



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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MAR 15 1976

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The Honorable Lawton Chiles
Chairman, Subcommittee on the
District of Columbia
Committee on Appropriations
United States Senate

Dear Mr. Chairman:

Your letter of May 25, 1976, questions the District of Columbia's fiscal year 1976 budget request of \$8.4 million to purchase the Metropolitan Hotel in Washington, D.C., and to change it into a hospital to replace the District's Glenn Dale Hospital in Maryland. The District estimates that renovating Glenn Dale to meet the National Fire Protection Association life-safety code requirements will cost \$23 million.

You asked us to analyze the District's estimates of the cost to renovate and the cost to replace Glenn Dale. Analyzing the \$23 million would show how much money is needed to renovate the hospital to meet each of the life-safety code requirements. Analyzing the \$8.4 million budget request would determine whether it included the costs necessary to convert the hotel into a facility comparable to Glenn Dale after the life-safety code requirements have been met at Glenn Dale.

The data supporting the District's \$23 million estimate to renovate Glenn Dale Hospital does not specifically identify the cost of the work required to meet each of the life-safety code requirements. The \$8.4 million estimate to purchase the Metropolitan Hotel does not include all the costs to renovate the facility to meet life-safety code and other requirements, and certain costs to renovate the hotel are not adequately supported. Also, if renovated, Glenn Dale would still provide hospital and nursing care while Metropolitan, after renovation, would principally provide skilled nursing and intermediate care. Details follow.

GLENN DALE HOSPITAL

Glenn Dale Hospital, located on 216 acres in Prince Georges County, Maryland, has 2 buildings for patients-- A and B.

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<u>Building</u>	<u>Year opened</u>	<u>Type care in year opened</u>	<u>Bed capacity</u>	<u>Area</u>
A	1937	Adults with tuberculosis	293	185,000 sq. ft.
B	1934	Children with tuberculosis	257	125,000 sq. ft.

Since about 1960 the District has been converting Glenn Dale from a tuberculosis hospital to a long-term, chronic disease hospital. Building A is now used principally to provide hospital medical care to patients, and Building B is now used principally for patients who usually require skilled nursing and intermediate care. On June 1, 1976, Glenn Dale had 370 patients, including 42 children requiring skilled nursing and intermediate care; 22 adult tuberculosis patients; and 306 adult patients requiring skilled nursing care, intermediate care, and hospital medical care.

Glenn Dale is accredited for providing hospital medical care and, therefore, is eligible to receive reimbursement from the Department of Health, Education, and Welfare (HEW) under the medicare and medicaid programs for hospital care services. Because Glenn Dale does not meet life-safety code and other HEW requirements, it has not been approved by HEW for skilled nursing and intermediate care. Therefore, it cannot receive reimbursement under the medicare and medicaid programs for such care.

Glenn Dale Hospital renovation program

In fiscal years 1970 through 1973, the Department of Human Resources requested funds to renovate and/or expand Glenn Dale by 200 beds. The department justified the need for the 200 beds because of existing bed shortages that could worsen. Fund requests ranged from about \$400,000 for construction services in 1970 to about \$8.1 million for construction and construction services in 1973. Only \$375,000 was authorized in fiscal year 1971 for construction services. The department withdrew its request for funds (\$5.2 million) in fiscal year 1972 because, according to the department, funds could not be committed in fiscal year 1972. Funds requested in fiscal year 1973 were not authorized by the Congress. Information was not available to show why the Congress denied the request.

In about September 1973, the Department of Human Resources began planning for converting Building A to a skilled nursing facility. The department recognized that life-safety

code deficiencies might exist at Glenn Dale and requested the District's Fire Department to inspect Building A. The November 1973 fire inspection report disclosed 19 code deficiencies. Because of the substantial renovation costs that would have been incurred to correct the deficiencies, the District, in November 1973, began considering the purchase of the Metropolitan Hotel to replace Glenn Dale.

The department Director stated to congressional committees in testimony on his fiscal year 1975 budget that renovating Glenn Dale would cost about \$16.3 million. The work was to include (1) renovations necessary to correct code deficiencies and (2) upgrading its buildings and certain therapy facilities to fully qualify for medicaid and medicare reimbursement. Instead of renovating Glenn Dale, the department included in the fiscal year 1975 budget request \$8.1 million to acquire the Metropolitan Hotel.

The Senate Appropriations Committee report on the District of Columbia Appropriation Bill for fiscal year 1975 said that the request to purchase the hotel was denied and that the District should develop a plan to make Glenn Dale Hospital conform with the life-safety code and should seek funds to accomplish the needed improvements.

In February 1975, the District completed a program for renovating Glenn Dale and for guiding the architect in determining needed improvements. The renovation was to primarily correct all of the life-safety code violations and to comply with HEW's minimum construction and equipment requirements for hospitals and medical facilities. Compliance with life-safety and HEW requirements would fully qualify the facility for medicare and medicaid funds.

