

**STATE OF VERMONT  
GREEN MOUNTAIN CARE BOARD**

In re: Application of Grace Cottage Family )  
Health and Hospital, Construction of a ) GMCB-003-23con  
New Primary Care Practice Building )  
And Demolition of Stratton House/North )  
Clinic Building )  
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**STATEMENT OF DECISION AND ORDER**

Introduction

In this Decision and Order we review the application of Grace Cottage Family Health and Hospital (Grace Cottage or “the Applicant”) for a certificate of need (CON) to construct a new replacement primary care practice building and to demolish the Stratton House/North Clinic building. The cost of the project is \$19,152,993. For the reasons set forth below, we approve the application and issue the applicant a certificate of need, subject to the conditions set forth therein.

Procedural Background

On April 10, 2023, Grace Cottage filed a CON application and request for expedited review. On April 18, 2023, Grace Cottage filed a revised request for expedited review. The Board granted expedited review on May 9, 2023. The Board requested additional information regarding the project on May 1 and May 25, 2023, which Grace Cottage provided on May 12 and June 22, 2023. The application was closed on July 26, 2023.

Jurisdiction

The Board has jurisdiction over this matter pursuant to 18 V.S.A. § 9375(b)(8) and 18 V.S.A. § 9434(b)(1).

Findings of Fact

1. Grace Cottage is an independent, non-profit corporation located in Townshend. It is certified as a Critical Access Hospital and a Rural Health Clinic. Founded in 1949, Grace Cottage is committed to promoting the health and well-being of residents in its service area. Application (App.), 3.

2. The Rural Health Clinic, known as Grace Cottage Family Health (GCFH), is the subject of this application. App., 3. GCFH received a Rural Health Clinic designation from the Centers for Medicare and Medicaid Services (CMS) in 1995 and provides care to a medically underserved rural population using an integrated team approach to maximize access to providers. Eleven towns

in Windham County, where Grace Cottage is located, are listed by the federal government as a Medically Underserved Area for primary care. Most patients reside in the towns of Athens, Brattleboro, Brookline, Chester, Dover, Dummerston, Grafton, Guildford, Halifax, Jamaica, Londonderry, Marlboro, Newfane, Putney, Rockingham, Springfield, Stratton, Townshend, Vernon, Wardsboro, Westminster, Whitingham, Wilmington, Windham and Winhall. As the closest medical facility for many area residents, Grace Cottage Family Health and Hospital provides vital healthcare services to the community. App., 3-4. GCFH is a primary care practice and preventative medicine is at the core of its mission. Services to prevent the onset of disease, both mental and physical, and to minimize the effects of disease are central to the care it provides to residents in its service area. App., 17.

3. GCFH provides primary care ranging from neonatal to geriatric to approximately 8,500 established patients, of which 2,500, or approximately 32%, are over age 65. App., 3-4. Windham County ranks in the highest median age bracket of all U.S. counties. While the 2020 U.S. Census showed 20.6% of the population in Vermont to be 65-plus, that figure was 24.6% for Windham County. App., 18-19. GCFH currently has ten primary care and three mental health care providers. During the past year, GCFH established care with 1,200 new patients. In FY 2022, GCFH provided 31,376 patient visits, up from 28,207 in FY 21 and 25,398 in FY 2020. As part of its pediatric care, GCFH is enrolled in the Vermont Immunization Program and currently serves 755 patients under the age of 18. With its behavioral health department, GCFH is a model for other healthcare organizations because of the way it integrates mental health into primary care. During the past two years, 677 GCFH primary care patients also received mental health services from practitioners co-located in the same building. In addition, GCFH provided mental health care to 222 patients who receive primary care elsewhere. Mental health providers treat patients with anxiety, depression, PTSD, social isolation, and stress, among other conditions. GCFH also operates a Suboxone Clinic that functions as a “Spoke” in the Vermont Blueprint for Health’s “Hub and Spoke” program, which provides treatment for patients recovering from addiction receiving maintenance-level Medication Assisted Treatment (MAT) for their substance use disorder. GCFH employs two Spoke program RN care managers to provide follow-up activities, counseling, and care coordination for 160 MAT patients. Plans are also underway to hire an Addiction Counselor. App. 4, 18. As such, GCFH fully integrates physical, mental health, and addiction care into its practice. The project does not add any new services. App., 4, 17-19.

