

Lessons Learned: Seven Keys to a Successful Replacement Hospital Project

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This article, the last in this series, focuses on the lessons learned through our experience with participating in more than 20 replacement facility projects. It discusses the key elements that make such a project successful. First, a definition of “successful” is in order. A successful project is one that is not only completed on time and on budget but also results in improved market share, operational efficiency, patient outcomes, patient satisfaction, and staff retention. Overall, it is difficult to generalize about success, as each project has unique issues and orientations. However, projects that have achieved great outcomes share consistent elements, which are categorized below.

1. *Senior management engagement and leadership.* A major requirement for a replacement project is a strong internal leadership that does not abandon the effort when the decision to proceed is made and the qualified planning team is selected. Replacement hospital projects benefit greatly from a compelling vision and clear guiding principles that outline the purpose and specific objectives of the initiative. The vision needs to be documented and continually communicated by senior leadership to staff and physicians throughout the planning, design, construction, and activation phases of the project to ensure that no one loses sight of the ultimate goal. Additionally, important strategic, operational, and financial decisions have to be made along the way that may well affect the performance of the organization for decades ahead. A key area of leadership involvement is the establishment and monitoring of the project budget. This budget includes not only the construction costs but also other related costs such as professional fees, medical equipment, permits, and property-acquisition expenses. Senior management should be directly involved in these decisions. After all, the project will be part of management’s legacy for the next 25 years. Importantly, successful projects need a champion who will keep the project moving along the right track. Thus, enthusiastic support and direction from senior management will transcend the organization and lead to active and forward-thinking participation by physicians and staff.
2. *Ample planning time.* Organizations typically invest significant time (sometimes even years) to research and ultimately reach the decision to pursue a replacement strategy. Once the decision is made, however, there is significant pressure to move the project quickly into the design phase. Unfortunately, facilities by

their nature are not easily or inexpensively changed. The decisions made during planning will have an impact on the organization for the next 25 to 40 years. Spending an additional 60 to 90 days in up-front planning is not significant over the life of the building. It is critical that planning groups are encouraged to research trends and concepts in their areas of expertise and to visit other new facilities. Clearly, a design that replaces the existing operation “as is” can be accomplished more quickly than one that considers operational redesign, as researching new concepts and building consensus around change take time. However, the potential operational improvements and service enhancements associated with the reengineered service delivery model may more than justify the additional time investment.

3. *Thinking big, thinking ahead.* Planning a replacement facility represents an opportunity to dream of what could be and to correct all the physical constraints that have hindered the organization over the years. Healthcare delivery has changed significantly in the last 25 years, with developments such as the introduction of new technology (e.g., CT scanners and MRIs), the trend toward private rooms, and significant shifts in utilization from inpatient to outpatient care. New services and delivery approaches, as well as utilization changes, will continue to necessitate new construction and renovation. If a replacement facility is being planned, why compromise from the start by securing a site that will not allow for adequate growth and expansion? If the preferred site has limitations today, it will likely necessitate that the organization make expensive accommodations in the future. Having to build structured parking or developing vertically versus horizontally may prove to be a disservice to the organization 10 to 15 years from now. Another common compromise is assuming that other campus development (e.g., medical office buildings or a retirement center) will not occur because it does not fit the organization’s current vision or financial situation. Twenty-five acres for a “Greenfield” site may be adequate today, but 60 to 80 acres will ensure long-term opportunities. It is important to remember that conditions and assumptions change over time.
4. *Continuous challenges for capable team members.* In selecting consultants and architects to be part of the team, the organization should look for creative and forward-thinking individuals who have experience in a replacement initiative. (Firm experience does not equate to individual team member experience.) Further, the team must be challenged, so members are encouraged to think creatively and to improve on previous projects. The current buzzword in architecture is “evidence-based design,” a term describing a particular design that has been shown to improve patient outcomes. In my opinion, there are no adequate data that can necessarily prove that a design is a major factor in increased utilization, improved patient safety, or reduced medication errors. The project champion, when possible, must continually challenge the planning team to bring forth new ideas and evidence to support the design concepts

submitted. Similarly, it is important to force the organization's managers to think about innovative ways to provide services. Current practices may get good results, but a focus on exploring improved processes to do better should be an underlying expectation. Internal and external planning teams need to be challenged to be creative with the following caveat: people should not rely on unproven concepts that may adversely affect operating costs.

5. *Operations improvement goal.* One of the primary reasons for replacing aging facilities is to reduce operating costs. If this is an objective, the organization should be able to demonstrate the savings. The target savings should be 6 to 8 percent of current operating costs for similar volume. These savings should be realized in terms of both labor and nonlabor costs. Many of the potential savings identified in the planning process can actually be implemented before the opening of the new facility. The potential savings need to be specifically identified, communicated, and measured to ensure that they are actually achieved. The need for operations improvement in the areas of patient and staff satisfaction, clinical outcomes, and other aspects of performance should be articulated in the project's guiding principles and addressed through the various stages of operations and facility design.
6. *Timely decision making.* The facility planning process is challenging and requires ongoing direction in terms of services to be provided, operating concepts to be followed, technology to be implemented, budget reductions to be considered, and so on. Over the life of the project, participants can become frustrated because project planning, from concept to occupancy, typically takes four to five years. Changes in key participants, operational concepts, reimbursement issues, and market conditions occur. As the process evolves, it is important to keep momentum toward the ultimate goal, and management must make timely decisions. Avoiding decisions can be costly in terms of time and budget and can be frustrating to the planning team. A potential negative impact that can result is the loss of broad-base support for the project. On the other hand, taking a position and sticking with it will not always be popular; however, maintaining consistency with the overall vision and guiding principles of the project will, at a minimum, be understood.
7. *Community involvement.* Too many times organizations forget to involve the community in the process. A replacement hospital is an opportunity to address market-area needs and to answer some key questions such as, Why are patients going to other hospitals? Can facility changes (improved parking or service organization) or service offerings (e.g., LDRP [Labor/Delivery/Recovery/Postpartum] versus LDR [Labor/Delivery/Recovery]) improve market share? Focus groups in which these issues are addressed can provide valuable insight into planning. Similarly, the community, employees, physicians, and board members need to understand why the organization is planning a new facility. If the community is unaware of the issues involved, it may question the need for a

new facility and challenge the size of the expenditure. Hospital representatives need to present project justification to community groups and sell the concept, starting with initial disclosure through the dedication process.

A replacement facility project is the opportunity of a lifetime for the organization and its leaders. It represents an important milestone in the careers of leaders and a historical symbol for the organization itself. Take advantage of this opportunity, and make it successful.

For more information on the concepts in this column, please contact James Hosking at james.e.hosking@aexp.com.