

Copley Hospital: Budget Modification Request

March 13th, 2024

GMCB Health System Finance Team

Statute, Rule, & Policy



- 18 V.S.A. § 9456 (f): "The Board may, upon application, adjust a budget established under this section upon a showing of need based upon exceptional or unforeseen circumstances in accordance with the criteria and processes established under section 9405 of this title."
- GMCB Rule 3.401: "Budget Performance Review and Adjustment (a) The Board may conduct an independent review of a hospital's performance under the budget established for it by the Board at any time, including in response to an application for an adjustment made by a hospital pursuant to 18 V.S.A. § 9456(f)."
- Amendments and Adjustments Policy: Section D of Policy, which says "A hospital may request a budget amendment to account for unanticipated changes to its approved budget."

Copley Hospital: Request for Budget Modification

- **Request:**
 - A 12.7% change in charge effective March 1st, 2024 (7 months), up from the 8% approved in September 2023.
- Copley Hospital's Finance Committee approved the request on January 26, 2024.
- They submitted the request on February 7, 2024, all materials received on February 19, 2024

	FY2024 Approved	FY2024 Projected	FY2024 Projected w/ Rate
NPR / FPP	111,856,924	103,966,182	110,269,017
Other Operating Revenue	669,072	1,205,002	1,205,002
Total Operating Revenue	112,525,996	105,171,184	111,474,019
Salaries and Benefits	67,559,767	67,559,767	67,559,767
All Other Operating Expenses	41,608,666	40,557,676	40,557,676
Total Operating Expense	109,168,433	108,117,443	108,117,443
Net Operating Income	2,688,491	(2,946,259)	3,356,576
Non-Operating Revenue	302,184	211,450	211,450
Total Income	2,990,675	(2,734,809)	3,568,026
Operating Margin	2.39%	-2.80%	3.01%
Total Margin	2.66%	-2.60%	3.20%

Copley Hospital:

Request for Budget Modification

- Reason for Request

- Approved change-in-charge will not generate budgeted revenues given utilization projections.
- Current projections have Copley generating a -2.88% Operating Margin for FY2024

- Key Financial Metrics

Projected	FY2024 Submitted	FY2024	FY2024 w/ Rate
Operating Margin	2.98%	-2.80%	3.01%
Days Cash on Hand	59.6	37.4	59.4

Copley Hospital:

Summary Income Statement



	FY2024 Projected	FY2024 Projected w/ Rate	FY2024 Δ
Operating Revenue			
Gross Patient Care Revenue			
Inpatient	22,807,563	24,355,498	6.79%
Outpatient	171,759,150	183,416,339	6.79%
Swing Beds	1,563,437	1,669,546	6.79%
Total	196,130,150	209,441,383	6.79%
Net Revenue Deductions			
Disproportionate Share Payments	533,318	533,318	0.00%
Bad Debt Free Care			
Bad Debt	-5,209,212	-5,581,448	7.15%
Free Care	-1,702,020	-1,823,642	7.15%
Deductions from Revenue	-91,700,157	-98,214,697	7.10%
Net Patient Care Revenue	98,052,079	104,354,914	6.43%
Fixed Prospective Payments	5,914,103	5,914,103	0.00%
NPR + FPP	103,966,182	110,269,017	6.06%
Other Operating Revenue	1,205,002	1,205,002	0.00%
Total Operating Revenue	105,171,184	111,474,019	5.99%

	FY2024 Projected	FY2024 Projected w/ Rate	FY2024 Δ
Operating Expense			
Salaries Non MD	39,218,730	39,218,730	0.00%
Fringe Benefits Non MD	9,076,167	9,076,167	0.00%
Physician Fees & Salaries	16,792,354	16,792,354	0.00%
Fringe Benefits MD	2,472,516	2,472,516	0.00%
Health Care Provider Tax	5,913,916	5,913,916	0.00%
Depreciation Amortization			
Depreciation Building & Fixed	1,779,038	1,779,038	0.00%
Depreciation Major Movable	1,678,431	1,678,431	0.00%
Interest - Long Term	195,062	195,062	0.00%
Other Operating Expense	30,991,229	30,991,229	0.00%
Total Operating Expense	108,117,443	108,117,443	0.00%
Net Operating Income (Loss)	-2,946,259	3,356,576	6,302,835
Non-Operating Revenue			
General Contributions	154,450	154,450	0.00%
Income from Investments	57,000	57,000	0.00%
Total	211,450	211,450	0.00%
Excess (Deficit) of Revenue Over Expense	-2,734,809	3,568,026	6,302,835

