	Anticipated Purchase Date	Budget Cost	Priority
Gurney	MISC	01/01/18	41,295	2
Subtotal for Department: 1022 RECOVERY ROOM			**$41,295**	

Department: 1023 EMERGENCY ROOM

Description	Type	Anticipated Purchase Date	Budget Cost	Priority
Glidescope Titanium Single Use System	MISC	01/01/18	13,866	1
Subtotal for Department: 1023 EMERGENCY ROOM			**$13,866**	

Department: 1025 LABOR DELIVERY

Description	Type	Anticipated Purchase Date	Budget Cost	Priority
Safe Place Infant Security System	MISC	01/15/18	41,542	1
X-Tenz Sleeper Chair	MISC	01/01/18	5,713	3
Subtotal for Department: 1025 LABOR DELIVERY			**$47,255**	

Department: 1032 MATERIALS MANAGEMENT

Description	Type	Anticipated Purchase Date	Budget Cost	Priority
RX/STORAGE DOOR REDESIGN	MISC	01/01/18	12,400	1
OR ROOM SHELVING	MISC	08/01/18	36,467	4

© 2001- 2016 Premier Inc. All Rights Reserved www.premierinc.com

Gunnison Valley Health

All | All Responsibilities | Orig. Fy Req. = CapBud18 | Account = 11551000

Subtotal for Department: 1032	**MATERIALS MANAGEMENT**	**$48,867**

Department: 1041 LABORATORY

Description	Type	Anticipated Purchase Date	Budget Cost	Priority
BLOOD BANK REFRIGERATOR	MISC	03/30/18	8,000	4
CELL WASHER	MISC	09/20/18	7,800	8
INCUBATOR CO2 FOR MICROBIOLOGY	MISC	02/18/18	5,400	9
STAT SPIN CENTRIFUGE	MISC	01/31/18	3,040	10
PHLEBOTOMY CHAIR	MISC	03/22/18	3,665	12
Subtotal for Department: 1041	**LABORATORY**		**$27,905**	

Department: 1048 ANESTHESIOLOGY

Description	Type	Anticipated Purchase Date	Budget Cost	Priority
Anesthesia EMR	MISC	01/01/18	12,000	2
Subtotal for Department: 1048	**ANESTHESIOLOGY**		**$12,000**	

Department: 1050 MAMMOGRAPHY

Description	Type	Anticipated Purchase Date	Budget Cost	Priority
Hologic 3D mammography system	MISC	02/01/18	430,000	1
Subtotal for Department: 1050	**MAMMOGRAPHY**		**$430,000**	

Department: 1054 AMBULANCE/EMS

Description	Type	Anticipated Purchase Date	Budget Cost	Priority
EMS Barn Addition	MISC	04/01/18	464,850	2
Subtotal for Department: 1054	**AMBULANCE/EMS**		**$464,850**	

Department: 1058 CT

Description	Type	Anticipated Purchase Date	Budget Cost	Priority
3D workstation and calcium scoring package	MISC	01/02/18	125,000	1
Full Cardiac CT package	MISC	07/01/18	150,000	2
Subtotal for Department: 1058	**CT**		**$275,000**	

© 2001- 2016 Premier Inc. All Rights Reserved www.premierinc.com

Gunnison Valley Health

All | All Responsibilities | Orig. Fy Req. = CapBud18 | Account = 11551000

Department: 1060 MRI

Description	Type	Anticipated Purchase Date	Budget Cost	Priority
Breast Coil	MISC	10/02/18	100,000	1
Subtotal for Department: 1060 MRI			**$100,000**	

Department: 1161 PLANT MAINTENANCE

Description	Type	Anticipated Purchase Date	Budget Cost	Priority
Diagonal Handicap Parking at the Main Entrance	MISC	04/01/18	35,000	6
Additional parking spaces on the East Lot	MISC	04/01/18	60,000	10
Subtotal for Department: 1161 PLANT MAINTENANCE			**$95,000**	

Grand Total:		**0**	**$1,906,644**

© 2001- 2016 Premier Inc. All Rights Reserved www.premierinc.com