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April 27, 2016

Ms. Courtney Avery
Administrator
Health Facilities and Services Review Board
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761

RECEIVED

APR 28 2016

HEALTH FACILITIES &
SERVICES REVIEW BOARD

RE: Supplementary Material Re Project Costs
OSF St. Mary Medical Center Certificate of Need--Project #16-010

Dear Ms. Avery:

In OSF St. Mary Medical Center's application, the applicants included two impediments letters (pages 131-134) that documents several reasons why the costs on this project necessarily exceed the construction cost data published by Means that is used for Certificate of Need Review in Illinois.

The Review Board's Means benchmark is based on an average cost per square foot regardless of the type of space. In reality, storage area is much less costly than highly complex surgery space with its inherent medical, electrical, mechanical gas, ventilation, plumbing, and related costs. Hence the average Means calculation understates the real cost of these high cost areas. In addition, the OSF St. Mary Medical Center project has extensive phasing due to the proportionately high modernized area and the amount of highly complex space, thereby also contributing to the incrementally high average high square footage cost over and above the understated Means benchmark for both new construction and modernized space.

The attached material includes new construction and modernization costs related to the reasons for both new construction and modernized costs being higher than the Means average as noted in the State Board Report. This detail documents the factors and related costs per square foot and shows that these additional costs can be supported.

IHFSRB
OSF SMMC Project 16-010 Supplemental Material
April 27, 2016
Page 2 of 2

If you have any questions about this material, please do not hesitate to call me at 219-464-3969 or
E-mail me at prismjanet@AOL.com.

Sincerely,

A handwritten signature in black ink that reads "Janet Scheuerman". The signature is written in a cursive style with a large, stylized 'J' and 'S'.

Janet L. Scheuerman
Senior Consultant
PRISM Healthcare Consulting

CC. Mike Constantino, Supervisor of Project Review
Curt Lipe, Vice President and Chief Financial Officer, OSF St. Mary Medical Center

Premium Costs for New Construction and Modernization of OSF St. Mary Medical Center's
Proposed Project to Modernize and Expand Key Clinical Departments

NEW CONSTRUCTION PREMIUMS

DESCRIPTION OF PREMIUM COST FACTORS ABOVE MEANS AVERAGE COST PER SQUARE FOOT AS ESCALATED BY HFSRB	PREMIUM COSTS RELATED TO NEW CONSTRUCTION	APPLICABLE SQUARE FOOTAGE	PREMIUM COST PER PROJECT SQUARE FOOT OF NEW CONSTRUCTION
Off Hours Work To Reduce Disruption In order to minimize disruption to ongoing hospital operations, in particular surgery, "off hours" work will be required.	\$14,104	5,926 GSF	\$2.38
Site Drainage Site drainage over and above typical site development costs around the new construction will be necessary to ensure flooding of existing spaces won't occur during the phased construction.	\$29,986	5,926 GSF	\$5.06
Fire Pump and Water Supply The fire pump is undersized for the current campus and a looped supply is required per code; the pump must be replaced and supply line extended due to the project.	\$28,149	5,926 GSF	\$4.75
Infection Control Measures (Environmental) Infection control measures including temporary barriers and special ventilation will be necessary to allow construction to occur in areas to that will remain in use during the course of the phased construction. Premium cost averaged across the entire project.	\$47,112	5,926 GSF	\$7.95
Impacts to Adjacent Operational Areas of the Existing Building New construction will impact areas, such as dietary (ceiling below lab), and must be restored <u>daily</u> during the phased construction process.	\$13,985	5,926 GSF	\$2.36

Premium Costs for New Construction and Modernization of OSF St. Mary Medical Center's
Proposed Project to Modernize and Expand Key Clinical Departments

