



July 9, 2019

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

RE: Docket No. GMCB-003-19con, Emergency Department Modernization Project

Dear Donna:

Thank you for your July 3<sup>rd</sup>, 2019 inquiry regarding our request for expedited review for the above-referenced project. I have consulted with our Financial team and we are pleased to provide the clarification you requested.

Attached you will find our responses to your questions, an updated Table 1 with clarified assumptions, and the verification under oath form.

I hope you will find these clarifications complete and satisfactory. If you have any additional questions, please contact Jonathan Billings, NMC's Vice President of Community Relations & RiseVT, at [jbillings@nmcinc.org](mailto:jbillings@nmcinc.org) or (802) 524-1044.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jill Berry Bowen".

Jill Berry Bowen, RN  
Chief Executive Officer

CC: Jonathan Billings, NMC Vice President of Community Relations & RiseVT  
Anne Cramer, Esq.

**Northwestern Medical Center Certificate of Need Response to 070319 Request for Clarification  
Emergency Department Modernization: GMCB-003-19con**

The following are Northwestern Medical Center's (NMC's) responses to the Green Mountain Care Board's (GMCB's) request for clarification dated 07/03/19 regarding NMC's Certificate of Need application and request for expedited review relating to NMC's Emergency Department (ED) Modernization project – GMCB-003-19con:

- 1. Provide a more complete "Assumptions" page that supports the financial tables submitted with the application including assumptions for budget-to-budget NPR percent increases and change in gross charges for each year 2018-2022.***

Please see the revised assumptions page submitted with this letter. This project assumes no changes in Emergency Department (ED) volumes, no changes in ED services provided, and therefore, no changes in ED gross and net patient revenues. The financial tables assume that the GMCB continues to cap hospital NPR growth by 3.5% per year and that NMC continues to be compliant with the cap.

- 2. Provide detailed information regarding the impact of the project on: services provided; any increase in the cost of health care; and impact of the project on the financial strength of the applicant, especially in light of the June 28, 2019 letter to the Board regarding being out of compliance with bond covenants. Also provide:***

This project does not eliminate or add to the list of services currently provided in our ED. As described in our narrative, this project provides for necessary modernization of the outdated design of our current space to address patient and staff safety relating to patients with mental health concerns; treatment area capacity; additional safety concerns (such as airborne isolation and physical security); and patient privacy.

Once completed, this project results in increased depreciation expense of approximately \$316,715 annually. However, we believe that this "increased" cost to the health care system is minimal and unavoidable as all hospital infrastructure requires maintenance and renovation to serve their purpose as efficient and safe environments to provide care.

We have evaluated this project's impact on the financial strength of NMC. NMC's Board of Directors has long anticipated the strategic need for investment in our facility through projects including the ED renovation to maintain our ability to care for our community. As a result, NMC is in an appropriate long-term financial position to complete this project. We plan to fund this project primarily through cash reserves, with the anticipation of fundraising contributing \$500,000 toward the project. The use of cash reserves in this project represents approximately 23 Days Cash on Hand. With that said, NMC has had net operating losses in each of the last three fiscal years (including the current fiscal year) and fully understands that implementation of a significant operational improvement plan is crucial in returning the organization to a financially sustainable

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state. We see Fiscal Year 2020 as a transition year, taking a meaningful step toward that objective. Medical inflation, wage pressures, and insufficient reimbursement in areas of necessary investment for our future, such as primary care and wellness contribute to the financial pressures. Furthermore, as of May 31, 2019, NMC fell out of compliance with its debt to service coverage ratio bond covenant. Significant and unforeseen productivity challenges in the implementation of a new electronic health record in our outpatient physician practices was the main driver. We have met with the Trustee and shared our action plans and timeline for returning to compliance. Our Fiscal Year 2020 budget (as submitted) would result in compliance by September 30, 2020.

***(a) all increase in charge for any ED service during the renovation/construction phase and in year 1, 2 and 3 of operation;***

The only increase in charge for any ED service during the renovation/construction phase and in year 1, 2 and 3 of operation will be those rate increases approved by GMCB as part of our annual budget process. NMC's overall rate increase request for Fiscal Year 2020 is 5.9%.

