

**STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD**

In re: Application of Northwestern Medical)
Center, Construction of) GMCB-024-14con
Medical Office Building)
_____)

STATEMENT OF DECISION AND ORDER

Introduction

Northwestern Medical Center (NMC, or the applicant) seeks to construct a two-story 43,572 sq. ft. medical office building (MOB) which will be attached to the hospital. The building includes 21,367 sq. ft. on Floor 1, 20,785 sq. ft. on Floor 2, 1,020 sq. ft. for the connector to the hospital, and 400 sq. ft. for a loading dock. Application at 11. For the reasons outlined below, we approve the application.

Procedural Background

On April 9, 2015, NMC filed a certificate of need (CON) application with the Green Mountain Care Board. On May 26, 2015, The Office of the Health Care Advocate (HCA) intervened as an Interested Party. The Board requested additional information from the applicant on May 29 and September 10, 2015; The applicant provided responses to the requests on July 31, and September 23, 2015. The application was closed on September 25, 2015.

Findings of Fact

1. The proposed project is part of NMC’s Master Facility Plan. The planned location of the MOB establishes it as the hospital’s “front door” and primary location for primary care, urgent care and other outpatient care in an integrated setting. Application at 4.
2. Floor 1 of the medical office building will house NMC’s existing primary care, urgent care, orthopedics, interventional pain, x-ray, and phlebotomy services, and will include 32 universal exam rooms, three cast rooms, three diagnostic imaging rooms (x-ray), two procedure rooms, screening rooms for occupational health, a phlebotomy suite, consultation rooms, offices, clinical support, a staff lounge and conference spaces. These services are currently housed in three different buildings on NMC’s campus—the Cobblestone building, Doctors’ Office Common, and the existing hospital. NMC plans to shell the space on Floor 2 for future use. Application at 4, 11, 12; Responses to Questions (Responses) (7/31/15) at 1.
3. Seventy-six percent of NMC’s business now takes place in an outpatient setting. Application at 1. Currently, outpatient services are scattered in disconnected practice locations, and NMC does not have adequate space to house all needed outpatient functions. Responses (9/23/15) at 1-4.

4. The project will move primary and urgent care to the front of the hospital campus and will consolidate services and centralize registration. NMC expects that these changes will reduce avoidable emergency department visits and will encourage collaboration and communication among providers, improved efficiencies for patients and staff, improved patient flow and way-finding, higher quality care and improved continuity of care, and increased patient satisfaction and provider retention. Application at 4, 7, 13-14, 20; Responses (9/23/15) at 7. In addition, the project aligns with and supports the Vermont Blueprint for Health by embedding Blueprint community health teams in the new building. Application at 22.
5. NMC's 2012 Community Health Assessment for Franklin & Grand Isle Counties indicates that the highest priority need is in the area of mental health and substance abuse. The second highest need, as prioritized by community members, is the access and availability to care and physicians.
6. NMC envisions bringing related primary care services to its campus to increase patient access and meet identified community needs. For example, space vacated in the Cobblestone Building will be used as a "wellness pavilion" for NMC's rehabilitative, prevention and health promotion services. Potential occupants for vacated space in the Doctors' Office Common Building include Northwestern Ophthalmology, Northwestern Comprehensive Pain, the Howard Center, and NMC's Patient Financial Services and/or Physician Accounts Services. Application at 7-8. The Federally Qualified Health Center, Northern Tier Centers for Health (NOTCH), has expressed interest in relocating to NMC's campus in either the Doctors' Common Building or the shelled space on Floor 2 of the new MOB. Application at 10; Responses (7/31/15) at 4; Responses (9/23/15) at 4, 9.
7. If appropriate space in the Doctor's Office Common building is not available, possibilities for the shelled space on Floor 2 include expansion of NMC's existing primary care practice; the relocation of other existing practices now located offsite in leased space; NOTCH primary care offices, Northwestern Dermatology, and the University of Vermont Medical Center's ear, nose and throat specialists. Responses (7/31/15) at 1; Responses (9/23/15) at 9.
8. NMC maintains that building Floor 2 now is more prudent than adding the space at a future date and would allow it to adapt to future needs for new or expanded services with relatively little disruption to the ongoing Floor 1 services. Responses (7/31/15) at 1-2.
9. The project cost will be financed with a \$3,689,618 loan and \$8,905,632 equity contribution. Financial Table 2. NMC projects that the project can be funded from operations and some increased debt over the next few years. NMC's financing plan will not materially change its cash on hand, and its balance sheet is strong. NMC estimates it will save \$164,000 annually in current rental costs as a result of the Project. If it does not build Floor 2, NMC estimates its short term savings at \$1,050,000. Responses (9/23/15) at 5.
10. The architectural, mechanical, electrical, plumbing and fire protection components of the project are compliant with applicable FGI Guidelines. The costs of construction and contingencies are reasonable and within industry standards.