Copley Hospital: Balance Sheet

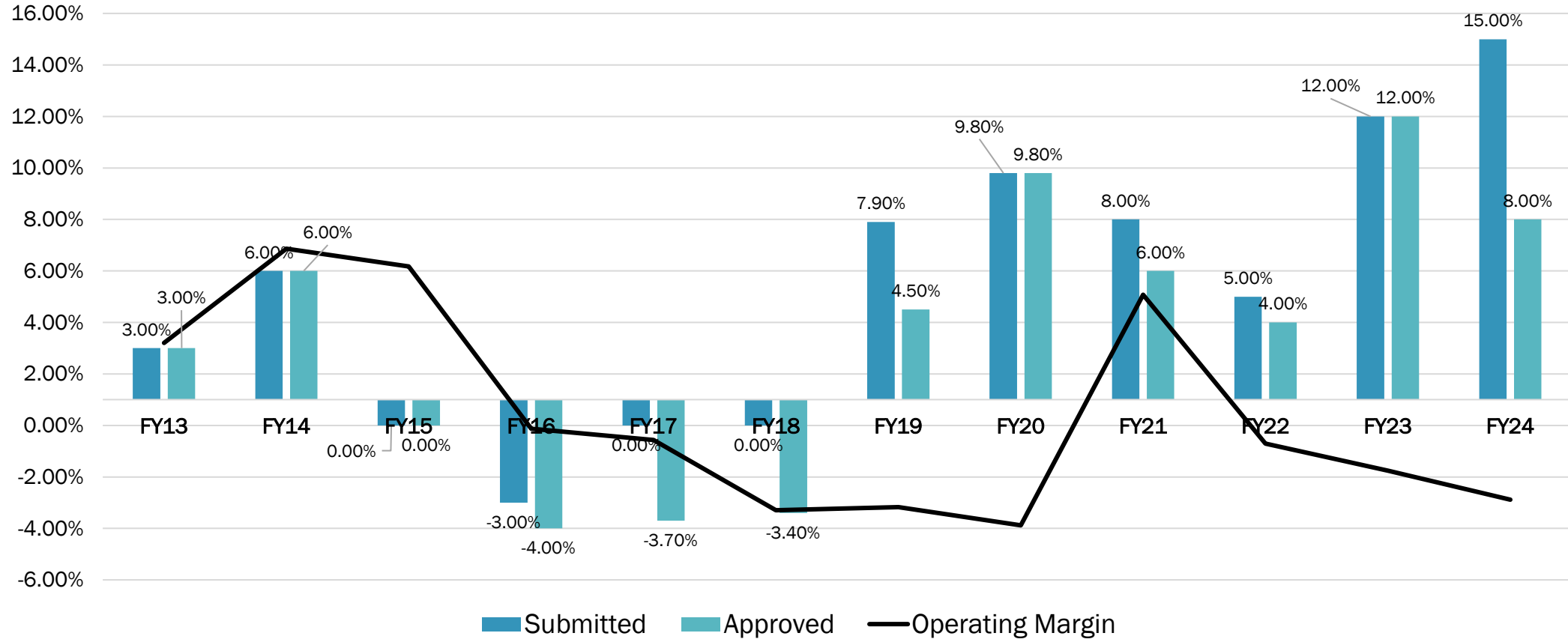


	FY2024 Projected	FY2024 Projected w/ Rate
Assets		
Current Assets		
Cash & Investments	10,735,001	17,037,836
Patient Accounts Receivable, Gross	26,601,000	26,601,000
Less: Allowance For Uncollectible Accts	-17,061,000	-17,061,000
Other Current Assets	5,000,000	5,000,000
Total	25,275,001	31,577,836
Long Term Assets		
Net, Property, Plant And Equipment		
Gross, Property, Plant And Equipment		
Land, Buildings & Improvements	53,353,075	53,353,075
Major Movable Equipment	35,230,836	35,230,836
Total	88,583,911	88,583,911
Accumulated Depreciation		
Land, Buildings & Improvements	-22,306,716	-22,306,716
Equipment - Fixed	-20,586,825	-20,586,825
Total	-42,893,541	-42,893,541
Total	45,690,370	45,690,370
Total	45,690,370	45,690,370
Other Long-Term Assets	3,500,000	3,500,000
