

February 13, 2020

Takeaways Messages from California Hospital, Outpatient Facilities & Medical Office Buildings Summit

Recap reported by Rob Goszkowski, a freelance writer based in San Francisco.
Among his assignments were serving as an associate editor of a medical news website in the Bay Area.

► Design for Future – Top Five Trends. They May Surprise You



(top to bottom)

Erin Couch, Senior Director, Standards and Design | Real Estate Strategy & Operations, Providence St. Joseph Health
Deborah Sheehan, Managing Director of The Center for Healthcare Excellence and Innovation, a division of BDO

- Healthcare is moving into our communities.** "Healthcare is known as big business and that's not changing," Sheehan said. "But it is moving into retail, places like Wal-Mart, so underserved populations can get care in places where they're not getting it. The sea change happening is fierce. Healthcare has already changed focus to meet people where they are, in the community." There are roughly twice the number of retail clinics in 2020 as there were in 2014.
- There are unique industry partnerships happening right now.** Amazon, Berkshire Hathaway, and JP Morgan are working together to disrupt healthcare. The fact that premiums are rising faster than earnings and inflation is not lost on them. And CBRE is rapidly growing its healthcare business, and will begin managing 578,000 square feet across 60 Covenant sites
- Companies are using data to expand the definition of building solutions.** Solutions for tomorrow require AI and neural network-based thinking. For example, GoFetchCode, a cognitive app powered by IBM Watson, can scan thousands of pages of federal building codes when asked a question to find the relevant code and relevant section.
- The definition of "design" is changing to "making."** Prefabricated product engineering is having a moment. Companies are employing modular construction and manufactured fabrication to counter rising labor costs. Auto Routing and Sizing program (ARaS) support offsite prefabrication of distribution infrastructure.
- If we refocus on fabricating, how do delivery models change?** "How do we have the courage to move into a different delivery model? One that employs manufacturing efficiency but without mass production," Sheehan asks. The effort will ultimately be worth it, as earlier completion leads to earlier occupancy, which accelerates revenue.



ATTENDEE COMMENTS

"I enjoyed the pace of the summit, kept me engaged and awake!"

"Overview of variety of aspects in healthcare construction"

"Speakers, topics and flow were great"

"Networking"

"Overall, a really good program with thoughtful topics. The opening 'Design for Future' was outstanding"

"Where the construction dollars are flowing"

"Design for future/where construction \$\$ are flowing"

"The pace and diversity of the speakers was good; Appreciate the thoughtfulness that presenters spoke about future trends"

"The first session (Design for Future) and third session (Where Construction Dollars are Flowing)"

"Dynamic information"

"The last presentation"

"Great topics all 30-minute overviews give us a taste"

"Evolving hospital objectives and identities"

"Enjoyed the discuss on trends, the future & innovation"

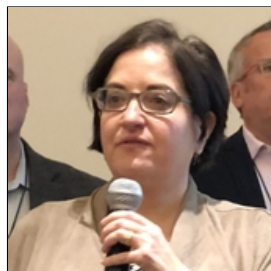
"Getting together"

"Breadth of topics"

"Having such access to healthcare decision makers to pick their brains! Also, the crowd the speakers attracted was a major bonus!"

"The level of speakers and attendees"

► Supporting Outpatient Strategies Using Alternative Delivery Models



(from left to right)

Michael Monaldo, Vice President, Facilities Development & Corporate Real Estate and Real Estate, John Muir Health

