

October 26, 2017

Ms. Donna Jerry
Health Policy Analyst
Green Mountain Care Board
89 Main Street
Montpelier, VT 05620-3101

Re: RRMC CoN Application - Docket No. GMCB-012-17con
Proposed Medical Office Building, Loading Dock Replacement and Dietary
Renovation, Renovation of Old VOC Building and Upgrades to Site
Drainage and Detention Pond System

Dear Donna:

I am writing in response to your letter of October 18, 2017 asking questions about RRMC's proposed projects. The responses can be found below.

- 1. Explain whether the hospital considered stand-alone high efficiency boilers for the medical office building, instead of connecting to hospital central systems.**

The proposed system ties into the main hospitals central heating system for "heat add to the heat pump loop" and, therefore, it was both practical and economical to tie into this system for the domestic heating hot water needs of the building. Importantly, this central heating plant utilizes compressed natural gas as a fuel source. Unfortunately, this fuel source is not in close proximity to the proposed MOB, and, therefore, high efficiency gas boilers are not feasible. Hybrid electric water heaters were also evaluated and may still be feasible depending on the final hot water demand and fixture count.

- 2. Explain how the hospital arrived at the following cost projections:**

- a. The medical office building, at approximately \$28/sq. ft. for HVAC and Controls, compared to a more typical cost of \$35/sq. ft.**

The size of the building and the fact that we are tying into existing infrastructure for heating needs reduces the cost per sq. ft. In addition, we have the ability to drastically reduce temperature control zoning based on how the exam rooms are located in the plan. Finally, the amount of general circulation space has been considered, the impact of which reduces the cost per sq. ft.

- b. **The medical office building, at approximately \$23.65/sq. ft. for electrical telecom installations, compared to a more typical cost of \$30/sq. ft.**

The plan utilizes existing infrastructure, such as the hospital emergency generators for emergency power, and does not incorporate sophisticated light fixtures or controls, all resulting in a lower than average cost. The size and consistent design of exam rooms, and the amount of general circulation space also reduces average cost, so we believe \$23.65 is reasonable for this project.

- c. **Loading dock replacement/dietary, at approximately \$35/sq. ft, compared to a more typical \$40/sq. ft.**

The plan ties the HVAC system into the existing heat pump loop for this project so there is no need for a new cooling tower or boiler plant. The design simply extends the existing heat pump loop risers, which are already located within the renovated space. As such, the controls are basic and easily extended from the existing DDC infrastructure. In addition, there is very limited HVAC work on the lower level of the Loading Dock, all of which result in a lower than average cost.

3. **Correct and resubmit the balance sheet reflecting the debt as long-term debt, not as current liabilities.**

The Current Liabilities section of the Balance Sheet includes \$21,692,069 for a construction fund (loan). It is anticipated that this construction fund will be financed by a banking institution for the duration of construction and that it will be repaid in full when the project is complete. Since it will be repaid when the project is complete, it was included as a current liability. Long-Term Debt, either leveraged through the United States Department of Agriculture (USDA) or through the issuance of public debt and/or other bank loans, will be used to repay the construction loan. This Long-Term Debt is included under the Long-Term Debt category of the balance sheet starting in 2020. Additionally, the principal to be repaid over the next year is included under the Current Portion of Long-Term Debt category of the balance sheet starting in 2020.

4. **Correct and resubmit the Income Statement (P&L) reporting project expenses, the offset to the lease expenses, and changes to the margins.**

The Income Statement submitted originally does include the project expenses offset by cost savings related to lease terminations that were outlined in the application. The lease termination savings do not completely cover the cost of the project. Therefore, we have also included cost reductions each year in order to maintain operating margins at their current projected levels. For this reason, the Project Only Income Statement shows no impact on the operating margin due to this project.

5. Explain how RRMCOB will be able to implement the project and remain within the Board's future hospital budget targets, and what actions the hospital would take if targets are not achieved.

