



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516 FAX: (217) 785-4111

DOCKET ITEM NUMBER: D-01	BOARD MEETING: May 10, 2016	PERMIT NUMBER: #14-006
BUSINESS ITEM: Alteration to Permit (Second)		
APPLICANTS: Northwestern Lake Forest Hospital, Northwestern Memorial HealthCare		
REQUESTING ENTITY / LOCATION: Northwestern Lake Forest Hospital, Lake Forest, Illinois		

**State Board Staff Report
Alteration to Permit
#14-006**

I. Approved Project

The permit holders (Northwestern Memorial Healthcare and Northwestern Lake Forest Hospital) were approved on June 3, 2014 to construct a replacement hospital located at 600 North Westmoreland Road, in Lake Forest, Illinois. At that time Northwestern Lake Forest Hospital was approved for eighty four (84) medical/surgical beds, twelve (12) ICU beds, and eighteen (18) obstetrics beds and 84-long term care beds for a total of 198 beds. The approved permit amount was \$377,986,895. The anticipated completion date is December 31, 2018.

II. First Alteration

On April 21, 2015 the permit holders were approved to alter the permit (First Alteration) that increased the total square footage by 16,100 BGSF to 499,605 BGSF or 3.3% and increased the total project cost by \$12,420,481 to \$390,407,376 or 3.2% of the approved permit amount of \$377, 986,895. The square footage increase in the approved alteration was due to two factors:

1. Three inadequately sized non-clinical departments:
 - a. Materials Management
 - b. MEP Systems
 - c. Central Sterile Supply
2. Floor gross factor adjustment to include an additional lower level corridor and outside wall adjustments as a result of changing from steel to concrete structural system.

The increase in the project cost in the First Alteration was limited to the *Moveable or other Equipment* line item of the total project cost due to a change in Northwestern Memorial HealthCare's Capitalization policy.

The new capitalization policy clarifies that assets with individual cost below the \$5,000 threshold can be capitalized if they are:

- Part of a larger project with a total cost greater than or equal to \$5,000
- Part of a bulk purchase with a total aggregate cost greater than or equal to \$5,000
- Certain controlled or monitored equipment under \$5,000 may be capitalized (e.g., computers or biomedical engineering equipment)

The bulk purchase rule described above is what is causing the change in classification and increase in the capital cost. For example, in the previously approved project:

- The purchase of procedure carts and instrument tables was considered an expense item because they cost less than \$5,000 each. But under the new policy, they will now be considered a capital expenditure because of the bulk purchase.

- Similarly, the purchase of chairs for the employee cafeteria was considered an expense item because each chair cost less than \$5,000. But under the new policy, they will now be considered a capital expenditure.

III. Second Alteration

Northwestern Lake Forest Hospital is requesting a second alteration of permit #14-006 to increase the total project cost by \$7,165,282 to \$397,572,658. See Table One Below.

Reasons for the Second Alteration

According to the permit holders “*at the time of the first alteration request, the permit holder believed the project contingency could absorb the \$7.165 million cost associated with the 16,100 square footage increase. However, since April, 2015, the continued high rate of escalation in the Chicago Region coupled with an inordinate amount of unforeseen conditions has decreased the contingency, and budget forecasts are now showing that the project may have inadequate contingency to complete the project.*” The permit holders noted the following:

- **Chicago Construction Cost Escalation:**

The permit holders stated:

The State's cost/square footage standard includes an escalation factor of 3% per year to the mid-point of construction which is similar to the estimated factor included in the permit holders' approved construction costs. While the national average for escalation has been 2.8% - 3.0% since 2013, the escalation rate in the Chicago Region has been 4.5% - 4.8% annually over the same period. This is likely due to the two large-scale construction projects (totaling 6 million square feet) on the Chicago River that have been absorbing a significant amount of raw materials and trades in the area. According to the permit holders the permit has been impacted by this elevated escalation level since the start of construction in 2014.

- **Unsuitable Soils and Unforeseen Conditions Underground**

The soils were unsuitable for building and other unforeseen items buried in the ground. Additionally the installation of a tree and paver drainage system was required due to soils that were unsuitable for planting. The cost of these changes was in excess of \$1.1 million.

- **Design Changes Required by IDPH**

A boardwalk extension and addition of Won doors (*horizontal sliding fire doors*) in the public concourse are required by the Illinois Department of Public Health. The cost of these design changes is approximately \$300,000

IV. Summary of Changes

The permit holders are requesting to increase the approved permit amount from \$377,986,895 to \$397,572,658 or \$19,585,763. This is an increase in the total project cost of 5.2% from the originally approved total project cost which is under the allowable maximum increase of 7% of the total project cost per 77 III. Adm. Code Part 1130.750.

- a) All alterations shall be reported to HFSRB before any alteration is executed.
- b) 5) any increase in the cost of the project not to exceed 7% of the total project cost. This alteration may exceed the capital expenditure minimum in place when the permit was issued, provided that it does not exceed 7% of the total project cost.

TABLE ONE Summary of the First and Second Alteration							
	Approved Permit Amount	First Alteration	Difference	Second Alteration	Difference	Total First and Second Alteration	% Increase
Reviewable	\$226,058,006	\$238,478,487	\$12,420,481	\$245,643,769	\$7,165,282	\$19,585,763	8.66%
Non Reviewable	\$151,928,889	\$151,928,889	\$0.00	\$151,928,889	\$0.00	\$0.00	0.00%
Total	\$377,986,895	\$390,407,376	\$12,420,481	\$397,572,658	\$7,165,282	\$19,585,763	5.18%
Total GSF	483,505 GSF	499,605/GSF	16,100/GSF			16,100/GSF	3.3%

V. Findings

- A. The State Board Staff Finds the Proposed Alteration To Be In Conformance With Part 1110.
- B. The State Board Staff Finds the Proposed Alteration To Be In Conformance With Part 1120.

VI. Criterion 77 IAC 1110.140 (c) Reasonableness of Project Costs

Only one cost has been changed as a result of this alteration.

