

# Successfully Managing Healthcare Projects



**Hplex Solutions**  
*New Directions for Success*





























The Toledo Clinic

Cancer Center





# Presentation Agenda



1

Current Look at  
the Healthcare  
Industry

2

Design and  
Construction  
Processes into  
today's new  
reality

3

Execution  
– Case Study

4

A look forward to  
2025 and beyond

# Healthcare — A Changing Industry





**Cost Pressure**



**Shifting Demographics**



**“Pandemic” Diseases**



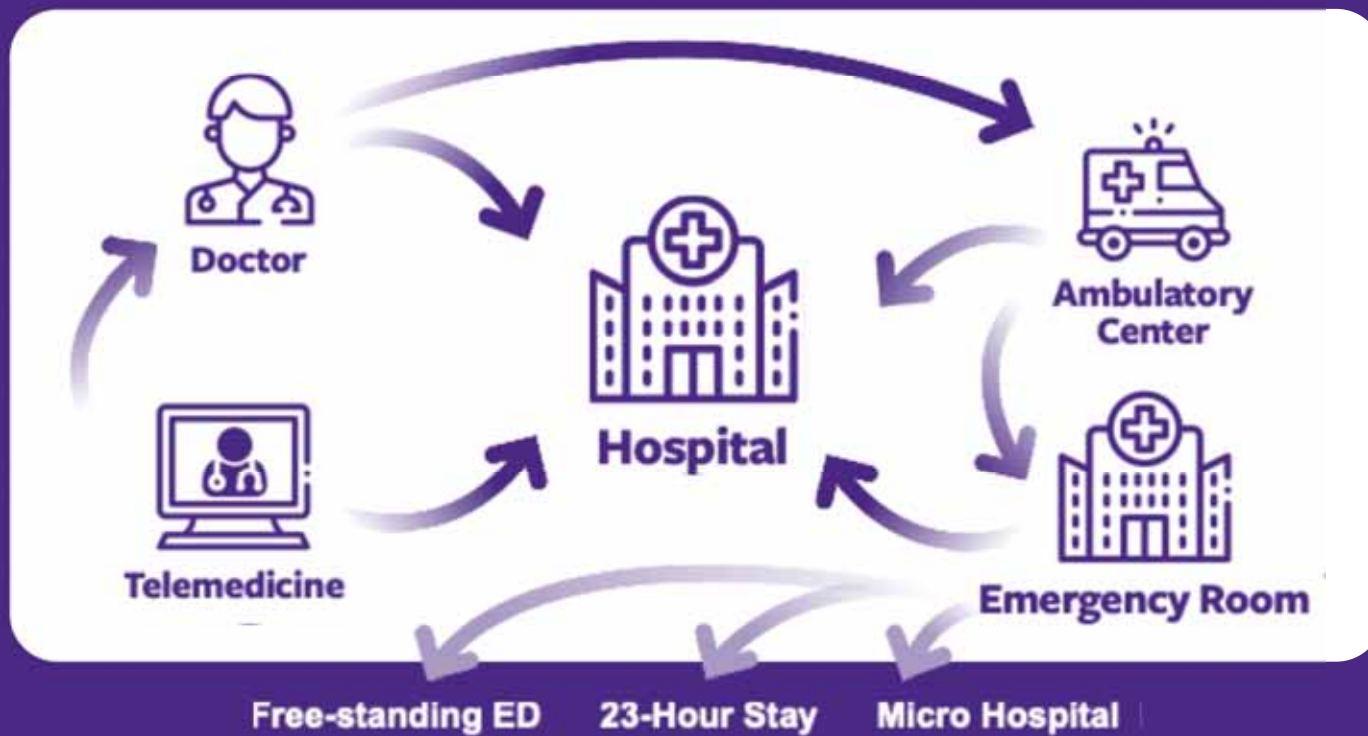
**Challenges in Generational  
delivery of services**



