



Memorial

Hospital of

Lafayette County

Planning Update
July 21, 2020

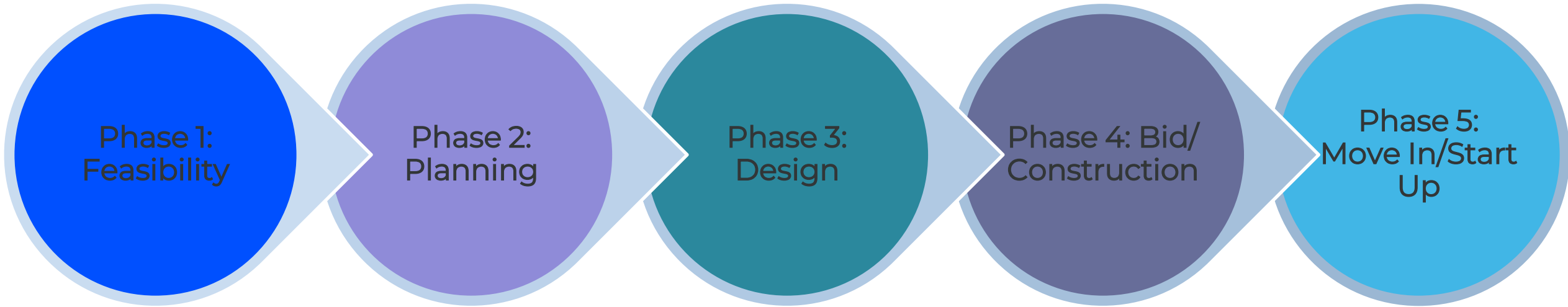
WIPFLI

A photograph of two healthcare professionals in a clinical setting. On the left, a woman in blue scrubs with a red stethoscope around her neck is leaning over a desk. On the right, a woman in a grey lab coat with a silver stethoscope is sitting at the desk, writing on a document with a white pen. The background is a bright, modern office with large windows.

Previous

Wipfli Work

Key Phases of a Major Construction Project



- High Level Financial Affordability / Debt Capacity
- Existing State Assessment
- Market Demand Analysis
- Volume and Capacity Analysis
- Macro Space Requirements

Completed
Next Steps

- USDA Application + Feasibility Study
- Preliminary Site Investigation and Selection
- Preconstruction services
- Detailed Functional Space Programming
- Develop Conceptual Cost Estimates
- Project Scope and Delivery Definition
- Identify a Core Project Team
- Site Acquisition
- Conceptual Planning
- Site Design
- Project Schedule

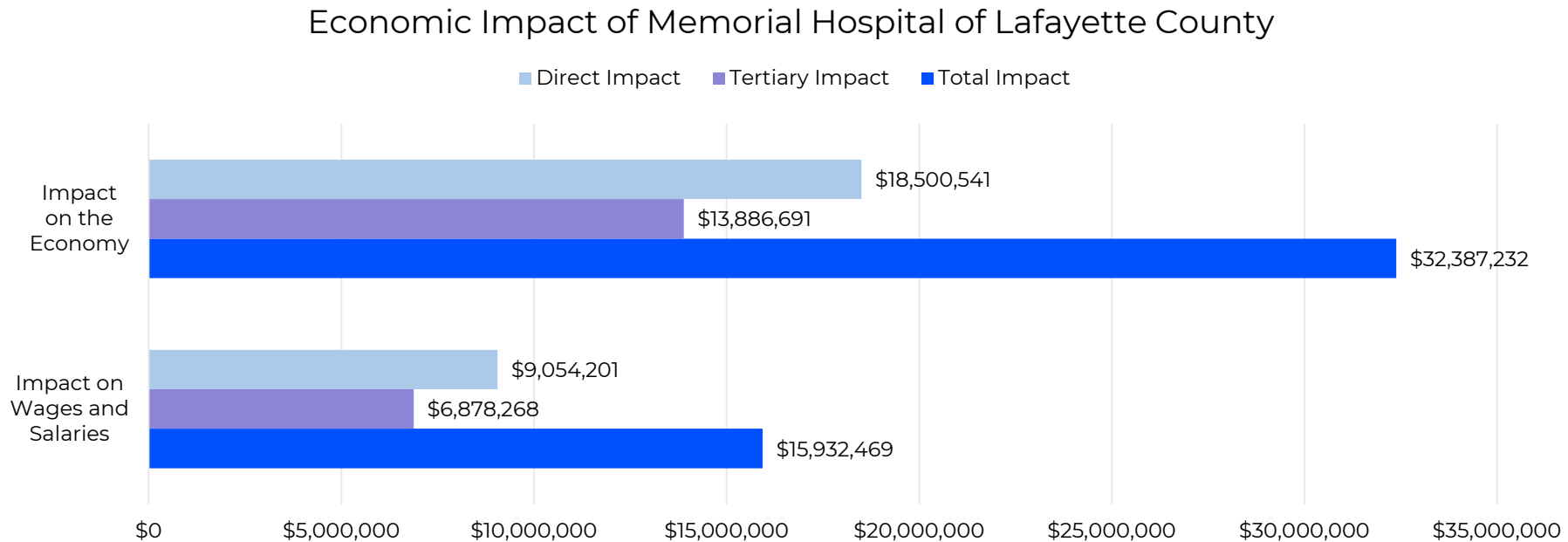
- Schematic Design
- Design/Development
- Construction Documents

