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Northern Texas 2018 - Post Summit Recap



Takeaway Messages

June 21, 2018, Addison, Texas

Reported by Linda Stallard Johnson (rightondeadline@gmail.com), a freelance writer and editor in the Dallas-Fort Worth area. She is a veteran of *The Dallas Morning News* and *Houston Chronicle*, and currently edits *AIA Dallas'* quarterly magazine.

Legislative Issues That Can Shape Texas Healthcare



Stephanie Limb, vice president of advocacy communication, Texas Hospital Association

- **Texas jobs are growing**, but so are the uninsured. Much of the job growth has been in small businesses, but many can't afford insurance for employees. "In Texas, it is very likely that you could be employed, you could be middle class, you could be an upstanding citizen and not insured," Limb said. Unable to qualify for Medicaid in Texas, the uninsured put off care until they end up in ERs and must rely on hospital charity programs.
- **Texas healthcare is caught in a vicious cycle.** Because many lawmakers see Medicaid as welfare, the Legislature chronically underfunds it, reimbursing \$7 for every \$10 of services and forcing hospitals to make up the other \$3. "Is that \$3 going to be shifted onto other payers, or are we just not going to invest in maintenance, in facilities, in development?" Limb asked.
- **Healthcare is a multi-layered issue.** Few Texas legislators are in the health industry. "It's all financed in their minds from the federal government or supplemental state payments," Lunsford said, making maintaining current Medicaid funding an achievement. Knowing your previous year's profit, your total uninsured population and how much uninsured care you provide could get their attention, he said.
- **To be heard by legislators, embrace advocacy.** That means enlisting everyone from executives to nurses. Take a page from teachers, who know how to tell their story to the public and lawmakers about how policy affects education. A nurse on the front lines of healthcare "would be so much more impactful and effective" than a lobbyist, Limb said.
- **Advocacy is not a synonym for lobbying.** Advocacy has been misused to mean lobbying, government relations or public affairs, Lunsford said. "We largely leave it to a certain department to go deal with our legislative body or go deal with legislative affairs that affect how we get paid, that affects policy, that affects the entire operation of the hospital," he said.
- **Bottom line:** How the Texas Legislature handles Medicaid and other healthcare issues has a fallout on hospital development, facilities and real estate.



Lance Lunsford, senior vice president of communications and marketing, Texas Hospital Association

2018 Outlook for Medical Real Estate

- **The MOB is the 2018 star in healthcare real estate.** Medical office buildings have stable tenants, a stable income stream and little churn because doctors tend not to move. Of the \$1 trillion healthcare real estate sector, MOBs made up \$372 billion of the value at year-end 2017.
- **Hospitals and health systems own 51% of MOBs.** For the year through the first quarter of 2018, hospitals were also the biggest buyers of medical real estate, at 50% of transactions, followed by private investors at 41%. The REIT share plunged to 8% from 42% from the same period a year earlier.

Higher Education, Mohawk Group

Attendee Comments

"The conversational format
Excellent panel discussions with
new topic discussions and useful
content."

"Opportunity to network,
opportunity to meet speakers
The chance to hear a variety of
topics with sufficient time to
develop ideas."

"I enjoyed the earlier
presentations that seem better
prepared."

"Diverse audience, end users
participated."

"Strong line-up of speakers
from local healthcare systems."

"The range of speakers and
content, all about Healthcare
but very current content and
information."

"The speakers from Stantec and
also the design speakers."

"The panelists."

"Owner discussions."

"Networking"

"The introduction of new design
techniques and forward looking
topics."

"Location. Information."

"Micro hospitals."

"The variety of topics & how
they related together."

"The diverse content."

"Topics."

"Variety of topics."

"Great presentations and
relative topics. Good location."

"Variety of topics, mix of
presentations; Owners,
Architect/Designers, Hospital
Association Representatives."

"Great variety of perspectives."

"Thank you for organizing this!"

"Micro Hospital Discussion."

"Very good attendance - Good
for networking."

"The format = the panel
discussions were a good way to
present the items addressed;
Micro hospital explanation;
Retailization of healthcare; The
venue."