As included as part of the financial planning for this project, RRMCOB expects that the project's on-going carrying cost, primarily depreciation and interest, will be covered by other identified expense savings. In total, the additional operational costs of the building are projected to be \$2,954,762 in 2021, comprised of \$1,596,380 of depreciation, \$987,900 of interest and debt issuance costs and \$370,482 of other costs. These costs are offset by \$411,250 of identified savings due to the ability to terminate leases (these savings will increase to \$566,199 annually starting in FY 2023) and by additional projected costs savings of \$2,543,512. The additional cost savings are targeted to relate to savings related to employee benefits, supply costs and building efficiency costs. In the event that the expected savings are not realized, RRMCOB will consider the on-going cost of the project in the overall annual budget and will make staffing, procurement and program funding decisions that support RRMCOB while adhering to a net revenue growth within State or risk based performance parameters.

6. Provide a timeline showing the schedule for each component of the project.

Please see attachment: MOB CoN Question 6 MOB –Loading Dock – VOC Timeline.

7. On Table 1 titled, *Project Costs*, explain what is included in the \$98,480 line item "Other;" under construction costs.

The \$98,480 under "Other" is for construction bonds: \$78,600 for the MOB, and \$19,880 for the Loading Dock.

Sincerely,



Thomas W. Huebner
President and CEO

TWH/jsb

Enclosures

Rutland Regional Medical Center MOB-Loading Dock-VOC Preliminary Timelines rev 1 10.20.17

ID	Task Name	Duration	Start	Finish	2018												2019												2020																							
					Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec						
1	PreConstruction	329 days	Mon 7/3/17	Wed 10/17/18																																																
2	Develop CON Submission Documents	40 days	Mon 7/3/17	Mon 8/28/17	H. P. Cummings,Lavallee Brensinger,RRMC,LN Consulting																																															
3	CON Submission	1 day	Tue 8/29/17	Tue 8/29/17	RRMC																																															
4	CON Review/Approval	130 days	Tue 8/29/17	Mon 3/5/18	RRMC																																															
5	Review and Reconcile Schematic Design	20 days	Mon 3/5/18	Fri 3/30/18																																																
6	Design Development Documents	50 days	Mon 4/2/18	Mon 6/11/18	Lavallee Brensinger																																															
7	Develop early bid package , site, foundations and structural steel	30 days	Mon 5/21/18	Mon 7/2/18	Lavallee Brensinger																																															
8	Construction Documents	60 days	Tue 6/12/18	Wed 9/5/18	Lavallee Brensinger																																															
9	Bidding/Procurement	76 days	Mon 7/2/18	Wed 10/17/18																																																
10	Early bid package	24 days	Mon 7/2/18	Fri 8/3/18	H. P. Cummings																																															
11	Final CD bid package	30 days	Thu 9/6/18	Wed 10/17/18	H. P. Cummings																																															
12	Construction	470 days	Mon 8/6/18	Tue 6/9/20																																																
13	MOB	301 days	Mon 8/6/18	Thu 10/10/19	H. P. Cummings																																															
14	Owner move into MOB, commision	30 days	Fri 10/11/19	Thu 11/21/19																																																
15	Loading Dock	258 days	Fri 10/5/18	Thu 10/10/19	H. P. Cummings																																															
16	Owner move into Loading Dock, commision	15 days	Fri 10/11/19	Thu 10/31/19																																																
17	VOC	129 days	Fri 11/22/19	Tue 5/26/20	H. P. Cummings																																															
18	Owner move into VOC, commision	10 days	Wed 5/27/20	Tue 6/9/20																																																



Rutland Regional Medical Center

An Affiliate of Rutland Regional Health Services

160 Allen Street
Rutland, VT 05701

802.775.7111

Form A - Verification Form

STATE OF VERMONT
DEPARTMENT OF BANKING, INSURANCE,
SECURITIES AND HEALTH CARE ADMINISTRATION

In re: Rutland Regional Medical Center)	Docket No. GMCB-012-17con
)	Medical Office Building, Loading Dock, Replacement
)	and Dietary Renovation, Renovation of Old VOC
)	Building and Upgrades to Site Drainage and
)	Detention Pond System

Exhibit A – Form of Verification Under Oath when filing a Certificate of Need Application.