The architect, in March 1975, using the department's program, inspected Buildings A and B to determine the work necessary to correct all life-safety code violations, to comply with HEW minimum requirements, and to identify other areas needing renovation. The architect report combined many individual deficiencies into 39 life-safety code violations and 64 HEW minimum requirement violations. Life-safety code violations included corridor walls not extending to the concrete slab of the floor above to provide fire resistance for at least one hour, shafts and laundry chutes not being fire resistant, dead end corridors exceeding allowable lengths for fire safety, and fire safety doors needing to be installed. Violations of HEW minimum requirements included patient bedrooms not having sufficient space to

accommodate toilets and wardrobes, and patient treatment rooms not having required facilities such as showers, lockers, and toilets.

The renovation program provides that Building A would provide only hospital care. Building B would provide only skilled nursing and intermediate care. The planned use and changes in bed capacity for each building would be:

<u>Building</u>	<u>Planned use</u>	<u>Bed capacity</u>	
		<u>Present</u>	<u>Proposed</u>
A	Hospital care	293	248
B	Nursing care	<u>257</u>	<u>238</u>
Total		<u>550</u>	<u>486</u>

The architect estimated in July 1975 a base construction cost of about \$17 million to renovate Glenn Dale.

During fiscal year 1976 appropriations hearings held in December 1975, the Department of Human Resources' Director testified that renovating Glenn Dale would cost about \$22 million. Information obtained from the District's Department of General Services shows the estimated cost to renovate Buildings A and B as:

	(millions)
Building A	\$13.9
Building B	9.0
Other (central oxygen substation etc.)	<u>.6</u>
Total	<u>\$23.5</u>

Department of General Services officials said the architect renovation design drawings prepared in April 1975 were used in developing their estimate. The estimate consists of a base construction cost computed as of January 1, 1975, and increased for allowances for contingencies, inflation through June 1976, and construction services.

Applying the same percentage rates the District used to allow for contingencies, inflation, and construction services costs to the architect's base construction cost, the District's renovation estimate may be overstated by \$1.9 million as shown in the following table.

	<u>District's estimate</u>	<u>Our estimate using architect's base cost</u>
Base construction cost:		
District (as of 1/1/75)	\$17,783,900	\$ -
Architect (as of 7/21/75)	-	17,010,156
4 percent contingency cost	711,400	680,406
Inflation rate (9 percent per year compounded):		
District (1/1/75 through 6/30/76)	2,570,730	-
Architect (7/1/75 through 6/30/76)	-	<u>1,592,151</u>
Total	<u>21,066,030</u>	<u>19,282,713</u>
10 percent construction services cost	<u>2,106,603</u>	<u>1,928,271</u>
Total estimated cost	<u>a/\$23,172,633</u>	<u>\$21,210,984</u>

a/The District estimated \$23,451,120; the difference of \$278,487 is due to an error in their calculation.

Life-safety code and HEW requirements

Information is not readily available showing the money required to bring Glenn Dale into compliance with the life-safety code and HEW requirements. Supporting data only shows the cost by type of work, such as plumbing, electrical, and mechanical. The cost of work to comply with the life-safety code, HEW minimum requirements, and other renovation is commingled with the general categories and not shown separately.

A representative for the architect firm that prepared the renovation design drawings for Glenn Dale said that the life-safety code and minimum requirements overlap, making it difficult to identify the costs associated with the individual violations within each set of codes and requirements. He said that extracting renovation costs associated with the life-safety code would be possible but that such a task would take a construction cost estimator about 1 month to do and would cost about \$10,000.

METROPOLITAN HOTEL

The Metropolitan Hotel is located at 1143 New Hampshire

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Avenue, NW., Washington, D.C. It is owned by a partnership, of which the Washington Medical Center, Inc. is the managing general partner. The nine-story building contains 178,800 square feet above ground and two underground parking levels containing 108 parking spaces. The bed capacity is 531.

Metropolitan was opened in 1971 as a special hospital with some hotel accommodations. It provided limited acute care, post acute care (extended care), rehabilitative nursing, and resident care to patients. HEW certified Metropolitan, and it was eligible for the medicare and medicaid programs until it was closed on May 5, 1972. The building was converted to a hotel in 1973.

The Washington Medical Center, Inc., leases the building to TRT, Inc. The lessee operates the building as a hotel and has the right to purchase the property under certain conditions. The lease expires in July 1990.

Psychiatric Institute, Inc., leases the ninth floor from TRT, Inc., for a psychiatric clinic. This lease expires in May 1981.

The Department of Human Resources fiscal year 1976 budget requested \$8.4 million to acquire the Metropolitan Hotel for use as a skilled nursing and intermediate care facility. The estimate included funds for land, building, equipment and furnishings, condemnation awards and court actions, and renovation for complying with the life-safety code.

The \$8.4 million estimate was prepared by the District's Department of General Services. The fair market value of land, building, equipment and furnishings was estimated at about \$7.5 million. The land and building were appraised in December 1973 for about \$6.4 million. In October 1974, the land and building were again valued at \$6.4 million and increased for appreciation through November 1975 for about \$324,000. Furnishings and equipment were valued at \$721,500. The \$8.4 million estimate also included \$121,000 for the work required to correct life-safety code violations and to do other renovation. Information was not available to support these renovation costs.

