



Neighborhood Hospitals 2.0:

What's changed from a Regulatory and Planning Perspective



CONNECT THE DOTS.

Collaboration in Health Care
Planning, Design, & Construction

MARCH 17–20, 2019 | PHOENIX, AZ

International Summit & Exhibition on Health Facility Planning, Design, & Construction



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NEIGHBORHOOD HOSPITALS 2.0

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I. Overview of a Neighborhood Hospital

Medicine Moving Forward



RIGHT CARE | RIGHT TIME | RIGHT PLACE | LOWER COST

Neighborhood Hospitals



Higher Level of Care than F.S.E.D. (Opts + Inpatient)

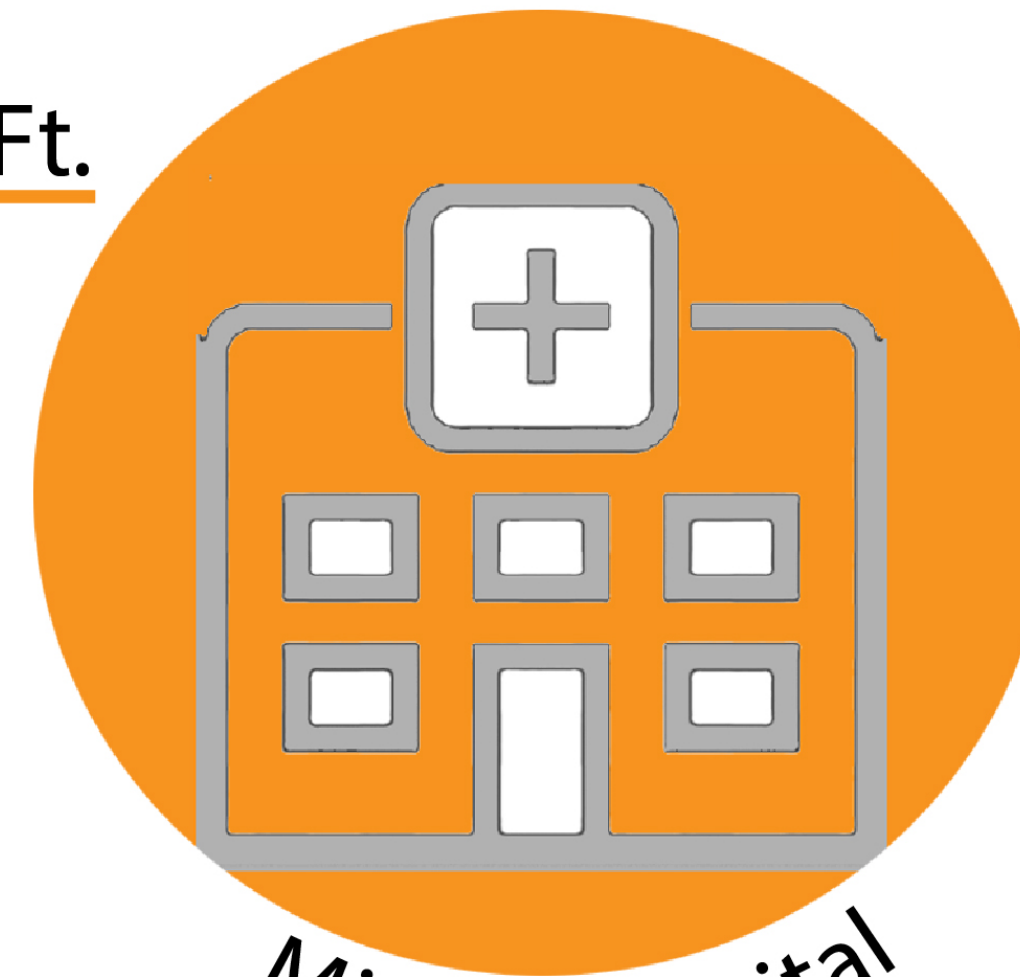
8 - 10 Beds

15,000 Sq. Ft. - 40,000 Sq. Ft.

2 - 3 Acres of Land

Generally 1 - 2 Levels

\$10 - 25 Million Cost



Micro-Hospital

Low Trauma (Level 4/5)

Highly Capital Efficient

Community Based

Multiple Levels of Care and Cost

Branded Healthcare System Destination

Neighborhood Hospital vs Traditional Hospital



- NEIGHBORHOOD HOSPITALS

- Less financial burden than traditional hospitals
- Small size and low complexity often helps beat the national average of infection and mortality rates compared to larger hospitals
- Neighborhood hospitals are smaller, more scalable to kits-of-parts, and less capital-intensive than traditional hospitals
- Easily adaptable based on demographics
- Satisfaction Metric – for patient and staff
- Specializes or acts as front door to central campus

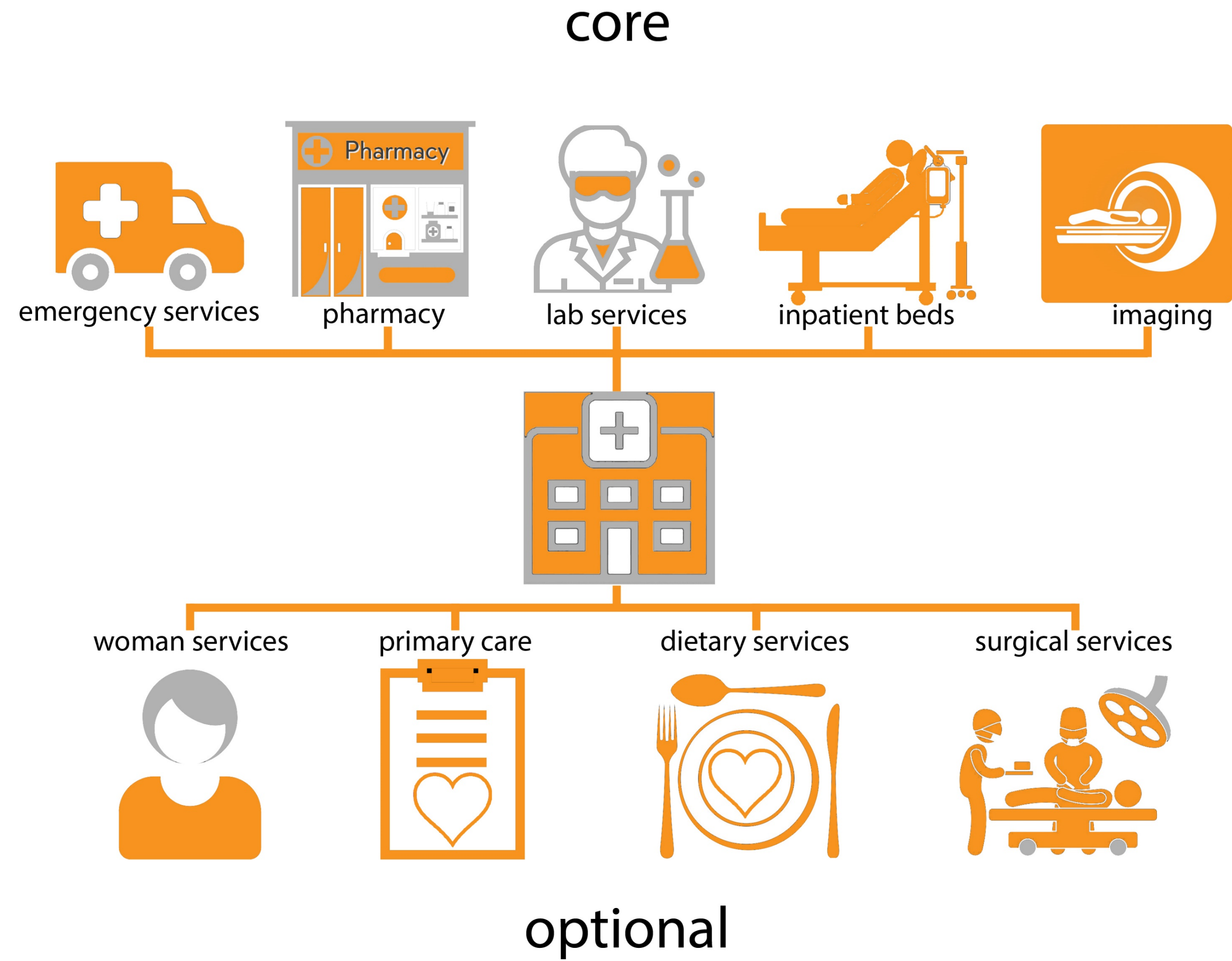


- TRADITIONAL HOSPITALS

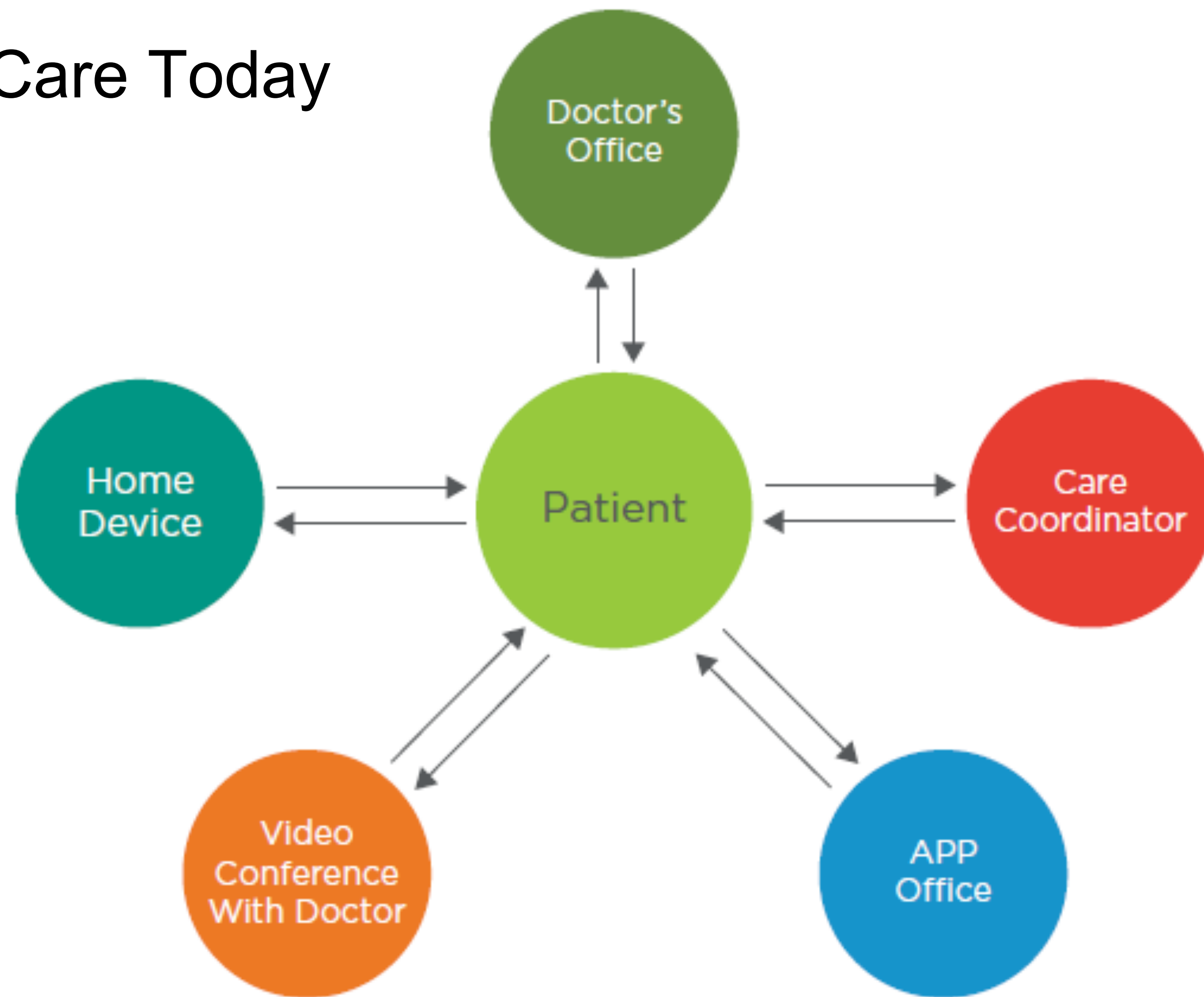
- Comprehensive range of service offerings
- High construction and overhead cost
- Insufficient demands to support all services
- Large Campus
- Higher acuity, additional patient care service lines