**Access/Affordability**



**Competition Pressures**



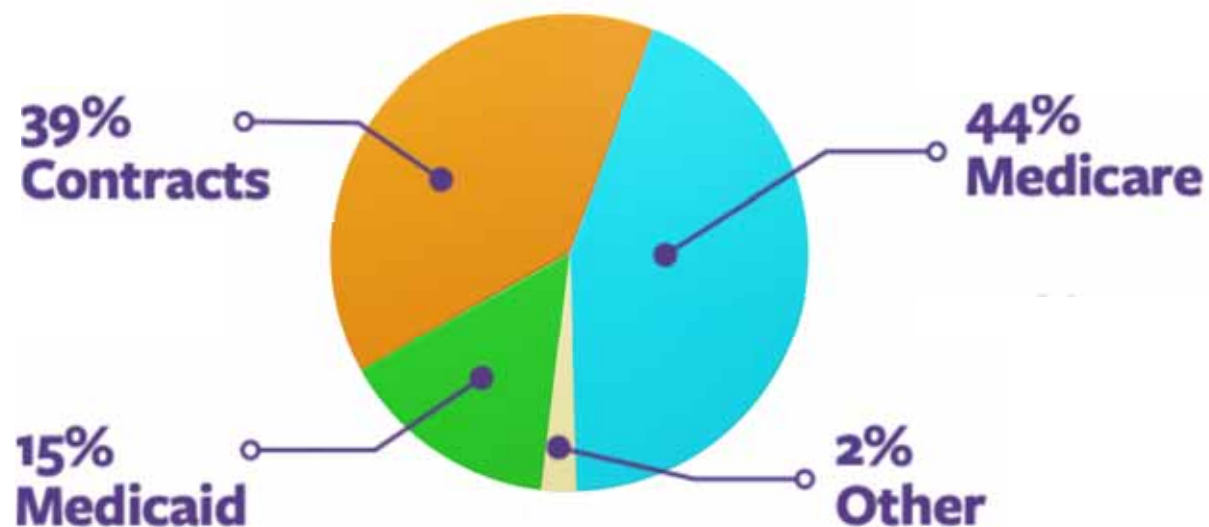
Financial Analysis

Hospital  
Finance 101





## A Macro Glance





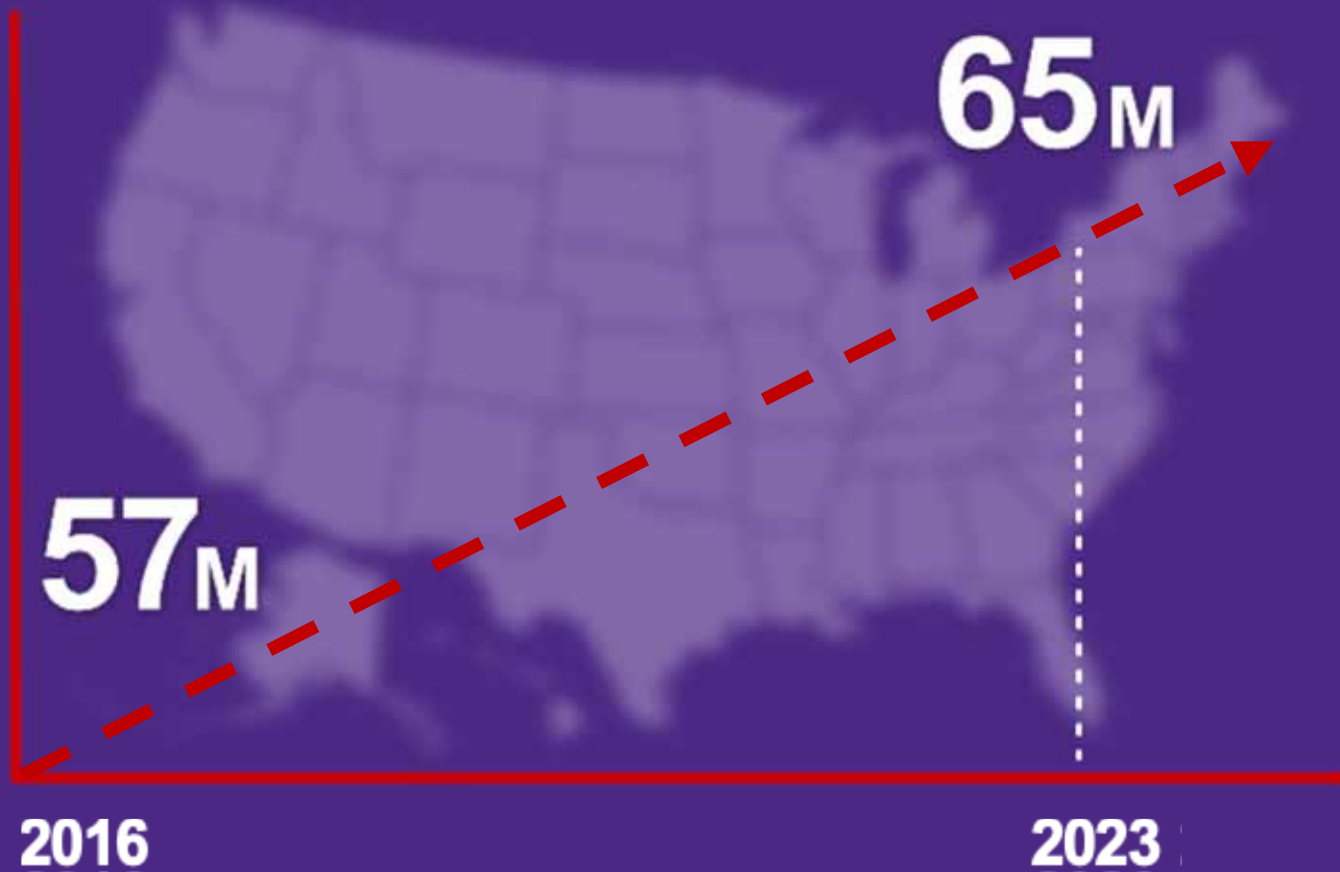
## Financial Viability





# Medicare Population







Let's Focus  
On Wisconsin

**Population  
2024**

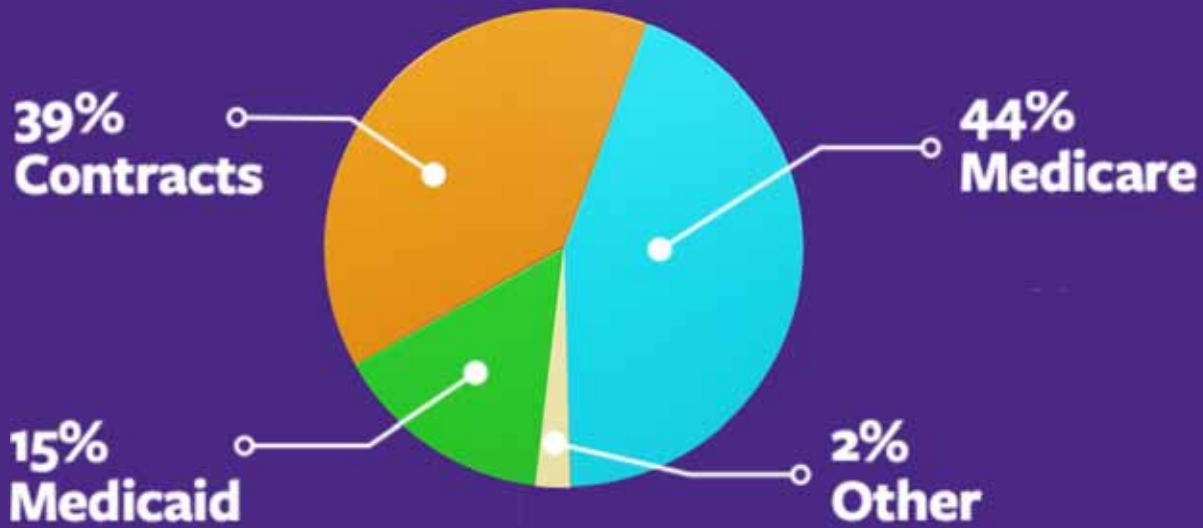
**5.93M**



**1.26M**

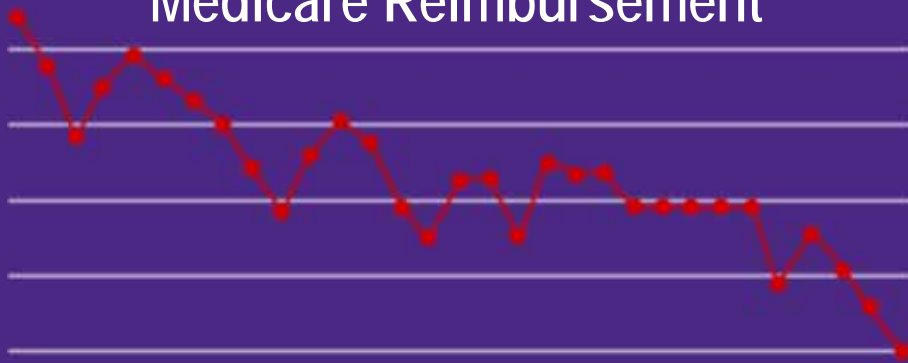
**21%** Wisconsin  
Population  
Utilizing  
Medicare



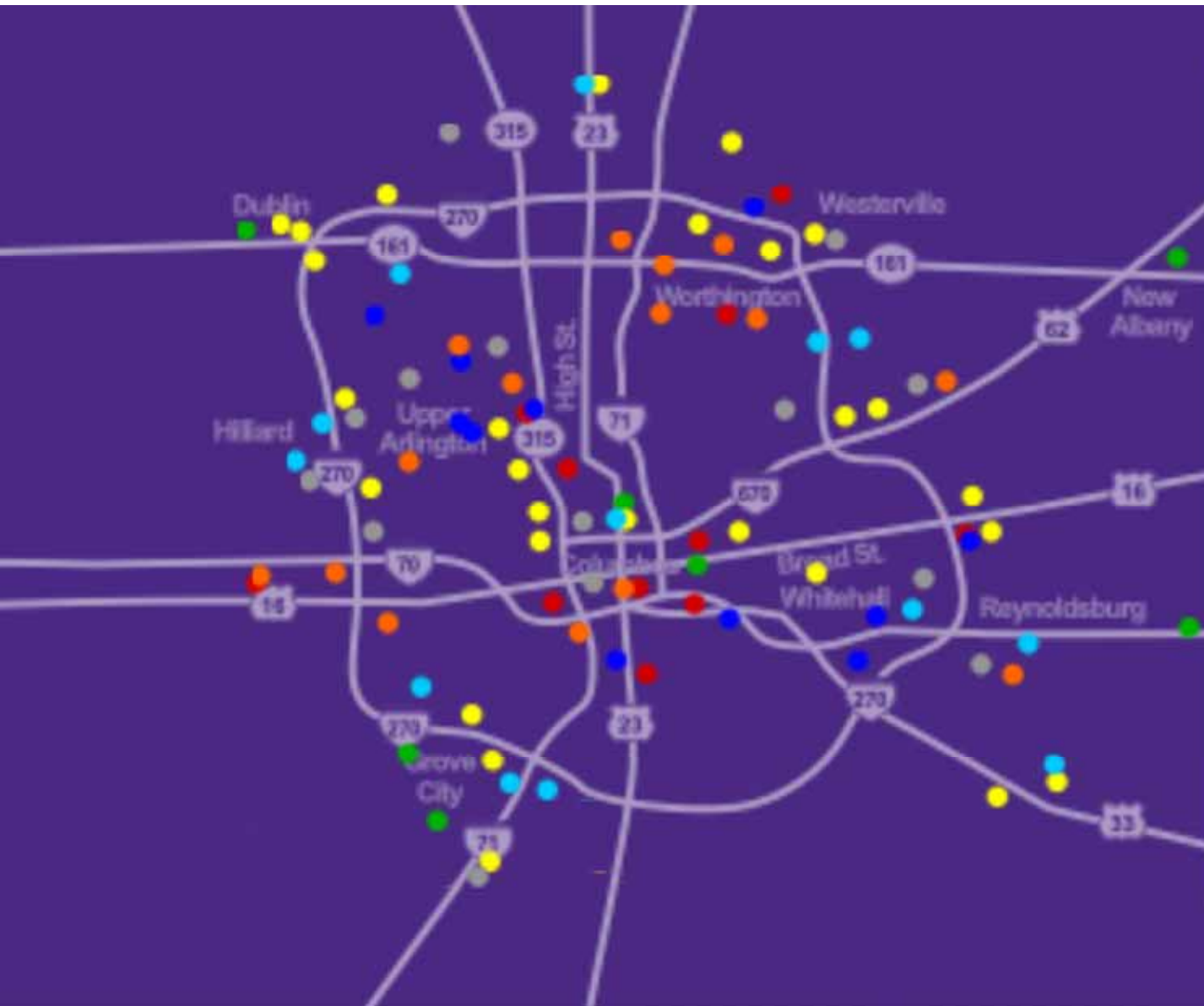


- *Covered Lives*
- *Market Share*
- *Volumes*
- *Cost*

Medicare Reimbursement



## Major Healthcare Facility Growth from 1996 to 2022 in Central Ohio



Existing Hospitals  
(Through 1996)

