



ST. MARY'S REGIONAL MEDICAL CENTER
ST. MARY'S D'YOUVILLE PAVILION
COMMUNITY CLINICAL SERVICES
P.O. Box 7291, Lewiston, ME 04243-7291
207-777-8100

October 13, 2009

Phyllis Powell, CONU Manager
Division of Licensing and Regulatory Services
41 Anthony Avenue
State House Station 11
Augusta, ME 04333-0011

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Division of Licensing and
Regulatory Services

Larry D. Carbonneau, CPA
CONU Health Care Financial Analyst
Division of Licensing & Regulatory Services
State House Station 11
41 Anthony Avenue
Augusta, ME 04333-0011

Re: **St. Mary's Regional Medical Center – Operating Rooms, Central Sterile, Lab and Pharmacy CON Amendment and Subsequent Review Request**

Dear Phyllis and Larry:

I would like to thank Larry and Rich April for meeting with me and my colleagues on October 6, 2009. As we discussed, St. Mary's would like to implement our approved Certificate of Need with an amended design approach so as to improve operating efficiency, accelerate construction, and ultimately provide a superior service to our patients. As stated in the meeting, the proposed changes can be carried out in a manner that does not alter the scope or increase the cost of the approved project. The proposed changes will yield several additional benefits, as we discussed and as further detailed below.

We ask that these modifications, collectively referred to as the "New Design", be accepted and reviewed as a Subsequent Review filing. We request that this New Design be approved as an amendment to our current CON approval dated September 9, 2008. As you know, a one year extension of this CON approval was granted by Ms. Powell's letter dated August 10, 2009.

1. **Same Project/Same Dollars:** This New Design is materially the same project utilizing the same dollars, but with a revised architectural design. The focus of the project continues to be on the operating room, central sterile, lab and pharmacy. We attach as exhibits several schematic drawings that show the current design, the approved CON design, and the New Design, each of which we reviewed with Messrs. Carbonneau and April at our meeting of October 6. The cost of the project will not exceed the CON approved total capital expenditure of \$25,544,333 or the incremental third year operating costs of \$2,869,627.

2. **Value Engineering and an Improved New Design:** – The original CON called for a combination of new construction and renovated space (25,360 SF of renovation and 12,007 of new construction, for total project SF of 37,367). The new construction was on two floors to the back of the existing OR, central sterile, lab, pharmacy. The current proposal also calls for a combination of new construction and renovated space (16,205 SF of renovation, and 21,066 SF of new construction, for a total project SF of 37, 271). In this New Design, the new construction is immediately adjacent to the existing OR, central sterile, lab and pharmacy along Campus Avenue. The two story office building at 95-97 Campus Avenue is demolished, and a new two story facility is erected in its place. (SF Analysis and Design Schematics are attached). This New Design has a significant impact on both the implementation timeline and the quality/efficiency of the final design.

The approved CON design required very complex, costly phasing since the construction would need to occur while the existing ORs continued to function. As we reviewed this further, we determined this approach would be extremely disruptive to patients and providers alike, and that these adverse impacts could be significantly avoided under the New Design. Dealing with the complexities under the prior approved design was the principal driver behind the projected 36 month construction schedule set forth in the approved CON. Under the revised approach in the New Design, the new ORs will be housed in new construction. This will allow the existing ORs to continue to function uninterrupted, and construction of the new ORs to be accelerated. Under the New Design, the construction timeline is then comfortably reduced to 18 months.

The end result of this New Design is significantly better space for all impacted departments. In the approved CON, St. Mary's maintained 7 ORs of varying sizes. Site constraints of the prior approved design did not allow for upgrade and expansion of each of the ORs. In the new schematic design, we reduce our total ORs to 6, but each is sized to the contemporary standard of 650 SF. As we reviewed with CONU staff at our meeting, this equal sizing of each OR will facilitate scheduling and be responsive to physician preferences. We also have the opportunity to move two existing minor procedure rooms into the OR core, leading to efficiencies with anesthesia, patient preparation and recovery. These changes have been reviewed with impacted providers, and all agree that this is a far superior configuration for surgical services.

