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Impact of the Coronavirus Pandemic on Healthcare Construction Projects

The COVID-19 pandemic is causing disruption to a wide range of industries and construction in the healthcare sector is no different. Healthcare systems are navigating the immediate needs of patient care, overshadowed by uncertain revenue and market impacts brought on by the pandemic. While many hospitals have full or even overcrowded emergency rooms and intensive care units, the same hospitals have either decided to or have been required to forego elective surgeries, potentially compromising cash flow and raising concern over capital expenditures.

Healthcare construction projects have always been considered as secondary to or in support of clinical operations. As our healthcare system braces for the brunt of the impact from COVID-19, this standard practice holds true now more than ever. The result is leaving capital project teams working to decipher the best way to continue moving forward – making progress where they are able while working to minimize delay and cost exposure.

Many states are operating under a shelter-in-place or stay-at-home order allowing only “essential” businesses to remain open. With some exceptions, construction has often been considered an “essential” business. However, this does not mean that projects are proceeding without limitation as there are several factors healthcare systems must consider. These include the organization’s overall financial health, clinical impact from construction, patient and community safety, internal resource availability, and other outside factors that could present project risks, such as delays or cost overruns.

The following are several capital project scenarios we are currently seeing play out in the healthcare sector.

- **Project Suspensions** – for multiple reasons, many ongoing healthcare construction projects are being put on hold. The reasons for this are severalfold:
 - **Preserving Cash Flow:** Owners are needing to preserve necessary cash flow for COVID-19 response and are electing to stop or defer capital construction projects.

- **Clinical Impact:** Owners are deferring projects that were either planned or underway in critical areas of the hospital necessary for the COVID-19 clinical response (Emergency Department, operating suites, ICUs, etc.).
- **Avoiding Unnecessary Risk Exposure:** Owners are electing to stop work or defer projects as a measure to minimize public traffic within the facility and curtail unnecessary exposure that could be transmitted via members of the project team. This is particularly true for non-urgent projects or projects in immune-compromised areas of these facilities.
- **Stay-at-Home:** Contractors are electing to stop work on healthcare projects for employee health and safety reasons. Similarly, many medical equipment vendors employ a traveling workforce that may have travel restrictions imposed on them.
- **Ongoing Projects** – For ongoing projects during the pandemic, there are several impacts that could lead to delays and additional costs that would otherwise not have been a factor pre-pandemic:
 - **Lower Labor Productivity:** Given many projects are working through the pandemic, several COVID-19 effects are being felt by contractors. This has included distancing requirements, increased sanitation and other health and safety measures, shift work to reduce worker congestion, and increased workforce absenteeism. While these impacts would not stop progress on these projects, they will reduce progress and increase costs as compared to pre-pandemic levels.
 - **Reduced Operations Support:** Working within an operating hospital requires diligent coordination between the Contractor and the operations teams – the latter is now keenly focused on the COVID-19 response, with facilitation of construction dropping to “where and when available”.
 - **Supply Chain Disruption:** Contractors may encounter challenges receiving materials and specialized equipment that is not manufactured locally. Similarly, Owners may be challenged to receive and/or install major medical equipment, often part of the schedule critical path. Most major medical equipment is manufactured outside of the United States and is installed by a traveling workforce that is not typically locally-based.

Ways to Minimize Impact from Project Disruption

- Clearly communicate and document to all project team members on the overall strategy of the stop work or deferred work order and what that means for their given roles.
- Develop an accurate assessment of the current status of work once impacts are identified and before any stop work or deferred work action.
- Redirect team efforts and resources for work that can be completed elsewhere in the project that may be less impactful to current hospital operations.
- Identify work that can be prefabricated off-site and brought to the hospital for installation.
- Establish infection prevention protocols for contractors to provide best-practice measures for safety while in the hospital and ensure rigorous standards for monitoring and maintaining them.
- Separately track all costs associated with the deployment and management of additional measures that would otherwise have not been required and clearly communicate cost impacts to project stakeholders.
- Consider schedule modifications and resequencing of work to accommodate delays in major equipment deliveries.
- Prioritize projects to maximize the reduced contractor workforce and consider placing non-urgent projects on hold.
- Always review contractual obligations and understand contractual risks associated with any stop work, suspensions or contract terminations. Communicate your understanding of any impacts to help avoid surprises and resolve disagreements amicably.

While each owner and project portfolio has its own unique circumstances and financial and resources constraints, there are practical steps that can be taken now to assist project stakeholders in identifying, managing and working through project impacts and disruptions associated with COVID-19 impacts. Ultimately a team’s ability to clearly communicate, document and work together through these unprecedented times will help increase the probability of a successful project outcome.

Urgent Facility and Construction Needs to Increase Critical Care Capacity

The sudden influx of critical care patients related to COVID-19 have left hospitals across the country having to develop an immediate strategy to meet the forecasted patient surge. This strategy likely includes construction or modification of existing departments and systems to provide the necessary number of critical care beds. Common solutions have included converting operating rooms to extra patient beds and converting post-anesthesia care units to function as ICUs. While these strategies will vary by a hospital's specific needs, it is important to perform cost controls and accounting functions for these projects as though they were a larger capital construction project.

Some of these cost controls and accounting items to consider are:

- Award specific contracts to design and construction partners for a given scope;
- Establish cost categories for the different work activities required;
- Produce detailed invoices for all costs incurred by architects, engineers, consultants and contractors; and
- Use a consistent document management structure supporting incurred costs.

If government reimbursement should be made available, it will be critical to have these costs separated from other “internal” project initiatives to substantiate the need for public funds.

There has been a significant amount of funding put forward to combat the economic impact of COVID-19, with more expected to come. The latest stimulus bill provided some opportunity for hospitals to recover costs related to COVID-19 response, although it is primarily focused on clinical response rather than facilities response. If future stimulus bills provide financial assistance for facility and construction costs, it is best to be prepared and be an early requester to ensure the maximum reimbursement.

Understanding the issues to make critical decisions

Healthcare systems have the weight of their communities on their shoulders. They are not only battling financial and operational challenges associated with the COVID-19 pandemic, but also the physical and emotional well-being of their frontline workers. As owners make decisions to move forward with or make changes to their capital projects, they should consider the issues and take appropriate steps to identify and manage the inherent risk associated with construction projects. Additionally, whether for capital construction projects or for facility construction needs to increase care capacity, the tracking and documenting of specific project costs should be rigorously maintained. Clear separation and identification of cost or schedule impacts will be essential to the successful negotiation and resolution of project disputes and/or the reimbursement through any available government stimulus packages.

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