4. GCFH is recognized by the National Committee of Quality Assurance as a Patient-Centered Medical Home (PCMH). The PCMH system is a way of coordinating primary care to ensure patients get the right care at the right time. A team of dedicated health professionals led by a primary care provider work together to meet each patient’s individual healthcare needs. Team members meet with patients individually to set goals for improving health and to support each patient’s efforts to meet these goals. As part of this coordinated care, GCFH works closely with the regional Community Health Team (CHT), a Vermont Blueprint for Health Initiative. CHTs supplement the services available in PCMHs and link patients with the social and economic services that make healthy living possible. Each CHT is designated to meet the needs of the community it serves. One RN CHT staff member supports patients through chronic-care case management, and another focuses on diabetes education. They conduct outreach to recently hospitalized patients, provide patient education, help patients find the resources they need, provide in-person and phone support, and coordinate volunteer drivers who transport patients to and from

appointments. The Institute for Healthcare Improvement has designated GCFH as a nationally recognized Level 2 “Age-Friendly” facility. GCFH believes that a robust primary care approach for the elderly population allows patients to remain in their own homes or preferred living environments, discourages social isolation, and avoids more frequent hospitalizations. Currently, 2,543 GCFH patients are aged 65 or older. GCFH has also been recognized nationally for its gender-affirming care. GCFH’s standard is that healthcare which is specifically supportive of and focused on gender and sexuality should be part of primary care. Several GCFH providers focus on caring for LGBTQ-plus patients. In recognition of the work GCFH has done to improve this care and be a welcoming facility, it has been named a “Top Performer” in the Human Rights Campaign’s “Healthcare Equality Index”, earning a score of 95 out of 100. The Veteran’s Administration Medical Center and Grace Cottage were the only Vermont hospitals to earn this distinction. App., 5-6, 10-11, 19.

5. GCFH currently provides primary care services in two adjacent buildings built in the 1800s as private homes and later connected by a narrow hallway. One of the houses was donated for the establishment of the original hospital in 1949. The second house was donated in 1953 to serve as a nursing home. From 1953-1997, Grace Cottage provided primary, inpatient, and nursing home care in these two connected houses. In 1997, federal regulations required Grace Cottage to build a new wing combining the hospital and nursing home up the hill behind the two original houses. At this point, the two homes were converted to create a larger primary care clinic. App., 6.

6. GCFH’s primary care practice has grown exponentially since it was established in 1997. The increase in both the number of providers and patients, as well as the reconfiguration necessitated by the COVID-19 pandemic, makes providing primary care in the current space very challenging. Currently, the practice employs approximately 50 employees, including 13 medical practitioners, and provides about 31,000 patient visits annually. These two buildings cannot adequately accommodate the volume of care currently provided on-site. With five entrances and a narrow connecting hallway, the building layout hampers efficient patient flow and it is difficult to provide comfortable and efficient patient care in the existing space. The buildings have structural deficits and lack proper insulation and other energy conservation elements. To make room for nursing staff, an uninsulated glassed-in porch has been converted to office space. Seasonally, a stream flows through the basement creating unavoidable annual expenses. App., 6-7.

7. The two houses have been retrofitted in the past, notably in 1998 and 2008, and have been identified for capital improvement for some time. In 2021, donors familiar with the existing facility pledged \$5,000,000 towards the construction of a new primary care building. The Applicant proposes to build a new medical office building to house GCFH and demolish the building known as the North Clinic to allow for adequate parking. The project will create one energy and space-efficient building to accommodate new and existing patients and increase access to primary care. The project will increase the number of exam rooms from 16 to 20, allowing the addition of two to three additional providers in the future. In its 2021 Community Health Needs Assessment, Grace Cottage surveyed community members about barriers to care and over 20% of respondents noted, “can’t get an appointment” as a major barrier for not accessing care, even though GCFH providers at all levels are accepting new patients. Including space to accommodate two to three additional providers in the future will provide more timely access to needed primary care. Total primary care/mental health visits increased from 20,696 in FY 2018 to 31,376 in FY 2022. Because GCFH

is in a remote region of Windham County, it serves an isolated population that would otherwise have to travel even further for primary care and mental health services. App., 7-8.

8. In 2015, Grace Cottage engaged Lavallee Brensinger Architects to determine whether renovating the two existing houses was feasible. The report indicated that the existing rubble foundation and the wood structure consisting of wide board balloon framing, hand-hewn beams, and log roofing would require substantial structural replacement to meet current structural and energy codes. Additionally, the current heating and cooling systems do not provide consistent comfort for patients and staff. Plumbing fixtures do not meet current conservation requirements. Power systems have limitations and do not meet energy efficiency and clinical needs. The current fire alarm system is antiquated with limited capability for modification or expansion. Several spaces are not compliant with Americans with Disabilities Act (ADA) or Facility Guidelines Institute (FGI) requirements for the design and construction of healthcare facilities. Multiple entrances to the primary care practice create security risk issues for patients and staff. The series of building additions that were implemented over the years do not facilitate efficient patient and staff workflow and do not support patient privacy. GCFH states that renovating the existing structures while maintaining clinical services would be extremely disruptive costly, requiring multiple construction phases and the shutdown of spaces during renovation and an unwise investment given the age and inefficiencies of the existing buildings. The proposed new primary care building will be compliant with all applicable FGI guidelines and expand access to primary care for patients in its service area. App., 16-17, 19.

