

FCR 6

Office of the President
September 11, 2007

Members, Board of Trustees:

PATIENT CARE FACILITY PROJECT EXPANSION

Recommendation: that the Board of Trustees approve initiation of the design and other actions necessary to expand the patient care facility project by adding two shelled patient bed floors.

Background: UK HealthCare's growth has exceeded the aggressive projections used to design the new Patient Care Facility when the project was initiated in 2004. UK HealthCare has grown from a relatively small academic medical center with 4,969 discharges during the first quarter of 2004 to a medium-sized medical center with 6,834 discharges during the fourth quarter of 2006. The number of discharges in July 2007 is up about 10 percent over July 2006 and continues to exceed projections. With the addition of UK HealthCare Good Samaritan hospital, the UK HealthCare system is among the largest 25 percent of teaching hospitals in the United States.

This growth has had a significant impact on the Patient Care Facility project. The original plan for a 473 replacement bed facility has been expanded to a 630 bed facility. As previously reported to the Board of Trustees, the project has changed over the past two years to reflect this growth. These changes include designing a second tower and adding two floors to the new parking structure. The Board is now asked to approve the addition of two shelled patient bed floors. Initially shelling the two floors will allow UK HealthCare to later fit-up the floors to meet changing conditions and needs.

The university currently has legislative expenditure authorization up to \$450 million in university funds and university-funded bonds for the new facility (Phase 1A). At its June 2007 meeting, the Board of Trustees approved the 2008-2010 Capital Plan, which requests an additional \$250 million in authority from the 2008 General Assembly (Phase 1B). The initial \$450 million authorization was a Phase 1A authority whereby a building of over 1,000,000 square feet would be constructed with a significant portion of it to be shelled space. The university has always planned to seek additional legislative authority in the 2008 General Assembly for Phase 1B to fit out these initially shelled spaces. The timing of these various fit-out projects is expected to take a number of years to complete and is dependent on available hospital reserves and overall hospital revenue strength. The university will not issue or accept any bids prior to July 1, 2008 (anticipated date of receipt of additional authority), which would exceed the current \$450 million. This

additional two-floor decision simply increases the initial amount of shelled space to be constructed in the first phase of the project.

The current and requested authorizations will be sufficient to cover the addition of the two-shelled patient floors at a cost of \$14.75 million as well as allow for the ongoing fit-out of other shelled spaces over the coming years.

Action taken: Approved Disapproved Other _____