COPLEY HOSPITAL
FY 2020 BUDGET SUBMISSION
RESPONSE TO GMCB QUESTIONS
August 9, 2019

1. **Have the hospital's projections for FY2019 changed?**

   We do not anticipate that the FY19 results will be materially different than originally projected. Copley generated an operating loss of $938 thousand for the first 9 months of FY19 and continues to project an operating loss of $1.2 million for the full fiscal year.

2. **Copley's FY19 Budget Order states the "Hospital shall consult with Vermont Information Technology Leaders (VITL) to facilitate patients' ability to electronically consent to adding their clinical data to the Vermont Health Information Exchange (VHIE)." What kind of headway has Copley made to facilitate this?**

   Copley entered into discussions with VITL in May 2019 around additional interface and data feed availability and options. In mid-August, VITL will roll out a project plan to expand our current ADT interface HL7 feed option to include the patient's electronic consent response.

3. **What is the value of 1 day of Days Cash on Hand?**

   The value of 1 day of Days Cash on Hand, assumed to be synonymous with the hospital's average daily operating expenses, excluding depreciation and amortization, is equal to $190,610 in the proposed FY20 budget, calculated as follows:

$$\frac{(\$72{,}467{,}424 \text{ Operating Expenses} - \$2{,}894{,}873 \text{ Depreciation and Amortization})}{365 \text{ days}} = \$190{,}610$$

4. **What is the value of 1% of Copley's change in charge request? If there is a variance between Copley's calculation and the calculation provided by GMCB staff above, please include the steps to your calculation.**

   The value of a 1% increase in Copley's average charges, applied evenly across all service lines, is $371,096. This is not materially different than the GMCB staff's calculation of $370,684. The only difference in our calculation is that we do not include the change in DSH payment as a factor related to the change in average charges.

5. **Are Medicaid and Medicare reimbursement assumptions still valid including Disproportionate Share Payments?**

   We do not anticipate that Medicare reimbursement will be materially different than originally proposed for FY20, which was based on a CAH-specific cost-based reimbursement model. Copley's proposed DSH payment of $454,323 agrees with the DSH notification from the Department of Vermont Health Access, dated May 31, 2019. On July 26, 2019, Medicaid finalized a rate increase for outpatient services that was not incorporated into the proposed FY20 budget; see response to question 14 below for the impact of this reimbursement change.

6. **The sleep study program is actively recruiting and $716k in NPR is related to the program reopening in late summer or fall of 2019. How is this going?**

   We are currently in the process of credentialing and contracting with a Sleep Medicine Specialist who will serve as the Medical Director for our Sleep Lab, score sleep studies, and see patients in clinic and via telehealth. We are also recruiting a Polysomnographic Technologist to staff the Sleep Lab. Our existing beds continue to be in good working condition and will not need to be replaced. We believe we are currently on target to re-open this service line in the fall of 2019.

7. **Please explain how Copley plans to achieve NPR growth of 6.3% above FY19 projections and positive operating margin in FY20.**

   Copley's FY20 NPR budget proposes an increase of $4.3 million, or 6.3%, above FY19 projected NPR. This increase will be accomplished by re-opening the Sleep Lab, estimated to increase NPR by $716 thousand, and by implementing an increase in average gross charges of 9.8% to generate an additional $3.6 million in NPR, the equivalent of an 8.5% commercial rate increase.

   We understand that this rate increase is larger than those requested in recent years, and at first glance one might assume that we are relying heavily on commercial payers to secure our financial position. However, looking back over five years, we believe our rates have been overcorrected. See the table below of Copley's 5-year rate history and the impact on our proposed FY20 NPR budget. The FY20 rate request results in a 5-year average change in charges of only 3.2%, while the statewide average over this time is 14.3%, making Copley one of the lowest cost hospitals in the State and the largest contributor to bending the cost curve for the rate payers the over this time period. Only $1.2 million, or 1.6%, of our proposed NPR of $72.7 million is funded through rate changes paid by commercial payers. We are not relying on commercial payers to fund our financial improvement; rather, we are asking the GMCB to allow us to recoup NPR generated from our own utilization over the past five years in order to secure our financial health.

	Actual FY16	Actual FY17	Actual FY18	Actual FY19	Budget FY20	5-Yr Total	Estimated Impact on FY20 NPR
State Weighted Average*	4.4%	1.8%	2.0%	2.9%	3.2%	14.3%	
Copley Proposed Rate Change	-3.0%	0.0%	0.0%	7.9%	9.8%	14.7%	$5,455,100
GMCB Rate Adjustment	-1.0%	-3.7%	-3.4%	-3.4%	n/a	-11.5%	($4,267,600)
Copley Actual Rate Change	-4.0%	-3.7%	-3.4%	4.5%	9.8%	3.2%	$1,187,500

*Source: GMCB B20 Preliminary Hospital Budget Submissions report dated July 31, 2019

Copley's proposed budget includes an operating margin of 1.4%, reflecting a $2.3 million increase in operating surplus from our FY19 projected operating loss of $1.2 million. We plan to achieve this improvement with the implementation of $1.2 million in cost savings initiatives and with the GMCB's support in approving budgeted NPR growth of 3.5%. During the last three years, Copley has been strongly dedicated to cost reduction efforts, working to implement necessary changes thoughtfully and strategically. We are proud to report that the FY20 proposed budget reflects a three-year average annual growth in expenses of only 2.8%.

Copley's ultimate goal is to generate a 3% operating margin annually. The proposed NPR growth of 3.5%, combined with our cost containment efforts, gets us nearly half way to that goal, with a 1.4% operating margin.