New hospitals  
(After 1996)

Ambulatory Centers

Surgery Centers

Physical Therapy

Urgent Care

Imaging Centers

# Market Share “Strategy”







Boomers + Gen Z  
**138M Strong**





- **Not retiring early...65% will work part time**
- **Boomers have been highest utilizers of healthcare**
- **Winding down but don't want to break down**
- **Average Boomer participates in 10 activities**
- **Fastest growing internet users**
- **Do not want to get old/look old/act old**
- **Understand value of exercise & health**
- **Take care of parents and kids**

- **Primary Care**
- **Orthopedics**
- **Cosmetics**
- **Senior Health**
- **Home Care**
- **Long Term Care**
- **Physical Therapy**
- **Memory Care**
- **Acute Care**

A group of diverse young adults, including a man with dreadlocks in a purple shirt, a woman with glasses, a man with a beard, and a woman with a flower crown, are sitting on stone steps. They are all smiling and looking towards the camera. In the foreground, a woman with long blonde hair is holding a blue smartphone, taking a selfie. The background shows a paved area and a white curb.

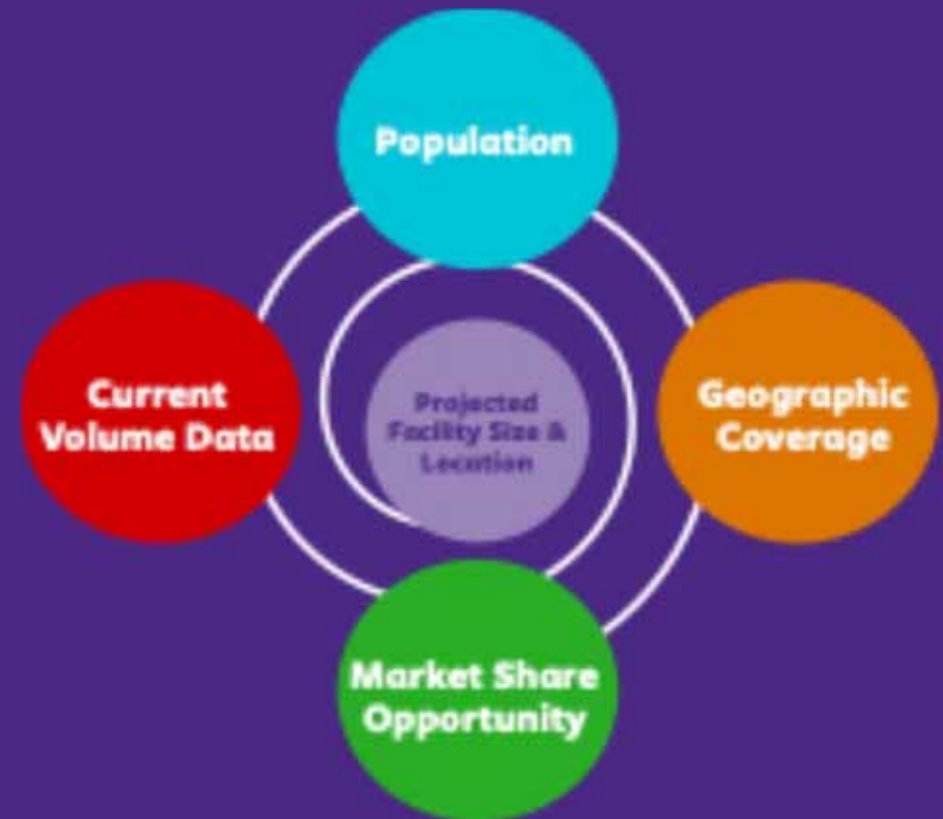
The Millennials and Beyond  
**160M Strong**

- **The “Instant Generation”**
- **Cost is a driver for selection**
- **Tech Savvy and will not tolerate inefficiencies**
- **Strong driver of customer service**
- **It’s all about convenience and preventative health**
- **Telemedicine is more acceptable than a physician relationship**
- **Health needs are more emergency, orthopedics & Obstetrics**
- **Not yet faced with Chronic Disease (Heart, Diabetes, Pulmonary, etc.)**



## Provide a "*Roadmap*" for Capital Deployment

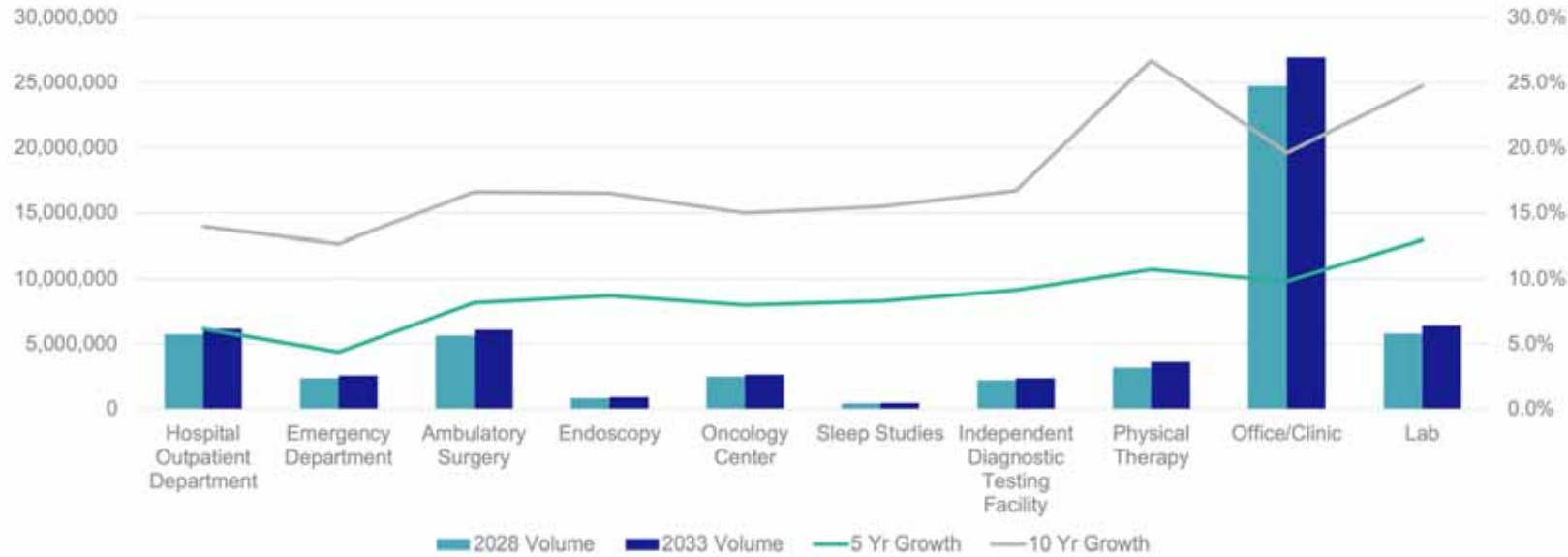
- Demographic changes
- Shifts in clinical service utilization
- Market share increase
- Healthcare reform
- Study efficiency and functionality
- Delivery of Services





