

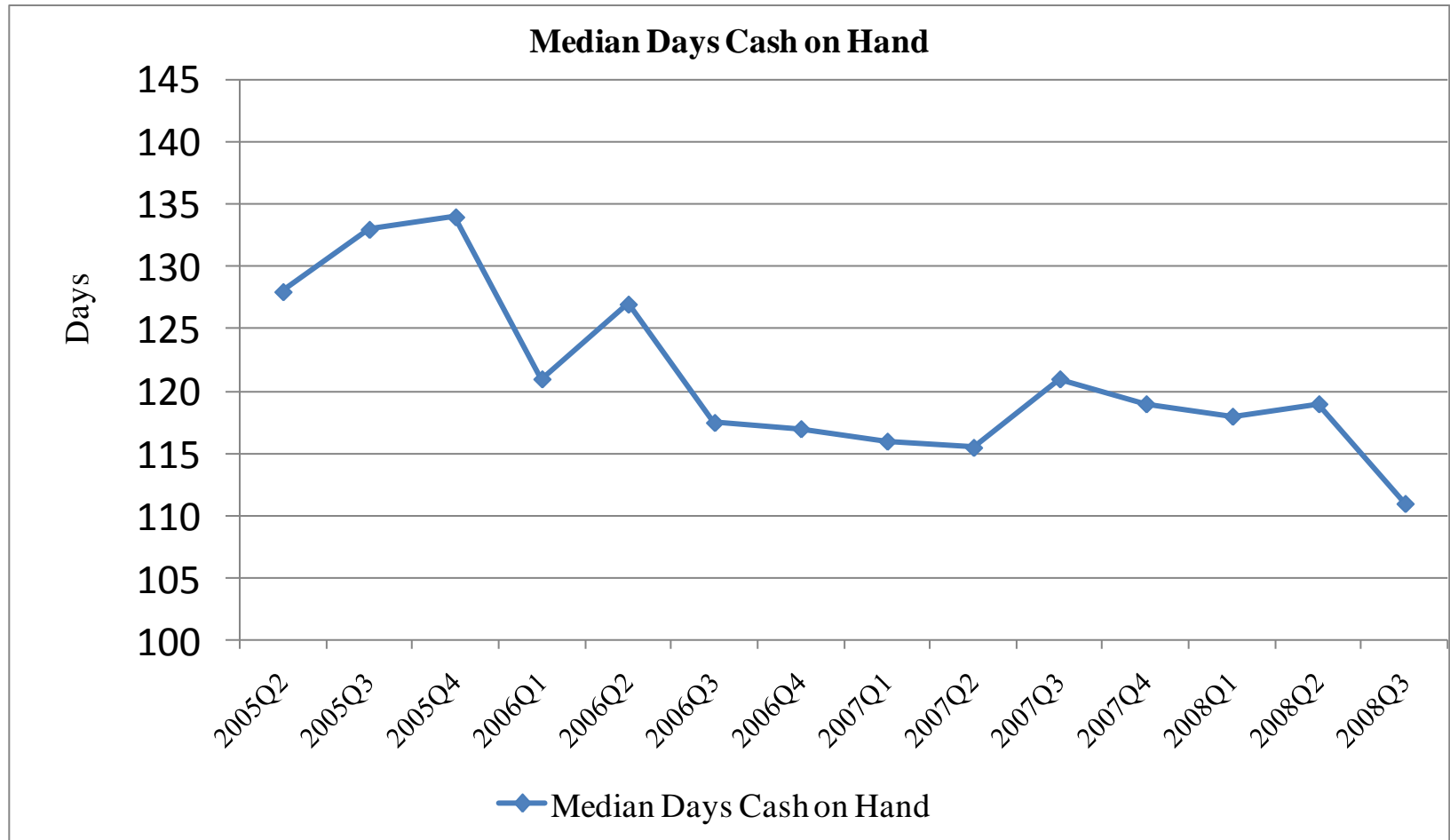
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# **“The Reality of Now”**