9. In 2016 Grace Cottage conducted an extensive feasibility study into the possibility of renovating the two houses that comprise GCFH. The renovation in 2016 was estimated to cost \$5.4 million at the time, \$7.7 million in 2023 dollars, and to take as long as two years to complete. This feasibility study was high-level and did not include the full cost of the project such as permitting fees and professional services. Grace Cottage decided not to move forward with renovation for several reasons. Its concerns included the extent of renovations required to bring the buildings up to code, the uncertainties inherent in renovating two buildings dating from the 1800s, the inability to reliably budget the renovation cost and timeline, and the multiple phases that would reduce access to needed care. In 2019, Grace Cottage engaged E4H, another healthcare architectural firm, to review the 2016 feasibility study and E4H agreed that renovation would not solve the problems that are inherent to GCFH's buildings. Response to Questions, (Resp.), (June 22, 2023), 1-2. Constructing a new primary care building near but not on the site of the existing buildings allows GCFC to remain fully operational during construction. Resp., (June 22, 2023), 2.

10. The new replacement primary care building will be two stories and 22,828 square feet. Phase 1 of the project will involve the construction of the new medical office building. It is anticipated that construction will require 20 months depending on the time of year construction can begin and when permits are secured. Primary care, mental health, and substance use disorder services will not be interrupted during construction. Once the new building is operational, the North Clinic building will be demolished to make room for parking. The sequence allows GCFH to provide services without interruption. New equipment will be purchased for all treatment rooms and provider spaces and other furniture will be repurposed from existing space. App., 9.

11. The project will improve quality and provide greater access for the residents in the rural area served by GCFH. The goal of the project is to improve efficiency, privacy, safety, and comfort in the delivery of primary care. App., 12. The new building will improve the individual experience of care by creating a smoother, more efficient, and COVID-19-safe patient flow, and providing additional exam rooms so that patient wait time is reduced. The new building will also have one entrance, instead of multiple entrances, increasing security for patients and staff. Spaces in the new building are designed with more soundproofing to increase privacy. Currently, space is so limited that some patient intake processes occur in cubbies that have only curtains separating the patient from public spaces. In addition, provider offices and clinic spaces are scattered in multiple areas in the building, making wayfinding difficult. The narrow hallway connecting the two clinic buildings cannot accommodate a wheelchair and another person side-by-side, requiring the second person to step into a doorway until the wheelchair passes. In addition, there are floor-level changes that create fall risks. App., 19-20. Creating better patient flow and adding space to accommodate two to three additional providers in the future will increase access to primary care services. App., 7-8, 12, 19.

12. GCFH collects and monitors a broad spectrum of data to measure quality on a regular basis. For GCFH to maintain its recognition as a PCMH, it must follow data collection and reporting protocols specified by the National Committee for Quality Assurance (NCQA), the organization that oversees the PCMH program. Monthly, GCFH runs quality reports that track and monitor patient data for chronic diseases, behavioral health, and disease prevention. The PCMH program specifies categories of data to be collected and GCFH chooses the conditions within those categories for which it will provide education, outreach, and follow-up reminders, based on patient trends observed through its Community Health Needs Assessment (CHNA) process and provider-patient interactions. Annually in December, GCFH is required to report the data it collects to the NCQA. In 2021, Grace Cottage monitored data on diabetes, immunizations, and education; it sent reminders to patients for shingles, HPV, and flu vaccines; it opened Saturday office hours for the administration of flu shots; it implemented preventative screenings for tobacco use and provided information on ways to quit; and it conducted outreach to patients for colorectal screenings. In addition, GCFH reports data from its Medication Assisted Treatment (MAT) Spoke to the Vermont Blueprint for Health on a quarterly basis. GCFH's MAT will continue to be embedded in its primary care clinic after the new building is constructed. App., 12-13.

13. GCFH has and utilizes an electronic medical record system, and all providers have access to Up to Date and Lexicomp via institutional subscriptions. GCFH refers to the U.S. Preventive Services Task Force recommendations for clinical primary care practice; staff also has access to evidence-based information through the Intranet. GCFH states that research has shown that access to primary care lowers costs to the medical system. All providers are members of Grace Cottage Hospital medical staff, and some serve as members of the Medical Executive Committee which meets monthly to discuss new evidence-based practices and plan implementation of those practices at GCFH and the hospital. The last hour of each monthly meeting consists of an educational session conducted by a medical expert. Finally, Grace Cottage's Chief Medical Officer maintains an

extensive collection of guidelines for clinical issues and sends out frequent updates regarding new best practices on a wide variety of topics. App., 13-14.

