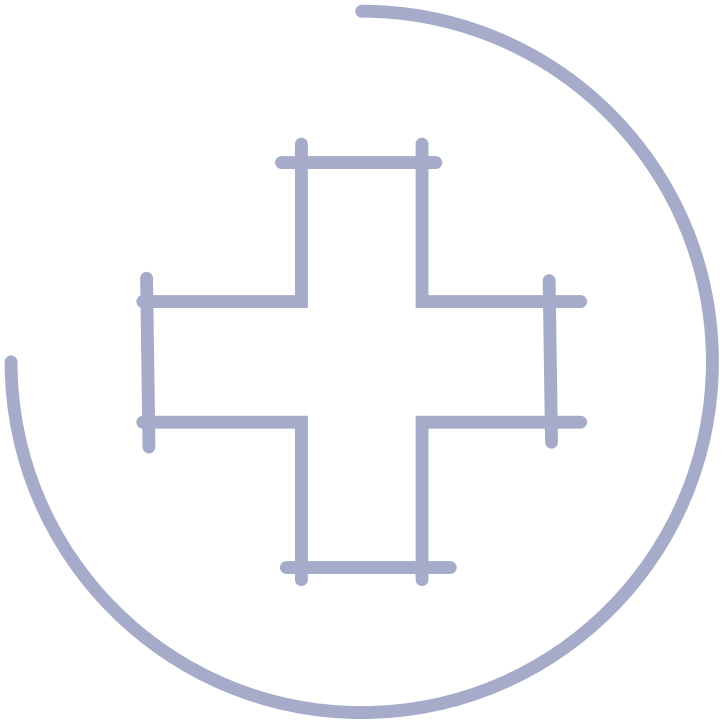
SECTOR CAPABILITY

HEALTHCARE PROCUREMENT TOOL

RLB Rider Levett Bucknall


Radiology

CONTENTS



ABOUT RLB

WHO WE ARE

At Rider Levett Bucknall (RLB), our approach allows us to deliver successful outcomes to property and construction projects by tailoring our services to match client goals and needs. Our team specializes in creating, evaluating, and managing project controls that address the critical issues of time, cost, scope, and quality in the built environment.

We are a recognized industry leader and a trusted advisor to our clients, with a network that covers the globe and a heritage spanning over two centuries. Our experience has taught us that to achieve success in today's market, it is vital to manage risks and opportunities. From pre-construction, through construction, to turnover, our primary goal is to afford clients the level of certainty they need to make critical, real-time decisions to ensure the commercial success of their projects.

YOUR HEALTHCARE EXPERT

We are committed to being one of the world's foremost construction consultancy firms and a leading strategic advisor in healthcare projects. Whether we are providing early estimating and budgeting prior to the GC being brought on board, reviewing change orders as an impartial third party, or analyzing construction schedules to ensure your facility becomes operational by its anticipated date, we align our capabilities to meet your needs.

Our team of experts has worked on more than $10B worth of healthcare projects in the past five years, delivering award-winning solutions by integrating fresh perspectives, flexible solutions, and innovative technology to deliver successful facilities.

WHAT WE DO

PROJECT MANAGEMENT

At RLB, project management is a multi-faceted core specialty.

Project managers combine cost consultancy knowledge, project management ability, and communication skills to run construction jobs from concept to completion. They understand the balance needed to meet budget and milestones within time frames without compromising quality.

- Owner's Representative
- Planning & Scheduling
- Project Management
- Project Evaluation
- Project Monitoring
- Risk Management
- Transition Planning

COST MANAGEMENT & QUANTITY SURVEYING

Cost management is at the core of RLB's specialties.

This specialty encompasses cost estimating, cost management, the production of tender and contract documents, the financial administration of building contracts, and dispute resolution.

- Bid Evaluation & Reconciliation
- Cost Modeling
- Cost Planning
- Feasibility Studies
- Life-Cycle Cost Modeling/ RElifing
- Pre-Construction & Construction Cost Management
- Special Cost Studies & Reports
- Specialized MEP Cost Advice

ADVISORY

This specialty was developed in response to client needs for total asset management.

We employ a more sophisticated approach to the questions of conception, delivery, operation, and disposal of build assets throughout the property life cycle. Today, RLB's expertise and experience across the property cycle makes a real difference to a customer's corporate performance.

- Alternative Dispute Resolution
- Change Order Analysis
- Claims for Additional Compensation
- Construction Defect Investigation

SCHEDULING

Our scheduling specialty allows us to provide clients with commercial success.

