

April 11, 2019

Donna Jerry, Health Care Administrator
Green Mountain Care Board
114 State Street
Montpelier, VT 05620

Dear Ms. Jerry,

This letter of intent is pursuant to Certificate of Need (CON) statute 18 V.S.A. 9440(c)(2)(A). Southwestern Vermont Medical Center (SVMC) intends to submit a CON application to launch a Family Medicine Residency Program (FMRP). SVMC's leadership believes this project requires a CON because the FMRP will be a new service with an annual operating expense greater than \$500,000, and thereby exceeds the threshold for invoking CON jurisdiction per statute. SVMC will seek expedited review of its CON application in an effort to maintain the timeline for launch of the FMRP.

SVMC requests approval to create a family medicine residency program for the following reasons;

- The communities served by SVMC are at substantial risk of losing access to primary care physicians in the next decade, and these communities deserve a strategy that will provide long-term access to high quality primary care physicians
- By 2030, the current regional pool of family medicine physicians is projected to decrease by fifty percent
 - Many of the current family medicine providers in the SVMC service area are at the tail of their careers, with nearly half over the age of 60 or eclipsing the age of 60 in coming years
 - Dedicated efforts in recruitment have failed keep pace with physician attrition. Primary Care providers are retiring, downsizing their practice, or relocating from the region at an increasing rate
- The demand for family medicine physicians will accelerate with the growing senior population
 - By 2030, greater than 30% of the region's population will be over the age of 65, an increase from 22% currently. The aging baby boomers will add demand for family medicine physicians and overwhelm SVMC's ability to provide services with fewer physicians

SVMC is uniquely positioned to launch an innovative rural FMRP because SVMC excels in several key dimensions;

- Major participant in payment reform.
- Strong track record of clinical innovation (ex. transitional care program)
- Telemedicine-enabled primary care sites (in partnership with Dartmouth-Hitchcock medical Center)

- Mature medical homes with case management, behavioral health, and pharmacy support
- Participation in hub and spoke program

Development of a FMRP requires three years (see timeline below). The first cohort of 4 residents will start in SVMC's FMRP in 2022. The program will be 3 years in length. Once mature, the program will have 12 residents, 4 residents in each year of training. The first cohort of 4 rurally-trained primary care providers will graduate in 2025. SVMC anticipates recruiting 1 or 2 physicians from each cohort, and literature suggests the remaining physicians would have a high probability of relocating within Vermont.

Implementation of SVMC's FMRP will be associated with a limited renovation to enhance its educational functionality. The costs associated with the minor renovation are included in the costs reported for this project. The project costs represented in the pro forma include all costs associated with the project. There are no enabling projects.

The remainder of this letter adheres to the structure indicated in the Letter of Intent form.

Summary Project Description

Location of the proposed project– SVMC's FMRP will be located in the Medical Office Building on the Bennington Campus. This location is ideal because it will allow residents ready access to training in an adjacent primary care practice, at nearby hospital-based services, and with a skilled nursing facility a short walk away. All costs associated with the minor facility renovation to upgrade the education space are included in the project cost.

Service to be added and proposed location were the services will be rendered– SVMC's FMRP would be a new service for SVMC. This service would train family medicine physicians in adherence with Accreditation Council for Graduate Medical Education (ACGME) standards including patient encounters in;

- Family medicine
- Inpatient care, including elderly and children
- Emergency Care
- Obstetrics and Gynecology
- Long-term Care

Description of the proposed service area– SVMC serves the population within Bennington County, western Windham County, the eastern NY counties of Rensselaer and Washington and northern Berkshire County, MA. The implementation of SVMC's FMRP will serve these communities because residents will gain a breadth of training experience across SVMC's services and the continuum of care.

Detailed description of equipment to be purchased– SVMC plans to purchase no additional equipment as part of the launch or maintenance of its FMRP.

Number of square feet of renovation/new construction– SVMC will renovate approximately 1,200 sq ft of existing space. The estimated cost of this renovation is modest \$250,000, and fit-up sensible at \$100,000. Since this is a CON application for a new service and not for a construction project and the renovation is very limited in scope, many of the CON standards related to construction may not apply.