In the New Design, we are able to provide all new space for central sterile and pharmacy and position the laboratory for successful renovation by dedicating all of the square footage currently housing the pharmacy to the laboratory. In the new central sterile we are able to provide space for a cart washer which will significantly decrease processing time and support best practice in central sterile design. After working very closely with the pharmacy staff, the plans for this department were re-engineered to provide improved work-flow and address ergonomic issues. The laboratory re-design has been vetted in detail with the laboratory staff to confirm that the plan supports efficient processing of specimens and provides the appropriate square footage allocations for each laboratory sub-specialty.

3. **Unique Financing Opportunity:** St. Mary's sponsor, Covenant Health Systems (CHS), has identified a unique and time-sensitive financing opportunity for this project, which is much appreciated in these times of uncertain financial markets. CHS is in the process of selling Youville Rehabilitation Hospital in Cambridge, MA, and at the time of closing will have an opportunity to redeploy Youville bond financed debt elsewhere in the Covenant system. Discussions with the Maine Health and Higher Educational Facilities Authority have already occurred, Governor Baldacci has approved the TEFRA notice, and this appears to be an excellent opportunity to fund this project without adding additional debt within CHS. In order for this funding stream to be available, however, the St. Mary's project will need to be completed within 24 months (October 31, 2011). Fortunately, the New Design that has emerged from months of value engineering will make this accelerated implementation timeline possible. Approval of our CON amendment is a critical prerequisite to Covenant's ability to extend this financial opportunity to St. Mary's, and to make its final determination on how best to redeploy these resources.

4. **Displaced departments:** The functions currently housed in the office building at 95-97 Campus Avenue are displaced in the New Design. The administrative functions (Human Resources, Senior Administration, Finance, Marketing, etc.) will likely be relocated to the former Convent on the hospital campus that has vacant space suitable for many of these functions. We also own and/or lease other properties in the community that would be available for relocation of any remaining administrative, back-office functions. One such property is the Sacred Heart School in Auburn. This leased property currently houses the St. Mary's Renaissance School on the first floor. The second floor would be available for the relocation of various administrative functions. None of these functions, however, will be relocated to the new medical office building at the corner of Gracelawn and Turner Streets in Auburn.

There are also a few clinical functions currently located at 95-97 Campus Avenue (an independent cardiologist, the breast health program, the urodynamics lab, hospitalist office, nursing administration and medical affairs, etc.) These offices will be integrated into existing hospital departments and physician offices on the main hospital campus. Costs associated with these several relocation steps will remain within the total capital expenditure approved for this project.

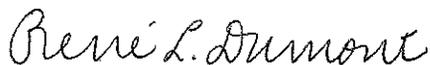
I hope I have conveyed the essence of the changes we propose, and that I have clearly demonstrated that this is the same project/same cost with a superior design approach bringing with it several improvements in terms of function and timing. This also permits us to take advantage of the time-sensitive availability of bond financing capacity from Covenant's sale of a Massachusetts hospital.

I look forward to your timely feedback so we can move forward with implementation of this important project. We are encouraged by the positive feedback received from Larry and Rich at our October 6 meeting and through this filing I am providing the information I understand staff requested to carry out this subsequent review.

I am happy to provide any additional information you may require. I understand your rules call for a response within 30 days. In the meantime, St. Mary's and I stand ready to assist you in any way in reviewing this filing and granting an approval of this New Design to permit us to go forward and formally commence this project within the permitted timeframe. As noted above, the terms of redeployment of the available bond financing from the Massachusetts hospital will require us to complete construction of the New Design by October 31, 2011 at the latest.

Thank you for your help and guidance. I look forward to coordinating with you on this important matter. I will check in with you soon.

Sincerely,

A handwritten signature in cursive script that reads "René L. Dumont".

René L. Dumont

VP Planning and Marketing