



528 Washington Highway
Morrisville, VT 05661
(802) 888-8888
www.copleyvt.org

August 30, 2017

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

Dear Mr. Pallito:

Thank you for your recent email dated August 25, 2017. We appreciate the opportunity to provide you with the additional information you requested related to our new health care reform investment and the financial impact of complying with the 3.4% cap on net patient revenue (NPR) growth.

New Health Care Reform Investment

Please refer to the attached spreadsheet providing the requested itemized details of Copley's new health care reform investment. Copley's submitted net patient revenue includes a request for an allowance of \$32,500 to fund a social worker position in Emergency Services. This new investment contributes to population health goals and goals of the All Payer Model, including reducing preventable hospital visits and increasing access to primary care and other resources to treat mental health and substance abuse-related conditions.

Copley will also join Rise Vermont (RiseVT). We feel that this collaborative will provide the infrastructure and proven strategies to effectively engage our community and also measure the great work being done. Copley will be one of the few non-risk hospitals to join in this collaborative movement to embrace healthier lifestyles. We are not currently requesting additional NPR in FY2018 to fund this investment. It is our hope that we can reallocate some of our current wellness investments to fund the RiseVT program, but may need to make a request for funding in future years.

Financial Impact of Complying with 3.4% Cap on NPR Growth

Below is a table summarizing the impact on Copley's financial results and key ratios should our NPR be capped at 3.4% growth.

	Submitted	3.4% Cap
Net Patient Revenue	\$69,663,508	\$67,023,262
Other Operating Revenue	1,348,615	1,348,615
Total Operating Revenue	\$71,012,123	\$68,371,877
Expenses	70,072,338	70,072,338
Operating Surplus (Loss)	\$ 939,785	\$ (1,700,461)
Non-Operating Revenue	370,900	370,900
Total Surplus (Loss)	\$ 1,310,685	\$ (1,329,561)

Expert Care with a Personal Touch

	Submitted	3.4% Cap
Operating Margin	1.3%	-2.5%
Total Margin	1.8%	-1.9%
LT Debt to Capitalization	20.2%	21.3%
Days Cash on Hand	83.0	69.8

Should Copley's NPR be adjusted to the 3.4% cap, NPR would be reduced by \$2.6 million. This would generate a \$1.7 million operating loss and cash on hand of less than 70 days – the lowest in the State – putting Copley's financial stability at risk. We have a fiduciary duty to safeguard the financial position of the hospital so that we can continue to meet the demand for high quality essential health care services in our community.

The following are reasons why Copley's FY2018 budget should be approved as submitted:

- We propose no rate increase and no impact on Commercial rates
- We have committed to over \$2.6 million in cost savings over the last two years
- We propose no capital acquisitions over \$250,000 in FY2018 and have a track record of prudent investments in capital replacements and facility improvements over the years
- Our proposal includes a minimal operating margin of only a penny on the dollar to sustain our cash position
- Patients choose to come to Copley, increasing the demand for Copley's high quality services
- The VT health care system as a whole has a three-year average annual NPR growth of 3.4%

Copley has demonstrated its commitment to bending the cost curve by keeping its rates low. Copley's FY2018 NPR budget proposes no rate increase and no impact on Commercial rates. Over the last three years, Copley has reduced rates by 7.7% cumulatively – the largest 3-year reduction of all the hospitals in the State. In FY2018, the price for many of Copley's services will be lower than the system average.

Copley has committed to over \$2.6 million in cost savings over the last two years, which is no small feat for a hospital of our size. However, patient demand for Copley's high quality services continues to increase – this increases our costs. Copley cannot realistically commit to any cost savings beyond the \$1.8 million in FY2018 without impairing local access to essential health care services.

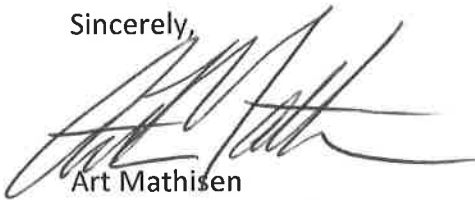
In addition to our commitment to cost containment, Copley has very prudently invested in capital replacements and facility improvements over the years without taking on much debt – and we will continue to do so. The submitted FY2018 capital budget does not include any capital acquisitions over \$250,000 as we are developing a master plan to prioritize facility, technology, and equipment needs in the coming years. We already face difficult decisions in prioritizing our needs with limited cash generated from a minimal operating margin of only a penny on the dollar.

Copley has an excellent reputation for providing high quality patient care that continues to draw more patients from outside our primary service area. Patients have a right to choose where they receive health care services. We propose to keep the revenue generated from the growing demand for Copley's high quality services. We believe this is reasonable given the VT health care system as a

whole is meeting the Board's NPR cap, with a three-year average annual NPR growth of 3.4%. Strict enforcement of the 3.4% NPR cap at the individual hospital level does not account for shifts in market share and the patients' right to choose, providing an unfair advantage to those hospitals that may be losing market share.

Copley proposes to generate a minimal operating margin by keeping the revenue generated from our utilization growth, leaving rates unchanged. This enables us to sustain our Days Cash on Hand and preserve local access to essential health care services. We believe this is a reasonable request as Copley has decreased its rates by 7.7% cumulatively over the last three years and our current proposal includes no impact on Commercial rates. We have committed to significant cost savings while continuing to meeting growing demand for our high quality health care services at a reduced rate. In this time of uncertainty both at the Federal and State level, Copley must safeguard its financial position. As such, we respectfully request that the GMCB approve Copley's FY2018 budget as submitted.

Sincerely,

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

Art Mathisen
Chief Executive Officer

Copley Hospital
 Total Health Care Reform Investment for 2018: \$32,500

Per GMCB budget guidance, indicate which of the health care reform criteria the investment meets

	Activities, investments, or initiatives within the 0.4% health care reform investment	Allocation for the investment	Was this activity in last year's budget?	If yes, describe how the 2018 investment differs from previous investments in the same activity	Is this investment supplanting the previous costs, or are they new?	Support for ACO infrastructure or programs	Support of community infrastructure related to ACO programs	Population health improvement activities	Population health measures outlined in APM
1	In collaboration with our local FQHC, we are investing in a social worker position in the Emergency Department to reduce avoidable hospital visits and make referrals on behalf of our patients to primary care providers, mental health providers, and a variety of other community partners to help address unmet healthcare needs and social determinants that affect the patients'	\$ 32,500.00	No		New			X	X
	Joining the Rise Vermont (RiseVT) Collaborative. Jill Bery Bowen and team visited Copley and presented the RiseVT presentation on August 8th. We feel that this collaborative will provide Copley the infrastructure and strategies to engage our community and also measure the work being done.	\$0 We are not currently requesting additional NPR in FY2018 to fund this investment, but may need to make a request for funding in future years.	No		New		X	X	X