

STATE OF VERMONT  
GREEN MOUNTAIN CARE BOARD

**FY2024 HOSPITAL BUDGET DECISION AND ORDER**

In re: Copley Hospital ) Docket No. 23-003-H  
Fiscal Year 2024 )  
\_\_\_\_\_ )

**INTRODUCTION**

This year the Green Mountain Care Board’s (GMCB or “the Board”) annual process to establish hospital budgets comes at a critical time for Vermonters. In addition to other inflationary pressures, Vermonters have seen health care costs increase over past years, with systemwide hospital net patient revenue and fixed prospective payments (NPR/FPP) growing from \$2.75 billion in Fiscal Year 2021 to a budgeted \$3.6 billion for Fiscal Year 2024 (FY24). According to the 2021 Vermont Household Health Insurance Survey, 44% of privately insured Vermonters under the age of 65 are underinsured.<sup>1</sup> Vermont median income is projected to grow 3.9% from FY23 to FY24, and 8.6% from FY22 to FY24.<sup>2</sup> The Medicare Market Basket for Inpatient Hospitals is projected to grow 3.1% from FY23 to FY24, and 7.0% from FY22 to FY24.<sup>3</sup> At the same time, hospitals continue to face staffing and workforce challenges, a reliance on more expensive temporary and traveling nursing staff, and other cost inflation.

In July, the Board began reviewing the FY24 budgets of Vermont’s 14 general (community) hospitals for compliance with the benchmarks and expense growth and financial factors adopted by the Board, and the criteria the Board must consider under statute. The financial benchmarks include NPR/FPP growth of not more than 8.6% in total from a hospital’s actual FY22 results to its FY24 budget. *See* GMCB, FY 2024 Hospital Budget Guidance and Reporting Requirements (Mar. 31, 2023), 6 (FY24 Guidance).<sup>4</sup> Individual hospital NPR/FPP growth ranged from 7.18% to 28.4% on a FY22 actual to FY24 budget basis.<sup>5</sup> *See* FY24 Hospital Budget Review Tool, Overview.<sup>6</sup> Individual hospital operating expense growth ranged from -1.79% to 17.84% over the same period. *See id.* Hospital budget submissions also reflected individual charge increases ranging from 1.5% to 15%, which would have resulted in increases to commercial prices ranging from 1.1% to 13.5%. *See id.*

<sup>1</sup> *See* Vermont Department of Health, 2021 Vermont Household Health Insurance Survey (March 2022), 44-45, available at: <https://www.healthvermont.gov/sites/default/files/documents/pdf/HSVR-VHHIS-2021-Report.pdf>.

<sup>2</sup> Median Household Income for 2021-2022 is from the U.S. Census Bureau and 2023-2029 forecasted by Moody’s Analytics.

<sup>3</sup> Medicare Market Basket Data is sourced from the IHS Global Inc. (IGI) 2023Q1 Forecast released by CMS, OACT, National Health Statistics Group.

<sup>4</sup> The hospitals’ FY24 budget materials, including their budget narratives and responses to questions, are available on the GMCB website at: <https://gmcboard.vermont.gov/FY2024hospitalbudgets>. Transcripts of the hospital budget hearings and deliberations are available upon request.

<sup>5</sup> In accordance with the FY24 Guidance, hospitals may request “adjustments” to their actual FY22 NPR/FPP, which, if approved, are not factored into their total NPR/FPP increase. These adjustments most frequently reflect provider transfers but may also be driven by other accounting adjustments. *See* FY24 Guidance, 3.

<sup>6</sup> The FY24 Hospital Budget Review Tool is available at: <https://public.tableau.com/app/profile/state.of.vermont/viz/hospitalbudgetreviewtool/OVERVIEW>.

Following public Board meetings, presentations by hospitals and GMCB staff, and a special public comment period that closed on August 25, 2023, the Board deliberated on each hospital's budget using a decision tree approach and established each hospital's budgeted NPR/FPP increase, resulting in an expected systemwide growth of 6.6% over projected FY23 results. *See* Press Release, GMCB Establishes FY24 Hospital Budgets Balance Affordability and Sustainability, 1.<sup>7</sup> The two-year NPR increase approved by the GMCB, from FY22 actuals to FY24 approved budgets, is 18.2% system-wide (\$548 million). In its FY24 decisions, GMCB adjusted seven hospitals' budgets to limit the rate increases that impact commercially insured patients, representing a 7.8% reduction (\$145 million) in NPR from submitted budgets. *See id.* The Board approved an estimated systemwide charge increase of 4.1%, which, when combined with FY23 budget approvals, results in a two-year systemwide charge increase of 14.6%. *See id.*