***(b) projected rate increases you expect to submit to the Board during the renovation/construction phase and in year 1, 2 and 3 of operations; and***

NMC's overall rate increase request for Fiscal Year 2020 is 5.9%. Estimated rate increases in future years has not been determined. Determining a rate increase request is dependent on many variables, including: expected increases from Medicare and Medicaid; changes in capitated payments and the number of attributed lives; volume and statistics assumptions for each revenue generating department; current physician roster and recruitment plans; changes in the community health needs assessment; and others. NMC is currently undergoing a strategic planning process (completed every 3 years) that will influence in which areas we invest, divest, and/or continue with the same level of service. NMC has a long history of requesting low rate increases. Over the past 10 years, NMC's average annual rate increase is 2%, compared with 4.78% for all other Vermont hospitals.

***(c) changes in projected NPR during the renovation/construction phase and in year 1, 2 and 3 of operation***

NMC assumes that the GMCB will continue to cap hospital NPR growth by 3.5% per year and that we will continue to be compliant with the cap. NMC assumes no changes in projected NPR during the renovation/construction phase and in year 1, 2 and 3 of operation that are specific to the ED with the exception of any approved rate increases as part of our annual budget process.

**PLEASE PROVIDE ASSUMPTIONS**  
**Northwestern Medical Center**  
**Emergency Department Modernization**

	<b>Proposed</b>	<b>Proposed</b>	<b>Proposed</b>
	<b>Yr 1</b>	<b>Yr 2</b>	<b>Yr 3</b>

**Table 1**

Combination of new construction, renovation, project fees, and FF&E.

**Table 2**

No borrowing related to this project. The project will be funded by internal equity. Anticipate fundraising contributions of \$500,000. Entered as a negative amount on Table 2, cell G16.

**INCOME STATEMENT**

Revenue & Statistics - Assume GMCB will continue to cap growth NPR at 3.5% per year. NMC will be compliant with the cap and will maximize the allowable NPR growth. No significant changes in payor mix have been assumed. Assume continued participation in the OneCare capitated payment program but not enough information is available at this time to project the number of attributed lives. At this time, statistics are projected to be flat as NMC is currently undergoing a strategic planning process. The results will help influence future projections. Where will NMC invest, divest, stay the same, etc. With that said, no future year (2021 and beyond) rate increase requests have been estimated at this time.

Other Operating Revenue - no major assumptions to note

Expenses - Assume 3% increase in salaries and wages per year. Assume inflation of 3% on general goods and supplies. Assume provider tax will remain at 6% of net patient revenues. Assume depreciation and amortization based on 5 year capital expenditure plan. Please see amounts in "project only" section for the depreciation specific to this project.

Non-operating revenue - Assume consistent with FY20 budget. No gains or losses from the market have been included.

**BALANCE SHEET**

Cash & Investments - Project will be paid for using internal equity with amounts coming from Cash & Investments over the renovation/construction period. Cash is also impacted by net operating income each year and non-cash items such as depreciation and amortization.

Property, Plant, and Equipment & Accumulated Depreciation - Increase to construction in progress during the construction/renovation period with a transfer to land, buildings, and improvements at the completion of the project. Other non-COQ capital items have been included as well such as routine capital replacements expected to be purchased from 2020 to 2022. Accumulated depreciation amounts are projected to reflect these assumptions.

Current and Long-Term Portions of Debt - Assume current bond remains in place with no other new borrowings.

Fund Balance - Increase each year based on the net income shown on the income statement.

All Other - All other balance sheet amounts are projected to remain consistent with current amounts.

**CASH FLOW**

N/A - cash flow financial table provided

**REVENUE SOURCE-PAYER**

Revenue & Statistics - Assume GMCB will continue to cap growth NPR at 3.5% per year. NMC will be compliant with the cap and will maximize the allowable NPR growth. No significant changes in payor mix have been assumed. Assume continued participation in the OneCare capitated payment program but not enough information is available at this time to project the number of attributed lives. At this time, statistics are projected to be flat as NMC is currently undergoing a strategic planning process. The results will help influence future projections. Where will NMC invest, divest, stay the same, etc. With that said, no future year (2021 and beyond) rate increase requests have been estimated at this time.

**UTILIZATION**

Revenue & Statistics - Assume GMCB will continue to cap growth NPR at 3.5% per year. NMC will be compliant with the cap and will maximize the allowable NPR growth. No significant changes in payor mix have been assumed. Assume continued participation in the OneCare capitated payment program but not enough information is available at this time to project the number of attributed lives. At this time, statistics are projected to be flat as NMC is currently undergoing a strategic planning process. The results will help influence future projections. Where will NMC invest, divest, stay the same, etc. With that said, no future year (2021 and beyond) rate increase requests have been estimated at this time.

**STAFFING**

Assume FTEs remain consistent with 2020. This is consistent with NMC's internal financial projections.

