



American College of
Healthcare Executives
for leaders who care®

Presents:

How to Manage a Delayed Hospital Construction Project

April 14, 2010

12:00 PM – 1:30 PM Eastern
11:00 AM – 12:30 PM Central
10:00 AM – 11:30 AM Mountain
9:00 AM – 10:30 AM Pacific

Presented By:

Raymond Grahe, CPA, FHFMA, MBA
William Heun, AIA

How to Manage a Delayed Hospital Construction Project – Before and During Construction



Introductions

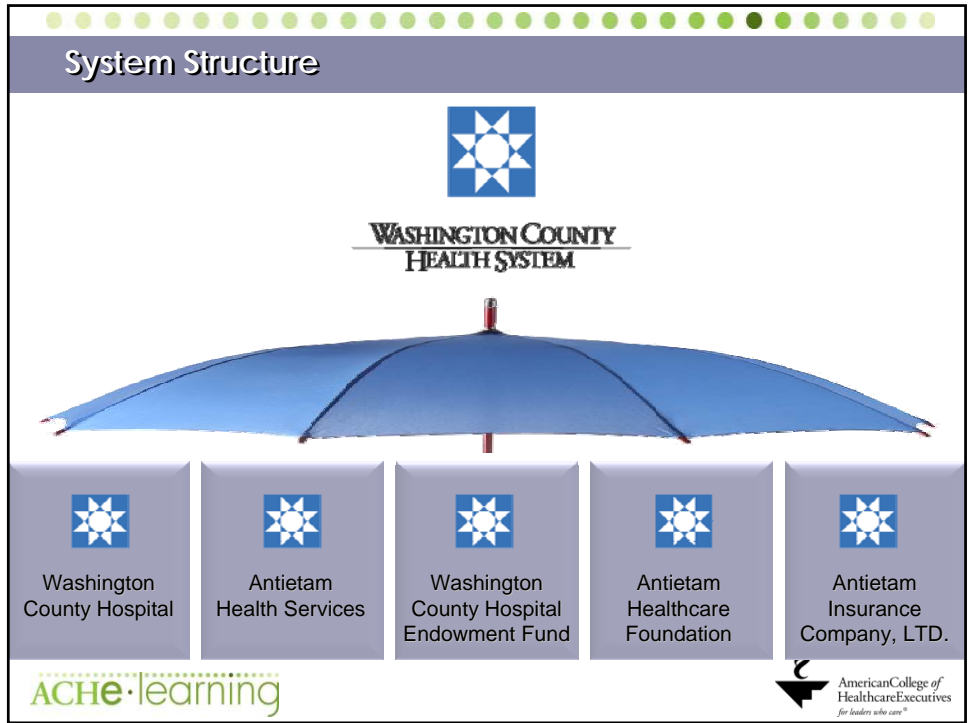


- Raymond Grahe, CPA, FHFMA, MBA
 - CFO - Washington County Health System



- William Heun, AIA
 - Partner In Charge – Matthei & Colin Associates


M&CA




Washington County Hospital

Services

→ **EMERGENCY**
HOSPITAL
↖ **Main Entrance**



- 265 Inpatient Beds – In New Hospital
- Emergency Department serving 70,000 patients annually. Trauma Program – Level III
- Family Birthing Center established Level II Nursery February 2006
- The Gynecologic Oncology Center of Western MD
- IV Infusion Services offered at WCH & John R. Marsh Cancer Center
- Total Rehab Care, CARF Accredited in-patient and out-patient rehabilitation services
- Center for Joint Replacement, innovative approach to hip and knee joint replacement
- Maryland Physicians Care (25% Owner) – Covers 105,000 lives in a Medicaid HMO; \$420 M operation

 American College of
Healthcare Executives
for leaders who care®

M&CA Healthcare Architects

- **30 year focus on architecture for healthcare clients**
- **One of 10 healthcare specialty firms nationally**
- **30 Employees – Architects, Medical Planners, Interior Designers**

ACHE·learning



Replacement Hospital Facility

Construction 75 percent complete



ACHE·learning





Introductions – Agenda

1. History – How did we get here?
2. Decisions before project was on hold
3. Challenges faced when project came back
4. How did we respond?
5. What worked?
6. What didn't work ?
7. Where are we today?
8. Questions



Introductions – Learning Goals

- Process for planning and design – Documentation for future needs.
- Identify decisions to be made when faced with delay of unknown duration.
- Identify issues you will face when resurrecting a delayed project
- Understand and make informed decisions regarding cost, schedule and program.
- What is different about a delayed project and how does one manage it?