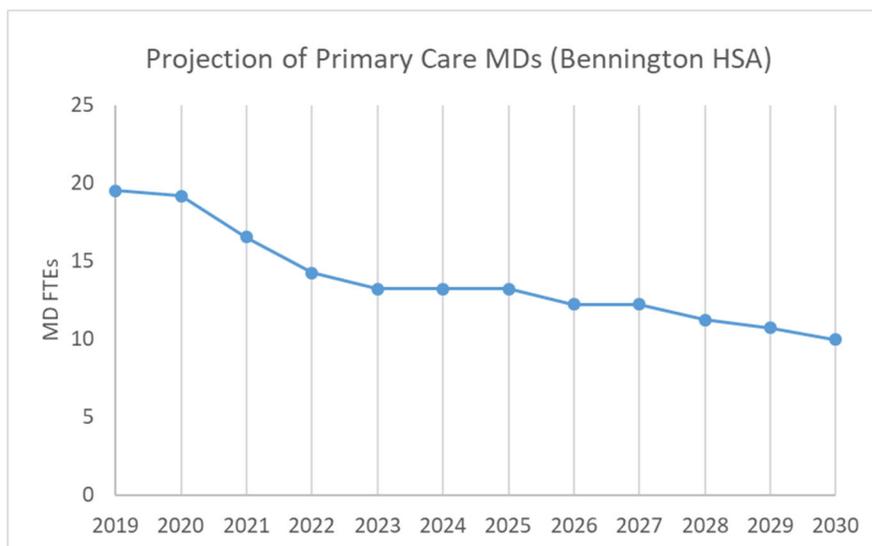
Total Project Cost– Because this is a CON application for a new service, project costs fall into two categories; costs to launch the FMRP and ongoing expenses to sustain the program;

- \$2,600,000 Investment over three years to launch SVMC’s FMRP (years 1-4)
- \$1,700,000 - \$1,800,000 Annual investment to maintain the FMRP (years 5-8 and beyond)

Attached is a pro forma illustrating these costs.

How will the project be financed– SVMC plans to finance this project from operating revenue, thereby no debt will be incurred. The cost of this project was not included in the fiscal year 2019 budget submitted to the Green Mountain Care Board, yet will be included in the fiscal year 2020 budget submission.

Need for the project including data– SVMC requests approval to develop a FMRP because the communities served by SVMC are at substantial risk of losing access to primary care physicians in the next decade. By 2030, the current regional pool of family medicine physicians is projected to decrease by fifty percent.



Currently the Bennington Hospital Service Area is home to 24 family medicine physicians (19.5 full-time equivalents). Nearly half of these physicians are at the tail of their career with 10 physicians over the age of 60 and 7 physicians eclipsing the age of 60 in coming years. Despite dedicated efforts, recruiting is not keeping pace with physician attrition. Since 2014, 9 family medicine physicians have relocated to the area, while an identical number have retired, downsized their practice, or relocating from the region. The attrition of physicians appears to be accelerating with several physicians recently signaling they will terminate their practice in the next 12-36 months. SVMC's FMRP is a key strategy to maintain the primary care physician complement required to care for the aging regional population.

Objective to be achieved by the project– SVMC seeks to implement a new service, SVMC's FMRP and thereby train the next generation of primary care physicians for southern Vermont.

Impact on healthcare costs, access and quality– SVMC will seek a 1% rate increase in its 2020 budget in order to subsidize this important program. This rate increase is estimated to provide \$700,000 in additional revenue annually. This revenue will be applied to support the FMRP development and assist with sustaining the program long-term.

Project beginning and completion date– SVMC is poised to begin the project upon approval from the GMCB.

SVMC submitted a grant for \$750,000 to Health Resources and Services Administration (HRSA), to support development of the rural FMRP. Determination of grant award will occur in July and with funding available August 2019.

The HRSA grant requires launch of the FMRP by July 2022. Doing so requires an aggressive timeline (see below) with activity ramping up in the remainder of fiscal year 2019 and full effort starting in October 2019.

We anticipate gaining swift CON approval to proceed with developing a FMRP because of its importance for our community and other communities in Southern Vermont who need future access to primary care providers.