New Construction and Contingency Costs are \$109,553,357 or \$420.93 per GSF. This is an increase of \$1,493,516 from the first alteration amount or an increase of \$5.73/GSF. These costs appear reasonable when compared to the approved State Board Standard of \$506.21/GSF.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION REASONABLENESS OF PROJECT COSTS (77 IAC 1110.140 (c))

TABLE TWO							
Project Costs and Sources of Funds							
Northwestern Lake Forest Hospital							
Use of Funds	Approved Permit Amount			First		Second	
	Reviewable	Non Reviewable	Total	Alteration	Difference	Alteration	Difference
Site Survey and Soil Investigation	\$73,262	\$62,488	\$134,750	\$134,750	\$0	\$134,750	\$0
Site Preparation	\$5,869,936	\$5,150,064	\$11,020,000	\$11,020,000	\$0	\$11,020,000	\$0
Off Site Work	\$10,950,704	\$9,340,188	\$20,290,892	\$20,290,892	\$0	\$20,290,892	\$0
New Construction Contracts	\$108,058,944	\$84,900,902	\$192,959,845	\$192,959,845	\$0	\$200,125,127	\$7,165,282
Contingencies	\$10,805,894	\$8,490,090	\$19,295,985	\$19,295,985	\$0	\$19,295,985	\$0
Architectural/Engineering Fees	\$5,631,798	\$4,803,532	\$10,435,330	\$10,435,330	\$0	\$10,435,330	\$0
Consulting and Other Fees	\$7,863,956	\$6,707,408	\$14,571,364	\$14,571,364	\$0	\$14,571,364	\$0
Movable or Other Equipment (not in construction contracts)	\$45,646,812	\$6,399,732	\$52,046,544	\$64,467,025	\$12,420,481	\$64,467,025	\$0
Bond Issuance Expense (project related)	\$2,232,680	\$1,904,320	\$4,137,000	\$4,137,000	\$0	\$4,137,000	\$0
Net Interest Expense During Construction (project related)	\$8,192,429	\$6,987,571	\$15,180,000	\$15,180,000	\$0	\$15,180,000	\$0
Other Costs To Be Capitalized	\$20,731,590	\$17,182,595	\$37,914,185	\$37,914,185	\$0	\$37,914,185	\$0
Total Uses of Funds	\$226,058,006	\$151,928,889	\$377,986,895	\$390,406,376	\$12,420,481	\$397,571,658	\$7,165,282
Source of Funds	Reviewable	Non Reviewable	Total	Alteration	Difference	Alteration	Difference
Cash and Securities	\$18,613,888	\$12,510,007	\$31,123,895	\$43,544,376	\$12,420,481	\$50,709,658	\$7,165,282
Gifts and Bequests	\$44,854,334	\$30,145,666	\$75,000,000	\$75,000,000	\$0	\$75,000,000	\$0
Bond Issues (project related)	\$162,589,784	\$109,273,216	\$271,863,000	\$271,863,000	\$0	\$271,863,000	\$0
Total Sources of Funds	\$226,058,006	\$151,928,889	\$377,986,895	\$390,407,379	\$12,420,484	\$397,572,658	\$7,165,279

Permit #14-006 Northwestern Lake Forest Hospital



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<u>Ownership, Management and General Information</u>		<u>Patients by Race</u>		<u>Patients by Ethnicity</u>	
ADMINISTRATOR NAME:	Thomas J McAfee	White	82.6%	Hispanic or Latino:	9.5%
ADMINSTRATOR PHONE	847-535-6003	Black	7.9%	Not Hispanic or Latino:	89.7%
OWNERSHIP:	Northwestern Lake Forest Hospital	American Indian	0.1%	Unknown:	0.8%
OPERATOR:	Northwestern Lake Forest Hospital	Asian	2.8%		
MANAGEMENT:	Not for Profit Corporation (Not Church-R	Hawaiian/ Pacific	0.2%	IDPH Number:	5660
CERTIFICATION:	None	Unknown	6.5%	HPA	A-09
FACILITY DESIGNATION:	General Hospital			HSA	8
ADDRESS	660 North Westmoreland Road	CITY:	Lake Forest	COUNTY:	Lake County

<u>Facility Utilization Data by Category of Service</u>										
<u>Clinical Service</u>	<u>Authorized CON Beds 12/31/2014</u>	<u>Peak Beds Setup and Staffed</u>	<u>Peak Census</u>	<u>Admissions</u>	<u>Inpatient Days</u>	<u>Observation Days</u>	<u>Average Length of Stay</u>	<u>Average Daily Census</u>	<u>CON Occupancy Rate %</u>	<u>Staffed Bed Occupancy Rate %</u>
Medical/Surgical	84	84	84	4,554	16,867	4,437	4.7	58.4	69.5	69.5
0-14 Years				242	572					
15-44 Years				711	2,186					
45-64 Years				1,478	5,299					
65-74 Years				834	3,280					
75 Years +				1,289	5,530					
Pediatric	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Intensive Care	12	10	10	902	2,409	90	2.8	6.8	57.1	68.5
Direct Admission				783	1,940					
Transfers				119	469					
Obstetric/Gynecology	18	23	23	1,475	3,892	51	2.7	10.8	60.0	47.0
Maternity				1,475	3,892					
Clean Gynecology				0	0					
Neonatal	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Long Term Care	84	64	62	637	19,642	0	30.8	53.8	64.1	84.1
Swing Beds			0	0	0		0.0	0.0		
Acute Mental Illness	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Rehabilitation	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Long-Term Acute Care	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Dedicated Observation	0					0				
Facility Utilization	198			7,449	42,810	4,578	6.4	129.8	65.6	

(Includes ICU Direct Admissions Only)

<u>Inpatients and Outpatients Served by Payor Source</u>							
	<u>Medicare</u>	<u>Medicaid</u>	<u>Other Public</u>	<u>Private Insurance</u>	<u>Private Pay</u>	<u>Charity Care</u>	<u>Totals</u>
Inpatients	38.1%	6.0%	3.4%	48.4%	2.5%	1.7%	
	2835	444	251	3602	187	130	7,449
Outpatients	23.1%	10.2%	1.3%	59.4%	5.0%	1.1%	
	42526	18746	2411	109449	9246	2002	184,380