DESCRIPTION OF PREMIUM COST FACTORS ABOVE MEANS AVERAGE COST PER SQUARE FOOT AS ESCALATED BY HFSRB	PREMIUM COSTS RELATED TO NEW CONSTRUCTION	APPLICABLE SQUARE FOOTAGE	PREMIUM COST PER PROJECT SQUARE FOOT OF NEW CONSTRUCTION
Complexity Factor for Surgery Surgery is recognized as a high complexity construction area and carries a construction premium over and above an average hospital square foot cost. This premium was only applied to surgery new construction square feet. (3,190 square feet)	\$287,100	3,190 GSF	\$90.00
Complexity Factor for Laboratory (see above) Laboratory is recognized as a medium complexity construction area and carries a construction premium. This premium was only applied to laboratory new construction square feet. (2,736 square feet)	\$118,278	2,736 GSF	\$43.23
Cost of Two Shafts in New Construction Having two shafts in the new construction of only 5,926 square feet is an exception to the Means averages that would expect one shaft per 100,000 square feet.	\$56,297	5,926 GSF	\$9.50
Cantilevered Structure A cantilevered structure is anticipated where the new addition meets the existing building so as not to undermine footings and foundations of the existing hospital.	\$41,482	5,926 GSF	\$7.00
Small Building Footprint (New Construction) The small footprint will not allow the contractor to optimize the use of labor as might have been in a larger project. Hence, the premium.	\$118,520	5,926 GSF	\$20.00

Premium Costs for New Construction and Modernization of OSF St. Mary Medical Center's
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Overall Total Premium Cost per Square Foot of New Construction ^a	\$780,199	5,926 GSF	\$131.66

^a Total Premium Cost per Square Foot for New Construction was calculated based on total new construction square footage. Premium Cost per square foot for each factor was based on Applicable Square Footage.

Projected Construction Cost per Square Foot	\$524.38
Calculated Standard for the Project	<u>393.37</u>
Difference	<u>\$131.01</u>

The proposed new construction at OSF St. Mary Medical Center has other premium costs which have not been included. For example, special steel for the new construction will be specified to a low depth but higher weight than typical for the needed spans in order to decrease the overall structural depth and allowing for matching of floor-to-floor heights (new to old) yet still allowing as much interstitial space above the ceilings need to install infrastructure compliant with the current building codes.

Hence, the premium cost per square foot of new construction is conservative.

Source: Impediments letters, pages 131 to 134 of the Application (#16-010) and the project architects, engineers, and construction consultants.

Premium Costs for New Construction and Modernization of OSF St. Mary Medical Center's
Proposed Project to Modernize and Expand Key Clinical Departments

MODERNIZATION PREMIUMS

DESCRIPTION OF PREMIUM COST FACTORS ABOVE MEANS AVERAGE COST PER SQUARE FOOT AS ESCALATED BY HFSRB	PREMIUM COSTS RELATED TO MODERNIZATION	APPLICABLE SQUARE FOOTAGE	PREMIUM COST PER SQUARE FOOT OF MODERNIZATION
Off Hours Work To Reduce Disruption In order to minimize disruption to ongoing hospital operations , "off hours" work will be required	\$74,913	25,832 GSF	\$2.90
Fireproofing to Meet IDPH Requirements IDPH is requiring OSF St. Mary's to add fireproofing to the existing floor slabs uncovered during renovation in order to upgrade them to current code.	\$146,726	25,832 GSF	\$5.68
Floor Leveling The modernized areas will require floor leveling throughout in order to provide a proper underlayment for new flooring materials.	\$28,932	25,832 GSF	\$1.12
Additional HVAC Costs To Limit Ductwork Size and Crossings Because of the low floor to floor heights in the original hospital, there will be a premium cost related to limiting the size of the ductwork and the occurrences of duct crossing. Further, additional modernization will be necessary to claim spaces to accommodate ductwork routing.	\$109,786	25,832 GSF	\$4.25
New Life Safety Power Distribution To Meet IDPH Requirements The hospital now has blended Emergency Power Supply System circuits. IDPH will require "clean" critical and life safety branches in all renovated areas.	\$1,291,083	25,832 GSF	\$49.98