Standard of Review

Vermont's certificate of need process is governed by 18 V.S.A. §§ 9431-9446 and Green Mountain Care Board Rule 4.000: *Certificate of Need*. The applicant bears the burden to satisfy each of the criteria set forth in 18 V.S.A. § 9437(1)-(8). Rule 4.000, § 4.302(3).

Conclusions of Law

Here, the applicant has demonstrated that it meets each of the relevant statutory criteria, which we address in turn below.

Pursuant to the first criterion, we conclude that the application is consistent with the health resource allocation plan (HRAP). The HRAP, last published in 2009, identifies needs in Vermont's health care system, resources to address those needs, and priorities for addressing them on a statewide basis. *See* 18 V.S.A. § 9437(1).

Second, NMC has shown that the cost of the project is reasonable, that it can sustain any financial burden likely to result from the project, that the cost of care will not unduly increase, and that less expensive alternatives are not feasible or appropriate. 18 V.S.A. § 9437(2). NMC's projections show the project can be funded from operations and some increased debt over the next few years; its cash on hand does not change materially and its balance sheet is strong. Finding of Fact (Finding) ¶ 9. NMC understands, and our approval is conditioned, on its compliance with present and future budget orders and other constraints placed on it by the Board. *See* Certificate of Need, Docket GMCB-024-14con.

NMC also has a pending CON application to build additional space and renovate existing space to create single-occupancy rooms, centralized admissions and specialty clinics within the hospital at a cost of \$20,632,359, which is addressed in a separate decision and order. For present purposes, we note that the records of both proceedings, taken together, demonstrate that the costs of both projects are reasonable and that NMC can sustain the costs of both without unduly increasing the cost of care. This results from NMC's method of financing each project and the strength of its cash position and balance sheet.

Next, NMC has demonstrated a need for this project and that the service is appropriate for it to provide. 18 V.S.A. § 9437(3). NMC has provided ample evidence that current space for its primary care, urgent care and other outpatient services, located in three different buildings, are at capacity and that the existing locations cannot accommodate needed expansion for growing outpatient care. Findings ¶¶ 2, 3, 4. This project will enhance operational efficiencies and patient access by integrating and co-locating these essential services on the first floor of the MOB.

Further, the placement of the MOB at the front of NMC's campus heightens the visibility of primary and urgent care and may over time reduce avoidable emergency department visits by positioning primary care as NMC's new "front door." Co-locating these services is more efficient for staff and patients and will result in greater multi-disciplinary collaboration and communication among providers, and increased continuity of care for patients. *Id.*

Although NMC has not identified a specific, immediate use for the Floor 2 shelled space, its responses to our questions indicate several reasonable possibilities that align with community needs. Findings ¶¶ 6, 7. Moreover, construction of a second floor in the future will increase costs and disrupt the ongoing provision of crucial services on Floor 1. Finding ¶ 8. Accordingly, we conclude that NMC has demonstrated a need for the MOB.

NMC has satisfied the fourth criterion by demonstrating that both the quality of and access to health care will increase as a result of the project. 18 V.S.A. § 9437(4). As outlined in Criterion 3, the co-location and integration of primary care, urgent care and outpatient services heightens the visibility of and access to these front line services. In addition, space vacated by services moving into the MOB create opportunities for other related services to be conveniently located on NMC's campus, improving patient access to services and integration of care. Findings ¶¶ 1, 2, 3, 4, 5.

We further conclude that NMC has shown that the project will not adversely affect other services it offers and that the project serves the public good. 18 V.S.A. § 9437(5), (6). Each of the services proposed to be housed in the MOB are currently offered by NMC, albeit in three separate locations on its campus. The "front door" location of the MOB on NMC's campus and co-location of these core outpatient services in the MOB enhances convenience for the patient and efficient coordination of services by staff. Findings ¶¶ 1, 2, 3, 4, 6.

The applicant has satisfied the seventh statutory criterion, 18 V.S.A. § 9437(7) (availability of patient transportation services), by consolidating its primary care, urgent care and other related outpatient services in one location, thereby improving patient access and making parking and public transportation more convenient by eliminating having to go to different locations for related services. Findings ¶¶ 1, 2, 3.

Finally, we conclude that the eighth criterion is not directly relevant to the proposed project. 18 V.S.A. § 9437(8) (requires conformance with health information technology plan if application is for purchase of new health information technology).

We therefore conclude that the applicant has demonstrated that each applicable statutory criterion has been met, and issue a certificate of need on this date.

Order

Pursuant to 18 V.S.A. § 9440(d), the Green Mountain Care Board approves the application of Northwestern Medical Center and a Certificate of Need shall issue.

SO ORDERED.

Dated: December 4, 2015 at Montpelier, Vermont

s/ Alfred Gobeille)
)
s/ Cornelius Hogan)
)
s/ Jessica Holmes)
)
s/ Betty Rambur)
)
s/ Allan Ramsay)

GREEN MOUNTAIN
CARE BOARD
OF VERMONT

Filed: December 4, 2015

Attest: s/ Janet Richard
Green Mountain Care Board
Administrative Services Coordinator