



January 17, 2019

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

Dear Donna,

Thank you for taking the time to meet with me last week. I appreciate all your support and guidance. This letter will serve as a request for "Jurisdictional Determination" associated with a project that we are pursuing here at Northwestern Medical Center (NMC) in St. Albans. Here are the specifics associated with the project that we will be pursuing:

NMC has been working on a project with the City of St. Albans and local developers on a new building to be built at the corner of Congress St. and Main St. Under the proposed plan NMC would lease 8,000 square feet of the third floor of the new building under the following terms. The Lease would require a \$1,000,000 up front capital investment followed by a 15-year lease with a cost of \$17.00 per square foot with a 2% annual inflation factor. Annual cost in year one would be \$180,000 which includes the lease costs of \$136,000 plus common area and operating costs of \$44,000. This lease would meet the Financial Accounting Standards Board guidelines as a capital lease and would have a net present value of cash flow stream of just over \$2.7 Million. At the end of the term of the lease NMC can take ownership of its 8,000 square feet of this building or receive a payment of \$2 Million as a return of our initial capital investment. During the term of the lease there is not an option to purchase the property sooner than the end of the lease term. Since these costs would not go into effect until the 2020 fiscal year, they are not reflected in the 2019 operating budget but will be incorporated into the 2020 operating budget.

The space would be used for two specific purposes that are directly linked to the hospitals strategic plan.

The first use is for approximately 4,000 square feet that would be used in partnership with the Vermont Technical College (VTC) and the Community College of Vermont (CCV) to build a local nursing education program. This program would be one important step toward improving both the recruitment and retention of trained RN's to address an acute need of the hospital. It is anticipated that up to 10 nursing candidates would be available on an annual basis to NMC if the plan is successful. The space would be used to provide a nursing simulation laboratory that would be used by VTC in its nursing education

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programs. In addition, the lab would also be used by NMC’s nursing education department to allow for ongoing educational development of our nursing staff and clinical staff.

The anticipated return on the investment for this portion of the space would be derived through reductions in recruitment, retention, orientation and other costs associated with reduced turnover costs. The annual net value associated with this space is anticipated to be in excess of \$51,000 on average annually over the 15-year term of the lease.

The other 4,000 square feet would be used to enhance and grow our lifestyle Medicine program as the community “Blueprint” that enhances the success of the primary care Blueprint by wrapping around individuals, families, businesses, and municipalities to embrace healthy lifestyle choices preventing and even reversing chronic conditions. This program is a critical strategic investment to prepare the hospital for success under a capitated model. This would include space that would be used by many community partners, including the Unified Community Collaborative (Accountable Communities for Health), other healthcare providers and local businesses to engage our community in healthy lifestyles. This would allow for improved integration with community partners that would not need to be hospital based.

Another strategy that this initiative would assist with is the advancement of the concept of surgical optimization. This topic was identified by our Ambulatory Surgery Center (ASC) consultants as they performed their analysis of our preparedness for an ASC like environment. This focuses on the preparedness of our patients for their surgery in order to optimize the surgical process. This is linked directly to our ability to enhance our Lifestyle Medicine program. In conjunction with these strategies the space would include a demonstration kitchen that would be used to address many of the needs of our population around the critical need for healthy eating habits. Moving these services to the downtown location will allow us to use other space on campus to address access issues including strategies to address the mental health crisis. Although our analysis shows no specific derived value on this part of the project there are many opportunities to build and grow revenue sources on this piece of the initiative.

The annual operating expense associated with this space is estimated as follows:


	2020	2021	2022
• Amortization of Initial Payment	\$ 66,667	\$ 66,667	\$ 66,667
• Annual Lease Cost	\$ 136,000	\$ 138,720	\$ 141,494
• Building Operating Costs	\$ 44,000	\$ 44,880	\$ 45,778
• Nursing Program Staffing Costs	\$ 147,163	\$ 150,842	\$ 154,613
• Portion Funded by VTC	(\$110,078)	(\$112,830)	(\$115,651)
• Simulation Equipment Annual Expense	\$ 90,000	\$ 90,000	\$ 90,000
• Lifestyle Medicine operating Expenses	<u>\$ 156,361</u>	<u>\$ 160,270</u>	<u>\$ 164,277</u>
○ Total Annual Operating Expenses	<u>\$ 530,113</u>	<u>\$ 538,549</u>	<u>\$ 547,178</u>

We believe that both the capital investment portion of this project nor the annual operating expense criteria would trigger the requirement for a certificate need review. However, we wanted to clarify the

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situation with you prior to moving forward. If you have any questions, please feel free to give me a call at (802) 524-1042 to discuss. Thank you for your prompt attention to this request and I look forward to hearing from you soon.

Sincerely,



Christopher L. Hickey  
Sr. V.P. and Chief Financial Officer

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