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Copley Hospital FY 2017 Revised Budget

To Green Mountain Care Board
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Presented by:

Art Mathisen, Chief Executive Officer

Rassoul Rangaviz, Chief Financial Officer

FY17 Proposed Budget Adjustments

- ▶ Incorporated more recent actual trends thru FY16
- ▶ Mgmt team asked to identify achievable cost savings
- ▶ Propose \$777k reduction to approved expenses:
 - Reduction in use of temporary staff
 - Not filling open provider position
 - Supply chain management
 - Re-prioritized capital spending
- ▶ Propose \$690k reduction to approved NPR
 - 3.7% Rate Reduction
 - Impact of FY16 actual utilization (↑IP Utilization)
- ▶ Operating margin of 0.5%



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FY17 Proposed Variance from CON

- ▶ CON projections from 2015 were based on FY16 budget
- ▶ FY16 actual budget variances due to:
 - Increased inpatient utilization (primarily orthopedic)
 - Increases in chargeable supplies and drugs related to utilization
 - Unplanned labor costs related to retention, recruitment, travelers, and locum providers
- ▶ FY17 proposed budget incorporates FY16 variances
 - NPR ↑3.2% from CON projections
 - Expenses ↑4.1% from CON projections



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Long-term Plan

- ▶ Strategic cost reduction plan includes:
 - Gradually implement recommendations from workforce efficiency assessment performed by Quorum
 - Continue efforts to reduce temporary staff by recruiting locally or growing our own
 - Continue efforts to improve supply chain management and negotiations with vendors
 - Preliminary savings potential estimated at \$2.3M by FY19
- ▶ Cost savings will be offset by additional costs for CON, inflation, and utilization
 - Annual expense growth contained below NPR growth cap
 - Gradual improvement in operating margin



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Questions?

Thank you for your consideration