

April 5, 2022

Donna Jerry, Senior Health Policy Analyst
Green Mountain Care Board
114 State St
Montpelier, VT 05620

***RE: Request for amendment to Certificate of Need
Docket No. GMCB-019-19con***

Southwestern Vermont Medical Center (SVMC) requests the Green Mountain Care Board grant an amendment to increase the project budget and extend the timeline for the certificate of need (CON) to modernize SVMC's emergency department and hospital main entrance (Docket No. GMCB-019-19con). In December 2020, SVMC received a CON to modernize its emergency department and main entrance for a total project cost of \$25,801,975 and a completion date of June 2023. SVMC requests an increase in the project budget to \$31,000,000 to accommodate adjustments to the design in response to the COVID-19 pandemic, inflation of construction materials and labor and a longer project timeline. The new timeline (appendix 1- timeline) extends the project completion date to April, 2024.

Additional costs due to COVID-learnings

The COVID-19 pandemic has caused a profound rethink of many aspects of healthcare including facility layout, infrastructure, staffing, and patient flow. The focus of these changes has been to reduced transmission of air-born communicable diseases and respiratory illnesses including COVID, the annual flu as well as future respiratory conditions. Based in sound science, most of these changes will extend beyond the current pandemic and have become embedded in how SVMC cares for the community. The mitigation strategies increasing patient and staff safety are most vital in the emergency department that serves walk-in patients with conditions widely ranging from respiratory illness to trauma. SVMC's CON project to modernize the emergency department and hospital main entrance has been redesigned to realize best-practice learnings from the pandemic. Two aspects of the project highlight the improved patient and staff safety:

- Negative air pressure and frequent air exchanges throughout the emergency department
- Enclosed connector between the respiratory evaluation center and the emergency department

Negative Pressure throughout the emergency department:

To reduce transmission of respiratory illnesses, including COVID-19 and the annual flu, the modernized emergency department will be fitted with negative air pressure throughout. The facility design submitted to the Green Mountain Care Board for CON approval was developed in 2019, prior to the COVID pandemic, and included few air filtration upgrades. Advancing the air exchange system to provide negative air pressure with frequent HEPA air exchanges across the entire emergency department increases project costs by \$400,000 to \$500,000 – an investment in the future of patient and staff safety.

Connector between the emergency department and the respiratory evaluation center

Early in the pandemic SVMC's emergency department began isolating patients that present with respiratory illness and segregating them from other patients to prevent communicable disease transmission. Respiratory patients were screened in the Respiratory Evaluation Center, initially a make-shift, plywood structure in the ambulance bay. To better meet patient needs, the former employee health screening area in the Toolan Building was renovated with specific features for evaluating and treating patients with respiratory conditions and employee health services was relocated. The respiratory evaluation center is an active care delivery site and will be utilized for patients beyond COVID-19 including those with annual flu symptoms.

The modernized emergency department extends towards the Toolan Building, and a connector between the emergency department and the respiratory evaluation center has been designed into the current CON project (see appendix 2- project design, pink area). Due to site elevation differences between the emergency department and the Toolan Building, a wheel chair lift has been designed into the connector. The connector adds approximately \$1,200,000 to the modernization project's overall cost. The connector improves patient care processes to ensure patient and staff safety.

Additional costs due to construction inflation

It has been more-than 2 years since developing the budget for the project. At the time of compiling the CON application, SVMC used then current historic inflation estimates of 2.5-3% to scale construction costs for the 3 year period encompassing regulatory review and project implementation. The pandemic has challenged supply chains and created construction labor shortages ballooning construction costs. The construction inflation rate has increased nearly three-fold adding significant unexpected costs to the overall project cost. For example, steel is at record high prices and strong demand for air filtration equipment continue to drive costs higher. Meanwhile labor shortages have increased

contractor expenses passed to SVMC through the bidding process. The current project cost of the project is built from actual contractor bids for specific aspects of the construction. The increased construction costs brought by new construction economics is a reality for which SVMC seeks a \$2,500,000 adjustment to the project budget.

To mitigate scaling construction costs, SVMC engaged a professional firm, Skanska USA Inc (Skanska). Through Skanska's efforts the project design was adjusted to save more than \$1,000,000 in costs. In addition, Skanska secured construction supplies at lower than market prices, and attracted additional subcontractor bids. The cost of Skanska as a representative for SVMC was not included in the CON approved project budget and will be approximately \$700,000 over the course of the project. Despite the dynamics of construction economics, Skanska has delivered significant project savings.

