COPLEY HOSPITAL, INC.
FY23 BUDGET NARRATIVE
TO THE GREEN MOUNTAIN CARE BOARD
July 1, 2022

This document serves to provide the Green Mountain Care Board (GMCB) with a narrative summary of Copley Hospital's (Copley) Fiscal Year 2023 budget. Our budget projections are based on historical data, current experience, changes in service delivery, and ongoing operational improvements. The Copley Board of Trustees approved this budget on June 27, 2022.

A. EXECUTIVE SUMMARY

FY 2022 continues to be a year of recovery for our community, and overall patient volumes have bounced back from the pandemic. Copley went into FY 2023 budgeting a decrease in volume from projected FY 2022 and a slight decrease based on the FY 2022 budget. Current expense challenges include staffing shortages as well as an inflationary increase caused by the pandemic.

Copley is facing an unprecedented workforce challenges for FY 2023. Over the past 2 years our overall staff vacancy rate reached as high as 20%. We have seen our traveler expense almost triple. To be competitive in this tight labor market we have had to make additional wage adjustments for all staff in addition to our regularly scheduled merit and market increases. We have also seen an increase in sign-on incentives, and had additional housing expenses for new employees.

We continue to face an aging infrastructure. Over the years we have made difficult decisions in prioritizing our needs with limited cash and need to generate an operating margin in order to fund these improvements. The decreased available capital has created a large backlog; increasing risk and creating challenges in prioritizing sudden departmental needs.

The proposed budget assumes Copley continues participating in OneCare's 2022 Risk-Based ACO Programs for Medicaid, MVP and Blue Cross & Blue Shield of Vermont. OneCare will supply Copley with a 2023 Participation Agreement this summer, along with a financial model to help support further decision making. A commitment to participate or not will be made this summer. Should we choose to participate in OneCare's risk-based programs, Copley will provide further information at that time.

Copley has budgeted an overall operating margin of 1.62% or $1,569,096. Audited 5-year average operating margin has been a loss:-$1,510,900/year. If Copley had not received the needed COVID funding in FY2021 it would have posted a 6th consecutive year with a loss, in the amount of -$1,143,306. Currently Copley is projecting a $1,904,458 loss for FY 2022. Copley needs to achieve a reasonable operating margin for the next several years in order to rebuild cash reserves necessary to weather unexpected downturns, take on risk in payment reform, invest in necessary equipment and infrastructure improvements, and provide financial stability for our employees and community.

On June 27th, 2022 Copley's Board approved the FY 2023 budget with an operating margin of 1.62%.

B. YEAR-OVER-YEAR AND RECONCILIATION

	2022P	2022B	2023B
REVENUES			
Gross Patient Care Revenue	**$157,693,473**	**$153,073,468**	**$169,893,373**
Disproportionate Share Payments	$ 482,404	$ 455,000	$ 482,000
Graduate Medical Education Payments	$ -	$ -	$ -
Bad Debt	$ (4,217,484)	$ (4,398,874)	$ (4,882,228)
Free Care	$ (1,486,130)	$ (1,550,047)	$ (1,720,368)
Deductions From Revenue	$ (65,529,356)	$ (66,900,055)	$ (72,716,323)
Net Patient Care Revenue (NPR)	**$ 86,942,907**	**$ 80,679,492**	**$ 91,056,454**
Fixed Prospective Payments (FPP)	$ 5,253,078	$ 4,976,779	$ 4,976,779
TOTAL NPR & FPP	**$ 92,195,985**	**$ 85,656,271**	**$ 96,033,233**
Other Operating Revenue	$ 1,916,276	$ 1,014,326	$ 1,014,326
TOTAL OPERATING REVENUE	**$ 94,112,261**	**$ 86,670,597**	**$ 97,047,559**
EXPENSE			
Salaries/Contracts/Benefits	$ 49,193,611	$ 49,045,925	$ 56,636,726
Health Care Provider Tax	$ 5,015,539	$ 5,016,920	$ 5,516,574
Depreciation/Amortization	$ 2,898,075	$ 3,331,448	$ 3,100,813
Interest - Short and Long Term	$ 152,961	$ 114,000	$ 194,000
Other Operating Expenses	$ 38,756,533	$ 28,870,689	$ 30,030,350
TOTAL OPERATING EXPENSE	**$ 96,016,719**	**$ 86,378,982**	**$ 95,478,463**
NET OPERATING INCOME (LOSS)	**$ (1,904,458)**	**$ 291,615**	**$ 1,569,096**
Non-Operating Revenue	$ 2,290,991	$ 302,184	$ 302,184
EXCESS (DEFICIT) OF REV OVER EXP	**$ 386,533**	**$ 593,799**	**$ 1,871,280**

