

HACKETTSTOWN REGIONAL MEDICAL CENTER
Administrative Policy and Procedure

Section: ADMINISTRATION

Number: AD36A

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**TITLE: CONSTRUCTION/RENOVATION AND
MAJOR CAPITAL PURCHASES**

PURPOSE:

To establish guidelines for the review, approval and installation of major capital equipment, and the planning and monitoring of new construction and renovation projects.

POLICY:

Major Capital Equipment

The planned purchase of major capital equipment requires a review of the mechanical, electrical, plumbing and facility space requirements. The costs associated with the installation of the equipment must be included with the purchase/lease costs. All major capital equipment initially approved by AD Council will require a review of the facility space and infrastructure requirements to determine if there will be additional costs associated with the purchase and installation of the equipment. Any additional costs will be included in the major capital equipment request.

New Construction and or Major Renovation

Preliminary plans to develop new services are reviewed to determine compliance with applicable State Department of Health & Senior Service licensing regulations and or Certificate of Need Application requirements. Services requiring new major capital equipment, facility renovation and or new construction are reviewed to determine preliminary cost estimates. Architects, mechanical and or electrical engineers may be contracted with to determine total project costs.

Schematic drawings with construction/renovation budget estimates are presented to Administration for review and initial approval. For projects requiring capital above the annual allocation for equipment, construction and or renovation, are reviewed by the Finance Committee of the Board of Directors. The projects recommended for approval are sent to the Board of Directors for their review and approval.

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DEFINITIONS:

1. Major Capital Equipment that requires construction/renovation and equipment not included in the Capital Budget as defined in Policy No. F103.
2. New construction includes all additions to the Hospital or renovation that includes all changes to any area of the Hospital that require the State Department of Health and Senior Services approval, and/or the Department of Consumer Affairs, plus any local planning/zoning approvals and building permits.
3. The Project Manager is a member of Ad Council appointed by the President and CEO of the Hospital who will assume the responsibility for management of the project.
4. The Construction Committee membership will include, but need not be limited to, Safety Officer, Manager, Materials, Maintenance Manager, Construction Manager (if applicable) and the Project Manager, who will serve as chairperson. The President & CEO, and the CFO receive minutes and are notified of all meetings.
5. Business Plan is a financial description of a project. It will include a brief description of the proposed project, the need/market demand, the competitive factor(s), human resource needs, impact of the proposal on existing and future services, and preliminary financial proformas.

PROCEDURE:

I. Initiating a Project

- A. To initiate a service/program requiring the purchase of major equipment, a member of Leadership submits a business plan to the Administrative Council for review and approval.
- B. To initiate a construction and or renovation project to expand facility space to accommodate growth of a service or increased physical space for equipment, a member of Leadership submits a business plan to the Administrative Council for review and approval.
- C. A project that has preliminary approval of the Administrative Council receives further business development analysis as described in Attachment A.

II. Planning/Pre-construction

- A. Strategic Planning/Business Development has the primary responsibility to

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determine market demand analysis for a project, and the preliminary costs estimates.

- B. Finance reviews the preliminary cost estimates and develops the initial financial pro forma for a project.
- C. The project is presented to Ad Council for their review and initial approval. Ad Council approves authorization for continuing the development of the project. Periodic reports are given to the Council for their review and approval. Projects requiring the filing of state and local applications may also be approved during this preliminary time period.
- D. The Business Plan must also be approved by the Medical Executive Committee, the Finance Committee of the Board and the Board of Directors. Projects costing more than one million dollars also require approval of the Adventist HealthCare Board.
- E. All projects initially approved by Ad Council are assigned a Capital Project Number by the Finance Department.

III. Prioritization of Projects

- A. Projects are prioritized through the Strategic Planning and Budgeting Processes. Changes in project priority are approved by Ad Council and or the Board of Directors.
- B. The Business Plan for the investment of major capital equipment, new construction and or major renovation are reviewed and approved by the Finance Committee and the Board of Directors and the Adventist HealthCare Board of Directors, when applicable.

IV. Construction/Renovation Design Work

- A. The architectural working design and schematic drawings will have input from applicable departmental staff, the Safety Office, Infection Control

Practitioner, Materials, Maintenance Department and Environmental Services.

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- B. Projects approved for continuing design work will proceed to have a construction estimate. The Administrative Council will determine if the estimate will be received through either a direct bidding process or through a contractual agreement with a construction manager.

- C. Following receipt of either construction bids or construction manager estimate, the projects financial feasibility will be reviewed again. Projects within five (5) percent and no more than \$50,000 of the preliminary estimates may proceed to construction/renovation contract phase. Projects more than five (5) percent of the preliminary estimates must be valued engineered to reduce costs. Projects that cannot be redesigned to reduce costs to meet budget objectives must be reevaluated by the Administrative Council and the Finance Committee of the Board to determine viability of project.

V. Construction/Renovation Bids

- A. All projects that are approved to receive construction/renovation bids will be managed by the appointed Project Manager. When bids are received they will be reviewed and approved by the President and CEO, the CFO and the Project Manager.

- B. When a bid cannot be accepted because they are above the approved budget, the bids must be reviewed by the Finance Committee of the Board. All approved bids must have a GMP (guaranteed maximum price).

VI. Construction/Renovation Contract

- A. All architectural, engineering, specifications drawings/books and construction drawings will be thoroughly reviewed by the Administrative Council, appropriate medical staff as necessary, clinical staff, safety officer, infection control practitioner and other hospital staff as necessary.

