

BEFORE THE SHOVEL HITS THE GROUND:

Key considerations for developing a new hospital, or major capital investments.

For many “the project” starts as a glimmer in the eye. An opportunity to improve what seems broken, inefficient or just plain old. Few executives will have the opportunity to build a new facility; to experience the thousands of decisions that are required throughout the process; to engage with their communities at such an intimate – and sometimes difficult level – in gaining their support for a major transformation of their healthcare system.

Before the shovel hits the ground however, there is much to consider and a myriad of planning activities. Addressed below are the five key considerations for clients considering a new hospital, either replacement or new market entry.

1. Strategy
2. Site
3. Approvals
4. Community engagement
5. Design and development team partners

1. STRATEGY

This project might be a “one for one” replacement. Or, you could be adding to your acute care portfolio. As utilization continues to change, consider how that will impact your volume and bed need. Bed type is another area of focus. Consider two key issues:

- a. The goal of “population health” is to a) keep people out of the hospital; b) manage wellness. In short, those that end up inside your hospital will have higher acuity, driving more demand in ICU and CCU.
- b. By 2029, Baby Boomers will make up 20% of the U.S. total population. The highest “utilizers” of all healthcare services are the age cohort of 65+.

When planning for a new hospital, just how many beds do you need and what kind will you have? Are you building your hospital (today) for tomorrow’s needs? What impact will technology have on your bed needs and operations?

Run scenarios. If you are adding to your operations, develop the financial model and test the feasibility of the project. What services do you need and what volumes do you need to sustain your margin (under best, worst and most likely volume scenarios)? Define shared services, outsourcing, discuss operations of the facilities and include these assumptions into your financial model.

How (well or not) defined is your ambulatory network? Is it set up successfully for your existing location? Can it adapt to your new location? What investments / placement can you make in the interim that will support your new facility? If the financial risk of a new facility is too large, what about a phased entry into the market with a considerable ambulatory program? Consider these questions and the financial impact of entry strategies and ambulatory alignment. No margin – No mission.

2. SITE

If you are not replacing the hospital in place, then you are going to be looking for land. The site is the cornerstone of your future and will be the platform that supports your ability to support a “healing environment;” it will contribute to the patient experience – it will be your home for the next 75-100 years.

Having completed over 50 site selection engagements for clients, some considerations include: size; infrastructure availability / capacity, visibility, access (vehicle, public transportation and pedestrian), site adjacencies, political viability, neighborhood qualities. Think about your facility now and how many times it has been expanded and renovated. What do you wish you had in terms of land to support expansion and renovation? Land is king and it’s hard to find the perfect site.

For many clients, securing a site takes significant time, starting with a thorough evaluation of options. Consider not just what is available to you, but what do you need? How is your community growing and moving? What major economic factors do you need to consider? Where are your patients coming from, how do they get to you? What are the major geographic boundaries to consider in attracting patients to your existing site? The new site? How is your competition situated? Do not underestimate the time it will take to find and negotiate the right site. Do not underestimate the value of confidentiality in your initial investigations.

Often negotiations with multiple land owners and unique purchase arrangements are made. Do not close on any property until you know what lies beneath....structure the purchase wisely, so that you have options and the opportunity to complete due diligence; understand any issues that may be present and how much the site will (really) cost you.

Finally, work with your local jurisdiction on draft site planning, traffic studies, infrastructure investments, roadway improvement.

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The shortest distance between idea and reality.

3. APPROVALS

Engagement of local and state officials on your new project is critically important. Locally, officials want to understand the investment you are prepared to make and the impact it will have on them. They will have to approve the site plan, be engaged for roadway and infrastructure improvements. Having a skilled technical consultant aid (or lead) in communication and negotiations with public officials is highly recommended. Negotiate wisely. You are making a major investment wherever you end up for both you and the community.

At the state level, you have always been engaged. However, if your project is adding beds or reducing operating costs, be prepared to make your case (see business plan section) on how it will improve the quality of care provided to the communities you serve (in a cost efficient manner). If you are seeking public funding or financing, then your business case and financial feasibility and projections will be tested and reviewed for viability. The engagement of local and state officials early and often is critical in gaining approval for major projects.

4. COMMUNITY ENGAGEMENT

Without the support of your community, nothing will ever happen. Without the support of your community, nothing will ever happen. (This will become your mantra.) Your community will either push you back or carry you over the finish line. They are your doctors, your nurses, your employees, your patients and your family. You need to make each one of them a champion of your cause. A few questions to be prepared for.

- What will happen to the old hospital site?
- Will a new facility increase my health care costs?
- Will I still have a job? (anytime you have a decrease in bed count or look to “improve operations” this will come up)
- Will I have to pay for parking?
- Can I get there using public transportation (know how many of your employees depend on public transportation)
- Can I keep my doctor?
- Will the services be the same?

Development of a communications strategy to update your constituents should be done early and often. Consider not only your website, but media placement, facebook, twitter, and your local paper. Understand key project milestones and share them with your community. The more you are in control of your communication and the more you communicate, your community will understand your mission and provide support.

5. DESIGN AND DEVELOPMENT TEAM PARTNERS

I once had a client tell me the following: “We are going to have like each other. It’s going to get ugly sometimes and we are not always going to agree on everything. We have to trust each other and know that we can agree to disagree and still want to work with each on the other end.” Truer words were never spoken.

Engagement of a consultant who has experience with similar projects is critically important. Consider the following about your design team: Do they have the right experience? Urban planning (if relevant), size of project; team leadership, track record of project budget adherence; integration of technology, regional or state level experience, and accessibility of team members are just a few of the evaluation points on the list. Do you hire an architect that has engineering in house or a separate engineering firm? For construction management, many of the same considerations apply. But also, how well do they know the trades? Do they understand pricing trends? What is their track record on low trade utilization?

In any major project, engage the architect and CM at the same time. You can structure flexible contracts that will reduce risk, provide real time pricing and improve decision making when you have the CM working side by side with the team running scenarios on how the design impacts the budget. Your project management firm will know not only how to guide this team with schedule and budget, but also how to organize the Owner (yes, you) on key decisions that are forthcoming. Prepare reports for the board; manage the budget and accounting and estimated cash flow with your accounting team. A good project manager will prepare you for the decisions coming up in 30, 60 and 90 days and keep your team in sync not only with design and construction progress, but also coordination of major equipment, procurement, value analysis, training and operationalization of the new facility.

Most of all, take your time in finding your team. Tour their projects, get to know the team leaders and your day to day contacts (you’ll be seeing them – a lot) and feel confident that they will be good partners. They should listen well, they should be prepared, they may not know every answer, but be eager to find it and they should be eager to make this a great project for you.

Having been involved in three new hospitals in the last five years and seven throughout our region, these projects are a complicated and exciting adventure. It requires supreme planning and coordination and teamwork and a can do attitude by all team members.