



**COPLEY HOSPITAL, INC.**  
**RESPONSES TO QUESTIONS ON THE FY24 BUDGET**  
**FROM THE STAFF OF THE GREEN MOUNTAIN CARE BOARD**  
*August 1, 2023*

This document serves to provide the Staff of the Green Mountain Care Board (GMCB) with answers to specific questions regarding the submission of Copley Hospital's (Copley) Fiscal Year 2024 budget.

**1. Do you have a plan in place to improve your DCOH?**

Yes, Copley is focusing on three initiatives to help improve our Days Cash on Hand (DCOH). They include focusing on obtaining a positive operating margin, reducing our accounts receivable (AR) and working with the United States Department of Agriculture (USDA) to obtain better debt.

**I) Positive Operating Margin**

To obtain a positive operating margin, Copley is focusing on labor and retention efforts, reducing costs and enhancing revenue.

- A) Labor and Retention Efforts – To help reduce costs Copley is focusing on ways to reduce travelers. The unprecedented demand for contracted labor is straining already thin financial margins. Copley is working to create a long-term labor strategy to strengthen our workforce and employee retention.
- Copley is placing great effort into labor and retention in a difficult labor market. Our human resources department uses market surveys to be sure we are competitive in the market yet never the leader in the market. We have expanded our retention efforts to areas outside of Vermont in hopes of attracting new employees to this area. Unfortunately, our area is not always attractive to people who are from the south once winter hits. Copley also tries to convert travelers to staff as contracted labor agreements end. Management is working towards reducing contracted labor whenever possible.
  - Workforce development, including education and promotion is a crucial investment for improving retention at Copley Hospital. In 2021, Copley's Nursing Division started a Nursing Assistant Education Program (NAEP). The program consists of three cohorts per year with a maximum of eight participants accepted into each cohort. The NAEP is based on the American Red Cross model and prepares the participants to take the Vermont Nursing Assistant Examination which is required to become a Licensed Nursing Assistant (LNA) in the State of Vermont. The program is a paid-to-learn program funded by Copley. Upon successful completion of the program and licensure exam, the candidate becomes an LNA and receives a promotion. In 2022, a donor pledged \$100 thousand a year for ten years to fund a scholarship program at Copley, providing education and training for our employees. The scholarship program will impact the hospital for decades to come, not only

improving the lives of those who work at Copley, but the patients and community as well. This gift makes it possible for many employees to pursue certifications, designations, and advanced degrees as well as supporting individuals to take their first steps towards a career in healthcare.

- Copley also has a Position Review Committee that approves all FTEs and travelers. The committee is composed of three senior leaders: the Chief Administrative and Human Resources Officer, the Executive Director of Clinical Ancillary Services, and the Chief Financial Officer. They meet weekly to review any departmental Position Review Forms (PRF) for the week. Managers are required to fill out a PRF for any hires: full-time employees, per diem employees, and travelers. Every request to hire must submit a PRF to the committee, including new positions and filling open positions. PRFs must be submitted to the committee by the department's senior leader. The committee's review of this form includes departmental considerations such as: actual and budgeted volumes in relation to current and budgeted FTEs. If the request exceeds the department's FTE budget, a more detailed discussion occurs before approval which includes validating the FTE is truly needed, why it was unbudgeted and how this position will be funded, through revenue, grants or otherwise.
- B) Supply Chain Efforts – Copley continually examines costs looking to reduce expenses whenever possible without affecting the quality of patient care. We recently changed vendors for our medical supplier to obtain better pricing through our Group Purchasing Organization.
- C) Contract Review Process – For the purpose of optimizing operational and financial performance and minimizing risk, Copley follows standard procedures for initiating, executing, and monitoring contracts, including adherence to all applicable State and Federal laws, rules and regulations and conditions of participation in applicable government programs. Any agreement to which Copley will be a part requires the initiator to complete a Contract Review Form (CRF). The CRF requires approval from all impacted departmental managers and their senior leaders prior to the chief executive officer executing.
- D) Capital Review Process – The decision to invest in new capital assets requires careful analysis and a firm understanding of the factors that influence the future of Copley's operations. The strategic planning process is a way for Copley to balance the priority of future capital goals with our ability to fund them. Capital planning is crucial, as capital investments can be significant in terms of cost and resources; often it includes high-tech medical equipment and the modification or construction of a new building. Unfortunately, previous administrations made the decision to underspend capital if it could not be funded with cash, rather than allowing for debt. This resulted in over a decade of deferring capital that ended in 2020 when the current administration began to catch up on the large capital backlog.
- E) Revenue Enhancements – To promote a positive operating margin, organizations look to cut expenses and increase revenue. From 2013 through 2022 Copley has continued to have the lowest cost of care in Vermont as demonstrated in our narrative. In addition, Copley has had the lowest average rate increase of all Vermont hospitals over the last fifteen years. Our requested rate increase of fifteen percent will move our rates up toward the other Vermont hospitals' rates. Although this rate increase will move Copley in the right direction, several years in a row of rate reductions in our recent past has had

