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April 2, 2019

VIA EMAIL AND OVERNIGHT DELIVERY

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**HEALTH FACILITIES &
SERVICES REVIEW BOARD**

Courtney R. Avery
Administrator
Illinois Health Facilities and Services
Review Board
525 West Jefferson Street
2nd Floor
Springfield, IL 62761

**Re: SwedishAmerican Hospital, Project 17-019
Permit Alteration Request**

Dear Ms. Avery:

SwedishAmerican Hospital is requesting an alteration to Project #17-019, which was approved on February 27, 2018 with total project costs of \$126,035,461 and total square footage of 342,236 gsf. This alteration seeks a decrease in the total square footage to 328,656 gsf, which is less than 4% of the initial square footage proposed. There will be no change in the total project cost, categories of service or bed capacity. Due to a trend in declining Emergency Department visits since the approval of the project, the alteration seeks a reduction of ED stations from the approved 50 stations to 41 stations, which is the hospital's current number of ED stations. A check in the amount of \$1,000 for the alteration fee is included with the hard copy of this letter.

As noted in the applicant's technical assistance meeting with the Review Board's Staff on February 28, 2019, a combination of unique economic and market conditions, including the implementation of steel tariffs and a 10-year peak in construction cost index for Northern Illinois, have caused an increase in construction costs beyond those initially budgeted for the project. (See attached Ringland-Johnson report on Producer Price Index by Commodity, June 2016 – June 2018.) To accommodate these unexpected cost increases, the applicant proposes to alter the project in a manner consistent with the Review Board's regulations relating to alterations and preserving the essential components of the project, including the new women and children's patient tower and new building for the existing cardiac catheterization service, which were the areas of new construction for the project. The alteration relates mainly to modernization of existing space, with the extent of the modernization being reduced.

Included with this letter are the following tables reflecting the proposed alterations:

- Project Cost and Source of Funds (Page 5)
- Itemization of Project Cost and Source of Funds (Attachment 7)
- Project Costs and Space Requirements Chart (Attachment 9)
- Size of Project (Attachment 14)
- Cost and Square Feet by Department/Service (Attachment 37)

Please note that the proposed Project Cost and Source of Funds includes line items for Site Preparation and Off-Site Work which primarily relate to unanticipated conditions that arose after permit approval consisting of the following:

Site Preparation:

- a) Unplanned City of Rockford required relocation of existing city water and sanitary sewer lines
- b) Unforeseen fees for temporary site entrance and site paving changes due to item (a) above.
- c) Unforeseen fees for site lighting changes due to item (a) above.
- d) Unforeseen pour soil conditions that required extensive underpinning, geo-piers and shoring installation on both Cath Lab and Women & Children's tower projects.

Off-Site work:

- a) Fees to AT&T for relocation of existing public underground phone and fiber line to campus perimeter
- b) Fees to relocate private phone and fiber lines

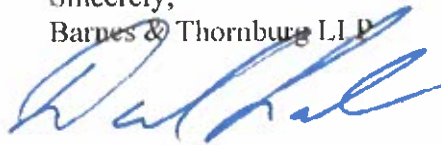
The approved project included modernizing existing space in the Medical/Surgical, Acute Mental Illness, Emergency Department, Surgery/Recovery units and the Pediatric care unit. In proceeding with due diligence in responding to the extraordinary construction costs, the permit holder recognized a decline in Emergency Department visits. Based on the declining trend in ED visits since the time of the permit application, this alteration is also requesting that the number of approved Emergency Room stations remain at our current level of 41 and not be increased to 50 as allowed by Permit #17-019.

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Also, in proceeding with due diligence on the next level of drawings for this project, there is a proposed design change from penthouse level mechanicals to a stacked mechanical design for the new women and children's patient tower. The stacked mechanical design was driven by the short floor to floor dimensions that will match in the existing bed tower. The new tower design demonstrates a connection to the existing hospital building at levels 1, 2, and 3. As the project design developed it became apparent that there was not enough head height to allow the required duct sizes to travel vertically from the roof to floors 1, 2 and 3 and then branch out horizontally to distribute air flow in the most efficient manner. There is no additional cost with this design change.

Please contact me if the Review Board's Staff desires any additional information relating to this request for alteration.