8. FTEs are budgeted as increases from both FY2019 budget and FY2019 projections. Is this feasible?

During FY19, we have been affected by several vacancies related to turnover, recruitment challenges, and medical or other leaves of absence. For the month of June 2019, staffing was below budget by 6 FTEs (10 FTEs year-to-date). As a part of our cost containment efforts, some vacant positions will not be filled, reducing support staff by 3 FTEs and providers by 1.2 FTEs.

Copley's proposed FY20 budget includes an increase of 6.7 FTEs from the approved FY19 budget to provide staff for the following initiatives:

- Re-establish our Sleep Medicine program
- Support increasingly complex oncology and medical infusion care with the appropriate level of nursing staff
- Improve access to physician clinics to reduce wait times by increasing support staff and advanced practice providers in the practices
- Increase coverage for midwifery service and reduce the call burden
- Improve information technology services and clinical informatics training

Recruitment efforts are already underway for many of these new initiatives and we have no reason to believe that we will be unable to accomplish them.

9. In Appendix VI-Bridges, Table 2, Copley listed funds under "Other (please label)". Please describe what these funds are.

The change in "Other" expenses reported in Appendix VI, Table 2, includes a $151 thousand decline in purchased services, $72 thousand increase in insurance, a $6 thousand increase in food, and $26 thousand decrease in dues, subscriptions, education, and travel, as part of our cost containment efforts.

10. Why did you not renew your pharmacy support agreement with the Vermont State Psychiatric Hospital?

Copley's support agreement with the Vermont State Psychiatric Hospital (VSPH) was always intended to be a short-term agreement to support VSPH while they worked toward bringing these services in-house or find an alternative arrangement. The relationship began initially when a temporary psychiatric care facility, Green Mountain Psychiatric Care Center, was established in Morrisville in response to the closing of the State Hospital following flood damage from Hurricane Irene. Since the 2013 rebuild of VSPH in Berlin, the scope of services provided by Copley had gradually been reduced until we only provided pharmacy support. This ended in 2019 when VSPH hired our pharmacy staff to bring these services in-house.

11. You state in the narrative that unfavorable health insurance claims drove up expenses; was FY19 a one-time claims event? If not, what measures are being taken towards employee health to assist in lessoning the likelihood of future financially burdensome claims and to improve the overall health of the employees, thus lowering future premiums?

We have a dedicated Employee Wellness Team which focuses on the health and well-being of our employees. We create a strategic plan yearly with initiatives driven by our Annual Health Risk Assessments and our Population Health Report. We will be working closely with our Wellness Team, and the wellness consultant from the Richards Group, in the coming year to keep our positive momentum. Our focus each year is centered on the most prevalent health issues. We have been able to show improvement in the health of our employees in the occurrence of high blood pressure, high cholesterol and stress management. In FY19, we did incur high cost claims that hit our stop-loss coverage, resulting in our carrier raising the stop-loss threshold for two claimants with very serious medical conditions. This will result in additional cost of up to $500 thousand that would otherwise have been covered by stop-loss insurance. As a part of our New England Alliance for Health (NEAH) participation, we haven take steps to switch our stop-loss carrier to help contain the cost of stop-loss coverage.

12. For FY19 projections what departments are expenses exceeding revenues?

Reimbursement on claims for hospital services is often not broken out by department, making it very challenging to provide this requested information in any accurate way. Furthermore, Copley's Health Information System (CPSI/Evident) does not provide the ability to allocate collections at a department level based on any meaningful methodology, especially considering that we are a CAH that receives cost-based reimbursement from Medicare.

13. **Please suggest a statistic the GMCB can monitor to better understand the trends in the total number of staffed beds in the hospital versus the number of beds available for use, and how full or empty those beds are from month to month?**

    In addition to the number of staffed beds and beds available for use (which are limited as a Critical Access Hospital to 25 acute care beds), we closely monitor trends in the Average Daily Census for both inpatients and observation patients (outpatients) that occupy our Acute Care Nursing Unit.

14. **What is the impact of the now known Medicaid reimbursement increases? Any update on inpatient Medicaid reimbursement changes?**

    On July 26, 2019, the Department of Vermont Health Access (DVHA) finalized SFY20 payment rates for outpatient services, including an increase in the percentage applicable to in-state Critical Access Hospitals from 110% to 113% of Medicare APC rates. According to DVHA's SFY20 Impact Model, DVHA estimates an increase of $123,804 in Copley Hospital's outpatient Medicaid reimbursement as a result of this rate increase. This reimbursement increase was not assumed at the time the FY20 budget was submitted and is the equivalent of only a 0.3% rate change.

15. **If you assumed Medicare increases, what is the value and what would a reduction in commercial be to maintain your NPR?**

    As a Critical Access Hospital, Copley estimates Medicare reimbursement using a CAH-specific reimbursement model based on the trend in estimated inpatient costs per day and the ratio of costs to charges for outpatient and ancillary services. There are no changes to these assumptions since the filing of our proposed FY20 budget; therefore, no change is necessary to the commercial rate.

16. **Has Copley discussed with the ACO risk protection similar to what the ACO offered to a few other hospitals?**

    Yes. Copley has received a preliminary financial model from OneCare for the Medicaid program only, which includes dues of $195 thousand and 50% risk protection that limits our max upside/downside risk to $197 thousand. Worst-case scenario, the impact of participation in the ACO would be an annual reduction in Copley's operating margin of $392 thousand. To support further decision making, we are providing education for our Board of Trustees and considering strategic opportunities to manage this new financial risk in collaboration with our primary care partners. It will be imperative that Copley be able to generate an operating margin in FY20 in order to fund this investment in health payment reform.