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HEALTHCARE

MICRO-HOSPITALS — ENHANCING YOUR AMBULATORY CARE STRATEGY

Announcer: Welcome to Navigant On Healthcare. Offering insights for healthcare leaders striving for success in an evolving industry.

Host: Welcome to Navigant On Healthcare, everybody! I'm your host, Alven Weil. Today, we are joined by Phil DeBruzzi, a director at Navigant's health facility planning practice, and Casey Nolan, managing director of Navigant's providers strategic planning segment.

A fellow of ACHE, Phil has dedicated his career to advising healthcare leaders on how to plan for and invest at their facilities and support long range clinical and business goals. An expert in regional and network design and facility and campus master planning, Phil is called upon frequently to present at industry conferences on these topics.

In his 35 years of strategic planning experience, Casey has conducted more than 500 consulting engagements for all types of hospitals, health systems and ambulatory facilities, as well as healthcare manufacturers and suppliers nationwide. Casey is an associate professor at Johns Hopkins University and recently co-authored the book, "Strategic Planning in Healthcare, a Guide for Board Members."

Welcome Phil and Casey!

Phil DeBruzzi: Thank you, Alven!

Casey Nolan: Thanks, Alven!

Host: Today, we're discussing micro-hospitals and how they enhanced ambulatory care strategy, especially at a time when access to care is an issue in almost every market. Gentlemen, can you start us off by explaining what micro-hospitals are, key drivers behind them, and why they should be a part of a comprehensive, integrated, access strategy.

Casey: Sure, Alven! Let me start and I'll ask Phil to chime in.

First, let's talk about what a micro-hospital is not. It's not just a smaller version of an inpatient acute care facility, but a micro-hospital is a facility that is built around the emergency department, and that

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About Navigant

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emphasizes outpatient care and wellness. They typically have about five major components, including the ED, imaging and diagnostic services, surgical procedure center and a small inpatient unit that is typically less than 15 beds, and they also typically have some kind of medical office building or wellness component to it. They are licensed as an acute care hospital and in fact, CMS has recently indicated that in order to be licensed as an acute care hospital, you have to have an average daily census of at least two patients, but unlike the typical inpatient hospitals, these facilities are not reliant on physician referrals for their business, but rather they are a direct-to-consumer access channel.

In terms of what's driving them, it reflects three major things. First, is the on-going shift from volume-to-value that we're seeing in the reimbursement system and -- although that may be a little bumpy at the current time -- I'm fairly confident that, over time, we will see greater emphasis on value-based reimbursement and these facilities will play a key role in that. The second is the ongoing shift that's been going on for 30 plus years, from inpatient to outpatient, as a care setting. So, this reflects that as well, but there is also -- more importantly -- the growing interest in on-demand care. When you recognize that more than 40 percent of the people in this country, under the age of 40, do not have a primary care physician, and primary care physician wait times for visits have gone up 30 percent in the last five years, and marry that with the growing consumerism of healthcare and the expectation of on-demand services, you can see some of the factors that are driving the development of micro-hospitals.

So, I think those are some of the key factors in terms of what they are and some of their drivers.

Phil: Yeah, Casey, this is Phil. I would add to that in saying that, these are typically not stand alone facilities. They are thought of as part of a system and I know we'll talk more about that, but with that comes a tech-enabled platform that really allows that connectivity and the lower cost structure to make them successful.

You know, in terms of metrics, the four to 14 bed kind of metric is what Casey mentioned -- you know, 1,500 discharges annually, roughly - 20,000 ED visits, are the type of scale we're talking about, in terms of numbers. From a capital perspective, that could be you know, as low as a free-standing ED, \$7 million to \$10 million dollars. It could be as high as \$25 million to \$30 million dollars, or more, when you talk about a more robust facility.

Casey: Yeah, and Alven, Phil made a very important point that I'd like to emphasize. Micro-hospitals can be successful in and of themselves, but they really need to be the centerpiece of a much broader, more comprehensive strategy design to improve access.

In fact, I believe the healthcare systems that are going to be successful in the future are going to own the concept of access, and that's going to include primary care physicians, retail sites, urgent care centers, ambulatory care centers, even free-standing EDs, and also virtual and on-demand accessibility. So, these access platforms need to be organized, coordinated and integrated and the micro-hospital can and should be, kind of the centerpiece of that overall access strategy.

Host: So, why are micro-hospitals attractive to both care providers and to patients? And what type of growth and advancements are we seeing with these care sites?

Phil: What makes these facilities attractive to providers is, again, that continued evolution of health systems networks from an acute care hospital centric platform to really an ecosystem that has a robust ambulatory network, wellness capabilities, those sorts of functions really expand out the continuum of care and allow providers to be successful in a population health environment.

I think the other aspect of attractiveness to providers is really from a risk-return perspective. If I'm a provider looking to expand out my network, given the challenges on the inpatient side and the growth out there for outpatient visits, spending a lower amount of money to expand the network in a facility, in a type of facility and a market that I know is going to be sustainable long term, is quite attractive.

Casey: I would add to what Phil said in terms of a couple things, in terms of why these are very attractive to providers, as well as to patients. One, you can put them into strategic locations. In many cases, hospitals were built 40, 50 years

ago and the markets have moved, literally, beyond where they're at today. So, these are opportunities to get into a strategic marketplace, and you can do them much more quickly than you can a full-scale hospital. So, speed-to-market and strategic locations are big aspects of these things.

