Integrating Strategic and Facility Planning

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New Heights Group
Context for Integrating
# Why an Integrated Approach?

<table>
<thead>
<tr>
<th>Why Build?</th>
<th>Strategic Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aging Facility</td>
<td>• What is delivery system vision?</td>
</tr>
<tr>
<td></td>
<td>• Do we maintain current location(s)?</td>
</tr>
<tr>
<td>Operational Efficiency</td>
<td>• What is future operating model?</td>
</tr>
<tr>
<td></td>
<td>• Efficient for whom?</td>
</tr>
<tr>
<td>Technological Advances</td>
<td>• Are we leading edge or fast followers?</td>
</tr>
<tr>
<td>Consumer Demands</td>
<td>• How much are consumers driving decisions in our market?</td>
</tr>
<tr>
<td>Population/Demographics</td>
<td>• How does age mix affect needs?</td>
</tr>
<tr>
<td></td>
<td>• How does cultural mix affect design/space?</td>
</tr>
<tr>
<td>Competition/Market Share</td>
<td>• How will we differentiate ourselves?</td>
</tr>
</tbody>
</table>
Dis-integrated Organizations....
...Lead to Dis-integrated Processes

- **Strategy**
  - Driven by market forces
  - Customers – consumers, physicians
  - Priorities – market share, quality

- **Facilities**
  - Driven by internal demands
  - Customers – staff, physicians?
  - Priorities – safety, efficiency
Dis-integrated Processes Cost Millions

• **200 bed regional referral center had facility driven strategic plan**
  – Rapidly growing market
  – Facility focus on design with little emphasis on function, efficiencies
  – Hospital is beautiful but has limited ability to expand, is landlocked, and low operating margin.

• **200+ bed suburban hospital invested heavily in a beautiful women’s center to attract more ob business**
  – Payor mix predominately Medicaid
  – Facility did not support changes in care patterns
  – Hospital unable to address more significant facility needs (ED, patient rooms)
The Planning Hierarchy

- **Mission**: Why are we here?
- **Vision**: What do we want to look like?
- **Strategy**: How do we get there?
- **Service Line Strategies**: What are clinical priorities?
- **Operating Plans**: What are immediate needs?
- **Financial Plans**
- **Facility Plans**
The Conceptual Framework
“Form follows function...”

-- Louis Sullivan
Leading Questions

• What is vision for the future? How will we position our organization in the future market? What will differentiate us from competition?

• What are key short and long term strategies?
  – Services
  – Physicians
  – Market
  – Quality/Efficiency

• How is the facility affecting our ability to achieve our vision and strategies?
  – Old facility in and of itself is not a problem
  – Problem could be access, efficiency, quality, other

• What are competing capital needs?
The Integrated Process

**STRATEGY (Function)**

**FACILITIES (Form)**

**Project Kick Off**
- Planning Process
  - Data Collection
  - Interview Candidates

**Strategic Planning Phase**
- Strategic Context
- Market Overview
- Capabilities Review
- Location/Site Review
- Facility Evaluation
- Workload Projections

**Planning Committee Review**
- Review Data
- Consensus on Issues
- Financial Assessment

**Facility/Site Plans**
- Evaluation Criteria
- Capacity and Space Needs
- Facility Plan Parameters
- Cost Modeling
- Facility and Site Options
- Master Facilities/Site Plans

**Planning Committee Review**
- Planning Parameters
- Site Selection
- Options Selection

**Plan Approval**
Why Build?

- Aging facility – 51%
- Operational efficiency – 43%
- Technological advances – 35%
- Consumer demands – 31%
- Population/demographic need – 31%
- Competition/market share – 29%
Strategic Master Facility Plan Case Study - Smith General Health System
Smith General Health System

- **Two hospital system in a semirural area**
  - 175-Bed Smith Hospital
  - 70-Bed Taylor Hospital in neighboring town
  - Smith Hospital is market leader

