



Palos Community Hospital

12251 S. 80th Avenue Palos Heights, Illinois 60463 (708) 923-4000

Executive Offices

August 13, 2015

Ms. Kathryn J. Olson

Chairperson

Health Facilities and Services Review Board

525 W. Jefferson Street 2nd floor

Springfield, IL 62761

Re: Request for Alteration

Project #08-075

Palos Community Hospital

Dear Ms. Olson,

In December, 2014, HFSRB approved the alteration of Project 08-075, to include the relocation and modernization of inpatient psychiatry at Palos Community Hospital as an added part of the \$420,438,329 new construction and modernization project approved by the Board in 2009. After further thought, hospital leadership requests approval to alter this plan and proposes to modernize inpatient psychiatry in its current 2nd floor space in the original hospital building instead of relocating and modernizing psychiatry on the 4th floor of the original hospital building.

The total capital cost of improvements on the 2nd floor is \$2,196,900. This is \$6,130,754 less than the \$8,327,654 cost of the relocation and modernization on the 4th floor approved in the December 2014 permit alteration. Many of the improvements associated with the previously approved relocation and modernization of the 4th floor can be accomplished on the 2nd floor, at significantly less expense. The reduction of \$6,130,754 reduces the comprehensive Palos Community Hospital modernization and new construction project (08-075) of which psychiatry is part, from \$415,765,983 to \$409,635,229.

Background

The alteration approved December 16, 2014 included the following:

1. relocation of the inpatient psychiatry unit from its current 2nd floor location in the original hospital building to the 4th floor; modernization of the space on the 4th floor;
2. an additional \$8,327,654 in capital costs associated with psychiatry relocation and modernization;
3. an additional 20,000 sq ft to the original Project 08-075 to accommodate psychiatry relocation and modernization on the 4th floor;
4. reduction in size of AMI from 43 to 40 beds; reduction of the total authorized bed count at Palos Community Hospital from 428 to 425;

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5. modernization of the 2nd and 3rd floors in the original hospital building for medical/surgical beds, instead of the 3rd and 4th floor, as approved in Project 08-075 (no cost change was associated with the change in floors for medical/surgical beds);
6. reduction of the total project cost for Project 08-075 from \$420,438,329 to \$415,765,983, or a reduction of \$4,672,346. This net reduction is the result of two factors: a) reduction of the original total project cost of Project 08-075 by \$13,000,000, due to savings in the construction and equipping of the new East Tower; b) additional cost of \$8,327,654 associated with the relocation and modernization of inpatient psychiatry.

Effect of the Requested Alteration

The requested alteration will accomplish the following:

1. continue inpatient psychiatry in its current location on the 2nd floor of the original hospital building;
2. modernize the inpatient psychiatry in its current space on the 2nd floor, with size of 40 beds as approved in the December 2014 alteration; the capital cost of the 2nd floor project is \$2,196,900, which is \$6,130,754 less than the \$8,327,654 cost associated with the relocation of psychiatry to modernized space on the 4th floor;
3. modernize medical/surgical units in their current 3rd and 4th floor locations, as originally approved in Project 08-075, not on the 2nd and 3rd floor as approved in the December 14 alteration;
4. reduce the total project cost of the altered comprehensive Palos Community Hospital modernization and new construction project (of which the psychiatry modernization project is part) by \$6,130,754. The total project cost of Project 08-075 will be reduced from \$415,765,983 to \$409,635,229.

The request does not change or add back to the original project the reduction of \$13,000,000 associated with savings achieved over the past five years in the construction and equipping of the East Tower, as noted in the December 2014 alteration. The request does not change the commitment to reduce the AMI bed count from 43 to 40. The December 2014 alteration did not affect the March 31, 2018 project completion date, nor does this request affect that date.

