COPLEY HOSPITAL
FY 2017 BUDGET SUBMISSION
Response to Questions of the Office of the Health Care Advocate
August 26, 2016

General

1. If you included a rebasing in your proposed budget, why do you believe the Green Mountain Care Board should agree to rebase your budget? How do you plan to contain your growth going forward?

Copley's request for an NPR exception of 4% includes no rate increase and no impact on Commercial rates, given the increased utilization we are experiencing, reduced bad debt and charity care, and cost-based reimbursement from Medicare. We believe it is a reasonable request given our NPR has not been rebased on actual trends since 2012 and our goal is to prevent deterioration of Copley's financial position. The financial health of Copley is of particular concern going into health care payment reform initiatives, such as the All Payer Model, that would put us at risk should our NPR base be inadequate to sustain the organization. Therefore, we respectfully request that the GMCB approve Copley's FY2017 budget as proposed. Please refer to Copley Hospital's budget narrative, including the executive summary and section D, as well as the response to GMCB staff questions 1 through 3.

2. What is your expected All-Payer and/or Medicare case mix index for FY17?
a. Please also provide your case mix index for FY14 (actual), FY15 (actual) and FY16 (budget and projected) along with any drivers (e.g. demographic shifts, product line additions, payer mix changes, etc.) that explain increases or decreases over time.
b. Please explain the basis for anticipated changes to your case mix index going forward from FY16, if any.

The following table summarizes the All-Payer and Medicare case mix index (CMI) from FY14 (actual) through the FY17 budget.

CMI	ACT14	ACT15	BUD16	PROJ16	BUD17
Medicare	1.24	1.20	1.18	1.26	1.26
All-Payer	1.10	1.15	1.07	1.19	1.19

Shifts in Copley's CMI primarily relate to the mix of inpatient services provided. Projected increases in the CMI are the result of increases in total joints procedures and the aging of our population. See also response to GMCB staff questions 1a and 1b.

3. Please explain the basis of any anticipated changes in your payer mix for FY17. What are the changes you expect to see going forward?

In FY2016, Copley has seen a significant shift in the payer mix to government payers from Commercial and private pay sources. The FY17 budget reflects this payer mix shift. Over the last several years, the mix of Medicaid patients has steadily increased and the mix of private pay patients has steadily declined. The mix of patients with Medicare has also increased, likely due to the aging of our population and the increase in total joint procedures.

4. As a nonprofit with a duty to benefit your community, please explain any policies your hospital has, if any, to put a reasonable cap on executive pay and on the percentage of your overall budget that is made up of administrative costs.

Copley has no formal policies regarding caps on executive pay or percentage of administrative cost.

5. If you have varied your commercial rate increases by program or service, how do you determine these increases? Are they based on projected cost increases by program or service or based on something else?

Copley Hospital is not proposing an increase in commercial rates for FY17.

6. What is your margin target, and how was it determined?

a. Is this a long-range target for your hospital?

In general, Copley targets an annual operating margin of 3% in order to provide working capital to meet debt obligations and invest in the facility and infrastructure. This target may fluctuate in the future depending upon our needs for capital investments and our ability to finance these investments. For FY17, we did not propose a 3% Operating Margin to the GMCB because Copley had a significant NPR overage in FY2015 that generated unbudgeted surplus of $2.4 million. Refer to Copley Hospital's budget narrative, Section D, for more details.

7. Please describe how your budget process would differ if a 3- or 5- year net patient revenue cap were used rather than a yearly cap.

A 3- or 5- year net patient revenue (NPR) cap would promote the alignment of the budget process with a hospital's business cycle, which is more than a one year period. It would also provide greater certainty for business decisions and strategic planning with a larger budget horizon. However, not every hospital is in the same financial position with the same capital needs or the same community needs. As such, it would be appropriate to establish two tracks for capping NPR growth: one growth rate for the impact of inflation, and one hospital-specific amount based on the capital investment needs and community needs.

8. What is your budgeted amount for Medicaid underpayment for FY17?

Utilizing a formula consistent with the requirements for reporting unreimbursed Medicaid on the IRS Form 990 Schedule H, unreimbursed Medicaid is budgeted to be $8,281,194 in FY17.