Our scheduling services span a diverse and wide range of offerings, including: portfolio and program schedule management, contract review and specification writing, contractor schedule auditing, forensic delay analyses, time performance dash boarding, and formal schedule risk management.

- Scheduling Services for Construction Owners
- Master Program Scheduling
- Forensic Delay Analysis
- Project Controls
- Risk Management
- Stakeholder Resource

PROCUREMENT 101

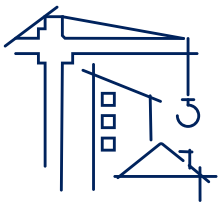
Selecting the best procurement strategy for a project is fundamental to its success; it will affect its cost, schedule, quality, and team relationships throughout the project's development. As such, procurement strategies should be considered at the earliest opportunity and should be weighed with regards to owner and project requirements.

On the following pages you'll find descriptions of project delivery methods, procurement methods, and contract types, along with advantages and concerns to consider. Our goal here it to provide you with the knowledge, resources, and tools necessary to make confident and informed decisions on your healthcare projects.

WHAT IS A PROJECT DELIVERY METHOD?

Project delivery methods define how a project team is structured between the owner, owner's representative, architect, engineers, and contractors. While there are many methods and permutations, we have detailed the most common within this procurement tool document.

WHAT IS THIS A TOOL FOR?



To teach you about procurement methods for healthcare construction projects. Our goal is to shed light on how and why these methods vary based on factors such as project size, complexity, budget, and timeline.

WHAT YOU CAN EXPECT TO LEARN:

You can expect to learn what role healthcare organizations have in these processes. As well as pros and cons of each method – Design-Bid-Build, Design-Build, Construction Manager At Risk, and Integrated Project Delivery.

WHAT YOU WILL TAKE AWAY FROM THE TOOL:

You cannot make confident decisions on your healthcare projects unless you are informed. After reading this tool, you'll know what to consider when selecting your team: experience, project approach, challenges/strategies, scheduling, project cost, and bidding strategy.

PROCUREMENT IN HEALTHCARE

There has been a growing trend towards using Design-Build (DB), Construction Management at Risk (CMAR), and Integrated Project Delivery (IPD) for healthcare construction projects. These methods offer benefits such as faster project delivery, increased collaboration among project stakeholders, and potentially better cost control.

Design-Build (DB) and Construction Management at Risk (CMAR) are particularly common in healthcare construction due to their ability to streamline the project delivery process and facilitate collaboration between the owner, designers, and contractors.

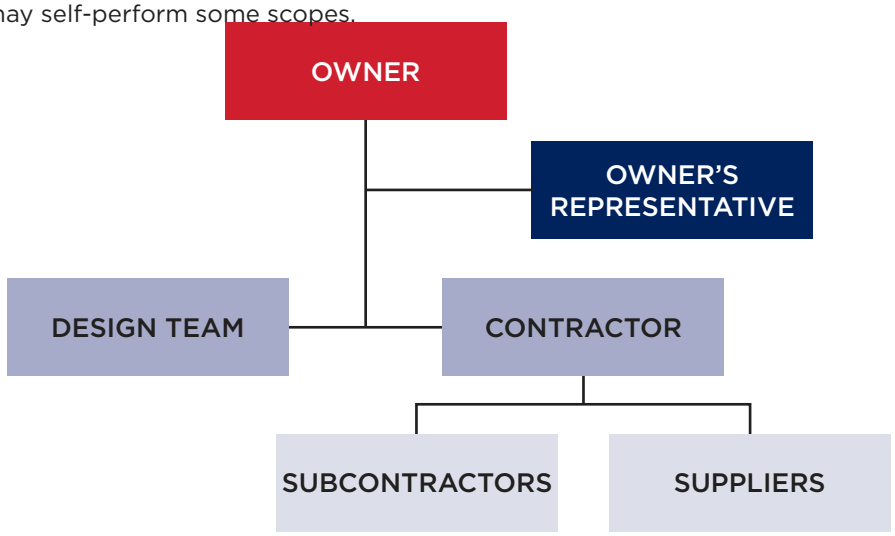
These methods allow for early contractor involvement, which can help identify and address potential issues before they become costly problems during construction.

Integrated Project Delivery (IPD) is also gaining popularity in healthcare construction projects, especially for larger and more complex projects. IPD promotes collaboration and shared risk among all project stakeholders, including the owner, designers, and contractors.