"Great job! I cannot think of
anything to improve the event."

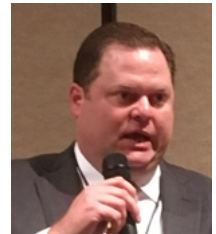
- **Dallas and Houston are both trophy markets**, and Texas as a whole is seeing a surge in doctor visits in every age group. For 2015 to 2030, doctor visits in the state are expected to grow 31.5 percent. That's an enviable position compared with states where the doctor visits are rising from the over-65 set but overall population is falling

Real Estate as a Business Tool for Healthcare

- **The trend is toward the "outpatient world."** For hospital systems, the discussion has shifted to constructing outpatient facilities. "We have a lot of 4,000- to 5,000-square-foot clinics surrounding the entire metroplex that 10 years ago we didn't have," Sullivan said. "A lot of the outpatient activities we're doing are joint-ventured."
- **Integrated health campuses enter the scene.** Texas Health Resources has built three campuses that provide a continuum from wellness to just short of hospitalization. The facilities run 60,000 to 70,000 square feet on about 10 acres and include fitness centers and free-standing emergency departments. "It's a smaller hospital that we can do pretty much anything with, with the exception of activities that require beds," Sullivan said.
- **Even the new campus concept is evolving.** The next integrated health campuses may be 150,000 square feet on 15 to 20 acres and include 12 to 24 hospital beds — although 36 beds haven't been ruled out, Sullivan said. "We're trying to give ourselves the opportunity to expand," he said.
- **Hospital systems plant their flags.** Over the last 10-15 years, hospital systems have made defensive moves in communities where they want to gain market share, deploy a new service or serve a growing population, Gordon said. The flags "are typically in the form of MOBs," he said. In essence, they've created a hub-and-spoke system.
- **Healthcare systems are becoming big investment buyers.** That's because they own space as well as lease it, Gordon said. "The educated ones are taking a much more methodical approach of 'if it doesn't make sense for me to lease it, it doesn't make sense for me to own it.'"



Jon Sullivan, vice president, real estate operations, Texas Health Resources and Revista Advisory Board



Chris Gordon, senior managing director/global healthcare, Newmark Knight Frank

Examining the Micro Hospital



Kurt Neubek, principal/healthcare sector leader, Page



Beth Carroll, principal/senior healthcare planner, Page

Phil Chisholm, associate principal/senior healthcare planner, Page

- **Micro hospitals take many forms.** There's no official definition of them, but all of them are fully licensed hospitals. "You can't always tell by the name — it's more of a concept," Neubek said. They usually have eight to 15 beds, and they contain the basic components of a hospital such as emergency imaging, a pharmacy and lab.
- **What if CMS changes the rules?** Many operators worry that they might build a micro hospital, only to face unexpected expense or shutdown from CMS rules. "As long as you're operating as a hospital, I don't see a big risk there," Neubek said. The key is to not "game the system," such as having inpatient beds that qualify you as a hospital but that are never used.
- **But a caveat on other states.** If you're considering building micro hospitals across state lines, be aware of proposed legislation that might affect your plans. "Consider if that makes sense for you," Chisholm said. Neubek noted that states differ on Certificates of Need requirements — Texas' looser rules make it a hotbed of micro hospitals.
- **Micro hospitals feed into a network of campuses.** There's been a rethinking of community hospitals as community health hubs, leading to efficiencies. Instead of internal computer systems, "now everybody's connected," Carroll said. A full-time employee might rotate through several campuses, affecting the planning for space.
- **Micro hospitals benefit the mothership with flexibility.** They can provide a convenient place for patients to do pre-op workups before surgery at the main hospital, Chisholm said. When a flu epidemic or other surge situation strikes, a normally eight-bed micro hospital can quickly convert to 14 beds to relieve the strain on other facilities.