Key Characteristics of Neighborhood Hospitals

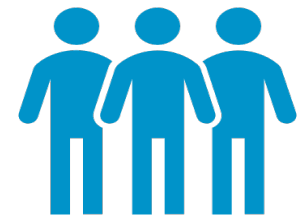


Access to Care Today



Source: Navigant, "Care Access Transformation in the Modern Era," Mark Benninghoff, November 2017

Market Forces are Shaping Delivery Models, Facility Needs



Consumer Trends

- Shift in **responsibility of costs to the patient**, resulting in significant **increases in the number of individuals enrolled in high-deductible plans**
- **Improved consumer knowledge** and involvement in personal health / wellness
- **Expanded number of access points** resulting in more **convenient consumer options** (e.g. reduced drive times, shorter wait times, etc.)
- Increasing focus to **address gaps in network adequacy** for purposes of payer arrangements



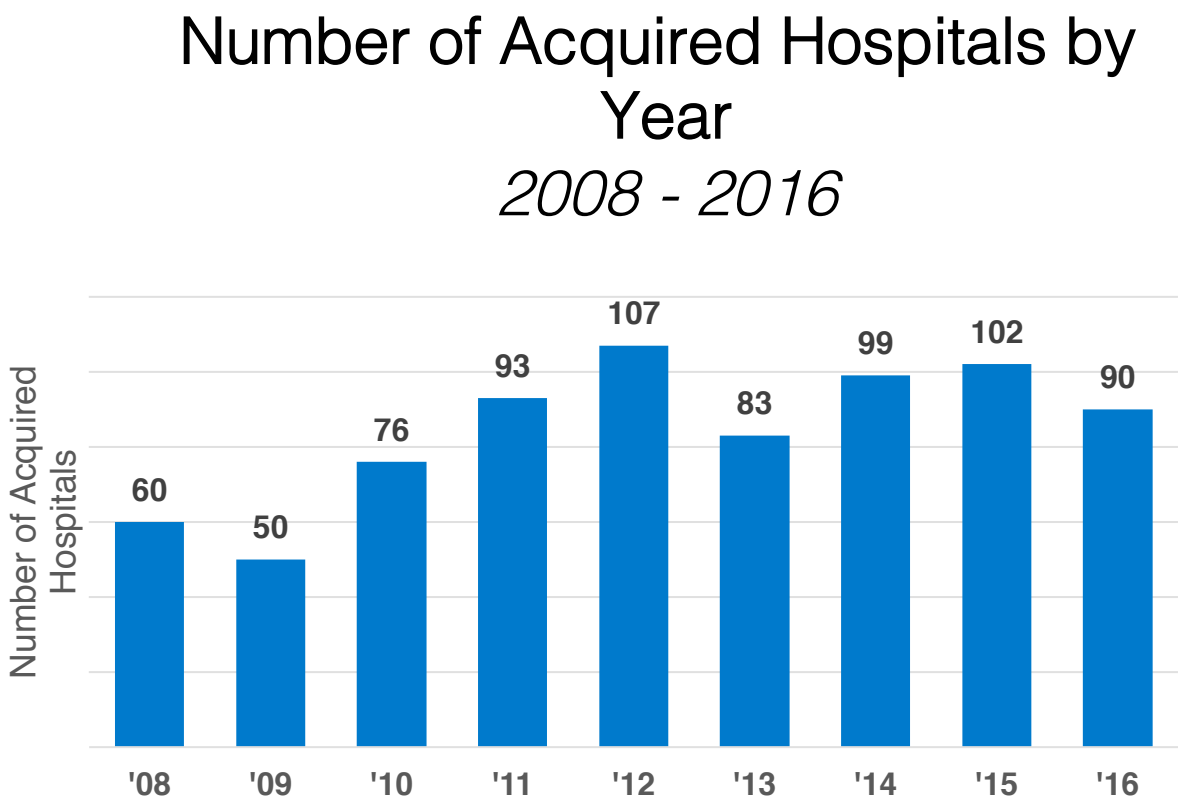
Provider Trends

- **Shift in care delivery sites** from IP to OP settings (non-invasive clinical capabilities, **payer sensitivity to cost / value**, and ease of access)
- **Increased competition** from traditional and non-traditional providers (e.g. retail clinics)
- **Continued consolidation** (horizontal and vertical integration strategies)
- **Disruptive partnerships** providing convenient, affordable care to consumers (e.g. CVS / Aetna partnership)
- **Collaboration with payers** to form integrative care delivery models

New Competition Emerges as Health Systems Consolidate to Build Scale and Disruptors Innovate through Vertical Integration and New Business Models



Hospital & Health Systems



Modern Healthcare
December 26, 2017
"Horizontal, vertical, regional, national, large- and small-scale—2017 marked a year of mergers"

Non-Traditional Disruptors



Vertically integrate provider network with robust pharmacy locations

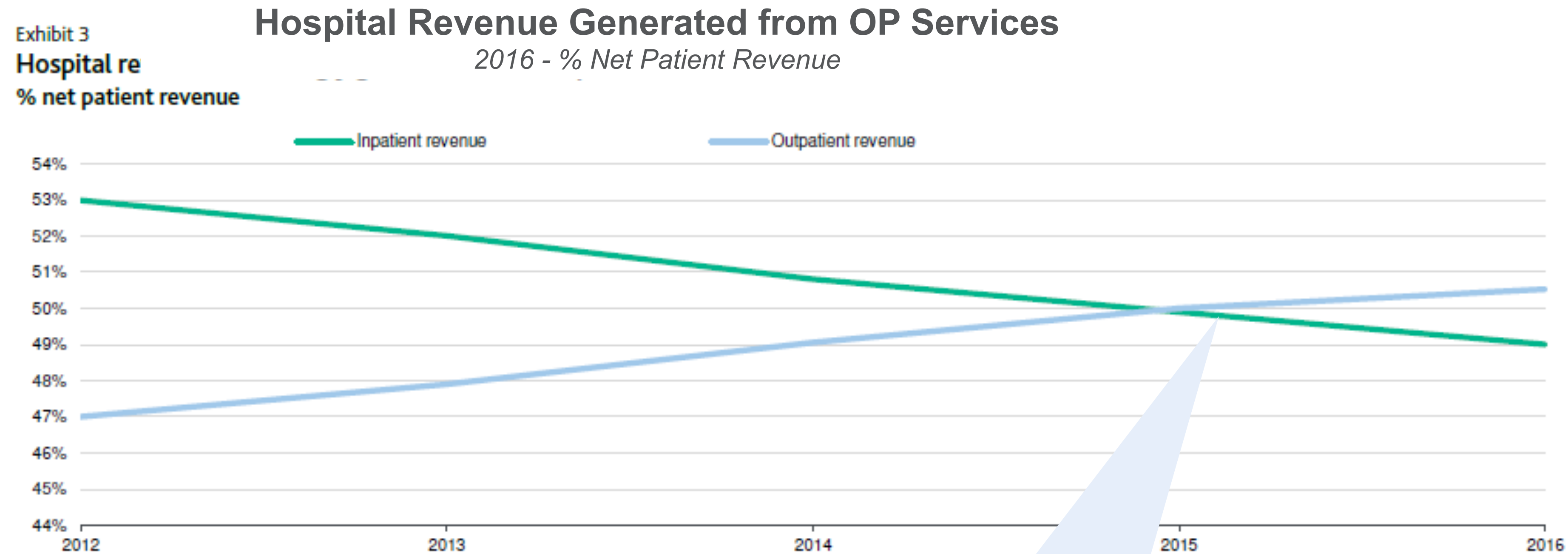


Modernize the process of healthcare access through telemedicine, pharmacy, and retail health offerings