DESIGN-BID-BUILD (DBB)

DBB, the most traditional and prevalent project delivery method since the decline of the master-builder in the 19th century. There are three distinct phases: the design, bidding, and construction phases. The architect is hired by the owner to fully design the concept and construction documents for the project. Once design is complete, the owner solicits bids from a field of contractors (whether prequalified or publicly available) and selects a winning bid, typically by lowest price.

It is the least integrated delivery method in that the architect and contractor do not work together until the design is complete and construction starts. There are separate contracts between the owner and the architect and contractor. The engineers are under the architect's contract and the trade contractors are under the general contractor, albeit the general contractor may self-perform some scopes.



PROS	CONS
Common practice in the industry; vast majority players are familiar with it	Typically has the longest schedule duration due to its sequential nature
Competitive bidding: Allows for multiple contractors to bid on the project, potentially leading to cost savings	Owner owns more risk than other methods as they must be the bridge between design and constructability
Roles and responsibilities are clearly defined	As the contractor is not involved in the design process, the effectiveness of the design may not be optimal from a construction standpoint
	High risk of change orders and adversarial relationships

SPECIAL NOTES

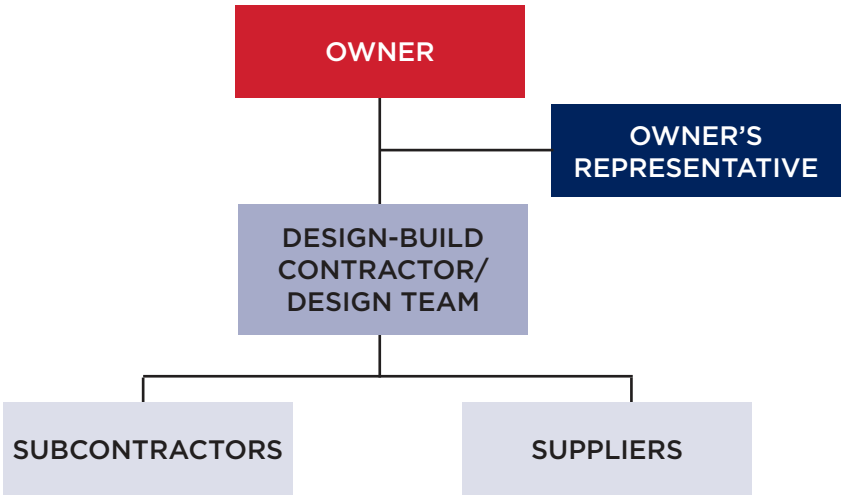
- As the owner has a high degree of responsibility, experience is necessary for project success. A construction manager or owner's representative may also be brought in to act in their stead.
- A neutral party (GC, CM, or otherwise) may also be hired to provide constructability reviews and cost advice during the design phase, either under the architect or direct with the owner. It potentially precludes this party from participating in bidding depending on contract, services, and sector.

PROJECT DELIVERY METHODS

DESIGN-BUILD (DB)

A more novel approach to construction, DB is unique in that the owner holds only a single contract with a design-build entity that provides both design and construction services. The owner sets out the program and performance requirements and the design-builder carries out the rest. Most of these design-build entities are led by a general contractor that partners with an architect, although there are dedicated design-builder firms that have licensed architects, engineers, and contractors. Trade contractors and engineers are typically subcontracted to the entity, though.

While there are still technically three phases (bidding, design, and construction), they are overlapping and fast tracked. Once the design-build firm is selected by the owner (usually on best value but other procurement methods can be used) and design has developed to a certain level, construction can begin on early works prior to final design.



PROS	CONS
Conceptually quicker timeline than DBB due to overlapping phases	Unlike other procurement methods, in DB the owner has less control of project details and cost, must trust the DB entity
Typically, fewer change orders, project claims, litigation	Owner must be certain of project requirements from the outset
Better cost certainty and earlier knowledge of contract price	Design build entity owns more risk on the project, cannot charge change orders for design or procurement gaps that arise during construction

