

YOUR HEALTHCARE EXPERTS

RIDER LEVETT BUCKNALL

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.

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E: info@us.rlb.com

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DON'T MISS OUT ON FUTURE INSIGHTS!

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HEALTHCARE

SETTING UP FOR SUCCESS THROUGH PROCUREMENT STRATEGY

Selecting a procurement strategy affects cost, schedule, quality and team relationships and is fundamental to project success.

With healthcare construction already up 12 percent over the same period last year, there are no signs that projects are slowing down. That leaves healthcare facilities, owners and managers trying to best manage their time and resources for a growing number of projects.

A range of construction procurement options are available to help owners and managers oversee projects. Selecting the most appropriate procurement strategy for a project is fundamental to its success. It affects cost, schedule, quality and team relationships.

The procurement method is driven by the structure of the project team, which includes the owner, owner's representative, architect, engineers, managers and contractors. It can play a crucial role in project optimization.

Four procurement methods are commonly used, and depending on the project's scope, choosing the best method can help an owner or manager operate as efficiently and effectively as possible.

To learn more about the organizational structure of these procurement methods, the pros and cons of each, and the recommendation for your healthcare project, [click here to read our Healthcare Procurement Tool](#).



Design Bid Build

01

DBB is the most traditional and prevalent project delivery method involving 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.



Design Build

02

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 GC that partners with an architect.



Construction Manager At Risk

03

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.



Integrated Project Delivery

04

Integrated Project Delivery (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.



51%

Percentage of healthcare projects that have experienced unexpected cost increases in the last 3 years due to supply chain delays and labor shortages.



Top 3 Steps Taken to Overcome Cost Increases

1. Reduce Scope of the Project – 65%
2. Use of Value Engineering – 56%
3. Reevaluate Design Standards – 39%



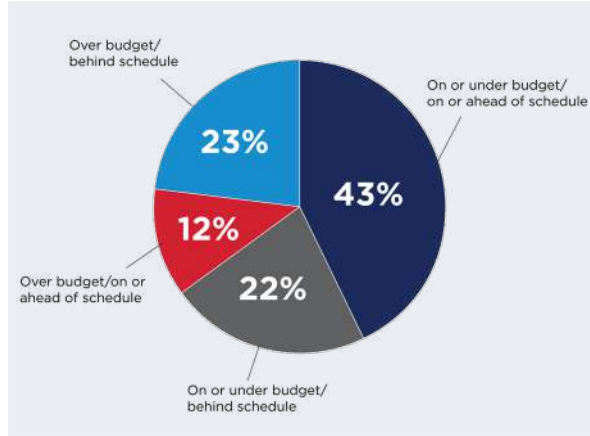
Top 3 Procurement Methods Used to Mitigate Inflation, Labor Shortages, and Supply Chain Issues

1. Design-bid-build – 43%
2. CMAR – 30%
3. Design Build – 28%

HEALTHCARE MARKET INSIGHT

ABOUT THE CHARTS

The chart to the left¹ represents construction projects and key performance indicators. The chart to the right¹ represents the percentage of hospital capital budgets that are allocated to construction projects (on average).

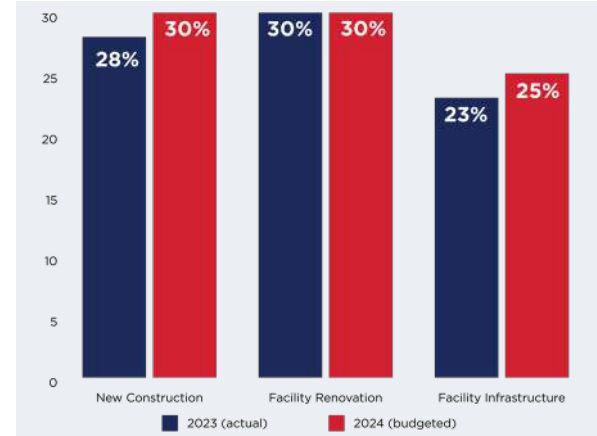


WHAT THIS MEANS FOR YOU

According to the survey mentioned below, nearly 60% of all healthcare construction projects are not finishing on time and on budget. These projects are complex and generally require a large team of expert designers, engineers, contractors, consultants, etc. With this complexity and vast amount of people involved, including stakeholders, communication is key to understanding the required scope and expectations of the project. Having a clear definition of requirements early in the process will allow for more accurate cost estimating and ability to set accurate budgets. Managing the budget and schedule, along with risk and quality, is challenging when proper controls are not established at the beginning of a project. **The earlier that a Project Management Plan can be established, the more likely the project is to finish on time and on budget.**

¹ <https://www.hfmmagazine.com/articles/4944-2024-hospital-construction-survey-results>

² <https://www.aha.org/infographics/2024-01-18-fast-facts-us-hospitals-infographics>



HEALTHCARE CONSTRUCTION COST DRIVERS

5.86%

National YOY Escalation Rate

| SELECT MATERIALS | APPROX. CHANGE FROM Q4 2022 |
|---------------------------------|-----------------------------|
| Structural Steel | ▲ 1.0% |
| Ready-Mix Concrete | ▲ 1.4% |
| Copper | ▲ 2.9% |
| Plumbing Fixtures | ▲ 0.5% |
| Aluminum | ▼ -1.2% |
| Medical Equipment Manufacturing | ▲ 1.0% |