# Wisconsin Healthcare Trends

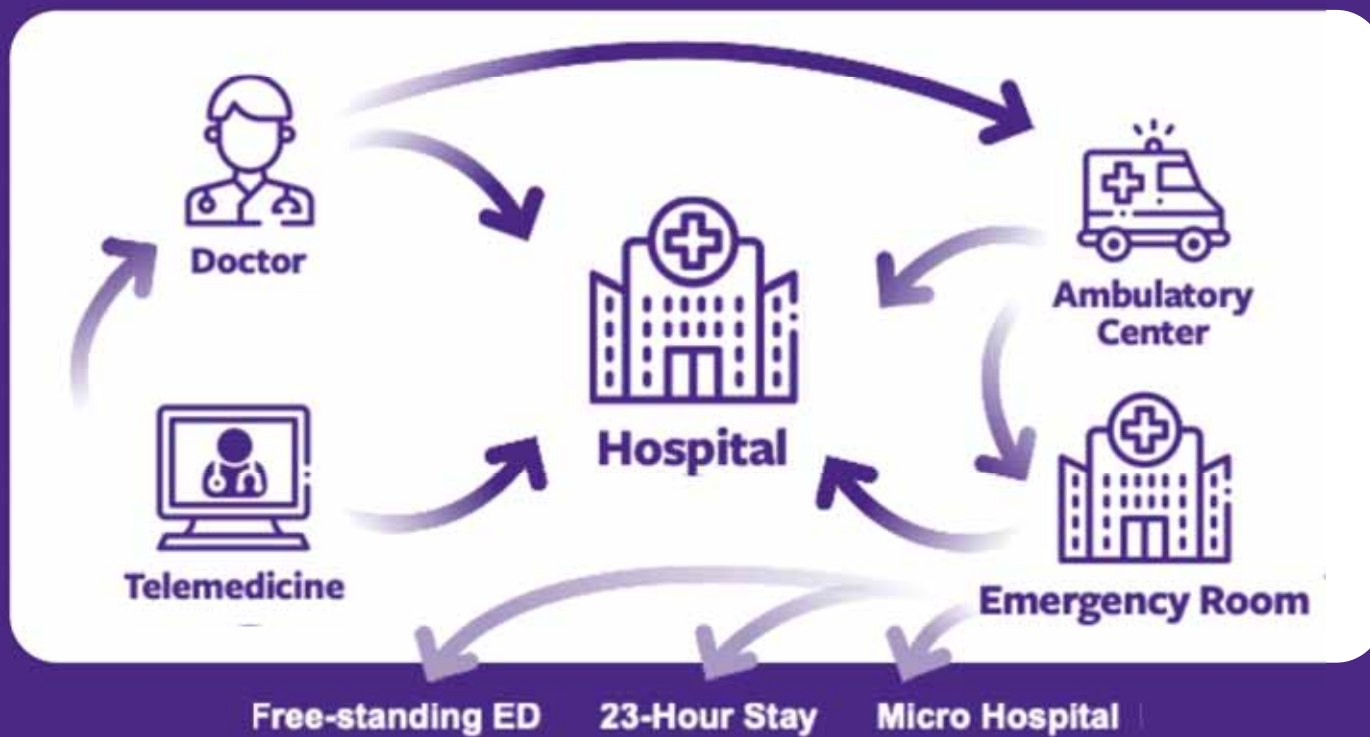
## Projected Shifts in OP Sites of Care



Source: Advisory Board, Market Scenario Model, Wisconsin 2023 - 3033

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How does all of this relate to  
successfully managing a  
healthcare project?

# Today's Reality

**Construction Cost  
Increases**

**76% to 100%**

A 2024 Hospital construction survey revealed nearly on half of respondents have seen construction cost increases 76% to 100% of their current Projects



**+20%**

**Percent Increase to Build  
a Medical Office Building**

National Average of Healthcare Construction Cost... Increase from 2023 to 2024 = 6%. The cost to build a Medical Office Building has risen over the last two years by over 20%

**Construction  
Schedule Increases**

**24% to 88%**

A 2024 Hospital construction survey revealed nearly 64% of respondents have seen construction schedule increases 24% to 88% of their current Projects

Health Systems and hospitals are “stretching” cash reserves in order to fund various annual capital needs which emphasizes extreme “Budget Control”





# Healthcare Development – A Changing Industry

Construction Cost Increases

Supply Chain

Increase in “Front-End Risk”

Cost of “Money”

Project Process Management  
Changes....What’s a GMP?