- **County over-bedded**
  - Third hospital near Taylor campus; bad history with Smith
  - Taylor volume low and declining
  - Smith Board has no interest in any merger or collaboration discussions with competitor

- **Smith and Taylor both older, well maintained facilities**

- **Strategic plan focus on smart growth; master facility plan needed to support vision**
Project Approach

• **Phase 1 – Confirm Strategic Vision**
  – Interview key decision makers and stakeholders
  – Review previous plans and reports

• **Phase 2 – Determine Service and Space Needs**
  – Complete market assessment
  – Complete facility review
  – Project future volume/service needs
  – Project future clinical and support space requirements
  – Identify strategies to position System for future

• **Phase 3 – Develop Facility Master Plan**
  – Develop space allocation program
  – Develop site and facility master plans
  – Develop construction phasing/implementation plans
It Starts with a Vision

Smith Hospital will be an indispensable resource to, and the preferred hospital provider for, residents of XXX County and the surrounding region.
Strategic Plan - How Do We Achieve Our Vision?

• **Growth**
  – Increase market share
  – Increase outpatient volume

• **Physician Alignment**
  – Recruitment/retention
  – Access

• **Quality**
  – Improve quality
  – Improve satisfaction

• **Performance**
  – Service and resource priorities
  – Manage practice patterns
Implications of Plan on Facility

• **Facility plan drivers**
  – Increase capacity to accomplish strategic goals and projections
  – Improvements to workflow and efficiency
  – Maximize utilization of existing facility assets where possible
  – Create a care environment that attracts patients, physicians and staff

• **Key facility issues – problem areas**
  – Existing facility capacity and utilization
  – Operation and workflow
  – Engineering needs and/or deferred maintenance issues
Priority Issues and Departments

- **Inpatient capacity**
  - Very high occupancy rates on acute care units

- **Private rooms**
  - Only 40% private currently
  - Semi-private rooms include two 4-bed wards

- **Observation patients**
  - Currently go to acute care units
  - Impact of CDU?

- **Emergency**

- **Lab (Fragmented)**
Existing Facility - Opportunities

- *Existing shell space* (+17,000 SF)
- *Old surgery department* (highest and best use)
- *Vacant unit*
- *Psych unit* (moving off campus)
- *Off-campus buildings* (highest and best use)
- *Potential vertical expansion*
- *Additional properties adjacent to campus*
- *Private rehab facility?*
Facility Plan Goals

- *Increase private room mix*
- *Maximize unused space*
- *Limit new construction*
- *Last 10-15 years*

Facility plan goals driven by vision as well as known financial constraints
Consider Off Campus Strategies in Campus Projections

- **Diagnostic center(s)**
  - Basic x ray
  - Mammography/women’s center
  - Potential CT
  - MRI?

- **Urgent care**
  - Option A – on campus
    - Potential to defer volume to lower cost setting
  - Option B – off campus
    - Benefit is increased volume, market capture

- **Other (not facility drivers but potential to increase volume)**
  - Physical therapy
  - Lab/draw station
# Volume Drivers

<table>
<thead>
<tr>
<th>National Trends</th>
<th>Local Impact</th>
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<tbody>
<tr>
<td><strong>Aging Population</strong></td>
<td>• How will LOS be affected?</td>
</tr>
<tr>
<td></td>
<td>• What should be done to better manage chronic medical conditions like diabetes?</td>
</tr>
<tr>
<td></td>
<td>• What about the need for other settings such as home health?</td>
</tr>
<tr>
<td><strong>Increasing Consumerism</strong></td>
<td>• How to gear up for a more &quot;retail&quot; oriented market?</td>
</tr>
<tr>
<td><strong>Escalating Competition</strong></td>
<td>• What can we do to differentiate and compete more effectively?</td>
</tr>
<tr>
<td><strong>More Aggressive Payers</strong></td>
<td>• Will we be able to continue to command premium reimbursement rates?</td>
</tr>
<tr>
<td><strong>Advances in Technology</strong></td>
<td>• What is our strategy with regard to technology adoption?</td>
</tr>
<tr>
<td><strong>Healthcare Reform</strong></td>
<td>• What volumes will increase? What will decrease?</td>
</tr>
<tr>
<td></td>
<td>• How will physicians be integrated?</td>
</tr>
</tbody>
</table>
Projections Assumptions

