

HEALTHCARE REAL ESTATE, CONSTRUCTION, DESIGN & FACILITY PLANNING

Scope, Schedule, and Budget: Golden Nuggets from Our Book

Certainly the phrase "Scope, Schedule, and Budget" is tossed around the healthcare industry like a buzzword. From Administrators, to Designers, and Contractors and everywhere in-between this phrase is used as common place yet so few within the industry actually know that this phrase is not a phrase at all but an equation!

The equation is: Scope + Schedule = Budget.

Scope +

Scope is not about "who's right"; it's about "what's right". So often is the case of the project champion that scope becomes "who's right". Scope is not what any Doctor, Administrator, Director, VP, Designer, Managers, or Contractors says it is. (Who's right). Scope is about quantifying the need thru measurable processes which yield quantifiable, results. (What's Right) Determining scope thru analytical processes is a bottom up method, much like constructing a building. It is the quickest, shortest, and least expensive route to project approval as compared to top down or what is commonly termed "work backwards." This process is the same for nearly all types of projects within our facilities. The need must be studied through analytical tools such as demographic studies, market, and volume analysis. Once completed this information is converted to quantifiable, documented data that will yield the planning units such as numbers of beds, numbers of exam rooms, etc. These units are then studied through due diligence processes which will determine program size, and compo-

nents specifically related to the data. Who's Right can be endlessly debated. (This is due to the principle of Self Interested Behavior wherein stakeholders make decisions that are of a personal benefit at the cost of the mission of the organization.) What's Right can be supported by data. The Business Plan and Pro forma should reflect exactly that. It will yield the least expensive alternative which will result in the best possible returns for your project. After which, Project add-ons, what we term "Nice to Do's" can be discussed. Independently verify all components before determining scope. Which project method would you choose to present to your board for the next project?

Schedule =

The schedule factor of the equation is often overlooked as a quantifiable element. Schedule determines when the incremental revenue stream begins: Therefore the shorter the duration, the less the project costs, equaling better returns. First, the increase of incremental revenue in many cases far exceeds the savings that are generated through lengthy negotiations, hard fought bidding and endless "resizing" in efforts to shape a project into some magic dollar number. Secondly, in terms of dollars the schedule or duration of the construction project can be 10% or more of the contractor's estimate (when General Conditions are compared to overall construction cost). Interestingly enough, after having managed hundreds of projects I have come to understand clearly the relationship between price and schedule: The harder you drive down the price with architects and contractors, the longer the



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project takes. Are we in business as Healthcare Providers or are we in the building business? The answer is about the furtherance of the mission of the organization. This can be phrased as "Speed to Market".

Budget

Construction cost and Project cost are two different costs. Construction cost is that cost which you will pay to the contractor. Project cost includes the construction cost and also other necessary costs such as planning, environmental, professional fees, clinical equipment, furnishings, information systems, telecommunication systems, financing, land, department overheads or taxes, and others. The project cost minus construction cost can be one third of the total. It is this one third of costs that we see so many facilities overlook.

I have always marveled at the notion "the budget is too high". The budget is the quantifiable factor of the scope and schedule. Put forth projects that meet the needs as analyzed, and measure the viability on financial terms. Only when this information is presented can clear decisions be made, whether on the financial terms or operational terms.

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