14. GCFH has instituted an Infection Control Program, which is a quality improvement and patient safety program that focuses on improving the care and safety of patients and protecting the health of personnel and medical staff, thereby reducing the risk of cost and liability to the hospital and GCFH. The Infection Control Program consists of the following specific measures: prevention, early detection and control of infections, hospital personnel education, and investigation of infections and communicable diseases in the hospital. App., at Appendix G, 129-135.

15. The project is expected to achieve the Triple Aims of the Institute of Healthcare Improvement (IHI), including reducing per capita costs by providing access to the right level of care at the right time and by providing increased access to primary care, mental health, and substance use disorder care. When patients seek care to avoid becoming ill or to manage chronic conditions with routine care, the number of emergency services and the number of Emergency Department visits are reduced. The COVID-19 pandemic has highlighted how delayed care can have a deleterious effect on the healthcare system, especially when deferment results in more intensive treatments than would otherwise be required. Access to preventive and primary care allows providers to manage the health of patients proactively so the cost of delayed care does not affect the health care system. App., 20-21.

16. The cost of the project is \$19,152,993 and will be funded with a USDA Community Facilities Rural Development Loan of \$4,152,993 at an interest rate of 3.75% for a 25-year period (2026-2051) and \$15 million in fundraising and grants. App., 3 and Table 2, “Debt Financing Arrangement, Sources and Uses of Funds.” GCFH asserts that it has a 75-year tradition of philanthropic support from the community it serves and that it has received generous contributions throughout that time. The organization was founded with donated funds and buildings. From 2015 to 2022, Grace Cottage raised between \$1.3 million and \$1.9 million each year to cover annual operating expenses and special projects. Resp., (May 12, 2023), 1 and Attachment A. To date, \$5,000,000 has been pledged for the express purpose of building a new primary care building. App., 10 and financial Table 2. GCFH has identified the following sources for raising the \$15 million for the project.

Individual Donations	\$7,665,000
Corporate Foundations	\$200,000
Donor Advised Funds	\$100,000
Family Foundations	\$2,675,000
Private Independent Foundations	\$1,835,000
Public Charities	\$25,000
Other Charitable Funds	\$1,500,000
Federal Appropriation	\$1,000,000
Total	\$15,000,000

App., 3; Response to Questions, (Resp.), (June 22, 2023), Attachment B, 4.

17. GCFH’s goal is to raise 75% of the budget before construction begins. Resp., (June 22, 2023), 4-5. Based on the success of fundraising, grant writing and appropriation requests, GCFH

will determine if and how much additional funding will be required through bank financing. GCFH has worked with Vermont-New Hampshire USDA officials to ensure the project is eligible for a USDA loan. Grace Cottage represents that targeted gifts from large projects have not had a negative impact on its annual giving in the past. Grace Cottage further cites that the Association of Fundraising Professionals (AFP) and other respected sources agree that Capital Campaigns have a positive impact on annual giving. Based on professional literature and its own experience, Grace Cottage expects this will be the case with this project. Resp., (June 22, 2023), 2-3.

18. In addition to requests made to individual donors, Grace Cottage has earmarked several other reliable sources of funding. Grace Cottage has traditionally dedicated the revenue from its annual events to specific projects and equipment needs, since the first Hospital Fair Day in 1950. The 2022 Hospital Fair Day and other annual fundraising events raised a combined total of approximately \$200,000. For the past eight years, Grace Cottage has directed all bequests and other planned gifts to its endowment fund, now totaling more than \$6.5 million. For the duration of the campaign, all unrestricted estate or planned gifts are being restricted for this project. As of June 2023, one estate gift of \$90,000 had been received and at least an additional \$350,000 is anticipated from pending estate donations. Resp., (June 22, 2023), 3.

19. Of the \$19,152,993 budgeted for this project, Grace Cottage expects to have \$15 million, inclusive of loans, in hand prior to construction and will continue to fundraise for the total amount needed for the project until it is completely funded. Resp., (June 22, 2023), 3-4. As of June 7, 2023, \$5,735,750 had been pledged, which represents one-third of the amount needed prior to construction. A loan of approximately \$4 million from the USDA represents approximately the second third of funds needed before construction, and the final third of funds needed before construction will be from donations from individuals, corporations, and foundations. Resp., (June 22, 2023), 3-4.

20. Grace Cottage anticipates applying for the USDA loan in December of 2023. Grace Cottage applied to Vermont's Congressional delegation for a federal appropriation of \$1.5 million which was included in the U.S. Department of Agriculture bill at a reduced amount of \$1 million. Final determinations on this funding are subject to the enactment of an FY24 federal appropriations bill. This appropriation does not require any matching funds and is separate from the USDA Loan. Resp. (June 22, 2023), 4-6.

