



Donna Jerry
Senior Health Policy Analyst
Green Mountain Care Board
144 State Street
Montpelier, Vermont 05602

December 27, 2021

Dear Ms. Jerry:

In follow up to a telephone conversation we had earlier this month, I am writing in reference to anticipated pricing changes relating to NMC's Certificate of Need for the Modernization of the NMC Emergency Department (Docket No. GMCB-003-19).

When the CON for modernizing the ED was approved in June of 2020, the anticipated total cost of the project was \$7,616,215. However, this project was delayed by the onset of the pandemic, which made a disruption to the Emergency Department unwise at that stage of the pandemic. Throughout the pandemic, we have seen an increase in construction costs and noted this in our second implementation report to the GMCB for the period ending June 30, 2021, saying:

As of June 30, 2021, is too early to report on budget status given the project's delay. However, we will note our continued concerns about possible increased costs of construction materials given significant changes in the marketplace which may impact the overall cost of this project. This will be closely monitored, and any material changes will be reported.

NMC is once again moving forward actively with the project, as the pressures of the pandemic are more in the outpatient areas than within the Emergency Department itself. We are currently working with our Construction Manager, EF Wall, to secure a Guaranteed Maximum Price for the project. I am writing to inform GMCB that we fully expect this price to come in significantly above the original total cost from June of 2020.

The anticipated cost increase is due nearly exclusively to the impact of the pandemic. Inflation of prices of labor and materials are anticipated to represent most of the expected cost increase. Based on our clinics learnings from dealing with the pandemic's surges, we have made design changes within the planned mechanical systems to allow five treatment rooms, the trauma room, and the cardiac room to all be switchable to negative pressure when necessary. We expect this will have an additional cost in the revised quotes. Within the natural refinements of design over time for a project this size, there have been several financially immaterial changes to the details of the project. The other change, which we anticipate may have a material impact is a revised approach to equipment. We now plan to replace more of the existing ED equipment than when

the project was originally proposed in June of 2019. The equipment in question will be 3.5 years older when this project is completed and is need of replacement, which should be done as part of this modernization project. The details of this new pricing are expected in early February 2022, and we will provide GMCB with a specific review of the material changes leading to the new total. It is important to note that NMC's financial health has improved in the past year and we have the financial reserves within Days Cash on Hand to accommodate the anticipated increase in project costs.

The pandemic has proven that the modernization of the NMC Emergency Department is a crucial investment for the care of our community in northwestern Vermont. We appreciate the GMCB's understanding of the impact of the pandemic on the project costs and look forward to a smooth process with GMCB for continued regulatory approval of the project. With costs changing quickly, we need to move forward as soon as possible once the updated numbers are set. Please let us know how we should move forward toward that end.

Also, please let me know if there are any additional questions we can answer or if any additional information is needed at this time.

Sincerely,



Jonathan Billings
Chief Operating Officer

CC: Dean French, MD, NMC Chief Executive Officer
A. Cramer, Primmer Piper Eggleston & Cramer
K. Kuiper, Vermont Legal Aid
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