- B. This detailed review must be completed before the construction drawings are finalized and work is scheduled to begin.

- C. The purpose of this review is to ensure that all parties totally agree to work contracted for, finalize value engineering, review the construction/renovation time line, make necessary plans to protect the safety of the patients, visitors and staff, and make certain everyone involved understands the project.

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- D. The award of a major contract, renovation plans and new construction plans will be communicated to the community, the medical staff and hospital staff.

VII. Construction/Renovation

- A. Just prior to the start of construction/renovation, the President & CEO will appoint a Construction Committee that will meet weekly to actively monitor the status and progress of the project. The Project Manager is responsible for reviewing the construction check list and the rules and regulations for construction workers.
- B. When planning demolition, construction or renovation work a proactive risk assessment will be done. Using risk criteria to identify hazards that could potentially compromise patient care in occupied areas of the hospital. The risk criteria will address the impact demolition, renovation, or new construction activities have on air quality requirements, infection control, utility requirements, noise, vibration and emergency procedures.
- C. On a monthly basis a construction project report will be compiled by the Project Manager and reviewed with the Administrative Council. Quarterly reports are reviewed with the Finance Committee.
- D. The President & CEO, the CFO, the Project Manager and other staff as necessary will meet regularly with the Construction Manager/General Contractor and the architect to review the financial status, work schedule, change orders, subcontractor bids and any other problems.
- E. All contractors are given “Regulations for contractors doing construction/renovations and/or work within the Hospital” (See Attachment B) for review and signature prior to the start of work.

VIII. Change Orders

- A. Authorization to proceed with construction/renovation and purchase of major capital equipment is done with the clear agreement that the project will not require changes during the process to construction/renovation drawings, layout of equipment component systems, floor plans, mechanical, electrical, plumbing, finishes or other systems.
- B. Any required changes, such as undiscovered subsurface conditions, changes in equipment requirements, infrastructure systems, direction from civil or

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government authorities or changes/interpretations in codes will be approved only after a thorough evaluation of their cost(s) and impact on project.

1. All change orders under \$5,000 may be approved by the Project Manager and signed by the President & CEO or the CFO.
2. Change orders higher than \$5,000 and less than \$25,000 must be reviewed and approved by the Chief Operating Officer, the CFO and the Project Manager.
3. Change orders higher than \$25,000 must be reviewed and approved by the Finance Committee of the Board.

ATTACHMENT A

MAJOR EQUIPMENT/CONSTRUCTION/ RENOVATION REPORTING

To monitor the status of all projects within this policy a monthly report is prepared and issued by the Construction Manager or Project Manager. The purpose is to report the status, events and progress of all projects under consideration and approved projects in progress. The monthly status reports are given to the Administrative Council. Quarterly reports are presented to the Finance Committee of the Board. The status reports for each stage of the project include the following, as appropriate:

A. Planning Phase Status

1. State Department of Health Requirements
2. JCAHO Requirements
3. Need/demand for Service and or Competition, if appropriate
4. Impact/consequence Scenario
5. Architectural schematic design and cost for service
6. Preliminary project cost estimates:
 - State Department of Health Application Costs
 - Local Board Application Costs
 - Legal
 - Architecture
 - Engineering, if necessary
 - Construction Manager, if necessary
 - Financing Costs, if appropriate
 - Minor equipment/furniture costs, if appropriate
 - Insurance
 - Permits
 - General Contingency
7. Preliminary Time line
8. Preliminary Budget
9. Administrative Council Recommendation, if any
10. Financial Feasibility

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11. Project Financing
12. Construction/Renovation Bid and Time line Schedule

B. Pre-construction/Pre-renovation Phase

1. Construction Manager identified, if needed
2. Value Engineering before architectural drawings sent out to bid
3. Review bid list for subcontractors and bid status
4. Contract Award Status
5. Project Meeting Schedule
6. Construction Committee
7. Financing in place

C. Construction/Renovation Work Phase

1. Review and Update project schedule
2. Review subcontractors' bids, as necessary
3. Review construction/renovation detail problems/issues
4. Construction/ Renovation Progress
5. Cash Flow Analysis, if appropriate
6. Review and analyze change order
 - a. Receive approval for change order
 - b. Value engineering
 - c. Redesign costs
7. Budget vs. Actual Financial Report - monthly

ATTACHMENT B

Regulations for Contractors Doing Construction/Renovations and/or Work Within The Hospital

Name of Contractor _____ Telephone # _____

Date of Work _____

Item	Initial
License Checked by Project Manager/Maintenance Manager	
Copy of Liability Insurance that names the Hospital	
Identification Badge(s) Issued by HR	
Fire Policy given and read	
Smoking Policy given and read	
Infection Control Risk determined and appropriate precautions taken to insure a safe work environment	
OSHA Bloodborne Pathogen Standard: Final Rule (29 CFR Part 1920.1030) given and read	
Universal Precautions and Personal Protective Equipment given and read	
Provided with copy of Construction Interim Life Safety Measures Policy	
Aware of federal, state, and town codes that are applicable	
Building permits obtained with original posted in area	
Plans approved by proper authorities as necessary	
Sealed Plans on file with Maintenance Manager	
Certificate of Occupancy obtained before final payment is made	

 Signature

Date