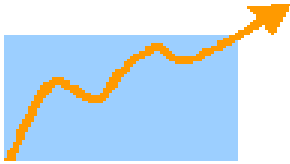


SpaceMed Trendline

Hospital Capital Spending is Taking on New Focus



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BACKGROUND

Hospital capital spending was slowing down even before the financial meltdown in 2008 as hospitals began shifting their capital funds toward shoring up infrastructure and cutting back on capital spending, overall. The economic downturn makes it increasingly more difficult and expensive for hospitals to finance capital expenditures. Interest and lease rates have risen and the availability of debt is becoming more restricted as lenders seek to avoid risk.

CURRENT TREND

Capital remains elusive as most non-profit hospitals in the U.S. find it difficult to access capital. Credit rating agencies want to see evidence of:

- A physician alignment strategy
- Clinical integration and cost reduction actions
- An information technology (IT) plan
- Strategic plans focused on capturing more market share

IMPACT ON CONSTRUCTION

When it comes to construction, the focus is on fast returns. Construction projects are being scaled down with resources being directed to:

- Compliance with regulatory requirements
- Enhancing throughput
- Improving the quality of patient care and patient outcomes
- Capturing additional market share
- Information technology

Additionally, construction projects which generate superior returns are favored — such as surgical services and procedures. Improving access and throughput is a priority such as improving turnaround times in the emergency department or building freestanding urgent care centers to reduce hospital emergency department visits.

Capital spending on information technology is becoming even more pervasive as it underpins a provider's ability to shift to new care models — including efforts to implement an ambulatory electronic medical record (EMR) — assuming that an inpatient EMR and computerized physician order entry system have already been implemented along with e-scheduling, physician e-prescribing, picture archiving and communication system (PACS), and results reporting components.

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