- Identify Qualified Subcontractors with Contractor
- Participate with Contractor on Selection and Buyout with Subcontractors
- Coordinate the Procurement, Delivery, and Installation of Medical Equipment and IT
- Project Cost and Schedule Update
- Final Regulatory Agency Approvals

- Resolve All Outstanding Punch List Items
- Prepare Move-In Schedule
- Install Owner-Provided Items (Furniture, Misc. Equipment, Signage, Artwork, Supplies)
- Train and License Medical Equipment and IT
- Staff Training
- Relocate Staff and Patients
- Mock Go-Live and Go-Live
- Grand Opening

Economic Impact

- MHLC supports the local economy through tertiary “multiplier” effects by:
 - ▶ Utilizing purchasing power to create industry revenues for local businesses and “indirect” jobs and income for their employees
 - ▶ Employee purchases generate indirect income and jobs for other businesses in the community
 - ▶ Wages and salaries are subject to federal, state and local taxes



How MHLC arrived at replacement hospital option (vs. renovation)

- Wipfli assisted MHLC with the market analysis, facility plan and affordability analysis to study the market need for healthcare services, and the facility needs of the hospital going forward and the ability to renovate the hospital on the current campus vs. replacing the hospital on a new campus
- It was determined that replacing the hospital on a new campus was the preferred option to ensure sustainable healthcare services in the community for the long-term
 - ▶ Additional information on the findings from the analysis are available in the appendix, and the detailed reports can be made available as well

