Copley Hospital
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Green Mountain Care Board
144 State Street
Montpelier, VT 05602

August 12, 2024

RE: FY2025 HSF Questions

1. **Please provide details of the corporate structure of the New England Collaborative Health Network. In addition, please provide any contract(s) you have with the New England Collaborative Health Network, including any contract(s) with the consulting firm Ovation.**

   The New England Collaborative Health Network, LLC (NECHN) is open to any independent hospital in the states of VT, NY, NH, ME, MA along with their Community Partners in Care, identified typically but not limited to home health agencies, medical groups, FQHCs, long-term care facilities, mental health providers, substance abuse agencies, etc.

   NECHN provides the network structure of interdependence, without the need for ownership. It is a partnership of like-minded healthcare organizations established to enhance economic and financial stability, support clinical excellence, and strengthen the communities of the member hospitals in the New England area. NECHN is governed by an independent Board of Directors, the member hospital's CEOs each have a seat on this board, with an equal vote, and provide direction for the collaborative's goals and initiatives.

   An Executive Director will implement these initiatives and provide the project management leadership to achieve the collaborative's goals. Supporting the Executive Director are various industry partner organizations who will provide education, specialized expertise, and consultative or additional services on a collective basis for the member hospitals, as agreed upon by the board.

   NECHN will counsel the members' leadership regarding Supply Chain, Human Resources, Information Technology and Cyber Security, Finance, Quality and Operations which will focus on the execution of board plans and provide opportunities to network together.

2. **To the best of your ability, please estimate your expected return on investment for your participation in the New England Collaborative Health Network. What do you anticipate will be the main driver of your savings/improvements in quality etc.? Where do you anticipate potential risks associated with your ability to achieve the expected value?**

   To date, the NECHN collaborative has identified almost $1.4million in potential supply spend and $1.6million in employee benefit cost savings for its current and potential members with added potential savings yet realized by aligning and group purchasing for business insurance, purchased services and planned capital expenditures.

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Longer-term, NECHN's goal is to be a tool, a tactic, a resource for our member hospitals and community partners with helping to keep care local, reducing costs, addressing workforce challenges, and external funding opportunities.

3. **Your key justification for a commercial rate increase is that you are a low - priced provider. Can you explain the efforts that you have undertaken (or intend to undertake to remain a low - priced provider (i.e. cost management, provider productivity, operational efficiency))?**

Copley's biggest challenge in its rate request is our inability to charge a fair and reasonable price for basic services provided to Vermonters. Our prices have not kept up with the hospital marketplace in Vermont. We are spending down our reserves and chipping away at our financial viability at a concerning rate.

Copley Hospital's mission is to help people live healthier lives by providing exceptional care and superior service. Copley also 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. To do all this Copley needs to be able to charge a **fair** and **reasonable** price for services.

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a. **One of the requirements in the budget guidance for hospitals that did not meet the commercial price benchmark, is to submit productivity data along with productivity benchmarks (Table 7 in the workbook). You did not provide the associated productivity benchmarks. Can you please provide such information?**

Fiscal Year 2023 Provider Productivity:

	FTE's	Worked RVU's Per FTE	2022 MGMA #tile of Benchmark
Cardiovascular Disease	1.4	4,901	< 10th Percentile
Emergency Medicine	6.4	4,702	25th Percentile
General Acute Care Hospital	2.0	5,298	61th Percentile
Obstetrics & Gynecology	0.9	3,680	14th Percentile
Orthopaedic Surgery	5.0	7,097	34th Percentile
Physician Assistants & Advanced Practice Nursing Providers	20.5	2,228	
Podiatrist	1.6	4,059	21th Percentile
Neurology	1.1	3,888	31st Percentile
General Surgery	2.5	3,290	11th Percentile

In FY 2023 Copley hired a general surgeon who was building their patient panel. For FY 2025, Copley will be downsizing cardiology services to a single provider.

Looking at our worked RVU's in comparison to the MGMA benchmarks we have some concerns with the accuracy of our RVU calculations. Some of the values appear we are inefficient; however, we do not feel this is the case.

In addition, we didn't include a MGMA benchmark for physician assistants & advance practice nursing providers, because MGMA didn't have a comparable category.

4. **What method(s) was/were used to anticipate an increase in utilization?**

Copley looks to understand historical data which provides baseline comparisons, as well as incorporating changes in external market forces, and internal operational changes. Copley relies on the managers and data from across our healthcare organization to make the appropriate forecasts.

5. **Can you provide a more specific assessment of where volume has increased above FY2024 budgeted expectations. How have you recalibrated your expectations as to not underpredict your NPR for FY2025?**

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FY25 Volume:

	Budget 25 vs Projected 24	Budget 25 vs Budget 24
Inpatient/Swing	1.8%	-17.0%
Outpatient	0.4%	7.7%
Clinic	3.1%	3.9%
Total Patient Care Volume	**0.6%**	**4.2%**

Inpatient/Swing - We Adjusted FY25 budget expectations down from FY24 budget. We expect volumes will come in closer to FY23 actuals and slightly above the FY24 projections.

