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Health Care Institute of IFMA

Summit Program Chair

James Venker, Senior Director, Facilities, Construction & Environmental Services, Premier Healthcare Alliance, and IFMA Health Care Institute Board Member

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Attendee Comments

"The regulatory quizzing was very informative"

"Diversity of topics"

"Content, specifically the presentations by Selig, Spence and Neubek"

"I can't narrow it down. The cast of particular subjects was beyond valuable. The

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Southeast 2018 - Post Summit Recap



Key Takeaway Messages

March 7, 2018, Charlotte, N.C.

Reported by Laura Williams-Tracy, a freelance writer based in Charlotte.

What's Driving Healthcare – A Look at the Numbers

Alan Whitson, president of Corporate Realty, Design & Management Institute

TAKEAWAY MESSAGES

- **What's driving demand for healthcare facilities?** Hospital volume and usage, demographics and physician visits and reimbursement trends. From 1990-2014, Emergency Department visits are up 22.6%, inpatient admissions are down 16.8% and outpatient visits are up 80%.
- **"Inpatient settings are turning into giant ICUs.** These are the sickest of the sick, and that's changing the way acute care looks."
- **People in the U.S. see the doctor far less** than those in other countries. American visits to the doctor per capita are 2.8 compared to 12.9 in Japan, and 9.9 in Germany. The median rate is 6.5. But U.S. patient visits are increasing 55% faster than the population.
- **"We are moving more toward managed care** and not as much fee-for-service. That business model is evolving out of existence." The goal is to keep patients reasonably healthy by focusing on preventative care, flu shots and regular doctor's office visits, resulting in patient volume going up. Providers want to proactively deliver care more often, but in a low acuity setting.
- **Patient visits are rising in North Carolina.** The state's population of just over 10 million in 2015 will grow 22.1% by 2030, while patient visits will grow by 26.15 over that same time. For patients older than 65, patient visits will grow 58% over that time. "That will require a lot of exam rooms."
- **As the population ages** and more patients get their healthcare from Medicare, providers will get less money in reimbursements. Medicare reimburses are at about 90% of cost, while private insurance reimburses are at a rate of nearly 140% of cost. Most practices can expect about 70% of their patients will be privately insured. "If you can make money on Medicare patients you will be successful because you will make money on private payers, and they aren't going away."



An Inside Look at the Political and Financial Realities Reshaping Healthcare in U.S.

Blair Childs, senior VP for Public Affairs, Premier Healthcare Alliance's office in Washington, D.C.

TAKEAWAY MESSAGES

- **Premier is an alliance** of 3,900 hospitals, which includes 79% of all community hospitals. The Group Purchasing Organization is focused on how to improve quality and reduce cost for healthcare providers. The company has a huge footprint, which provides insight into what's going on across the country.
- **2018 is the year the consumer strikes back.** Healthcare is being distributed more widely to the home and to retail settings. For providers, that means consumers will demand an experience that rivals what's delivered by retail and consumer brands.
- **"We're in clearer skies" after 2017**, which was fraught with multiple efforts by Congress to "repeal and replace" the Affordable Care Act. "Overall we have

authenticity and passion of the people speaking on key topics were great. Blair Childs was one of my favorite speakers in terms of technology and dealing with competition"

"Topics, experts, timing of speakers, food/refreshments; the meeting space; and Alan Whitson"

"Kurt Neubek segment"

"I hope that there are more such events"

"Networking"

"Charlotte location"

"Variety of topical issues"

"Jim Venker is such a dynamic speaker!"

"In depth discussions of the future"

"Interaction with others, learning about what issues others are seeing in market, presentation material"

"Kurt Neubek; Trends; Drivers; Case study results; Decision Making"

"Excellent content"

"Forces driving the direction of health care real estate & acquisitions"

"Great contribution to the providers of services in attendance. Big picture information benefits all of us immensely. Thank you for making this happen and available for us"

*"Scott Selig & Tim Spence
• Hearing what the current issues are"*

"Good time frame- not too long, not too short"

"Interacting w/ attendees"

"That it took place"

"Format"

"I really enjoyed the innovative repurposing"

"Current issues"

"Rich depth of knowledge from presenters-attendees"

"Thanks for pulling together a summit with such good content"

"Mighty awesome conference"

"Have it more often. I learned more in this event than a year of calling on these customers."



much clearer perspective of where this administration and Congress is going."

