



Copley Hospital

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January 31, 2023

Sarah Lindberg
Director of Health Systems Finances
Green Mountain Care Board
144 State Street
Montpelier, VT 05602

Dear Ms. Lindberg,

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.

The COVID-19 global pandemic in FY2022 continued to affect the healthcare industry including Copley Hospital. Again, one of the biggest challenges was labor which made it especially difficult for all healthcare employers to fill open positions. For FY2022 Copley incurred a operating loss of \$670 thousand. Utilization has bounced back, however we have experienced a negative reimbursement/payer mix.

NPR/FPP	Total	% over/under
FY 22 Approved Budget	\$ 85,656,271	
Utilization	8,001,611	9.3%
Reimbursement/Payer Mix	(4,780,022)	-5.6%
Bad Debt/Free Care	69,912	0.1%
Changes in DSH	339,826	0.4%
Other (FPP)	2,092,327	2.4%
FY 22 Actual Results	\$ 91,379,925	6.7%

Copley's NPR/FPP surplus is the result of improved utilization from patients beginning to seek care again as the pandemic becomes endemic, often with worsening conditions. Additionally, the growing shift from inpatient to outpatient procedures has outpaced our budget. Both bad debt and charity care were not as high as anticipated in our budget this fiscal year.

- Gross revenue exceeded budgeted FY2022 expectations by 1%, largely due to the rebound of utilization.

- Overall contractual allowances came in 4.6% under budget due to continued process improvements, however this was over-shadowed by an unfavorable shift in payer mix.
- Bad Debt/Free Care came in below our budgeted expectations showing the economic effect on our self-pay population was not as bad as planned.

Expenses	Amount	% over/under
FY 22 Approved Budget	\$ 86,378,982	
Salaries	(579,616)	-0.7%
Fringe Benefits	(282,983)	-0.3%
Physician Contracts	1,885,341	2.2%
Contract Staffing	7,193,528	8.3%
Supplies	(1,712,401)	-2.0%
Drugs	596,715	0.7%
Facilities	148,154	0.2%
IT Related	532,101	0.6%
Depreciation	(413,874)	-0.5%
Interest	69,648	0.1%
Health Care Provider Tax	16,847	0.0%
Other Operating Expenses	1,502,953	1.7%
FY 22 Actual Results	\$ 95,335,395	10.4%

Copley’s 2022 expenses came in higher than budgeted expectations.

- Contracted labor came in much higher than was budgeted due to the ongoing, continued labor shortages in healthcare workers world wide as a result of the pandemic.
- Fringe benefits came in over budget as a result of increased costs and Copley’s self-insured health insurance utilization continues to rise.
- Depreciation, while our capital purchases were close to budget in FY2022 much of these purchases were delayed compared to budgeted expectations.

Copley implemented an overall percentage change in charges of 4% in FY2022, consistent with the GMCB-approved change for FY2022.

Other operating revenue was \$3.3 million in FY2022 which was over budget by \$2.3 million and includes unbudgeted income of \$1.5 million from COVID-19 grants.

Non-operating revenue was above budgeted expectations.



Copley engaged the services of BKD, LLP in FY2020, which continues today. Under their recommendation we recognized all federal funding received prior to 9/30/2021 in revenue in FY2021. We recognized all federal funding received during the current fiscal year in FY2022.

Please call with any questions or concerns.

Sincerely,

Jeff Hebert
CFO