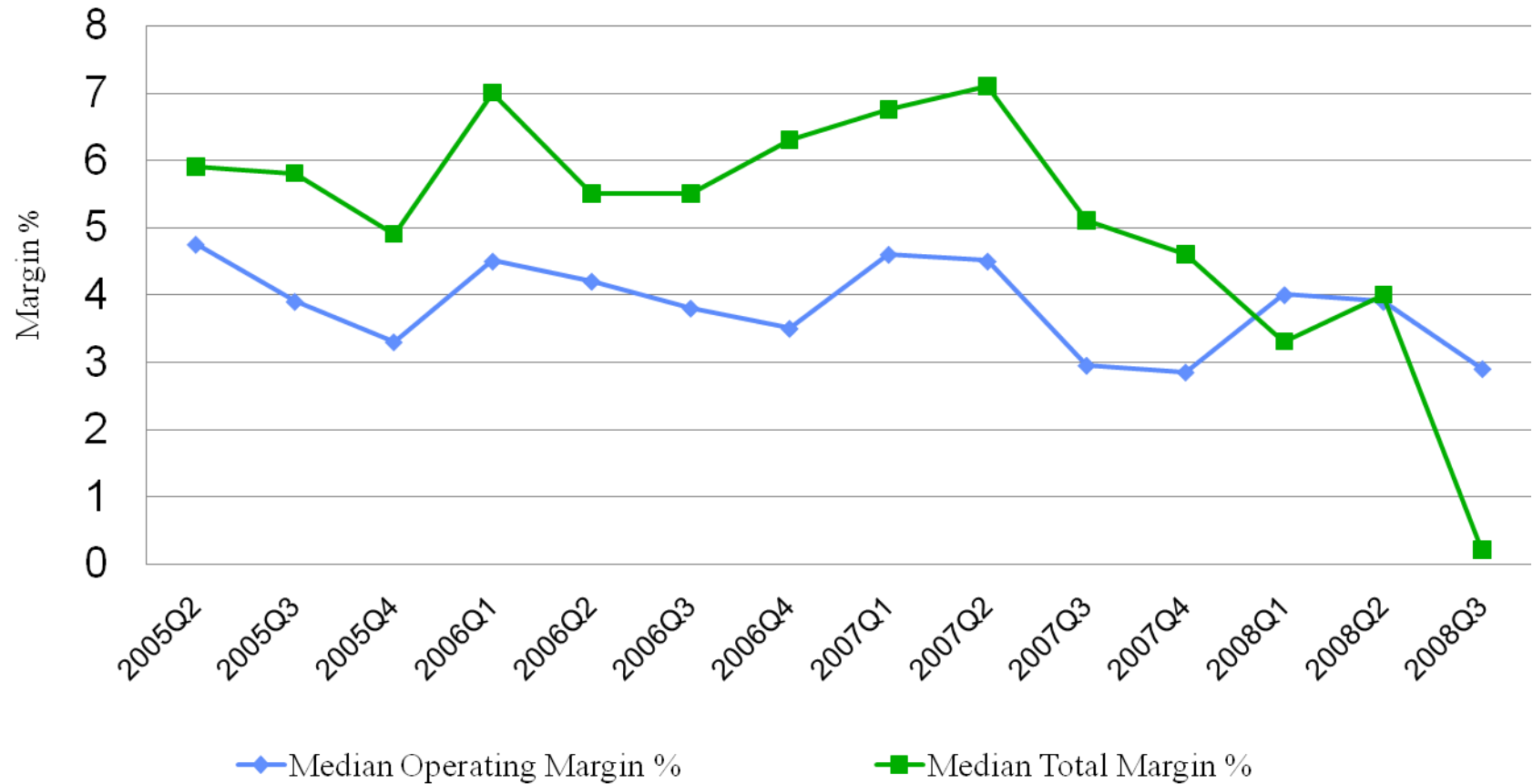
## **Facility Strategies to Survive in the Current Economic Environment**

