



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

March 2, 2022

Dear Ms. Jerry:

Attached please find the formal request from Northwestern Medical Center for an expedited amendment to our Certificate of Need for the Modernization of the NMC Emergency Department (Docket No. GMCB-003-19). The Verification Under Oath form is included in this response.

This request is due to a material change in the projected cost of the project due to COVID pandemic related causes. This request does not include a material change to the intent of the project, nor does it add or include any major medical equipment (such as MRI, CT, etc.). This request does not alter NMC's financial plan of funding the project through existing Days Cash on Hand and does not materially weaken the hospital's financial position. Given the rapidly changing construction market and the pressing need for this modernization to care for our community, we do ask for expedited approval of an amendment to update the projected costs.

We are emailing you an electronic copy as well as mailing you the original. We have also cc'd the interested party on this email communication.

Please let me know if there are any additional questions we can answer or if any additional information is needed.

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
E. Schultheis, Vermont Legal Aid
Z. Hozid, Disability Rights Vermont
L. Owen, Disability Rights Vermont
M. Barber, Green Mountain Care Board

STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

In Re: Northwestern Medical Center)
Emergency Department Modernization) Docket No. GMCB-003-19
)

**EXPEDITED REQUEST FOR AMMENDMENT TO CERTIFICATE OF NEED
DUE TO PANDEMIC IMPACT**

Northwestern Medical Center (NMC) hereby requests the Green Mountain Care Board (GMCB) grant NMC an amendment to the Certificate of Need (CON) issued on June 11, 2020 for the Modernization of the NMC Emergency Department (ED). Given the vital nature of the ED within the pandemic, this project has been delayed during the pandemic which has resulted in a material change in the cost of the project. This change does not involve change to the intent or scope of the approved project, nor does it include any major medical equipment such as MRI or CT. This change in costs is driven by pandemic-related inflation for labor and materials; pandemic-informed changes to the mechanical system of the ED for increased negative pressure capability; and pandemic-delay-related expansion of the list of the routine equipment to be replaced. Fortunately, this increase in cost does not impact NMC’s plan to fund this project directly from Days Cash on Hand and will not compromise NMC’s cash position. This request seeks expedited approval of an amendment to the project costs from the GMCB to avoid additional delay resulting in additional cost increases.

Project Overview (from Implementation Report 3 of January 31, 2022):

“As discussed in the CON application, the modernization of the NMC Emergency Department will provide necessary and significant improvements relating to capacity, safety,

privacy, and workflow. The June 11, 2020 Certificate of Need Order document relating to this Certificate of Need (CON) project carries the following summary relating to this project: “The project involves updating NMC’s emergency department by renovating 9,267 square feet of space (essentially all of the existing emergency department, except the parking portion of the attached ambulance bays) and adding 2,392 square feet of space to the existing footprint of the emergency department for relocation of a mechanical room, for a total cost of \$7,616,215.” As discussed in the CON application, this project will be funded through existing Days Cash on Hand, potentially supplemented by philanthropic support.”

Updating Project Pricing from 2019 to 2022:

When the CON for modernizing the ED was approved in June of 2020, the anticipated total cost of the project was \$7,616,215 (based on pricing established in June of 2019). However, this project was delayed by the onset of the pandemic, which made a disruption to the Emergency Department unwise at the time. Throughout the pandemic, we have seen an increase in construction costs. We have noted the anticipated material impact of this in our second and third implementation reports to the GMCB, as well as in a separate correspondence dated December 27, 2021.

In this prior communication, we shared with the GMCB that “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.”

NMC engaged Construction Manager E. F. Wall to competitively bid the project and received the updated project cost figures on January 27, 2022. The total cost of the project is now set at \$10,883,724. Following review at the Finance Committee of the NMC Board of Directors and discussion by the full Board, The NMC Board of Directors approved the recommendation to go forward with the ED Modernization at the updated price of \$10,883,724 on February 2, 2022. It is important to note that due to the unpredictable nature of the pandemic’s impact on costs of materials and labor and the uncertainty of the timing of the regulatory process, the Construction Manager only guaranteed the submitted pricing through February 11, 2022 with an anticipated project start in March of 2022.

Overview of Increased Project Costs:

Attached is a spreadsheet in CON Table 1 format that compares the numbers from the approved CON with those in this request for amendment. This table shows:

- **Construction Costs – Subtotal:** increases to \$7,350,437. This increase is attributed to inflation driven in large part by the pandemic between 2019 and 2022. This figure is informed by the competitive bid process conducted by E. F. Wall. This section also includes the pandemic-informed additional negative pressure capabilities within the modernized ED.