Wendy Weitzner, Partner, The Innova Group

Erik Hanson, Principal, Stantec

- **There's a need to align from both directions.** From the bottom up this is driven by facility conditions, the duration of leases, and opportunities to consolidate and/or add capacity. From the top down, it's coming from efforts driven by strategy and market based on a more granular approach to data via models and spreadsheets charted in Microsoft Excel. For example, how many patients can be seen in an exam room determines how many exam rooms are needed.
- **Cross-functional steering committee and the working group are critical to success.** A diverse cross-functional team is necessary to develop and validate the results of these models, effectively comparing the spreadsheet exercise to operational feasibility. Analytic storytellers will help communicate it. And medical group leadership engagement is especially important when considering material changes and implementation.
- **Supporting data and standards, can help quickly gain approval and implement these projects,** which is critical when trying to compete with groups like Kaiser and Stanford Health.
- **Use what you have when real estate is tight: adapt and reuse.** Old, functionally obsolete and underutilized facility can be replaced with smaller, updated, more market-responsive facilities.
- **Consolidate or maintain easy patient access?** Consolidation of multiple small, obsolete facilities into a market leading multi-specialty MOB is ideal. But find ways to effectively move patients as an option for making the most of existing facilities when they're located near one another.

► Where the Construction Dollars are Flowing: Priorities by Senior Level Healthcare Providers Executives



(left to right)

Mark Brna, Executive Director, National Facilities Services, Kaiser Permanente

Stuart Eckblad, Vice President, Major Capital Construction Projects, UCSF

George Tingwald, Director of Medical Planning, Stanford Health Care

Moderator **Elizabeth Chaney**, Account Executive, JLL

- **The overall hospital and MOB sector** is valued at \$1 trillion, or \$616 billion and \$420 billion respectively. MOB square footage inventory is growing, mostly due to larger buildings. And MOB occupancy experienced strong absorption in the top 50 markets from Q3 2018 to Q4 2019, holding steady at 91%.
- **A key trend in 2019** was that a significant majority of starts were hospital-affiliated projects off campus. Of the overall MOB square footage started last year, 71% were hospital affiliated. Meanwhile, 70% of last year's MOB square footage was off-campus instead of on campus.
- **Many are taking advantage of repurposing opportunities**, such as Mercedes-Benz, while businesses that have been affected by decreased mall shopping, such as Kmart and Macy's, have gotten involved.
- **Outpatient projects are getting bigger.** The number of MOB's larger than 100,000 square feet started each year increased by 71% from 2015 to 2019, growing from 45 to 77. The largest was the 525,000-square-foot Parkland Memorial Hospital MOB in Dallas.
- **Hospital outpatient visits decreased** from 2017 to 2018, the first drop in 35 years, from 881 million to 880 million. Prior to that, from 2008 to 2015, a trend of decreased emergency department visits versus increased urgent care, retail clinic, and telemedicine visits had emerged.

► Power Outages: How Prepared are Your Healthcare Facilities? Latest Strategies to Cope with These Life Threatening Events

Mark Feasel, President, Smart Grid/North America Operations, Schneider Electric

- **Microgrids can lower costs or make them more predictable** by avoiding capital expenditure and utility tariff optimization.
- **Organizations with microgrids can be more resilient**, by helping to ensure they are an "oasis" during grid instability from severe weather or natural disasters, the associated costs of which are quickly rising. Microgrids can ensure that there's power in critical circumstances such as shelter in place.
- **In many cases, they can increase the sustainability** of organizations by reducing their carbon footprint, serving carbon-sensitive stakeholders such as students and faculty, and improving the brand image.

"Cost is low - close to home and office; Lots of regional specific data and input"

"All the speakers were experts in their field"

"Networking; Facility leaders speaking"

"The content was good and the presenters are definitely experts in their fields"

"The panel of senior PM's from top health care organizations"

"The variety of topics"

"Morning sessions"

"It was packed with content"

"Good content; gets better every year"

"Networking"

"The first presentation of the day - Erin and Deb are fantastic speakers!"

"Networking"

"Short sessions with real-time experts"

"A very impressive array of speakers. They were both good presenter and veterans in their fields"

"Variation of topics"

"Great networking opportunity. The variety of program topics"

"That our industry is embracing the lingo of BIM, and using the term LOD appropriately"

"Interesting content"

"Location, focused topics, access to the presenters during break, networking"

"Relevant and timely content. The pace was fast, but not overwhelming"

"Great Job!"