History — Initial Planning Process

- Analysis to Renovate or Replace
 - \$80,000,000 for renovations and additions over 6-8 years
 - Factor in increased risk during construction
 - Factor in lost business during disruption
- OR
- \$100,000,000 for replacement over 3 years
- No patient care risk factors or lost business during construction

History — Initial Planning Process

- Life Cycle analysis
 - Portions of hospital date to 19th century
 - M&E Systems at end of life cycle
 - Waste systems not sustainable



History — Initial Planning Process

- Site Selection team
 - Established a team that included urban planners, county and city officials, design and finance professionals
 - Analyzed more than 20 sites



History — Washington County Hospital

- Planning Started in 2002
- 1st CON withdrawn May 2004
- 2nd CON Filed September 2004
- Jan 2005 received HSCRC Rate approval
- May 2005 CON Approved
- November 2005 1st zoning
- January 2006 zoning appeal
- October 2007 court challenges complete

History — Washington County Hospital

- November 2007 revision to CON costs
- December 2007 reapply to HSCRC for Comfort Order
- January 2008 receive amended CON
- January 2008 receive MHHFA approval
- February 2008 sell bonds
- Feb 2008 construction start



Challenges – Holding Pattern

- Original Construction Budget \$90,000,000
- Construction cost GMP at time Of 1st CON \$97,000,000
- Construction cost GMP after delay \$154,000,000 -- Same building design



Challenges – Holding Pattern

- Healthcare is a very dynamic business with changes occurring continually across the board.
 - Altered care models
 - New technology
 - Pricing/cost pressures
 - Legislative uncertainties
 - Code and standard changes

Challenges – Holding Pattern

- Several new businesses were now to be included in the already designed and CON approved project.
 - Wound Center
 - Infusion Center
 - Observation expanded
 - Licensed Bed Capacity Increased
 - Level II Nursery
 - Cardiac Intervention

Challenges – Holding Pattern

- Several modifications to care delivery were being implemented.
 - Pharmacy
 - Revised Workstations on Wheels
 - More development of digital medical records
 - Technology systems (IT/ Radiology, RFID, robust WIFI,)

Challenges – Holding Pattern

- Code changes
 - BOCA to IBC –
Seismic design
 - State Hospital
Standards updated



Challenges – Holding Pattern

- Response to Changes discovered during the Holding Pattern
 - Update documents during project hold as much as possible
 - Submit for building permit and work through change issues during project hold

Challenges – Holding Pattern

- Response to planning challenges
 - Meet with key managers to assess changes in needs or work flow.
 - Update plans periodically during holding period.

Challenges – Holding Pattern

- Very narrow window to actuate financing
 - When the court challenges and CON challenges were resolved decisions had to be made quickly to access financing
 - Establish a financing team and keep them in place ready to go
 - Prepare all bond documents in advance ready to update

Restart the Project

- Stop and take 6 months to redesign and rebid 40% of project
- OR
- Get started and redesign as the structure is going up?

Restart the Project

- Stop and take 6 months to redesign and rebid 40% of project
- Pros
 - Construction cost known
 - Other budgets updated to match revised programs
- Cons
 - Lose access to financing markets
 - Leave door open for more legal challenges
 - Lose momentum

Restart the Project

- Get started and redesign as the structure is going up?
- Pros
 - Shut door on further legal challenges
 - Access financing before credit market changes
 - Establish momentum and raise morale
- Cons
 - Final costs unknown
 - Risk that completed work may need modification
 - Build a larger contingency

Restart the Project

YEAH!!!!!!



ACHE·learning

 American College of
Healthcare Executives
for leaders who care®

Design and Programming

- Document, document, document
 - True for any project, however particularly so in the case of a delay
 - Players and delivery methods change
 - We must be able to explain how the design supports intended operations and programs

ACHE·learning

 American College of
Healthcare Executives
for leaders who care®

Design and Programming

- Include all stakeholders in program and design meetings. Not just clinical staff and not just members of the department being designed.
 - When you come off delay you must be able to refresh memories and explain how you got there to new players.

