

Pre-Plan Your ASC Build

Select the delivery method and equipment that is right for you

BY BRUCE JOHNSTONE AND EDDIE FERNANDEZ

If you are thinking of building an ASC, it pays to follow proven processes that lead to maximum return on investment.

The importance of careful due diligence, pre-planning and understanding different project delivery methods cannot be overlooked. The more thorough your feasibility work is during the pre-planning phase, the sooner you will see the facility reach the levels of success you are targeting. Additionally, equipment budget and planning are essential in the buildout process. Procurement of capital equipment can be tricky, but preparing in advance can help save time and money.

To ensure your ASC avoids some common pitfalls, make certain you understand the most critical elements of your build before you get started.

Design-Build versus Design-Bid-Build

Having the appropriate project delivery approach in place is critical when designing and building an ASC. The two most common delivery methods—design-build and design-bid-build—have similar names but differ significantly. Each approach has advantages and disadvantages.

Determining which method is right for your project will depend on your unique circumstances. It is important to consider your project goals, as well as the project's size, risk and complexity.

Understanding Design-Build

Simply stated, design-build provides a single point of contact with one team designing and building a new facility. This single source holds complete responsibility and contractual risk for every phase of the project. Some of these phases include architecture,



design, engineering, pre-construction, permitting and construction.

The design-build group, typically, has a team of in-house designers, architects and construction professionals, which allows the firm to self-perform all planning and building services. Once the project reaches the construction phase, the design-builder will engage with subcontractors who are managed by site supervisors and project managers, maintaining accountability through completion of the project. This method is growing in popularity due to its streamlined nature.

Advantages of design-build include

- **A reliable outcome**—The design-builder is contracted to meet the predetermined requirements of the client. This takes pressure away from the client needing to mediate any potential conflicts that could arise

between an architect and contractor if the project were handled separately.

- **Expedited project completion**—Overlapping the design phase with construction planning and budgeting saves time. Effective pre-construction efforts will speed up the construction phase. The design-builder takes complete ownership of the project planning effort, ensuring all necessary approvals and permitting are in place and expediting decision-making by engaging the client in the process at the appropriate phases.
- **A predictable budget**—When the design-build team guides the client through decision-making from the beginning of the project, costs are controlled more effectively. Budgeting efforts take place concurrently with design and architectural planning, which informs pricing decisions early and often.

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- **Improved communication and collaboration**—With one unified team delivering all phases of the project, communication becomes internalized within the firm and creates streamlined collaboration.

Disadvantages of design-build include

- **Pricing transparency**—In a design-build project, the contract is typically a lump-sum arrangement where the design-builder bids construction services to its sub-trades and then furnishes a final number to the client. The risk of pricing changes shifts onto the design-builder throughout the construction phase, rather than being left to the client. Certain clients or owners, however, would prefer to take the risk of improvement costs throughout the construction, which is not an option with lump-sum contracts.
- **Imbalance of personnel talent**—By having all services performed by one group, there could be concern that not all project team members bring an equal, high level of expertise. For example, often the design capabilities of a design-build firm are questioned, but the abilities of an architectural firm that solely offers design and planning services are not.
- **Conflicted interests**—Design-build projects typically work on an expedited timeline that leaves less time

for creativity. Clients can feel like they do not have as much autonomy to explore options with all responsibilities being placed in one firm.

Understanding Design-Bid-Build

In the design-bid-build process, the client maintains the responsibility to retain an architect as well as a general contractor. With this approach, the client would collaborate with the architectural firm to create all plans and drawings for the project. Once the planning phase is complete, they would then send out the construction drawings to multiple general contractors to obtain bids. The client is responsible for determining which contractor is best suited to managing the construction phase and remaining as the liaison with the architect throughout the remainder of the project.

The design-bid-build approach is ideal for clients who prefer a high level of involvement with the project. The client, however, also needs to be prepared to assume all risk associated with design and construction execution.

Advantages of design-bid-build include

- **Pricing transparency**—The traditional bidding approach offers direct insight into construction costs between general contractors; often, a breakdown of costs is provided in bids.

- **Increased level of architect involvement**—When an architect is engaged to create a design on behalf of the client, they will likely be more involved in the project and drive the design in a favorable direction for the client. This method also increases the likelihood the architect will be involved in construction administration for a higher quality execution of the design.
- **Owner input**—The design-bid-build process gives the client a higher level of control over all aspects of the project. They can be involved in subcontractor selection and have the freedom to hire or fire as they see fit.

