

Review of hospital decision options

9/15/16

Outstanding considerations to evaluate as part of the budget review:

- a) Did they meet 2015 actual budget performance?
- b) What is the level of rate request?
- c) Are the bad debt/free care estimates valid?
- d) Do you accept the reported health care reform investments?
- e) Review other considerations (see page 2)

Copley

Issue of Act 15

They exceeded the budget by \$3.6 million.

The increase was related to higher reimbursement and utilization.

The effect was to improve the operating surplus from 2.6% to 6.2%.

2017 Budget testimony

Significant increase in labor costs, driving need for a larger NPR. Primarily turnover, union contract, and temp costs causing overall pressure on costs. Budget assumes continued utilization growth as last 3 years plus adjustment for a vacant surgeon. The operating surplus is close to \$0 and there was no rate request. Requested "rebase" of 2016 budget to support 2017 Budget NPR level. Request based upon utilization incurred in 2016 and expected utilization/reimbursement improvement. The Board was concerned about the budget and asked for an additional meeting with Copley to address outstanding budget concerns.

Copley resubmitted budget – see letter dated 9/7/2016.

Copley submitted additional information on 9/14/2016. Response to questions raised by GMCB at 9/8/2016 public hearing.

Recommended option

Approve Copley original budget as is with requested rate increase of 0%. Requirements in Order to include:

- a) Prepare a three year financial and strategic plan.
- b) Complete documentation for Board questions as identified on 9/8/2016.
- c) Present an updated budget to the GMCB in October/November to address outstanding questions to be sent by the GMCB.

Other budget considerations

Variance analysis

Did hospital exceed 3.0%?

Is the variance explained by:

health care reform of 0.4%?

physician transfer?

unusual event or circumstance?

If variance not explained:

Is variance described as:

Is it a rebase request? Rationale?

Is it an operating surplus increase?

2016 utilization? Other?

Recent trends

What is the hospital's recent trends in rate?

What is the hospital's recent trends in NPR?

Budget to budget Actual to actual

What has the budget to actual performance been?

Examination of a variety of key metrics.

Other factors

Unusual cost issues

What is the financial health of the hospital?

External state and community issues