Sincerely,
Barnes & Thornburg LLP



Daniel J. Lawler

Enclosures

cc: Mike Constantino, Lead Project Reviewer
Ms. Jedediah Cantrell, VP of Operations, SwedishAmerican Health System

SwedishAmerican Hospital Project #17-019: Alteration 04/02/2019
Project Costs and Sources of Funds

Approved Permit Amount #17-019

Alteration 04-02-2019

Uses of Funds	Clinical/Reviewable	Non-Clinical/Non-Reviewable	Total	Clinical/Reviewable	Non-Clinical/Non-Reviewable	Total
Preplanning Costs	\$ 75,000	\$ 15,000	\$ 90,000	\$ 287,210	\$ 228,077	\$ 515,287
Site Survey	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Site Preparation	\$ -	\$ -	\$ -	\$ -	\$ 5,440,000	\$ 5,440,000
Off-Site Work	\$ -	\$ -	\$ -	\$ -	\$ 1,058,000	\$ 1,058,000
New Construction Contracts	\$ 27,323,724	\$ 22,712,379	\$ 50,036,103	\$ 34,336,211	\$ 28,093,264	\$ 62,429,475
Modernization Contracts	\$ 24,171,499	\$ -	\$ 24,171,499	\$ 10,526,201	\$ 848,974	\$ 11,375,175
Contingencies	\$ 7,682,727	\$ 2,688,221	\$ 10,370,948	\$ 1,805,177	\$ 464,156	\$ 2,269,333
Architectural/Engineering Fees	\$ 4,837,013	\$ 1,097,191	\$ 5,934,203	\$ 4,837,013	\$ 1,097,191	\$ 5,934,203
Consulting and Other fees	\$ 250,000	\$ -	\$ 250,000	\$ 427,100	\$ 339,169	\$ 766,269
Movable and Other Equipment	\$ 20,965,367	\$ 5,047,077	\$ 26,012,444	\$ 20,770,857	\$ 6,559,218	\$ 27,330,075
Total	\$ 92,537,332	\$ 33,498,129	\$ 126,035,461	\$ 78,303,735	\$ 47,731,726	\$ 126,035,461
Bond Issue Expense	\$ 853,053	\$ 315,599	\$ 1,168,652	\$ 513,000	\$ 403,032	\$ 916,032
Net Interest Expense During Construction	\$ 6,378,949	\$ 1,622,663	\$ 8,001,612	\$ 4,800,967	\$ 3,200,645	\$ 8,001,612
Fair Mkt Value of Lease Space or Equip	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Costs to be Capitalized-Parking	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Acquisition of Building or Other property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Costs	\$ 92,537,332	\$ 33,498,129	\$ 126,035,461	\$ 78,303,735	\$ 47,731,726	\$ 126,035,461
Sources of Funds:						
Cash and Securities	\$ 5,378,949	\$ 1,622,663	\$ 7,001,612	\$ 8,315,964	\$ 2,674,927	\$ 10,990,890
Pledges	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gifts and Bequests	\$ 1,000,000	\$ -	\$ 1,000,000	\$ 1,000,000	\$ -	\$ 1,000,000
Bond Issues	\$ 86,158,383	\$ 31,875,466	\$ 118,033,849	\$ 68,987,772	\$ 45,056,799	\$ 114,044,571
Mortgages	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Leases (far market value)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Government Appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Fund Sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Funds	\$ 92,537,332	\$ 33,498,129	\$ 126,035,461	\$ 78,303,735	\$ 47,731,726	\$ 126,035,461

SwedishAmerican Hospital Project #17-019: Alteration 04/02/2019 Attachment 7

Itemization of Project Costs

Items	Cost	Line Item Total
Pre-Planning		
Space Programming	\$ 30,000	
Pre-Schematic Planning	\$ 485,287	\$ 515,287
Site		
Survey	\$ -	
Site Improvements	\$ 5,440,000	\$ 5,440,000
Off-Site Work	\$ 1,058,000	\$ 1,058,000
New Construction Contracts		
Women's & Childrens Pavilion	\$ 54,547,063	
Cath/EP IR Addition	\$ 7,882,412	\$ 62,429,475
Moderization Contracts		
Surgery Renovation	\$ 3,928,072	
Emergency Department Renovation	\$ 50,000	
Nursing Unit Renovations	\$ 7,397,103	\$ 11,375,175
Contingencies	\$ 2,269,333	\$ 2,269,333
Architect/Engineering Basic Services	\$ 5,934,203	
Specialty Consultant Services	\$ -	\$ 5,934,203
Consulting and Other Fees		
CON Consulting, Application and Legal Fees	\$ 766,269	\$ 766,269
Movable/Other Equipment		
Clinics 1st Floor	\$ 2,507,299	
Labor & Delivery/C-Section 2nd Floor	\$ 4,255,135	
NICU 3rd Floor	\$ 1,199,212	
Post Partum 4th Floor	\$ 3,259,546	
Cath/EP/IR Addition	\$ 5,786,001	\$ 27,330,075
Non-Reviewable Areas	\$ 6,559,217	\$ 117,117,817
Moderization Areas	\$ 3,763,665	
Bond Issuance Expense	\$ 916,032	\$ 916,032
Net Interest Expense	\$ 8,001,612	\$ 8,001,612
Other Costs To Be Capitalized	\$ 126,035,461	\$ 126,035,461