The \$8.4 million estimate does not include the total costs to acquire and renovate the Metropolitan Hotel. In response to questions during hearings before your Subcommittee concerning the Department of Human Resources fiscal

year 1976 budget request, the Director provided data showing that an additional \$490,000 was needed for renovation not included in the \$8.4 million. This renovation, according to the department, was needed to provide, among other things, laboratory and physical therapy services at Metropolitan, office space for administrative and medical staff, and adequate bathroom facilities for patients. However, no detailed data was available showing the cost of each required change. The department included in its fiscal year 1977 budget \$500,000 for transferring patients from Glenn Dale to Metropolitan.

Adding the other costs to the \$8.4 million budget request would bring the estimated cost to acquire and renovate Metropolitan and certain moving costs to about \$9.4 million.

In June 1976, at our request, the Department of Human Resources provided us with data indicating that purchasing and renovating Metropolitan and moving the patients from Glenn Dale would cost \$10.1 million. This latest estimate included costs to meet needs identified by a District Fire Department inspection made in May and June 1976 to determine the extent of life-safety code deficiencies and by a Department of Human Resources onsite inspection of the facility on June 15, 1976.

We could not evaluate the accuracy of this new estimate because some of the costs were, according to the department, "very rough estimates." For example, the \$10.1 million cost estimate included \$415,000 for general renovation. This is \$75,000 less than previously estimated. Department officials stated that about \$285,000 of the \$415,000 was based on the cost of renovation determined in June 1974 and updated for the last 2 years. The remaining \$130,000 was estimated after the department's site inspection. However, according to a department official, time did not permit developing a valid estimate of the cost required to make the facility conform with the department's planned needs.

The fire marshall estimated, on the basis of his recent inspection, that correcting the life-safety code violations would cost \$240,000. However, no details of the cost of each violation were provided by the fire marshall. In a memorandum of June 18, 1976, the Assistant Director for Administration, Department of Human Resources, stated that the fire marshall generally gave his cost to correct deficiencies based on experience with buildings of comparable

size and similar problems and that his estimates were usually close to the actual cost. He stated that an actual figure could be obtained only by making an engineering study.

Although the department plans to renovate the Metropolitan Hotel, certain medical services now available at Glenn Dale will not be provided there. In a document provided to us on June 14, 1976, the department stated that, according to its 1974 plans, surgery, laboratory, autopsy, and laundry services would not be available. They stated that the lack of a surgical suite would not cause major problems because surgeries at Glenn Dale had decreased since fiscal year 1973. The department planned to handle severe emergency surgical requirements by contract with George Washington University, and any others would be handled at D.C. General Hospital. They estimated that the transportation costs for patients requiring surgery would be about \$1,750 per year.

Department officials said that laboratory services were not included in its considerations. They said that a facility for certain laboratory services could be constructed at the hotel for about \$25,000 and that more sophisticated laboratory examinations would be done elsewhere by contract. Autopsies will be performed at D.C. General Hospital; laundry services will also be handled there.

CONCLUSIONS

The data supporting the District's \$23 million estimate to renovate Glenn Dale Hospital does not specifically identify the cost of the work required to meet each of the life-safety code requirements. The \$8.4 million estimate to purchase the Metropolitan Hotel does not include all the costs to renovate the facility to meet life-safety code and other requirements, and certain costs to renovate the hotel are not adequately supported. Also, if renovated, Glenn Dale would still provide hospital and nursing care while Metropolitan, after renovation, would principally provide skilled nursing and intermediate care.

Acquiring the Metropolitan Hotel will provide the District with a 531 bed capacity facility; renovating Glenn Dale would reduce the bed capacity from 550 to 486 beds.

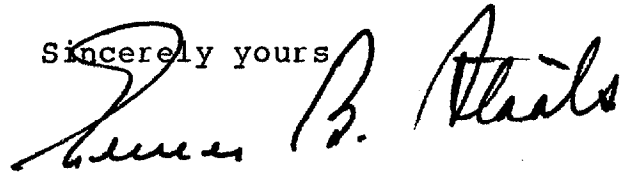
We believe that before any funds are appropriated, the District needs to prepare and submit to the Subcommittee a comprehensive report on the proposed closing of Glenn Dale and the acquisition and use of the Metropolitan Hotel.

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The report should include comprehensive information on (1) the services to be provided at Metropolitan as compared with those now provided at Glenn Dale, (2) the current estimate of the money required to renovate Glenn Dale and to purchase and renovate the Metropolitan Hotel and (3) the cost of moving from Glenn Dale and the plans for the Glenn Dale facility, if the Metropolitan Hotel were purchased. We understand that you have requested such a report from the District. We will be available to review it if you wish.

We discussed these matters with Department of Human Resources officials. Formal comments, however, have not been obtained.

Sincerely yours

A handwritten signature in black ink, appearing to read "James B. Atchals". The signature is written in a cursive style with a large initial "J" and "A".

Comptroller General
of the United States