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Planning for an uncertain future, hospitals are upgrading physical plant and using new technology

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Uncertainty is a word used in every conversation around healthcare these days: uncertainty about reimbursement, technology, and where to invest capital for the long-term betterment of facilities. The discussions around the transition from fee-for-service to accountable care organizations, population health and pay-for-value models, make investments in a brick and mortar hospital a very risky use of capital. Without a viable plan for future revenue sources - as they will be dramatically different from those that exist today, both the speed and timing of this transition are indeterminable.

Healthcare systems and hospitals are responding to this uncertainty by diverting capital from brick-and-mortar hospital projects. Instead, hospitals are investing heavily in ambulatory facilities, acquisition of physician practices, utility and infrastructure upgrades, and procurement of information technology and EHR systems.

* Investment in the expansion of outpatient services including wellness centers, ambulatory surgery centers, urgent care center, and the acquisition of new physician groups.

This shift in focus is three-fold. First, it seeks to limit the market share of the growing retail care market. Competition among CVS, Walgreens, and Wal-Mart has focused on the shortcomings of primary care services by providing care off-hours without the cost of an emergency department (ED) visit. The expansion of outpatient services allows hospitals to keep their patients 'in-system' to control cost and retain revenue.

Second, ambulatory services are targeted at departments within the hospital that are operating at or above capacity. Investing in an off-site urgent care or ambulatory surgery center provides the opportunity to relieve some of the strain of current volumes on aged and undersized emergency and surgery departments without the significant cost of construction on the hospital campus.

Finally, the acquisition of new physician groups, along with their patients, provide a key investment as reimbursement shifts from fee-for-service to population health. Physician growth directly correlates to patient population volumes, and involves the health system taking responsibility for the office leases.

* Modernization of the physical plant and infrastructure.

Investment in utility savings has an immediate and measurable return on investment and supports sustainability initiatives. Utility investments may also qualify for energy rebates from local utility companies or grants from state or federal agencies. Energy efficiency can be realized by modernizing medical equipment, such as refrigerators and operating room boom lighting, or installing facility upgrades, such as new mechanical air handler units, chillers, and high efficiency lighting. Many facilities are implementing the actual generation of steam, power and chilled water to improve efficiency and drive down costs through tri-generation, and installing solar and geothermal options to reduce dependency on the grid.

* Implementation of Electronic Health Records (EHR) systems.

The Medicare and Medicaid EHR Incentive Programs provide financial incentives for the meaningful use of EHRs, and as a result, hospitals have shifted hundreds of millions of dollars of capital investment toward the implementation of these systems in lieu of construction projects. Upfront EHR costs also do not include the time and expense to train staff or address upgrades to existing IT infrastructure and MEP systems that power and cool these spaces.

Until the outlook for healthcare reimbursement, costs, and pay structure becomes clearer, hospitals and healthcare systems will continue to invest their capital in a way to minimize their risk, position themselves for the future delivery model of healthcare, and plan for an uncertain healthcare future.

Jason Costello, AIA, LEED AP BD+C is an associate principal focused on healthcare design at Margulies Perruzzi Architects, Boston.