



## Copley Health Systems

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September 12, 2017

Andy Pallito, Director of Health Systems Finance  
 Green Mountain Care Board  
 89 Main Street  
 Montpelier, VT 05620

RE: Proposed Revision to FY18 Budget Submission

Dear Mr. Pallito:

Copley Hospital respectfully submits a proposed revision to its FY18 budget submission, reflecting our continued commitment to cost containment. The original budget submitted to the GMCB contained \$1.5 million in cost savings goals, excluding physician transfers. While we believe this level of savings is realistic and attainable, we are willing to take on additional risk and commit to more aggressive cost savings for FY18.

Copley proposes to reduce its FY18 budgeted net patient revenue by \$1 million, including a 2.1% rate reduction, and proposes to reduce expenses by an additional \$776 thousand. These additional cost savings are related to a reduction in travelers, better claims experience on health insurance, and management of high cost supply utilization. The following table illustrates our proposed revisions and their impact on the FY18 financial results:

	Submitted BUD18	Proposed BUD18	Proposed Adjustments
Net Patient Revenue	\$ 69,663,508	\$ 68,643,747	\$ (1,019,761)
Other Operating Revenue	1,348,615	1,348,615	-
Total Operating Revenue	\$ 71,012,123	\$ 69,992,362	\$ (1,019,761)
Expenses	70,072,338	69,296,655	(775,683)
Operating Surplus (Loss)	\$ 939,785	\$ 695,707	\$ (244,078)
Non-Operating Revenue	370,900	370,900	-
Total Surplus (Loss)	\$ 1,310,685	\$ 1,066,607	\$ (244,078)
Rate Change	0.0%	-2.1%	
Net Patient Revenue Growth	7.5%	5.9%	
Expense Growth	6.2%	5.0%	
Operating Margin	1.3%	1.0%	
Total Margin	1.8%	1.5%	

This proposed adjustment brings our total cost savings goal to \$2.3 million for FY18, totaling over \$3 million in two years. With FY18, Copley will have reduced our rates nearly 10% cumulatively over three years, keeping our operating margin at less than a penny on the dollar. This is a significant undertaking for a hospital our size. As such, we respectfully request that the GMCB approve Copley's revised FY18 budget as proposed above. Please let us know if you have any further questions.

Sincerely,

Art Mathisen  
 Chief Executive Officer