### **LEGAL FRAMEWORK**

Hospital budget review is one of the Board's core regulatory responsibilities. 18 V.S.A. §§ 9375(b)(7), 9456. The Board must establish each hospital's budget annually no later than September 15 and is required to issue written decisions reflecting each hospital's established budget by October 1. 18 V.S.A. § 9456(d)(1). In making its decisions, the Board is guided by its statutory charge "to promote the general good of the state by: (1) improving the health of the population; (2) reducing the per capita rate of growth in expenditures for health services in Vermont across all payers while ensuring that access to care and quality of care are not compromised; (3) enhancing the patient and health care professional experience of care; (4) recruiting and retaining high quality health care professionals; and (5) achieving administrative simplification in health care financing and delivery." 18 V.S.A. § 9372. Additionally, the Board must execute its duty of annually establishing each hospital's budget in a way that advances the principles of healthcare reform set forth in 18 V.S.A. § 9371. *See* 18 V.S.A. § 9375(a). The principles include that "The State of Vermont must ensure universal access to and coverage for high-quality, medically necessary health services for all Vermonters. Systemic barriers, such as cost, must not prevent people from accessing necessary health care." 18 V.S.A. § 9371(a)(1). The principles also include a responsibility of the Board that "[o]verall health care costs must be contained, and growth in health care spending in Vermont must balance the health care needs of the population with the ability to pay for such care." 18 V.S.A. § 9371(a)(2). Additionally, "Primary care must be preserved and enhanced so that Vermonters have care available to them, preferably within their own communities." 18 V.S.A. § 9371(a)(4). The Board also has a responsibility to ensure that "Vermont's health care system must include mechanisms for containing all system costs and eliminating unnecessary expenditures, including by reducing administrative costs and by reducing costs that do not contribute to efficient, high-quality health services or improve health outcomes. Efforts to reduce overall health care costs should identify sources of excess cost growth." 18 V.S.A. § 9371(a)(10). The Board may adjust proposed budgets that fail to comply with the Board's established benchmarks and other guidance. GMCB Rule 3.000, § 3.305. The Board may also adjust a hospital's established budget based on the Board's independent review of a hospital's budget performance. 18 V.S.A. § 9456(f); GMCB Rule 3.000, § 3.401.

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<sup>7</sup> Available at: <https://gmcboard.vermont.gov/content/press-releases>.

Hospitals bear the burden of persuasion in justifying their proposed budgets. GMCB Rule 3.000, § 3.306(a). During its review, the Board must consider numerous factors utilizing established data sources, including hospitals' compliance with the NPR/FPP growth guidance established by the Board, the hospitals' past budgets and budget performance, labor expenses, utilization, pharmaceutical expenses, cost inflation, commercial price changes, financial indicators, pricing changes for Medicare and Medicaid, uncompensated care, administrative costs, productivity and efficiency indicators, including hospital's administrative costs, costs per discharge, salary allocations, and ratio of administrative salaries and expenses to clinical or other salaries and expenses, factors and trends introduced by hospitals, the Board's mandate under statute and rule, public comment on all aspects of hospital use and cost and comments on individual hospital budgets, and any other information the Board deems relevant. *See* 18 V.S.A. § 9456(b); GMCB Rule 3.000, § 3.306(b); FY24 Guidance. Each approved budget must, among other requirements, be consistent with state and community health care needs, reflect the hospital's budget performance for prior years, take into consideration national, regional, or in-state peer group norms, according to indicators, ratios, and statistics established by the Board, and promote the hospital's efficient and economic operations. *See* 18 V.S.A. § 9456(c).

The Board annually adopts guidance by March 31 that establishes benchmarks for hospitals to use in developing and preparing their upcoming fiscal year's budgets. GMCB Rule 3.000, § 3.202. The Board issued guidance for FY24 budgets on March 31, 2022, after public meetings with Vermont hospitals, the Vermont Association of Hospitals and Health Systems, the Office of the Health Care Advocate (HCA) and other interested parties.<sup>8</sup> The Board continued the NPR/FPP growth guidance first adopted as part of the GMCB's FY23 budget guidance of not more than an aggregate of 8.6% for FY23 and FY24, combined, measured over the FY22 actual results. FY24 Guidance, 6. The FY24 Guidance stated: "Hospitals whose budgets comply with the [NPR/FPP] benchmark will be reviewed for reasonableness of the factors and assumptions outlined in Section I and compliance with the filing requirements of the guidance (i.e., completeness and timeliness). Staff will recommend approval without modification for all hospital budgets that comply with the [NPR/FPP] benchmark, are based on reasonable assumptions, and meet the administrative filing requirements of the guidance. Hospitals proposing budgets that exceed the benchmark must provide evidence to support the need for additional [NPR/FPP], which will be assessed by the GMCB using the factors set out in Section I of this guidance and consistent with the GMCB's statutory obligations." FY24 Guidance, 3. The FY24 Guidance further identified the data sources, indicators, and peer groups that would be used to assess the identified factors for hospitals that exceeded the established benchmark. FY24 Guidance, 7-10.