SwedishAmerican Hospital Project #17-019: Alteration 04/02/2019

Attachment 9

Project Cost Space Requirements		Project Cost w/ Interest & Bond Expense		Gross Square Feet		Amount of Proposed Total GSF that is:			
Department	Reviewable/Clinical	Existing	Proposed	Existing	Proposed	New Construction	Remodeled	As Is	Vacated Space
Pediatric Clinics		-	13,849	13,849	13,849	13,849		-	0
LDR		16,750	17,063	16,750	17,063	17,063		-	0
C-section		2,380	4,065	2,380	4,065	4,065		-	0
Post Partum		18,130	13,150	18,130	13,150	13,150		-	0
NICU/SCN		2,775	16,753	2,775	16,753	16,753		-	0
Pediatric Inpatient		10,250	10,250	10,250	10,250		9,135	1,115	0
Invasive Cath/Angiography		17,257	17,257	17,257	17,257	12,000		5,257	0
PACU		4,400	6,144	4,400	6,144		1,744	4,400	0
Surgery		26,647	36,959	26,647	36,959		12,859	24,100	0
Prep/Recovery		9,242	9,242	9,242	9,242			9,242	0
Central Sterile Processing		9,091	10,066	9,091	10,066		10,066	-	0
Emergency		24,220	24,220	24,220	24,220		17,175	7,045	0
Acute Mental Illness		25,748	26,328	25,748	26,328		17,627	8,701	0
Inpatient Medical/Surgical		54,390	70,735	54,390	70,735		16,345	54,390	0
Total Reviewable/Clinical		221,280	276,080	221,280	276,080	76,879	84,951	114,250	
Other Non-Reviewable*			52,576		52,576	52,576			
Total		221,280	328,656	221,280	328,656	129,455	84,951	114,250	

*Other Non Renewable includes building entrance, lobby, public circulation, conference center and mechanical & electrical space.

SwedishAmerican Hospital, Project #17-019: Alteration 04/02/2019

Size of Project

Department/Service	Number of Key Rooms	Proposed DGSF	Proposed DGSF /Room	State Guideline/Allowable	Key Difference/Room	Met Standard?
Pediatric Clinics	24	13,849	577	800	(223)	Yes
LDR	14	17,063	1,219	1120	(381)	Yes
C-Section	2	4,045	2,023	2075	(53)	Yes
Post-Partum	20	13,150	658	500	(3)	Yes
Pediatric Inpatient	10	9,135	914	500	254	No
Cath/Angiography	5	12,000	2,400	1800	600	No
Phase 1 Surgical PACU	7	1,744	249	180/station	69	No
Surgery	5	12,859	2,572	2750	(178)	Yes
Emergency	20	17,175	859	900/Treatment Station	(41)	Yes
Medical/Surgical	23	16,345	711	500	51	No
Acute Mental Illness	42	17,627	420	560	(140)	Yes
Newborn Nursery Level 2	14	9,739	696	434	128	No
NICU Level 3	10	7,055	706	434	138	No