Total Assets	74,465,371	80,768,206

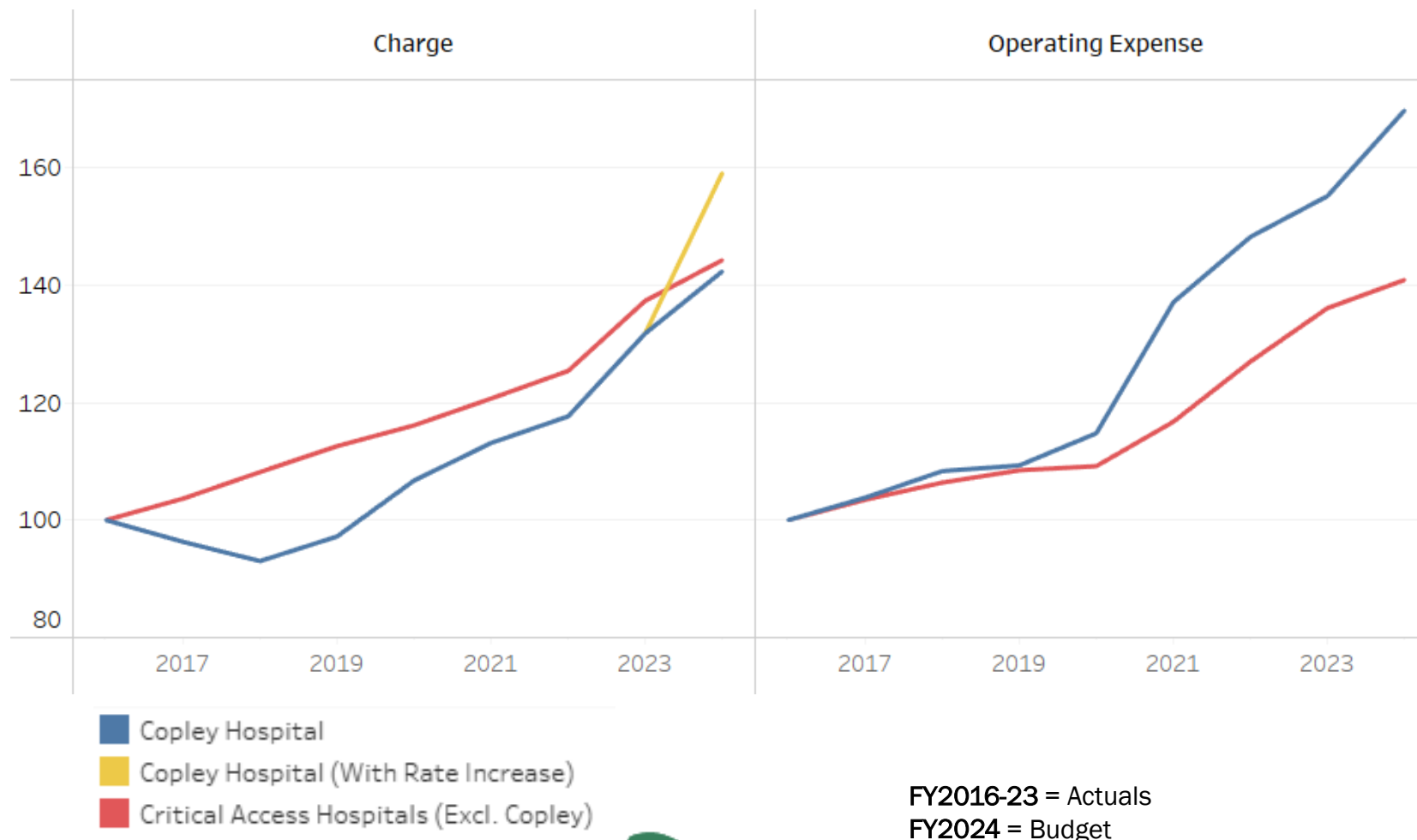
	FY2024 Projected	FY2024 Projected w/ Rate
Liabilities		
Accounts Payable	2,900,000	2,900,000
Salaries, Wages And Payroll Taxes Payable	8,783,000	8,783,000
Estimated Third-Party Settlements		
Other Third Party Settlements	3,018,821	3,018,821
ACO Risk Reserves/Settlement Payable	481,179	481,179
Total	3,500,000	3,500,000
Current Portion Of Long-Term Debt	640,830	640,830
Total	15,823,830	15,823,830
Long Term Liabilities		
Long-Term Debt		
Bonds & Mortgages Payable	2,003,192	2,003,192
Capital Lease Obligations	0	0
Other Long-Term Debt	19,313,621	19,313,621
Total	21,316,813	21,316,813
Total Liabilities	37,140,643	37,140,643
Fund Balance		
Net Assets	40,059,537	40,059,537
YTD Change In Net Assets	-2,734,809	3,568,026
Total	37,324,728	43,627,563
Total Liabilities and Equity	74,465,371	80,768,206