Vertically integrate provider network and robust retail and pharmacy locations

Revenue Streams Reflect this Dynamic



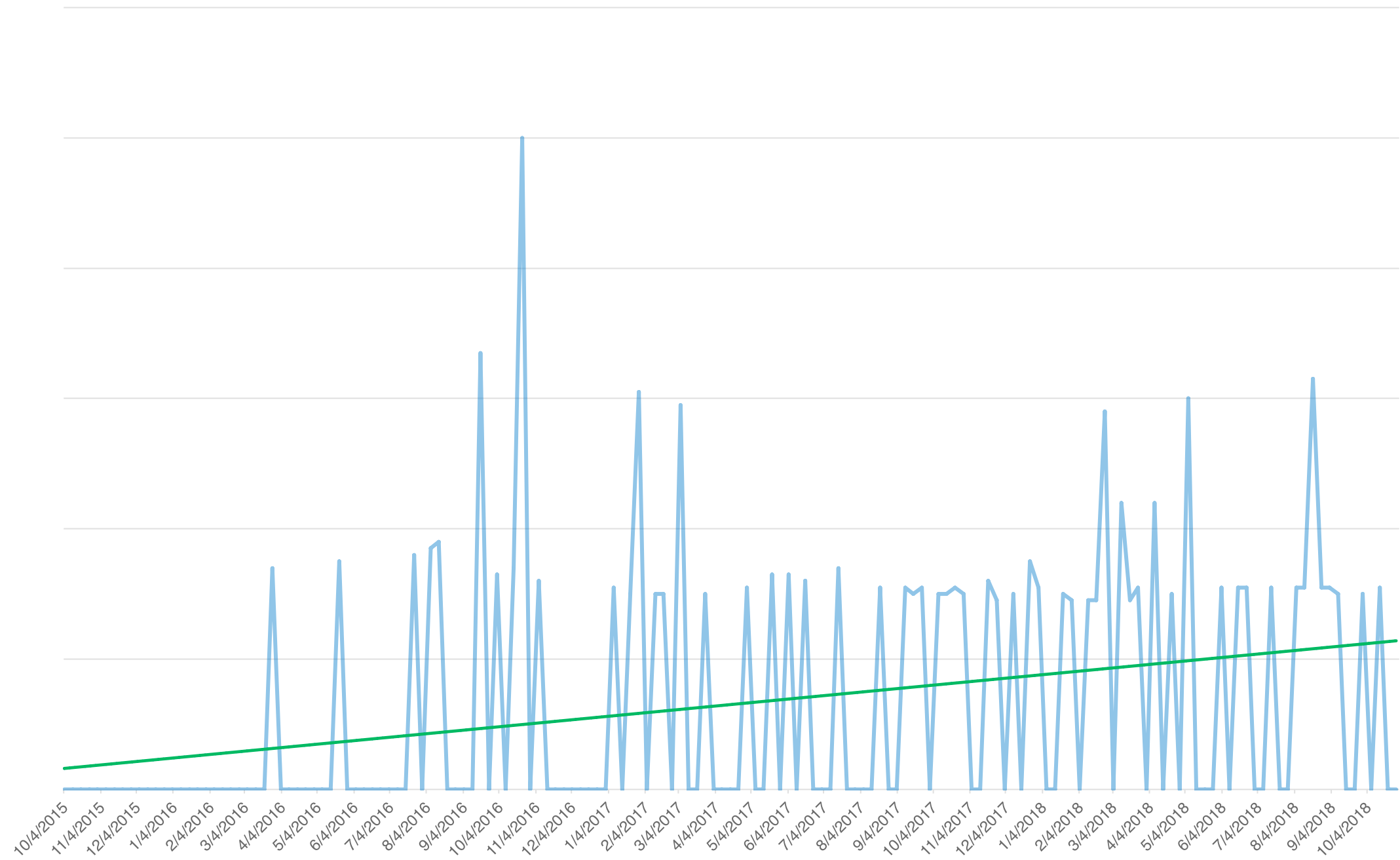
Data based on audited financial statements for 323 Moody's-rated not-for-profit hospitals and health systems.

Source: Moody's Investors Service

For the first time in 2015, the percentage of hospital revenue from **OP** exceeded **IP** services

Market Awareness for Microhospitals has Increased

"Micro Hospital Search History"
(October 2015 - October 2018)



ECRIInstitute
The Discipline of Science. The Integrity of Independence.

2018 Top Hospital C-Suite Watch List Report

“Microhospitals will be one of the fastest growing sectors in the future”

 **Advisory**
Board

January 5, 2018

“Expect significant micro hospital growth over the next five years, with the potential for further growth contingent on positive clinical and financial results”

BECKER'S
HOSPITAL REVIEW

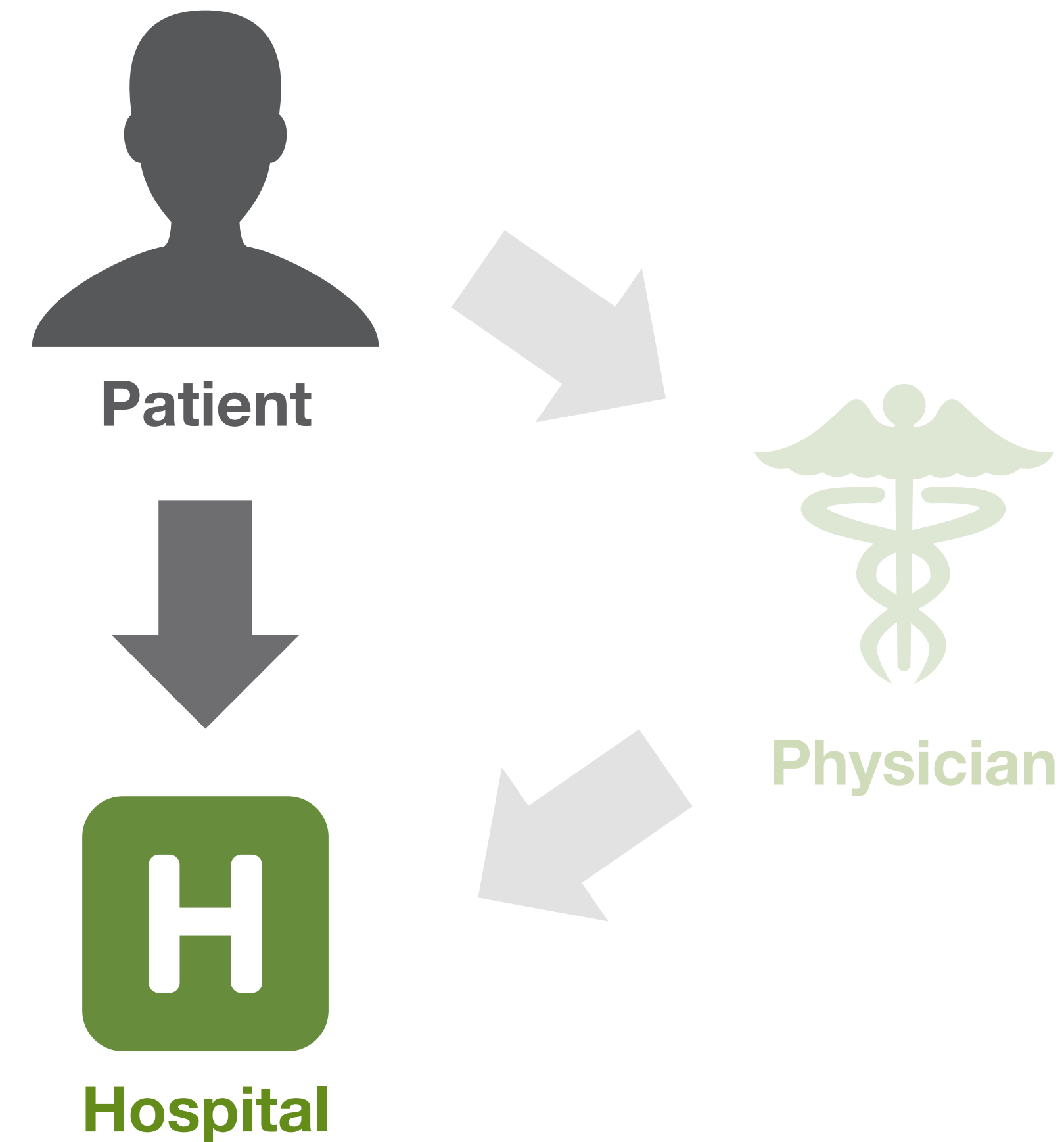
April 6, 2018

“...micro-hospitals represent a potential area of growth, particularly in locations where inpatient and emergency services are needed but demand is insufficient to warrant construction of a new, large acute care facility.”

Microhospitals are a Direct-to-Consumer Access Channel



- **Physician referrals are typically not the primary source of patients** at a microhospital.
- Microhospitals often attract patients for **emergency or diagnostic services**.
- Microhospitals can serve as a **portal into the healthcare system** for patients unable to readily access a primary care physician.