Net Patient Revenue (NPR) and Fixed Prospective Payments (FPP)
Utilization is driven by physicians, services, and staff. Stable staffing, improvements to technology, enhanced services, and consistent management enable us to best meet the needs of our community. Copley's 2023 budgeted net patient revenue is increasing by 4.2% from 2022 projected, and 12.1% from 2022 budgeted.

Volume:

- Inpatient services are expected to decrease (2.9%) from projected 2022 levels
- Outpatient services are expected to decrease by (5.2%) from projected 2022 levels
- Clinic visits are expected to increase (2.2%) from projected 2022 levels

Payer Mix:
Medicare volumes continue to increase due to the aging demographics of our community.

Charge Request:
Copley is requesting a weighted rate increase of 12%.

Copley calculated the rate increase based on an understanding of expected volumes, necessary services, and patient needs for the area, and then determined the costs to provide these services.

Copley utilizes these rates as a basis for discussion with our commercial payers. The rates are used to provide both parties with validity and a sense of fairness, given the oversight from both the Copley Board of Trustees and the Green Mountain Care Board.

Copley's overall rate increase is applied to all payers.

Medicare:
Critical Access Hospital (CAH) payments are based on costs and the share of those costs allocated to Medicare patients. Copley receives cost-based reimbursement for inpatient and outpatient services provided to Medicare patients. The cost of treating Medicare patients is estimated using cost accounting data from Medicare cost reports.

Copley has realized the rate increase in its NPR for Medicare due to the relationship in the increase of cost as compared to the increase in charges.

Medicaid:
Copley is not budgeting any additional reimbursement due to the rate increase for Medicaid.

Commercial:
Increases in gross charges will increase net patient service revenue but not on a dollar for dollar basis. The commercial insurance impact varies depending on the individual payer contracts.

Copley has requested a rate increase of 12.0%, and each 1% is worth $805,029 which results in a total request of $9,585,490 related to rate.

Deductions from Revenue
Affordable Care is being budgeted at 1.0% of gross patient revenue (GPR). Copley's Affordable Care is an application-driven process based on income, family size, and extenuating circumstances. We endeavor to be "payer of last resort" relative to settlements, accidents, and other similar matters.

Contractual Allowances were budgeted at FY2022 estimates.