You'll find the additional \$6.3M operating income reflected in cash on their Balance Sheet

Copley Hospital: Change in Charge



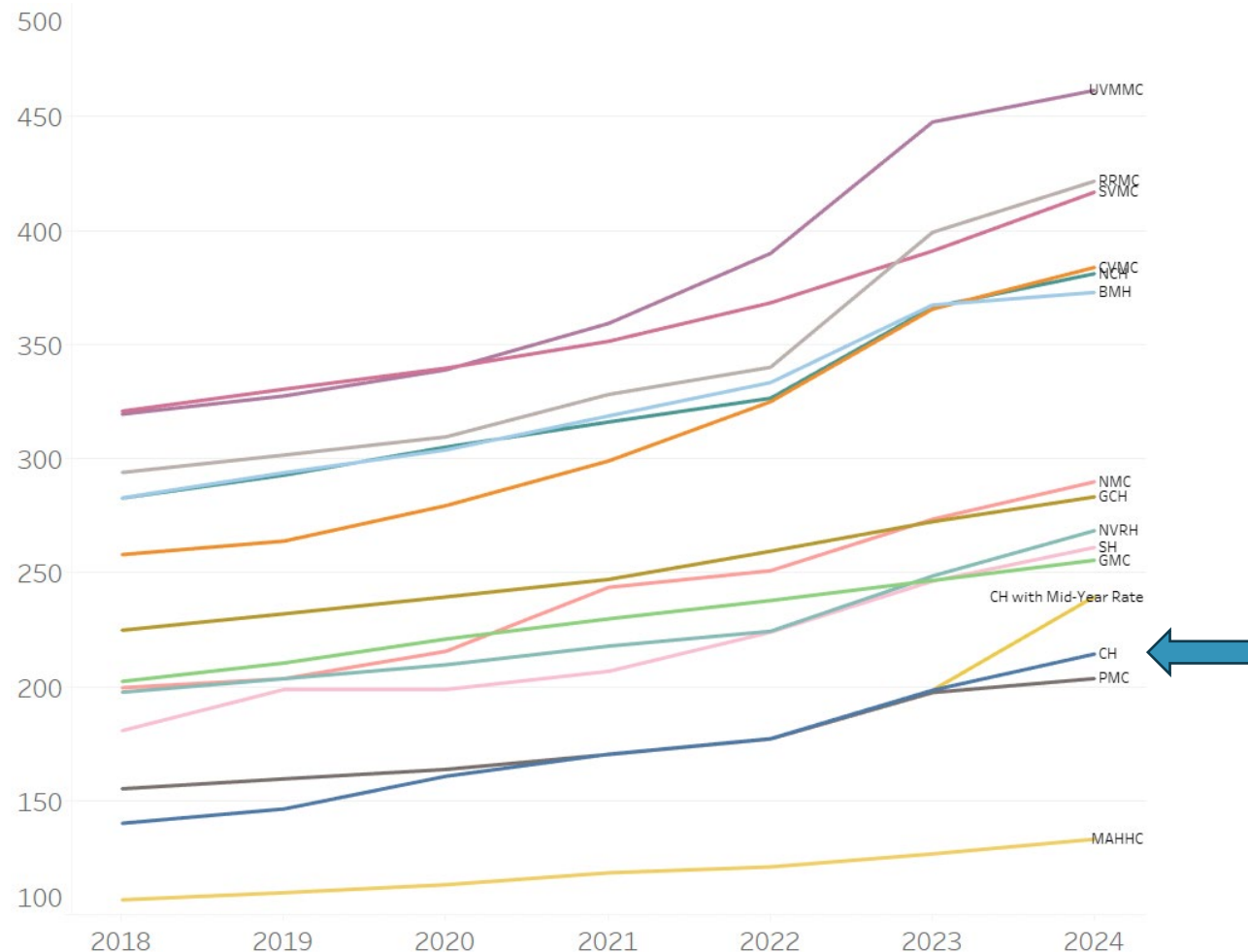
Copley Hospital: Growth in Change in Charge & Operating Expense



