

# Denver VA versus Dallas Parkland

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*Denver and Dallas both had aging public hospitals in need of replacement: one served the most vulnerable of the city's population, the other served the most valiant. The Veterans' Administration (VA) hospital in the Denver suburb of Aurora, currently \$1 billion over budget, remains incomplete after a decade of planning and construction.*



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The Dallas project was a joint public-private venture that delivered the new Parkland hospital largely on-time and on-budget. The projects in Denver and Dallas illustrate the consequences of projects managed exclusively by a federal agency versus projects managed with a high degree of taxpayer accountability.

**A Tale of Two Cities.** In the late 1990s, the VA hospital in Denver, Colorado, was run-down, crowded and outdated. The understaffed hospital struggled to serve a growing population of veterans. Additionally, federal personnel rules made it difficult to hire more doctors, nurses and vital support staff. As a result, many of the 400,000 veterans in Colorado chose to seek treatment at VA hospitals in other states.<sup>1</sup>

In 1894, the original Parkland Hospital was built in Dallas to serve the young city's indigent population.<sup>2</sup> Parkland has since become one of the busiest hospitals in the United States, nationally ranking No. 6 for births per year and operating the nation's second-largest burn unit. Faced with increasing demand and struggling to meet modern accreditation standards, Parkland's board of directors embarked on a new project to replace the existing facility.

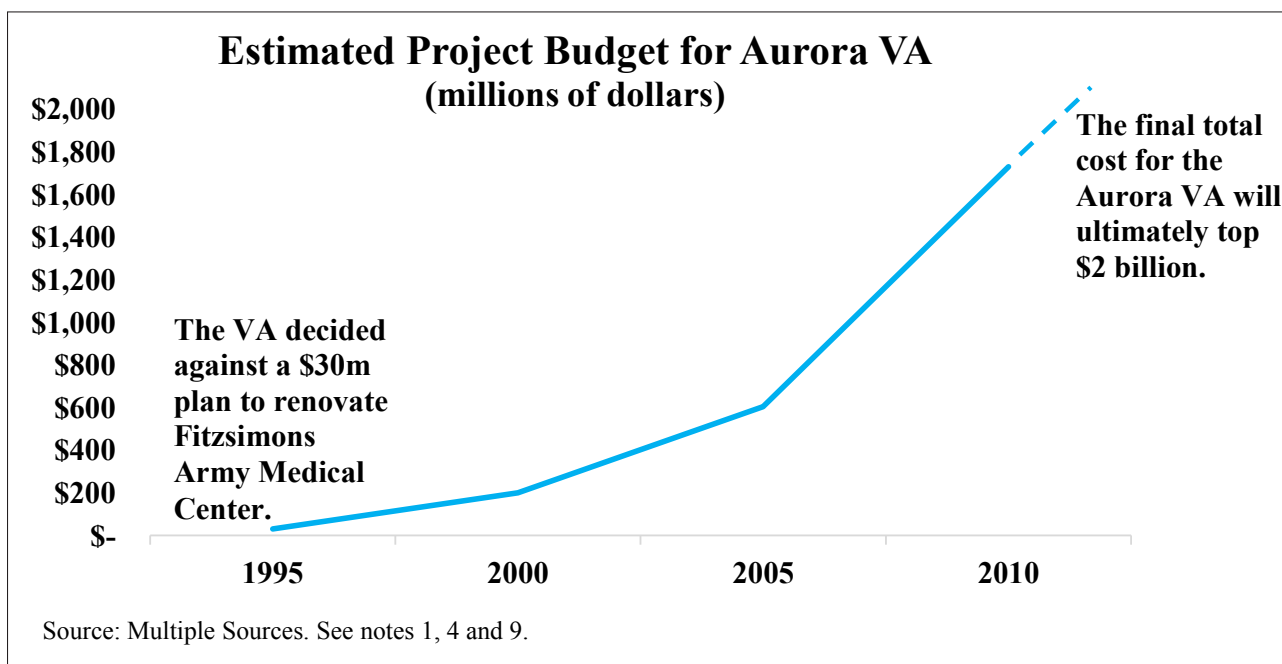
**Design and Planning.** From the start, the teams for each project operated under two different sets of expectations.

- The VA failed to produce a design that could be built for its budget of \$604 million, ultimately causing a budget-busting \$1 billion overrun.
- Parkland's design team, determined to stay within the \$1.27 billion budget, relied on industry experts and medical staff feedback during the design phase.

*Aurora VA.* When talk of replacing the Denver facilities began in the mid-1990s, the VA considered renovating the medical facilities of the Fitzsimons Army Medical Center at a cost of \$30 million. Then, the University of Colorado Hospital offered to open jointly-operated facilities for \$200 million. VA officials passed on both ideas due to cost concerns.<sup>3</sup>

Instead, officials sought and received approval for a stand-alone facility. Architects worked on plans for four years without an estimated proposed project budget (EPPB) and without consulting hospital design or medical

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**Budget and Financing.** The Denver and Dallas projects demonstrate that the level of accountability to taxpayers is a determinative factor in the success of a public project.

- The \$1.675 billion project in Aurora, fully

equipment experts. Soon, the plan to build an affordable replacement morphed into the most extravagant and expensive hospital construction project in VA history.<sup>4</sup> [See the figure.]

