



NEWS RELEASE

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How to Build an Affordable Replacement Hospital

The state of the health care industry is advancing at an incredibly fast pace and service providers are becoming increasingly competitive. Ailing facilities built decades ago must be upgraded to address today's new challenges. Strategic plans must include a realistic vision for the future in order to meet the community's medical needs of tomorrow and maintain or increase profits today.

Research shows that many communities, hospital administrators, and board of directors across the country today struggle with a lack of experience in the development and management of a capital improvement program. Hospitals often plan and hire an architect to design a 25-bed full-service hospital. When the final product comes out in the 15-25 million dollar range, they are unable to afford it.

Working together, *Critical Access Group (CAG)* and *Altus Architectural Studios* have addressed the question, 'what can a replacement hospital be built for?' According to Jim McClure, director of *Critical Access Group*, "The answer is 7-10 million, which works in many communities based off of their specific need. Actual need can vary and that is why the price can vary."

"A basic analysis must be done to determine the necessary size of a replacement hospital, an addition, or a facility remodel," explains McClure. "The first priority is to make a determination about money and need. The need is based off of not only money, but the current and projected utilization of the facilities. CAG then determines what kind of project the facility can afford on a cash basis. A critical part of this analysis that assists cash flow is to identify diagnostic areas where the facility can increase or get reimbursements. The first money spent on a project is in areas that generate the most revenue, thus helping the next phase of the project."

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“Next, CAG looks at the market growth,” says McClure. “Within a market, we try to match the project with both the financial and market feasibility according to the local population and age groups. Finally, CAG studies the operations at the present facility. We evaluate the patient encounters for the hospital and population projections are benchmarked to baseline current and future population. It is important to recognize that the future market and population will change and along with that, services will change in order to reflect this.”

From the architectural side, Loren Lamprecht, principal, *Altus Architectural Studios*, states, “*Altus* can help determine needs, needs will develop a program, and that program will develop the building. The first thing we do is analyze the existing condition of the building with our team of architects and engineers. We can then make an educated judgment whether the building meets the needs of the future and determine what needs to be done.”

“With all projects, we design to meet current needs while providing flexibility and for future phases and expansion,” states Lamprecht. “For example, if we only need nine patient rooms in a replacement facility today, we can allow for growth to 25-beds down the road. We can take the existing hospital building and renovate it into clinics, diagnostic or administration space. This way, the existing infrastructure, mechanical and electrical systems, which are out-of-date and out-of-code, are re-used in a less restrictive occupancy. Flexibility is the key, since you likely can not put 100 percent of what you may need 10 years from now in the project that you are building today.”

The right step for any medical facility is hiring the right team such as CAG and *Altus*. This team will assist the facility and ensure it is moving forward in the most logical and affordable way. “Small, incremental steps towards a building project must be taken to achieve successful solutions, says McClure, with a crucial step being the education of the board of directors.” For additional information, McClure recommends reading the recently released study, *Replacement Facility Impact on Rural Hospital Operations and Bottom Line: Findings From the Field*, prepared and sponsored by *Stroudwater Associates*.

CAG is a full service project development firm providing the management and delivery of consulting, architectural, engineering, environmental, financing, fund raising and construction management services. CAG acts as the owner’s representative allowing administrating industry professionals to maintain ultimate control of all decisions, without the burden of day-to-day details.

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