

STORROW & BUCKLEY, LLP  
ATTORNEYS AT LAW  
1 Blanchard Court  
Suite #101  
Montpelier, VT 05602

802-229-4900  
Fax: 802-229-5110

Sender Email: [chuck@storrowandbuckley.com](mailto:chuck@storrowandbuckley.com) Web Page: [www.storrowandbuckley.com](http://www.storrowandbuckley.com)

Charles F. Storrow  
Clare A. Buckley

January 7, 2020

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

RE: Docket No. GMCB-014-19con, Vermont Open MRI, Replacement of MRI System and Relocation of Services

Dear Ms. Jerry,

This is to respond to your letter of December 12, 2019 requesting additional information regarding the above matter. For each item of information you requested the text from your letter is set forth in bold and is followed by the applicant's response in normal font.

- 1. Submit the detailed (not a summary) purchase or lease agreement between Hitachi and Highland that will be in force through July 2020 which clearly specifies the options being purchased/leased, pricing for each option, and total cost.**

The second and third pages of the quotation from Hitachi previously supplied under cover of my letter dated November 26, 2019 sets forth the options, and their costs, related to the proposed new MRI scanner being supplied by Hitachi.<sup>1</sup>

The acquisition of the new MRI scanner is being financed via a "finance lease" (see 9A V.S.A. §2A-103(g)) with Highland. The contractual arrangement with Highland will be between the applicant and Highland. There will not be any contractual arrangement between Highland and Hitachi.

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<sup>1</sup> The specifications of the new proposed MRI scanner are set forth in the separate document from Hitachi that was also supplied under cover of my letter dated November 26, 2019.

Enclosed with this letter is a new letter to Mr. Kummer from Highland dated December 17, 2019 setting forth the salient financial terms of what will be the lease agreement between the applicant and Highland. As will be seen, the terms set forth in that letter will not expire until July 31, 2020.

The lease agreement between the applicant and Highland cannot be supplied at this time as Highland will not generate the lease agreement until the transaction is underwritten by Highland. In order for the applicant to cause Highland to underwrite the transaction the applicant must first obtain CON approval from the GMCB. If the applicant asks Highland to underwrite the transaction in advance of obtaining CON approval it runs the risk of incurring significant costs vis-à-vis Highland that will be for naught if CON approval is not forthcoming.

The applicant is willing to supply the GMCB with the final Lease Agreement with Highland after the transaction closes, and suggests that the Board's decision approving the issuance of a CON (if the Board decides to issue a CON) be conditioned accordingly.

It is respectfully submitted that the previously supplied documents and information together with the enclosed new letter to Mr. Kummer from Highland provide the Board with the information necessary for its review of applicant's proposal and it is respectfully requested that this informational item be deemed to be satisfied.

- 2. If the purchase or lease agreement with Hitachi includes a comprehensive Service Maintenance Agreement (SMA), identify whether Highland or Vermont Open MRI will be paying for the SMA and provide a complete copy (not a summary) of that agreement that is in force through the coverage period. If not, identify the entity providing the SMA and provide a complete copy (not a summary) of that agreement that will be in force through the coverage period.**

Enclosed is a five-year service agreement with Hitachi. The costs associated with this agreement (\$99,900 per year) will be borne by applicant Vermont Open MRI, LLC.

- 3. The letter from Highland Capital Corporation expired on November 30, 2019. Please provide a new letter that will be in force through July 2020.**

Enclosed is a letter dated December 17, 2019 from Highland Capital Corporation to Mr. Kummer that expires on July 31, 2020.

- 4. Table 2: Revise so Table 2 reflects the equity contribution being made to Vermont Open MRI (of \$247,690 noted on page 5 of the application) and also include the expected \$6,500 (see page 2 of November 26, 2019 submission) Vermont Open MRI is providing to make up the difference between the \$350,000 for the MRI system and related renovation costs and the \$343,500 that is being financed through Highland.**

It is Mr. Kummer's and my understanding, based on our November 14 meeting with you and your colleagues that financial information related to Minglewood Management, Inc.'s acquisition of the building at 3000 Williston Road need not be included in the CON tables. The \$247,690 equity contribution relates to the real estate transaction and was erroneously attributed by us to Vermont Open MRI, LLC instead of Minglewood Management, Inc., in the application narrative you reference.

Table 2 has been revised to reflect the \$6500 in working capital from Vermont Open MRI.

- 5. Table 1: Revise Table 1 to reflect the same line items and dollar amounts that are broken out and reflected on Table 2. The project totals shown on Table 1 and Table 2 must be the same.**

Tables 1 and 2 in the enclosed spreadsheets have been revised accordingly.

- 6. Tables 3 A-C: Fringe benefits appear to increase more than 100% from 2018 actual to 2019 budget and then stabilize from 2019 through proposed year 3. Explain the significant increase in Fringe Benefits from 2018 actual to 2019 budget. If in error, please correct and resubmit Tables 3 A-C.**

The information regarding fringe benefits in the previously submitted Tables 3A-3C was erroneous and those tables in the enclosed spreadsheets have been revised accordingly.

- 7. The spreadsheet titled, "Vermont Open MRI, Docket # GMCB-014-19con/ Assumptions" and Tables 3 A, B, and C do not reflect the same numbers for several expense lines. Please correct and resubmit or explain why the expense lines do not match.**

Several of the expense items in Tables 3A, 3B, and 3C do not match the expense items in the previously supplied "assumptions" spreadsheet as the assumptions are more detailed than the tables you directed us to complete. Specifically, in the assumptions spreadsheet the applicant's variable and fixed costs are separately itemized, whereas it is not possible to do that in the CON tables. (For example, radiology costs for interpretations and supplies will fluctuate based upon actual volume). Additionally, the assumption spreadsheet is a broader planning document with values based on the middle of best and worst case scenarios. The numbers provided in your requested tables are based on historical performance with general cost increases.

