

April 13, 2016

Ms. Courtney Avery, Administrator
Illinois Health Facilities and Review Board
525 W. Jefferson
2nd Floor
Springfield, Illinois 62761

RECEIVED

APR 25 2016

HEALTH FACILITIES &
SERVICES REVIEW BOARD

Re IHFSRB Project # 14-046 Decatur Memorial Hospital

Dear Ms. Avery:

This letter is being submitted as a modification and addendum to the March 8, 2016 letter submitted to you as the final realized cost report for the above reference project. We apologize for the inconvenience but after reviewing the costs reported with your staff we felt that the cost differences needed to be explained.

First, \$140,350 of cost were incorrectly included in the final cost report as they were not directly associated with the project, but were rather ongoing maintenance projects at the hospital which were covered under separate contracts. These costs were \$42,075 of environmental work for asbestos removal, \$38,506 for maintenance and upgrades of an air handling system that serves other areas of the sixth, fifth, fourth and second floors in addition to the project area, and modernization of the nurse call system, which is a part of a two year program to upgrade the nurse call system of the entire hospital.

In addition to removing these costs, which reduced the final cost related to the AMI project to \$1,979,316, we would like to explain the cost increase realized for this project. Several issues are responsible for the cost increase.

1. This project was on a very fast track due to the need to complete the project in time to allow the hospital to be recognized for having the service in place in time to receive reimbursement for services provided by the federal Government. If the project was not completed in the shortened time frame, it would be necessary to wait another full year before receiving reimbursement for the care provided which would have delayed the opening of a much needed service.

The need to fast track the service in the above fashion was due to the fact that the project initially received an "Intent-to-Deny" and then the lack of a quorum to allow the Board to consider the project for a period of time

The fast track nature of the construction had two negative impacts on the project cost. First, the contract bids were somewhat inflated by the bidders in order to account for the short turn-

around time, and second the need arose to pay a substantial amount of overtime to keep the project on schedule and get it finished on time.

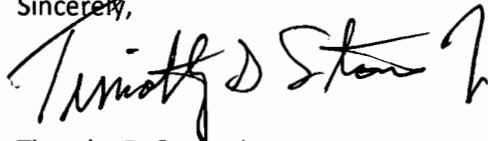
The fast tracking also meant that the project was actually completed by the time the final bills were submitted and the totality of the cost overruns could be determined. This meant that the applicant was unable to submit requests for Board approval prior to the actual expenditure of the funds.

2. In the original application as was approved by the State Board the applicant proposed to use existing beds. However it was later decided due to the need for special beds that new beds would be purchased for this department at a cost of \$127,584. This increased the project cost.
3. The consulting and other fees were increased by \$7,600 due to the fact that the \$9,600 dollar cost of the IDPH Plan Review was inadvertently left out of the original project cost proposal.
4. The line item for other cost to be capitalized include the cost of a new security system and cameras for the new department and for some other smaller capitalized items such as door hardware , windows in the doors, etc. which were not included in the construction contracts.

We have attached a new sources and uses of funds page to this letter which shows where additional costs were allocated and compares them to the proposed project cost as approved.

Again we apologize for any inconvenience these areas have cause and will be happy to answer any questions you may have.

Sincerely,

A handwritten signature in black ink, appearing to read "Timothy D. Stone Jr.", with a stylized flourish at the end.

Timothy D. Stone, Jr.
President and CEO

Project Costs and Sources of Funds

Complete the following table listing all costs (refer to Part 1120.110) associated with the project. When a project or any component of a project is to be accomplished by lease, donation, gift, or other means, the fair market or dollar value (refer to Part 1130.140) of the component must be included in the estimated project cost. If the project contains non-reviewable components that are not related to the provision of health care, complete the second column of the table below. Note, the use and sources of funds must equal.

Project Costs and Sources of Funds			
USE OF FUNDS	AS APPROVED	COMPLETED	DIFFERENCE
Preplanning Costs	\$20,000	\$20,000	\$0
Site Survey and Soil Investigation			
Site Preparation			
Off Site Work			
New Construction Contracts			
Modernization Contracts	\$1,278,748	\$1,669,836	\$247,668
Contingencies	\$143,420	\$0*	
Architectural/Engineering Fees	\$153,450	\$92,892	-\$60,558
Consulting and Other Fees	\$2,000	\$9,600**	\$7,600
Movable or Other Equipment (not in construction contracts)		\$127,584	\$127,584
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)			
Fair Market Value of Leased Space or Equipment			
Other Costs To Be Capitalized		\$59,404	\$59,404
Acquisition of Building or Other Property (excluding land)			
TOTAL USES OF FUNDS	\$1,597,618	\$1,979,316	\$381,698
SOURCE OF FUNDS	AS APPROVED	COMPLETED	DIFFERENCE
Cash and Securities	\$1,597,618	\$1,979,316	\$381,698
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			
Leases (fair market value)			
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS	\$1,597,618	\$1,979,316	\$381,698
NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT-7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.			

*Contingency dollars included in final construction costs

** IDPH Plan Review Fees