### **FY24 REVIEW PROCESS**

The GMCB adopted FY24 Guidance on March 31, 2023. The FY24 Guidance included a benchmark for NPR/FPP growth capped at an aggregate of 8.6% for FY23 and FY24 combined (over each hospital's actual FY22 results). FY24 Guidance, 6. The FY24 Guidance also stated the Board may review and adjust proposed operating expenses commensurate with any changes made to a hospital's NPR/FPP, and that the Board will review and may adjust commercial rate

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<sup>8</sup> The Board's FY24 Guidance is available at [https://gmcboard.vermont.gov/sites/gmcb/files/documents/FY24%20Guidance%20Updated%202023\\_05\\_24.pdf](https://gmcboard.vermont.gov/sites/gmcb/files/documents/FY24%20Guidance%20Updated%202023_05_24.pdf).

increases. *See id.* The FY24 Guidance set out several factors the Board would review and consider relating to expense growth, labor expenses, utilization, pharmaceutical expenses, cost inflation, commercial price changes, financial indicators, pricing changes in Medicare and Medicaid, changes in uncompensated care, productivity and efficiency indicators, and other relevant factors proposed during the budget review process. The FY24 Guidance also specified that the Board's review process will be consistent with the principles for health care reform in 18 V.S.A. § 9371, as required by 18 V.S.A. § 9375(a) and (b)(7), including considering the extent to which a hospital's budget advances the principle that all Vermonters must receive affordable and appropriate health care at the appropriate time in the appropriate setting (18 V.S.A. § 9371(1)) and the principle that overall health care costs must be contained and growth in health care spending in Vermont must balance the health care needs of the population with the ability to pay for such care (18 V.S.A. § 9371(2)), and will adhere to the hospital budget review requirements of 18 V.S.A. § 9456(c), including the requirement that established budgets shall promote efficient and economic operation of the hospital (18 V.S.A. § 9456(c)(3)). *See* FY24 Guidance, 6-10. The FY24 Guidance identified data sources that the Board could consider in conducting its review. *See id.*

Prior to hospital budget submissions, on May 3, 2023, the Vermont Association of Hospitals and Health Systems requested the GMCB reconsider the 8.6% NPR/FPP growth benchmark established in the FY24 Guidance. *See* Letter from Michael Del Trecco, President & CEO of Vermont Association of Hospitals and Health Systems to Owen Foster, Chair GMCB, Re: VAHHS Request for Amendment to the FY 2024 Hospital Budget Guidance (May 3, 2023) (Reconsideration Request).<sup>9</sup> Following deliberations and a public comment period on the Reconsideration Request, the GMCB voted unanimously on May 31, 2023, not to modify its FY24 Guidance NPR/FPP benchmark. *See* Letter from Owen Foster, Chair GMCB, to Michael Del Trecco, President & CEO of Vermont Association of Hospitals and Health Systems to Re: VAHHS Request for Amendment to the FY 2024 Hospital Budget Guidance (June 2, 2023).<sup>10</sup> The GMCB received approximately 100 public comments in connection with the request, with the majority of commenters who were not affiliated with a hospital asking the GMCB to maintain the NPR/FPP growth benchmark, many citing the affordability of health care and the significant expense pressures faced by more than just hospitals and the impact that large hospital rate increases have on the limited reimbursement and rate increases that independent providers in other parts of the health care system have been able to receive.

Hospitals submitted their FY24 budgets to the GMCB on or about July 1, 2023 and presented their budgets at public GMCB meetings between August 9, 2023 and August 25, 2023. The Board and its staff reviewed and analyzed FY24 budget information submitted and presented by the hospitals, including detailed financial information, utilization data, expense growth, inflation costs, population health goals, value-based care participation, patient access data, administrative cost and efficiency metrics, cost coverage, specific quantitative and qualitative

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<sup>9</sup> Available at:

<https://gmcboard.vermont.gov/sites/gmcb/files/documents/GMCB%20Letter%20on%20FY24%20Hospital%20Budget%20Guidance%20Reconsideration%205%203%2023.pdf>.

<sup>10</sup> Available at:

[https://gmcboard.vermont.gov/sites/gmcb/files/documents/Letter%20to%20VAHHS%20from%20GMCB%20\\_6.2.23.pdf](https://gmcboard.vermont.gov/sites/gmcb/files/documents/Letter%20to%20VAHHS%20from%20GMCB%20_6.2.23.pdf).

measures for patient wait times, NPR/FPP growth rates, changes in charge and rate increases, prior budget performance, and the reliance on changes in charge for commercial revenues. As part of its review, and consistent with its role, the GMCB assessed the credibility of information, claims, and assertions provided by the hospitals in their budget submissions, hearings, and in supplemental filings in connection with their budget submissions.

The Board received and considered comments from the HCA and from members of the public. The Board also considered each hospital's unique circumstances, including its health care reform efforts, capital and infrastructure needs, hospital-specific risks and opportunities, and cost-reduction initiatives, and opportunities for cost reduction.

The hospitals requested a collective NPR/FPP increase of 19.1% over the systemwide FY22 actual NPR/FPP. Overview of FY24 Hospital Budgets, GMCB Staff Presentation (Aug. 9, 2023), 19. After considering presentations from and discussions with hospital leadership, analysis prepared by GMCB staff, and input from the HCA and the public, the Board established for each hospital a budget with a maximum NPR/FPP growth and a maximum change in charge, with commercial rates subject to the cap and also subject to downward adjustment through negotiation with commercial insurers. Following the GMCB's adjustments, the systemwide NPR/FPP increase from FY22 actuals to FY24 approved budgets was 18.2%. *See* Press Release, GMCB Establishes FY24 Hospital Budgets Balance Affordability and Sustainability, 1.