a compounding effect on our cash levels leaving us with the lowest DCOH we have seen in more than 20 years.

## **II. Reducing Our Accounts Receivable**

Another way Copley is working to improve our DCOH is by collecting our AR. In the last two years our gross accounts receivable has increased by approximately 27.5% or \$6.1 million dollars. Since we recognize this is unfavorable to the organization and its cash flow, we are looking into ways to improve the billing and collections process despite the challenges in our Patient Financial Services department.

- A) Fully staffing our Patient Financial Services department has been very difficult to maintain. This department of 12 has been averaging at least one open position every year for the past few years. Over half of the current employees have been here less than two years and three of them have been here less than one year. Currently, the department has an open billing position. Significant differences in billing from payer to payer create informational silos and make cross training more time consuming. Copley has contracted with vendors to do some of our billing; however, our vendors are also having labor issues of their own.
- B) In addition to our AR being higher, we are also seeing that our commercial payers are paying us less. This is evident with Medicare Advantage plans. This unusual hybrid provides Copley with Medicare reimbursement rates but with a commercial carrier processing it like a commercial claim which includes things like out of network denials and denials for diagnosis. Additionally, the commercial carriers do not settle on allowable costs like Medicare does with the filing of the annual Medicare Cost Report.
- C) Copley is working with a consultant to perform a full review of the billing and collections process to identify areas of improvement. The revenue cycle project will be focused on staffing stabilization within the Patient Financial Services department, reducing the amount in AR, and managing AR at a reasonable level. In addition, it will focus on efficiency to include: clean claim rates and edit management, workflow throughput improvement, existing staff roles and productivity, system optimization potential and the management of outsourced vendors and their performance.

## **III. Funding from the United States Department of Agriculture**

Copley Hospital has secured a USDA loan that provides the unique opportunity to refinance existing debt under more favorable terms while securing new debt for the construction of our replacement Waterbury medical office building. This will have positive financial results including increasing our DCOH.

Copley Hospital has secured a USDA direct loan to fund the long overdue replacement of our Waterbury orthopedic medical office building and to refinance some existing debt under better terms. Copley pursued USDA funding as it affords our rural healthcare facility the ability to fund our needs without being subject to the rigorous obligations required by a traditional commercial lender. The interest rate, terms and conditions required of a traditional commercial loan do not allow us to prudently operate and address the immediate needs of our hospital, especially the extended capital deferment. The USDA direct loan will free up collateral and increase liquidity allowing us to address more of the immediate needs of the hospital contributing to our overall financial health and long-term viability.

Copley needs to achieve a reasonable operating margin for at least the next several years 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. Our collaboration with the USDA to obtain affordable financing with flexible conditions gives us the financial breathing room to properly address the needs of our hospital while improving our liquidity and operating margin. Our mission is to help people live healthier lives by providing exceptional care and superior service to the residents of the community we serve. The collaboration between the USDA and Copley Hospital is a key step in ensuring that we can continue to fulfill our mission long into the future.

