
DELIVERED ELECTRONICALLY

March 15, 2023

Mr. Eric Miller, Sr. VP and General Counsel
The University of Vermont Medical Center
462 Shelburne Road, Suite 301
Burlington, VT 05401

RE: Docket No. GMCB-004-23con, Development of Outpatient Surgery Center on Tilley Drive, Project Cost: \$129,640,703

Dear Mr. Miller:

Thank you for your application received on February 10, 2023, regarding the above-referenced project. Please respond to the following:

1. Revise and resubmit all financial tables to include information for FY 2024 which was omitted from each spreadsheet submitted with the application.
2. Complete and submit the Payer Revenue Report, Tables 6 A, B and C.

Financial Projections

Based on the revised financial tables requested in question 1 above, please address the following:

3. UVMCM saw its operating income decline from \$74 million in FY 2016 to \$31 million in FY 2019 prior to the onset of the COVID 19 pandemic. Subsequently, UVMCM experienced operating losses in FY 2020 and FY 2022. Despite a \$22 million operating loss in FY 2022 and a large operating loss in the 1st quarter of FY 2023, UVMCM projects operating income to increase to \$39 million in FY 2023. UVMCM projects operating income to continue to rise from \$61 million in FY 2025 to \$105 million in FY 2029. Given historical financial trends, explain in detail why UVMCM believes it can achieve these operating profits given: 1) its current losses, 2) projected operating profits that exceed every historical year since FY 2016, and 3) no projected volume increases for any services other than operating room cases after FY 2023.
4. UVMCM released Q1 2023 results on February 23, 2023. UVMCM had a \$17 million operating loss for the quarter. The income statement in Table 3 has a budgeted profit of



\$39 million for the year. Please provide a 2023 budget by month or quarter to confirm the reasonableness of the 2023 projection based on the first quarter loss.

5. UVMMC's projections for positive operating margins are based on total revenue increasing 7.4% in FY 2023, 9.0% in FY 2025, 4.0% in FY 2026, and 3% thereafter. Explain in detail how these additional revenues will be generated given the utilization projections in Table 7, namely that volume is expected to be flat after FY 2023 for every service except OR cases. If these increases are the result of inflation, please provide detailed data supporting inflation assumptions.
6. On pages 33 and 34 of the application it states, "as the network continues to pay off its existing debt at a rate of approximately \$20M per year." The projected balance sheet (Table 4) projects debt remaining flat at FY 2023 levels. Explain why the financial projections don't match the statement in the application.
7. The incremental operating pro-forma is presented on page 36 in the application. Another incremental operating pro-forma is included in the UVMMC Outpatient Surgery Center Business Plan in the appendix (PDF page 72). The application pro-forma has nearly \$10 million more incremental margin than the business plan (\$40.3 million vs. \$31.8 million). Explain in detail why the two incremental operating pro-formas are different and specify which one is correct.
8. On page 37, the estimated fit-up cost of the additional 4 OR rooms is listed as a positive \$8,756,748. If this is a cost, explain the increase in cash flow. If this is an error and the cash flow for this cost should be negative, please correct the incremental cash flow calculations.

Financial Projections-Assumptions

9. Provide detailed assumptions for Table 3A and the Balance Sheets A, B, and C.
10. Provide the average outpatient and inpatient reimbursement per case by service line.
11. Provide detailed information to support the outpatient reimbursement adjustment on page 36.
12. Provide the salary for each position listed in the staffing and workforce tables on pages 24 and 25 of the application.



13. Provide the inflation assumption for each expense item by year for the incremental proforma on page 36 (or for the proforma that is correct based on your response to question 7 above).
14. On page 36, there are incremental net patient revenues: professional that reach nearly \$10 million by 2029. The physician expense, which includes additional anesthesiology providers, only increases by up to \$2.8 million. Explain whether the professional fees are related only to anesthesiology. If not, explain why there is no additional compensation for surgeons if the surgeons are increasing volume by 4,341 cases (roughly 22 percent).

Utilization Projections

15. Utilization projections in Table 7 assume that every service will experience flat volume except operating room cases. Explain in detail why it is reasonable to project surgical case volume increases with no other expected volume increases.
16. Provide case counts by service line for each project year 2022-2029. In addition, provide incremental case volume for all five project years (2025-2029) by service line.
17. Volume projections utilizing UVMMC's scenario 3 are 23,767 combined procedures in 2030 (see application pages 11 & 13). Operating room cases in financial Table 7 titled "Utilization Projections" exceed this volume in 2026 through 2029. Provide an explanation of this discrepancy and provide a reconciliation of the two tables.
18. On pages 10 and 11, UVMMC provides population projections for Chittenden County, but acknowledges that Burlington residents account for only 51 percent of its surgical cases. Provide information on how differential population growth rates for the counties and states in which their non-local patients reside (as shown on page 9) might affect the projected demand for surgeries.
19. On pages 10 and 11, UVMMC assumes the 65+ population in Chittenden County will increase by 62 percent over 10 years, based on Public Opinion Strategies forecasts. However, the Public Opinion Strategies 65+ population growth rate is significantly higher than the census data's 65+ forecast for the Burlington HSA over the same period (36 percent), as well as the state's projections (31–39 percent). Explain in detail how Public Opinion Strategies derived its population growth rate estimates for the 65+ population.
20. On page 9, UVMMC assumes its market share of outpatient surgeries will remain constant from 2023 to 2030. Provide a detailed explanation supporting this assumption.



21. On page 9, UVMMC states that its inpatient and outpatient surgical caseloads remained stable from 2015 to 2019. However, the overall population of Chittenden County increased by 4.4 percent and the 65+ population increased by 13 percent during this time period. Provide a detailed explanation of why population increases in 2015-2019 did not translate into increased outpatient surgical caseloads during the same period.
22. On page 9, UVMMC states that while its inpatient and outpatient caseloads remained stable from 2015 to 2019, wait times for outpatient surgeries increased. Provide a detailed explanation for the reason why wait times during this period increased if demand remained constant.
23. On page 12, UVMMC assumes the following rates of use for its surgical rooms when projecting demand: rooms are open 250 days per year, 10 hours per day, and 60 minutes per hour, and they are filled 75 percent of the time. Provide data documenting these assumptions, as well as average length of surgery.
24. In a table format, provide separately the average outpatient and inpatient case times for each service line along with the average OR turnover time for 2016-2019.
25. In a table format, provide the number of surgical cases performed separately in inpatient and outpatient settings at UVMMC by year from 2016 to 2019. Provide the assumed rate of transfer from inpatient to outpatient settings between 2022 and 2030, and any supporting documentation that supports this assumption.
26. On page 9, UVMMC states that it provides approximately 19,000 inpatient and outpatient surgical cases in operating rooms annually. Explain in detail how UVMMC defined an individual: a) inpatient surgical case; and b) outpatient surgical case.
27. Provide a list of the CPT procedure codes that map into each one of the 17 service lines shown on page 16.

In responding, restate the question in bold font and respond in unbolded font. Send an electronic copy to me at donna.jerry@vermont.gov and one hard copy (three-hole punched) with a Verification Under Oath to my attention at the Green Mountain Care Board, 144 State Street, Montpelier, Vermont 05602.

If you have any questions, please do not hesitate to contact me at 802-760-8162.

Sincerely,

s/ Donna Jerry



Senior Health Policy Analyst
Green Mountain Care Board

cc. Laura Beliveau, Staff Attorney, GMCB