<u>Financial Year Reported:</u>	9/1/2013 to	8/31/2014	<u>Inpatient and Outpatient Net Revenue by Payor Source</u>					<u>Charity Care Expense</u>	<u>Total Charity Care Expense</u>
	<u>Medicare</u>	<u>Medicaid</u>	<u>Other Public</u>	<u>Private Insurance</u>	<u>Private Pay</u>	<u>Totals</u>			
Inpatient Revenue (\$)	35.6%	8.3%	1.6%	54.5%	0.0%	100.0%			
	27,931,640	6,527,610	1,248,286	42,800,789	0	78,508,325	2,832,383	9,434,000	
Outpatient Revenue (\$)	13.8%	1.9%	1.0%	76.4%	6.9%	100.0%			
	19,584,110	2,653,230	1,458,345	108,672,074	9,848,777	142,216,536	6,601,617	Total Charity Care as % of Net Revenue 4.3%	

<u>Birthing Data</u>			<u>Newborn Nursery Utilization</u>				<u>Organ Transplantation</u>	
Number of Total Births:	1,483		Level I	Level II	Level II+	Kidney:	0	
Number of Live Births:	1,462		Beds	23	0	Heart:	0	
Birthing Rooms:	0		Patient Days	2,971	1,063	Lung:	0	
Labor Rooms:	0		Total Newborn Patient Days		4,101	Heart/Lung:	0	
Delivery Rooms:	0					Pancreas:	0	
Labor-Delivery-Recovery Rooms:	8		<u>Laboratory Studies</u>				Liver:	0
Labor-Delivery-Recovery-Postpartum Rooms:	0		Inpatient Studies		185,071	Total:	0	
C-Section Rooms:	2		Outpatient Studies		224,639			
CSections Performed:	496		Studies Performed Under Contract		43,109			

Surgery and Operating Room Utilization

Surgical Specialty	Operating Rooms				Surgical Cases		Surgical Hours			Hours per Case	
	Inpatient	Outpatient	Combined	Total	Inpatient	Outpatient	Inpatient	Outpatient	Total Hours	Inpatient	Outpatient
Cardiovascular	0	0	0	0	4	12	8	29	37	2.0	2.4
Dermatology	0	0	0	0	0	0	0	0	0	0.0	0.0
General	0	0	8	8	294	990	665	1333	1998	2.3	1.3
Gastroenterology	0	0	0	0	0	0	0	0	0	0.0	0.0
Neurology	0	0	0	0	23	18	72	49	121	3.1	2.7
OB/Gynecology	0	0	0	0	140	876	436	1268	1704	3.1	1.4
Oral/Maxillofacial	0	0	0	0	10	13	44	29	73	4.4	2.2
Ophthalmology	0	0	0	0	0	434	0	340	340	0.0	0.8
Orthopedic	0	0	0	0	960	1006	2811	1994	4805	2.9	2.0
Otolaryngology	0	0	0	0	17	448	30	428	458	1.8	1.0
Plastic Surgery	0	0	0	0	18	361	52	1112	1164	2.9	3.1
Podiatry	0	0	0	0	18	154	31	209	240	1.7	1.4
Thoracic	0	0	0	0	0	0	0	0	0	0.0	0.0
Urology	0	0	0	0	101	454	232	638	870	2.3	1.4
Totals	0	0	8	8	1585	4766	4381	7429	11810	2.8	1.6

SURGICAL RECOVERY STATIONS

Stage 1 Recovery Stations

10

Stage 2 Recovery Stations

18

Dedicated and Non-Dedicated Procedure Room Utilization

Procedure Type	Procedure Rooms				Surgical Cases		Surgical Hours			Hours per Case	
	Inpatient	Outpatient	Combined	Total	Inpatient	Outpatient	Inpatient	Outpatient	Total Hours	Inpatient	Outpatient
Gastrointestinal	0	0	5	5	347	2502	351	2472	2823	1.0	1.0
Laser Eye Procedures	0	0	0	0	0	0	0	0	0	0.0	0.0
Pain Management	0	0	2	2	42	1305	35	779	814	0.8	0.6
Cystoscopy	0	0	0	0	0	0	0	0	0	0.0	0.0

Multipurpose Non-Dedicated Rooms

Minor Procedure	0	0	2	2	14	744	20	886	906	1.4	1.2
	0	0	0	0	0	0	0	0	0	0.0	0.0
	0	0	0	0	0	0	0	0	0	0.0	0.0

Emergency/Trauma Care

Certified Trauma Center	Yes
Level of Trauma Service	Level 1
Operating Rooms Dedicated for Trauma Care	0
Number of Trauma Visits:	5,031
Patients Admitted from Trauma	372
Emergency Service Type:	Comprehensive
Number of Emergency Room Stations	17
Persons Treated by Emergency Services:	21,854
Patients Admitted from Emergency:	3,249
Total ED Visits (Emergency+Trauma):	26,885

Free-Standing Emergency Center

Beds in Free-Standing Centers	14
Patient Visits in Free-Standing Centers	21,443
Hospital Admissions from Free-Standing Center	1,813

Outpatient Service Data

Total Outpatient Visits	237,959
Outpatient Visits at the Hospital/ Campus:	155,472
Outpatient Visits Offsite/off campus	82,487

Cardiac Catheterization Labs

Total Cath Labs (Dedicated+Nondedicated labs):	1
Cath Labs used for Angiography procedures	0
Dedicated Diagnostic Catheterization Lab	0
Dedicated Interventional Catheterization Labs	0
Dedicated EP Catheterization Labs	0

Cardiac Catheterization Utilization

Total Cardiac Cath Procedures:	598
Diagnostic Catheterizations (0-14)	0
Diagnostic Catheterizations (15+)	354
Interventional Catheterizations (0-14):	0
Interventional Catheterization (15+)	87
EP Catheterizations (15+)	157