Premium Costs for New Construction and Modernization of OSF St. Mary Medical Center's
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DESCRIPTION OF PREMIUM COST FACTORS ABOVE MEANS AVERAGE COST PER SQUARE FOOT AS ESCALATED BY HFSRB	PREMIUM COSTS RELATED TO MODERNIZATION	APPLICABLE SQUARE FOOTAGE	PREMIUM COST PER SQUARE FOOT OF MODERNIZATION
Fire Pump and Water Supply The fire pump for the water supply line is undersized for the current campus, a looped supply replaced, and supply line extended due to the project.	\$122,702 Allocated to both new and modernized space	25,832 GSF	\$4.75
AHUs Servicing Surgery Must Be Dedicated per Illinois Administrative Code These air handling units serving surgery must be replaced by code.	\$256,253	25,832 GSF	\$9.92
Upgrade Fire Alarm System to Current Standards The hospital will have new fire alarm devices. To support the new fire alarm devices, OFS St Mary must upgrade the current fire alarm system.	\$51,664	25,832 GSF	\$2.00
Asbestos Removal / Remediation Because of the age of the original hospital building, asbestos must be removed before modernization can commence.	\$89,895	25,832 GSF	\$3.48
Infection Control Measures (Environmental) Infection control measures including temporary barriers and special ventilation will be necessary to allow construction to occur in areas adjacent to clinical service areas that will remain in use during the course of the phased construction. Premium cost averaged across the entire department.	\$205,364	25,832 GSF	\$7.95

Premium Costs for New Construction and Modernization of OSF St. Mary Medical Center's
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DESCRIPTION OF PREMIUM COST FACTORS ABOVE MEANS AVERAGE COST PER SQUARE FOOT AS ESCALATED BY HFSRB	PREMIUM COSTS RELATED TO MODERNIZATION	APPLICABLE SQUARE FOOTAGE	PREMIUM COST PER SQUARE FOOT OF MODERNIZATION
Impacts to Adjacent Operational Areas of the Existing Building Modernization will impact areas, such as ceilings of departments located below the modernization and must be restored when the modernization is complete.	\$60,964	25,832 GSF	\$2.36
Complexity Factor for Surgery Surgery is recognized as a high complexity modernization area and carries modernization premium. This premium was only applied to surgery modernization square footage. (8,419 square feet)	\$526,693	8,419 GSF	\$62.56
Complexity Factor for Laboratory Laboratory is recognized as a medium complexity modernization area and carries a modernization premium. This premium was only applied to applicable laboratory modernization. (2,226 square feet)	\$66,602	2,226 GSF	\$29.92
Complexity Factor for Phase I and Phase II recovery Recovery areas are recognized as medium complexity modernization areas and carry a modernization premium. This premium was only applied to applicable recovery square footage. (10,157 square feet)	\$318,858	10,157 GSF	\$31.39
Complexity Factor for Endoscopy Endoscopy is recognized as a medium complexity modernization area and carries a modernization premium. This premium was only applied to applicable recovery square footage. (1,914 square feet)	\$57,267	1,914 GSF	\$29.92

Premium Costs for New Construction and Modernization of OSF St. Mary Medical Center's
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DESCRIPTION OF PREMIUM COST FACTORS ABOVE MEANS AVERAGE COST PER SQUARE FOOT AS ESCALATED BY HFSRB	PREMIUM COSTS RELATED TO MODERNIZATION	APPLICABLE SQUARE FOOTAGE	PREMIUM COST PER SQUARE FOOT OF MODERNIZATION
Overall Total Premium Cost per Square Foot of Modernization ^a	\$3,407,702	25,832 GSF	133.39

^a Total Premium Cost per Square Foot for Modernization was calculated based on modernization construction square footage. Premium Cost per square foot for each factor was based on Applicable Square Footage.

Projected Construction Cost per Square Foot	\$396.41
Calculated Standard for the Project	<u>275.36</u>
Difference	<u>\$121.05</u>

The proposed modernization at St. Mary Medical Center has other premium costs for which costs have not been included. They include, for example:

- Phased construction will require the use of Fire Watch personnel to ensure the safety of the occupants of the building during constructing.
- Due to the age of the original hospital building, clay tile partitions and terrazzo flooring will need to be removed before modernization can occur.
- Because of the increased size of surgery, the existing generator capacity does not support the increased surgery HVAC loads; therefore another chiller must be added.
- AHU -1-A and AHU-1B dual duct system serving all of the first and ground floors are at the end of their useful life and have no excess capacity and must be expanded.
- The current prep-recovery induction units must be replaced with an all VAV (variable air volume) system.

Hence, the premium costs per square foot of modernization is conservative.

Source: Impediments letters, pages 131 to 134 of the Application (#16-101) and the project architects, engineers, and construction consultants.