Disadvantages of design-bid-build include

- **Longer project timelines**—Retaining an architect to create plans and then evaluating and selecting a general contractor is a linear approach in relation to timing. This extends the overall project timeline.
- **The budget can be in flux**—The construction costs in this approach are unknown until the design is complete. This can lead to costly redesigns, value engineering or rebidding. It also can mean significant delays.
- **A silo approach**—The architect might be less likely to make considerations for the construction team and the build process. For instance, they might design without factoring in the price of construction materials, which can lead to higher cost or a delay.
- **The need for mediation**—Every team involved with the project is operating with only their best interest in mind. This can lead to poor communication, delays and added costs. This is a problem that the client might need to step in to mediate at some point.

Which Method is Right for Your Project?

Each circumstance is different and selecting the right method for your project will come down to individual requirements and preferences. The

design-build method would likely work better for a client that values collaboration and prefers to avoid conflicts between multiple parties. This delivery method is ideal when you are prioritizing time, cost and the quality of deliverables. A design-build approach also is ideal for reducing your risk and limiting your involvement in the project.

The design-bid-build approach might be more suited to a client that prefers to have more input into the overall process. It might be the right approach if the project is less complex. Design-bid-build offers competitive bidding as a way for the client to stay informed about costs. If you are comfortable managing multiple groups, and the timeline is not much of an issue, the design-bid build model could offer advantages.

Equipment Procurement in the Pre-Planning Phase

A critical element in the pre-planning phase is equipment procurement. Prior to purchasing equipment, it is important to confirm the following details:

- **Computer-aided design drawings (CAD)**—You must have CAD drawings completed to know the footprint, electrical and plumbing needs of your center. This pertains more to the larger equipment as it comes in various sizes and functionality. Having these drawings will allow you to obtain a more accurate quote that will be based on your particular needs.
- **Group purchasing organization (GPO) affiliation**—This will allow you to take advantage of certain discounts based on brands that your GPO has contacts with. Not all equipment has a GPO discount, but when it does, significant savings could be achieved.
- **Estimated time of arrivals and timelines**—With supply chain disruptions and price increases, be aware of your timelines and the estimated arrival times of equipment to ensure your facility is ready for opening dates.

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—Bruce Johnstone and Eddie Fernandez, Apex Design Build and Henry Schein Medical

Additionally, when determining which equipment to furnish your surgery center with, consider the type of surgeries you are performing, if you are buying new or used equipment and how you plan to finance your equipment. Note that not all equipment can be trialed, particularly the large items due to weight and logistics. In most cases, equipment that has a diagnostic feature can and should be trialed to make sure it fits your needs.

Equipment Purchasing Tips

Purchasing equipment is no easy task. ASCs can follow these three key tips to start the capital equipment procurement process:

- Work with an outside consultant to start the equipment purchasing process.
- Conduct bi-weekly meetings with consultant groups and physicians to review progress and address any questions or concerns.
- Obtain several quotes for the larger and more expensive items.

New and Used Equipment Options

ASCs should consider buying both new and used equipment. Used or refurbished equipment can help save money for the bottom-line budget. That said, it is important to purchase from a well-known supplier rather than online.

Sometimes facilities will try to find the cheapest equipment online and end up with products that are unreliable. In this case, they end up paying more because they purchase the same item again. Buying new equipment might cost more, but it will give you peace of mind. Regardless of whether it is new or used, staff should be trained on how to use the equipment. The equipment suppliers often offer training. Many manufacturers offer on-site or virtual training, and you can work with your sales representative to coordinate training with those who do.

Financing Your Equipment

It is always a good idea to look at leasing capital equipment. This allows you to keep your cash flow, something that is vital for a startup, and allows the business to pay the loan as you go. ASCs can still take advantage of certain tax benefits while leasing, such as Section 179, an immediate expense deduction that business owners can take for purchases of depreciable business equipment, instead of capitalizing and depreciating the asset over time. The Section 179 deduction can be taken if the piece of equipment is purchased or financed, and the full amount of the purchase price is eligible for the deduction.

In closing, before even starting your ASC build, determine which project delivery method will work best for you and your facility and think about the type of equipment you will need within the center. By pre-planning, you can ensure your ASC build will be a success. «



Bruce Johnstone is the director of client services at Apex Design Build in

Rosemont, Illinois. Write him at brucej@apexdesignbuild.net. Eddie Fernandez is the capital equipment manager of ASC business at Henry Schein Medical in Melville, New York. Write him at eddie.fernandez@henryschein.com.