Construction Process

- Work with contractor as a team member.
 - Actively involved during design.
 - Provide cost updates during hold and redesigns
 - Develop construction schedule.
- CM at risk with GMP minimizes incentive to inflate change costs.

Construction Process

- Address issues immediately to avoid lines in the sand.
 - Quick resolution keeps things moving
 - Delay costs money
- Prompt payments to contractors keep all cylinders humming
 - Better response when changes or schedule pressures occur

Lessons Learned

- Document the Value Engineering
 - We must be able to explain decisions to those who follow after delay
 - First cost vs. life cycle cost – sometimes first cost rules

Lessons Learned

- Program planning is critical
 - Scenarios
 - Operations
 - Systems
- Target efficiencies in operations
 - Document for those who follow and/or must implement

Lessons Learned

- Implement programs in current facility while in holding pattern
 - Practice makes perfect
 - Ease the transition to the new facility
 - Work out bugs in known environment

Lessons Learned

- Create space for new programs
 - Shell space if possible
 - If CON won't allow then build in soft space that can be moved out without patient care disruption

What Worked — What Didn't

- Getting to market immediately was the difference between success and failure
- Continuously updating the plans annually kept us ready to go
- Plan a shelled unit for added future capacity
- Competitive bidding of Owner equipment provided unexpected savings
- Involvement of stakeholders to understand the design principles



What Worked – What Didn't

- Should have paid more attention to updating equipment during the delay
- Make middle management understand that once the construction is well along changes are very disruptive



Conclusions

- Communication across the organization and within the design and construction teams is critical
- Keeping morale up with the expectation that the project will go forward is difficult but invaluable.

Conclusions

- Remain flexible during the delay. There will be changes to
 - Operations
 - Staff
 - Codes
 - Technology



ACHE·learning

 American College of
Healthcare Executives
for leaders who care®

Conclusions

- Once the cause of the delay is dealt with proceed as fast as possible. Time is money and momentum has value.
- Make the schedule come in on time

ACHE·learning

 American College of
Healthcare Executives
for leaders who care®

Conclusions

- Keep a sense of humor and perspective.
The project is too important to allow it to fail

Questions?



Questions?

Push *1 on your telephone key pad
to comment or ask your question

OR

Click on 'Q&A' on the menu bar, this will open the
Q&A panel.

Type your question in the upper section and then
click 'Ask.' You'll receive confirmation
that your question was received.

Submitted questions will be answered verbally as
time allows.



Upcoming ACHE Events

Webinars:

- May 11, 2010 Top 10 Ways to Work Effectively with
Your Medical Staff

Online Seminars:

- June 16—July 28, 2010 Strategic Planning That Works:
Integrating Strategy with Performance

For more information or to register, log onto www.ache.org



Special Hot Topic Webinar CD

Find out what you missed during... **“Corporate Negligence in Acute Care Hospitals: Understanding the Continuum of Accountability.”**

This ACHE webinar was attended by many of your peers on September 10, 2008. Now it's available to you on CD!

Presented by:

Arthur S. Shorr, FACHE
President
Arthur S. Shorr & Associates

Topics explored include:

- The non-delegable responsibility of the CEO in any organization
- The linkage between federal and state laws, Joint Commission community standards and hospital policies
- The ACHE Code of Ethics

Cost:

\$175 ACHE affiliates/
\$195 non-affiliates

To order call KRM at:
800-775-7654

Or visit:

http://www.ache.org/SEMINARS/AudioCD_index.cfm

Note: ACHE will not grant Category I (ACHE education) or Category II (non-ACHE education) credit to CD buyers.

ACHE·learning



THANK YOU!

Please submit your online evaluation at:

<http://eval.krm.com/eval.asp?id=16499>

ACHE·learning





American College of
Healthcare Executives
for leaders who care

DISCLOSURE FORM

Faculty and others involved in planning the content/delivery of educational programs are required to disclose commercial support and potential conflicts of interest to their audiences

It is the policy of the American College of Healthcare Executives (ACHE) to ensure balance, independence, objectivity, and scientific rigor in all of its sponsored or jointly sponsored Continuing Medical Education (CME) activities. To this end, all program planners and faculty members participating in any ACHE sponsored CME activity must disclose any real or apparent conflict(s) of interest that may have a bearing on the activity. A conflict of interest may exist when individuals have both a financial relationship with a commercial interest and the opportunity to affect the content. This pertains to pharmaceutical companies, medical device manufacturers, and any other organization whose products or services relate to the presentation.