In addition, because they're smaller and because they're focused on the outpatient and the ED, and they're built today as opposed to 40 or 50 years ago, they really tend to deliver superior customer service. The patient experience, the customer experience is much friendlier, much easier, much less trying for the customer's individually. So, those are some of the reasons that they're attractive to not only providers, but also to the patients and the consumers. They're in the right locations, they're easy to access and the experience is much better overall.

Host: What factors in the market make it attractive for micro-hospital growth? For example, is there a need for certain population level for it to be impactful in the market?

Casey: Yeah, Alven, there are a couple things that I'll mention and I'm sure Phil's got some additional comments on this. One is, these facilities are typically located in high-growth markets where there is a fairly significant growth in the population, and, as I mentioned before, these are typically strategically important markets to the providers. Typically what you'll see is there's growth in an ex-urban area or suburban area because of housing development and economic development and the health system may not have any access points in there. This is a way to get into those high growth, strategically important markets quickly and, along with that, we tend to see these in markets that are relatively underserved, both in terms of primary care, as well as in ambulatory care.

The other components that we tend to see is that, these are highly accessible locations in these communities, so that people can see them. They can access them easily from the major road systems. Those are some of the trends that we're seeing from where these things are and kind of what kind markets are appropriate for them.

Phil, you may have some additional comments on that.

Phil: Yeah, I think that makes a lot of sense. We're actually seeing discussions in the merits of a micro-hospital take place in more of the rural setting, as well. You start to get some of the challenges around, how do you leverage the system resources and kind of, corporate shared services, if you will, and the value of a larger health system, when the distance gets far...but, you start to think about the virtual medicine aspect, the EICU kind of capabilities that a central health system could provide a more distant and smaller facility to reduce that cost structure is becoming more relevant in our discussions.

Casey: Yeah, and to add what Phil said, one of the things we're seeing and working with a number of clients on, is that as some of these facilities that were built as a result of the Hill-Burden Act in the 40s, 50s and 60s, begin to age out... what the health systems are discovering is that those small rural facilities -- it's impractical and uneconomical to try and replicate a community hospital in those settings -- but in fact, a micro hospital is ideally situated for those areas where many of these facilities may have been built initially for 75 or 150 beds, but they're average daily census today is 10 or 12 and what the communities need is not an inpatient facility, but they need an access point that has a few beds for observation, stabilization, but robust ambulatory, ED, and ancillary service capabilities. That's why these facilities can be an ideal replacement facility for an aging inpatient acute care facility.

Host: So, what are the critical success factors in delivering a successful micro-hospital and how should you be thinking differently about planning or operating and implementing a micro-hospital versus traditional hospitals?

Phil: Yeah, that's a great question Alven, because these are thought about and delivered very differently than just an outpatient facility or clinic, or MLB or a hospital, right? So, I think there are probably at least three or four key things to consider. Obviously, the first is as we talked about the alignment with the network strategy. So, how is that facility and that market fit into our broader portfolio? Are we seeing competitive pressures? Are we seeing opportunity for consolidation because we recently merged? So, I think really thinking through the location and how it fits into the broader framework is one key success factor.

The other is around a retail orientation. So, as mentioned earlier, we want to make sure these facilities are very retail-oriented, great customer-consumer experience and so, we need to think about how we design a facility, the types of folks we hire to interact with patients as they come through front door.

Technology, I think technology is critical to making sure these facilities operate with minimal level of staffing, so I think there's an opportunity to have both fixed and mobile virtual medicine capabilities, you know, in the emergency departments, the inpatient unit, the medical office building...again, to be able to leverage distant subspecialists, or to be a site and a resource for e-visits, things like that.

And then, lastly, maybe Casey has some others, but really the LEAN planning and design in construction...so really, a LEAN process needs to underlay this whole endeavor. I think that there's opportunities to cross-train staff in a facility like this. The design is important in terms of the adjacencies that we setup to accommodate flexibility and activity levels throughout the day and in the evening and the seasonality that exists in these types of facilities. Having a really fast track design in construction and more of an integrated delivery approach to these, because as we said earlier, speed to market is important and the longer they take to be built, the more risk around cost overruns.

Casey:

Yeah, and Alven, let me add to what Phil mentioned and tie it back to one of my first comments, and that is: these are not just small versions of an inpatient acute care facility. A couple of the key critical success factors relate to cross-training staff so you don't have dedicated staff that only do, for example, x-rays or labs. Folks are cross-trained so they can do multiple activities in the same shift, so that helps you right-size it from a staffing standpoint.

Similarly, from a facility, there are lots of spaces that are used for multiple purpose or they're multi-purpose rooms, as opposed to dedicated rooms. Again, that really helps you orient this thing differently than just being a traditional inpatient acute care facility. You know, even to the point, as Phil said, in terms of consumerism and patient experience, using technology to eliminate things like the waiting rooms, so you have direct check-in and those kinds of things.

So, it's a very different design and a different operating philosophy that needs to be brought to bear in these things to make them successful. If you take the traditional operating approach and philosophy, and staffing approach and philosophy, and construction approach and philosophy that you use to build a traditional inpatient acute care facility, you will not have a successful micro-hospital. If you take a different approach, use the LEAN design characteristics that Phil talked about, do cross-training of the staff, multi-purpose rooms, and use technology to facilitate the consumer's experience, you can have a wildly successful micro-hospital.

Announcer:

That concludes today's episode. Be sure to check in with us for future installments of the Navigant On Healthcare podcast series on navigant.com/healthcarepodcast. Navigant On Healthcare is a podcast series produced by Navigant's healthcare practice. If you enjoyed this episode, please share with friends and colleagues on social media. Learn more at navigant.com.