Additional costs due to a longer project timeline

Several conditions have extended the project timeline (see appendix 1- timeline) by 11 months. Permitting, particularly gaining an ACT 250 permit, was protracted due to the need for approval to remove an aged structure. Initial construction phasing was reconsidered and adjusted to better ensure the emergency department can safely and effectively serve patients while undergoing construction. The extended project timeline adds approximately \$500,000 to the project cost.

Other additional costs

As the cost of the project increases, architectural, engineering and permitting fees also increase. In particular, permitting fees increased more than two fold and extended the project timeline. The CON approved budget included \$1,340,000 for architectural, engineering, administration, and permitting fees and these fees have increase by approximately \$1,200,000.

Summary additional costs

SVMC requests an increase in the project budget from \$25,801,975 to \$31,000,000. Below are some of the approximate cost changes from the approved CON budget.

COVID-learnings	1,700,000
Construction inflation above CON	2,500,000
Owner’s representative	700,000
Value engineering	(1,150,000)
Architectural, engineering and permits	400,000
Timeline extension	500,000
Owner contingency on increased costs	550,000

These items represent only the salient project elements that have been adjusted. A line item comparison of the CON approved project budget, to the revised budget and spending to date appears in appendix 3- project budget.

How will the project financing change

SVMC is financing this project through a combination of sources. How each source of funds has changed to support the new project budget is shown below.

Source of funds	Approved CON Budget	Revised CON Budget
Equity contribution	\$ 6,900,000	\$ 6,900,000
Fundraising	14,562,000	15,000,000
Debt financing	4,340,000	9,100,000
Total	\$ 25,802,000	\$ 31,000,000

As of February 2022, SVHC’s Foundation has transferred \$6,900,000 of Board Designated Funds to SVMC for the equity contribution for this project. The Foundation, through its Vision 2020 fundraising activities, is anticipating over \$15,000,000 to be raised for the project to modernize the emergency department and as of February, 2022 has received contributions or pledges specifically for this project of more than \$12,000,000:

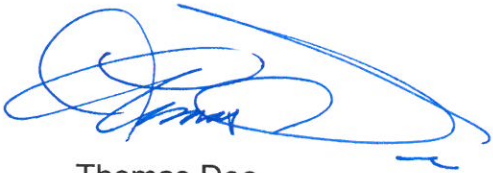
- Secured contributions of nearly \$4,700,000

- Secured unconditional pledges of \$2,400,000
- Secured conditional pledge of \$5,000,000

SVMC has secured the debt financing for the project. In the fall of 2021, SVMC refinanced its existing debt and secured approximately \$15,000,000 for the project. These funds will support project expenses, provide cash flow, and \$5,000,000 of the debt will be repaid through the conditional pledge when the project is completed.

Conclusion

The project adaptations due to COVID-19 collectively increase the cost to \$31,000,000 and extended the project timeline to April 2024. These are material changes to the CON (Docket No. GMCB-019-19con). SVMC can financially accommodate the increased project cost and the project team is committed to delivering the project under budget and on time. SVMC looks forward to your response to this request for an amendment to the existing CON.