Technology/AI

Labor challenges



**Post-Covid**

**Accelerated Movement to  
Off Campus Projects**

**Renovate/Modernize  
Inpatient Facilities**

**Competition increases for  
Market Share Growth**

**Patients deferring CARE  
increases current demand**

**Behavior Health is Rapidly  
Growing**

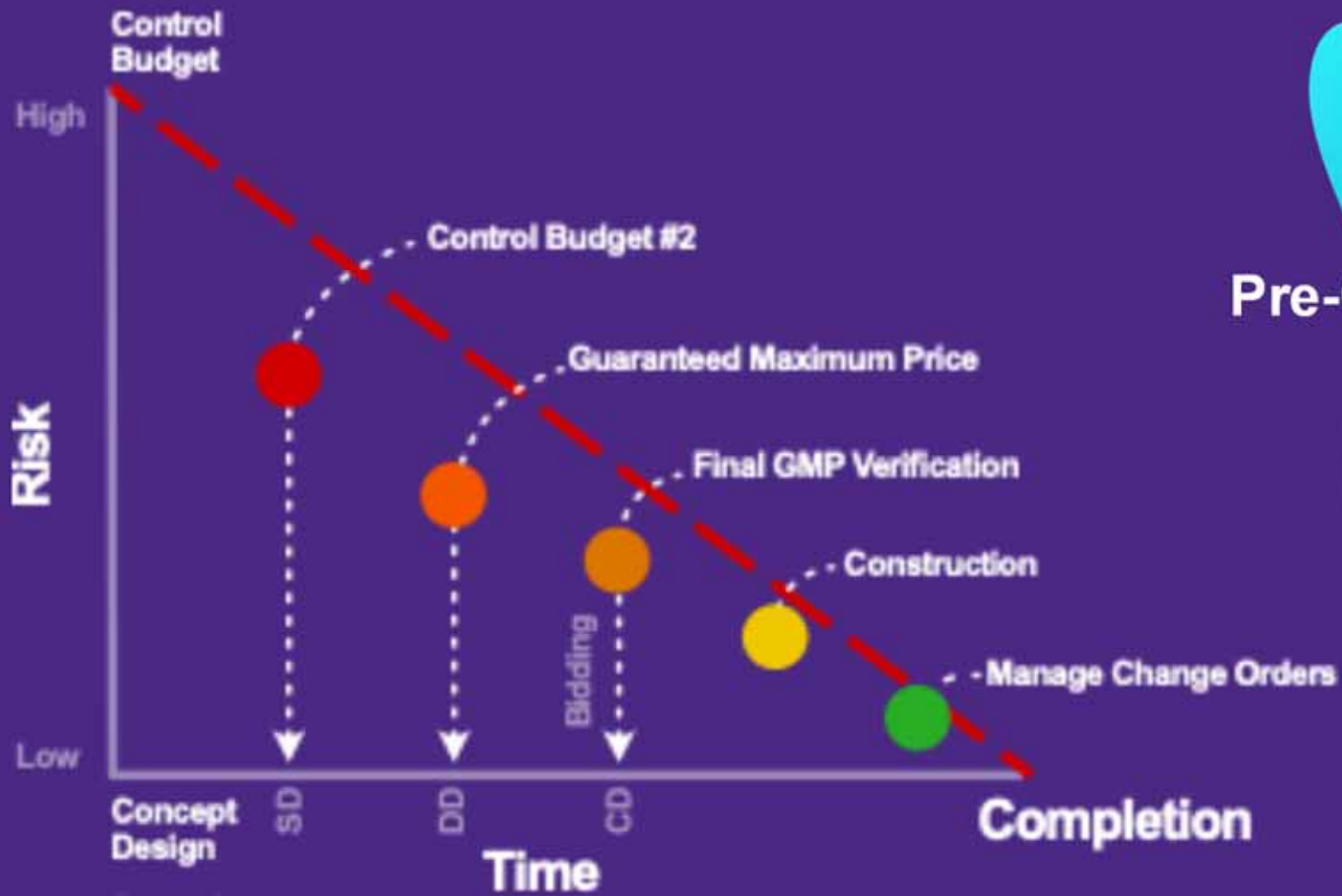
**Increase Hospital  
Consolidations**



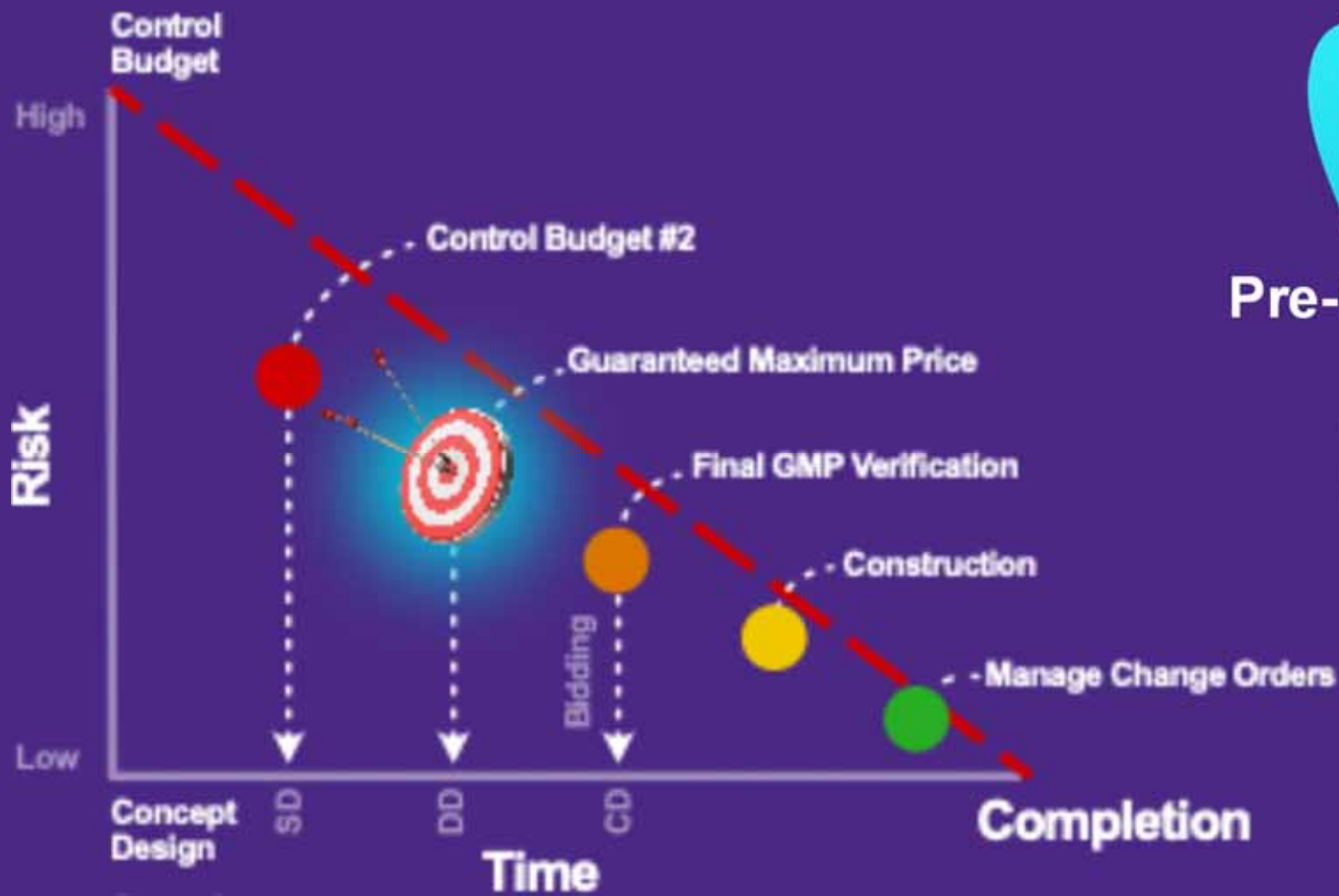
**Covid**



**Pre-Covid**

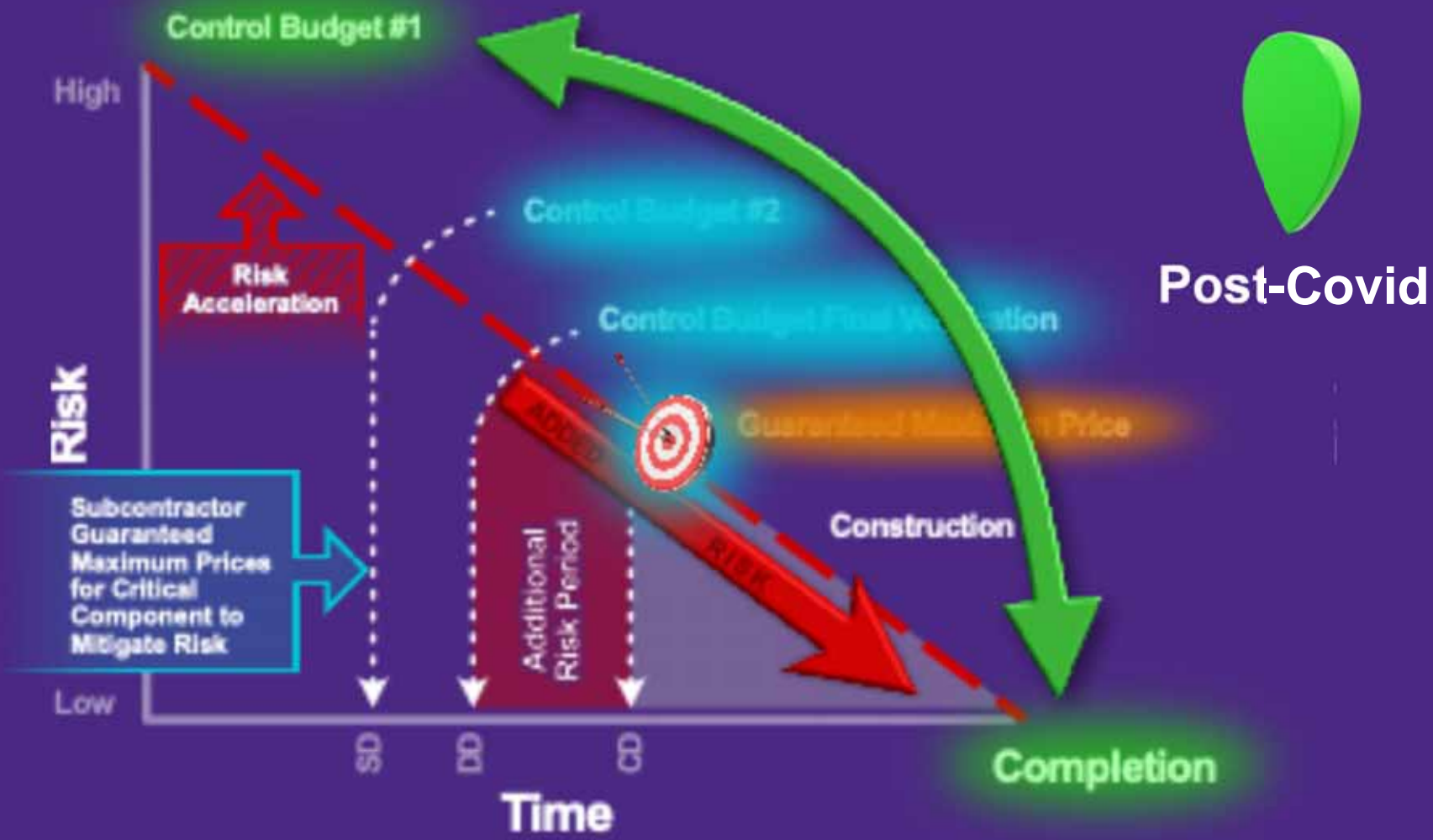


Pre-Covid



Pre-Covid







## Post-Covid



- Integrated Delivery Process
- Design Build
- CM at Risk
- Project Team Economic Incentive