November 4, 2009

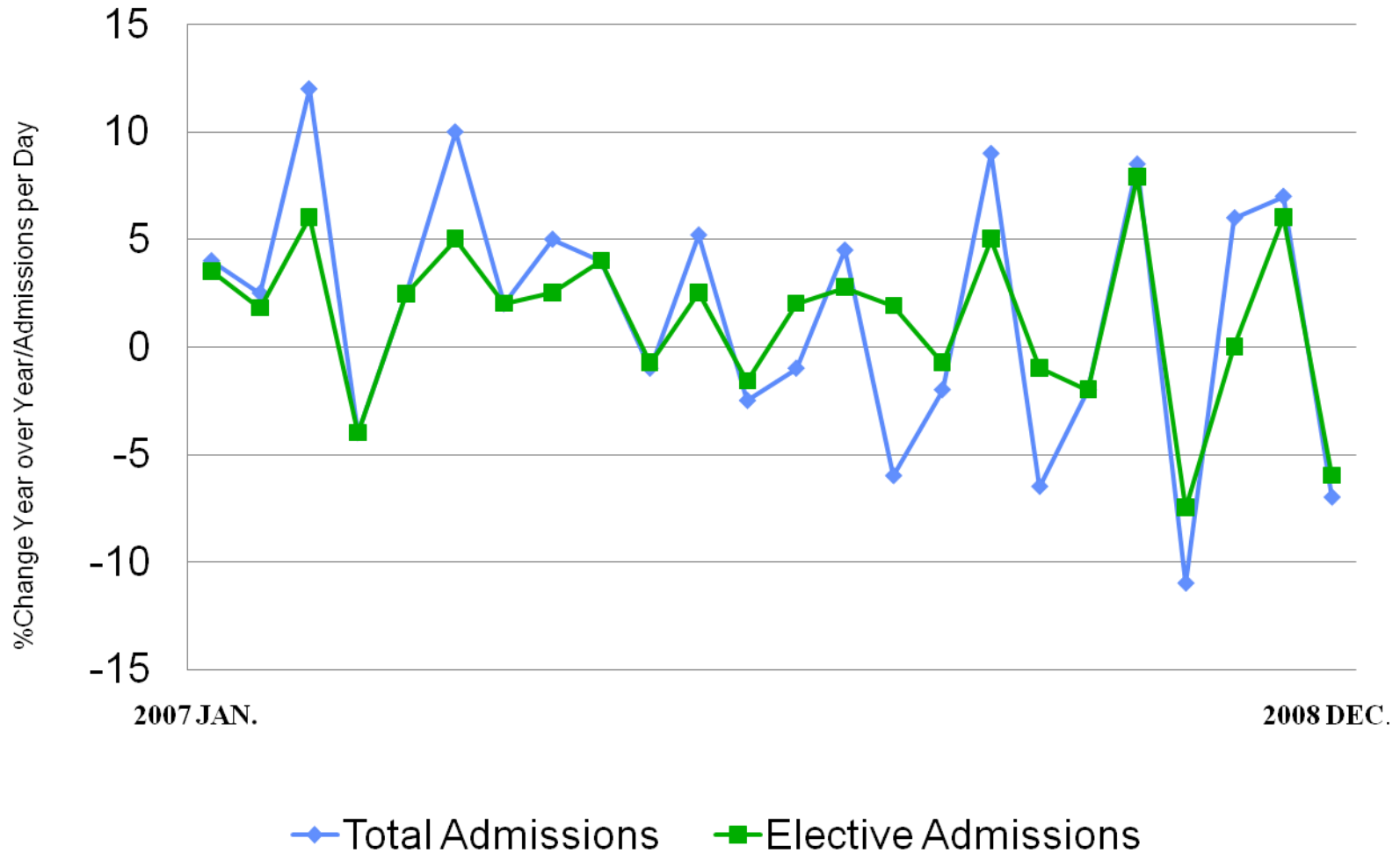
# Current Influences



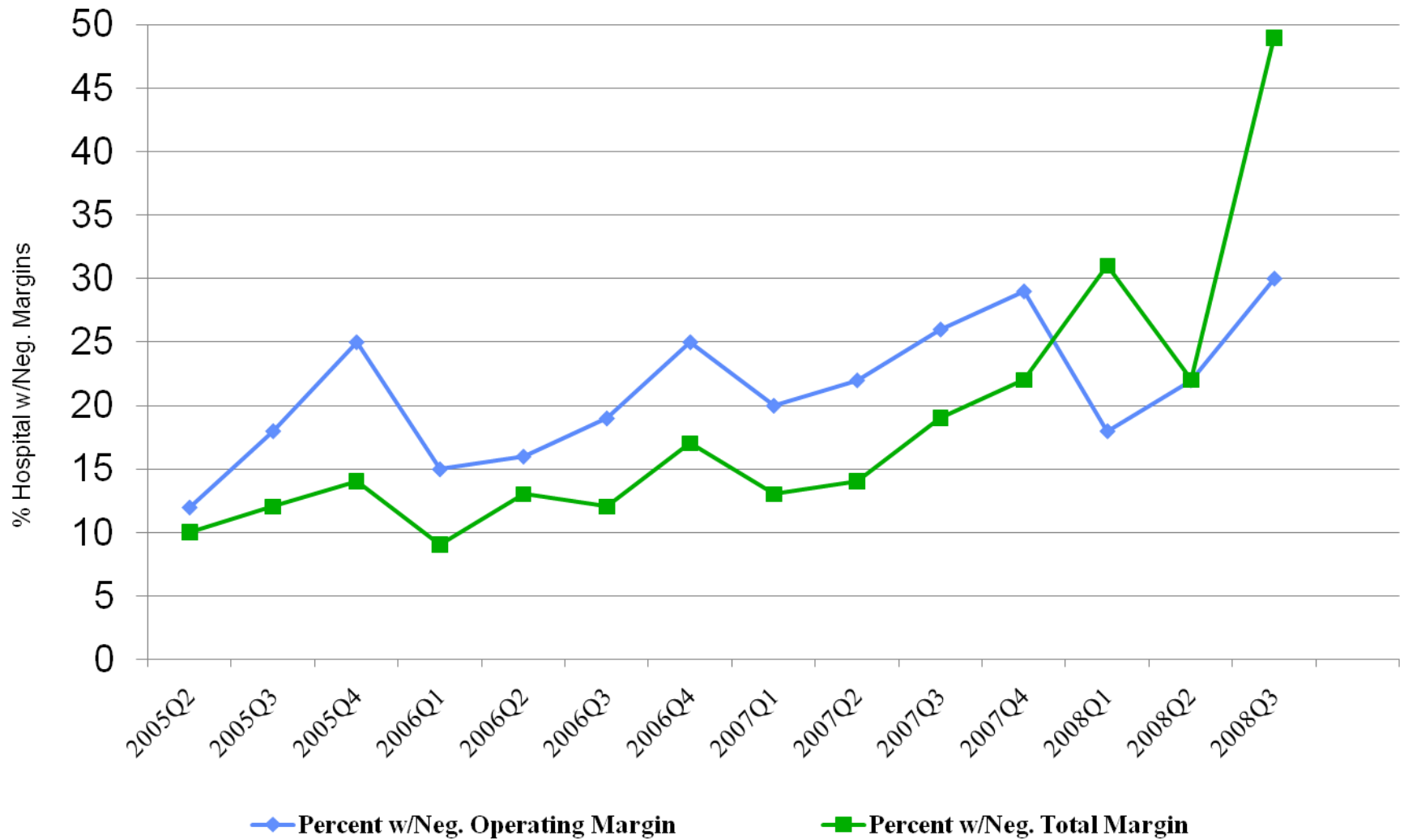
## Hospital Margin Metrics



## Admissions



## Hospital Margin Metrics



1. Stop the project!!
2. Scale back the project significantly
3. Change the project's scope
4. Put the project on indefinite hold

1. Approach projects/services in a different fashion
2. Explore alternatives that have not previously been pursued
3. Get results at a lower “out of pocket” cost
4. Maximize \$\$\$

# Review of Current Operations and Processes

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- Six Sigma
- Grass roots management approach
  - Have managers work with staff to identify operational changes possible
  - Work within the confines of the existing facility
  - Are “just-in-time” resources being fully utilized?
  - Are there I.T. related solutions that can be explored?
- More responsibility for in-house design and construction
  - Defined process for efforts related to facility improvements and requests for space
  - In-house vetting review of departmental space requests prior to engaging consultant; require administration approval.

# Prior Planning – “Make Ready Projects”

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- Confirm a construction project is necessary
  - Are solutions available that don't require bricks and mortar?
  - Effective planning / interviewing to understand REAL problems.
  - Avoid knee-jerk reactions to renovate.
- Aligns with Strategic Business Plan or Master Plan/Facility Plan.
  - Smaller tactical projects with revenue benefit
  - Infrastructure projects
- Pre-Design
  - Develop guiding principles / design guidelines
