

SpaceMed Feature

Prioritizing Healthcare Facility Projects



Originally printed in the
SpaceMed Newsletter
Fall 2011

www.spacemed.com

BACKGROUND

The rationale for specific renovation, expansion, or new construction projects undertaken by healthcare organizations may not always appear logical or to be a prudent use of limited capital dollars. Most hospital leaders, care providers, facility planners, and architects can cite an example of a misguided project — almost always by some other organization or under the direction of someone else. Historically there was often a focus on a “project” being on-time and on-budget without enough scrutiny as to whether it is the right project in the first place. Today, most healthcare organizations have many more demands for facility upgrading and expansion than available dollars — particularly when bricks and mortar projects compete with investments in new medical equipment and information technology and with lenders providing their own scrutiny.

DEVELOPING A RATIONAL APPROACH

Healthcare leaders may consider a number of factors to reach consensus on which projects ultimately get funded and the sequence of their funding compared to other capital expenditures. At a minimum, the rationale for each potential project should be evaluated based on the following factors:

- **Mitigate risk/health safety.** Facility issues related to building code deficiencies, patient safety, and/or compliance with other regulatory requirements are usually the highest priority as funding decisions are being made.
- **Enhance operational efficiency.** The ability of a specific project to deliver an immediate return on investment such as a reduction in labor costs or minimizing investments in new medical equipment and instrumentation will be viewed positively by potential lenders.
- **Improve space utilization.** A one-time capital investment to consolidate space or improve the utilization of existing space (thus increasing capacity) will reduce the associated costs for housekeeping, maintenance, utilities, and other ongoing facility-related costs.
- **Improve patient access/satisfaction.** Depending on the market dynamics and competition from other community providers, and the organizations mission, improving patient access and customer satisfaction can result in additional market share (and revenue).
- **Build future capacity.** This may be an appropriate rationale for a project in a growing market or where another competitor could potentially go out of business — resulting in an opportunity to increase market share.
- **Renew/retool physical plant.** Every business — whether a hospital or any other industry — must routinely invest in their physical plant to stay competitive as their patient care delivery model evolves due to changes in medical practice, reimbursement, regulations, technology, and customer preferences.

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- **Facilitate donor/partner funding.** A project may quickly become a high priority when there is a donor ready and willing to fund all or part of a specific project. At the same time, a partner may be identified who can share in the funding (and more importantly — in the ongoing operational costs).

The matrix below provides an example used by a senior leadership team to summarize their high priority projects and the corresponding rationale for each. Cells with an “X” indicate the potential rationale for a specific project on the list. It should be noted that each healthcare organization will have unique rationale relative to any given project.

Project	Mitigate Risk/ Health Safety	Enhance Operational Efficiency	Improve Space Utilization	Improve Patient Access/Satisfaction	Build Future Capacity	Renew/Retool Physical Plant	Obtain Donor/ Partner Funding
Expand the Emergency Department	X	X		X	X	X	X
Renovate the Main Surgery Suite	X	X	X	X	X	X	X
Expand the Pharmacy	X	X	X			X	
Replace the Kitchen	X	X	X	X	X	X	
Create a Time-Share Clinic		X	X	X	X		X
Reconfigure the Laboratory		X	X		X	X	
Demolish the Old Nursing School			X			X	

Once consensus has been reached on the rationale for each project, specific projects may also be grouped and sequenced based on:

- Urgency (e.g., response to a competitive threat, code issues, revenue generation)
- Renovation/construction feasibility and cost-effectiveness (e.g., sequencing of tasks)
- Available capital at different points in time
- Bandwidth of the organization to handle multiple ongoing projects

Cynthia Hayward AIA, ACHA, FAAHC
Principal
Hayward & Associates LLC
chayward@hayward-assoc.com