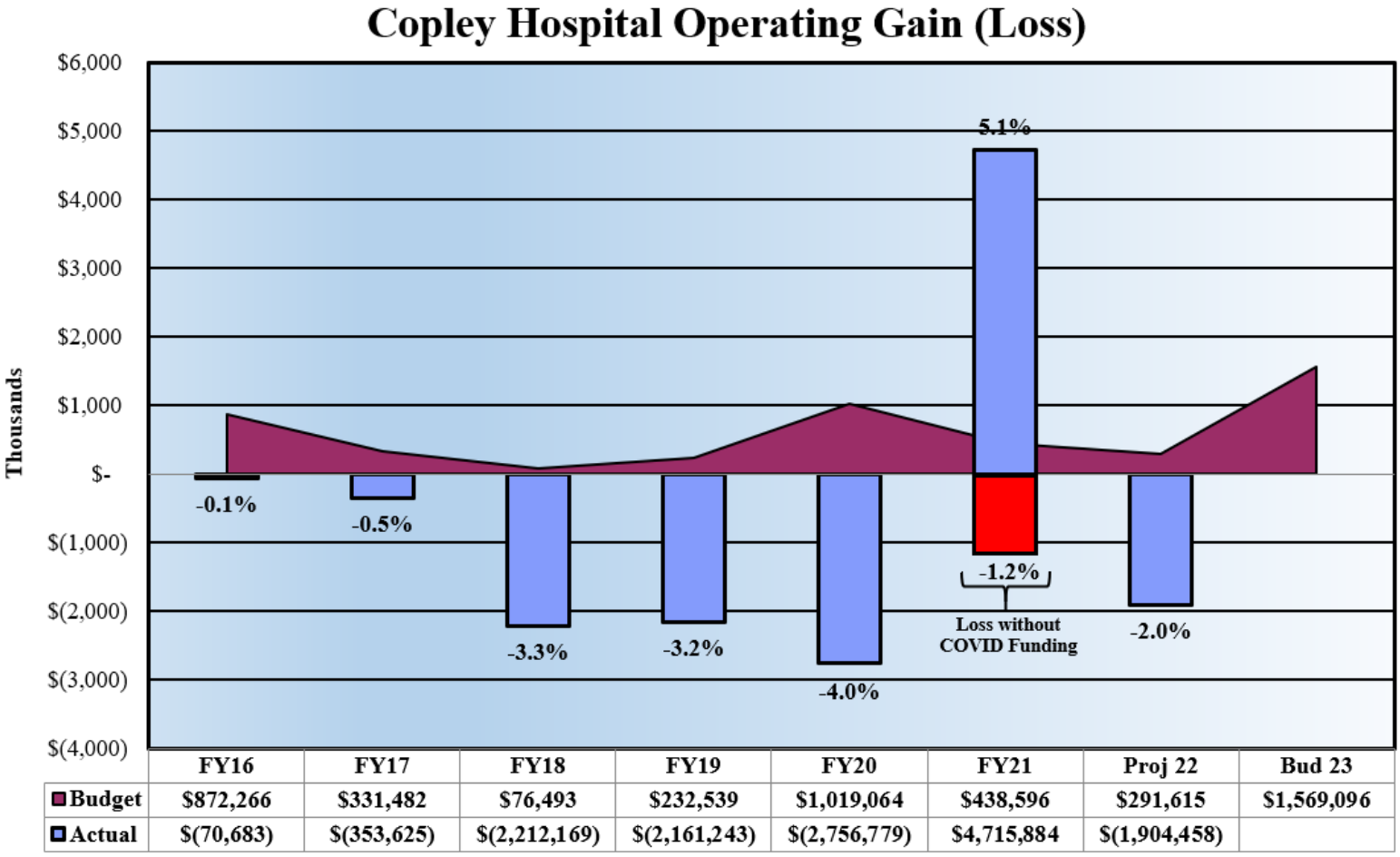
Bad Debt, as a percentage of GPR, will come in at 2.9%. Copley helps to ensure that patients receive the financial assistance they need, including setting up affordable payment plans.

Operating Expense
Copley's Total Operating Expense shows a 10.5% increase from the FY 2022 budget. One of the biggest issues we face this year is staffing. To mitigate our reliance on temporary staff we have added FTE's and salary costs to support our recruitment and retention efforts. Copley has also seen dramatic shifts due to COVID-19 and other world events. For example, utilities have increased 37.4%, insurance premiums increased 31.3% and pharmaceuticals are up 14.1%

Budget-to-Budget:
- **S**alary/Contracts/Benefits – up 15.5%
- Health Care Provider Tax – this tax is calculated as 6% of the prior year net patient revenue and supplied by the state which is going up 10.0%
- Depreciation – nothing to report
- Interest – up 70.2%
- Other Operating Expenses – up 4.0%
    - Pharmaceuticals – up 14.1%
    - Utilities – up 37.4% (fuel up 115.0%)
    - Insurance – up 31.3% (cyber up 89%)
    - Other non-salary expenses – up ~1%

Non-Operating
We are expecting $302,184 in Non-Operating Revenue from development efforts and moderate gains on our investments in the stock market.

Operating Margin and Total Margin:
Copley has budgeted an overall operating margin of 1.62% or $1,569,096. Audited 5-year average operating margin has been a loss of $1,510,900, if Copley had not received the needed COVID funding in FY2021 it would have posted the 6th consecutive year with a loss, in the amount of $1,143,306. Currently Copley is projecting a $1,904,458 loss for FY 2022. Copley needs to achieve a reasonable operating margin for the next several years in order to rebuild cash reserves necessary to weather unexpected downturns, take on risk in payment reform, invest in necessary equipment and infrastructure improvements, and provide financial stability for our employees and community.