Outpatient - Increasing due to twice the capacity of imaging at Waterbury MOB, as well as a volume increases in physical therapy due to backlog in visits.

Clinic - Increasing due to Waterbury MOB, and additional Orthopedic provider.

6. **You've written that you receive funds from Rise Vermont and VBIF, but neither of these OneCare programs exist anymore. Are you referring to funds that you've received from OneCare as part of their population health management program and / or funds from another program?**

   Our apologies, we are currently in transition with our quality leadership. A review of past investments in heath was utilized, and the past funding options were not removed.

7. **Please review the rate decomposition details you submitted as well as the "summary" tab and explain the following (where available, show supporting calculations):**
   a. **How did you arrive at the assumed rates of growth for price, volume, and payer mix shifts by payer?**

   Growth is based on utilizations, please see question 4 above. Payer mix is based on historical data and any known operational changes in the foreseeable future. Copley then calculated the rate increase based on an understanding of expected volumes, necessary services, and patient needs for the area.

   b. **For non‐zero values in the "other" column, how did you derive these estimates?**

   The "other" column represents the changes in patient needs for the area as well as changes in the contractual obligations with payers. For patient needs, Copley relies on historical data and information from managers from across our healthcare organization. We adjust our contractual obligation estimates based on the best information available from our payers.

8. **Do you think Medicaid is underfunding the cost of delivering care to your Medicaid patients? If so, please quantify this amount based on 2023 actuals. Please explain your calculation.**

   Copley's Medicaid reimbursement does not cover the cost of caring for Medicaid beneficiaries. The significant growth in expenses such as labor, drugs and supplies threatens our ability to

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provide access to care for our patients and communities. Additionally, Medicaid will not increase reimbursement rates in FY2025, exasperating this issue further.

Below is FY2022 data from the NASHP data set:

NASHP Hospital Cost Tool Dashboard

Year	Type	Hospital Name	Medicaid Operating Margin
2022	PPS	BRATTLEBORO MEMORIAL HOSPITAL	-242%
2022	PPS	CENTRAL VERMONT HOSPITAL	-228%
2022	PPS	NORTHWESTERN MEDICAL CENTER	-25%
2022	PPS	RUTLAND REGIONAL MEDICAL CENTER	-32%
2022	PPS	SOUTHWESTERN VERMONT MEDICAL CENTER	-34%
2022	PPS	UNIVERSITY OF VERMONT MEDICAL CENTER	-118%
2022	CAH	COPLEY HOSPITAL INC.	-7%
2022	CAH	GIFFORD MEDICAL CENTER	-415%
2022	CAH	GRACE COTTAGE HOSPITAL	-150%
2022	CAH	MT ASCUTNEY HOSPITAL AND HEALTH CENT	-24%
2022	CAH	NORTH COUNTRY HOSPITAL & HEALTH CTR	-26%
2022	CAH	NORTHEASTERN VT REGIONAL HOPSITAL	-7%
2022	CAH	PORTER HOSPITAL	-88%
2022	CAH	SPRINGFIELD HOSPITAL	-5%

Since 2011 the average Medicaid operating margin for Copley has been a loss of 21%, and is expected for FY2025 despite the FY2022 results provided by NASHP above.

We find the large shifts in operating margin disturbing and have not had the opportunity, or the ability, to verify the NASHP data. However, for FY2022 Copley needed to book it's COVID funding (caused by us receiving a Paycheck Protection Program loan), whereas other Vermont organizations accounted for COVID funds in FY2021. We feel this could possibly be the reason for us looking more favorable in FY2022 versus other Vermont hospitals and is the reason we feel 21% is a better estimate for Medicaid operating margin for Copley.

9. **Do you think Medicare is underfunding the cost of delivering care to your Medicare patients? If so, please quantify this amount based on 2023 actuals. Please explain your calculation.**

Copley is a Critical Access Hospital (CAH). The CAH status is designed to reduce financial vulnerability and improve access to healthcare by keeping essential services in our communities. To achieve this, CAHs receive reimbursement at a rate of 99% for allowable Medicare costs. Medicare does not consider certain costs allowable, such as marketing, lobbying and stand-alone

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clinics. While Medicare is underfunded, the majority of Copley's Medicare costs are covered by this cost-based reimbursement.

10. **In the attached spreadsheet, please review the measures of financial health that we have calculated for your hospital. We have included the measure definitions. Confirm that these calculated values reflect your understanding. If your financial measures differ from our calculations, please review our formulas, provide your calculation, and explain why you believe your calculation is a better measure for your organization.**

    While we agree with these as measures, we did find a couple of errors in our review of your calculations.

    First, the "Debt Service Coverage Ratio" for "FY23 Actuals" is incorrect as we did not properly break out the current portion of long-term debt in our submission last January ($609,733). This correction would make this result 1.9 instead of the 7.4 you show.

    Second, the "Days in patient accounts receivable" is not correct as your formula is taking the gross accounts receivable and subtracting the negative allowance for doubtful accounts, thus adding it and overstating this measure. Once corrected the "FY23 Actuals" will show 58.2 days.