9. What is the extent of your Choosing Wisely initiative(s), if any?

a. Please describe the initiative(s) and how you have chosen which departments participate.

b. Which of these initiatives, if any, have led to identifiable cost savings and/or quality improvement?

In 2013, Copley Hospital contracted with an independent organization to conduct a pilot research study program at its Mansfield Orthopedics practice. This program focused on evaluating the impact of knee and hip osteoarthritis decision aids and training in shared decision making on patient care and patient-provider interactions. During the study, patient and provider surveys were completed, virtual trainings were provided, and a final analysis of the data was delivered in March 2015. It was noted that prior to the introduction of new decision aides, 21% of patients correctly answered fact-based knowledge questions about their condition. After the introduction of the new decision aides this increased to 46%. Copley continues use the decision aides today and has not experienced any cost savings.

Copley Hospital is planning an additional shared decision making pilot with our Cardiology service. We will conduct a similar pilot project focused on demonstrating the impact of decision aids and training on patient care and patient-provider interactions related to atrial fibrillation. The cost of this new study has been included in the proposed budget for FY17.

Community Benefit

10. Please explain how the federal regulations on nonprofit hospital financial assistance policies and billing practices that go into effect on October 1, 2016 affect your budget proposal for FY17 as compared to FY16.

a. Include how you anticipate the regulations affecting your bad debt and charity care.

b. Which charges did you base your financial assistance discounts upon in FY16?

Copley Hospital expanded its upper limit of charity care in 2016 to ensure compliance with the IRS regulation 501(r)(5) regarding the limitation on charges, increasing its discount from 25% to 50% for eligible applicants with a household income of up to 400% of the FPLG. This change is estimated to increase financial aid by approximately $50 thousand annually. By increasing the financial assistance discount, Copley ensures that no eligible patients under Copley's financial assistance program will be charged more than the amounts generally billed to patients who have insurance since the most an eligible patient will be charged is 50% of gross charges. Amounts generally billed to patients that have insurance is determined at least annually based on actual past claims allowed by all private insurers plus claims allowed under the Medicare fee-for-service program. Copley's charity care as a percentage of gross charges is proposed to be 0.8% for FY17, in-line with its Critical Access Hospital peers.

11. For all community benefits that you listed on your Form 990 Schedule H, what is the dollar amount you are budgeting for each benefit by year (FY14 Actual, FY15 Actual, FY16 Budget, FY16 Projection, and FY17 Budget)?

	ACT14	ACT15	BUD16	PROJ16	BUD17
Charity Care at cost	608,614	392,728	561,373	462,769	485,391
Unreimbursed Medicaid	5,781,997	7,559,684	7,658,496	8,097,778	8,281,194
Community Health, Wellness, Other	111,733	132,833	157,756	87,157	97,047
TOTAL	6,502343	8,085,245	8,377,625	8,647,704	8,863,632

12. What is your current level of community benefit as a percentage of revenues?

a. What percentage level are you willing to commit to on an ongoing basis?

b. Please provide a detailed breakdown of the programs and other components you include in your community benefit calculation.

Copley's community benefit is currently 13.5% and we expect that it will likely remain at this level. Copley's community benefit is comprised of charity care costs, unreimbursed Medicaid and community health and wellness programs it operates. The amount of community benefit from each of these programs is included in the schedule above in response to question 11.

13. How does the money you plan to spend on community benefit align with the top five issues identified in your most recent Community Health Needs Assessment (CHNA)? If your assessment of your top five issues has changed since your last Community Health Needs Assessment, please explain the change as part of your answer.

a. Are there needs identified in your CHNA that you would like to address, but feel that additional cooperation by outside entities is required for an effective solution?

Details of Copley's CHNA and Implementation Plan, including our community's top five issues and Copley's assessment of what it can do to address these issues with the resources that it has, can be found at: https://www.copleyvt.org/about-us/community-health-needs-assessment/.

It should be noted that Copley addresses the needs identified in the CHNA utilizing funds from its regular operations and not just the funds that the IRS defines as meeting the definition of a community benefit. The following response is in consideration of this specific question regarding funds used for "community benefits" as defined by the IRS.

