

Bartlett Regional Hospital

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July 19, 2024

Emily Ricci
State of Alaska Department of Health
Office of the Commissioner
3601 C Street, Suite 902
Anchorage, Alaska 99503

Ms. Ricci,

This is in response to your letter dated July 17, 2024, requesting supplemental information regarding Bartlett Regional Hospital's (BRH) CON application for our planned Emergency Department Expansion and Renovation Project (EDERP).

- 1. Please clarify and inform DOH of any revised EDERP budget total and what, if any, necessary steps are being undertaken and considered at this time regarding the implementation of its project plan.**

BRH has worked closely with the City and Borough of Juneau's (CBJ) Engineering Department and our contracted design team, Architects of Alaska, to maintain updated cost estimates for this project throughout the design development process. At the time the CON application was submitted, the design was still in the conceptual stages, and we anticipated a total project cost of \$10,545,000. Upon completion of the 35% design documents, Architects of Alaska was charged with updating the project cost estimate to inform BRH decision makers, as well as to prepare for the solicitation of a Construction Management At-Risk (CMAR) contractor. The new cost estimate increased the total anticipated project cost to \$12,325,000. An update to the CON application "Section VIII B. Financial Data – Construction Only" is enclosed with this letter to highlight differences in anticipated costs between when the original CON application was submitted to after the 35% design was completed.

- 2. Of concern, at this juncture, and as it pertains to the EDERP status specifically, is the current estimated cost of the project and the necessary capital to fund it.**

When the BRH Board of Directors directed hospital administration to pursue this project in the spring of 2023, direction was also provided to pursue outside funding sources to mitigate the impact to BRH capital. Hospital administration pursued three distinct external funding sources to supplement BRH capital to fund this project. First, BRH worked with Senator Murkowski's office and applied to receive \$4 million in Congressionally Directed Spending. In April of 2024, BRH was notified of the successful award of \$4 million to support the EDERP project. Secondly, BRH work CBJ to request \$2 million in funding through their FY25 Legislative Capital Priorities process. We were informed on June 19, 2024, that our request was not selected for funding. Lastly, BRH submitted an application in April 2024 to the Denali

Commission for \$2 million in funding for the EDERP project. BRH anticipates award decisions from Denali Commission within the first two weeks of August.

Hospital administration and the Board of Directors has been updated regularly on EDERP project progress, including updates to the anticipated project costs. At this juncture, the Board of Directors is expected to formally request a CBJ supplemental appropriation to make use of Bartlett fund reserves in the amount of \$8.9 million to cover the remaining costs of this project which have yet to be appropriated. Although we have been awarded \$4 million in CDS funding and anticipate \$2 million in additional project funding from Denali Commission, those funds are not yet available to BRH. Appropriating BRH fund reserves will allow BRH and CBJ to take the next step in the EDERP project, which is to hire the CMAR contractor. The funding of this project has already been taken into consideration regarding BRH's ongoing financial sustainability efforts, and the use of BRH reserve funding is supported by BRH Board of Directors and administration.

3. Please also include in your response any other current and relevant EDERP project status updates.

BRH utilizes CBJ resources for its engineering, project management, and project procurement needs. In May, 2024, BRH and CBJ completed the first of two phases of the CMAR selection process. This involved interested contractor responses to a Statement of Qualification (SOQ) solicitation. The second phase of this process will result in the award of a CMAR contract. Due to State of Alaska funding limitations that would prevent expenditures beyond \$1.5 million prior to the receipt of an approved CON, and because BRH has yet to receive the funds associated with its external funding requests, CBJ Engineering has suggested that BRH place the second phase on hold. As mentioned, BRH is in the process of appropriating the additional capital required to fully fund this project, with the plan to move this project forward along the timeline proposed in the CON application. To be clear, all interested parties are fully supportive of this project moving forward and are acting to do so.

Thank you for your thorough review of BRH's CON application. If any additional information is needed to make a final determination, please feel free to contact me at (907) 796-8678 or nlrumsey@bartletthospital.org if you wish to discuss the matter further.

Regards,



Nate Rumsey
Executive Director
Business Development and Strategy
Bartlett Regional Hospital

Enclosure (1) – Updated Section VIII B. Financial Data – Construction Only Worksheet

Section VIII.B. Financial Data – Construction Only

1. Construction Method (Please check)

- a. Conventional bid Contract management Design and build
 b. Phased Single project Fast Track

2. Construction Cost (New Activity)

(Omit cents)

a. Site acquisition (Section VIII.A.2.f)	\$
b. Estimated general construction**	\$8,920,000
c. Fixed equipment, not included in a**	\$
d. Total construction costs (sum of items a, b, and c)**	\$8,920,000
e. Major movable equipment**	\$1,000,000
f. Other cost:**	
(1) Administration expense	\$545,000
(2) Site survey, soils investigation, and materials testing	\$30,000
(3) Architects and engineering fees	\$780,000
(4) Other consultation fees (preparation of application included)	\$975,000
(5) Legal fees	\$
(6) Land development and landscaping	\$
(7) Building permits and utility assessments (including water, sewer, electrical, phones, etc.)	\$75,000
(8) Additional inspection fees (clerk of the works)	\$
(9) Insurance (required during construction period)	\$
NOTE 2.b includes a construction contingency of ~\$1 million	
g. Total project cost (sum of items d, e, f)	\$12,325,000
h. Amount to be financed	\$0
i. Difference between 2.g and 2.h (list, as Schedule 1, available resources to be used, e.g., available cash, investments, grants funds, community contributions, etc.)	\$0
j. Anticipated long-term interest rate	_____ %
k. Anticipated interim (construction) interest rate	_____ %
l. Anticipated long-term interest amount	\$
m. Anticipated interim interest amount	\$
n. Total items g, l, and m	\$
o. Estimated annual debt service requirement	\$
p. Construction cost per sq. ft.	\$840
q. Construction cost per bed	\$
r. Project cost per sq. ft.	\$1,280
s. Project cost per bed (if applicable)	\$

*Site acquisition should be stated as "book" value, i.e., actual purchase price (or estimate of value if donated) plus costs of development. If desired, the applicant may elect to state as "fair market value" (in which case, so indicate). A form for use in calculating fair market value is included on page 31 of this packet. Include your calculations as part of this section of your application.