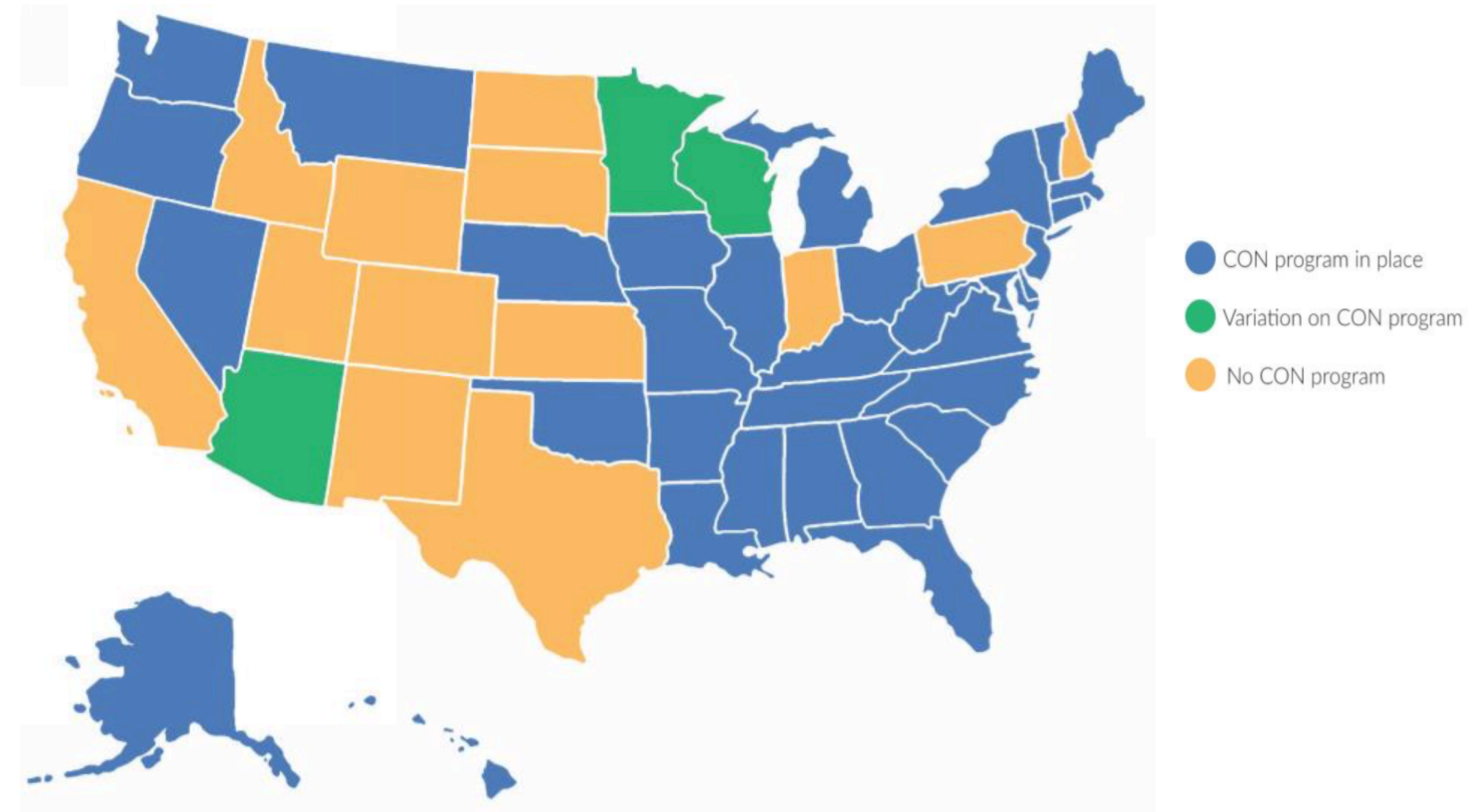


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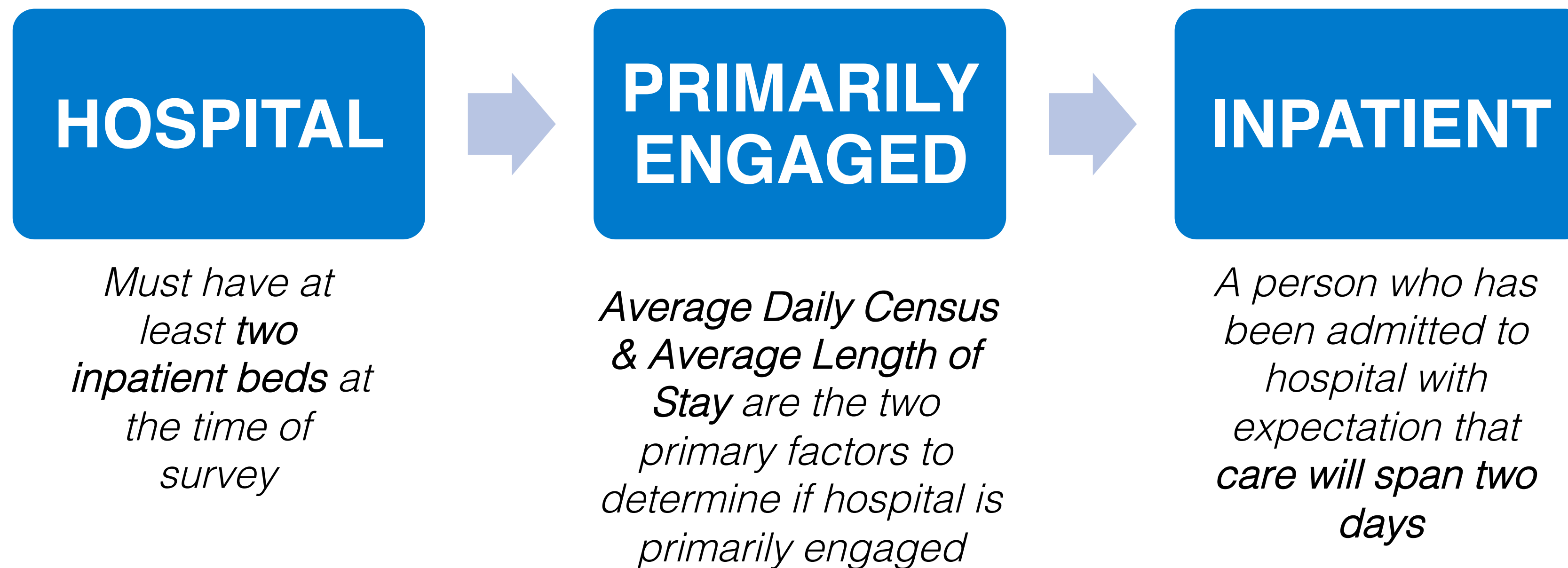
II. Understanding How the Landscape has Changed

Microhospitals Predominantly in Non-CON States


- All standards and codes for inpatient hospitals apply (Specialty Hospitals)
- Typically operated by for-profit entities
- Sometimes share the same hospital license number as the main facility



Neighborhood hospitals Face New Regulations under the 2017 CMS Statutory Definitions of “Hospital” and whether a Hospital is “Primarily Engaged” in Providing “Inpatient” Services



Source: CMS

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III. Explore Operational Models to Enable Success of a Neighborhood Project

Planning Considerations

- Departmental relationships for flexible staffing and future adaptability.
- Centrally located Nurse Station / Site lines
- Requirements affecting future expansion options (i.e. patient room daylight requirements)
- Adaptable Secured Holding Room (Anti-ligature)
- Shared Staff Facilities (Lounge/Lockers)
- Multi-Purpose room serving multiple functions
- Point of Use Storage
- Admitting / Reception accommodations
- Pharmacy and Med Room locations
- Universal/Acuity Adaptable IP Rooms
- Site circulation patterns to allow for future expansion

Technology is a key enabler...



Success of a Neighborhood Hospital



- **Operational**

- Neighborhood Hospitals require lean workflows, operational strategies, scaled down support services (materials management, lab, pharmacy, dietary), and design to maximize efficiency, etc.

- **Adjustments to a smaller-format hospital**

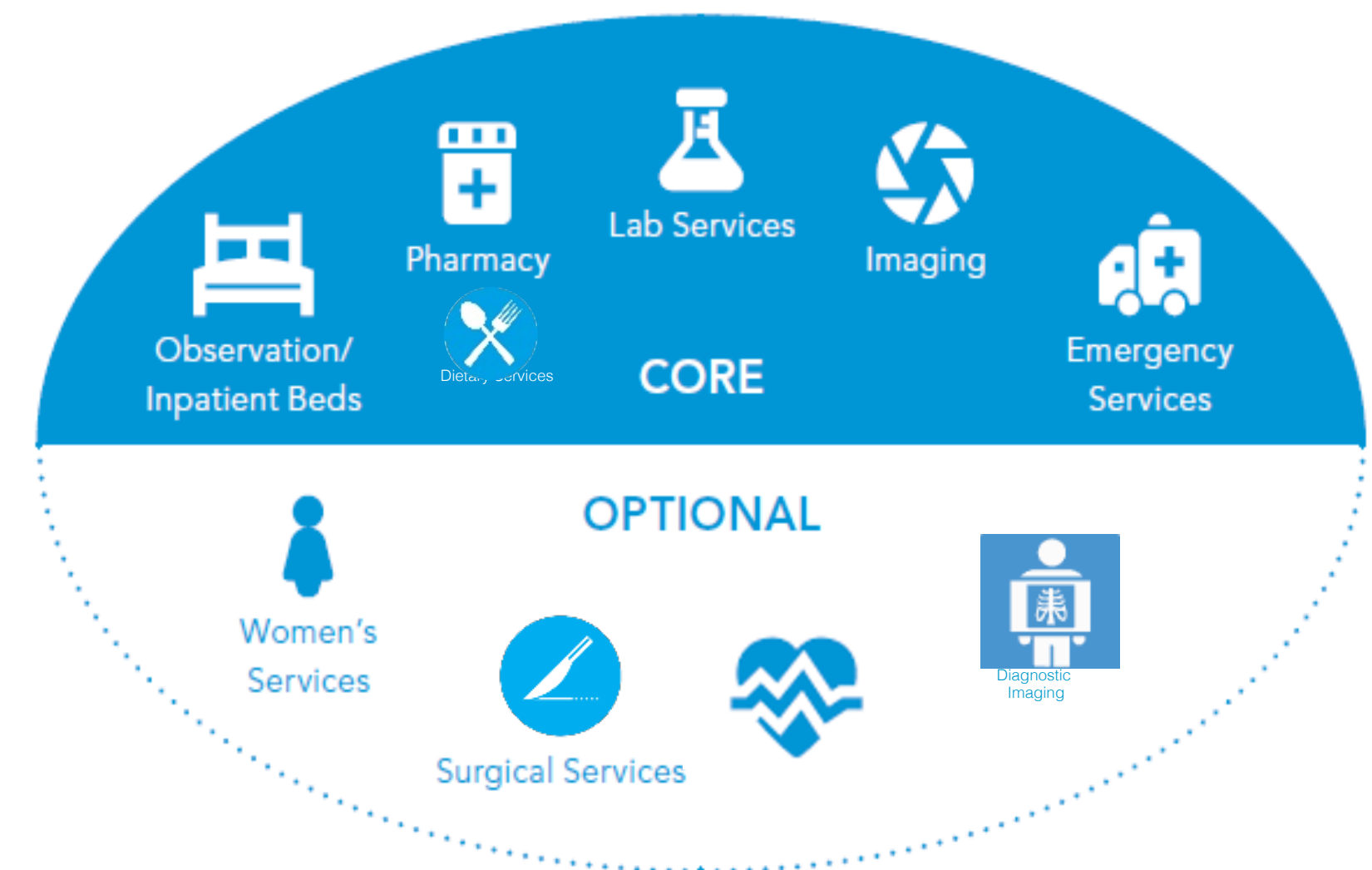
- For both provider and staff
- Stick to the results of the needs analysis
- Neighborhood Hospital projects have the tendency to grow over time and suddenly become 100,000SF and 25 beds, eliminating a lot of the cost benefits of a smaller facility


- **Marketing**

- Need to intentionally design marketing campaigns to help patients understand the value of the facility

- **Staffing and culture**

- Identify administrators and employees who will succeed in small format (not the case for everyone)
- Opportunity in changing staff expectations
- How central facility will support Neighborhood Hospitals



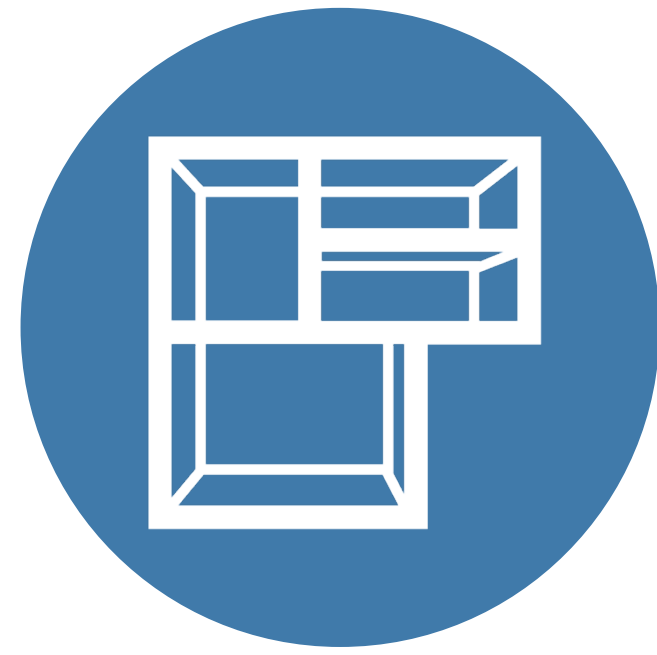
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IV. Demonstrate Innovative Clinical Models that Support the Neighborhood Hospital Concept