	FY16	FY17	FY18	FY19	FY20	FY21	Proj 22	Bud 23
Budget	$872,266	$331,482	$76,493	$232,539	$1,019,064	$438,596	$291,615	$1,569,096
Actual	$(70,683)	$(353,625)	$(2,212,169)	$(2,161,243)	$(2,756,779)	$4,715,884	$(1,904,458)	

C. EQUITY

Copley Hospital is an active member of the Lamoille Health Collaborative (LHC) which is a committee implemented in 2020. Leaders from Lamoille County's health, human service and public health partners (housing, transportation, food insecurity, employment & health inequities) work closely together to expand access to and improve coordination to meet our community's needs.

The Lamoille Health Collaborative is currently made up of 10 members who recognized the need to "consolidate" and "integrate" some of our existing coalitions and collaboratives in the community to reduce silos and increase efficiencies and effectiveness. One of our goals is to promote safe access and removing barriers to services by

integrating care in multiple settings where target populations receive services. We are working to standardize our screening tools across community organizations to address social determinants of health (SDOH) to improve health equity. Standardized screening is a tool which we believe will improve identification of target populations needs and improve appropriate referrals to address health disparities and ensure equitable health access for all patients. We are also waiting on potential opportunities to be offered as part of the health equity grant to Copley Hospital and other local organizations by Vermont Department of Health in collaboration with Lamoille Health Partners (LHP-FQHC). These grants would be made available to provide subject expert training to staff in health inequities and disparities and how to address. On June 7, 2022 Lamoille Health Partners hosted a symposium to share with attendees the work done by The Lamoille Health Collaborative to bring stakeholders together to leverage best practices while fostering collaboration. By building a high-quality, high-functioning healthcare ecosystem unique to Lamoille County we believe we can collaboratively achieve better outcomes for every individual we serve. On May 17, 2022 the Pride Center sent a trainer to Copley to provide education and training to 20 staff members, including practitioners and leaders on diversity, equity and inclusion.

D. WAIT TIMES

Visit Lag & Third Available Appointment:

Visit Lag

	2 Weeks	1 Months	3 Months	6 Months
General Surgery	44%	53%	0%	3%
Mansfield Orthopedics	33%	12%	45%	10%
Neurology	38%	24%	38%	0%
Cardiology	13%	17%	22%	48%
Infusion	50%	19%	19%	13%
The Women's Center	67%	33%	0%	0%

Third Available Appointment

Diagnostic Imaging:

X-Ray	Next Day
Ultrasound	2 days
Nuclear Medicine	15 days
MRI	8 days
Mammography	2 days
Fluoroscopy	6 days
CT	8 days
Bone Density	27 days

CURRENT STATE:

Measurement

- Third Next Available appointment by calendar days for New Encounters (new patients, new problems) as well as follow-up appointments

Benchmarking

- MGMA 2021 Practice Operations data set (represents 2020 data)
- Internal Benchmarking with provider over time and within specialty
- "Secret Shopper's" report released this year

Electronic Medical Records

- eClinicalWorks
- CPSI
- SQL Reporting helps pull data together systematically where the EMRs fall short

Improving wait times

- Standard work for intake/referral coordinators to schedule, assess, and prioritize patient appointments
- Coordination of care with referring source, when possible
- Pre-visit work-ups conducted, when possible
- Incorporate acute and emergency department visits into schedule to increase availability of urgent appointment requests
- Additional opportunity to further triage referrals, when needed
- Prioritization of local PCP referrals to ensure availability of appointments for people within our community
- Reduction of second-opinion visits
- Reduction in cancellations and/or no shows
- Categorization of patients that could be scheduled early, last minute, etc. to fill vacancy if created by a short-notice cancellation
- Use of patient communications for appointment reminders and to determine any potential of conflict with schedule.
- Leverage use of telephone encounters, when possible
- Increased schedule hours or adjusted appointment durations, when possible

PROCESS:

Scheduling

- Appointments available by PCP referral, Emergency Department follow-up or self-referral
- Triage process is conducted by specialty. Review starts with scheduler/registrar and shifts through clinical support and even to the provider (MD or APP), as necessary.
- Referral arrive via phone call or fax and are electronically managed in each EMR
  - NCQA guidelines are considered best practice for closed-loop referrals
  - Referral is not considered "complete" until the appointment has been scheduled, the patient seen, and the note returned to the ordering provider (PCP and Referring)

RECOMMENDATIONS:

Metrics - Adequate review of wait times should also include:

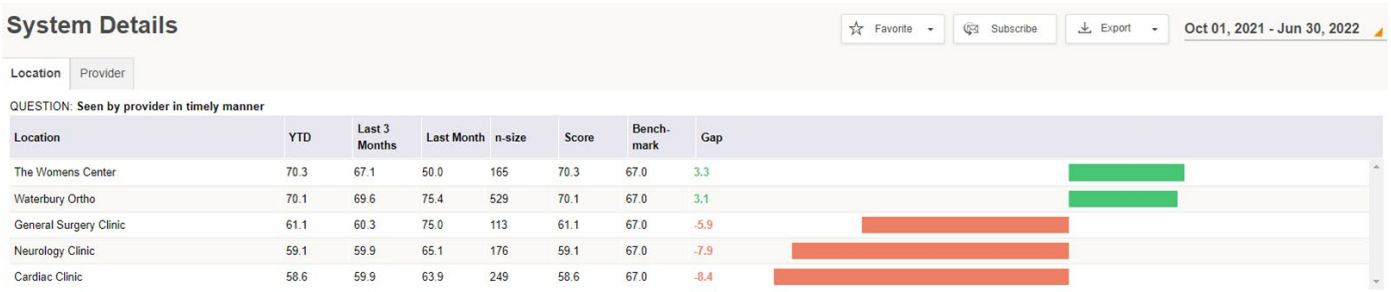
- FTE Mix of Practice (Providers and support staff)
- Provider panel size
- Appointment types (new, acute, etc.)
- E&M Levels (99202 or 99212 visits with a longer wait time may be more appropriate than a 99205 or 99215)
- Recruiting and retention of healthcare workers
- Patient experience and expectations of wait times

State Regulation

- More flexibility with budgeting process so that we can hire additional FTEs
- Ease of obtaining licenses, malpractice and enrollment for hiring.
- The goal of most medical practices is to see and serve more patients. Regulation and enforcement does not provide greater schedule availability, more providers and/or more compliant patients.

DATA (sample):

NRC Patient Experience Data



System Details

Favorite | Subscribe | Export | Oct 01, 2021 - Jun 30, 2022

Location | Provider

QUESTION: **Seen by provider in timely manner**

Location	YTD	Last 3 Months	Last Month	n-size	Score	Bench-mark	Gap
The Womens Center	70.3	67.1	50.0	165	70.3	67.0	3.3
Waterbury Ortho	70.1	69.6	75.4	529	70.1	67.0	3.1
General Surgery Clinic	61.1	60.3	75.0	113	61.1	67.0	-5.9
Neurology Clinic	59.1	59.9	65.1	176	59.1	67.0	-7.9
Cardiac Clinic	58.6	59.9	63.9	249	58.6	67.0	-8.4

E. RISKS AND OPPORTUNITIES

As a small Critical Access Hospital, we have a systemic risk that the loss of one or more 'key providers' could bring about a devastating impact on financial performance. This also holds true of our nurses, support staff, technologists, billers, and even leadership team (to name a few). We are always looking to manage those scenarios by ensuring we have options such as cross-training programs, incentives, shared assignments, part-time staff, per diems, etc.

The risk of sustainability, considering our financial performance, has been a concern over these past years given our Operating Margin losses. We are assertively managing these issues, many of which are rooted in a need for improved operations, standardization, and increased accuracy in data collection and indicators. We are making significant progress such as a 'reinstallation' of our existing IT system (CPSI) at the end of 2021 as part of these efforts. We have dropped our 2019 plans to purchase a new and much more expensive Cerner Millennium software program and instead recommitted to our existing vendor, potentially providing a roadmap for other hospitals that are CPSI clients to garner more return on their current relationship.

'Opportunity' in our organization is ongoing, we continuously try to improve our clinical quality, patient experience, and coordination of care within our service areas. People do still leave our community and seek care at St. Elsewhere, which humbles and inspires us to work even harder to regain their trust and respect.