  - Develop multi-disciplinary work groups (design professionals, clinical staff, end users)
- Planning
  - Develop a basic planning concept that can be budgeted early (const. and total project)
  - Develop a schedule to determine how this projects into the fiscal cycle
- Integrated Project Delivery Process
  - Require consistent and active participation of the user group and regular checks with the administrative champions .

# Physician Business Opportunities

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- Object is to make the physicians partners in the viability of the facility. Allow them to have a voice in the process and take some ownership in planning and design to ensure buy in. This could result in access to alternative financing and provide efficient, safe and progressive care models to patients.
  - Joint Venture and Partnering Models
    - Baylor Cancer Center at Baylor University Medical Center, Dallas (Duke Realty Corp & Northwestern Mutual)

# MOB Sales and Lease-back

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- Ability to sell non-hospital buildings to landlord entity for cash.
- Use cash to fund operations or other construction project.
- Lease back space at pre-arranged cost per square foot.
- Associated Companies as examples:
  - Lillibridge
  - Fraunshau
  - Duke
  - HCR

# “Creative” Financing

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- Developer Financing
- Physician Ownership – development that affords key adjacencies and access to hospital
- Economic Stimulus Money
  - [www.doe.gov/recovery](http://www.doe.gov/recovery)
- Vendor Partnering
- FHA Hospital Mortgage Insurance Opportunities for Rural/Indigent Hospitals