Cardiac Surgery Data

Total Cardiac Surgery Cases:	0
Pediatric (0 - 14 Years):	0
Adult (15 Years and Older):	0
Coronary Artery Bypass Grafts (CABGs) performed of total Cardiac Cases :	0

Diagnostic/Interventional Equipment**Examinations****Therapeutic Equipment****Therapies/Treatments****Owned Contract****Inpatient****Outpt****Contract****Owned Contract**

General Radiography/Fluoroscopy	12	0	8,001	40,509	0	Lithotripsy	0	1	32
Nuclear Medicine	3	0	354	1,921	0	Linear Accelerator	2	0	7,307
Mammography	12	0	3	26,338	0	Image Guided Rad Therapy			2,607
Ultrasound	19	0	2,140	23,290	0	Intensity Modulated Rad Thrp			2,368
Angiography	2	0				High Dose Brachytherapy	0	0	0
Diagnostic Angiography			47	68	0	Proton Beam Therapy	0	0	0
Interventional Angiography			89	194	0	Gamma Knife	0	0	0
Positron Emission Tomography (PET)	1	0	6	491	0	Cyber knife	0	0	0
Computerized Axial Tomography (CAT)	8	0	3,265	18,732	0				
Magnetic Resonance Imaging	5	0	1,146	10,532	0				

RECEIVED

MAR 25 2016

**HEALTH FACILITIES &
SERVICES REVIEW BOARD**

March 24, 2016

Ms. Kathryn Olson
Chair
Illinois Health Facilities and Services Review Board
525 West Jefferson Street – 2nd Floor
Springfield, Illinois 62761

**RE: Request CON Permit Alteration
Replacement Facility Construction Permit
Project #14-006
Northwestern Lake Forest Hospital**

Dear Ms. Olson:

Attached are the following materials supporting NLFH's Alteration Request:

- CON Permit Alteration Request (2 copies)
- Alteration Fee – in the amount of \$1,000.00

If you have any questions/comments, please feel to contact me at (312) 926-8650.

Sincerely,



Bridget S. Orth
Director, Regulatory Planning

cc: Ron Powers, Director, Planning and Construction
Simon Jin, Project Accountant, Finance

enclosures

M Northwestern
Lake Forest Hospital
 NLFH -A/P
 541 N FAIRBANKS CT 16TH FL
 CHICAGO IL 60611

980962

Check Number	Amount Paid	Vendor Number
0000072766	\$1,000.00	0000005878

0000000082NLF032320160000072766 LF
 ILLINOIS DEPT OF PUBLIC HEALTH
 525 WEST JEFFERSON ST. 2ND FL.
 SPRINGFIELD IL 62761

Invoice Number	Invoice Date	Voucher	Gross Amount	Discount	Net Amount
14006	03/23/16	00224776	\$1,000.00	\$0.00	\$1,000.00

Please Detach Before Depositing Check

M Northwestern
Lake Forest Hospital
 541 N FAIRBANKS CT 16TH FL
 CHICAGO IL 60611

14-006

70-2382
 719

Northern Trust Co., Chicago, IL

Date	Check Number
03/24/16	0000072766
\$*****1,000.00*	

Pay: *** ONE THOUSAND DOLLARS AND 00/100 ***

Pay to the Order of: ILLINOIS DEPT OF PUBLIC HEALTH
 525 WEST JEFFERSON ST. 2ND FL.
 SPRINGFIELD IL 62761

John J. Dismore

 Authorized Signature



Security features included. Details on back.

**CON PERMIT ALTERATION REQUEST: PERMIT # 14-006
NORTHWESTERN LAKE FOREST HOSPITAL:
REPLACEMENT FACILITY CONSTRUCTION PERMIT**

Northwestern Lake Forest Hospital (NLFH) requests an alteration of its permit for the construction of its replacement facility in Lake Forest, CON #14-006 to increase the total project cost by \$7,165,282 to \$397,572,658. The requested new total project cost is a 5.2% increase over the originally approved total project cost which is under the allowable maximum increase of 7% of the total project cost per 77 Ill. Adm. Code Part 1130.750.

Background

The project was approved on June 3, 2014 in the amount of \$377,986,895. The project was obligated on January 16, 2015.

An alteration request was approved on April 21, 2015 that increased the total square footage by 16,097 BGSF to 499,605 BGSF and increased the total project cost by \$12,420,481 to \$390,407,376.

The square footage increase in the approved alteration was due to two factors:

1. Three inadequately sized non-clinical departments:
 - a. Materials Management
 - b. MEP Systems
 - c. Central Sterile Supply
2. Floor gross factor adjustment to include an additional lower level corridor and outside wall adjustments as a result of changing from steel to concrete structural system.

The increase in the project cost in the approved alteration was limited to the *Moveable or other Equipment* line item of the total project cost due to a change in Northwestern Memorial HealthCare's Capitalization policy. Additional funds were not requested as a result of the increase in square footage.

Rationale for the Current Alteration Request

At the time of the first alteration request, NLFH believed the project contingency could absorb the \$7.165 million cost associated with the 16,097 square footage increase. However, since April, 2015, the continued high rate of escalation in the Chicago Region coupled with an inordinate amount of unforeseen conditions has decreased the contingency, and budget forecasts are now showing that the project may have inadequate contingency to complete the project.

- Chicago Construction Cost Escalation:
The State's cost/square footage standard includes an escalation factor of 3% per year to the mid-point of construction which is similar to the estimated factor included in NLFH's approved construction costs. While the national average for

escalation has been 2.8% - 3.0% since 2013, the escalation rate in the Chicago Region has been 4.5% - 4.8% annually over the same period. This is likely due to the two large-scale construction projects (totaling 6 million square feet) on the Chicago River that have been absorbing a significant amount of raw materials and trades in the area. The NLFH project has been impacted by this elevated escalation level since the start of construction in 2014.

