COPLEY HOSPITAL
FY 2019 BUDGET SUBMISSION
RESPONSE TO GMCB QUESTIONS
August 10, 2018

1. **Have the hospital's projections for FY2018 changed?**

   After reviewing actual results for another month since our last reporting, we do not anticipate that the FY18 results will be materially different than originally projected. Copley generated an operating loss of $1.3 million for the first 9 months of FY19 and continues to project an operating loss of $1.8 million for the full fiscal year.

2. **Bad Debt is increasing while Free Care is decreasing; please explain the factors contributing to those changes, including policy changes if any.**

   There have been no changes to Copley's collections or financial assistance policies. The FY19 proposed budget for bad debt and charity care reflects an update based on our current actual experience, which can fluctuate. In total, bad debt and charity care write-offs are proposed to be 2% of gross patient revenue, relatively flat compared to 2.1% budgeted in FY18. This results in an increase in proposed net patient revenue of only $19 thousand.

3. **Please explain the calculation of the estimated value of a 1% rate/price increase; the hospital's estimate varies from the GMCB staff estimate.**

   In the "1% Calculation" tab of the Rate Schedule, Copley provided a detailed calculation of the approximate impact of a 1% rate increase. For simplicity, we provided a broad estimate based on the assumption that the 1% rate change would be applied to all services across-the-board evenly. Following is a summary of that calculation result; please refer to the Rate Schedule for more details:

1% of Total Gross Charges	$ 1,184,629
Multiplied by % of Charges that are Rate-Sensitive	47.4%
Multiplied by Payment % on Rate-Sensitive Charges	75.8%
Equals NPR Impact of 1% Rate Change	$ 425,883

   Copley's proposed FY19 budget does not reflect an across-the-board rate increase to all services. Our proposal includes a 12.5% increase in chargeable supplies and drugs to address related cost pressures, with a 6% across-the-board increase for all other services, resulting in a blended-average rate increase of 7.9%. Copley estimates that these rate changes will yield an additional $3,104,535 in net patient revenue. This estimate was calculated utilizing a detailed modeling tool that considers the pricing of specific products and services and their respective payer mix in order to calculate a more precise estimate than the broad calculation for an across-the-board rate change.

   The GMCB staff reported the impact of a 1% rate increase to be $392,979, which is the result of dividing Copley's estimated NPR impact of $3.1 million by our proposed blended-average rate increase of 7.9%. This methodology assumes that Copley's propose rate change is applied across-the-board to all services, which it was not.

4. Please provide more specificity about what is included in Other Operating Expense for FY2017 Actuals, FY2018 Budget FY2018 Projections, and FY2019 Budget, and explain the variation from year to year.

The following table details the composition of Other Operating Expenses at Copley:

Other Operating Expenses	Actual FY2017	Budget FY2018	Projected FY2018	Proposed FY2019	Proposed Change	% Change
Contracted Labor-Non MDs	$2,128,790	$1,184,547	$2,059,346	$1,183,069	-$1,478	-0.1%
Non-Chargeable Supplies	$3,151,958	$3,320,857	$3,170,729	$3,399,125	$78,268	2.4%
Chargeable Supplies	$6,636,384	$6,811,486	$7,087,708	$7,418,002	$606,516	8.9%
Chargeable Drugs	$2,876,871	$2,616,358	$3,102,022	$3,346,605	$730,247	27.9%
Repairs	$1,242,277	$1,354,623	$1,263,616	$1,274,233	-$80,390	-5.9%
Dues, Subs, Education & Travel	$582,071	$676,729	$632,536	$681,850	$5,121	0.8%
Lease	$734,559	$752,478	$747,026	$819,293	$66,815	8.9%
Utilities	$1,022,844	$1,141,582	$1,053,560	$1,059,547	-$82,035	-7.2%
Insurance	$1,148,237	$1,301,769	$1,230,491	$1,285,099	-$16,670	-1.3%
Purchased Services	$3,286,036	$3,620,674	$3,613,564	$3,676,659	$55,985	1.5%
Total Other Operating Expenses	$22,810,027	$22,781,103	$23,960,598	$24,143,482	$1,362,379	6.0%

Major cost pressures contributing to the expense growth over the last few years relates to continued challenges with recruitment and retention of skilled staff, increased need for contracted labor, and increases in chargeable supplies and drugs related to increased inflation and utilization.

