

MINUTES
STATE HEALTH FACILITIES COUNCIL
Initiated in the Lucas State Office Building, Room 513
Meeting Conducted Via Zoom

Tuesday, August 30, 2022

ELECTRONIC MEETING

This electronic meeting of the State Health Facilities Council was held in accordance with Iowa Code section 21.8 entitled “Electronic Meetings.” The Code states that a governmental body may conduct a meeting by electronic means only if circumstances are such that a meeting in person is impossible or impractical and access is provided to the public. An in-person meeting of the Council to handle this agenda was impractical due to the schedules of the Council members and the resources of the Department. The meeting was initiated in room 513 of the Lucas State Office Building and was conducted via Zoom, which offers both video conferencing and conference call capabilities. Notices and agendas were posted in the Lucas State Office building and on the Department’s web site under the Certificate of Need Program. The meeting was recorded.

9:02 AM Roll Call

MEMBERS PRESENT: Dr. Harold Miller, Chair; Kelly Blackford; Aaron DeJong; and Brenda Perrin

STAFF PRESENT: Becky Swift (present in the conference room)

OTHER STAFF PRESENT: Heather Adams, Counsel for the State

OTHERS PRESENT: Kimberly Hunter and Joe Clamons, University of Iowa Hospitals and Clinics; Sam O’Conner, JE Dunn; and Michelle Niermann, UnityPoint – Cedar Rapids.

- I. APPROVAL OF MINUTES OF PREVIOUS MEETING (July 13, 2022)**
A motion by Perrin, seconded by Blackford to approve the minutes of July 13, 2022, carried unanimously by voice vote.
- II. PROJECT REVIEW (Cost Over-run)**
 1. University of Iowa Hospitals and Clinics, North Liberty, Johnson County - Re-review of a project approved August 31, 2021, as a capital expenditure by an institutional health facility in excess of \$1.5 million and involving construction of additional facility space at Forevergreen Road in North Liberty at a cost of \$230,000,000. Cost over-run of \$77,143,671 (*approximately 33.5% of the approved \$230,000,000*).

Staff report by Becky Swift. The applicant was represented by Kimberly Hunter and Joe Clamon, University of Iowa Hospitals and Clinics and Sam O’Connor, JE

Dunn. The applicant made a presentation and responded to questions posed by the Council.

Michelle Niermann, UnityPoint – Cedar Rapids, appeared as an affected party in opposition. The affected party in opposition made remarks.

A motion by DeJong, seconded by Blackford, to approve the cost overrun carried by a vote of 3-1. DeJong, Blackford and Perrin voted yes; Miller voted no.

III. EXTENSION OF PREVIOUSLY APPROVED PROJECT

1. University of Iowa Hospitals and Clinics, North Liberty, Johnson County – This project is reviewable as a capital expenditure by an institutional health facility in excess of \$1.5 million and involving construction of additional facility space at Forevergreen Road in North Liberty.
\$230,000,000 (*Approved 8/31/2021, First Extension Request*)

Staff report by Becky Swift. The applicant was represented by Kimberly Hunter, University of Iowa Hospitals and Clinics. The applicant made a presentation and provided remarks. A motion by DeJong, seconded by Blackford, to grant a 12-month extension carried 4-0.

The Chair reminded Council members that the next meeting would be held October 19 and 20, 2022. He mentioned that there were 12 applications for that meeting and to prepare for long days.

The Chair noted that Swift had suggested the dates of January 31 and February 1 for the winter Certificate of Need meeting and asked that Council members inform her of their availability on those dates if they'd not already done so. Also noted was that Steindler North Liberty ASC had asked to have their extension and a possible cost overrun heard at the winter meeting, thus eliminating the need for a meeting in March.

A motion by Perrin, seconded by Blackford to adjourn carried unanimously by voice vote.

The meeting adjourned at 9:51 am.

**IOWA DEPARTMENT OF HEALTH AND HUMAN SERVICES
STATE HEALTH FACILITIES COUNCIL**

IN THE MATTER OF A REQUEST BY)
)
UNIVERSITY OF IOWA HOSPITALS AND CLINICS)
)
NORTH LIBERTY, IOWA)
)
TO MODIFY A CERTIFICATE OF NEED)

DECISION

This matter came before the State Health Facilities Council for review on Tuesday, August 30, 2022.

The request proposes the modification of an approved project to increase the cost of the proposal. On August 31, 2021, the Council granted a Certificate of Need for a capital expenditure by an institutional health facility in excess of \$1.5 million and involving construction of additional facility space at Forevergreen Road in North Liberty at a cost of \$230,000,000. This request proposes an increase in cost of \$77,143,671 for a total project cost of \$307,143,671.

The record includes the request prepared by the project sponsor and all the testimony presented. The applicant was represented by Kimberly Hunter and Joe Clamon, UIHC; and Sam O'Connor, JE Dunn. The applicant made a presentation and answered questions posed by the Council.