The Board also reviewed each hospital's proposed change in charge, which is the average amount by which a hospital increases its charges.<sup>11</sup> The Board collected and reviewed from each hospital its estimated impact on commercial rate payers that would result from the hospital's budgeted change in charge. A hospital's overall change in charge is not the same as the increase paid by commercial payers, but in establishing a cap for changes in charge the Board also established a cap for commercial rate increases. The Board modified its standard budget conditions for FY24 in order to cap commercial rate increases in a consistent way across hospitals, and to make explicit that the Board's rate increases are a cap, subject to further negotiations between hospitals and commercial payers, and may not be represented by hospitals as an amount guaranteed by the GMCB approvals.

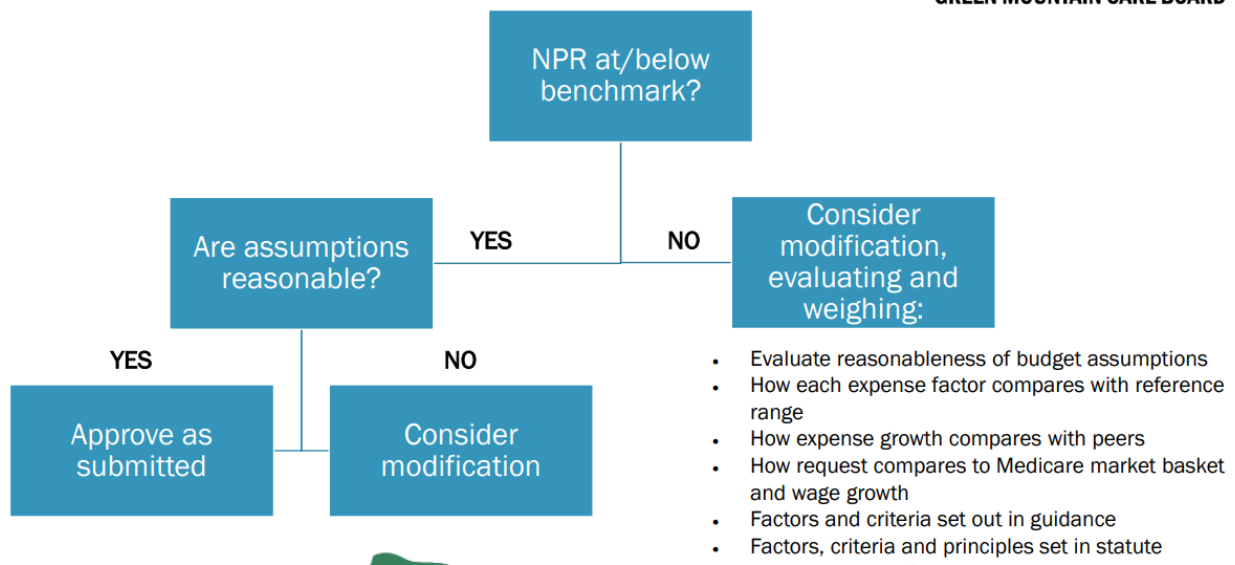
The Board also reviewed each hospital's investments in workforce development initiatives, including nursing workforce pipeline collaborations with nursing schools and compensation and other support for nurse preceptors. Other factors considered by the Board in reviewing each hospital's budget included the impacts on Vermonters and employers in the commercial market, including self-funded employers; considerations of Medicare and/or Medicaid payment changes on the commercial rate increases; impacts of Medicare and/or Medicaid payment changes and changes to rate of uninsured; hospital reimbursement variation data; cost and cost coverage data; data relative to payments to similar hospitals; relative costs for similar hospitals; payer mix; generally accepted measures of medical inflation; and productivity and efficiency indicators, including administrative costs, costs per discharge, salary allocations, ratio of administrative salaries and expenses to clinical or other salaries and expenses, and information regarding wait times (referral lag and visit lag) for certain service lines and procedures collected and submitted by hospitals.

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<sup>11</sup> Changes to the actual charges vary by hospital and across service lines and by procedure.

To organize and facilitate the consistent review of each hospital, GMCB staff led a review and discussion of each hospital’s budget with hospital leadership during a budget hearing, and then presented a review of each hospital’s budget and associated factors, utilizing a decision tree that analyzed whether the hospital’s proposed budget fell within the Board’s NPR/FPP growth guidance, and if above the benchmark, considered modification, evaluating and weighing: the reasonableness of budget assumptions, how each expense factor compares with reference range, how expense growth compares with peers, how the request compares to Medicare market basket and wage growth, other factors and criteria set out in guidance, and factors, criteria and principles set in statute. *See* FY24 Guidance, 6-10; *see also* FY24 Hospital Deliberations, Staff Presentation, Slide 17 (Sept. 6, 2023). The GMCB’s deliberation for each hospital’s budget was summarized by staff in a decision tree, which was included in staff’s public presentation for hospital budget deliberations:

## FY24 Hospital Budget Decision Tree



FY24 Hospital Budget Deliberations, GMCB Staff Presentation, 17 (Sept. 6, 2023).