Cost Data/Assumption	Escalation 2014	Escalation 2015
Rider Levett Bucknall (RLB) ⁽¹⁾ Chicago Construction Cost Index	4.46%	4.85%
Escalation Assumption included in CON Budget	3.00%	3.00%
Δ in Escalation Factors	1.46%	1.85%

The higher, unanticipated escalation rate translates to approximately \$7 million over the last two years.

	A	B	C	D
Category	CON Approved Budget	Unanticipated Escalation 2014 (1.46%)	Unanticipated Escalation 2015 (1.85%)	Cumulative Escalation Δ (C - A)
New Construction Contracts	\$ 192,959,845	\$ 195,777,059	\$ 199,398,934	\$ 6,439,089
Construction Contingency	\$ 19,295,985	\$ 19,577,706	\$ 19,939,894	\$ 643,909
Total Construction	\$ 212,255,830	\$ 215,354,765	\$ 219,338,828	\$ 7,082,998

Additional unexpected costs to the project impacted the budget forecasts:

- **Unsuitable Soils and Unforeseen Conditions Underground:**
Corrective action was taken that was required for soils that were unsuitable for building and other unforeseen items buried in the ground. Also, the installation of a tree and paver drainage system was required due to soils that were unsuitable for planting. The cost of these actions was in excess of \$1.1 million.
- **Design Changes Required by IDPH:**
A boardwalk extension and addition of Won doors in the public concourse are required by IDPH. The cost of these design changes is approximately \$300,000.

Northwestern Medicine has a proven history of delivering projects on-time and on-budget. Based on our extensive experience with major construction projects in the last decade, we know how important it is to maintain an adequate contingency. Inadequate contingency levels may lead to short-sighted decisions that could affect care delivery for years to come.

(1) Source: RLB Booklet (National Index), based on the cost index published by *Engineering News-Record*

Calculation of Requested Alteration Amount

An increase of the CON total project cost of \$7,165,282 is consistent with the departmental cost/sf amounts that were approved as part of the original CON application applied to the 16,097 square foot increase approved in the first alteration. The original State Board Staff Report from June 3, 2014 found both the New Construction and Contingency Costs to be reasonable when compared to the State Standard.

	Original CON			Alteration 1	Proposed Alteration 2	
	Construction Cost/SF	BGSF	Construction Cost	BGSF	Construction Cost	Difference
	A	B	C (A x B)	D	E (A x D)	F (E - C)
CLINICAL						
Medical/Surgical	\$ 377.53	68,183	\$ 25,741,114	69,129	\$ 26,098,411	\$ 357,296
ICU	\$ 431.13	11,411	\$ 4,919,468	11,570	\$ 4,988,146	\$ 68,679
Obstetrics	\$ 391.36	18,776	\$ 7,348,213	19,035	\$ 7,449,497	\$ 101,283
Birthplace	\$ 501.22	14,077	\$ 7,055,670	14,274	\$ 7,154,411	\$ 98,740
Special Care Nursery	\$ 474.03	4,172	\$ 1,977,700	4,230	\$ 2,005,147	\$ 27,446
Clinical Decision Unit	\$ 369.86	4,763	\$ 1,761,479	4,828	\$ 1,785,706	\$ 24,226
Emergency Department	\$ 398.43	15,158	\$ 6,039,588	15,367	\$ 6,122,741	\$ 83,153
Interventional Procedures	\$ 461.75	41,568	\$ 19,194,157	42,141	\$ 19,458,554	\$ 264,397
Prep and Recovery	\$ 516.94	21,608	\$ 11,170,213	21,906	\$ 11,324,159	\$ 153,946
Diagnostic Imaging - IP/OP/ED	\$ 420.22	18,326	\$ 7,700,832	18,578	\$ 7,806,769	\$ 105,936
Outpatient Services	\$ 349.71	3,091	\$ 1,080,994	3,134	\$ 1,095,996	\$ 15,003
IP Rehabilitative Services	\$ 308.33	489	\$ 150,776	496	\$ 152,934	\$ 2,158
Cancer Center	\$ 444.20	13,144	\$ 5,838,605	13,325	\$ 5,919,006	\$ 80,401
Imaging - Women's Health	\$ 442.29	8,486	\$ 3,753,474	8,603	\$ 3,805,045	\$ 51,571
Cardiac Pulmonary Rehab	\$ 314.42	6,631	\$ 2,084,992	6,723	\$ 2,113,856	\$ 28,864
Non-Invasive Cardiac Diag.	\$ 314.43	3,578	\$ 1,125,139	3,628	\$ 1,140,766	\$ 15,627
Wound Care	\$ 350.47	2,679	\$ 938,942	2,716	\$ 951,875	\$ 12,932
Neurology	\$ 309.33	574	\$ 177,587	583	\$ 180,340	\$ 2,753
Clinical Subtotal =	\$ 420.93	256,715	\$ 108,058,944	260,266	\$ 109,553,357	\$ 1,494,413
NON-CLINICAL						
Physician Office Space	\$ 310.42	73,171	\$ 22,713,876	74,186	\$ 23,028,860	\$ 314,984
Pharmacy	\$ 561.69	3,043	\$ 1,709,453	3,082	\$ 1,731,134	\$ 21,681
Laboratory	\$ 505.81	6,329	\$ 3,201,255	6,409	\$ 3,241,719	\$ 40,465
Engineering	\$ 308.50	3,058	\$ 943,441	3,097	\$ 955,411	\$ 11,970
Central Sterile Supply	\$ 563.46	5,621	\$ 3,167,398	10,459	\$ 5,893,266	\$ 2,725,868
Materials Management/Dock	\$ 342.49	4,651	\$ 1,593,065	8,299	\$ 2,842,337	\$ 1,249,272
Environmental Services	\$ 339.03	2,985	\$ 1,012,026	3,024	\$ 1,025,214	\$ 13,188
Central Distribution	\$ 287.56	1,010	\$ 290,434	1,023	\$ 294,173	\$ 3,738
Administration	\$ 309.25	29,287	\$ 9,056,847	29,692	\$ 9,182,122	\$ 125,275
Conference Center	\$ 436.20	9,134	\$ 3,984,175	9,260	\$ 4,039,179	\$ 55,004
Conference / Education	\$ 405.26	3,477	\$ 1,408,880	3,525	\$ 1,428,535	\$ 19,655
Dietary	\$ 465.20	15,268	\$ 7,102,610	15,462	\$ 7,192,858	\$ 90,248
Biomedical Support	\$ 375.64	1,323	\$ 497,012	1,340	\$ 503,361	\$ 6,348
Public/Lobby	\$ 442.73	9,203	\$ 4,074,420	9,330	\$ 4,130,647	\$ 56,226
Retail	\$ 314.49	3,528	\$ 1,109,459	3,576	\$ 1,124,617	\$ 15,158
Staff Lockers/Lounges	\$ 345.83	3,718	\$ 1,285,710	3,770	\$ 1,303,762	\$ 18,052
Reception/Waiting/Public Toilets	\$ 335.47	17,561	\$ 5,891,181	17,804	\$ 5,972,666	\$ 81,485
MEP Systems	\$ 547.07	22,583	\$ 12,354,417	24,000	\$ 13,129,611	\$ 775,194
Chapel	\$ 294.37	1,141	\$ 335,881	1,157	\$ 340,591	\$ 4,710
On-Call Center	\$ 246.62	4,516	\$ 1,113,768	4,577	\$ 1,128,762	\$ 14,994
Storage	\$ 284.62	318	\$ 90,624	322	\$ 91,648	\$ 1,025
Ambulance Garage	\$ 334.95	5,866	\$ 1,964,970	5,945	\$ 1,991,297	\$ 26,327
Non-Clinical Subtotal =	\$ 374.35	226,793	\$ 84,900,902	239,339	\$ 90,571,770	\$ 5,670,868
GRAND TOTAL =	\$ 399.08	483,508	\$ 192,959,845	499,605	\$ 200,125,127	\$ 7,165,282

