

TRANSFORMATION STORY

Tornado-Damaged Hospital Keeps \$300M Rebuild on Time and *Under Budget*

By Laura Fox, Senior Manager, Construction Project Cost Advisory

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When an EF5 tornado leveled a Missouri hospital, Armanino stepped in to help the health system's facilities team keep reconstruction costs on track — launching a longstanding relationship.

“We wanted our contractors to be our partners and everything to be transaction driven. Armanino made this possible by providing clarifying language that we use in almost all our current contracts and visibility into hourly rates across the ministry.”

Geralyn Lynch

Executive Director of
Facilities Planning, Design
and Construction, Mercy

The Customer

With \$8 billion in revenue and \$9.5 billion in net assets, Mercy is one of the 20 largest health systems in the United States, providing care to more than 12 million patients per year.

The Problem

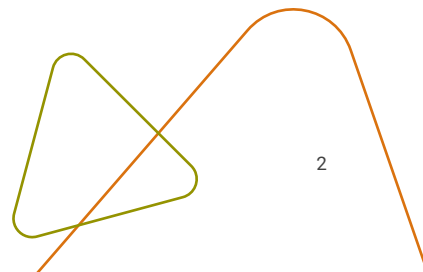
When disaster struck, forcing a complete rebuild of one of Mercy's hospitals, its lean facilities team faced managing an unprecedentedly large construction contract.

The Solve

The health system turned to Armanino's Construction Project Cost Advisory team to monitor and enforce the construction contract and keep the project on track.

The Outcome

With this independent construction contract oversight, the hospital rebuild was completed on time and under budget, launching an ongoing relationship between Armanino and Mercy.

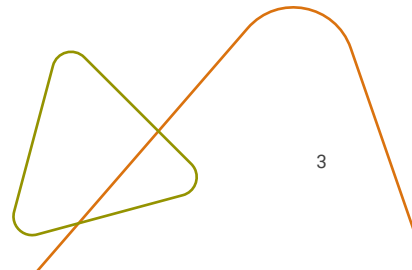


Disaster Strains Internal Team's Ability to Manage Hospital Rebuild

The Mercy health system's facilities management team was well-versed in overseeing huge capital outlays for the organization's numerous large-scale construction projects. But after an unprecedented EF5 tornado struck in 2011, the \$300 million-plus contract for rebuilding the Joplin, Missouri, hospital far surpassed any previous project costs.

Geralyn Lynch, Mercy's executive director of facilities planning, design and construction, knew that she needed to look beyond her own relatively small team to secure assistance in managing the enormous contract. "Like all health care systems, we have a very lean operation," she says. "Which means we're always looking to augment our internal resources with outside resources."

Since prior to Joplin, Mercy's largest construction contract had been in the \$110 million to \$115 million range, it was a simple decision to look for external help to keep the Joplin construction contract on track. "We simply didn't have the resources to manage both the Joplin hospital rebuild and the hundreds of other projects we oversee at any given time," Lynch says.



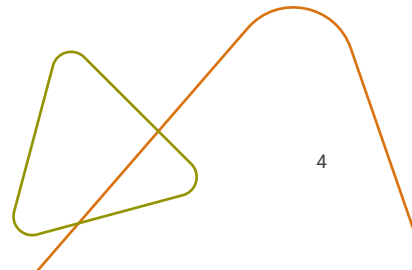
Mercy Turns to Armanino to Maximize Contracts and Capital

As Lynch and her team began searching for external assistance with the Joplin hospital rebuild, two goals were top of mind for Mercy: contract enforcement and maximizing capital dollars. After vetting four firms through an RFP process, the health system selected Brown Smith Wallace (which combined with Armanino in 2021) for the project.

Designed to help clients monitor project costs all the way from pre-construction to project closeout, Armanino's [Construction Project Cost Advisory practice](#) helps companies save precious capital dollars through cost avoidance and cost recovery.

