

December 13, 2018

Ms. Donna Jerry
Health Policy Analyst
Green Mountain Care Board
144 State Street
Montpelier, VT 05602

Re: RRMC CoN - Replacement of CT Scanner and Related Renovations Project
Docket No. GMCB-019-18con

Dear Donna:

I am writing in response to your letter of November 9, 2018 asking questions regarding Rutland Regional Medical Center's Replacement of CT Scanner and Related Renovations project. The responses are as follows:

1. Explain the 16% increase in utilization from Budget 2018 to Projection 2018 and assumptions for Budget 2019 and proposed years 1, 2 and 3.

The units related to a supply charge code were included in error in the CT Scanner Procedure numbers for both the 2018 Projection and 2019 Budget submitted as part of the state budget submission, causing utilization for both timeframes to be overstated by 1,404. As well, the CoN utilization files reported the total 2019 budget CT Scanner procedures as 13,777 whereas the state budget submission included 13,808. Please see the charts below showing the incorrect procedure numbers RRMC submitted to the state and the corrected procedure numbers. Utilization for proposed years 1, 2 and 3 was held constant with the 2019 budget and therefore was also overstated by the 1,404 units. This utilization error does not impact the revenue projections. However, it has caused utilization to be overstated and revenue per unit to be understated. Please note the corrected increase in utilization from budget 2018 to projection 2018 is 4.23%.

CT Scanner Utilization

	Budget 2018	Proj. 2018	% Change	Budget 2019	Prop. Year 1 2020	Prop. Year 2 2021	Prop. Year 3 2022
CT Scanner Procedures - Based on State Budget Submission							
Inpatient	3,070	4,937	60.81%	4,938	4,938	4,938	4,938
Outpatient	8,830	8,870	0.45%	8,870	8,870	8,870	8,870
Total	11,900	13,807	16.03%	13,808	13,808	13,808	13,808
CT Scanner Procedures - Corrected to Exclude Supply Charge Code							
Inpatient	3,070	3,533	15.08%	3,534	3,534	3,534	3,534
Outpatient	8,830	8,870	0.45%	8,870	8,870	8,870	8,870
Total	11,900	12,403	4.23%	12,404	12,404	12,404	12,404

2. Provide an updated project timeline.

Please see the attached updated timeline.

3. In table format list the items and costs included in the \$1,869,315 GE Equipment line item in the HP Cummings Summary Sheet.

The table requested was provided in the response to Question #3 dated October 15, 2018 titled CT Replacement Equipment Cost Summary and is attached here again. Please note that if you remove the \$164,655 for Construction, Admin, FFE and Owner Contingency from this table the Equipment Total is \$1,869,315. For the purpose of clarity, we have attached another table titled RRMC CT Equipment Cost Summary 11/13/18, that shows the break out of the Equipment costs in a little different order.

4. Clarify whether you have or intend to purchase maintenance coverage from GE after the warranty expires and/or coverage for services not covered under warranty. If so, are these costs included in the total project costs.

Year one service is covered by warranty. There is nothing outside of warranty that should be covered. We do intend to purchase maintenance coverage from GE for Year 2 and subsequent years. This cost is \$189,556 for Year 2 and is not included in the total project estimate. The subsequent year annual service contract is as follows:

2 nd year - Annual service contract	GE A052910	*GE CT REVOLUTION CT (CSR04) *POWERWARE MV PR POWERWARE/EATON 14.4KVA Partial UPS (SEA124) * MEDRAD MV PR MEDRAD STELLANT D (SME047) UPS *MEDRAD MV PR MEDRAD CERTEGRA Workstation (SME072)	\$189,556
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5. The quotes from GE (\$1,765,777.36 and \$45,000), Civco (\$19,528), GE delivery and installation quote (\$7,760) have all expired. Please provide quotes from each vendor that are valid through the expected date of purchase. In the alternative, provide a letter from each vendor verifying they will extend and hone the expired quotes through the time of purchase.

All expired quotes are now current and attached. Of note, based on applying GPO pricing, quote #PR8-C113408V5 for the AW has decreased to \$37,000 from the originally submitted at \$45,000 on quote #PR8-C113408V2 without any change to the configuration. See question 8 that addresses the AW server upgrade.

- 6. Explain how the \$33,000 trade-in value of the existing CT scanner was determined, considering that similar refurbished and used models are being sold for more than twice the trade-in offered by GE.**

RRMC requested fair market value estimates for our current CT Scanner from three vendors and received two responses. The fair market value estimates received, which were based on specifications RRMC provided to these vendors, are as follow:

- Coast 2 Coast Medical, Inc. Fall River, MA - Approximate value \$30,000 – Did not make site visit, but reviewed device specs and history of repairs and downtime in detail on phone with Christine Murray.
- A+ Medical Company, Inc. Rock Hill, SC – Estimated value \$70,000 to \$80,000 – Did not have detailed discussion on repair and downtime history.
- Prime Med LLC. Middleboro, MA. 02346 Gregory McInnis (President) – Did not respond after providing complete specification and repair history.