- **Related Costs – 2. FFE:** increases to \$1,544,793 due to the change of approach to fund the near-complete replacement of equipment within the Emergency Department given the importance of that equipment and its additional age. This includes ventilators, crash carts, stretchers, exam lighting, etc. Given the general condition of the equipment three years after the submittal of the CON request, it was determined appropriate to include near full replacement within the updated project costs as these items would otherwise make their way into NMC’s routine capital replacement and expense budgeting in the near future. The cost figure relating to FFE was informed by the detailed consulting work of Noli White, a national firm with expertise in equipment planning for healthcare construction. Please note that this is routine equipment, not major medical equipment – this does not include any large scale pieces such as MRI or CT, etc.
- **Related Project Costs – 6. Admin & Permits:** increase to \$426,775 to reflect the actual and necessary investment – previously not called out in this manner – in contracted project management services, equipment planning services, transition planning services, etc.
- **Related Project Costs – 10. Other:** increases to \$971,719, which reflects two important contingencies for this project. The first is a 5% Market Volatility contingency to account for any changes in pricing between the formal expiration of the quoted pricing and the anticipated signing of contracts following anticipated GMCB approval. The second is a 7.5% owner’s contingency, put in place to accommodate possible changes based on additional learnings from the pandemic, further input from stakeholders, mid-project disruptions from the pandemic, etc.

Continued Financial Feasibility:

NMC's approved CON for the Modernization of the ED is based on the hospital's ability to prudently fund the project from existing cash reserves. The increase in project costs presented in this request for expedited amendment represent approximately 10 additional Days Cash on Hand for NMC. NMC's Chief Financial Officer has done a thorough projection of NMC's Days Cash on Hand given this increase as well as NMC's other planned capital expenditures and NMC's projected financial performance. This analysis shows NMC will have an estimated 247 Days Cash on Hand at the completion of this project. Comparatively, in February of 2020 as NMC sought approval to invest in the modernization, NMC had 235 Days Cash on Hand as referenced in the June 11, 2020 Statement of Decisions and Order. The NMC Board of Directors has approved this investment in support of NMC Leadership's position that 247 Days Cash on Hand at the completion of the project represents an appropriate position for NMC's long-term financial health to help ensure our continued ability to care for our community.

CON Amendment Request Merits Expedited Review

The pandemic-related cost increases to the modernization of the NMC Emergency Department do not materially alter the purpose of the project as approved. NMC continues to keep the interested parties apprised of project status through the Implementation Reports and will comply with the existing CON conditions. The increased expense of approximately 10 additional Days Cash on Hand does not compromise NMC's financial position and will not affect the cost of healthcare services it provides. The modernization of the NMC Emergency Department is mission critical – a status strongly reinforced throughout the pandemic. The expedited approval of the increased investment will avoid further inflationary cost increases for this necessary project.

Conclusion - Request for Expedited Amendment to CON:

As we shared in our prior communication with the GMCB, 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. It is now all the more important to invest in creating the private treatment areas; improving workflows; enhancing safety; updating equipment; and adapting the mechanical systems for expanded negative pressure capabilities.

Therefore, based on the crucial nature of this approved project, the absence of changes to the intent or scope of the project, the logic of the increased costs, and NMC's ability to prudently fund the project via Days Cash on Hand, NMC formally asks for expedited approval of an amendment to the existing CON to update the cost of the project to \$10,883,724.

NMC Emergency Department Project Cost Summary -- Changes from the Approved CON to the 2022 Update
 GMCB-003-19

	<u>Construction Costs:</u>	<u>Approved CON</u>	<u>2022 Update</u>	
1 New Construction	\$	1,895,384.00	\$ 2,548,981.00	
2 Renovation	\$	2,995,225.00	\$ 4,028,087.00	
3 Site Work	\$	114,989.00	\$ 180,330.00	
4 Fixed Equipment	\$	-	\$ -	
5 Design/Bidding Contingency	\$	506,847.00	\$ -	
6 Construction Contingency	\$	847,618.00	\$ 367,522.00	
7 Construction Mgr Fee	\$	138,345.00	\$ 225,517.00	
8 Other	\$	-	\$ -	
Subtotal:	\$	6,498,408.00	7,350,437.00	2022 = GMP # from EF Wall, guaranteed through 2/11.
 <u>Related Project Costs:</u>				
1 Major Movable Equipment	\$	-	\$ -	
2 Furnishings, Fixtures & Other Equip.	\$	444,296.00	\$ 1,544,793.00	
3 Architectural/Engineering Fees	\$	567,810.00	\$ 590,000.00	
4 Land Acquisition	\$	-	\$ -	
5 Purchase of Buildings	\$	-	\$ -	
6 Administrative Expenses & Permits	\$	105,701.00	\$ 426,775.00	
7 Debt Financing Expenses	\$	-	\$ -	
8 Debt Service Reserve Fund	\$	-	\$ -	
9 Working Capital	\$	-	\$ -	
10 Other	\$	-	\$ 971,719.00	
Subtotal:	\$	1,117,807.00	3,533,287.00	

Total Project Costs: \$ **7,616,215.00** \$ **10,883,724.00** Increase since 2019 application: \$ **3,267,509.00**

NMC ED Modernization GMCB 003 19 - Updated Pricing After Impact of Pandemic Delay