• **Inpatient**
  – Use rates decreased 5% over planning horizon
  – ALOS decrease by 10% over planning horizon
  – Market share increase by service line
  – Small changes to in-migration for pulmonary, vascular and orthopedics

• **Outpatient**
  – Increase in market penetration to reflect technology advances and market share shift
  – Significant increase in sleep lab penetration to more closely reflect other similar communities
## Incremental Bed Needs

<table>
<thead>
<tr>
<th></th>
<th>Current BEDS in Service</th>
<th>Projected Need 2012</th>
<th>Projected Need 2017</th>
<th>Additional Beds Required to meet Bed Needs</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICU/CCU</td>
<td>18</td>
<td>23</td>
<td>24</td>
<td>6</td>
</tr>
<tr>
<td>PCU</td>
<td>23</td>
<td>32</td>
<td>32</td>
<td>9</td>
</tr>
<tr>
<td>Med/Surg</td>
<td>96</td>
<td>98</td>
<td>100</td>
<td>4</td>
</tr>
<tr>
<td>OB</td>
<td>16</td>
<td>16</td>
<td>16</td>
<td>0</td>
</tr>
<tr>
<td>Behavioral Health</td>
<td>22</td>
<td>23</td>
<td>24</td>
<td>6</td>
</tr>
</tbody>
</table>

**Total:** 175  169  172  19

Excludes Nursery and CDU

Assumes psych patients are shifted to St. Lukes

Minimum additional beds required
# Room Needs - All Private

<table>
<thead>
<tr>
<th></th>
<th>Current ROOMS in service</th>
<th>Projected Need 2012</th>
<th>Projected Need 2017</th>
<th>Additional Beds Required to Achieve 100% Private</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICU</td>
<td>18</td>
<td>23</td>
<td>24</td>
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<tr>
<td>PCU</td>
<td>21</td>
<td>32</td>
<td>32</td>
<td>11</td>
</tr>
<tr>
<td>Med/Surg</td>
<td>59</td>
<td>98</td>
<td>100</td>
<td>41</td>
</tr>
<tr>
<td>OB</td>
<td>12</td>
<td>16</td>
<td>16</td>
<td>0</td>
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<tr>
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<td>13</td>
<td></td>
<td></td>
<td>0</td>
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**Total:**

|                  | **123**                  | **169**             | **172**             | **58**                                          |

*Excludes Nursery and CDU*

*Assumes psych patients are shifted to St. Lukes*

*Additional Beds Required*
Operational Issues

• **Psych / CD patients in ICU**
  – Will these patients go to Taylor campus?

• **Lack of proper PCU / Step-Down**
  – Currently staffed as medical/surgical unit

• **Observation patients**
  – Huge impact on acute care units
  – ADC 30 throughout hospital
Bed Expansion Options

• **Option A – Most Conservative**
  – No new construction
  – Mix of private rooms improved from 41% to 64%
  – Observation patients treated on acute care units

• **Option B – Add dedicated Observation Unit**
  – Provides for 16-bed expansion of CDU
    • Accommodates approx. 60% of observation patients
  – Mix of private rooms improved to 81%
# Options Discussion

<table>
<thead>
<tr>
<th>Board Expectations</th>
<th>Option A</th>
<th>Option B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Beds (Med/Surg)</td>
<td></td>
<td></td>
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<tr>
<td>Critical Care/Step Down</td>
<td></td>
<td></td>
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<tr>
<td>Maximize Unused Space</td>
<td></td>
<td></td>
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<tr>
<td>Flexibility</td>
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<tr>
<td>Cost</td>
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Questions?
Contact

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