
DELIVERED ELECTRONICALLY

April 19, 2024

Shawn P. Tester, Chief Executive Officer
Jackie Zaun, Project Manager, West Wing/ED Project
Northeastern Vermont Regional Hospital
1315 Hospital Drive
St. Johnsbury, Vermont 05819

**RE: Docket No. GMCB-012-24con, Northeastern Vermont Regional Hospital
Infrastructure Project**

Dear Mr. Tester and Ms. Zaun:

Thank you for your letter dated April 4, 2024, regarding Northeastern Vermont Regional Hospital's (NVRH) Infrastructure Project consisting of two new generators, a chiller system replacement that will service the whole hospital and a newly constructed mechanical equipment building to be located on the NVRH main campus.

Your letter states that NVRH will be submitting a request for modification to the Certificate of Need (CON) issued on October 11, 2023, to NVRH for the Emergency Department and Laboratory Expansion and Modernization, Docket No. GMCB-005-23con (ED CON Project). This request will include the removal of a generator, its associated gear, and related costs, and updating the ED CON Project's costs accordingly.

Background

As approved, the ED CON Project includes one 750W generator, which was to be placed inside the hospital where the current generator is located. The ED CON Project budget includes \$1,009,300 for the generator, excluding owners' costs. While progressing through due diligence, NVRH determined that its long-term infrastructure needs would be best met by purchasing two 450W generators and a replacement chiller system and locating them in a newly constructed mechanical equipment building. The new equipment would replace a 24-year-old generator and a 27-year-old chiller system. This revised infrastructure plan will better serve NVRH by providing improved system redundancy, easier serviceability, and more efficient system installation. Your letter states that the new replacement chiller system and the two new replacement generators will serve the entire hospital.



The mechanical equipment building housing the generators and chiller system will be a basic metal structure of roughly 3,500 square feet located to the rear of the main hospital. This project will require site work, earth removal, and the decommissioning and relocation of an existing cooling tower.

NVRH's FY 2024 budget as submitted to the GMCB included \$1,009,300 for one 750W generator and \$4,370,287 for the Chiller Replacement Project. However, NVRH's FY 2024 budget did not include any costs for the metal-structure building required to hold the replacement generators and chiller system. Your letter states that detailed plans and costs for the metal-structure building were not finalized; therefore, NVRH did not include any amount to reflect those costs.

The total original budget for the one generator (from the ED CON Project) and chiller replacement system (from the FY2024 budget submission) was \$4,907,626. The estimated cost for the Infrastructure Project is \$7,652,318, an increase of \$2,744,692 over the original budget cost totals for the new generator and the chiller system replacement.

The factors contributing to the \$2,744,692 Infrastructure Project cost increase are provided in the following table:

	Cost Increase Factor	Cost Increase Amount
1.	New Metal-Structure Building	\$2,035,095
2.	Inflation (14% increase)	\$ 687,100
3.	Construction Management, GC Bond, GC Liability Fees	\$ 22,497
	Total Cost Increase	<u>\$2,744,692</u>

Funding for both the CON Project and the Infrastructure Project, with a total cost of \$18,363,157, has not changed. The funding sources and amounts from each source are:

- USDA Rural Development Community Facilities Program Direct Loan - \$14,038,557
- USDA Emergency Rural Health Care Grant - \$1,000,000
- Community Philanthropic support - \$2,700,000
- Hospital cash reserves - \$624,600

Project Components

For the purpose of the jurisdictional determination, the project consists of three elements. The first component is the 2 generators to replace the current 24-year-old generator. The 2 smaller 450W generators are an update to the ED CON Project's planned 750W generator. Therefore, the Board has reviewed and approved replacement of the existing generator, albeit under a different configuration.

The second component is a chiller replacement system, included in NVRH's FY 2024 budget, to replace the current 27-year-old chiller system. The chiller replacement system falls within the statutory exclusion for "routine replacements of nonmedical equipment and fixtures." 18 V.S.A. § 9435(f). Hospitals are required to include such replacements in the hospital budget, where they may be reviewed. *Id.*

The third component is the metal building to house the generators and chiller system. NVRH did not include the costs related to the metal building in the ED CON Project, nor in the FY2024 budget. As a result, the Board has not previously reviewed these costs.

Analysis

The Board recognizes that this project is functionally a routine replacement of non-medical equipment in that the two generators and the chiller system are replacing outdated equipment. However, NVRH's failure to include the cost of the metal building in the FY2024 budget did not allow the Board to review this expense, as anticipated in the statutory exemption for routine replacement of nonmedical equipment and fixtures.

Nevertheless, the difference in total project cost between elements that had been previously reviewed in the ED CON Project and the FY2024 budget and the current Infrastructure Project Cost is \$2,744,692, which is under the current CON threshold of \$3,690,000 pursuant to Certificate of Need Bulletin 004 (February 1, 2024).

Given that the Infrastructure Project involves routine replacement of nonmedical equipment and fixtures and that the incremental cost is under the CON monetary cost threshold, the project is not subject to CON review at this time, despite NVRH's failure to submit costs related to the metal building in its FY2024 budget.

As you proceed with developing and implementing this project, if there are any changes in type, scope, cost, or arrangements of the project, please contact the Board immediately so we may determine whether any further process is necessary. Failure to do so as required by Green Mountain Care Board Rule 4.301(4) may result in sanctions, as specified in 18 V.S.A. § 9445.

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