



Copley Health Systems

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April 25, 2019

Kevin Mullin, Chairman
Green Mountain Care Board
89 Main Street
Montpelier, VT 05620

RE: Copley Hospital FY2019 Mid-Year Rate Change Request

Dear Chairman Mullin,

In support of improving the hospital's financial health, I am writing to request that the Green Mountain Care Board (GMCB) approve an average charge increase of 3.5% effective June 1, 2019. If approved, we estimate this rate increase would generate approximately \$400 thousand in net patient revenue over the remainder of FY2019 and approximately \$1.2 million on an annualized basis.

Copley Hospital has experienced a very difficult series of events at the end of FY2018 that has challenged our financial health. Our pediatric dental surgeon experienced a life threatening illness and as a result is no longer practicing. One of our highly productive orthopedic surgeons also experienced a life threatening illness and will be out at least through the end of this fiscal year. The loss of our orthopedic surgeon equates to over \$5 million in net patient revenue on an annual basis. We have implemented a plan to help meet the needs of the orthopedic surgeon's existing patients, but these vacancies challenge our ability to meet our budgeted utilization. Our current forecast of FY2019 indicates that net patient revenue may be \$2 million (2.9%) under the GMCB-approved budget.

We are currently forecasting an operating loss of \$1.2 million for FY2019, marking it the fourth year in a row generating a loss from operations. Copley has worked diligently on expense reduction over the past three fiscal years. To-date, we have achieved \$2.3 million in cost savings of the \$3.8 million in savings built into our FY2019 budget. Additional cost controls measures were implemented in the summer of 2018, successfully containing expenses to come in under budget by 1.7% as of March 31, 2019. We also are very close to signing an agreement to join the New England Alliance for Health (NEAH). One of NEAH's core services is utilizing purchasing leverage to help contain health care costs. We don't expect to begin realizing savings from NEAH until FY2020. Thus, a budget modification for the remaining months of this fiscal year is necessary to help improve Copley's financial health and bridge the revenue gap as a result of the unexpected life events described above.

In the last four years, Copley has contributed significantly to bending the cost curve by reducing rates by 6.6%. If approved, this 3.5% rate increase would result in a four-year cumulative rate decrease of 3.1%. Copley would remain the single largest contributor to the reduction of health care prices in the state over these last four years, despite being a critical access hospital that accounts for less than 3% of the state's total NPR. Therefore, we believe this rate change request is reasonable and necessary to support the financial health of Copley and our ability to continue to provide access to high quality care in our community.

On behalf of Copley Hospital, I ask the GMCB to approve our budget modification request to help with our current financial situation. Please contact me with any questions or request for additional information.

Respectfully,

A handwritten signature in black ink, appearing to read 'Art Mathisen', written over a horizontal line.

Art Mathisen
Chief Executive Officer