21. Grace Cottage asserts that it has the organizational capacity to secure the \$19,152,993 for the new primary care building. Grace Cottage also asserts that it has very little other debt, the new building will be energy efficient and designed to create an efficient patient workflow, and there may be no net increase in annual operating expenses due to the energy efficiency of the new primary care building. For these reasons and the strength of its fundraising resources, Grace Cottage believes it can sustain the financial burden posed by the project. Resp., (June 22, 2023), 6.

22. Grace Cottage asserts that the project will not result in an undue increase in the affordability of medical care for consumers because the new facility will not change how Grace Cottage is reimbursed for primary and mental health care services. Contracts with insurers for reimbursement are based on fee schedules defined by the insurers. Grace Cottage does not have a mechanism to

pass on increased debt service costs to consumers. Additionally, the project involves the construction of a new primary care building that will continue to offer the same primary care, mental health care and substance use disorder treatment services and will not have any negative implications on hospitals or other clinical settings. Because this project is a long-term investment, it does include some additional space (20 exam rooms, an increase from the current 16) to accommodate the addition of .75 FTE once the project is operational and two to three additional providers in the future. The applicant asserts that this expansion will help meet the growing need for primary care in its rural service area and ensure that residents do not have to travel farther for services. App., 7, Financial Table 8, Staffing Report, 46. Resp., (June 22, 2023), 6-7.

23. Grace Cottage states that the new facility will not impact services or expenditures and that there will be no change in charges or increases in rates due to the project. Grace Cottage asserts that even if the expenses were to increase slightly due to the increased operating costs of carrying debt, the increased cost would be outweighed by increased access to integrated primary, mental, and substance use disorder services, increased privacy and safety, and comfort for patients and staff. Given the age of the existing structures and the uncertainty and disruption of renovations, Grace Cottage concluded that no other less expensive alternative exists. The applicant asserts that there is an identifiable existing need for the proposed project that is appropriate for it to provide; that the project will not negatively impact any existing services provided by the applicant; that the project will increase access to primary care, mental health, and substance use disorder services; and that the project will result in efficiencies in the delivery of care; and may maintain or reduce operating expenses associated with the existing structures that date back to the 1800s; and that new construction will allow all services to continue uninterrupted during the construction. App., 22; Resp., (June 22, 2023), 7-8.

24. Grace Cottage represents Efficiency Vermont provided input on the building's thermal envelope and infrastructure systems design and selection of infrastructure equipment. Efficiency Vermont and Green Mountain Power were consulted to ensure the project is as energy efficient as possible and to verify that the power grid can fully serve the new building. The application included a letter from Efficiency Vermont to verify that the project has been enrolled in the Efficiency Vermont program. The new building will replace the existing 19<sup>th</sup> century wood-frame structures, achieving a significant improvement in energy efficiency. App., 16 and Appendix H, 137.

25. Although Grace Cottage has not specifically included the project in its past hospital budget submissions, the need for capital expenditures to improve the primary care practice setting has been identified for the past four to five years and the cost of a new facility was included in the four-year Capital Needs schedule for FY 2023. In past years, a minimal amount was included for stop-gap measures. Until Grace Cottage received the pledge of \$5 million, it was not feasible to make a large capital expenditure to explore pre-development of a new building as a solution to the primary care clinic's long-term problems. App., 17-18.

26. There is no public transportation to Townshend and arranging transportation for those who need it is always a challenge given the rural area that Grace Cottage serves. The Patient Resource Advocate and the Community Health Team RN Care Coordinator often assist patients with arranging rides for medical appointments through MOOver, a non-profit corporation that

coordinates fare-free transportation. The MOOver is part of Southeast Vermont Transit and provides specially arranged rides to medical appointments at Grace Cottage. There is no limit on the number of fare-free rides to medical appointments for individuals insured by Medicaid. Individuals insured by Medicare can receive up to four fare-free rides to medical appointments per month. In addition, Grace Cottage has a Memorandum of Understanding with Green Mountain Retired Senior Volunteer Corps, sponsored by the Southwestern Vermont Council on Aging, for providing rides to medical appointments for patients who do not have access to transportation. As the new facility will continue to be located on its campus, this assistance will continue on a case-by-case basis. The new drop-off portico, a feature that does not currently exist, will provide protection from the elements. App., 22, E-mail from Catherine Nemchek to Donna Jerry, (October 11, 2023), 1.

27. The project does not include a health information technology component. App., 23.

28. As described throughout the application, mental health is a fundamental component of care and primary, mental health, and substance use disorder care is fully integrated into its approach to the delivery of care patient-centered care and its work as a Patient-Centered Medical Home. App., 5-6, 18, 23.

### Standard of Review

Vermont's CON process is governed by 18 V.S.A. §§ 9431-9446 and Green Mountain Care Board Rule 4.000 (Certificate of Need). An applicant bears the burden of demonstrating that each of the criteria set forth in 18 V.S.A. § 9437 is met. Rule 4.000, § 4.302(3).

