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April 30, 2018

NORTHEASTERN
VERMONT REGIONAL
HOSPITAL



Donna Jerry, Senior Health Policy Analyst
Green Mountain Care Board
144 State Street
Montpelier, VT 05620

RE: Docket No. GMCB-005-17con, Proposed Replacement of Mobile MRI with a Fixed Unit and Related Construction/Renovation. Project Cost: \$3,051,564

Dear Ms. Jerry:

The following information is submitted by Northeastern Vermont Regional Hospital in response to your January 25, 2018 letter concerning the above-referenced project.

1. Explain in detail why utilization fluctuated annually from FY 2014 through FY 2018, as shown in your July 13, 2017 responses (Attachment 1).

In July 2014 NVRH added a full time neurologist. In July 2015 NVRH added a third full time orthopedic surgeon. The addition of these two providers significantly added to the volume of MRI scans from fiscal 2014 to fiscal 2017. During fiscal 2016 the neurologist was on medical leave for part of the year and the number of scans attributed to her dropped that year.

The volume of MRI scans during the fiscal 2014 through fiscal 2018 was also affected by the expansion of NVRH's Pain Clinic Service from 1 day a week to 3 days per week. Also, changes in referring providers, mostly primary care providers, located in the NVRH community had an impact on MRI scans. As providers were added and left the community the volume of scans attributed to primary care providers changed accordingly. Lastly, as NVRH added full time Neurologist and third orthopedic surgeon the number of MRI scans ordered by non-NVRH community providers (e.g. orthopedic surgeons from other communities) declined.

The table below summarizes the year-to-year changes in MRI scans from fiscal year 2014 through 2018 and the factors contributing to those changes.

Description	FY14- FY15	FY15- FY16	FY16- FY17	FY17 – FY18
New Neurologist at NVRH	115	(9)	46	15
New Orthopedic Surgeon at NVRH	25	158	5	15
Expansion of Pain Clinic Service	27	0	0	0
Change in referring community providers	10	(89)	(13)	0
Other changes (non NVRH referring providers)	(5)	(40)	(7)	13
Total Change from Prior Year	192	10	62	43

2. For 2017, the projected number of MRI scans in the application (page 15) and in your July 13, 2017 responses (Attachment 1) differ (1,216 and 1,325, respectively). Identify the actual number of scans in FY 2017. In addition, if any of the actual, budgeted or projected volumes are

incorrect on Attachment 1 for any fiscal year, please correct all errors and resubmit the document.

The number of fiscal 2017 MRI scans in the application (page 15 and Appendix 7), 1,216 scans, was the number of scans budgeted for 2017. That projection was made based on the best information available as of April, 2016. The fiscal 2017 projected MRI scans, 1,325 scans, included in Attachment I of NVRH's July 13, 2017 response was based on fiscal 2017 results through May, 2017. The actual number of scans completed during fiscal 2017 was 1,297.

The volumes included in Attachment I of NVRH's July 13, 2017 were all correct, based on the information available at that time.

A table showing the number of MRI scans trended from 2014 to 2021 is presented below in our response to Question 4.

3. Identify the dollar amounts included in NVRH's 2016 and 2017 hospital budget submissions for this project. (Application, page 15)

NVRH's fiscal year 2016 and 2017 budget submissions included \$2,100,000 for this MRI project. The original projections included a modular shell to house the new MRI equipment. After further discussions internally, and discussions with architects and contractors it was determined that expanding the footprint of the diagnostic imaging department was the best long-term option. With that change in project scope the cost increased to \$3.1 million.

4. In a table format show the following:

- a. annual capacity of the MRI in each year 2014-2021;
- b. the actual volumes in each year 2014-2017;
- c. budget FY 2018 and projected volumes FY 2019-2021; and
- d. percent of capacity used in each year.

Specify the assumptions used to support the annual capacity (available weeks per year, days per week, hours per day, average time per scan).

A table summarizing the requested information is included as Attachment I. Based on the most recent available information NVRH has modified fiscal year 2018 through 2021 projections for MRI scan volume.

5. Provide an updated project timeline (Application, page 20)

Following is an updated project timeline:

- | | |
|--|--------------------|
| • Begin detailed architectural and engineering plans | May 2, 2018 |
| • Finalize selection of sub-contractors | August 10, 2018 |
| • Construction begins | September 24, 2018 |
| • Relocate existing trailer | September 21, 2018 |
| • Install new MRI | March 12, 2019 |
| • New MRI Service Begins | April 1, 2019 |

6. Explain the Project's impact on: a) Net Patient Revenue (NPR) and (b) rates in FYs 2018, 2019, 2020 and 2021. Additionally, explain how the project would affect NVRH's financial outlook if the Board's NPR growth target is less than 3% in any of these years.

The impact on net patient revenue (NPR) will be minimal. Specifically, the project will increase NPR by \$19,800, \$49,800 and \$51,400 for fiscal year 2019, 2020 and 2021, respectively. This is due to our projecting only a small number of additional MRI scans with the new equipment. We used a NPR growth rate of 3.2%. Since the project's impact on NPR growth is already minimal, a reduction in the Board's growth target would not materially change our projections.

The project will reduce NVRH's targeted operating margin by \$424,500, in the aggregate, for fiscal years 2019 to 2021. The \$424,500 represents a very small percentage of total operating expenses. We are confident that expense reductions will be found to offset that operating margin reduction.

7. **Please confirm, and explain in more detail, that sufficient emergency power will be available to serve the new MRI unit in the event of a power loss.**

Response: The MRI scanner will be served only by normal power. It will not be connected to emergency power.

8. **Confirm that power conditioning equipment, which is not shown in the Siemens drawings, is part of the design and included in the total project cost.**

The only power conditioning equipment is UPS for the control station computer. There will not be any power conditioning equipment for the MRI scanner itself.

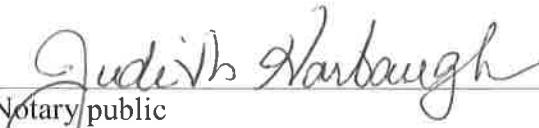
Sincerely,



Paul R. Bengtson, CEO

CC: Bob Hersey CFO

On April 30, 2018, Paul R. Bengtson appeared before me and swore to the truth, accuracy and completeness of the foregoing.



Notary public

My commission expires 2/10/2019_____

ATTACHMENT 1

NVRH

Proposed Replacement of Mobile MRI with Fixed Unit

Docket No. GMCB-005-17con

Response to January 25, 2018 Question 4

Description	FY 14		FY 15		FY 16		FY 17		FY 18		FY 19		FY 20		FY 21	
	Actual	%	Actual	%	Actual	%	Actual	%	Budget	%	Budget	%	Budget	%	Budget	%
Annual Capacity	1,984		1,984		1,984		1,984		1,984		1,984		1,984		1,984	
Actual/Budget Volume	1,033		1,225		1,235		1,297		1,340		1,355		1,375		1,375	
% Capacity		52.1%		61.7%		62.2%		65.4%		67.5%		68.3%		69.3%		69.3%

Capacity is based on the following assumptions:

Scans per hour	1
Hours per day	8
Scans per day	8
Days per week	5
Scans per week	40
Weeks per year	52
Maximum scans per year	2,080
Less: 8 holidays @ 8 scans/day	-64
4 preventative maintenance days	-32
Total Capacity	1,984