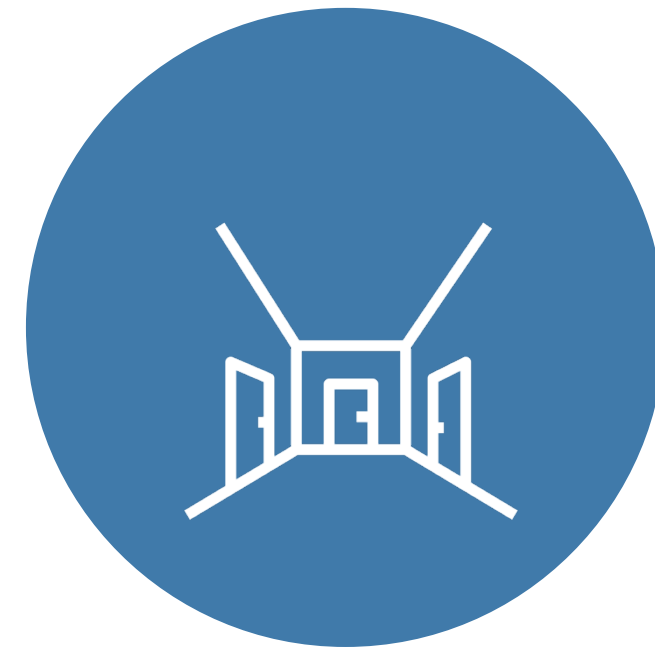
Building Prototypes



Best practice,
data driven /
EBD solutions



Flexible &
adaptable
program

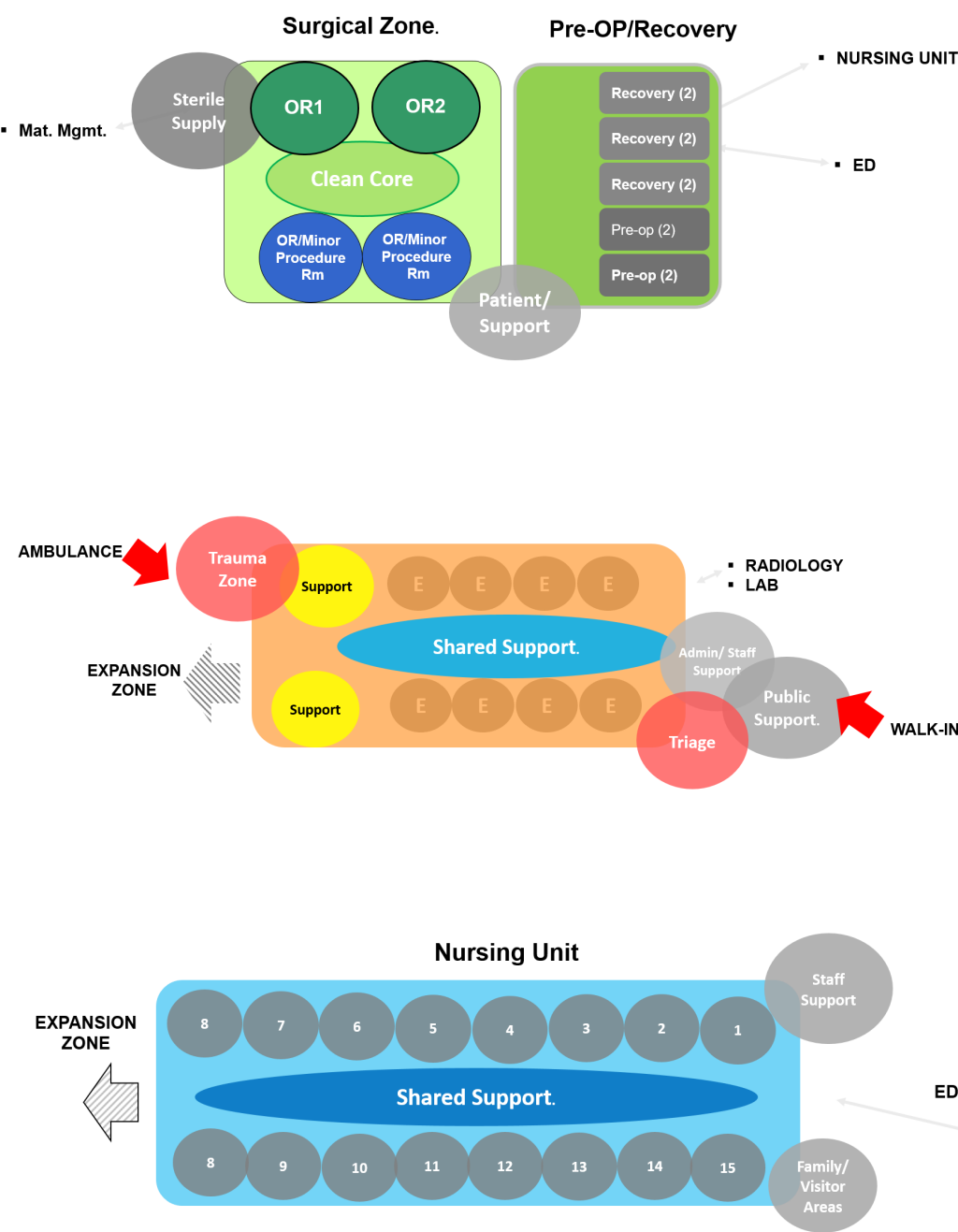


Accelerated site
specific design
adapted to
market

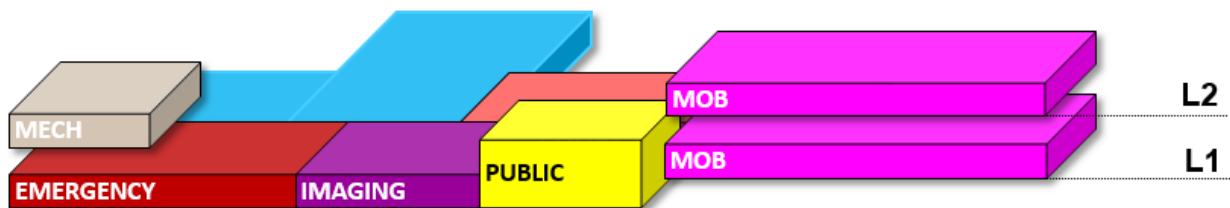


Predictable cost
& schedule
(speed to
market)

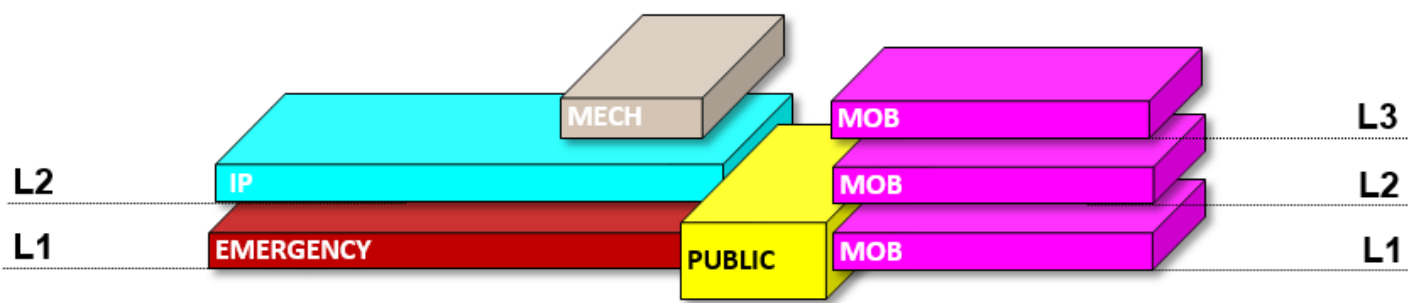
Market Deployment and Expandability



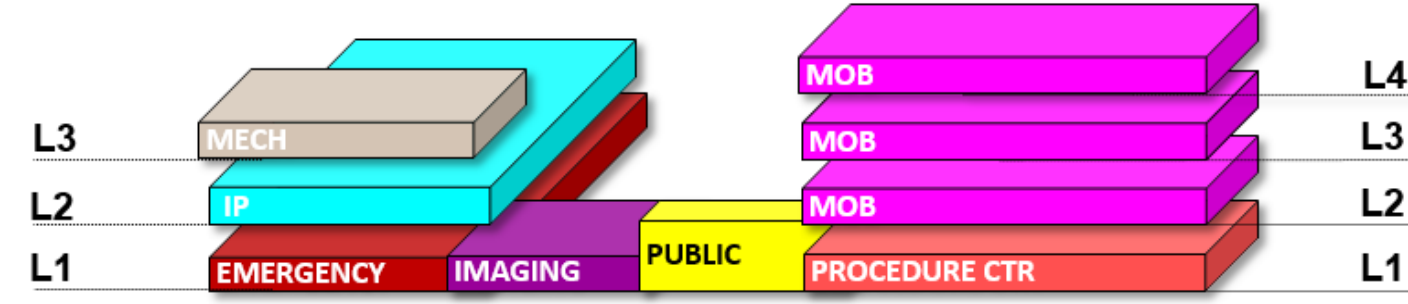
OPTION A - HORIZONTAL



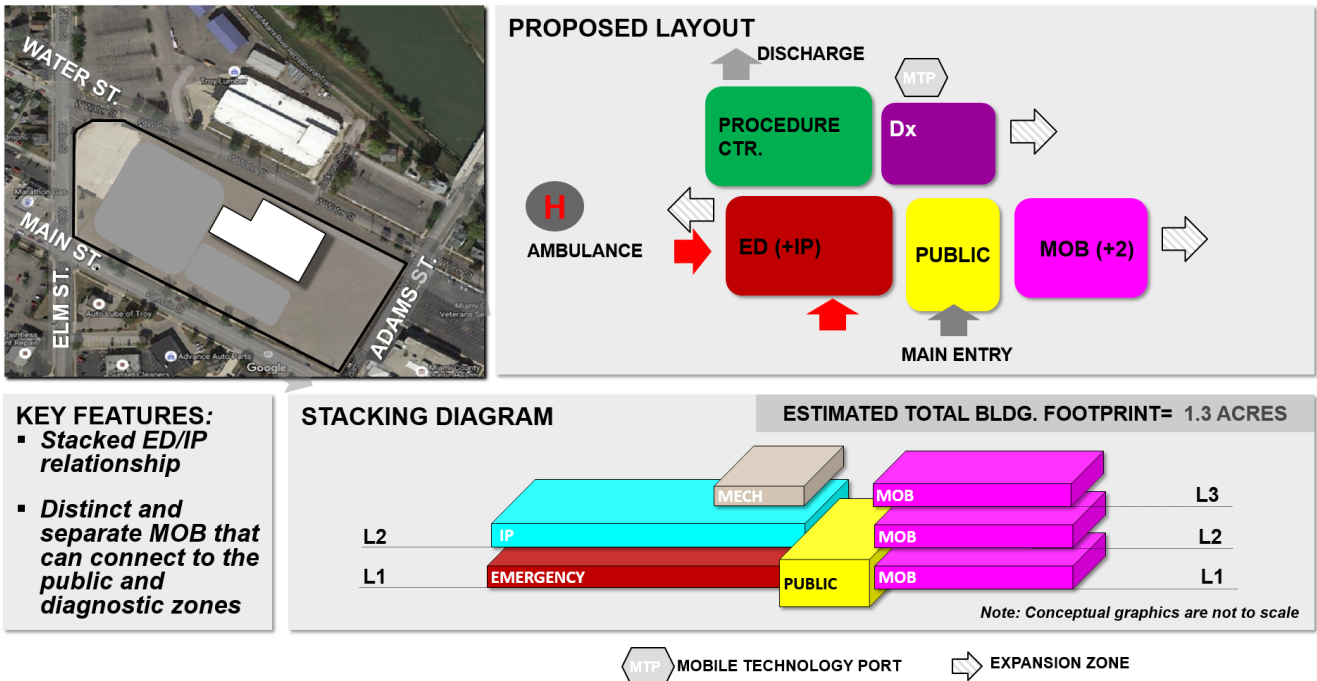
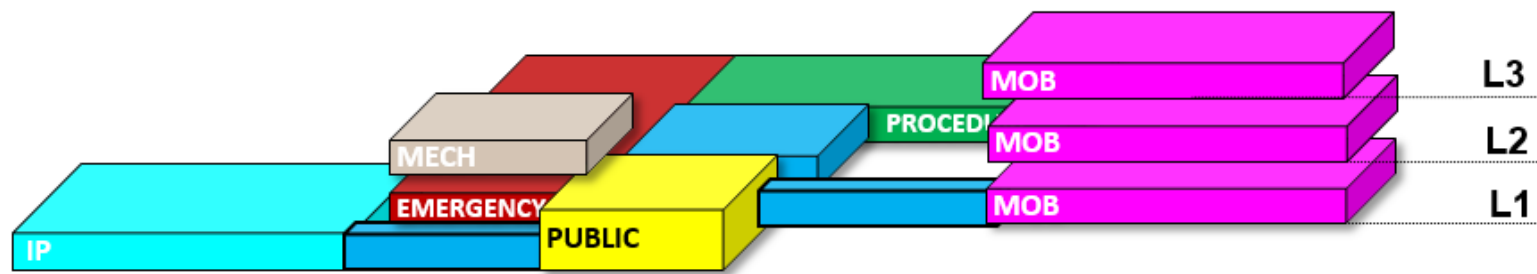
OPTION B - STACKED