The construction project cost advisory team immediately began to assist Mercy in monitoring the hospital project so they could communicate their needs and expectations to their myriad contractors. That way, everyone was on the same page right from the start.

"Just as much as we wanted Armanino to be our partner, we also wanted our contractors to be our partners and everything to be transaction-driven," Lynch says. "Armanino made this possible by providing clarifying language that we use today in almost all our contracts and visibility into hourly rates across the ministry."



Joplin, Missouri:
New Full-Service Hospital



\$335.5M

BUDGET



43 months

DURATION



149

NUMBER OF
CHANGE ORDERS



\$854.5K

COST RECOVERY

Close Oversight Yields \$850K in Recovered Costs

Because Armanino kept an expert and watchful eye on issues like change orders, payments and contract compliance and provided assessments of the construction contract and project closeout, Mercy successfully completed the Joplin hospital rebuild on time — and under budget.

By reviewing charges and change orders on a monthly basis, Armanino helped Mercy recover more than \$850,000 in project costs.

St. Louis, Missouri:
New Outpatient Center



\$117.5M
BUDGET



32 months
DURATION



19
NUMBER OF
CHANGE ORDERS



\$316K
COST RECOVERY

Strategic Support Helps Mercy Stay True to Values

Although Mercy continued to send out RFPs for new strategic projects, “It quickly became apparent that Armanino was the company we wanted as our independent construction advisor,” says Lynch.

As Mercy continues its mission of providing quality care to its millions of patients, Lynch expects the organization to rely more than ever on Armanino’s support and expertise. She explains, “The Sisters of Mercy was founded by Sister Catherine McAuley in the 1800s. It is all coworkers’ responsibility and [part of] our core values to be stewards of the ministry’s financial resources. Armanino has helped us accomplish that goal and value.”

“When we’re trying to make decisions about issues or looking over contracts, [Armanino’s] knowledge outside of the work we do with our own small group of contractors is very helpful.”

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In fact, Armanino later helped Mercy recover more than \$300,000 in project costs on a freestanding outpatient center. Between the hospital rebuild and the outpatient center cost recovery project, Armanino’s team reviewed a total of 168 change orders — while keeping the projects on track and ensuring Mercy avoided risk.

“Changes are part of construction, but change is not necessarily bad,” says Lynch. “The risk for owners is getting behind on those changes. I expect to leverage our cost control advisors even more to help us stay on top of that so that our internal staff can focus on high-value tasks.”

In the decade since the Joplin hospital rebuild, Mercy has relied on Armanino through more than 10 large-scale construction projects, including cancer centers, an emergency department and intensive care unit replacement, an outpatient center and more.

“The greatest benefit of working with Armanino now is how familiar they are with our contracts, culture and the way we operate,” says Lynch. “We also truly value their experience in the world beyond Mercy. When we’re trying to make decisions about issues or looking over contracts, their knowledge outside of the work we do with our own small group of contractors is very helpful.”

Keep Your Construction Projects on Track

Large-scale construction inevitably involves considerable budgets, a multitude of moving parts and ongoing changes. If you don't stay focused on the details, you can open the door to significant risk and delays. Reach out to our [Construction Project Cost Advisory experts](#) to find out how we can help your organization monitor project budgets and mitigate financial risks through cost recovery and cost avoidance.

Possible (Re)Defined™

Armanino delivers impactful, bold solutions that increase clarity and spark success for today and tomorrow. Our integrated audit, tax, consulting and technology services serve a wide range of organizations in the U.S. and globally.

Addressing today's challenges is just as important as planning for the future. Our teams bring deep industry experience to help organizations reach peak performance, providing data-based guidance to optimize operations and finances.

When you work with us, expect to go beyond. Count on us to bring an entrepreneurial, creative approach that takes you further, faster. From tax questions to sustainability to large-scale transformation, we're not afraid to take on your biggest challenges.

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