The intention of this policy is to identify potential conflicts of interest, facilitate resolution according to protocols, and ensure that disclosure is provided to participants prior to the beginning of the activity so that learners may formulate their own judgments as to the objectivity of the activity.

Event Description: **Webinar 4/14/10**

Program Title: **How Do You Deal with a Delay of a Hospital Construction Project?**

Name of Discloser: **Raymond A. Grahe**

Relationship (check one): Instructor Course Designer Meeting Planner

I, and any members of my immediate family, have the following relevant financial interest in a product or device; or financial interest/arrangement or affiliation with commercial organizations providing financial assistance or grants in support of this educational activity; or with any commercial organization with a financial interest in the subject matter of this activity as indicated below:

ACTIVITY	Name of Commercial Organization
Salary, stipend or royalty	_____
Grant or research support*	_____
Product or Device Designer	_____
Major Stock Holder	_____
Commissioned Agent	_____
Other -	_____

* Received directly by you. Grants to your organization are not reportable

- I have no real or apparent conflicts of interest and have nothing to disclose
- I intend to reference unlabeled/unapproved drugs or devices in my presentation
- I intend to reference commercial products during my presentation

I represent that the foregoing information is complete and truthful

Raymond A. Grahe
Signature

4/6/2010
Date

DISCLOSURE FORM

Faculty and others involved in planning the content/delivery of educational programs are required to disclose commercial support and potential conflicts of interest to their audiences

It is the policy of the American College of Healthcare Executives (ACHE) to ensure balance, independence, objectivity, and scientific rigor in all of its sponsored or jointly sponsored Continuing Medical Education (CME) activities. To this end, all program planners and faculty members participating in any ACHE sponsored CME activity must disclose any real or apparent conflict(s) of interest that may have a bearing on the activity. A conflict of interest may exist when individuals have both a financial relationship with a commercial interest and the opportunity to affect the content. This pertains to pharmaceutical companies, medical device manufacturers, and any other organization whose products or services relate to the presentation.

The intention of this policy is to identify potential conflicts of interest, facilitate resolution according to protocols, and ensure that disclosure is provided to participants prior to the beginning of the activity so that learners may formulate their own judgments as to the objectivity of the activity.

Event Description: **Webinar 4/14/10**

Program Title: **How Do You Deal with a Delay of a Hospital Construction Project?**

Name of Discloser: **William W. Heun, AIA**

Relationship (check one): Instructor Course Designer Meeting Planner

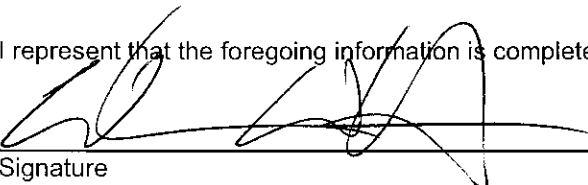
I, and any members of my immediate family, have the following relevant financial interest in a product or device; or financial interest/arrangement or affiliation with commercial organizations providing financial assistance or grants in support of this educational activity; or with any commercial organization with a financial interest in the subject matter of this activity as indicated below:

ACTIVITY	Name of Commercial Organization
Salary, stipend or royalty	_____
Grant or research support*	_____
Product or Device Designer	_____
Major Stock Holder	_____
Commissioned Agent	_____
Other -	_____

* Received directly by you. Grants to your organization are not reportable

- I have no real or apparent conflicts of interest and have nothing to disclose
- I intend to reference unlabeled/unapproved drugs or devices in my presentation
- I intend to reference commercial products during my presentation

I represent that the foregoing information is complete and truthful.


Signature

1/5/2010
Date

Thank you for attending this event.

Today's event features an online, post-event evaluation form. To send us your feedback, please click on the link below, or type the URL into your web browser's address bar.

<http://eval.krm.com/eval.asp?id=16499>

Your feedback and comments are very important to us. Thank you in advance for taking the time to complete this evaluation!