Tips, Tricks and Hidden Traps to Avoid



(left to right) **Leslie Echols**, nora systems, Inc.; **Doug Schanz**, Johns Manville; **James Bryant**, Camfil; **Tommy Poynter**, Delta Controls; **Ray Allan**, Cambridge Sound Management

- **Tip:** Don't put on a roof and relax because you have a warranty. A roof requires periodic inspections and ongoing maintenance to perform well.
- **Trap:** Since 2016, hospitals have been required to have their air filters tested by the manufacturer. "There's a lot of manufacturers out there that have yet to do so, and they're still selling into hospitals," raising potential liability problems, Bryant said.
- **Trap:** If you are a hospital executive, don't let low-level tradesmen or contractors pick the building system products. Let the architect, who is working with the owner and has the vision, make the selection.
- **Tip:** Prepare for the Internet of Things and buy accordingly as you upgrade, install or design networks. The Internet of Things will network your phones, computers, climate control and other systems — and it's coming.
- **Tip:** Sound masking ensures private conversations, but you put it where the unintentional listeners are.
- **Tip:** Require your floor contractor to do a mock-up of your floor specifications and refer back to it during installation. Make sterile corners part of your specifications.

Capital Planning, Compliance and Operational Issues



Rick Scivally, director of engineering and safety, Texas Health Resources, Harris Methodist Hospital



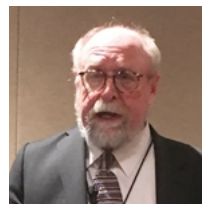
John Wilson, director of planning, design and construction, Parkland Health and Hospital System

- **Money is growing tighter.** At Parkland, Wilson once had a \$1 million-a-year bucket to use for furniture; now it's \$250,000 a quarter that has to be justified. "We've had to look at every tool, every scalpel," he said. For Scivally, it's "selling the board on that you need a \$250,000 or \$500,000 chiller, and you're going up against an OR and they need five anesthesia machines."
- **Multiyear plans help prevent sudden, and costly, surprises.** THR has infrastructure budgets that look ahead for five, seven and 10 years. It allows a department to prioritize building system components for upgrades or replacement before, say, that creaky chiller goes out and shuts down ORs. Parkland has a five-year strategic plan that uses a scoring system that prioritizes spending based on the institution's missions and goals.
- **So how do you prioritize what gets attention?** "We risk-rank things — what's the probability it'll fail, what's its past history, what's its expected life, what is its depreciation schedule?" Scivally said. "A piece of equipment that serves an operating suite is going to have a higher-risk score than a piece equipment like environmental controls in a storeroom."
- **Leave the emotion out of decisions.** "Decisions need to be data-driven, not emotionally-driven jumping through hoops," Wilson said. At Parkland, a plan to replace a 3,000-car parking garage with a 2,000-space garage made campus police uneasy. But the cost to accommodate 1,000 more cars was \$20 million, and the data from a parking study didn't support the need.
- **Be methodical on estimating and budgeting.** The key is to stay ahead on costs, Wilson said. "It's about communicating with the industry" and establishing a target value. "Work with your suppliers, work with vendors, work with your subcontractors to get them to actually price it for you," Scivally said. Check back with them on the numbers early in the year and include an escalation factor.

Retailization of Healthcare



Randy Edwards, principal, Stantec



Doug King, principal, Stantec

- **The way we view hospitals is undergoing a major change.** From the Starbucks in a micro hospital to a variety of concessionaires in large medical complexes, retail and other services are redefining the hospital experience. "Whether you go there as a patient or a visitor or you're working

there, you have to have an environment that kind of distracts you" in an often stressful place, Edwards said.

- **On-site drugstores promote patient compliance.** "Fifty percent of patients leaving the hospital don't even fill their prescriptions," Edwards said. But put a Walgreens or a CVS on the grounds, and compliance goes up significantly. "It shortens the distance from a physician making a prescription to a patient picking it up and actually taking it. And it builds brand loyalty between the physician and that particular pharmacy or pharmacy brand," King said.
- **It's "airport concourse meets hospital,"** King said. "People need to do things when they're walking in a place," especially in the setting of a massive hospital, he said. By adding a pharmacy, a variety of healthy food outlets and shops, even a library or movie theater, "it marries retail, public space and wayfinding, and retail branding", King said. And the harried health worker has more choices for a grab-and-go meal.
- **Hospitals invite the community inside.** Adding retail and services increases "the porosity of the walls of the hospital and the relationship with the community," King said. Neighbors are "coming in to use the hospital as a place to eat or hang out or use the library." In a way, it's a form of community outreach.
- **There are some challenges.** Retailers face "a paradigm shift in who they serve," King said. The customer base is "a little different than your store down the street." Adding retail can be a little painful during the construction phase, with concerns such as meeting interim life safety measures and doing infection control risk assessment and systems design, he said.