Attachment 37

SwedishAmerican Hospital Project #17-019: Alteration 04/02/2019

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE

Department	A		B		C		D		E		F		G		H		Total Cost (G+H)
	Cost/Square Foot	New	Mod.	Gross Square Feet	New	Circ.	Gross Square Feet	Mod.	Gross Square Feet	Circ.	Const. \$ (AxC)	Mod. \$ (BxE)	Const. \$ (AxG)	Mod. \$ (BxE)	Total Cost (G+H)		
Pediatrics Clinic	407.74	13,849		40%													5,646,689
LDR	407.74	17,063		50%													6,957,064
C/Section	407.74	4,065		50%													1,657,463
NICU/SCN	407.74	16,753		50%													6,830,766
Post Partum	407.74	13,150		50%													5,361,781
Cath/EP/IR	656.87	12,000		50%													7,882,440
PACU		143.35					1,744		50%							250,000	250,000
OR		219.65					12,859		50%							2,824,437	2,824,437
Prep/Recovery							-		50%								-
Central Sterile Processing		84.80					10,066		30%							853,635	853,635
Emergency		2.91					17,175		50%							50,000	50,000
Acute Mental Illness		199.86					17,627		50%							3,522,933	3,522,933
Pediatric Inpatient		261.45					9,135		50%							2,388,358	2,388,358
Med/Surg Inpatient		38.96					16,345		50%							636,838	636,838
Other Non Reviewable	534.33												28,092,934			848,974	28,092,934
Subtotal													34,336,203			10,526,201	72,955,339
Contingency													1,805,177			464,156	2,269,333
Totals													64,734,315			11,839,331	76,073,646

Producer Price Index by Commodity

June 2016 – July 2018

Diesel Fuel
Lumber & Wood
Cold Rolled Steel
Hot Rolled Steel
Copper Wire & Cable
Alumina & Aluminum



Producer Price Index by Commodity for Fuels and Related Products and Power: No. 2 Diesel Fuel



U.S. Bureau of Labor Statistics, Producer Price Index by Commodity for Fuels and Related Products and Power: No. 2 Diesel Fuel [WPU05730302], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/WPU05730302>, January 15, 2019.



Ringland-Johnson

Producer Price Index by Commodity for Lumber and Wood Products: Softwood Lumber

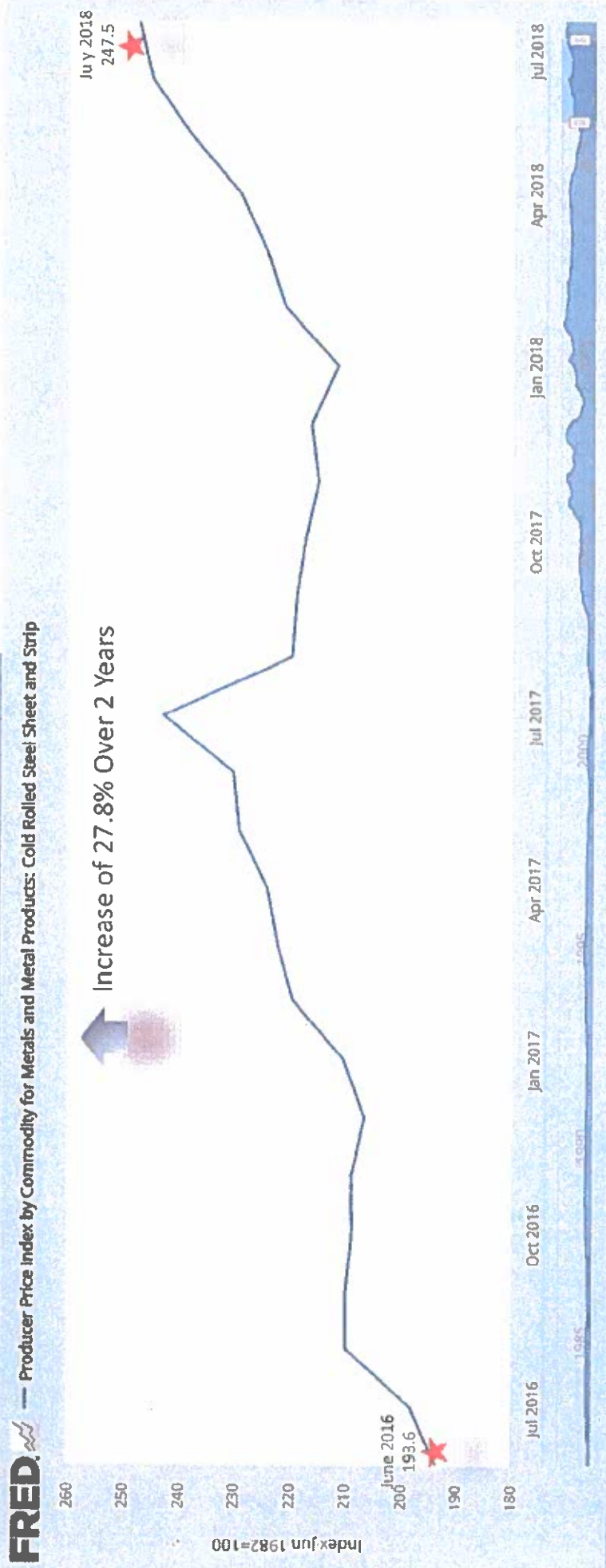


U.S. Bureau of Labor Statistics, Producer Price Index by Commodity for Lumber and Wood Products: Softwood Lumber [WPU0811], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/WPU0811>, January 15, 2019