Thomas W. Huebner, being duly sworn, states on oath as follows:

1. My name is Thomas W. Huebner. I am President and Chief Executive Officer of Rutland Regional Medical Center. I have reviewed the attached letter from myself to Donna Jerry, Health Policy Analyst, dated October 26, 2017.
2. Based on my personal knowledge, after diligent inquiry, the information contained in this Certificate of Need letter dated October 26, 2017 is true, accurate and complete, does not contain any untrue statement of a material fact, and does not omit to state a material fact necessary to make the statement made therein not misleading, except as specifically noted herein.
3. My personal knowledge of the truth, accuracy and completeness of the information contained in the Certificate of Need letter dated October 26, 2017 is based upon either my actual knowledge of the subject information or, where identified below, upon information reasonably believed by me to be reliable and provided to me by the individuals identified below who have certified that the information they have provided is true, accurate and complete, does not contain any untrue statement of a material fact, and does not omit to state a material fact necessary to make the statement made therein not misleading.
4. I have evaluated, within the 12 months preceding the date of this affidavit, the policies and procedures by which information has been provided by the certifying individuals identified below, and I have determined that such policies and procedures are effective in ensuring that all

information submitted or used by Rutland Regional Medical Center in connection with the Certificate of Need program is true, accurate, and complete. I have disclosed to the RRHS-RRMC Board of Directors all significant deficiencies, of which I have personal knowledge after diligent inquiry, in such policies and procedures, and I have disclosed to the RRHS-RRMC Board of Directors any misrepresentation of facts, whether or not material, that involves management or any other employee participating in providing information submitted or used by Rutland Regional Medical Center in connection with the Certificate of Need program.

5. The following certifying individuals have provided information or documents to me in connection with the letter, and each such individual has certified, based on his or her actual knowledge of the subject information or, where specifically identified in such certification, based on information reasonably believed by the certifying individual to be reliable, that the information or documents they have provided are true, accurate and complete, do not contain any untrue statement of a material fact, and do not omit to state a material fact necessary to make the statement made therein not misleading:

(a) Judi Fox, VP Fiscal Services, CFO

The information or documents provided by the certifying individual.

All financial related information.

Subject information of which the certifying individual has actual knowledge.

As stated above.

The individuals and the information reasonably relied on by the certifying individual.

In the case of documents identify the custodian of the documents.

Judi Fox

(b) James Greenough, VP Corporate Support Services

The information or documents provided by the certifying individual.

All scope related information.

Subject information of which the certifying individual has actual knowledge.

As stated above.

The individuals and the information reasonably relied on by the certifying individual.

In the case of documents identify the custodian of the documents.

James Greenough

6. In the event that the information contained in the Certificate of Need letter dated October 26, 2017 becomes untrue, inaccurate or incomplete in any material respect, I acknowledge my obligation to notify the Department of Banking, Insurance, Securities and Health Care Administration, and to supplement the Interim Report as soon as I know, or reasonably should know, that the information or document has become untrue, inaccurate or incomplete in any material respect.



Thomas W. Huebner, President and CEO

On October 26, 2017, Thomas W. Huebner appeared before me and swore to the truth, accuracy and completeness of the foregoing.



[seal]

Notary public

My commission expires February 10, 2019



Judi Fox, VP Fiscal Services, CFO

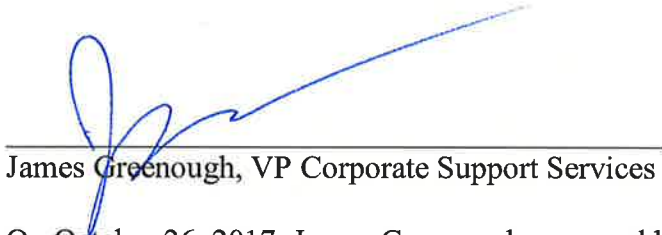
On October 26, 2017 Judi Fox appeared before me and swore to the truth, accuracy and completeness of the foregoing.



[seal]

Notary public

My commission expires February 10, 2019



James Greenough, VP Corporate Support Services

On October 26, 2017, James Greenough appeared before me and swore to the truth, accuracy and completeness of the foregoing.



[seal]

Notary public

My commission expires February 10, 2019