

STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

FY17 HOSPITAL REVISED BUDGET ORDER

In re: Copley Hospital) Docket No. 16-003-H
Budget for Fiscal Year 2017)
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REVISED BUDGET ORDER

Copley Hospital (“the Hospital”), in accordance with 18 V.S.A. § 9375 (b)(7), 18 V.S.A. § 9456, and GMCB Rule 3.000, requests that the Green Mountain Care Board consider changes to the Hospital’s September 29, 2016 Fiscal Year (FY) 2017 budget order. The proposal is in response to section D of the order which states:

On or before December 5, 2016, Copley shall revise and resubmit to the Board its FY17 budget, in addition to budget plans for FY18 and FY19. Copley shall explain and reconcile variances between its FY17 budget and projected costs relative to Certificate of Need docket no. GMCB 015-13con (surgical suite construction, ambulatory care unit renovations). The filing shall be in a form and manner as prescribed by the Board.

In correspondence dated December 5, 2016, the Hospital proposed a revised budget.

On December 15, 2016, the Hospital presented its revised budget to the Board and the Board voted to accept the revised budget proposal.

FINDINGS

1. The Hospital proposes to reduce its FY17 budgeted Net Patient Revenue (NPR) by \$690,492. This reduction in NPR includes a reduction in prices offset by increases in inpatient utilization.
2. The Hospital proposes to reduce its FY17 budgeted expenses by \$776,675, as explained in its December 5, 2016 letter to the Board.
3. The Hospital proposes to reduce its overall FY17 rates by 3.7% effective January 1, 2017, with targeted reductions in surgical services, orthopedic implants, and drugs.
4. The Hospital has provided a table explaining variances between its FY17 budget and projected costs related to the Certificate of Need, docket no. GMCB 015-13con, approved by the Board on February 12, 2016.

5. The Hospital’s revised budget proposal is based, in part, on recommendations from Quorum Health Resources (QHR). Addressing its FY18 and FY19 budget plans, Copley’s revised budget proposal states

Copley recognizes the need to reduce the annual growth of its expenditures so that it can sustain operations within the net patient revenue limitations imposed by the GMCB, while generating a reasonable operating margin and participating in health reform efforts. With this goal in mind, we have developed a preliminary plan for cost savings over the course of the next few years that slows the growth of expenses to a level below the NPR cap and enables Copley to improve its operating margin by FY19. The plan includes continued progress on the implementation of recommendations provided by QHR (Quorum Health Resources) in its report on Copley’s workforce efficiency; continued efforts to reduce travelers by recruiting locally or growing our own; and continued efforts to improve upon supply chain management and negotiations with vendors.

ORDER

Based on our findings and the authority granted in Chapter 221 of Title 18, the Hospital’s FY17 revised budget is approved subject to the following terms and conditions:

- A. As stated in the September 29, 2016 order, the Hospital’s overall approved rate is established at 0.0% over FY16 approved levels, and a rate reduction of 3.7% is to be applied to surgical services, orthopedic implants, and drugs.
- B. The Hospital shall not increase the rates charged during FY17, except after the Board’s review and approval in accordance with the Board’s instructions in the *Hospital Budget Reporting Requirements*, available on the Board’s website at:
<http://gmcboard.vermont.gov/sites/gmcb/files/files/hospital-budget/GMCB-Hosp%20Bud-Submission%20Rptng-Req-FY17-UPDATED-phys-language.pdf>
- C. The Hospital’s FY17 revised budget is approved as submitted, and as outlined in Table 1, below.

Table 1: FY 2017 Budget

	Approved	Adjustments	Revised & Approved Budget 2017
Net Patient Care Revenue	\$65,509,894	(\$690,492)	\$64,819,402
Other Operating Revenue	\$1,478,568	\$50	\$1,478,618
Total Net Revenue	\$66,988,462	(\$690,442)	\$66,298,020
Expenses	\$66,743,216	(\$776,675)	\$65,966,541
Operating Surplus	\$245,246	\$86,233	\$331,479
Non-Operating Surplus	\$2,603,000		\$2,603,000
Total Surplus	\$2,848,246	\$86,233	\$2,934,479

The Hospital shall contact the Board, via its staff, to adjust expense levels and/or to reconcile any minor discrepancies due to differing calculations or changed assumptions.

- D. All reporting requirements contained in the September 29, 2016 Budget Order remain in full force and effect, and are incorporated herein by reference.
- E. After notice and an opportunity to be heard, the Board may make such further orders as are necessary to carry out the purposes of this Order, and to carry out the purposes of the Hospital Budget Review law, 18 V.S.A. Chapter 221, Subchapter 7.

So ordered.

Dated: January 4, 2017
Montpelier, Vermont

s/ Alfred Gobeille)
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s/ Cornelius Hogan)
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s/ Jessica Holmes)
)
s/ Robin Lunge)
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s/ Betty Rambur)

GREEN MOUNTAIN
CARE BOARD
OF VERMONT

Filed: January 4, 2017

NOTICE TO READERS: This document is subject to revision of technical errors. Readers are requested to notify the Board (by e-mail, telephone, or in writing) of any apparent errors, so that any necessary corrections may be made. (E-mail address: erin.collier@vermont.gov).