**2. Specify the positions involved in your current vacancies (listed as 20% in your narrative).**

<b>Admin &amp; Ops</b>		<b>Clinical</b>		<b>Nursing</b>	
IT	2	DX Tech	10	LNA	2
HR	2	Lab Tech	2	RN	15
Admin	1	Surg Tech	3	<b>Total</b>	<b>17</b>
Nutritional	6	CRNA	1		
Enviromental	3	Provider	4		
Patient Access	5	Other Tech	6		
Finance	2	Rehab	3		
<b>Total</b>	<b>21</b>	<b>Total</b>	<b>29</b>		

**Current Total Open Positions = 67**

**3. Vermont's FY24 budget indicates an increase in Vermont Medicaid's RBRVS fee schedule to 110% of Medicare for primary care providers and a 3.8% inflation increase to specialty care providers. Have these increases been factored into your budget? If not, indicate what effect that would have on the submitted commercial rate increase.**

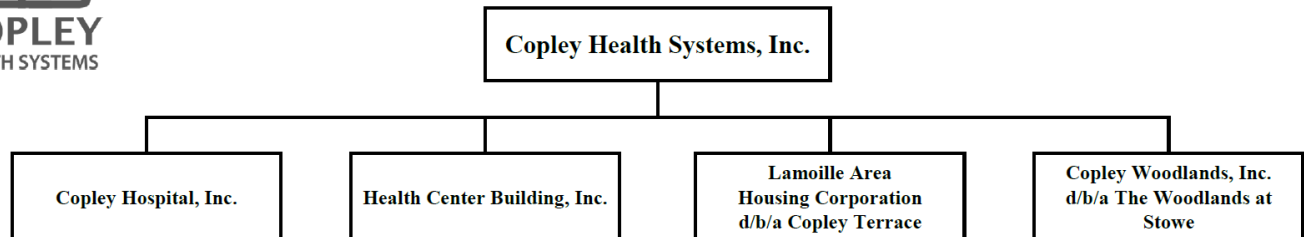
While we are aware of the announcement from the state that Medicaid has budgeted specialty care rates with an increase of 3.8% or a total of \$1.65 million, we did not include this increase in our FY24 budget. First, since this is only a budget it is possible Medicaid may not follow through with this plan. Of the additional \$1.65 million, it looks like Copley may only receive approximately \$25 thousand. Additionally, since approximately 85% of this is paid to Copley through OneCare through our monthly payments, OneCare must pass it on as well. So, considering all these unknown factors, we erred on the side of conservancy and left it out of our budgeted revenue.

**4. What corporate relationships does Copley Hospital have to other organizations, if any? If possible, provide a graphic outlining the relationships.**

The Copley Health Systems, Inc. entity level organizational chart follows.



**Organizational Chart as of June 30, 2023**



Note: All four subsidiaries are 100% fully owned by Copley Health Systems, Inc.

**5. Where is Medicare Advantage business in exhibit 9? Update the exhibit to separate it. If necessary, provide an estimate and indicate what challenges your systems present for tracking Medicare Advantage revenue separately.**

Please see exhibit 9 (attachment A) for updates. For FY21 Medicare Advantage plans were identified as commercial in our billing system and therefore reported as commercial, so an estimated amount has been moved to the Medicare Advantage line in the updated exhibit 9. In FY22 Copley converted its billing system and the Medicare Advantage plans are now being separately identified and reported under Medicare. Thus, in the updated exhibit 9 the FY22 Actual, FY23 YTD Actual and FY24 Budget amounts now show the Medicare Advantage separate from Traditional Medicare.

**6. In exhibits 9 and 10, it appears that workers' compensation (WC) and/or self pay are included in the commercial revenue information provided. Which revenue was included and what assumptions were made related to rate changes for WC and/or self pay for net revenue?**

When preparing our budgeted rate increases, we include health insurance carriers and workers' compensation insurance carriers together as the "Commercial" insurance carriers. We reported self-pay only in the "All other" lines of exhibits 9 and 10. We made the same assumptions for rate increases for self-pay and all the commercial insurers, including workers' compensation. The increase to net patient revenue related to the rate increase for these payers is approximately 12.4%. This is a result of contracted discounts which vary by carrier.