We produced a reasonable Master Facility Plan in 2021, involving input from our staff and community, so that we can be cost-effective, more integrated, and efficient in capital outlays. We need this 'strategic road map' and know that it will reap benefits for future generations given our long-term commitment to Vermont.

Lastly, we see opportunity in continuing the coordinated efforts initiated to address the COVID-19 emergency. We convened six organizations, representing the largest health care provider teams in this area, which supported each other through the unfolding crisis. The Executive Directors from the following providers signed on to this Team, entitled CRT-MV (Coronavirus Reposes Team: Morrisville):

1. Copley Hospital (CAH)
2. Lamoille Health Partners (FQHC)
3. Tamarack Health Care (large PCP Practice)
4. Lamoille County Mental Health Services (the local designated mental health agency)
5. Lamoille County Home Health and Hospice
6. The Manor (SNF)

We expect these relationships to continue as we address the need for mutual aid and support, and coordinate services in the midst of ongoing efforts at Health Care Reform in the State.

F. VALUE-BASED CARE PARTICIPATION

Copley is currently participating in OneCare's 2022 Risk-Based ACO Program for our Medicaid, MVP and Blue Cross & Blue Shield of Vermont populations.

Copley is not planning on participating in the Medicare value-based program. The Medicare value-based program is based on how spending changes (based on claims data), regardless of whether and how much costs change for the hospital and whether the hospital's revenues are adequate to support those costs. Since the majority of costs are fixed for small hospitals, and the majority of costs are fixed in the short run for all hospitals, small changes in the number of services delivered will generally change the hospital's revenues more than its costs. Tying the hospital's payments solely to whether payers spend more or less does not ensure that the revenues will match the hospital's costs. The primary reasons we are not participating in the Medicare option are the high Medicare program risk, and the fact that CAHs receive cost-based reimbursement for inpatient and outpatient services provided to Medicare patients, which has helped to insulate Copley during these high inflationary times.

Value-Based Care Initiatives:
Copley Hospital continues to focus on value-based initiatives that involve expanding and improving on collaborative strategies with our community primary care practitioners to improve beneficiaries' outcomes. We have implemented the below strategies:

- Worked with Vermont Information Technology Leaders to ensure that primary care practitioners (PCPs) receive necessary documentation after a shared patient has been discharged from our inpatient unit.
- Facilitate the exchange of data between PCPs and our emergency department (ED) when shared patients are seen for a visit.
- Completed standardized training on necessary data elements to ensure exchange of data between Copley Hospital and our community partners was successful. Continue to monitor for improvement around data elements entered at registration.
    - October 2021 46% of ED visits did not have PCP documented at registration
    - March 2022 38% of ED visits did not have PCP documented at registration
    - June 2022 26% of ED visits did not have PCP documented at registration
- Coordinate care for beneficiaries after ED visits. Copley sends a list of patients to each care coordinator at our community PCP offices so that they can provide follow-up telephone calls to check on the patient after an ED visit and to ensure they have scheduled a primary care visit following an ED visit.
- Collaborated with community partners to embed a "shared" staff member within the ED to focus on providing shared beneficiaries with timely and more direct referrals to community organizations to meet the beneficiaries' needs.
- Collaborated with community partners to embed a "shared" staff member part-time in The Women's Center to increase social determinant of health screening and referrals.
- Embedded risk-assessment screening tools into our electronic health record documentation to expand our ability to more quickly identify at risk populations for intervention.
- Provide discharge planning for all inpatients, observation patients, and certain ED patients which includes multiple staff from outside organizations to enhance ability to provide needed resources after discharge.

ACO Payments and Settlements:
Copley Hospital does not receive fixed payments, and the Value-Based Incentive Fund (VBIF) payment of $18,000 is not enough funding to make much of a dent in the cost of working to advance value-based care at the hospital. What has changed is the willingness and interest of the PCPs to collaborate and share services or assist in funding staff who assist them to receive a PMPM fixed payment as well as receive increased care coordination payments.

For the Rise Vermont and VBIF funds, Copley is looking into using this funding to support staff to participate and attend community collaboration meetings around Zero Suicide, Health Equity, Women's Health Initiative, Suicide Screening, workforce recruitment, and Nursing Leadership.