Creating Success  
&

**Mitigating Risk**

EVERY PROJECT STARTS WITH A

**VISION**





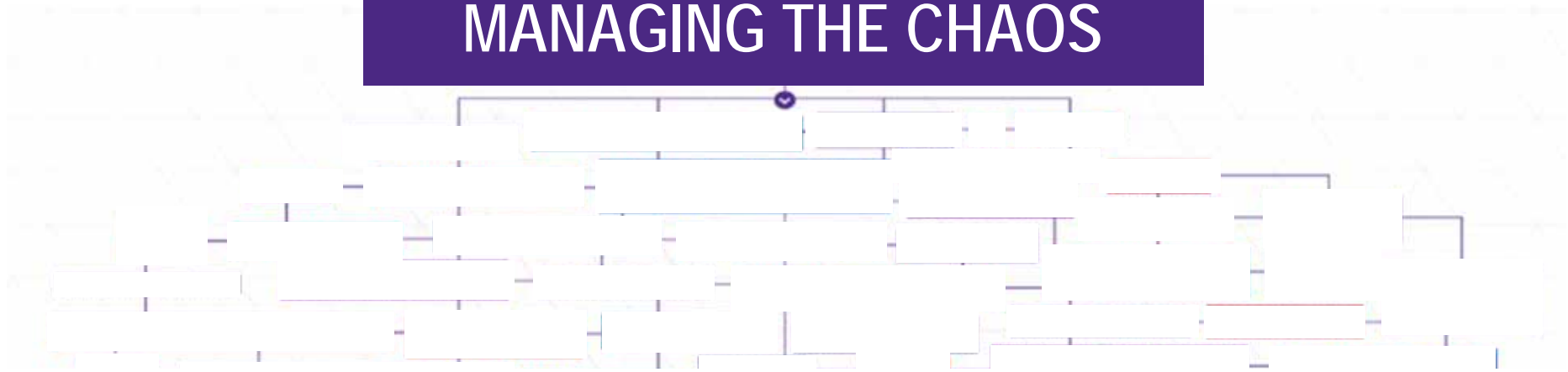


**Purpose**

**Budget**

**Schedule**

# MANAGING THE CHAOS





Organization



Project Scope



Completion



Construction





Organization



Project Scope



Completion



Construction





# Early Entry for All Key Team Members

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# Early Entry for All Key Team Members



Architect



Engineer



Owner

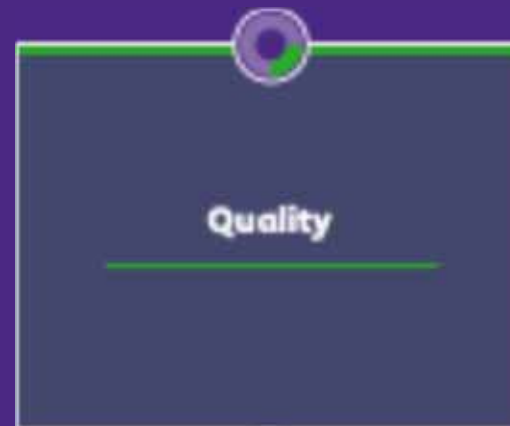


Construction  
Manager



Project  
Manager

# Guiding Principles for Project Success





# Owner Decision Making Process







**TEAM**

Owner

# TEAM

Owner



Architect



Engineer



Construction  
Manager



Project  
Manager

- Incentive Based Contracts
- Key Performance Indicators
- Contractual Arrangement
- Comprehensive Communication
- Transparency



# TEAM

Owner



Architect



Engineer



Construction  
Manager



Project  
Manager

- Design Standards & Brand Expectation
- Process for Additional Services
- Process for PO/Payment Requirements
- Budget
- Timeframe
- Decision Making



Post-Covid



Construction



Furnishings



Information  
Technology



Equipment



Organization



Project Scope



Completion



Construction



# Rules of Engagement

- Quantify Owner's Risk
  - Understand Budget/Design Parameters
  - Build and Commit to a Comprehensive Meeting Cadence
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  - Understand Budget/Design Parameters
  - Build and Commit to a Comprehensive Meeting Cadence



Planning & Design

Business Structure

Procurement/Purchasing

Site

Govt. Approvals

Accreditation

Estimating/Construction

Low Voltage

Equipment/Furnishings/IT

Brand Design

**ESTABLISH**  
"PROJECT SWIM LANES"

# ESTABLISH

"PROJECT SWIM LANES"

