

Memorandum to the Commissioner

APPLICANT: Boston Medical Center
One Boston Medical Center Place
Boston, MA 02118

PROJECT NUMBER: #4-3C32.5 (Minor Change)
BMC-18091312-AM

DATE OF APPLICATION: September 14, 2018

Introduction

This memorandum presents, for Commissioner review and action, the Determination of Need (DoN) Program's recommendation in connection with a request by Boston Medical Center (BMC or Holder) in Boston MA, to approve a Minor Change to its previously approved DoN. The original DoN was approved in 2007 and this will be the fifth amendment. As proposed, BMC seeks approval for certain renovations which will support the previously-approved closing of the BMC East Newton Campus. The proposal calls for renovations to enable the relocation of the Sleep and Pulmonary Function Testing (PFT) Laboratories and the General Internal Medicine service. The proposed project would generate an incremental increase in the maximum capital expenditure (MCE) of \$5,799,829, for a total to-date of \$275,495,385 (September 2018 dollars). The proposed change will result in an additional community health initiative (CHI) contribution of \$289,991.

This request falls within the definition for Minor Change that includes "...An increase or decrease in the aggregate gross square footage up to 15% of the approved space or 2,000 gross square feet, whichever is greater, provided that such a change in aggregate gross square footage does not result in any change in the Bed Capacity or maximum Capital Expenditure, unless otherwise approved hereunder; any increase in the maximum Capital Expenditure of up to 10% of the inflation adjusted originally approved total expenditure and decreases in the maximum Capital Expenditure. An increase shall be allowed only for contingencies that could not have been reasonably foreseen, that are not reasonably within the control of the Holder," and will be reviewed pursuant to 105 C.M.R. 100.635(A)(2), which requires that the proposed change falls within the scope of the Notice of Determination of Need and is reasonable. The Department has received no public comment on this request for Minor Change. By regulation, a Minor Change must be reviewed by the Commissioner.

Background

BMC is a licensed academic medical center that had operated on two campuses in Boston's south end. The two campuses are the Menino Campus, and the East Newton Campus. In November 2007, the Department approved a DoN for the construction of an addition to the Menino campus, which would enable the relocation of all patient services from the East

Newton Campus. As approved, it was estimated that the project would generate approximately \$14M in annual savings through efficiencies gained by enabling the operation of a single campus and the closure of their East Newton Campus. Since that time, the Department has approved four amendments: two authorizing increases in GSF and MCE, and two reflecting changes in financing only. The chart below provides the sequence of the previous amendments including the increases in MCE and GSF with this Proposed Project at the bottom.

| | Approval Date | Total GSF | New Const GSF | Renovation GSF | Approved MCE |
|---|---------------|----------------|----------------|----------------|-----------------------|
| DoN #4-3C32 | 04/2014 | 425,723 | 115,286 | 310,437 | \$165,023,924 |
| Amendment 1-S | 03/2015 | 504,167 | 138,480 | 365,687 | \$250,479,809 |
| Amendment 2-I | 08/2016 | 504,167 | 138,480 | 365,687 | \$250,479,809 |
| Amendment 3-M | 03/2017 | 544,147 | 138,480 | 405,667 | \$269,479,809 |
| Amendment 4-I | 11/2017 | 544,147 | 138,480 | 405,667 | \$273,420,211 |
| Proposed Amendment | | 569,992 | 138,480 | 431,442 | \$275,495,385* |
| S= significant I-Immaterial M-Minor | | | | | *August 2018 Dollars |

Proposed Amendment: To relocate Sleep Laboratory, Pulmonary Function Testing, and General Internal Medicine Services

The Holder seeks to renovate 25,775 GSF of its Crosstown Building, adjacent to the Menino campus at 801 Massachusetts Avenue. The renovated space will house BMC's Sleep Laboratory and its General Internal Medicine (GIM) service. Currently, the Sleep and Pulmonary Function Testing (PFT) Laboratories are still located in the East Newton Campus Building, while the GIM service is in the Shapiro building of the Menino campus. Implementation of this project will facilitate the approved closure of the East Newton Campus, which will improve coordination and continuity of care for patients at one consolidated campus while gaining cost efficiencies.

The Applicant explains that following approval of DoN 4-3C32, it proceeded with the required detailed architectural planning mandated for plan approval prior to commencing renovations and construction. The DoN originally contemplated that the Sleep Laboratory would go into leased space, GIM would remain in the Shapiro building and the PFT lab would be relocated to an unspecified area on the Menino Campus. The Applicant states that the opportunity post-DoN approval, to acquire an ownership interest in the conveniently located Crosstown Building was unforeseen during the planning phase of the DoN. The Holder has reassessed its options and determined that there was not sufficient space for both the PFT lab and GIM on the Menino Campus. There is space for both in the Crosstown Building and the Holder suggests that the configuration proposed in this request for minor change will be more cost-effective and improve continuity and coordination of care.

BMC asserts that this project is necessary in order to continue the implementation of the originally approved DoN, which provided for the closure of the East Newton campus. The Holder asserts that in addition to this configuration having been unforeseeable at the time of the original DoN, this is reasonable and within the scope of the original DoN are required in 105 C.M.R. 100.100 and 100.635(A)(2).

Impact on Costs

The regulation requires that a Holder submit a description of the proposed change along with any cost implications. With this Amendment, the Holder requests an additional 25,775 GSF of renovations, which is a 4.7% increase over the previously approved amount. The cost of this renovation requires a 2.2% increase in MCE from \$273,420,211 to \$275,495,385 (August 2018 dollars) an increase of \$5,799,829.

Community Health Initiatives Commitment

The 2017 regulation requires a CHI commitment of 5% of the MCE of a project. When an amendment is filed requesting an increase in the MCE of a project the amount increases accordingly, and is subject to standard condition 105 CMR 100.310(J).

Boston Medical Center is completing the first year of a 5-year CHI commitment totaling \$6,559,207 related to DoN #4-3C32 and subsequent amendments. DPH finds the initiatives (focused on housing and health across 5 investment areas) to be consistent with the Health Priority Guidelines and as such requires CHI funds generated as a result of this amendment to be used to advance the current initiative.

Findings and Recommendation

Based upon the information submitted, the Department can find that the “the proposed change or modification falls within the scope of the Notice of Determination of Need as previously approved by the Department, and ... is reasonable”, which are the requirements for approval of an Amendment set out in 105 C.M.R. 100.635(A)(2).

All conditions of the approved DoN 4-3C32 and subsequent amendments remain in effect.

CHI Conditions:

1. Of the total required CHI contribution as a result of this amendment, \$289,991, \$28,999 will be directed to the CHI Statewide Initiative, \$260,992 will be dedicated to local approaches of the current CHI initiative. To comply with the Holder’s obligation to contribute to the Statewide CHI Initiative, the Holder must submit a check for \$28,999 to Health Resources in Action¹ within one month from the date of the Notice of Approval and then must promptly notify DPH (CHI contact staff) of this payment.

¹ HRIA is the fiscal agent for the CHI Statewide Initiative

2. The Holder will convene the CHI Advisory Committee within 1-month post-approval of the DoN to determine how these new funds will be used to advance the initiative.
3. The Holder will submit to DPH a description of the proposed investment for review within 3 months post-approval. Funds will be made available for disbursement within 3 months post-approval (per the timeline requirements of the CHI Guideline for Tier 1 projects) or on a timeframe agreed upon with DPH pending choice of strategy.