OPTION C - COMPACT FOOTPRINT



OPTION D - HORIZONTAL

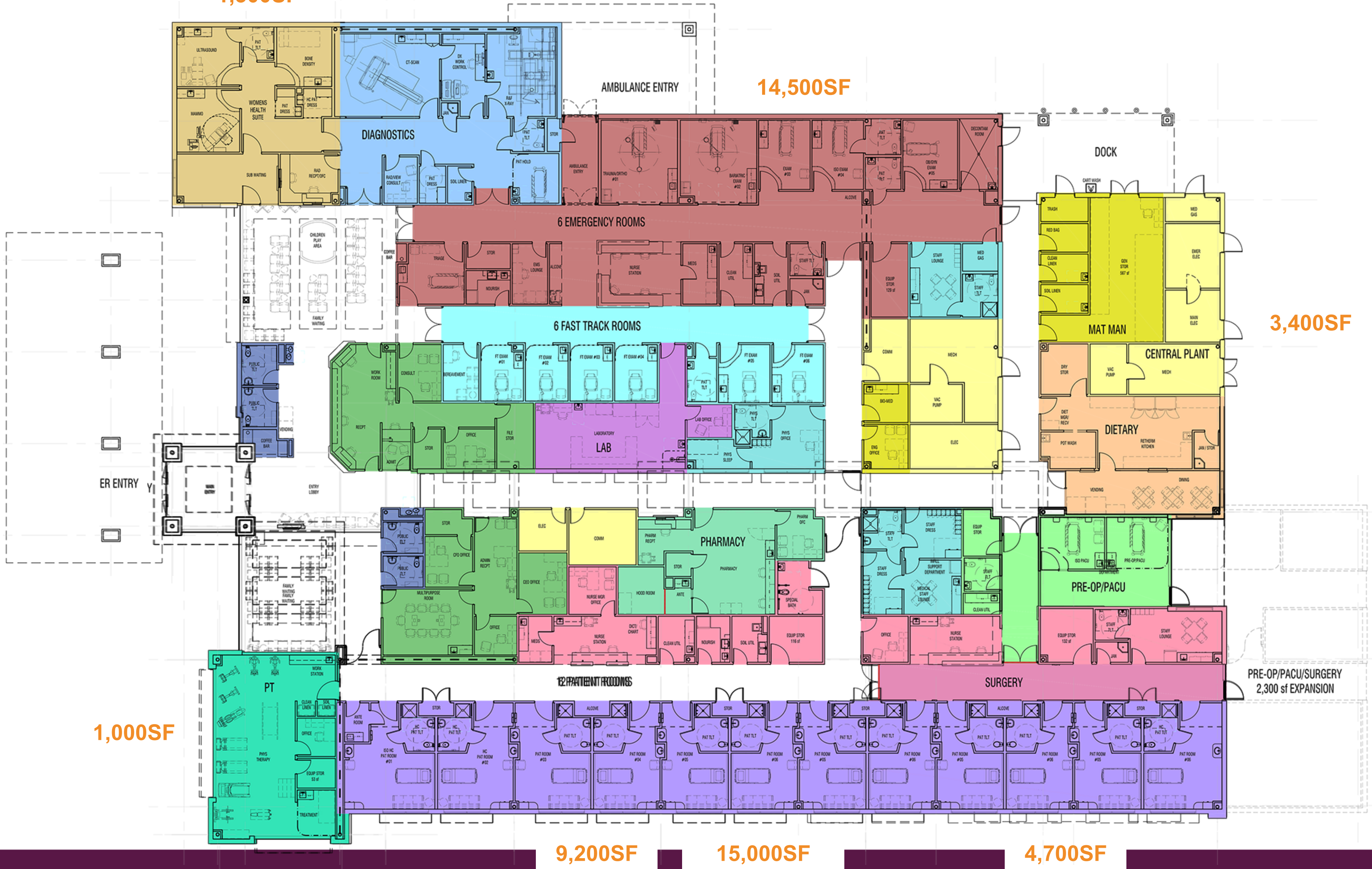


In collaboration with Danis Builders

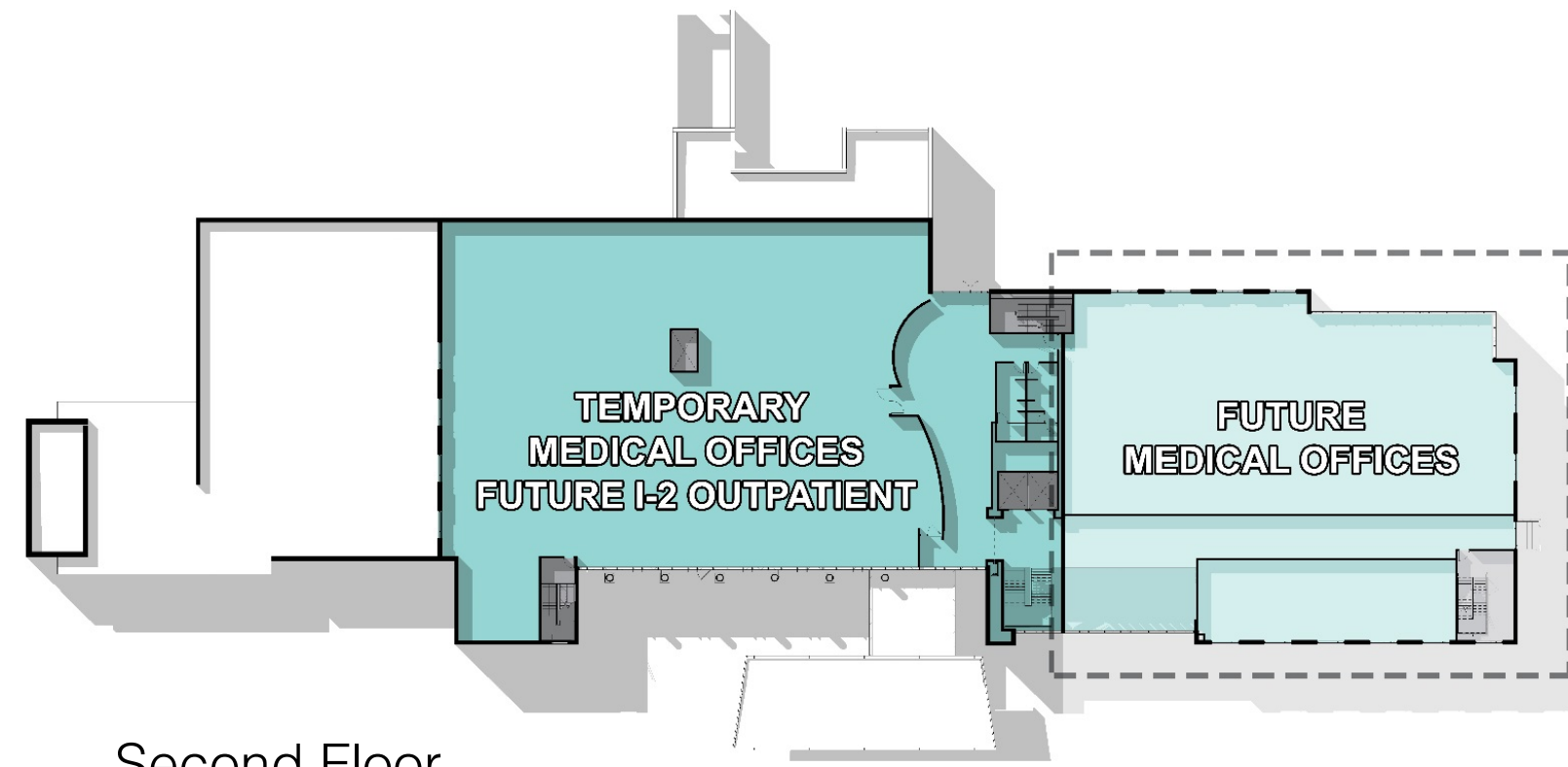
Expandability

1,300SF

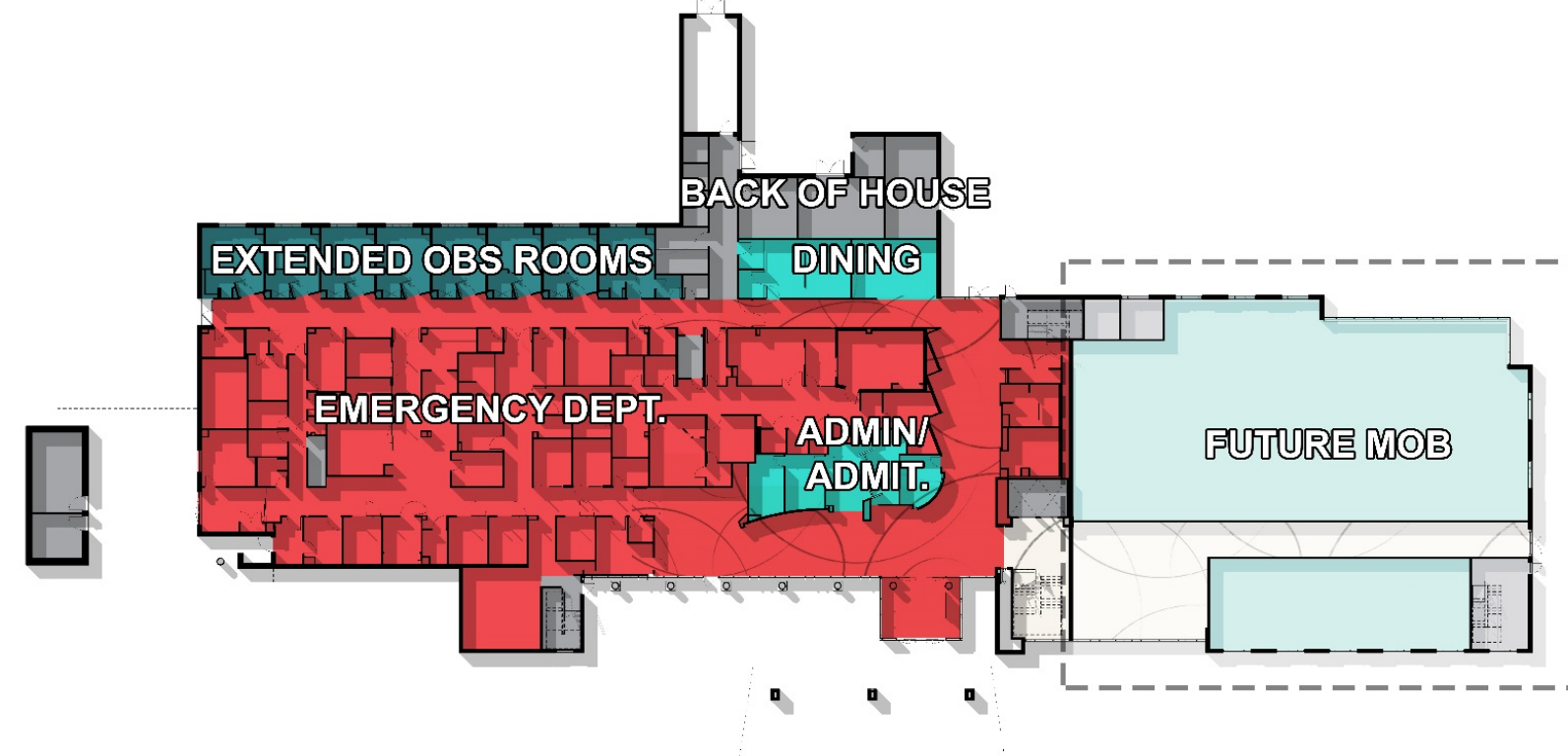
TOTAL: 34,200SF



Prototype Building Summary



Second Floor



First Floor

DEPARTMENTS:

Emergency:

- 12 Exam/Treatment Rooms
- 08 Extended Observation Beds

Imaging:

- CT
- Radiography
- Ultrasound
- MRI

MOB:

