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**DELIVERED ELECTRONICALLY**

July 14, 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**

[REDACTED]

Dear Mr. Miller:

Thank you for your responses to questions to date. To keep the process moving, we are sending the current financial questions today and will send questions focused on other substantive areas at a later date. Please respond to the following:


**Financial**

1. Regarding your response to question 4 in Q002: Within the standard financial tables, the FY 2023 budget projects an operating profit of \$18.9 million while the FY 2023 projection is \$55.7 million. Provide an updated projected operating profit by month to match the FY 2023 projected net operating income shown in the standard financial tables.
2. Regarding your response to question 10 in Q002: Provide the average inpatient reimbursement rates by service line using the same format as your response to the outpatient reimbursement rates by service line.

3. [REDACTED]

4. [REDACTED]



5. Revise and resubmit financial tables 3, 4, 6, 7, 8 A, B, C to include FY 2028 and 2029 and add an additional column for FY2023 YTD so we may compare FY 2023 projections to actual results thus far. In revising the financial tables, also complete Tables 1 and 2 including debt financing sections and take the site work cost out of the construction line item and include it in the Site Work line item. Also, make any adjustments to the standard financial tables as necessary given your responses to any questions contained in this set of questions.
6. According to the FY 2023 Q2 Bond Disclosure Report, UVMMC's first half net loss from operations was \$1.9 million. UVMMC's revised financial tables submitted with Q002 projects a net operating profit of \$55.7 million. Describe in detail how a second half profit of \$57.4 million will be achieved given a \$1.9 million loss in the first half.
7. 
8. Provide a detailed explanation of the projected net patient revenues rate increases included in the projections for commercial insurance by year for FY 2023-FY 2029.
9. Explain in detail how the OSC is projected to drive incremental inpatient surgical volume if inpatient surgical cases already take precedence over outpatient surgical cases when capacity constraints emerge.
10. Explain in detail how the recent bond rating downgrade by Fitch from an A-plus to an A rating will impact the cost of borrowing the \$100 million loan anticipated for this project.
11. It is assumed that the funding for this project will be an interest-only loan for five years. Specify the expected term of the interest-only loan and provide an amortization schedule for the loan.
12. The application includes population aging as one of the key factors necessitating the development of the OSC project. Explain in detail if and how the payer mix was adjusted to account for the aging population and whether all applicable financial tables, including the payer mix table, reflect increasing the Medicare payer mix to account for the aging population.
13. The incremental pro forma expenses do not include inflation for FY 2026. For example, the staff indirect expense is \$577,948 for six months in FY 2025. Annualized this is \$1,155,896 per year. The FY 2026 expense is \$1,152,503, a decline from FY 2025. Given the fixed nature of indirect expenses, it would be



expected that this expense item would increase by clinical staff inflation of 4.0%. When converting expense lines to a fixed or variable nature, every expense has less inflation than expected in FY 2026. Please explain in detail.

14. Provide the math that underlies the outpatient net reimbursement adjustment, showing the number of cases by the amount in dollars per case.
15. Explain in detail the reason for the difference in net patient revenue between the FY24 hospital budget submission for UVMMC and the financial tables submitted with the OSC CON application.
16. Explain in detail whether other recently approved CON projects (Dermatology, da Vinci Surgical Robot, and the CT scanner and construction a pad for a mobile unit) have been incorporated into the projections for UVMMC in the financial tables submitted with Q002. If not, explain in detail.
17. Confirm whether the reimbursement revenues reflected in the pro forma and the revised financial tables submitted with Q002 reflect the lower reimbursement rates for the OSC recommended by Stroudwater Associates. If not, explain in detail.
18. Explain in detail UVMMC's contingency plan to cover expenses if revenues are lower than projected.
19. Specify the current square feet of space and annual associated cost of the space UVMMC currently leases at Fanny Allen. Explain whether UVMMC will continue to lease some or all of this space; the square footage it intends to continue leasing once the OSC is operational, if any; and the annual cost associated with continued lease of space at Fanny Allen.
20. In a table format, provide the actual percent of payer mix made up by Medicaid each year 2021-2024 for UVMMC's overall payer mix, for current outpatient surgeries, and current inpatient surgeries.

In responding, restate the question in bold font and respond in unbolded font. Send an electronic copy to me at [donna.jerry@vermont.gov](mailto: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