Leveraging the Brand Without Breaking the Bank



Alisa Carlson, RID
and project manager,
Methodist Health
System

Kristin Lopez, vice
president/interior
design director, Curtis
Group Architects

Mark Krejchi,
healthcare manager,
Wilsonart

- **A brand is about the full experience.** "It starts before you get there with the website," Carlson said. Knowing where to park, a helpful staff and a clean waiting room with amenities all make strong first impressions. Today, Lopez said, "We kind of look at it as hospitality-driven, like with a hotel chain."
- **Design is vital in branding, especially for health systems.** "You're really looking at the overall aesthetic for the brand for the mothership," then using similar color palettes for the other facilities, Carlson said. "Artwork plays into it, signage plays into it, making sure you have it consistent, consistent, consistent."
- **There's room for individuality in branding.** "You get from the workers what is important to them, what they want to see to promote their facility, what is that special uniqueness," Lopez said. At a facility in the Carolinas, "we put rocking chairs in the lobby," playing on a Southern tradition, she said. They're welcoming but don't cost much, and "people recognize them as a part of your brand," she said.
- **Durability of materials factors into branding.** Make sure finishes are healthcare grade, cleanable, and able to withstand daily use and sanitation, Lopez said. Krejchi said the "three D's" — disinfectable, durable and design that reinforces the brand — are musts for surface applications. Otherwise, materials can quickly look worn and tired.
- **Try cost-effective ways of branding.** Way-finding is a clear path to branding, visible in floors, corridors, directories and garages, Carlson said. "We all know painting something is the cheapest, easiest way to change a look," said Lopez, who also suggested art programs and upgraded furniture to reinforce a brand. "Do the public areas or the patient care areas first," then work back to the areas that only staffers see.

Developing a More Powerful Real Estate Paradigm with Academic Medical Centers



(left to right) **Fady Barmada**, principal/practice leader, Array Advisors, **Juan Guerra Jr.**, vice president, facilities management for University of Texas Southwestern Medical Center, and **Charles Shelburne**, vice president, campus planning for Baylor Scott & White

- **Three missions drive academic medical centers.** Educating medical students and health professionals, doing medical research and serving the community form the core of UT Southwestern and other academic medical centers, Guerra said. "The three are dependent on each other, so any time we enter a building program or do construction, we have to have all three of those in the equation," he said.



- **Lecture halls are out, “flipped” classrooms are in.** The focus has shifted from the model of the all-powerful teacher at the front of the room toward smaller spaces where students interact and problem-solve, assisted by the instructor, Barmada said. At UT Southwestern, “We took out all the old-style rooms and cubbies, the dissecting tables that were in there, technology from the ‘60s” to create space that the students wanted, Guerra said.
 - **Academic and nonprofit systems are moving to where the patients are.** Baylor Scott & White teamed with the city of Dallas to promote wellness for residents in two zip codes with high rates of diabetes. “We were able to take an existing recreation facility, added care coordinators, added a farmers’ market, added a lot of amenities” such as teaching kitchens for healthier food, Shelburne said. “To me, that ties to the mission of what we’re trying to do.”
 - **Dealing with a cramped campus vs. far-flung facilities.** For UT Southwestern, there is little choice but to build taller as square footage grows but the campus footprint doesn’t, Guerra said. More square footage means moving more people around an already dense campus. Ideas include valet parking that allows patients to drop off their cars near their first appointment and get picked up near their last. Baylor Scott & White is growing by acquisitions in North and Central Texas. “That means you’re spread out pretty thin,” Shelburne said, creating standardization issues.
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