Copley Hospital (Copley) filed its FY24 budget submission by July 1, 2023. Copley requested a 21.3% increase in its NPR/FPP from its FY22 actual results (combined FY23 and FY24) and a 15% overall change in charge from FY23. Copley Hospital, Narrative, 2, 8 (Copley Submission). Copley’s FY24 NPR/FPP increase, measured from FY22 actual, is over the 8.6% NPR/FPP growth guidance established by the Board.

Copley’s senior leadership met with the Board to review and discuss its FY24 budget at a public hearing held August 21, 2023. On September 15, 2023, following GMCB staff presentations and deliberation, the Board approved Copley’s budget with modifications, with an increase in NPR/FPP for FY24 of not more than 21.3% over its FY22 actual results, and a charge increase of not more than 8%.

Based on the above, the Board issues the following Findings, Conclusions, and Order:

**FINDINGS**

1. Copley is a critical access hospital with its primary location in Morrisville, Vermont.
2. Copley submitted its FY24 budget by July 1, 2023. Copley requested a 21.3% growth in NPR/FPP from its FY22 actual results, for a total of \$111,856,924. *See Copley Submission, Income Statement, 1.*
3. Copley submitted its FY24 budget with a requested average overall charge increase of 15% from FY23. *See Copley Submission, Narrative, 8.* Copley’s charge increase results in an approximately 11.3% increase in commercial rates. *See Copley Submission, Appendix 10.* The range of commercial rate increases from FY23 to FY24 proposed by all Vermont hospitals was 1.1% to 13.5%. *See Overview of FY24 Hospital Budgets, Staff Presentation (Aug. 9. 2023), 21.*
4. A summary of the Copley’s history of budgeted and approved NPR increases, changes in charge, operating expenses and commercial NPR is below:

Budgets								
Year		FY18	FY19	FY20	FY21	FY22	FY23	FY22-24
Net Patient Revenue (NPR)	Guidance	3.0%	2.8%	3.5%	3.5%	3.5%	8.6%	
	Submitted	7.5%	5.9%	3.5%	6.1%	12.6%	12.1%	10.8%
	Δ Approved	-2.5%	-2.7%	0.0%	-0.5%	-1.0%	0.0%	
Commercial NPR	Submitted	3.5%	12.5%	-0.7%	3.2%	35.1%	-8.6%	22.4%
	Δ Approved	-3.8%	-3.4%	0.0%	-17.7%	-1.4%	0.0%	
Operating Expenses	Submitted	5.0%	3.5%	1.8%	6.9%	12.8%	10.5%	5.4%
	Δ Approved	-1.2%	-0.8%	0.0%	-1.2%	0.0%	0.0%	
Change in Charge	Submitted	0.0%	7.9%	9.8%	8.0%	5.0%	12.0%	27.0%*
	Δ Approved	-3.4%	-3.4%	0.0%	-2.0%	-1.0%	0.0%	
	Commercial weight of approved increase	-1.6%	2.2%	4.6%	2.8%	2.0%	4.8%	10.6%*

\* As submitted

Summary for GMCB Deliberations for Copley, GMCB Staff Presentation (Sept. 15, 2023), 1.<sup>12</sup>

5. A summary of Copley’s actual NPR increases, operating expenses and commercial NPR is below:

<sup>12</sup> Copley’s submitted NPR increase of 10.8% reflects a requested provider practice acquisitions for three providers. We conclude that the hiring of a orthopedic provider who previously worked at Copley should not be treated as a provider practice acquisition, and consequently the NPR increase requested by Copley is 21.3%. *See Statements of Sarah Lindberg, Hearing Transcript (Sept. 15, 2023), 52:14-53:12.*

Actuals							
Year		FY18	FY19	FY20	FY21	FY22	FY23
NPR	%	1.9%	1.2%	3.2%	22.7%	7.8%	5.8%
	\$ in M	1.2	0.8	2.1	15.7	6.6	5.3
Commercial NPR	%	-1.1%	3.9%	3.4%	27.8%	-29.4%	16.3%
	\$ in M	-0.4	1.5	1.3	11.4	-15.4	6.1
Operating Expenses	%	4.3%	0.9%	5.0%	19.5%	8.1%	3.7%
	\$ in M	2.9	0.6	3.5	14.4	7.1	3.6

Summary for GMCB Deliberations for Copley, GMCB Staff Presentation (Sept. 15, 2023), 1.