Since the \$30,000 fair market value estimate from Coast 2 Coast Medical, Inc. was consistent with the trade-in allowance quote of \$33,000 received from General Electric (blue-book trade-in value), it was determined that the \$33,000 trade-in allowance should be used as the final estimate for the fair market value. The \$70,000 to \$80,000 estimate from A+ Medical Company, Inc. appeared high, especially given the repair and downtime history we have experienced with our current CT Scanner. Since we have had no experience with A+ Medical, and they did not conduct a thorough inspection and evaluation of the unit, we did not believe we could rely on this initial proposal.

- 7. For the Civco quote, provide the 2018 Price-book list price and discount provided to RRMC for the two \$9,764 Fiber Breastboards.**

See updated quote #00020882 attached that now includes the discount price of \$17,575.20 from the originally submitted price of \$19,528.00.

- 8. The \$45,000 GE quote for the AX AW Server does not reference a Group Purchasing Organization (GPO) Agreement (as done in other sections of this quote) and does not note a discount offered. Please explain.**

The new AW quote #PR8-C113408V5 has decreased to \$37,000 from the originally submitted quote # PR8-C11240V2 of \$45,000 without any change to the configuration by applying the GPO pricing.

- 9. Page 1 of the GE quote for the CT system lists Novation/Vizient as the governing GPO providing the discount but does not list the discount amount. Please provide the list price and the amount of the discount. The Vizient pricing contracts governing this purchase are Agreements #XR0321 and #XR0351.**

Page 1 now includes the GPO Agreement. The discount amount is referenced on page 47 of 54 in Quote # PR11-C111422. See attached.

10. Explain the duplicate listings of component devices on pages 22,25 and 29 of 38.

The updated quote attached is now 54 pages versus the original 38 that this question references. In reviewing pages 22, 25 and 29 of 38 of the original submitted quote, and without a reference to a catalog number, the only items that we can determine that you refer to as duplicate involve the two Varian Exact Couch indexing bars – one Varian respiratory gating interface plate and associated *mounting hardware* – page 22, second paragraph from top. This page 22 of 38, is now page 33 of 54 in the attached updated quote.

On page 29 of 34, item no. 23, lists the two Varian's mentioned, as separate (one each line item). Item 23 is specific for installation: Varian RGSC (Respiratory Gating for Scanners) configured for *couch mounting with installation*. This page 29 of 34 is now page 44 of 54 on the attached updated quote.

Without a specific catalog number, we cannot find any other descriptions that could be construed as duplicate in any of the pages, including page 25 of 38, which is now page 39 of 54 on the attached updated quote.

11. GE's Terms and Conditions, Section 6, states that there are separate Terms and Conditions for the trade-in equipment. Please provide a copy of those Terms and Conditions.

See Trade-In Addendum, page 1 of 1, not provided in the submission, that is attached in this response mailing.

12. Confirm whether GE is offering a discount on the Fluoro package which is a software enhancement. If so, please specify the discount offered.

We cannot find, outside of page 20 of 38 of the original submitted quote, which is now page 30 of 54 of the updated quote attached, where the Fluoro package is mentioned that there is any reference to the Fluoro being a software enhancement.

The discount offered is now listed on page 30 of 54.

13. The options section of the quote lists available additions to the main imaging system. In a table format, list each of the options RRMC has selected, a description and price of each, and discounts for each as per the Vizient GPO price tier agreement and total.

We did not choose any of the options listed in quote # PR11-C111422. We do have training costs of \$211,700 that we have planned for within our non-capital operations expense budget and are not included in the \$2,033,980 requested under this Certificate of Need application.

Training	GE Q-00500521 Ver1	Training related to CT replacement and AW server upgrade	\$4,200
Training	GE PR14-C43066 Ver 2	Revolution CT ES Applications training and HQ x2 SIM training	\$89,600
Training	GE PR1-C126915	CT TIPS training with onsite	\$40,400
Training	GE PR13-C42722	Technology Non- Obsolescence training	\$72,400
Training	Alliance	Mobile CT unit staff training 3 days	\$5,100
			Total: \$211,700

14. The signature page (1 of 5) on the GE quote (#00500521) does not list the two GPO Vizient agreements as the Governing Price Agreement. Please explain.

The updated quote #00500521 that is attached now lists the two GPO Vizient agreements as the Governing Price Agreement.

Please note that as a result of adding in the GPO pricing, this has resulted in a reduction of \$9,952.80 from the original submission of total cost of equipment. This adjustment is reflected in the financial tables included in this packet.

Please do not hesitate to contact us should you have further questions.

Sincerely,



Claudio D. Fort
President and CEO

CDF/jsb

Enclosures

Cc: Barb Robinson
Jim Greenough
Judi Fox