

5 INDICATORS YOU SHOULD CONSIDER A REPLACEMENT HOSPITAL STRATEGY A BLOG

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Simply answering the question “where do you want to be in 20 years” will not get you to the decision point. Determining when it is the right time to make plans to build a replacement facility is one of the most difficult decisions hospital leadership must make in today’s supercharged world of healthcare. Either a total facility replacement on a green field site or a phased regeneration of your facility on its existing campus each will require the same basic strategy for success. Determining the right time to commit the resources to plan your strategy in earnest is the hard part.

Historically, easily identified site limitations or physical plant obsolescence were the drivers. Today, with demands for capital coming to management from all directions at an unprecedented rate for technology (both hard and soft costs); diagnostic equipment replacements and upgrades; plant maintenance and infrastructure investments; and direct people costs, its more complicated. Outside factors weigh heavily on the decision.

Drawn from our experience helping more than 30 clients plan for replacement facilities, we have determined the five most common indicators that will be the drivers of the process. As simple as each may seem on the surface, each indicator can be influenced by many outside factors, different at each institution.

1. MEETING CONSUMER EXPECTATIONS

Patient privacy is the driver here taking several different avenues. The inability for an inpatient to be housed in a private room is the highest consumer dissatisfier. The “expectation of privacy issue” also extends to the emergency department treatment areas, ambulatory surgery recovery suites, patient holding areas; registration points, and related clinical support areas.

Families today expect the same attention to their physical needs as does the patient. Facility related hotel services in the form of generous, well appointed, well maintained family amenities (lounges and support areas) are the expected standard.

Expectations of access to state-of-the-art clinical facilities and diagnostic programs also rate high with consumers, but the determination of a facility meeting these

expectations usually is influenced more by the “high tech look” rather than true capability. A strategy to respond to these considerations should only impact facility decisions if they are competitively driven, spatially deficient, infrastructure, or site related.

2. FUNCTIONAL INEFFICIENCIES

Inpatient nursing units account for approximately half of the square feet in a facility. If your hospital has private rooms but they are semi-private conversions, our experience tells us the resultant patient units likely are inefficient, both in ratio of staff required to provide patient care, and square feet per patient bed. In 2005 the average cost for one additional staff member was over \$50K, while the annual cost to heat, cool, and maintain one square foot of space cost approximately \$10.

Other clinical areas may have similar functional inefficiencies built-in if they are 20+ years old, due in part by equipment and technology upgrades and changed use patterns. Most hospitals built before the mid 1980's were designed primarily to support inpatient uses, but now equally support both inpatients and outpatients. In these facilities way finding is difficult for outpatients and building entrances are usually not located convenient to parking or points of care. How does your facility compare?

3. OPERATIONAL INEFFICIENCIES

The lack of an adequate number of elevators to move patients, supplies, and visitors, has an impact on operations. Ramps that have resulted from varied floor to ceiling heights in buildings of different eras are also operationally problematic.

Inter- and intra-departmental relationships, fragmented over the years by expansions, updates, and relocations, result in inefficient work processes. In order to compensate for programmatic and facility deficiencies, facilities and services may be duplicated; more physical space is required to provide services; patient movement and transfers increase; and generally more staff is needed to operate the facility.

Our ongoing research currently indicates a savings of 6-8% in total operational costs (total operations budget including human and physical capital costs) can easily be achieved with a replacement facility. Several of our clients have achieved more saving.

Simply put, a new facility is more efficient to operate. They use less energy; can be designed to meet the programmatic and functional needs of the housed activities (eliminating excess square feet). They can fully support operational changes enabled by technology that your existing plant may not allow.

4. SITE LIMITATIONS

Today's site limitations can be categorized in two ways: internal and external. Internal limitation is the basic problem of having simply outgrown your campus. No usable open space remains. To add more parking the only option is to build a parking structure; to expand physical facilities for new technologies or necessary expansions the only option is to build vertical. Adjacent property is unattainable and there no longer is a growth edge to your campus.

While these indicators are significant in their own right, the external limitations you may be experiencing will have a greater impact. Competition, changing demographics, and population center shifts can also impact your service area and replacement strategy. Neighborhoods change, new housing areas are developed, competitor facilities add new services that can not be accommodated on your campus. Not being geographically centered within the hospital's primary service area can limit patient access.

In urban and suburban areas, local municipalities, at the urging of neighborhood organizations and adjoining property owners, may have or soon will impose development restrictions on already owned properties. Planned Development use agreements or zoning/allowable use restrictions generally restrict onsite development rather than enhance it. Additionally, the potential for property and sales tax generation (or lack of) enter into many of the decision matrices now used by communities to determine allowable property use. In many communities the need for government to generate/enhance revenue sources makes automobile dealerships and big box retail a more desirable land use. Hospitals are no longer as welcomed as they once were.

5. PHYSICAL PLANT LIMITATIONS

Evaluating the remaining useful life of older buildings is quantifiable. Established engineering and architectural criteria and building codes are the basis, supported by jurisdictional licensing requirements. Today, many less visible factors weigh in heavily in the decision process; a facility can be relatively new (less than 25) yet not adaptable to upgraded technologies or building code requirements without significant costs.

In many jurisdictions life safety upgrades requiring facilities to be fully sprinkled are being applied retroactively. Remodeled surgical suites require cleaner air be supplied at greater volumes; more patient isolation rooms are required on nursing units. Aging air handling units must be replaced as a result. Head end units must be upgraded.

Existing rooms may be too small for new equipment and technologies. Adding equipment booms in ICU units or surgery rooms may not be possible because of structural limitations. Boiler, chiller, and emergency power systems may be at capacity because of years of incremental additions and increasing system demands. Many of our clients have been faced with the prospect of having to replace and upsize their central energy centers in order to accommodate the “next” expansion project.

NEXT STEPS

Having a replacement hospital strategy in place enables informed decisions along the way. Developing a strategic facility plan can save your institution time and money. Even if your institution currently has no plans to relocate or rebuild in the foreseeable future, look into locations and options. Secure your site and your rights to use it. Land use will be a major issue to resolve.

In the most supportive environments, our experience has been that legislative delays related to land use and zoning issues have taken up to a year to resolve. Getting the details worked out before your time-line becomes critical is essential.

Reviewing your goals on a continuing basis helps you keep up with the external influences that will cause the greatest challenge to your institution’s future. Change is inevitable. Keeping your strategy fresh will allow you to move at the right time.

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