**7. Provide a complete response to question k.ii. in the narrative, including any third party contracts that exist to collect payments from patients. Hospitals may reach out to the GMCB to request confidential treatment of materials that are exempt from public inspection and copying under Vermont's Public Records Act.**

Copley Hospital formally requests our response to this question and attachment B, contract with EManagement Associates (EMA), to be treated as confidential material that is exempt from public inspection and copying under Vermont's Public Records Act.

While we do not understand GMCB's reason for asking for this level of detail, we do have concerns about the nature and scope of this request. It appears the board is getting into the fine details of what constitutes a minor expense in terms of relative dollars. We are concerned that this will lead to more requests in the future for copies of other contracts. If this is the direction the GMCB is headed, requiring hospitals to submit contracts upon request, we respectfully request this change be made with the Vermont Legislature so that we may include it as a statutory requirement clause in all future contracts.

**8. Explain the increase in bad debt relative to free care from 2024B to 2023 (Narrative, 2)**

Our projected FY2023 total of bad debt and free care is just over \$6.7 million with bad debt at 78% and free care at 22% of this total. Our FY2024 budget for bad debt and free care is based on current year trends and totals \$8.1 million with bad debt at 77% and free care at 23%. This slight change is indicative of our continuous efforts to offer financial assistance to all that qualify for it, especially those which might end up in bad debt.

**9. If Copley's 15% increase is approved, how will this impact where you land in terms of cost relative to other Vermont hospitals?**

Using actual 2023 Act53 data, we applied the requested budget increases for ourselves and each of the other Vermont hospitals. The table below shows these amounts with Copley shown first in blue as the point of comparison. The columns to the right are the average of all the Vermont state hospitals first then each individual hospital follows. The amounts are shown in red if the cost is lower than Copley's or green if the cost is higher than Copley's, white indicates the data was unavailable. Even with our requested rate increase Copley is still below the state average for every item. In fact, of all the 293 items in the Act53 data, Copley was only higher than the state average on 45 items or 15%.

Demonstrative examples where Copley's price is extremely low as compared to another Vermont hospital include:

- CPT 87070 Culture Other Specimen Aerobic
  - Copley's price is \$44 compared to \$440 or 900% higher.
- CPT 87088 Urine Bacteria Culture
  - Copley's price is \$27 compared to \$222 or 722% higher.
- CPT 74176 CT Abd & Pelvis W/O Contrast
  - Copley's price is \$1,571 compared to \$5,871 or 274% higher.
- CPT 84443 Assay Thyroid Stim Hormone
  - Copley's price is \$104 compared to \$307 or 195% higher.

CPT	Description	Copley	Vermont Hospitals												
			VT Avg	*A	B	*C	D	E	F	G	H	I	J	K	L

**Estimated FY 2024 Semi Private Rooms**

Semi Private Medical Surgical Room & Bed Rate	★ \$ 1,300	\$ 2,067	\$ 1,964	\$ 1,770				\$ 2,738	\$ 2,866		\$ 1,526	\$ 2,629	\$ 1,453		\$ 2,360
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**Estimated FY 2024 Emergency Room Levels of Care**

99281	EMERGENCY VISIT LEVEL 1	\$ 271	\$ 345	\$ 350	\$ 269		\$ 277	\$ 341	\$ 648	\$ 449	\$ 235	\$ 190	\$ 405	\$ 253	\$ 358	\$ 437
99282	EMERGENCY VISIT LEVEL 2	\$ 392	\$ 502	\$ 613	\$ 474		\$ 428	\$ 381	\$ 1,020	\$ 449	\$ 403	\$ 243	\$ 599	\$ 316	\$ 400	\$ 814
99283	EMERGENCY VISIT LEVEL 3	\$ 648	\$ 828	\$ 1,049	\$ 705		\$ 792	\$ 564	\$ 1,883	\$ 804	\$ 608	\$ 407	\$ 707	\$ 674	\$ 747	\$ 1,178
99284	EMERGENCY VISIT LEVEL 4	\$ 985	\$ 1,258	\$ 1,748	\$ 1,220		\$ 1,216	\$ 901	\$ 2,233	\$ 1,208	\$ 1,082	\$ 841	\$ 1,224	\$ 944	\$ 902	\$ 1,854
99285	EMERGENCY VISIT LEVEL 5	\$ 1,423	\$ 1,764	\$ 2,623	\$ 1,577		\$ 1,701	\$ 1,146	\$ 2,977	\$ 1,208	\$ 1,741	\$ 1,271	\$ 1,834	\$ 1,158	\$ 932	\$ 3,340