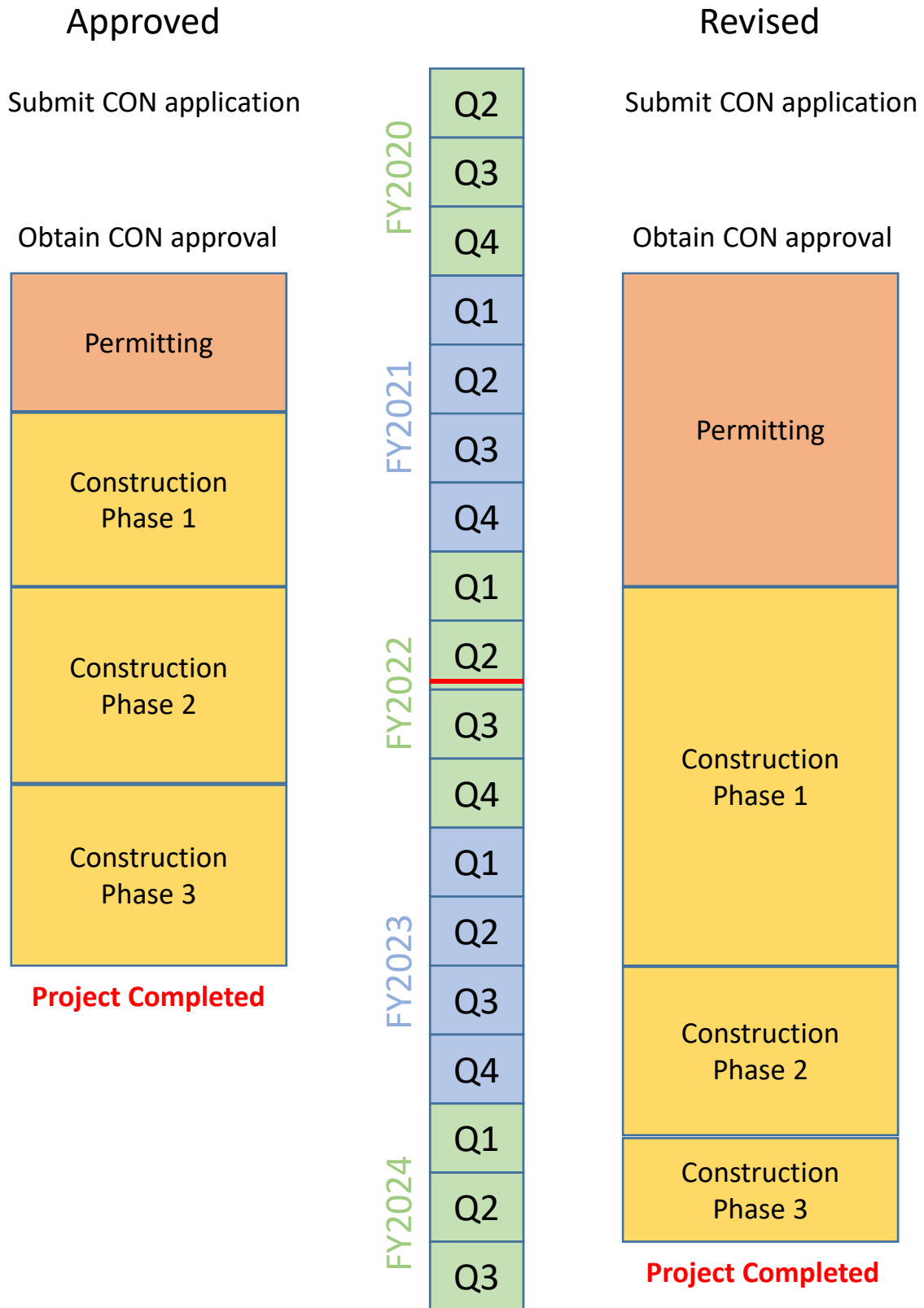
Thomas Dee
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List of appendices

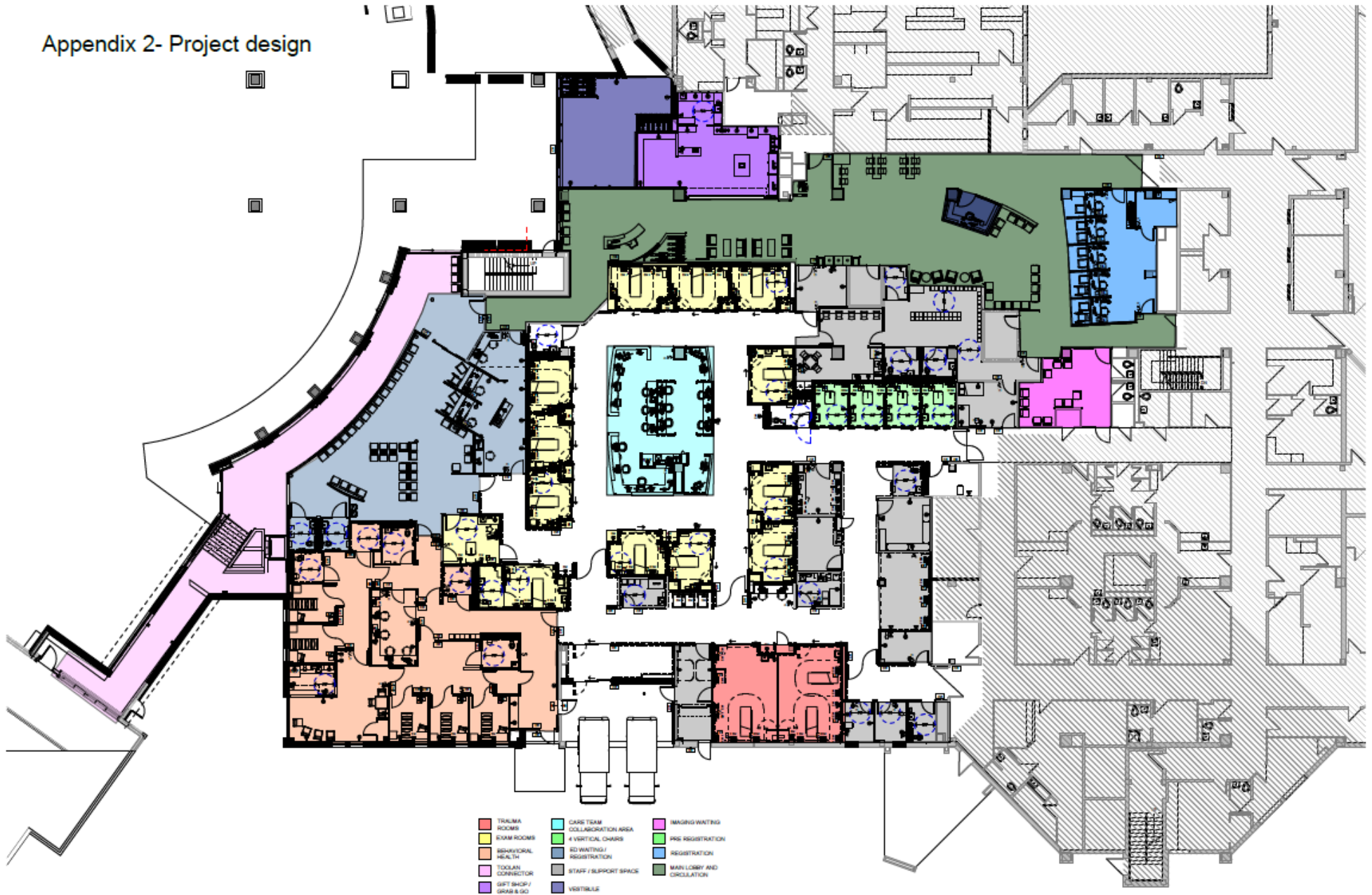
1. Timeline
2. Project design
3. Project budget