FY16 was selected as the “base year” (index=100) for comparative purposes as Copley’s Operating Revenue and Expenses were essentially breakeven.

In recent years, Copley’s approved charge increases have nearly caught up to the other Critical Access Hospitals, while their Operating Expense growth continues at a faster rate.

Approved Hospital Changes-in-Charge applied to RAND 4.0 Price



The RAND 4.0 Price reflects, as a percentage of Medicare, what employers and private insurers paid for the same services at the same facility.

Using the RAND price as a starting point, we applied the approved change-in-charge for each year to approximate the relative prices at each Vermont hospital.

With or without the requested rate increase, Copley has the third lowest price when using this method.

Copley Hospital: Potential Options

		% Rate Increase from Budget	Projected Operating Margin	Projected Days Cash On Hand	Explanation / Justification
Option #1	Approve Copley's Amended Budget as Submitted	12.7%	3.0%	59.4	There is more than a 20-day difference in DCOH with and without this rate increase. Not approving it may have an impact on bond covenants.
Option #2	Approve a smaller rate increase estimated to generate 0% margin.	5.5%	0.0%	42.5	Generating zero margin should keep their DCOH roughly the same as at the close of FY23. Could revisit margin question more thoroughly during FY25 budget process
Option #3	Deny Copley a mid-year rate adjustment	0.0%	-2.8%	37.4	Not an "unforeseen" issue. Board approved an NPR cap, not necessarily a charge that would result in meeting that. Some evidence that CH hasn't controlled expense growth as well as other CAHs.