**STATISTICS**

Revenue & Statistics - Assume GMCB will continue to cap growth NPR at 3.5% per year. NMC will be compliant with the cap and will maximize the allowable NPR growth. No significant changes in payor mix have been assumed. Assume continued participation in the OneCare capitated payment program but not enough information is available at this time to project the number of attributed lives. At this time, statistics are projected to be flat as NMC is currently undergoing a strategic planning process. The results will help influence future projections. Where will NMC invest, divest, stay the same, etc. With that said, no future year (2021 and beyond) rate increase requests have been estimated at this time.

Notes to Support Assumptions:

**Verification Under Oath**

**STATE OF VERMONT  
GREEN MOUNTAIN CARE BOARD**

In re: Northwestern Medical Center's        )  
Emergency Department                        )       Docket No. GMCB-003-19con  
Modernization Project                         )  
Response to 07/03/19 Request                )

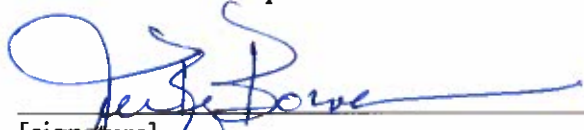
**Verification Under Oath to file with Certificate of Need Application, correspondence and additional information subsequent to filing an Application.**

Jill Berry Bowen, being duly sworn, states on oath as follows:

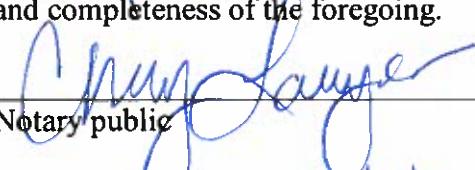
1. My name is Jill Berry Bowen. I am the Chief Executive Officer of Northwestern Medical Center. I have reviewed Northwestern Medical Center's response to the Green Mountain Care Board's request for clarification dated 07/03/19 regarding NMC's Certificate of Need Application for our Emergency Department Modernization project (Docket No. GMCB-003-19con).
2. Based on my personal knowledge and after diligent inquiry, I attest that the information contained in Northwestern Medical Center's response to the Green Mountain Care Board's request for clarification dated 07/03/19 regarding NMC's Certificate of Need Application for our Emergency Department Modernization project (Docket No. GMCB-003-19con) is true, accurate and complete, does not contain any untrue statement of a material fact, and does not omit to state a material fact.
3. My personal knowledge of the truth, accuracy and completeness of the information contained in the Northwestern Medical Center's response to the Green Mountain Care Board's request for clarification dated 07/03/19 regarding NMC's Certificate of Need Application for our Emergency Department Modernization project (Docket No. GMCB-003-19con) is based upon either my actual knowledge of the subject information or upon information reasonably believed by me to be true and reliable and provided to me by the individuals identified below in paragraph 4. Each of these individuals has also 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.
4. The following individuals have provided information or documents to me in connection with Northwestern Medical Center's response to the Green Mountain Care Board's request for clarification dated 07/03/19 regarding NMC's Certificate of Need Application for our Emergency Department Modernization project (Docket No. GMCB-003-19con) and each individual has certified, based either upon his or her actual knowledge of the subject information or, where specifically identified in such certification, based on information reasonably believed by the individual to be reliable, that the information or documents 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:

- Tristan Glanville, Interim Chief Financial Officer
- Stephanie Breault, Director of Finance
- Devin Bachelder, Manager of Decision Support & Budget
- Jonathan Billings, Vice President of Community Relations & RiseVT

5. In the event that the information contained in the Northwestern Medical Center's response to the Green Mountain Care Board's request for clarification dated 07/03/19 regarding NMC's Certificate of Need Application for our Emergency Department Modernization project (Docket No. GMCB-003-19con) becomes untrue, inaccurate or incomplete in any material respect, I acknowledge my obligation to notify the Green Mountain Care Board and to supplement the Northwestern Medical Center's response to the Green Mountain Care Board's request for clarification dated 07/03/19 regarding NMC's Certificate of Need Application for our Emergency Department Modernization project (Docket No. GMCB-003-19con) as soon as I know, or reasonably should know, that the information or document has become untrue, inaccurate or incomplete in any material respect.

  
\_\_\_\_\_  
[signature]

On July 9, 2019, Jill Berry Bowen appeared before me and swore to the truth, accuracy and completeness of the foregoing.

  
\_\_\_\_\_  
Notary public

My commission expires 1/31/2021  
[seal]