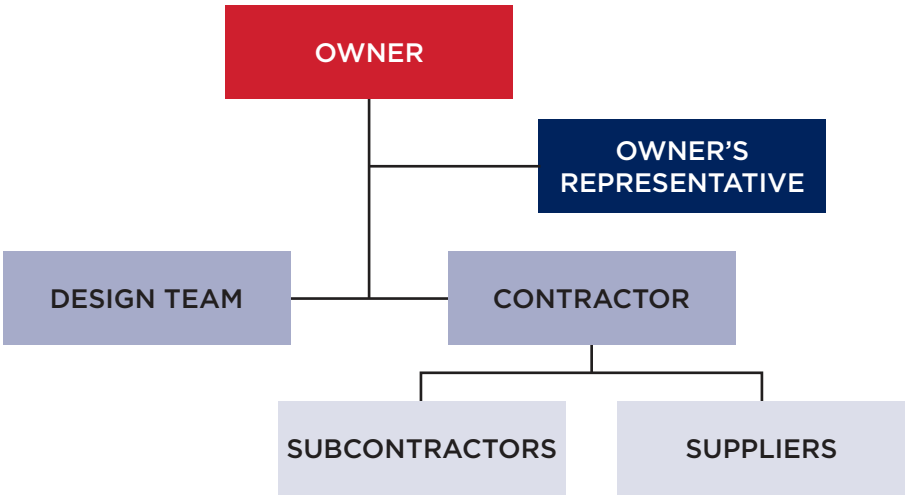
SPECIAL NOTES

- The owner should be careful of prescriptive standards or specifications that are overly restrictive, especially once design has commenced. This is one of the few avenues for additional charges from the DB entity.
- This delivery method does not necessarily lead to the lowest cost for a project as there is a heavy emphasis on qualifications. Contract prices for construction may initially be higher than that from DBB, but the greater cost control and cooperation in DB may balance this against the risk of change orders in DBB.

CONSTRUCTION-MANAGER-AT-RISK (CM@R)

Somewhere between DBB and DB in terms of benefits and risks lies CM@R. More and more common in the construction industry, CMAR allows for a greater spread of the risk and control across the project team. The construction manager/ contractor is selected by the owner midway through design to provide pre-construction services, consistent of period cost estimates, constructability review, and long lead procurement.

Largely setup similarly to DBB, there are two contracts: Owner-CM and Owner-Architect, which means the designers and constructors do not have a direct relationship. However, it differs from DBB in that the early involvement of the contractor does typically result in fewer change orders due to their greater familiarity and stake in the design.



PROS	CONS
Early cost certainty and owner retains some control over cost.	Potential for conflicts: Collaborative decision-making between the owner, designer, and contractor may lead to conflicts if not managed effectively.
Allows for a fast-tracked schedule and early long-lead procurement, similar to DB.	Owner has responsibility to protect itself from gaps in the design or contractual exclusions from the CM.
Larger focus on quality and coordination.	Complexity: CMAR projects require close coordination among multiple parties, which can increase project complexity..
Requires contractor to account for "reasonably inferable" scopes of work during price determination.	

SPECIAL NOTES

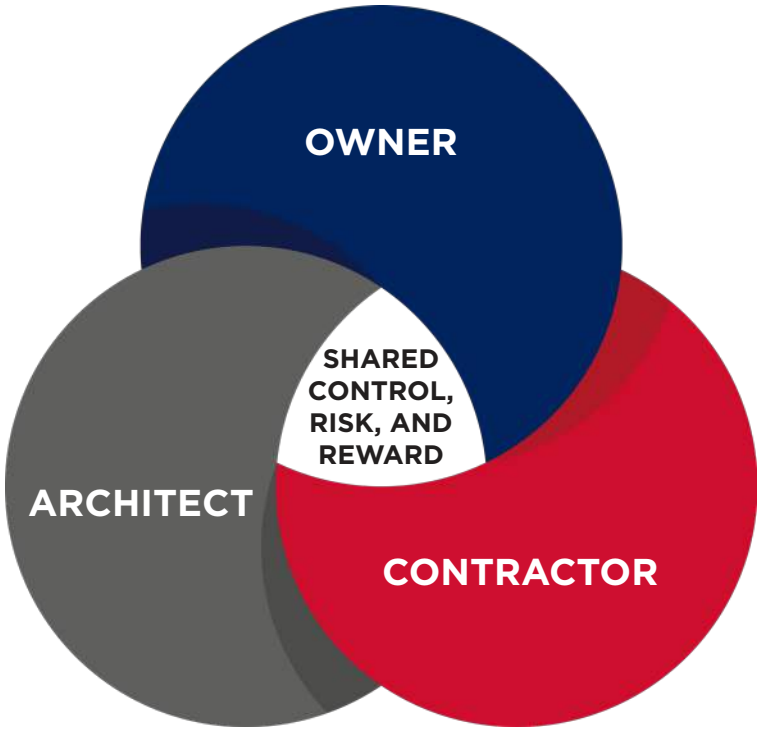
- There is a fair margin for flexibility in the procurement methods and contract types. The CMAR can be selected from low bid, negotiations, or best value and the contract can be lump sum, cost plus, or GMP. Other delivery methods are typically more prescriptive, but there are deviations.
- Timing of the onboarding of the CMAR is worthy of note. Bring them on too early and cost certainty is lower, and too late the constructability review isn't as effective. Early design development (50% DD) seems to be the sweet spot as that is when the MEP scopes start needing clash detection.