# Outsourced Partnering

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- Provides experience and knowledge in non-clinical areas
- Brings innovative solutions known for quality and value.
- Able to benchmark operations / costs to similar facilities.
- Optimize operational efficiencies, improving performance and managing risks.
- Increase regulatory compliance.
- Improves quality and safety.
- Allows hospitals to focus on patients.
  - Housekeeping
  - Food Service
  - Laundry
  - Bio-Med
  - Maintenance

# Energy Conservation Audits

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- Rate Structure and Loads for Healthcare
- Regional cost of Energy Consumption
- Conservation Incentives and Opportunities
- More to come.....

# Government Funded Tax Credits

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- Health and Educational Facilities Authority (HEFA)

- State Funding Opportunities

- May 2009 - \$22 million of tax credits was allocated to Baystate Medical Center

Department of Natural Resources

- Federal and State Energy Funding Opportunities

[www.dnr.mo.gov](http://www.dnr.mo.gov)

- Green Building Funding Opportunities

- National, State & Local Funding Programs

[www.epa.gov](http://www.epa.gov)

- Rural Capital Funding Resources

- Capital Funding for Rural Healthcare Facilities

[www.raconline.org](http://www.raconline.org)

## Your Design Team

- Discuss implementation of a sliding scale fee based on project type given economy
  - Architectural + Engineering + Constructors + Vendors
- Test the ability of your design and construction team to reduce current negotiated fees due to the current economy.
  - Owners must recognize that when things turn around, that loyal team member should be recognized for assisting.
  - Design and construction should recognize that it is in their best interests to work with the owner given a heavy bidding climate

- Much talk today about green.
- Does it apply in a healthcare environment?
  - Healthcare facilities are significant users of resources and energy
- What can be done that makes sense for our building type – in design and practice?
  - Develop recycling programs
  - Seek grants for “greening” the facility
    - Use as marketing tool “caring for you and the environment”
- Affordability
  - Return on Investment

Define standards for:

- Building materials
  - Finishes
  - Doors / hardware
  - Lighting
- Maintenance
  - Repairs
  - Replacement
    - Exercising Valves / Switches – to prevent future costs associated with repairs

# Adopt Good Planning Processes

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## Implementation Processes

- AONE (Association of Nursing Executives)
  1. Assumptions for Building the Hospital for the Next Generation
    - The planning process for any project is as important as the final outcome because it is through the process that the buy-in to the solution is achieved.
    - The planning process for a hospital building project presents a singular opportunity to effect transformation change to the platform from which the business of health care is delivered. This process does not end with design.
  2. Current facilities should be optimized before embarking on building a new facility.
    - Flexibility
    - Adaptability

# Adopt Good Planning Processes

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## AONE (cont.)

3. Operations and facility design must be mutually supportive. That vision for how care is to be delivered informs operational planning. Good facility design enables the operational plan and supports the vision of care delivery.
4. The first step of facility design development is a planning process that begins with a shared, aligned vision which has identified champion(s) for that vision.
5. Roles and process must be clearly defined before operational and facility planning begins and will serve as a road map for design and implementation.

# Adopt Good Planning Processes

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## AONE (cont.)

6. Clear metrics for success must be established at the beginning and tie to the vision to measure progress.
7. Continuous scanning of the environment will identify future trends that will impact the process/project. Trends can be incorporated when possible and appropriate, thus providing potential improvements to patient care.
8. Build change process into the project so flexibility can be continually maintained.
9. Adequate funding for changes should be incorporated into project budget and timeline.

# Changes in the Healthcare Delivery Model

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- Information Technology
  - EMR
  - I.T. in the OR's
  - Accessible patient records
- Evidence Based Design
- Retail Health Clinics
  - Wal-Mart
  - CVS
- 23 Hour Hospitals
- Wellness / Preventative Care Focused Centers
  - Healthy cooking demonstrations / Nutrition
  - Stress management classes
  - Cardio exercise programs for those at risk of heart attack
  - Meditative / yoga
- Boutique-Style Amenities Within Traditional Care Models
  - Spa services
  - In room dining for visitors

- Think differently on how the traditional project is delivered
- Get the most out of current facilities and infrastructure.
- Prioritize what really needs to be accomplished.
- Focus on projects that would have a clear return on investment.
- Be Flexible !!!
- Hang on and ride it out.

- **Terry Bader**

- Senior Vice President – VisDev Ventures

- **Steve Hartke**

- President/Managing Principal – TKH Inc.