Project Status

The project was approved on June 3, 2014.

Construction activities began September 2014 and the project was obligated on January 16, 2015.

Site and civil work is 79% complete with all major storm, sanitary, and water infrastructure installed. Road and parking lots are 57% complete with main circulatory roads paved and two of the three parking lots substantially complete. The concrete structure is complete for the entire building including foundation wall waterproofing, drain tile, and backfill. Three of the five landscaping phases are substantially complete around the peripheral of the project.

The building envelope is 63% complete overall. Pre-cast panels are substantially complete with only trim pieces on the canopies remaining. Both curtain wall and ribbon window installations are on-going and are approximately 71% complete. Roofing material is on-site and is 3% complete on the southern-most pavilion only.

Interior fit-out is progressing with framing 68% complete for the entire building. Door frames are on-site and approximately 57% installed. Mechanical, electrical, and plumbing systems are being installed throughout the building with wall rough-in tracking 38% complete and above-ceiling installation at 42% complete. All rooftop and air handling units have been received and are assembled in place.

Project Budget

Through the end of February, 2016, approximately \$145,301,971 has been expended of the \$390,407,376 allocated for the project. This represents approximately 37.2% of the budget. The project has been funded entirely with cash and securities to date.

NLFH believes that we have encountered all of the major unknowns at this point in the project and we are confident that the approval of the additional funds requested will be sufficient to ensure the integrity of the project and a successful execution and activation of this replacement hospital that will improve access and care for the residents of Lake County and surrounding areas.

Project Costs and Sources of Funds

The table below provides an update to Project Costs and Sources of Funds – CON Application page 6.

PROJECT COSTS AND SOURCES OF FUNDS			
	Approved Project	Proposed Alteration	\$ Difference
Preplanning Costs	\$ -	\$ -	No Change
Site Survey and Soil Investigation	\$ 134,750	\$ 134,750	No Change
Site Preparation	\$ 11,020,000	\$ 11,020,000	No Change
Off Site Work	\$ 20,290,892	\$ 20,290,892	No Change
New Construction Contracts	\$ 192,959,845	\$200,125,127	\$ 7,165,282
Modernization Contracts	\$ -	\$ -	No Change
Contingencies	\$ 19,295,985	\$ 19,295,985	No Change
Architectural/Engineering Fees	\$ 10,435,330	\$ 10,435,330	No Change
Consulting & Other Fees	\$ 14,571,364	\$ 14,571,364	No Change
Movable or Other Equipment	\$ 64,467,025	\$ 64,467,025	No Change
Bond Issuance Expense (project related)	\$ 4,137,000	\$ 4,137,000	No Change
Net Interest Expense During Construction (project related)	\$ 15,180,000	\$ 15,180,000	No Change
Fair Market Value of Leased Space or Equipment	\$ -	\$ -	No Change
Other Costs To Be Capitalized	\$ 37,914,185	\$ 37,914,185	No Change
Acquisition of Building or Other Property (excluding land)	\$ -	\$ -	No Change
ESTIMATED TOTAL PROJECT COST	\$390,407,376	\$397,572,658	\$ 7,165,282
Cash and Securities	\$ 43,544,376	\$ 50,709,658	\$ 7,165,282
Pledges	\$ -	\$ -	No Change
Gifts and Bequests	\$ 75,000,000	\$ 75,000,000	No Change
Bond Issues (project related)	\$ 271,863,000	\$271,863,000	No Change
Leases	\$ -	\$ -	No Change
Governmental Appropriations	\$ -	\$ -	No Change
Grants	\$ -	\$ -	No Change
Other Funds and Sources	\$ -	\$ -	No Change
TOTAL FUNDS	\$390,407,376	\$397,572,658	\$ 7,165,282

Cost Space Requirements – ATTACHMENT-9

The table on the following page provides an update to the Cost Space Requirements table (ATTACHMENT-9), found on page 52R of NLFH's modified CON application.

