



The Commonwealth of Massachusetts
Executive Office of Health and Human Services
Department of Public Health
Bureau of Health Care Safety and Quality
Determination of Need (DoN) Program
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MEMORANDUM

To: Commissioner Monica Bharel and Members of the Public Health Council

From: Darrell Villaruz, Interim Manager, Determination of Need Program

Through: Michael Sinacola, Interim Deputy Director, Bureau of Health Care Safety and Quality
Darrell Villaruz, Interim Manager, Determination of Need Program

Subject: Approved DoN Project No. 4-3C16
Steward Norwood Hospital
Request for approval of significant change to project scope and maximum capital expenditure

Date: June 8, 2016

I. Introduction

The purpose of this memorandum is to present for Public Health Council action a request by Steward Norwood Hospital (“Steward Norwood”, “Hospital”, or “Holder”) for a significant change to its approved but not fully implemented DoN Project No. 4-3C16. The Holder seeks to reduce the scope and maximum capital expenditure (“MCE”) of the project as previously approved and amended. The impact of the proposed amendment request is a decrease in project gross square footage from 89,013 to 55,880 gross square feet (“GSF”) and a corresponding reduction in MCE from \$28,671,818 (September 2013 dollars) to \$8,752,249 (February 2016 dollars).

The proposed significant change would eliminate all 33,133 GSF of previously approved new construction and would reduce the Hospital’s bed capacity from 156 to 121 beds.

II. Background

The scope of the project originally approved by the Public Health Council on February 13, 2013 encompassed the construction of 33,133 gross square feet (“GSF”) of new space for an additional floor on top of the Lorusso Building to accommodate the replacement of 35 existing

medical/surgical beds with new private rooms as well as an expansion of the lobby/admitting/registration area. The project also included renovation of 55,880 GSF of existing space for improvements to existing medical/surgical units. The approved MCE was \$24,266,999 (September 2012 dollars).

Subsequently, Steward Norwood determined that it was feasible to create additional single patient rooms through further decompression of existing medical/surgical patient rooms. On January 8, 2014, the Department approved the Hospital's request for a significant change involving creation of additional single patient rooms and a new nurse station on existing Unit 21 by increasing the scope of renovation of existing patient units. As amended, there was a reduction in licensed medical/surgical bed capacity from 169 to 156 beds but the total square footage of the project was unchanged. As amended, the MCE was increased from \$24,266,999 (September 2012 dollars) to \$28,671,818 (September 2013 dollars).

III. Staff Analysis

1. Health Care Impact

The significant change request by Steward Norwood results from a plan to reduce the inpatient capacity of the Hospital by 22% (35 beds) but retains the objective of the original DoN to increase the proportion of private medical/surgical patient rooms. The proposed configuration would locate 34% of 121 beds in single bed rooms rather than 50% of 156 beds in private rooms as previously approved.

2. Cost Impact

The requested MCE of \$8,752,249 (February 2016 dollars), represents a reduction of \$19,919,569, or 69.5%, from the previously approval of \$28,671,818 (September 2013 dollars). The requested MCE is itemized as follows:

	Renovation
<u>Land Costs:</u>	
Site Survey and Soil Investigation	\$0
Total Land Costs	\$0
<u>Construction Costs:</u>	
Construction Contract (Including bonding contract)	\$7,008,777
Fixed Equipment Not In Contract	\$397,703
Architectural Cost	\$452,234
Pre-Filing Planning & Development Costs	\$5,400
Post-Filing Planning and Development Costs	\$58,800
Other: Site preparation	\$289,335
Other: Project Management	\$240,000
Major Movable Equipment	\$0
<u>Total Construction Costs</u>	<u>\$8,452,249</u>

<u>Previous associated Costs to original project</u>	\$300,000
<u>Financing Costs:</u>	
Total Financing Costs	\$0
<u>Estimated Total MCE</u>	\$8,752,249

3. Square Footage

The associated reduction in scope of 33,133 GSF of new construction represents a decrease in the total project square footage of 37.2%.

4. Community Health Initiatives

With the decrease in MCE resulting from this proposed amendment, Steward Norwood has proposed a proportional reduction in its contribution in support of primary and preventive health services. The Hospital has agreed to provide a total of \$437,612, representing 5% of the amended maximum capital expenditure, in support of community health initiatives. The details of the proposed community health initiatives linked to this project are presented in Attachment 1.

IV. Staff Findings and Recommendation

Based upon the above analysis, Staff finds the following:

1. The request for a significant change has been filed pursuant to 105 CMR 100.756 of the Determination of Need regulation.
2. The scope and cost of the requested changes are reasonable and could not reasonably have been foreseen at the time of filing the original DoN application.
3. No comments from other parties were submitted objecting to this significant change request.

Based upon the foregoing analysis and findings, Staff recommends approval with conditions of the amendment to approved DoN Project No. 4-3C16 to significantly decrease the scope of the project. The conditions accompanying this recommendation of approval are as follows:

1. Steward Norwood Hospital shall accept the maximum capital expenditure of \$8,752,249 (February 2016 dollars) as the final cost figure except for those increases allowed pursuant to 105 CMR 100.751 and 100.752.
2. The approved square footage of this project shall be limited to the renovation of 55,880 GSF of existing space.
3. Steward Norwood Hospital shall provide a total of \$437,612 in support for community health initiatives in accordance with the terms presented in Attachment 1 which is

attached hereto. This condition may be amended by agreement of Steward Norwood Hospital and the Office of Healthy Communities.

4. All other conditions attached to the original approval of this project shall remain in effect.