



Copley Hospital

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January 31, 2022

Mr. Patrick Rooney, MSL
Green Mountain Care Board
144 State Street
Montpelier, VT 05602

Dear Mr. Rooney,

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 FY2021 continued to affect the healthcare industry in unsuspected ways; and Copley Hospital was no exception. Among the biggest challenges was labor; accelerated retirements, occupational burnout and workers just looking for a change have caused the “great resignation” which made it especially difficult for healthcare employers to fill open positions. For FY2021 Copley incurred operating income of \$4.7 million mainly due to the recognition of revenue from the HRSA Provider Relief Funds (HRSA-PRF). Utilization continues to be low, yet we have experienced a positive reimbursement/payer mix.

NPR/FPP	Total	% over/under
FY 21 Approved Budget	\$ 76,189,789	
Utilization	(4,503,281)	-5.9%
Reimbursement/Payer Mix	13,970,953	18.3%
Bad Debt/Free Care	(735,264)	-1.0%
Physician Acq/Trans	(195,458)	-0.3%
Changes in DSH	45,596	0.1%
FY 21 Actual Results	\$ 84,772,335	11.3%

Copley’s NPR/FPP overage is the result of improved reimbursements from contractual agreements as well as the growing shift in inpatient to outpatient procedures outpacing our budget. Both bad debt and charity care were not as high as anticipated in our budget and our recent physician acquisition did not ramp up as quickly as expected this fiscal year.



- Gross revenue exceeded budgeted FY2021 expectations, largely due to the rebound of outpatient revenue which ended up over budget by 12.1%; in spite of inpatient revenue ending under budget by 16.4%.
- Overall contractual allowances came in 2.1% under budget due to improvements in the processes surrounding contracts, billing and reimbursement.
- 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 21 Approved Budget	\$ 76,579,874	
Salaries	(162,008)	-0.2%
Fringe Benefits	792,494	1.0%
Physician Contracts	(69,692)	-0.1%
Contract Staffing	5,974,778	7.8%
Supplies	1,247,731	1.6%
Drugs	482,474	0.6%
Depreciation	1,470,798	1.9%
Interest	(15,906)	0.0%
Health Care Provider Tax	262,157	0.3%
Other Operating Expenses	1,625,711	2.1%
FY 21 Actual Results	\$ 88,188,411	15.2%

Copley’s 2021 expenses came in higher than budgeted expectations.

- Contracted labor came in much higher than budgeted expectations due to the continued labor shortages in healthcare workers world wide as a result of the pandemic.
- Fringe benefits came in over budgeted expectations as a result of increased costs and Copley’s self-insured health insurance utilization rebounded from the prior year drop.
- Depreciation, our capital purchases were significantly over budget in FY2021; much of which was catching up on necessary purchases previously delayed due to COVID-19.

Copley implemented an overall percentage change in charges of 6% in FY2021, consistent with the GMCB-approved change for FY2021.

Other operating revenue was \$8.1 million in FY2021 which was over budget by \$7.3 million and includes unbudgeted income of \$6.5 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 in revenue in FY2021.

Please call with any questions or concerns.

Sincerely,

Jeff Hebert
CFO