

Dr. Neil Roy



MITIGATING THE COST ISSUES

Shady Grove is acting to buffer the impact of rising prices. The hospital aims to amend its financing plan from one construction contract to three: one for the tower's core and shell, one for its interior fit out and one for renovations to the existing hospital building. By contracting for construction in phases over the duration of construction, Shady Grove believes it can obtain more favorable prices than on the current market. General market indicators such as the cost of lumber and gas have decreased significantly in recent months, supporting this approach.

OUR ASK

We are seeking \$10 million to help offset the increased costs of this critical project. The health and well-being of Montgomery County is inextricably tied to Shady Grove Medical Center, which serves more mid-county and up-county residents than any other hospital. In addition:

- Our Emergency Department receives the most county EMS ambulances.
- We host the county's only Forensic Medical Unit, where specially trained nurses care for children and adults who have suffered abuse, neglect and human trafficking.
- We are the second largest provider of mental health services in Maryland.
- We provide access to specialized care for children in Shady Grove's Pediatric Emergency Department and inpatient Pediatric Unit.
- Adventist HealthCare hospitals are the county's only nationally accredited Chest Pain Centers with Percutaneous Coronary Intervention.
- Shady Grove is the only hospital in Maryland outside of the Baltimore area certified in thrombectomy — an advanced life-saving stroke treatment.

The tower project enhances all these services. The construction also provides upgrades informed by caregivers who have served our county throughout the COVID-19 pandemic. Shady Grove's new spaces incorporate lessons from the pandemic, with areas designed for enhanced infection prevention and great clinical efficiency. The tower will better prepare our county for any future public health crises.

Our hospital is committed to evolving and expanding to serve the county's diverse population. Support of the key upgrades will ensure we can meet the needs of our community and our healthcare workforce far into the future.



FOLLOW OUR PROGRESS at AdventistSGMC.com/NextLevel



WE'RE BRINGING NEXT-LEVEL CARE TO MONTGOMERY COUNTY RESIDENTS

Adventist HealthCare Shady Grove Medical Center is building a 150,352-square-foot, six-floor patient care tower and renovating of 25,696 square feet of existing space. The project's upgrades to our 43-year-old hospital include:

- completion of the hospital's conversion to all-private rooms
- a modernized Emergency Department
- a replacement Intensive Care Unit
- a Clinical Decision Unit
- relocation of existing critical care services
- relocation of the hospital's helipad to the roof

BENEFITS OF THE NEW TOWER

Greater clinical efficiency: The tower will bring all of the hospital's critical care services together, reducing travel time for patients and allowing faster, more coordinated care.

Enhanced emergency care: Modern treatment bays will provide emergency patients with privacy, added infection prevention and a quieter, calmer environment.

Streamlined throughput to cut wait times: A new Clinical Decision Unit will segment patients who are in active treatment or awaiting test results from those with potential for admission.

Expanded emergency psychiatric care

State-of-the-art intensive care unit: Rooms that fit today's life-saving equipment will feature evidence-based healing design.

Private rooms for all: A new medical-surgical inpatient unit will end the need for patients to share rooms.

ORIGINAL FINANCING PLAN

In April 2021, the state approved a single construction contract at a total cost of \$180,011,359.

The total project was to be financed with:

- a \$154 million tax-exempt municipal bond issue
- \$10 million in cash
- \$16 million in philanthropic donations.

DRIVERS OF COST INCREASES

Since winning approval, the project's financial plan has been adversely impacted by inflation and volatile market conditions from the COVID-19 pandemic, especially in the labor market and global supply chain. The war in Ukraine has further disrupted supply chains, causing price spikes in a variety of goods — notably construction materials.



An April 2022 report from the Associated General Contractors of America showed steel, gypsum, lumber, electrical and plumbing supplies, and diesel fuel costs have all jumped 29% to 300%. Labor costs also increased significantly across building trades, up 5% to 9% since 2020.

Additionally, Shady Grove uncovered the need for more extensive upgrades to its central utility plant (CUP) than planned. Some work is essential to bring the CUP to code. The upgrades will add the latest technology, security, capability, and safety features, ensuring the CUP can serve the new tower and hospital into the future.

THE CURRENT GAP IN FINANCING

With the current economic climate and the new work that must be completed, the budget for the tower project has increased by \$67.6 million or 38%, from \$180,011,359 to \$247,657,497.

Despite the economic pressures, the elements of the tower's funding plan are moving forward. Shady Grove remains committed to raising \$16 million in philanthropic donations. To date, we have raised \$13 million in charitable contributions and fully expect to reach our target.