### Conclusions of Law

#### I.

Under the first statutory criterion, an applicant must show that the proposed project aligns with statewide healthcare reform goals and principles because the project takes into consideration healthcare payment and delivery system reform initiatives; addresses current and future community needs in a manner that balances statewide needs; and is consistent with appropriate allocation of health care resources, including appropriate utilization of services, as identified in the Health Resource Allocation Plan (HRAP). 18 V.S.A. § 9437(1).

The Health Resources Allocation Plan (HRAP) identifies needs in Vermont's healthcare system, resources to address those needs, and priorities for addressing them on a statewide basis.<sup>1</sup> We note that HRAP CON Standards 1.3 (collaborative approach to delivering service has been taken or is not feasible or appropriate), 1.4 (applicant will be able to maintain appropriate volume for the service and will not erode volume at another Vermont facility), 1.6 (collect and monitor data relating to health care quality and outcomes), 1.7 (project is consistent with evidence-based

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<sup>1</sup> The Vermont legislature in Act 167 (2018) made several changes to the State's CON law. As amended by Act 167, 18 V.S.A. § 9437(1)(C) continues to reference the HRAP, which is in the process of being updated. In the interim, we consider the current HRAP standards. The Health Resource Allocation Plan is posted to the Board's website at <https://gmcboard.vermont.gov/sites/gmcb/files/documents/Vermont%20Health%20Resource%20Allocation%20Plan%202009%207.1.09.pdf>.

practices), 1.8 (comprehensive evidence-based system for infectious disease), 1.9 (costs and methods for construction/renovation/fit-up are necessary and reasonable), 1.10 (project is energy efficient), 1.11 (new construction is a more appropriate alternative when compared to renovation), 1.12 (project complies with FGI Guidelines), 2.1 (how the project will expand, promote or enhance primary care capacity), 2.2 (show how services are consistent with Vermont's focus on health promotion), 3.4 (project was included in hospital budget submissions), and 4.5 (project supports further integration of mental health, substance use disorder and other health care), apply to this project. In light of the factual findings, we conclude that the project aligns with statewide healthcare reform goals and principles.

## II.

The second criterion requires an applicant to demonstrate that the cost of the project is reasonable. The applicant must show that it can sustain any financial burden likely to result from the project; that the project will not result in an undue increase in the cost of care or an undue impact on the affordability of medical care for consumers; that less expensive alternatives do not exist, would be unsatisfactory, or are not feasible or appropriate; and that appropriate energy efficiency measures have been incorporated into the project. 18 V.S.A. § 9437(2).

The cost of the project is \$19,152,993, which will be financed with \$15,000,000 from fundraising and grants and \$4,152,993 from a USDA Community Facilities Rural Development Loan to be debt financed with an anticipated interest rate of 3.75 percent over a 25-year period (2026-2051). Fifteen million dollars in fundraising and grants comprise a very large proportion of the total funds needed for the project. We typically do not see projects relying on fundraising and grants to this extent to finance a project. In support of its capacity to fund this project, Grace Cottage has pointed to its long history (75 years) of raising necessary funds to meet annual operating and special projects. From 2015 to 2022, Grace Cottage raised between \$1.3 and \$1.9 million annually to cover annual operating expenses and special projects. To date, \$5,000,000 has been pledged by a local couple for the express purpose of building a new primary care building. Grace Cottage has also identified other sources for fundraising from individuals, corporate, private, and family foundations, charitable organizations, and a Federal Appropriation applied for through Vermont's Congressional Delegation. Findings, ¶¶ 16-21.

For the duration of the campaign for the new primary care building, all unrestricted estate or planned gifts be restricted for this project. Grace Cottage anticipates receipt of at least \$440,000 from estate donations received or in process. Based on its experience and successes in fundraising and the relationships it has cultivated with its community and donors, Grace Cottage is confident that it has the organizational capacity to successfully meet its fundraising goals for this project while maintaining support from donors who contribute to support annual operating expenses. Based on the combination of the critical role Grace Cottage serves in the community, the support it receives from its community, the substantial planning that went into this project, and Grace Cottage's history of success in fundraising efforts, we believe the applicant has the organizational capacity to secure the donations required to pursue this project. However, we are imposing a reporting condition in the Certificate of Need issued so we may monitor the progress made in the fundraising campaign. Findings, ¶¶ 16-21.

