



## Copley Hospital

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January 29, 2021

Mr. Patrick Rooney, MSL  
Green Mountain Care Board  
144 State Street  
Montpelier, VT 05602

Dear Mr. Rooney,

This narrative is intended to provide information about key variances and is not intended to address every detailed variance. As always, we are available to answer additional questions.

Obviously the COVID-19 global pandemic made FY2020 a confounding year for the healthcare industry as a whole; and Copley Hospital was no exception. Social distancing, lockdowns and quarantines made it impossible to meet our budgeted utilization and revenue. For FY2020 Copley incurred an operating loss of \$2.3 million mainly due to the shortage in revenue and increases in expenses due to COVID-19.

<b>NPR/FPP</b>	<b>Total</b>	<b>% over/under</b>
FY 20 Approved Budget	\$ 72,658,362	
Utilization	(1,669,130)	-2.3%
Reimbursement/Payer Mix	(751,726)	-1.0%
Bad Debt/Free Care	(1,126,313)	-1.6%
Changes in DSH	886	0.0%
FY 20 Actual Results	\$ 69,112,080	-4.9%

Copley's NPR shortfall is the result of lower utilization due to the COVID-19 pandemic. The pandemic also increased both bad debt and charity care as a result of the personal financial impact on our patients.

- Inpatient, Emergency and Clinical service areas fell short in reaching budgeted 2020 expectations.
  - Inpatient admissions – under budget by 14.0%
  - Emergency Room visits – under budget by 11.5%
  - Physician visits – under budget by 2.8%
- Overall contractual allowances came in 1.7% higher than budgeted expectations due to a shift in payer mix out of Commercial and into Medicare and Medicaid.
- Bad Debt/Free Care came in well above the budgeted expectations ultimately due to COVID-19 as patients lost their jobs or were put on furloughs.

<b>Expenses</b>	<b>Amount</b>	<b>% over/under</b>
FY 20 Approved Budget	\$ 72,467,424	
Salaries & Contracts	(263,067)	-0.4%
Fringe Benefits	(122,759)	-0.2%
Health Care Provider Tax	30,529	0.0%
Depreciation & Amortization	(105,006)	-0.1%
Interest	20,581	0.0%
Other Operating Expenses	1,791,874	2.5%
FY 20 Actual Results	\$ 73,819,575	1.8%

Copley's 2020 expenses came in higher than budgeted expectations.

- Salaries came in under budgeted expectations due to temporary staff reductions during the peak of the pandemic.
- Fringe benefits came in under budgeted expectations as a result of lower salaries and Copley's self-insured health insurance was not utilized to expectations.
- Depreciation – Capital purchases were under budgeted expectations by \$927 thousand many were delayed due to COVID-19.
- In response to the pandemic Copley formed a COVID-19 Response Team which simultaneously prepared for an influx of patients and well as the extra efforts needed to keep our employees safe. Significant expenditures, such as screening needs and personal protection equipment, were not anticipated in the 2020 the budget. Additionally, the cost of supplies and drugs far exceeded our budget due to higher inflation and competition among other healthcare facilities.

Copley implemented an overall percentage change in charges of 9.8% in FY2020, consistent with the GMCB-approved change for FY2020.

Other operating revenue was \$2.0 million in FY2020 which is over budget by \$1.1 million and includes unbudgeted income of \$852 thousand of COVID-19 grants.

Non-operating revenue was above expectations due to investment returns being higher than anticipated.

Copley engaged the services of BKD, LLP in FY2020. They advised us to include all the COVID-19 Relief funds as a deferred revenue liability, with no revenue recognized in FY2020. BKD further advised us that the guidance and regulations are still evolving in this matter.

Please call with any questions or concerns.

Sincerely,

Jeff Hebert  
CFO