6. Copley's FY24 budget includes total operating expenses of \$109,168,433, an increase of approximately \$13.8 million, or 15%, from actual FY22. Copley Submission, Income Statement, 1. Copley's budgeted FY24 operating expenses are approximately \$13.7 million more than its budgeted FY23 operating expenses. *See id.*
7. Copley's labor related expenses increased approximately 17.8% from actual FY22 to budgeted FY24. *See Copley Submission, Narrative, 2-3; Income Statement, 1; Summary for GMCB Deliberations for Copley, GMCB Staff Presentation (Sept. 15, 2023), 2.* For its FY24 budget, Copley budgeted an increase in 12 FTEs, with an addition of 9 clinical FTEs and 5 emergency department FTEs, and a reduction in two overhead department FTEs. Copley Submission, Narrative, 3. An orthopedic provider will be rejoining Copley, which will add approximately \$10 million in NPR for the next fiscal year. *See Copley Submission, Schedule A.*
8. The benchmark for labor expenses utilized by the Board is 5.2%, from the US Bureau of Labor Statistics' Employment Cost Index for the current dollar index for total compensation in the private industry for all workers in hospitals. *See FY24 Guidance, 7.* The median for Vermont hospitals is 4%.
9. Copley included assumptions for an increase from projected FY23 utilization for inpatient services (1.3%), outpatient services (3.2%), and clinical visits (1.7%). *See Copley Submission, Narrative, 3.* Overall utilization increase from FY22 to FY24 is expected to be 2.4%. *Summary for GMCB Deliberations for Copley, GMCB Staff Presentation (Sept. 15, 2023), 2.*
10. The benchmark for utilization referred to by the Board is -0.4%, as set out in the FY24 Guidance. *See FY24 Guidance, 7.* The median for Vermont hospitals is 7%.
11. Copley's budgeted cost inflation for FY24 was not available. *See Copley Submission, Narrative, 4.*
12. The benchmark for cost inflation utilized by the Board is 5.8%, from the Producer Price Index for general medical and surgical hospitals to assess the relative growth in expenses associated with supplies and materials. *See FY24 Guidance, 8.* The median for Vermont hospitals is 3.7%.



- 13. In terms of pharmaceutical costs, Copley stated that it used estimates from its group purchasing vendor, which estimated close to a 6.6% increase in pharmaceutical costs. *See Copley Submission, Narrative, 4.*
- 14. The benchmark for pharmaceutical expense inflation utilized by the Board is 12%, from the Producer Price Index’s commodity index for prescription drugs. *See FY24 Guidance, 7.* The median for Vermont hospitals is 7.6%.
- 15. Copley’s ratio of administrative and general salaries to clinical salaries and its CMI-adjusted average cost per Medicare discharge are in the following tables (in each case compared to critical access hospitals):

**Ratio of Administrative & General Salaries to Clinical Salaries (Critical Access Hospitals)**

Hospital	VT Hospital Rank	Hospital Percent Rank <sup>1</sup>	Comparator 25 <sup>th</sup> Percentile	Comparator 75 <sup>th</sup> Percentile
16.4%	1	42 <sup>nd</sup>	11%	22%

**CMI-Adjusted Average Cost per Medicare Discharge (Critical Access Hospitals)**

Hospital	VT Hospital Rank	Hospital Percent Rank <sup>2</sup>	Comparator 25 <sup>th</sup> Percentile	Comparator 75 <sup>th</sup> Percentile
\$10,672	4	42 <sup>nd</sup>	\$9,745	\$13,647

Summary for GMCB Deliberations for Copley, GMCB Staff Presentation (Sept. 15, 2023), 3.

- 16. Copley’s relative inpatient and outpatient commercial costs per discharge, cost coverage, and standardized prices are summarized in the following table (in each case compared to other critical access, non-teaching hospitals):

Inpatient – Relative Cost and Price (Critical Access Hospital, not major teaching hospital)						
Year		FY18	FY19	FY20	FY21	FY22
Commercial Cost per Discharge	Hospital	\$14,699	\$12,452	\$13,493	\$14,692	\$12,207
	25 <sup>th</sup> percentile	\$11,349	\$11,030	\$12,737	\$11,914	\$11,865
	75 <sup>th</sup> percentile	\$16,115	\$19,154	\$20,538	\$17,412	\$16,365
Commercial Cost Coverage	Hospital	120%	116%	101%	93%	70%
	25 <sup>th</sup> percentile	94%	80%	74%	72%	84%
	75 <sup>th</sup> percentile	111%	100%	92%	97%	112%
Standardized Price	Hospital	\$18,305				
	25 <sup>th</sup> percentile	\$13,391				
	75 <sup>th</sup> percentile	\$22,644				

Outpatient – Relative Cost and Price (Critical Access Hospital, not major teaching hospital)						
Year		FY18	FY19	FY20	FY21	FY22
Commercial Cost per Discharge	Hospital	\$438	\$396	\$484	\$529	\$624
	25 <sup>th</sup> percentile	\$426	\$423	\$470	\$471	\$498
	75 <sup>th</sup> percentile	\$495	\$472	\$601	\$616	\$628
Commercial Cost Coverage	Hospital	199%	183%	181%	177%	189%
	25 <sup>th</sup> percentile	200%	171%	150%	163%	170%
	75 <sup>th</sup> percentile	226%	202%	191%	193%	202%
Standardized Price	Hospital	\$246				
	25 <sup>th</sup> percentile	\$259				
	75 <sup>th</sup> percentile	\$420				

Summary for GMCB Deliberations for Copley, GMCB Staff Presentation (Sept. 15, 2023), 4.