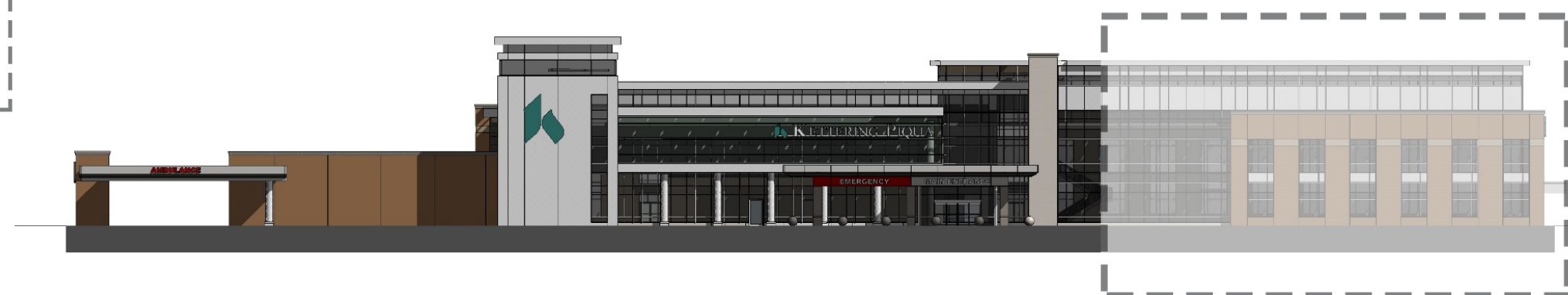
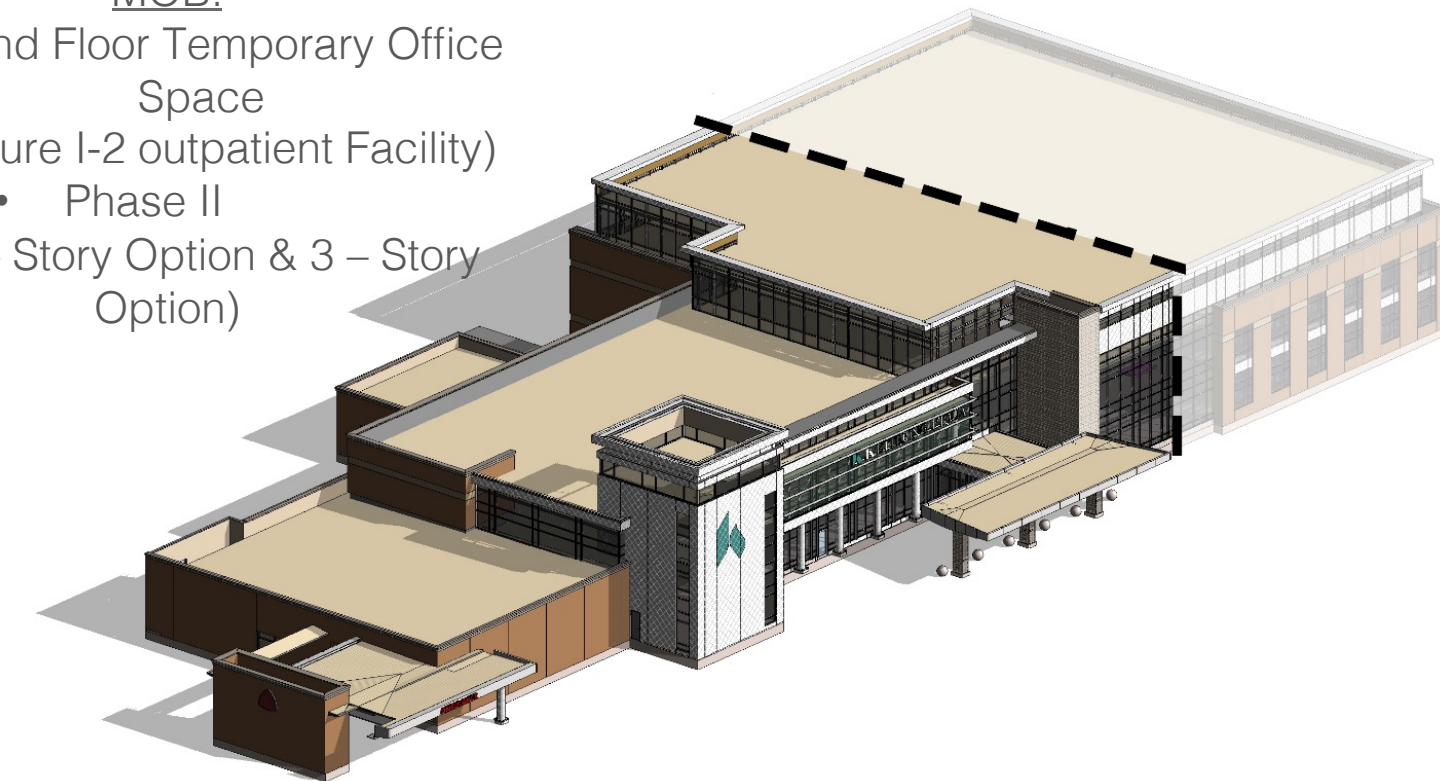
- Second Floor Temporary Office Space (Future I-2 outpatient Facility)
 - Phase II (2 – Story Option & 3 – Story Option)

Program Size:

28,800 sf First Floor (I-2 Occupancy)
 19,200 sf Second Floor (B Occupancy)
 48,000 sf Total

25,500 sf – Phase II 2 – Story MOB
 73,500 sf Total

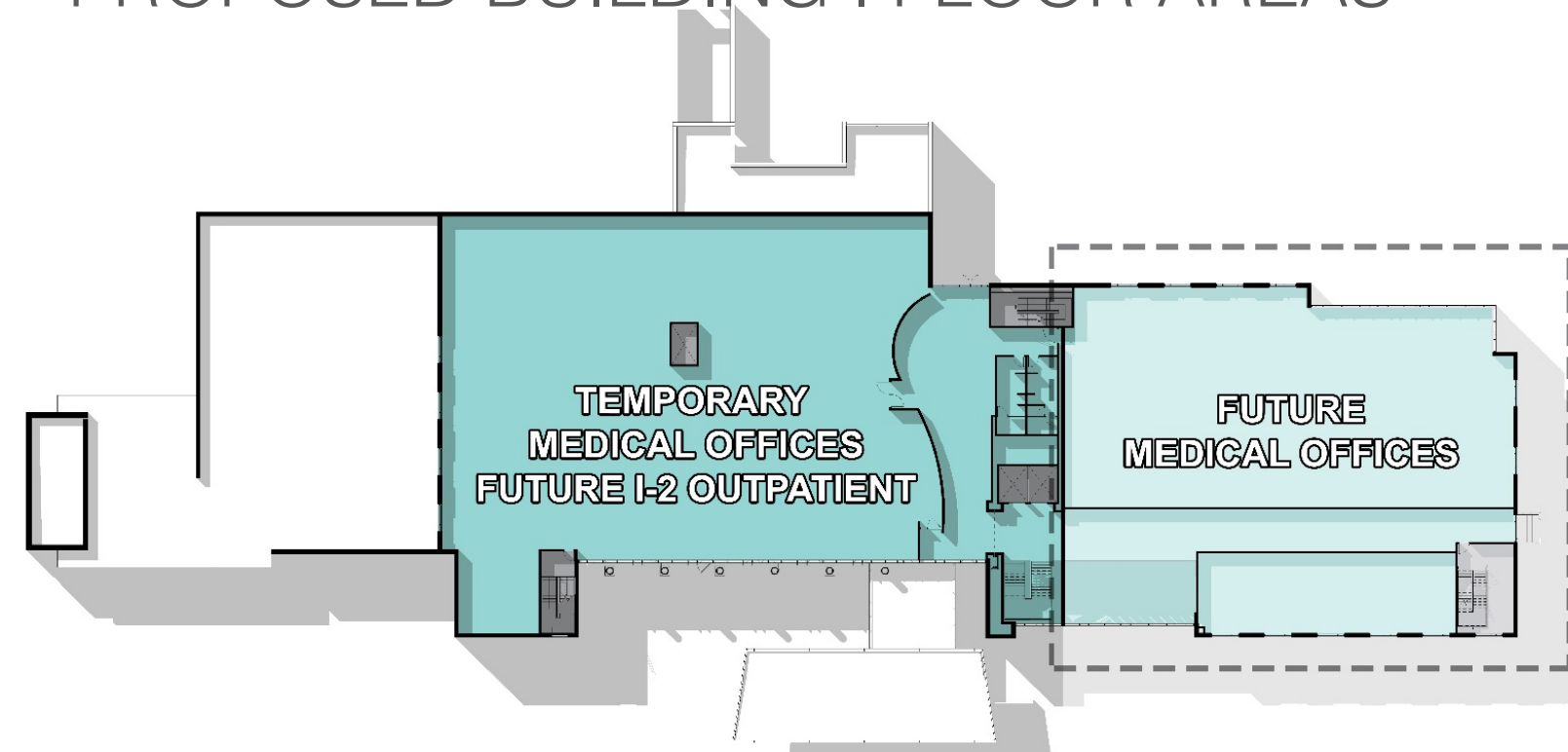
37,750 sf – Phase II 3 – Story MOB
 85,750 sf Total