- **Payment reform** will be among the biggest changes facing healthcare providers. Healthcare is moving away from the system that incentivized physicians and hospitals to get patients in their silo, provide treatment and then discharge after holding them there to optimize revenue. That model created a problematic lack of coordination of services and duplication of services. The Bush and Obama Administrations took steps to change the payment system, and now providers are seeing a portion of their fee for service at risk based on clinical performance and measures. As a result, providers are looking at how to reduce readmissions and reduce complications. "The focus is how to improve quality and reduce costs across the silos. You are incentivized to keep the patient healthy and out of expensive settings of care. If you reduce the need for care, you reduce your costs and therefore you get to keep the savings. If you increase the cost you have to pay the government or private payer back."
- **Providers who remain focused on fee for service will see a declining rate** of payment.
- **Mergers & acquisitions continue to shake up the healthcare landscape.** Notable deals include CVS and Aetna; merging health systems, such as Aurora Health Care with Advocate Healthcare; and major technology disruptions to the industry from Amazon, Google Health and IBM Watson. "We are overall changing the competitive structure of the healthcare system." Historically providers participated in "coopetition" whereby they competed and simultaneously cooperated with other providers with an incentive to deliver more services. Now the incentive is to build a competing high value network. Providers are expanding from single community markets to larger regional markets with more standardized care across the continuum and more narrow networks with preferred payers, all using data and analytics to succeed. "These are big, big changes that are occurring that have a big impact on how people think and act."

An Insiders View of Facilities Guidelines Institute (FGI) Changes for Hospitals & Outpatient Care Facilities

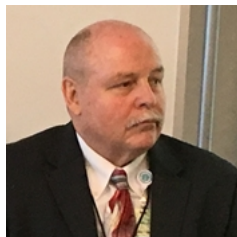
Skip Gregory, Health Facility Consulting and FGI Health Guidelines Revision Committee

TAKEAWAY MESSAGES

- **North Carolina just partially adopted the 2014 version of the FGI Guidelines** for Hospitals and Outpatient Facilities. The state will soon adopt the 2018 version partially.
- **Hospitals are some of the most unsafe places to go.** The guidelines are intended to improve patient safety with minimum and baseline standards. "We aren't telling you how to design beautiful structures."
- **FGI is developing "Beyond Fundamental,"** a publication with emerging practices that exceed basic requirements.
- **Hot topics for 2018:** Design clearances to accommodate patients of size; pre- and post-procedure patient care areas; procedure and operating room sizes that reflect space requirements for the anesthesia team and equipment requirements.
- **Sustainable design:** Standards are recognizing the importance of reducing energy usage, including moving away from hot water for hand washing. "The main element in cutting down hospital-acquired infections is hand washing and mechanically scrubbing hands."



Ask the Code & Compliance Experts



Bret Martin (left), Director, Fire, Life Safety & Utilities Facilities Management, Atrium Health
Gary Milewski (center), Corp. Manager Plant Engineering Compliance, Novant Health
Dan Koenigshofer (right), Vice President Healthcare Engineering, Dewberry

TAKEAWAY MESSAGES

- **Healthcare is the most regulated industry** in the United States other than the development and manufacture of nuclear weapons.
- **Joint Commission inspections** are every three years unless there is a problem or a complaint. There are more return visits today. When a finding is significant enough that it could create a problem, a

The value of education is priceless!"

HCI Charlotte is Forming



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surveyor returns within 60 days to resurvey and make sure the problem is fixed. If the Joint Commission makes note of many good findings, the Centers for Medicare and Medicaid Services (CMS) will return to verify those findings. "CMS is now dictating, so the cart is driving the horse." Hospitals are also driven by the authority that enforces state building codes.