The scope of work for the 2nd floor renovation includes the following:

- upgraded patient rooms
- new flooring, wall finishes and lighting fixtures for the entire floor
- renovation of patient room bathrooms, including some rooms for ADA compliance
- renovation of staff and visitor bathrooms
- enlargement of the activity day room and dining area
- consolidation of the two adjacent nursing stations into a centralized nursing station
- various life safety code projects, including new fire alarm and automatic sprinkler systems, and replacement of the medical gas zone valve box

Components of the \$2,196,900 capital cost for the 2nd floor renovation are as follows:

. Site preparation / demolition	\$ 95,406
. Modernization costs	1,845,094
. Modernization contingency	92,200
. Architect/engineer	164,200

Reasons for the Request for Alteration

There are several reasons behind the decision to not proceed with the relocation and modernization of inpatient psychiatry on the 4th floor.

1. As the planning to relocate and modernize the inpatient psychiatry unit proceeded it became clear that the proposed design changes did not result in space, programmatic or functional improvement commensurate with the anticipated capital expenditures. Modernization of the second floor is viewed as more economical, with a savings of approximately \$6.1 million, while accomplishing many of the benefits of the relocation to the 4th floor.
2. Changes recently made in the hospital ER facilitate handling patient evaluation there, rather than in a special unit on the psychiatry floor as proposed in the altered project.
3. The existing psychiatry space on the 2nd floor can be organized for the treatment of different psychiatric patient groups with appropriate separation on the same floor. These patient groups include those with behavioral health diagnoses, those with psychoses, and dementia or Alzheimers patients with a behavioral health diagnosis.
4. By not relocating psychiatry to the 4th floor, the renovation of the medical/surgical services on the 3rd and 4th floors can proceed more quickly, responding to the increasing demand Palos is experiencing in medical/surgical inpatient cases, and consistent with the original intent of Project 08-075.

Palos Community Hospital remains actively committed to excellence in the delivery of inpatient and outpatient psychiatric services. Behavioral Health Services are increasingly in demand both as a consequence of need and increased coverage mandated by the Affordable Care Act. This demand, however, shall be addressed through a broad based approach which encompasses more than inpatient hospitalization. Palos Community Hospital has experienced this demand surge within its outpatient behavior health programs and continues to develop and evolve these services with a special focus on collaborative efforts with other community stakeholders.

Regulatory Context

The changes associated with this request and listed above in Background do not change the number of beds, abandon an existing service, increase the square footage of the project by up to 5%, reduce the size of the project by over 5%, increase the cost of the project, nor increase the funds to be borrowed.

Following are two tables that document how total and line-item costs of the project would be reduced by the alteration. Please note that some of the column totals and section totals may be off by \$1 due to rounding.

The left side of the Table N *Project Costs and Sources of Funds* shows the costs of Project 08-075, with the alteration approved December 16, 2014. The right side of the table shows the reduction of the total project cost from \$415,765,983 to \$409,635,229 due to modernizing the psychiatry unit in its current location rather than relocation and modernization on the 4th floor. It also shows changes by line item components.

The \$415,765,983 total project cost figure and the revised cost of \$409,635,229 in this table both continue to reflect the \$13,000,000 in reduced project cost due to savings in construction and equipping of the East Tower new construction component of Project 08-075, as noted in the December 2014 alteration.

Table Q *Cost/Space Requirements* shows the new Project Cost of \$409,635,229 if the alteration is approved. That figure also continues to reflect the \$13,000,000 in savings associated with the East Tower component of the original project.

We appreciate the opportunity to submit this information for your consideration. If you have any questions, please contact me at 708-923-5006, or Ralph Weber, CON consultant, at 847-791-0830.

Sincerely,



Timothy J. Brosnan

Vice President, Planning and Community Relations

cc: Mike Constantino
Margie Zeglen, Director, Business Development and Planning
Ralph Weber, Consultant

PROJECT 08-075

PROJECT 08-075 (with \$13,000,000 cost reduction that had been included as part of permit alteration approved December 16, 2014)