- 8. Table 4 A-C: Explain the significant increase in Cash and Investments in Proposed Years 2 and 3.**

Tables 4B and 4C do not allow for showing the payment of some or all of net income shown

on Tables 3B and 3C to VT Open MRI, LLC's owner. Stated differently, the increase in Cash & Investments is attributable to retained earnings.

- 9. Table 4 A-C: In 2018 and 2019, it appears that the Land, Buildings & Improvements have been over-depreciated and Fixed Equipment has not been depreciated at all. Provide a breakdown of the accumulated depreciation in those two years between those two accounts or explain if they should not be a breakdown. If in error, please correct Tables 4 A-C and resubmit.**

The information in the previously supplied Tables 4A-4C relative to Land, Buildings & Improvements was erroneous and has been corrected in the enclosed tables.

- 10. Tables 6 A-C, 8 A-C, and 9 A-C must be completed in the same way as Tables 3, 4 and 5 A-C with A tables being current business through the end of the current business; B tables being the business for the proposed project alone; and C tables auto calculate to include Table A plus Table B.**

The enclosed Tables 6A-6C, 8A-8C and 9A-9C have been revised accordingly.

- 11. You provided a Profit and Loss (P & L) sheet for the building LLC for one year. Please provide a proforma balance sheet for the building LLC for the same time period as reflected on the P & L.**

As previously noted, it is our understanding that financial information related to Minglewood Management, Inc.'s acquisition of the building at 3000 Williston Road, its renovation of the portion of the building that will be occupied by Vermont Open MRI, LLC into medical office space, and its operation and management of the building need not be provided. Vermont Open MRI, LLC's costs are, as requested, reflected in the enclosed tables.

- 12. P & L for Building: Explain why no mortgage or cost is reflected for the purchase of the building at 3000 Williston Road. See page 2 of 11/26/19 letter from Applicant.**

Please see response to No. 11, above.

- 13. P & L Sheet for Building: on page 2 the line item titled Janitorial and line item titled Gas is not reflected. Please explain, correct and resubmit.**

Subsequent to our submission of November 26, 2019 it has been determined that utility services will be paid by the individual tenants. Vermont Open MRI, LLC's expenses in this regard are reflected in the enclosed tables.

- 14. P & L sheet: On page 2 there is a line item titled “New Build”. We assume there is no “new build” to the existing footprint of the building to be purchased at 3000 Williston Road and that this line item refers to the that building. Please confirm.**

There is no new construction planned for 3000 Williston Road.

- 15. Confirm whether there are expenses being carried over from the existing Vermont Open MRI business to the proposed project including any costs for or related to the removal and disposal of the existing MRI system at its existing location and/or restorative renovation to the space occupied at the existing location. If yes, please specify the associated cost and confirm whether this cost is included or excluded in the total project cost and financial documents submitted. If not included, all financial tables affected and total project cost will need to be revised and resubmitted.**

There will be no expenses carried over from the existing Vermont Open MRI business to the proposed project. VT Open MRI, LLC is currently located in a three-story building and takes up one half of the first floor. There are a number of other rental units in the building. Once VT Open MRI vacates the building the new owner plans on renovating the space in connection with reconfiguring and incorporating it into other rental units in the building. There will be no costs associated with disposing of the existing MRI scanner as it has some residual value and will be sold (at an as of yet undetermined cost).

- 16. Provide a copy of the lease agreement between Vermont Open MRI (tenant) and Minglewood (owner of the building) at the 3000 Williston Road location.**

A copy of the lease agreement is enclosed.

- 17. Confirm whether there are any moving costs for Vermont Open MRI. If so, explain the total moving expense and confirm whether that dollar amount is reflected in the total Vermont Open MRI project cost and in all financial tables. If not, all affected financial tables and total project cost will need to be revised and resubmitted.**

Vermont Open MRI, LLC will not be incurring any moving costs. Mr. Kummer will use his neighbor’s pick-up truck and move the modest amount of equipment and furnishings that will need to be moved himself.

- 18. The projected utilization noted on the document titled, “Vermont Open MRI Assumptions” shows higher projected utilization than what is reflected on Table 8 A, B and C, titled Utilization Projections, for year 1, 2 and 3. The projected utilization must be the same number on Tables A, B, C as on the “Assumptions” spreadsheet for the same years.**

The enclosed “Assumptions” table has been revised accordingly.

**19. Revise original project costs shown on page 4 of the application and resubmit. The total project cost must be the same as the total on Table 1 and Table 2 of the standard financial tables after revisions. Revisions to all tables should be made first and then revise page 4 of the application.**

A revised version of the application narrative is enclosed and the project costs and source of funds it describes correspond to Tables 1 and 2.

**20. Clarify whether there are any furniture and/or equipment costs associated with the proposed project at 3000 Williston Road. If yes, provide a breakdown of such costs and confirm whether these costs are included or excluded in the total project cost and whether these costs are reflected in each of the financial tables. If not, all affected financial tables and total project cost will need to be revised and resubmitted to reflect these costs.**

A furniture budget of \$12,840 has been allocated in Table 1 and Table 2. A complete breakdown of this relatively modest sum is unavailable at this time. Mr. Kummer is waiting to learn whether he will receive a CON before he actually spends the time and effort to shop for furniture. It is respectfully requested that in light of the relatively modest sum allocated to furniture that an itemization of the cost of each piece of furniture that will be purchased not be required at this time.

We trust and hope that the foregoing information adequately responds to your questions. Please let me know if there are any further questions or comments.

Sincerely,



Charles F. Storrow, Esq.