**Exhibit C**

**Office of Attorney General**

**6. Please identify categories of expenses that have grown a) 5% or more and b) 10% or more from 2010 to 2012.**

As requested in your letter dated August 23, 2013, below please find Harrington Memorial Hospital’s response to Question 6 in Exhibit C. Please note that we have included only the expense categories that have changed greater than 5% between FY 2010 and FY 2011, as well as expense categories that changed greater than 10% between FY 2010 and FY 2012.

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|  | **FY**  **2010** | **FY**  **2011** | **%**  **Change** |  | **FY**  **2010** | **FY**  **2012** | **%**  **Change** |
| Salaries & Wages | $46,306,067 | $49,702,324 | 7.33% |  | $46,306,067 | $52,577,073 | 13.54% |

Over the time period of FY 2010 to FY 2011 and FY 2010 to FY 2012, the Hospital’s Salaries & Wages expense increased by $3,396,257 (7.33%) and $6,271,006 (13.54%), respectively. During this 2 year time period the Hospital had an annual merit program in effect that awarded individuals with a 2% increase in wages. In addition, the Hospital also provided for a market rate adjustment to various clinical positions in the Hospital to remain competitive with surrounding providers. This market rate adjustment amounted to approximately $1,000,000 in wage increases. Also contributing to the increase in wages during this time period was an increase in Information Technology staff to meet & maintain new meaningful use guidelines and ongoing support of electronic medical systems ($514,000), employment of new Emergency Room Physicians ($817,000) to meet requirements established by the Department of Public Health that board certified physicians manage the Hospital’s Emergency Departments in Southbridge and a free standing facility in Webster, expansion of service offerings (Wound Care Center ($203,000), Sleep Lab Clinic ($179,000) and Suboxone Clinic ($241,000), as well as growth of existing service offerings at the main facility &/or into new facilities.

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|  | **FY**  **2010** | **FY**  **2011** | **%**  **Change** |  | | **FY**  **2010** | **FY**  **2012** | **%**  **Change** |
| Direct Fringe Benefits | $10,803,949 | $10,599,581 | -1.89% |  | $10,803,949 | | $12,222,485 | 13.13% |

Over the time period of FY 2010 to FY 2011 and FY 2010 to FY 2012, the Hospital’s Direct Fringe Benefits expense decreased by $204,368 (-1.89%) and $1,418,536 (13.13%), respectively. Approximately $515,000 of the increase from FY 2010 to FY 2012 pertains to increased employee health insurance costs resulting from the elimination of high deductibles and employees seeking care. Contributing to the increased health insurance costs for the Hospital was the addition of new participants to the prescription insurance plan that required high cost pharmaceuticals, as well as the incurrence of several high cost health insurance cases. Also contributing to the increase in Direct Fringe Benefits was increased FICA tax expense ($374,000) and Unemployment Insurance costs ($140,000). The increase in FICA tax expense is attributable to the above mentioned increase in Salaries & Wages, while the increase in Unemployment Insurance costs is primarily due to a reduction-in-force plan that the Hospital put in place at the end of FY 2012.

Please note that no explanation for FY 2010 to FY 2011 fluctuation was done, as it does not meet the requested 5% increase from year-to-year.

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|  | **FY**  **2010** | **FY**  **2011** | **%**  **Change** |  | **FY**  **2010** | **FY**  **2012** | **%**  **Change** |
| Clinical Supplies | $9,818,314 | $11,826,052 | 20.45% |  | $9,818,314 | $12,339,237 | 25.68% |

Annual Clinical Supply costs have increased $2,007,738 (20.45%) from FY 2010 to FY 2011 and $2,520,923 (25.68%) from FY 2010 to FY 2012. Approximately 45% of the increase from FY 2010 to FY 2011 and 48% of the increase from FY 2010 to FY 2012 pertains to increased pharmaceutical costs. The primary reason for the increase in pharmaceutical costs is due to the Hospital opening a new Cancer Center in FY 2010. With the opening of the Cancer Center, oncology pharmaceutical purchases increased $381,000 from FY 2010 to FY 2011 and $590,000 from FY 2010 to FY 2012. The balance of the increase in Clinical Supplies pertains to Medical / Surgical supply purchases & Laboratory Reagent test costs, which is primarily due to increased business volumes in the Hospital.

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|  | **FY**  **2010** | **FY**  **2011** | **%**  **Change** |  | **FY**  **2010** | **FY**  **2012** | **%**  **Change** |
| Facility Costs | $4,142,227 | $4,471,570 | 7.95% |  | $4,142,227 | $5,018,264 | 21.15% |

Annual Facility Costs have increased $329,343 (or 7.95%) from FY 2010 to FY 2011 and $846,037 from FY 2010 to FY 2012. In the spring of 2010, the Hospital began offering Primary Care Services at a new outpatient facility in Charlton, MA. This lease accounted for $129,000 of the increase from FY 2010 to FY 2011 and $265,000 of the increase from FY 2010 to FY 2012. The balance of the increase in expense totals pertains to smaller rental agreements for outreach facilities that offered community services such as Substance Abuse support and Women, Infant & Children’s Program (WIC).