We continually focus on recruitment and retention of skilled staff and reducing our need for contracted labor, particularly in our nursing units. Copley performed a market analysis of compensation and adjusted the range of pay to be able to attract and also retain our nursing and other clinical staff. We have been working to grow our workforce from within, providing cross-training opportunities. We have developed relationships with Vermont colleges and have recruited newly graduated nurses into our workforce. We have had to utilize travelers to provide coverage during new employee orientation and cross-training, but hope that these investments in training will result in the eventual reduction of travelers. Traveler positions are also necessary to cover unexpected family and medical leaves of absence, so we do not expect to ever eliminate travelers entirely.

During FY17, we were successful in renegotiating deeper discounts on certain chargeable supply costs. For example, we have achieved a 20-35% reduction on certain orthopedic implant costs which we estimate to be at least $500 thousand in savings. However, the additional cost of increased implant utilization over these three years is outpacing the savings we were able to achieve.

Copley continues to face significant inflationary pressure related to drug costs, exacerbated by increased drug shortages. We achieve an estimated annual savings of over $100 thousand from participation in 340(b) drug pricing for our eligible outpatients, but these savings only scratch the surface of inflation rates often in the double digits. Oncology drugs, in particular, account for $393 thousand of the total growth in drug costs in the proposed FY19 budget, a 34% increase.

Overall, we have been successful in containing the growth of other expenses. We continue to focus on opportunities to improve efficiency, reduce costs strategically, and further develop a culture of ownership that embeds cost management into the mindset of all of our staff.

5. **Please explain factors related to the high and increasing FTEs per Adjusted Occupied Bed, and describe the hospital's response to the results for that metric.**

   FTEs per Adjusted Occupied Bed is proposed to increase 4.7%, from 9.3 FTEs in the approved FY18 budget to 9.7 FTEs in FY19. Inpatient utilization is proposed to decrease slightly, reducing the acute occupancy rate by 2%, while our FTEs are proposed to remain relatively flat from the FY18 approved budget, decreasing 0.2 FTEs overall. Copley's proposed FY19 staffing includes a reduction of 2.1 FTEs related to lower utilization and cost savings initiatives reducing support staff by 5.4 FTEs and midlevel providers by 1.2 FTEs. These reductions are offset by staffing increases totaling 8.5 FTEs related to health reform, strategic and other investments, such as social work and case management, nursing education and training, RiseVT support staff, practice management support staff, and midlevel support for our hospitalist and anesthesia programs.

6. **Has Copley considered the Women's Center as a potential Medication Assisted Treatment provider for women with substance use disorder?**

   The Women's Center has considered their level of involved with treatment for women with substance abuse disorders several times in the past couple of years. As specialists in Women's Health Care (Maternity, OB/GYN, Menopause, etc.) we concluded that the requirements for a successful MAT Program were not within the scope of our care. These requirements include, but are not limited to, specific DEA qualifications for providers to prescribe treatment medications, dedicated counseling services to accompany the chosen treatment plan, processes and procedures for compliance testing for participants in the program, and a dedicated Patient Advocate.

   However, to ensure that any identified patient with a potential substance use concern has every opportunity to participate in a MAT program, The Women's Center has successfully worked closely and collaboratively with the local FQHC, Community Health Services of Lamoille Valley (CHSLV). CHSLV offers the specialized MAT program with the necessary supporting personnel and program options and is conveniently local to our patient population. Our collaboration is supported by the Vermont Blueprint for Health-Women's Health Initiative. A part time social worker facilitates the necessary referrals, participates in continued support between the patient and community services, and ensures that continued women's health care is occurring when necessary. This relationship between both organizations has been fostered over several years, creating a clear patient referral process, open communication, and mutual patient review practice.

7. **Adolescent Well Care Visits and ED Growth Rate for Mental Health and Substance Abuse-Related Visits are two of the measures in Vermont's All-Payer ACO Model Agreement. The Morrisville health service area appears to have performance for those two measures that is below state averages (higher rates are better for Adolescent Well Care Visits, and lower rates may be better for the ED Growth Rate measure. Are there any specific efforts to improve rates for those measures at the hospital (potentially in conjunction with community partners)? If so, please describe.**

   Many of the quality measures are rooted in primary care. In our service area, primary care is delivered by two FQHCs and independent providers, with lab, imaging, and specialty care services

provided by the hospital. For Copley, primary care is often addressed in our ED, supported by a collaborative relationship with a network of community providers, social service agencies, town officials and business leaders to address patient needs.