Department	Approved Cost	Proposed Cost	Approved DGSF	Floor Gross Factor	Proposed BGSF
CLINICAL					
Medical/Surgical	\$ 25,741,114	\$ 26,098,411	55,650	1.242	69,129
ICU	\$ 4,919,468	\$ 4,988,146	9,381	1.233	11,570
Obstetrics	\$ 7,348,213	\$ 7,449,497	15,244	1.249	19,035
Birthplace	\$ 7,055,670	\$ 7,154,411	11,573	1.233	14,274
Special Care Nursery	\$ 1,977,700	\$ 2,005,147	3,430	1.233	4,230
Clinical Decision Unit	\$ 1,761,479	\$ 1,785,706	3,861	1.250	4,828
Emergency Department	\$ 6,039,588	\$ 6,122,741	12,289	1.250	15,367
Interventional Procedures (Surgery, Cardiac Cath, IR)	\$ 19,194,157	\$ 19,458,554	33,700	1.250	42,141
Prep and Recovery	\$ 11,170,213	\$ 11,324,159	17,518	1.250	21,906
Diagnostic Imaging - IP/OP/ED	\$ 7,700,832	\$ 7,806,769	14,857	1.250	18,578
Outpatient Services	\$ 1,080,994	\$ 1,095,996	2,506	1.251	3,134
IP Rehabilitative Services	\$ 150,776	\$ 152,934	397	1.249	496
Cancer Center	\$ 5,838,605	\$ 5,919,006	10,656	1.250	13,325
Imaging - Women's Health	\$ 3,753,474	\$ 3,805,045	6,880	1.250	8,603
Cardiac Pulmonary Rehabilitation	\$ 2,084,992	\$ 2,113,856	5,376	1.251	6,723
Non-Invasive Cardio Diagnostics	\$ 1,125,139	\$ 1,140,766	2,901	1.251	3,628
Wound Care	\$ 938,942	\$ 951,875	2,172	1.250	2,716
Neurology	\$ 177,587	\$ 180,340	472	1.235	583
Clinical Subtotal =	\$108,058,944	\$109,553,357	208,863	1.246	260,266
NON-CLINICAL					
Physician Office Space	\$ 22,713,876	\$ 23,028,860	59,701	1.243	74,186
Pharmacy	\$ 1,709,453	\$ 1,731,134	2,275	1.355	3,082
Laboratory	\$ 3,201,255	\$ 3,241,719	4,731	1.355	6,409
Engineering	\$ 943,441	\$ 955,411	2,286	1.355	3,097
Central Sterile Processing	\$ 3,167,398	\$ 5,893,266	7,651	1.367	10,459
Materials Management/Loading Dock	\$ 1,593,065	\$ 2,842,337	6,071	1.367	8,299
Environmental Services	\$ 1,012,026	\$ 1,025,214	2,263	1.336	3,024
Central Distribution	\$ 290,434	\$ 294,173	755	1.355	1,023
Administration	\$ 9,056,847	\$ 9,182,122	23,833	1.246	29,692
Conference Center	\$ 3,984,175	\$ 4,039,179	7,405	1.251	9,260
Conference / Education space	\$ 1,408,880	\$ 1,428,535	2,835	1.243	3,525
Dietary	\$ 7,102,610	\$ 7,192,858	11,413	1.355	15,462
Biomedical Support	\$ 497,012	\$ 503,361	989	1.355	1,340
Public/Lobby	\$ 4,074,420	\$ 4,130,647	7,461	1.251	9,330
Retail	\$ 1,109,459	\$ 1,124,617	2,860	1.250	3,576
Staff Lockers/Lounges	\$ 1,285,710	\$ 1,303,762	3,042	1.239	3,770
Reception/Waiting/Public Toilets	\$ 5,891,181	\$ 5,972,666	14,293	1.246	17,804
MEP Systems	\$ 12,354,417	\$ 13,129,611	17,557	1.367	24,000
Chapel	\$ 335,881	\$ 340,591	925	1.251	1,157
On-Call Center	\$ 1,113,768	\$ 1,128,762	3,556	1.287	4,577
Storage	\$ 90,624	\$ 91,648	238	1.353	322
Ambulance Garage	\$ 1,964,970	\$ 1,991,297	4,756	1.233	5,945
Non-Clinical Subtotal =	\$ 84,900,902	\$ 90,571,770	186,896	1.281	239,339
TOTAL =	\$192,959,845	\$200,125,127	395,759	1.262	499,605
OTHER					
Preplanning Costs					
Site Survey & Soil Investigation Fees	\$ 135,750				
Site Preparation	\$ 11,020,000				
Off-Site Work	\$ 20,290,892				
Contingencies	\$ 19,295,985				
A/E Fees	\$ 10,435,330				
Consulting & Other Fees	\$ 14,571,364				
Movable or other Equipment	\$ 64,467,025				
Bond Issuance Expense	\$ 4,137,000				
Net Interest Expense During Construction	\$ 15,180,000				
Other Costs To Be Capitalized	\$ 37,914,185				
Other Subtotal =	\$197,447,531				
GRAND TOTAL =	\$397,572,658				

Reasonableness of Project and Related Costs – ATTACHMENT-39

The table below provides an update to the Reasonableness of Project and Related Costs table (ATTACHMENT-39), found on page 187R of NLFH's modified CON application.