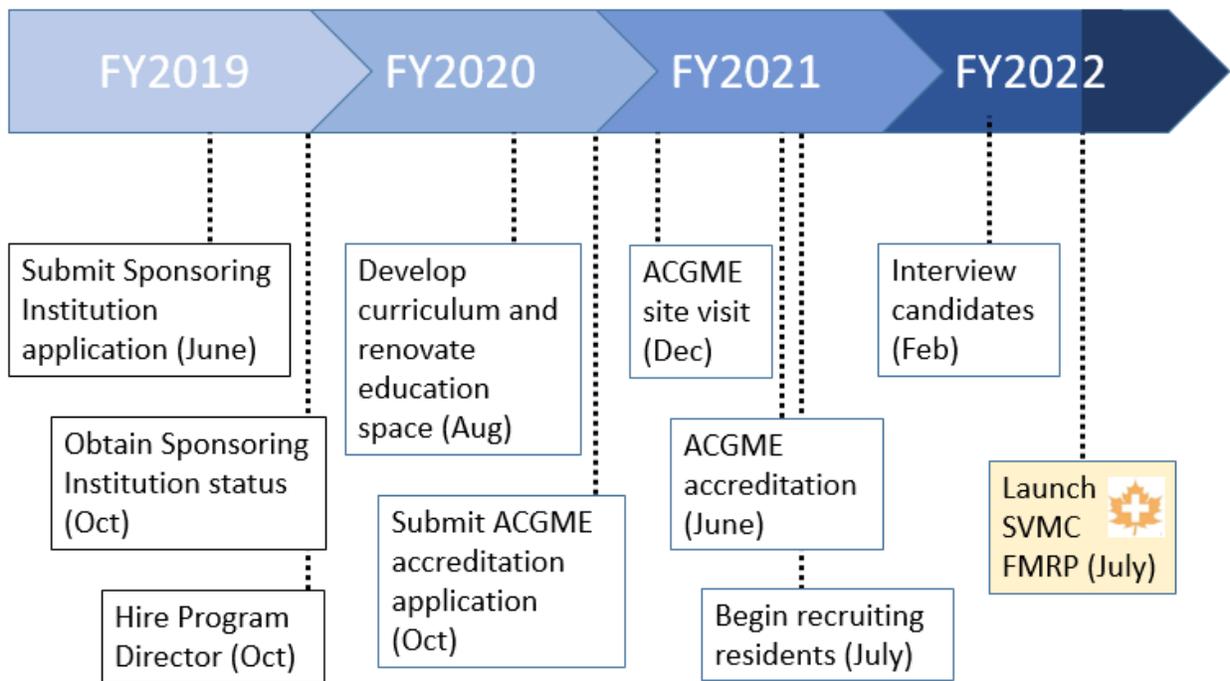
Included with this letter of intent is the projects financial pro forma.

We look forward to learning the CON standards applicable to this project and swiftly submitting the CON application.

We thank the Green Mountain Care Board for considering this important project.



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**Southwestern Vermont Medical Center
Family Medicine Residency - Pro Forma**

	Year 1 SVMC FY2019 Oct '18 - Sept '19	Year 2 SVMC FY2020 Oct '19 - Sept '20	Year 3 SVMC FY2021 Oct '20 - Sept '21	Year 4 SVMC FY2022 Oct '21 - Sept '22	Year 5 SVMC FY2023 Oct '22 - Sept '23	Year 6 SVMC FY2024 Oct '23 - Sept '24	Year 7 SVMC FY2025 Oct '24 - Sept '25	Year 8 SVMC FY2026 Oct '25 - Sept '26
Revenue								
DGME	\$0	\$0	\$0	\$0	\$71,035	\$355,175	\$639,315	\$852,420
Resident's clinical revenue	0	0	0	28,002	140,010	252,019	336,025	336,025
IME	0	0	0	0	0	0	0	0
Others	0	0	0	0	0	0	0	0
HRSA grant	750,000	0	0	0	0	0	0	0
Total revenue	750,000	0	0	28,002	211,045	607,194	975,340	1,188,445
Expenses								
Support staff salary and wages	0	417,500	466,375	509,909	640,210	729,643	788,936	808,659
Support staff benefits	0	125,250	139,913	152,973	192,063	218,893	236,681	242,598
Residents salary and wages	0	0	0	66,767	346,045	651,125	895,283	917,665
Residents benefits	0	0	0	20,030	103,814	195,338	268,585	275,300
Accreditations	0	11,800	5,700	5,843	5,989	6,138	6,292	6,449
Local travel	0	3,000	5,000	9,154	20,038	30,365	38,083	39,035
Training and conferences	0	24,090	21,143	30,827	66,874	107,014	139,261	142,743
Recruitment staff and residents	10,000	10,000	18,000	8,000	19,557	33,623	44,901	46,023
Website creation and digital messaging	12,000	12,000	12,300	12,608	12,923	13,246	13,577	13,916
Program branding and novel messaging	10,000	25,000	11,000	11,275	11,557	11,846	12,142	12,445
Research program	0	0	2,000	3,127	7,620	12,336	16,124	16,527
Food and housing	0	0	0	3,231	16,557	30,548	41,749	42,793
Medical malpractice and other insurance	0	0	0	8,615	44,153	81,461	111,331	114,114
DEA licenses	0	0	0	2,154	11,038	20,365	27,833	28,528
Capital expenses	0	0	18,333	36,667	36,667	36,667	36,667	36,667
Rent and utilities	0	0	30,000	30,750	31,519	32,307	33,114	33,942
Indirect expenses	10,000	110,250	113,006	117,831	128,727	139,695	148,738	151,856
Total expenses	42,000	738,890	842,770	1,029,759	1,695,350	2,350,611	2,859,295	2,929,261
Excess of expenses over revenues	\$708,000	(\$738,890)	(\$842,770)	(\$1,001,757)	(\$1,484,305)	(\$1,743,417)	(\$1,883,955)	(\$1,740,816)
Cumulative excess of expenses over revenues	\$708,000	(\$30,890)	(\$873,660)	(\$1,875,417)	(\$3,359,722)	(\$5,103,140)	(\$6,987,095)	(\$8,727,910)