17. Commercial cost per discharge, commercial cost coverage, and standardized price data is from analysis produced by Burns and Associates<sup>13</sup> to review cost and reimbursement variation among Vermont hospitals. *See* FY24 Guidance, 8-9. The analysis includes a review of the variation in Medicare-allowable costs, payments, and cost coverage for commercial payers. *See id.*
18. Copley’s FY24 budget did not include any additional reimbursement from Medicaid rate increases. *See* Copley Submission, Narrative, 8. As a critical access hospital, Copley’s Medicare reimbursements are based on costs and the share of those costs attributable to Medicare patients. *See id.*
19. Copley included an analysis with a reasonable methodology showing how its change in charge is less than its total change in rates in an amount equal to increases in Medicaid and Medicare, at the time of its budget submission, and changes in bad debt and charity care. *See* Copley Submission, Appendices, Appendix 9.
20. For FY24, Copley budgeted an operating margin of \$3,357,564, or approximately 2.98%, and a total margin of 3.25%. Copley Submission, Income Statement, 1. Copley projects a -0.68%

<sup>13</sup> A presentation of the Burns and Associates analysis is available here: [https://gmcboard.vermont.gov/sites/gmcb/files/documents/BoardPres\\_HMA\\_ExaminationofPaymentandCostCoverageVariationAcrossPayersforHospitalServices\\_20211027.pdf](https://gmcboard.vermont.gov/sites/gmcb/files/documents/BoardPres_HMA_ExaminationofPaymentandCostCoverageVariationAcrossPayersforHospitalServices_20211027.pdf).

operating margin and an -0.61% total margin in FY23. Copley Submission, Income Statement, 1. For FY22, Copley had an operating margin of -0.71% and a 0.73% total margin. *Id.*

21. Copley’s budget anticipates 60 days cash on hand in FY24. Copley Submission, Narrative, 8. The median days cash on hand for all Vermont hospitals budgeted for FY24 is 109.64. *See Overview of FY24 Hospital Budgets, Staff Presentation (Aug. 9, 2023), 18.*

22. A summary of Copley’s financial indicators is included below:

Financial Indicators	Copley Hospital				Vermont Hospitals
	FY22 Actual	FY23 Approved	FY23 YTD	FY24 Submitted	FY24 Median
Op Margin	-0.7%	1.6%	-0.7%	3.0%	1.2%
Op-EBIDA Margin	3%	5%	3%	6%	5.6%
Total Margin	0.7%	1.9%	-0.6%	3.2%	3.8%
DCOH	65.8	88.1	40.1	59.6	109.64
Debt Service Coverage Ratio	3.1	6.1	3.3	8.4	4.56
LT Debt to Capitalization Ratio	20.1%	24.6%	26.0%	32.4%	0.17
Age of Plant	12.5	13.7	13.0	12.4	16.02

Summary for GMCB Deliberations for Copley, GMCB Staff Presentation (Sept. 15, 2023), 2.

23. For 2024, Copley plans to be a participating provider with OneCare Vermont’s commercial and Medicaid programs. *See Copley Submission, Narrative, 10.*

24. The GMCB solicited and considered public comment on all aspects of hospital costs and use, and on the budget proposed by Copley, through a special comment period and public comment periods during the GMCB’s hospital hearings and deliberations.

### CONCLUSIONS

Copley’s FY22 actual to FY24 budgeted NPR growth, at 21.3%, was well in excess of the Board’s NPR growth benchmark of 8.6%.<sup>14</sup> *See Findings, ¶2.* As Copley exceeds the NPR growth benchmark, we review its budget submission for potential adjustment.

Copley’s expense growth from FY22 to FY24, at 12.1%, puts it at the 69<sup>th</sup> percentile for Vermont hospitals. *See Findings, ¶6.* The hospital’s labor expense increase, at 17.8% from FY22 to FY24, puts it outside of the benchmark and among the highest for Vermont hospitals.

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<sup>14</sup> Copley requests that we make adjustments for its addition of an orthopedic provider, a surgeon, and a cardiologist as provider practice acquisitions. We conclude that the addition of the orthopedic provider is not a provider practice transfer, and view that addition as hiring of additional providers by the hospital. *See Finding, ¶4 (footnote).* Ultimately we approve Copley’s NPR growth as submitted.

See Findings, ¶¶7, 8. Its utilization increase, at 2.4%, is lower than most Vermont hospitals, but we note that Copley anticipates additional utilization with the hiring of additional providers. See Findings, ¶¶9, 10. In particular, Copley's addition of an orthopedic provider who is returning to the hospital will bring an anticipated additional \$10 million NPR in the next fiscal year and additional utilization for orthopedic services. See Findings, ¶7. Copley's cost inflation estimate was not available for our review. See Findings, ¶11.

Copley's two-year change in charge, as submitted for FY22-FY24, would be 27%, which is among the highest among Vermont hospitals. See Findings, ¶¶3, 4. We recognize Copley is able to operate as an efficient, lower cost hospital while maintaining high quality. See Findings, ¶¶15, 16. Copley has the lowest ratio of administrative and general salaries to clinical salaries among Vermont hospitals, and it has one of the lowest CMI-adjusted Medicare costs per discharge. See Findings, ¶15. The hospital's commercial cost per discharge for inpatient services is also low, near the 25<sup>th</sup> percentile. See Findings, ¶16. There is value to Vermont, and it advances our statutory principle in 18 V.S.A. § 9371(2) that "[o]verall health care costs must be contained, and growth in health care spending in Vermont must balance the health care needs of the population with the ability to pay for such care," in Copley remaining an organization that can deliver high quality outcomes at prices that are below many of its peers. As such, we conclude that an 8% charge increase is justified, but we conclude that Copley has not met its burden of justifying a larger charge increase. Therefore, we approve Copley's budget with its NPR growth as submitted but its charge increase as modified at 8% more than FY23.