Appendix 1- Timeline

SVMC Emergency Department and Main Entrance Modernization Revised Timeline



Appendix 2- Project design



Appendix 3- Project budget

SVMC ED and Main Entrance Modernization Amendment Budget Update

	Budget Approved	Requested new Budget
<i>Construction Costs</i>		
New Construction	\$ 8,566,325	\$ 10,580,762
Renovation	5,790,806	11,149,702
Site Work	1,019,227	1,514,080
Fixed Equipment	-	-
Design/Bidding Contingency	1,507,552	
Construction Contingency	1,713,127	1,579,268
Construction Manager Fee	417,836	567,336
	-	-
Subtotal	19,014,873	25,391,148
<i>Related Project Costs</i>		
Major Movable Equipment	-	-
Furnishings, Fixtures & Other Equip	4,850,028	1,750,000
Architecturals/Engineering Fees	1,169,940	2,024,267
Land Acquisition	-	-
Purchase of Buildings	-	-
Administrative Expenses/Permits	167,134	1,234,585
Debt Financing Expense	600,000	600,000
Subtotal	6,787,102	5,608,852
Total Project Cost	<u>\$ 25,801,975</u>	<u>\$ 31,000,000</u>

Verification Under Oath

**STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD**

In re: Amendment request)
Certificate of Need to) Docket No. GMCB-019-19con
Modernize SVMC’s Emergency)
Department and Main Entrance)

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

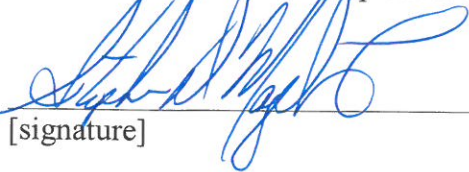
Stephen D. Majetich, being duly sworn, states on oath as follows:

1. My name is Stephen D. Majetich. I am the Chief Financial Officer and Vice President of Finance of Southwestern Vermont Medical Center. I have reviewed the amendment request for the project to modernize SVMC’s emergency department and hospital main entrance.
2. Based on my personal knowledge and after diligent inquiry, I attest that the information contained in the amendment request for the project to modernize SVMC’s emergency department and hospital main entrance 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 amendment request for the project to modernize SVMC’s emergency department and hospital main entrance 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 the amendment request for the project to modernize SVMC’s emergency department and hospital main entrance 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:

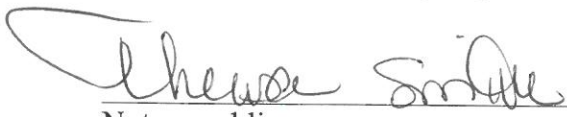
James Trimarchi, Director Planning
Ronald Zimmerman, Director Engineering

5. In the event that the information contained in the amendment request for the project to modernize SVMC’s emergency department and hospital main entrance becomes untrue,

inaccurate or incomplete in any material respect, I acknowledge my obligation to notify the Green Mountain Care Board and to supplement the amendment request for the project to modernize SVMC's emergency department and hospital main entrance 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 4/6/2020, Stephen D. Majetich appeared before me and swore to the truth, accuracy and completeness of the foregoing.


Notary public
My commission expires 1/31/2023

SEAL