**Estimated FY 2024 Laboratory Services:**

80053	COMPREHEN METABOLIC PANEL	\$ 109	\$ 137	\$ 136	\$ 129		\$ 178	\$ 195	\$ 225	\$ 202	\$ 62	\$ 174	\$ 50	\$ 123	\$ 95	\$ 108
80061	LIPID PANEL	\$ 87	\$ 126	\$ 185	\$ 117		\$ 149	\$ 184	\$ 125	\$ 208	\$ 62	\$ 131	\$ 63	\$ 123	\$ 116	\$ 90
84443	ASSAY THYROID STIM HORMONE	\$ 104	\$ 185	\$ 209	\$ 203		\$ 204	\$ 271	\$ 270	\$ 307	\$ 94	\$ 201	\$ 92	\$ 224	\$ 116	\$ 116
85025	COMPLETE CBC W/AUTO DIFF WBC	\$ 49	\$ 92	\$ 98	\$ 62		\$ 84	\$ 136	\$ 134	\$ 154	\$ 74	\$ 93	\$ 40	\$ 117	\$ 110	\$ 47
80048	METABOLIC PANEL TOTAL CA	\$ 71	\$ 108	\$ 107	\$ 85		\$ 156	\$ 166	\$ 136	\$ 164	\$ 62	\$ 114	\$ 46	\$ 96	\$ 114	\$ 92
87088	URINE BACTERIA CULTURE	\$ 27	\$ 89	\$ 48	\$ 84			\$ 74	\$ 222	\$ 80	\$ 26	\$ 68	\$ 180		\$ 63	\$ 110
85027	COMPLETE CBC AUTOMATED	\$ 46	\$ 72		\$ 56		\$ 84	\$ 111	\$ 95	\$ 127	\$ 43	\$ 65	\$ 37	\$ 66	\$ 90	\$ 44
87070	CULTURE OTHR SPECIMN AEROBIC	★ \$ 44	\$ 160	\$ 110	\$ 201		\$ 138	\$ 171	\$ 440	\$ 169	\$ 124	\$ 115	\$ 192	\$ 185	\$ 80	\$ 111