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|  | **FY**  **2010** | **FY**  **2011** | **%**  **Change** |  | **FY**  **2010** | **FY**  **2012** | **%**  **Change** |
| Depreciation | $6,927,838 | $8,291,233 | 19.68% |  | $6,927,838 | $8,726,596 | 25.96% |

During the time period of FY 2009 thru FY 2012, the Hospital made $38,946,903 in capital acquisitions/improvements to the property, plant and equipment of the Hospital. As a result of these acquisitions/improvements, the Hospital was able to maintain its average age of plant at approximately 7 years (note that in FY 2008, the average age of plant was approximately 10 years). Some of the major acquisitions/improvements consisted of a $13,550,000 renovation of the North Wing in the main facility, $2,500,000 in leasehold improvements at a new outpatient medical facility, $1,600,000 in leasehold improvements for a new Cancer Center and $8,800,000 in various software implementations and upgrades to achieve electronic medical records and meaningful use status.

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|  | **FY**  **2010** | **FY**  **2011** | **%**  **Change** |  | **FY**  **2010** | **FY**  **2012** | **%**  **Change** |
| Equipment Costs | $3,378,623 | $3,615,692 | 7.02% |  | $3,378,623 | $4,151,326 | 22.87% |

Annual Equipment Costs have increased $237,069 (7.02%) from FY 2010 to FY 2011 and $772,703 (22.87%) from FY 2010 to FY 2012. The growth in expenses for this category is due to increased facility/equipment maintenance agreements, as well as software maintenance agreements. As noted above, the Hospital made significant investments in capital equipment during the time period being analyzed. The growth in maintenance agreement expenses is directly related to the new capital acquisitions/improvements.

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|  | **FY**  **2010** | **FY**  **2011** | **%**  **Change** |  | **FY**  **2010** | **FY**  **2012** | **%**  **Change** |
| Professional Services | $8,164,555 | $9,818,654 | 20.26% |  | $8,164,555 | $9,561,482 | 17.11% |

Annual Professional Services expenses have increased $1,654,099 (20.26%) from FY 2010 to FY 2011 and $1,396,927 (17.11%) from FY 2010 to FY 2012. In FY 2011, the Hospital began subsidizing the Hospitalist program that is administered by a related Physician Group. In FY 2011, the subsidy amounted to $1,162,482 (or 14% of the increase) and in FY 2012 the subsidy amounted to $1,342,522 (or 16% of the increase). In addition to the subsidy, the Hospital also incurred additional professional service fees community based projects/initiatives and staff recruitment services.

**Exhibit C**

**7. Please describe and submit supporting documents regarding any programs you have that promote health and wellness (hereinafter “wellness programs”) for (1) patients for whom you are the primary care provider; (2) patients for whom you are not the primary care provider; and (3) employees. Include in your response the results of any analyses you have conducted regarding the cost benefit of such wellness programs.**

Harrington HealthCare System has an active health and wellness program in the communities it serves in Southern Worcester County. Harrington’s Health and Wellness Coordinator, in tandem with three per-diem employees, hold health education and health screenings throughout the 17-community area. For the period from Jan. 1, 2013 through Sept. 19, Harrington attended 65 wellness events in the community, reaching 3,388 individuals. The Harrington Wellness team conducted blood pressure screenings at 31 of the events, conducting approximately 25 to 30 screenings at each event, for a total of approximately 800 blood pressure screenings. Harrington conducted glucose screenings at 16 of these events. These events range from community senior center fairs to the Cops ‘N Kids program for at-risk youth in Southbridge to fairs in the Hispanic community, such as the Latino Festival in Webster to community events such as Charlton Old Home Day.

Many of these screenings are done out of a medically equipped 35-foot recreational vehicle, called Harrington On Wheels, Mobile Health Unit. At a typical event with Harrington on Wheels, the Wellness Team will conduct sessions on proper nutrition, hand washing, diabetes, heart health and lyme tick disease education. Each year in November, Harrington on Wheels attends a church bazaar in Southbridge and administers free flu shots to those who do not have health insurance. The hospital also brings along a bilingual financial counselor who helps those without insurance with paperwork to apply for insurance. Harrington on Wheels also makes two regular stops a month at public gathering places – the parking lot of the Big Bunny supermarket in Southbridge and the Price Chopper supermarket in Spencer – and administers health screenings and advice on health and wellness.