- **Outpatient facilities are a greater focus today.** Those include stand-alone Emergency Departments, such as Atrium Health's 15-bed licensed hospital in rural Wadesboro, N.C., which includes a stand-alone ED with a radiology diagnostic center and urgent care under one roof. "It's fitting the model of the community. I think we are going to see more of those."
- **Novant is employing a similar model** focusing on convenience for patients. Smaller facilities include helipads so patients can be transferred to a larger healthcare facility if warranted.
- **Hybrid facilities are in demand,** but blurring the lines between outpatient facilities and acute care facilities can create a challenge for engineers in applying codes and FGI recommendations.
- **Facility managers must become more proficient at technology.** Facility managers have to build the case for the value of a new air handler versus other new technologies for patients.
- **The C-Suite wants to reduce operating expenses,** but demands are increasing. More work is being automated, including plans to enter data into the building information modeling system during design and construction to make ongoing management easier.

Tips, Tricks & Hidden Traps to Avoid: In-the-field Experts from Air Filtration, Roofing and Sound Masking



Dave Blackwell (left), Camfil
Doug Schanz (center), Johns Manville
Michael Griffitt (right), Cambridge Sound Management

TAKEAWAY MESSAGES

- **Tip: Visit ashrae.org** to download "Ventilation of Healthcare Facilities." There's a red-line version online for \$79 that provides all facility managers need to know regarding ASHRAE 170, the rule that regulates ventilation of healthcare facilities.
- **Tip: There has been a change in air filters** and manufacturers are required to test filters for a MERV rating. Have the ASHRAE test report for filtration on record.
- **Tip: Air filtration optimization is an easy way to drive costs down.** As much as 10 cents per square foot per year can be saved by selecting and changing air filters at the right time.
- **Trap: Avoid picking a roofing system on single criteria.** Look at the entire application.
- **Tip: Keep a log of who accesses the roof,** be it maintenance, internal departments or roofing technicians. Access to the roof should always be locked and monitored.
- **Tip: Mandate the roofing system manufacturer** be at pre-construction meetings with the contractor. The manufacturer can speak to how to keep the roof's warranty in effect.
- **Tip: Don't rely on a single source to give speech privacy.** Look at carpet along with ceiling tiles.
- **Trick: The elimination of walls and cubicles** in workspaces can be an acoustic nightmare. Concrete floors and glass walls only add to the disruption sound can create. Have a holistic design idea of the audio of spaces.
- **Tip: Learn the difference** between sound masking and noise cancelling.

Leveraging the GPO Relationship

Jim Venker, (top) Senior Director, Facilities Construction & Environmental Services, Premier Health Alliance
Cynthia Hubbell, (bottom) VP Healthcare & Senior Living, The Mohawk Group

TAKEAWAY MESSAGES

- **Premier is a healthcare alliance** that held an IPO four years ago and became a for-profit company serving 3,900 hospitals nationwide with more than \$456 billion in supply chain spend. Its footprint is growing to businesses and universities. Premier supplies housekeeping products, food service equipment, furniture systems, modular casework, elevators, HVAC equipment, fire alarm systems, roofing and more. "It's a way to leverage purchasing and drive a better price than you might see otherwise in the marketplace."
- **A GPO like Premier can be of value** for organizations with ongoing construction projects, repairs and maintenance. Buying on a piecemeal basis is more



expensive. Through a GPO an organization takes advantage of established relationships that create a commitment with suppliers that sets a price the supplier might otherwise not be able to do.

- **The GPO-manufacturer relationship** allows a healthcare system to reap the economics benefits of large-scale projects on their small day-to-day projects. This offers the benefits of continuity in design, brand, and operating efficiency throughout their system at the lowest possible costs.
- **An example of how a manufacturer**, such as The Mohawk Group, works with a GPO like Premier to offer the right flooring solutions with the lowest total cost of ownership. Mohawk's role is to help stakeholders meet their individual and collective goals as a project moves from design, procurement, and construction to operations.