Prototype Building Summary



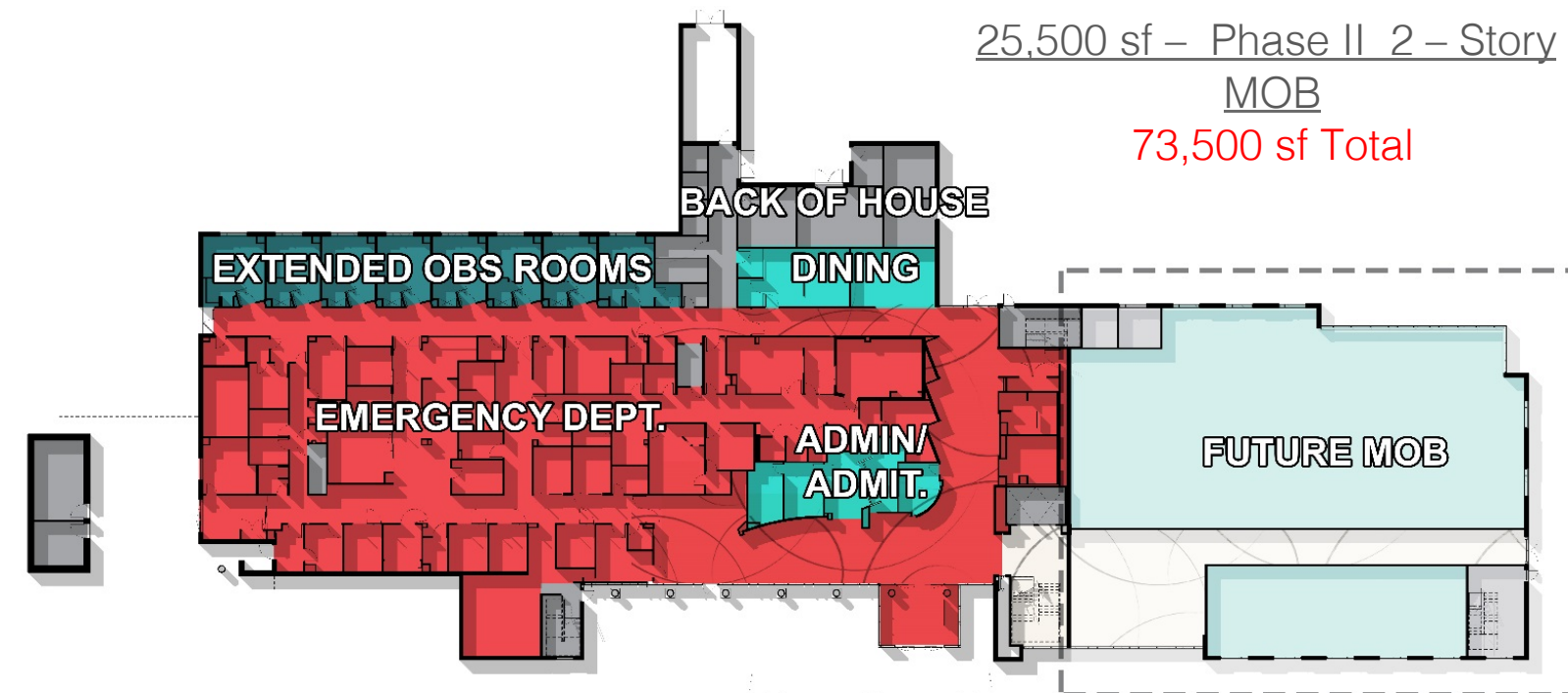
PROPOSED BUILDING I FLOOR AREAS



Second Floor

PROPOSED Program Size:

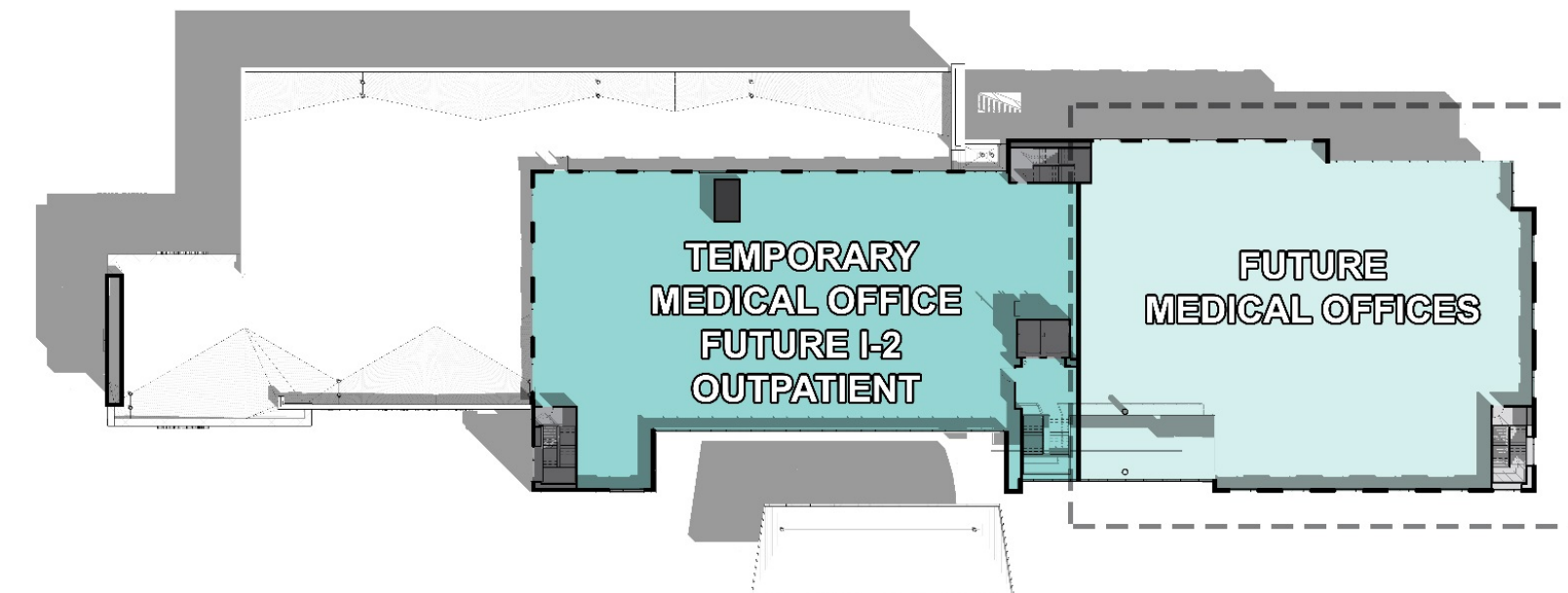
28,800 sf First Floor (I-2
Occupancy)
19,200 sf Second Floor (B
Occupancy)
48,000 sf Total



First Floor

25,500 sf – Phase II 2 – Story
MOB
73,500 sf Total

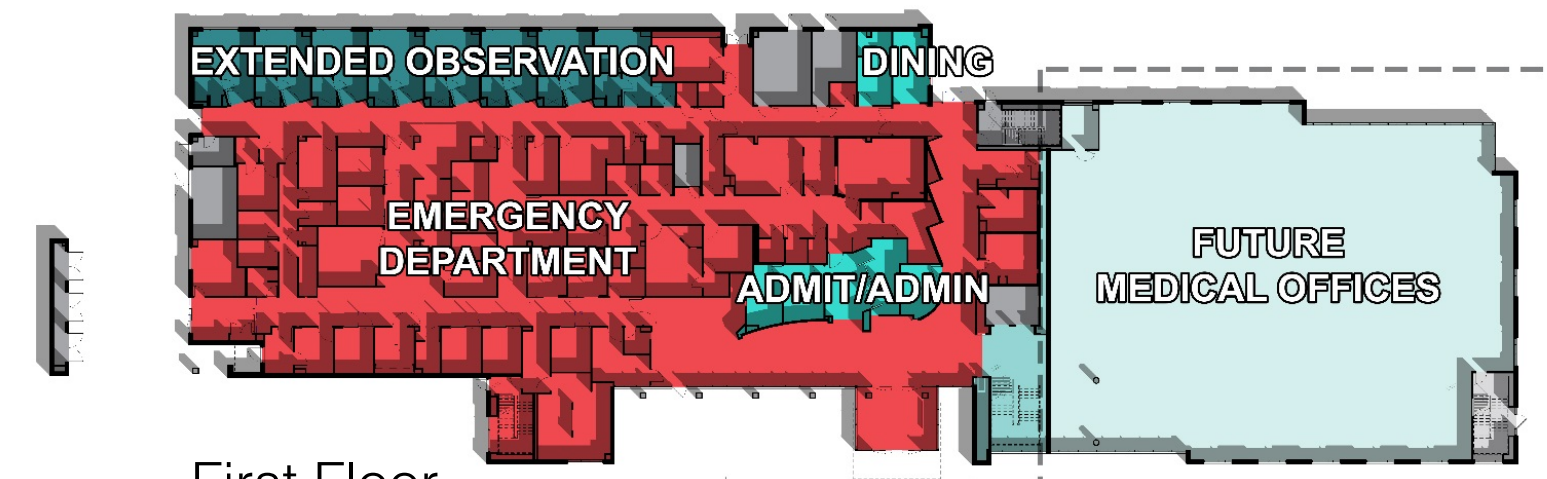
COMPARATIVE FACILITY II FLOOR AREAS



Second Floor

REDUCED Program Size:

25,600 sf First Floor (I-2 Occupancy)
13,000 sf Second Floor (B
Occupancy)
38,600 sf Total



First Floor

25,500 sf – Phase II 2 – Story MOB
64,100 sf Total *

*Middletown plan includes electric heating and cooling, reduced second floor area and minimized service and dietary spaces.

Neighborhood Hospital Prototype




- Predefined Prototypes that are site adapted
- “Scalable” Plug and Play programmed for expansion
- Flexible Site Opportunities



Main Entrance
Neighborhood
Hospital



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V. Post Occupancy & Lessons Learned

Lessons Learned



- Not accurately defining target market
- Site selection should consider target market and ability to scale
- Well informed business plan is required
- Design must enable operational needs and fulfill consumer experience expectations
- A consumer-facing marketing and brand development strategy enhances success
- Central systems operations and capabilities must be developed in parallel
- Understanding importance of technology as an enabler
- Utilizing post occupancy evaluation to inform, improve on future developments

Q&A