"Event was terrific"

"Amazing roster of attendees"

"I had a great time"

"Thanks for putting on a great conference"

"Material was awesome"

"It was a pleasure participating in the event. Thanks for organizing it!"

- **It's possible to keep delivering integrated energy outcomes** in an off-balance sheet with a performance-driven model. It creates a single point of accountability for project delivery across design, financing, construction, operations, and maintenance.



► **Construction and Real Estate Forecast: How California Shapes Up vs National Trends**



(left to right)

Mike Conn, Executive Vice President, Meridian

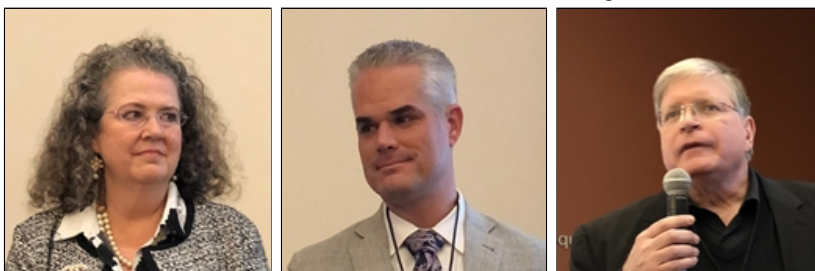
Catherine House, Managing Director, National Healthcare Product Council Chair, SVN | QAV & Associates

Grant Rockwell, Director of Real Estate, Northern California, National Facilities Services, Kaiser Foundation Health Plan, Inc.

Chris Sheldon, Executive Director, Capital Markets | Net Lease Group, Cushman & Wakefield

- **The market rent for medical building has increased** to the point that conversions are appealing and it's a national trend. But construction activity continues to be strong, and the pipeline is up, nearly a third.
- **Some 71% of new inventory is hospital affiliated.** Of that, 70% is off campus. Outpatient projects keep getting bigger, at 44 versus 77 across the U.S. this year.
- **REETs are back in the game.** Campuses are getting denser. And there's a trend to outpatient settings that are campus-adjacent; it's what Millennials want. Expect to see more multi-tenant MOBs.
- **Meridian is repositioning against any correction** that occurs in the next 12-18 months. "We're selling poorly located assets," Conn said. He added, with land-constrained systems you must .be creative.
- **Kaiser is taking a look at deep hubs and specialty services.** You have to find a place to do it if there's no room on a big campus. Placing locations by community centers and transportation corridors is a priority, something diff than what Kaiser has done in the past.

► **Overcoming Labor Shortages and Rising Construction Costs with Off-Site Prefabrication on Medical Interiors Projects**



(left to right)

Andrea Hyde, Senior Project Manager – Interiors, Stanford Health Care

Ray Boff, National Prefab Strategy Lead, DPR Construction

Randal Brand, Architect/Consultant on Stanford Health Care's Redwood City MOB modular fit out project

- **Prefab construction has several benefits.** Early adoption, early team selection, early information sharing, and early decision making front-loads coordination efforts. It also allows for best practices in data management and waste reduction.
- **A main area where prefab construction** is happening: volumetric restrooms. General contractors are seeing benefits including 89% increased efficiency, 85% improved labor

Industry Partners



EDUCATION/MEDIA PARTNERS



productivity, and 70% lower construction costs.

- **Immovable walls and sinks are not future-thinking.** Plumbing may have to be plug and play rather than relying on concepts that date back to the Romans. That means finding ways to move water where it is needed, without disturbing floor below. Old concepts only cover the initial 10% up-front plumbing costs but not the remainder associated with owning the building.
- **For every five people leaving construction labor,** one is entering it. And the average age of a skilled worker is over 50 years old. One possible solution is to get more women get involved with careers in the skilled trades. Right now they're only 9.9% of the workforce.
- **Going forward, prefab construction and its relationship** with labor demands will continue to be relevant. Jobsite workflows are enhanced, ensuring the best use of labor. And site assembly is reduced, which also reduces the demand for skilled labor.