Forces Driving Direction of Healthcare Real Estate & Acquisitions



Andrew Lawler (left), Partner/Healthcare Development, The Keith Corp.
Steve Garrett (center), Director, Real Estate, Atrium Health
Austin Tyler (right), Director of Real Estate Management, Mission Health System

TAKEAWAY MESSAGES

- **Medical real estate is a source of capital** and transaction activity is increasing. Investors like healthcare organizations. Atrium is capitalizing on this by buying, selling and building medical office buildings. "We are going to look to third parties to leverage their capital to build those facilities going forward."
- **Mission Health is dealing with older infrastructure** and has two replacement facilities planned. Mission has built four MOB's in the past six years. "With acute facilities we do it with our own money, but with MOB's or primary care buildings we'll leverage outside capital."
- **Expenses are outstripping revenue growth**, creating a new focus on bending the cost curve. "The trends are bad. One of the main solutions is growth. To quote the movie, Jaws, 'we need a bigger boat.'"
- **The trend is toward smaller buildings and retail sites**, more free-standing ED's, urgent care and specialty care facilities. The growth trend is away from acute care.
- **Telemedicine is expanding** rapidly and it's going to require less space.
- **Healthcare systems don't like to own buildings with physician practices**. Atrium won't allow it. Mission says it's trying to get out of some of those deals. "The red tape around it isn't worth it."
- **Construction labor costs are up**. Mission is building a \$400 million medical tower in Asheville, N.C., and that project has put a big demand on the local pool of labor. As construction costs increase, healthcare providers are looking beyond developers to deal directly with sources of capital, including merchant developers who are willing to go lower on cap rates.
- **CVS and Walgreens understand site selection better**. Healthcare providers can't afford the retail locations that CVS and Walgreens already hold. They are looking for prime locations that aren't necessarily at the corner of Main Street. "We haven't cracked that code yet. Retailers are more sophisticated in site selection."

Innovative Repurposing

Scott Selig (top), AVP Real Estate & Capital Assets, Duke University Health
Tim Spence (bottom), National Healing Director, BSA LifeStructures

TAKEAWAY MESSAGES

- **Location was the driving factor** in Duke Health's decision to purchase an old Macy's department store building in Durham, N.C., for \$4.5 million. The 90,000-square-foot building came with 900 parking spaces. Duke Health is now considering whether to renovate the building or tear it down and build a new, taller building. "We bought the building for its location. We got a better location with visibility off I-85 for less money than we could have even built the parking spaces."
- **Restrictions and easement agreements** were the challenging part of the deal, and Duke Health spent \$150,000 on legal fees before it even closed the deal.



- **BSA LifeStructures converted a former grocery store** into a medical office. Interior upfits are the expensive part of such projects. Older buildings often have dated roofs, are energy inefficient, and lack insulation to meet code. Make sure elevators are the proper size and fire escapes are the proper size.
- **Take time to complete due diligence** before buying an older building. Be willing to walk away from the deal. What matters most is whether it's the right location. Price for the real estate matters less because of the amount of money that will be invested in the building. "What matters is whether it works for the needs of the hospital."



Getting Decisions that Stick and Eliminates Wasted Resources on Your Projects

Kurt Neubek, principal, healthcare sector leader, Page

TAKEAWAY MESSAGES

- **Delays in decision-making** or late changes are extremely detrimental and costly. The worst form of waste is the stagnation of decision making.
- **Determine the decision-making style** of the organization you are working with: autocratic, consulting, delegating or a group process. Look for clues of what information a person needs to make a decision.
- **Borrow the EDGE method** from the Boy Scouts: Explain, Demonstrate, Guide and Enable to accommodate all learning styles when educating a group to make a decision. Watch out for the acronyms and "language" that you use that others might not understand.
- **Decisions are fragile.** Don't ask for a decision and then come back with more information that alters opinions. People make the best decision they can with the information available to them. Find out who could derail or undo a decision.
- **Owners can agree to culture** that won't go back and rehash or undo what was already studied and decided.
- **Flip a coin** if you just can't make a difficult decision. The technique will tell you what your heart says. It is said that every decision is emotional but we justify it with facts.