C. Reasonableness of Project and Related Costs							
	Original CON			Alteration 1			Proposed Alteration
	Construction Cost/SF	BGSF	Construction Cost	Construction Cost/SF	BGSF	Construction Cost	Construction Cost
	A	B	(A x B)	D	E	(D x E)	(A x E)
CLINICAL							
Medical/Surgical	\$ 377.53	68,183	\$ 25,741,114	\$ 372.36	69,129	\$ 25,741,114	\$ 26,098,411
ICU	\$ 431.13	11,411	\$ 4,919,468	\$ 425.19	11,570	\$ 4,919,468	\$ 4,988,146
Obstetrics	\$ 391.36	18,776	\$ 7,348,213	\$ 386.04	19,035	\$ 7,348,213	\$ 7,449,497
Birthplace	\$ 501.22	14,077	\$ 7,055,670	\$ 494.30	14,274	\$ 7,055,670	\$ 7,154,411
Special Care Nursery	\$ 474.03	4,172	\$ 1,977,700	\$ 467.54	4,230	\$ 1,977,700	\$ 2,005,147
Clinical Decision Unit	\$ 369.86	4,763	\$ 1,761,479	\$ 364.85	4,828	\$ 1,761,479	\$ 1,785,706
Emergency Department	\$ 398.43	15,158	\$ 6,039,588	\$ 393.02	15,367	\$ 6,039,588	\$ 6,122,741
Interventional Procedures	\$ 461.75	41,568	\$ 19,194,157	\$ 455.47	42,141	\$ 19,194,157	\$ 19,458,554
Prep and Recovery	\$ 516.94	21,608	\$ 11,170,213	\$ 509.92	21,906	\$ 11,170,213	\$ 11,324,159
Diagnostic Imaging - IP/OP/ED	\$ 420.22	18,326	\$ 7,700,832	\$ 414.51	18,578	\$ 7,700,832	\$ 7,806,769
Outpatient Services	\$ 349.71	3,091	\$ 1,080,994	\$ 344.92	3,134	\$ 1,080,994	\$ 1,095,996
IP Rehabilitative Services	\$ 308.33	489	\$ 150,776	\$ 303.98	496	\$ 150,776	\$ 152,934
Cancer Center	\$ 444.20	13,144	\$ 5,838,605	\$ 438.17	13,325	\$ 5,838,605	\$ 5,919,006
Imaging - Women's Health	\$ 442.29	8,486	\$ 3,753,474	\$ 436.30	8,603	\$ 3,753,474	\$ 3,805,045
Cardiac Pulmonary Rehab	\$ 314.42	6,631	\$ 2,084,992	\$ 310.13	6,723	\$ 2,084,992	\$ 2,113,856
Non-Invasive Cardiac Diag.	\$ 314.43	3,578	\$ 1,125,139	\$ 310.13	3,628	\$ 1,125,139	\$ 1,140,766
Wound Care	\$ 350.47	2,679	\$ 938,942	\$ 345.71	2,716	\$ 938,942	\$ 951,875
Neurology	\$ 309.33	574	\$ 177,587	\$ 304.61	583	\$ 177,587	\$ 180,340
Clinical Subtotal =	\$ 420.93	256,715	\$ 108,058,944	\$ 415.19	260,266	\$ 108,058,944	\$ 109,553,357
NON-CLINICAL							
Physician Office Space	\$ 310.42	73,171	\$ 22,713,876	\$ 306.17	74,186	\$ 22,713,876	\$ 23,028,860
Pharmacy	\$ 561.69	3,043	\$ 1,709,453	\$ 554.66	3,082	\$ 1,709,453	\$ 1,731,134
Laboratory	\$ 505.81	6,329	\$ 3,201,255	\$ 499.49	6,409	\$ 3,201,255	\$ 3,241,719
Engineering	\$ 308.50	3,058	\$ 943,441	\$ 304.63	3,097	\$ 943,441	\$ 955,411
Central Sterile Supply	\$ 563.46	5,621	\$ 3,167,398	\$ 302.84	10,459	\$ 3,167,398	\$ 5,893,266
Materials Management/Dock	\$ 342.49	4,651	\$ 1,593,065	\$ 191.96	8,299	\$ 1,593,065	\$ 2,842,337
Environmental Services	\$ 339.03	2,985	\$ 1,012,026	\$ 334.66	3,024	\$ 1,012,026	\$ 1,025,214
Central Distribution	\$ 287.56	1,010	\$ 290,434	\$ 283.90	1,023	\$ 290,434	\$ 294,173
Administration	\$ 309.25	29,287	\$ 9,056,847	\$ 305.03	29,692	\$ 9,056,847	\$ 9,182,122
Conference Center	\$ 436.20	9,134	\$ 3,984,175	\$ 430.26	9,260	\$ 3,984,175	\$ 4,039,179
Conference / Education	\$ 405.26	3,477	\$ 1,408,880	\$ 399.68	3,525	\$ 1,408,880	\$ 1,428,535
Dietary	\$ 465.20	15,268	\$ 7,102,610	\$ 459.36	15,462	\$ 7,102,610	\$ 7,192,858
Biomedical Support	\$ 375.64	1,323	\$ 497,012	\$ 370.90	1,340	\$ 497,012	\$ 503,361
Public/Lobby	\$ 442.73	9,203	\$ 4,074,420	\$ 436.70	9,330	\$ 4,074,420	\$ 4,130,647
Retail	\$ 314.49	3,528	\$ 1,109,459	\$ 310.25	3,576	\$ 1,109,459	\$ 1,124,617
Staff Lockers/Lounges	\$ 345.83	3,718	\$ 1,285,710	\$ 341.04	3,770	\$ 1,285,710	\$ 1,303,762
Reception/Waiting/Public Toilets	\$ 335.47	17,561	\$ 5,891,181	\$ 330.89	17,804	\$ 5,891,181	\$ 5,972,666
MEP Systems	\$ 547.07	22,583	\$ 12,354,417	\$ 514.77	24,000	\$ 12,354,417	\$ 13,129,611
Chapel	\$ 294.37	1,141	\$ 335,881	\$ 290.30	1,157	\$ 335,881	\$ 340,591
On-Call Center	\$ 246.62	4,516	\$ 1,113,768	\$ 243.34	4,577	\$ 1,113,768	\$ 1,128,762
Storage	\$ 284.62	318	\$ 90,624	\$ 281.44	322	\$ 90,624	\$ 91,648
Ambulance Garage	\$ 334.95	5,866	\$ 1,964,970	\$ 330.52	5,945	\$ 1,964,970	\$ 1,991,297
Non-Clinical Subtotal =	\$ 374.35	226,793	\$ 84,900,902	\$ 374.35	239,339	\$ 84,900,902	\$ 90,571,770
GRAND TOTAL =	\$ 399.08	483,508	\$ 192,959,845	\$ 399.08	499,605	\$ 192,959,845	\$ 200,125,127