

Another government hospital runs over budget, repeating a wasteful pattern

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Construction of the new Army medical center at Fort Bliss in El Paso is almost two years behind schedule and could be more than \$100 million over budget before it's completed.

Two years is an awfully long time for our nation's heroes to wait for new hospital beds. And Donald Trump's tax returns notwithstanding, \$100 million is still an awful lot of taxpayer cabbage.

One might argue that at least the William Beaumont Army Medical Center is no Aurora, Colorado, Veterans Affairs hospital, still unfinished, with the meter running on more than \$1 billion in cost overruns and years past its estimated original completion date.

Still, the troubles at Fort Bliss should come as no surprise. A check on the past two military hospital projects — in Killeen and San Antonio — shows the same budget bloat and dilatory scheduling.

It's almost impossible to find a hospital project overseen by the federal government anywhere in the country that has come close to meeting its original budget and completion date.

"It's a pattern of getting away with these cost overruns over and over and over," said Chris Edwards, director of tax policy studies at the Cato Institute.

Cato's Chris Edwards explains why Army medical centers are always over budget and late.

Edwards, who has studied federal cost overruns as editor of the website Downsizing the Federal Government, said there should be nothing remarkable about building a new hospital.

However, military hospitals are built under the direction of the U.S. Army Corps of Engineers, one of the federal agencies most widely recognized for its wasteful spending, Edwards said.

"This is the agency famous for its flood control," Edwards said. "There is no reason why hospital construction should be any different from any other construction project. It should be a no brainer, but it's the Army Corps of Engineers."

When Watchdog contacted Randy Cephus, spokesman for the Corp's Fort Worth office, he declined to provide people for interviews and referred the inquiry to Washington, D.C.

The Army Corps doesn't actually build hospitals. In the case of forts Bliss and Hood and the San Antonio Military Medical Center, the government selected private contractors. On Jan. 29, 2013, the Corp's Fort Worth District awarded a \$648 million contract to Clark McCarthy Healthcare Partners II.

As of last week, Clark McCarthy had spent \$22 million more than the original contract called for and the construction manager for the project told the El Paso Times the cost for the six-building project would almost certainly climb much higher.

While it was once thought the 1.1 million-square-foot medical complex would be ready sometime in 2017, the opening has been pushed back to the summer of 2019. Construction managers don't seem confident they will hit that target, either.

When the Carl R. Darnall Army Medical Center opened this past April, contractors had spent about \$560 million, or \$57 million more than was originally budgeted, for a project that came in a year late.

The San Antonio Military Medical Center, formerly known as Brooke Army Medical Center, needed more than \$200 million more than its original \$630 million total budget to open in late 2011, more than a year past schedule.

In each case, construction managers blamed the delays on unforeseen circumstances. Construction on the medical center in San Antonio, to cite one extreme example, stopped when rare mastodon bones were unearthed.

So consistent are the delays, Edwards said, that one wonders why a cushion for circumstances isn't built into every construction projection. A realistic outlook is supplanted by something Edwards calls "optimism bias," or planners hoping for the best because that's what clients want to hear.

Government planners apply the same logic to cost estimates. Researchers that Edwards studied found that nearly every one of the hundreds of projects they examined came in well over budget.

"Put another way, politicians, officials, and contractors use 'salami tactics,'" Edwards wrote in the study. "They present artificially low costs up front to gain initial funding, and then higher costs are revealed later on one slice at a time when projects are too far along to be canceled."

Agencies like the Army Corps of Engineers get away with it because there are no consequences for anyone involved, Edwards said.

Bureaucrats, rewarded for length of service rather than performance, and protected from firing by civil service guidelines and their unions, have no real incentive to hit construction budget and completion targets.

The ultimate responsibility rests with Congress, whose members work hard to secure expensive government projects that bring money and jobs to their districts. Cost overruns like those at Fort Bliss might bring bad publicity, but rarely a political price while the district is showered with more spending, Edwards said.

“They like to hold hearings where they can wave their arms around and talk about waste, fraud and abuse,” Edwards said. “And then it’s wink wink, nudge nudge and all that extra spending for their districts.”

The outlook for government contracting is grim and not likely to change, but not hopeless, Edwards said. Taxpayers can get better accountability with public/private partnership contracts written with responsibility for outcomes on the shoulders of the contractor.

Such a partnership was responsible for the creation of the high occupancy toll lanes on the Capital Beltway. Because the contract includes a 50-year agreement for the contractor who designed and built the lanes to manage them, Edwards said there is incentive at every phase to keep costs as low as possible.

“It’s not perfect. There have been cases where private companies pull out and the taxpayer is stuck with the bill,” Edwards said. “But the whole idea is to move the risks onto the contractor.”