To Learn More About Northern California AMFP Chapter contact
 Jon Inman
[415.652.4581](tel:415.652.4581)
jinman@mazzetti.com
 or
 Joanna Zumalt-McGarry
[415.279.6247](tel:415.279.6247)
joannaZM@HilliardArchitects.com

Corporate Realty, Design & Management Institute @
squarefootage.net

THE McMorrowReports
 Facility Management & Design Insights

► Standardization: Wave of Future



(left to right)
Mike Hilliard, Principal, Hilliard Architects
David Patera, Managing Director, dRofus Americas
Matthew Richter, Principal, SmithGroup
Zig Rubel, CEO/President, A Design+Consulting
 Moderator **Douglas Childs**, Principal, Tactics Studio

- **Standardization can help with healthcare clients** in terms of deploying doctors from the hospital in an efficient manner.
- **It's important to keep in mind that standards still need supervision.** They're a starting point.
- **Software can help verify changes** and ensure they're carried forward. For example, deviating from the template of an exam room requires accuracy, but it makes coming back to the plans nine months after the change has been made a transparent, easy-to-follow process.
- **Prefab drives standardization**, thus resulting in economy of scale. Scope optimization associated with prefab construction also reduces overall production cost.



Joanna Zumalt-McGarry,
 Secretary-Membership Co-Chair
 for AMFP Northern California

► Ambulatory & Emergency Care Models: An Analysis of Northern California and National Site Selection, Design, and Operating Models



(from top to bottom)
Kevin Hinrichs, President, Taylor Design
Peter Shih, Senior Manager of Delivery System Planning, San Mateo County Health
Natale Stephens, Senior Associate, Healthcare Planner, Page



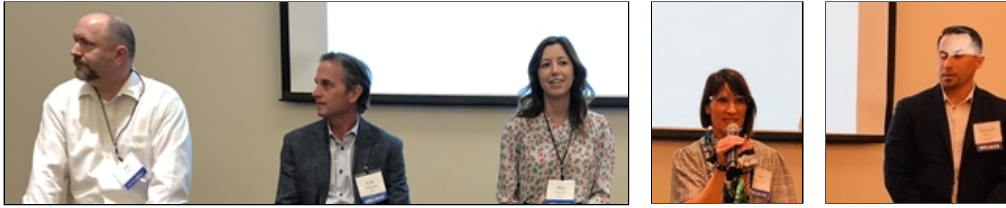
- **An important current challenge** is determining how to make trauma-informed facilities that don't impose more trauma on individuals.
- **Trauma facilities must be welcoming.** It's a feature that can't be overlooked. The more institutional a facility feels, the less likely people are to seek care there. It's part of a two-pronged approach that also includes mobile clinics so people can be met where they are.
- **Urgent care is outpacing everything else** in medical facilities development and there is huge growth in urgent care centers across the U.S. They're handling as much as 23% of visits where there's an immediate need to see a healthcare professional.
- **Many urgent care clinics not ready** for what people are arriving with so many are being renovated to meet those demands. Every system dealing with how to provide care that is as close to urgent care as possible but not in a hospital setting.
- **Freestanding emergency departments (FSED) are gaining momentum** as part of the solution. There are currently 360 FSEDs in 30 states. Those associated with hospital systems are a great way to get into the community. However, many independent FSEDs that don't take insurance are grappling with bad debt and a lot going under, which the panel noted is a big problem. Another



Door prize winner

problem is inconsistent regulation: some states have no restrictions on FSEDs while some don't allow them at all.

► Tips, Tricks & Traps to Avoid



(left to right)

Jon Best, Account Executive, Nora Systems

Kyle Peterson, Healthcare Segment Manager, Camfil USA

Kim Dinardo, Western Regional Manager, Biamp

Tysen Gannon, Author, AD Systems

Dominic Rizzo, Business Development Manager, Assa Abloy

The Tips, Tricks & Traps to Avoid eBook includes the tips from this session. Available by sending an email to gfischer@squarefootage.net