Planning & Design

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Brand Design

✓ Site Plan

✓ Site Conditions

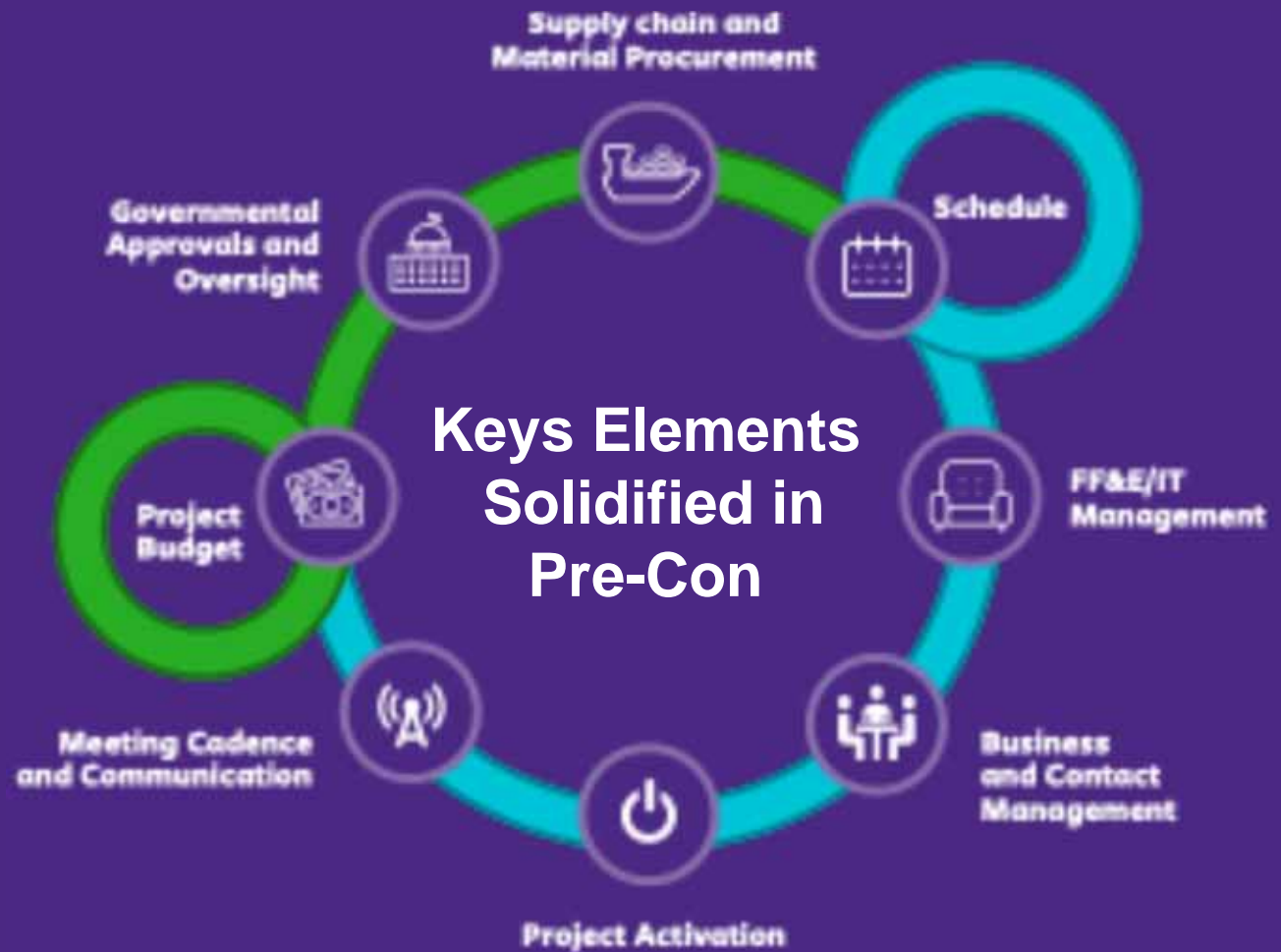
✓ Govt Entitlements

✓ Energy Sources

✓ Zoning / Plan Approval

✓ Utility Access

# Project Budget and Schedule Drives All of This



## Understand Full Project Cost and Identify Key Contingency “Buckets” within the Budget



## Understand Full Project Cost and Identify Key Contingency “Buckets” within the Budget



## Set Clear Key “Milestone” Dates in Order to Manage the Schedule to Successful Completion





Organization



Project Scope



Completion

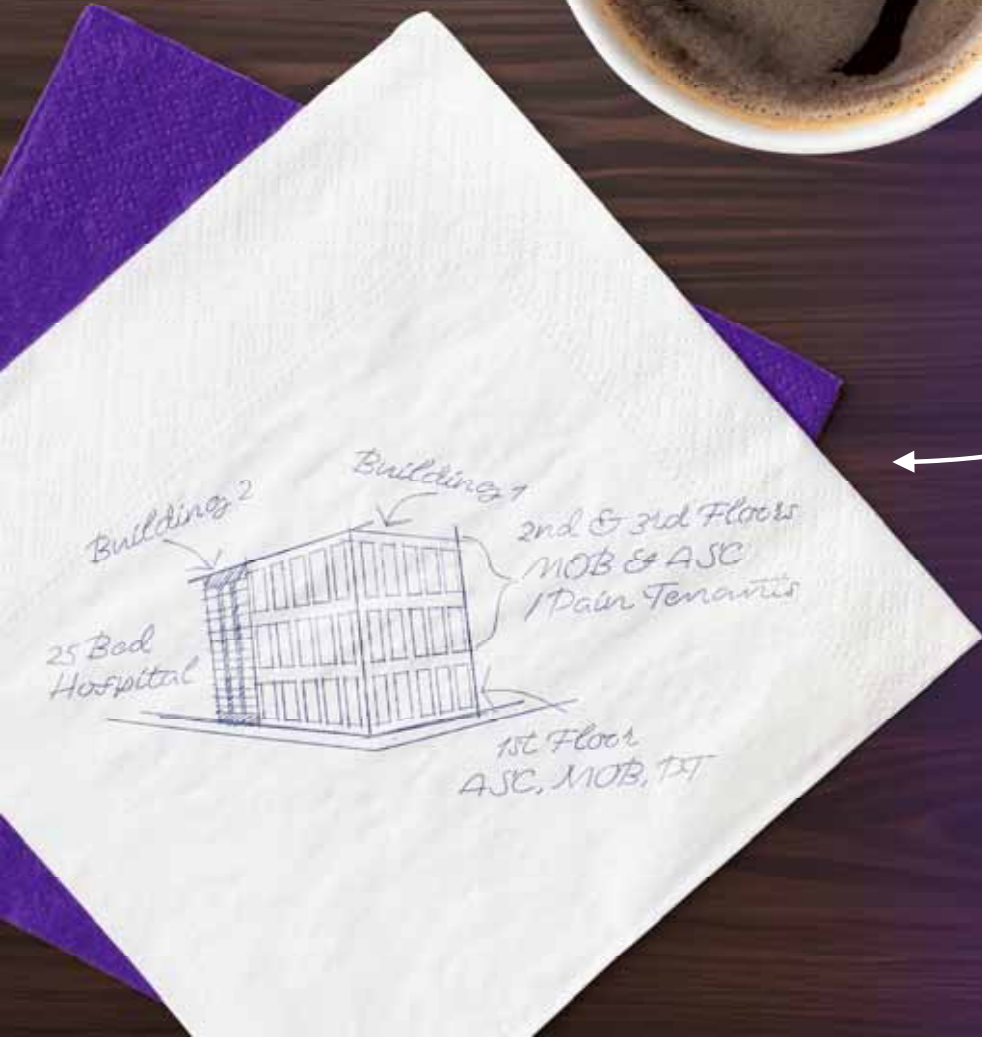


Construction



# THE VISION



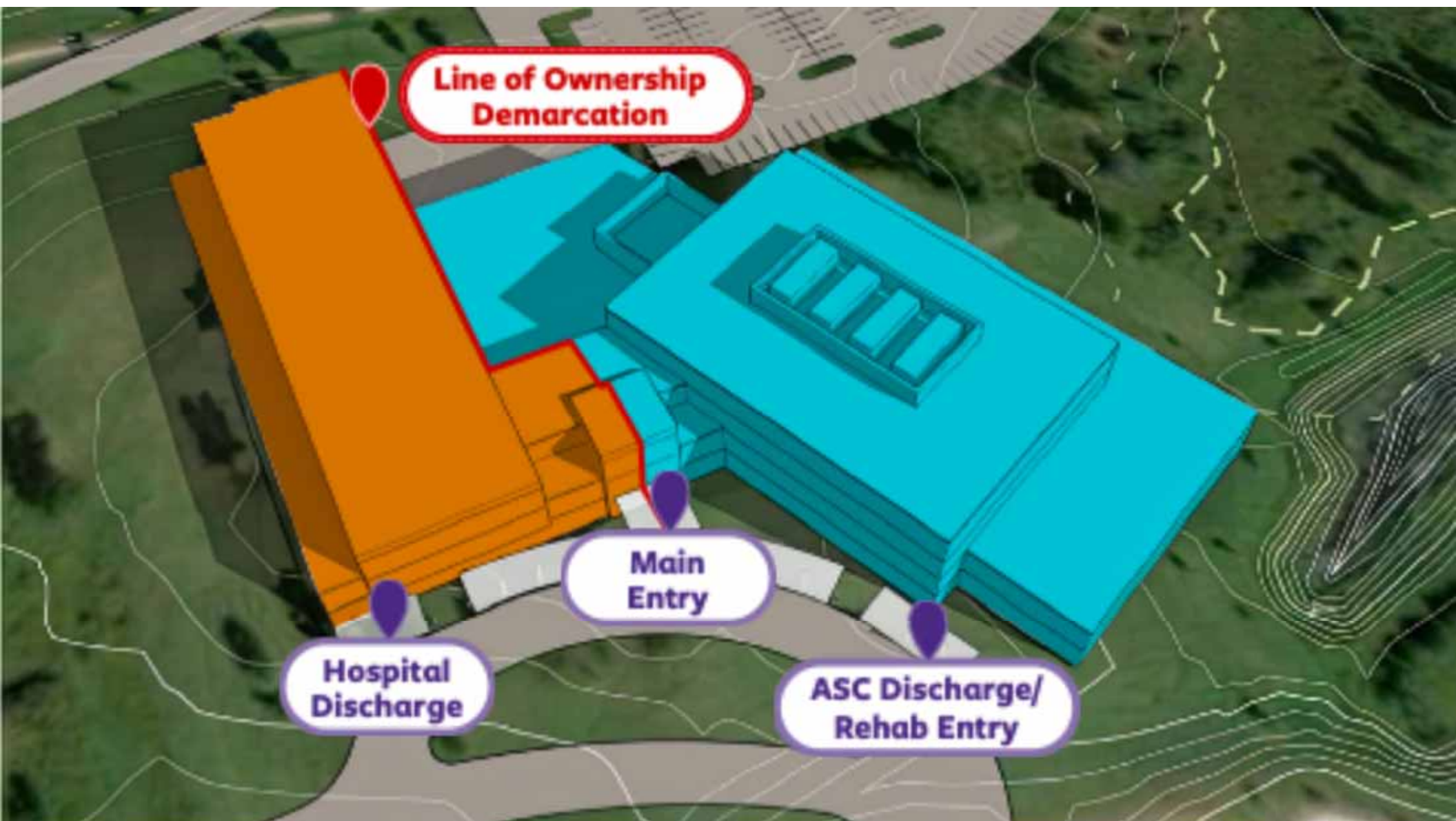


**May  
2019**  
Start Planning









**Line of Ownership  
Demarcation**

**Hospital  
Discharge**

**Main  
Entry**

**ASC Discharge/  
Rehab Entry**

# “The Game Plan”

- **Establish a Project Team very early in the process**
- **Establish detailed program for each building**
- **Set a comprehensive communication process for interaction of all Project Team Members**
- **Contracts for all team members established with KPI's and a fee structure that aligns all parties**
- **Prepare for flexibility in design and schedule**
- **Create an Owner decision process that was streamlined**



