



Back to Basics: Why Adhering to Central Real Estate and Facilities Management Principles is Critical for Hospitals in Time of ACA Uncertainty

By Ross Forman

President Trump and the Republican leadership's plan to repeal the Affordable Care Act (ACA) has created a climate of uncertainty across the healthcare industry, with direct impact on real estate and facilities healthcare operations.

It is difficult for a hospital to make capital commitments, expansion and hiring decisions, and investments in research without knowing what its long-term revenue stream potential may be.

Given the current climate, it is more critical than ever that hospitals implement and adhere to basic real estate and facilities management fundamental principles. Proactively managing healthcare assets is independent from what may or may not occur in changes to the ACA. The goal of optimizing the performance of the portfolio as defined by the individual healthcare organization remains.

With that, healthcare providers should focus on known variables:

- Data from the Organisation for Economic Co-operation and Development (OECD) has consistently shown the average unit costs for U.S. physicians, hospitals, facilities and drugs are the highest in the world.
- Real estate represents an average 40 percent of a hospital system's assets on the balance sheet.
- Cost of operations (utilities, maintenance, environmental services) average \$5,000 per full-time equivalent (FTE) for a medical center.
- The [retail real estate strategy](#) of placing primary and urgent care clinics in more strategic locations than traditional medical facilities is gaining momentum.

These costs, financial indicators and trends are material. They will remain constant regardless of changes in healthcare coverage. Most likely, facility cost ratios will increase as the task of doing more with less has become the norm.

The question then becomes: What does "back to the basics" mean and how does a healthcare facilities department protect itself from the unknown outcomes of an ACA repeal? The answer: start from the beginning:

Ensure real estate/facility management goals are aligned with the overall objectives of the healthcare network.

- The organization as a whole drives the mission, vision, priorities and objectives, with real estate and facilities implementing strategies that support those goals.

Establish a clear understanding of the current state of the network's portfolio performance.

- Aggressively manage and benchmark insight, visibility and transparency into all costs, utilization and productivity.
- Establish goals, with consistent reporting to track progress distributed to key stakeholders.

Develop an appropriate operating model and strategy for world-class service delivery.

- Define the right internal and external capabilities.
- Leverage a sourcing strategy and maximize economies of scale.
- Ensure ongoing contract management and frequently completed compliance audits.
- Develop and regularly update required ongoing training programs.

Establish processes, procedures and governance.

- Adhere to Standard Operating Procedures (SOPs) in all decisions and commitments.



- Standardize business case requirements.
- Minimize costs and maximize value-add through beneficial impacts on cash flow, and apply the right analysis to present the value of capital projects, revenues and the balance sheet.
- Prioritize flexibility and agility in all real estate/facility decisions.

Enable an increased investment in technology and work toward a cloud-computing workforce, which has higher levels of productivity and employee satisfaction and is a key factor in attracting and retaining top talent.

- Customize space that enables mobility from room to room and remote work from anywhere and anytime to deliver patient services.
- Establish a single source of information for planning and management.
- Create and regularly update an information governance framework to provide guidance to your network around governance, data quality, security, availability, management, and the alignment of data and information across the enterprise.
- Establish and regularly test basic cyber defenses and a coordinated response plan in the event of a breach incident.

Implementing fundamental real estate and facility leading practices is critical to mitigating potential risks of an unknown healthcare environment. This may require new ways of thinking, and a restructuring of internal capabilities and priorities. Without following these fundamental portfolio optimization recommendations, though, healthcare networks leave themselves exposed to poor-performing asset management results.