The community benefits we provide for charity care and unreimbursed Medicaid align with the issues identified in our CHNA related to the cost of health care and associated monetary issues and to access to care. As a part of our charity care program, we not only provide financial support for medical bills so community members receive the care they need, but we also assist our community members experiencing financial hardship with identifying other programs that can assist them, including Green Mountain Care (we have a certified application counselor for Vermont Health Connect), Ladies First, 3SquaresVT, fuel assistance, general assistance, etc.

The money we invest in our Community Health & Wellness programs, which includes our diabetic education program, healthy living education, and workplace wellness initiatives, align with the issues identified in the CHNA related to lifestyle and prevention and management of chronic health conditions.

Health Information Technology

14. Do you anticipate needing to replace your electronic health records system in the next five years?

Yes. Copley's acute care health information system is dated and needs to support better report writing and better bedside management and pharmacy integrations with our Physician Practice and Emergency Department EMRs.

15. Do you use any of the services offered by VITL (Vermont Information Technology Leaders)?

a. If so, which services?

Yes, Copley uses the VITL interface for reporting to the State and sending information to the Primary Care Providers we work with.

b. To what extent are VITL's services integrated into the hospital's care delivery?

Integration with the hospital's care delivery is limited. We use it in the Emergency department to access records and we use it to communicate with Primary Care Providers and the State.

c. Has the hospital experienced any cost savings or quality improvement from VITL's services?

No, the cost is about the same of other interface options; however, it does provide for more standardization.

d. Do VITL's services compliment your other health information technology initiatives? If so, how?

It supports medicine reconciliation and communication with Primary Care Providers across the state that use VITL.

Substance Abuse and Mental Health

16. What percent of your employed primary care providers are participating in the Hub and Spoke program?

a. What is the average number of substance abuse patients that those providers treat?

b. How many additional providers would be required to fully meet your community's needs in a reasonable amount of time? Please take into consideration any waitlists for treatment.

c. If your hospital is involved in any medication assisted treatment programs, do you have any information on your costs for these programs versus savings to your hospital?

Copley's local Federally Qualified Health Center (FQHC) participates in the Hub and Spoke program and is a spoke of the Barre hub. The Hospital itself does not employ primary care providers, nor provide any medication assisted treatments related to substance abuse and mental health. We are working collaboratively with our local FQHC and the UCC to provide a Care Manager in our Emergency Department. This position will be instrumental

in helping ED patients secure needed social services; including referrals to their PCP for Medically Assisted Treatment (MAT) through the Hub and Spoke Program.

17. Please explain to what extent mental health patients presenting at your Emergency Department impacts your budget?

a. Please explain how mental health patients are handled when they present to your Emergency Department or other triage location, including a description of any holding or isolation areas that you use, and how often you expect to use this type of area in FY17.

b. How do you train your security staff, contracted or in-house, on handling situations involving people experiencing mental health crisis? If some security staff members have been trained but not all, please explain which ones and why.

Copley Hospital is committed to providing excellent care that is appropriate to maintain each patient's health and safety while reserving patient dignity, rights and well-being. Throughout the hospital, our clinicians work together with each patient on a case -by -case basis to do what is best for the patient.

Human resource allocation, education and training of staff and time are all resources that impact the budget of Emergency Department(ED) as they relate to the care and management of mental health patients at Copley Hospital. With two years of data available from Lamoille County Mental Health (LCMH) we have seen an increase utilization of emergency services for mental health patients in crisis. In 2015 the ED had a 5% increase in mental health assessments, averaging 1 assessment/ day with 20% of those assessed requiring an admission to an impatient psychiatric unit.

Patients can access our ED through several venues. The patient's mode of arrival will determine if a patient is triaged through our ambulatory process using the Triage Room (walk-in to ED entrance) or in a Patient Room when they arrive by ambulance or police escort. Generally, patients are taken to our dedicated safe room, but they may also be treated in any of our treatment rooms depending on census and acuity. We have one safe room that has been modified for mental health patients experiencing a crisis. We use our safe room every day and at times have mental health patients in the Emergency Department for extended periods.

Copley staff that assist with the security of patients experiencing a mental health crisis receive training that includes Management of Aggressive Behavior (MOAB) de-escalation training completed by in-house certified staff; a "Train the Trainor" program.