Population Health Priorities:
Specific population health priorities emerging for Copley Hospital involve behavioral and mental health patients wait times and "boarding" in the emergency department while waiting on transfer and placement for patients. Copley Hospital is taking part in the Vermont Program for Quality in Health Care "Vermont Emergency Department Suicide Prevention Quality Improvement Initiative" project.

Copley Hospital is also involved in a quality initiative to increase rapid treatment access for patients with Alcohol Use Disorder (AUD). We are working on a standardized clinical patient pathway in collaboration with community partners. Our goals include improving and increasing referrals and tracking to show improvements in patient outcomes by ensuring treatment and follow-up occurs within 3 days of an ED visit.

To convey to providers the impacts of the care delivered, the hospital uses wide quality initiative data that is shared with all staff, community partners and our Board of Trustees. Our CMO Dr. Dupuis and Chief of Surgery Dr. Macy both participate on the state-wide committee working to develop meaningful quality metrics.

Success is measured and tracked for each initiative. Success meeting our metric goals is demonstrated with data. Some examples are:

- Alcohol Use Disorder Initiative: Development of process for identification of patients with AUD diagnosis, implementation of tracking system to demonstrate Increase in number of patients who receive follow-up and treatment within three days of an ED visit.
- Suicide Prevention Initiative: number of ED staff trained on Counseling on Access to Lethal Means. Increase in number of patients appropriately screened using standardized screening tool. Completion of Mock Survey to identify areas for improvement. Completion of suggested improvements identified at Mock Survey.

HSA Quality Reports:
Copley over the past two years has facilitated a monthly ACO workgroup for community PCP care coordinators and leaders. Copley facilitated the training needed for this group to successfully participate in the previous Care Navigator system as well as performed troubleshooting for this group in collaboration with OneCare. We also informed and educated this group on changes introduced for the 2022 ACO program to ensure PCPs had access to attributed lives and understanding of elements needed to receive PMPM care coordination additional funding. Key stakeholders are invited to meet with ACO leadership to review quality reports and our internal quality committees review these metrics at least annually.

Whether as part of an ACO or in a fee-for-service environment, we at Copley are committed to delivering the highest possible quality of care and the most efficient care appropriate. As an integral partner of the Lamoille Health Collaborative, Copley continues to work in association with community partners to address shared population health goals, specifically through increased screening opportunities, education, and improvements in referral and coordination of care processes. Since Copley Hospital does not own any primary care practices, we work cooperatively with our community providers, social service agencies, town officials, and business leaders to address what can be done to impact the previously mentioned quality measures. Collaboration with other community organizations has allowed for more efficient use of community resources, decreased duplication of services and has contributed to improvements in access and availability of needed services to ensure that all patients receive the right care, at the right time, by the right provider. Copley supports the mission and vision of all of our community partners and recognizes the importance of our primary care partners in moving the needle on many of the All Payer Model quality measures and other population health initiatives.

G. CAPITAL INVESTMENT CYCLE

Copley faces an aging infrastructure. Many of the buildings, which were built decades ago, are now in need of major renovations in order to ensure optimal operation of key functions. Over the years, Copley has made difficult decisions in prioritizing its needs with limited cash. We need to generate an operating margin in order to fund these improvements to provide a safe and comfortable patient environment, high quality care, and seamless coordination of care among providers. The decreased available capital has created a large backlog; increasing risk and creating challenges in prioritizing sudden departmental needs.

Capital spending for FY23 is proposed at $5.5 million with no projects subject to Certificate of Need.

Building & Building Services:

- Building Renovations: $2,114,231
- Infrastructure Improvements: $902,885
- Other: $250,000

Major Movable:

- Ancillary: $887,700
- IT: $578,647
- Surgical: $367,632
- Nursing: $208,900
- Clinic: $117,900
- Pharmacy: $68,000
- Operations: $16,000

H. SUPLIMENTAL DATA MONITORING

As requested, this information is to be submitted to the Green Mountain Care Board by August 5, 2022.

If there are any questions or comments please do not hesitate to contact Jeff Hebert, Chief Financial Officer at 802.888.8663 or JHebert@chsi.org