

DEPARTMENT: Capital Deployment – Construction and Equipment	POLICY DESCRIPTION: Plant Operations - Procuring Design and Construction Services for Hospital Managed Projects
PAGE: 1 of 5	REPLACES POLICY DATED: 11/1/00, 4/15/03, 10/15/03, 2/1/12, 7/1/15, 9/1/17
EFFECTIVE DATE: September 1, 2019	REFERENCE NUMBER: CD.CE.020
APPROVED BY: Ethics and Compliance Policy Committee	

SCOPE: All Company-affiliated facilities including, but not limited to, hospitals, ambulatory surgery centers, home health agencies, and physician practices, and particularly the following:

Chief Executive Officer (CEO)	Chief Financial Officer (CFO)
Ethics and Compliance Officer (ECO)	Controller
Facility Manager	Revenue Service Centers
Medicare Service Centers	Supply Chain facilities
CCN facilities	

PURPOSE: To establish processes and controls for procuring design and construction services for facility-managed projects.

POLICY:

1. To promote competitive procurement to the maximum extent practicable, as set forth in our Code of Conduct, Company-affiliated facilities must:
 - a. Select subcontractors, suppliers, and vendors based on objective criteria including quality, technical excellence, price, delivery, adherence to schedules, service, and maintenance of adequate sources of supply;
 - b. Comply with the Prohibition Against Contracting with Any Ineligible Person Policy, MM.001, to ensure that Company-affiliated facilities do not contract with any Ineligible Person;
 - c. Make purchasing decisions based on the supplier's ability to meet our needs, and not on personal relationships and friendships;
 - d. Always employ the highest ethical standards in business practices in source selection, negotiation, determination of contract awards, and the administration of all purchasing activities;
 - e. Never communicate to a third-party confidential information given to us by our suppliers unless directed in writing to do so by the supplier; and
 - f. Never disclose contract pricing and information to any outside parties.
2. Company-affiliated facilities must follow the procurement process outlined in this policy for the design and construction of capital projects which are facility-managed. The facility CEO or Administrator or his/her designee shall designate the appropriate manager (“designated manager”) responsible for implementing this policy and will provide him/her with the policy and any related training and educational materials. Additionally, the CEO or Administrator shall designate a member of senior management (“senior manager”) to provide review and oversight as provided herein.

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3. Architectural/Engineering Services:

The designated manager should provide a written narrative describing the work to the architect/engineer and secure proposals for the work. Eligible firms shall possess a minimum of 5 years of requisite experience for the type of work to be designed. The designated manager must present a written recommendation for contract award to the senior manager for approval.

The proposal shall consist of the following elements: base scope, additional service hourly rates for key personnel, and designated reimbursable expenses. Evaluation criteria should consist of: relevant work experience, design schedule, delineation of milestone drawing deliverables, number of meetings with facility to complete design and meeting/site visits through construction.

The contract format to be utilized is the Agreement between Owner and Architect for Design and Construction Administration Services at a Stipulated Fee, which is available through the Capital Deployment – CAMS and Design Department. Changes in the design which result in additional design services must be approved by both the designated manager and the senior manager prior to commencing the work utilizing a Design Change Authorization form, available through the Capital Deployment – CAMS and Design Department.

4. Construction Services – Utilizing a General Contractor to Perform the Work:

- a. The designated manager shall obtain proposals for construction services from a minimum of three firms with at least 5 years of requisite experience for the type of work to be constructed. In the event that the total combined scope of work is less than \$50,000.00, then three competitive general contractor bids are not necessary and the work can be direct awarded to the intended general contractor of choice. Construction services proposals must be based upon complete construction documents and/or written narrative prepared by the designated manager or Architect/Engineer. The designated manager must present the proposals and recommendation for contract award to the senior manager for approval. If three proposals cannot be obtained, then the manager should document this effect and the senior manager signoff on the deviation.
- b. The proposal shall consist of the following elements: relevant work experience, references, bond rates, project delivery team, scope of work, bid/estimate, overhead/profit, and milestone construction schedule.
- c. The contract to be utilized shall be one of the following:
 - i. **Construction Value Under \$500,000 –**
Use the Construction Services Agreement, available through the Capital Deployment – Construction and Equipment Department.
 - ii. **Construction Value Over \$500,000 –**
Use either of the Following Agreements Depending on the Contracting Methodology:

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<ul style="list-style-type: none"> • Short Form Agreement between Owner and Contractor for Work on a Lump Sum Basis April 2010, available through the Capital Deployment – Construction and Equipment Department. • Design Build Agreement between Owner and Contractor November 2001, available through the Capital Deployment – Construction and Equipment Department. <p>d. Insurance requirements are noted in the various forms of agreements, in the event that the manager chooses to deviate from the minimums, the Capital Deployment - Construction and Equipment Department should be consulted. Changes in the work must be approved by both the designated manager and the senior manager prior to execution of the work utilizing a Contractor Change Request form, available through the Capital Deployment – Construction and Equipment Department.</p> <p>5. <u>Construction Services – Facility Contracting Directly with Trade Contractors to Perform the Work</u></p> <p>a. The designated manager shall obtain proposals for the work from a minimum of three firms with at least 5 years of requisite experience for the type of work to be constructed. In the event that the total combined scope of work is less than \$50,000.00, then three competitive general contractor bids are not necessary and the work can be direct awarded to the intended general contractor of choice. Proposals must be based upon complete construction documents and/or written narrative prepared by the designated manager or Architect/Engineer. The designated manager must present the proposals and recommendation for contract award to the senior manager for approval. If three proposals cannot be obtained, the manager should document this effect and the senior manager signoff on the deviation.</p> <p>b. The proposal shall consist of the following elements: relevant work experience, references, bond rates, project delivery team, scope of work, bid/estimate, overhead/profit, and milestone construction schedule.</p> <p>c. The contract to be utilized shall be the Construction Services Agreement, available through the Capital Deployment – Construction and Equipment Department. This agreement should be used on individual scopes of work not to exceed \$500,000. In the event that the manager needs to contract above the \$500,000 threshold, the Capital Deployment – Construction and Equipment Department should be consulted. In the event that the individual scopes of work add up to an aggregate of \$2,500,000, it is strongly recommended that the use of a General Contractor be considered.</p>

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- d. Changes in the work must be approved by both the designated manager and the senior manager prior to execution of the work utilizing a Contractor Change Request form, available through the Capital Deployment – Construction and Equipment Department.

PROCEDURE:

1. Billing Procedures: All executed contracts, Design Change Authorizations and Contractor Change requests must be forwarded to the facility Chief Financial Officer (CFO) in order to validate the contracted cost versus the budget.
2. Architectural/Engineering Services: The architect should submit billings to the designated manager on the forms in accordance with the contract. The architect should only bill for work completed and for Design Change Authorizations that have been approved in writing by the designated manager and the senior manager. Prior to payment, the architect's invoice must be approved by the designated manager and the facility CFO.
3. Construction Services: The Contractor should submit billings (including the executed partial or final lien waiver) on the forms in accordance with the contract. The contractor should only bill for work completed, stored materials, and change requests that have been approved in writing by the designated manager and the senior manager. Typically, a 10% retainage should be withheld on each pay application to ensure all work has been properly completed and should be paid out at the end of the project once substantial completion is obtained and deficiencies are corrected. For projects where an architect/engineer is utilized, the firm(s) must review and sign all contractor change orders and pay applications prior to any authorizations in changes or payments made by the facility. All interim and final payments to the contractor must be approved by the designated manager and the facility CFO.
4. Permits, Scheduling and Inspection: The plans and specifications prepared by the architect and approved by the designated manager must clearly define the scope and requirements of the project. These plans and specifications must be submitted to the proper local and state authorities for approval and permitting prior to the start of work. The designated manager must clearly define the required schedule and phasing to maintain the clinical functions of the hospital with the contractor and architect. This written construction schedule must be included with the contract and reviewed periodically to ensure adherence and/or make mutually agreeable adjustments, as appropriate.
5. The architect and the designated manager must periodically (e.g., on a weekly basis) inspect the work being done to ensure it is being done in compliance with the plans and specifications and to ensure proper safety procedures are being followed to protect the patients, public, staff and workers. The Joint Commission provides Interim Life Safety Procedures that must be followed to ensure critical life safety systems, such as fire alarm and fire sprinkler, are not compromised. At the completion of the work, the architect and designated manager must do a final inspection of

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the work and list any deficiencies that need to be corrected. The final payments to the architect and contractor may not be made until all work is satisfactorily completed, a final waiver of lien is received and the appropriate operating and maintenance manuals and “as-built” drawings are received.

Questions relating to contracting procedures may be addressed to the Design and Construction Department personnel as follows:

- Construction questions – [Brad Thomas](#) (615) 344-2714
- Design questions - [Bryan Seely](#) (615) 344-1231

REFERENCES:

1. Code of Conduct, Relationships with Subcontractors and Suppliers Section
2. Prohibition Against Contracting with Any Ineligible Person Policy, [MM.001](#)