Reference tables



Copley Hospital: Relative Operating Expense Growth



Vermont Hospital Operating Expense Growth since FY2016

Label	2016	2017	2018	2019	2020	2021	2022	2023	2024 ₺
The University of Vermont Medical Center	100.00	106.27	112.42	119.90	124.77	134.17	157.74	170.97	180.43
Northeastern VT Regional Hospital	100.00	107.75	113.36	121.39	126.28	137.36	154.26	168.40	173.82
Copley Hospital	100.00	103.84	108.35	109.31	114.78	137.13	148.24	155.18	169.75
System	100.00	104.85	110.08	115.52	119.14	127.91	145.38	154.62	160.83
Porter Medical Center	100.00	104.36	107.48	114.65	114.02	121.21	135.02	146.50	157.73
Grace Cottage Hospital	100.00	100.23	101.98	106.05	112.27	118.58	135.17	146.71	153.86
Brattleboro Memorial Hospital	100.00	106.92	110.09	114.54	121.89	125.14	137.80	148.22	150.11
Mt. Ascutney Hospital & Health Ctr	100.00	101.64	107.81	110.06	113.40	123.13	131.04	138.05	146.80
Central Vermont Medical Center	100.00	104.01	106.96	113.09	116.77	124.41	138.74	144.24	145.58
Southwestern VT Medical Center	100.00	101.36	106.16	111.00	112.62	121.25	131.08	136.69	141.67
Critical Access Hospitals (Excl. Copley)	100.00	103.48	106.39	108.48	109.20	116.77	127.01	136.10	140.90
Rutland Regional Medical Center	100.00	102.66	110.05	112.47	115.48	124.93	141.43	139.20	139.12
North Country Hospital	100.00	100.42	99.45	102.59	102.41	112.15	119.77	128.85	129.54
Northwestern Medical Center	100.00	105.24	111.00	117.01	118.06	120.81	124.82	129.33	128.42
Springfield Hospital	100.00	104.17	112.09	105.24	95.30	97.80	105.23	108.84	111.97
Gifford Medical Center	100.00	103.44	100.93	94.76	99.62	103.44	106.68	112.44	111.05

FY2016-23 = Actuals
FY2024 = FY24 Approved Budget

Relative to FY16, Copley has had the 3rd highest operating expense growth among Vermont Community Hospitals

In FY19, prior to the pandemic, Copley had the 5th lowest operating expense growth relative to FY16

Copley Hospital: Relative Charge Growth



Vermont Hospital Charge Growth since FY2016

Label	2016	2017	2018	2019	2020	2021	2022	2023	2024 ₪
Springfield Hospital	100.00	100.00	106.50	117.15	117.15	121.84	131.95	145.14	153.85
Central Vermont Medical Center	100.00	102.45	103.19	105.56	111.79	119.61	130.02	146.27	153.59
Northwestern Medical Center	100.00	100.00	103.50	105.57	111.80	126.33	130.12	141.83	150.34
The University of Vermont Medical Center	100.00	102.45	103.19	105.77	109.47	116.04	125.96	144.56	149.04
System	100.00	101.77	103.86	106.82	110.79	117.25	125.11	141.67	147.55
North Country Hospital	100.00	103.48	108.65	112.53	117.26	121.48	125.49	140.85	146.48
Northeastern VT Regional Hospital	100.00	103.75	107.07	110.28	113.59	118.02	121.56	134.69	145.47
Critical Access Hospitals (Excl. Copley)	100.00	103.67	108.19	112.60	116.14	120.71	125.41	137.34	144.26
Brattleboro Memorial Hospital	100.00	103.50	109.40	113.67	117.53	123.29	128.96	142.12	144.25
Rutland Regional Medical Center	100.00	94.90	99.55	102.14	104.85	111.14	115.18	135.22	142.82
Copley Hospital	100.00	96.30	93.03	97.21	106.74	113.14	117.67	131.79	142.33
Porter Medical Center	100.00	105.30	108.46	111.50	114.39	118.97	123.73	137.96	142.23
Grace Cottage Hospital	100.00	105.00	110.25	113.78	117.42	121.18	127.24	133.60	138.94
Southwestern VT Medical Center	100.00	103.40	106.35	109.54	112.60	116.50	122.09	129.63	138.19
Mt. Ascutney Hospital & Health Ctr	100.00	104.87	110.00	113.23	116.86	122.23	124.92	130.79	137.46
Gifford Medical Center	100.00	103.94	108.10	112.42	118.04	122.76	127.06	131.76	136.51

FY2016-23 = Actuals
FY2024 = FY24 Approved Budget

Relative to FY16, Copley has had the 6th lowest growth in charge.