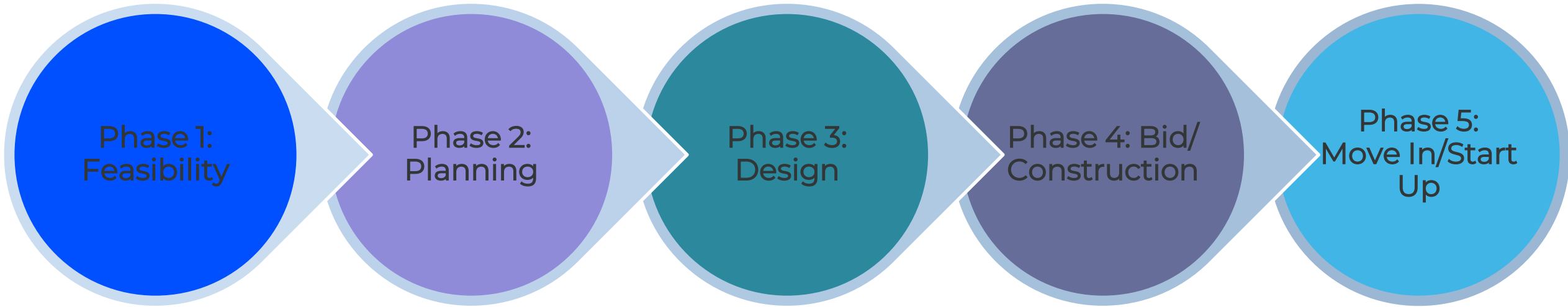
Proposed

Future

Work



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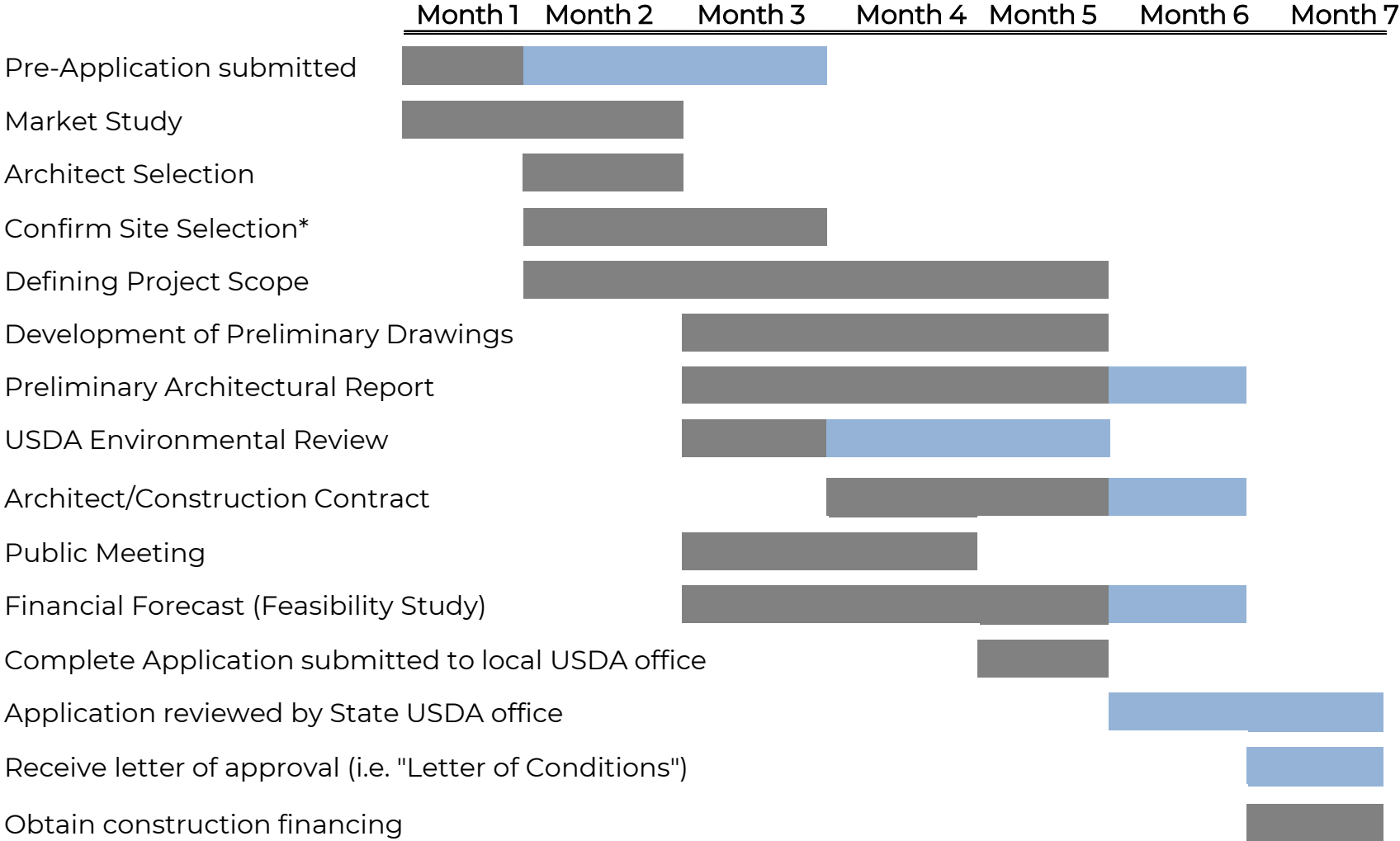
Benefits of Moving Forward with USDA Application Process

- Moving the planning process forward sets into motion the incremental due diligence steps and necessary components for an application to USDA for funding
 - ▶ At any time you can opt out or pause the process
 - ▶ However, if you do move forward with a successful application you lock in current rate (low fixed rate over 40 years) for up to five years, even if the project does not immediately move forward
- Process can slow down or speed up to align with County capital improvement efforts
- Due diligence process (through Examined forecast) will help aid in County discussions around financing
- Process is variable and can take a long time, so starting now hedges against any unforeseen delays

USDA Application Time Line (hypothetical example only)

USDA responsible 
 Applicant Responsible 

Actual Timeline is variable and can be longer than 7 months



USDA Application Process Steps

- Complete USDA application with the following essential elements (some of which will require MHLC to separately engage consultants/architects)
 - ▶ Preliminary Architectural Report (PAR) which provides an overview of the project and associated schematic drawings and site plans.
 - ▶ Environmental review which discloses any issues on the building site (i.e., endangered species, wetlands, historic places, etc.) and documents “clearance” by various Federal and State agencies (e.g., Parks and Recreation, State Office of Historical Preservation, Transportation, Water, etc.)
 - ▶ Project Budget which estimates not only the cost of construction, but also the associated project costs for site development, architectural and engineering fees, interest costs during construction, pre-planning costs, etc.