Q. Cost / Space Requirements

	Project Cost	DGSF		Amount of Proposed Total GSF That is:			
		Existing	Proposed	New	Remodeled	As is	Vacated
CLINICAL							
Medical Surgical	\$91,231,579	93,260	180,065	91,790	77,330	10,945	
Intensive Care	\$19,625,470	10,846	25,650	25,650			10,846
INTEGRATED PROCEDURE SERVICES							
A) Surgery	\$26,964,356	19,166	37,354	37,354			19,166
B) Endoscopy	\$3,390,472	2,961	3,468	3,468			2,961
C) Special Procedures	\$2,087,087	946	2,004	2,004			946
RECOVERY							
A) PACU	\$3,906,650	2,092	3,750	3,750			2,092
B) Center for Short Stay Care	\$13,392,633	14,572	22,940	22,940			14,572
Respiratory Therapy	\$2,650,416	1,485	5,425	1,060	4,365		1,485
Laboratory	\$4,518,483	9,362	22,487	22,487			9,362
Pharmacy	\$2,673,294	4,135	8,229	8,229			4,135
Outpatient & Pre-Admission Testing	\$14,163,019	1,265	4,730	4,730			1,265
Inpatient Dialysis	\$7,034,718	717	1,105		1,105		717
Emergency Department	\$7,711,443	12,361	22,814		11,435	11,379	
Admissions Unit	\$3,576,110	0	6,696		6,696		
Cardiology	\$4,382,685	4,299	6,661		6,661		4,299
Nuclear Medicine	\$5,426,154	1,652	6,766		6,766		1,652
Radiology	\$20,870,579	20,068	31,732		16,889	14,843	2,421
Acute Mental Illness	\$7,574,654	20,000	20,000		20,000		
Sub Total Clinical	\$241,179,800	219,187	411,876	223,462	151,247	37,167	75,919
Plus Clinical Contingencies	\$17,498,429						
Total Clinical (as altered Dec 2014)	\$258,678,229						
Project Cost Reduction Clinical	-\$10,000,000						
Alteration of AMI Modernization	-\$6,130,754						
Total Clinical (Revised)	\$242,547,476						

	Project Cost	DGSF		Amount of Proposed Total GSF That is:			
		Existing	Proposed	New	Remodeled	As is	Vacated
NON-CLINICAL							
Purchasing	\$2,075,978	1,316	3,380	3,380			1,316
Sterile Supply Processing	\$9,658,942	6,698	13,721	13,721			6,698
Maintenance/Engineering	\$10,064,977	7,973	17,235	17,235			7,973
General Stores	\$3,531,997	19,635	25,588	5,953		19,635	
Admitting & Registration	\$2,114,401	2,804	3,370	3,370			2,804
Nursing Administration/Education	\$2,858,877	3,964	11,296	6,210	2,424	2662	1,302
Medical Staff Facilities/Support	\$4,541,445	2,643	7,984	2,514	5,470		2,643
Quality Management (QA/RM/CM)	\$2,147,205	890	4,179		4,179		890
Transport Services	\$1,094,994	0	2,132		2,132		
Health Information Management	\$4,660,190	5,177	9,083		9,083		5,177
Pastoral Care, Chapel & Other Support	\$1,026,018	2,170	3,372		1,997	1,375	795
Dietary - Kitchen & Dining	\$8,171,648	19,871	31,750		14,480	17,270	
Housekeeping/Linen Services	\$2,928,987	4,579	10,719		6,140	4,579	
Conference & Education	\$5,977,761	8,142	18,354	4,380	5,832	8,142	
Staff Lockers & Lounge & Support	\$6,554,006	8,954	18,064	9,102	675	8,287	667
Lobby / Public Spaces / Gift Shop	\$22,342,486	71,775	103,306	31,822	1,485	69,999	2103
Administrative & Other Offices	\$1,074,876	5,743	5,978		2,095	3,883	775
Mechanical/Electrical/IT/Shafts	\$34,264,971	68,104	131,824	63,720		68,104	
Stairs/Elevators	\$8,146,089		12,800	12,800			
Plumbing	\$21,518,982		0				
Air Handling	\$2,287,924		0				
Parking	\$1,516,135		2,640	2,000	640		
Sub Total Non-Clinical	\$158,558,889	240,438	436,775	176,207	56,632	203,936	33,143
Plus Non-Clinical Contingencies	\$11,528,865						
Total Non-Clinical (Approved March 2009)	\$170,087,754						
Project Cost Reduction Non-Clinical	-\$3,000,000						
Total Non-Clinical (Alteration December 2014)	\$167,087,754						
TOTAL PROJECT CLINICAL & NON-CLINICAL (Alteration Dec 2014)	\$415,765,984						
TOTAL PROJECT CLINICAL & NON-CLINICAL (New Alteration Requested)	\$409,635,229						