### **ORDER**

Based on our findings and conclusions and the authority granted by Chapter 221, Subchapter 7 of Title 18, Copley's budget is approved as modified hereby for FY24 subject to the following terms and conditions:

- A. Copley's FY24 NPR/FPP budget is approved at a growth rate of not more than 21.3% over its FY22 actual, with a total NPR/FPP of not more than \$111,856,924 for FY24.
- B. Copley's overall change in charge and commercial rate increases are approved at not more than 8.0% over current approved levels, with no commercial rate increase for any payer at more than 8.0% over current approved levels. The commercial rate increase overall or with respect to any payer may be less than 8.0% as negotiated between the hospital and payer.
- C. The commercial rate increase cap in Paragraph B. is a maximum and is subject to negotiation between Copley and commercial insurers. Copley shall not represent the maximum commercial rate increase approved by the GMCB in Paragraph B. or the expected commercial NPR based on that rate increase as the amounts set or guaranteed by the GMCB in the hospital's negotiations with insurers.
- D. Copley's expected commercial NPR, based on its budget as adjusted in this Order, is \$47,358,298. Copley shall report its actual expected commercial NPR not later than March 15 or such later date as specified by the Board Chair and explain any variations from the expected commercial NPR.

- E. Copley shall file with the Board its actual year-to-date FY24 operating results on April 30, 2024 for October 1, 2023 through March 31, 2024. The report shall be in a form and manner as prescribed by GMCB staff.
- F. On or before January 31, 2024, Copley shall file with the Board, in a form and manner prescribed by GMCB staff, such information as the Board determines necessary to review the hospital's FY23 actual operating results.
- G. Copley shall file with the Board one copy of its FY23 audited financial statements and associated management letter(s), as well as the parent organization's audited consolidated financial statements, if applicable, 15 days after the hospital receives its statements, or by January 31, 2024, whichever is earlier.
- H. Copley shall participate in telephonic check-ins to be scheduled at the discretion of the Board Chair in consultation with Board staff based on the hospital's FY24 year-to-date operating performance.
- I. Copley shall advise the Board of any material changes to its FY24 budgeted revenues and expenses, or to the assumptions used in determining its budget, including:
  - A. changes in Medicaid, Medicare, or commercial reimbursement;
  - B. additions or reductions in programs or services to patients; and
  - C. any other event that could materially change the approved NPR/FPP budget.
- J. Copley shall develop a system to be able to measure and report to the GMCB the referral lag and the visit lag for each hospital-owned primary and specialty care practice as well as the top five most frequent imaging procedures. Referral lag means the percentage of appointments scheduled within 3 business days of referral (percentage of all referrals where the clinic or hospital has completed scheduling an appointment within 3 business days of receiving the referral, regardless of the date on which the appointment will take place). Visit lag means the percentage of new patient appointments scheduled for the patient to be seen within 2 weeks, 1 month, 3 months, and 6 months of their scheduling date (the scheduling date is the date the hospital or practice schedules the appointment, not the date the referral was received or the date the patient will be seen).
  - A. Copley shall report to the GMCB the referral lag and the visit lag for each hospital-owned primary and specialty care practice as well as the top five most frequent imaging procedures on April 30, 2024, for February and March 2024, and as required by the GMCB's FY25 hospital budget guidance.
- K. Copley shall participate in the Board's work, including the community engagement process, pursuant to Act 167.
- L. Copley shall timely file all forms and information required for practice acquisitions and/or transfers as determined by GMCB staff, if applicable.
- M. Copley shall file all requested data and other information in a timely and accurate manner.
- N. After notice and an opportunity to be heard, the GMCB may amend the provisions contained herein, and issue an amended order, consistent with its authority as set forth in

18 V.S.A. Chapter 220, Subchapter 1, 18 V.S.A. Chapter 221, Subchapter 7, and GMCB Rule 3.000.

- O. All materials required above shall be provided electronically, unless doing so is not practicable.
- P. The findings and orders contained in this decision do not constrain the Board’s decisions in future hospital budget reviews, future certificate of need reviews, or any other future regulatory or policy decisions.

**So ordered.**

Dated: October 1, 2023  
Montpelier, Vermont

<u>s/ Owen Foster, Chair</u>	)	
	)	GREEN MOUNTAIN
<u>s/ Jessica Holmes</u>	)	CARE BOARD
	)	OF VERMONT
<u>s/ Robin Lunge</u>	)	
	)	
<u>s/ David Murman</u>	)	
	)	
<u>s/ Thom Walsh</u>	)	

Filed: October 1, 2023

Attest: /s/ Jean Stetter  
Green Mountain Care Board  
Administrative Services Director

*NOTICE TO READERS: This document is subject to revision of technical errors. Readers are requested to notify the Board (by email, telephone, or in writing) of any apparent errors, so that any necessary corrections may be made.*