INTEGRATED PROJECT DELIVERY (IPD)

IPD is gaining popularity in healthcare construction projects, especially for larger and more complex projects. It promotes collaboration and shared risk among all project stakeholders, including the owner, designers, contractors. This delivery method is unique as it can be performed concurrently with other delivery methods (e.g. DB or CMAR).

Success is predicated upon one word: collaboration. Think of IPD as a three-legged stool; the owner, designer, and contractor must be fully integrated and active participants throughout the entire project lifecycle (but most importantly at the beginning, where the amount of effort and time put into the planning of a project is tantamount to the success of the project).

IPD amalgamates the expertise of trade contractors into the design process. This requires that trades are onboarded during the design phase in lieu of bringing them on during construction, which is traditional (often resulting in increased change orders to meet either owner requirements or design specifications that were created without the input of trade specialists. As is the case in any project, this can cause the construction costs to creep up, possibly compromising the budget. Additionally, it has the potential to jeopardize the project schedule.



PROS	CONS
The owner can pull from a broader range of firms due to the control and variation of the responsibilities.	Requires an investment and commitment of time and collaborative effort from the entire team - up front.
The owner has a high degree of control as they will be involved in every step of the process.	Success is dependent upon a builder and a designer whereupon a few of their key strengths are collaboration and relationship building.

SELECTING THE A-TEAM

At this point in the healthcare procurement tool, we've provided you with a foundation of knowledge. You are now acquainted with each of the methods for which construction projects are delivered, how they are contractually structured, and a few pros and cons of each - the next step is using this knowledge to qualify and select your team. **The most suitable method for a healthcare construction project depends on project goals, budget, schedule, and the level of collaboration desired among project participants.** ***This is precisely why it is important to know how to qualify your project team.***

TYPICAL CONCERNS WHEN SELECTING THE TEAM

When selecting your team, asking broad-stroke questions is not enough to help you pinpoint the best team members for your healthcare project; you need to ask the *right* questions.

We've provided a few for you below, sorted by topic. We recommend you refer back to these when drafting your require for proposals and during your interviews.

APPROACH

- What do you see as the greatest challenges on the project? What strategies/experience might be used to overcome these challenges?
- What strategies have you developed to minimize disruption to neighboring communities?
- Approach to Site Logistics/Phasing?
- Approach to coordinating with Owner Vendors? (e.g., medical equipment, low voltage, etc.)
- Proposed Prefabrication Strategies?

SCHEDULING

- What projects do you see competing with this project?
- Were subcontractors privy to the proposed schedule? What is your sense of subcontractors' capacity to meet the proposed schedule?
- What is CM's capacity to take on this project?
- At what design milestone would you use to take on early trade partners?
- Gas line and Overhead Electrical Relocation incorporated into schedule?

STAFF AND KEY PERSONNEL

- What prior project experience does the proposed Key Personnel have working together?
- Which relevant projects does the Key Personnel have experience working together?
- How do you feel about your firm's capacity to take on this project? What other large projects do you anticipate your firm will be managing concurrently with this project?

PROJECT COSTS AND BIDDING STRATEGY

- How were project costs developed? Did you produce a complete detailed estimate? What subcontractor input was used?
- What areas of the project cost do you see having the greatest risk? (e.g. trades lacking sufficient interest or capacity from market, cost escalation, long lead issues, design progression, etc.)
- What is your perception of interest in this project from the subcontractor market? Are there trades where are you concerned that you may not receive competitive bids?
- Have suppliers or subcontractors identified any anticipated cost increases?
- What scopes-of-work are you intending to self-perform?
- What is the process for receiving bids for trades where the CM is intending to self-perform?
- To what extent do you feel the budget incorporates infilling of scope gap? (i.e. filling in the "white space.")
- What is the approach to maintaining budget throughout the project duration?
- Approach to minimizing gaps between the initial estimate, tracking cost changes, and managing subcontractor buyout?
- What are bid packaging strategies?
- Describe approach to trade partners?
- Value engineering/Cost Reduction ideas? VE ideas from subcontractors?
- Clarifications/Assumptions?

CONTACT US

JORDAN MILLER

ASSOCIATE PRINCIPAL

T: +1 (720) 904-1480

E: jordan.miller@us.rlb.com