# START MAY 2019

## Planning & Design



- Select A/E Team (RFP)
- Site Plan Analysis
- Sizing Programming
- Building/Site Modeling
- Preliminary Design
- Select UM Firm for Pre-Conn Services
- Estimate and Scheduling

## Business Structuring



- Determine Risk Configuration
- Set Structural Parameters
- Prepare Preliminary Funding - Debt/Equity
- Create Guiding Principles
- Prepare Request Proposals

## Business Structuring



- Explore Zoning
- Explore Entitlements including Tax Abatement
- Explore Planning Approval Process
- Review Options for Meeting Govt. Requirements for Physician Ownership


## Project Budgeting



- Explore building construction cost parameters
- Explore FF&E/T Budgets
- Determine all other soft cost components


**October 2019 Request Board Approval**

# The Guiding Principles




## Financial Viability

- PROJECT COST
- RENT RATES
- "FLEX DESIGN SPACE"
- MARKET SHARE REGIONAL GROWTH
- PHYSICIAN ALIGNMENT




## Employee Satisfaction

- BUILDING AMENITIES
- PARKING
- LOCATION
- WORKLIFE QUALITY



## Patient Satisfaction

- ACCESS
- PARKING
- WAYFINDING
- HEALING ENVIRONMENT
- CENTER OF EXCELLENCE

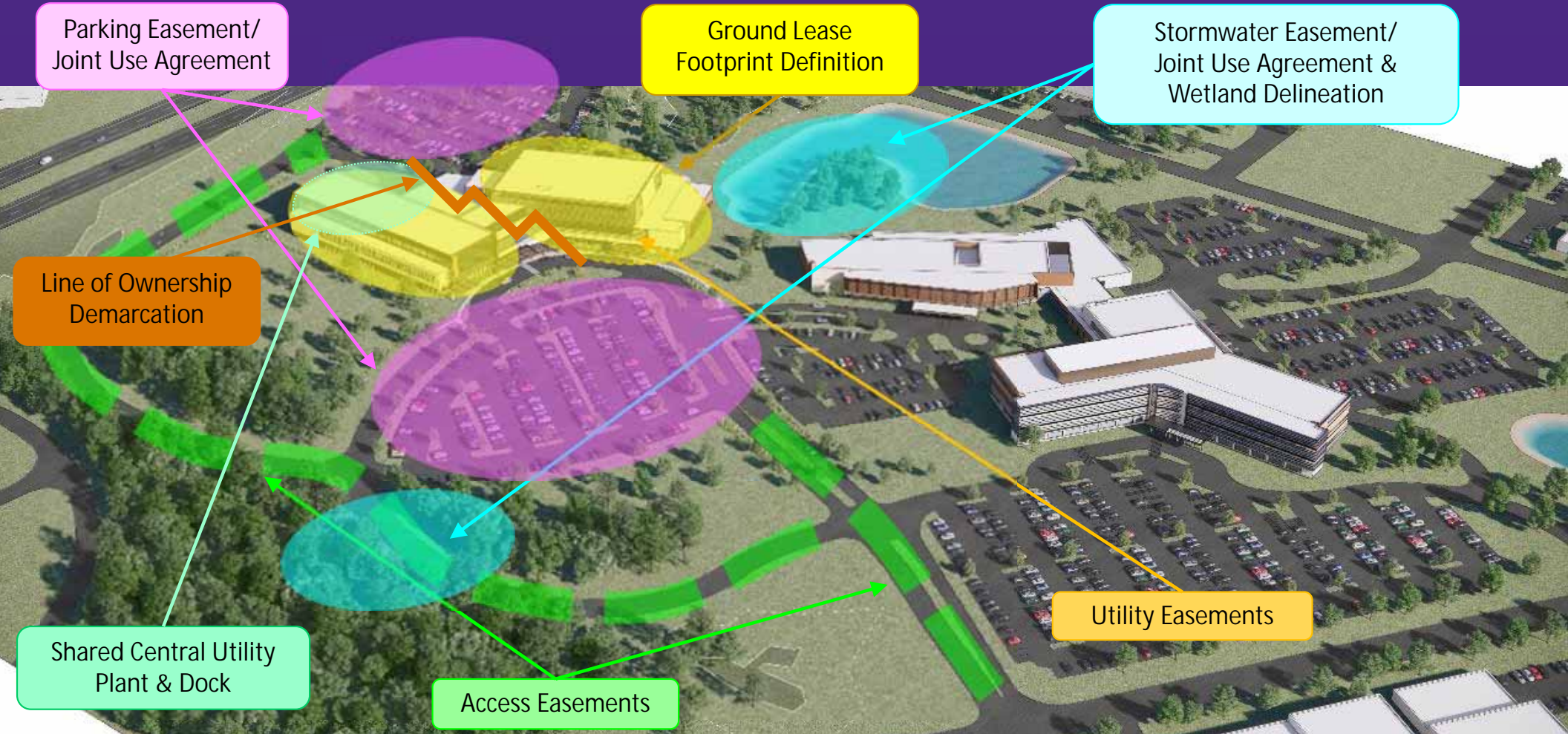


## Quality

- MEP QUALITY
- DESIGN SUSTAINABILITY
- EASE OF PEDESTRIAN MOVEMENT
- COMPLIMENTING SERVICES  
(ONE STOP CARE)



# The Ground Ownership Structure



# 7 - Significant Hurdles



# 7 - Significant Hurdles



Health System Board Approves a “Not to Exceed Budget” in October 2019



Completion July 2022 Under Budget



**Health System Board  
Approves a “Not to  
Exceed Budget” in  
October 2019**



**Completion July 2022  
Under Budget**



Total Project Cost Per SF	\$641.72/SF
Current Market Comparative	\$550.00/SF

Rent per SF (OSP)	(office) \$14.75/SF	(ASC) \$25.75
Current Market Comparative	\$17.00/SF	\$43.00

Schedule to Complete	21 Months
Current Market Comparative	15 Months
Interest Rate for OSP Mortgage	3.8%

Current Market Comparative	4.5%
Comparative projects being delivered over budget	

**Project delivered under budget by \$1M +**





# Success is Accomplished When...

- A vision is created with sound guiding principles
- The right team is put in place
- Leadership trusts & supports the team
- Problems are solved proactive!
- And “a little luck” is involved!

Organization



Project Scope



Completion



Construction



# A Successful Project



A successful projects includes meeting the owner's goals as defined at the beginning of a project...













Successfully activating and closing out.







 Budget	<input checked="" type="checkbox"/>	 Documentation	<input checked="" type="checkbox"/>
 Schedule	<input checked="" type="checkbox"/>	 Codes and Regulation	<input checked="" type="checkbox"/>
 Quality	<input checked="" type="checkbox"/>	 Sustainability	<input checked="" type="checkbox"/>
 Safety	<input checked="" type="checkbox"/>	 Commissioning	<input type="checkbox"/>
 Material Procurement	<input checked="" type="checkbox"/>	 Close Out	<input type="checkbox"/>



# Summary

**Rebound Late  
2020 - 2021**

**Planning  
2024**

**Deferral of Projects  
Late 2021-2023**





- Healthcare development opportunities are growing
- Demand more creative and flexible design
- Control Cost
- Understand Health Systems strategy and financial
- Create a process to mitigate owner risk
- Understand geographic locations and population movement

# Mega Hospital Projects

**Ambulatory**

**Micro-  
Hospitals**

Behavioral  
Health

Retail  
Locations

Renovate  
New







**Supply Chain**

**Demand**

**Labor Shortages**

**Inflation Rates**



To create a successful  
project, everybody wins:

The Owner

The Community

The Project Team,

and this only happens with hard  
work, dedication and passion.



— Denny Freudeman  
*Hplex Solutions*