

**COPLEY HOSPITAL
 FY 2020 BUDGET SUBMISSION
 RESPONSE TO FOLLOWUP QUESTIONS
 FROM THE OFFICE OF THE HEALTH CARE ADVOCATE
 August 9, 2019**

- 1. Please provide your budgeted changes in utilization by payer and service category (e.g., inpatient, outpatient, professional).**

	Medicare	Medicaid	Comm/Oth	Total
Inpatient	410,729	63,642	(1,633,467)	(1,159,096)
Outpatient	2,032,315	(171,609)	(1,592,810)	267,896
Swing Bed	(400,200)	(16,055)	(29,993)	(446,248)
Clinic	45,174	(29,248)	(328,006)	(312,080)
Total	2,088,018	(153,270)	(3,584,276)	(1,649,528)

- 2. Commercial Charge/Rate Change and Net Patient Revenue**

- a. Please explain in detail how you plan to implement your commercial charge or rate change, if applicable.
- b. What is your anticipated commercial charge/rate change for each service area (e.g., inpatient, outpatient, professional)?
- c. What commercial utilization assumptions for each service area were used to determine how the commercial charge/rate change translates to the commercial net patient revenue change included in your budget?
 - i. Do these utilization assumptions align with those in the Green Mountain Care Board’s 2020 Vermont Health Connect rate filings? If no, please explain any differences.

Please refer to section 7 of Copley’s budget narrative to the GMCB, Appendix VIII, and the response to question 1 above.

Copley’s budgeted utilization assumptions are based on our own actual historical utilization, adjusted for any known changes in service offerings or medical staff changes. We cannot speak to the assumptions incorporated into the rate filings of the insurers as they do not provide hospital-specific data, nor hospital spend only, in these filings with which to compare.

- 3. Pharmacy Costs**

- a. Please provide your budgeted medical pharmacy trend for commercial payers, separated by unit cost and utilization.
- b. Please separate any change in unit cost by expense (cost of obtaining the drug) and profit margin.
- c. How does the hospital determine its profit margin for each drug (e.g., flat fee, percent of cost)?

Overall, Copley’s proposed FY20 drug expense budget includes an assumed inflation rate on oncology drugs of 4.5% and non-oncology drugs of 4.3%. This assumption is lower than years past due to Copley’s participation in the New England Alliance for Health (NEAH) which leverages the purchasing power of 18 facilities throughout Vermont and New Hampshire to help reduce this cost.

In addition to inflation, Copley's proposed FY20 drug expense budget assumes utilization growth of 5% related to oncology drugs and utilization reduction of 5.7% related to non-oncology drugs.

The unit charge for each drug administered is established at a percentage of the average actual unit cost. Copley's proposed FY20 budget includes a 9.8% increase in this percentage markup in order to address needed margin improvement. See section 7 of Copley's budget narrative to the GMCB for further information regarding our proposed increase in the average gross charges.

4. How would you approach splitting your expenses into medical, administrative, and other categories?

In accordance with the requirements of the IRS Form 990 Part IX Statement of Functional Expenses, the Hospital currently reports expenses by functional category, including program (healthcare) and administrative categories. We assign each individual expense account to one of these categories, if directly assignable, and allocate expenses that pertain to multiple functional categories based on an appropriate statistical allocation methodology. For example, employee benefits are allocated on salary cost and occupancy costs are allocated based on square footage.