Even after agreeing to a budget of \$604 million, the VA failed to deliver a design that could be built to budget. The VA's failure to do so resulted in the project's general contractor, Kiewit-Turner, filing a successful lawsuit with the U.S. Civilian Board of Contract Appeals for breach of contract. Although the Aurora VA held its ground-breaking ceremony in 2009, actual construction was delayed for years due to in-fighting between the VA and Kiewit-Turner over the project's budget and design.<sup>5</sup>

*Parkland Hospital.* For over one hundred years, Parkland Memorial Hospital has provided quality medical care for Dallas County's poorest residents. But its aging facilities could no longer meet the demand of 1 million patients admitted each year. As a result, the Board of Directors launched a renovation project that began with three working groups, each consisting of professionals with expertise in the various aspects of hospital planning and design.<sup>6</sup> Planners also hired three full-time clinical liaisons to facilitate communication between the design team and hospital staff.<sup>7</sup>

The new Parkland, which opened in August 2015, is almost twice the size of the old hospital and has received numerous accolades, including earning Gold status for Leadership in Energy and Environmental Design (LEED) from the U.S. Green Building Council.<sup>8</sup>

funded by the federal government, has become too big to fail.

- The \$1.27 billion Parkland project was accountable to both taxpayers and private donors.

*Aurora VA.* On March 17, 2015, the VA informed Congress that the total estimated cost to build the Aurora VA was \$1.73 billion and that the agency was facing an \$830 million funding gap. The VA offered to delay the construction of the community health center and post-traumatic stress rehabilitation center at the hospital, thereby off-setting a paltry \$55 million. Another \$150 million was scraped together by reshuffling money in the VA's 2015 fiscal budget.<sup>9</sup> These meager efforts adjusted the price tag down to \$1.675 billion. Nevertheless, taxpayers are still on the hook for at least \$1 billion above the original budget for a project that could have been built 10 years ago at a fraction of the cost.

*Parkland Hospital.* The project to rebuild Parkland, split roughly 60/40 in revenue sources, was accountable to both the public and its private donors. In 2008, Dallas County taxpayers approved a \$747 million bond to rebuild Parkland county hospital. Additional funding for the \$1.27 billion project would come from hospital reserve funds and private donations.

Project managers hired an independent auditor to monitor all project transactions. Budget progress reports were made available to both Parkland's Board and the public. Real-time budget estimates were sent

to management, noting sub-projects that had exceeded their budgets. This allowed the planning team to make adjustments to project scope and scale in order to eliminate cost overruns.<sup>10</sup>

**Project Outcome.** Chaotic management of the Aurora VA project has led to long, costly delays. But Parkland’s integrated team of project managers delivered a larger, more cost-effective hospital.<sup>11</sup> [See the table.]

A 2013 Government Accountability Office (GAO) report found the VA has a history of mismanaging major construction contracts, with delays averaging 35 months, and an average of \$336 million in cost overruns. Of the four major VA hospital construction projects reviewed by the GAO, the Aurora VA is undoubtedly the worst offender. Current estimates put the final construction price tag at \$1.675 billion.<sup>12</sup> However, these numbers reflect only construction costs; they do not include the price for the 31-acre campus or the estimated \$340 million needed for medical equipment and furniture.<sup>13</sup> The final total cost for the Aurora VA will ultimately top \$2 billion.

According to a U.S. Army Corps of Engineers’ report, the VA’s decision to use the Integrated Design and Construction (IDC) contract was the single greatest contributing factor to the \$1 billion in cost-overruns. IDC contracts require collaboration between the design team and general contractor from the start.<sup>14</sup> However, the VA did not hire Kiewit-Turner until three years after commissioning project architects.

The same Corps report cited “chaotic management” and long, expensive delays in processing change orders. It criticized the VA for an “apparent lack of understanding of the complexities” of the project, naively choosing to manage affairs from Washington, D.C., and inadequately staffing local administrative positions in Colorado.<sup>15</sup> By June 2012, Kiewit-Turner had filed 1,400 change orders, with many waiting six months for VA approval.<sup>16</sup> The VA now plans to

open the Aurora VA in 2017.

*Parkland Hospital.* On the first day of construction, Parkland’s project team was \$100 million over budget. But a flexible design, and a willingness to balance needs and wants, allowed the team to deliver a larger, more cost-effective hospital than originally conceived for a mere 6 percent increase in budget.<sup>17</sup> Indeed, the team was able to replace the hospital’s entire inpatient facilities for about \$300 per square foot and only four months behind schedule.<sup>18</sup>

**Conclusion.** How much hospital can be built with \$1.5 billion? That depends on who controls the money. The construction projects in Aurora, Colo., and Dallas, Texas, highlight how government construction projects can flounder in the absence of accountability. Twenty years have passed since the VA began exploring options for replacing the Denver VA, and 10 years have passed since planning began. Yet, the veterans of Colorado are still waiting to receive the high-quality care they deserve. Conversely, the county hospital project in Dallas remained accountable in real-time to both taxpayers and private donors. The new hospital was better than originally planned, delivered nearly on-time and on-budget. Results like that are worth every penny.

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### A Comparison of the VA versus Parkland

Statistic	Aurora VA	Parkland Hospital
Construction Length	13+ years	7 years
Total Square Footage	1.2 million	2.1 million
Price per Square Foot	\$1,573	\$300
Single Patient Beds	148	862
Cost per Bed	\$9.5 million	\$1.5 million
<b>Estimated Construction Costs (* final)</b>	<b>\$1.68 billion</b>	<b>\$1.27 billion*</b>

Source: Multiple Sources. See notes 1, 4, 6, 8, 10 and 16.

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### Notes

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5. “Aurora VA Hospital: Anatomy of a Calamity,” *Denver Post*, August 9, 2015. Available at <http://extras.denverpost.com/aurora-va-hospital/index.html>.
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11. “Aurora VA Hospital: Anatomy of a Calamity,” *Denver Post*, August 9, 2015. Available at <http://extras.denverpost.com/aurora-va-hospital/index.html>.
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