**Estimated FY 2024 Diagnostic Imaging:**

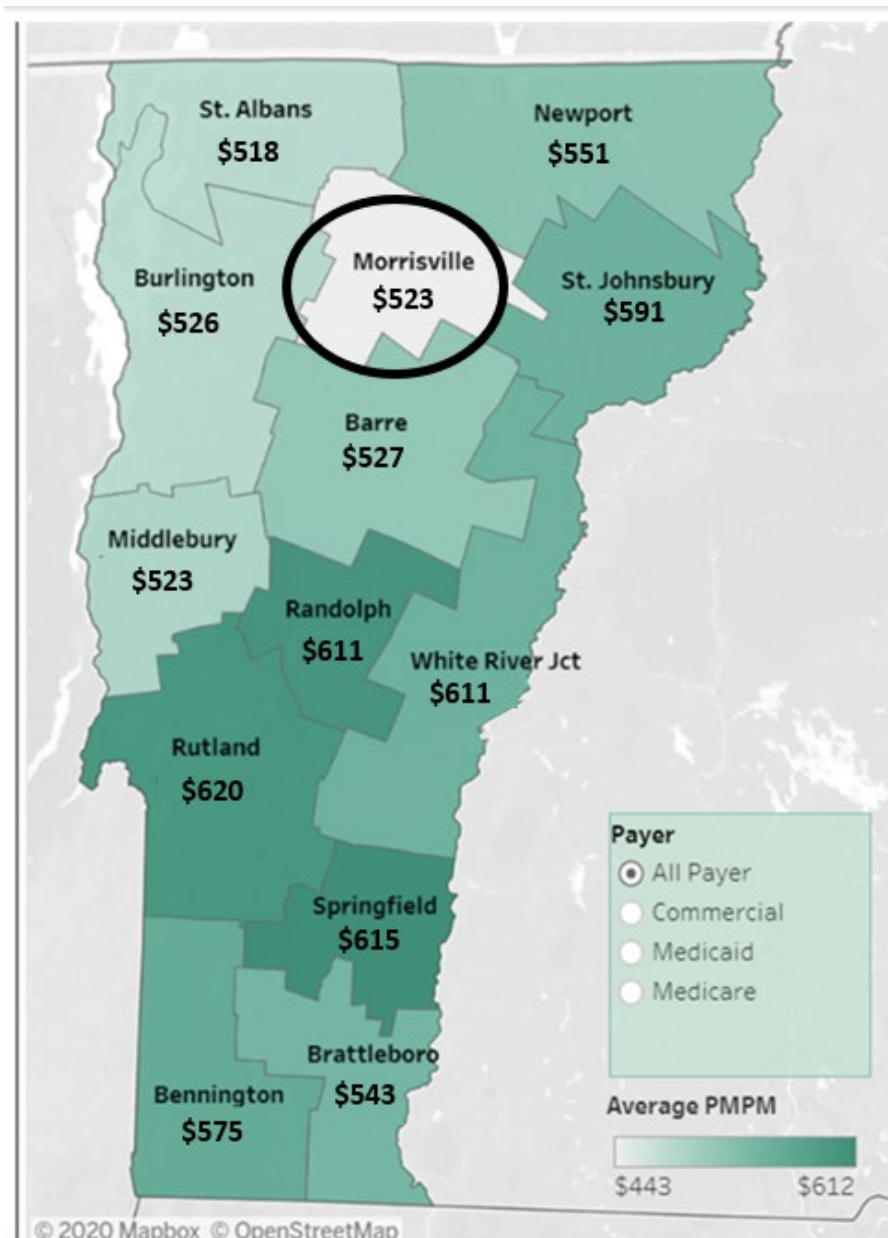
73030	X-RAY EXAM OF SHOULDER	\$ 359	\$ 630	\$ 510	\$ 546		\$ 378	\$ 570	\$ 1,857	\$ 487	\$ 627	\$ 414	\$ 309	\$ 743	\$ 646	\$ 745
73630	X-RAY EXAM OF FOOT	★ \$ 359	\$ 596	\$ 510	\$ 505		\$ 378	\$ 638	\$ 1,386	\$ 630	\$ 546	\$ 414	\$ 388	\$ 555	\$ 746	\$ 689
77067	SCR MAMMO BI INCL CAD	\$ 598	\$ 640	\$ 530	\$ 713			\$ 711	\$ 580	\$ 1,147	\$ 412	\$ 713	\$ 579	\$ 681	\$ 307	\$ 706
73610	X-RAY EXAM OF ANKLE	\$ 338	\$ 631	\$ 510	\$ 509		\$ 378	\$ 657	\$ 2,020	\$ 666	\$ 546	\$ 414	\$ 413	\$ 555	\$ 491	\$ 700
70450	CT HEAD/BRAIN W/O DYE	\$ 1,253	\$ 1,921	\$ 1,667	\$ 1,885		\$ 2,312	\$ 2,265	\$ 2,100	\$ 533	\$ 1,940	\$ 1,699	\$ 1,912	\$ 2,199	\$ 1,736	\$ 3,478
73110	X-RAY EXAM OF WRIST	★ \$ 343	\$ 686	\$ 510	\$ 546		\$ 353	\$ 759	\$ 2,282	\$ 630	\$ 520	\$ 414	\$ 493	\$ 647	\$ 717	\$ 708
73562	X-RAY EXAM OF KNEE 3	\$ 471	\$ 697	\$ 510	\$ 546		\$ 488	\$ 729	\$ 2,304	\$ 643	\$ 855	\$ 462	\$ 252	\$ 530	\$ 525	\$ 741
73560	X-RAY EXAM OF KNEE 1 OR 2	★ \$ 244	\$ 542	\$ 510	\$ 510		\$ 336	\$ 582	\$ 1,901	\$ 369	\$ 366	\$ 414	\$ 297	\$ 473	\$ 429	\$ 612
73130	X-RAY EXAM OF HAND	★ \$ 270	\$ 629	\$ 510	\$ 546		\$ 378	\$ 648	\$ 1,956	\$ 651	\$ 474	\$ 362	\$ 542	\$ 530	\$ 635	\$ 677
74176	CT ABD & PELVIS W/O CONTRAST	\$ 1,571	\$ 3,503	\$ 3,416	\$ 3,661		\$ 3,778	\$ 4,638	\$ 3,330	\$ 1,056	\$ 3,808	\$ 2,842	\$ 4,209	\$ 3,465	\$ 3,897	\$ 5,871
73721	MRI JNT OF LWR EXTRE W/O DYE	\$ 2,222	\$ 3,597	\$ 3,272	\$ 3,243			\$ 4,603	\$ 6,905	\$ 3,319	\$ 2,723	\$ 3,085	\$ 3,537	\$ 3,593	\$ 1,916	\$ 4,745