In addition to fundraising, Grace Cottage is applying for a 25-year loan from the USDA Community Facilities Rural Development Loan for \$4,152,993 at an interest rate of 3.75%. Grace Cottage intends to apply for the loan in December of 2023. It also applied to Vermont's Congressional Delegation for a federal appropriation of a \$1.5 million grant which was accepted and included in the Department of Agriculture bill, at the reduced amount of \$1,000,000. Grace Cottage has revised its campaign pyramid to reflect the lower amount of \$1,000,000. As Congressional budget negotiations continue it is possible that this amount could be further reduced or eliminated. If Grace Cottage is not successful in securing the \$1,000,000 or a lesser amount, it will need to make up the deficit by fundraising or by securing a larger loan from the USDA or commercial bank. Grace Cottage also states that it will not begin construction until it has 75% of the project cost secured. We believe it is very likely that Grace Cottage will be successful in securing the USDA loan to support the project. Findings, ¶¶ 16-21.

We also conclude that the existing structures dating from the 1800s have come to the end of their useful lives. The existing buildings present inherent structural issues, provide inadequate space for staff and patients, foster workflow inefficiencies, and contain features not in compliance with current code and FGI guidelines. We conclude that less expensive alternatives would be unsatisfactory, or are not feasible or appropriate, and that appropriate energy efficiency measures have been incorporated into the project. The project is enrolled with Efficiency Vermont to ensure participation in all available energy savings and sustainable design opportunities. Due to the inherent inefficiencies and ongoing challenges of operating buildings that were constructed as homes in the 1800s, we also believe that there may not be a substantial increase in annual operating expenses for the new building due to its improved functionality and energy efficiency. Findings, ¶¶ 5-9, 21, 24.

Next, we analyze whether the applicant has demonstrated that the project will not result in an undue increase in the cost of care or an undue impact on the affordability of medical care for consumers. In our analysis, we must consider and weigh relevant factors, including the financial implications of the project on hospitals and other clinical settings, including the impact on their services, expenditures, and charges, and whether these impacts, if any, are outweighed by the benefit of the project to the public. 18 V.S.A. § 9437(2)(B).

The Applicant has stated that the project will not result in increased charges or costs for patient care or increased rates related to the project and we concur that the project will not negatively impact medical costs for consumers. Grace Cottage is recognized by the National Committee of Quality Assurance as a Patient-Centered Medical Home, which requires a team of dedicated professionals led by a primary care provider to ensure patients get the right care at the right time. The foremost benefit of the project is the improved provision of individualized care from prenatal to geriatric services and greater access to integrated, primary, mental health, substance use disorder, and gender-affirming care to residents of this rural part of the state. The project also does not negatively impact hospitals or other clinical settings. Provision of all the services noted above may have a positive impact on population health and may reduce the number of hospitalizations; that, in turn, may lower the total cost of care to the system. Grace Cottage will continue to provide care to residents of its service area and will not change or expand its services or service area with this project. Findings, ¶¶ 3-4, 22-23.

We conclude that the Applicant has satisfied the second criterion.

### III.

The third criterion requires that the applicant demonstrate that there is an “identifiable, existing, or reasonably anticipated need for the proposed project which is appropriate for the applicant to provide.” 18 V.S.A. § 9437(3). Given the existing structural and code compliance issues for these structures that date back to the 1800s, lack of energy efficiency intrinsic to buildings of this age, inefficient workflow, inadequate space for staff and patients, narrow hallways, and multiple entrances that pose a security risk for patients and providers, there is an existing need for the project which is appropriate for the applicant to provide. Due to the rural area served by Grace Cottage and an aging population, there is a need for residents to access care close to home. The provision of integrated primary, mental health, substance use disorder, and gender-affirming care allows Grace Cottage to provide health care services for the needs of its residents. The new primary care building will have more space for patients and providers with 20 instead of 16 exam rooms, which should improve access and throughput and accommodate two to three additional providers in the future to meet the area’s growing demand. The new building will also be designed for efficient workflow and energy efficiency. This is a long-term investment that is expected to meet future needs. Findings, ¶¶ 3, 5-11.

Based on the above, we conclude that the project meets the third criterion.

### IV.

To satisfy the fourth criterion, the applicant must demonstrate that the project improves the quality of health care or provides greater access for Vermonters, or both. 18 V.S.A. § 9437(4).

The project will improve the quality of and access to integrated primary, mental health, substance use disorder, and gender-affirming care all under one roof. The new space will enhance patient experience, privacy, and satisfaction as well as the timeliness and quality of services. The project provides greater access to the services noted above, from neonatal to geriatric services and is expected to decrease wait times for making appointments by improving the office’s efficiency and creating space to accommodate two to three additional providers in the future. Findings, ¶¶ 11-12.

Based on the above, we conclude that the project meets the fourth criterion.

### V.

The fifth criterion requires an applicant to show that the project “will not have an undue adverse impact on any other existing services provided by the applicant.” 18 V.S.A. § 9437(5). The project does not change the services currently provided at GCFH and will not have a negative impact on other services provided by GCFH or the hospital. As stated above, the project is expected to improve access to and the quality of services given a more efficient workflow, adequate space for patients and providers, and a building design that is energy efficient and provides the new

building with consistent indoor temperatures. Findings, ¶¶ 7, 16-20, 22-24. We conclude that this criterion is satisfied.