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Producer Price Index by Commodity for Metals and Metal Products: Cold Rolled Steel Sheet and Strip



U.S. Bureau of Labor Statistics; Producer Price Index by Commodity for Metals and Metal Products: Cold Rolled Steel Sheet and Strip [WPU101707], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/WPU101707>, January 15, 2019.



Producer Price Index by Commodity for Metals and Metal Products: Hot Rolled Steel Sheet and Strip, Including Tin Mill Products

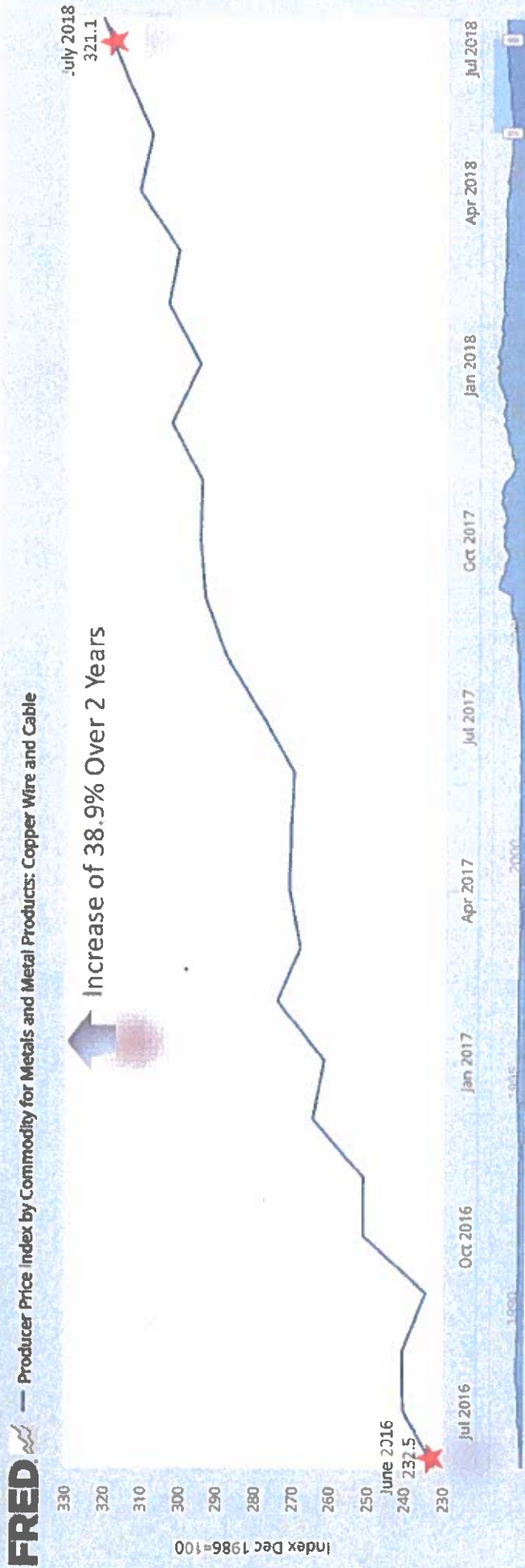


U.S. Bureau of Labor Statistics, Producer Price Index by Commodity for Metals and Metal Products: Hot Rolled Steel Sheet and Strip, Including Tin Mill Products [WPU10170301], retrieved from FRED, Federal Reserve Bank of St. Louis: <https://fred.stlouisfed.org/series/WPU10170301>, January 15, 2019.



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Producer Price Index by Commodity for Metals and Metal Products: Copper Wire and Cable



U.S. Bureau of Labor Statistics, Producer Price Index by Commodity for Metals and Metal Products: Copper Wire and Cable [WPU10260314], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/WPU10260314>, January 15, 2019.



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Producer Price Index by Industry: Alumina and Aluminum Production and Processing



U.S. Bureau of Labor Statistics, Producer Price Index by Industry: Alumina and Aluminum Production and Processing [PCU3313133131], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/PCU3313133131>, January 15, 2019.