	CON Approved Jun-22	Project Cost Estimates As of 2/11/22	Variance	Comments
1 New Construction	\$ 1,895,384.00	\$ 2,548,981.00	\$ 653,597.00	Pandemic related cost increases of inflation, learnings, etc.
2 Renovation	\$ 2,995,225.00	\$ 4,028,087.00	\$ 1,032,862.00	Pandemic related cost increases of inflation, learnings, etc.
3 Site Work	\$ 114,989.00	\$ 180,330.00	\$ 65,341.00	Pandemic related cost increases of inflation, learnings, etc.
4 Fixed Equipment			\$ -	
5 Design/Bidding Contingency	\$ 506,847.00	\$ 367,521.00	\$ (139,326.00)	5% of Construction Cost Market Volatility Allowance
6 Construction Contingency	\$ 847,618.00	\$ 968,804.00	\$ 121,186.00	This includes CM & Owner's Contingency, plus small hazardous material abatement allowance
7 Construction Manager Fee	\$ 138,345.00	\$ 225,517.00	\$ 87,172.00	A factor of price inflation
8 Major Movable Equipment			\$ -	
9 Furnishings, Fixtures and other Equipment	\$ 444,296.00	\$ 1,544,793.00	\$ 1,100,497.00	Increase replacement of equipment due to multi-year project delay
10 Architectural/Engineering Fees	\$ 567,810.00	\$ 590,000.00	\$ 22,190.00	Increase fees due to project delays and inflation
11 Land Acquisition			\$ -	
12 Purchase Building			\$ -	
13 Administrative Expenses and Permits	\$ 105,701.00	\$ 426,775.00	\$ 321,074.00	Now Includes: Project Mgmt, Transition Plan, Equipment Plan, Testing allowance, etc
14 Debt Finances Expenses			\$ -	
15 Debt Service Reserve Fund			\$ -	
16 Working Capital			\$ -	
17 Other		\$ 2,916.00	\$ 2,916.00	
Total	\$ 7,616,215.00	\$ 10,883,724.00	\$ 3,267,509.00	35.32%
CON allowed expanded limit of 10%	\$ 8,377,836.50	\$ 10,883,724.00	\$ 2,505,887.50	26.02%

Verification Under Oath

**STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD**

In re: Northwestern Medical Center's)
 Modernization of the)
 NMC Emergency Department) Docket No. GMCB-003-19con

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

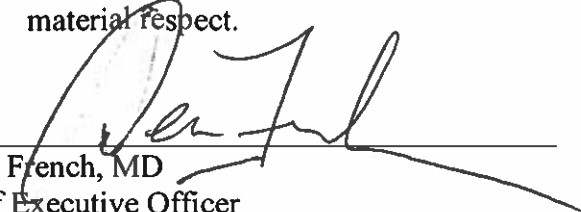
Dean French, MD, being duly sworn, states on oath as follows:

1. My name is Dean French, MD. I am the Chief Executive Officer of Northwestern Medical Center. I have reviewed Northwestern Medical Center's 03/02/22 Request for Expedited Ammendment to the Certificate of Need for the Modernization of the NMC Emergency Department (Docket No. GMCB- 003-19).
2. Based on my personal knowledge and after diligent inquiry, I attest that the information contained in Northwestern Medical Center's 03/02/22 Request for Expedited Ammendment to the Certificate of Need for the Modernization of the NMC Emergency Department (Docket No. GMCB- 003-19) 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 Northwestern Medical Center's 03/02/22 Request for Expedited Ammendment to the Certificate of Need for the Modernization of the NMC Emergency Department (Docket No. GMCB- 003-19) 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 03/02/22 Request for Expedited Ammendment to the Certificate of Need for the Modernization of the NMC Emergency Department (Docket No. GMCB- 003-19) 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:

- Stephanie Breault, Chief Financial Officer


- Jenn Howrigan, Controller
- Jonathan Billings, Chief Operating Officer
- Dave Healy, Contracted Project Manager
- John Lister, Contracted Project Manager

5. In the event that the information contained in Northwestern Medical Center's answers to the questions regarding Northwestern Medical Center's 03/02/22 Request for Expedited Ammendment to the Certificate of Need for the Modernization of the NMC Emergency Department (Docket No. GMCB- 003-19) becomes untrue, inaccurate or incomplete in any material respect, I acknowledge my obligation to notify the Green Mountain Care Board and to supplement Northwestern Medical Center's 03/02/22 Request for Expedited Ammendment to the Certificate of Need for the Modernization of the NMC Emergency Department (Docket No. GMCB- 003-19) as soon as I know, or reasonably should know, that the information or document has become untrue, inaccurate or incomplete in any material respect.



 Dean French, MD
 Chief Executive Officer
 Northwestern Medical Center

On March 2, 2022 Dean French, MD, appeared before me and swore to the truth, accuracy and completeness of the foregoing.



 Signature

Michelle L. Cioffi

 Notary's Printed Name

Notary public
 My commission expires 1/31/2023
 [seal]