N. Project Costs and Sources of Funds - \$

[PROJECT 08:075 AS ALTERED] DE C 2014

[REQUESTED NEW ALLOCATION]
August, 2015

Description	TOTAL	CLINICAL	NON-CLINICAL	TOTAL	VARIANCE	CLINICAL	VARIANCE	NON-CLINICAL	VARIANCE
Pre-Planning Costs	\$ 2,726,966	\$ 1,686,722	\$ 1,040,244	\$ 2,600,610	\$ (126,356)	\$ 1,560,366	\$ (126,356)	\$ 1,040,244	\$ -
Survey and Soils	\$ 265,000	\$ 159,000	\$ 106,000	\$ 265,000	\$ -	\$ 159,000	\$ -	\$ 106,000	\$ -
Site Prep & Demolition	\$ 9,470,254	\$ 5,802,552	\$ 3,667,702	\$ 9,264,660	\$ (205,594)	\$ 5,596,958	\$ (205,594)	\$ 3,667,702	\$ -
Off-Site Improvements	\$ 5,674,036	\$ 3,404,422	\$ 2,269,614	\$ 5,674,036	\$ -	\$ 3,404,422	\$ -	\$ 2,269,614	\$ -
New Construction Costs	\$ 157,663,879	\$ 93,301,441	\$ 64,362,438	\$ 157,663,879	\$ -	\$ 93,301,441	\$ -	\$ 64,362,438	\$ -
New Construction Owner Contingencies	\$ 16,666,388	\$ 9,930,144	\$ 6,736,244	\$ 16,666,388	\$ -	\$ 9,930,144	\$ -	\$ 6,736,244	\$ -
Modernization Costs	\$ 82,653,038	\$ 50,702,235	\$ 31,950,804	\$ 79,231,132	\$ (3,421,906)	\$ 47,280,329	\$ (3,421,906)	\$ 31,950,804	\$ -
Modernization Owner Contingencies	\$ 12,360,906	\$ 7,566,285	\$ 4,792,621	\$ 11,700,106	\$ (660,800)	\$ 6,907,485	\$ (660,800)	\$ 4,792,621	\$ -
Architectural / Engineering	\$ 14,125,302	\$ 8,607,381	\$ 5,517,922	\$ 13,959,004	\$ (166,298)	\$ 8,441,083	\$ (166,298)	\$ 5,517,922	\$ -
Consulting & Other Fees	\$ 9,667,171	\$ 5,800,303	\$ 3,866,868	\$ 9,667,171	\$ -	\$ 5,800,303	\$ -	\$ 3,866,868	\$ -
Moveable Capital Equipment	\$ 74,961,968	\$ 43,777,101	\$ 31,184,867	\$ 73,962,168	\$ (999,800)	\$ 42,777,301	\$ (999,800)	\$ 31,184,867	\$ -
Bond Issuance Expense	\$ 6,000,000	\$ 3,600,000	\$ 2,400,000	\$ 6,000,000	\$ -	\$ 3,600,000	\$ -	\$ 2,400,000	\$ -
Net Interest Expense During Construction	\$ 21,000,000	\$ 12,600,000	\$ 8,400,000	\$ 21,000,000	\$ -	\$ 12,600,000	\$ -	\$ 8,400,000	\$ -
Fair Market Value of Leased Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Costs to be Capitalized	\$ 2,531,074	\$ 1,738,644	\$ 792,430	\$ 1,981,074	\$ (550,000)	\$ 1,188,644	\$ (550,000)	\$ 792,430	\$ -
Acquisition of Buildings & Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Project Cost	\$ 415,765,983	\$ 248,678,230	\$ 167,087,754	\$ 409,635,228	\$ (6,130,754)	\$ 242,547,475	\$ (6,130,754)	\$ 167,087,754	\$ -