Copley Hospital tracks patient encounters in the ED where there is a suspicion of substance abuse, abuse, neglect and/or vulnerability within various social determinants of health. Specific to pediatrics, in FY18 YTD, we had 1,939 pediatric patient visits in our ED. Of those, Copley's social worker identified 6 pediatric patients meeting vulnerability criteria. Via our social worker in the ED, these patients were referred to appropriate community resources for assistance. We also screen all patients for a connection to a Primary Care Provider. YTD in FY18 Copley has made 483 referrals for patients of all ages to connect with a Primary Care Provider. Of those, Copley's social worker has referred 8 pediatric patients specifically to Appleseed Pediatrics, a practice owned by the Federally Qualified Health Care Center Community Health Services of Lamoille Valley. We are unable to capture how many pediatric referrals were made to local family practitioners.

In FY19, our UCC Unified Community Collaborative is expanding to create a pediatric Community Health Team (CHT) position to be a resource for pediatric patients seen by family practitioners. Copley is adding a referral specialist in our ED in FY19 in collaboration with CHSLV who will work with our social worker and all CHTs in the area to enhance screening of pediatric and adult patients and provide referral and timely follow up to ensure access and monitoring of the patient plan of care.

For 2015-2016, our health service area saw a 13% increase in mental health and substance abuse related visits compared to a 6% increase statewide. In Copley's ED for 2016-2017, we saw a 8.5% increase in volume, and at this time we are on track YTD FY18 to see a 12% increase from FY17. That amounts to a 20% increase in the past two years of mental health admissions to the ED.

Within that FY18 statistic are four unique patients who each waited over 100 hours to be placed in an appropriate acute care facility. In FY17 our longest length of stay (LOS) in the ED was 100 hours. In FY18 YTD, our longest LOS was 197 hours. In addition to a higher volume of patients in mental health crisis, we are seeing an increase in the length of stay due to access issues to an appropriate acute care facility.

Copley Hospital does not provide inpatient care for Mental Health disorders but occasionally will admit patients for medical stabilization that have a secondary need for mental health care; an overdose patient is a good example. Our practice model relies on our partnership with Lamoille County Mental Health and other regional agencies to provide crisis intervention for this patient demographic.

We have updated a patient room in the ED to provide a safe and therapeutic environment and will evaluate the need and feasibility of creating additional safe rooms. Also in response to this mental health crisis, Copley has created and staffs a sitter program to assist in meeting patient care requirements until appropriate placement. As of 3rd quarter FY18, we have provided 1,306 sitter hours with patients, already exceeding FY17's total hours of 1,295.

Copley Hospital partners with Alcohol Substance Abuse and Prevention (ASAP) through Lamoille County Mental Health (LCMH), Community Health Services of Lamoille Valley's (CHSLV) Medication Assisted Treatment (MAT) Team, North Central Vermont Recovery Center and the BAART Clinic when a patient expresses interest in receiving help in their recovery. Our social worker provides referrals and helps interested patients become established with CHSLV's Behavioral Health and Wellness Center, the ADAP preferred provider for substance abuse services in area.

In FY19 this work will continue with the referral specialist in our ED. With this additional resource, along with staff education and training, and implementation of new protocols, we plan to enhance our screening for suicide, mental health and substance abuse in the ED patient population. We will continue to refer patients to appropriate community organizations equipped to address biopsychosocial treatment and support for patients seeking recovery and/or mental health assistance, with timely follow up to ensure access and monitoring of the patient plan of care.

Many of the health needs reflected in the quality measures cannot be solved with clinical care alone. Addressing these needs require changes in the social determinants of health and human behavior. As we have learned from our collaborative quality improvement work, the resources available are not adequate to address the need. Our partner organizations working to address these issues have been level- or under-funded for years. This is our largest barrier. Our collective challenge is how to address mental health and social determinants of health in a meaningful, sustainable way and without distorting the true cost of hospital care.