Michelle Niermann, UnityPoint Health - Cedar Rapids, appeared as an affected party in opposition at the hearing.

The Council, after hearing the above-mentioned testimony and after reading the record, voted 3-1 to grant a modification to the original Certificate of Need.

FINDINGS OF FACT

1. The University of Iowa Hospitals and Clinics was granted a Certificate of Need on August 31, 2021, for a capital expenditure by an institutional health facility in excess of \$1.5 million and involving construction of additional facility space at Forevergreen Road in North Liberty at a cost of \$230,000,000.
2. In July 2022 the department received an extension request from the applicant that noted while the project was on track, it was not due to be completed until late 2024.
3. On August 30, 2022, the applicant was granted a 12-month extension.

4. The applicant submitted a cost overrun on July 26, 2022. The applicant reported causes of the cost overrun include inflation, increased labor costs, and supply chain issues. During testimony, the applicant also noted regulatory and safety issues.
5. The estimated total cost of the project is now \$307,143,671, a 33.5% increase in the total project costs.
6. Noted during testimony was that the building scope has not changed since Certificate of Need approval. Also noted was that the design for the overall project is complete and that construction has made substantial progress and remains on schedule.
7. During testimony it was noted that a construction guaranteed maximum price agreement was signed and unanimously approved by the Board of Regents, State of Iowa, in July 2022. Also noted during testimony was that any additional overages would fall under the construction manager at-risk contract.
8. The applicant reports that they have received all approvals for the project and that its expected completion is December 2024.

CONCLUSION

The Council concludes that the proposed change to the originally approved project represents an increase of approximately 33.5% in the cost of the project but does not substantially alter the nature and scope of the originally approved project.

Pursuant to 641 Iowa Administrative Code 202.14, the Council therefore approves the request to modify the Certificate of Need originally granted August 31, 2021, to \$307,143,671 as the approved cost of the project. The Council notes that the requested cost overrun is significant but that mitigating circumstances including inflation and supply chain issues exist, and that the nature and scope of the project have not changed since its original approval. The Council further notes that it relies on the existence of the maximum price agreement in approving a cost overrun of this magnitude and concludes that it is unlikely to approve any further increases to the cost of this project absent the most compelling of circumstances.

The decision of the Council may be appealed pursuant to Iowa Code section 135.70 (2022).

No changes that vary from or alter the terms of the approved application including a change in the approved dollar cost shall be made unless requested in writing to the department and approved. Failure to notify and receive permission of the department to

change the project as originally approved may result in the imposition of sanctions provided in Iowa Code section 135.73 (641 Iowa Administrative Code 202.14).

Dated this 19 day of September 2022

A handwritten signature in black ink, appearing to read "H.W. Miller, M.D.", written over a horizontal line.

H.W. Miller, M.D., Chairperson
State Health Facilities Council
Iowa Department of Public Health

cc: Health Facilities Council
Department of Inspections & Appeals, Health Facilities Division

**IOWA DEPARTMENT OF HEALTH AND HUMAN SERVICES
STATE HEALTH FACILITIES COUNCIL**

IN THE MATTER OF THE)
CERTIFICATE OF NEED EXTENSION FOR)
UNIVERSITY OF IOWA HOSPITALS AND CLINICS)
NORTH LIBERTY, IOWA)

DECISION

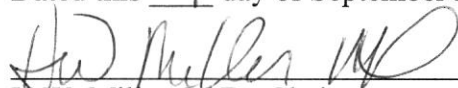
This matter came before the State Health Facilities Council on Tuesday, August 30, 2022. The applicant was represented by Kimberly Hunter, UIHC.

The project, a capital expenditure by an institutional health facility in excess of \$1.5 million involving construction of additional facility space at Forevergreen Road in North Liberty, was originally approved August 31, 2021, at an estimated cost of \$230,000,000. The completion date for the project is December 2024. Construction began on the project following Certificate of Need approval. Progress to date includes the completion of planning and design work for the entire project; on-site work, including stripping the top soil, grading, and creation of the storm water detention ponds. Underground utilities have been installed and water and electrical utilities have been brought to the site. Foundations have been completed for the central utilities plant and the building. The structural steel has been fabricated and was delivered in early August. Precast panels for the central utility plant have been ordered for delivery in September. Major mechanical, electrical and plumbing equipment has been bid and the purchase order process in progress. All construction contracts are signed and in place. To date \$12,422,920 has been spent on the project.

The Council, after reading the extension request and hearing comments by staff and the applicant, voted 4-0 to Grant an Extension of Certificate of Need per 641 Iowa Administrative Code 202.13. The decision is based upon a finding that sufficient progress has been made in developing the project.

The extension is valid for 12 months.

Dated this 19 day of September 2022



H.W. Miller, M.D., Chairperson
State Health Facilities Council
Iowa Department of Public Health

cc: Health Facilities Council
Department of Inspections & Appeals, Health Facilities Division