USDA Application Process Steps (Continued)

- Complete USDA application with the following essential elements (some of which will require MHLC to separately engage consultants/architects)
 - ▶ Examined Financial Forecast which serves as the basis of the underwriting for USDA and includes both a market study, associated financial statements, and other supplemental information. The report must have an opinion from a CPA firm such as Wipfli about the reasonableness of the assumptions demonstrating the organizations ability to support the debt.
 - ▶ Miscellaneous forms, such as but not limited to a commitment to be a drug-free workplace and an equal opportunity employer, certification that no office of the organization is under investigation for fraud or debarment, registration to receive monies from the Federal government, etc.
 - ▶ A contract with an architect for design services (beyond high level schematics) modified per USDA standards

Your presenters



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APPENDIX

Site Analysis – Key Findings

- No room to grow: limited growth opportunity for existing structure; lack of ability to expand and renovate departments that need to be addressed to grow to compete in the market; complexity of expanding on campus with site constraints and grade issues
- Typical new CAH needs 20+ acres for adequate replacement hospital project
- Zoning issues between departments; inadequate “on-stage, off-stage” zoning of clinical and non-clinical departments; outpatients coming in from two sides of the hospital on different floors
- Hospital campus was built when majority of patients were inpatients; today outpatient care accounts for significantly more space than inpatient

Site Analysis – Key Findings

- Lack of adequate parking that is convenient for patients and staff, and insufficient green space on campus to create an optimal patient experience
- Split locations for the two specialty clinics, and lack of physical connection between Darlington Clinic and the hospital create a disjointed experience for patients
- Shared waiting areas between ED and outpatient services is not ideal for patient experience

Facility Analysis – Key Findings

- While patient care is excellent, it will be difficult to establish a superior patient experience given the inadequacies of the current facility; patient experience will be key to driving future success in this competitive market
- MHLC's existing space and associated square footage falls significantly short of industry benchmarks for all major clinical, administrative, and support departments
- Surgery is targeted for growth, but existing space is inadequately sized, lacking the appropriate number of ORs, recovery rooms, and support space
- Rehab is also a growth target, however current space does not match contemporary (or – competitive) standards or provide significant room to grow; department lacks private treatment areas for patients, sufficient gym space, and staff workspaces are undersized
- Pharmacy is vastly undersized and has major compliance issues
- Cafeteria area is undersized, flow not conducive to patient/visitor experience

Facility Analysis – Key Findings

- Significant structural, mechanical, and electrical issues given the facility's age. MHLC will need to invest \$2.5mm+ to address infrastructure issues. Structural analysis did not include costs associated with needed repairs, such as roof repair. This would drive up infrastructure costs further. These investments won't improve flow, design or address space constraints.
- Inpatient department is oversized for current needs, and serves as overflow for other department functions (ED, surgery, imaging, administration, support), which creates privacy issues and inappropriately mixes patients, visitors, and staff on one hallway
- Darlington Clinic and specialty clinics not designed efficiently given the three separate locations; most competitors and contemporary designs have one attached medical office building
- Replacement hospital has far more advantages than renovation, although both renovation or replacement options would cost over \$30mm

Replacement Scenario

- New 70,000 – 80,000 square foot integrated hospital and clinic on a green field site
- Replace all functions and departments of existing campus on new campus
- Demo or find alternative function for old hospital site



Replacement Hospital Advantages

- Major construction project creates jobs in short-term, and sustained economic benefit in the long term
- All capital dollars are spent on new construction as opposed to renovating facilities that are over 30 years old
- All major site, facility, zoning and infrastructure issues are addressed through a new replacement facility on a new site
- New facilities and improved access should help grow hospital market share and associated volume and utilization of services
- Creates option to consolidate senior living with hospital and clinic on one healthcare campus for a true “healthcare campus”
- No disruption to existing operations or complicated phasing
- Easier to recruit new physicians and specialists to practice in new facilities
- New hospital creates excitement and better ability to attract charitable donations to the Foundation
- Maximum flexibility for future growth and redevelopment on a single site

Studies on Impact of Replacement Hospitals

- Previous studies of replacement CAHs have found the following common shared characteristics of hospitals that went through a replacement:
 - ▶ Increase in volume post-replacement (10%+)
 - ▶ Enhanced physician recruitment and retention
 - ▶ Reported improvements in quality of care and clinical processes
 - ▶ Opportunity for building designs that incorporated patient safety features, like single-occupancy patient suites, helped reduce infection rates and contributed to enhanced surgical outcomes
 - ▶ Building design and improves efficiency (e.g. shared nursing stations)

Expansion Option

- Pros:
 - ▶ Improves departmental zoning and space/function of most clinical areas
- Cons:
 - ▶ Significant infrastructure, demo and site costs to expand in current space
 - ▶ Complex and disruptive Staging
 - ▶ Need to relocate county health department building
 - ▶ Requires purchase of neighboring residential properties to achieve adequate parking at additional expense
 - ▶ No future growth options on campus
 - ▶ Does not offer “destination” location

Replacement Option

- Pros:
 - ▶ No staging complexity with new site
 - ▶ Opportunity to build precisely what market and community needs over the next 10 years and beyond, without having to work within constraints of existing site/building
 - ▶ Opportunity to get better visibility with new site
 - ▶ Relocation of campus will provide more flexibility for future growth for MHLC in the long-term
- Cons:
 - ▶ May be more expensive than expansion option
 - ▶ Requires relocation of campus outside of downtown Darlington