Copley Price is Lower
Copley Price is Higher

\*Note: Hospitals A and C have not submitted Act53 data for FY22 or FY23. Hospital A's price information was acquired through the Centers for Medicare & Medicaid Services (CMS) annual requirement for a machine-readable price transparency file posted to their website. Hospital C's price transparency file has not been updated since 2021.

★ Indicates Copley's price for this service is the lowest compared to all Vermont Hospitals.

Additionally, we did the same exercise with the most current cost of care map and projected the estimated 2024 cost of care for each hospital based on the requested 2024 rate increases. From the map below Copley is still one of the lowest cost of care service areas.





# ATTACHMENT A

## Exhibit 9. Payer and Case Mix

	FY21	FY22	FY23	FY24
	Actual	Actual	YTD Actual (Oct to Mar)	Budget
Case Mix Index	1.228	1.280	1.199	1.234
Gross Patient Service Revenue	\$ 145,577,121	\$ 154,640,808	\$ 87,347,697	\$ 206,773,756
Traditional Medicare	\$ 52,288,111	\$ 49,534,544	\$ 29,578,564	\$ 70,019,829
Medicare Advantage	\$ 18,418,586	\$ 18,507,412	\$ 11,051,332	\$ 26,161,255
Medicaid	\$ 21,111,053	\$ 24,742,529	\$ 12,998,485	\$ 30,770,651
Commercial	\$ 50,187,172	\$ 58,763,507	\$ 32,119,417	\$ 76,034,660
All other	\$ 3,572,199	\$ 3,092,816	\$ 1,599,900	\$ 3,787,362
Net Patient Service Revenue and Fixed Prospective Payments	\$ 84,772,335	\$ 91,379,928	\$ 49,282,634	\$ 111,856,924
Traditional Medicare	\$ 24,964,800	\$ 31,456,570	\$ 18,170,773	\$ 41,085,837
Medicare Advantage	\$ 8,793,898	\$ 11,753,004	\$ 6,789,080	\$ 15,350,752
Medicaid	\$ 7,588,284	\$ 8,292,406	\$ 3,823,677	\$ 8,009,738
Commercial	\$ 44,695,911	\$ 44,206,718	\$ 23,192,229	\$ 54,123,339
Bad Debt	\$ (2,633,717)	\$ (4,412,309)	\$ (2,633,924)	\$ (6,244,567)
Free Care	\$ (862,902)	\$ (1,466,700)	\$ (735,385)	\$ (1,860,964)
Disproportionate Share Hospital	\$ 500,596	\$ 794,826	\$ 291,822	\$ 482,000
All other	\$ 1,725,465	\$ 755,412	\$ 384,362	\$ 910,790