



Small Hospitals Making Big Impact On Commercial Real Estate

John Lamorte was a little surprised when the pre-op coordinator, who worked for his orthopedist, stepped him through the procedures surrounding his upcoming surgery. He was fully prepared to go for last minute blood work, arrive early and to fast for twelve hours prior. What he wasn't expecting was to report to an outpatient surgery facility in the Kissimee suburb near where he lives. "This was pretty major surgery", said Lamorte. "I figured that repairing a bicep tendon would mean going to the university medical center, not the little building across from the shopping mall."

Lamorte's experience is not singular. More and more healthcare consumers, fueled by mandates of the Patient Protection and Affordable Care Act (PPACA), are availing themselves of these convenient outpatient facilities and free-standing emergency rooms. These locations, referred to within the industry as small format facilities increase access for patients that have historically struggled to get the appointments and the care they require. They also help healthcare providers reduce costs, enhance staff efficiency and productivity, and build a collaborative, team-based approach to medicine, further requirements imposed by PPACA. Florida is no exception to this as Orlando Health and Adventist Health are examples of at least two companies competing for territory in Central Florida to establish outpatient facilities that can capture the business of the area's steadily growing population. In other areas of the state, NexCore Group is set to open, later this year, a build-to-suit, off-campus women's health center in Tampa and HCA, a Tennessee based for-profit operator of health care facilities, is scheduled to open its seventh free-standing emergency room in Florida.

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In 2015, the American Hospital Association reported a startling decline in the number of inpatient hospital admissions nationwide by more than 2 million to 33.1 million. In contrast, however, the total number of outpatient visits, typically associated with small format medical facilities, increased to 693.1 million in 2014 from 651.4 four years earlier – a jump of more than 40 million visits.

A number of years back, AARP published a study that clearly showed an overwhelming concern by Florida members for convenient access to healthcare as a top priority for the state. Healthcare providers in Miami, as one example, have clearly taken this seriously, as shown by remarkable growth and expansion to the region's health systems, by bringing high-quality care into neighborhoods. Jackson Health Systems has been a consistent player in that arena, setting up community centered facilities in Palmetto Bay and North Miami Beach and has plans to add a campus in Doral, as well as six outpatient care centers. Baptist Health South Florida plans to open 30 outpatient and urgent care facilities throughout South Florida. All this expansion means greater convenience for Florida residents and further emphasizes growth for the foreseeable future of these non-traditional care facilities.

According to Anne Spencer, director of health-care practice group at Cushman & Wakefield, "Most other areas in the country are trying to figure out how to get rid of [hospitals] and they're talking about creative re-use. But in Florida we're building and expanding." This sentiment is shared by Priya Bathija, senior associate director for policy development at the American Hospital Association. He believes community-based smaller format facilities would be a good healthcare delivery model in many areas. "Right now they seem to be popping up in large urban and suburban metro areas," Bathija said. "We really think they have the potential to help in vulnerable communities that have a lack of access."

For commercial real estate investors, developers, brokers and management firms, opportunities with micro-hospitals abound in urban and suburban areas where there are not enough hospitals to meet the growing demand of consumers that are increasingly more informed about healthcare options. The industry should look for situations where health systems are being stretched in terms of capacity and reach and may be considering using alternative format facilities to establish themselves in surrounding markets that do not have enough demand for full-sized hospitals.

In terms of operating procedures and size, many facilities tend to be open 24 x7, meaning they need to be located in safe, well lit, accessible areas. As far as space, they tend to range from 15,000 to 50,000 square feet, enough to accommodate between eight and 10 patient beds, a similar number of emergency treatment and triage rooms, along with office space for primary and specialty care physicians.

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