## VI.

What was previously the sixth criterion is now an overarching consideration, namely that the project serves the public good. See Act 167 (2018), § 6 (repealing 18 V.S.A. § 9437(6) and moving the “public good” language to the lead-in sentence). Our administrative rule identifies factors that we may consider in determining whether a project will serve the public good. GMCB Rule 4.000, § 4.402(3). The following factors are relevant to this project, and we, therefore, address them here: Rule 4.000, § 4.402(3)(c) (impact on the healthcare system and effective integration and coordination of healthcare services) and § 4.402(3)(f) (impact on existing facilities to provide medically necessary services to all in need, regardless of ability to pay or location of residence).

GCFH’s team approach to care is a model for the state through its integration and coordination of primary, mental health, substance use disorder, and gender-affirming care and its participation in Vermont Blueprint for Health programs, its function as a Patient-Centered Medical Home and its participation in the Vermont Immunization Program. This project is a long-term investment and commitment to ensuring capacity and access to fundamental services for all residents in its rural service area. The project will serve the public good by replacing a functionally obsolete building with one that offers workflow efficiencies to benefit both patients and providers, improves access, and provides appropriate and adequate space for quality care. The project adds four exam rooms to facilitate throughput and increase capacity; the superior insulation and energy efficiency will improve heating and cooling and allow for consistent temperatures throughout the building for patient and staff comfort. Findings, ¶¶ 3-4, 6-7, 11, 15, 22-24.

The project will not have a negative effect on existing facilities. GCFH will continue to provide integrated primary, mental health, substance use disorder, and gender-affirming care to meet the diverse needs of its population. Adequate and efficient provision of each of these services may positively affect population health by improving access to the right care at the right time and may reduce avoidable hospitalizations. Positive developments in these areas may result in reduced costs to the healthcare system. Findings, ¶¶ 3-4, 15, 22-24.

As such, the project will serve the public good.

## VII.

The seventh criterion requires that the applicant adequately consider the availability of affordable, accessible patient transportation services to the facility. 18 V.S.A. § 9437(7). We find this condition has been satisfied. Although there is no public transportation serving Townshend, staff will continue to assist patients with scheduling needed transportation to medical appointments with specially arranged transportation by MOOver and volunteers. Findings, ¶ 26.

VIII.

The eighth statutory criterion states that if the application is for the purchase or lease of new Health Care Information Technology, it must conform to the Health Information Technology Plan. 18 V.S.A. § 9437(8).

As the project does not involve the lease or purchase of new Health Care Information Technology, this criterion is not applicable.

IX.

The ninth and final criterion requires the applicant to demonstrate that the project supports equal access to appropriate mental health care that meets standards of quality, access, and affordability equivalent to other components of health care as part of an integrated, holistic system of care, as appropriate. 18 V.S.A. § 9437(9). As represented throughout the application and in this Decision, GCFH is focused on and dedicated to the integration and coordination of primary, mental health, substance use disorder, and gender-affirming care, treating the whole person with the delivery and coordination of services taking place in the same building. GCFH is recognized by the National Committee of Quality Assurance as a Patient-Centered Medical Home and is committed to assuring patients get the right care at the right time. GCFH also participates in Vermont Blueprint for Health programs, including being a “Spoke” in the Vermont Blueprint for Health’s “Hub and Spoke” program which provides treatment for patients recovering from addiction and receiving maintenance level Medication Assisted Treatment (MAT), and also works closely with the regional Vermont Blueprint for Health Initiative, Community Health Team (CHT) which supplements the services available in Patient Centered Medical Home by linking patients to social and economic services. Findings, ¶¶ 2-4, 7. We find this criterion satisfied.

Conclusion

Based on the above, we conclude that the applicant has demonstrated that it has met each of the required statutory criterion under 18 V.S.A. § 9437. We therefore approve the application and issue a certificate of need, subject to the conditions outlined therein.

**SO ORDERED.**

Dated: November 17, 2023 at Montpelier, Vermont.

_____ )	GREEN MOUNTAIN CARE BOARD OF VERMONT
s/ Owen Foster, Chair )	
_____ )	
s/ Jessica Holmes )	

s/ Robin Lunge )  
)  
s/ David Murman )  
)  
s/ Thom Walsh )

Filed: November 17, 2023

Attest: s/ Jean Stetter, Administrative Services Director  
Green Mountain Care Board

*NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Board (by email, telephone, or in writing) of any apparent errors, so that any necessary corrections may be made. (email address: [abigail.connolly@vermont.gov](mailto:abigail.connolly@vermont.gov)).*